

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 8, 2021**REFUNDING BONDS****RATINGS:**
(See “Ratings” herein)

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the City, under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including the City of New York. See “TAX MATTERS” herein.

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

**CITY OF BUFFALO, NEW YORK****\$12,625,000* GENERAL IMPROVEMENT REFUNDING SERIAL BONDS - 2021A**
(the “Bonds”)**Date of Issue:** Date of Delivery**Maturity Dates:** April 1, 2021-2027
(as shown on the inside cover)

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

The Bonds are dated the date of delivery and will mature on the dates and in the amounts, will bear interest at the rates and will have the yields or public offering prices shown on the inside cover of this Official Statement. Interest on the Bonds will be payable on the dates as shown on the inside cover of this Official Statement, calculated on a 30-day month and 360-day year basis. Principal and interest will be paid by Manufacturers & Traders Trust Company, Buffalo, New York, as Paying Agent, to the Depository Trust Company (“DTC” or the “Securities Depository”), which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. The Bonds will not be subject to optional redemption prior to maturity.

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

The Bonds are offered when, as and if issued and received by the purchaser and subject to the receipt of the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. It is anticipated that the Bonds will be available for delivery on or about March 2, 2021.

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.

This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there may not be any sale of the Bonds offered by this Preliminary Official Statement, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of that jurisdiction.

\$12,625,000* GENERAL IMPROVEMENT REFUNDING SERIAL BONDS - 2021A

Dated: Date of Delivery

Principal Due: April 1 as shown below
 Interest Due: April 1, 2021, October 1, 2021 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>
2021	\$10,000			
2022	2,425,000			
2023	2,430,000			
2024	2,445,000			
2025	2,460,000			
2026	2,470,000			
2027	385,000			

† 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.

* Preliminary, subject to change.

No dealer, broker, salesman or other person has been authorized by the City, or any officer thereof, to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the City from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, since the date hereof.

**CITY OF BUFFALO
NEW YORK**

MAYOR
Byron W. Brown

COMPTROLLER
Barbara Miller-Williams

COMMON COUNCIL
Darius G. Pridgen, President

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

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

Joseph Golombek, Jr.
Rasheed N.C. Wyatt

Donna J. Estrich
Commissioner of Administration,
Finance, Policy and Urban Affairs

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Corporation Counsel

Hawkins Delafield & Wood LLP
Bond Counsel

Capital Markets Advisors, LLC
Municipal Advisor

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

\$12,625,000* GENERAL IMPROVEMENT REFUNDING SERIAL BONDS - 2021A

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 \$12,625,000* General Improvement Refunding Serial Bonds - 2021A (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.

This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has created prevailing economic conditions (at the global, national, State and local levels) that are highly uncertain, generally negative, and rapidly changing, and these conditions are expected to continue for an indefinite period of time. Accordingly, the City's overall economic situation and outlook (and all of the specific City-related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this unprecedented world-wide event, the effects of which are extremely difficult to predict and quantify.

INTRODUCTION

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

The 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.)

* Preliminary, subject to change.

The audited government-wide financial statements for the City’s fiscal year ended June 30, 2020 indicate a net position total of (\$872.4) million, a decrease of \$24.2 million over the prior year. Total revenues decreased by \$25.8 million, of which \$19.7 million was a result of the State withholding a portion of the June 2020 aid payment. Total expenses increased by \$100.9 million. Total Governmental Fund expenditures increased \$7.9 million primarily due to repayment of refunded bonds. Government-wide expenses were significantly higher in 2020 primarily as a result of the change in actuarial assumptions used in measuring the net pension liabilities and the related deferred inflows and outflows of resources, General Fund expenditures and other uses exceeded revenues and other sources by \$3.4 million for the fiscal year ended June 30, 2020. This compares to revenues and other sources exceeding expenditures and other uses by \$0.9 million for the fiscal year ended June 30, 2019, and expenditures and other uses exceeding revenues and other sources by \$22.9 million for the fiscal year ended June 30, 2018. The City’s audited General Fund fund balance at June 30, 2020 was \$89.5 million, compared to a General Fund fund balance of \$92.9 million at June 30, 2019 and \$92.0 million at June 30, 2018.

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 \$42.3 million determined in accordance with GAAP for the fiscal year ended June 30, 2020. This compares to revenues and other sources exceeding expenditures and other uses by \$28.9 million and \$12.1 million for the fiscal years ended June 30, 2019 and 2018, respectively. The Buffalo CSD’s General Fund fund balance at June 30, 2020 was \$266.0 million compared to a General Fund fund balance of \$223.7 million at June 30, 2019 and \$194.7 million at June 30, 2018. (See “DISCUSSION OF FINANCIAL OPERATIONS - *City and Buffalo CSD General Fund Financial Operations*, 2017-18, 2018-19 and 2019-20” and “Independent Audits” herein.)

THE CITY’S FINANCIAL PRACTICES/OUTLOOK

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

THE BONDS

Description of the Bonds

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

Interest on the Bonds will be payable on April 1, 2021, October 1, 2021 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 and Purpose of the Bonds

The Bonds are authorized to be issued pursuant to the Constitution and laws of the State, including the Local Finance Law and a refunding bond resolution duly adopted by the Common Council on January 5, 2021 and approved by the Mayor of the City authorizing the issuance of refunding bonds in an aggregate principal amount not to exceed \$13,800,000 to provide funds required by the City to refund certain bonds previously issued by the City, and other proceedings and determinations related thereto. A refunding financial plan has been prepared and is described below (the “Refunding Plan”).

The Bonds, along with available cash on hand, are being issued to refund \$8,645,000 of the outstanding principal of the City’s General Improvement Serial Bonds – 2011C, which mature in the years 2022 to 2026, inclusive, (the “Refunded 2011C Bonds”), \$1,900,000 of the outstanding principal of the City’s School Serial Bonds – 2011D, which mature in the years 2022 to 2026, inclusive (the “Refunded 2011D Bonds”) and City’s School Serial Bonds – 2012B, which mature in the years 2022 to 2027, inclusive (the Refunded 2012B Bonds”, collectively with the Refunded 2011C Bonds and the 2011D Bonds, herein referred to as the “Refunded Bonds”). Under the Refunding Plan, the Refunded Bonds are to be redeemed on April 1, 2021. Details concerning the Refunded Bonds are presented in the tables below. The net proceeds of the Bonds, along with available cash on hand (after payment of the underwriting fee and other costs of issuance relating to the Bonds) will be used to purchase non-callable, direct obligations of or obligations guaranteed by the United States of America (the “Government Obligations”) which, together with remaining cash proceeds from the sale of the Bonds, will be placed in an irrevocable trust fund (the “Escrow Fund”) to be held by Manufacturers Traders Trust Company Corporate Trust Services (the “Escrow Holder”), a bank located and authorized to do business in the State, pursuant to the terms of an escrow contract by and between the City and the Escrow Holder, dated as of the delivery date of the Bonds (the “Escrow Contract”). The Government Obligations so deposited will mature in amounts which, together with the cash so deposited, will be sufficient to pay the principal of, interest on and applicable redemption premium of the Refunded Bonds on the date of their redemption. The Refunding Plan requires the Escrow Holder, pursuant to the refunding bond resolution of the City and the Escrow Contract, to pay the Refunded Bonds at maturity or at the earliest date on which the Refunded Bonds may be called for redemption prior to maturity.

The holders of the Refunded Bonds will have a first lien on investment income from and maturing principal of the Government Obligations, along with other all available monies held in the Escrow Fund. The Escrow Contract shall terminate upon final payment by the Escrow Holder to the paying agents/fiscal agent for the Refunded Bonds amounts from the Escrow Fund adequate for the payment, in full, of the Refunded Bonds, including interest and the redemption premium payable with respect thereto.

The Refunding Plan will permit the City to realize, as a result of the issuance of the Bonds, cumulative dollar and present value debt service savings.

Under the Refunding Plan, the Refunded Bonds will continue to be general obligations of the City. However, inasmuch as the monies held in the Escrow Fund will be sufficient to meet all required payments of principal, interest and redemption premium requirements when required in accordance with the Refunding Plan, it is not anticipated that any other source of payment will be required.

Refunded \$8,645,000 of the City's \$22,265,000 General Improvement Serial Bonds – 2011C*

Maturity	Coupon	Maturity Value	Call Date	Call Price	CUSIP BASE 119677
April 1, 2022	4.000%	\$1,605,000	April 1, 2021	100.00%	FA5
April 1, 2023	3.500%	1,665,000	April 1, 2021	100.00%	FB3
April 1, 2024	3.750%	1,725,000	April 1, 2021	100.00%	FC1
April 1, 2025	4.000%	1,790,000	April 1, 2021	100.00%	FD9
April 1, 2026	4.000%	<u>1,860,000</u>	April 1, 2021	100.00%	FE7
	Total	<u>\$ 8,645,000</u>			

Refunded \$1,900,000 of the City's \$4,900,000 School Serial Bonds – 2011D*

Maturity	Coupon	Maturity Value	Call Date	Call Price	CUSIP BASE 119677
April 1, 2022	4.000%	\$ 350,000	April 1, 2021	100.00%	FR8
April 1, 2023	4.000%	365,000	April 1, 2021	100.00%	FS6
April 1, 2024	4.000%	380,000	April 1, 2021	100.00%	FT4
April 1, 2025	4.000%	395,000	April 1, 2021	100.00%	FU1
April 1, 2026	4.000%	<u>410,000</u>	April 1, 2021	100.00%	FV9
	Total	<u>\$ 1,900,000</u>			

Refunded \$2,235,000 of the City's \$5,000,000 School Serial Bonds – 2012B*

Maturity	Coupon	Maturity Value	Call Date	Call Price	CUSIP BASE 119677
April 1, 2022	3.000%	\$ 345,000	April 1, 2021	100.00%	HW5
April 1, 2023	3.000%	355,000	April 1, 2021	100.00%	HX3
April 1, 2024	3.000%	365,000	April 1, 2021	100.00%	HY1
April 1, 2025	3.000%	375,000	April 1, 2021	100.00%	HZ8
April 1, 2026	3.125%	390,000	April 1, 2021	100.00%	JA1
April 1, 2027	3.250%	<u>405,000</u>	April 1, 2021	100.00%	JB9
		<u>\$2,235,000</u>			
	Total:	\$12,780,000			

*Preliminary, subject to change.

Sources and Uses of Proceeds of the Bonds

Sources:

Par Amount:
Net Original Issue Premium:
City Contribution:

Total:

Uses:

Refunding Escrow Deposit:
Costs of Issuance and Contingency:
Underwriter's Discount:

Total:

Verification of Mathematical Computations

Causey Demgen and Moore P.C. will verify from the information provided to them, the mathematical accuracy, as of the date of the closing of the Bonds, of the computations contained in the provided schedules to determine that the anticipated receipts from the Government Obligations and cash deposits listed in the final refunding financial plan, to be held in escrow, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Causey, Demgen, and Moore P.C. will express no opinion on the assumptions provided to them, nor as to the exclusion from taxation of the interest on the Bonds.

No Optional Redemption of the Bonds

The Bonds are not subject to redemption prior to maturity.

PAYMENT OF AND SECURITY FOR THE BONDS

General

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

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

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

Capital Debt Service Fund

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

Operation of the CDSF is coordinated with the City's real property tax collection procedure in the following manner. The first real property taxes collected during each of two collection periods commencing July 1 and December 1 are deposited in the CDSF until the amount on deposit in the CDSF during each collection period equals the amount necessary to pay capital debt service as allocated to such collection periods. Capital debt service due and payable from July 1 through December 31 is paid from amounts deposited during the first collection period (July 1 - November 30) and capital debt service due and payable from January 1 through

June 30 is paid from amounts deposited during the second collection period (December 1 - June 30). The City may deposit other funds at any time into the CDSF as such other funds are required by law or otherwise to be applied to payment of capital debt service.

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

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

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

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

Rights and Remedies

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

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

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

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

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

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

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

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

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

Book-Entry-Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities, in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Bonds and deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and

dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City on the payable date, in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial

Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC (nor its nominee) or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC), and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. The Tax Certificate of the City (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Bonds will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City in connection with the Bonds, and Bond Counsel has assumed compliance by the City with certain provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

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

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

Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of

gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City, in executing the Tax Certificate, will certify to the effect that the City will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

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

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

Original Issue Discount

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

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

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

Bond Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed

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

Information Reporting and Backup Withholding

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

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

Miscellaneous

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

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

LEGAL MATTERS

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

**MARKET MATTERS AFFECTING FINANCINGS
OF THE MUNICIPALITIES OF THE STATE**

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

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

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

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

The City is dependent in part upon financial assistance from the State in the form of State aid as well as grants and loans to be received ("State Aid"). The City's receipt of State aid may be delayed as a result of the State's failure to adopt its budget timely and/or to appropriate State Aid to municipalities and school districts. Should the City fail to receive all or a portion of the amounts of State Aid expected to be received from the State in the amounts and at the times anticipated, occasioned by a delay in the payment of such moneys or by a reduction in State Aid or its elimination, the City is authorized pursuant to the Local Finance Law ("LFL") to provide operating funds by borrowing in anticipation of the receipt of such uncollected State Aid, however, there can be no assurance that, in such event, the City will have market access for any such borrowing on a cost effective basis. The elimination of or any substantial reduction in State Aid would likely have a materially adverse effect upon the City requiring either a counterbalancing increase in revenues from other sources to the extent available or a curtailment of expenditures. (See also "*State Aid*" herein.)

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

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

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

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the City's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of

State aid. Currently, the COVID-19 outbreak has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to continue to affect economic growth worldwide. The outbreak caused the Federal government to declare a national state of emergency, which was followed by the enactment of a variety of stimulus measures designed to address financial stability and liquidity issues caused by the outbreak. The State also declared a state of emergency and the Governor has taken and continues to take steps designed to mitigate the spread and impacts of COVID-19. Nevertheless, the outbreak of COVID-19 and the dramatic steps taken by the Federal government and State to address it are expected to negatively impact federal and local economies, including the economy of the State. The full impact of COVID-19 on the State's operations and financial condition is not expected to be known for some time. Similarly, the degree of the impact on the City's operations and finances as a result of COVID-19 is extremely difficult to predict due to uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The spread or resurfacing of the outbreak could have a material adverse effect on the State and municipalities, including the City. The City is continuously monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. See also "*Impacts of COVID-19*" under "*DISCUSSION OF FINANCIAL OPERATIONS*" in Appendix A for a discussion of the impacts of the COVID-19 pandemic upon the City and the BOE.

RATINGS

Moody's Investors Service ("Moody's") and S&P Global ("S&P") have assigned underlying ratings to the City's outstanding uninsured bonds, including the Bonds, of "A1" Stable Outlook and "A+" Negative Outlook, respectively. The City has not requested a rating from Fitch Ratings on the Bonds. On September 20, 2019 Fitch Ratings assigned an underlying rating of 'A+' Stable Outlook to certain outstanding uninsured bonds of the City.

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

MUNICIPAL ADVISOR

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

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

CYBER SECURITY

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

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

DISCLOSURE UNDERTAKING

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

Compliance History

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

ADDITIONAL INFORMATION

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

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

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

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

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

Accordingly, actual results may vary from the projections, forecasts and estimates contained in this Official Statement and such variations may be material.

CITY OF BUFFALO

Barbara Miller-Williams
City Comptroller

February __, 2021

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THE GOVERNMENT OF BUFFALO

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

City Services

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

Elected Officials

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

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

The legislative body of the City is the Common Council, which consists of nine council members, who are elected in a general election to four-year terms from their respective districts. At its organizational meeting, the Common Council is required to elect one of its members to serve a two-year term as President of the Common Council. In addition to the legislative power to adopt ordinances and resolutions, the Council has the specific power to override the Mayor’s veto of any ordinance approved by the Council, and to review and approve the operating and capital budgets and most mayoral appointments. In addition, the Council has the power to make investigations of City affairs, to subpoena witnesses and records, to administer oaths and to compel testimony. The Council, through the adoption of salary ordinances passed separately from the budget, has the power to set salaries. The establishment of water rates is the responsibility of the Buffalo Water Board.

DISCUSSION OF FINANCIAL OPERATIONS

Four-Year Financial Plans

General

Pursuant to the BFSA Act, the City, the Buffalo CSD and other Covered Organizations are required to annually submit a four-year financial plan to the BFSA. Not more than 20 days after such submission, the BFSA is required to determine whether such plan is complete and complies with the BFSA Act, and is required to submit its recommendations with respect to the financial plan. On May 1, 2020, the preliminary budgets and four-year financial plans were submitted for the City, the Buffalo CSD, the Buffalo Urban Renewal Agency and the Buffalo Municipal Housing Authority pursuant to the Act. On May 20, 2020, the BFSA determined that the four-year preliminary financial plan for the Buffalo City School District, the Buffalo Urban Renewal Agency and the Buffalo Municipal Housing Authority were complete and compliant and that the 2020-21 budget and four-year preliminary financial plan for the City was incomplete and noncompliant with the BFSA Act.

On June 17, 2020, the BFSA declared the City's 2020-21 budget and 2021-2024 financial plan to be unbalanced and not compliant with the BFSA Act and provided various recommendations for revision of the financial plan by the City, no later than June 24, 2020. The City submitted a final budget and financial plan on June 30, 2020. This final budget and financial plan were reviewed by BFSA on July 20, 2020. A resolution was passed in which the disagreement on the financial plan was transmitted to the Mayor and various State officials as required by the BFSA Act. See “– THE BUFFALO STABILITY AUTHORITY – *BFSA Oversight Actions 2020-21*” below for additional information.

City of Buffalo

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

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

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

<u>ITEM DESCRIPTION</u>	<u>2020-2021</u> ⁽²⁾	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>
General Fund Revenues:				
Property Tax	\$ 139,971	\$ 145,570	\$ 148,482	\$ 151,451
Star	7,893	7,893	7,893	7,893
NYS - General Aid	129,028	139,028	149,028	161,285
NYS - Other	11,000	35,000	11,000	11,055
Federal Aid	68,378	2,760	2,760	2,760
Sales Tax	70,440	90,201	92,005	93,845
Utility Tax	8,000	8,000	8,000	8,000
Departmental	70,557	74,469	88,856	78,934
Transfers In	<u>14,284</u>	<u>14,664</u>	<u>15,063</u>	<u>15,516</u>
Total Revenues	<u>519,551</u>	<u>517,585</u>	<u>523,087</u>	<u>530,739</u>
General Fund Expenditures:				
Personal Services	\$ 202,756	205,136	208,313	211,317
Departmental	40,515	40,878	41,267	41,672
Utilities	16,857	16,182	16,198	16,213
Fringe	148,295	144,198	147,513	150,715
Misc.	10,360	10,424	9,322	10,376
Interest & Debt	183	183	183	183
Board of Education	70,823	70,823	70,823	70,823
Capital Debt	29,362	29,362	29,069	29,040
Transfers Out	<u>400</u>	<u>400</u>	<u>400</u>	<u>400</u>
Total Expenditures	<u>519,551</u>	<u>517,585</u>	<u>523,087</u>	<u>530,739</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, June 30, 2020.

⁽²⁾The 2020-2021 Budget for Federal Aid includes \$65 million of Federal Stimulus funds. See also "Impacts of COVID-19 on the City" herein.

Buffalo CSD

On May 1, 2020, the Buffalo CSD submitted a four-year financial plan for years 2020-21 through 2023-24. The plan indicates budgetary deficits of \$0 in 2020-21, \$64.8 million in 2021-22, \$59.9 million in 2021-23 and \$45.3 million in 2023-24 after the planned use of fund balance. The Buffalo CSD projects that it will use \$50.0 million of fund balance over the four year period. The Buffalo CSD expects that deficits will be closed through various gap closing measures, including increased revenues and the use of fund balance, efficiencies and savings and other cost reductions.

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

<u>ITEM DESCRIPTION</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>
General Fund Revenues:				
Property Taxes	\$ 70,823	\$ 70,823	\$ 70,823	\$ 70,823
New York State - Foundation Aid	544,173	544,173	549,614	557,859
Other State Aid	193,815	225,169	234,360	235,650
Federal Sources	32,584	3,030	3,060	3,091
Sales Tax	44,000	44,660	45,553	46,464
Departmental and Other Revenues	<u>19,305</u>	<u>13,422</u>	<u>13,557</u>	<u>13,692</u>
Total Revenues	<u>904,700</u>	<u>901,277</u>	<u>916,967</u>	<u>927,579</u>
General Fund Expenditures:				
Personal Services	\$ 326,008	\$ 331,939	\$ 334,715	\$ 338,145
Departmental Expenditures	69,834	70,164	70,499	70,837
Tuition (other than Charter Schools)	34,590	34,936	35,285	35,638
Charter School Tuition	138,066	137,204	143,928	149,011
Fringe Benefits	201,097	208,317	214,924	224,702
Utilities	8,969	9,059	9,149	9,241
Contingency	1,000	1,500	2,000	2,500
Transportation	60,294	61,681	62,791	63,921
Transfers to Debt Service Fund	112,302	108,758	101,030	76,341
Transfers to Other Funds	<u>2,540</u>	<u>2,540</u>	<u>2,540</u>	<u>2,540</u>
Total Expenditures	<u>954,700</u>	<u>966,098</u>	<u>976,861</u>	<u>972,876</u>
Change in Fund Balance	<u>\$ (50,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Deficit to be closed through Gap Closing Measures	\$ -	\$ (64,821)	\$ (59,894)	\$ (45,297)

⁽¹⁾Source: Buffalo CSD, Division of Finance, as submitted to BFSAs, May 1, 2020.

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 2021 through 2024. 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 10.8% and 10.9% for both of the combined general fund budgets of the City and the Board in fiscal year 2020-21 and 2019-20 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, 2019-20, 2018-19 and 2017-18

The City completed its fiscal year ended June 30, 2020 with expenditures and other financing uses exceeding revenues and other financing sources in the General Fund by \$3.4 million, determined in accordance with GAAP. As reflected herein, the City issued deficiency notes in the amount of \$25 million on account of 2019-20 State aid withheld by the State. This compares to prior fiscal years in which revenues and other financing sources exceeded expenditures and other financing uses in the General Fund by \$0.9 million in 2019 and expenditures and other financing uses exceeded revenues and other financing sources by \$22.9 million in 2018. At June 30, 2020, 2019 and 2018, the nonspendable fund balance, which is comprised of real estate acquired for resale and long term receivables, was \$24.4 million, \$29.6 million and \$31.0 million, respectively; the restricted fund balance, which consists of capital outlays, bond set asides and emergency medical funds, was \$14.2 million, \$11.8 million and \$8.8 million, respectively; the committed fund balance, which consists of the Emergency Stabilization "Rainy Day" Fund, was \$38.1 million, \$38.5 million and \$38.7 million, respectively; the assigned fund balance, which consists of encumbrances, potential judgments and claims and funds appropriated for next year's budget, was \$12.7 million, \$13.0 million and \$13.4 million, respectively; and the unassigned fund balance was \$0 million, \$0 million and \$0 million, respectively. In fiscal year 2019-20, the

State provided the City an advance payment of \$7.5 million for future expected Seneca revenue sharing payments owed to the City. As of June 30, 2020, the City has not received any of the Seneca revenue sharing payments. The amount of the Seneca sharing payments due to the City through the current fiscal year is approximately \$35 million.

The Buffalo CSD completed its fiscal year ended June 30, 2020 with revenues and other financing sources exceeding expenditures and other financing uses by \$42.3 million determined in accordance with GAAP. This compares with revenues and other financing sources exceeding expenditures and other financing uses by \$28.9 million in 2019 and revenues and other financing sources exceeding expenditures and other financing uses by \$12.1 million in 2018. At June 30, 2020, the non-spendable fund balance for inventory was \$1.0 million; the restricted fund balance for judgments and claims, unemployment insurance and stabilization was \$30.8 million; the assigned fund balance of \$149.1 million consists of amounts appropriated for the 2020-21 budget, capital needs, prior year claims, other post-employment benefits, health insurance, school budget equity and encumbrances. There is no committed fund balance. Unassigned fund balance is \$85.1 million.

City and Buffalo CSD General Fund 2020-21 Adopted Budgets

The City's adopted 2020-21 General Fund budgeted appropriations are \$519.6 million, representing a \$10.9 million or 2.1% increase over the 2019-20 adopted budget. The Buffalo CSD 2020-21 adopted General Fund budgeted appropriations are \$954.7 million, representing an increase of 2.9% from the 2019-20 adopted Budget. The adopted 2020-21 City and Buffalo CSD budgets aggregate to \$1,563.4 million, a \$40.4 million (or 2.7%) increase from the budget of \$1,523.0 million adopted for fiscal year 2018-19. (See "DISCUSSION OF FINANCIAL OPERATIONS – *Summary of Operations*" herein.) See also, "Impacts of COVID-19 on the City" herein.

Summary of Operations

The following two tables present separate summaries of operations for fiscal years 2017-18 through 2019-20 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 2020-21 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 2020-21.

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

	<u>Actual</u> <u>2017-18</u>	<u>Actual</u> <u>2018-19</u>	<u>Actual</u> <u>2019-20</u>	<u>Adopted</u> <u>2020-21</u>	<u>Revised</u> <u>2020-21 ⁽¹⁾</u>
<u>REVENUES</u>					
Property Taxes and Other Tax Items	\$ 140,957	\$ 147,255	\$ 148,677	\$ 149,297	\$ 149,297
Utility and Other Non-Property Tax Items	11,405	13,263	12,592	11,630	11,630
Charges for Services	14,004	15,245	14,270	15,244	15,244
Interest	881	1,891	1,478	1,000	1,000
Federal Aid	2,578	2,818	3,052	70,003	70,003
State Aid	174,669	180,874	151,571	150,939	150,939
Local Sources and Other	86,041	88,466	88,447	72,231	72,231
Licenses and Permits	5,252	5,670	5,192	5,434	5,434
Fines	10,967	10,945	8,839	15,482	15,482
Miscellaneous	6,631	11,295	14,188	14,007	14,007
Total Revenues	<u>453,385</u>	<u>477,722</u>	<u>448,306</u>	<u>505,267</u>	<u>505,267</u>
<u>EXPENDITURES</u>					
General Government	60,079	61,540	61,529	69,273	73,703
Public Safety	159,857	160,425	161,731	159,814	161,970
Streets and Sanitation	12,701	12,785	12,037	11,930	12,372
Economic Assistance and Opportunity	2,327	2,389	3,204	3,105	3,518
Culture and Recreation	9,093	9,129	9,955	9,244	9,610
Health and Community Services	2,363	2,305	2,397	2,519	2,545
Education	70,823	70,823	70,823	70,823	70,823
Fringe Benefits	140,469	139,555	136,365	160,194	160,497
Other	7,118	3,341	8,130	2,703	2,705
Interest and Other Fiscal Charges	61	62	91	183	183
Total Expenditures	<u>464,891</u>	<u>462,354</u>	<u>466,262</u>	<u>489,788</u>	<u>497,926</u>
Excess (deficit) of revenues over expenditures	(11,506)	15,368	(17,956)	15,479	7,341
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	17,894	13,888	10,321	14,283	14,283
Transfers Out	(29,328)	(28,308)	(29,355)	(29,762)	(29,762)
Long-Term Deficiency Note	-	-	25,000	-	-
Total Other Financing (Uses) Sources	<u>(11,434)</u>	<u>(14,420)</u>	<u>5,966</u>	<u>(15,479)</u>	<u>(15,479)</u>
Change in Fund Balances	(22,940)	948	(11,990)	-	(8,138)
Fund Balance -Beginning of Year	114,930	91,990	92,938	89,527	89,527
Fund Balance -End of Year	<u>\$ 91,990</u>	<u>\$ 92,938</u>	<u>\$ 80,948</u>	<u>\$ 89,527</u>	<u>\$ 81,389</u>
<u>FUND BALANCE</u>					
Non Spendable	\$ 31,020	\$ 29,606	\$ 24,430		
Restricted	8,820	11,788	14,241		
Committed	38,741	38,529	38,140		
Assigned	13,409	13,015	12,716		
Unassigned	-	-	-		
Total Fund Balance	<u>\$ 91,990</u>	<u>\$ 92,938</u>	<u>\$ 89,527</u>		

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

⁽¹⁾The 2020-21 budgetary figures reflect changes made to the budget as of September 30, 2020 and reflects the use of \$8.1 million of fund balance. The 2020-2021 Budget for Federal Aid includes \$65 million of Federal Stimulus funds. See also "Impacts of COVID-19 on the City" herein.

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

	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Adopted</u> <u>Budget</u>	<u>Projected</u>
	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2020-21⁽¹⁾</u>
REVENUES					
Property Taxes	\$ 70,823	\$ 70,823	\$ 70,823	\$ 70,823	\$ 70,823
New York State - Foundation Aid	511,147	525,691	544,173	544,173	544,173
Other New York State Aid	235,396	234,717	235,098	193,815	193,699
Federal Sources	4,403	4,470	4,109	32,584	3,000
Sales Tax	46,256	48,767	48,519	44,000	44,000
Departmental and Other Revenues	10,744	27,051	10,217	19,305	19,305
Total Revenues	<u>878,769</u>	<u>911,519</u>	<u>912,939</u>	<u>904,700</u>	<u>875,000</u>
EXPENDITURES					
Personal Services	290,019	309,093	309,622	326,008	308,102
Departmental Expenditures	61,190	63,846	45,004	69,834	76,032
Tuition (other than Charter Schools)	34,467	34,807	34,807	34,590	34,642
Charter School Tuition	118,343	125,328	130,926	138,066	138,066
Fringe Benefits	186,401	175,287	171,374	201,097	190,470
Utilities	8,426	8,347	7,424	8,969	9,110
Contingency	-	-	-	1,000	88
Transportation	47,861	48,599	48,599	60,294	43,395
Total Expenditures	<u>746,707</u>	<u>765,307</u>	<u>747,756</u>	<u>839,858</u>	<u>799,905</u>
Excess (deficit) of revenue over expenditure	132,062	146,212	165,183	64,842	75,095
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out	(119,952)	(117,262)	(122,856)	(114,842)	(114,842)
Total other financing sources (uses)	(119,952)	(117,262)	(122,856)	(114,842)	(114,842)
Change in Fund Balance	12,110	28,950	42,327	(50,000)	(39,747)
Fund Balance – beginning of year	182,603	194,713	223,663	265,990	265,990
Fund Balance – end of year	<u>\$ 194,713</u>	<u>\$ 223,663</u>	<u>\$ 265,990</u>	<u>\$ 215,990</u>	<u>\$ 226,243</u>
FUND BALANCE					
Non Spendable	\$ 792	\$ 886	\$ 1,043		
Restricted	24,741	24,782	30,805		
Committed	-	-	-		
Assigned	91,394	111,864	149,087		
Unassigned	77,786	86,131	85,055		
Total Fund Balance	<u>\$ 194,713</u>	<u>\$ 223,663</u>	<u>\$ 265,990</u>		

Source: Buffalo CSD, Division of Finance

⁽¹⁾2020-21 Projections are based on available data as of September 30, 2020 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 FY20-21. No assurance can be given that such projections will be realized at year end.

ENTERPRISE FUNDS

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

The Solid Waste and Recycling Enterprise Fund was established on October 1, 1996 to account for the costs associated with the operation of refuse and recycling services in the City. The fund is supported by revenues from user fees assessed against all users of the service. Unpaid user fees become a lien against the property and are subject to the City's normal collection procedures. The change in net position for the year ended June 30, 2020 was \$2.6 million determined in accordance with GAAP. This compares to a change in net position of \$5.3 million for the year ended June 30, 2019. The City received \$24.4 million in user fees for the fiscal year ended June 30, 2020, \$24.7 million in user fees for the fiscal year ended June 30, 2019 and \$18.6 million for the fiscal year ended June 30, 2018. The adopted 2020-21 budget includes \$26.0 million for user fees. Nonspendable fund balance of the General Fund includes \$13.3 million to cover deficits incurred by the Solid Waste and Recycling Enterprise Fund.

The Parking Enterprise Fund was established July 1, 1989 to account for the operations of City-owned parking ramps. The City has a management agreement with Buffalo Civic Auto Ramps, a non-profit organization, to operate the downtown ramps and a parking ramp at an area hospital. Revenues collected in excess of normal operating costs are remitted to the City to cover administrative costs and debt service. Net position is reserved for debt service and major repairs. The change in net position for the fiscal year ended June 30, 2020 was \$(3.7) 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, 2019 and \$(5.7) million for the fiscal year ended June 30, 2018. Operating transfers out to the General Fund were \$2.4 million for fiscal year ended June 30, 2020. The adopted budget for fiscal year 2020-21 is \$8.3 million. The 2020-21 budget amount includes \$2.0 million for debt service and \$6.0 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, 2020 were \$10.1 million. This compares to total expenses of \$10.0 million for the fiscal year ended June 30, 2019 and \$11.0 million for the fiscal year ended June 30, 2018. The adopted budget for 2020-21 totals \$15.6 million. (See "CITY-RELATED ENTITIES – *Buffalo Municipal Water Finance Authority*" and "*–Buffalo Water Board*" herein.)

REVENUES

The 2020-21 adopted General Fund budget estimates revenues to be derived approximately 42.0% from municipally generated revenues; 29.9% from State aid; 13.9% from federal aid and other assistance; and 14.3% from other local governments, the majority of which is the shared County sales tax.

Municipally Generated Revenues

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

Real Property Tax

Real property taxes become payable upon levy of such taxes by the Common Council. The City collects real property taxes for general City and Buffalo CSD purposes. The total amount of the taxpayer's bill is due and payable on July 1; however, the first half may be paid without penalty on or before July 31 and the second half on or before December 31. Penalties are assessed for delinquencies at an effective rate of 18% per annum.

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

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

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Buffalo CSD Operations	\$ 59,516	\$ 60,357	\$ 60,393	\$ 61,066	\$ 61,754
City Operations	45,021	43,960	46,590	48,087	47,680
Capital Debt Service ⁽¹⁾	<u>35,063</u>	<u>35,301</u>	<u>38,337</u>	<u>38,712</u>	<u>38,431</u>
Total Budgeted Real Property Tax Levy	<u>\$ 139,600</u>	<u>\$ 139,618</u>	<u>\$ 145,320</u>	<u>\$ 147,865</u>	<u>\$ 147,865</u>

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

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

Utility Taxes

The Class I Utility Tax collected by the City quarterly is levied against gas, electric and telephone utilities. Since 1990, the utility tax rate has been 3.0% of total gross receipts. The revenue from this source was \$8.8 million for the 2019-20 fiscal year compared to \$9.6 million for the 2018-19 fiscal year and \$7.7 million for the 2017-18. The budgeted amount for 2020-21 is \$8.0 million.

Annual Payment from the Water Board

Pursuant to an operation agreement by and between the City and the Buffalo Water Board dated September 24, 1992, the Board initially paid the City \$4.0 million in the 1992-93 fiscal year. This amount may be increased by 5.0% compounded annually at the City's sole discretion. The actual amounts received were \$7.2 million for 2019-20, \$6.9 million for 2018-19 and \$6.6 million for 2017-18. The adopted budget amount for 2020-21 is \$7.6 million. Such payment is made in lieu of utility taxes and also for certain legal, payroll and other services performed by City personnel.

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Departmental and Other Revenues

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

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

	<u>Actual</u> <u>2017-18</u>	<u>Actual</u> <u>2018-19</u>	<u>Actual</u> <u>2019-20</u>	<u>Adopted</u> <u>2020-21</u>
Parking and Other Fines	\$11.0	\$11.0	\$8.9	\$15.5
Interest Earnings	0.9	1.9	1.5	1.0
License and Permits	5.3	5.7	5.2	5.4
Cable Franchise Tax	3.0	3.0	2.9	2.9
Payment In Lieu of Taxes	3.5	3.3	3.5	3.2

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 \$4.2 million for 2019-20, \$3.9 million for 2018-19, and \$3.5 million for 2017-18. The adopted budgeted amount for the 2020-21 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.

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

The State Commissioner of Education must approve plans and specifications for the capital construction projects undertaken by public school districts. This charge is administered by the Office of Facilities Planning pursuant to Section 408 of the Education Law and Part 155.2 of the Regulations of the Commissioner of Education. State Building Aid is payable commencing 18 months after the State Education Department approves the final plans and specifications of a project with a Final Cost Report on file unless a waiver is granted by the Commissioner of Education. Currently, State Building Aid reimburses approximately 98.0% of approved costs for projects completed or now under construction for the Buffalo CSD. State Building Aid fluctuates from year to year based on a number of factors including the ratio of the City's wealth to the State's average wealth. The receipt of Foundation Aid is dependent upon, among others, satisfaction of certain monitoring and expenditure requirements. No increases in Foundation Aid were received in fiscal years 2010-11 or 2011-12. In addition, within Foundation Aid there are stipulations that the Buffalo CSD must use a formula-based amount on new programs, or expansion of existing programs, to improve student achievement as outlined in the Contract for Excellence ("CFE") and the Community Schools set-aside that was established in 2016-17. For fiscal years 2014-15 through 2019-20 the total CFE set-aside was \$13.6 million. The Community Schools set-aside was \$12.5 million in 2016-17; \$15.5 million in 2017-18; \$18.3 million in 2018-19 and \$21.1 million in 2019-20 and 2020-21.

The Buffalo CSD depends on substantial financial assistance from the State. The Buffalo CSD received \$823.7 million of State Aid for all funds in fiscal year 2018-19 and \$828.0 million in fiscal year 2019-20. For the current fiscal year ending June 30, 2021, the Buffalo CSD budgeted \$787.2 million of State Aid receipts for all funds, and as of September 30, 2020, expects to receive approximately \$786.8 million by the close of such fiscal year. This projection is based upon the sum of: (i) a \$737.9 million apportionment to the Buffalo CSD for operations and maintenance expenses, (ii) \$47.5 million in projected receipts of State grant funding and (iii) \$1.4 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 2020-21 fiscal year will equal the amounts estimated above. Due to the COVID 19 Pandemic, New York State is in a financial crisis and has stated that without significant federal aid, the State may have to reduce local assistance payments by up to 20%. For Buffalo CSD, that could result in a \$157.1 million reduction in State Aid during 2020-21. As of June 30, 2020 the Buffalo CSD reserved \$8.8 million for potential State aid reductions for 2019-20. Based upon recent releases by the Governor following the enactment of a second COVID relief bill by Congress in December 2020, the Buffalo CSD anticipates receiving State aid payments withheld during its 2019-2020 fiscal year on or before March 31, 2021, which is the end of the State's current fiscal year. In addition, the Buffalo CSD does not anticipate that the State will act to reduce State aid during its current fiscal year to the extent permitted under the provisions of the State's 2020-2021 budget. However, the foregoing is subject change. The Buffalo CSD will continue to monitor the situation closely, including any impacts to State aid that result from the adoption of the budget for the State's upcoming 2021-2022 fiscal year.

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 \$5.3 million for 2017-18, \$8.7 million for 2018-19, and \$9.3 million for 2019-20. The 2020-21 projected amount for Charter School Transitional Aid is \$7.6 million. The aid continues on a rolling basis so long as charter school enrollment continues to increase.

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

The Buffalo CSD also receives State aid related to the Smart Schools Bond Act approved by New York State voters in 2014. The allocation for Buffalo CSD is \$56.0 million. The purpose of the Smart Schools Bond Act is to provide improved educational technology and infrastructure to improve learning and opportunity for students. These revenues are recorded in the capital fund and amounted to \$10.0 million in 2017-18, \$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 projections until received.

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

The projected State aid for the Buffalo CSD General Fund, as of September 30, 2020 is \$737.9 million, the same as the budget for the 2020-21 fiscal year. However, as noted above, there is a possibility of mid-year State Aid reductions given the State's current financial condition. On October 30, 2020, the New York State Division of the Budget released the fiscal year ending 2021 First Quarter State Budget Financial Plan Update, which projects a \$14.9 billion General Fund revenue decline and a 15.3% decline in tax receipts from prior budget forecasts. The State further projects a total revenue loss of \$63 billion through the State's fiscal year ending 2024 as a direct consequence of the COVID-19 pandemic. The State has announced that in the absence of Federal funding to offset this revenue loss, the State has begun to take steps to reduce spending, including but not limited to, temporally holding back 20% of most aid payments to local governments and school districts. According to the State, all or a portion of such temporary reductions in aid payments may be converted to permanent reductions, depending on the size and timing of any new Federal aid. Such reductions or delays in the payment of State aid could adversely affect the financial condition of municipalities and school districts in the State.

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, 2020, the remaining debt outstanding is \$9.6 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 2018-19. The Buffalo CSD intends to continue this practice so long as the legislation is renewed.

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

In addition to State aid for education, the Buffalo CSD receives federal medical reimbursement for certain health services provided to students. The Buffalo CSD received a total of \$4.4 million for Medicaid reimbursement in fiscal year 2017-18, \$4.5 million for 2018-19, and \$4.1 million for 2019-20 and has projected \$3.0 million for 2020-21. Also included in the Buffalo CSD 2020-21 adopted budget was \$29.6 million in Federal Aid under the CARES Act. This amount has been received in the form of a grant; therefore, the Buffalo Board of Education has adopted a budget amendment to reduce the general fund revenues and expenditures by the amount of the grant, which is recorded in the special projects fund.

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

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

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

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

New York State General Purpose Aid

Prior to the enactment of the BFS Act, the City received General Purpose Aid directly from the State. Pursuant to the BFS Act, the City receives General Purpose Aid from the State through the BFS. The

budgeted amount for 2020-21 is \$129.0 million. General Purpose Aid revenue recognized in the 2019-20 fiscal year was \$141.6 million.

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

	Actual	Actual	Actual	Adopted	Revised
	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>Budget</u>
	<u>2020-21</u>				
Total General Purpose Aid	\$161,285	\$161,285	\$141,613	\$129,028	\$129,028

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

Pursuant to the BFSAs 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 BFSAs and the City shall have no right, title, or interest in such revenues paid to the BFSAs. (See "*THE BUFFALO FISCAL STABILITY AUTHORITY*" herein.) After application of such revenues to debt service obligations and operating expenses of the BFSAs and subject to the BFSAs's agreements with the City, the balance of such revenues are to be transferred to the City as State BFSAs 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 2020-21 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 \$15.4 million, which is an increase of \$0.7 million compared to 2019-20. A significant portion of these funds have been utilized to fund physical development related to neighborhood and commercial revitalization within the City. The termination or reduction of any of these programs could mean curtailment or assumption of these programs by the City.

Erie County Sales Tax

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

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

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

For fiscal year 2020-21, the City expects to receive \$71.4 million and the Buffalo CSD expects to receive \$44.0 million (as of September 30, 2020) from this source. Pursuant to the BFSA Act, the City's and the Buffalo CSD's share of sales tax is required to be received by the BFSA and subsequently forwarded to the City. The City's share will be reduced by the BFSA operational expenses which are projected to be \$1.0 million for 2020-21. For fiscal year 2019-20, the City received \$87.9 million and the Buffalo CSD received \$48.5 million from this source.

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EXPENDITURES

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

<u>Department</u>	2020-21 <u>Appropriations</u>⁽¹⁾	Full-Time Funded Positions
Legislative	\$ 2,536,152	40
City Clerk	2,895,526	18
Executive	5,492,327	79
Audit & Control	3,628,905	50
Law	3,263,310	33
Assessment	2,719,166	33
Management Information Systems	5,617,457	31
Administration & Finance	8,724,005	55
Parking	3,198,691	38
Police	89,621,929	1,003
Fire	58,475,038	787
Human Resources	5,561,043	19
Public Works, Parks & Streets	31,021,592	358
Community Services	4,773,764	31
Permits & Inspections	<u>5,798,348</u>	<u>95</u>
General City Total	233,327,253	2,670
Division of Water	8,400,698	140
Parking	113,828	1
Refuse & Recycling	<u>17,709,335</u>	<u>145</u>
Total	<u>\$ 259,551,114</u>	<u>2,956</u>

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

⁽¹⁾Appropriations in the 2020-21 Adopted City Budget.

**FUNDED ANNUAL / FULL-TIME SALARIED POSITIONS
BY MAJOR CITY DEPARTMENT⁽¹⁾
2010-11as compared to 2020-21**

	<u>Positions</u> <u>FY 2010-11</u>	<u>Positions</u> <u>FY 2020-21</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Increase</u> <u>(Reduction)</u>
Police	1,175	1,003	(172)	-14.64%
Fire	932	787	(145)	-15.56%
Public Works, Parks & Streets	947	358	(589)	-62.20%

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

⁽¹⁾Funded full-time salaried positions as of September 30, 2020

Employee Contracts

The City

Employee contracts are in place for the 2020-21 fiscal year with three of the City's eight bargaining units, as shown in the following table.

The following chart describes the City unions, number of employees, when present agreements expire and when past agreements have expired. For those agreements that have expired, negotiations have begun. The number of employees is effective as of September 30, 2020.

<u>Unions</u>	<u>Number of Employees</u>	<u>Present Agreements Expire</u>
PBA (Police Officers)	736	6/30/2019
Local 282 (Firefighters)	868	6/30/2025
Local 264 (Blue Collar)	839	6/30/2019
Local 650 (White Collar)	441	6/30/2024
CGA (Crossing Guards)	110	8/31/2019
Local 2651 (Building Inspectors)	56	6/30/2020
Local 264T (Pipe Caulkers)	33	6/30/2022
Local 17 (Operating Engineers)	25	6/30/2020

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

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

Buffalo CSD

Five employee contracts of the ten bargaining units representing the employees of the Buffalo CSD are in place for the 2020-21 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 September 30, 2020.

<u>Unions</u>	<u>Number of Employees⁽¹⁾</u>	<u>Present Agreements Expire</u>
BTF (Teachers)	3,618	06/30/19
BCSA (Administrators)	258	09/01/20
PCTEA (White Collar)	438	06/30/22
Local 264 (Blue Collar)	64	06/30/13
Local 264 (Cook Managers)	22	06/30/22
Local 264 (Food Service)	Variable	06/30/22
BEST (Teachers Aides & Assistants)	876	06/30/12
SUBSTITUTES UNITED (Substitute Teachers)	Variable	06/30/21
TRANSPORTATION AIDES (Bus Aides)	Variable	06/30/21
Local 409 (Engineers)	45	06/30/10
Trades	33	N/A
Exempt (includes Board)	43	N/A

Source: Buffalo CSD, Finance Department.

⁽¹⁾Includes General, Grants and Food Service Funds as of September 30, 2020

Pursuant to the BFS Act, during a Control Period, the BFS 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 BFS 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 BFS 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, 2020, the City made a prepayment retirement contribution of \$10.4 million for the ERS, which includes Enterprise functions and \$31.4 million for PFRS, which created a savings of \$259,488. Chapter 49, Laws of 2003 changed the billing cycle and instituted a minimum contribution rate for both ERS and PFRS, which is equal to 4.5% of payroll every year, including years in which the investment performance of the system would make a lower contribution possible. Chapter 94, Laws of 2015 changed the calculation of employer contributions for the funding on the basis of rates determined on known salaries from the prior fiscal year rather than on an estimate of salaries from the incomplete current fiscal year.

There was a retirement contribution of \$6.0 million paid by the Buffalo CSD for the fiscal year ended March 31, 2020 for the ERS.

For fiscal year 2020-21, the Buffalo CSD contribution for TRS is 9.53% 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 2017 through 2020.

TRS, ERS & PFRS EXPENDITURES
Fiscal Year Ended June 30

	Actual		Actual		Actual		Actual
	<u>2017</u>		<u>2018</u>		<u>2019</u>		<u>2020</u>
City (ERS) ⁽¹⁾	\$ 8,135,000	\$	9,505,902	\$	7,801,268	\$	8,042,096
City (PFRS)	31,191,636		31,033,149		28,268,658		28,997,685
Board (ERS)	6,363,848		6,266,223		5,947,217		5,998,034
Board (TRS)	34,062,426		34,111,928		31,671,613		27,347,081

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, 2020 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 \$2.6 billion as of June 30, 2020. There is no current requirement to fund the future OPEB obligation; however the Buffalo CSD assigned \$49.2 million of fund balance in fiscal year 2020-21 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 2019-20 totaled \$76.9 million which consisted of \$42.8 million for active employees and \$34.1 million for retired employees. The adopted budget for 2020-21 appropriates \$92.9 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 2019-20 fiscal year the Buffalo CSD paid \$114.9 million for both active and retired employees. The adopted budget for 2020-21 appropriates \$135.6 million for both active and retired employees for the Buffalo CSD.

Debt Service

In fiscal year 2020-21, capital debt service charges for bond principal and interest and capital lease principal and interest obligations, for both the City and the Buffalo CSD are budgeted at \$42.1million.

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 20 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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021⁽⁴⁾</u>
Enrollment	33,834	33,512	33,337	32,918	32,018
Schools ⁽¹⁾	61	61	61	61	59
Instructional Staff ⁽²⁾	3,542	3,624	3,631	3,654	3,618
Administrative Personnel ⁽²⁾	240	257	262	257	258
Non-Certified Personnel ⁽²⁾⁽³⁾	1,545	1,531	1,561	1,548	1,521

Source: Buffalo CSD, Finance Office

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

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

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

⁽⁴⁾Projected as of September 30, 2020

Pursuant to the Charter Schools Acts, the Buffalo CSD is required to pay a State-set tuition rate to charter schools that enroll students residing in the City. Charter school enrollment of City resident pupils increased from 3,100 students in the 2003-04 school year to 9,213 in the 2019-20 school year and was projected for budgeting purposes to be 9,950 in 2020-21. As of November 30, 2020, the projected enrollment for 2020-21 is 9,801. The increases have been attributable through the availability of new seats and a continued growth of enrollment in existing charter schools. In 2003-04, the amount of charter school funding was \$8,434 per student (including \$7,934 for basic tuition, plus an estimated additional \$500 for special education funding) for a total of approximately \$26.4 million. The current funding rate for fiscal year 2020-21 is estimated to be \$13,875 per student (including \$13,200 for basic tuition, plus an estimated \$675 for special education funding). Total payments were \$125.3 million and \$130.8 million in fiscal years 2018-19 and 2019-20 respectively. The budgeted amount for fiscal year 2020-21 is \$138.1 million, as of November 30, 2020, total payments are projected to be \$135.7 million.

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

The Buffalo CSD's general fund operations, for its 2019-20 fiscal year, were funded 7.8% from the City, 0.4% from the Federal government, 85.3% from State aid, 5.3% from an allotment of County sales tax revenues and

1.2% from other sources of revenue. The Buffalo CSD received \$48.5 million in sales tax revenues for 2019-20, and is projected to receive \$44.0 million for 2020-21, as of September 30, 2020.

The total amount of State aid the Buffalo CSD received for all funds during the 2019-20 fiscal year was \$828.0 million and is projected to receive \$786.8 million for 2020-21, as of September 30, 2020.

Buffalo Municipal Water Finance Authority

The Buffalo Municipal Water Finance Authority (the “Water Authority”) is a public benefit corporation created by the Buffalo Municipal Water Finance Authority Act, constituting Title 2-B of Article 5 of the Public Authorities Law of the State of New York. The Water Authority is administered by a Board of Directors consisting of seven members. Four members of the Board are ex-officio members; two are appointed by the Mayor and subject to confirmation by the City Common Council and one is appointed by the Governor. Pursuant to a Financing Agreement, the Water Authority has entered into an agreement with the Buffalo Water Board (the “Water Board”) and the City to provide for the financing of the acquisition of and capital improvements to the Water System through the issuance of bonds or other obligations of the Water Authority. The Water Authority has the power to issue bonds to finance renovations and improvements to the Water System, require the Water Board to fix rates sufficient to pay the costs of operating and financing the Water System and require the City to adequately maintain the System. The total Water System Revenue bonds outstanding as of June 30, 2020 is \$121,060,000. The Water Authority has no taxing power. The City is not liable to repay any debt issued by the Water Authority.

Buffalo Water Board

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

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

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

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

Buffalo Urban Renewal Agency

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

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

Buffalo Sewer Authority

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

The Board of the Sewer Authority consists of five members appointed by the Mayor for a term of three years. These appointments are subject to confirmation by the Common Council. The Buffalo Sewer Authority is a separate entity which has the power to raise its own revenues, incur debt, construct facilities, and to enforce its rules, regulations and permits. With the consent of the City, the Sewer Authority is authorized to utilize the employees and facilities of the City to carry out its duties and responsibilities. The Sewer Authority utilizes the services of the City's Law Department, the Department of Audit and Control, the Assessment Department, the Treasury Division and the Water Board. Sewer rent charges based on assessed valuation are mailed with the City tax bills and sewer rents based upon water usage are billed by the Water Board. For all these services, the Sewer Authority paid the City \$3.9 million in 2019-20. 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 2020-21 budget for the Sewer Authority totals \$59.7 million. There was a \$1.8 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 \$35.0 million at June 30, 2020. The bonds were issued by New York State Environmental Facilities Corporation (the "EFC"), in 2012, 2014 and 2015 (Series 2012E, 2014B and 2015D). In addition the Sewer Authority has an \$8.7 million short-term loan from EFC. The Authority intends to exercise the option to convert this loan to long-term debt in the first quarter of 2021.

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

Buffalo Municipal Housing Authority

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

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

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

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

The BMHA also participates in the implementation of the HOPE VI Grant Program (Homeownership and Opportunity for People Everywhere). This grant enables the demolition of obsolete public housing projects or portions thereof, the revitalization (where appropriate) of sites (including remaining public housing units) on which sites are located, replacement housing which will avoid or lessen concentration of very low-income families, and tenant based assistance in accordance with Section 8 of the United States Housing Act of 1937 for the purpose of providing replacement housing and assisting tenants to be displaced by demolition.

Other Entities

Erie County

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

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

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

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

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

Niagara Frontier Transportation Authority

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

The NFTA operates a unified Metro Bus and Rail system in the two-county area with three transportation centers, the Metropolitan Transportation Center in the city of Buffalo, the Niagara Falls Transportation Center and the Portage Road Transit Center. The Metro Bus system is run by a subsidiary of the NFTA, Niagara Frontier Transit Metro System, Inc. This subsidiary began operations on April 1, 1974. Metros' fleet

includes 330 buses, 62 small buses for fixed route and Paratransit service, five MetroLink Trolleys, and 27 rail cars. The 78 bus routes, traveling 11.7 million miles per year, and the 6.2 mile rail line provide transportation service across the 1,575 square mile service area in Erie and Niagara counties, serving an estimated 28 million passengers a year.

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

Erie Canal Harbor Development Corporation

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

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

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THE BUFFALO FISCAL STABILITY AUTHORITY

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

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

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

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

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

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

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

BFSA Review of Financial Plans and Budgets

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

BFSA Debt Issuances

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

collections from such 3%, which amount is shared among the City, Lackawanna, Tonawanda and the towns within the County. In addition, pursuant to Section 1262-q of the State Tax Law, as amended, during the period beginning January 1, 2007 through and including November 30, 2023, the County is required to allocate to the cities and towns within the County the first \$12.5 million of any net collections from the additional 1% of sales and compensating use taxes authorized by Section 1210(i)(4) of the State Tax Law, which allocation must be made in the manner and proportion required by the Local Sales Tax Agreement, and therefore result in additional City sales tax revenues of approximately \$5.7 million. The Buffalo CSD tax revenues consist of the portion of the County's net collections from the Local Sales Tax that is payable to the Buffalo CSD by the County pursuant to Section 1262(a) of the State Tax Law. The Buffalo CSD presently receives a pro rata share, on the basis of average daily attendance of public school pupils who are residents of the County, of an amount equal to 29.0% of the net collections from such 3%, which amount is shared among all school districts with territory in the County. Beginning with the State fiscal year 2019-20, State Law Section 1261(c)(5-a) required the State Comptroller ("OSC") to withhold and pay the towns and villages in the County from the sales tax remaining, after paying the BFSA, amounts equal to the base level of grants that these municipalities had received from the State under the Aid and Incentive for Municipalities ("AIM") program in the State fiscal year 2018-2019 as "AIM-related payments". Such AIM-related payments are made from the local, not the State, sales tax portion. The amount redistributed as AIM-related payments during the BFSA's fiscal year ended June 30, 2020 was \$724,804, consisting of \$454,293 from City sales tax and \$270,511 from District sales tax. In December 2020, a total of \$602,076 was redistributed consisting of \$379,060 and \$223,016 from City and District sales tax, respectively. Such redistributions were made to effectuate the AIM-related payments. There was no fiscal implication as the City and the Buffalo CSD had no right to the sales tax required to be withheld and distributed as AIM-related payments pursuant to the State Tax Law Section 1261(c)(5-a). State aid revenues consist of all general purpose local government aid, emergency financial assistance to certain cities, emergency financial assistance to eligible municipalities, supplemental municipal aid, and any successor type of aid and any new aid appropriated by the State as local government assistance for the benefit of the City, which are paid or payable to the BFSA pursuant to the BFSA Act, except as otherwise prescribed by the State Legislature. BFSA bonds and notes are not secured by or payable from State aid and the BFSA has no lien on or right to receive State aid.

The BFSA has issued five series of bonds on behalf of the City and Buffalo CSD in a total aggregate principal amount of \$156.6 million. As of December 31, 2020, a total of \$6.4 million is outstanding. The original bonds (Series 2004A, 2005A, 2005B&C, 2006A and 2007A) were issued to finance or refinance capital projects for the City and Buffalo CSD. In relation to each of such five series, the City issued and sold to BFSA corresponding general obligation bonds which were purchased by BFSA with the proceeds of its own bonds. (See "CITY INDEBTEDNESS – Debt Limit" – footnote 2 to the STATEMENT OF DEBT CONTRACTING POWER and footnote 1 to the STATEMENT OF DIRECT AND OVERLAPPING INDEBTEDNESS.)

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

<u>Calendar Year Issued</u>	<u>Amount Outstanding at November 30, 2021</u>	<u>Series</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
2007	\$5,690	2007A	4.0 - 5.0%	2023
2015	\$750	2015A	3.0 – 5.0%	2025

Source: Buffalo Fiscal Stability Authority

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

On May 1, 2020, the City submitted to BFSA the respective 2020-21 budgets and 2021-24 four-year financial plans of the City and Covered Organizations for review and determination whether the financial plans were complete and complied with the standards set forth in the Act §3857, subd. 2. On May 20, 2020, BFSA found the 2021-24 financial plan to be incomplete noting, and accepting, the Mayor's commitment for the submission of a revised financial plan. An alternative spending model was submitted by the Mayor on May 22, 2020. On June 17, 2020, the BFSA found the revised financial plan dated May 22, 2020 and budget

adopted on June 4, 2020 to be incomplete and recommended a revised financial plan be submitted. No revised financial plan was submitted. On June 24, 2020, the BFSA reviewed a deficiency note transaction as proposed by the City of Buffalo. Also on June 24, 2020, the BFSA required the City to submit a final budget and financial plan to reflect the final adopted budget as well as modifications required to reflect the deficit note. The City submitted a final budget and financial plan on June 30, 2020 which was reviewed by BFSA on July 20, 2020. BFSA staff presented findings from the review of this item to the Board of Directors which included the identification of various uncertain revenue estimates including federal stimulus, New York State aid and Tribal State Compact (i.e., casino) revenue, among other revenue and expenditure projections. A proposed resolution which would have determined that the financial plan did not comply with standards of the BFSA Act failed because BFSA had three board vacancies, one board member was unavailable to attend, and the Mayor abstained from the vote. The BFSA Board of Directors subsequently approved a resolution authorizing copies of 1) the draft resolution on the financial plan, which had failed to be adopted, along with a notation for the reason it had failed, 2) the City's adopted budget and financial plan, 3) the Mayor's letter of June 30, 2020, and 4) the BFSA's staff report, be transmitted to the Mayor, the State Director of the Budget, the State Comptroller, the Chair of the Assembly Ways and Means Committee, and the Chair of the Senate Finance Committee. Such transmission occurred July 21, 2020.

On August 3, 2020, the BFSA reviewed and commented on the Buffalo Municipal Housing Authority's proposed capital fund housing revenue bonds, Series 2020. On December 17, 2020, the 2021 proposed capital budget and related five-year capital plan of the City was reviewed and commented on by the BFSA.

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

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

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

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

reviewed and commented on the City's proposed 2020 bond anticipation note sale. On June 24, 2020, the BFSA reviewed a deficit note transaction as proposed by the City.

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

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

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

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

On May 1, 2017, the City submitted to BFSA the respective 2017-18 budgets and 2018-21 four-year financial plans of the City and Covered Organizations for review and determination that the financial plans were complete and complied with the standards set forth in the Act §3857, subd. 2. On May 15, 2017, BFSA found the preliminary 2018-21 financial plan to be complete and complied with the BFSA Act. The City submitted a final financial plan on June 9, 2017, and BFSA subsequently determined the final financial plan to be complete and complied with the BFSA Act on June 16, 2017.

On September 13, 2017, BFSA reviewed and commented on a proposed labor agreement between the Buffalo CSD and the Buffalo Council of Supervisors and Administrators representing approximately 253 administrators. No financial plan modification was required to address the incremental costs of this labor contract. On September 25, 2017, BFSA reviewed and commented on a proposed labor agreement between the City and the International Brotherhood of Teamsters Local 264, representing approximately 32 caulkers; no financial plan modification was necessary. On December 6, 2017, the proposed 2018 capital budget and related five-year capital plan of the City was reviewed and commented on by BFSA. On February 13, 2018, a proposed labor agreement between the Buffalo CSD and the Substitutes United/Buffalo – NYSUT union, representing substitute teachers of the school district, was reviewed; no financial plan modification was deemed necessary. On April 4, 2018, the BFSA reviewed the second quarter report as submitted by the City and found that unexpected budget variances resulted in the need for the Mayor to submit a financial plan modification. A modified financial plan was subsequently submitted on April 30, 2018 and provided a series

of gap closing actions in the amount of \$15.4 million; the BFSAs reviewed this item on May 16, 2018. Also, on April 4, 2018, the BFSAs reviewed a proposed collective bargaining agreement between the Buffalo Urban Renewal Agency (BURA) and the Civil Service Employees Association, Local 1000, AFSCME, AFL-CIO, Local 815, representing approximately 30 nonexempt employees of BURA; no financial plan modification was required. On June 18, 2018, the BFSAs reviewed a proposed labor agreement between the Buffalo CSD and the American Federation of State, County and Municipal Employees, Local 264, AFL-CIO, representing the food service workers. No budget modification was necessary for 2017-18. A modified 2019-22 financial plan was submitted which included an increase in projected four-year cumulative revenues of \$3.9 million and also increased four-year cumulative projected expenditures by \$2.8 million.

Litigation Regarding Wage Freeze Imposed by BFSAs

As a result of the fiscal-related actions taken by the BFSAs, a number of affected collective bargaining units representing employees of the City and certain non-exempted Covered Organizations initiated legal proceedings in federal and state courts challenging certain of the BFSAs actions, including the BFSAs imposition of the wage freeze on April 21, 2004. These bargaining units sought reversal of those actions, in particular the imposition of the wage freeze. These challenges were litigated by the bargaining units and were ultimately unsuccessful. On June 5, 2007, the BFSAs adopted a resolution lifting the wage freeze effective July 1, 2007. By the same resolution, the BFSAs approved the City's and Buffalo CSD's financial plan providing a one-step increase on employees' salary schedules effective July 1, 2007. Certain bargaining units challenged this action, claiming entitlement to three additional steps as of July 1, 2007; *i.e.*, the three additional salary steps employees would have received but for the wage freeze. On March 29, 2011, the New York State Court of Appeals, the State's highest Court, ruled in favor of the BFSAs, the City, and the Buffalo CSD. In June 2011, the Buffalo Teachers Federation moved in Federal District Court to reopen the case in which the wage freeze had been found to be constitutional. The motion was a result of the decision by the Court of Appeals of New York finding that the steps and increments did not accrue during the wage freeze. BFSAs opposed the motion which was denied on February 8, 2012. The Buffalo Teachers Federation appealed, and on March 18, 2013 the Second Circuit affirmed the decision of the District Court denying the motion to reopen the decision finding the wage freeze constitutional. The Union representing the Police commenced an action in Federal District Court on July 21, 2011 seeking a declaration that the statute creating the BFSAs is unconstitutional based upon the imposition of the freeze and the lifting of the freeze. Both BFSAs and the City moved to dismiss the complaint and the motion was granted on May 22, 2012. The Police Union did not file a notice of appeal and the action is concluded. On July 15, 2011, the Buffalo Professional Firefighters Association, Inc. brought a proceeding to declare a resolution enacted by the BFSAs on May 11, 2011 to be invalid. The resolution ordered the City of Buffalo to not pay any increases in wages or benefits provided under a recent arbitration award for the period beginning July 1, 2002 through June 30, 2004. BFSAs and the City moved to dismiss the proceeding, the motion was granted on January 12, 2012, and a notice of appeal was filed by the Buffalo Professional Firefighters Association, Inc. On April 26, 2013, the Fourth Department affirmed the dismissal of the proceeding. Within a subsequent collective bargaining agreement executed in June 2013, the Buffalo Professional Firefighters Association, Inc. agreed to withdraw from this litigation. (See "LITIGATION" herein.)

CITY INDEBTEDNESS

At December 31, 2020, the City has outstanding gross indebtedness of \$203.1 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 BFSAs Act. The City is prohibited from giving or loaning any money or property to or in aid of any individual or private corporation or private undertaking or giving or loaning its credit to or in aid of any of

the foregoing or any public corporation. The City may contract indebtedness only for City purposes. The City generally authorizes construction and financing of facilities which are of service to its citizens on a City-wide basis. The City finances and maintains refuse services, streets and schools, City-owned buildings and several parks and playgrounds, all of which necessitate a regular capital improvement program. Capital projects are normally planned and proposed to the Common Council by the City Administration. Certain capital projects are subject to regulation and approval of applicable commissions and agencies. In addition, the City is authorized to issue bonds to pay judgments and claims.

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

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

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

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

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

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

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

Debt Limit

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

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

The City received from the State Comptroller a renewal certificate stating that the City, in computing its debt contracting power pursuant to Article 8 of the Constitution of the State and Section 123.00 of the Local Finance Law, may exclude 100% of the principal amount of outstanding bonds heretofore issued for the construction of public parking facilities in the City which are operational, it having been shown during the fiscal year ended June 30, 2020 that the net revenues of the facilities are sufficient to pay 100% of the debt service on the respective issues of outstanding bonds. This certificate expires on October 1, 2021. The City expects to renew the exclusion prior to the expiration date. Authorized but unissued debt is not charged against the debt limit.

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

CITY OF BUFFALO
STATEMENT OF DEBT CONTRACTING POWER
February 1, 2021⁽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	\$10,628,026,862	
Debt Contracting Limitation: Nine Percent of Average Full Valuation - Article VIII, Section 4, of the Constitution of the State of New York	\$ 956,522,418	100.00%
Gross Indebtedness:		
Borrowings:		
Serial Bonds	\$ 138,811,171	
Deficiency Notes	25,000,000	
Bond Anticipation Note	<u>34,799,600</u>	
Total Gross Debt	<u>198,610,771</u>	
Exclusions:		
Exempt Debt:		
Parking Facilities Bonds	7,677,707	
Reserve to Pay Non-Exempt Debt	5,067,825	
Appropriation in Current Budget to Pay Non-Exempt Debt Maturing during Remainder of FY	<u>18,212,970</u>	
Total Exclusions	<u>\$ 30,958,502</u>	
Net Indebtedness	<u>167,652,269</u>	17.5%
Debt-Contracting Margin	788,870,149	82.5%
Less Authorized But Unissued Non-Exempt Debt ⁽⁴⁾	<u>30,102,598</u>	3.1%
Effective Borrowing Capacity	<u>\$ 758,767,551</u>	<u>79.3%</u>

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

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

(2) Included within debt amount are bonds of the City in the amount of \$4,931,171 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
February 1, 2021

DIRECT DEBT

Bonded Debt:

General Purpose ⁽¹⁾	\$ 114,823,464	
School	17,810,000	
Off-Street Parking Facilities ⁽²⁾	<u>6,177,707</u>	
Total Bonded Debt		<u>\$ 138,811,171</u>

Other Debt:

Bond Anticipation Notes - City	33,299,600	
Bond Anticipation Notes - Parking	1,500,000	
Deficiency Notes	25,000,000	
Municipal Bond Bank Agency ⁽³⁾	9,590,000	
Capital Lease Obligations	<u>-</u>	
Total Other Debt:		<u>69,389,600</u>

GROSS DIRECT DEBT208,200,771

Deductions:

Self-Supporting debt		
Off-Street Parking Facilities	<u>7,677,707</u>	
Total Deductions		<u>7,677,707</u>

NET DIRECT DEBT\$ 200,523,064**OVERLAPPING DEBT**

	<u>Outstanding</u>	<u>City Share %</u>	<u>City Share</u>
Erie County	345,940,000 ⁽⁴⁾	16.5% ⁽⁵⁾	57,080,100
Buffalo Sewer Authority	35,015,714	65.4% ⁽⁶⁾	22,910,782
NET OVERLAPPING DEBT			<u>\$ 79,990,882</u>

NET DIRECT AND OVERLAPPING DEBT\$ 280,513,946

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

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

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

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

⁽⁴⁾Debt figure as of December 30, 2020. Excludes County general obligations sold for sewer districts in the County payable from assessments on property outside the City. Such debt is paid from annual benefit assessments in each district by various fees and charges.

⁽⁵⁾Ratio of City to total County full valuation for 2019, as equalized by the County of Erie.

⁽⁶⁾Within the City, approximately 20.2% of the operating fund revenue of the Sewer Authority is derived from a sewer rent on the assessed value of real property, and 45.2% of the revenue is received from a sewer rent based on water usage, which total 65.4%.

Debt Ratios

The following table sets forth certain debt ratios based upon the City's Statement of Direct and Overlapping Indebtedness as of February 1, 2021.

	<u>Amount</u>	<u>Per Capita</u>	<u>Ratio to Assessed Value of Taxable Property</u>	<u>Ratio to Estimated Full Value of Taxable Property</u>
Gross Direct Debt	\$ 208,200,771	\$ 797	1.76%	1.73%
Net Direct Debt	200,523,064	767	1.70%	1.67%
Net Direct & Overlapping Debt	280,513,946	1,073	2.37%	2.33%

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

⁽¹⁾The population of the City determined by estimates made by the U.S. Bureau of the Census for 2010 is 261,310

⁽²⁾The taxable assessed valuation of the City for the 2020-21 fiscal year is \$11,818,651,877

⁽³⁾The full valuation of the City for the 2020-21 fiscal year based on the Special Equalization Ratio of .9834 established by the State Board of Equalization and Assessment is \$12,018,153,220

Debt Service Requirements

The following table shows the debt service requirements to maturity on the City's outstanding general obligation bonded indebtedness as of February 1, 2021.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 14,935,000	\$ 3,122,535	\$ 18,057,535
2022	28,474,585	5,271,623	33,746,208
2023	28,078,964	4,057,596	32,136,560
2024	18,690,163	2,894,915	21,585,078
2025	14,537,458	2,143,236	16,680,694
2026	11,825,000	1,472,025	13,297,025
2027	7,055,000	908,788	7,963,788
2028	6,985,000	569,750	7,554,750
2029	4,430,000	245,700	4,675,700
2030	1,870,000	85,950	1,955,950
2031	1,930,000	28,950	1,958,950
	<u>\$ 138,811,171</u>	<u>\$ 20,801,068</u>	<u>\$ 159,612,239</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>
2021-2025	\$ 104,716,171	75.4%
2026-2030	32,165,000	23.2%
2031-2035	<u>1,930,000</u>	<u>1.4%</u>
	<u>\$ 138,811,171</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**

Fiscal Year Ended <u>June 30:</u>	Gross <u>Bonded Debt</u> ⁽¹⁾
2011	\$ 313,957,579
2012	328,629,413
2013	288,134,741
2014	275,738,853
2015	266,986,629
2016	249,119,048
2017	237,798,085
2018	225,535,726
2019	213,588,818
2020	214,567,661

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

⁽¹⁾Includes Buffalo CSD and Enterprise Debt

Short-Term Indebtedness

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

Revenue Anticipation Notes

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

revenue receipts budgeted to finance such appropriations. The City has not issued revenue anticipation notes since 2007.

Tax Anticipation Notes

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

Bond Anticipation Notes

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

Budget Notes

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

Deficiency Notes

The City may issue deficiency notes during any fiscal year to finance a deficiency in any fund or funds arising from revenues being less than the amount estimated in the budget for such current fiscal year. 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.

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 November 30, 2020, the City had authorized but unissued general obligation debt in the amount of \$30.1 million. The 2021 Capital Improvement Budget, as submitted by the Mayor on November 1, 2020, which totaled \$29.4 million, as of December 16, 2020 the budget has not been adopted by the Common Council. The 2021 Capital Improvement Budget, which totaled \$29.4 million was adopted on December 18, 2020. The City plans to adopt bond authorizations for the 2021 CIP in February 2021.

PROPERTY TAXES

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

Tax Levy Limitation Law

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

Prior to the enactment of the Tax Levy Limitation Law all the taxable real property within the City had been subject to the levy of ad valorem taxes to pay the bonds and notes of the City and interest thereon without limitation as to rate or amount. However, the Tax Levy Limitation Law imposes a tax levy limitation upon the City for any fiscal year commencing after January 1, 2012 continuing through June 15, 2020 unless extended, without providing an exclusion for debt service on obligations issued by the City. As a result, the power of the City to cause the levy of real estate taxes on all the taxable real property within the City for City purposes, including the payment of the principal of and interest on the Bonds, is subject to the statutory limitations imposed by the Tax Levy Limitation Law. Such statutory limitations do not apply to the City's power to increase its annual tax levy for Buffalo CSD purposes.

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

The Tax Levy Limitation Law imposes a limitation on increases in the real property tax levy of the City, subject to certain exceptions. The Tax Levy Limitation Law permits the City to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor", which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by: (ii) the average of

the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, with the result expressed as a decimal to four places. The City is required to calculate its tax levy limit for the upcoming year in accordance with the provisions above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limitation Law sets forth certain exclusions to the real property tax levy limitation of the City, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by City. The Common Council of the City can adopt a resolution, approved by a vote of sixty percent of the total voting power of the Common Council, to override the tax levy limit for a given year.

There can be no assurances that the Tax Levy Limitation Law will not come under legal challenge for violating applicable law (i) for not providing an exception for debt service on obligations issued prior to the enactment of the Tax Levy Limitation Law, (ii) by effectively eliminating the exception for debt service to general real estate tax limitations, and (iii) by limiting the pledge of its faith and credit by a City for the payment of debt service on obligations issued by such City because the Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation bonds or notes of the City or such indebtedness incurred after the effective date of the Tax Levy Limitation Law.

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

**COMPUTATION OF REAL ESTATE TAX LEVYING LIMITATION⁽¹⁾
for the 2020-21 Fiscal Year**

Two Per Centum of Five-Year Average Full Valuation		\$	212,560,537
EXCLUSIONS ADDED THERETO			
Gross Debt Service	\$		39,893,889
Resources Applied to Debt			(1,712,947)
Interfund Transfers			-
Net Capital Debt Service ⁽²⁾			38,180,942
Appropriation for capital project account reserve			600,000
Appropriation for objects or purposes for which a period of probable usefulness is provided by Section 11.00 of Local Finance Law			4,419,776
Total Exclusions		\$	43,200,718
MAXIMUM TAXING POWER			255,761,255
REAL ESTATE TAX LEVY			147,865,000
TAX LEVYING MARGIN		\$	107,896,255

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

⁽¹⁾City of Buffalo Adopted 2020-21 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 2020-21 Fiscal Year**

Fiscal Year	Assessed	State Special Equalization	Full
<u>Ended June 30:</u>	<u>Valuation⁽¹⁾</u>	<u>Ratio⁽²⁾</u>	<u>Valuation⁽³⁾</u>
2017	\$ 6,651,948,241	0.7059	\$ 9,423,357,757
2018	6,676,563,860	0.6687	9,984,393,390
2019	6,668,535,362	0.6305	10,576,582,652
2020	6,661,426,846	0.5981	11,137,647,293
2021	11,818,651,877	0.9834	12,018,153,220
Total Five-Year Full Valuation			\$ 53,140,134,313
Five-Year Average Full Valuation			\$ 10,628,026,863
Tax Levying Limitation: 2% of Average Full Valuation			\$ 212,560,537
Debt Contracting Limitation: 9% of Average Full Valuation			\$ 956,522,418

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

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

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

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

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

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

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COMPOSITION OF REAL PROPERTY
for the Fiscal Year Ended June 30

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
TOTAL ASSESSED REAL ESTATE	\$ 9,959,600,594	\$ 10,139,283,535	\$ 10,305,752,786	\$ 10,396,397,904	\$ 16,592,594,138
Special Franchise Assessment ⁽³⁾	<u>339,488,005</u>	<u>346,541,805</u>	<u>329,173,554</u>	<u>310,855,096</u>	<u>466,911,076</u>
TOTAL ASSESSED VALUATION	10,299,088,599	10,485,825,340	10,634,926,340	10,707,253,000	17,059,505,214
Non-Taxable Real Estate	(3,675,831,416)	(3,824,599,267)	(3,957,238,119)	(4,047,105,680)	(5,307,042,781)
Railroad Exemption	<u>(50,852,248)</u>	<u>(59,566,594)</u>	<u>(80,632,428)</u>	<u>(67,564,988)</u>	<u>(40,753,588)</u>
TOTAL TAXABLE FOR GENERAL CITY PURPOSES	6,572,404,935	6,601,659,479	6,597,055,793	6,592,582,332	11,711,708,845
Veteran and Senior Citizen Exemptions subject to School Tax	<u>79,543,306</u>	<u>74,904,381</u>	<u>71,479,569</u>	<u>68,844,514</u>	<u>106,943,032</u>
TOTAL TAXABLE FOR SCHOOL PURPOSES	<u>\$ 6,651,948,241</u>	<u>\$ 6,676,563,860</u>	<u>\$ 6,668,535,362</u>	<u>\$ 6,661,426,846</u>	<u>\$ 11,818,651,877</u>
TAX BASE FOR GENERAL CITY PURPOSES					
Homestead	\$ 4,233,609,629	\$ 4,251,700,447	\$ 4,262,336,895	\$ 4,278,680,596	\$ 7,219,070,343
Non-Homestead	<u>2,338,795,306</u>	<u>2,349,959,032</u>	<u>2,334,718,898</u>	<u>2,313,901,736</u>	<u>4,492,638,502</u>
TOTAL TAX BASE FOR GENERAL CITY PURPOSES	<u>\$ 6,572,404,935</u>	<u>\$ 6,601,659,479</u>	<u>\$ 6,597,055,793</u>	<u>\$ 6,592,582,332</u>	<u>\$ 11,711,708,845</u>
TAX BASE FOR SCHOOL PURPOSES					
Homestead	\$ 4,312,244,867	\$ 4,325,666,525	\$ 4,332,987,874	\$ 4,346,781,121	\$ 7,324,323,690
Non-Homestead	<u>2,339,703,374</u>	<u>2,350,897,335</u>	<u>2,335,547,488</u>	<u>2,314,645,725</u>	<u>4,494,328,187</u>
TOTAL TAX BASE FOR SCHOOL PURPOSES	<u>\$ 6,651,948,241</u>	<u>\$ 6,676,563,860</u>	<u>\$ 6,668,535,362</u>	<u>\$ 6,661,426,846</u>	<u>\$ 11,818,651,877</u>

Source: City of Buffalo, Department of Assessment.

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

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

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

In addition to the partial property tax exemptions granted to veterans and senior citizens, both the City and the County have adopted policies for providing property tax exemptions to attract new business, residential development and industry in the City and surrounding areas. For 2020-21, \$1.1billion will be exempted by these policies as compared to \$743.4million in 2019-20and \$813.4 million in 2018-19.

For payments in lieu of taxes (PILOTs), the City received \$3.3 million in 2018-19and \$3.5million in 2019-20and a budget of \$3.2 million for fiscal year 2020-21. As the tax exemptions granted under the City and County policies expire, the related property is placed on the tax rolls.

Tax Levy

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

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

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

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

Fiscal Year Ended June 30:	General City <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>Service</u>	<u>Operations</u>	Capital Debt <u>Service</u>		County of <u>Erie</u> ⁽²⁾	Buffalo Sewer <u>Authority</u>	
2017 (Homestead)	5.82	3.14	7.56	1.37	17.89	6.45	1.65	25.99
2017 (Non-Homestead)	8.71	4.69	11.51	2.09	27.00	6.45	1.65	35.10
2018 (Homestead)	5.68	3.21	7.67	1.33	17.89	7.13	1.63	26.65
2018 (Non-Homestead)	8.43	4.76	11.56	2.01	26.76	7.13	1.63	35.52
2019 (Homestead)	5.97	3.58	7.62	1.32	18.49	7.33	1.62	27.44
2019 (Non-Homestead)	9.05	5.42	11.73	2.02	28.22	7.33	1.62	37.17
2020 (Homestead)	6.06	3.64	7.56	1.21	18.47	7.59	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	7.59	0.95	18.53
2021 (Non-Homestead)	5.40	3.33	7.00	1.03	16.75	7.59	0.95	25.29

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. 2021 Homestead and Non-Homestead Rates are based on 2020 Equalized Full Valuation

Tax Collection Procedure and History

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

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

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

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

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

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

Fiscal Year Ended June 30	Total Current Levy	Collected Within the Fiscal Year of the Levy		Interest Added to Levy⁽¹⁾	Final Tax Levy for Fiscal Year	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage				Amount	Percentage of Levy
2011	\$129,069	\$122,281	94.74%	\$1,224	\$130,293	\$7,447	\$127,383	99.92%
2012	128,090	122,089	95.32%	1,191	129,281	7,169	129,258	99.98%
2013	123,947	117,559	94.85%	1,159	125,106	7,342	124,901	99.84%
2014	124,087	117,480	94.68%	1,203	125,290	7,634	125,114	99.86%
2015	122,333	116,451	95.19%	1,107	123,440	6,953	123,404	99.97%
2016	123,793	116,621	94.21%	1,150	124,943	7,452	124,073	99.30%
2017	127,982	120,785	94.38%	1,108	129,090	6,851	127,636	98.87%
2018	128,000	122,454	95.67%	1,021	129,021	4,788	127,242	98.62%
2019	135,095	129,245	95.60%	1,024	136,219	785	130,030	95.46%
2020	139,465	131,234	94.10%	1,239	140,704	149	131,383	93.38%

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

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

Real Property Tax Delinquencies

As of June 30, 2020, cumulative real property tax delinquencies were \$13.5 million. The City reserved \$45.3 million as uncollectible at June 30, 2020. It is the City's policy to write off as uncollectible property taxes which have been delinquent for more than five years.

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

ECONOMIC AND DEMOGRAPHIC FACTORS

Major Taxpayers

The following table of the fifteen largest taxpayers indicates the distribution of taxable properties in the City. As indicated, two utilities are liable for approximately 5.7% and 1.7%, respectively, of the total tax levy for fiscal year 2020-21 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, 2021

<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	\$502,562,575	\$8,419,880	5.69%
2	National Fuel Gas Corporation ⁽⁵⁾	Utility	147,189,565	2,465,998	1.67%
3	Consolidated Rail Corporation ⁽⁵⁾	Shipping/Transportation	79,199,874	935,355	0.63%
4	EGP 130 Buffalo, LLC	Commercial Real Estate	50,000,000	837,695	0.57%
5	Manufacturers and Trust Company ⁽⁴⁾	Bank	49,961,000	837,041	0.57%
6	Uniquist Delaware, LLC	Condominium/Hotel	41,500,000	695,287	0.47%
7	Violet Realty, Inc.	Commercial Real Estate	41,000,000	686,910	0.46%
8	Verizon Communication, Inc. ⁽⁵⁾	Telecommunications	37,248,022	624,049	0.42%
9	LCO Building, LLC	Commercial Real Estate	41,044,800	586,096	0.40%
10	G & IIX Empire, LLC	Retail Plaza	33,127,000	555,006	0.38%
11	KEY Success, LLC	Commercial Real Estate	30,570,000	512,167	0.35%
12	Kissling Interest, LLC	Commercial Real Estate	28,663,800	480,230	0.32%
13	Genesee Hotel Properties, LLC	Hotel/Hospitality	27,400,000	459,057	0.31%
14	Gold Wynn Residential USA	Commercial Real Estate	25,088,000	413,799	0.28%
15	HSBC Bank USA, N.A. ⁽⁴⁾	Bank	19,601,000	<u>327,709</u>	<u>0.22%</u>
Total: Top Fifteen Taxpayers				<u>18,836,281</u>	<u>12.74%</u>
Total: Real Property Tax Levy				<u>\$ 147,865,000</u>	<u>100.00%</u>

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

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

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

⁽³⁾Based on a non-homestead tax rate of \$16.75 per thousand

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

⁽⁵⁾Includes Special Franchise

Employment

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

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

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

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

Trends in Employment by Category⁽¹⁾
2000-2019
(000's Omitted)

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

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

⁽¹⁾Does not include all categories of employment

⁽²⁾Includes Preliminary Figures for December 2019

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

Category	2000		2010		2018		2019	
	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA ⁽²⁾	United States
Manufacturing	9.3%	8.5%	5.8%	5.7%	5.8%	5.6%	5.8%	5.6%
Trade, Transportation & Utilities	12.2%	12.8%	11.4%	12.2%	11.2%	12.3%	11.3%	12.2%
Retail Trade	7.4%	7.5%	7.1%	7.1%	6.8%	7.0%	6.8%	6.9%
Wholesale Trade	2.7%	2.9%	2.5%	2.7%	2.4%	2.6%	2.3%	2.6%
Government	10.1%	10.2%	11.0%	11.1%	10.1%	9.9%	10.0%	9.9%
Service Providing	50.9%	52.5%	54.6%	55.4%	55.0%	56.9%	55.3%	57.1%
Other Services	2.6%	2.5%	2.7%	2.6%	2.9%	2.6%	2.9%	2.6%
Finance & Insurance	2.6%	2.8%	2.8%	2.8%	3.4%	2.8%	3.2%	2.8%
Mining & Logging	2.3%	0.3%	2.2%	0.3%	2.4%	0.3%	2.3%	0.3%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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

⁽¹⁾Does not include all categories of employment

⁽²⁾Includes Preliminary Figures for December 2019

Unemployment Rates

The following table indicates that the City's rate of unemployment is higher than the State and national percentages. City data in the table were determined by using the Census share methodology, which is based on

the ratio of the City to the County with respect to employment figures. The 2001-2010 data for the City is based on the City's population data from the 2000 Census. The 2011-2019 data for the City is based on the 2010 Census.

UNEMPLOYMENT RATES ⁽¹⁾

<u>Year</u>	<u>City</u>	<u>Buffalo MSA</u>	<u>NY State</u> ⁽²⁾	<u>United States</u>
2011	10.6%	8.2%	8.3%	8.9%
2012	10.9%	8.5%	8.4%	8.1%
2013	9.7%	7.6%	7.5%	7.4%
2014	7.9%	6.2%	6.2%	6.2%
2015	7.1%	5.6%	5.3%	5.3%
2016	6.3%	4.9%	4.9%	4.9%
2017	6.7%	5.4%	4.7%	4.4%
2018	5.8%	4.7%	4.2%	3.9%
2019 ⁽³⁾	5.3%	4.2%	4.0%	3.7%

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

⁽¹⁾Total employment by place of residence

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

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

⁽⁴⁾Average rates through September 2020, represents COVID-19 impacts from March 2020 – September 2020.

Population

The 2010 Census revealed that the City's population declined from 292,648 in 2000 to 261,310 in 2010. The most recent estimate provided by the U.S. Department of Commerce, Bureau of the Census has the City of Buffalo with a population of 256,304 for 2019.

POPULATION TREND 1980-2010

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

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

CITY OF BUFFALO HOUSING CHARACTERISTICS 1980-2010

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

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

Development Activity

Information Technology

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

One Seneca Tower is now home to 43 North, a start-up pitch competition that awards \$5.0 million to various start-up companies that locate in the City of Buffalo and the Innovation Center, a business incubator and co-working site designed to promote entrepreneurship. 43 North recently relocated from the Buffalo Medical Campus in early 2020 and will complement M&T's new tech hub. More than 130 start-up companies have been founded at the campus, capitalizing on the synergy and opportunity created by so many different entities on one site. Further tech-oriented office redevelopment is anticipated within The Main Place Mall with an estimated \$75.0 million redevelopment to attract other large business tenants to the downtown.

Buffalo Medical Campus

Two major projects were completed on the Buffalo Niagara Medical Campus ("BNMC") in 2017, bringing the total number of employees at the 120-acre site to more than 17,000. Both Kaleida Health's \$250.0 million Oishei Children's Hospital and the University at Buffalo's \$375.0 million Jacobs School of Medicine and Biomedical Sciences opened for business on the campus, which is a consortium of the region's top health care, education, and research institutions. The campus was already home to Roswell Park Cancer Institute, Buffalo General Hospital, the Hauptman-Woodward Medical Research Institute, and the recently completed \$291.0 million facility that is home to the Kaleida Health Gates Vascular Institute and the University at Buffalo's Clinical and Translational Research Center.

Finance & Corporate Headquarters

The City is the home to the corporate headquarters of M&T Bank. M&T Bank, founded in Buffalo in 1856, is one of the nation's largest 20 banks, with \$81.0 billion in assets and more than 15,000 employees, a third of which are located in the Buffalo area. M&T's footprint includes 750 branches in New York, Maryland, Pennsylvania, Virginia, Washington, D.C., West Virginia, Delaware, New Jersey and Florida.

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

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

Education

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

In 2019, SUNY Buffalo State College took a lead development role as the designated developer for the former City of Buffalo auto impound lot. Located on the Western end on of the 198, the development is expected to enhance bridge connections to the existing campus and would support revitalization efforts on Buffalo's West Side.

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

Northland

The Northland Workforce Training Center is an industry-driven, public-private partnership between employers, educational institutions, community and faith-based organizations and state and local government focused on closing the skills gap of the local labor pool and creating economic on-ramps to training, co-ops, internships, apprenticeships, and permanent employment for Western New Yorkers seeking high-paying advanced manufacturing and energy careers.

Waterfront Development

The centerpiece of the waterfront development is the Canalside project, a year-round destination on the southern edge of downtown. More than 1.5 million visitors annually enjoy the attractions Canalside, which include concerts, ice skating, paddle boating, special events, and other activities. A new building at Canalside, the \$27.0 million Explore & More - Ralph C. Wilson, Jr. Children's Museum, is complete and open to the public.

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

Canalside has even more attractions coming with the addition of a solar-powered carousel to be located near Clinton's Dish. This seasonal attraction consisting of a historic 1924 carousel will be housed inside a roundhouse enclosed in glass and will be completed 2020. The construction of a historic replica Longshed Boat Building was completed in October 2020 which consisted of a two-story, gabled-roof wood structure that will include public restrooms. The Buffalo Maritime Center has begun a move to begin a two- to three-year project to build a 19th century packet boat with public participation and viewing. Approved by the Planning Board in the fall of 2019, the Heritage Point project is a planned \$30.0 million mixed-use development on the former South Aud block which will include restaurants, retail, and apartments.

Waterfront development has also spread past downtown, with recent park projects leading to nearby residential developments on the Outer Harbor and the Buffalo River. Buffalo Riverfest Park, Mutual Riverfront Park and Buffalo RiverWorks have resulted in new apartment buildings on the Buffalo River, such as the \$18.0 million Buffalo River Landing and the \$9.0 million 301 Ohio building. Wilkeson Pointe and other improvements have led to the first residential project proposed on the Outer Harbor, a 23-story, \$100.0 million multi-phase housing, retail and waterfront amenity project known as Queen City Landing.

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

Downtown Development

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

A \$40.0 million expansion of the Buffalo Creek Casino, including 360 new slot machines, 10 table games, a performance stage, and a high-end restaurant, was completed in 2017. The \$45.0 million 201 Ellicott projects will bring more than 200 affordable residential units and a grocery store to downtown Buffalo. The Emerson Culinary School is renovating and expanding their facility. The project at 500 Pearl Street is now home to the 110 room Aloft Hotel, 12 high-end apartments, office space, first floor retail, and a restaurant. The \$70.0

million project also includes the 2018 renovation of the adjoining Buffalo Christian Center. In 2020, Ellicott development announced plans to construct a mixed-use development on a surface parking lot at 11 St. Paul St. In proximity to the Buffalo Niagara Medical Campus, the development will include 14,000 square feet of retail, an Element by Westin Hotel with 103 extended-stay hotel rooms, and parking for 560 vehicles. Also near BNMC, the “Grid” is an \$18.0 million five-story residential complex under construction that will be geared towards students and young professionals working and studying at the medical campus.

Infrastructure

The Cars Sharing Main Street project continues to bring vehicular traffic back to Main Street, while preserving the light rail system on the thoroughfare. With the 500, 600, and 700 blocks of Main Street completed, the project is already fulfilling its goal of increasing economic development and activity on the street. An additional \$18.0 million in federal Transportation Investment Generating Economic Recovery (TIGER) grant funding for the project will be used for the portion of Main Street in the Canalside area, between Exchange and Scott Streets.

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

Housing

In 2019, over 400 new units of downtown housing underway, including approximately 115 units at Douglas Development’s Seneca One and 201 units at Ciminelli’s 201 Ellicott St project.

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

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

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

Hospitality

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

Automotive Industry

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

Entertainment and Culture

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

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

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

The City is the home of numerous institutions devoted to the arts including Kleinhans Music Hall, the home of the Buffalo Philharmonic Orchestra, and the world famous Albright-Knox Art Gallery which broke ground on its \$160 million expansion. The gallery will house temporarily on the Northland Campus during construction and the new Buffalo AKG Art Museum is expected to open in 2022.

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.

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

Canadian Impact

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.

The impact of Canadians on the local economy is expected to increase as the "Golden Horseshoe" region of Southern Ontario (Toronto-Niagara Falls-Hamilton area) is projected to grow from 8.8 million people today to 11.5 million by 2031. An expanded Peace Bridge Plaza completed construction aimed at strengthening the region's ties with Southern Ontario by making border crossings quicker and easing congestion on the bridge. The plan also included \$2.0 million for improvements to the surrounding neighborhood.

Transportation

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

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

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

The Buffalo Niagara International Airport (BNIA), operated by the Niagara Frontier Transportation Authority (NFTA) is a regional airport serving the Buffalo-Niagara Metropolitan Area providing approximately 110 daily flights. The following table sets forth the trend in passenger volume at the Buffalo Niagara International Airport from 2009 through 2019.

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

Year	Passenger Volume	% Change from Prior Year
2010	5,203,104	-2.5%
2011	5,194,162	-0.2%
2012	5,177,913	-0.3%
2013	5,134,925	-0.8%
2014	4,750,643	-7.5%
2015	4,679,070	-1.5%
2016	4,618,748	-1.3%
2017	4,704,114	1.8%
2018	5,059,555	7.6%
2019	4,967,859	-1.8%

Source: Niagara Frontier Transportation Authority

BUFFALO CSD SCHOOL FACILITIES RECONSTRUCTION PROJECT

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

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

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

Pursuant to the Buffalo Schools Act and commencing in September 2003, the ECIDA has issued several series of its School Facility Revenue Bonds (City School District of the City of Buffalo Project) to fund five phases of the Program. As of June 30, 2020, the aggregate outstanding principal amount of such bonds totals \$633.7 million. These bonds are special limited obligations of the ECIDA secured by annual payments of State aid to education appropriated and made available to the Buffalo CSD.

The ECIDA has issued refunding bonds in July 2011, April 2012, April 2013, June 2015 and October 2016 to refund the outstanding School Facility Revenue Bonds, Series 2003, 2004, a portion of 2009 and 2007/2008 and a portion of 2009 respectively.

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

IMPACTS OF COVID-19 ON THE CITY

The COVID-19 pandemic impacted revenues during the City's 2019-2020 fiscal year. Specifically, the City experienced decreases in State aid (\$19.7M), sales tax (\$3.1M), parking fees and fine receipts (\$7.6M) and a reduction of Building permits and Licenses (\$4.1M). As a result of the foregoing the City issued a deficiency note in the amount of \$25.0M. The State recently notified the City that it expects to pay the City approximately \$14.8M of the State aid withheld at the end of the 2019-2020 fiscal year. Upon receipt, the State aid must be used to retire a like portion of the deficiency note issued by the City. The balance of the principal amount of the deficiency note is expected to be retired using general funds. The City is currently working with its local State delegation to have the repayment period for the deficiency note extended. The extension of the term of the deficiency note will require State legislation.

In response to the declines in revenues, the City lowered revenue estimates for State aid by approximately \$32.0M and sales tax receipts by approximately \$17.0M in its 2020-2021 Adopted Budget. To offset these revenue reductions, the City included Federal Stimulus Aid of \$65.0M in the 2020-2021 Adopted Budget and took other expenditure reduction measures. To date, sales tax receipts have returned to pre-pandemic levels and the City anticipates that receipts for the current fiscal year will exceed budget by approximately \$15.0M. In addition, the State has notified the City that it expects to reduce the City's State aid by approximately \$4.0M from the prior fiscal year, which is expected to result in State aid revenues exceeding budget by approximately \$41.0M. These anticipated positive budget variances in State aid and sales taxes are expected to reduce the City's reliance on Federal Stimulus Aid by \$56.0M.

The City has incurred expenses of approximately \$2.1M associated with the COVID-19 pandemic, including but not limited to, costs related to PPE, cleaning supplies and equipment. The City has received CARES funding and FEMA funding as reimbursement for a substantial portion of said costs. The remainder of the FEMA reimbursement is anticipated to be paid shortly with the new Federal administration reviewing the claims.

LITIGATION

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

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

Tax Certiorari Proceedings

In common with other municipalities, the City receives numerous real property tax certiorari petitions contesting the validity of tax assessments. The City's 2020-21 budget included \$500,000 for tax certiorari-related claims and judgments with \$5,500 having been paid out as of September 30, 2020. The City expensed \$70,654 and \$247,199 for tax certiorari-related claims or judgments for fiscal year ended June 30, 2020 and June 30, 2019, respectively.

Provision for Judgments and Claims

The City's 2020-21 budget included \$2.0 million for judgments and claims and \$4.5 million for workers compensation claims, of which \$1.3 million and \$734,016 respectively had been paid out as of September 30, 2020. The City expensed \$6.6 million for judgments and claims and \$3.5 million for workers compensation claims for fiscal year ended June 30, 2020. The City expensed \$3.1 million for judgments and claims and \$4.0 million for workers compensation claims for fiscal year ended June 30, 2019.

APPENDIX B

**CITY OF BUFFALO, NEW YORK
BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION AS OF
AND FOR THE YEAR ENDED JUNE 30, 2020 AND INDEPENDENT AUDITOR'S REPORT**

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CITY OF
BUFFALO
NEW YORK

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

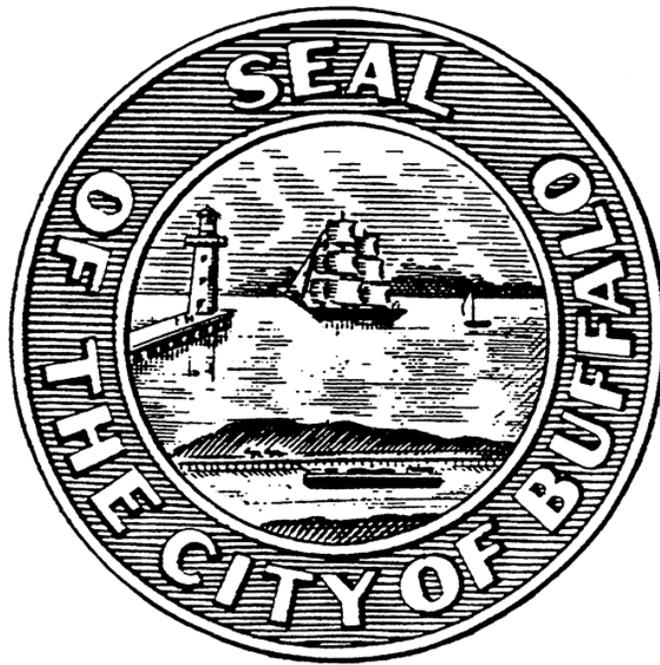
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**BARBARA MILLER-WILLIAMS
COMPTROLLER**

City of Buffalo, New York

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020
Barbara Miller-Williams, Comptroller



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

CITY OF BUFFALO, NEW YORK
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INTRODUCTORY SECTION

INTRODUCTORY SECTION



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

1225 CITY HALL
 BUFFALO, NEW YORK 14202
 716-851-5255 (O)
 716-851-4031 (F)
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DELANO DOWELL, SR
 DEPUTY COMPTROLLER

GREGG SZYMANSKI, CPA
 INVESTMENT & DEBT MANAGEMENT

WILLIAM FERGUSON, CPA
 CITY ACCOUNTANT

KEVIN KAUFMAN, CPA
 CITY AUDITOR

BARBARA MILLER-WILLIAMS
 COMPTROLLER

November 25, 2020

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

I am pleased to submit the 188th Annual Financial Report of the City of Buffalo, New York (the City) for the fiscal year ended June 30, 2020. Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose. In as much as the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance the financial statements are free of any material misstatements.

Drescher & Malecki LLP, Certified Public Accountants, have issued an unmodified "clean" opinion on the City's financial statements as of and for the year ended June 30, 2020. The independent auditors' report is located at the front of the financial section of this report.

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

Profile of the Government

Buffalo, first settled in 1789, was incorporated as a city in 1832. It is located on the western border of the State of New York and eastern shore of Lake Erie. It has a land area of 52.51 square miles and a population of 261,310 based on the 2010 census. The City of Buffalo is the second largest city in the state and serves as the seat of the Erie County government. The Peace Bridge crossing the Niagara River connects downtown Buffalo with Fort Erie, Canada, and serves as a major link between the United States and Canada.

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

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

The fiscal affairs of the City are the responsibility of the Comptroller, who is elected to a four-year term. The specific responsibilities of the Comptroller include the audit and control of the financial activities of all departments and agencies of the City, as well as the accounting, debt management and investment functions.

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

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

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

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

Local Economy

Coronavirus Disease

Coronavirus Disease (COVID-19), a severe respiratory disease caused by a strain of coronavirus, symptoms include cough, fever, shortness of breath, body aches, sore throat and some cases of death. COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020. This virus can be spread from person to person and there is no coronavirus vaccine as of yet.

The global outbreak of COVID-19 has had drastic impacts on travel, business and financial markets throughout the United States. As nearly all cities have experienced a rise in infections and have implemented containment/preventative measures, economies have suffered severely. It's difficult to foresee the full financial impact of this virus due to uncertainties surrounding the duration and severity of the COVID-19 pandemic.

There is now widespread unemployment across all economic sectors in the United States. The uncertainty of the long-term effects of the COVID-19 pandemic has resulted in instability across various financial markets, including the primary and secondary markets for municipal bonds. Congress and the Federal Reserve have taken significant measures to provide liquidity and markets have since stabilized. However, it remains possible that under the conditions, trading of Bonds in the secondary market could be affected in ways that are challenging to predict.

In accordance to the City Charter, on May 15, 2020, the Comptroller's office issued a response to the Mayor's Recommended Budget for Fiscal Year 2020-2021 informing the Administration and Common Council of a potential \$76 million budget deficit if the City does not receive financial assistance from the Federal Government and if New York State and Seneca Nation does not settle its ongoing revenue sharing dispute.

The City of Buffalo, New York's economy continues to recover from the financial impacts of the COVID-19 pandemic. The City has faced extraordinary and unanticipated circumstances to its prior/current fiscal years finances. However, the City has been able to continue to provide vital services to its citizens. Below are a few of the upcoming projects, investments and grants within the City of Buffalo:

Projects and Investments

- The \$27.7 million *Exchange Street Station* renovation is almost complete and expected to open up for service by the end of the calendar year. Seating capacity of the train station will increase from 20 to 40 individuals and 38,000 commuters are expected to use the station annually.

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

- The **Buffalo City Mission's** new 75,000 sq. ft., four-story, \$15 million Community Center located at 100 E. Tupper St. facility is complete and will open at the end of the calendar year.
- The **American Malting Company Malthouse** a \$70 million project that will turn a series of silos and grain mills (Silo City) into a residential complex that will be used for commercial and residential space. The first floor will be used for commercial space and the upper floors will be used for 158 one and two-bedroom apartments.
- The 287,000 sq. ft. **AM&A's Department Store** at 377 Main St. will be turned into a mix use project that will be used for retail, office and residential use. Renovation expected costs at \$50 million and will take 24 to 36 months for completion.
- Potential development at **80 West Huron** a nine-story mixed use project with anticipated renovation costs of \$20 million. The 77,000 sq. ft. building will have street-level commercial space, 56 affordable apartments, office space and a rooftop terrace.
- **Statler Towers** façade upgrade underway in Downtown Buffalo. The scope of work includes returning the ground floor to its original artistic, restore outside landscaping and revolving doors, remove deteriorated granite and paint/repair existing wood windows.
- **Mill Race Commons** is currently under construction on Seneca Street. A five-story building that will include 70 market rate apartments, parking, outdoor pool, fire pits, fitness center and 13,000 sq. ft. of ground floor commercial space. Projected opening December, 2020.
- **HANSA Workspace** is a full service, professional two-story building located at 505 Ellicott St. that offer flexible office space, retail and residential services. Construction of the 34,220 sq. ft. building was complete in August, 2020 with an estimated cost of \$8 million.
- **Elmwood Crossing** a \$100 million redevelopment of the former Women & Children's Hospital, which will include more than 220 apartments, 27 condominiums, 22 town houses, a 75-room hotel, grocery store, 20 boutique shops, office space and a day care center.
- **Jefferson Avenue Apartments** located at 1140 and 1166 Jefferson Ave. a \$31 million development to construct a pair of three-story apartment buildings that will include 89 affordable apartments. Project set to start in December, 2020.

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

Grants

A partial summary of grants awarded to the City of Buffalo:

- 2019-2020 AFG (Assistance to Firefighters) grant (FEMA) - \$322,255 for training, EMT certification, and HAZMAT specialty.
- 2019-2020 Project Safe Neighborhoods Grant (US Department of Justice through RIT) - \$229,837 to reduce incidences of gun violence through enhanced patrol and preventative measures.
- Lead Service Line Replacement - to replace broken lead lines that pose potential harm to drinking water:
 - 2018-2020 (DOH) - \$567,492
 - 2019-2020 (DEC) - \$100,000
 - 2019-2020 (DOH) - \$155,000
 - 2020-2022 (HUD) - \$2,023,602
- 2019-2023 SAFER (Staffing for Adequate Fire and Emergency Response) (FEMA) \$9,806,044 over the course of three years for 50 new firefighting positions.
- 2019-2023 State Homeland Security Program (SHSP) Grant (NYS Homeland Security and Emergency Services) - \$1,041,920 for equipment, training, and related items for BPD, BFD, and MIS to enhance homeland security and cyber security initiatives.
- 2020-2023 Justice and Mental Health Collaboration Grant (US Department of Justice) \$746,317 to develop a Behavioral Health Team and strategy to better serve those experiencing mental health incidents.
- 2021-2023 Climate Smart Communities (DEC) - \$80,000 for climate resiliency planning.
- 2020 Auto Theft (MVTIF) Grant (NYS Division of Criminal Justice Services) - \$106,384 to enhance auto theft and insurance fraud case work and prevention.
- 2020-2021 Municipal Waste Reduction/Recycling Coordination (DEC) - \$125,415 for recycling coordination activities.
- 2020-2021 Coca-Cola Foundation - \$90,000 for expanding multi-unit housing.

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

- 2020-2021 COVID-related expense reimbursement:
 - AFG-S COVID (FEMA) - \$417,246 for six months of PPE for BFD personnel
 - Erie County's CARES Act allocation - \$1 million for personnel and other expenses
 - U.S. Department of Justice - \$713,149 for BPD PPE
- 2020-2021 GIVE (Gun Involved Violence Elimination) Grant (NYS Division of Criminal Justice Services) - \$623,844 to reduce incidences of gun violence through enhanced patrol and preventative measures.
- 2020-2021 JAG (Edward Byrne Memorial Justice Assistance) Grant (US Department of Justice)- \$268,260 to cover overtime for increased police presence at large scale community events to enhance homeland security and gun violence efforts).

Long-term Financial Planning

At June 30, 2020, the City's General Fund fund balance is at \$89.5 million, a decrease of \$3.4 million from the prior year's fund balance. Not only are workers and businesses affected by the COVID-19 pandemic, but so too is the fiscal capacity of municipalities that heavily rely on revenues that come from property taxes, sales taxes and state A.I.M. (Aid and Incentives to Municipalities) payments. However, we have to prepare a fiscally responsible financial plan that will allow current revenues to match current expenses based off the City of Buffalo present economic conditions. As this crisis continue to unfold, the financial impact to the City of Buffalo bottom line will continue to be reviewed and disclosed to the citizens of the City of Buffalo.

Major Initiatives

In our efforts to ensure the long-term recovery and continue the growth of the City of Buffalo, my team and I will continue to report, protect and be fiscally responsible for the finances of the City. We will stress the importance of the City to align actual revenues to actual expenses and to get away from one-time fixes to balance the budget. We continue to recommend that the City immediately implement written financial contingency plans when facing potential budget shortfalls after the first quarter of any fiscal year.

New Timekeeping System:

With a City-wide effort we have been able to implement a new timekeeping system (ExecuTime). The entire City is now utilizing the new system. This was a major undertaking

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

that took nearly 2 years to fully implement. Now all 3,000 City employees have been moved to the new payroll system.

Processing Contracts Electronically:

Contract processing prior to the pandemic was a paper driven process, where contracts would circulate around City Hall for numerous department head signatures. We have been able to move this to an electronic process, where all documents are now scanned and stored electronically in our ERP Software. This not only improves speed of approving contracts, but has also created a centralized, easily accessible location where contracts are stored.

Awards and Acknowledgements

GFOA Certificate:

For the fourteenth consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Buffalo for its comprehensive annual financial report for the fiscal year ended June 30, 2019. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we will submit this report to the GFOA for consideration once again.

Peer Review of Internal Audit:

Peer-to-Peer review of internal control process is complete every 3 years per City of Buffalo Charter. The Internal Audit function is required to be reviewed by an outside accounting firm to determine if our audit work and audit reports comply with standards issued by Institute of Internal Auditors. It was determined by an outside CPA firm that our audit work and audit reports comply with the standards. This means that our findings and recommendations in our audit reports are sufficiently documented to support the Department of Audit and Control findings.

Award for Outstanding Achievement in PAFR

The City of Buffalo also earned the Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) by the GFOA for the fiscal year ended on June 30, 2019, the sixth consecutive year the City has earned the award.

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

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Department of Audit and Control. I wish to express my appreciation to all members of the department who assisted and contributed to the preparation of this report.

Sincerely,

A handwritten signature in cursive script that reads "Barbara Miller-Williams".

Barbara Miller-Williams
Comptroller

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

**CITY OF BUFFALO, NEW YORK
Elected City Officials
June 30, 2020**

Byron W. Brown, Mayor

Barbara Miller-Williams, City Comptroller

Darius G. Pridgen, President of the Council

**DISTRICT COUNCIL MEMBERS
(as of June 30, 2020)**

Delaware District—Joel P. Feroletto

Ellicott District—Darius G. Pridgen

Fillmore District—Mitch Nowakowski

Lovejoy District—Bryan Bollman

Masten District—Ulysees O. Wingo, Sr.

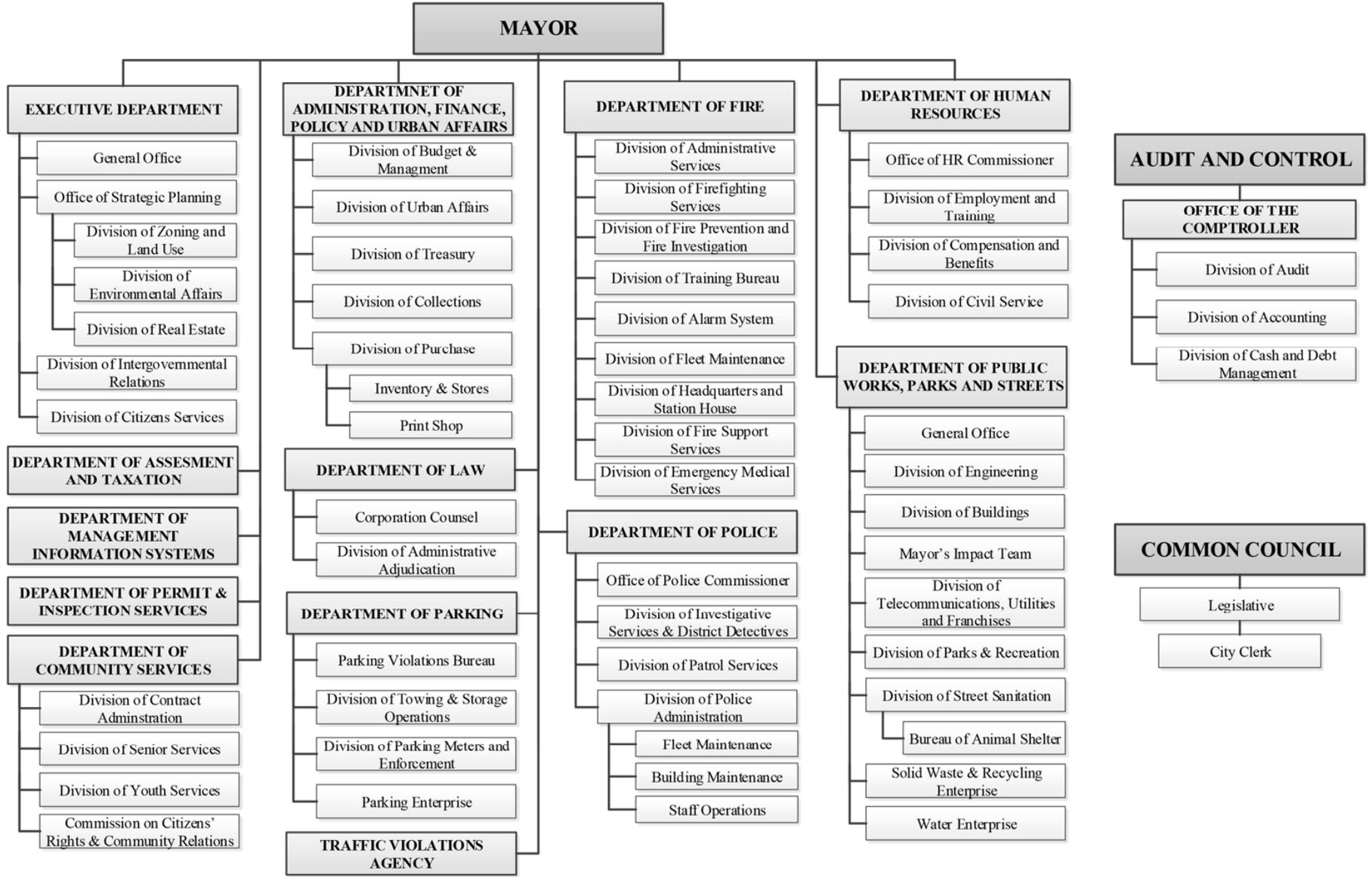
Niagara District—David A. Rivera

North District—Joseph Golombek, Jr.

South District—Christopher P. Scanlon

University District—Rasheed Wyatt

CITY OF BUFFALO, NEW YORK
Organizational Chart
June 30, 2020





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Buffalo
New York**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

Drescher & Malecki LLP
 3083 William Street, Suite 5
 Buffalo, New York 14227
 Telephone: 716.565.2299
 Fax: 716.565.2201



Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Buffalo, New York (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Buffalo Fiscal Stability Authority ("BFSA"), which represents 1.7% and 0.1%, respectively, of the assets and revenues of the governmental activities. We also did not audit the financial statements of the Buffalo Board of Education ("BOE"), which is shown as a discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for BFSA and BBOE, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Supplementary Information and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, the Supplementary Information, as listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Drescher & Malecki LLP

October 29, 2020

CITY OF BUFFALO, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2020

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, 2020. This document is encouraged to be read in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative. All amounts are expressed in thousands of dollars, unless otherwise indicated.

Financial Highlights

- The liabilities and deferred inflows of resources of the City's primary government exceeded assets and deferred outflows of resources at the close of the fiscal year ended June 30, 2020 by \$872,368. This consists of \$443,281 net investment in capital assets, \$39,147 restricted for specific purposes, and unrestricted net position of \$(1,354,796).
- The City's total primary government net position decreased \$24,222 during the year ended June 30, 2020. Net position decreased \$30,877 for governmental activities and increased \$6,655 for business-type activities, respectively.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$112,452, a decrease of \$18,235 from June 30, 2019.
- At the end of the current fiscal year, the combined committed and assigned fund balance for the General Fund was \$50,856, or 10.4 percent of total General Fund expenditures and transfers out. Committed fund balance for the Emergency Stabilization fund is \$38,140, or 7.8 percent of total General Fund expenditures and transfers out, and assigned fund balance is \$12,716, or 2.6 percent of total General Fund expenditures and transfers out. The General Fund reported no unassigned fund balance as of June 30, 2020.
- 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 \$158,945 (\$140,632 net governmental activities general obligation bonds issued by the City, \$11,130 governmental activities general obligation bonds issued by BFSA, and \$7,183 business-type activities general obligation bonds). During the year, the City issued refunding bonds of \$7,530, which along with premiums and cash contributions, refunded \$10,785 of previously outstanding serial bonds and made total scheduled principal payments of \$34,095 (\$27,192 for net governmental activities general obligation bonds issued by the City, \$5,440 for governmental activities general obligation bonds issued by BFSA, and \$1,463 for business-type activities general obligation bonds) during the year ended June 30, 2020. Additionally, during the year ended June 30, 2020, the City issued a long-term deficiency note for \$25,000.
- The total Buffalo Municipal Water Finance Authority revenue bonds outstanding within the Water System at the end of the current fiscal year were \$121,060, as compared to \$125,270 at the beginning of the year as a result of scheduled principal payments on water system revenue bonds of \$4,210.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contained other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City’s assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government support, public safety, streets and sanitation, economic assistance and opportunity, culture and recreation, health and community services, and education. The business-type activities of the City include parking ramps, refuse collection services, and a water system.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the Buffalo Board of Education, a legally separate school district for which the City is financially accountable, and the Buffalo Urban Renewal Agency, a public benefit corporation through which Federal urban renewal grants for the City are channeled. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 18-19 of this report.

Fund financial statements—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds’ balance sheet and the governmental funds’ statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund and Capital Projects Fund, which are considered major funds. Additionally, the General Fund of the Buffalo Fiscal Stability Authority (“BFSA”) is reported as a major fund of the City (BFSA Special Revenue). Data from the City’s Special Revenue and Permanent Funds, as well as the Debt Service Fund of the BFSA are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is presented in the form of combining statements in the Supplementary Information section of this report.

The basic governmental fund financial statements can be found on pages 20-23 of this report.

Proprietary funds—The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its solid waste and recycling collection, parking ramps, and water system operations. An *internal service fund* is used to account for the central print shop. Because the print shop predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Solid Waste and Recycling Fund, Parking Fund and Water System. In addition, the Internal Service Fund is presented in the proprietary fund financial statements.

The proprietary fund financial statements can be found on pages 24-28 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City’s own programs. The City maintains two fiduciary funds, the Private Purpose Trust Fund and the Agency Fund.

The fiduciary fund financial statements can be found on pages 29-30 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-89 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City’s net pension (asset)/liability, the City’s total other postemployment benefits liability, and the City’s budgetary comparison for the General Fund. Required supplementary information and related notes to the required supplementary information can be found on pages 90-101 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 102-110.

Finally, the Statistical Section can be found on pages 111-134 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City's primary government, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$872,368 at the close of the most recent fiscal year, as compared to \$848,146 at the close of the fiscal year ended June 30, 2019.

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,	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 503,388	\$ 460,564	\$ 61,729	\$ 60,601	\$ 565,117	\$ 521,165
Capital assets	538,269	530,464	193,250	192,770	731,519	723,234
Total assets	<u>1,041,657</u>	<u>991,028</u>	<u>254,979</u>	<u>253,371</u>	<u>1,296,636</u>	<u>1,244,399</u>
Total deferred outflows of resources	<u>218,996</u>	<u>60,375</u>	<u>12,715</u>	<u>6,078</u>	<u>231,711</u>	<u>66,453</u>
Current and other liabilities	360,032	290,622	9,114	6,511	369,146	297,133
Noncurrent liabilities	1,646,166	1,396,491	211,910	205,828	1,858,076	1,602,319
Total liabilities	<u>2,006,198</u>	<u>1,687,113</u>	<u>221,024</u>	<u>212,339</u>	<u>2,227,222</u>	<u>1,899,452</u>
Total deferred inflows of resources	<u>154,863</u>	<u>233,821</u>	<u>18,630</u>	<u>25,726</u>	<u>173,493</u>	<u>259,547</u>
Net position:						
Net investment in capital assets	346,607	361,486	96,674	93,475	443,281	454,962
Restricted	39,147	36,561	-	-	39,147	36,561
Unrestricted	<u>(1,286,162)</u>	<u>(1,267,578)</u>	<u>(68,635)</u>	<u>(72,091)</u>	<u>(1,354,796)</u>	<u>(1,339,669)</u>
Total net position	<u>\$ (900,408)</u>	<u>\$ (869,531)</u>	<u>\$ 28,039</u>	<u>\$ 21,384</u>	<u>\$ (872,368)</u>	<u>\$ (848,146)</u>

The largest portion of the City's net position, \$443,281, reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$39,147, 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, \$(1,354,796), 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 \$1,228,417. 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 \$24,222. Significant changes from 2019 to 2020 in the Statement of Net Position and reasons for such changes are:

- Current and other assets increased by \$43,952. The primary reasons for the increase are an increase in cash and cash equivalents of \$95,707, offset with a decrease in investments of \$20,563 related to current year operations, the timing of payments made by the City, along with the collection and related reduction of the due from the Board of Education in the amount of \$10,509.
- Deferred outflows of resources increased \$165,258, due primarily to an increase in deferred outflows of resources relating to pensions.
- Current and other liabilities increased \$72,013, due primarily to a \$58,409 increase in amounts owed to component units related to BBOE cash maintained by the City and the related timing of payments.
- Noncurrent liabilities increased by \$255,757, primarily due to a \$171,649 increase in net pension liabilities and a \$99,312 increase in total other postemployment benefits ("OPEB") liabilities.
- Deferred inflows of resources decreased by \$86,054, due primarily to a \$68,444 decrease in deferred inflows of resources relating to OPEB.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2020 and June 30, 2019.

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,	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 35,065	\$ 34,227	\$ 76,188	\$ 80,256	\$ 111,253	\$ 114,483
Operating grants and contributions	27,973	23,474	-	-	27,973	23,474
Capital grants and contributions	20,283	18,107	-	-	20,283	18,107
General revenues:						
Property taxes	139,185	136,701	-	-	139,185	136,701
Other taxes	21,180	22,267	-	-	21,180	22,267
Intergovernmental	107,868	108,176	630	324	108,498	108,500
Investment earnings	1,883	2,268	245	349	2,128	2,617
State aid	132,613	168,785	-	-	132,613	168,785
Miscellaneous	8,614	2,594	-	-	8,614	2,594
Total revenues	<u>494,664</u>	<u>516,599</u>	<u>77,063</u>	<u>80,929</u>	<u>571,727</u>	<u>597,528</u>
Expenses:						
General government support	85,385	80,519	-	-	85,385	80,519
Public safety	289,382	211,347	-	-	289,382	211,347
Streets and sanitation	41,633	28,010	-	-	41,633	28,010
Economic assist. and opportunity	25,661	22,845	-	-	25,661	22,845
Culture and recreation	13,735	15,270	-	-	13,735	15,270
Health and community services	3,901	3,066	-	-	3,901	3,066
Education	70,823	70,823	-	-	70,823	70,823
Interest and fiscal charges	5,342	6,779	-	-	5,342	6,779
Solid Waste and Recycling	-	-	22,005	19,331	22,005	19,331
Parking	-	-	2,090	2,387	2,090	2,387
Water System	-	-	35,992	34,628	35,992	34,628
Total expenses	<u>535,862</u>	<u>438,659</u>	<u>60,087</u>	<u>56,346</u>	<u>595,949</u>	<u>495,005</u>
Excess (deficiency) of revenues over expenses	(41,198)	77,940	16,976	24,583	(24,222)	102,524
Transfers	<u>10,321</u>	<u>13,888</u>	<u>(10,321)</u>	<u>(13,888)</u>	<u>-</u>	<u>-</u>
Change in net position	(30,877)	91,828	6,655	10,695	(24,222)	102,524
Net position—beginning, as restated	<u>(869,531)</u>	<u>(961,359)</u>	<u>21,384</u>	<u>10,689</u>	<u>(848,147)</u>	<u>(950,670)</u>
Net position—ending	<u>\$ (900,408)</u>	<u>\$ (869,531)</u>	<u>\$ 28,039</u>	<u>\$ 21,384</u>	<u>\$ (872,368)</u>	<u>\$ (848,146)</u>

Governmental activities—The largest funding sources for the City’s governmental activities, as a percent of total revenues, are property taxes (28.1%), state aid (26.8%) and intergovernmental (21.8%).

The largest expense categories for the City’s governmental activities are public safety (54.0%), general government support (15.9%) and education (13.2%). The education category represents the City allocation to the Board.

Significant changes from 2019 to 2020 in revenues and expenses for the City include the following:

- Total revenues decreased \$21,935 in the current year as compared to last year. State aid decreased \$36,172, mainly due to the impacts of COVID-19 on the State’s budget.
- Total expenses increased by \$97,203 primarily as a result of the change in actuarial assumptions used in measuring the net pension liabilities and the related deferred inflows and outflows of resources. The impact of the net pension liabilities and deferred outflows and inflows of resources was an increase in expenses of \$50,708 at June 30, 2020, as compared to a decrease of \$12,249 in the prior year.

Business-type activities—Business-type activities increased the City’s net position by \$6,655. Overall, revenues decreased \$3,866, expenses increased \$3,741, and transfers out decreased \$3,567 from 2019 to 2020. The overall increase in net position is due to the following:

- The Solid Waste and Recycling Fund recorded an increase in net position of \$2,601 as a result of increased rates and operating revenues exceeding operating expenses and transfers out.
- The net position of the Parking Fund decreased \$3,688, which was primarily a result of operating expenses, interest expense and transfers out exceeding operating revenues.
- The Water System’s net position increased by \$7,742 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, 2020, the City’s governmental funds reported combined ending fund balances of \$112,452, a decrease of \$18,235 from the prior year. The City reports no *unassigned fund balance* which, if present, would be available for spending at the City’s discretion. The total fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is: (1) not in spendable form, \$24,476, (2) restricted for particular purposes, \$36,532, (3) committed to particular purposes, \$38,140, or (4) assigned for particular purposes, \$13,304.

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 \$24,476 consists of \$9,835 of real estate acquired for resale, \$13,315 to cover the deficit in the Solid Waste and Recycling Fund, \$1,297 for prepaid items and \$30 for Permanent Fund principal.

Restricted fund balance in the amount of \$36,532 are amounts constrained to specific purposes and consist of \$5,496 to finance specific capital projects, \$12,420 for future capital outlay, \$9,805 to pay debt service, \$6,879 for federal and state programs, \$1,822 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. \$38,140 of fund balance is committed for the City's Emergency Stabilization fund. Assigned fund balance in the amount of \$13,304 consists of \$8,580 to liquidate contracts and purchase orders, \$802 for motor vehicle self-insurance, \$3,334 for judgments and claims, and \$589 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 decreased to \$89,528. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures. As discussed, at June 30, 2020 the City reported no unassigned fund balance, while total fund balance represents approximately 18.4 percent of total General Fund expenditures and transfers out. The total fund balance of the City's General Fund decreased \$3,411 during the current fiscal year.

The Debt Service Fund has a total fund balance of \$4,750, which is restricted solely for the purpose of payment of future debt service. The decrease in fund balance during the current year in the Debt Service Fund of \$2,163 is due primarily to its planned use in the 2019-2020 adopted budget.

The Capital Projects Fund accounts for the construction and reconstruction of general public improvements, excluding projects related to business-type activities, which are accounted for in the appropriate proprietary fund. At the end of the current fiscal year, Capital Projects Fund fund balance was \$5,496, all of which is restricted for encumbrances and future projects. The decrease in fund balance of \$13,780 is related to capital outlay in excess of revenues and other financing sources.

The BFSA Special Revenue Fund is used to account for the General Fund of the BFSA and, therefore, is their chief operating fund. Total fund balance at the end of the current fiscal year was \$604. Of this amount, \$16 is nonspendable for prepaid items and \$589 represents BFSA's assigned fund balance for operations. The \$299 decrease in fund balance is attributable to a decrease in intergovernmental revenues.

Proprietary funds—Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The net position of the enterprise funds at the end of the current fiscal year totaled \$28,039. The balance includes a net position of \$(59,117) for the Solid Waste and Recycling Fund, and net position balances of \$36,015 for the Parking Fund and \$51,142 for the Water System. The underlying reasons for any changes were described under the aforementioned heading Business-type activities.

The Internal Service Fund is used to account for the central print shop. The total net position at the end of the fiscal year was \$112. This represents a decrease of \$7, which is due to services and supplies exceeding charges for services.

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, 2020 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	\$ 508,683	\$ 508,683	\$ 483,628	\$ (25,055)
Expenditures and other financing uses	508,683	515,287	495,618	19,669
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ (6,604)	\$ (11,990)	\$ (5,386)

Adopted budget compared to final budget—During the year, the City amended appropriations for various purposes. The primary increases were \$3,624 within other general government support expenditures to cover electrical costs and additional equipment, and \$4,638 within other expenditures for unexpected workers' compensation claims. These increases were supported by the use of fund balance.

Final budget compared to actual results—A review of actual revenues and expenditures compared to the estimated revenues and appropriations indicate that actual revenues and transfers in were \$25,055 below the final budget, while actual expenditures and other financing uses were less than the final budget by \$19,669. Regarding revenues, a significant unfavorable variance of \$32,132 occurred within State aid due to the impacts of COVID-19 on the State's budget and the tribal compact funds not being distributed to the City. New York State withheld \$19,672 of aid that was to be provided to the City. This amount has been allowed for in State receivables as its potential receipt is unknown. This variance was partially offset by a favorable variance of \$25,000 upon the issuance on long-term deficiency notes at June 30, 2020. Regarding expenditures, the most significant favorable variance was noted with fringe benefits as the City had a reduction in personnel costs and incurred a decrease in retirement contributions.

Capital Assets and Debt Administration

Capital assets—The City's capital assets for its governmental activities and business-type activities as of June 30, 2020 amounted to \$731,518 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, improvements other than buildings, machinery and equipment, infrastructure and construction in progress.

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

Capital assets, net of depreciation for governmental activities and business-type activities as of June 30, 2020 and June 30, 2019 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,	
	2020	2019	2020	2019	2020	2019
Land	\$ 9,792	\$ 9,792	\$ 3,362	\$ 3,362	\$ 13,154	\$ 13,154
Buildings and improvements	190,923	192,436	116,878	120,262	307,801	312,698
Improvements other than buildings	27,090	24,698	33	48	27,123	24,746
Machinery and equipment	9,325	11,109	2,596	2,297	11,921	13,406
Infrastructure	281,602	282,800	67,604	65,169	349,206	347,969
Construction in progress	19,537	9,629	2,776	1,632	22,313	11,261
Total	<u>\$ 538,269</u>	<u>\$ 530,464</u>	<u>\$ 193,249</u>	<u>\$ 192,770</u>	<u>\$ 731,518</u>	<u>\$ 723,234</u>

Significant changes from 2019 to 2020 in capital assets include:

- Buildings and improvements decreased \$4,897 largely due to new depreciation on major capital projects completed during the prior year such as improvements to the Police and Fire Headquarters at the Michael J. Dillon U.S. Court House Building.
- Construction in progress increased \$11,052 largely due to major street infrastructure capital projects underway during the year during the year such as cars on lower main street and Niagara street.

The City's infrastructure assets are recorded at historical cost or estimated historical cost in the government-wide and proprietary fund financial statements. The City has elected to depreciate their infrastructure assets. Additional information on the City's capital assets can be found in Note 4 to the financial statements.

Long-term debt—At June 30, 2020, the City had total bonded debt outstanding for governmental activities of \$151,762, including bonds issued by BFSAs, as compared to \$187,650 in the prior year as a result of schedule principal payments, a bond refunding of \$7,530, which along with premiums and cash contributions, refunded \$10,785 of previously outstanding serial bonds. The amount attributed to BFSAs' total bonded debt outstanding at the end of the current fiscal year is \$11,130.

The bonds outstanding for business-type activities at June 30, 2020 consisted of \$7,183 in general obligation bonds issued by the City for parking and \$121,060 of revenue bonds issued by the Water Authority reported within the Water System. During the year, the Authority made principal payments on water system revenue refunding bonds of \$4,210.

A summary of the City's long-term liabilities at June 30, 2020 and June 30, 2019 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,	
	2020	2019	2020	2019	2020	2019
Bonds payable, net of						
premiums and discounts	\$ 165,719	\$ 203,733	\$ 138,400	\$ 144,789	\$ 304,119	\$ 348,522
Long-term deficiency notes	25,000	-	-	-	25,000	-
Compensated absences	24,444	30,462	1,296	1,541	25,740	32,003
Workers' compensation	9,213	9,073	2,065	2,239	11,278	11,312
Landfill post-closure monitoring	560	630	-	-	560	630
OPEB obligation	1,170,252	1,075,094	58,165	54,012	1,228,417	1,129,106
Judgments and claims	8,800	7,300	-	-	8,800	7,300
Net pension liability	242,178	70,198	11,984	3,247	254,162	73,445
Total	\$ 1,646,166	\$ 1,396,490	\$ 211,910	\$ 205,828	\$ 1,858,076	\$ 1,602,318

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 \$956,522. The City had a debt-contracting margin of \$783,705 on June 30, 2020. During the year ended June 30, 2020 the City had no changes in their bond ratings. Additional information on the City's long-term debt can be found in Note 11 to the financial statements.

Next Year's Budget

The City considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2021 budget. The total budgeted appropriations for the City's General Fund operations are \$418,965. This budget is a \$10,460 increase from the fiscal year 2020 total budgeted appropriations of \$408,505. The 2020-2021 budget does not include an appropriation of fund balance. This budget was approved by the BFSAs.

On January 31, 2020, the United States Secretary of Health and Human Services declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. The extent of the impact of COVID-19 on the City's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, impact on residents, employees and vendors all of which cannot be predicted.

Impacted by the pandemic is the unemployment rate, which is not seasonally adjusted, for the Buffalo-Niagara region at June 30, 2020 was 13.7 percent. This compares to New York State's unemployment rate of 15.7 percent. These factors, as well as others, are considered in preparing the City's budget.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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CITY OF BUFFALO, NEW YORK
Statement of Net Position
June 30, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	BOE	BURA
ASSETS					
Cash and cash equivalents	\$ 318,128,957	\$ 18,875,120	\$ 337,004,077	\$ 10,543,453	\$ 2,457,407
Restricted cash and cash equivalents	89,201,397	40,821,758	130,023,155	28,788,394	853,574
Restricted investments	5,219,213	5,263,404	10,482,617	-	-
Receivables (net of allowances)	18,129,879	8,709,810	26,839,689	10,926,011	1,157,263
Intergovernmental receivables	24,156,857	-	24,156,857	85,627,080	712,944
Due from component units/ primary government	25,480,000	-	25,480,000	289,504,970	106,271
Internal balances	11,940,816	(11,940,816)	-	-	-
Prepaid items and other assets	1,296,534	-	1,296,534	2,235,648	-
Real estate acquired for resale	9,834,583	-	9,834,583	-	3,174,389
Noncurrent net pension asset	-	-	-	46,418,092	-
Capital assets not being depreciated	29,329,363	6,138,462	35,467,825	32,366,245	-
Capital assets, net of accumulated depreciation	508,939,515	187,111,049	696,050,564	767,630,060	424,425
Total assets	<u>1,041,657,114</u>	<u>254,978,787</u>	<u>1,296,635,901</u>	<u>1,274,039,953</u>	<u>8,886,273</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	1,381,364	2,502,387	3,883,751	22,095,496	-
Deferred outflows—relating to pensions	161,121,025	7,979,278	169,100,303	175,950,271	1,272,572
Deferred outflows—relating to OPEB	56,493,565	2,233,217	58,726,782	422,838,000	-
Total deferred outflows of resources	<u>218,995,954</u>	<u>12,714,882</u>	<u>231,710,836</u>	<u>620,883,767</u>	<u>1,272,572</u>
LIABILITIES					
Accounts payable and accrued liabilities	25,511,369	6,798,728	32,310,097	76,421,758	1,555,268
Retainages payable	981,850	-	981,850	364,788	-
Intergovernmental payables	10,470,609	505,208	10,975,817	32,890,300	-
Due to component units/primary government	289,611,241	-	289,611,241	25,480,000	-
Bond anticipation notes payable	33,299,600	1,500,000	34,799,600	-	-
Unearned revenue	156,854	310,170	467,024	-	9,630
Noncurrent liabilities:					
Due within one year	45,977,227	8,984,832	54,962,059	96,328,260	31,782
Due in more than one year	1,600,189,268	202,925,081	1,803,114,349	3,358,615,477	25,420,669
Total liabilities	<u>2,006,198,018</u>	<u>221,024,019</u>	<u>2,227,222,037</u>	<u>3,590,100,583</u>	<u>27,017,349</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	7,453,978	333,553	7,787,531	70,532,970	73,307
Deferred inflows—relating to OPEB	147,408,812	18,296,662	165,705,474	725,414,000	-
Total deferred inflows of resources	<u>154,862,790</u>	<u>18,630,215</u>	<u>173,493,005</u>	<u>795,946,970</u>	<u>73,307</u>
NET POSITION					
Net investment in capital assets	346,606,865	96,674,004	443,280,869	98,848,003	424,425
Restricted for:					
Capital outlay	12,419,887	-	12,419,887	-	-
Debt service	8,050,518	-	8,050,518	27,795,408	-
Grants	6,879,187	-	6,879,187	-	793,927
Real estate held for sale	9,834,584	-	9,834,584	-	-
Judgments and claims	-	-	-	17,750,000	-
Unemployment insurance	-	-	-	9,156,044	-
Perpetual care—Expendable	111,074	-	111,074	501,887	-
Perpetual care—Unexpendable	30,000	-	30,000	-	-
Other purposes	1,821,697	-	1,821,697	3,899,200	-
Unrestricted	<u>(1,286,161,552)</u>	<u>(68,634,569)</u>	<u>(1,354,796,121)</u>	<u>(2,649,074,375)</u>	<u>(18,150,163)</u>
Total net position	<u>\$ (900,407,740)</u>	<u>\$ 28,039,435</u>	<u>\$ (872,368,305)</u>	<u>\$(2,491,123,833)</u>	<u>\$(16,931,811)</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, 2020

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	BOE	BURA
Primary government:									
Governmental activities:									
General government support	\$ 85,385,401	\$ 13,873,119	\$ 2,958,336	\$ 132,971	\$ (68,420,975)	\$ -	\$ (68,420,975)	\$ -	\$ -
Public safety	289,382,010	12,586,849	4,427,381	236,137	(272,131,643)	-	(272,131,643)	-	-
Streets and sanitation	41,633,110	1,571,283	71,520	17,196,778	(22,793,529)	-	(22,793,529)	-	-
Economic assistance and opportunity	25,661,370	6,737,151	3,708,889	1,527,959	(13,687,371)	-	(13,687,371)	-	-
Culture and recreation	13,735,122	147,590	-	1,189,041	(12,398,491)	-	(12,398,491)	-	-
Health and community services	3,901,025	149,488	16,806,995	-	13,055,458	-	13,055,458	-	-
Education	70,822,758	-	-	-	(70,822,758)	-	(70,822,758)	-	-
Interest and fiscal charges	5,342,084	-	-	-	(5,342,084)	-	(5,342,084)	-	-
Total governmental activities	<u>535,862,880</u>	<u>35,065,480</u>	<u>27,973,121</u>	<u>20,282,886</u>	<u>(452,541,393)</u>	<u>-</u>	<u>(452,541,393)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Solid Waste and Recycling	22,005,297	25,279,707	-	-	-	3,274,410	3,274,410	-	-
Parking	2,089,867	591,257	-	-	-	(1,498,610)	(1,498,610)	-	-
Water System	35,991,656	50,316,561	-	-	-	14,324,905	14,324,905	-	-
Total business-type activities	<u>60,086,820</u>	<u>76,187,525</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,100,705</u>	<u>16,100,705</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 595,949,700</u>	<u>\$111,253,005</u>	<u>\$ 27,973,121</u>	<u>\$ 20,282,886</u>	<u>(452,541,393)</u>	<u>16,100,705</u>	<u>(436,440,688)</u>	<u>-</u>	<u>-</u>
Component units:									
BOE	\$1,027,906,329	\$ 4,543,492	\$ 135,074,655	\$ 9,368,199				(878,919,983)	-
BURA	47,353,755	2,209,086	46,774,251	-				-	1,629,582
Total component units	<u>\$1,075,260,084</u>	<u>\$ 6,752,578</u>	<u>\$ 181,848,906</u>	<u>\$ 9,368,199</u>				<u>(878,919,983)</u>	<u>1,629,582</u>
General revenues:									
Taxes:									
Property taxes					139,185,272	-	139,185,272	-	-
Interest and penalties					1,828,874	-	1,828,874	-	-
Mortgage taxes					4,194,666	-	4,194,666	-	-
Payments in lieu of taxes					3,483,520	-	3,483,520	-	-
Gross utility tax					11,672,784	-	11,672,784	-	-
Intergovernmental—unrestricted					107,867,674	630,238	108,497,912	48,519,017	-
Investment earnings					1,883,106	245,256	2,128,362	1,014,089	231,382
Contribution from City of Buffalo					-	-	-	70,822,758	-
State aid—unrestricted					132,612,859	-	132,612,859	779,270,635	-
Miscellaneous					8,614,396	-	8,614,396	6,085,722	539,545
Transfers					10,321,156	(10,321,156)	-	-	-
Total general revenues and transfers					<u>421,664,307</u>	<u>(9,445,662)</u>	<u>412,218,645</u>	<u>905,712,221</u>	<u>770,927</u>
Change in net position					(30,877,086)	6,655,043	(24,222,043)	26,792,238	2,400,509
Net position—beginning					(869,530,654)	21,384,392	(848,146,262)	(2,517,916,071)	(19,332,320)
Net position—ending					<u>\$ (900,407,740)</u>	<u>\$ 28,039,435</u>	<u>\$ (872,368,305)</u>	<u>\$(2,491,123,833)</u>	<u>\$ (16,931,811)</u>

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

CITY OF BUFFALO, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2020

	General	Debt Service	Capital Projects	BFS Special Revenue	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 317,620,385	\$ -	\$ -	\$ 413,587	\$ -	\$ 318,033,972
Restricted cash and cash equivalents	18,302,082	3,973,648	62,048,755	-	4,876,912	89,201,397
Restricted investments	-	-	-	-	5,219,213	5,219,213
Receivables:						
Delinquent taxes and assessments	13,539,904	-	-	-	-	13,539,904
Accounts receivable	16,396,349	-	-	-	-	16,396,349
Other receivables	-	-	-	-	4,381	4,381
Due from other agencies	853,658	-	-	-	-	853,658
Intergovernmental receivables	20,475,893	-	9,350,805	12,279,582	869,293	42,975,573
Due from other funds	36,740,746	775,961	-	-	1,913,131	39,429,838
Allowances	(31,496,570)	-	-	-	-	(31,496,570)
Net receivables	56,509,980	775,961	9,350,805	12,279,582	2,786,805	81,703,133
Prepaid items	1,280,967	-	-	15,567	-	1,296,534
Real estate acquired for resale	9,834,583	-	-	-	-	9,834,583
Total assets	<u>\$ 403,547,997</u>	<u>\$ 4,749,609</u>	<u>\$ 71,399,560</u>	<u>\$ 12,708,736</u>	<u>\$ 12,882,930</u>	<u>\$ 505,288,832</u>
LIABILITIES						
Accounts payable	\$ 8,691,877	\$ -	\$ 2,295,097	\$ 17,760	\$ 274,097	\$ 11,278,831
Accrued liabilities	13,426,714	-	-	42,684	151,102	13,620,500
Intergovernmental payables	481,234	-	39,272	-	129,574	650,080
Due to other funds	2,272,053	-	17,612,813	7,461,186	146,483	27,492,535
Due to component units	272,264,745	-	12,657,256	4,582,974	106,266	289,611,241
Due to retirement systems	9,820,529	-	-	-	-	9,820,529
Bond anticipation notes payable	-	-	33,299,600	-	-	33,299,600
Unearned revenue	156,854	-	-	-	-	156,854
Total liabilities	<u>307,114,006</u>	<u>-</u>	<u>65,904,038</u>	<u>12,104,604</u>	<u>807,522</u>	<u>385,930,170</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue—property taxes	6,906,417	-	-	-	-	6,906,417
Total deferred inflows of resources	<u>6,906,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,906,417</u>
FUND BALANCES						
Nonspendable	24,430,067	-	-	15,567	30,000	24,475,634
Restricted	14,241,584	4,749,609	5,495,522	-	12,045,408	36,532,123
Committed	38,140,279	-	-	-	-	38,140,279
Assigned	12,715,644	-	-	588,565	-	13,304,209
Unassigned	-	-	-	-	-	-
Total fund balances	<u>89,527,574</u>	<u>4,749,609</u>	<u>5,495,522</u>	<u>604,132</u>	<u>12,075,408</u>	<u>112,452,245</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 403,547,997</u>	<u>\$ 4,749,609</u>	<u>\$ 71,399,560</u>	<u>\$ 12,708,736</u>	<u>\$ 12,882,930</u>	<u>\$ 505,288,832</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, 2020

Amounts reported for governmental activities in the statement of net position (page 22) are different because:

Total fund balances—governmental funds (page 24)	\$ 112,452,245
City capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of these assets is \$1,122,642,450 and the accumulated depreciation is \$584,373,572.	538,268,878
Deferred charges associated with refunding of bonds are not reported in the governmental funds. The charge is reported as a deferred outflow of resources on the statement of net position and is recognized as a component of interest expense over the life of the related debt.	1,381,364
Property taxes are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.	6,906,417
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	25,480,000
Deferred outflows and inflows of resources related to pensions (including BFSA) and other postemployment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows related to pensions employer contributions	\$ 9,859,263
Deferred outflows related to pensions experience, changes of assumptions, investment earnings, and changes in proportion	151,261,762
Deferred outflows related to OPEB liability	56,493,565
Deferred inflows related to pension plans	(7,453,978)
Deferred inflows related to OPEB liability	<u>(147,408,812)</u>
	62,751,800
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.	111,939
Net accrued interest expense for serial bonds and BANs is not reported in the funds.	(1,754,238)
To recognize retainages payable on outstanding capital projects not recorded in the fund financial statements.	(981,850)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:	
General obligations bonds—City	\$ (140,632,293)
General obligations bonds—BFSA	(11,130,000)
Unamortized premiums on bonds—City	(12,940,678)
Unamortized premiums on bonds—BFSA	(1,016,328)
Long-term deficiency notes payable	(25,000,000)
Compensated absences	(24,443,885)
Workers' compensation	(9,213,252)
Landfill post-closure monitoring costs	(560,000)
OPEB obligation—City	(1,169,177,733)
OPEB obligation—BFSA	(1,074,255)
Noncurrent judgments and claims	(7,657,800)
Net pension liability—City	(241,711,975)
Net pension liability—BFSA	<u>(466,096)</u>
	(1,645,024,295)
Net position of governmental activities	<u>\$ (900,407,740)</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, 2020

	General	Debt Service	Capital Projects	BFSA Special Revenue	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Property taxes, assessments, and other tax items	\$ 148,676,847	\$ -	\$ -	\$ -	\$ -	\$ 148,676,847
Utility and other nonproperty tax items	12,592,226	-	-	-	-	12,592,226
Intergovernmental	243,069,922	11,675,122	20,118,678	156,765	23,110,345	298,130,832
Investment interest	1,478,126	394,136	-	-	10,845	1,883,107
License, permit, rentals, fines, and other service charges	28,301,644	216,091	-	-	-	28,517,735
Miscellaneous	14,187,777	763,416	39,380	-	61,665	15,052,238
Total revenues	<u>448,306,542</u>	<u>13,048,765</u>	<u>20,158,058</u>	<u>156,765</u>	<u>23,182,855</u>	<u>504,852,985</u>
EXPENDITURES						
Current:						
General government support	57,356,529	-	-	536,005	246,051	58,138,585
Public safety	159,606,964	-	-	-	1,143,067	160,750,031
Streets and sanitation	12,019,919	-	-	-	66,395	12,086,314
Economic assistance and opportunity	2,253,317	-	-	-	19,496,885	21,750,202
Culture and recreation	9,312,891	-	-	-	10,284	9,323,175
Health and community services	2,361,100	-	-	-	8,550	2,369,650
Education	70,822,758	-	-	-	-	70,822,758
Fringe benefits	135,728,796	-	-	177,328	-	135,906,124
Other	8,129,724	-	-	-	-	8,129,724
Debt service:						
Principal	-	37,977,386	-	-	5,440,000	43,417,386
Interest and fiscal charges	91,350	7,712,000	49,122	-	525,455	8,377,927
Capital outlay:						
General government support	-	-	1,972,923	-	-	1,972,923
Public safety	-	-	1,817,357	-	-	1,817,357
Streets and sanitation	-	-	26,386,617	-	-	26,386,617
Economic assistance and opportunity	-	-	2,738,891	-	-	2,738,891
Culture and recreation	-	-	2,924,509	-	-	2,924,509
Total expenditures	<u>457,683,348</u>	<u>45,689,386</u>	<u>35,889,419</u>	<u>713,333</u>	<u>26,936,687</u>	<u>566,912,173</u>
Excess (deficiency) of revenues over expenditures	<u>(9,376,806)</u>	<u>(32,640,621)</u>	<u>(15,731,361)</u>	<u>(556,568)</u>	<u>(3,753,832)</u>	<u>(62,059,188)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	10,321,156	28,955,211	1,951,053	257,711	5,172,050	46,657,181
Transfers out	(29,355,211)	(6,980,814)	-	-	-	(36,336,025)
Long-term deficiency notes issued	25,000,000	-	-	-	-	25,000,000
Refunding bonds issued	-	7,530,000	-	-	-	7,530,000
Premium on refunding bonds issued	-	972,917	-	-	-	972,917
Total other financing sources (uses)	<u>5,965,945</u>	<u>30,477,314</u>	<u>1,951,053</u>	<u>257,711</u>	<u>5,172,050</u>	<u>43,824,073</u>
Net change in fund balances	(3,410,861)	(2,163,307)	(13,780,308)	(298,857)	1,418,218	(18,235,115)
Fund balances—beginning	92,938,435	6,912,916	19,275,830	902,989	10,657,190	130,687,360
Fund balances—ending	<u>\$ 89,527,574</u>	<u>\$ 4,749,609</u>	<u>\$ 5,495,522</u>	<u>\$ 604,132</u>	<u>\$ 12,075,408</u>	<u>\$ 112,452,245</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, 2020

Amounts reported for governmental activities in the statement of activities (page 23) are different because:

Net change in fund balances—total governmental funds (page 26)	\$ (18,235,115)
City governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense and loss on disposals in the current period.	
Capital asset additions, net	\$ 45,026,230
Depreciation expense	(37,221,482)
Loss on disposal of capital assets	<u>(269)</u>
	7,804,479
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.	(179,643)
Revenues reported in the statement of activities that do not provide current financial resources and, therefore, are not reported as revenues in the funds.	(10,493,515)
Net differences between pension contributions and OPEB changes recognized on the fund financial statements and the government-wide financial statements are as follows:	
Direct pension contributions	\$ 38,988,507
Cost of benefits earned net of employee contributions	(89,780,593)
Changes in OPEB assumptions	<u>116,571,037</u>
	65,778,951
The internal service funds are used by management to charge the costs of internal print services. The net revenue of certain activities of internal service funds is reported with governmental activities.	(7,466)
In the statement of activities, interest expense and retainages payable are recognized as they accrue, regardless of when they are paid.	1,009,029
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:	
Issuance of refunding bonds—City	\$ (7,530,000)
Repayment of general obligations bonds—City	37,977,386
Repayment of general obligations bonds—BFSA	5,440,000
Premium on refunding bonds issued—City	(972,917)
Amortization of bond premiums—City	2,830,730
Amortization of bond premiums—BFSA	268,771
Issuance of long-term deficiency notes	(25,000,000)
Change in compensated absences	6,018,516
Change in workers' compensation	(140,345)
Change in landfill post-closure monitoring costs	70,000
Change in other postemployment benefits obligation—City	(95,597,378)
Change in other postemployment benefits obligation—BFSA	439,231
Change in noncurrent judgments and claims	<u>(357,800)</u>
	<u>(76,553,806)</u>
Change in net position of governmental activities	<u>\$ (30,877,086)</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, 2020

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 126,862	\$ 3,900,670	\$ 14,847,588	\$ 18,875,120	\$ 94,985
Restricted cash and cash equivalents	-	-	40,821,758	40,821,758	-
Restricted investments	-	-	5,263,404	5,263,404	-
Receivables:					
Accounts receivable	8,325,245	780,097	23,522,975	32,628,317	13,441
Other receivables	135,709	-	1,663,066	1,798,775	-
Due from other agencies	-	-	128,163	128,163	-
Due from other funds	184,510	941,481	247,709	1,373,700	3,513
Allowances	(7,405,522)	-	(18,439,923)	(25,845,445)	-
Net receivables	<u>1,239,942</u>	<u>1,721,578</u>	<u>7,121,990</u>	<u>10,083,510</u>	<u>16,954</u>
Total current assets	<u>1,366,804</u>	<u>5,622,248</u>	<u>68,054,740</u>	<u>75,043,792</u>	<u>111,939</u>
Noncurrent assets:					
Capital assets not being depreciated:					
Land	1	3,217,093	145,116	3,362,210	-
Construction in progress	-	375,395	2,400,857	2,776,252	-
Total capital assets not being depreciated	<u>1</u>	<u>3,592,488</u>	<u>2,545,973</u>	<u>6,138,462</u>	<u>-</u>
Capital assets being depreciated:					
Buildings, building improvements, and infrastructure	4,231,310	64,919,755	249,419,496	318,570,561	-
Improvements other than buildings	201,071	30,484	252,393	483,948	-
Machinery and equipment	9,795,824	262,337	1,873,246	11,931,407	-
Accumulated depreciation	(11,234,419)	(28,593,436)	(104,047,012)	(143,874,867)	-
Total capital assets being depreciated	<u>2,993,786</u>	<u>36,619,140</u>	<u>147,498,123</u>	<u>187,111,049</u>	<u>-</u>
Total noncurrent assets	<u>2,993,787</u>	<u>40,211,628</u>	<u>150,044,096</u>	<u>193,249,511</u>	<u>-</u>
Total assets	<u>4,360,591</u>	<u>45,833,876</u>	<u>218,098,836</u>	<u>268,293,303</u>	<u>111,939</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	44,591	2,457,796	2,502,387	-
Deferred outflows—relating to pensions	4,104,733	-	3,874,545	7,979,278	-
Deferred outflows—relating to OPEB	926,868	-	1,306,349	2,233,217	-
Total deferred outflows of resources	<u>5,031,601</u>	<u>44,591</u>	<u>7,638,690</u>	<u>12,714,882</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable	526,486	81,694	2,349,559	2,957,739	-
Other accrued liabilities	505,561	74,854	3,260,574	3,840,989	-
Due to retirement systems	259,221	1,303	244,684	505,208	-
Unearned revenue	310,170	-	-	310,170	-
Bond anticipation notes payable	-	1,500,000	-	1,500,000	-
Accrued compensated absences	30,722	-	59,688	90,410	-
Accrued workers' compensation	356,455	-	215,690	572,145	-
General obligation and revenue bonds payable within one year, net	-	1,619,334	6,702,943	8,322,277	-
Total current liabilities	<u>1,988,615</u>	<u>3,277,185</u>	<u>12,833,138</u>	<u>18,098,938</u>	<u>-</u>

(continued)

CITY OF BUFFALO, NEW YORK
Statement of Net Position—
Proprietary Funds
June 30, 2020

(concluded)

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
Noncurrent liabilities:					
Due to other funds	13,314,516	-	-	13,314,516	-
Accrued compensated absences	491,223	-	714,255	1,205,478	-
Accrued workers' compensation	617,411	-	875,222	1,492,633	-
Accrued other postemployment benefits obligation	35,575,892	85,853	22,503,741	58,165,486	-
General obligation and revenue bonds payable, net	-	6,463,708	123,613,667	130,077,375	-
Net pension liability	6,164,913	-	5,819,196	11,984,109	-
Total noncurrent liabilities	<u>56,163,955</u>	<u>6,549,561</u>	<u>153,526,081</u>	<u>216,239,597</u>	-
Total liabilities	<u>58,152,570</u>	<u>9,826,746</u>	<u>166,359,219</u>	<u>234,338,535</u>	-
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	171,588	-	161,965	333,553	-
Deferred inflows—relating to OPEB	10,185,389	36,867	8,074,406	18,296,662	-
Total deferred inflows of resources	<u>10,356,977</u>	<u>36,867</u>	<u>8,236,371</u>	<u>18,630,215</u>	-
NET POSITION					
Net investment in capital assets	2,993,787	30,673,177	63,007,040	96,674,004	-
Unrestricted	<u>(62,111,142)</u>	<u>5,341,677</u>	<u>(11,865,104)</u>	<u>(68,634,569)</u>	<u>111,939</u>
Total net position	<u>\$ (59,117,355)</u>	<u>\$ 36,014,854</u>	<u>\$ 51,141,936</u>	<u>\$ 28,039,435</u>	<u>\$ 111,939</u>

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

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CITY OF BUFFALO, NEW YORK
Statement of Revenues, Expenses, and Changes in Net Position—
Proprietary Funds
Year Ended June 30, 2020

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
Operating revenues:					
Charges for services	\$ 24,402,420	\$ -	\$ 48,668,413	\$ 73,070,833	\$ 36,397
Rent	-	4,037,851	-	4,037,851	-
Other	877,287	-	1,648,148	2,525,435	-
Total operating revenues	<u>25,279,707</u>	<u>4,037,851</u>	<u>50,316,561</u>	<u>79,634,119</u>	<u>36,397</u>
Operating expenses:					
Services and supplies	16,128,431	124,318	18,313,715	34,566,464	43,863
Fringe benefits	5,384,971	17,485	3,016,455	8,418,911	-
Depreciation	491,895	1,595,472	6,674,829	8,762,196	-
Other	-	-	2,522,348	2,522,348	-
Total operating expenses	<u>22,005,297</u>	<u>1,737,275</u>	<u>30,527,347</u>	<u>54,269,919</u>	<u>43,863</u>
Operating income (loss)	<u>3,274,410</u>	<u>2,300,576</u>	<u>19,789,214</u>	<u>25,364,200</u>	<u>(7,466)</u>
Nonoperating revenues (expenses):					
Interest earnings	-	6,623	238,633	245,256	-
Interest expense	-	(352,592)	(5,456,934)	(5,809,526)	-
Loss on disposal of capital assets	-	(3,446,594)	(7,375)	(3,453,969)	-
Other	-	203,676	426,562	630,238	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>(3,588,887)</u>	<u>(4,799,114)</u>	<u>(8,388,001)</u>	<u>-</u>
Income before transfers	3,274,410	(1,288,311)	14,990,100	16,976,199	(7,466)
Transfers out	<u>(673,078)</u>	<u>(2,400,000)</u>	<u>(7,248,078)</u>	<u>(10,321,156)</u>	<u>-</u>
Change in net position	2,601,332	(3,688,311)	7,742,022	6,655,043	(7,466)
Total net position—beginning	<u>(61,718,687)</u>	<u>39,703,165</u>	<u>43,399,914</u>	<u>21,384,392</u>	<u>119,405</u>
Total net position—ending	<u>\$ (59,117,355)</u>	<u>\$ 36,014,854</u>	<u>\$ 51,141,936</u>	<u>\$ 28,039,435</u>	<u>\$ 111,939</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, 2020

	Business-type Activities—Enterprise Funds				Internal Service Fund
	Solid Waste and Recycling	Parking	Water System	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 25,890,570	\$ 5,318,524	\$ 49,635,011	\$ 80,844,105	\$ 35,691
Payments to suppliers for goods and services	(16,273,049)	(537,364)	(21,554,988)	(38,365,401)	(45,234)
Payments to employees for services	(6,097,508)	(25,436)	(6,798,343)	(12,921,287)	-
Net cash provided by (used for) operating activities	<u>3,520,013</u>	<u>4,755,724</u>	<u>21,281,680</u>	<u>29,557,417</u>	<u>(9,543)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	(673,078)	(2,400,000)	(5,141,462)	(8,214,540)	-
Advances from other funds	-	820,332	2,886,743	3,707,075	-
Repayment of advances from other funds	(5,074,588)	-	(983,504)	(6,058,092)	(3,070)
Net cash (used for) noncapital financing activities	<u>(5,747,666)</u>	<u>(1,579,668)</u>	<u>(3,238,223)</u>	<u>(10,565,557)</u>	<u>(3,070)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition/construction of capital assets	(484,731)	(1,591,199)	(10,620,052)	(12,695,982)	-
Issuance of bond anticipation notes	-	1,500,000	-	1,500,000	-
Principal payments on bonds	-	(1,462,615)	(4,210,000)	(5,672,615)	-
Interest and other fiscal charges	-	(213,095)	(5,279,807)	(5,492,902)	-
Net cash (used for) capital and related financing activities	<u>(484,731)</u>	<u>(1,766,909)</u>	<u>(20,109,859)</u>	<u>(22,361,499)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in fair value of investments	-	-	77,102	77,102	-
Interest received on short-term investments	-	6,623	161,531	168,154	-
Net cash provided by investing activities	<u>-</u>	<u>6,623</u>	<u>238,633</u>	<u>245,256</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(2,712,384)	1,415,770	(1,827,769)	(3,124,383)	(12,613)
Cash, cash equivalents and investments—beginning	2,839,246	2,484,900	62,760,519	68,084,665	107,598
Cash, cash equivalents and investments—ending	<u>\$ 126,862</u>	<u>\$ 3,900,670</u>	<u>\$ 60,932,750</u>	<u>\$ 64,960,282</u>	<u>\$ 94,985</u>

(continued)

CITY OF BUFFALO, NEW YORK
Statement of Cash Flows—
Proprietary Funds
Year Ended June 30, 2020

(concluded)

	<u>Business-type Activities—Enterprise Funds</u>				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)	\$ 3,274,410	\$ 2,300,576	\$ 19,789,214	\$ 25,364,200	\$ (7,466)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	491,895	1,595,472	6,674,829	8,762,196	-
Pension expense	-	-	(969,815)	(969,815)	-
(Increase) decrease in receivables	610,863	1,280,673	(681,550)	1,209,986	(706)
(Increase) in deferred outflow—relating to pensions	(898,490)	-	(2,682,122)	(3,580,612)	-
(Increase) in deferred outflow—relating to OPEB	(2,832,692)	-	(626,140)	(3,458,832)	-
Increase (decrease) in payables	(63,067)	(413,046)	856,965	380,852	(1,371)
Increase (decrease) in other accrued liabilities	197,473	(9,296)	636,780	824,957	-
Increase (decrease) in due to retirement systems	(11,755)	228	(9,331)	(20,858)	-
(Decrease) in unearned revenue	(81,551)	-	-	(81,551)	-
(Decrease) in compensated absences	(124,585)	-	(120,592)	(245,177)	-
(Decrease) in workers' compensation	(46,786)	-	(127,882)	(174,668)	-
Increase in accrued other postemployment benefits obligation	2,308,697	11,102	1,834,011	4,153,810	-
Increase in net pension liability	4,488,925	-	-	4,488,925	-
(Decrease) in deferred inflows—relating to pensions	(459,030)	-	(429,182)	(888,212)	-
(Decrease) in deferred inflows—relating to OPEB	(3,334,294)	(9,985)	(2,863,505)	(6,207,784)	-
Total adjustments	<u>245,603</u>	<u>2,455,148</u>	<u>1,492,466</u>	<u>4,193,217</u>	<u>(2,077)</u>
Net cash provided by (used for) operating activities	<u>\$ 3,520,013</u>	<u>\$ 4,755,724</u>	<u>\$ 21,281,680</u>	<u>\$ 29,557,417</u>	<u>\$ (9,543)</u>

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

CITY OF BUFFALO, NEW YORK
Statement of Net Position—
Fiduciary Funds
June 30, 2020

	Private Purpose Trust	Agency
ASSETS		
Restricted cash and cash equivalents	\$ 23,912	\$ 1,701,245
Restricted investments	32,912	-
Receivables	5,980	-
Total assets	62,804	\$ 1,701,245
LIABILITIES		
Accounts payable	-	\$ -
Intergovernmental payables	-	25,716
Amounts held in custody for others	-	1,675,529
Total liabilities	-	\$ 1,701,245
NET POSITION		
Restricted	\$ 62,804	

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

CITY OF BUFFALO, NEW YORK
Statement of Changes in Net Position—
Fiduciary Funds
Year Ended June 30, 2020

	<u>Private Purpose Trust</u>
ADDITIONS	
Interest earnings	<u>\$ 218</u>
DEDUCTIONS	
Awards	<u>-</u>
Total deductions	<u>-</u>
Change in net position	218
Net position—beginning	<u>62,586</u>
Net position—ending	<u><u>\$ 62,804</u></u>

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

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CITY OF BUFFALO, NEW YORK
Notes to the Financial Statements
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Government-wide Financial Statements

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

Reporting Entity

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

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

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

Board of Education—The Board of Education, City of Buffalo, New York (the "Board") is a unit of local government created under the Constitution of the State, whose members are elected by the voters of the City in accordance with State statutes. The Board's primary function is to provide education for pupils. Services, such as transportation of pupils, administration, finance, and plant maintenance, support the primary function of the Board. The Board is financially dependent upon the City and has no independent authority to issue debt or levy taxes, with the exception of the Special Revenue Program Bonds issued by the State of New York Municipal Bond Bank Agency (see Note 11). The Board's Joint Schools

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

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

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

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

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

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

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

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

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

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

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

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

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

Basis of Presentation – Government-wide Financial Statements

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

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

Basis of Presentation – Fund Financial Statements

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

- *Solid Waste and Recycling Fund*—The Solid Waste and Recycling Fund is used to account for the City's solid waste removal system.
- *Parking Fund*—The Parking Fund is used to account for public parking facilities operated by the City.
- *Water System Fund*—The Water System Fund accounts for the City's water treatment and distribution system and is responsible for water delivery to the residents of the City.

Additionally, the City reports the following fund types:

Internal Service Fund—The *Internal Service Fund* accounts for operations in which amounts expended for the print shop are reimbursed by charges to the operations of other funds.

Nonmajor Governmental Funds—The nonmajor governmental funds include the *Special Revenue Fund*, the *BFSA Debt Service Fund*, and *Permanent Fund*:

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, as well as within each individual proprietary fund. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000, and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

Land and construction in progress are not depreciated. The other capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Capital Assets	Years
Buildings	50
Building improvements	20
Improvements other than buildings	10 - 30
Infrastructure	20 - 50
Water system	20 - 40
Machinery and equipment	4 - 30

The capitalization threshold for the Board is \$5,000. Capital assets of the Board are depreciated using the straight-line method over the following estimated useful lives:

Capital Assets	Years
Buildings	50
Building improvements	20
Land improvements	20
General equipment	10
Computer, business machine, and audio visual equipment	5
Automotive	7

BURA does not own infrastructure assets such as roads, bridges or sewers. BURA defines capital assets as assets with an initial cost of more than \$5,000 and an estimated useful life exceeding five years. Assets are depreciated using the straight-line method over their useful lives, which range from 5 to 40 years.

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new police vehicle included as part of *expenditures—public safety*). At times, amounts reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At June 30, 2020, the City reported unearned revenues within the General Fund and Solid Waste and Recycling Fund in the amounts of \$156,854 and \$310,170, respectively. The City received cash in advance related to grants, prepaid user fees, and other items but has not performed the services, and therefore recognizes a liability.

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2020, the City has three items that qualify for reporting in this category. The first item is deferred charge on refunding, which is reported in the government-wide financial statements and within the proprietary funds. The second item is related to pensions and is also reported in the government-wide financial statements, as well as within individual proprietary funds. This represents the effect of the net change in the City's proportion of the collective net position asset or liability, the difference during the measurement period between the City's contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date. The final item represents the effects of the change in the City's proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability, and is reported on the government-wide financial statements as well as within the individual proprietary funds.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2020, the City has three items that qualify for reporting in this category. The first item arises under a modified accrual basis of accounting. Accordingly, *unavailable revenues* are reported as deferred inflows of resources only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from property taxes that will not be realized within the period of availability. These amounts are deferred and recognized in the period that the amounts become available. The second item represents the effect of the net change in the City's proportion of the collective net pension liability and the difference during the measurement periods between the City's contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide financial statements as well as within the individual proprietary funds. The final item represents the effects of the change in the City's proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability, and is reported on the government-wide financial statements as well as within the individual proprietary funds.

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

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

the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

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

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

The City has adopted a minimum fund balance policy which outlines the City's target to maintain unrestricted (committed, assigned and unassigned) fund balance of not less than fifteen percent of annual operating expenditures for the fiscal year. The City's unrestricted fund balance currently falls below the fifteen percent threshold. It is the City's intention to replenish its unrestricted fund balance to exceed the aforementioned threshold through cost controls and additional revenue sources.

Revenues and Expenses/Expenditures

Program Revenues—Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—Real property taxes are levied as of July 1, on which date they become liens on real property. The first half may be paid on or before July 31 without interest, and the second half on or before December 31 without interest. Interest on delinquent property taxes is charged at the rate of 18% per annum. The lien date is June 1 of the year following the levy of the taxes.

The City is permitted by the Constitution of the State of New York to levy taxes up to 2% of the five-year average full-assessed valuation for general governmental services other than the payment of debt services and capital expenditures. The City utilizes a full value system, assessing all properties at 100% of full market value. For the year ended June 30, 2020, the City had a legal tax margin of approximately \$91.1 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. Operating expenses for the enterprise funds, and the Internal Service Fund, include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Other

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

Reclassifications—Certain amounts were reclassified from the Board’s and BFSA’s financial statement presentation to conform to the City’s reporting presentation. In the Board’s statement of net position, \$4,582,974 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, \$277,702,516 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, 2020, the City early implemented GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. Additionally, the District implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing effective dates of certain provisions in Statements No. 84, 87, 89, 91, 92, 93, 94, 96 and 97. The implementation of GASB Statements No. 90 and 95 did not have a material impact on the City’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The City has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 84, *Fiduciary Activities*; No. 93, *Replacement of Interbank Offered Rates*; and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for the year ending June 30, 2021, No. 87, *Leases*; No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; and No. 92, *Omnibus 2020*, effective for the year ending June 30, 2022, and No. 91, *Conduit Debt Obligations*; No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023. The City is, therefore, unable to disclose the impact that adopting GASB Statements No. 84, 87, 89, 91, 92, 93, 94, 96, and 97 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, 2020, the Solid Waste and Recycling Fund had a total net position of \$(59,117,355). This net position deficit includes accrued other postemployment benefits obligation (“OPEB”) of \$35,575,892 and deferred inflows related to OPEB of \$10,185,389. In addition, the Solid Waste and Recycling Fund reports a long-term interfund payable to the General Fund in the amount of \$13,314,516. 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, 2020 the City’s governmental activities had a total net position of \$(900,407,740) due primarily to the City’s recognition of OPEB obligation of \$1,170,251,988.

The Board has a total net position of \$(2,491,123,833) at June 30, 2020, which is caused primarily by the Board’s recognition of their OPEB obligation of \$2.6 billion.

BURA has a total net position of \$(16,931,811) at June 30, 2020, which is caused primarily by BURA’s recognition of their OPEB obligation of \$23,265,470.

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, 2020, of which the bank carrying balance at June 30, 2020, was \$465,913,471.

Cash, cash equivalents and investments at June 30, 2020 are shown below.

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 8,650	\$ -	\$ -	\$ 8,650
Deposits	407,321,704	59,696,878	1,725,157	468,743,739
Investments	5,219,213	5,263,404	32,912	10,515,529
Total	<u>\$ 412,549,567</u>	<u>\$ 64,960,282</u>	<u>\$ 1,758,069</u>	<u>\$ 479,267,918</u>

Cash and cash equivalents consisted of:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 318,128,957	\$ 18,875,120	\$ -	\$ 337,004,077
Restricted cash and cash equivalents	89,201,397	40,821,758	-	130,023,155
Cash held in fiduciary funds	-	-	1,725,157	1,725,157
Total	<u>\$ 407,330,354</u>	<u>\$ 59,696,878</u>	<u>\$ 1,725,157</u>	<u>\$ 468,752,389</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, 2020, the City's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the City's name.

Governmental Activities Restricted Cash and Cash Equivalents—General Fund restricted cash of \$3,899,200 represents monies set aside as part of the funding requirements of the State for the settlement of a dispute between the Board and the Buffalo Teachers Federation. The initial settlement was bonded and such restricted cash will be used to pay the debt service requirements. Additionally, \$4,444 in restricted cash in the General Fund represents additional cash held in a bank custodial account. Further, the City also reports \$156,854 of restricted cash related to unearned revenues within the General Fund. The Debt Service Fund restricted assets of \$3,973,648 are held by a trustee for future debt service payments. Restricted cash of \$62,048,755 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 \$14,241,584, \$4,753,152, \$48,508, and \$75,252 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 within the Water System represents monies raised from the issuance of debt to fund additions to enterprise plant assets and may only be used for this purpose. The restricted cash of the Water System

consists primarily of Treasury notes, Treasury bills, and certificates of deposit with a commercial bank with original maturities of three months or less. At June 30, 2020, \$23,741,914 of the Water System's restricted cash consisted of U.S. government securities recorded in the Water System's name and held in a bank custodial account. The Water System also maintains restricted money market accounts with fair values totaling \$17,079,844 at June 30, 2020.

Restricted Investments—At June 30, 2020, total investments of \$10,515,529 consisted of investments held by held by governmental activities of \$5,219,213, held by the business-type activities of \$5,263,404, and maintained in fiduciary funds of \$32,912. Investments at June 30, 2020 are presented in the following table:

	<u>Moody's Ratings</u>	<u>S&P Ratings</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Maturity</u>
Certificates of deposit	n/a	n/a	\$ 5,296,316	\$ 5,296,316	7/23/2020
U.S. Treasury SLGs	n/a	n/a	2,352,058	2,417,868	8/31/2020
Federal Home Loan Banks	Aaa/P-1	AA+/A-1+	2,751,995	2,801,345	8/31/2020
Total			<u>\$ 10,400,369</u>	<u>\$ 10,515,529</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, 2020. Additionally, investments include restricted amounts for those fund balances constrained to specific purposes through constitutional provisions or by enabling legislation.

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

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

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

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

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

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

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

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

Board of Education

At June 30, 2020, cash in banks was \$39,331,847, and were fully covered by FDIC insurance or collateral.

Restricted Cash and Cash Equivalents—The Board has restricted cash of \$28,788,394 at June 30, 2020, for various purposes as follows:

- \$16,019,666 is restricted for the local share contribution held in trust which can only be disbursed in accordance with the Indenture Trust Agreement, and represents an amount of the Series 2008, 2009, 2011 and 2013 bond proceeds to be deposited and maintained by a trustee. Such cash is held with a fiscal agent.
- \$11,775,742 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.
- \$680,709 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.
- \$312,277 represents endowment funds and can be used in accordance with the respective endowment document.

Buffalo Urban Renewal Agency

At June 30, 2020, BURA reported total deposits of \$3,310,981. 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, 2020, 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, 2020, BURA reported \$853,574 of restricted cash.

3. RECEIVABLES

Receivables at June 30, 2020, for the City’s individual funds and related allowances for estimated uncollectible amounts are as follows:

	Gross Receivable	Allowance	Net Receivable
Receivables:			
Governmental funds:			
General Fund:			
Taxes	\$ 13,539,904	\$ (5,275,448)	\$ 8,264,456
Accounts receivable	16,396,349	(6,548,748)	9,847,601
Due from other agencies	853,658	-	853,658
Intergovernmental receivables	20,475,893	(19,672,374)	803,519
Due from other funds	36,734,209	-	36,734,209
Total	<u>\$ 88,000,013</u>	<u>\$ (31,496,570)</u>	<u>\$ 56,503,443</u>
Debt Service Fund:			
Due from other funds	<u>\$ 775,961</u>	<u>\$ -</u>	<u>\$ 775,961</u>
Capital Projects Fund:			
Intergovernmental receivables	<u>\$ 9,350,805</u>	<u>\$ -</u>	<u>\$ 9,350,805</u>
BFSA Special Revenue Fund:			
Intergovernmental receivables	<u>\$ 12,279,582</u>	<u>\$ -</u>	<u>\$ 12,279,582</u>
Nonmajor governmental funds:			
Other receivables	\$ 4,381	\$ -	\$ 4,381
Intergovernmental receivables	869,293	-	869,293
Due from other funds	1,913,131	-	1,913,131
Total	<u>\$ 2,786,805</u>	<u>\$ -</u>	<u>\$ 2,786,805</u>
Total governmental funds	<u>\$ 113,193,166</u>	<u>\$ (31,496,570)</u>	<u>\$ 81,696,596</u>

	Gross Receivable	Allowance	Net Receivable
Receivables:			
Proprietary funds:			
Solid Waste and Recycling Fund:			
Accounts receivable	\$ 8,325,245	\$ (7,331,533)	\$ 993,712
Other receivables	135,709	(73,989)	61,720
Due from other funds	184,510	-	184,510
Total	<u>\$ 8,645,464</u>	<u>\$ (7,405,522)</u>	<u>\$ 1,239,942</u>
Parking Fund:			
Accounts receivable	\$ 780,097	-	\$ 780,097
Due from other funds	941,481	-	941,481
Total	<u>\$ 1,721,578</u>	<u>\$ -</u>	<u>\$ 1,721,578</u>
Water System:			
Accounts receivable	\$ 23,522,975	\$ (18,439,923)	\$ 5,083,052
Other receivables	1,663,066	-	1,663,066
Due from other agencies	128,163	-	128,163
Due from other funds	247,709	-	247,709
Total	<u>\$ 25,561,913</u>	<u>\$ (18,439,923)</u>	<u>\$ 7,121,990</u>
Internal Service Fund:			
Accounts receivable	\$ 13,441	-	\$ 13,441
Due from other funds	3,513	-	3,513
Total	<u>\$ 16,954</u>	<u>\$ -</u>	<u>\$ 16,954</u>
Total proprietary funds	<u>\$ 35,945,909</u>	<u>\$ (25,845,445)</u>	<u>\$ 10,100,464</u>

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York, State, or other local governments. Amounts are shown net of related advances from New York State. As of June 30, 2020, the City has not received \$19,672,374 of New York State Aid and Incentives for Municipalities. The City has been alerted by the State that this amount has been withheld. Accordingly, the City has recorded an allowance for the aid withheld. Intergovernmental receivables at June 30, 2020 are shown below:

Intergovernmental receivables:	
Governmental funds:	
General Fund:	
Due from Erie County	\$ 125,623
Due from New York State, net	505,749
Due from federal government	172,147
Total	<u>\$ 803,519</u>
Capital Projects Fund:	
Due from New York State	<u>\$ 9,350,805</u>
BFSA Special Revenue Fund:	
Due from New York State	<u>\$ 12,279,582</u>
Nonmajor governmental funds:	
Special Revenue Fund:	
Due from New York State	\$ 14,400
Due from federal government	854,893
Total	<u>\$ 869,293</u>
Total governmental funds	<u>\$ 23,303,199</u>

Board of Education

At June 30, 2020, the Board accrued \$10,926,011 in accounts receivables and \$85,627,080 in intergovernmental receivables. In addition, the Board reports amounts owed from the City of \$289,504,970 as due from primary government at June 30, 2020.

Buffalo Urban Renewal Agency

Major revenues accrued by BURA at June 30, 2020 consisted of the following:

	General	Community Development Block Grant	Home Program	Nonmajor Governmental Funds	Total
Program loans receivable	\$ -	\$ 23,464,972	\$ 67,143,022	\$ 183,469	\$ 90,791,463
Notes receivable	1,966,267	-	-	-	1,966,267
Allowance for uncollectibles	(809,004)	(23,464,972)	(67,143,022)	(183,469)	(91,600,467)
Total receivables	<u>\$ 1,157,263</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,157,263</u>

Program Loans Receivable—Represents amounts due to BURA of \$90,791,463, 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 \$1,966,267 which are allowed for in the amount of \$809,004.

Intergovernmental Receivables—Represent amounts due from other units of government, such as federal government. Intergovernmental receivables at June 30, 2020 consisted of the following:

	Community Development Block Grant	HOME Program	Nonmajor Governmental Funds	Total
Due from federal government	<u>\$ 715,904</u>	<u>\$ 90,505</u>	<u>\$ 12,806</u>	<u>\$ 819,215</u>

4. CAPITAL ASSETS

Governmental Activities—Capital asset activity for the primary government's governmental activities, for the fiscal year ended June 30, 2020, was as follows:

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
Capital assets, not being depreciated:				
Land	\$ 9,791,873	\$ -	\$ -	\$ 9,791,873
Construction in progress	9,629,350	19,537,490	9,629,350	19,537,490
Total capital assets, not being depreciated	<u>19,421,223</u>	<u>19,537,490</u>	<u>9,629,350</u>	<u>29,329,363</u>
Capital assets, being depreciated:				
Buildings and building improvements	337,635,280	7,136,711	-	344,771,991
Improvements other than buildings	67,625,459	5,102,288	-	72,727,747
Machinery and equipment	70,932,112	1,845,934	344,649	72,433,397
Infrastructure	582,346,795	21,033,157	-	603,379,952
Total capital assets, being depreciated	<u>1,058,539,646</u>	<u>35,118,090</u>	<u>344,649</u>	<u>1,093,313,087</u>
Less accumulated depreciation for:				
Buildings and building improvements	145,198,911	8,649,937	-	153,848,848
Improvements other than buildings	42,927,323	2,711,060	-	45,638,383
Machinery and equipment	59,822,854	3,629,408	344,380	63,107,882
Infrastructure	299,547,382	22,231,077	-	321,778,459
Total accumulated depreciation	<u>547,496,470</u>	<u>37,221,482</u>	<u>344,380</u>	<u>584,373,572</u>
Total capital assets, being depreciated, net	<u>511,043,176</u>	<u>(2,103,392)</u>	<u>269</u>	<u>508,939,515</u>
Governmental activities capital assets, net	<u>\$ 530,464,399</u>	<u>\$ 17,434,098</u>	<u>\$ 9,629,619</u>	<u>\$ 538,268,878</u>

Business-type Activities—Capital asset activity for the primary government’s business-type activities, for the fiscal year ended June 30, 2020, was as follows:

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
Capital assets, not being depreciated:				
Land	\$ 3,362,210	\$ -	\$ -	\$ 3,362,210
Construction in progress	1,632,484	7,491,488	6,347,720	2,776,252
Total capital assets, not being depreciated	<u>4,994,694</u>	<u>7,491,488</u>	<u>6,347,720</u>	<u>6,138,462</u>
Capital assets, being depreciated:				
Buildings and building improvements	193,909,582	5,128,568	10,485,087	188,553,063
Improvements other than buildings	486,281	-	2,333	483,948
Machinery and equipment	11,805,178	992,346	866,117	11,931,407
Infrastructure	124,586,198	5,431,300	-	130,017,498
Total capital assets, being depreciated	<u>330,787,239</u>	<u>11,552,214</u>	<u>11,353,537</u>	<u>330,985,916</u>
Less accumulated depreciation for:				
Buildings and building improvements	73,648,730	5,086,299	7,059,925	71,675,104
Improvements other than buildings	438,570	14,967	2,333	451,204
Machinery and equipment	9,507,971	664,902	837,309	9,335,564
Infrastructure	59,416,967	2,996,028	-	62,412,995
Total accumulated depreciation	<u>143,012,238</u>	<u>8,762,196</u>	<u>7,899,567</u>	<u>143,874,867</u>
Total capital assets, being depreciated, net	<u>187,775,001</u>	<u>2,790,018</u>	<u>3,453,970</u>	<u>187,111,049</u>
Business-type activities capital assets, net	<u>\$ 192,769,695</u>	<u>\$ 10,281,506</u>	<u>\$ 9,801,690</u>	<u>\$ 193,249,511</u>

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

Governmental activities:	
General government support	\$ 4,588,628
Public safety	6,253,570
Streets and sanitation	19,723,813
Economic assistance and opportunity	576,562
Culture and recreation	6,049,346
Health and community services	29,563
Total governmental activities depreciation expense	<u>\$ 37,221,482</u>
Business-type activities:	
Solid waste and recycling	\$ 491,895
Parking	1,595,472
Water system	6,674,829
Total business-type activities depreciation expense	<u>\$ 8,762,196</u>

Board of Education

Capital asset activity for the Board, for the fiscal year ended June 30, 2020, was as follows:

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
Capital assets, not being depreciated:				
Land	\$ 3,011,900	\$ -	\$ -	\$ 3,011,900
Construction in progress	34,394,474	17,306,714	22,346,843	29,354,345
Total capital assets, not being depreciated	<u>37,406,374</u>	<u>17,306,714</u>	<u>22,346,843</u>	<u>32,366,245</u>
Capital assets, being depreciated:				
Land improvements	5,542,686	-	-	5,542,686
Buildings and building improvement	1,769,206,673	13,174,940	-	1,782,381,613
Equipment	31,406,286	10,572,652	157,705	41,821,233
Total capital assets, being depreciated	<u>1,806,155,645</u>	<u>23,747,592</u>	<u>157,705</u>	<u>1,829,745,532</u>
Less accumulated depreciation for:				
Land improvements	4,660,356	88,087	-	4,748,443
Buildings and building improvement	955,326,172	76,863,295	-	1,032,189,467
Equipment	23,695,309	1,639,958	157,705	25,177,562
Total accumulated depreciation	<u>983,681,837</u>	<u>78,591,340</u>	<u>157,705</u>	<u>1,062,115,472</u>
Total capital assets being depreciated, net	<u>822,473,808</u>	<u>(54,843,748)</u>	<u>-</u>	<u>767,630,060</u>
Board capital assets, net	<u>\$ 859,880,182</u>	<u>\$ (37,537,034)</u>	<u>\$ 22,346,843</u>	<u>\$ 799,996,305</u>

Buffalo Urban Renewal Agency

Capital asset activity for BURA, for the fiscal year ended June 30, 2020, was as follows:

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2019
Capital assets, being depreciated:				
Buildings	\$ 772,054	\$ -	\$ -	\$ 772,054
Equipment	22,535	-	-	22,535
Total capital assets, being depreciated	<u>794,589</u>	<u>-</u>	<u>-</u>	<u>794,589</u>
Less accumulated depreciation for:				
Buildings	328,316	19,313	-	347,629
Equipment	22,535	-	-	22,535
Total accumulated depreciation	<u>350,851</u>	<u>19,313</u>	<u>-</u>	<u>370,164</u>
BURA capital assets, net	<u>\$ 443,738</u>	<u>\$ (19,313)</u>	<u>\$ -</u>	<u>\$ 424,425</u>

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2020, were as follows:

	General Fund	BFSA Special Revenue Fund	Nonmajor Funds	Total Governmental Funds
Salary and employee benefits	\$ 12,284,514	\$ 42,684	\$ -	\$ 12,327,198
Judgements and claims	1,142,200	-	-	1,142,200
Other accruals	-	-	151,102	151,102
Total accrued liabilities	<u>\$ 13,426,714</u>	<u>\$ 42,684</u>	<u>\$ 151,102</u>	<u>\$ 13,620,500</u>

6. PENSION OBLIGATIONS

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

Plan Descriptions and Benefits Provided

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2020, the City reported the liabilities on the following page for its proportionate share of the net pension liability for each of the Systems. The net pension liabilities were measured as of March 31, 2020. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2019, with updated procedures used to roll forward the total net pension liabilities to the measurement date. The City’s proportion of the net pension liabilities were based on projections of the City’s long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by PFRS and ERS Systems in reports provided to the City.

	Governmental activities		Business-type
			activities
	PFRS	ERS	ERS
Measurement date	March 31, 2020	March 31, 2020	March 31, 2020
Net pension liability	\$ 189,959,633	\$ 51,752,342	\$ 11,984,109
City's portion of the Plan's total net pension liability	3.5540105%	0.1954351%	0.0452562%

As of the March 31, 2020 measurement date, the City's governmental activities portion of the Plan's total net pension liability for PFRS and ERS, respectively, had increased 0.1909191% and 0.002525% from their portion of the Plan's total net pension liability of 3.3630914% and 0.1929101% on the March 31, 2019 measurement date. The City's business-type activities portion of the Plan's total net pension liability had decreased 0.0005721% from their portion of the Plan's total net pension liability of 0.0458283% from the March 31, 2019 measurement date.

For the year ended June 30, 2020, the City's governmental activities recognized pension expenses of \$69,408,156 and \$10,256,614 for PFRS and ERS, respectively. Business-type activities recognized pension expense of \$2,375,088 for ERS. At June 30, 2020, 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	Governmental activities		Business-type
	PFRS	ERS	ERS	PFRS	ERS	ERS
Differences between expected and actual experiences	\$ 12,649,310	\$ 3,045,835	\$ 705,313	\$ 3,181,802	\$ -	\$ -
Changes of assumptions	16,236,953	1,042,047	241,303	-	899,790	208,361
Net difference between projected and actual earnings on pension plan investments	85,544,799	26,530,766	6,143,637	-	-	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	4,272,377	1,663,108	385,120	2,785,257	540,633	125,192
City contributions subsequent to the measurement date	7,669,724	2,176,069	503,905	-	-	-
Total	<u>\$ 126,373,163</u>	<u>\$ 34,457,825</u>	<u>\$ 7,979,278</u>	<u>\$ 5,967,059</u>	<u>\$ 1,440,423</u>	<u>\$ 333,553</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, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Governmental activities		Business-type
			activities
	PFRS	ERS	ERS
2021	\$ 24,147,208	\$ 5,600,353	\$ 1,296,633
2022	26,978,901	7,832,218	1,813,371
2023	33,014,928	9,583,917	2,218,936
2024	27,250,534	7,824,845	1,812,880
2025	1,344,809	-	-

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

	<u>PFRS</u>	<u>ERS</u>
Measurement date	March 31, 2020	March 31, 2020
Actuarial valuation date	April 1, 2019	April 1, 2019
Interest rate	6.80%	6.80%
Salary scale	4.50%	4.20%
Decrement tables	April 1, 2010- March 31, 2015	April 1, 2010- March 31, 2015
Inflation rate	2.5%	2.5%
Cost-of-living adjustments	1.3%	1.3%

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

The actuarial assumptions used in the April 1, 2019 valuations are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
	<u>PFRS and ERS</u>	
Measurement date	<u>March 31, 2020</u>	
Asset class:		
Domestic equities	36.0 %	4.1 %
International equities	14.0	6.2
Private equity	10.0	6.8
Real estate	10.0	5.0
Absolute return strategies	2.0	3.3
Opportunistic portfolio	3.0	4.7
Real assets	3.0	6.0
Bonds and mortgages	17.0	0.8
Cash	1.0	0.0
Inflation-indexed bonds	4.0	0.5
Total	<u>100.0 %</u>	

Discount Rate—The discount rate used to calculate the total pension liabilities was 6.8%. 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 6.8%, 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 (5.8%) or one percentage-point higher (7.8%) than the current assumption.

	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
Employer's proportionate share of the net pension liability—PFRS	\$ 339,651,693	\$ 189,959,633	\$ 55,907,004
Employer's proportionate share of the net pension liability—ERS	116,974,383	63,736,451	14,704,090

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, 2019	April 1, 2019	
Employers' total pension liability	\$ 35,309,017	\$ 194,596,261	\$ 229,905,278
Plan fiduciary net position	29,964,080	168,115,682	198,079,762
Employers' net pension liability	<u>\$ 5,344,937</u>	<u>\$ 26,480,579</u>	<u>\$ 31,825,516</u>
System fiduciary net position as a percentage of total pension liability	84.9%	86.4%	86.2%

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, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid System wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$7,669,724 and \$2,679,974 for PFRS and ERS, respectively.

Buffalo Fiscal Stability Authority

The BFSFA also participates in the ERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2020, the BFSFA reported a liability of \$466,096 for its proportionate share of the net pension liability. At the March 31, 2020 measurement date, the BFSFA’s proportion was 0.0017601%, a decrease of 0.0000606% from its proportion measured as of March 31, 2019.

For the year ended June 30, 2020, BFSA recognized pension expense of \$140,245. At June 30, 2020, 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
	<u>ERS</u>	
Differences between expected and actual experiences	\$ 27,432	\$ -
Changes of assumptions	9,385	8,104
Net difference between projected and actual earnings on pension plan investments	238,944	-
Changes in proportion and differences between BFSAs contributions and proportionate share of contributions	806	38,392
BFSAs contributions subsequent to the measurement date	<u>13,470</u>	<u>-</u>
Total	<u>\$ 290,037</u>	<u>\$ 46,496</u>

The BFSAs contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2021. 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>
2021	\$ 29,591
2022	55,092
2023	79,185
2024	66,203

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The following chart presents the BFSAs proportionate share of the net pension liability/(asset) calculated using the discount rate of 6.8%, as well as what the BFSAs proportionate share of the net pension liability/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (5.8%) or one percentage-point higher (7.8%) than the current assumption.

<u>ERS</u>	<u>1% Decrease (5.8%)</u>	<u>Current Assumption (6.8%)</u>	<u>1% Increase (7.8%)</u>
Employer's proportionate share of the net pension liability/(asset)	\$ 855,418	\$ 466,096	\$ (107,529)

Payables to the Pension Plan—Accrued retirement contributions as of June 30, 2020 amounted to \$13,470.

Board of Education

The Board participates in the Teachers' Retirement System ("TRS") and the ERS.

Plan Descriptions and Benefits Provided

Teachers' Retirement System—This is a cost-sharing multiple-employer retirement system. TRS provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and Retirement and the New York State Retirement and Social Security Law (“NYSRSSL”). TRS is governed by a 10 member Board of Trustees. TRS benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York State Public Schools and BOCES who elect to participate in TRS. Once a public employer elects to participate in TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding TRS may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial Report which can be found on TRS' website at www.nystrs.org.

Plan members who joined the TRS before July 27, 1976, are not required to make contributions. Those joining after July 27, 1976 are required to contribute three percent (3.0%) to three and one half percent (3.5%) of their annual salary. Employees in the System more than ten years are no longer required to contribute. Pursuant to Article 11 of the Education Law, rates are established annually by the New York State Teachers' Retirement Board.

Pension (Assets)/Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2020, the Board reported the following (asset)/liability for its proportionate share of the net pension (asset)/liability for each of the Systems. The net pension (asset)/liability were measured as of June 30, 2019 for TRS and March 31, 2020 for ERS. The total pension (asset)/liability used to calculate the net pension (asset)/liability were determined by actuarial valuations as of June 30, 2018 and April 1, 2019 for TRS and ERS, respectively, with update procedures used to roll forward the total pension (asset)/liability to the measurement dates. The Board's proportion of the net pension (asset)/liability was based on a projection of the Board's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by TRS and ERS in reports provided to the Board.

	TRS	ERS
Measurement date	June 30, 2019	March 31, 2020
Net pension liability/(asset)	\$ (46,418,092)	\$ 38,334,713
Board's portion of the Plan's total net pension liability	1.786681%	0.144765%

As of their respective measurement dates, the Board's portion of the Plan's total net pension (asset)/liability for TRS and ERS, respectively, had decreased 0.035361% and increased 0.0048624% from their portion of the Plan's total net pension (asset)/liability of 1.822042% and 0.139903% on the June 30, 2018 and March 31, 2019 measurement dates.

For the year ended June 30, 2020, the Board recognized pension expense of \$56,190,033 for TRS and \$13,645,288 for ERS, respectively. At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources presented on the following page.

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experiences	\$ 31,456,356	\$ 2,256,153	\$ 3,451,740	\$ -
Changes of assumptions	87,689,986	771,880	21,381,299	666,505
Net difference between projected and actual earnings on pension plan investments	-	19,652,237	37,224,916	-
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	3,891,761	1,346,619	7,735,230	73,280
Board's contributions subsequent to the measurement date	27,347,081	1,538,198	-	-
Total	<u>\$ 150,385,184</u>	<u>\$ 25,565,087</u>	<u>\$ 69,793,185</u>	<u>\$ 739,785</u>

Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ending June 30, 2021. 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
2021	\$ 19,821,926	\$ 4,173,461
2022	154,239	5,918,905
2023	19,745,809	7,354,341
2024	12,632,296	5,840,397
2025	2,006,506	-
Thereafter	(1,115,858)	-

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

	TRS	ERS
Measurement date	June 30, 2019	March 31, 2020
Actuarial valuation date	June 30, 2018	April 1, 2019
Interest rate	7.10%	6.80%
Salary scale	1.90-4.72%	4.20%
Decrement tables	July 1, 2009- June 30, 2014	April 1, 2010- March 31, 2015
Inflation rate	2.2%	2.5%
Cost of living adjustments	1.3%	1.3%

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014. The actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014. The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

Measurement date	TRS	ERS	TRS	ERS
	Target Allocation		Long-Term Expected Real Rate of Return	
			June 30, 2019	March 31, 2020
Asset class:				
Domestic equities	33.0 %	36.0 %	6.3 %	4.1 %
International equities	16.0	14.0	7.2	6.2
Global equities	4.0	0.0	7.8	0.0
Private equity	8.0	10.0	9.9	6.8
Real estate	11.0	10.0	4.6	5.0
Absolute return strategies	0.0	2.0	0.0	3.3
Domestic fixed income securities	16.0	0.0	1.3	0.0
Global fixed income securities	2.0	0.0	0.9	0.0
High-yield fixed income securities	1.0	0.0	3.6	0.0
Opportunistic portfolio	0.0	3.0	0.0	4.7
Private debt	1.0	0.0	6.5	0.0
Real assets	0.0	3.0	0.0	6.0
Bonds and mortgages	7.0	17.0	2.9	0.8
Short-term	1.0	1.0	0.3	0.0
Inflation-indexed bonds	0.0	4.0	0.0	0.5
Total	100.0 %	100.0 %		

Discount Rate—The discount rate used to calculate the total pension liabilities was 7.1% for TRS and 6.8% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset)/liability.

Sensitivity of the Proportionate Share of the Net Pension (Asset)/Liability to the Discount Rate Assumption—The following chart presents the Board’s proportionate share of the net pension liabilities/(asset) calculated using the discount rate of 7.10% for TRS and 6.8% for ERS, as well as what the Board’s proportionate share of the net pension liabilities/(asset) would be if they were

calculated using a discount rate that is one percentage-point lower (6.10% for TRS and 5.80% for ERS) or one percentage-point higher (8.10% for TRS and 7.80% for ERS) than the current assumption.

TRS	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability/(asset)	\$ 209,526,423	\$ (46,418,092)	\$ (261,126,659)
ERS	1% Decrease (5.80%)	Current Assumption (6.80%)	1% Increase (7.80%)
Employer's proportionate share of the net pension liability	\$ 70,355,022	\$ 38,334,713	\$ 8,843,873

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

	(Dollars in Thousands)	
	TRS	ERS
Measurement date	June 30, 2019	March 31, 2020
Employers' total pension liability	\$ 119,879,474	\$ 194,596,261
Plan fiduciary net position	122,477,481	168,115,682
Employers' net pension (asset)/liability	\$ (2,598,007)	\$ 26,480,579
System fiduciary net position as a percentage of the total pension (asset)/liability	102.2%	86.4%

Payables to the Pension Plan—For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 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, 2020 amounted to \$27,347,081. For ERS, accrued retirement contributions as of June 30, 2020 amounted to \$1,538,198.

Buffalo Urban Renewal Agency

BURA also participates in the ERS. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At June 30, 2020, BURA reported a liability of \$1,864,514 for its proportionate share of the net pension liability. At the March 31, 2020 measurement date, BURA's proportion was 0.0070411%, an increase of 0.0004662% from its proportion measured as of March 31, 2019.

For the year ended June 30, 2020, BURA recognized pension expense of \$653,470. At June 30, 2020, 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	\$ 109,734	\$ -
Changes of assumptions	37,542	32,417
Net difference between projected and actual earnings on pension plan investments	955,841	-
Changes in proportion and differences between BURA's contributions and proportionate share of contributions	96,916	40,890
BURA contributions subsequent to the measurement date	<u>72,539</u>	<u>-</u>
Total	<u>\$ 1,272,572</u>	<u>\$ 73,307</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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>ERS</u>
2021	\$ 198,790
2022	280,170
2023	356,610
2024	291,156

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart below presents BURA's proportionate share of the net pension liability calculated using the discount rate of 6.8%, as well as what BURA's proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage-point lower (5.8%) or one percentage-point higher (7.8%) than the current assumption.

<u>ERS</u>	<u>1% Decrease (5.8%)</u>	<u>Current Assumption (6.8%)</u>	<u>1% Increase (7.8%)</u>
Employer's proportionate share of the net pension liability/(asset)	\$ 3,421,910	\$ 1,864,514	\$ 430,146

Payables to the Pension Plan—Accrued retirement contributions as of June 30, 2020 amounted to \$72,539.

7. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description—The City maintains a single-employer benefits plan which provides continuation of medical insurance coverage to employees that retire under the New York State Retirement Systems at the same time such service is ended, if such employees have been continuously employed by the City for the equivalent of at least 10 years at the date of retirement. Based on collective bargaining agreements, the retiree and/or his beneficiaries receive health care coverage for the life of the retiree. The retiree’s share of premium costs depends on the employee group and length of service. Health care benefits for nonunion employees are similar to those of union employees pursuant to City Charter. Additionally, under requirements of state and local law, the City compensates firefighters that retire due to disability before the mandatory retirement age of 70. This compensation is equal to the differential between the retiree’s pension and the salary that he/she would receive if still in active service. There is no separate audited GAAP-basis postemployment benefit plan report available.

Employees Covered by Benefit Terms—There have been no significant changes in the number of employees covered. The number of participants as of July 1, 2018, the effective valuation date of the OPEB valuation, is as follows:

Active employees	2,635
Retired employees	2,829
Spouses of retirees	1,716
Dependents	<u>901</u>
Total	<u><u>8,081</u></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 \$1,169,177,733 and \$58,165,486, respectively, were measured as of June 30, 2020, and were determined by an actuarial valuation on October 5, 2020.

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 5, 2020 actuarial valuation, the Entry Age Normal actuarial cost method was used. The actuarial assumptions included a measurement date of June 30, 2020. The discount rate was 3.50% as of June 30, 2020, as compared to 3.87% as of June 30, 2019. Mortality rates are based on the Sex-distinct Pub-2010 Tables with full generational projection using Scale MP-2018. The 2015 New York State Employees Retirement System rates were used for turnover and retirement rates. In order to estimate the change in the cost of healthcare, the actuaries determined the initial healthcare cost trend rate used is 5.4%, while the ultimate healthcare cost trend rate is 4.0%.

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

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

	Total OPEB Liability	
	Governmental Activities	Business-type Activities
Balances at June 30, 2019	\$ 1,073,580,355	\$ 54,011,676
Changes for the year:		
Service cost	36,450,969	1,590,966
Interest	42,051,935	2,060,463
Changes of assumptions	66,787,588	2,860,776
Contributions—employer	(49,693,114)	(2,358,395)
Net changes	95,597,378	4,153,810
Balances at June 30, 2020	\$ 1,169,177,733	\$ 58,165,486

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

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Governmental activities:			
Net OPEB liability	\$ 1,338,448,393	\$ 1,169,177,733	\$ 1,031,989,670
Business-type activities:			
Net OPEB liability	\$ 66,586,541	\$ 58,165,486	\$ 51,340,510

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the net OPEB liability of a 1% change in the initial (5.4%) and ultimate (4.0%) healthcare cost trend rates.

	1% Decrease (4.4% / 3.0%)	Healthcare Cost Trend Rates (5.4% / 4.0%)	1% Increase (6.4% / 5.0%)
Governmental activities:			
Net OPEB liability	\$ 1,012,699,330	\$ 1,169,177,733	\$ 1,367,493,681
Business-type activities:			
Net OPEB liability	\$ 50,380,834	\$ 58,165,486	\$ 68,031,517

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, 2020, the City's governmental and business-type activities recognized OPEB expense of \$28,719,455 and \$1,220,209, respectively.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The City reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability. At June 30, 2020, the City reported deferred outflows and inflows of resources related to OPEB from the sources shown below.

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Differences between expected and actual experience	\$ 1,746,550	\$ 565,299	\$ -	\$ -
Changes of assumptions	<u>54,747,015</u>	<u>1,667,918</u>	<u>147,408,812</u>	<u>18,296,662</u>
Total	<u>\$ 56,493,565</u>	<u>\$ 2,233,217</u>	<u>\$ 147,408,812</u>	<u>\$ 18,296,662</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
2021	\$ (46,448,322)	\$ (8,206,765)
2022	(37,379,700)	(6,604,467)
2023	(3,264,410)	(576,775)
2024	(3,261,410)	(576,775)
2025	(558,405)	(98,663)
Thereafter	-	-

Buffalo Fiscal Stability Authority

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

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

Employees Covered by Benefit Terms—For the year ended June 30, 2020 there were no retirees of the BFSFA receiving benefits. At June 30, 2020, 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 \$1,074,255 was measured as of June 30, 2020, and was determined by using the alternative measurement method, available to plans with fewer than 100 employees.

Actuarial Methods and Assumptions—Projections of benefits for financial reporting purposes are based on the Plan as understood by the BFSA and Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the BFSA and Plan members. The methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

The following assumptions were made:

Healthcare cost trend rates – Initial rates of 4.6%, reduced to an ultimate rate of 4.7% after ten years.

Salary increases – 2.0%.

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

Discount rate – 2.21% (previously 3.50%) based on the 20-Year tax-exempt municipal bond yield for bonds with an average rating of AA or higher as of the measurement date.

Turnover – 50% based on historical experience.

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

	Total OPEB Liability
Balances at June 30, 2019	\$ 1,513,486
Changes for the year:	
Service cost	112,210
Interest	56,899
Changes of assumptions	291,995
Differences between expected and actual experience	(900,335)
Net changes	(439,231)
Balances at June 30, 2020	\$ 1,074,255

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

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Net OPEB liability	\$ 1,383,712	\$ 1,074,255	\$ 839,347

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

	1% Decrease (3.6% / 3.7%)	Healthcare Cost Trend Rates (4.6% / 4.7%)	1% Increase (5.6% / 5.7%)
Net OPEB liability	\$ 804,488	\$ 1,074,255	\$ 1,437,110

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, 2020, the Authority recognized OPEB expense of \$439,231.

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, 2020, the following employees were covered by the benefit terms:

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

Total OPEB Liability

The Board’s total OPEB liability of \$2,613,913,000 was measured as of June 30, 2020, using updated procedures to roll forward the actuarial valuation from June 30, 2020.

Actuarial Methods and Assumptions—The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise specified:

Inflation	1.30%
Salary Increases	1.76% to 10.3%
Discount Rate	2.66%
Healthcare Cost Trend Rates	7.5% in 2020, with an ultimate rate of 4.50% for 2027
Retirees’ Share of Benefit-Related Costs	100% of future retirees eligible for an employer subsidy

The discount rate was based on 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-2018 Society of Actuaries' Pub-2010 mortality table fully generational for healthy general and teacher retirees.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2019 – June 30, 2020.

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 <u>(in thousands)</u>
Balance at July 1, 2019	\$ 2,395,142
Changes for the year:	
Service cost	72,956
Interest	85,561
Changes of assumptions	351,329
Differences between expected and actual experience	(229,606)
Contributions—employer	<u>(61,469)</u>
Net changes	<u>218,771</u>
Balance at June 30, 2020	<u>\$ 2,613,913</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.51 percent in 2019 to 2.66 percent in 2020.

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

	1% Decrease <u>(1.66%)</u>	Current Discount Rate <u>(2.66%)</u>	1% Increase <u>(3.66%)</u>
Net OPEB liability	\$ 3,117,105	\$ 2,613,913	\$ 2,218,889

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the net OPEB liability of a 1% change in the initial (7.5%)/ultimate (4.5%) healthcare cost trend rates (amounts in thousands).

	1% Decrease <u>(6.5% to 3.5%)</u>	Healthcare Cost Trend Rates <u>(7.5% to 4.5%)</u>	1% Increase <u>(8.5% to 5.5%)</u>
Net OPEB liability	\$ 2,156,484	\$ 2,613,913	\$ 3,219,440

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—For the year ended June 30, 2020, the Board recognized OPEB expense of \$56,969,000. The Board reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability are required to be determined. The following table presents the Board’s deferred outflows and inflows of resources at June 30, 2020 (amounts in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 560,204
Changes of assumptions	<u>422,838</u>	<u>165,210</u>
Total	<u>\$ 422,838</u>	<u>\$ 725,414</u>

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

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

Buffalo Urban Renewal Agency

Plan Description—In addition to pension benefits, BURA provides continuation of medical insurance coverage to employees that retire under the New York State and Local Employees’ Retirement System at the same time they end their service to BURA. Based on the collective bargaining agreement, the retiree and his or her beneficiaries receive this coverage for the life of the retiree. Health care benefits for non-union employees are similar to those of union employees. The retiree’s share of premium cost range from 0%-25%, depending on the employee hire date.

Employees Covered by Benefit Terms—At June 30, 2020, the following employees were covered by the benefit terms:

Active employees	63
Retired employees and dependents	<u>24</u>
Total	<u>87</u>

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

Total OPEB Liability

The Agency's total OPEB liability of \$23,265,470 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

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

In the June 30, 2020 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a valuation date of June 30, 2020. The discount rate was 2.66%, compared to 3.61% in the prior year. Mortality rates are based on the RP2000 Mortality Table. The 2015 New York State Employees Retirement System rates were used for turnover and retirement rates. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 4.6%, while the ultimate healthcare cost trend rate is 4.7%.

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

	<u>Total OPEB Liability</u>
Balances at June 30, 2019	<u>\$ 25,024,994</u>
Changes for the year:	
Service cost	618,096
Interest	919,787
Changes of assumptions	2,437,600
Effect of economic/demographic gains or losses	(5,403,620)
Benefit payments	<u>(331,387)</u>
Net changes	<u>(1,759,524)</u>
Balances at June 30, 2020	<u>\$ 23,265,470</u>

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

	1% Decrease <u>(1.66%)</u>	Current Discount Rate <u>(2.66%)</u>	1% Increase <u>(3.66%)</u>
Net OPEB liability	\$ 26,315,930	\$ 23,265,470	\$ 20,710,300

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

	1% Decrease (3.6% / 3.7%)	Healthcare Cost Trend Rates (4.6% / 4.7%)	1% Increase (5.6% / 5.7%)
Net OPEB liability	\$ 20,691,220	\$ 23,265,470	\$ 26,292,130

Funding Policy—Authorization for the Agency to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by the Agency’s Board of Legislators. The Agency’s contributions to the OPEB plan are based on the negotiated contracts with the bargaining unit, as discussed in Note 12. Any amendments to the employer’s contributions are subject to the collective bargaining agreements. The Agency recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. The Agency’s governmental activities contributed \$331,387 for the fiscal year ended June 30, 2020.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The Agency reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability are required to be determined. As of June 30, 2020, the Agency reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance coverage for the ballpark, public employee liability, and data processing equipment. There have been no significant reduction in the levels of this commercial insurance from the prior year, nor have there been any settlements which exceeded insurance coverage for each of the past three fiscal years.

The City is self-insured for general liability risk. The City is self-insured for workers’ compensation and has accrued its best estimate of both asserted and unasserted workers’ compensation losses. The reserve for workers’ compensation is recorded at an estimated percent value using a discount rate of 5%. For the fiscal years ended June 30, 2018, 2019, and 2020, the City expensed \$6,122,343, \$5,765,614 and \$3,666,037, 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, 2018, 2019, and 2020, the City incurred expenditures of \$7,858,300, \$3,155,911 and \$6,786,877, respectively, for property damage and personal injury claims.

At June 30, 2020, the City estimated the following workers’ compensation liabilities:

	Governmental Activities	Business-type Activities
Workers' compensation — fire and police medical	\$ 2,843,952	\$ -
Workers' compensation — other employees	6,369,300	2,064,778
Total	<u>\$ 9,213,252</u>	<u>\$ 2,064,778</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, 2018, are shown below:

	Governmental Activities	Business-type Activities
Estimated claims — June 30, 2018	\$ 8,006,362	\$ 1,901,190
Claims incurred	6,132,630	1,037,785
Payments 2018-2019	<u>(5,066,085)</u>	<u>(699,529)</u>
Estimated claims — June 30, 2019	9,072,907	2,239,446
Claims incurred	3,234,238	397,476
Payments 2019-2020	<u>(3,093,893)</u>	<u>(572,144)</u>
Estimated claims — June 30, 2020	<u>\$ 9,213,252</u>	<u>\$ 2,064,778</u>

The City has estimated claims arising during the ordinary course of its operation which are probable of a future loss to total \$8,800,000 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 \$5,400,000 to \$12,100,000.

9. LEASE OBLIGATIONS

Operating Leases—Operating lease obligations are primarily for rental of space and equipment. Lease expenditures/expenses for the year were approximately \$257,312. The future minimum rental payments required by the primary government for noncancelable operating leases are as follows:

Fiscal Year Ending June 30,	
2021	\$ 147,854
2022	121,486
2023	123,277
2024	125,134
2025	126,992
Thereafter	<u>226,588</u>
Total	<u>\$ 871,331</u>

Buffalo Fiscal Stability Authority

The BFSFA has an operating lease agreement for office space. Rental expense totaled \$43,940 for the year ended June 30, 2020. Future minimum annual rental payments required under the lease are \$10,985 in 2021.

Board of Education

Operating lease obligations are primarily for rental of property and equipment. Lease expenses for the year were approximately \$5,457,734. The future minimum rental payments required for noncancelable leases are shown below:

Fiscal Year Ending June 30,	
2021	\$ 7,146,000
2022	6,656,000
2023	6,274,000
2024	6,301,000
2025	6,603,000
2026-2030	25,517,000
2031-2035	15,279,000
Total	<u>\$ 73,776,000</u>

10. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are accounted for in the Capital Projects Fund for governmental activities and the Parking Fund for business-type activities. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs used for assessable improvement projects may be renewed for periods equivalent to the life of the permanent financing provided that annual reductions of principal are made. The table below is a summary of the City’s short-term debt for the year ended June 30, 2020:

Description	Interest Rate	Issuance Date	Maturity Date	Balance 7/1/2019	Issued	Paid	Balance 6/30/2020
Governmental activities:							
Capital Projects Fund:							
Various capital projects	3.00%	4/30/2019	4/30/2020	\$ 22,070,653	\$ -	\$ 22,070,653	\$ -
Various capital projects	1.50%	4/28/2020	4/28/2021	-	<u>33,299,600</u>	-	<u>33,299,600</u>
Total governmental activities				<u>22,070,653</u>	<u>33,299,600</u>	<u>22,070,653</u>	<u>33,299,600</u>
Business-type activities:							
Parking Fund:							
Parking ramps	1.50%	4/28/2020	4/28/2021	-	<u>1,500,000</u>	-	<u>1,500,000</u>
Total business-type activities				<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>

11. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The City's outstanding long-term liabilities include bonds payable, deficiency notes payable, compensated absences, workers' compensation, landfill post-closure monitoring costs, other postemployment benefits ("OPEB") obligations, judgments and claims, and net pension liability.

A summary of changes in the City's long-term debt at June 30, 2020 is presented in the following table:

	Balance 6/30/2019	Additions	Reductions	Balance 6/30/2020	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligations bonds, net - City	\$ 171,079,679	\$ 7,530,000	\$ 37,977,386	\$ 140,632,293	\$ 27,357,829
General obligations bonds, net - BFSA	16,570,000	-	5,440,000	11,130,000	4,690,000
Premiums on bonds - City	14,798,491	972,917	2,830,730	12,940,678	2,099,042
Premiums on bonds - BFSA	1,285,099	-	268,771	1,016,328	208,874
Total bonds payable	203,733,269	8,502,917	46,516,887	165,719,299	34,355,745
Long-term deficiency notes payable	-	25,000,000	-	25,000,000	-
Compensated absences*	30,462,401	-	6,018,516	24,443,885	2,872,821
Workers' compensation	9,072,907	3,234,238	3,093,893	9,213,252	4,228,661
Landfill post-closure monitoring costs	630,000	-	70,000	560,000	70,000
OPEB obligation - City	1,073,580,355	145,290,492	49,693,114	1,169,177,733	-
OPEB obligation - BFSA	1,513,486	461,104	900,335	1,074,255	-
Judgments and claims	7,300,000	7,126,200	5,626,200	8,800,000	4,450,000
Net pension liability - City*	70,069,435	171,642,540	-	241,711,975	-
Net pension liability - BFSA*	129,004	337,092	-	466,096	-
Total governmental activities	\$ 1,396,490,857	\$ 361,594,583	\$ 111,918,945	\$ 1,646,166,495	\$ 45,977,227
	Balance 6/30/2019	Additions	Reductions	Balance 6/30/2020	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligations bonds - Parking	\$ 8,645,322	\$ -	\$ 1,462,615	\$ 7,182,707	\$ 1,512,171
Water System revenue bonds	125,270,000	-	4,210,000	121,060,000	6,230,000
Premiums on bonds	11,068,997	-	726,966	10,342,031	590,274
Discounts on bonds	(195,420)	-	(10,334)	(185,086)	(10,168)
Total bonds payable	144,788,899	-	6,389,247	138,399,652	8,322,277
Compensated absences	1,541,065	135,143	380,320	1,295,888	90,410
Workers' compensation	2,239,446	397,476	572,144	2,064,778	572,145
OPEB obligation	54,011,676	6,512,205	2,358,395	58,165,486	-
Net pension liability*	3,247,079	8,737,030	-	11,984,109	-
Total business-type activities	\$ 205,828,165	\$ 15,781,854	\$ 9,700,106	\$ 211,909,913	\$ 8,984,832

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.

Current Year Refunding—On February 1, 2020, the City issued \$7,530,000 in General Improvement Refunding Bonds, together with bond premiums received of \$972,917 and cash contributions, to refund \$10,785,000 of outstanding principal of the previously issued 2010A Serial Bonds of the City and the 2010B School District Serial Bonds, which were called on April 1, 2020. Accordingly, 2020 Refunding Bonds are considered to be current refunding bonds. The 2020 Refunding Bonds carry an interest rate of 5.0% and mature on April 1, 2025. The refund resulted in a net present value benefit savings of \$862,354 to the City.

A summary of additions and payments for the year ended June 30, 2020 is shown below:

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2019	Additions	Payments	Balance 6/30/2020	Due Within One Year
Governmental activities general obligations bonds issued by City of Buffalo:								
2005	\$ 26,167,250	5.0	2025	\$ 2,536,652	\$ -	\$ 1,167,326	\$ 1,369,326	\$ 248,477
2006	25,275,917	5.0	2022	1,744,621	-	1,744,621	-	-
2007	22,226,126	5.0	2023	7,272,891	-	1,689,156	5,583,735	1,773,413
2010	21,985,000	2.0-5.0	2025	10,475,000	-	10,475,000	-	-
2011	12,825,000	3.0-5.0	2021	350,000	-	175,000	175,000	175,000
2012	22,265,000	2.0-4.0	2026	11,695,000	-	1,495,000	10,200,000	1,555,000
2012	3,480,000	3.0-4.0	2022	570,000	-	190,000	380,000	190,000
2012	21,640,000	2.0-5.0	2023	8,875,000	-	2,095,000	6,780,000	2,180,000
2012	4,255,000	2.0-4.0	2024	305,000	-	205,000	100,000	20,000
2013	7,540,000	0.8-3.5	2025	4,000,000	-	620,000	3,380,000	635,000
2014	25,639,769	4.0-5.0	2023	11,840,000	-	2,860,000	8,980,000	2,920,000
2015	29,088,985	2.0-5.0	2026	18,490,000	-	2,490,000	16,000,000	2,525,000
2016	21,703,468	2.0-5.0	2028	17,290,346	-	1,566,489	15,723,857	1,646,499
2016	15,375,000	3.0-4.0	2024	13,990,000	-	2,850,000	11,140,000	3,000,000
2017	21,618,019	4.0-5.0	2029	18,769,332	-	1,490,896	17,278,436	1,566,330
2018	20,300,000	3.0-5.0	2030	18,680,000	-	1,195,000	17,485,000	1,240,000
2019	7,530,000	5.0	2025	-	7,530,000	-	7,530,000	1,360,000
Total				<u>146,883,842</u>	<u>7,530,000</u>	<u>32,308,488</u>	<u>122,105,354</u>	<u>21,034,719</u>
Governmental activities general obligations bonds issued by the City of Buffalo on behalf of discretely presented component unit – Board of Education:								
2006	\$ 2,483,000	5.0	2020	\$ 239,000	\$ -	\$ 239,000	\$ -	\$ -
2010	4,900,000	2.5-4.0	2025	2,225,000	-	2,225,000	-	-
2011	21,825,000	3.0-4.0	2021	1,105,000	-	545,000	560,000	560,000
2012	4,900,000	3.0-4.0	2026	2,570,000	-	330,000	2,240,000	340,000
2012	15,355,000	2.0-5.0	2021	5,330,000	-	2,625,000	2,705,000	2,705,000
2012	5,000,000	2.0-3.3	2027	2,895,000	-	325,000	2,570,000	335,000
2012	6,720,000	2.0-4.0	2025	2,720,000	-	420,000	2,300,000	440,000
2012	11,230,000	1.0-4.0	2023	5,025,000	-	955,000	4,070,000	980,000
2012	20,515,000	1.0-5.0	2024	9,170,000	-	1,770,000	7,400,000	1,855,000
2016	5,845,000	2.0-4.0	2023	4,710,000	-	1,075,000	3,635,000	1,130,000
Total				<u>35,989,000</u>	<u>-</u>	<u>10,509,000</u>	<u>25,480,000</u>	<u>8,345,000</u>
Less bonds issued by City to BFSAs:								
2005A	\$ 26,167,250	4.0-5.0	2025	\$ (2,536,652)	\$ -	\$ (1,167,326)	\$ (1,369,326)	\$ (248,477)
2006A	27,758,917	4.0-5.0	2020	(1,983,621)	-	(1,983,621)	-	-
2007A	28,115,126	4.0-5.0	2023	(7,272,890)	-	(1,689,156)	(5,583,734)	(1,773,413)
Total mirror bonds				<u>(11,793,163)</u>	<u>-</u>	<u>(4,840,103)</u>	<u>(6,953,060)</u>	<u>(2,021,890)</u>
Net governmental activities general obligation bonds issued by the City of Buffalo				<u>171,079,679</u>	<u>7,530,000</u>	<u>37,977,385</u>	<u>140,632,294</u>	<u>27,357,829</u>

(continued)

(concluded)

Governmental activities general obligations bonds issued by Buffalo Fiscal Stability Authority:

2005BC	\$ 47,065,000	5.0	2019	\$ 320,000	\$ -	\$ 320,000	\$ -	\$ -
2007A	28,470,000	4.0-5.0	2023	9,760,000	-	2,315,000	7,445,000	1,755,000
2015A	14,170,000	3.0-5.0	2025	<u>6,490,000</u>	<u>-</u>	<u>2,805,000</u>	<u>3,685,000</u>	<u>2,935,000</u>
Total				<u>16,570,000</u>	<u>-</u>	<u>5,440,000</u>	<u>11,130,000</u>	<u>4,690,000</u>
Total governmental activities bonds				<u>187,649,679</u>	<u>7,530,000</u>	<u>43,417,385</u>	<u>151,762,294</u>	<u>32,047,829</u>
Unamortized premium - City				14,798,491	972,917	2,830,730	12,940,678	2,099,042
Unamortized premium - BFSAs				<u>1,285,099</u>	<u>-</u>	<u>268,771</u>	<u>1,016,328</u>	<u>208,874</u>
Total governmental activities bonds, net				<u>\$ 203,733,269</u>	<u>\$ 8,502,917</u>	<u>\$ 46,516,886</u>	<u>\$ 165,719,300</u>	<u>\$ 34,355,745</u>

Business-type activities — general obligation bonds:

Parking:

2012	\$ 8,415,000	2.0-5.0	2022	\$ 3,025,000	\$ -	\$ 980,000	\$ 2,045,000	\$ 1,005,000
2016	4,066,532	2.0-5.0	2028	3,239,654	-	293,511	2,946,143	308,501
2017	2,741,981	4.0-5.0	2029	<u>2,380,668</u>	<u>-</u>	<u>189,104</u>	<u>2,191,564</u>	<u>198,670</u>
Total				<u>8,645,322</u>	<u>-</u>	<u>1,462,615</u>	<u>7,182,707</u>	<u>1,512,171</u>

Business-type activities — Water System Revenue Bonds:

2006	\$ 19,917,236	3.6-4.8	2028	9,645,000	-	940,000	8,705,000	970,000
2010	23,975,000	2.0-6.9	2041	19,965,000	-	570,000	19,395,000	590,000
2011	2,720,000	1.5-5.1	2022	840,000	-	270,000	570,000	280,000
2012	17,150,000	1.8-4.0	2043	14,905,000	-	410,000	14,495,000	425,000
2012	2,575,000	5.6-6.3	2031	2,180,000	-	140,000	2,040,000	145,000
2015	46,655,000	2.0-5.0	2036	41,465,000	-	1,585,000	39,880,000	3,100,000
2019	24,285,000	4.0-5.0	2049	24,285,000	-	-	24,285,000	385,000
2019	46,655,000	3.0-5.0	2038	<u>11,985,000</u>	<u>-</u>	<u>295,000</u>	<u>11,690,000</u>	<u>335,000</u>
Total				<u>125,270,000</u>	<u>-</u>	<u>4,210,000</u>	<u>121,060,000</u>	<u>6,230,000</u>
Total business-type activities bonds				<u>133,915,322</u>	<u>-</u>	<u>5,672,615</u>	<u>128,242,707</u>	<u>7,742,171</u>
Unamortized premium				11,068,997	-	726,966	10,342,031	590,274
Unamortized discount				<u>(195,420)</u>	<u>-</u>	<u>(10,334)</u>	<u>(185,086)</u>	<u>(10,168)</u>
Total business-type activities bonds, net				<u>\$ 144,788,899</u>	<u>\$ -</u>	<u>\$ 6,389,247</u>	<u>\$ 138,399,652</u>	<u>\$ 8,322,277</u>

Amortization of Bond Premiums and Discounts—As previously discussed, on February 1, 2020, the City issued General Improvement Refunding Bonds totaling \$7,530,000 and received bond premiums received of \$972,917. The premiums are being amortized on a straight-line annual basis over the life of the bonds, which mature on April 1, 2025. The total remaining unamortized premiums on bonds at June 30, 2020 are \$13,957,006 and \$10,342,031 reported in governmental activities and business-type activities, respectively. Additionally, unamortized discounts on bonds of \$185,086 are reported in business-type activities at June 30, 2020.

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
2021	\$ 21,034,719	\$ 5,489,686	\$ 26,524,405
2022	21,666,503	4,511,229	26,177,732
2023	22,319,972	3,514,036	25,834,008
2024	13,862,555	2,533,331	16,395,886
2025	12,666,240	1,922,557	14,588,797
2026-2030	28,625,366	2,972,902	31,598,268
2031	1,930,000	28,950	1,958,950
Total	<u>\$ 122,105,355</u>	<u>\$ 20,972,691</u>	<u>\$ 143,078,046</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 8,345,000	\$ 809,800	\$ 9,154,800
2022	5,235,000	571,306	5,806,306
2023	5,200,000	386,550	5,586,550
2024	4,240,000	219,400	4,459,400
2025	1,255,000	92,275	1,347,275
2026-2027	1,205,000	54,913	1,259,913
Total	<u>\$ 25,480,000</u>	<u>\$ 2,134,244</u>	<u>\$ 27,614,244</u>

Governmental Activities—Buffalo Fiscal Stability Authority

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 4,690,000	\$ 373,575	\$ 5,063,575
2022	1,960,000	225,225	2,185,225
2023	2,040,000	143,825	2,183,825
2024	2,120,000	59,150	2,179,150
2025	155,000	12,125	167,125
2026	165,000	4,125	169,125
Total	<u>\$ 11,130,000</u>	<u>\$ 818,025</u>	<u>\$ 11,948,025</u>

Business-Type Activities

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 7,742,171	\$ 6,183,435	\$ 13,925,606
2022	8,113,082	5,821,329	13,934,411
2023	6,953,992	5,469,093	12,423,085
2024	7,232,608	5,133,288	12,365,896
2025	7,636,220	4,765,820	12,402,040
2026-2030	40,694,634	17,713,717	58,408,351
2031-2035	17,620,000	10,376,284	27,996,284
2036-2040	16,700,000	6,035,066	22,735,066
2041 and thereafter	15,550,000	2,986,192	18,536,192
Total	<u>\$ 128,242,707</u>	<u>\$ 64,484,224</u>	<u>\$ 192,726,931</u>

Long-Term Deficiency Notes—In accordance with Section 29.20 of the local finance laws of the State of New York, any municipality, school district or district corporation may issue deficiency notes during any fiscal year to finance a deficiency in any fund or funds arising from revenues being less than the amount estimated in the budget for such current fiscal year. Such notes may be issued in such amount as the finance board shall determine to be necessary, but not to exceed five per centum of the amount of the annual budget of such municipality, school district or district corporation. On June 30, 2020, the City issued \$18,000,000 in 2020 deficiency notes with an interest rate of 1.2 and \$7,000,000 in 2020A deficiency notes with an interest rate of 1.3 percent. These notes are redeemable at maturity on December 31, 2021, which extend beyond one year, and therefore, are reported as long-term obligations.

Compensated Absences—As described in Note 1, the liability for compensated absences, which totals \$24,443,885 for governmental activities and \$1,295,888 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 \$2,872,821 and \$90,410 for governmental activities and business-type activities, respectively, will be paid in the next fiscal year.

Workers' Compensation—Accrued workers' compensation, which totals \$9,213,252 and \$2,064,777 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 \$4,228,661 and \$572,145 for governmental activities and business-type activities, respectively, will be paid in the next fiscal year. Refer to Note 8 for additional information related to workers' compensation.

Landfill Post-Closure Monitoring Costs—In accordance with the Environmental Conservation Law of the State of New York, the City is complying with post-closure monitoring of Unity Island. The cost of post-closure is based on the percentage of the landfill's total capacity used to date, which is 100%. The City is still required to monitor the site for another 9 years, with an estimated annual cost of \$70,000 each of the remaining years. The estimate, which is subject to various changes resulting from inflation, deflation, technology or changes in the applicable laws or regulations, for the outstanding liability at June 30, 2020 was \$560,000.

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 \$1,169,177,733 and \$58,165,486 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 \$8,800,000 at June 30, 2020, represents estimated amounts due for various outstanding claims. Of this amount, \$1,142,200 met the criteria of a governmental fund liability and have been accrued within the General Fund at June 30, 2020. The remaining \$7,657,800 are included within the governmental activities. Payment of these estimated amounts are dependent upon many factors (including outstanding litigation). The City has estimated that \$4,450,000 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 \$242,178,071 and \$11,984,109 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, 2020, was approximately \$783.7 million. The effective borrowing capacity is \$753.6 million.

The list of the City’s authorized and unissued bonds at June 30, 2020, is as follows:

Project	Total Authorized and Unissued
General Improvement Bonds—City of Buffalo	<u>\$ 30,102,598</u>

Board of Education

A summary of changes in the Board’s long-term liabilities for the year ended June 30, 2020, is as follows:

Governmental activities:	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Due Within One Year
Due to other governments	\$ 8,126,666	\$ -	\$ 713,334	\$ 7,413,332	\$ 713,332
Revenue bonds payable	10,255,000	-	665,000	9,590,000	695,000
JSCB bonds payable	689,515,000	-	55,780,000	633,735,000	65,280,000
Premium on bonds	90,113,393	-	10,064,929	80,048,464	10,064,928
Compensated absences	22,809,164	1,094,064	-	23,903,228	9,952,000
Workers' compensation	44,682,000	11,477,000	8,153,000	48,006,000	9,623,000
OPEB obligation	2,395,142,000	280,240,000	61,469,000	2,613,913,000	-
Net pension liability - ERS*	9,912,527	28,422,186	-	38,334,713	-
Total	<u>\$ 3,270,555,750</u>	<u>\$ 321,233,250</u>	<u>\$ 136,845,263</u>	<u>\$ 3,454,943,737</u>	<u>\$ 96,328,260</u>

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

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

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

Fiscal Year Ending June 30,	Principal
2021	\$ 713,332
2022	713,334
2023	713,334
2024	713,332
2025	713,334
2026-2030	3,566,666
2031-2035	233,334
2036	46,666
Total	<u>\$ 7,413,332</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, 2020 is \$633,735,000.

Debt service requirements of the Board at June 30, 2020 are presented on the following page.

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 74,320,000	\$ 33,008,941	\$ 107,328,941
2022	80,640,000	29,485,823	110,125,823
2023	84,460,000	25,545,566	110,005,566
2024	80,780,000	21,430,541	102,210,541
2025	74,450,000	17,491,016	91,941,016
2026-2030	247,410,000	40,543,922	287,953,922
2031-2035	26,745,000	1,688,376	28,433,376
Total	<u>\$ 668,805,000</u>	<u>\$ 169,194,185</u>	<u>\$ 837,999,185</u>

Compensated Absences—Compensated absences, which totaled \$23,903,228 at June 30, 2020, 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 \$9,952,000 will be paid in the next fiscal year.

Workers' Compensation—Workers' compensation obligations total \$48,006,000 at June 30, 2020, representing estimated amounts due for various outstanding claims.

OPEB Obligation—Refer to Note 7.

Net Pension Liability—The Board reported a liability, \$38,334,713, for its proportionate share of the net pension liability of the Employees' Retirement System. Refer to Note 6 for additional information related to the Board's net pension liability.

Buffalo Urban Renewal Agency

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

A summary of changes in BURA's long-term liabilities at June 30, 2020 follows:

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Due Within One Year
Governmental activities:					
Compensated absences	\$ 643,960	\$ 189,436	\$ 566,195	\$ 267,201	\$ 13,360
OPEB obligation	25,024,994	3,975,483	5,735,007	23,265,470	-
Long-term retirement liability	73,688	-	18,422	55,266	18,422
Net pension liability*	465,855	1,398,659	-	1,864,514	-
Total	<u>\$ 26,208,497</u>	<u>\$ 5,563,578</u>	<u>\$ 6,319,624</u>	<u>\$ 25,452,451</u>	<u>\$ 31,782</u>

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

Compensated Absences—BURA records the value of compensated absences. The annual budgets of the operating funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at June 30, 2020, for governmental activities is \$267,201. Management estimates that \$13,360 is due within one year. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

OPEB Obligation—As explained in Note 7, BURA provides health insurance coverage for certain retirees. The BURA’s annual postemployment benefit (“OPEB”) cost is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position. The estimated long-term OPEB liability is \$23,265,470 as of June 30, 2020.

Long-Term Retirement Liability—As explained in Note 6, BURA participates in the New York and Local Employees’ Retirement System (“ERS”). BURA elected to amortize certain payments relating to ERS during 2011 and 2013 over ten years in accordance with Chapter 260 of the Laws of 2004 of the State of New York. Accordingly, at June 30, 2020, BURA has recorded a liability in the amount of \$55,266, of which \$18,422 is considered due within one year.

Net Pension Liability—BURA reported a liability, \$1,864,514, for its proportionate share of the net pension liability of the Employees’ Retirement System. Refer to Note 6 for additional information related to BURA’s net pension liability.

12. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. A reconciliation of the City’s governmental and business-type activities net investment in capital assets are shown below.

Governmental activities:	
Capital assets, net of accumulated depreciation	\$ 538,268,878
Related debt:	
Serial bonds issued for capital assets	\$ (151,282,293)
Unspent debt proceeds	<u>5,495,522</u>
Bonds payable issued for capital assets	(145,786,771)
Bond anticipation notes payable	(33,299,600)
Deferred charge on refunding	1,381,364
Unamortized premiums	<u>(13,957,006)</u>
Net investment in capital assets—governmental activities	<u>\$ 346,606,865</u>
Business-type activities:	
Capital assets, net of accumulated depreciation	\$ 193,249,511
Related debt:	
Serial bonds issued for capital assets	(128,242,707)
Unspent debt proceeds	<u>40,821,758</u>
Bonds payable issued for capital assets	(87,420,949)
Bond anticipation notes payable	(1,500,000)
Deferred charge on refunding	2,502,387
Unamortized premium	(10,342,031)
Unamortized discount	<u>185,086</u>
Net investment in capital assets—business-type activities	<u>\$ 96,674,004</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, 2020 include:

Real estate acquired for sale	\$ 9,834,584
Long-term due from other funds	13,314,516
Prepaid items	1,296,534
Permanent Fund - corpus	<u>30,000</u>
Total	<u>\$ 24,475,634</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, 2020 are shown below:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Capital projects	\$ -	\$ -	\$ 5,495,522	\$ -	\$ 5,495,522
Capital outlay	12,419,887	-	-	-	12,419,887
Debt service	-	4,749,609	-	5,055,147	9,804,756
Grants	-	-	-	6,879,187	6,879,187
Emergency medical services	1,821,697	-	-	-	1,821,697
Permanent fund - interest	-	-	-	111,074	111,074
Total	<u>\$ 14,241,584</u>	<u>\$ 4,749,609</u>	<u>\$ 5,495,522</u>	<u>\$ 12,045,408</u>	<u>\$ 36,532,123</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, 2020, 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, 2020, the City reported \$38,140,279 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, 2020 assigned fund balance includes:

	General Fund	BFSA Special Revenue Fund	Total
Encumbrances	\$ 8,579,598	\$ -	\$ 8,579,598
Motor vehicle self-insurance	801,595	-	801,595
Judgments and claims	3,334,451	-	3,334,451
Specific use	-	588,565	588,565
Total	<u>\$ 12,715,644</u>	<u>\$ 588,565</u>	<u>\$ 13,304,209</u>

- **Assigned to Encumbrances**—Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures of monies are recorded, is employed as part of the City’s budgetary control mechanism for all funds. Unencumbered appropriations lapse at fiscal year-end.
- **Assigned to Motor Vehicle Self-Insurance**—Represents fund balance set aside for motor vehicle self-insurance.

- **Assigned to Judgments and Claims**—Represents amounts assigned to cover potential settlement of various claims and litigation. The City estimates \$8,800,000 of potential settlements, and has assigned \$3,334,451 of available fund balance for that purpose.
- **Assigned to Specific Use**—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment’s purpose relates to each fund’s operations and represents amounts within funds that are not restricted or committed.

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

13. RELATED PARTY TRANSACTIONS

The City provides annual support to the Board of Education. During the year ended June 30, 2020, the City contributed \$70,822,758 in economic support for operating purposes (\$62,148,344) and school tax relief reimbursement (\$8,674,414).

Buffalo Fiscal Stability Authority

The Act and other legal documents of the BFSFA establish various legal financial relationships between the BFSFA, the City and the Board of Education. The resulting financial transactions between the BFSFA, the City, and the Board of Education include the receipt and use of revenues as well as BFSFA debt issuances to fund financeable costs of the City. The receipt and remittance of revenues in 2020 include:

- The receipt and remittance to the City of sales tax revenues. Revenues of \$135,717,725 were recorded, of which \$87,198,708 was or will be paid to the City and \$48,519,017 was designated for the District.
- State aid of \$141,612,849 was received during 2020.
- Distributions paid or accrued to the City in 2020 totaled \$228,820,653, which includes \$81,612,237 of sales tax receipts, \$147,042,610 of State aid and other revenue, and interest receipts of \$165,806.

Board of Education

During the year ended June 30, 2020, the Board transferred \$11,675,122 to the City for payment of the Board’s portion of principal and interest on long-term debt.

Board Urban Renewal Agency

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

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

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

At June 30, 2020, net amounts due from related parties consisted of:

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

14. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are generally short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of June 30, 2020 is as follows:

Fund	Interfund	
	Receivable	Payable
Governmental funds:		
General Fund	\$ 36,740,746	\$ 2,272,053
Debt Service Fund	775,961	-
Capital Projects Fund	-	17,612,813
BFSA Special Revenue Fund	-	7,461,186
Nonmajor governmental funds	<u>1,913,131</u>	<u>146,483</u>
Total governmental funds	<u>39,429,838</u>	<u>27,492,535</u>
Proprietary funds:		
Solid Waste and Recycling Fund	184,510	13,314,516
Parking Fund	941,481	-
Water System	247,709	-
Internal Service Fund	<u>3,513</u>	<u>-</u>
Total proprietary funds	<u>1,377,213</u>	<u>13,314,516</u>
Total	<u>\$ 40,807,051</u>	<u>\$ 40,807,051</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 \$36,740,746 is a portion due from the Solid Waste and Recycling Fund in the amount of \$13,314,516, which is considered long-term and has been reserved within nonspendable fund balance.

The City made the following transfers during the year ended June 30, 2020:

Transfers out:	Transfers in:					Total
	General Fund	Debt Service Fund	Capital Projects Fund	BFSA Special Revenue Fund	Nonmajor Governmental Funds	
Governmental funds:						
General Fund	\$ -	\$ 28,955,211	\$ 400,000	\$ -	\$ -	\$ 29,355,211
Debt Service Fund	-	-	1,551,053	257,711	5,172,050	6,980,814
Proprietary funds:						
Solid Waste & Recycling Fund	673,078	-	-	-	-	673,078
Parking Fund	2,400,000	-	-	-	-	2,400,000
Water System	7,248,078	-	-	-	-	7,248,078
Total	<u>\$ 10,321,156</u>	<u>\$ 28,955,211</u>	<u>\$ 1,951,053</u>	<u>\$ 257,711</u>	<u>\$ 5,172,050</u>	<u>\$ 46,657,181</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.

15. LABOR RELATIONS

Approximately 2,870 of the City's employees are covered by a total of eight collective bargaining agreements. The following table shows, for each union, the dates through which a contract has been negotiated.

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

16. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) and re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The City considers encumbrances to be significant for amounts that are encumbered in excess of \$500,000. The City has a total of \$73,265,301 encumbrances outstanding at June 30, 2020. In the General Fund, encumbrances of \$8,579,598 are supported by assigned fund balance. The Capital Projects Fund and Special Revenue Fund have \$38,201,013 and \$18,563,741 of outstanding encumbrances, respectively. As of June 30, 2020, the City had the following significant encumbrances:

Description	General Fund	Capital Projects Fund	Special Revenue Fund
Buildings	\$ -	\$ 1,094,700	\$ 3,300,000
Vehicles	558,761	1,939,340	-
Bridges	-	-	-
Streets	-	21,670,800	1,329,271

Board of Education

Encumbrances—At June 30, 2020, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$4,776,135 in the Board’s General Fund.

Commitments—The Board has approved and plans to spend up to \$88,187,000 for various capital projects that remain in progress at year end. Amounts outstanding under these projects totaled \$16,285,000 at June 30, 2020

17. TAX ABATEMENTS

The City is subject to programs entered into by Erie County Industrial Development Agency (“ECIDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the ECIDA and incentives may include property tax abatements of any new property tax revenue realized from the increased assessed value of any incentivized project from the investment of private capital. The abatement agreements include a stipulated reduction pursuant to the limits set forth in State statute and rules. In the future these new revenues will increase periodically until the project is taxed at full assessed value. Assuming the ECIDA incentivized projects would have been completed absent tax abatements, the unrealized property tax revenue is \$14,389,056. However, during 2019, the City collected \$3,483,520 related to these new incentivized projects.

Additionally, the City offers other tax exemptions subject to various NYS programs such as land banks, historic properties, home improvements, mixed use properties, business investment properties and property improvements in an Empire Zone. These programs provide real property tax exemptions on certain allowable properties in accordance with the regulations of the NYS Real Property Tax Laws or the Not-For-Profit Laws of New York. Absent such exemptions, the unrealized property tax revenue is \$12,234,892. However, during 2020, the City collected \$4,959,266 related to the NYS programs.

18. CONTINGENCIES

Litigation—The City is involved in litigation in the ordinary course of its operations. Various legal actions are pending against the City. The outcome of these matters is not presently determinable but, in the opinion of management, the ultimate liability will not have a material adverse effect on the City’s financial condition or results of operation.

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

Revenue Sharing—On July 3, 2007, the Seneca Nation of Indians opened the Seneca Buffalo Creek Casino, which engages in Class III Gaming pursuant to authority contained in the Seneca Nation/New York State Gaming Compact (the "Compact"), which was made effective on August 18, 2002. After the conclusion of the initial fourteen year period of the Compact, the Compact was automatically extended in December 2016 for an additional seven years without objection by the Seneca Nation or the State. During the fiscal year ended June 30, 2017, the Seneca Nation notified State officials that they would be making their final casino revenue sharing payment as of December 31, 2016 under their interpretation of the Compact. New York State and the City contend that the revenue sharing payments are due from the Seneca Nation and that the compact requires that the Seneca Nation to make future payments.

Landfill Postclosure—As discussed in Note 11, the City is responsible to perform specified operation and maintenance functions at a landfill site for a period of thirty years. At June 30, 2020, the liability is \$560,000. 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 The Board is subject to claims and lawsuits that arise in the ordinary course of business. Claims probable of resulting in an unfavorable outcome to the Board have been reasonably estimated and are included in accrued liabilities in the government-wide and fund financial statements. For claims not accrued, the ultimate outcome of the suits cannot presently be determined and no provisions for loss, if any, has been made in the accompanying financial statements. In the opinion of management, these claims will not have a material adverse effect upon the financial position of the Board.

State Aid—The State periodically reviews its distribution of aid to school boards throughout the State. Thus, revenues recorded as of June 30, 2020 are subject to potential revision.

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

As of June 30, 2020, the Board recorded a \$5,200,000 reserve against State aid receivables outstanding in the special aid fund to recognize the potential withholding of 20% by the State. The State has announced that due to its COVID-19-related fiscal crisis, it may withhold 20% of payments made to localities and school districts, and the withholding could become permanent.

Buffalo Urban Renewal Agency

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

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

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 29, 2020, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Board of Education ("BOE"):							
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
BOE's proportion of the net pension liability (asset)	1.786681%	1.822042%	1.836709%	1.651498%	1.668248%	1.695591%	1.695591%
BOE's proportionate share of the net pension liability (asset)	<u>\$ (46,418,092)</u>	<u>\$ (32,947,326)</u>	<u>\$ (13,960,812)</u>	<u>\$ 17,688,235</u>	<u>\$(173,277,759)</u>	<u>\$(188,878,283)</u>	<u>\$ (10,757,018)</u>
BOE's covered payroll	\$ 298,226,111	\$ 348,080,898	\$ 290,635,034	\$ 254,844,736	\$ 250,595,117	\$ 250,465,212	\$ 258,505,177
BOE's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(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	102.2%	101.5%	100.7%	99.0%	110.5%	111.5%	100.7%

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

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

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Board of Education ("BOE"):							
Contractually required contribution	\$ 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>(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>
BOE's covered payroll	\$ 308,657,799	\$ 298,226,111	\$ 348,080,898	\$ 290,635,034	\$ 254,844,736	\$ 250,595,117	\$ 250,465,212
Contributions as a percentage of covered payroll	8.9%	10.6%	9.8%	11.7%	13.3%	17.5%	16.3%

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

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

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
City of Buffalo ("City"):							
Measurement date	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	3.5540105%	3.3630914%	3.4426958%	3.2577408%	3.1811703%	3.5779889%	3.5779889%
City's proportionate share of the net pension liability	<u>\$ 189,959,633</u>	<u>\$ 56,401,167</u>	<u>\$ 34,797,285</u>	<u>\$ 67,521,629</u>	<u>\$ 94,187,680</u>	<u>\$ 9,848,756</u>	<u>\$ 14,895,509</u>
City's covered payroll	\$ 128,323,193	\$ 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	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	84.9%	95.1%	96.9%	93.5%	90.2%	99.0%	98.5%

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

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

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
City of Buffalo ("City"):							
Contractually required contribution	\$ 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>(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>
City's covered payroll	\$ 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	22.8%	21.9%	23.8%	22.8%	17.7%	32.8%	22.4%

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

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

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Measurement date	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	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	24.0691300%	0.2387384%	0.2590897%	0.2342962%	0.2177420%	0.2151949%	0.2151949%
City's proportionate share of the net pension liability	<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	\$ 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	87.0%	23.1%	11.9%	29.2%	52.8%	12.2%	17.0%
Buffalo Fiscal Stability Authority ("BFSA"):							
BFSA's proportion of the net pension liability	0.0017601%	0.0018207%	0.0018707%	0.0019883%	0.0018893%	0.0018411%	0.0018411%
BFSA's proportionate share of the net pension liability	<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	\$ 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	124.3%	35.2%	16.4%	48.3%	85.5%	18.6%	19.4%
Board of Education ("BOE"):							
BOE's proportion of the net pension liability	0.1447654%	0.139903%	0.136396%	0.132444%	0.141447%	0.142493%	0.142493%
BOE's proportionate share of the net pension liability	<u>\$ 38,334,713</u>	<u>\$ 9,912,527</u>	<u>\$ 4,402,094</u>	<u>\$ 12,444,723</u>	<u>\$ 22,702,665</u>	<u>\$ 4,813,758</u>	<u>\$ 6,439,054</u>
BOE's covered payroll	\$ 44,405,569	\$ 42,572,064	\$ 40,206,979	\$ 41,408,099	\$ 39,110,981	\$ 39,110,981	\$ 39,110,981
BOE's proportionate share of the net pension liability as a percentage of its covered payroll	86.3%	23.3%	10.9%	30.1%	58.0%	12.3%	16.5%
Buffalo Urban Renewal Agency ("BURA"):							
BURA's proportion of the net pension liability	0.0070411%	0.0065749%	0.0075896%	0.0079393%	0.0074517%	0.0080528%	0.0080528%
BURA's proportionate share of the net pension liability	<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	\$ 2,073,426	\$ 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	89.9%	19.8%	11.0%	32.2%	51.6%	12.9%	16.1%

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

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

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
City of Buffalo ("City"):							
Contractually required contributions	\$ 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>(9,934,514)</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>
City's covered payroll	\$ 73,259,166	\$ 73,322,398	\$ 71,435,074	\$ 77,691,737	\$ 63,077,840	\$ 63,457,322	\$ 59,261,548
Contributions as a percentage of covered payroll	13.6%	13.4%	15.5%	12.9%	16.2%	17.9%	19.7%
Buffalo Fiscal Stability Authority ("BFSA"):							
Contractually required contributions	\$ 56,308	\$ 54,897	\$ 55,466	\$ 58,035	\$ 67,365	\$ 62,469	\$ 75,625
Contributions in relation to the contractually required contribution	<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>
BFSA's covered payroll	\$ 375,073	\$ 366,813	\$ 375,724	\$ 386,979	\$ 354,794	\$ 334,762	\$ 348,621
Contributions as a percentage of covered payroll	15.0%	15.0%	14.8%	15.0%	19.0%	18.7%	21.7%
Board of Education ("BOE"):							
Contractually required contributions	\$ 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>(5,998,034)</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>\$ (359,764)</u>	<u>\$ (359,764)</u>	<u>\$ (359,765)</u>	<u>\$ 3,423,927</u>
BOE's covered payroll	\$ 44,405,569	\$ 42,572,064	\$ 40,206,979	\$ 41,408,099	\$ 39,110,981	\$ 39,579,898	\$ 40,651,043
Contributions as a percentage of covered payroll	13.5%	14.0%	15.6%	15.4%	18.6%	19.4%	12.5%
Buffalo Urban Renewal Agency ("BURA"):							
Contractually required contributions	\$ 321,081	\$ 324,724	\$ 333,843	\$ 367,814	\$ 346,327	\$ 393,546	\$ 466,649
Contributions in relation to the contractually required contribution	<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>
BURA's covered payroll	\$ 2,022,097	\$ 2,243,874	\$ 2,309,933	\$ 2,247,303	\$ 2,335,268	\$ 2,097,796	\$ 2,252,172
Contributions as a percentage of covered payroll	15.9%	14.5%	14.5%	16.4%	14.8%	18.8%	20.7%

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

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

	Year Ended June 30,		
	2020	2019	2018
City of Buffalo - Governmental Activities:			
Total OPEB liability			
Service cost	\$ 36,450,969	\$ 50,795,971	\$ 56,825,355
Interest	42,051,935	43,364,955	39,804,589
Changes of assumptions	66,787,588	(157,721,615)	(229,517,536)
Differences between expected and actual experience	-	2,570,396	-
Benefit payments	(49,693,114)	(49,073,048)	(45,691,925)
Net changes in total OPEB liability	95,597,378	(110,063,341)	(178,579,517)
Total OPEB liability—beginning	1,073,580,355	1,183,643,696	1,362,223,213
Total OPEB liability—ending	<u>\$ 1,169,177,733</u>	<u>\$ 1,073,580,355</u>	<u>\$ 1,183,643,696</u>
Plan fiduciary net position			
Contributions—employer	\$ 49,693,114	\$ 49,073,048	\$ 45,691,925
Benefit payments	(49,693,114)	(49,073,048)	(45,691,925)
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position—beginning	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's net OPEB liability—ending	<u>\$ 1,169,177,733</u>	<u>\$ 1,073,580,355</u>	<u>\$ 1,183,643,696</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%
Covered payroll	\$ 215,069,743	\$ 208,805,576	\$ 202,723,860
City's net OPEB liability as a percentage of covered-employee payroll	544%	514%	584%
City of Buffalo - Business-type Activities:			
Total OPEB liability			
Service cost	\$ 1,590,966	\$ 2,465,958	\$ 2,725,605
Interest	2,060,463	2,548,259	2,385,850
Changes of assumptions	2,860,776	(20,239,077)	(13,881,054)
Differences between expected and actual experience	-	831,949	-
Benefit payments	(2,358,395)	(2,978,914)	(2,233,175)
Net changes in total OPEB liability	4,153,810	(17,371,825)	(11,002,774)
Total OPEB liability—beginning, as restated	54,011,676	71,383,501	82,386,275
Total OPEB liability—ending	<u>\$ 58,165,486</u>	<u>\$ 54,011,676</u>	<u>\$ 71,383,501</u>
Plan fiduciary net position			
Contributions—employer	\$ 2,358,395	\$ 2,978,914	\$ 2,233,175
Benefit payments	(2,358,395)	(2,978,914)	(2,233,175)
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position—beginning	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's net OPEB liability—ending	<u>\$ 58,165,486</u>	<u>\$ 54,011,676</u>	<u>\$ 71,383,501</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%
Covered payroll	\$ 16,478,015	\$ 15,998,073	\$ 15,532,110
City's net OPEB liability as a percentage of covered-employee payroll	353%	338%	460%

(continued)

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

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

	Year Ended June 30,		
	2020	2019	2018
Buffalo Fiscal Stability Authority ("BFSA"):			
Total OPEB liability			
Service cost	\$ 112	\$ 118	\$ 163
Interest	57	54	-
Differences between expected and actual experience	(900)	(58)	-
Changes of assumptions	292	115	-
Benefit payments	-	-	-
Net changes in total OPEB liability	<u>(439)</u>	<u>229</u>	<u>163</u>
Total OPEB liability—beginning, as restated	<u>1,513</u>	<u>1,284</u>	<u>1,121</u>
Total OPEB liability—ending	<u>\$ 1,074</u>	<u>\$ 1,513</u>	<u>\$ 1,284</u>
Plan fiduciary net position			
Contributions—employer	\$ -	\$ -	\$ -
Benefit payments	-	-	-
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position—beginning	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BFSA's net OPEB liability—ending	<u>\$ 1,074</u>	<u>\$ 1,513</u>	<u>\$ 1,284</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%
Covered payroll	\$ 413	\$ 384	\$ 376
BFSA's net OPEB liability as a percentage of covered-employee payroll	260.0%	394.0%	341.5%
Buffalo Board of Education ("BBOE"):			
Total OPEB liability			
Service cost	\$ 72,956	\$ 71,543	\$ 82,946
Interest	85,561	90,227	92,126
Differences between expected and actual experience	(229,606)	(166,075)	(234,596)
Changes of assumptions	351,329	170,379	(124,198)
Benefit payments	<u>(61,469)</u>	<u>(61,084)</u>	<u>(61,431)</u>
Net changes in total OPEB liability	<u>218,771</u>	<u>104,990</u>	<u>(245,153)</u>
Total OPEB liability—beginning, as restated	<u>2,395,142</u>	<u>2,290,152</u>	<u>2,535,305</u>
Total OPEB liability—ending	<u>\$ 2,613,913</u>	<u>\$ 2,395,142</u>	<u>\$ 2,290,152</u>
Plan fiduciary net position			
Contributions—employer	\$ 61,469	\$ 61,084	\$ 61,431
Benefit payments	<u>(61,469)</u>	<u>(61,084)</u>	<u>(61,431)</u>
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position—beginning	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BBOE's net OPEB liability—ending	<u>\$ 2,613,913</u>	<u>\$ 2,395,142</u>	<u>\$ 2,290,152</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%
Covered payroll	\$ 373,087	\$ 377,000	\$ 345,602
BBOE's net OPEB liability as a percentage of covered-employee payroll	700.6%	635.3%	662.7%

(continued)

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

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

(concluded)

	<u>Year Ended June 30,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Buffalo Urban Renewal Agency ("BURA"):			
Total OPEB liability			
Service cost	\$ 618	\$ 633	\$ 633
Interest	920	915	886
Effect of economic/demographic gains or losses	(5,404)	(1,008)	(274)
Changes of assumptions	2,438	-	-
Benefit payments	(332)	(450)	(463)
Net changes in total OPEB liability	(1,760)	90	782
Total OPEB liability—beginning, as restated	25,025	24,935	24,153
Total OPEB liability—ending	<u>\$ 23,265</u>	<u>\$ 25,025</u>	<u>\$ 24,935</u>
Plan fiduciary net position			
Contributions—employer	\$ 332	\$ 450	\$ 463
Benefit payments	(332)	(450)	(463)
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position—beginning	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BURA's net OPEB liability—ending	<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%
Covered payroll	\$ 2,022	\$ 2,244	\$ 2,310
BURA's net OPEB liability as a percentage of covered-employee payroll	1150.6%	1115.2%	1079.4%

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

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

CITY OF BUFFALO, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget and Actual (Non-GAAP Budgetary Basis)—General Fund
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Budgetary Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Property taxes, assessments, and other tax items	\$ 150,251,403	\$ 150,251,403	\$ 148,676,847	\$ (1,574,556)
Utility and other nonproperty tax items	11,610,000	11,610,000	12,592,226	982,226
Federal aid	2,881,000	2,881,000	3,052,103	171,103
State aid	183,702,733	183,702,733	151,570,929	(32,131,804)
Local sources and other	90,828,562	90,828,562	88,446,890	(2,381,672)
Investment interest	1,200,000	1,200,000	1,478,126	278,126
Charges for services	20,028,575	20,028,575	14,269,879	(5,758,696)
Licenses and permits	6,173,545	6,173,545	5,192,273	(981,272)
Fines	13,738,200	13,738,200	8,839,492	(4,898,708)
Miscellaneous	15,001,173	15,001,173	14,187,777	(813,396)
Total revenues	<u>495,415,191</u>	<u>495,415,191</u>	<u>448,306,542</u>	<u>(47,108,649)</u>
EXPENDITURES				
Current:				
General government support:				
Legislative	5,431,678	5,882,374	5,720,180	162,194
Executive	2,598,967	2,645,802	2,701,905	(56,103)
Audit and control	3,628,905	3,647,463	2,877,053	770,410
Law	3,263,310	3,276,149	2,713,679	562,470
Assessment	2,719,166	2,741,381	2,344,877	396,504
Public works, parks and streets	9,005,116	9,983,351	9,239,805	743,546
Management information systems	5,617,457	6,074,895	5,159,301	915,594
Administration and finance	10,921,674	11,083,298	9,714,934	1,368,364
Human resources	5,561,043	6,183,314	4,545,275	1,638,039
Other	18,534,300	19,385,384	16,511,924	2,873,460
Public safety:				
Administration and finance	2,314,916	2,605,186	2,068,402	536,784
Police	89,621,930	90,224,182	87,162,174	3,062,008
Fire	58,475,039	59,117,441	64,370,662	(5,253,221)
Public works, parks and streets	2,559,671	2,509,456	2,262,093	247,363
Permit and inspection services	5,798,348	6,315,680	5,868,455	447,225
Streets and sanitation:				
Public works, parks and streets	11,750,208	12,575,108	12,037,229	537,879
Economic assistance and opportunity:				
Executive	2,746,879	3,062,924	3,046,888	16,036
Community services	177,758	178,171	156,877	21,294
Culture and recreation:				
Public works, parks and streets	6,628,954	7,023,372	6,695,866	327,506
Community services	3,319,467	3,354,724	3,149,144	205,580
Other	1,110,000	1,107,000	110,250	996,750
Health and community services:				
Public works, parks and streets	1,224,125	1,232,162	1,209,128	23,034
Community services	1,276,539	1,285,209	1,084,787	200,422
Other	-	103,000	102,870	130
Education	70,822,758	70,822,758	70,822,758	-
Fringe benefits	151,179,418	145,834,419	136,365,356	9,469,063
Other	2,650,000	7,288,052	8,129,724	(841,672)
Debt service	390,000	390,000	91,350	298,650
Total expenditures	<u>479,327,626</u>	<u>485,932,255</u>	<u>466,262,946</u>	<u>19,669,309</u>
Excess (deficiency) of revenues over expenditures	<u>16,087,565</u>	<u>9,482,936</u>	<u>(17,956,404)</u>	<u>(27,439,340)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	13,267,646	13,267,646	10,321,156	(2,946,490)
Transfers out	(29,355,211)	(29,355,211)	(29,355,211)	-
Long-term deficiency notes issued	-	-	25,000,000	25,000,000
Total other financing sources (uses)	<u>(16,087,565)</u>	<u>(16,087,565)</u>	<u>5,965,945</u>	<u>22,053,510</u>
Net change in fund balances *	-	(6,604,629)	(11,990,459)	(5,385,830)
Fund balances—beginning	<u>92,938,435</u>	<u>92,938,435</u>	<u>92,938,435</u>	<u>-</u>
Fund balances—ending	<u>\$ 92,938,435</u>	<u>\$ 86,333,806</u>	<u>\$ 80,947,976</u>	<u>\$ (5,385,830)</u>

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

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CITY OF BUFFALO, NEW YORK
Notes to the Required Supplementary Information
Year Ended June 30, 2020

1. BUDGETARY INFORMATION

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

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

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

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

Excess of expenditures and other financing uses over revenues and other financing sources—GAAP basis	\$ (3,410,861)
Less: encumbrances	<u>(8,579,598)</u>
Excess of revenues and other financing sources over expenditures and other financing uses—non-GAAP budgetary basis	<u>\$ (11,990,459)</u>

Excess of Expenditures Over Appropriations—For the year ended June 30, 2020, the City had budgetary expenditures in excess of the final budget amount within public safety of \$5,253,221 pertaining to fire, which were caused by the effects of regular and overtime wages in addition to duty disability costs within the fire department which were not included in the adopted budget and \$841,672 within other expenditures for additional write-offs of accounts receivable.

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 3.50% as of June 30, 2020, as compared to 3.87% as of June 30, 2019. Mortality rates are based on the Sex-distinct Pub-2010 Tables with full generational projection using Scale MP-2018. The 2015 New York State Employees Retirement System rates were used for turnover and retirement rates. In order to estimate the change in the cost of healthcare, the actuaries determined the initial healthcare cost trend rate used is 5.4%, while the ultimate healthcare cost trend rate is 4.00%.

Buffalo Fiscal Stability Authority

Changes of Assumptions—The discount rate was 2.21% as of June 30, 2020, as compared to 3.5% as of June 30, 2019 based on the 20-Year tax-exempt municipal bond yield for bonds with an average rating of AA or higher as of the measurement date. Mortality rates are based on the RP2000, mortality table for males and females projected 18 years. Salary increases were based on a 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 4.6%, while the ultimate healthcare cost trend rate is 4.7%.

Buffalo Board of Education

Changes of Assumptions—Changes of assumptions and other inputs reflect a change in the discount rate from 3.51% in 2019 to 2.66% in 2020, while the inflation rate remained unchanged at 1.30%.

Buffalo Urban Renewal Agency

Changes of Assumptions—In the June 30, 2020 actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a valuation date of June 30, 2020. The discount rate was 2.66%, compared to 3.61% in the prior year. Mortality rates are based on the RP2000 Mortality Table. The 2015 New York State Employees Retirement System rates were used for turnover and retirement rates. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 4.6%, while the ultimate healthcare cost trend rate is 4.7%.

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, 2020

	<u>Budgeted Amounts</u>		<u>Budgetary</u>	<u>Variance with</u>
	<u>Adopted</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Final Budget</u>
REVENUES				
Intergovernmental charges	\$ 9,756,733	\$ 9,756,733	\$ 11,675,122	\$ 1,918,389
Investment interest	169,142	169,142	394,136	224,994
License, permit, rentals, fines, and other service charges	141,176	141,176	216,091	74,915
Miscellaneous	-	-	763,416	763,416
Total revenues	<u>10,067,051</u>	<u>10,067,051</u>	<u>13,048,765</u>	<u>2,981,714</u>
EXPENDITURES				
Debt service:				
Principal	32,032,488	32,032,488	37,977,386	(5,944,898)
Interest and fiscal charges	<u>8,306,446</u>	<u>8,306,446</u>	<u>7,712,000</u>	<u>594,446</u>
Total expenditures	<u>40,338,934</u>	<u>40,338,934</u>	<u>45,689,386</u>	<u>(5,350,452)</u>
Excess (deficiency) of revenues over expenditures	<u>(30,271,883)</u>	<u>(30,271,883)</u>	<u>(32,640,621)</u>	<u>(2,368,738)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	28,955,211	28,955,211	28,955,211	-
Transfers out	(1,551,053)	(1,551,053)	(6,980,814)	(5,429,761)
Issuance of refunding bonds	-	-	7,530,000	7,530,000
Premium on bonds	<u>1,303,440</u>	<u>1,303,440</u>	<u>972,917</u>	<u>(330,523)</u>
Total other financing sources (uses)	<u>28,707,598</u>	<u>28,707,598</u>	<u>30,477,314</u>	<u>1,769,716</u>
Net change in fund balances *	(1,564,285)	(1,564,285)	(2,163,307)	(599,022)
Fund balances—beginning	<u>6,912,916</u>	<u>6,912,916</u>	<u>6,912,916</u>	<u>-</u>
Fund balances—ending	<u>\$ 5,348,631</u>	<u>\$ 5,348,631</u>	<u>\$ 4,749,609</u>	<u>\$ (599,022)</u>

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

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

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

Special Revenue Fund — This fund is used to account for all of the special federal and state grants that are restricted for noncapital purposes by the grant award.

BFSA DEBT SERVICE FUND

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Buffalo Fiscal Stability Authority Debt Service Fund — This fund is used to account for debt issued by the BFSA.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Permanent Fund — This fund is used to purchase objects to enhance the beauty of the Park System in the City of Buffalo.

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CITY OF BUFFALO, NEW YORK
Combining Balance Sheet—
Nonmajor Governmental Funds
June 30, 2020

	<u>Special Revenue</u>	<u>BFSA Debt Service</u>	<u>Permanent</u>	<u>Total Nonmajor Funds</u>
ASSETS				
Restricted cash and cash equivalents	\$ 4,753,152	\$ 48,508	\$ 75,252	\$ 4,876,912
Restricted investments	-	5,157,741	61,472	5,219,213
Receivables:				
Other receivables	31	-	4,350	4,381
Intergovernmental receivables	869,293	-	-	869,293
Due from other funds	1,913,131	-	-	1,913,131
Total assets	<u>\$ 7,535,607</u>	<u>\$ 5,206,249</u>	<u>\$ 141,074</u>	<u>\$ 12,882,930</u>
LIABILITIES				
Accounts payable	\$ 274,097	\$ -	\$ -	\$ 274,097
Accrued liabilities	-	151,102	-	151,102
Due to other governments	129,574	-	-	129,574
Due to other funds	146,483	-	-	146,483
Due to component units	106,266	-	-	106,266
Total liabilities	<u>656,420</u>	<u>151,102</u>	<u>-</u>	<u>807,522</u>
FUND BALANCES				
Nonspendable	-	-	30,000	30,000
Restricted	6,879,187	5,055,147	111,074	12,045,408
Total fund balances	<u>6,879,187</u>	<u>5,055,147</u>	<u>141,074</u>	<u>12,075,408</u>
Total liabilities and fund balances	<u>\$ 7,535,607</u>	<u>\$ 5,206,249</u>	<u>\$ 141,074</u>	<u>\$ 12,882,930</u>

CITY OF BUFFALO, NEW YORK
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended June 30, 2020

	<u>Special Revenue</u>	<u>BFSA Debt Service</u>	<u>Permanent</u>	<u>Total Nonmajor Funds</u>
REVENUES				
Intergovernmental	\$ 23,110,345	\$ -	\$ -	\$ 23,110,345
Investment interest	580	10,251	14	10,845
Miscellaneous	61,665	-	-	61,665
Total revenues	<u>23,172,590</u>	<u>10,251</u>	<u>14</u>	<u>23,182,855</u>
EXPENDITURES				
Current:				
General government support	246,051	-	-	246,051
Public safety	1,143,067	-	-	1,143,067
Streets and sanitation	66,395	-	-	66,395
Economic assistance and opportunity	19,496,885	-	-	19,496,885
Culture and recreation	10,284	-	-	10,284
Health and community services	8,550	-	-	8,550
Debt service:				
Principal	-	5,440,000	-	5,440,000
Interest and fiscal charges	-	525,455	-	525,455
Total expenditures	<u>20,971,232</u>	<u>5,965,455</u>	<u>-</u>	<u>26,936,687</u>
Excess (deficiency) of revenues over expenditures	<u>2,201,358</u>	<u>(5,955,204)</u>	<u>14</u>	<u>(3,753,832)</u>
OTHER FINANCING SOURCES				
Transfers in	-	5,172,050	-	5,172,050
Total other financing sources	<u>-</u>	<u>5,172,050</u>	<u>-</u>	<u>5,172,050</u>
Net change in fund balances	2,201,358	(783,154)	14	1,418,218
Fund balances—beginning	<u>4,677,829</u>	<u>5,838,301</u>	<u>141,060</u>	<u>10,657,190</u>
Fund balances—ending	<u>\$ 6,879,187</u>	<u>\$ 5,055,147</u>	<u>\$ 141,074</u>	<u>\$ 12,075,408</u>

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WATER SYSTEM

The Water System is used to account for the City's water treatment and distribution system and is responsible for water delivery to the residents of the City. The Water System is comprised of the Water Board, Water Authority and Water Enterprise.

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CITY OF BUFFALO, NEW YORK
Combining Schedule of Net Position—Water System
June 30, 2020

	<u>Water Board</u>	<u>Water Authority</u>	<u>Water Enterprise</u>	<u>Eliminations</u>	<u>Total Water System</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 14,159,336	\$ 416,833	\$ 271,419	\$ -	\$ 14,847,588
Restricted cash and cash equivalents	-	40,821,758	-	-	40,821,758
Investments	5,263,404	-	-	-	5,263,404
Receivables:					
Accounts receivable	23,522,975	-	-	-	23,522,975
Other receivables	1,663,066	-	-	-	1,663,066
Due from other agencies	128,163	-	-	-	128,163
Due from other funds	2,106,614	89,485,500	33,690,543	(125,034,948)	247,709
Allowances	(18,439,923)	-	-	-	(18,439,923)
Net receivables	<u>8,980,895</u>	<u>89,485,500</u>	<u>33,690,543</u>	<u>(125,034,948)</u>	<u>7,121,990</u>
Total current assets	<u>28,403,635</u>	<u>130,724,091</u>	<u>33,961,962</u>	<u>(125,034,948)</u>	<u>68,054,740</u>
Noncurrent assets:					
Capital assets not being depreciated:					
Land	145,116	-	-	-	145,116
Construction in progress	2,400,857	-	-	-	2,400,857
Total capital assets not being depreciated	<u>2,545,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,545,973</u>
Capital assets being depreciated:					
Buildings and infrastructure	249,419,496	-	-	-	249,419,496
Improvements other than buildings	252,393	-	-	-	252,393
Machinery and equipment	1,873,246	-	-	-	1,873,246
Accumulated depreciation	(104,047,012)	-	-	-	(104,047,012)
Total capital assets being depreciated	<u>147,498,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,498,123</u>
Total noncurrent assets	<u>150,044,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,044,096</u>
Total assets	<u>178,447,731</u>	<u>130,724,091</u>	<u>33,961,962</u>	<u>(125,034,948)</u>	<u>218,098,836</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	2,457,796	-	-	2,457,796
Deferred outflows—relating to pensions	3,874,545	-	3,874,545	(3,874,545)	3,874,545
Deferred outflows—relating to OPEB	-	-	1,306,349	-	1,306,349
Total deferred outflows of resources	<u>3,874,545</u>	<u>2,457,796</u>	<u>5,180,894</u>	<u>(3,874,545)</u>	<u>7,638,690</u>
LIABILITIES					
Current liabilities:					
Accounts payable	2,270,847	14,325	64,387	-	2,349,559
Other accrued liabilities	-	2,850,952	409,622	-	3,260,574
Due to other funds	128,747,528	-	-	(128,747,528)	-
Due to retirement systems	-	-	244,684	-	244,684
Accrued compensated absences	-	-	59,688	-	59,688
Accrued workers' compensation	-	-	215,690	-	215,690
General obligation and revenue bonds payable within one year	-	6,702,943	-	-	6,702,943
Total current liabilities	<u>131,018,375</u>	<u>9,568,220</u>	<u>994,071</u>	<u>(128,747,528)</u>	<u>12,833,138</u>

(continued)

CITY OF BUFFALO, NEW YORK
Combining Schedule of Net Position—Water System
June 30, 2020

(concluded)

	<u>Water Board</u>	<u>Water Authority</u>	<u>Water Enterprise</u>	<u>Eliminations</u>	<u>Total Water System</u>
Noncurrent liabilities:					
Accrued compensated absences	-	-	714,255	-	714,255
Accrued workers' compensation	-	-	875,222	-	875,222
Accrued OPEB	-	-	22,503,741	-	22,503,741
General obligation and revenue bonds payable	-	123,613,667	-	-	123,613,667
Net pension liability	-	-	5,819,196	-	5,819,196
Total noncurrent liabilities	<u>-</u>	<u>123,613,667</u>	<u>29,912,414</u>	<u>-</u>	<u>153,526,081</u>
Total liabilities	<u>131,018,375</u>	<u>133,181,887</u>	<u>30,906,485</u>	<u>(128,747,528)</u>	<u>166,359,219</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	161,965	-	161,965	(161,965)	161,965
Deferred inflows—relating to OPEB	-	-	8,074,406	-	8,074,406
Total deferred inflows of resources	<u>161,965</u>	<u>-</u>	<u>8,236,371</u>	<u>(161,965)</u>	<u>8,236,371</u>
NET POSITION					
Net investment in capital assets	22,185,282	-	-	40,821,758	63,007,040
Unrestricted	28,956,654	-	-	(40,821,758)	(11,865,104)
Total net position	<u>\$ 51,141,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,141,936</u>

CITY OF BUFFALO, NEW YORK
Combining Schedule of Revenues, Expenses, and Changes in Net Position—
Water System
Year Ended June 30, 2020

	Water Board	Water Authority	Water Enterprise	Eliminations	Total Water System
Operating revenues:					
Charges for services	\$ 48,668,413	\$ -	\$ -	\$ -	\$ 48,668,413
Other	1,648,148	-	-	-	1,648,148
Total operating revenues	<u>50,316,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,316,561</u>
Operating expenses:					
Services and supplies	11,097,798	82,958	7,132,959	-	18,313,715
Fringe benefits	-	-	3,016,455	-	3,016,455
Depreciation	6,674,829	-	-	-	6,674,829
Other	4,628,964	-	-	(2,106,616)	2,522,348
Total operating expenses	<u>22,401,591</u>	<u>82,958</u>	<u>10,149,414</u>	<u>(2,106,616)</u>	<u>30,527,347</u>
Operating income (loss)	<u>27,914,970</u>	<u>(82,958)</u>	<u>(10,149,414)</u>	<u>2,106,616</u>	<u>19,789,214</u>
Nonoperating revenues (expenses):					
Interest earnings	238,633	-	-	-	238,633
Interest expense	(5,456,934)	-	-	-	(5,456,934)
Loss on disposal of capital assets	(7,375)	-	-	-	(7,375)
Other	426,562	-	-	-	426,562
Total nonoperating revenues (expenses)	<u>(4,799,114)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,799,114)</u>
Income (loss) before transfers	23,115,856	(82,958)	(10,149,414)	2,106,616	14,990,100
Transfers in	-	82,958	10,149,414	(10,232,372)	-
Transfers out	(15,373,834)	-	-	8,125,756	(7,248,078)
Change in net position	7,742,022	-	-	-	7,742,022
Total net position—beginning	43,399,914	-	-	-	43,399,914
Total net position—ending	<u>\$ 51,141,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,141,936</u>

CITY OF BUFFALO, NEW YORK
Combining Schedule of Cash Flows—
Water System
Year Ended June 30, 2020

	Water Board	Water Authority	Water Enterprise	Eliminations	Total Water System
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 49,635,011	\$ -	\$ -	\$ -	\$ 49,635,011
Payments to suppliers for goods and services	(14,895,032)	462,093	(7,122,049)	-	(21,554,988)
Payments to employees for services	(3,111,304)	-	(3,687,039)	-	(6,798,343)
Net cash provided by (used for) operating activities	<u>31,628,675</u>	<u>462,093</u>	<u>(10,809,088)</u>	<u>-</u>	<u>21,281,680</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	82,958	10,149,414	-	10,232,372
Transfers to other funds	(15,373,834)	-	-	-	(15,373,834)
Advances from other funds	-	2,179,433	707,310	-	2,886,743
Advances to other funds	(983,504)	-	-	-	(983,504)
Net cash provided by (used for) noncapital financing activities	<u>(16,357,338)</u>	<u>2,262,391</u>	<u>10,856,724</u>	<u>-</u>	<u>(3,238,223)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition/construction of capital assets	(10,620,052)	-	-	-	(10,620,052)
Principal payments on bonds	-	(4,210,000)	-	-	(4,210,000)
Interest payments	(5,030,372)	(249,435)	-	-	(5,279,807)
Net cash (used for) capital and related financing activities	<u>(15,650,424)</u>	<u>(4,459,435)</u>	<u>-</u>	<u>-</u>	<u>(20,109,859)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in fair value of investments	77,102	-	-	-	77,102
Interest received on short-term investments	161,531	-	-	-	161,531
Net cash provided by investing activities	<u>238,633</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>238,633</u>
Net increase (decrease) in cash and cash equivalents	(140,454)	(1,734,951)	47,636	-	(1,827,769)
Cash, cash equivalents and investments—beginning	19,563,194	42,973,542	223,783	-	62,760,519
Cash, cash equivalents and investments—ending	<u>\$ 19,422,740</u>	<u>\$ 41,238,591</u>	<u>\$ 271,419</u>	<u>\$ -</u>	<u>\$ 60,932,750</u>

(continued)

CITY OF BUFFALO, NEW YORK
Combining Schedule of Cash Flows—
Water System
Year Ended June 30, 2020

(concluded)

	<u>Water Board</u>	<u>Water Authority</u>	<u>Water Enterprise</u>	<u>Eliminations</u>	<u>Total Water System</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 27,914,970	\$ (82,958)	\$ (10,149,414)	\$ 2,106,616	\$ 19,789,214
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	6,674,829	-	-	-	6,674,829
Change in pension	-	-	-	(969,815)	(969,815)
(Increase) in receivables	(681,550)	-	-	-	(681,550)
(Increase) decrease in deferred outflows—relating to pensions	(2,682,122)	-	(2,682,122)	2,682,122	(2,682,122)
(Increase) in deferred outflows—relating to OPEB	-	-	(626,140)	-	(626,140)
Increase in payables	831,730	14,325	10,910	-	856,965
Increase in accrued liabilities	-	530,726	106,054	-	636,780
(Decrease) in retirement systems	-	-	(9,331)	-	(9,331)
(Decrease) in compensated absences	-	-	(120,592)	-	(120,592)
(Decrease) in workers' compensation	-	-	(127,882)	-	(127,882)
Increase in accrued other postemployment benefits obligation	-	-	1,834,011	-	1,834,011
Increase (decrease) in net pension liability	-	-	4,248,105	(4,248,105)	-
Increase (decrease) in deferred inflows—relating to pensions	(429,182)	-	(429,182)	429,182	(429,182)
(Decrease) in deferred inflows—relating to OPEB	-	-	(2,863,505)	-	(2,863,505)
Total adjustments	<u>3,713,705</u>	<u>545,051</u>	<u>(659,674)</u>	<u>(2,106,616)</u>	<u>1,492,466</u>
Net cash provided by (used for) operating activities	<u>\$ 31,628,675</u>	<u>\$ 462,093</u>	<u>\$ (10,809,088)</u>	<u>\$ -</u>	<u>\$ 21,281,680</u>

AGENCY FUND

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

CITY OF BUFFALO, NEW YORK
Statement of Changes in Assets and Liabilities—
Agency Fund
Year Ended June 30, 2020

	Balance			Balance
	July 1, 2019	Increases	Decreases	June 30, 2020
ASSETS				
Restricted cash and cash equivalents	\$ 1,870,952	\$ 11,975,715	\$ 12,145,422	\$ 1,701,245
Due from other funds	-	12,336,465	12,336,465	-
Total assets	<u>\$ 1,870,952</u>	<u>\$ 24,312,180</u>	<u>\$ 24,481,887</u>	<u>\$ 1,701,245</u>
LIABILITIES				
Accounts payable	\$ -	\$ 24,322,653	\$ 24,322,653	\$ -
Intergovernmental payables	25,716	-	-	25,716
Amounts held in custody for others:				
Prisoner property	1,435,663	170,609	215,083	1,391,189
Fire insurance proceeds	168,369	-	10,000	158,369
Medical reimbursements	183,064	110,743	229,908	63,899
Miscellaneous - other	58,140	14,642,015	14,638,083	62,072
Total amounts held in custody for others	<u>1,845,236</u>	<u>14,923,367</u>	<u>15,093,074</u>	<u>1,675,529</u>
Total liabilities	<u>\$ 1,870,952</u>	<u>\$ 39,246,020</u>	<u>\$ 39,415,727</u>	<u>\$ 1,701,245</u>

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STATISTICAL SECTION

This part of the City of Buffalo’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Contents:	Page
Financial Trends	111
<i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	
Revenue Capacity.....	120
<i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	
Debt Capacity.....	124
<i>These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information	130
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.</i>	
Operating Information.....	132
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

CITY OF BUFFALO, NEW YORK
Table I—Net Position by Component
Last Ten Years
(Unaudited, amounts expressed in thousands)

	June 30,									
	2011	2012	2013	2014 (1)	2015	2016	2017	2018 (2)	2019	2020
GOVERNMENTAL ACTIVITIES:										
Net investment in capital assets	\$ 249,347	\$ 268,899	\$ 269,691	\$ 277,507	\$ 322,566	\$ 346,504	\$ 354,182	\$ 356,804	\$ 361,486	\$ 346,607
Restricted	59,739	51,799	50,102	49,832	50,545	40,497	34,124	35,126	36,561	39,147
Unrestricted	<u>(196,528)</u>	<u>(251,118)</u>	<u>(258,859)</u>	<u>(336,171)</u>	<u>(372,634)</u>	<u>(434,459)</u>	<u>(529,408)</u>	<u>(1,353,289)</u>	<u>(1,267,578)</u>	<u>(1,286,162)</u>
Total governmental activities net position	<u>\$ 112,558</u>	<u>\$ 69,580</u>	<u>\$ 60,934</u>	<u>\$ (8,832)</u>	<u>\$ 477</u>	<u>\$ (47,458)</u>	<u>\$ (141,102)</u>	<u>\$ (961,359)</u>	<u>\$ (869,531)</u>	<u>\$ (900,408)</u>
BUSINESS-TYPE ACTIVITIES:										
Net investment in capital assets	\$ 49,432	\$ 52,409	\$ 51,827	\$ 54,167	\$ 57,182	\$ 64,202	\$ 71,822	\$ 83,933	\$ 93,475	\$ 96,674
Unrestricted	<u>3,067</u>	<u>6,065</u>	<u>8,002</u>	<u>2,492</u>	<u>(531)</u>	<u>(1,578)</u>	<u>(4,008)</u>	<u>(73,244)</u>	<u>(72,091)</u>	<u>(68,635)</u>
Total business-type activities net position	<u>\$ 52,499</u>	<u>\$ 58,474</u>	<u>\$ 59,829</u>	<u>\$ 56,659</u>	<u>\$ 56,651</u>	<u>\$ 62,624</u>	<u>\$ 67,814</u>	<u>\$ 10,689</u>	<u>\$ 21,384</u>	<u>\$ 28,039</u>
PRIMARY GOVERNMENT:										
Net investment in capital assets	\$ 298,779	\$ 321,308	\$ 321,518	\$ 331,674	\$ 379,748	\$ 410,706	\$ 426,004	\$ 440,737	\$ 454,962	\$ 443,281
Restricted	59,739	51,799	50,102	49,832	50,545	40,497	34,124	35,126	36,561	39,147
Unrestricted	<u>(193,461)</u>	<u>(245,053)</u>	<u>(250,857)</u>	<u>(333,679)</u>	<u>(373,165)</u>	<u>(436,037)</u>	<u>(533,416)</u>	<u>(1,426,533)</u>	<u>(1,339,669)</u>	<u>(1,354,797)</u>
TOTAL PRIMARY GOVERNMENT NET POSITION	<u>\$ 165,057</u>	<u>\$ 128,054</u>	<u>\$ 120,763</u>	<u>\$ 47,827</u>	<u>\$ 57,128</u>	<u>\$ 15,166</u>	<u>\$ (73,288)</u>	<u>\$ (950,670)</u>	<u>\$ (848,146)</u>	<u>\$ (872,368)</u>

(1) The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transactions for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result, net position at June 30, 2014 has been restated.

(2) The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions—an amendment of GASB Statement No. 45*. As a result, net position at June 30, 2017 has been restated.

CITY OF BUFFALO, NEW YORK
Table II—Changes in Net Position
Last Ten Years
(Unaudited, amounts expressed in thousands)

	Year ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
EXPENSES:										
Governmental activities:										
General government support (1)	\$ 112,279	\$ 69,127	\$ 96,480	\$ 103,880	\$ 87,297	\$ 110,385	\$ 116,246	\$ 99,579	\$ 80,519	\$ 85,385
Public safety (1)	298,733	310,287	309,014	327,213	302,214	274,293	289,679	250,593	211,347	289,382
Streets and sanitation (1)	33,951	30,717	34,240	26,763	39,220	35,729	48,233	48,621	28,010	41,633
Economic assistance and opportunity (1)	8,505	9,265	12,086	9,368	21,132	41,623	49,591	44,718	22,845	25,661
Culture and recreation (1)	14,511	15,428	16,906	13,310	10,925	15,977	24,154	17,865	15,270	13,735
Health and community services (1)	5,685	2,997	6,563	17,094	5,222	6,941	4,884	3,995	3,066	3,901
Education	70,323	70,323	70,323	70,323	70,323	70,323	70,323	70,823	70,823	70,823
Interest and fiscal charges	16,458	14,337	16,615	11,385	9,551	10,166	8,504	7,808	6,779	5,342
Total governmental activities expenses	<u>560,445</u>	<u>522,481</u>	<u>562,227</u>	<u>579,336</u>	<u>545,884</u>	<u>565,437</u>	<u>611,614</u>	<u>544,002</u>	<u>438,659</u>	<u>535,862</u>
Business-type activities:										
Solid Waste and Recycling	23,759	24,890	24,723	27,073	25,234	23,548	22,094	22,385	19,331	22,005
Parking	2,656	2,111	2,196	2,096	1,986	2,594	2,159	2,323	2,387	2,090
Water System	32,514	31,896	32,945	32,934	34,633	32,249	35,099	33,868	34,628	35,992
Total business-type activities expenses	<u>58,929</u>	<u>58,897</u>	<u>59,864</u>	<u>62,103</u>	<u>61,853</u>	<u>58,391</u>	<u>59,352</u>	<u>58,576</u>	<u>56,346</u>	<u>60,087</u>
Total primary government expenses	<u>619,374</u>	<u>581,378</u>	<u>622,091</u>	<u>641,439</u>	<u>607,737</u>	<u>623,828</u>	<u>670,966</u>	<u>602,578</u>	<u>495,005</u>	<u>595,949</u>
PROGRAM REVENUES:										
Governmental activities:										
Charges for services:										
General government support	8,426	10,352	9,844	9,174	9,059	8,995	8,340	8,146	10,954	13,873
Public safety	9,702	10,339	13,308	11,723	11,828	12,427	12,598	14,107	14,474	12,587
Streets and sanitation	1,058	954	1,012	1,863	2,117	1,924	1,753	1,480	2,046	1,571
Economic assistance and opportunity	4,437	3,876	3,853	3,353	4,522	4,649	5,241	5,389	6,370	6,738
Culture and recreation	112	135	126	13	229	203	247	265	235	148
Health and community services	434	157	175	212	172	142	134	147	148	149
Operating grants and contributions	12,910	10,608	23,053	38,272	40,789	32,188	32,256	33,737	23,474	27,973
Capital grants and contributions	17,753	19,077	16,633	18,582	32,998	23,821	26,085	22,270	18,107	20,283
Total governmental activities program revenues	<u>54,832</u>	<u>55,498</u>	<u>68,004</u>	<u>83,192</u>	<u>101,714</u>	<u>84,349</u>	<u>86,654</u>	<u>85,541</u>	<u>75,808</u>	<u>83,322</u>

(continued)

CITY OF BUFFALO, NEW YORK
Table II—Changes in Net Position
Last Ten Years
(Unaudited, amounts expressed in thousands)

	Year ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Business-type activities:										
Charges for services:										
Solid Waste and Recycling	18,119	19,681	18,479	19,290	19,667	19,135	18,944	18,940	25,298	25,280
Parking	7,612	7,639	7,721	7,165	7,720	8,063	11,381	7,090	8,364	591
Water System	36,943	40,324	44,135	44,414	43,104	43,078	43,004	41,810	46,594	50,317
Total business-type activities program revenues	62,674	67,644	70,335	70,869	70,491	70,276	73,329	67,840	80,256	76,188
Total primary government program revenues	117,506	123,142	138,339	154,061	172,205	154,625	159,983	153,381	156,064	159,510
NET (EXPENSE) REVENUE:										
Governmental activities	(505,613)	(466,983)	(494,223)	(496,144)	(444,170)	(481,088)	(524,960)	(458,461)	(362,851)	(452,540)
Business-type activities	3,745	8,747	10,471	8,766	8,638	11,885	13,977	9,264	23,910	16,101
Total primary government net (expense) revenue	(501,868)	(458,236)	(483,752)	(487,378)	(435,532)	(469,203)	(510,983)	(449,197)	(338,941)	(436,439)
GENERAL REVENUES AND TRANSFERS:										
Governmental activities:										
Taxes:										
Property taxes	127,779	127,638	123,612	123,989	124,101	124,896	127,541	129,632	136,701	139,185
Other tax items	13,962	10,442	11,061	10,397	11,424	14,087	11,203	10,417	9,736	9,507
Gross utility tax	11,350	12,951	12,253	11,351	13,013	10,565	11,041	10,676	12,532	11,673
Intergovernmental	95,344	93,982	93,004	95,447	98,149	97,471	95,998	106,609	108,175	107,867
Unrestricted grants and contributions	243	290	197	252	283	344	285	-	-	-
Investment earnings	3,671	3,325	2,454	2,099	1,610	3,262	1,279	1,253	2,268	1,883
State aid	164,788	164,596	198,322	179,423	167,725	168,311	164,724	161,528	168,785	132,613
Miscellaneous	4,350	3,178	37,275	3,210	27,928	7,971	9,586	1,675	2,594	8,614
Transfers	6,179	7,603	7,399	11,901	9,246	6,246	9,659	14,293	13,888	10,321
Total governmental activities general revenues and transfers	427,666	424,005	485,577	438,069	453,479	433,153	431,316	436,083	454,679	421,663

(continued)

CITY OF BUFFALO, NEW YORK
Table II—Changes in Net Position
Last Ten Years
(Unaudited, amounts expressed in thousands)

	(concluded)									
	Year ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Business-type activities:										
Intergovernmental	241	478	695	955	443	223	667	548	324	630
Investment earnings	1,302	456	292	213	157	111	205	291	349	245
Transfers	<u>(6,179)</u>	<u>(7,603)</u>	<u>(7,399)</u>	<u>(11,901)</u>	<u>(9,246)</u>	<u>(6,246)</u>	<u>(9,659)</u>	<u>(14,293)</u>	<u>(13,888)</u>	<u>(10,321)</u>
Total business-type activities general revenues and transfers	<u>(4,636)</u>	<u>(6,669)</u>	<u>(6,412)</u>	<u>(10,733)</u>	<u>(8,646)</u>	<u>(5,912)</u>	<u>(8,787)</u>	<u>(13,454)</u>	<u>(13,215)</u>	<u>(9,446)</u>
Total primary government general revenues and transfers	<u>423,030</u>	<u>417,336</u>	<u>479,165</u>	<u>427,336</u>	<u>444,833</u>	<u>427,241</u>	<u>422,529</u>	<u>422,629</u>	<u>441,464</u>	<u>412,217</u>
CHANGE IN NET POSITION:										
Governmental activities	(77,946)	(42,978)	(8,646)	(58,075)	9,309	(47,935)	(93,644)	(22,378)	91,828	(30,877)
Business-type activities	<u>(891)</u>	<u>2,078</u>	<u>4,059</u>	<u>(1,967)</u>	<u>(8)</u>	<u>5,973</u>	<u>5,190</u>	<u>(4,190)</u>	<u>10,695</u>	<u>6,655</u>
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	<u>\$ (78,837)</u>	<u>\$ (40,900)</u>	<u>\$ (4,587)</u>	<u>\$ (60,042)</u>	<u>\$ 9,301</u>	<u>\$ (41,962)</u>	<u>\$ (88,454)</u>	<u>\$ (26,568)</u>	<u>\$ 102,523</u>	<u>\$ (24,222)</u>

CITY OF BUFFALO, NEW YORK
Table III—Governmental Activities Tax Revenues by Source
Last Ten Years
(Unaudited, amounts expressed in thousands)

	Year ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
PROPERTY TAX (1)	\$ 127,779	\$ 127,863	\$ 124,178	\$ 123,422	\$ 124,242	\$ 124,956	\$ 126,886	\$ 130,539	\$ 136,701	\$ 139,185
GROSS UTILITY TAX	11,586	10,098	9,408	8,579	10,253	7,598	8,299	7,748	9,579	8,759
CITY OF BUFFALO FRANCHISE TAX	2,879	2,852	2,845	2,772	2,761	2,967	2,742	2,927	2,953	2,914
MORTGAGE TAX	1,603	1,601	1,986	2,076	2,226	3,247	3,893	3,472	3,890	4,195
FOREIGN FIRE INSURANCE TAX	-	-	-	4,191	762	604	650	729	731	919
OCCUPANCY TAX	<u>10</u>	<u>10</u>	<u>4</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>2</u>
Total	<u>\$ 143,857</u>	<u>\$ 142,424</u>	<u>\$ 138,421</u>	<u>\$ 141,043</u>	<u>\$ 140,248</u>	<u>\$ 139,376</u>	<u>\$ 142,473</u>	<u>\$ 145,418</u>	<u>\$ 153,857</u>	<u>\$ 155,974</u>

(1) Does not include property tax levy paid by New York State as STAR Aid.

CITY OF BUFFALO, NEW YORK
Table IV—Fund Balances of Governmental Funds
Last Ten Years
(Unaudited, amounts expressed in thousands)

	June 30,									
	2011 (1)	2012	2013	2014	2015	2016	2017	2018	2019	2020
GENERAL FUND:										
Reserved	n/a	n/a	n/a	n/a						
Unreserved:	n/a	n/a	n/a	n/a						
Total General Fund	n/a	n/a	n/a	n/a						
ALL OTHER GOVERNMENTAL FUNDS:										
Reserved	n/a	n/a	n/a	n/a						
Unreserved — reported in:										
Capital projects funds	n/a	n/a	n/a	n/a						
Special revenue funds	n/a	n/a	n/a	n/a						
Total all other governmental funds	n/a	n/a	n/a	n/a						
GENERAL FUND:										
Nonspendable	\$ 22,311	\$ 22,881	\$ 24,635	\$ 26,693	\$ 27,749	\$ 27,700	\$ 28,299	\$ 31,020	\$ 29,606	\$ 24,430
Restricted	14,933	13,036	11,113	8,834	7,850	8,201	6,126	8,820	11,788	14,242
Committed	35,497	35,740	35,655	37,667	37,215	36,317	38,754	38,741	38,529	38,140
Assigned	51,557	29,787	30,452	42,478	34,970	35,371	35,248	13,409	13,015	12,716
Unassigned	5,653	12,187	63,943	30,701	43,441	41,889	6,503	-	-	-
Total General Fund	<u>\$ 129,951</u>	<u>\$ 113,631</u>	<u>\$ 165,798</u>	<u>\$ 146,373</u>	<u>\$ 151,225</u>	<u>\$ 149,478</u>	<u>\$ 114,930</u>	<u>\$ 91,990</u>	<u>\$ 92,938</u>	<u>\$ 89,528</u>
ALL OTHER GOVERNMENTAL FUNDS:										
Nonspendable	\$ 60	\$ 47	\$ 49	\$ 164	\$ 128	\$ 117	\$ 118	\$ 95	\$ 107	\$ 46
Restricted	96,570	112,134	75,005	72,263	77,808	66,568	59,538	57,397	36,754	22,290
Assigned	1,726	1,463	1,458	938	759	657	1,568	517	888	588
Total all other governmental funds	<u>\$ 98,356</u>	<u>\$ 113,644</u>	<u>\$ 76,512</u>	<u>\$ 73,365</u>	<u>\$ 78,695</u>	<u>\$ 67,342</u>	<u>\$ 61,224</u>	<u>\$ 58,009</u>	<u>\$ 37,749</u>	<u>\$ 22,924</u>

(1) During the fiscal year ended June 30, 2011, the City implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

CITY OF BUFFALO, NEW YORK
Table V—Changes in Fund Balances of Governmental Funds
Last Ten Years
(Unaudited, amounts expressed in thousands)

	Year ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
REVENUES:										
Property taxes, assessments, and other tax items	\$ 138,369	\$ 138,305	\$ 135,239	\$ 133,819	\$ 135,666	\$ 139,042	\$ 138,089	\$ 140,956	\$ 147,255	\$ 148,677
Utility and other nonproperty tax items	14,465	12,951	12,253	15,542	13,775	11,169	11,691	11,405	13,263	12,592
Intergovernmental	301,174	299,039	344,947	341,779	350,476	334,565	331,051	324,154	318,200	298,131
Investment interest	3,198	2,612	1,740	1,386	1,103	1,278	800	1,253	2,268	1,883
License, permit, rentals, fines, and service charges	22,194	21,252	24,464	22,756	23,638	26,848	29,075	30,365	32,007	28,518
Miscellaneous	7,293	8,296	41,067	5,410	32,839	9,610	8,585	8,275	12,861	15,052
Total revenues	<u>486,693</u>	<u>482,455</u>	<u>559,710</u>	<u>520,692</u>	<u>557,497</u>	<u>522,512</u>	<u>519,291</u>	<u>516,408</u>	<u>525,854</u>	<u>504,853</u>
EXPENDITURES:										
Current:										
General government support	67,243	69,827	59,333	69,585	62,944	58,263	59,407	60,806	62,302	58,139
Public safety	146,824	146,667	143,700	153,358	156,350	157,616	166,647	161,618	162,429	160,750
Streets and sanitation	31,301	27,495	9,826	14,243	15,450	13,617	13,158	13,140	12,809	12,086
Economic assistance and opportunity	7,409	7,478	4,779	16,691	20,005	19,757	27,908	28,420	18,090	21,750
Culture and recreation	9,634	12,633	6,943	6,811	8,801	7,261	9,535	9,102	9,136	9,323
Health and community services	2,865	1,846	5,194	5,920	3,610	4,636	2,600	2,607	2,395	2,370
Education	75,361	80,223	70,323	70,323	70,323	70,323	70,323	70,823	70,823	70,823
Fringe benefits	128,003	139,881	139,044	148,533	141,580	130,455	135,796	140,630	139,727	135,906
Other	5,890	3,272	7,413	7,109	3,720	3,938	8,876	7,119	3,341	8,130
Debt service:										
Principal retirement	38,326	41,278	41,710	38,520	41,145	37,069	35,192	30,810	32,615	43,417
Interest and other fiscal charges	17,469	15,734	14,200	12,033	11,723	12,597	10,954	9,664	8,834	8,378
Capital outlay	-	-	50,129	41,469	54,682	47,198	55,691	43,196	36,553	35,840
Total expenditures	<u>530,325</u>	<u>546,334</u>	<u>552,594</u>	<u>584,595</u>	<u>590,333</u>	<u>562,730</u>	<u>596,087</u>	<u>577,935</u>	<u>559,054</u>	<u>566,912</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(43,632)</u>	<u>(63,879)</u>	<u>7,116</u>	<u>(63,903)</u>	<u>(32,836)</u>	<u>(40,218)</u>	<u>(76,796)</u>	<u>(61,527)</u>	<u>(33,200)</u>	<u>(62,059)</u>

(continued)

CITY OF BUFFALO, NEW YORK
Table V—Changes in Fund Balances of Governmental Funds
Last Ten Years
(Unaudited, amounts expressed in thousands)

	(concluded)									
	Year ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
OTHER FINANCING SOURCES (USES):										
Transfers in	62,108	66,272	63,681	72,895	61,759	49,048	50,212	50,562	49,384	46,657
Transfers out	(55,929)	(58,669)	(56,282)	(60,819)	(52,513)	(42,802)	(40,553)	(36,229)	(35,496)	(36,336)
Long-term deficiency notes	-	-	-	-	-	-	-	-	-	25,000
Issuance of serial bonds	61,535	83,615	39,285	25,640	29,089	57,093	21,618	20,300	-	7,530
Payments to refunded bond escrow agent	(36,086)	(31,621)	(40,566)	-	-	(45,391)	-	-	-	-
Premium on bonds	3,402	3,250	1,801	3,617	4,682	9,170	3,854	1,739	-	973
Total other financing sources (uses)	<u>35,030</u>	<u>62,847</u>	<u>7,919</u>	<u>41,333</u>	<u>43,017</u>	<u>27,118</u>	<u>35,131</u>	<u>36,372</u>	<u>13,888</u>	<u>43,824</u>
NET CHANGE IN FUND BALANCES	<u>\$ (8,602)</u>	<u>\$ (1,032)</u>	<u>\$ 15,035</u>	<u>\$ (22,570)</u>	<u>\$ 10,181</u>	<u>\$ (13,100)</u>	<u>\$ (41,665)</u>	<u>\$ (25,155)</u>	<u>\$ (19,312)</u>	<u>\$ (18,235)</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES*	<u>11.09%</u>	<u>11.20%</u>	<u>10.89%</u>	<u>9.45%</u>	<u>10.08%</u>	<u>9.70%</u>	<u>8.38%</u>	<u>7.45%</u>	<u>8.26%</u>	<u>9.57%</u>

*The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new police vehicle included as part of *expenditures—public safety*). At times, amounts reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings). As such, capital outlay used for the debt service as a percentage of noncapital expenditures is determined by removing total capital asset additions.

CITY OF BUFFALO, NEW YORK
Table VI—General Fund Tax Revenues by Source
Last Ten Years
(Unaudited, amounts expressed in thousands)

	Year ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
PROPERTY TAX (1)	\$ 127,522	\$ 127,638	\$ 123,612	\$ 123,989	\$ 124,101	\$ 124,896	\$ 127,541	\$ 131,194	\$ 137,520	\$ 139,170
GROSS UTILITY TAX	11,586	10,098	9,408	8,579	10,253	7,598	8,299	7,748	9,579	8,759
CITY OF BUFFALO FRANCHISE TAX	2,879	2,852	2,845	2,772	2,761	2,967	2,742	2,927	2,953	2,914
MORTGAGE TAX	1,603	1,601	1,986	2,076	2,226	3,247	3,893	3,472	3,890	4,195
FOREIGN FIRE INSURANCE TAX	-	-	-	4,191	762	604	650	729	731	919
OCCUPANCY TAX	<u>10</u>	<u>10</u>	<u>4</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>2</u>
Total	<u>\$ 143,600</u>	<u>\$ 142,199</u>	<u>\$ 137,855</u>	<u>\$ 141,610</u>	<u>\$ 140,107</u>	<u>\$ 139,316</u>	<u>\$ 143,128</u>	<u>\$ 146,073</u>	<u>\$ 154,676</u>	<u>\$ 155,959</u>

(1) Does not include property tax levy paid by New York State as STAR Aid.

CITY OF BUFFALO, NEW YORK
Table VII—Assessed Value and Estimated Actual Value of Taxable Real Property
Last Ten Years
(Unaudited, amounts expressed in thousands)

Fiscal Year Ended June 30,	Real Property Residential Property	Real Property Commercial Property	Special Franchise	Less Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value (1)	Taxable Assessed Value as a Percentage of Estimated Actual Taxable Value
2011	\$ 5,079,838	\$ 4,594,201	\$ 390,519	\$ 3,657,707	\$ 6,406,851	\$ 23	\$ 6,932,321	92.42%
2012	5,122,964	4,533,896	379,675	3,630,741	6,405,794	22.37	6,851,849	93.49%
2013	5,333,731	4,395,804	379,675	3,671,093	6,438,117	21.53	6,849,060	94.00%
2014	5,378,214	4,395,026	386,755	3,662,040	6,497,955	21.28	6,730,842	96.54%
2015	5,384,744	4,349,066	378,939	3,596,402	6,516,347	21.06	6,905,105	94.37%
2016	5,510,697	4,407,764	346,254	3,708,056	6,556,659	20.90	7,042,598	93.10%
2017	5,451,885	4,507,715	339,488	3,647,140	6,651,948	20.99	7,885,192	84.36%
2018	5,538,804	4,540,912	346,542	3,809,262	6,616,996	20.91	8,671,988	76.30%
2019	5,633,124	4,672,628	329,174	3,966,391	6,668,535	21.79	9,917,512	67.24%
2020	5,597,421	4,798,977	310,855	4,045,826	6,661,427	22.20	10,733,849	62.06%

(1) Taxable assessed value adjusted by special equalization ratios established by New York State Office of Real Property Services.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table VIII—Direct and Overlapping Property Tax Rates
Last Ten Years
(Unaudited, per \$1,000 of assessed valuation)

Fiscal Year	(3) Class	City of Buffalo (1)			Buffalo Board of Education (1)			City Direct Blended Rate (5)	(2) (4) Total County of Erie	(1) (4) Total Sewer Authority	Direct and Overlapping Rates
		Operating	Debt Service	Total City	Operating	Debt Service	Total School				
2011	H	5.30	3.99	9.29	7.32	1.33	8.65	22.52	5.37	1.70	29.59
2011	NH	9.38	7.06	16.44	13.22	2.40	15.62				
2012	H	5.16	4.08	9.24	7.38	1.34	8.72	22.37	5.49	1.70	29.56
2012	NH	9.00	7.12	16.12	13.14	2.39	15.53				
2013	H	4.76	4.18	8.94	7.63	1.38	9.01	21.53	5.45	1.70	28.68
2013	NH	7.60	6.67	14.27	12.43	2.26	14.69				
2014	H	4.82	4.09	8.91	7.65	1.39	9.04	21.28	5.39	1.71	28.38
2014	NH	7.46	6.32	13.78	12.06	2.19	14.25				
2015	H	5.12	3.68	8.80	7.67	1.39	9.06	21.06	5.45	1.72	28.23
2015	NH	7.82	5.62	13.44	11.94	2.17	14.11				
2016	H	5.52	3.26	8.78	7.69	1.40	9.09	20.90	5.95	1.66	28.51
2016	NH	8.26	4.88	13.14	11.72	2.13	13.85				
2017	H	5.82	3.14	8.96	7.56	1.37	8.93	20.99	6.46	1.65	29.10
2017	NH	8.71	4.69	13.40	11.51	2.09	13.60				
2018	H	5.68	3.21	8.89	7.67	1.33	9.00	20.91	7.13	1.63	29.67
2018	NH	8.43	4.76	13.19	11.56	2.01	13.57				
2019	H	5.97	3.58	9.55	7.62	1.32	8.94	21.79	7.33	1.62	30.74
2019	NH	9.05	5.42	14.47	11.73	2.01	13.74				
2020	H	6.05	3.64	9.69	7.56	1.21	8.77	22.20	7.6	1.64	31.44
2020	NH	9.59	5.78	15.37	12.18	1.95	14.13				

(1) The City of Buffalo and Buffalo Sewer Authority fiscal year begins on July 1.

(2) The County of Erie fiscal year begins on January 1.

(3) H — Homestead class NH — Non-homestead class.

(4) The County of Erie and the Buffalo Sewer Authority do not differentiate between Homestead and Non-homestead classes.

(5) The blended rate is calculated using the total tax levy and total taxable assessed valuation.

Source: City of Buffalo, Division of Accounting; County of Erie; and Buffalo Sewer Authority

CITY OF BUFFALO, NEW YORK
Table IX—Principal Property Taxpayers
Years Ended June 30, 2020 and June 30, 2011
(Unaudited, amounts expressed in thousands)

Taxpayer	Year ended June 30,					
	2020			2011		
	Net Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Net Assessed Value	Rank	Percentage of Total Taxable Assessed Value
National Grid, PLC	\$ 230,598,123	1	4.60%	\$ 308,625	1	4.82%
National Fuel Fas Corporation	185,042	2	3.69%	156,425	2	2.44%
Consolidated Rail Corporation	78,801	3	0.75%	31,236	6	0.49%
Manufacturers and Trust Company	41,440	4	0.83%	49,012	5	0.76%
LCO Building, LLC	32,552	5	0.56%			
Uniquist Delaware, LLC	31,950	6	0.50%			
EGP 130 Buffalo, LLC	29,000	7	0.58%			
Verizon Communication, Inc.	28,618	8	0.57%	70,600	4	1.10%
Violet Realty, Inc.	21,000	9	0.42%	19,299	7	0.30%
G & I IX Empire, LLC	19,556	10	0.39%			
One Seneca Realty LLC				80,150	3	1.25%
Government Properties Income Trust				14,500	8	0.23%
WNY Lodging LLC				12,500	9	0.20%
General Mills				10,400	10	0.16%

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table X—Property Tax Levies and Collections
Last Ten Years
(Unaudited, amounts expressed in thousands)

Fiscal Year Ended June 30,	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Interest Added to Levy (1)	Final Tax Levy for Fiscal Year	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage				Amount	Percentage of Levy
2011	\$ 129,069	\$ 122,281	94.74	\$ 1,224	\$ 130,293	\$ 7,447	\$ 129,728	99.57 %
2012	128,090	122,089	95.32	1,191	129,281	7,169	129,258	99.98
2013	123,947	117,559	94.85	1,159	125,106	7,342	124,901	99.84
2014	124,087	117,480	94.68	1,203	125,290	7,634	125,114	99.86
2015	122,333	116,451	95.19	1,107	123,440	6,953	123,404	99.97
2016	123,793	116,621	94.21	1,150	124,943	7,452	124,073	99.30
2017	127,982	120,785	94.38	1,108	129,090	6,851	127,636	98.87
2018	128,000	122,454	95.67	1,021	129,021	4,788	127,242	98.62
2019	135,195	129,245	95.60	1,024	136,219	785	130,030	95.46
2020	139,465	131,234	94.10	1,239	140,704	149	131,383	93.38

(1) Interest of 18% for one year is added to tax levy for all properties not paid in current year.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XI—Ratios of Outstanding Debt by Type
Last Ten Years

(Unaudited, amounts expressed in thousands, except Total Debt to City Population)

Fiscal Year Ended June 30,	Governmental Activities							Business-Type Activities					Total Governmental Debt (1)(3)	Total Governmental Capital Leases	Total Debt to Personal Income (2)	Total Debt per Capita (2)		
	City General Obligation Bonds (1)	Plus BFSFA Mirror Bonds City	City General Obligation Bonds Total	Board General Obligation Bonds (1)	Plus BFSFA Mirror Board	General Obligation Board	Total Governmental Revenue Bonds	Governmental Activities Bonded Debt	Notes Payable	Capital Leases	General Obligation Bonds (1)	Water Authority Bonds					Total Business-Type Activities Bonded Debt	Capital Leases
2011	\$ 112,298	\$ 68,965	\$ 181,263	\$ 106,551	\$ 10,065	\$ 116,616	\$ 112,577	\$ 331,426	\$ 1,801	\$ 2,237	\$ 17,607	\$ 156,763	\$ 174,370	\$ -	\$ 505,796	\$ 2,237	4.33	\$ 2,208
2012	143,113	59,362	202,475	106,705	8,712	115,417	90,199	340,017	1,559	1,380	17,058	166,981	184,039	2,346	524,056	3,726	4.44	2,273
2013	128,139	50,650	178,789	94,390	7,291	101,681	81,091	303,620	1,312	935	14,578	160,157	174,735	1,657	478,355	2,592	4.07	1,857
2014	141,777	41,520	183,297	84,005	5,756	89,761	66,838	292,620	1,060	475	12,135	152,609	164,744	954	457,364	1,429	3.89	1,773
2015	156,708	34,633	191,341	73,525	4,268	77,793	52,063	282,296	803	-	9,516	143,421	152,937	241	435,233	241	3.62	1,687
2016	163,547	26,093	189,640	62,670	2,706	65,376	37,645	263,862	540	-	11,696	136,919	148,615	-	412,477	-	3.42	1,606
2017	168,950	21,283	190,233	51,755	1,923	53,678	30,017	250,722	273	-	12,814	128,522	141,336	-	392,058	-	3.10	1,514
2018	171,290	16,369	187,659	43,860	1,102	44,962	24,019	239,169	-	-	11,170	119,892	131,062	-	370,231	-	2.86	1,444
2019	138,335	11,554	149,889	35,750	239	35,989	17,855	203,733	-	-	9,652	135,137	144,789	-	348,522	-	2.71	1,365
2020	123,172	5,937	129,109	25,480	-	25,480	11,130	165,719	25,000	-	8,083	130,317	138,400	-	304,119	-	2.31	1,164

Note: Detail regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Net of bonds issued by City to BFSFA starting in 2005.

(2) Population and income data can be found in the schedule of demographic and economic statistics.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XII—Ratios of General Bonded Debt Outstanding
Last Ten Years

(Unaudited, amounts expressed in thousands, except Total Debt to City Population)

Fiscal Year Ended June 30,	General Bonded Debt				Less Amounts Available in		Total Bonded Debt to Assessed Value (2)	Total Bonded Debt to Equalized Full Value (2)	Total Bonded Debt Per Capita (3)
	City	Schools (1)	Business-type	Total	Debt Service Fund	Total			
2011	\$ 181,263	\$ 116,616	\$ 17,607	\$ 315,486	\$ 3,648	\$ 311,838	4.87	4.50	\$ 1,181
2012	202,475	115,417	17,058	334,950	1,719	333,231	5.20	4.86	1,260
2013	178,789	101,681	14,578	295,048	4,699	290,349	4.51	4.24	1,095
2014	183,297	89,761	12,135	285,193	9,970	275,223	4.24	4.09	1,026
2015	191,341	77,793	9,516	278,650	12,304	266,346	4.09	3.86	1,028
2016	189,640	65,376	11,696	266,712	5,067	261,645	3.99	3.72	1,018
2017	190,233	53,678	12,814	256,725	13,172	243,553	3.66	3.09	899
2018	187,659	44,962	11,170	243,791	9,326	234,465	3.54	2.70	915
2019	149,889	35,989	9,652	195,530	7,189	188,341	2.82	1.90	738
2020	128,093	25,480	8,083	161,656	3,974	157,682	2.37	1.47	603

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

- (1) Net of bonds issued by City to BFSA starting in 2005.
- (2) See the schedule of assessed value and estimated actual value of taxable real property for property value data.
- (3) Population data can be found in the schedule of demographic and economic statistics.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XIII—Direct and Overlapping Debt
As of June 30, 2020
(Unaudited, amounts expressed in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable (2)</u>	<u>Estimated Share of Overlapping Debt</u>
Erie County	\$ 345,940	16.5 %	\$ 57,080
Buffalo Sewer Authority	36,786	67.3%	<u>24,757</u>
Subtotal — overlapping debt			81,837
City of Buffalo total gross debt			<u>165,719</u>
Total direct and overlapping debt			<u>\$ 247,556</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Buffalo. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

- (1) Excludes County general obligations sold for sewer districts in the County payable from assessments on property outside the City.
- (2) The percentage of overlapping debt applicable is estimated using the ratio of City to total County full valuation as equalized by the County Commissioner of Finance. The Sewer Authority percentage is the amount of operating fund revenues derived from a sewer rent on the assessed value of real property within the City.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XIV—2020 Legal Debt Margin
As of June 30, 2020
(Unaudited, amounts expressed in thousands)

Legal Debt Margin Calculation for Fiscal Year 2020	
Average Full Valuation of Taxable Real Property and Special Franchises as Determined by the Last Completed Roll and the Four Preceding Rolls	<u>\$ 10,628,026</u>
Debt Contracting Limitation — Nine percent of average full valuation — Article VIII, Section 4 of the Constitution of the State of New York	\$ 956,522
Gross indebtedness:	
Borrowings:	
Serial bonds	\$ 154,768
Long-term deficiency notes	25,000
Bond anticipation notes	34,799
Total gross debt	<u>214,567</u>
Exclusions:	
Exempt debt:	
Parking facilities bonds	7,183
Reserve to pay non-exempt debt	1,403
Appropriation in current budget to pay non-exempt debt maturing during remainder of fiscal year	<u>33,164</u>
Total exclusions	<u>41,750</u>
Net indebtedness	<u>172,817</u>
Debt contracting margin	783,705
Authorized but unissued non-exempt debt	<u>30,102</u>
Effective remaining borrowing capacity — July 1, 2020	<u>\$ 753,603</u>

Note: Under Article VIII, Section 4 of the Constitution of the State of New York, the City of Buffalo's outstanding general obligation debt should not exceed 9 percent of average full valuation of taxable property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XV—Legal Debt Margin Information
Last Ten Years
(Unaudited, amounts expressed in thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Debt limit	\$ 584,642	\$ 588,627	\$ 587,664	\$ 597,620	\$ 605,319	\$ 651,453	\$ 710,335	\$ 756,517	\$ 875,796	\$ 956,522
Total net debt applicable to limit	<u>255,003</u>	<u>271,565</u>	<u>233,488</u>	<u>224,650</u>	<u>206,700</u>	<u>197,475</u>	<u>188,360</u>	<u>179,607</u>	<u>166,266</u>	<u>172,817</u>
Debt contracting margin	329,639	317,062	354,176	372,970	398,619	453,978	521,975	576,910	709,530	783,705
Authorized but unissued non-exempt debt	<u>6,170</u>	<u>6,170</u>	<u>26,622</u>	<u>22,384</u>	<u>11,186</u>	<u>17,931</u>	<u>13,824</u>	<u>10,670</u>	<u>10,683</u>	<u>30,103</u>
Effective remaining borrowing capacity — July 1	<u>\$ 323,469</u>	<u>\$ 310,892</u>	<u>\$ 327,554</u>	<u>\$ 350,586</u>	<u>\$ 387,433</u>	<u>\$ 436,047</u>	<u>\$ 508,151</u>	<u>\$ 566,240</u>	<u>\$ 698,847</u>	<u>\$ 753,602</u>
Total net debt applicable to the limit as a percentage of debt limit	43.62 %	46.14 %	39.73 %	37.59 %	34.15 %	30.31 %	26.52 %	23.74 %	18.98 %	18.07 %

Note: Under Article VIII, Section 4 of the Constitution of the State of New York, the City of Buffalo's outstanding general obligation debt should not exceed 9 percent of average full valuation of taxable property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XVI—Debt Service Coverage for Buffalo Municipal Water Finance Authority Revenue Bonds
Last Ten Years
(Unaudited, amounts expressed in thousands)

Fiscal Year Ended June 30,	Cash Receipts	Cash Disbursements for Operations	Net Available Revenue	Debt Service Payment	Debt Coverage
2011	\$ 46,018	\$ 24,503	\$ 21,515	\$ 13,670	157.32 %
2012	47,525	24,193	23,332	14,741	158.28
2013	47,411	26,182	21,229	13,543	156.75
2014	47,283	25,552	21,731	13,631	159.42
2015	50,719	29,623	21,096	14,068	149.96
2016	45,849	25,295	20,554	13,523	151.99
2017	47,286	24,678	22,608	14,005	161.43
2018	41,717	22,990	18,727	13,742	136.28
2019	46,130	25,749	20,381	12,854	158.56
2020	49,635	28,781	20,854	9,990	208.75

Note: The Buffalo Water Board is required to set rates such that excess reserves and revenues collected in a fiscal year will be equal to 115% of the debt service payable in the fiscal year and 100% of the operating expenses and required deposits payable in the fiscal year.

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XVII—Demographic and Economic Statistics
Last Ten Years
(Unaudited)

	Year ended June 30, 2020									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Population (1)	261,044	259,384	258,959	258,703	258,071	256,902	258,612	256,304	255,284	261,346
Total personal income (in thousands)(2)	\$ 11,480,976	\$ 11,756,580	\$ 11,805,941	\$ 11,803,842	\$ 12,015,270	\$ 12,053,328	\$ 12,661,644	\$ 12,932,075	\$ 12,869,888	\$ 13,175,498
Per capita personal income (2)	\$ 43,981	\$ 45,325	\$ 45,590	\$ 45,627	\$ 46,558	\$ 46,918	\$ 48,960	\$ 50,456	\$ 50,414	\$ 51,611
School district enrollment (3)	34,191	32,523	33,437	31,328	31,783	33,760	33,483	33,489	33,310	32,280
Unemployment rate (4)	10.4 %	10.9 %	9.7 %	7.9%	7.1%	6.3%	6.7%	5.7%	5.5%	13.5%
Employed (4)	103,100	103,000	103,100	103,000	103,500	103,300	103,100	102,900	102,300	96,500

(1) U.S. Census Bureau (www.factfinder.census.gov).

(2) Buffalo City School District's Department of Research and Evaluation.

(3) www.labor.state.ny.us. See "Buffalo, City of".

(4) www.labor.ny.gov/stats/laus.asp See "Buffalo city, NY".

CITY OF BUFFALO, NEW YORK
Table XVIII—Principal Employers in the Buffalo Metropolitan Area
Years Ended June 30, 2020 and June 30, 2011
(Unaudited)

Employer	2020 (1)			2011 (2)		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
State of New York	23,600	1	9.03 %	27,995	1	6.55 %
Federal Executive Board (United States of America)	15,000	2	5.74	10,000	3	2.34
Kaleida Health	8,359	3	3.20	10,000	3	2.34
Catholic Health	7,623	4	2.92	6,230	5	1.46
M&T Bank	7,400	5	2.83	4,611	10	1.08
University at Buffalo	7,076	6	2.71	10,898	2	2.55
Buffalo Public Schools	6,528	7	2.50	5,200	7	1.22
Tops Friendly Markets	5,374	8	2.06	5,103	8	1.19
Erie County	5,010	9	1.92	n/a		
Erie County Medical Center	3,800	10	1.45	n/a		
HSBC Bank, USA	n/a			5,000	9	1.17
Employer Services Corp	n/a			6,089	6	1.43
Total	<u>89,770</u>			<u>91,126</u>		

(1) From "Buffalo Business First " (January 25, 2020 edition).

(2) From the 10/15-10/21/10 issue of "Business First." Western New York's weekly business newspaper.

CITY OF BUFFALO, NEW YORK
Table XIX—Full-time Equivalent Employees by Function
Last Ten Years
(Unaudited)

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government support	382	366	355	366	354	373	388	388	378	377
Public safety:										
Police:										
Officers and exempt	639	684	713	718	699	690	753	762	734	746
Civilians	137	154	171	169	172	180	186	197	190	190
Fire:										
Firefighters and officers	623	651	592	564	654	593	583	652	709	724
Civilians	36	37	37	36	36	38	40	39	43	42
Other	134	132	136	138	134	129	138	138	137	134
Streets and sanitation	203	195	192	188	150	166	164	159	160	156
Economic assistance and opportunity	18	20	27	30	27	33	34	32	34	30
Culture and recreation	77	89	94	78	117	130	116	99	90	85
Health and community services	44	36	36	33	34	35	38	38	37	35
Business activities:										
Water	104	101	92	98	97	111	120	121	117	119
Solid waste and recycling	139	135	138	143	160	168	166	162	175	159
Parking	-	-	-	-	-	-	1	1	1	1
Total	<u>2,536</u>	<u>2,600</u>	<u>2,583</u>	<u>2,561</u>	<u>2,634</u>	<u>2,646</u>	<u>2,727</u>	<u>2,788</u>	<u>2,805</u>	<u>2,798</u>

Source: City of Buffalo, Division of Accounting

CITY OF BUFFALO, NEW YORK
Table XX—Operating Indicators by Function
Last Ten Years
(Unaudited)

Function	Year ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administration and finance:										
Parking summons issued	192,643	186,418	185,554	174,416	185,353	197,137	193,278	189,420	187,121	143,231
Police:										
Physical arrests	19,211	16,586	17,078	13,795	14,598	12,016	13,060	12,906	12,081	8,939
Traffic violations	22,322	18,439	30,918	34,944	40,021	55,676	58,579	41,172	32,386	28,723
Fire:										
Number of calls answered	32,350	32,609	33,223	34,480	35,847	38,039	n/a	34,752	n/a	n/a
Inspections	3,240	4,426	3,581	3,451	3,524	4,394	4,637	6,092	n/a	2,655
Public works:										
Street resurfacing (square yards)	N/A	626,244	769,887	438,427	472,056	437,531	n/a	378,000	520,137	506,304
Pothole material used (in tons)	1,520	1,540	1,333	1,705	1,452	1,398	1,217	1,378	1,350	1,043
Sanitation:										
Refuse collected (tons/day)	420	408	364	368	443	448	442	374	370	371
Recyclables collected (tons/day)	33	52	51	54	56	58	62	65	54	54
Permits and inspections:										
Demolitions completed	486	137	203	230	270	136	164	113	84	79
Inspections	29,314	32,696	38,478	35,934	33,664	66,700	68,500	65,500	67,350	53,510
Water:										
Consumers	74,989	74,647	74,642	74,566	74,386	73,759	73,915	74,137	76,649	74,635
Water main breaks	233	244	273	321	391	308	392	336	387	238
Average daily consumption (thousands of gallons)	58,871	58,979	59,888	70,362	68,493	69,880	67,597	67,657	66,811	64,601

Source: Various City departments

CITY OF BUFFALO, NEW YORK
Table XXI—Capital Asset Statistics by Function
Last Ten Years
(Unaudited)

Function	As of June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public safety:										
Police:										
Stations (including headquarters)	8	6	6	8	6	8	6	6	8	7
Satellite stations (substations)	-	4	4	-	4.00	-	1	4	3	3
Fire stations (including headquarters)	25	20	20	20	20	20	20	20	n/a	20
Sanitation — Collection trucks	42	39	36	36	36	36	36	36	36	37
Highways and streets:										
Streets (miles)	720	720	635	635	632	632	632	532	628	627
Streetlights	31,513	31,538	31,538	31,863	31,879	31,909	31,931	31,935	31,935	31,935
Traffic signals	663	663	663	664	665	667	667	669	669	671
Culture and recreation:										
Parks acreage (including public squares and circles)	1,800	1,800	1,842	1,842	1,842	1,842	1,842	1,842	1,853	1,853
Parks (major)	29	29	29	29	29	29	29	29	29	29
Minor parks and playgrounds	60	60	61	61	61	61	61	61	61	61
Community centers	32	32	32	32	32	32	32	30	29	29
Education — School buildings	60	59	58	59	57	66	58	57	57	57
Water:										
Water mains (miles)	809	809	810	808	806	797	789	779	784	781
Fire hydrants	7,877	7,997	8,023	7,959	7,962	7,959	7,964	7,974	7,989	7,994
Pumping plant-maximum daily capacity (thousands of gallons)	310,000	310,000	340,000	320,000	320,000	340,000	340,000	340,000	340,000	340,000
Filtration plant-maximum daily capacity (thousands of gallons)	160,000	160,000	160,000	160,000	160,000	180,000	160,000	160,000	160,000	160,000

Source: Various City departments

APPENDIX C

**BUFFALO CSD
COMPONENT FINANCIAL STATEMENTS
June 30, 2020**

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

FINANCIAL STATEMENTS

JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Board of Education, City of Buffalo, New York (the Board), a component unit of the City of Buffalo, New York, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Board as of June 30, 2020, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Comparative Information

The financial statements of Board of Education, City of Buffalo, New York as of June 30, 2019 were audited by other auditors, whose report dated October 21, 2019 expressed an unmodified opinion on the financial statements.

Required Supplementary Information

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

Supplementary Information

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

The accompanying supplementary information including the schedule of expenditures of federal awards is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information including the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2020 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



October 14, 2020

Management’s Discussion and Analysis (unaudited)

June 30, 2020

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, 2020. 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) agency 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. The difference between them is reported as net position. The statement of activities presents information showing how the Board’s net position changed during each year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows; thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about the Board as a whole. All of the activities of the Board are considered to be governmental activities.

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

Agency funds are used to account for resources held for the benefit of parties outside the Board. Agency 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 and governmental 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)	2020	2019	Change	
			\$	%
Current and other assets	\$ 513,334	\$ 457,842	\$ 55,492	12.1%
Capital assets	799,996	859,880	(59,884)	(7.0%)
Total assets	1,313,330	1,317,722	(4,392)	(0.3%)
Deferred outflows of resources	620,884	351,323	269,561	76.7%
Long-term liabilities	3,480,424	3,306,545	173,879	5.3%
Other liabilities	148,967	154,508	(5,541)	(3.6%)
Total liabilities	3,629,391	3,461,053	168,338	4.9%
Deferred inflows of resources	795,947	725,908	70,039	9.6%
Net position				
Net investment in capital assets	98,848	88,389	10,459	11.8%
Restricted	59,102	54,727	4,375	8.0%
Unrestricted	(2,649,074)	(2,661,032)	11,958	(0.4%)
Total net position	\$ (2,491,124)	\$ (2,517,916)	\$ 26,792	(1.1%)

Net position amounted to a deficit of (\$2,491,124) and (\$2,517,916) as of June 30, 2020 and 2019, respectively. The net deficit is a result of recognition of the Board's total other postemployment benefits (OPEB) liability, which is an actuarial estimate of amounts the Board will owe for health insurance for its retirees. The largest positive portion of the Board's net position reflects its investment in capital assets consisting of land, buildings and improvements, and furniture and equipment, less outstanding debt used to acquire those assets. The Board uses capital assets to provide services to students; consequently, these assets are not available for future spending.

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

Total assets decreased by \$4,392 (\$22,662 increase in 2019). Capital assets decreased \$59,884 due to current year depreciation of \$78,591, while State and Federal aid receivable declined \$16,851 due in part to timing and to a reserve of \$8,753 charged against State aid receivables outstanding at June 30, 2020 to recognize the potential withholding of 20% by the State as it deals with a fiscal crisis as a result of COVID-19. These decreases were offset by an increase in current and other assets of \$55,492 due to an increase of \$59,587 in cash held by the City of Buffalo as a result of the general fund surplus, and a \$13,471 increase in the Board's net pension asset for its proportionate share of the NYS Teachers' Retirement System (TRS) net pension asset.

Long-term liabilities, which include the Board's total OPEB liability of \$2,613,913 (\$2,395,142 in 2019), increased by \$173,879 (\$104,990 increase in 2019), while other liabilities decreased by \$5,541 (\$30,113 increase in 2019). Other liabilities decreased as a result of a decrease in amounts due to retirement systems of \$5,287. A majority of the increase in long-term liabilities relates to an increase in the Board's proportionate share of the NYS and Local Employees' Retirement System (ERS) net pension liability of \$28,422 and an increase in the total OPEB liability of \$218,771, which were offset by payments of \$67,667 made on outstanding bonds while there were no debt refundings or new debt issuances during the year.

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)	2020	2019	Change	
			\$	%
Revenues				
Program revenues				
Charges for services	\$ 4,543	\$ 4,819	\$ (276)	(5.7%)
Operating grants and contributions	135,075	139,389	(4,314)	(3.1%)
Capital grants and contributions	9,368	10,641	(1,273)	(12.0%)
General revenues				
Contributions from the City and school tax relief	70,823	70,823	-	-
State aid	779,271	770,651	8,620	1.1%
Sales tax and other	55,618	75,783	(20,165)	(26.6%)
Total revenues	1,054,698	1,072,106	(17,408)	(1.6%)
Expenses				
Instruction	835,618	797,175	38,443	4.8%
Support services				
General support	89,995	81,924	8,071	9.9%
Pupil transportation	43,205	57,572	(14,367)	(25.0%)
Food service	30,974	34,911	(3,937)	(11.3%)
Interest and other	28,114	30,565	(2,451)	(8.0%)
Total expenses	1,027,906	1,002,147	25,759	2.6%
Change in net position	26,792	69,959	(43,167)	(61.7%)
Net position – beginning	(2,517,916)	(2,587,875)	69,959	(2.7%)
Net position – ending	\$ (2,491,124)	\$ (2,517,916)	\$ 26,792	(1.1%)

Board revenues decreased by \$17,408 or 1.6% (\$30,188 or 2.9% increase in 2019). State aid increased \$8,620 (\$6,474 or 0.8% increase in 2019) primarily as a result of an increase in State Foundation Aid. Offsetting this State aid increase, the Board recorded a \$3,553 reserve against State Aid receivables outstanding at June 30, 2020 in the general fund as a result of the State's announced 20% withholding of aid payments to localities and schools starting in July 2020. During the 2019-20 fiscal year, the State did not withhold or reduce any other State aid payments to the Board. Operating grants and contributions decreased \$4,314 (\$1,577 or 1.1% increase in 2019) primarily as a result of the Board recording a \$5,200 reserve against State grants receivable outstanding at June 30, 2020 to recognize the potential withholding of 20% by the State. Sales tax and other revenues decreased \$20,165 (\$20,517 or 37.1% increase in 2019) due to a decline in one-time revenues of \$15,084 received in 2019 related to prior year premium equivalent overpayments refunded after the Board's conversion to a traditional model of self-insurance for employee and retiree health insurance, while sales tax and other miscellaneous revenues also declined as a result of the COVID-19 crisis, which reduced overall business activity and related tax collections.

Total expenses increased \$25,759 or 2.6% (\$13,707 or 1.3% decrease in 2019). This increase is primarily due to employee-related costs, and the allocation of a \$14,136 increase in OPEB expense and a \$45,784 increase in pension expense among employee groups. Payroll and associated benefits are allocated among instruction and support services categories. Additionally, charter school tuition expenditures increased \$5,765. These increases were offset by a decrease in pupil transportation and food service expenses of \$14,367 and \$3,937 respectively, as a result of closure of District schools related to the COVID-19 crisis, while interest and other expenses was reduced \$2,451 due to continued pay down of the Board's outstanding debt. No new debt was issued in 2020.

Financial Analysis of the Board's Funds

Total fund balances for the governmental funds increased from \$276,886 to \$323,872 as described below:

- Total revenues decreased by \$17,408 or 1.6%, mainly due to the aforementioned reduction in prior year one-time revenues of \$15,084, while Federal aid declined \$4,624 due to lower spending on reimbursement-based federal grants. State aid increased \$4,316 due primarily to State Foundation Aid increases in the general fund as mentioned previously, offset by 20% reserves on outstanding State aid receivables at June 30, 2020 in the general and special aid funds of \$3,553 and \$5,200, respectively.

- Total expenses decreased \$34,397 or 3.3% as a result of reduced spending related to the impact of the COVID-19 closures. This was offset by an increase of \$5,765 in charter school tuition expense, and an increase in debt service principal payments as a result of the repayment of \$1,885 on outstanding bonds that became callable during the fiscal year.
- The general fund experienced an increase in fund balance of \$42,326, to \$265,990, during 2020 compared to a \$28,950 increase for 2019. Significant changes in fund balance include assigned fund balance - designated for next year's budget which increased \$40,000, from \$10,000 to \$50,000, as a result of the \$50,000 deficit budgeted in the 2020-21 fiscal year in response to projected decreases in State aid in 2020-21, and projected cost increases to restart in-person instruction during 2020-21. Additionally, restricted fund balance for unemployment insurance was increased by \$6,000, from \$3,156 to \$9,156 in anticipation of likely unemployment costs in future years resulting from the potential layoffs if State aid increases or Federal disaster relief do not materialize. Unassigned fund balance declined \$1,076, from \$86,131 to \$85,055, with \$38,188 being maintained for the required 4% minimum unassigned fund balance required by Board policy, and \$46,867 being the additional amount in excess of the Board policy minimum.
- The capital projects fund experienced an increase in fund balance of \$4,900 due to reduced capital expenditures as a result of the COVID-19 related closures the fiscal year, which delayed costs projected to be incurred during the fiscal year.

General Fund Budgetary Highlights

The total original revenue budget for 2020 was \$916,050. Actual revenues amounted to \$912,939, an unfavorable difference of \$3,111 or 0.3%. This was primarily caused by \$5,113 less in state funding as a result of the \$3,553 reserve against State aid receivables outstanding at June 30, 2020 in response to the State withholding 20% of aid payments starting in July 2020. Contributions from the City of Buffalo and STAR aid combined were flat with budget at \$70,823. Non-property tax items (Erie County Sales tax) were \$1,519 over budget, even with reductions in the last four months of the fiscal year; however, it was the first annual decline in sales tax revenue in 11 years. Use of money and property was \$477 over budget due to increased interest earnings on certain Board cash balances held by the City of Buffalo. Charges for services were \$1,336 over budget, primarily due to conservative budgeting for tuitions and charges to other school districts. Miscellaneous revenues were \$2,786 under budget, while Federal revenues, primarily Medicaid, exceeded budget.

Actual expenditures and carryover encumbrances were less than the final revised budget by \$54,049. The difference is attributable to many factors and many unknown items when the budget was prepared. As a result of the COVID-19 crisis, schools were closed for in-person education from March 16 through the end of the school year, with all student learning being done remotely. Board staff continued to be paid throughout the closure, with the exception of substitute teachers, who were not utilized. However, many costs related to the Board's vendors or that required in-person service were reduced because services could not be provided. This resulted in significant budgetary savings in many of the functional expenditure categories below.

General support - central services, which includes plant and IT costs was \$3,699 under the revised budget because of savings in salary and hourly pay of \$1,134 due to vacancies and reduced overtime. There were further savings in utilities of \$876, supplies of \$539, and contractual costs of \$1,142 due to the closure of Board facilities. All other general support categories had a combined favorable budgetary variance of \$730.

Instruction, excluding charter school tuition, had budgetary savings of \$16,366 compared to the revised budget. Salaries had a favorable variance of \$14,150 to the revised budget, and \$8,528 to the original budget, with a portion of the difference between the two resulting from increased teaching positions added during the year for reasons of equity or compliance. Most substitute teachers were not utilized after March 16, 2020, resulting in a favorable budgetary variance of \$113 to the revised budget or \$1,272 to the original budget, with unused funds from the original budget being transferred to other lines. Contractual and supplies costs had favorable budgetary variances of \$1,266 and \$759, respectively.

Charter school tuition was flat with the revised budget, but \$2,944 below the original budget. In actual dollars per pupil, charter school tuition increased \$144 from \$13,350 to \$13,494, while charter pupils increased from 9,004 in 2018-19 to 9,213 in 2019-20, continuing the long-term trend of further saturation of charter school seats in Buffalo, which is approximately 23% of total K-12 seats in Buffalo in 2019-20. In response to an audit from the Office of the State Comptroller of New York, during the 2019-20 fiscal year, the Board withheld cash payments to charter schools amounting to \$3,008 related to prior year overpayments of special education tuition. These amounts withheld were recorded as expenditures.

Pupil transportation costs were \$19,133 below the revised budget due to the closure of schools starting on March 16, 2020. Costs of yellow bus and public transportation were \$14,533 and \$2,610 under budget, respectively, while bus aide costs were \$1,539 under budget. The Board did not pay for contracted transportation services during the period of the closure, which resulted in approximately three months of savings.

Employee benefit costs were \$14,120 below revised budget due to several factors. Self-insured employee and retiree health insurance costs during the period of most extreme closures in the region from March through June 2020 declined substantially, and resulted in an \$8,141 favorable variance to the revised budget, while lower salaries, overtime, and extra activity resulted in a \$3,688 favorable variance in pension and social security costs. Workers comp costs were \$1,516 under budget, while termination payments were also \$686 under budget.

Operating transfers out were flat with the revised budget, but \$5,650 over the original budget. This was primarily as a result of a \$5,200 transfer to the special aid fund to cover the State aid revenue shortfall resulting from potential State withholding of 20% of outstanding State aid receivables as of June 30, 2020. Transfers to the City of Buffalo were flat with the revised budget, but \$1,916 over the original budget. This was the result of the repayment of \$1,918 of principal and interest on outstanding bonds that became callable during the fiscal year.

Capital Assets

	2020	2019
Land	\$ 3,012	\$ 3,012
Construction in progress	29,354	34,394
Buildings and improvements	1,787,924	1,774,749
Equipment and vehicles	41,821	31,406
	<u>1,862,111</u>	1,843,561
Accumulated depreciation	<u>(1,062,115)</u>	(983,681)
	<u>\$ 799,996</u>	<u>\$ 859,880</u>

Current year additions of \$18,707 were offset by depreciation of \$78,591.

Debt

At June 30, 2020, the Board had \$668,805 in bonds outstanding, with \$74,320 due within one year (\$735,759 outstanding at June 30, 2019). Amounts due to New York State amounted to \$7,413, with \$713 due within one year (\$8,127 outstanding at June 30, 2019). Outstanding compensated absences payable were \$23,903 with \$9,952 expected to be paid within one year (\$22,809 outstanding at June 30, 2019).

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

Current Financial Issues and Concerns

The extent of the impact of COVID-19 on the Board's operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on all school districts and their residents, employees, and vendors, none of which can be predicted at this time. The Board has already experienced a 20% holdback of State aid that could become permanent. Significant reductions are expected in 2020-21 State aid, which, at 20% of the Board's adopted budget, would mean the reduction of approximately \$147.6 million in the general fund, and another \$9.5 million in grant funds. This could force the Board to implement significant budgetary cost reductions during the 2020-21 fiscal year that would also continue or expand further in the 2021-22 fiscal year. Federal revenue sources are expected to increase but the extent of Federal assistance is not yet known.

The Board will continue to mitigate the impact of rising costs of education on the overall budget. These issues and concerns are exacerbated by COVID-19 requiring management to plan carefully and prudently to provide the educational resources necessary to meet student needs and flexibility on how students are taught.

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, 2020

(With comparative totals as of June 30, 2019)

	2020	2019
Assets		
Cash and cash equivalents	\$ 10,543,453	\$ 10,394,862
Cash held by the City of Buffalo	324,211,910	264,626,050
Cash with fiscal agent	16,019,666	17,774,728
Cash and cash equivalents - restricted	12,768,728	11,983,507
Due from other governments, net	4,582,974	5,343,555
Accounts receivable	10,926,011	10,695,674
State and federal aid receivable, net	85,627,080	102,477,677
Inventory and prepaid deposits	2,235,648	1,598,824
Net pension asset	46,418,092	32,947,326
Capital assets (Note 4)	1,862,111,777	1,843,562,019
Accumulated depreciation	(1,062,115,472)	(983,681,837)
Total assets	1,313,329,867	1,317,722,385
Deferred Outflows of Resources		
Defeasance loss	22,095,496	24,343,942
Deferred outflows of resources related to pensions	175,950,271	180,940,003
Deferred outflows of resources related to OPEB	422,838,000	146,039,000
Total deferred outflows of resources	620,883,767	351,322,945
Liabilities		
Accounts payable	32,964,748	39,394,765
Accrued liabilities	43,318,094	37,060,716
Due to other governments	1,401,230	1,674,608
Due to retirement systems	31,489,070	36,776,065
Due to fiduciary fund	503,704	830,310
Due to the City of Buffalo	39,289,914	38,771,582
Long-term liabilities		
Due within one year:		
Bonds	74,320,000	75,133,928
Due to New York State	713,332	713,334
Compensated absences	9,952,000	10,469,016
Workers' compensation	9,623,000	8,426,000
Due beyond one year:		
Bonds and related premiums	674,533,464	750,738,465
Due to New York State	6,700,000	7,413,332
Compensated absences	13,951,228	12,340,148
Workers' compensation	38,383,000	36,256,000
Net pension liability	38,334,713	9,912,527
Total OPEB liability	2,613,913,000	2,395,142,000
Total liabilities	3,629,390,497	3,461,052,796
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	70,532,970	54,022,605
Deferred inflows of resources related to OPEB	725,414,000	671,886,000
Total deferred inflows of resources	795,946,970	725,908,605
Net Position		
Net investment in capital assets	98,848,003	88,389,252
Restricted	59,102,539	54,726,906
Unrestricted	(2,649,074,375)	(2,661,032,229)
Total net position (deficit)	\$ (2,491,123,833)	\$ (2,517,916,071)

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, 2020

(With summarized comparative totals for June 30, 2019)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2020	2019
Governmental activities						
General support	\$ 89,995,086	\$ 29,256	\$ -	\$ -	\$ (89,965,830)	\$ (78,185,190)
Instruction - regular	703,209,507	3,536,185	103,517,465	9,368,199	(586,787,658)	(553,796,145)
Instruction - charter	132,408,194	-	-	-	(132,408,194)	(128,231,817)
Pupil transportation	43,205,284	-	-	-	(43,205,284)	(55,822,180)
Interest expense	27,877,972	-	-	-	(27,877,972)	(30,346,950)
School food service	30,974,132	978,051	31,557,190	-	1,561,109	(697,187)
Home and community services	236,154	-	-	-	(236,154)	(218,306)
	<u>\$ 1,027,906,329</u>	<u>\$ 4,543,492</u>	<u>\$ 135,074,655</u>	<u>\$ 9,368,199</u>	<u>(878,919,983)</u>	<u>(847,297,775)</u>
General revenues						
					62,148,344	61,367,016
Contribution from City of Buffalo					8,674,414	9,455,742
School tax relief reimbursement					48,519,017	48,767,444
Sales taxes					1,014,089	1,138,015
Use of money and property					779,270,635	770,651,072
State aid					6,085,722	25,877,836
Miscellaneous					<u>905,712,221</u>	<u>917,257,125</u>
Total general revenues						
					26,792,238	69,959,350
Change in net position						
					(2,517,916,071)	(2,587,875,421)
Net position (deficit) - beginning					<u>\$ (2,491,123,833)</u>	<u>\$ (2,517,916,071)</u>
Net position (deficit) - ending						

See accompanying notes.

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

Balance Sheet - Governmental Funds

June 30, 2020

(With comparative totals as of June 30, 2019)

	General	Special Aid	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds	
					2020	2019
Assets						
Cash and cash equivalents	\$ 10,261,823	\$ 91,720	\$ -	\$ 189,910	\$ 10,543,453	\$ 10,394,862
Cash held by the City of Buffalo	294,503,773	-	12,657,256	17,050,881	324,211,910	264,626,050
Cash with fiscal agent	-	-	-	16,019,666	16,019,666	17,774,728
Cash and cash equivalents - restricted	680,709	-	-	12,088,019	12,768,728	11,983,507
Due from other governments, net	4,582,974	-	-	-	4,582,974	5,343,555
Accounts receivable	10,833,804	35,770	-	56,437	10,926,011	10,695,674
State and federal aid receivable, net	26,151,245	46,784,869	10,095,444	2,595,522	85,627,080	102,477,677
Due from other funds, net	9,999,219	-	-	-	9,999,219	22,320,208
Inventory and prepaid deposits	1,042,941	-	-	1,192,707	2,235,648	1,598,824
Total assets	\$ 358,056,488	\$ 46,912,359	\$ 22,752,700	\$ 49,193,142	\$ 476,914,689	\$ 447,215,085
Liabilities and Fund Balances						
Accounts payable	\$ 24,082,621	\$ 4,927,563	\$ 2,275,353	\$ 1,314,423	\$ 32,599,960	\$ 39,011,931
Accrued liabilities	35,093,885	2,177,621	-	487,588	37,759,094	30,943,932
Due to other governments	1,401,230	-	-	-	1,401,230	1,674,608
Due to retirement systems	31,489,070	-	-	-	31,489,070	36,776,065
Due to other funds, net	-	517,261	9,985,662	-	10,502,923	23,150,518
Due to the City of Buffalo	-	39,289,914	-	-	39,289,914	38,771,582
Total liabilities	92,066,806	46,912,359	12,261,015	1,802,011	153,042,191	170,328,636
Fund Balances						
Nonspendable:						
Inventory and prepaid deposits	1,042,941	-	-	1,192,707	2,235,648	1,598,824
Endowment	-	-	-	312,277	312,277	313,006
Restricted:						
Unemployment insurance	9,156,044	-	-	-	9,156,044	3,156,044
Judgments, property loss, and claims	17,750,000	-	-	-	17,750,000	17,750,000
Stabilization	3,899,200	-	-	-	3,899,200	3,876,337
Debt service	-	-	-	27,795,408	27,795,408	29,445,229
Special activities	-	-	-	189,610	189,610	186,290
Assigned:						
OPEB and other employee benefits	49,146,089	-	-	-	49,146,089	52,146,089
Prior year claims	9,000,000	-	-	-	9,000,000	9,000,000
Capital projects and repairs	16,080,000	-	10,491,685	-	26,571,685	22,671,478
Health Insurance	15,084,559	-	-	-	15,084,559	15,084,559
School budget equity	5,000,000	-	-	-	5,000,000	5,000,000
School food service	-	-	-	17,901,129	17,901,129	16,974,726
Designated for subsequent year's expenditures	50,000,000	-	-	-	50,000,000	10,000,000
Other purposes	4,776,135	-	-	-	4,776,135	3,553,325
Unassigned	85,054,714	-	-	-	85,054,714	86,130,542
Total fund balances	265,989,682	-	10,491,685	47,391,131	323,872,498	276,886,449
Total liabilities and fund balances	\$ 358,056,488	\$ 46,912,359	\$ 22,752,700	\$ 49,193,142	\$ 476,914,689	\$ 447,215,085

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, 2020

Total fund balances - governmental funds \$ 323,872,498

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. 799,996,305

Defeasance losses associated with bond refundings are recognized as deferred outflows of resources in the government-wide statements. 22,095,496

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

Net pension asset	46,418,092	
Deferred outflows of resources related to pensions	175,950,271	
Net pension liability	(38,334,713)	
Deferred inflows of resources related to pensions	<u>(70,532,970)</u>	113,500,680

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	422,838,000	
Total OPEB liability	(2,613,913,000)	
Deferred inflows of resources related to OPEB	<u>(725,414,000)</u>	(2,916,489,000)

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

Retainages payable	(364,788)	
Accrued interest	(5,559,000)	
Bonds and related premiums	(748,853,464)	
Due to other governments	(7,413,332)	
Compensated absences	(23,903,228)	
Workers' compensation	<u>(48,006,000)</u>	(834,099,812)

Net position - governmental activities \$ (2,491,123,833)

See accompanying notes.

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

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

For the year ended June 30, 2020

(With summarized comparative totals for June 30, 2019)

	General	Special Aid	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds	
					2020	2019
Revenues						
Contributions from City of Buffalo	\$ 62,148,344	\$ -	\$ -	\$ -	\$ 62,148,344	\$ 61,367,016
School tax relief reimbursement	8,674,414	-	-	-	8,674,414	9,455,742
Nonproperty tax items	48,519,017	-	-	-	48,519,017	48,767,444
Charges for services	3,536,185	-	-	-	3,536,185	3,517,805
Use of money and property	592,474	-	99,365	340,993	1,032,832	1,138,015
Sale of property and compensation for loss	10,513	-	-	-	10,513	34,374
Miscellaneous	6,077,807	3,286,493	-	61,737	9,426,037	25,843,462
State sources	779,270,635	37,997,696	9,368,199	1,400,541	828,037,071	823,720,650
Federal sources	4,109,487	58,123,789	-	30,102,827	92,336,103	96,960,367
Sales	-	-	-	978,051	978,051	1,301,032
Total revenues	912,938,876	99,407,978	9,467,564	32,884,149	1,054,698,567	1,072,105,907
Expenditures						
General support	69,796,805	2,930,992	-	29,066,729	101,794,526	104,275,223
Instruction - regular	336,425,424	78,745,924	-	-	415,171,348	428,911,446
Instruction - charter	130,925,843	1,482,350	-	-	132,408,193	126,642,996
Pupil transportation	39,086,610	1,630,371	-	-	40,716,981	56,533,632
Community service	147,984	-	-	5,770	153,754	154,812
Employee benefits	171,373,714	22,485,693	-	2,299,464	196,158,871	201,976,088
Debt service						
Principal	-	-	-	57,158,334	57,158,334	54,413,334
Interest	-	-	-	35,086,116	35,086,116	37,753,516
Capital outlay	-	-	16,959,621	429,652	17,389,273	19,773,273
Total expenditures	747,756,380	107,275,330	16,959,621	124,046,065	996,037,396	1,030,434,320
Excess revenues (expenditures)	165,182,496	(7,867,352)	(7,492,057)	(91,161,916)	58,661,171	41,671,587
Other financing sources (uses)						
Transfer to City of Buffalo for debt service	(11,675,122)	-	-	-	(11,675,122)	(10,429,505)
Operating transfers, net	(111,180,892)	7,867,352	12,392,264	90,921,276	-	-
Total other financing sources (uses)	(122,856,014)	7,867,352	12,392,264	90,921,276	(11,675,122)	(10,429,505)
Net change in fund balances	42,326,482	-	4,900,207	(240,640)	46,986,049	31,242,082
Fund balances - beginning	223,663,200	-	5,591,478	47,631,771	276,886,449	245,644,367
Fund balances - ending	\$ 265,989,682	\$ -	\$ 10,491,685	\$ 47,391,131	\$ 323,872,498	\$ 276,886,449

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, 2020

Total net change in fund balances - governmental funds		\$ 46,986,049
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of the assets is allocated over estimated useful lives as depreciation expense. This is the amount by which depreciation expense and disposals exceed capital outlays (net of retainages).		
		(59,865,831)
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:		
2020 TRS and ERS contributions	33,345,115	
2020 ERS accrued contribution	1,538,198	
2019 ERS accrued contribution	(1,499,509)	
2020 TRS net pension expense	(56,190,033)	
2020 ERS net pension expense	<u>(13,645,288)</u>	(36,451,517)
OPEB expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities.		
		4,500,000
Payments of long-term liabilities, including bonds and amounts due to New York State, are reported as expenditures in the governmental funds and as a reduction of debt in the statement of net position.		
		67,667,334
In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds these expenditures are reported when paid. These differences are:		
Amortization of defeasance loss	(2,248,446)	
Amortization of bond premiums	10,064,929	
Interest	557,784	
Worker's compensation	(3,324,000)	
Compensated absences	<u>(1,094,064)</u>	3,956,203
Change in net position - governmental activities		\$ 26,792,238

See accompanying notes.

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, 2020

	Budgeted Amounts		Actual (Budgetary Basis)	Encumbrances	Variance with Final Budget Over/(Under)
	Original	Final			
Revenues					
Local sources					
Contributions from City of Buffalo	\$ 60,348,132	\$ 60,348,132	\$ 62,148,344		\$ 1,800,212
School tax relief reimbursement	10,474,626	10,474,626	8,674,414		(1,800,212)
Nonproperty tax items	47,000,000	47,000,000	48,519,017		1,519,017
Charges for services	2,200,000	2,200,000	3,536,185		1,336,185
Use of money and property	115,000	115,000	592,474		477,474
Sale of property and compensation for loss	64,939	64,939	10,513		(54,426)
Miscellaneous	8,863,927	8,863,927	6,077,807		(2,786,120)
State sources	784,383,376	784,383,376	779,270,635		(5,112,741)
Federal sources	2,600,000	2,600,000	4,109,487		1,509,487
Total revenues	916,050,000	916,050,000	912,938,876		(3,111,124)
Expenditures					
General support					
Board of education	248,623	290,022	268,632	7,940	(13,450)
Central administration	1,231,592	1,303,438	1,258,819	24,645	(19,974)
Finance	3,570,022	3,597,241	3,310,496	67,471	(219,274)
Staff	3,820,431	3,718,096	3,244,708	33,060	(440,328)
Central services	66,411,158	65,968,121	59,750,260	2,519,214	(3,698,647)
Special items	2,455,338	2,003,667	1,963,890	2,728	(37,049)
Instruction					
Instruction, administration, and improvement	36,365,150	36,735,984	33,768,827	24,550	(2,942,607)
Teaching - regular school	149,409,185	150,554,212	143,368,134	1,051,723	(6,134,355)
Programs for children with handicapping conditions	113,337,900	115,178,644	110,265,530	99,195	(4,813,919)
Occupational education	21,184,620	21,592,293	21,358,933	1,693	(231,667)
Teaching - special schools	2,523,370	2,426,052	2,254,875	10,110	(161,067)
Charter school payments	133,880,073	130,936,516	130,925,844	-	(10,672)
Instructional media	5,509,556	5,444,447	4,552,409	799,472	(92,566)
Pupil services	23,025,227	22,942,380	20,856,715	105,797	(1,979,868)
Pupil transportation	58,866,452	58,248,116	39,086,610	28,537	(19,132,969)
Community service	139,589	149,185	147,984	-	(1,201)
Employee benefits	193,104,719	185,493,577	171,373,714	-	(14,119,863)
Total expenditures	815,083,005	806,581,991	747,756,380	4,776,135	(54,049,476)
Excess revenues (expenditures)	100,966,995	109,468,009	165,182,496	(4,776,135)	50,938,352
Other financing sources (uses)					
Transfers to City of Buffalo for debt service	(9,759,044)	(11,709,044)	(11,675,122)		(33,922)
Operating transfers in	1,350,000	1,350,000	580,693		(769,307)
Operating transfers out	(106,111,276)	(111,819,687)	(111,761,585)		(58,102)
Appropriated fund balance, reserves, and carryover encumbrances	13,553,325	12,710,722	-		(12,710,722)
Total other financing sources (uses)	(100,966,995)	(109,468,009)	(122,856,014)		(13,388,005)
Excess revenues (expenditures) and other financing sources (uses)	\$ -	\$ -	\$ 42,326,482	\$ (4,776,135)	\$ 37,550,347

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

June 30, 2020

	Private-Purpose Trusts	Agency
Assets		
Cash and cash equivalents	\$ 6,007	\$ 1,151,699
Due from governmental funds, net	-	503,704
Total assets	6,007	\$ 1,655,403
Liabilities		
Extraclassroom activities balances	-	\$ 1,121,722
Agency liabilities	-	533,681
Total liabilities	-	\$ 1,655,403
Net Position		
Restricted for scholarships	\$ 6,007	

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

Statement of Changes in Fiduciary Net Position

For the year ended June 30, 2020

	Private-Purpose Trusts
Additions	
Interest earnings	\$ 9
Net position - beginning	5,998
Net position - ending	\$ 6,007

See accompanying notes.

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

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

The Board of Education, City of Buffalo, New York (the Board) is governed by Education and other laws of the State of New York (the State). The Board of Education has responsibility and control over all activities related to public school education within the Board. The Board's Superintendent is the chief executive officer. Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to influence operations, and the primary accountability for fiscal matters.

The Board provides education and support services such as administration, transportation, and plant maintenance. The Board receives funding from local, state, and federal sources and must comply with requirements of these funding sources. The Board is financially dependent upon the City of Buffalo (the City) and other governments and has no independent authority to contract bonded indebtedness or levy taxes, with the exception of the Special Program Revenue Bonds issued by the State of New York Municipal Bond Bank Agency (Note 5). The Board's reporting entity does not contain any component units as defined by accounting standards.

The financial statements of the Board, a component unit of the City, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

Joint Schools Construction Board

The Buffalo Joint Schools Construction Board (the JSCB) is an inter-municipal joint cooperative board created by resolutions of the Board and the City of Buffalo Common Council (the Council) and by amendment of the City Charter, §18-59 and §18-60, to assist in a comprehensive program to redevelop the Board's school buildings and facilities. The JSCB is comprised of two Board designees, the Superintendent of Schools, the Mayor, the City Comptroller, and one Council designee.

As further explained in the Joint Schools Construction Board Information section of these financial statements, although the Buffalo Schools Act conferred extensive powers upon the JSCB in relation to the construction of new educational facilities, it assigned to the JSCB only limited functions in relation to the reconstruction of existing schools, which the act authorized the Board to finance and implement as projects of the Erie County Industrial Development Agency (ECIDA). Phases I, II, III, IV, and V of the project were authorized by amendments to the Buffalo Schools Act as ECIDA reconstruction projects. The JSCB's role was principally to assist and advise the Board in developing projects up to the point when plans and specifications had been approved by the State Education Department, financing was completed and available, and construction began. The JSCB was also assigned to monitor implementation of the project's workforce and business diversification plan and to compare the financing available through ECIDA with financing available through the municipal bond agency, and to employ the financing that resulted in the lowest cost to the taxpayers. For Phase III, the JSCB was also required to submit certain cost reports to State officials and could not proceed with the projects if estimated costs did not meet certain limits prescribed in the Phase III regulation.

As a result of the completion of the projects overseen by JSCB, it is not anticipated that any more activity or business will be conducted and the JSCB special-revenue fund is no longer presented within the governmental funds. On a government-wide basis, all related capital assets and long-term debt are included within the Board's financial statements.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display financial activities of the overall Board, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. These statements are required to distinguish between *governmental* and *business-type* activities of the Board. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Board does not maintain any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities.

- Direct expenses are those that are specifically associated with a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the Board's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational requirements of a particular program, and (c) grants and contributions limited to the purchase of specific capital assets. Revenues that are not classified as program revenues, including the City's contribution, sales taxes, and state aid, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Board's funds, including fiduciary funds. Separate statements for each fund category - *governmental and fiduciary* - are presented. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Board reports the following major funds:

- *General fund.* This is the Board's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Special aid fund.* This fund is used to account for the proceeds of specific revenue sources – other than expendable trusts or major capital projects – such as federal, state, and local grants and awards that are restricted or committed to expenditure for specific purposes. Either governments or other third parties providing the grant funds impose these restrictions.

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

- *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 reports the following governmental funds as nonmajor governmental funds:

- *Debt service fund.* This fund is used to account for resources that are restricted to expenditure for principal and interest on the Board's long-term debt, except for amounts held by the City, which are recorded in the general and capital funds as transfers to the City. Financial resources that are being accumulated for principal and interest payments maturing in future years are also included in this fund.
- *School food service fund.* This fund is a special revenue fund whose specific revenue sources, including free and reduced meal subsidies received from state and federal programs, are assigned to the operation of the Board's breakfast, lunch, summer food, and Root Culinary programs.
- *Special activities fund.* This fund is used to account for transactions that support miscellaneous local grants and donations. The proceeds are legally restricted to expenditures for specified purposes.
- *Permanent fund.* This fund is used to report resources that are legally restricted to the extent that earnings, and not principal, may be used for the purposes that support the Board's programs.

The Board reports the following fiduciary funds:

- *Private-purpose trust fund.* This fund reports trust arrangements under which principal and income benefit various third party scholarship arrangements.
- *Agency fund.* This fund accounts for assets held by the Board as agent for various student groups and clubs, payroll, and employee third party withholdings. The agency fund is custodial in nature and does not involve measurement of results of operations.

The financial statements include certain prior year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Board's financial statements for the year ended June 30, 2019, from which the summarized information was derived. Such statements were audited by other auditors, whose report dated October 21, 2019 expressed an unmodified opinion on those financial statements.

Basis of Accounting and Measurement Focus

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if they are collected within one year after year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset purchases are reported as expenditures in governmental funds. Proceeds of long-term liabilities and equipment and property purchased under capital leases are reported as other financing sources.

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Amounts received in advance of the expenditures are considered unearned and reported as revenue when the expense is incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Budget Process, Amendments, and Encumbrances

Prior to May 1, the Board submits to the Mayor of the City its budget request and financial plan for the fiscal year beginning July 1. On or before May 1, the Mayor submits to the City Council a complete operating plan which includes the Board's estimated revenues and proposed expenditures. The City Council then acts upon the Mayor's recommended Board budget and may make additions or deletions within its authority as provided by the City Charter. The Board's budget, as approved by the City Council, is limited to total estimated revenues and proposed expenditures.

Annual appropriations are adopted and employed for control of the general fund. These budgets are adopted on a GAAP basis under the modified accrual basis of accounting. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations authorized for the current year may be increased by the planned use of specific restricted, committed, and assigned fund balances and subsequent budget amendments approved by the Board as a result of new revenue sources not included in the original budget.

Major capital expenditures are subject to individual project budgets based on the cost of the project and external financing rather than annual appropriations. For the capital projects fund, these budgets do not lapse at year end and are carried over to the completion of the project.

Encumbrance accounting is used to assure budgetary control over commitments related to unperformed (executory) contracts for goods or services outstanding at the end of each year. Encumbrances are budgetary expenditures in the year committed and again in the subsequent period when the expenditure is paid. All budget appropriations that are unencumbered lapse at the end of the fiscal year. Encumbrances outstanding at year end are presented for GAAP-related purposes as committed or assigned fund balances and do not constitute expenditures or liabilities. At July 1, encumbrances carried forward from the prior year are reestablished as budgeted appropriations.

Cash and Cash Equivalents

The Board's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

Inventory and Prepaid Expenses

Inventories of food and or/supplies in the general and school food service funds are recorded at cost on a first-in, first-out basis. Donated commodities are stated at values which approximate market. Certain payments to vendors reflect expenditures applicable to future periods and are reflected as prepaid expenses.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals. Contributed assets are recorded at fair value at the time received. Depreciation is provided in the government-wide statements over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization Policy	Estimated Useful Life in Years
Land improvements	\$ 5,000	20
Buildings and improvements	\$ 5,000	20-50
Equipment	\$ 5,000	5-10
Vehicles	\$ 5,000	7

Bond Defeasances

In the government-wide financial statements, gains or losses on bond refundings represent the difference between the price required to repay previously issued debt and the net carrying amount of the retired debt, and are recorded as either a deferred outflow or deferred inflow of resources. In subsequent years, these amounts are amortized on a straight-line basis as a component of interest expense over the shorter of the life of the old or new debt.

Bond Premiums

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

Pensions

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

Other Postemployment Benefits (OPEB)

On the government-wide statements, the total OPEB liability, deferred outflows and deferred inflows of resources, and OPEB expense for the Board's defined benefit healthcare plan (Note 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

- *Net investment in capital assets* - consists of capital assets, net of accumulated depreciation, and defeasance losses, reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or the terms of the Board's bonds. Restricted net position is consistent with restricted fund balance at June 30, 2020, plus nonspendable net position in the permanent fund.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by the Board.

Governmental Fund Statements

The Board considers unrestricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, unless the use of the restricted amount was appropriated in the current year's budget. Within unrestricted fund balance, the Board allows the Chief Financial Officer or his designee to determine the order in which to use committed, assigned, and unassigned resources when an expenditure is incurred for which amounts in any of those fund balance classifications could be used.

Restricted fund balances generally result from reserves created by the State of New York Legislature and included in General Municipal Law or State Education Law as authorized for use by the Board of Education. Earnings on invested resources are required to be added to the various reserves.

Committed fund balances are authorized by the Board of Education as recommended by the Board's management prior to the end of the fiscal year, although funding of the commitment may be established subsequent to year end.

Fund balance restrictions consist of the following reserves:

- *Unemployment insurance* – is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants as the Board has elected to use the benefit reimbursement method.
- *Judgments, property loss, and claims* – is used to cover self-insured property loss retention or liability claims that are not insured.
- *Fiscal stabilization* – created by the State Laws of 2000, Chapter 88, for the purpose of maintaining the fiscal stability of the Board, this reserve can be used to support the Board's educational programs and any liability incurred by the Board in carrying out its functions and responsibilities under Education Law.
- *Debt service* – is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations (including bond premiums), and remaining bond proceeds not needed for their original purpose as required under §165 of Finance Law. This reserve must be used to pay the debt service obligations for which the original money was generated.
- *Special activities* – is used to account for activity from miscellaneous local grants and donations.

The Board of Education has given the Chief Financial Officer the authority to assign fund balances for specific purposes that are neither restricted nor committed. Assigned fund balances include amounts designated for OPEB, health insurance, capital projects and repairs, and other purposes. Nonspendable fund balances represent resources that cannot be spent as they are not expected to be converted to cash and include inventory, prepaid deposits, and endowment balances.

Interfund Balances

The operations of the Board include transactions between funds including resources for cash flow purposes. These interfund receivables and payables are repaid within one year. Permanent transfers of funds provide financing or other services.

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

Interfund receivables and payables are netted on the accompanying governmental funds balance sheet as the right of legal offset exists. It is the Board's practice to settle these amounts at the net balances due between funds.

2. 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, 2020, 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 \$324,211,910. 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 \$39,289,914 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 2008, 2009, 2011, 2012, and 2013 bond proceeds is to be deposited and maintained by the trustee in the debt service fund and amounted to \$16,019,666 as of June 30, 2020.

Restricted Cash and Cash Equivalents

Cash and cash equivalents in the amount of \$680,709 are restricted in the general fund to support obligations related to workers' compensation claims, along with an account held in trust with the Buffalo Teacher's Federation in relation to a previous teachers' settlement agreement.

In accordance with the Local Share Trust and Depository Agreement, the local share contribution of the JSCB projects is to be held in trust and can only be disbursed as specified by the aforementioned agreement. Such amounts total \$11,775,742 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	\$ 9,999,219	\$ -	\$ 580,693	\$ 111,761,585
Capital projects	-	9,985,662	12,392,264	-
Debt service	-	-	103,227,039	12,972,957
Special aid	202,934	720,195	7,867,352	-
School food service	-	-	667,194	-
Fiduciary	535,531	31,827	-	-
	<u>\$ 10,737,684</u>	<u>\$ 10,737,684</u>	<u>\$ 124,734,542</u>	<u>\$ 124,734,542</u>

The general fund provides cash flow to the various other funds; these amounts are repaid when funds are received from the State after final expenditure reports have been submitted and approved or when permanent financing is obtained. The general fund made permanent transfers to the special aid fund to cover its share of costs related to the summer school handicap program, to the school food service program for operations, 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, 2019	Increases	Retirements/ Reclassifications	June 30, 2020
Non-depreciable capital assets:				
Land	\$ 3,011,900	\$ -	\$ -	\$ 3,011,900
Construction in progress	34,394,474	17,306,714	(22,346,843)	29,354,345
Total non-depreciable assets	37,406,374	17,306,714	(22,346,843)	32,366,245
Depreciable capital assets:				
Land improvements	5,542,686	-	-	5,542,686
Buildings and improvements	1,769,206,673	188,802	12,986,138	1,782,381,613
Equipment and vehicles	31,406,286	1,211,947	9,203,000	41,821,233
Total depreciable assets	1,806,155,645	1,400,749	22,189,138	1,829,745,532
Less accumulated depreciation:				
Land improvement	4,660,356	88,087	-	4,748,443
Buildings and improvements	955,326,172	76,863,295	-	1,032,189,467
Equipment and vehicles	23,695,309	1,639,958	(157,705)	25,177,562
Total accumulated depreciation	983,681,837	78,591,340	(157,705)	1,062,115,472
Total depreciable assets, net	822,473,808	(77,190,591)	22,346,843	767,630,060
	\$ 859,880,182	\$ (59,883,877)	\$ -	\$ 799,996,305

Depreciation expense has been allocated to the following functions: general support \$4,881,739, instruction \$70,592,229, pupil transportation \$1,181,409, and food service \$1,935,963.

As of June 30, 2020, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	\$ 799,996,305
Defeasance loss	22,095,496
Bonds payable and related premiums, net of unspent proceeds	(723,243,798)
Net investment in capital assets	\$ 98,848,003

5. Long-Term Liabilities

	July 1, 2019	Increases	Decreases	June 30, 2020	Amount Due in One Year
Due to City for bonds payable	\$ 35,989,000	\$ -	\$ 10,509,000	\$ 25,480,000	\$ 8,345,000
JSCB bonds payable	689,515,000	-	55,780,000	633,735,000	65,280,000
Revenue bonds payable	10,255,000	-	665,000	9,590,000	695,000
Premium on bonds	90,113,393	-	10,064,929	80,048,464	10,064,928
Due to New York State	8,126,666	-	713,334	7,413,332	713,332
Compensated absences	22,809,164	1,094,064	-	23,903,228	9,952,000
Workers' compensation	44,682,000	11,477,000	8,153,000	48,006,000	9,623,000
	\$ 901,490,223	\$ 12,571,064	\$ 85,885,263	\$ 828,176,024	\$ 104,673,260

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 \$11,675,112 for the year ended June 30, 2020.

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.

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%	\$ 7,413,332
2012 Revenue bonds	May 2031	3.0%-5.0%	9,590,000
2011-2016 JSCB revenue and refunding bonds	May 2031	0.75%-5.25%	633,735,000
2010-2016 City of Buffalo serial and refunding bonds	April 2026	3.0%-5.0%	25,480,000
			<u>\$ 676,218,332</u>

Debt Service Requirements

Years ending June 30,	Bonds Payable		Due to New York State
	Principal	Interest	Principal
2021	\$ 74,320,000	\$ 33,008,941	\$ 713,332
2022	80,640,000	29,485,823	713,334
2023	84,460,000	25,545,566	713,334
2024	80,780,000	21,430,541	713,332
2025	74,450,000	17,491,016	713,334
2026-2030	247,410,000	40,543,922	3,566,666
2031-2035	26,745,000	1,688,376	233,334
2036	-	-	46,666
	<u>\$ 668,805,000</u>	<u>\$ 169,194,185</u>	<u>\$ 7,413,332</u>

Leases

The Board leases property and equipment under the terms of various operating leases. Rental expense for all of such leases amounted to \$5,457,734 for the year ended June 30, 2020. Future minimum rentals to be paid for all noncancelable operating leases are:

Years ending June 30,	
2021	\$ 7,146,000
2022	6,656,000
2023	6,274,000
2024	6,301,000
2025	6,603,000
2026-2030	25,517,000
2031-2035	15,279,000
	<u>\$ 73,776,000</u>

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 8.86% for 2020. 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 2020, these rates ranged from 9.4% - 21.4%.

The amount outstanding and payable to TRS for the year ended June 30, 2020 was \$27,347,081. A liability to ERS of \$1,538,198 is accrued based on the Board's legally required contribution for employee services rendered from April 1 through June 30, 2020.

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

At June 30, 2020, the Board reported an asset of \$46,418,092 for its proportionate share of the TRS net pension position and a liability of \$38,334,713 for its proportionate share of the ERS net pension position.

The TRS net pension position was measured as of June 30, 2019, and the total pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures applied to roll forward the net pension position to June 30, 2019. 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, 2019, the Board's proportion was 1.786681%, a decrease of 0.035361 from its proportion measured as of June 30, 2018.

The ERS net pension position was measured as of March 31, 2020, and the total pension liability was determined by an actuarial valuation as of April 1, 2019. The Board's proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At the March 31, 2020 measurement date, the Board's proportion was 0.1447654%, an increase of 0.0048624 from its proportion measured as of March 31, 2019.

For the year ended June 30, 2020, the Board recognized net pension expense of \$69,835,321 on the government-wide statements (TRS expense of \$56,190,033 and ERS expense of \$13,645,288). At June 30, 2020, 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	\$ 31,456,356	\$ 3,451,740	\$ 2,256,153	\$ -
Changes of assumptions	87,689,986	21,381,299	771,880	666,505
Net difference between projected and actual earnings on pension plan investments	-	37,224,916	19,652,237	-
Changes in proportion and differences between contributions and proportionate share of contributions	3,891,761	7,735,230	1,346,619	73,280
Board contributions subsequent to the measurement date	27,347,081	-	1,538,198	-
	<u>\$ 150,385,184</u>	<u>\$ 69,793,185</u>	<u>\$ 25,565,087</u>	<u>\$ 739,785</u>

Board contributions subsequent to the measurement date will be recognized as an addition to (a reduction of) the net pension asset (liability) in the year ending June 30, 2021. 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
2021	\$ 19,821,926	\$ 4,173,461
2022	154,239	5,918,905
2023	19,745,809	7,354,341
2024	12,632,296	5,840,397
2025	2,006,506	-
Thereafter	(1,115,858)	-
	<u>\$ 53,244,918</u>	<u>\$ 23,287,104</u>

Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2018 valuation, with update procedures used to roll forward the total pension liability to June 30, 2019, were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014. These assumptions are:

Inflation – 2.2%

Salary increases – Based on TRS member experience, dependent on service, ranging from 1.90%-4.72%

Projected Cost of Living Adjustments (COLA) – 1.3% compounded annually

Investment rate of return – 7.1% compounded annually, net of investment expense, including inflation

Mortality – Based on TRS member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018, applied on a generational basis

Discount rate – 7.1%

The long-term expected rate of return on TRS pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

For ERS, the actuarial assumptions used in the April 1, 2019 valuation, with update procedures used to roll forward the total pension liability to March 31, 2020, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Inflation – 2.5%

Salary increases – 4.2%

COLA – 1.3% annually

Investment rate of return – 6.8% compounded annually, net of investment expense, including inflation

Mortality – Society of Actuaries' Scale MP-2018

Discount rate – 6.8%

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%	6.3%	36%	4.1%
Global and international equities	20%	7.2%-7.8%	14%	6.2%
Private equities	8%	9.9%	10%	6.8%
Real estate	11%	4.6%	10%	5.0%
Inflation-indexed bonds	-	-	4%	0.5%
Domestic fixed income securities	16%	1.3%	-	-
Global fixed income securities	2%	0.9%	-	-
Bonds and mortgages	7%	2.9%	17%	0.8%
Short-term	1%	0.3%	1%	-
Other	2%	3.6%-6.5%	8%	3.3%-6.0%
	<u>100%</u>		<u>100%</u>	

Discount Rate

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

The following presents the Board's proportionate share of its net pension position calculated using the discount rate of 7.1% (TRS) and 6.8% (ERS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

	At Current		
	1.0% Decrease	Discount Rate	1.0% Increase
Board's proportionate share of the TRS net pension asset (liability)	\$ (209,526,423)	\$ 46,418,092	\$ 261,126,659
Board's proportionate share of the ERS net pension asset (liability)	\$ (70,355,022)	\$ (38,334,713)	\$ (8,843,873)

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 over the age of 55 and have met vesting requirements. Retirees have various contribution requirements based on the bargaining agreement terms in effect at the time of retirement. The Plan has no assets, does not issue financial statements, and is not a trust.

At June 30, 2019, employees covered by the Plan include:

Active employees	5,061
Inactive employees or beneficiaries currently receiving benefits	3,978
Inactive employees entitled to but not yet receiving benefits	-
	9,039

Total OPEB Liability

The Board's total OPEB liability of \$2,613,913,000 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019, rolled forward through an interim valuation to June 30, 2020.

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 2026

Salary increases – 1.76% to 10.3%

Mortality – MP-2018 Society of Actuaries' Pub-2010 mortality table fully generational for healthy general and teacher retirees

Discount rate – 2.66% 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, 2019	\$ 2,395,142
Changes for the year:	
Service cost	72,956
Interest	85,561
Changes of benefit terms	-
Differences between expected and actual experience	(229,606)
Changes of assumptions or other inputs	351,329
Benefit payments	(61,469)
Net changes	218,771
Balance at June 30, 2020	\$ 2,613,913

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	Discount Rate	1.0% Increase
	(1.66%)	(2.66%)	(3.66%)
Total OPEB liability	\$ (3,117,105)	\$ (2,613,913)	\$ (2,218,889)

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):

	Healthcare Cost		
	1.0% Decrease (6.50% to 3.50%)	Trend Rate (7.50% to 4.50%)	1.0% Increase (8.50% to 5.50%)
Total OPEB liability	\$ (2,156,484)	\$ (2,613,913)	\$ (3,219,440)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended June 30, 2020, the Board recognized OPEB expense of \$56,969,000. At June 30, 2020, 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	\$ -	\$ (560,204)
Changes of assumptions or other inputs	422,838	(165,210)
	\$ 422,838	\$ (725,414)

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

Years ending June 30,	Amount (in thousands)
2021	\$ (101,548)
2022	(101,548)
2023	(101,547)
2024	(33,325)
2025	18,003
Thereafter	17,389
	\$ (302,576)

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 claim liabilities incurred but not paid based on an actuarial valuation. The Board maintains excess insurance coverage that limits their self-funded exposure to \$600,000 per individual occurrence in a given plan year in the aggregate.

At the end of the year, the Board records the liability for claims paid subsequent to year end as an accrued liability and a 21-day pre-funded escrow requirement held on deposit by the third party administrator as a receivable.

Claims activity is as follows:

	2020	2019
Estimated claims liability, beginning of year	\$ 10,235,122	\$ 10,235,122
Current year claims and changes in estimates	127,332,000	132,970,000
Claim payments	<u>(127,332,000)</u>	<u>(132,970,000)</u>
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 17, 2020. 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, 2020 and 2019 are as follows:

	2020	2019
Estimated claims liability, beginning of year	\$ 44,682,000	\$ 43,763,000
Current year claims	11,477,000	10,480,000
Claim payments	<u>(8,153,000)</u>	<u>(9,561,000)</u>
Estimated claims liability, end of year	<u>\$ 48,006,000</u>	<u>\$ 44,682,000</u>

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.

As of June 30, 2020, the Board recorded a \$5,200,000 reserve against State aid receivables outstanding in the special aid fund to recognize the potential withholding of 20% by the State. The State has announced that due to its COVID-19-related fiscal crisis, it may withhold 20% of payments made to localities and school districts, and the withholding could become permanent.

Encumbrances

Significant outstanding encumbrances in the general fund as of June 30, 2020 include \$302,000 for equipment, \$1,683,000 for supplies, and \$2,791,000 for contractual services.

Litigation

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

Commitments

The Board has approved and plans to spend up to \$88,187,000 for various capital projects that remain in progress at year end. Amounts outstanding under these projects totaled \$16,285,000 at June 30, 2020.

10. Risks and Uncertainties

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and all schools, resulting in a severe disruption of operations for organizations. The extent of the impact of COVID-19 on the Board's operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on school districts, including its residents, employees, and vendors, none of which can be predicted.

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

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Position
New York State Teachers' Retirement System

As of the measurement date of June 30,	2019	2018	2017	2016	2015	2014
District's proportion of the net pension position	1.786681%	1.822042%	1.836709%	1.651498%	1.668248%	1.695591%
District's proportionate share of the net pension asset (liability)	\$ 46,418,092	\$ 32,947,326	\$ 13,960,812	\$ (17,688,235)	\$ 173,277,759	\$ 188,878,283
District's covered payroll	\$ 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	15.56%	9.47%	4.80%	6.94%	69.15%	75.41%
Plan fiduciary net position as a percentage of the total pension liability	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
The following is a summary of changes of assumptions:						
Inflation	2.2%	2.25%	2.5%	2.5%	3.0%	3.0%
Salary increases	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	4.0%-10.9%	4.0%-10.9%
Cost of living adjustments	1.3%	1.5%	1.5%	1.5%	1.625%	1.625%
Investment rate of return	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%
Discount rate	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%
Society of Actuaries' mortality scale	MP-2018	MP-2014	MP-2014	MP-2014	AA	AA

Data prior to 2014 is unavailable.

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

Required Supplementary Information
Schedule of District Contributions
New York State Teachers' Retirement System

For the years ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 27,347,081	\$ 31,671,613	\$ 34,111,928	\$ 34,062,426	\$ 33,792,412	\$ 43,929,324	\$ 40,700,597	\$ 28,341,558	\$ 26,491,441	\$ 20,465,737
Contribution in relation to the contractually required contribution	(27,347,081)	(31,671,613)	(34,111,928)	(34,062,426)	(33,792,412)	(43,929,324)	(40,700,597)	(28,341,558)	(26,491,441)	(20,465,737)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 308,657,799	\$ 298,226,111	\$ 348,080,898	\$ 290,635,034	\$ 254,844,736	\$ 250,595,117	\$ 250,465,212	\$ 239,371,267	\$ 238,446,814	\$ 237,421,543
Contributions as a percentage of covered payroll	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%	11.11%	8.62%

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

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

As of the measurement date of March 31,	2020	2019	2018	2017	2016	2015
District's proportion of the net pension position	0.1447654%	0.139903%	0.136396%	0.132444%	0.141447%	0.142493%
District's proportionate share of the net pension liability	\$ (38,334,713)	\$ (9,912,527)	\$ (4,402,094)	\$ (12,444,723)	\$ (22,702,665)	\$ (4,813,758)
District's covered payroll	\$ 44,405,569	\$ 42,572,064	\$ 40,206,979	\$ 41,408,099	\$ 39,110,981	\$ 39,110,981
District's proportionate share of the net pension position as a percentage of its covered payroll	86.33%	23.28%	10.95%	30.05%	58.05%	12.31%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%
The following is a summary of changes of assumptions:						
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	4.2%	4.2%	3.8%	3.8%	3.8%	4.9%
Cost of living adjustments	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Society of Actuaries' mortality scale	MP-2018	MP-2014	MP-2014	MP-2014	MP-2014	MP-2014

Data prior to 2015 is unavailable.

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

Required Supplementary Information
Schedule of District Contributions
New York State and Local Employees' Retirement System

For the years ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 5,998,034	\$ 5,947,217	\$ 6,266,223	\$ 6,004,084	\$ 6,923,385	\$ 7,335,763	\$ 8,494,573	\$ 8,436,183	\$ 7,065,431	\$ 4,440,936
Contribution in relation to the contractually required contribution	(5,998,034)	(5,947,217)	(8,970,690)	(6,252,808)	(7,163,096)	(7,566,788)	(5,070,646)	(8,436,183)	(7,065,431)	(4,440,936)
Contribution deficiency (excess)*	\$ -	\$ -	\$ (2,704,467)	\$ (248,724)	\$ (239,711)	\$ (231,025)	\$ 3,423,927	\$ -	\$ -	\$ -
District's covered payroll	\$ 44,405,569	\$ 42,572,064	\$ 40,206,979	\$ 41,408,099	\$ 39,110,981	\$ 39,579,898	\$ 40,651,043	\$ 39,735,784	\$ 34,302,213	\$ 38,838,292
Contributions as a percentage of covered payroll	13.51%	13.97%	15.58%	14.50%	17.70%	18.53%	20.90%	21.23%	20.60%	11.43%

*In 2014, the District elected to participate in the Contribution Stabilization Program. As a result, the District's 2014 payment was reduced by \$3,423,927, which was deferred and paid in installments over the next four years until fully repaid during 2018.

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

Required Supplementary Information
Schedule of Changes in the District's Total
OPEB Liability and Related Ratios (In thousands)

June 30,	2020	2019	2018	2017
Total OPEB liability - beginning	\$ 2,395,142	\$ 2,290,152	\$ 2,535,305	\$ 2,852,359
Changes for the year:				
Service cost	72,956	71,543	82,946	105,405
Interest	85,561	90,227	92,126	82,361
Changes of benefit terms	-	-	509	-
Differences between expected and actual experience	(229,606)	(166,075)	(234,596)	(202,349)
Changes of assumptions or other inputs	351,329	170,379	(124,707)	(238,475)
Benefit payments	(61,469)	(61,084)	(61,431)	(63,996)
Net change in total OPEB liability	218,771	104,990	(245,153)	(317,054)
Total OPEB liability - ending	\$ 2,613,913	\$ 2,395,142	\$ 2,290,152	\$ 2,535,305
Covered-employee payroll	\$ 373,087	\$ 377,000	\$ 345,602	\$ 344,791
Total OPEB liability as a percentage of covered-employee payroll	700.6%	635.3%	662.7%	735.3%

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

The following is a summary of changes of assumptions:

Healthcare cost trend rates	7.5%-4.5%	8.0%-4.5%	8.5%-5.5%	9.0%-5.0%
Salary increases	1.76%-10.30%	1.76%-10.30%	1.76%-10.30%	1.76%-10.30%
Discount rate	2.66%	3.51%	3.87%	3.56%
Inflation	1.30%	1.30%	2.50%	1.30%
Society of Actuaries' mortality scale	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, 2020

	Debt Service	School Food Service	Special Activities	Permanent	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ -	\$ 300	\$ 189,610	\$ -	\$ 189,910
Cash held by the City of Buffalo	-	17,050,881	-	-	17,050,881
Cash with fiscal agent	16,019,666	-	-	-	16,019,666
Cash and cash equivalents - restricted	11,775,742	-	-	312,277	12,088,019
Accounts receivable	-	56,437	-	-	56,437
State and federal aid receivable	-	2,595,522	-	-	2,595,522
Inventory	-	1,192,707	-	-	1,192,707
Total assets	\$ 27,795,408	\$ 20,895,847	\$ 189,610	\$ 312,277	\$ 49,193,142
Liabilities and Fund Balances					
Accounts payable	\$ -	\$ 1,314,423	\$ -	\$ -	\$ 1,314,423
Accrued liabilities	-	487,588	-	-	487,588
Total liabilities	-	1,802,011	-	-	1,802,011
Fund Balances					
Nonspendable:					
Inventory	-	1,192,707	-	-	1,192,707
Endowment	-	-	-	312,277	312,277
Restricted:					
Debt service	27,795,408	-	-	-	27,795,408
Special activities fund	-	-	189,610	-	189,610
Assigned:					
School food service	-	17,901,129	-	-	17,901,129
Total fund balances	27,795,408	19,093,836	189,610	312,277	47,391,131
Total liabilities and fund balances	\$ 27,795,408	\$ 20,895,847	\$ 189,610	\$ 312,277	\$ 49,193,142

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, 2020

	Debt Service	School Food Service	Special Activities	Permanent	Total Nonmajor Governmental Funds
Revenues					
Use of money and property	\$ 340,547	\$ -	\$ -	\$ 446	\$ 340,993
Miscellaneous	-	53,822	7,915	-	61,737
State sources	-	1,400,541	-	-	1,400,541
Federal sources	-	30,102,827	-	-	30,102,827
Sales	-	978,051	-	-	978,051
Total revenues	340,547	32,535,241	7,915	446	32,884,149
Expenditures					
General support	-	29,066,729	-	-	29,066,729
Community service	-	-	4,595	1,175	5,770
Employee benefits	-	2,299,464	-	-	2,299,464
Debt service					
Principal	57,158,334	-	-	-	57,158,334
Interest	35,086,116	-	-	-	35,086,116
Capital outlay	-	429,652	-	-	429,652
Total expenditures	92,244,450	31,795,845	4,595	1,175	124,046,065
Excess revenues (expenditures)	(91,903,903)	739,396	3,320	(729)	(91,161,916)
Other financing sources					
Operating transfers, net	90,254,082	667,194	-	-	90,921,276
Net change in fund balances	(1,649,821)	1,406,590	3,320	(729)	(240,640)
Fund balances - beginning	29,445,229	17,687,246	186,290	313,006	47,631,771
Fund balances - ending	\$ 27,795,408	\$ 19,093,836	\$ 189,610	\$ 312,277	\$ 47,391,131

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, 2020

Original expenditure budget	\$ 927,400,000
Encumbrances carried over from prior year	3,553,325
Budget amendments:	
Cancelled enbubrances	<u>(842,603)</u>
Revised expenditure budget	<u>\$ 930,110,722</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, 2020

Project Title	Original Budget	Revised Budget	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
Computers & Technology	\$ 1,200,000	\$ 1,236,462	\$ 1,189,882	\$ 2,490	\$ 1,192,372	\$ 44,090
Refunding Savings Phase II	27,917,363	27,944,206	27,768,848	-	27,768,848	175,358
Partial Refunding Savings Phase IV	11,063,175	11,079,507	10,733,082	49,189	10,782,271	297,236
Joint Schools Construction Board Local Share	-	2,613,256	2,596,756	16,500	2,613,256	-
Refunding Savings Phase III A&B	25,936,750	25,944,908	23,856,088	1,132,223	24,988,311	956,597
PA System Upgrades	145,584	315,584	224,789	89,339	314,128	1,456
Consolidated Capital Funds	-	4,246,767	-	-	-	4,246,767
Partial Refunding 2 Savings Phase IV	17,676,113	17,704,798	844,782	6,301,681	7,146,463	10,558,335
Pool Heater Replacement - School 84	30,000	30,000	23,350	-	23,350	6,650
Smart Schools Bond Act	10,000,000	33,321,161	20,616,795	9,368,199	29,984,994	3,336,167
Total	\$ 93,968,985	\$ 124,436,649	\$ 87,854,372	\$ 16,959,621	\$ 104,813,993	\$ 19,622,656

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, 2020

Federal Grantor/Pass-Through Grantor/Program Grant Title	CFDA Number	Grantor Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through New York State Education Department			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 5,680,964
National School Lunch Program	10.555	N/A	12,098,541
Summer Food Service Program for Children	10.559	N/A	1,114,517
COVID-19 - Summer Food Service Program for Children	10.559	N/A	<u>7,535,563</u>
			26,429,585 ¹
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
	10.561	TDA01-C00252GG-34100	61,743
Passed Through New York State Department of Health			
Child and Adult Care Food Program	10.558	N/A	851,943
Passed Through New York State Office of General Services			
National School Lunch Program	10.555	N/A	1,797,860 ¹
Fresh Fruit and Vegetable Program	10.582	N/A	<u>1,023,439</u>
Total U.S. Department of Agriculture			<u>30,164,570</u>
U.S. Department of Defense			
ROTC Language and Culture Training Grants	12.357	N/A	<u>254,901</u>
U.S. Department of Labor			
YouthBuild	17.274	YC-25402-14-60-A-36	(42,388)
WIOA Dislocated Worker Formula Grants	17.278	C015445	<u>154</u>
Total U.S. Department of Labor			<u>(42,234)</u>
U.S. Department of Education			
Direct programs			
Title I Grants to Local Educational Agencies	84.010	N/A	18,885
Indian Education Grants to Local Educational Agencies	84.060	S060A181033	6,327
Indian Education Grants to Local Educational Agencies	84.060	S060A191033	202,676
School Safety National Activities	84.184	S184G140241	36,290
Innovative Approaches to Literacy, Full-service Community Schools; and Promise Neighborhoods	84.215	S215F160281	350,569
School Improvement Grants	84.377	S377B150004	4,167

¹ total Child Nutrition Cluster totals \$28,227,445

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, 2020

Federal Grantor/Pass-Through Grantor/Program Grant Title	CFDA Number	Grantor Number	Federal Expenditures
U.S. Department of Education, continued			
Passed Through New York State Education Department			
Special Education Cluster:			
Special Education Grants to States	84.027	0032-19-0202	\$ 103,322
Special Education Grants to States	84.027	0032-20-0202	12,811,632
Special Education Grants to States	84.027	C012213	(16,382)
Special Education Preschool Grants	84.173	0033-19-0202	1,684
Special Education Preschool Grants	84.173	0033-20-0202	575,217
Total Special Education Cluster			13,475,473
Adult Education - Basic Grants to States	84.002	0040-19-2096	4,002
Adult Education - Basic Grants to States	84.002	0040-20-2096	147,946
Adult Education - Basic Grants to States	84.002	0138-19-2059	3,235
Adult Education - Basic Grants to States	84.002	0138-20-2059	119,316
Adult Education - Basic Grants to States	84.002	2338-19-3132	(20,340)
Adult Education - Basic Grants to States	84.002	2338-20-3132	498,384
Adult Education - Basic Grants to States	84.002	2338-19-3224	(14,456)
Adult Education - Basic Grants to States	84.002	2338-20-3224	98,179
Adult Education - Basic Grants to States	84.002	2338-19-3225	(5,363)
Adult Education - Basic Grants to States	84.002	2338-20-3225	128,790
Adult Education - Basic Grants to States	84.002	2338-19-3223	324
Adult Education - Basic Grants to States	84.002	2338-20-3223	90,454
Title I Grants to Local Educational Agencies	84.010	0011-18-2002	246,039
Title I Grants to Local Educational Agencies	84.010	0011-19-2002	57,042
Title I Grants to Local Educational Agencies	84.010	0011-20-2002	397,015
Title I Grants to Local Educational Agencies	84.010	0011-20-2702	172,290
Title I Grants to Local Educational Agencies	84.010	0011-20-3002	6,087
Title I Grants to Local Educational Agencies	84.010	0011-20-5030	173,897
Title I Grants to Local Educational Agencies	84.010	0011-20-5031	222,682
Title I Grants to Local Educational Agencies	84.010	0011-20-5032	158,144
Title I Grants to Local Educational Agencies	84.010	0011-20-5050	460,181
Title I Grants to Local Educational Agencies	84.010	0011-20-5051	450,418
Title I Grants to Local Educational Agencies	84.010	0011-20-5052	392,994
Title I Grants to Local Educational Agencies	84.010	0011-20-5053	467,233
Title I Grants to Local Educational Agencies	84.010	0011-20-5054	380,557
Title I Grants to Local Educational Agencies	84.010	0011-20-5055	434,930
Title I Grants to Local Educational Agencies	84.010	0011-18-7120	324
Title I Grants to Local Educational Agencies	84.010	0011-19-7120	4,279
Title I Grants to Local Educational Agencies	84.010	0016-19-0740	92,448
Title I Grants to Local Educational Agencies	84.010	0016-20-0740	333,808
Title I Grants to Local Educational Agencies	84.010	0021-18-0740	453
Title I Grants to Local Educational Agencies	84.010	0021-19-0740	1,280,805
Title I Grants to Local Educational Agencies	84.010	0021-20-0740	27,874,362

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, 2020

Federal Grantor/Pass-Through Grantor/Program Grant Title	CFDA Number	Grantor Number	Federal Expenditures
U.S. Department of Education, continued			
Passed Through New York State Education Department, continued			
School Improvement Grants	84.377	0123-19-6101	\$ 663
School Improvement Grants	84.377	0123-19-6102	14,684
School Improvement Grants	84.377	0123-19-6103	(1,955)
School Improvement Grants	84.377	0123-19-6104	(853)
School Improvement Grants	84.377	0123-19-6105	(610)
School Improvement Grants	84.377	0123-19-6106	4,001
School Improvement Grants	84.377	0123-19-7000	137
School Improvement Grants	84.377	0123-19-7002	353
School Improvement Grants	84.377	0123-19-7507	219
School Improvement Grants	84.377	0123-19-7508	3,954
School Improvement Grants	84.377	0123-19-7509	(19,937)
School Improvement Grants	84.377	0123-19-7510	835
School Improvement Grants	84.377	0123-19-7511	2,861
School Improvement Grants	84.377	0123-19-7512	4,876
Career and Technical Education - Basic Grants to States	84.048	8000-19-0075	6,342
Career and Technical Education - Basic Grants to States	84.048	8000-20-0075	419,483
Career and Technical Education - Basic Grants to States	84.048	8000-19-9002	20,264
Career and Technical Education - Basic Grants to States	84.048	8000-20-9002	457,857
English Language Acquisition State Grants	84.365	0293-19-0740	309,102
English Language Acquisition State Grants	84.365	0293-20-0740	468,573
English Language Acquisition State Grants	84.365	0014-19-0740	34,754
Mathematics and Science Partnerships	84.366	0294-19-0305	59,868
Supporting Effective Instruction State Grants	84.367	0145-19-1005	219,710
Supporting Effective Instruction State Grants	84.367	0145-20-1005	557,835
Supporting Effective Instruction State Grants	84.367	0147-19-0740	3,017,308
Student Support and Academic Enrichment Program	84.424	0196-19-1124	795,543
Student Support and Academic Enrichment Program	84.424	0196-19-2124	940,054
Student Support and Academic Enrichment Program	84.424	0204-19-0740	74,241
Student Support and Academic Enrichment Program	84.424	0204-20-0740	1,680,906
Disaster Recovery Assistance for Education	84.938	0084-19-0740	27,630
Total U.S. Department of Education			<u>57,849,544</u>
U.S. Department of Health and Human Services			
Teenage Pregnancy Prevention Program	93.297	N/A	41,464
Title V Sexual Risk Avoidance Education Program	93.787	90TS002-01-00	(197)
Total U.S. Department of Health and Human Services			<u>41,267</u>
Total Expenditures of Federal Awards			<u>\$ 88,268,048</u>

See accompanying notes.

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

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, 2020, the Board used \$1,797,860 worth of commodities under the National School Lunch Program (CFDA Number 10.555).

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of Board of Education, City of Buffalo, New York (the Board), a component unit of the City of Buffalo, New York, as of and for the year ended June 30, 2020, 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 14, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion 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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

October 14, 2020

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

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

Report on Compliance for Each Major Federal Program

We have audited Board of Education, City of Buffalo, New York's (the Board), a component unit of the City of Buffalo, New York, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2020. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

October 14, 2020

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, 2020

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

Name of Federal Program or Cluster	CFDA #	Amount
Title I Grants to Local Educational Agencies	84.010	\$ 33,624,873
School Improvement Grants	84.377	13,395
Student Support and Academic Enrichment Program	84.424	3,490,744
Special Education Grants to States	84.027	12,898,571
Special Education Preschool Grants	84.173	576,901
		<u>\$ 50,604,484</u>

Dollar threshold used to distinguish between type A and type B programs: \$2,647,859

Auditee qualified as low-risk auditee? No

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.

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

Summary Schedule of Prior Audit Findings

For the year ended June 30, 2020

Finding 2019-001:

Title I Grants to Local Education Agencies (CFDA Number 84.010)
Student Support and Academic Enrichment Program (CFDA Number 84.424)
Special Education Grants to States (CFDA Number 84.027)
Special Education Preschool Grants (CFDA Number 84.173)

Condition: The Board's control process to ensure that payroll expenditures are properly allocated to each applicable grant program includes the preparation, maintenance, and review of time and effort certifications. During the 2019 audit, there were instances of certifications not completed and reviewed timely, and, in some cases, not completed at all.

Current Status: This finding has been corrected.

JOINT SCHOOLS CONSTRUCTION BOARD INFORMATION

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

Information Regarding Joint Schools Construction Board Debt

For the year ended June 30, 2020

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.

In December 2004, the Agency issued its Series 2004 Bonds to provide funds for a portion of the cost of Phase II of the Program (the "Series 2004 Project"). The Series 2004 Project provided for the reconstruction of 13 existing schools, continued the construction of the district-wide technology and energy upgrades to create a state of the art educational environment, and provided for renovation of an outdoor sports facility for use district-wide. A portion of the proceeds of the Series 2007A Bonds was applied to finance additional costs relating to Phase II of the Program. Phase II of the Program was completed in July 2008. The Series 2004 Bonds were ultimately fully refunded from proceeds of the sale of the Series 2012A Bonds.

In August 2007, the Agency issued its Series 2007A Bonds to provide funds for a portion of the cost of Phase II of the Program and a portion of the cost of Phase III of the Program (the "Series 2007 Project"). The Series 2007 Project provided for the general reconstruction of four school facilities, including site work, exterior and interior building improvements, and continuation of the construction of the technology and energy upgrades begun with the Series 2003 Project. The technology portion of the Series 2004 Project and of the Series 2007 Project included an ongoing program known as E-RATE to renovate and improve the Buffalo CSD's telecommunications system on a district-wide basis.

In February 2008, the Agency issued its Series 2008A Bonds to provide funds for the balance of the cost of Phase III of the Program (the "Series 2008 Project"). The Series 2008 Project provided for the general reconstruction of five school facilities including site work, exterior and interior building improvements, and continuation of the construction of the technology and energy upgrades. The technology portion of the Series 2008 Project included E-RATE to renovate and improve the Buffalo CSD's telecommunications system on a district-wide basis. These improvements are designed to deliver the flexible educational spaces, instructional technology, and social support necessary to enhance student achievement. Phase III of the Program is complete. The Series 2007A and 2008A Bonds were fully refunded from proceeds of the sale of the Series 2015A Bonds on June 24, 2015.

In November 2009, the Issuer issued its Series 2009A Bonds to provide funds for Phase IV of the Program (the “Series 2009 Project”). The Series 2009 project provided for the general reconstruction of 10 school facilities, including site work, exterior and interior building improvements, and continuation of the construction of the technology and energy upgrades. The technology portion of the Series 2009 Project includes expanded security cameras and an access control system on a district-wide basis. These improvements were designed to deliver the flexible educational spaces, instructional technology, and social support necessary to enhance student achievement. Phase IV of the Program is substantially complete. The Series 2009A Bonds were refunded in part from proceeds of the sale of the Series 2013A bonds and partially from the proceeds of the Series 2016A Bonds.

In July 2011, the Issuer issued its Series 2011A Bonds to provide funds for Phase V of the Program (the “Series 2011 Project”). The Series 2011 Project provided for the general reconstruction of seven school facilities, including site work, exterior and interior building improvements, and continuation of the construction of the technology and energy upgrades. The technology portion of the Series 2011 project includes the creation of data server hubs for the Buffalo CSD at two school locations and improved network technology and access on a district-wide basis. Phase V of the Program is complete.

The Buffalo City School District and Board of Education

The Buffalo CSD is dependent on funding from the City, the County, the State, and the Federal government. It is governed by an independently elected nine-member Board of Education and operates pursuant to the New York State Education Law (the Education Law). The administration of the schools is the responsibility of the Superintendent of Schools who is appointed by the Board of Education of the Buffalo CSD. The school system operates 21 secondary schools, 38 elementary and intermediate schools, and 3 special schools. There are 20 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								
	2021 ⁽⁴⁾	2020	2019	2018	2017	2016	2015	2014	2013
Enrollment	32,507	33,290	33,286	33,512	33,834	34,174	34,402	33,938	32,765
Schools ⁽¹⁾	61	61	61	61	61	61	62	65	68
Instructional staff ⁽²⁾	3,654	3,626	3,631	3,624	3,542	3,489	3,416	3,489	3,403
Administrative personnel ⁽²⁾	257	258	262	257	240	243	241	240	208
Non-certified personnel ⁽²⁾⁽³⁾	1,549	1,523	1,561	1,531	1,545	1,525	1,521	1,517	1,454

Source: Buffalo CSD, Finance Office

⁽¹⁾ Includes active schools (with student enrollment)

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

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

⁽⁴⁾ Projected as of September 30, 2020

State Aid

State Aid (All Funds)	
Buffalo CSD	
Years ended June 30,	(in Millions)
2021 ⁽¹⁾	\$ 789.4
2020	830.2
2019	822.1
2018	811.8
2017	764.7
2016	721.9
2015	697.9
2014	679.8
2013	661.8
2012	624.4

Source: City of Buffalo Board of Education

⁽¹⁾ Projected as of September 30, 2020

APPENDIX D

SUMMARY OF THE ACT

The Act and the Enabling Resolution contain various covenants and provisions, certain of which are summarized herein. Reference should be made to the Act and the Enabling Resolution for a full and complete statement of their provisions, including the definition of certain words and terms not defined herein.

Authorization for Fund (Section 3)

The City is authorized by the Enabling Resolution to establish and maintain with a Trustee a Capital Debt Service Fund for the purpose of paying Capital Debt Service. The Chief Fiscal Officer shall annually certify to the Collecting Officer and Trustee the amount of real property taxes to be deposited into the Fund at the time or times specified in the Enabling Resolution. Other Moneys may be deposited into the Fund. Amounts in the Fund shall be withdrawn by the Trustee for the purpose of paying Capital Debt Service.

Special Covenants to Secure Certain Obligations and Performance of the Act (Section 4)

At the discretion of the Common Council, the Enabling Resolution may contain certain covenants of the City to protect and safeguard the security and rights of Holders of Obligations issued and sold subject thereto and other Capital Debt Obligations outstanding. Such Enabling Resolution may contain covenants as to: (a) the establishment and maintenance of the Fund and its requirements; (b) the powers and duties of the Trustee; and (c) conditions which would give rise to an event of default.

Rights and Remedies of Holders of Certain Obligations (Section 5)

Holders of Obligations for the benefit of which the Fund is established shall have certain rights and remedies in addition to any rights and remedies under law, subject to the Enabling Resolution establishing said Fund. (See “Payment of and Security for the Bonds – Rights and Remedies” herein.)

State Pledge and Agreement (Section 6)

The State pledges to and agrees with and for the benefit of the Holders of Obligations benefited by the fund to refrain from the performance of certain acts. (See “Payment of and Security for the Bonds – Rights and Remedies” herein.) The City is authorized and directed to include this pledge in the Enabling Resolution.

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APPENDIX E

SUMMARY OF ENABLING RESOLUTION

Definitions (Section 101)

“Act” means the act of the legislature of the State entitled “AN ACT in relation to certain financing by the City of Buffalo, to authorizing the establishment of a debt service fund, to prescribing and limiting powers and procedures with respect to such fund, and to providing for the rights of holders of certain obligations of such city”, approved March 8, 1977 and constituting Chapter 12 of the Laws of 1977 of the State;

“Capital Debt Obligations” means serial bonds, bond anticipation notes and capital notes;

“Capital Debt Service” means with respect to a fiscal year (a) all principal due or becoming due in said year on any serial bonds and capital notes, (b) all amounts appropriated for principal amortization for said year on bond anticipation notes and (c) all interest due or becoming due for said year on serial bonds, capital notes and bond anticipation notes;

“Capital Debt Service Fund” or “Fund” means the fund so entitled which is held by the Trustee and is described and provided for in the Resolution;

“Capital Debt Service Requirement” means the amount of Capital Debt Service on Obligations in a fiscal year;

“Chief Fiscal Officer” means the comptroller of the City or such other officer of the City who may hereafter be designated chief fiscal officer of the City;

“City” means the City of Buffalo;

City Taxes means and includes all taxes on real property levied and assessed by the City based on valuation thereof, and shall not mean any rent, rate, fee, special assessment or other charge based on benefit or use;

“Collecting Officer” means the treasurer of the City and any other official empowered to demand, collect and receive City Taxes;

“Collection Period” means a length of time during which City Taxes are received by the Collecting Officer;

“Common Council” means the common council of the City;

“First Collection Period” means the Collection Period commencing on the first day of July and ending on and including the last day of November;

“Holder” or “Holders” means any person who shall be the bearer of an Obligation or Obligations registered to bearer or not registered, or the registered owner of any Obligation or Obligations which shall at the time be registered other than to bearer;

“Investment Securities” means any investment authorized pursuant to paragraph b of section one hundred sixty-five of the local finance law, except an investment in any obligation of any political subdivision of the State; provided such investment shall be payable or redeemable within such times as the proceeds thereof shall be needed to make payments from the Fund;

“Obligation” or “Obligations” means and includes all Capital Debt Obligations issued and sold subject to the Resolution and all Outstanding Capital Debt Obligations and any coupons appurtenant thereto;

“Other Capital Debt Redemption Sources” means all or part of the proceeds of Capital Debt Obligations issued, or other funds received, which are to be applied to payment of Capital Debt Service;

“Other Moneys” means and includes (a) accrued interest received at the time of delivery of any Obligation or Obligations; (b) the proceeds of any Obligation or Obligations no longer required for the object or purpose for which such Obligation or Obligations are issued; (c) investment earnings and capital gains on any Obligation or Obligations; (d) rents, rates, fees, special assessments or other charges based on benefit or use; (e) Other Capital Debt Redemption Sources; (f) funds received by the City which are required by law to be expended only for the payment of Capital Debt Service on an Obligation or Obligations; and (g) any other revenue received by the City, whether or not required by law to be expended for payment of Capital Debt Service on any Obligation or Obligations, which the Chief Fiscal Officer determines to so expend;

“Outstanding Capital Debt Obligations” means serial bonds, capital notes and bond anticipation notes outstanding on the date Capital Debt obligations are issued and sold subject to the Resolution;

“Resolution” means this resolution as the same may from time to time be amended or supplemented;

“Second Collection Period” means the Collection Period commencing on the first day of December and ending on and including the last day of June;

“State” means the State of New York; and

“Trustee” means any trust company or bank having the power of a trust company in the State, appointed by the City in the manner set forth in the Resolution, and any successor trust company or bank having the powers of a trust company in the State which may be substituted in its place pursuant to the Resolution.

Establishment of Capital Debt Service Fund (Section 201)

The City establishes a special fund to be known as the Capital Debt Service Fund (Fund) for the purpose of paying Capital Debt Service on Obligations for the benefit of Holders of Obligations; such Fund to be held, by and maintained with the Trustee. The City covenants with the Trustee and Holders of Obligations that it will comply in all respects with the provisions of the Act and the Resolution, that it will duly and punctually pay or cause to be paid Capital Debt Service on such Obligations, and that it will maintain the Fund with the trustee, and will operate the Fund in the manner set forth in the Resolution.

Operation of the Fund (Section 202)

On or before the first day of each fiscal year commencing hereafter, the Chief Fiscal Officer shall prepare and deliver to the Trustee and to the Collecting Officer, a certificate setting forth: (a) the Capital Debt Service Requirement for such fiscal year, (b) the portions of such Capital Debt Service Requirement allocated to each Collection Period, being July 1 through December 31, for the First Collection Period and January 1 through June 30 for the Second Collection Period, (c) a schedule of the amounts of Capital Debt Service Requirement allocated to each Collection Period and the date or dates when and place or places where such amounts are due and payable, and (d) the amount to be deposited in the Fund during each Collection Period, which amount shall equal the portion of the Capital Debt Service Requirement allocated to such period.

Commencing on the first day of each Collection Period, the Collecting Officer shall deposit real property tax collections in the Fund, until the amount so deposited equals the Capital Debt Service Requirement allocated to such period. At any time, Other Moneys shall be deposited in the Fund. When the amount deposited in the Fund equals the unpaid Capital Debt Service Requirement allocated to such period and any prior period, no further real property taxes shall thereafter be deposited in the Fund during such period. If at any time during a Collection Period the amount in the Fund exceeds the unpaid amount of Capital Debt Service Requirement

allocated to such period and any other prior period, such excess may be returned to the City in the manner set forth in Section 304.

The Chief Fiscal Officer's certificate shall be amended in order to provide for the payment of Capital Debt Service on Obligations issued after the commencement of the fiscal year for which such certificate was prepared, and such certificate as amended shall show the change in the amount to be deposited in the Fund.

Covenant as to City Tax Collection Procedure (Section 203)

The City covenants with the Trustee and the Holders of Obligations that it will not adopt a new tax collection procedure which in any manner shall provide insufficient City Taxes to timely pay portions of a Capital Debt Service Requirement allocated to any Collection Period as such portions and periods may be determined pursuant to the amended Resolution.

Negative Pledge (Section 204)

The City will not issue any Capital Debt Obligations other than Capital Debt Obligations issued and sold subject to the Resolution or any other forms of indebtedness and execute other contracts secured by a pledge of the revenues, moneys and securities in or payable to the Fund, and will not create or cause to be created any lien or charge upon the revenues, moneys and securities in or payable to the Fund.

Accounts, Reports and Certificates (Section 205)

The City covenants that it will keep, or cause to be kept, proper books of record in which complete and accurate entries shall be made of all transactions relating to the Fund. The City shall cause such books of record to be audited annually by one or more certified public accountants duly licensed by the State, and such audit shall be filed by the City with the Trustee.

Issuance and Sale of Capital Debt Obligations (Section 206)

All Capital Debt Obligations shall hereafter be issued and sold subject to the Resolution, unless the Common Council shall determine by resolution adopted by two-thirds of all the members of such Council and approved by the Mayor that a particular issue of Capital Debt obligations shall not be issued and sold subject to the Resolution, and such resolution shall be filed with the Trustee.

Moneys in the Fund (Section 302, 303 and 304)

The Trustee shall hold all moneys deposited in the Fund for the benefit of Holders of Obligations, and shall withdraw all amounts as may be necessary to pay the Capital Debt Service Requirement. Pending such withdrawals, moneys in the Fund may be invested in Investment Securities. If at any time during a Collection Period the amounts in the Fund exceed the unpaid amount of the Capital Debt Service Requirement allocated to such Collection Period and any prior Collection Period, the Chief Fiscal Officer may request the Trustee to, and the Trustee shall, pay over to the Chief Fiscal Officer the amount of such excess for use by the City in the manner provided by Law.

Resignation and Removal of Trustee (Section 310, 311 and 312)

The Trustee may resign by giving written and publication notice, and may be removed by the City or the holders of a majority in principal amount of Obligations outstanding provided at the time of any such removal or resignation a successor Trustee shall be appointed. A successor Trustee may be appointed by the City or the Holders of a majority in principal amount of Obligations outstanding, and any successor Trustee appointed by Holders shall supersede a successor Trustee appointed by the City.

Remedies and Abrogation of Right to Appoint Trustee (Sections 401 and 404)

The Holders shall be entitled to the benefits and be subject to the provision of Section 5 of the Act. (See “Summary of the Act.”) The powers provided by said Section 5 are conferred on the Trustee, and the right or privilege of the Holders of any Obligations to be issued and sold subject to the Resolution hereafter to appoint a different Trustee is abrogated.

Events of Default (Section 402)

Each of the following constitutes an event of default under the Resolution: (1) default by the City in the payment of principal or interest on any Obligation, whether at maturity or upon call for redemption, which default shall continue for a period of thirty days; or (2) failure or refusal by the City to maintain the Fund and the covenants with respect thereto which continues for a period of 45 days after written notice of such default to the City by the Trustee or the Holders of five per cent of the principal amount of Obligations outstanding; or (3) filing by the City of a petition seeking a composition of indebtedness under any applicable law or statute of the United States of America or of the State or seeking by the City of application of laws then in effect under the bankruptcy provision of the United States Constitution.

Enforcement by Trustee (Section 403)

Upon the happening and continuance of any event of default the Trustee may, and upon the written request of the Holders of twenty-five percent in principal amount of Obligations outstanding shall, exercise all or any of the powers of any such Holders set forth below and in addition (a) bring suit for any principal or interest then due with respect to such Obligations; (b) by mandamus or other suit, action or proceeding at law or in equity enforce all rights of the Holders of such Obligations, including any right to require the City to carry out the provisions of any contract with the Holders and to perform its duties thereunder; (c) bring suit upon such Obligations; and (d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of such Holders.

Enforcement by Holders (Section 405)

Any Holder of an Obligation at any time outstanding, whether or not then due and payable or reduced to judgment and either on his own behalf or on behalf of all persons similarly situated, may (a) by mandamus, original or ancillary, mandatory or other injunction, or any other order, process or decree, or by any other suit, action or proceeding at law or in equity, enforce all contractual or other rights of such Holder or Holders, including any right to require the City to carry out the provisions of any contract with such Holder or Holders and to perform its duties thereunder; and (b) by action, suit or other proceeding, enjoin any acts or things which may be unlawful or in violation of the rights of such Holder or Holders.

Restriction on Action by Holders (Section 406)

No Holder of any Obligation shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any provision of the Resolution or for any other remedy hereunder, unless either (a) such Holder previously shall have given to the City and the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted requesting the Trustee to institute such suit, action or proceeding, and the Trustee shall have refused or neglected to comply with such request within a reasonable time, or (b) such Holder previously shall have obtained the written consent of the Trustee to the institution of such suit, action or proceeding, and such suit, action or proceeding is brought for the ratable benefit of all Holders of Obligations.

Limitation on Powers of Trustee (Section 407)

Nothing in this Resolution contained shall be deemed to give power to the Trustee either as such or as attorney-in-fact of the Holders of Obligations to vote the claims of such Holders in any bankruptcy proceeding or to accept or consent to any plan of reorganization, readjustment, arrangement or composition or other like plan, or any other action of any character to waive or change any right of any such Holder or to give consent on behalf of any such Holder to any modification or amendment of the Resolution requiring such consent pursuant to the provisions of the Resolution.

Right to Enforce Payment of Obligations Unimpaired (Section 408)

Nothing in the Resolution contained shall affect or impair the right of the Holder of any Obligation to enforce payment of the principal of and interest on his Obligation, or the duty of the City to pay the principal of and interest on such Obligation to the Holder thereof at the time and place or places set forth in said Obligation.

Powers of Amendment (Sections 502 and 503)

Any modification or amendment of the Resolution and of the rights and obligations of the City and of the Holders of Obligations may be made by written consent of the Holder of at least two-thirds in principal amount of the Obligations outstanding at the time such consent is given; provided, however, that no such modification or amendment shall permit a change in the terms of redemption or maturity or the principal of any Obligation outstanding or of any installment of interest thereon or a reduction in the principal amount or the redemption price, if any, thereof or the rate of interest thereon, or the requirements for the discharge and satisfaction of the obligations of the City without the consent of the Holders of such Obligations, or shall reduce the percentage or otherwise affect the description of Obligations the consent of the Holders of which is required to effect such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without the filing with the Trustee of its written assent thereto.

Amendments Not Requiring Consent of Holders (Section 506)

The Resolution may be amended for any of the following purposes without consent of Holders: (1) to add to the covenants or agreements to be observed by the City; (2) to add to the limitations or restrictions to be observed by the City; (3) to surrender any right, power or privilege reserved to or conferred upon the City by the Resolution; (4) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; (5) to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution; and (6) to effect any change in the operation of the Fund necessitated by any change or alteration in the procedure for collection of City Taxes.

Defeasance (Section 602)

The covenants, agreement and other obligations of the City to the Holders shall be discharged and shall be of no further force and effect if any time during a Collection Period: (a) there is on deposit in the Fund sufficient money or direct obligations of the United States of America or of the State, the principal of and interest on which will provide moneys to pay the unpaid amount of the Capital Debt Service Requirement of such Collection Period and any prior Collection Period as well as all the principal of and interest due or to become due on all Capital Debt Obligations issued and sold subject to the Resolution, (b) irrevocable instructions from the City to the Trustee for such payment on all Capital Debt Obligations issued and sold subject to the Resolution have been given, and (c) notice to the Holders of Obligations of the provisions for payment made herein has been given.

Regulations Regarding Investment of the Fund (Section 605)

Investment Securities purchased as an investment of moneys in the Fund shall be deemed at all times to be part of the Fund, and the interest thereon and any profit arising on the sale thereof shall be credited to the Fund, any loss resulting on the sale thereof shall be charged to the Fund. In computing the amount in the Fund for any purpose hereunder, such Investment Securities shall be valued at the lower of cost or market price thereof, exclusive of accrued interest.

Hawkins Delafield & Wood LLP
7 World Trade Center
250 Greenwich Street
New York, New York 10007

March 2, 2021

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 \$12,625,000 General Improvement Refunding Serial Bonds - 2021A (the “Bonds”), dated and delivered on the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof. Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds are valid and legally binding general obligations of the City for which the City has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the City is subject to the levy of ad valorem real estate taxes to pay the Bonds and interest thereon, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended. The enforceability of rights or remedies with respect to such Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code.

The Code establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that the interest on the Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Bonds to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Bonds, the City will execute a Tax Certificate relating to the Bonds containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the City represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the City's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Bonds, and (ii) compliance by the City with the procedures and representations set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

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, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Bonds or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the City, which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in the Bonds.

Very truly yours,

/s/ Hawkins Delafield & Wood LLP

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Section 1. Definitions

“Annual Information” shall mean the information specified in Section 3 hereof.

“EMMA” shall mean the Electronic Municipal Market Access System implemented by the MSRB.

“Financial Obligation” shall mean “financial obligation” as such term is defined in the Rule.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

“Issuer” shall mean the **City of Buffalo**, in the County of Erie, a municipal corporation of the State of New York.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

“Purchaser” shall mean the financial institution referred to in the Certificate of Award, executed by the Comptroller as of February 18, 2021.

“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 **\$12,625,000 General Improvement Refunding Serial Bonds - 2021A**, dated March 2, 2021, maturing in various principal amounts on April 1 in each of the years 2021 to 2027, 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, 2021, 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, 2021, 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 March 2, 2021.

CITY OF BUFFALO

By _____
Comptroller and Chief Fiscal Officer

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