BUFFALO FISCAL STABILITY AUTHORITY

TAB 1

BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
March 25, 2024

The following are the minutes from the board meeting of the Buffalo Fiscal Stability Authority ("BFSA"), held on Monday, March 25, 2024. The Board met in compliance with New York State Open Meetings Law, as amended. The meeting was called to order at 1:01 PM.

Board Members Present
Interim Vice-Chair Jeanette T. Jurasek
Secretary Frederick G. Floss
Director Andrew A. SanFilippo
Mayor Byron W. Brown (proxy Dowell)
County Executive Mark C. Poloncarz (proxy Cornell)

Staff Present
Executive Director Jeanette M. Robe
Principal Analyst/Media Liaison Bryce E. Link
Senior Analyst II/Manager of Technology Nathan D. Miller
Administrative Assistant Nikita M. Fortune
Comptroller Claire A. Waldron

Additionally Present
Richard Grimm, Esq., Magavern Magavern & Grimm LLP
James Barnes, Buffalo City School District, Chief Financial Officer
Gregg S. Szymanski, Investment and Debt Management Officer, City of Buffalo
Rick Ganci, Executive Vice President and Principal Capital Markets Advisors, LLC
William Ferguson, City Auditor, City of Buffalo

Opening Remarks
Chair Pro Tempore Floss welcomed and thanked all that were in attendance. Chair Pro Tempore Floss advised that the Audit, Finance and Budget Committee met earlier in the day and authorized posting BFSA's fiscal year (FY) 2024-25 Preliminary Budget and the 2025- 2028 Preliminary Financial Plan as prepared by BFSA staff, commencing the public comment period. Any additional comments by Directors should be forwarded to Executive Director Jeanette M. Robe who will circulate updated versions of the Preliminary Budget and/or Preliminary Financial Plan by email, as necessary. Approval of a final budget and financial plan will be requested at the June 2024 board meeting.

Roll Call of Directors
Chair Pro Tempore Floss deferred to Executive Director Robe to call the roll of the members, noted a quorum was present, and the meeting commenced.

City of Buffalo Commissioner of Finance, Administration, Policy and Urban Affairs, Delano Dowell, represented Mayor Byron W. Brown, in accordance with Subdivision 1 of §3853 of the BFSA Act.

Erie County Deputy Budget Director, Mark Cornell, represented County Executive Mark C. Poloncarz, in accordance with Subdivision 1 of §3853 of the BFSA Act.

Subdivision 1 of §3853 of the BFSA Act reads: "…The Mayor and the County Executive shall serve as ex-officio members. Every director, who is otherwise an elected official of the City or County, shall be entitled to designate a single representative to attend, in his or her place, meetings of the Authority and to vote or otherwise act in his or her behalf. Such designees shall be residents of the City of Buffalo. Written notice of such designation shall be furnished prior to any participation by the single designee…."

Approval of Minutes

Chair Pro Tempore Floss introduced Resolution No. 24-01: "Approving the Minutes and Resolutions from December 5, 2023 and January 11, 2024."

Director SanFilippo made a motion to approve the resolution.
Interim Vice-Chair Jurasek seconded the motion.
The Board voted 5-0 to approve Resolution No. 23-01.

Chair Pro Tempore Floss advanced the agenda and gave the floor to Senior Analyst II Nathan Miller to discuss findings on the Buffalo City School District 2nd quarter.

Buffalo City School District (BCSD)

Review of 2nd Quarter 2023-24

Senior Analyst II Miller began his presentation with the following overview:
General Fund Budget Summary of Adopted Budget

- Revenues: $1,065.0M
  - 8.1% increase over PFY budget
- Expenditures: $1,102.7M
  - 8.1% increase over PFY budget
- Appropriated Fund Balance: $37.7M

Structural Deficit

- Planned expenditures exceed projected revenues

The 2023-24 Adopted Budget was approved with a $37.7M deficit closed by a budgeted fund balance appropriation. The District's 2023-24 forecasted fiscal year-end ("FYE") deficit is $13.5M and therefore a positive budgetary variance of $24.2M is forecasted.

Revenues

BFSA agrees with the District's projections overall. BFSA forecasts Erie County sales tax will be $5.7M greater than budget, a 10.7% favorable budgetary variance. NYS Aid is projected to be unfavorable by $5.7M, or 0.7%, comprised of $(0.8)M in foundation aid and $(4.9)M in formula-based aid.

Chair Pro Tempore Floss asked for clarification on the proposed change to the NYS Aid formula. Sr. Analyst II Miller responded that the New York State Executive Budget proposes amending the inflationary adjustment within the formula from a one-year annualized rate to a ten-year average annual rate (excluding the highest and lowest years). The following year's aid would be the current fiscal year aid increased by the calculated inflation rate. Other factors impacting the aid amount (e.g., pupil population and composition) remain the same.

Expenditures
Total District forecasts a $24.2M favorable variance in expenditures for current fiscal year (CFY) end. Revenues and appropriated fund balance are adequate to cover all planned expenditures.

As of January 2024, BCSD had 40,402 pupils consisting of 29,768 in public schools and 10,634 in charter schools which was less than the adopted budget anticipated enrollment of 40,678 across the district. New York State Foundation Aid will be less than budgeted based on actual Buffalo resident pupils enrolled in area public schools.

Sr. Analyst Miller provided the following update on Elementary and Secondary School Emergency Relief ("ESSER") funding:
Coronavirus Response and Relief Supplemental Appropriations ("CRRSA") and ARPA ESSER II/III Plans

- CRRSA–ESSER II (ended September 30, 2023)
- ARPA–ESSER III (ends September 30, 2024)
- The 2024-25 budget process will address $91.7M in CFY expenditures funded by ARPA-ESSER III
  - If the cuts do not occur, "…cash balances will fall to a dangerous level, and [the District] would run out of cash in approximately 18 months", per BCSD CFO Jim Barnes at Finance Committee meeting on November 1, 2023.

In mid-December, Superintendent Tonja Williams imposed a hiring freeze for the current fiscal year:

- Only essential positions with the Superintendent's approval may be filled
- Job postings are currently being revised and/or eliminated
- Large-scale recruitment events will not occur
- HR is analyzing all vacancies to consider elimination
  - Positions could be replaced with those currently funded through ARPA funds

2024-2025 Level 1 Budget (issued January 23, 2024)

- This preliminary budget is a planning template and is considered a "worst-case scenario"
  - The document includes a:
    - $14.3M increase in revenues (1.3%)
    - $77.8M increase in expenditures (7%)
    - $101.0M deficit
- The objectives of the budget process are to:
  - Eliminate 300+ full time equivalent ("FTE") positions from the General Fund through attrition and removing vacant positions
  - Maintain all non-staff expenditures at current levels
  - Reduce General Fund summer school and after-school programming costs by 40-50%

Summary

- The BFSA notes the financial issues from ARPA funding ending is having a major impact on the District beginning with the 2024-25 fiscal year
    - The current fiscal year (2023-24) appears to be operationally balanced
        - Final year of substantial increase in NYS Aid
        - The District will likely report a larger surplus than what is currently being reported as actual expenditures will likely be less than projected

Chair Pro Tempore Floss asked BCSD CFO James Barnes what the plans are for the programs and community schools currently funded by ARPA and ESSER funds. CFO Barnes stated all $289.0M ARPA and CRSSA funds will be encumbered and spent on a timely basis. The challenge is the $90.0M loss in revenue, $40.0M of which were for one-time expenditures, i.e. HVAC and IT upgrades. The major concern is the 300 FTEs that were funded through ARPA/ESSER in addition to the loss of 3,400 students over the past five years while staff counts continued to rise. It was noted that half of the 300 funded positions were not classroom based but were added to address the post-pandemic social, emotional, and security needs of students.

Director SanFilippo asked how many of the 300 FTEs are teachers and how would class size be affected and are there any provisions in the teacher contract regarding class size. Mr. Barnes replied 160 FTEs are teachers. Thirty-four classrooms will be consolidated to reflect the drop in enrollment, increasing the average number of students per classroom from 18 to 21; whereas, the contract allows up to thirty students per classroom.

Director SanFilippo asked what comprises miscellaneous revenues as it had a negative variance of 33%. Mr. Barnes replied the drop is due to the loss of indirect revenues from ARPA/ESSER funding. Hardware, software, library, and textbook aid comprise miscellaneous revenues.

Director SanFilippo asked for the plans to fund more security in schools. Mr. Barnes stated 50 additional officers were hired through ARPA/ESSER for the current year. The Superintendent will decide if those positions would be absorbed by the general fund which have increased by 100 security guards in 24 months. Additionally, over $4.5M in scanners have been installed across the District. The Superintendent will decide on security funding.

Interim Vice-Chair Jurasek asked how staffing will be right-sized. Mr. Barnes replied there are numerous vacancies within the budget added within the last five years based on school-based budgets; those vacancies will be cut. Secondly, consolidating 34 classrooms aligns resources more closely to enrollment. Lastly, a significant number of the 300 anticipated retirees will not be replaced.

Mr. Barnes addressed the increased cost of summer school as teachers were being paid 1/200th, totaling $10.0M. The number of subs have been decreased from fifteen to four. Afterschool will also be cut from five to three days as the attendance doesn't warrant five days. The community schools will continue to thrive with their Saturday academy.

Mr. Barnes stated Buffalo is saturated with charters at 29% of total Buffalo public enrollment. The Board of Regents changed the formula for spend tuition making expenditures to charters increase by $11.0M next year. An audit conducted by State Comptroller Office three years ago found a $6.0M in underpayments and is currently intercepting aid payments to recoup the $6.0M.

NYS Proposed Executive Budget
Executive Budget Proposed Actions of SFY 2024-25 Executive Budget released on January 31, 2024:

- School Aid increases from $34.5B to $35.3B ($825M or 2.39%)
  - Foundation Aid increase of $500M (2.1%)
- Modifies the statutory Foundation Aid inflation factor from a one-year change in the CPI to the average annual change in CPI over the last 10 calendar years, excluding the highest and lowest years, which results in a lower inflation factor of 2.4%
- Eliminates the "hold harmless" provision under which districts receive either the greater of the amount allocated to the school district by the Foundation Aid formula calculation or a fixed minimum increase (Foundation Aid can't decrease)
  - 337 school districts (50%) would receive less aid than the PFY
  - A "Transition Adjustment" that would provide $207M (net -$168M) in total funding to negatively impacted districts
- Formula-based Aids
  - Increase by $317.6M (3.2%), to a total of $10.2455B
    - Statute minimum
- Categorical Grant Programs
  - Increase by $0.3M (0.1%), to a total of $309.3M
    - Statute minimum
- Charter Schools
  - Decrease NYS funding for reimbursement of Supplemental Basic Tuition payments to charter schools made by school districts from $185M to $150M, with the $35M decrease reallocated to NYC upon certification by the Division of Budget Executive Director of the availability of a grant in the same amount from the City's federal ARPA funding to cover the shortfall
    - BCSD Impact: decrease of $0.3M (3.1%) from CFYE forecast
  - Charter Schools Facilities Aid to NYC would be increased by $20M, from $100M to $120M
- Special Education Tuition Rate Setting Reform
  - $2.5M for NYSED to study and design a new rate setting methodology in order to streamline and improve the timeliness of tuition rates for providers
- Prekindergarten
  - An additional $125.0M annually to support public pre-k programs
- Charter Schools
  - Outside of NYC - Rates established based on the average annual growth in the area school district spending
  - Permanently authorize the reissuance of any charter originally issued to a charter school that subsequently closed after July 1, 2015, due to surrender, revocation, termination or non-renewal

Proposed Foundation Aid to the BCSD would increase by $18.9M, or 2.7%, from SFY 2023-24 to SFY 2024- 25 and total state aid would increase by $24.8M. Mr. Barnes believes the CPI formula will be reinstated and that the hold harmless statute will be enforced.

Chair Pro Tempore Floss thanked Mr. Barnes for attending and advanced the agenda to review City of Buffalo items.

City of Buffalo (City) Items

Review of 2024 Proposed Bond Sale

Executive Director Robe gave a review of the City's proposed bond sale. The sale will be in the beginning of April, and it is expected to close at the end of April. The 2024 Capital Budget was approved by Common Council in September 2023 for $27.6M. The BFSA reviewed the Capital Budget at the October 5, 2023 board meeting. A historical review of bond issues since BFSA's creation was provided, noting the City issued bonds from 2008 through 2012 during the "control period" as a requirement under the BFSA Act to transition into an advisory period included the City to sell bonds. The City has continued to annually finance the capital program since 2012, when the BFSA transitioned into an advisory period.

Credit ratings were reviewed, noting BFSA maintains a higher credit rating than the City due to the intercept provision of sales tax and state aid. A higher credit rating equates to lower interest rates. The step difference is 4 higher under Fitch's scale and 3 higher under Moody's scale. All rating agencies cite BFSA as a credit positive to Buffalo.

Director SanFilippo stated every bond obligation is covered by the City's capital debt service reserve fund which guarantees full payment for every fiscal year and therefore the BFSA should not receive higher credit ratings than the City based purely on the intercept provision. The City bonds are secured and the bond rating should have nothing to do with state aid intercept. Director SanFilippo shared his opinion about rating agencies and their inability to rate impartially.

The City Comptroller's recommended debt limits as of August 2023 were reviewed, noting this year's cap is $27.0M and is equivalent to the 2024 proposed sale.

The proposed terms of the 2024 capital bond was discussed. The proposed bond includes two series, Series A for the settlement of litigation in the amount of $43,000,000 and Series B for the capital borrowing in the amount of $27,000,000. It was noted that the District requested financing and while there is no District component in this issue, it may be seen at some time in the future. BFSA financial advisors reviewed the proposed structure and agreed that the estimated interest rates provided in the calculation were reasonable.

Director SanFilippo asked if the City completed a comparative analysis. Rick Ganci stated he provided the information to the BFSA for the analysis and sees the estimate as conservative.

Chair Pro Tempore Floss asked Commissioner Delano Dowell about the impact of the interest costs of the two borrowings. Commissioner Dowell stated the City Administration is comfortable with the additional expenditure and the guarantee that the capital debt service reserve fund provides for the debt.

Interim Vice-Chair Jurasek asked where the capital debt service funds are located within the budget. Commissioner Dowell replied, the line item is listed as "transfer to capital debt service fund" in the budget book.

Chair Pro Tempore Floss asked if the City did an analysis based on BFSA's credit rating and made a comparison. Rick Ganci replied an analysis was not completed based on BFSA's credit rating. Executive Director Robe stated a pricing review will be conducted by BFSA's financial advisors as of the date of sale and they were comfortable with the structure.

Chair Pro Tempore Floss asked if there is any desire to enter the bond market earlier in the year to have a better chance of timing and interest rates going forward due to the increased volatility since COVID. Gregg Szymanski, Investment and Debt management officer, City of Buffalo, stated the budget was prepared earlier but there was not an official request to bond earlier. Questions and issues regarding a City settlement case did influence the timing of the bond sale. Chair Pro Tempore Floss asked if a resolution from the BFSA supporting an earlier review and sale would be beneficial to lower overall costs going forward. Commissioner Dowell stated any assistance would be helpful and reviewed by the administration.

Chair Pro Tem Floss thanked Gregg Szymanski and Rick Ganci for attending the meeting and advanced the agenda.

FY 2023-24 2nd Quarter Review

Principal Analyst Link stated the City is projecting a favorable variance of $3.08M for the year ending June 30, 2024, or 0.5%, consisting of a $351,798 favorable variance projected for revenues and a $2.7M favorable variance in expenditures.

Revenues:
Significant projected revenue variances include:

- $3.5M unfavorable variance in intergovernmental revenues consisting of $2.5M unfavorable variance with NYS Tribal Compact, $2.7M unfavorable variance of the cannabis excise tax, and a $1.5M favorable variance in sales tax
- $8.2M favorable variance in interest revenue
- $3.0M unfavorable variance in fines consisting of $2.1M in traffic fines and $900,000 in parking tags and penalties
- $1.3M unfavorable combined budget variance in service charges, miscellaneous and licenses & permits

Chair Pro Tempore Floss asked if the unfavorable variance in traffic fines had a direct correlation with the decreased number of people commuting downtown. Commissioner Dowell stated that is possible and the City is monitoring this. Principal Analyst Link also noted that the City no longer maintains a traffic unit therefore traffic enforcement is absorbed by the individual police districts.

Expenditures
Total year-end expenditures are estimated to be favorable at year-end by $2.7M. Total departmental costs are projected to be favorable by $7.8M. General service charges are estimated to be favorable by $9.8M, attributed to favorable variances in fringe benefits. Transfers out have an unfavorable variance of $15.9M. The transfers out variance is attributed to the recognition and transfer of ARPA funds from the General Fund for ARPA related projects.

Significant projected expenditure variances:

- $7.7M favorable variance for departmental expenditures:
  - $2.2M unfavorable variance for fire
- $10.9M favorable variance under general charges
  - $9.8M favorable variance in fringe benefits & personal services
    - $5.1M favorable variance for health insurance
    - $4.0M favorable variance in pension expense
- $15.9M unfavorable transfers out
  - Expected to be offset with ARPA program revenue

If the City maintains a larger projection variance at year-end, the current year ARPA revenue replacement dollars would be reduced and any additional monies would be moved to next year for revenue replacement.

As of December 31, 2023, budgeted City positions were 2,750 and filled were 2,420, resulting in a vacancy rate of 12.0%, or 330 unfilled positions. Police had 812 budgeted full-time equivalents (FTEs) and 75 unfilled positions, or a vacancy rate of 9.2%. It was noted that a police recruit class began in January 2024 which reduced the number of vacancies to 38. Fire had 743 budgeted FTEs and 52 unfilled positions, or a vacancy rate of 7.0%.

Summary

- No budget difficulties projected by City management for 2023-24 as of the end of the second quarter
  - ARPA unrestricted funding remains available (i.e., revenue replacement)
- Significant subsequent events could occur which could have a material impact on the projections made by the City Administration

ARPA Summary as of December 31, 2023

- ARPA – awarded $331.4M:
  - Total obligations as of 12/31 = $162.2M
    - $139.6M has been disbursed as of 12/31/23
      - $101.9M in revenue replacement (unrestricted)
      - $37.7M in projects/services
    - $22.6M obligated, includes $1.2M for revenue replacement, $21.4M for projects
  - City Administration has indicated use of ARPA is being closely monitored to deadlines
  - Approximately 51.5% of funding allocated for programs, services, revenue replacement and capital projects have not yet been obligated, equivalent to $169.2M
    - $56.9M budgeted or included in financial plan for revenue replacement
    - $112.3M remaining for ARPA-funded projects and services
  - All funds are to be obligated by December 31, 2024, and expended by December 31, 2026

Chair Pro Tempore Floss expressed concerns about the large amount of ARPA monies that still need to be obligated and asked Commissioner Dowell if a monthly update of ARPA obligations and expenditures can be shared with the Board. Commissioner Dowell replied a report is run monthly and provided to the Common Council and that report can also be shared with the BFSA.

The report was last run on March 22, 2024, which indicated that the City has obligated $195.0M, or 59% of the total award; $153M, or 46% has been expensed; $136.0M, or 41% is still available; $50.0M is earmarked for revenue replacement with $30.0M drawn in FY 2024 and the remaining $20.0M will be drawn at the beginning of FY 2025.

Director SanFilippo asked what the penalty is if the funds aren't expended by December 31, 2026, and expressed concern about getting the funds obligated and expended by the deadline. Commissioner Dowell stated the Mayor's fiscal subcabinet is keeping a very close eye for any program awards that may require reallotment.

Hearing no additional questions, Chair Pro Tempore Floss advanced the agenda. Principal Analyst Link gave the following overview of the NYS budget.

NYS Proposed Executive Budget

Historical State AIM amounts provided to the City from 2007-08 through 2023-24 were reviewed. It was noted that State AIM has been held flat at $161.3M since SFY 2011-12 and it is proposed to remain at $161.3M for SFY 2024-25.

Proposed Revenue Actions

- Tribal-State Compact (TSC): The short-term extension of the TSC expires March 31, 2024 and extends the terms of the previous contract that expired in December 2023. It is unknown what the next iteration of the TSC will look like.
- Return Foreclosure Excess to Property Owners: To implement the Supreme Court's decision, the executive budget includes language that when tax-delinquent property is foreclosed upon by the county and sold, any money the county receives that exceeds the liability amount will be returned to the property owner, minus applicable administrative costs to the local government.

Local Government Finance

- NYS Aid and Incentives for Municipalities (AIM) over the Financial Plan: NYS AIM for the City of Buffalo is held flat at $161.3M over New York State's Executive Financial Plan.
- Provide additional cybersecurity funding: The Executive Budget provides additional resources to strengthen state and local cyber defense and response efforts.
- State's Gun Involved Violence Elimination ("GIVE"): The Executive Budget includes $13.6M in additional state funding, for a total of $50.0M, to support 20 police departments in 17 counties that account for more than 80 percent of the violent crime that occurs in NYS outside of New York City ("NYC").
- Support housing production through local government planning and infrastructure grants: To support the New York Housing Compact, the Executive Budget makes available to local governments a $250M Infrastructure Support Fund and a $20M Planning Assistance Fund.
- Provide market rate of interest on court judgments: Allows a variable market-based interest rate for court judgments as opposed to the current fixed rate of 9%.
- County-Wide shared services match: Expands opportunities for local government shared services plans, actions, and State matching funds and would permanently extend the ability for the panels to meet and formulate savings actions plans. Allows for State matching funds for previous projects when they are implemented.

- Restore New York Communities Program: The program includes $50 million in support of municipal efforts to demolish, deconstruct, rehabilitate, or reconstruct vacant, abandoned, condemned, or surplus properties.
- FAST NY Shovel Ready Grant Program: Supported by $100 million, ESD will provide grants to prepare and develop sites to increase attractiveness to large employers.
- Youth Employment Program: The Executive Budget includes $37M in additional State funding for youth employment programs operating in Gun Involved Violence Elimination (GIVE) jurisdictions.
- Executive proposal includes continued investments for:
    - Transportation funding
    - CHIPs Base
    - Transit Operating Aid
    - State Touring Routes Aid and Advertising
    - PaveNY
- Provides for capital funding to begin work on reconnecting neighborhoods across the Kensington Expressway
- Continuation of the following prior year initiatives:
    - Local Government Efficiency Grants: Competitive grants provide funding to assist with efficiency projects, such as implementing functional consolidations, shared services and regionalized delivery of services.
    - Citizens Reorganization Empowerment Grants: Up to $100,000 for local governments to cover costs associated with consolidations and dissolutions.
    - Citizen Empowerment Tax Credits: For local municipalities that consolidate or dissolve, tax credits = to 15% of the newly combined local tax levy.
    - Municipal Restructuring Fund: Funding is provided to help local governments implement projects that will transform delivery of service or consolidate government entities, yielding permanent property tax reductions.

Interim Vice-Chair Jurasek asked if another Buffalo Billion program is likely. Principal Analyst Link replied there is nothing in the Governor's budget that indicates another Buffalo Billion program.

Hearing no additional comments or questions Chair Pro Tempore Floss advanced the agenda for a review of the Buffalo Urban Renewal Agency ("BURA").

Buffalo Urban Renewal Agency ("BURA")
Review of FY 2023-24 2nd Quarter

Principal Analyst Link began his review providing a breakdown of Housing and Urban Development ("HUD") allocation for Program Year 49 Entitlement Funds totaling $19.1M:

- Community Development Block Grants (CDBG) $13.2M: $6.9M to BURA and $6.3M to City
- Housing Opportunities Made Equal (HOME) $3.7M: entire amount to BURA
- Emergency Shelter Grants (ESGs): $1.2M: entire amount to City
- Housing Opportunities for Persons With Aids (HOPWA): $1.0M: entire amount to City

As of December 31, 2023:

- No significant variance to expenditures through second quarter
  - $8.2M expended through December 31, 2023
- Entitlement Fund – Year 49 funds were released and available for draw-down in December 2023
- 31 out of 42 positions filled
- Salaries and fringe benefits total $1.6M

Budget to actual revenues were under budget by approximately $911,000 and expenditures were over budget by $1.1M; both variances were due to timing as funding is not drawn down until it can be expensed.

Chair Pro Tempore Floss asked if the funding received for the lead remediation grant had been expensed. Principal Analyst Link responded that the grant received totaled $1.7M and BURA has disbursed $100,000. The deadline is April 2024 and paperwork is being submitted for an extension as there were issues with the scope of the project and who can participate. The process for the extension could not begin before March 2024. Chair Pro Tempore Floss asked that the Board be updated on the progress.

Hearing no questions or comments Chair Pro Tempore Floss advanced the agenda for Senior Analyst Nathan Miller to review Buffalo Municipal Housing Authority.

<u>Buffalo Municipal Housing Authority ("BMHA")</u>
Review of FY 2023-24 2nd Quarter

Sr. Analyst II Miller provided the following update:

Significant Recent Events

- Budget & Financial Plan was modified after the ratification of labor contracts:
  - 2023-24 revenues decreased by $1.0M and 2024-2027 total revenues by $4.1M
    - Asset Management Program ("AMP") Adopted Budget and Financial Plan solely impacted
  - 2023-24 expenses decreased by $0.4M
  - Management adjusted for over-estimates in the original plan
    - The modifications appear to exclude the $1,500/employee base salary increase
      - BFSA calculates this increase at an additional $0.6M in 2023-24

Total revenues were $0.4M greater than the budget-to-date driven by greater than budgeted rental receipts (AMP and Marine Drive budgets) and Voucher Grants (Section 8).

Total expenses were $1.2M less than the budget-to-date driven by significant variances with the various employee compensation and benefit expense lines.

At the end of the second quarter for FY 2023-24, the Modified Budget included 159 FTEs and the actual count was 136 FTEs, a variance of 23 FTEs or vacancy rate of 14.5%.

Summary & Conclusions

BMHA is operating within its budget as of December 31, 2023.

Hearing no comments or questions Chair Pro Tempore Floss advance the agenda.

New Business
None

Chair Pro Tempore Floss thanked BFSA staff for their work, especially with respect to ARPA. It was also noted that the BFSA had been invited to speak with the Buffalo Common Council a few times over the last few months and the collaboration has been positive.

District CFO Barnes thanked the Board for the assistance, feedback and experience.

Director SanFilippo gave his thanks to the BFSA staff for their service.

Public Comment
None present.

Adjournment
Hearing no new business Chair Pro Tempore Floss requested a motion to adjourn the meeting.
Director SanFilippo offered a motion to adjourn the meeting.
County Executive Poloncarz (Cornell) seconded the motion.
The meeting adjourned by consensus at 2:39 PM.

BUFFALO FISCAL STABILITY AUTHORITY
RESOLUTION NO. 24-XX
APPROVING MINUTES AND RESOLUTIONS FROM
MARCH 25, 2024

BE IT RESOLVED that the Buffalo Fiscal Stability Authority hereby approves the minutes of its meetings on March 25, 2024.

BE IT FURTHER RESOLVED that the Buffalo Fiscal Stability Authority ratifies and affirms Resolution No. 24-01 which was approved on March 25, 2024.

This resolution shall take effect immediately.

Approved May 15, 2024

Frederick G. Floss,
Secretary

BUFFALO FISCAL STABILITY AUTHORITY

TAB 2

Buffalo Fiscal Stability Authority
Review of the City of Buffalo's 2024-25 Proposed Budget and 2025-2028 Financial Plan

Overview

The 2024-25 Proposed Budget for the City of Buffalo (the "City") provides General Fund estimated revenues of $601.1 million, budgeted appropriations of $618.0 million, and a budgeted deficit of $14.9 million which is closed with the use of fund balance. The increase in revenues over the prior year budget of $577.0 million is $26.1 million, or 4.5%. Budgeted appropriations increase by $41.0 million, or 7.1 percent. Fund balance was not appropriated in the prior year. The City's fiscal year is from July 1 to June 30.

The 2025-2028 Financial Plan ("Financial Plan") continues to contain budget actions related to the COVID-19 pandemic and includes $25.8 million of the American Rescue Plan Act ("ARPA") of 2021 federal stimulus recovery funds to support lost revenues. The 2024-25 fiscal year is the last year ARPA revenue replacement can be recognized as unrestricted revenue in the General Fund. The pandemic had a negative impact on City revenue in 2019-20, 2020-21, and to a lesser extent in 2022-23. The City was awarded $331.4 million through ARPA and has provided a significant portion of those funds to replace lost revenue attributed to the pandemic as permitted by the program guidelines. The City Administration has planned to use approximately $150.0 million for revenue replacement, and has included $19.8 million in the 2024-25 Proposed Budget. It is anticipated that economic recovery will occur, with the majority of estimated revenues returning to pre-pandemic levels in the second and third years of the Financial Plan. The extent and timing of the full recovery is unknown and requires estimation and monitoring for appropriate fiscal planning.

This report provides a high-level overview of the components of the City's 2024-25 Proposed Budget and related 2025-2028 Financial Plan. It provides additional detail on key changes and differences from the prior year.

2024-25 Proposed Budget Summary

The 2023-24 Proposed Budget ("Proposed Budget") totals $618.0 million. The following schedule provides historical context by providing revenues and expenditures for the fiscal year ending June 30, 2023, the 2023-24 Adopted Budget, the City Administration's year-end projection for 2023-24 as included in the third quarter report, and the proposed budget for fiscal year 2024-25.

	Fiscal Year Ended June 30, 2023 Actual	2023-24 Adopted Budget	2023-24 Year-End Estimate as of March 31, 2024	2024-25 Proposed Budget	Increase/(Decrease) Budget to Budget	Increase/(Decrease) over Year-End Estimate
			($ in millions)			
Revenues:						
Revenue	$ 589.7	$ 565.8	$ 593.5	$ 590.0	$ 24.2	$ (3.5)
Other Financing Sources:						
Other Financing	2.1	-	-	-	-	-
Transfers In	11.9	11.2	11.2	13.1	1.9	1.9
Total Revenue & Resources	$ 603.7	$ 577.0	$ 604.7	$ 603.1	$ 26.1	$ (1.6)
Expenditures:						
Total Departmental Costs	$ 263.5	$ 273.1	$ 279.8	$ 296.7	$ 23.6	$ 16.9
Total General Charges	184.9	205.5	194.5	214.1	8.6	19.6
Other Financing Uses:						
Transfers Out	131.0	98.4	120.5	107.2	8.8	(13.3)
Total Expenditures	$ 579.4	$ 577.0	$ 594.8	$ 618.0	$ 41.0	$ 23.2
Surplus / (Deficit)	$ 24.3	$ -	$ 9.9	$ (14.9)	$ (14.9)	$ (24.8)

Estimated revenues are consistent with the City projection for year-end and are $1.6 million less than the current year-end projection of $604.7 million; budgeted appropriations are $23.2 million, or 3.9 percent, over the current year-end forecast of $594.8 million. The City reported a surplus of $24.3 million for the fiscal year ended June 30, 2023 and has projected a surplus for 2023-24.

Total budgeted appropriations of $618.0 million include other financing uses (i.e., transfers out) of $107.2 million. This balance consists of three separate transfers: the annual transfer to the Buffalo City School District (the "District") ($70.8 million), the transfer to the Debt Service Fund for the payment of principal and interest due in 2024-25 on outstanding debt ($36.0 million), and a transfer to the Capital Projects Fund ($0.4 million). Total budgeted appropriations for transfers out on a year-to-year basis represent an increase of $8.8 million and is attributed to the increase of the transfer to the Debt Service Fund for principal and interest on debt in the amount of $8.8 million.

The largest transfer out is to the District of $70.8 million. The District is a dependent school district, as established by New York State (the "State"), and cannot levy taxes; as such, it relies on an annual contribution from the City to fund operations partially. The City's tax levy for 2024-25 is increasing $14.3 million, or 9.0 percent, year-to-year from $158.9 million to $173.2 million, with the City retaining $102.4 million and the balance of $70.8 million being transferred to the District.

The remaining operating budget, excluding transfers, provides a clearer picture of the amounts budgeted by the City for the general operations of the City and the provision of City-wide services. This remaining amount is $510.8 million, compared to $478.6 million budgeted in fiscal year ("FY") 2023-24, and has increased $32.2 million, or 6.7 percent, on a year-to-year basis.

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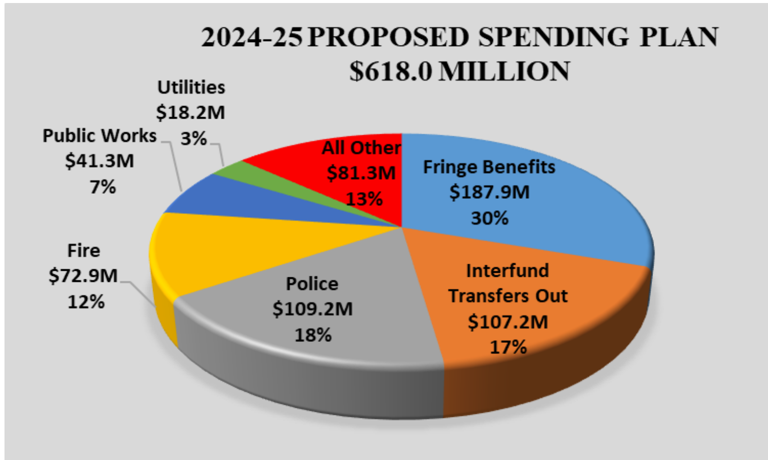
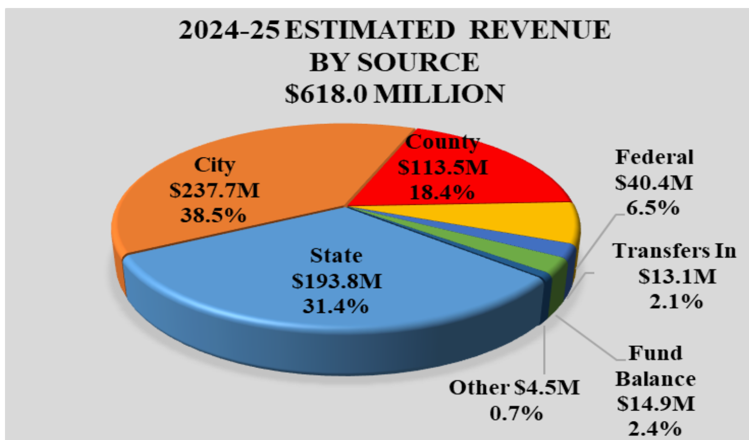
The following chart provides a summary of the budget with respect to categorizing the specific areas of spending:



The largest components of the budget are as follows: fringe benefits (30 percent), which includes health insurance for both active employees and retirees, pension contributions, employer payroll taxes, injured-on-duty payments, and other similar commitments; transfers out (17 percent); police department (18 percent); and the fire department (12 percent). These four areas combined constitute 77 percent of the total budget. Public works comprises an additional 7 percent of total budgeted appropriations, and utilities represent another 3 percent. All remaining departments and general charges comprise the remaining 13 percent of expenditures. The expenditure categories as a percentage of total adopted spending are consistent on a year-to-year basis with fluctuations of one to two percentage points.

The following two charts provide a summary of the proposed budget with respect to total estimated revenues and sources of those revenues:



This chart illustrates the primary sources of estimated revenue and use of fund balance of $618.0 million by summarizing the various revenues according to the originating source. The two largest contributors of revenue to the City are the City itself, at 38.5 percent, and the State, at 31.4 percent, with total estimated revenue of $237.7 million and $193.8 million, respectively. As a point of reference, within the 2023-24 Adopted Budget City sources represented 36.2 percent of total estimated revenues at $208.9 million and State sources represented 33.3 percent at $192.1 million. City sources increased by $28.8 million from last year's budget. City sources include tax revenue, including property taxes, fines, licenses, permits, sale of property, and other miscellaneous revenue items. Revenue from the State is budgeted to provide $193.8 million to the City, representing an increase of $1.8 million, or 0.9 percent, from the prior year's amount of $192.1 million. Total State Aid includes State Aid and Incentives to Municipalities ("State AIM"), Tribal State Compact ("TSC") revenue or casino revenue, School Tax Relief ("STAR") program revenue, traffic violation fines, grants, cannabis tax, and program specific funding. The third largest revenue source is Erie County (the "County") at 18.4 percent, with the most significant revenue source being sales tax, providing for $113.5 million. Total County revenue is estimated to increase $2.2 million, or 1.9 percent, in the 2024-25 Proposed Budget as compared to the prior year's amount of $111.3 million, which was 19.1 percent of budgeted revenues in 2023-24.

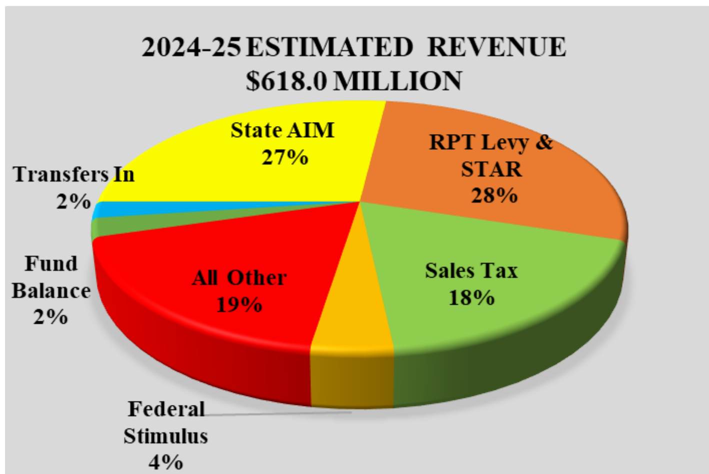
The fourth largest revenue category is federal sources budgeted at $40.4 million, or 6.5 percent of estimated revenue. This is a decrease of $8.0 million compared to FY 2023-24 budgeted amount of $48.4 million, or a reduction of 16.5 percent. This budget item primarily represents federal ARPA revenue replacement funds.

Fund Balance of $14.9 million, or 2.4 percent, is included in the 2024-25 Proposed Budget. Fund Balance was not used in the previous year budget.

Transfers in from the Enterprise Funds of $13.1 million, or 2.1 percent of total estimated revenues, include transfers from the Water Fund ($9.3 million), the Parking Fund ($2.8 million), and the Solid Waste and Recycling Fund ($1.0 million). Transfers in are budgeted to increase by $1.9 million, or 16.6 percent, over the prior year's amount of $11.2 million, which represented 1.9 percent of prior-year estimated revenues.

Other revenue sources of $4.5 million represents 0.7 percent of the total estimated revenue for the fiscal year 2024-25 and represents service charges from other government entities. In the prior year's budget, other revenue sources was budgeted at $5.1 million and represented 0.9 percent of estimated revenues.

The following chart demonstrates the main categories of total estimated revenue and use of fund balance totaling $618.0 million.



The largest categories are State AIM, the real property tax levy and the School Tax Relief ("STAR") program revenue, County sales tax, and Federal stimulus. The City's real property tax levy, including STAR revenue, account for 28 percent of total estimated revenues, State AIM accounts for 27 percent, sales tax provided by the County accounts for 18 percent, and Federal stimulus accounts for 4 percent of total estimated revenues. These four revenue sources compose 77 percent of the City's estimated revenues. As compared to last year's budget, State AIM as a percentage of total estimated revenue has decreased by 1.0 percent point, sales tax has decreased by 1.0 percent point, the property tax levy and STAR category have decreased by 1.0 percent point, federal stimulus decreased by 1.0 percent point, and the all other category has increased by 2.0 percent. The allocation of fund balance is a resource that was not used last year and accounts for 2% of total budget funding and contributed to the shift in percentage points discussed above.

The proposed budget increases the City's property tax levy to $173.2 million in 2024-25 from $158.9 million in 2023-24, an increase of $14.3 million, or 9.0 percent. The City's available property tax margin is $227.5 million, representing an increase from the prior year's available tax margin of $196.9 million of $30.6 million, or 15.5 percent. Within the proposed budget, the City provides 40.9 percent of the tax levy to the District. The District's debt service is equivalent to 0.5 percent of the tax levy, while 20.8 percent is assessed for the City's debt service. From an operational standpoint, the City utilizes 38.3 percent of the levy, while the District uses 40.4 percent of the tax levy for operations. The proposed budget utilizes 43.2 percent of the City's constitutional taxing capacity compared to 44.7 percent utilized last year.

For the year ended June 30, 2023, the City reported an increase in fund balance of $24.3 million. On June 30, 2023, the balance of the emergency stabilization fund (i.e., "Rainy Day Fund") was $43.3 million, assigned fund balance was $42.9 million, and unassigned fund balance was $14.9 million.

Estimated Revenues

The proposed budget includes total estimated revenues, financing sources, and use of fund balance totaling $618.0 million, representing an increase of $41.0 million, or 7.1 percent, over the 2023-24 budget. The following schedule summarizes revenue by category and includes actual revenue for the fiscal year ended June 30, 2023, the adopted 2023-24 budget, the City Administration's year-end projection for fiscal year 2023-24 as of March 31, 2024, and the 2024-25 Proposed Budget along with year-to-year changes.

	Fiscal Year Ended June 30, 2023 Actual	2023-24* Adopted Budget	2023-24 Year-End Estimate as of March 31, 2024	2024-25* Proposed Budget	Increase/(Decrease) Budget to Budget	Increase/(Decrease) over Year-End Estimate
			($ in millions)			
Revenues:						
Taxes	$ 163.7	$ 176.3	$ 176.8	$ 188.6	$ 12.3	$ 11.8
Non-Property Taxes	13.0	12.4	12.8	13.6	1.2	0.8
Licenses and Permits	5.9	5.4	5.3	5.4	-	0.1
Intergovernmental	364.2	325.9	347.3	331.5	5.6	(15.8)
Service Charges	14.2	14.3	13.1	17.1	2.8	4.0
Fines	7.4	10.4	7.1	10.9	0.5	3.8
Interest	13.9	5.0	15.0	10.1	5.1	(4.9)
Miscellaneous	7.4	16.1	16.1	12.8	(3.3)	(3.3)
Total Revenues	**589.7**	**565.8**	**593.5**	**590.0**	**24.2**	**(3.5)**
Resources:						
Other Financing Sources	2.1	-	-	-	-	-
Fund Balance	-	-	-	14.9	14.9	14.9
Transfers In	11.9	11.2	11.2	13.1	1.9	1.9
Total Other Resources	**14.0**	**11.2**	**11.2**	**28.0**	**16.8**	**16.8**
Total Revenue & Resources	**$ 603.7**	**$ 577.0**	**$ 604.7**	**$ 618.0**	**$ 41.0**	**$ 13.3**

Revenues, excluding other financing sources, are budgeted to increase $24.2 million over the prior year budget, or 4.3 percent, and other financing sources are projected to increase $16.8 million and consist of transfers in, which are projected to increase by $1.9 million, or 17 percent, and the use of fund balance which is increasing by $14.9 million, for a total increase of $41.0 million, or 7.1 percent, year-to-year. Total revenue in 2022-23 was $603.7 million consisting of $589.7 million of departmental revenue and $14.0 million from other sources. Significant fluctuations noted in the revenue categories, as demonstrated in the table above, are discussed in further detail below as part of the 2025-2028 Financial Plan discussion.

Total revenues and use of fund balance over the Financial Plan are estimated to increase $14.6 million, or 2.4 percent, from $618.0 million to $632.6 million. Total projected revenue increases by $2.5 million (0.4 percent) in 2025-26, $5.5 million (0.9 percent) in 2026-27 and $6.7 million (1.1 percent) in 2027-28. The following schedule summarizes the major revenue categories of total proposed and projected revenues over the 2025-2028 Financial Plan.

	2024-25 Proposed Budget	2025-26 Projection	2026-27 Projection	2027-28 Projection	Four-Year Increase/(Decrease)	
REVENUES	**Financial Plan**				**$**	**%**
Taxes	$ 188,551,060	$ 194,650,662	$ 198,113,234	$ 201,845,057	$ 13,293,997	7.1%
Non Property Taxes	13,600,000	13,600,000	13,600,000	13,600,000	-	0.0%
Licenses and Permits	5,373,150	5,426,882	5,477,640	5,506,818	133,668	2.5%
Intergovernmental	331,499,962	336,244,629	341,565,229	345,087,282	13,587,320	4.1%
Service Charges	17,121,883	19,312,257	19,592,939	19,865,010	2,743,127	16.0%
Fines	10,920,450	13,137,442	13,259,713	13,383,207	2,462,757	22.6%
Interest	10,148,927	9,900,000	2,750,000	250,000	(9,898,927)	-97.5%
Miscellaneous	12,777,736	13,625,020	14,793,514	14,951,113	2,173,377	17.0%
Subtotal	**589,993,168**	**605,896,892**	**609,152,269**	**614,488,487**	**24,495,319**	**4.2%**
Fund Balance	14,915,244	-	-	-	(14,915,244)	-100.0%
Transfers In	13,056,588	14,563,117	16,798,774	18,118,712	5,062,124	38.8%
TOTAL	**$ 617,965,000**	**$ 620,460,009**	**$ 625,951,043**	**$ 632,607,199**	**$ 14,642,199**	**2.4%**

The following discussion addresses each individual revenue category and provides information regarding key revenue assumptions.

Taxes – Taxes consist of the real property tax levy, mortgage tax, the School Tax Relief ("STAR") program, payment-in-lieu-of-taxes ("PILOTs"), and interest and penalties. On a year-to-year basis, Taxes are increasing by $12.2 million over the prior year budget, or 6.9 percent, from $176.3 million in 2023-24 to $188.6 million in the 2024-25 Proposed Budget. Revenue for the Taxes category over the Financial Plan is estimated to increase by $13.3 million, or 7.1 percent, from $188.6 million to $201.8 million. Taxes represent 30.5 percent of total estimated revenues in the fiscal year 2024-25 and increase to 31.9 percent by 2027-28.

	2023-24 Adopted Budget	2024-25 Proposed Budget	2025-26 Projection	2026-27 Projection	2027-28 Projection	Four-Year Increase/(Decrease)	
Taxes		**Financial Plan**				**$**	**%**
Real Property Tax Levy	$ 153,400,000	$ 168,086,000	$ 173,128,580	$ 176,591,152	$ 180,122,975	$ 12,036,975	7.2%
Prior Year Arrears RPT	6,000,000	-	-	-	-	-	-
STAR	5,500,000	5,115,000	5,115,000	5,115,000	5,115,000	-	0.0%
Mortgage Tax	3,900,000	4,000,000	4,000,000	4,000,000	4,200,000	200,000	5.0%
PILOTs	5,350,915	4,770,060	4,770,060	4,770,060	4,770,060	-	0.0%
Occupancy Tax	1,200	4,230,000	5,287,022	5,287,022	5,287,022	1,057,022	25.0%
All Other Taxes	2,150,000	2,350,000	2,350,000	2,350,000	2,350,000	-	0.0%
Total Taxes	**176,302,115**	**188,551,060**	**194,650,662**	**198,113,234**	**201,845,057**	**13,293,997**	**7.1%**

The increase of Taxes by $12.2 million between 2023-24 and 2024-25 is attributed to an increase of $14.7 million in real property tax, an increase of $4.2 million for the occupancy tax, a decrease of $6.0 million for the arrears program, a decrease of $0.6 for PILOTs, and a decrease of $0.4 million in the STAR program. All other taxes are increasing by $0.3 million on a net basis.

In the prior year the City had included a one-time amount of $6.0 million of ARPA funding for a program to assist homeowners in arrears on tax payments. This program did not occur in 2023-24; the amount has been moved to the 2024-25 Proposed Budget under the intergovernmental revenue category.

Occupancy tax is a new program to the City that requires approval from the State Legislature and the Governor in order to implement, and would increase the tax rate on hotel rentals in the City. Due to this, this revenue is considered speculative at this time.

The City completed a full reassessment of City property values in fiscal year 2018 which was effective beginning with the 2020-21 budget. The maximum constitutional taxing power increased from $355.8 million in 2023-24 to $400.7 million for 2024-25, an increase of $44.9 million, or 12.6 percent, while the available tax levying margin increased from $196.9 million to $227.5 million. The proposed real property tax levy increases in 2024-25 by $14.3 million, or 9.0 percent. The City is currently utilizing 43.2 percent of the total available taxing levy. The homestead rate has increased from $10.73 per $1,000 of assessed value in 2023-24 to $11.51 in the 2024-25 Proposed Budget. The non-homestead rate was $18.72 per $1,000 of assessed value in 2023-24 and is increased to $21.04 per $1,000 of assessed valuation.

The Taxes revenue category increases from $188.6 million in 2024-25 to $201.8 million in 2027-28, an increase of $13.3 million, or 7.1 percent. The increase is attributed to an annual increase in the real property tax levy, which is budgeted to increase cumulatively by $12.0 million over the Financial Plan. The projected annual increase in the three outyears of the Financial Plan is 3.0 percent in the first year followed by two years of 2.0 percent. It is noted that the City plans to complete a city-wide full reassessment to be effective July 1, 2025.

The remaining tax revenues are held relatively flat over the Financial Plan.

Intergovernmental – Intergovernmental revenue consists of New York State ("State") Aid and Incentive for Municipalities ("AIM"), sales tax, Tribal State Compact ("TSC") revenues, or casino revenue, cannabis tax, Medicare Part D and federal aid. Total Intergovernmental revenue is budgeted to increase $5.6 million (1.7 percent) in 2024-25, and projected to increase $4.7 million (1.4 percent) in 2025-26, $5.3 million (1.6 percent) in 2026-27, and $3.5 million (1.0 percent) in 2027-28. This revenue category increases in total by $13.6 million, or 4.1 percent, over the Financial Plan. Intergovernmental revenues represent 53.6 percent of total revenue in fiscal year 2024-25 and increase to 54.6 percent of the budget by fiscal year 2027-28.

The following schedule summarizes the budgeted and projected individual revenues comprising the Intergovernmental revenue category.

	2023-24 Adopted Budget	2024-25 Proposed Budget	2025-26 Projection	2026-27 Projection	2027-28 Projection	Four-Year Increase/(Decrease)	
Intergovernmental		**Financial Plan**				**$**	**%**
State AIM	$ 161,285,233	$ 166,285,233	$ 177,561,204	$ 177,561,204	$ 177,561,204	$ 11,275,971	6.8%
Sales Tax	111,335,000	113,487,500	118,392,125	120,759,968	123,175,167	9,687,667	8.5%
TSC - Casino Revenue	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	-	0.0%
Revenue Replacement - ARPA	30,585,235	25,771,429	-	-	-	(25,771,429)	-100.0%
Cannabis Tax	3,064,262	1,200,000	4,000,000	5,923,332	5,959,290	4,759,290	396.6%
Medicare Part D	5,101,000	10,550,000	16,588,500	17,417,925	18,288,821	7,738,821	73.4%
All Other	3,526,800	3,205,800	8,702,800	8,902,800	9,102,800	5,897,000	183.9%
Total Intergovernmental	**325,897,530**	**331,499,962**	**336,244,629**	**341,565,229**	**345,087,282**	**13,587,320**	**4.1%**

The City budgeted $325.9 million in intergovernmental revenue in 2023-24 and budgeted an increase of $5.6 million, or 1.7 percent, to $331.5 million in 2024-25. State AIM is increased by $5.0 million to $166.3 million in 2024-25 and increases to $177.6 million, an increase of $11.3 million, over the three out-years. New York State did include an additional $5.0 million in temporary AIM for fiscal years

2024-25 and 2025-26, but did not include an increase for State AIM in the two out years of the State's Financial Plan. Before the temporary increase in State AIM budgeted for this year, the State's budgeted AIM has been held flat at $161.3 million since 2012. The cumulative increase of $33.8 million, beyond the temporary $10.0 million is deemed speculative, as the State has not included any increases in the financial plan and due to the history of holding this annual amount static.

Sales tax collections are budgeted to increase by $2.2 million (1.9 percent) over the 2023-24 budget, and increases $9.7 million, or 8.5 percent, over the Financial Plan. Sales tax is budgeted at $113.5 million in the Proposed Budget, increasing 4.3 percent to $118.4 million in FY 2025-26, 2.0 percent to $120.8 million in FY 2026-27, and 2.0 percent to $123.0 million in the fourth year of the Financial Plan. The projection for 2026-27 may be too high considering sales tax recently has stagnated; a 2.0 percent annual growth factor would revise the total cumulative four-year estimated increase to $6.9 million resulting in a difference over the financial plan of $2.7 million in projected revenue. We recommend sales tax be closely monitored as sales tax growth has begun to plateau.

The Financial Plan includes $25.8 million of federal ARPA funds in the first year of the Financial Plan. That amount consists of $19.8 million for revenue replacement funds in FY 2024-25 and $6.0 million for a program to forgive property tax arrears. A total of $100.0 million has been disbursed to date, with an additional $30.6 million included in the current year budget for a total $130.6 million, before the inclusion of the $19.8 million in the 2025-2028 Financial Plan. It is noted that if year-end results are favorable, the Administration will not need to use the full $30.6 million budgeted in the current year. The City is required to commit ARPA funds by December 31, 2024 and expend them by December 31, 2026. However, current guidance on the use of ARPA federal stimulus for revenue replacement indicates that this revenue must be drawn down and reported by December 31, 2024, as there is no mechanism to commit the funds beyond December 31, 2024 (i.e., budget authorization is an annual process and there is no means to enter into a revenue commitment beyond one year). Therefore, the City has appropriately not budgeted any revenue replacement federal stimulus beyond the 2024-25 fiscal year. The federal stimulus included in the budget is to address revenue shortfalls due to the COVID-19 pandemic.

The TSC casino revenue is included in each year of the Financial Plan, budgeted at $11.0 million annually. The current contract expired December 9, 2023, and terms of a new contract are currently unknown nor is there information available regarding the status of negotiations. Currently NYS and Seneca Gaming are operating under the expired contract, placing the local share of revenue in escrow, while a new contract is negotiated. Historically, TSC revenue has been approximately $7.5 million annually, and the inclusion of $11.0 million annually is overstating the potential revenue. The cumulative increase of $14.0 million over the Financial Plan is deemed speculative. This revenue should be monitored as it's difficult to predict collections. It is unclear when payments will recommence, as payments are on hold until a new agreement is made. We recommend the City develop a plan how to address the financial impact on the City that will result from annual nonreceipt over the financial plan.

Marijuana tax revenue is a new fairly new revenue source that is included in each year of the Financial Plan, and first collected in 2023-24. The program is still in the process of ramping up and including new state-licensed dispensaries in the City of Buffalo. Marijuana tax revenue is increasing from $1.2 million in 2024-25 to $6.0 million in 2027-28. This tax represents a new revenue source for the City, and there is no historical collection rate to determine the reasonability of the estimate. Current year collections through the third quarter are $63,000 with a year-end estimate of $114,000. This revenue should be monitored as it is a new resource and may not provide the economic impact for the City that is currently projected. The risk associated with potentially overestimated this revenue stream is mitigated in that the increases to this line begin in outyear 1 of the plan and there is adequate time to reassess the revenue projections based on 2024-25 actual collections.

Medicare Part D is a revenue that has seen significant increases recently. Medicare Part D is a rebate program to the City for prescription drugs purchased by employees. As more expensive drugs are utilized by the workforce, the rebates have been increasing for the City. Medicare Part D is budgeted at $10.6 million in 2024-25 and increases by $7.7 million, or 73.4 percent, to $18.3 million in 2027-28. This revenue should be monitored due to the significant projected growth rate that is included in the financial plan.

All other intergovernmental revenue is decreasing from $3.5 million as budgeted in the current year to $3.2 million, a decrease of $0.3 million, or 9.1 percent. It is estimated to increase by $5.9 million to $9.1 million in 2027-28.

Over the course of the Financial Plan, Intergovernmental revenue increases from $331.5 million to $345.1 million, an increase of $13.6 million or 4.1 percent. Excluding federal ARPA revenue replacement funds, the remaining intergovernmental revenues increase by $39.4 million, or 12.9 percent.

Fines – The Fines category includes parking tags fines and penalties, traffic violations fines, court fines, and several other fines. Over the Financial Plan, Fines increase $2.5 million, or 22.6 percent, from $10.9 million in 2024-25 to $13.4 million in 2027-28. Fines represent 1.8 to 2.1 percent of total revenues over the Financial Plan. Fines is another area that should be closely monitored as both parking tags fines and penalties and traffic violations fines continue to be below budgeted amounts. On a combined basis those fines are projected to be unfavorable to budget by $3.4 million in the current fiscal year. The City's proposes to increase fees and enhanced enforcement to generate additional revenue in those two categories. With a significant reduction of daily commuter traffic into the City it is questionable if the City will be able to generate revenues at the budgeted levels.

	2023-24 Adopted Budget	2024-25 Proposed Budget	2025-26 Projection	2026-27 Projection	2027-28 Projection	Four-Year Increase/(Decrease)	
Fines		**Financial Plan**				**$**	**%**
Parking Tags Fines & Penalties	$ 5,500,000	$ 5,750,000	$ 6,900,000	$ 6,969,000	$ 7,038,690	$ 1,288,690	22.4%
Traffic Violations Fines	4,250,000	4,250,000	5,316,892	5,370,061	5,423,761	1,173,761	27.6%
Court Fines	135,000	220,000	220,000	220,000	220,000	-	0.0%
All Other Fines	536,425	700,450	700,550	700,652	700,756	306	0.0%
Total Fines	**10,421,425**	**10,920,450**	**13,137,442**	**13,259,713**	**13,383,207**	**2,462,757**	**22.6%**

Fines represent approximately 1.8 percent of budgeted revenue in 2023-24 and are increasing $0.5 million, or 4.8 percent, to $10.9 million from the 2023-24 budget amount of $10.4 million in 2024-25. The year-to-year increase is attributed to the implementation of school bus arm cameras and enforcement of traffic violations.

Over the Financial Plan, Fines are increasing from $10.9 million to $13.4 million, an increase of $2.5 million, or 22.6 percent. The increase is directly attributed to implementing the school bus arm cameras, enhanced traffic enforcement and the assumption that parking tags fines and penalties will return to pre-pandemic levels by the end of the Financial Plan. All other fines are consistent over the Financial Plan.

Miscellaneous – Miscellaneous revenue includes grant reimbursements, the sale of land, property, and other capital assets, settlements of legal claims, and a myriad of other revenue sources. The Miscellaneous revenue category increases incrementally over the plan; it represents 2.1 percent of total budgeted revenues in 2024-25, 2.2 percent in 2025-26, and 2.4 percent in the last two years of the Financial Plan.

	2023-24 Adopted Budget	2024-25 Proposed Budget	2025-26 Projection	2026-27 Projection	2027-28 Projection	Four-Year Increase/(Decrease)	
Miscellaneous		**Financial Plan**				**$**	**%**
Grant Reimbursement	$ 5,948,110	$ 5,408,110	$ 6,570,353	$ 7,525,607	$ 7,600,863	$ 2,192,753	40.5%
Sale of Capital Assets	4,519,000	1,327,150	632,000	861,500	714,575	(612,575)	-46.2%
Settlement of Legal Claims	250,000	250,000	255,000	375,000	382,500	132,500	53.0%
All Other Misc.	5,345,535	5,792,476	6,167,668	6,031,408	6,253,176	460,700	8.0%
Total Miscellaneous	**16,062,645**	**12,777,736**	**13,625,021**	**14,793,515**	**14,951,114**	**2,173,378**	**17.0%**

Year-to-year, estimated Miscellaneous revenues are decreasing by $3.3 million, or 20.5 percent between 2023-24 and 2024-25. The decrease is driven by the decrease in capital assets available for sale. A Supreme Court case found that municipalities are not entitled to profits beyond what is due to them for arrears and other fees when it comes to in rem tax foreclosure auctions and that any equity earned is to be returned to the homeowner.

Significant revenues include grant reimbursements which are budgeted at $5.4 million in 2024-25, increasing to $6.6 million in 2025-26, and increasing to $7.5 and $7.6 million in 2026-27 and 2027-28. The grant details have not been provided at this time, however it is expected the bulk of the grants will be for fire and police services, specifically targeting training, equipment, and selected overtime costs.

The sale of capital assets over the Financial Plan is primarily driven by the City's sale of City-owned properties. Some properties will still be sold through in rem, but those properties are separate from the in rem tax foreclosure auctions previously held. The sale of capital assets in 2024-25 is budgeted at $1.3 million, decreasing to $0.6 million in 2025-26, and increasing to $0.9 million and then decreasing to $0.7 million in the final year of the Financial Plan. As demonstrated in recent years, it is difficult to accurately predict when a marketed property will be sold and closed from a revenue timing perspective.

Over the course of the Financial Plan, Miscellaneous revenue fluctuates between 2.1 percent to 2.4 percent of total budgeted or projected revenue. Miscellaneous revenue increases by $0.8 million or 6.6 percent in 2025-26, increases $1.2 million or 8.6 percent in 2026-27, and increases $0.2 million, 1.1 percent in 2027-28.

All Other Remaining Revenue Categories – The following schedule includes the remaining revenue categories, including service charges, non-property taxes, licenses and permits, and earned interest. Those revenues comprise $39.2 to $46.2 million annually and comprise approximately 6.2 – 7.8 percent annually of total revenue throughout the Financial Plan. Outside of the increase in service charges and a decrease in interest income, there are minimal variances in the remaining revenue lines in the Financial Plan.

	2023-24 Adopted Budget	2024-25 Proposed Budget	2025-26 Projection	2026-27 Projection	2027-28 Projection	Four-Year Increase/(Decrease)	
Remaining Revenues		**Financial Plan**				**$**	**%**
Service Charges	$ 14,375,013	$ 17,121,883	$ 19,312,257	$ 19,592,939	$ 19,865,010	$ 2,743,127	16.0%
Non-property Taxes	12,350,000	13,600,000	13,600,000	13,600,000	13,600,000	-	0.0%
Licenses & Permits	5,392,060	5,373,150	5,426,882	5,477,640	5,506,818	133,668	2.5%
Interest	5,000,000	10,148,927	9,900,000	2,750,000	250,000	(9,898,927)	-97.5%
Total	**37,117,073**	**46,243,960**	**48,239,139**	**41,420,579**	**39,221,828**	**(7,022,132)**	**-15.2%**

On a year-to-year basis, budgeted/projected service charges are increasing from $14.4 million in 2023-24 to $17.1 million in 2024-25, an increase of $2.7 million, or 19.1 percent. Over the Financial Plan, the City has increased parking meter fees from $4.9 million in 2024-25 to $7.5 million in 2027-28; the assumption is that more people will be utilizing on street parking post-pandemic, as well as increases to the current fee structure. Parking meter fees have been lower than expected over the last several year. Current year-end estimates are $2.3 million, $0.6 million below the budgeted amount of $2.9 million. Any projected increases are speculative at this time as it's unknown when or if more traffic will be seen downtown where these fees are earned.

Non-property taxes represent 2.2 percent of total 2024-25 estimated revenues and are held flat at $13.6 million across the Financial Plan. This revenue stream is comprised of class I utility taxes of $9.8 million, cable franchise tax of $3.0 million, and foreign fire insurance tax of $0.9 million. These amounts are budgeted consistent with prior years, and these revenues have no variance over the Financial Plan.

Licenses and permits are flat year-to-year at $5.4 million. Licenses and permits represent 0.9 percent of total revenue across the Financial Plan. These revenues are projected to increase $0.1 million, or 2.5 percent, over the Financial Plan.

Earned interest income is budgeted to increase by $5.1 million between 2023-24 and 2024-25. It is noted that the current year-end estimate is $15.0 million, which is $10.0 million higher than the budget amount of $5.0 million. The significant increase in interest income is attributed to the ARPA recovery plan funds held by the City and the increased interest rates; neither was initially budgeted for. Interest income decreases over the Financial Plan from $10.1 million in 2024-25 to $9.9 million in 2025-26, to $2.8 million in 2026-27, and to $250,000 in 2027-28. The decrease in interest reflects the City spending down the ARPA funds.

Operating Transfers In and Other Sources – Operating Transfers In include transfers from three of the City's enterprise funds, including the water fund, parking enterprise fund, and the solid waste and recycling fund. Other sources represent the Administration's planned use of fund balance.

Operating Transfers In increased $1.9 million from $11.2 million in 2023-24 to $13.1 million in 2024-25 due to an increase of $0.4 million from the water fund, an increase of $1.1 million from the parking fund, and an increase of $0.4 million from the solid waste fund. In the prior year, there was a budgeted decrease in the parking fund transfer for 2021-22 to reflect the decrease in parking revenues during the COVID pandemic. The City budgeted $6.0 million in 2020-21 and only received $2.0 million. Due to the pandemic and shutdown of the economy, people were not utilizing parking at the City-owned ramps. It is expected to take a few years before utilization and revenues from the City parking ramps are more stable and the impact from the pandemic can more clearly be used in revenue projections.

Over the Financial Plan, Transfers In increase from $13.1 million in fiscal year 2024-25 to $18.1 million in 2027-28, an increase of $5.1 million, or 38.8 percent. Transfers from the water fund are estimated to increase by $1.5 million, or 15.8 percent, transfers from the parking fund are estimated to increase $3.4 million from $2.8 million to $6.2 million, and transfers from the solid waste fund are estimated to increase $0.2 million, or 21.0 percent. The increase of $3.4 million for the parking fund transfer is based on the assumption that utilization of parking ramps will return to pre-pandemic levels by the fourth year of the Financial Plan. Transfers In represent 2.1 to 2.9 percent of total revenue over the Financial Plan.

Use of Fund Balance – The Administration has included the use of fund balance in the amount of $14.9 million in 2024-25. This represents the full balance of unassigned fund balance at July 1, 2023; the close out of 2024-25 will determine how much is available as of the beginning of the current 2023-24 year. As this is a non-recurring source, it is used to balance the budget as the last resource to be used. Revenues and expenditures should be monitored closely against the budget, as fund balance is limited. The City will need to recognize a higher level of revenue in the three out-years to provide adequate resources to fund expenditures. In addition, the City has a fund balance replenishment policy; the Financial Plan does not include replenishment of fund balance.

	2023-24 Adopted Budget	2024-25 Proposed Budget	2025-26 Projection	2026-27 Projection	2027-28 Projection	Four-Year Increase/(Decrease)	
Transfers In & Other Sources		**Financial Plan**				**$**	**%**
Water Board	$ 8,810,084	$ 9,250,588	$ 9,713,116	$ 10,198,773	$ 10,708,711	$ 1,458,123	15.8%
Parking Fund	1,711,000	2,806,000	3,850,000	5,500,000	6,200,000	3,394,000	121.0%
Solid Waste Fund	673,078	1,000,000	1,000,000	1,100,000	1,210,000	210,000	21.0%
Total Transfers In	**11,194,162**	**13,056,588**	**14,563,116**	**16,798,773**	**18,118,711**	**5,062,123**	**38.8%**
Other Sources							
Fund Balance	-	14,915,244	-	-	-	(14,915,244)	-100.0%
Total Other Sources	-	**14,915,244**	-	-	-	**(14,915,244)**	**-100.0%**

Summary of Unsupported Revenues and Nonrecurring Revenues

The following schedule summarizes unsupported revenues over the 2025-2028 Financial Plan.

	2024-25 Proposed Budget	2025-26 Projection	2026-27 Projection	2027-28 Projection	Four-Year Total
Unsupported Revenues	**Financial Plan**				
	$ in Millions				**$**
State AIM	$ -	$ 11.3	$ 16.3	$ 16.3	$ 43.9
Occupancy Tax	4.2	5.3	5.3	5.3	20.1
Casino Revenue	3.5 - 11.0	3.5 - 11.0	3.5 - 11.0	3.5 - 11.0	14.0-44.0
Parking Meter Fees	1.9	3.9	3.9	3.9	13.6
Traffic Violation Fines	1.9	2.8	2.8	2.7	10.2
Total	**$11.5 - 19.0**	**$26.8 - 34.3**	**$31.8 -39.3**	**$31.7 -39.2**	**$101.8-131.3**

Total unsupported revenue over the four-year Financial Plan ranges from $101.8 to $131.3 million. Unsupported revenues include the increase of State AIM over the three years of the Financial Plan in the amount of $43.9 million. As previously stated, New York State has included a temporary increase in AIM to municipalities over the first two-years of the State's Financial Plan. Buffalo's share of those funds is $5.0 million in each of the first two years increasing total State Aim to $166.3 million, and then decreases back down to $161.3 million in the final two-years of the Financial Plan, TSC casino revenue payments are include annually at $11.0 million, and are potentially overstated between $3.5 - $11.0 million annually. The current Compact has expired, and it is unknown when a new one will be finalized and what the share to the City of Buffalo will be. TSC has been averaging $7.5 million annually, so the budgeted increase to $11.0 million is questionable without additional support. The occupancy tax is a new tax the Administration would like to implement on hotels within the City of Buffalo and is estimated to generate between $4.2 - $5.3 million annually. This new tax requires State Legislative approval which has yet to occur. Both parking meter fees and traffic violation fines have been over budgeted in prior years. The amounts included in the Financial Plan are unsupported at this time and it is questionable if there is sufficient commuters entering the City daily post-pandemic to generate the projected revenues.

Many commuters into the City are now able to work remotely to some extent, which has decreased the volume of vehicles coming into the City on a daily basis.

The following schedule summarizes nonrecurring, one-time revenues in the 2025-2028 Financial Plan totaling $40.7 million. Using one-time revenues from the federal stimulus funding to support lost revenues and assist homeowners with property tax arrears is consistent with its purpose and, therefore, reasonable.

	2024-25 Proposed Budget	2025-26 Projection	2026-27 Projection	2026-27 Projection	Four-Year Total
One-time Revenues/Resources		**Financial Plan**			**$**
ARPA Federal Funds	$ 19,771,429	$ -	$ -	$ -	$ 19,771,429
ARPA - PY Property Tax Arrears	6,000,000	-	-	-	6,000,000
Fund Balance	14,915,244	-	-	-	14,915,244
Total	**$ 40,686,673**	**$ -**	**$ -**	**$ -**	**$ 40,686,673**
% of Total Estimated Revenue	6.6%	0.0%	0.0%	0.0%	

The non-receipt of these revenues, or the non-receipt at the projected level, will pressure the Financial Plan as the limited unassigned fund balance of $14.9 million is budgeted as a resource in 2024-25. On June 30, 2023, $101.1 million in unrestricted fund balance was reported, which included $43.3 million in the emergency stabilization fund (i.e., the Rainy Day Fund), $42.9 million in assigned fund balance, and $14.9 million in unassigned.

Expenditures

The City's proposed budget totals $618.0 million in total General Fund expenditures. The following table identifies expenditures (in the $ millions) by department and various general charges budgeted centrally for the City, such as utilities and fringe benefits.

	Fiscal Year Ended June 30, 2023 Actual	2023-24 Adopted Budget	2023-24 Year-End Estimate as of March 31, 2024	2024-25 Proposed Budget	Increase/(Decrease) Budget to Budget	Increase/(Decrease) over Year-End Estimate
			($ in millions)			
Departments						
Common Council	$ 2.8	$ 3.4	$ 3.3	$ 3.6	$ 0.2	$ 0.3
City Clerk	3.8	4.1	3.8	4.3	0.2	0.5
Mayor & Executive	6.2	8.9	8.0	8.8	(0.1)	0.8
Audit & Control	2.9	4.4	3.5	4.5	0.1	1.0
Law	3.7	5.2	4.3	5.4	0.2	1.1
Assessment	2.7	3.7	3.4	3.6	(0.1)	0.2
MIS	5.5	6.5	6.2	7.1	0.6	0.9
Administration & Finance	10.4	12.1	9.8	12.2	0.1	2.4
Parking	3.0	4.2	3.2	4.4	0.2	1.2
Police	97.8	94.6	100.6	109.2	14.6	8.6
Fire	71.2	70.9	75.1	72.9	2.0	(2.2)
Human Resources	4.6	6.0	5.0	6.2	0.2	1.2
Public Works	38.4	37.8	42.8	41.3	3.5	(1.5)
Community Services	4.5	4.8	4.4	5.7	0.9	1.3
Permits & Inspections	6.0	6.5	6.4	7.5	1.0	1.1
TOTAL DEPARTMENTS	**263.5**	**273.1**	**279.8**	**296.7**	**23.6**	**16.9**
GENERAL CHARGES						
Grants In Aid	0.2	0.4	0.3	0.4	-	0.1
Utilities	17.7	18.3	17.3	18.2	(0.1)	0.9
Services	1.7	1.4	1.4	1.4	-	-
Other	5.3	6.1	6.5	5.8	(0.3)	(0.7)
Fringe Personal Services	7.5	8.8	8.8	9.5	0.7	0.7
Fringe Benefits:						
Active Employee Health Insurance	48.0	46.9	46.7	49.3	2.4	2.6
Retiree Health Insurance	33.7	43.5	38.2	46.6	3.1	8.4
FICA & Medicare Payroll Taxes	16.5	15.0	15.5	16.0	1.0	0.5
Employee Retirement System	7.7	10.0	8.0	11.4	1.4	3.4
Police & Fire Retirement System	35.6	39.0	37.0	46.9	7.9	9.9
All Other Fringe Benefits	9.2	16.0	14.7	8.5	(7.5)	(6.2)
Debt Service	1.8	0.1	0.1	0.1	-	-
Subtotal General Charges	**184.9**	**205.5**	**194.5**	**214.1**	**8.6**	**19.6**
Interfund Transfers Out - Education	70.8	70.8	70.8	70.8	-	-
Interfund Transfers Out - Other	60.2	27.6	49.7	36.4	8.8	(13.3)
Subtotal Transfers Out	**131.0**	**98.4**	**120.5**	**107.2**	**8.8**	**(13.3)**
TOTAL GENERAL CHARGES AND TRANSFERS OUT	**315.9**	**303.9**	**315.0**	**321.3**	**17.4**	**6.3**
TOTAL BUDGET	**$ 579.4**	**$ 577.0**	**$ 594.8**	**$ 618.0**	**$ 41.0**	**$ 23.2**

The Proposed Budget of $618.0 million is an increase of $41.0 million compared to the 2023-24 Adopted Budget amount of $577.0 million. Departmental expenditures are budgeted to increase by $23.6 million, or 8.6 percent; departmental increases are primarily attributed to personal service costs, fuel costs, and outside service contracts. General charges are increasing by $8.6 million, or 4.2 percent, and transfers out are decreasing by $8.8 million, or 8.9 percent.

The 2024-25 Proposed Budget increases expenditures by $23.2 million compared to the third quarter 2024 year-end estimate of $594.8 million. Departmental costs are increasing by $16.9 million, general charges are increasing by $19.6 million, and transfers out are decreasing by $13.3 million.

Departmental Costs

At the departmental level, total proposed budgeted appropriations are $296.7 million, an increase of $23.6 million over last year's adopted budget of $273.1 million, representing an increase of 8.6 percent. Total actual departmental spending for 2022-23 was $263.5 million; the Proposed Budget amount reflects an increase of $33.2 million, or 12.6 percent. Of this increase in departmental costs, of $23.6 million, increases in personal service costs represent $19.8 million, or 84.2 percent of the total increase. Services are increasing by $3.7 million, or 15.6 percent, supplies are increasing by $0.1 million, or 0.5 percent, and capital outlay is decreasing by $0.2 million, or 1.0 percent. Utilities and travel are increasing $0.2 million on a combined basis.

The budget reflects the additional labor costs associated with the various collective bargaining agreements ("CBAs") settled over the past several years. Lower starting salaries for new employees offset the costs associated with salary increases. Currently, all contracts are settled; both Local 650 (white collar) and Crossing Guards expire at the end of the current fiscal year. The largest unions, police and fire, both expire at the end of 2024-25. The labor agreements between the City and union organization are as follows:

Union	**Number of Employees** [2]	**Present Agreement Expire**
PBA (Police Officers)	759	6/30/2025
Local 282 (Firefighters)	675	6/30/2025
Local 264 (Blue Collar)	353	6/30/2025
Local 650 (White Collar)	414	6/30/2024
Local 2651 (Building Inspectors)	53	6/30/2026
Local 17 (Operating Engineers)	14	6/30/2026
Local 264T (Pipe Caulkers)	21	6/30/2026
CGA (Crossing Guards) [1]	117	8/31/2024

1) Seasonal employees, laid-off during the summer
2) Full-time equivalent count as of March 31, 2024

The City has incorporated various management tools into the previously negotiated CBAs to improve efficiencies and control expenditures. Some examples of these management tools include a residency requirement for all new fire personnel, elimination of health insurance in retirement for new hires, a 24-hour shift schedule for the fire department, and requiring employee contributions for health insurance. It is noted that the residency requirement for police officers is only valid through June 30, 2025, when it sunsets. This sunset provision was negotiated previously and allows for the residency requirement to lapse in the absence of a new CBA. In addition, all contracts have moved beyond the previously typical five-step salary schedule before an employee reaches the top salary step, with all new hires on an extended schedule that requires at least seven years of service before an employee reaches the top step, resulting in lower initial salaries for new hires.

The police department is increasing by $14.6 million, or 15.4 percent, over prior year's budget for a total budgeted departmental cost of $109.2 million. The increase in the police department budget is attributed to several factors, including an increase of $12.9 million for personnel service costs which includes increases for annual salary and step progression for patrol officers. Overtime is budgeted to increase by $1.6 million, longevity is increasing by $0.6 million, and holiday pay is increasing $0.4 million. In addition, the City has decreased services by $0.7 million and supplies by $0.4 million. The City has experienced attrition in the police department and had over 43 vacancies during 2023-24.

The fire department is increasing by $2.0 million, or 2.8 percent, over the prior-year budget for a total departmental cost of $72.9 million. The $1.5 million increase for personnel service costs, which includes increases for annual salary and step progression for Local 282 for approximately $0.4 million and increased overtime of $1.0 million, and all other personal service costs are increasing by $0.1 million on a net basis. In addition to the personnel service costs, supplies, and services are budgeted to increase by $0.3 million each. Travel, utilities and capital outlay combine for a decrease of $0.1 million.

Police expenditures total 18 percent of the total budget of $618.0 million, and the fire department expenditures total 12.0 percent of total appropriations. Combined, both departments total $182.0 million, or 30 percent, of total budgeted expenditures for the City in 2024-25. As previously noted, the PBA and the firefighter's union, Local 282, is under contract through June 30, 2025.

Budgeted appropriations in the public works department are increasing by $3.5 million, or 9.3 percent, and is attributed to increased costs associated with salaries of $0.9 million reflective of the negotiated salary increases with Local 264, $0.1 million in increases for hourly employees attributed to the living wage ordinance increase, and $0.3 million for overtime. Contractual services are increasing by $2.4 million, specifically for plowing/snow removal services, supplies are decreasing $0.2 million, and capital outlay is increasing by $0.2 million.

The Community Services department is increasing by $0.9 million on a year-to-year basis due to an increase of $0.9 million in contractual services in the division of youth services. All other departmental expenditures are decreasing by $0.1 million on a net basis.

The remaining 11 departments are budgeted to increase by $2.6 million, or 1.0 percent. Significant variances include an additional $1.4 million for salaries including $1.0 million in Permits & Inspections for additional inspectors, $0.4 million in the Mayor & Executive Department. All other personal service costs are a net $41,000. The increased costs are associated with collective bargaining agreements and targeted hiring for several departments. Services are increasing by $0.9 million year-to-year, and are associated with increases of $0.4 million in the Law Department, $0.3 million for the Parking Department, and $0.2 million in Management Information Services. All other departmental costs are increasing by $0.3 million on a net basis. There are no other significant departmental variances noted.

General Charges

The City's general charges, excluding transfers out, are budgeted to increase by $8.6 million, or 4.2 percent over the prior year budget. This increase is attributed to the budgeted increase in fringe benefits of $8.3 million, or 4.9 percent. All other general charges are increasing by $0.3 million, or 0.1 percent, on a net basis.

Regarding fringe benefits, the largest cost escalator is contributions to the police and fire retirement system, which is budgeted to increase by $7.9 million to $46.9 million, or 20.1 percent, in FY 2024-25. The year-end estimate for FY 2024 is $37.0 million, $2.0 million less than the budgeted amount of $39.0 million. Pension contributions to the employee retirement system are projected to increase by $1.4 million. The increase in both pension systems reflects the increased contribution rates year-to-year. Employer payroll taxes are increasing by $1.0 million to $16.0 million, and the salary adjustment line is decreasing by $7.0 million to $1.5 million.

Active employee health insurance is budgeted to increase by $2.4 million to $49.3 million, or 5.1 percent. The year-end estimate for FY 2024 is $46.7 million, which is favorable by $0.2 million compared to the adopted budget of $46.9 million. Retiree health insurance is budgeted to increase by $3.1 million to $46.6 million, or 7.1 percent, in FY 2024-25. The increase from the current year-end projection of $38.2 million to the proposed budget of $46.6 million is $8.4 million, or 22.0 percent. The City used a blended rate of 7 percent increase for both the medical and pharmaceutical components for health insurance, the rate increase appears reasonable. All other fringe benefits are increasing by $0.3 million on a net basis.

The remaining general charges are budgeted to increase by $0.3 million on a net basis. The Other General Charges category is decreasing by $0.3 million and is attributed to a decrease in the budget for legal settlements. Duty-disability payments and annual salary allocations are being increased by $0.7 million on a combined basis. Utilities are decreasing by $0.1 million from $18.3 million to $18.2 million, or 0.5 percent, in 2024-25. Grants in aid and debt service are both being held flat year-to-year at 0.4 million and $0.1 million respectively.

Transfers Out are budgeted to increase by $8.8 million, for a total of $107.2 million, which is attributed to the increase in the transfer to the capital debt service fund of $8.8 million. There are three components to Transfers Out, including $36.0 million for the capital debt service fund, $70.8 million for the transfer to the Buffalo City School District, and $0.4 million for the capital projects fund. The transfer to the District and capital projects fund are maintained at previous year levels. It is noted that the increase to capital debt service fund is related to a recent legal settlement, due to a police officer accident that paralyzed a pedestrian, that was bonded to fund the settlement.

Employee-Related Costs

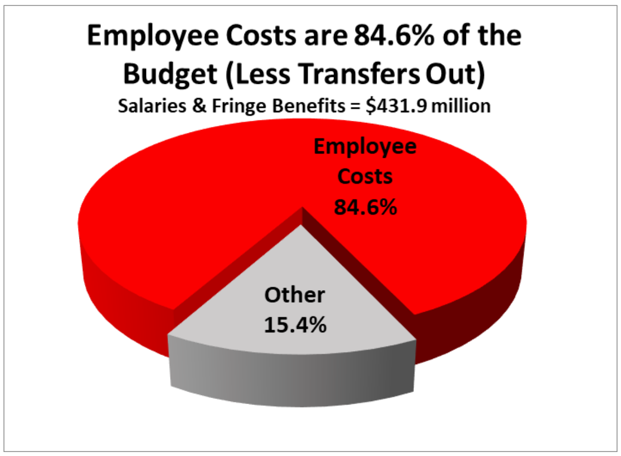
The vast majority of expenditures in the City budget are employee-related costs. Direct employee salaries and wages and fringe benefits such as health insurance, dental insurance, life insurance, and pension represent 84.6 percent of the City's General Fund budgeted appropriations, exclusive of transfers. The City's historic employee-related costs average between 83-87% of total operational costs annually. The 2024-25 Proposed budget includes $431.9 million in direct salary and fringe benefit costs, which are, in total, increasing by $28.9 million, or 7.2 percent, over the amount budgeted in 2023-24 of $403.0 million. The increase is reflective of several items leading to the overall net increase. The increase in employee compensation is directly related to personal service costs, which are increasing by $19.8 million, or 8.9 percent.

Personal services, which includes salaries and wages and injured-on-duty salary payments, are increased at 8.9 percent, or $19.8 million, from the 2023-24 budget amount of $223.8 million, for a total of $243.6 million in the 2024-25 Proposed Budget. The City has included increases in the departments that have employees under contract. The increases average 2.0 percent annually, except for the police department at 4.0 percent and the fire department at 3.0 percent. The fire department increases by 3.0 percent annually based on contractual salary increases, and is offset by projected attrition through employee retirements or leaving City service; the total increase year-to-year is 2.2 percent. The budget for the fire department's personal service costs is increasing year-to-year by $1.5 million, reflecting an increase of $0.4 million for salary and step increases and $1.0 million for overtime increases. All other personnel costs in the fire department are increasing by $65,700 million on a net basis. As previously discussed, the police department's personal service costs are increasing on a year-to-year basis by $15.7 million, or 17.6 percent, and are associated with the 2024 collective bargaining agreement that provides an increase of 4.0 percent. Annual salaries and step progression is increasing $12.9 million, overtime is increasing $1.6 million, longevity is increasing $0.6 million, and holiday pay is increasing $0.4 million. All other personal service costs for the police department are increasing $0.2 million on a net basis.

The remaining thirteen departments are increasing by a total of $2.7 million for personal service costs, reflecting the previously mentioned salary increases per employee contracts. Significant departmental increases include an increase of $1.3 million for public works, including $0.9 million for annual salary costs including the addition of staff, $0.3 million for overtime, and all other personal costs are increasing $0.1 million on a net basis. Permits and Inspections are increasing by $1.0 million and includes an increase of $0.6 million for annual salary and addition of staff, $0.3 million for auto allowance and $0.1 million for all other personal service cost increases. All remaining departments are increasing personal service costs by $0.4 million on a net basis. In addition, injured-on-duty salary payments increasing by $0.7 million.

Fringe benefits are increasing by $9.1 million, from $179.2 million in 2023-24 to $188.3 million in 2024-25, and are discussed above. The overall increase is due to pension contributions increasing, health insurance increases, employer payroll taxes, and are offset by a decrease in the salary adjustment line for unsettled labor contracts of $7.0 million (from $8.5 million to $1.5 million in 2024-25). All other fringe benefits are decreasing $0.4 million on a net basis.

The following chart demonstrates the percentage of the total budget, less transfers out, that is comprised of employee costs:



Personal service ("PS") costs for the police department are budgeted for $15.7 million (17.6 percent) more than the prior year; it is noted these costs are primarily for the uniformed officers reflective of step increases and the recently settled CBA, but also include the civilians that work within the department. The annual salary increase reflects patrol officers moving up the annual step schedule and white-collar employees receiving the negotiated salary increase, for a total of $12.9 million. Overtime is increasing $1.6 million, longevity payment is increasing by $0.6 million, holiday pay is increasing $0.4 million and all other salary lines within the police department are increasing by $0.2 million on a net basis.

The City is planning on hiring approximately 30 police recruits in fiscal year 2024-25; the details of those hiring and subsequent training have not been finalized. The number of recruits would depend on the number of available slots through the Erie Community College academy program.

The City has budgeted $11.3 million for police department overtime for 2024-25. Overtime was budgeted at $9.7 million for the 2023-24 fiscal year and is projected to exceed the budget by $4.0 - $4.3 million for an approximate year-end total of $13.7 - $14.0 million. Overtime has historically been under budgeted and has been funded largely through departmental vacancies and fund balance.

The fire department has 73 vacant positions as of March 31, 2024, between firefighter and civilian positions. The City plans on running at least one, possibly two, fire academy classes of 25-30 recruits in 2024-25, dependent on current employee attrition. The fire department's budgeted personal service costs, including firefighters and the civilian workforce, is $69.5 million, which is increasing by $1.5 million, or 2.2 percent. Annual salaries are budgeted to increase by $0.4 million to $58.1 million and overtime is increased by $1.0 million to $7.0 million. All other PS costs for the fire department are increasing on a net basis by $0.1 million.

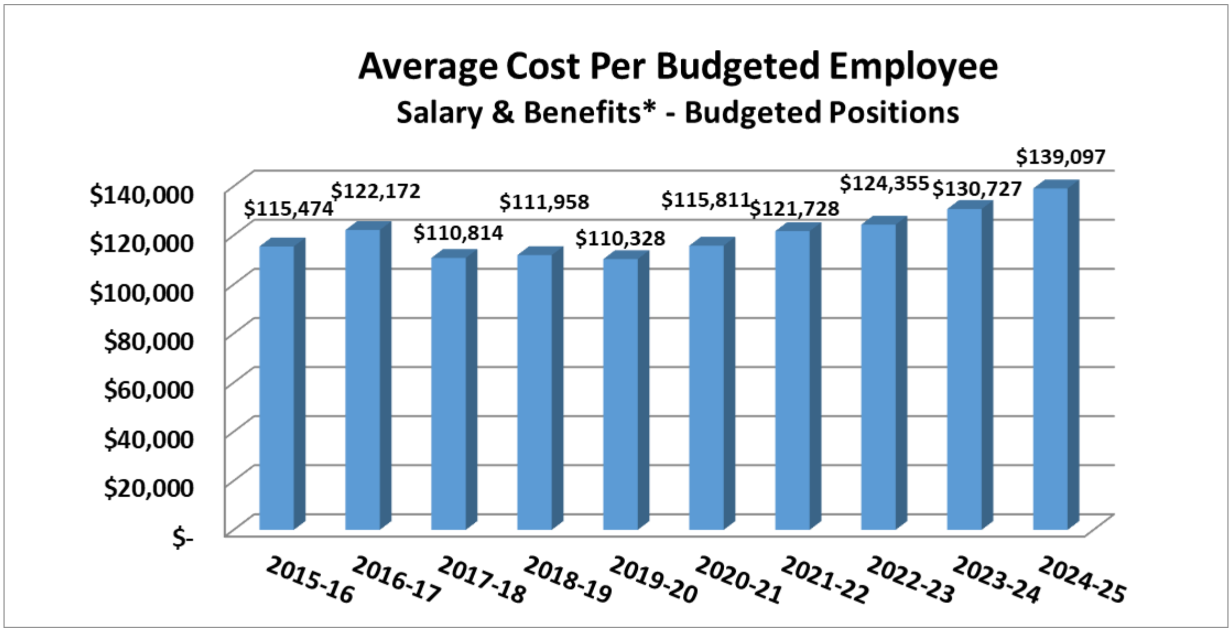
Historically, policies for controlling overtime and sick leave use have proven insufficient in reducing related expenditures. Under the most recent labor agreement with the firefighter's union, firefighters moved to a 24-hour shift schedule, agreed to an enhanced home confinement policy, and agreed to a maximum number of firefighters that can be granted paid time-off per shift. In addition, the City can still close a firehouse and reassign those firefighters to other firehouses if call-ins are excessive. Overtime was budgeted at $4.4 million for 2018-19, of which $8.2 million was expended, reflecting an overage of $3.8 million, or 86.4 percent, in firefighter overtime. Overtime was budgeted at $4.6 million in 2019-20, of which $7.3 million was expended, which is $2.8 over the budgeted amount (60.8 percent). Overtime was budgeted at $4.5 million for 2020-21, of which $8.7 million was expended, reflecting an overage of $3.2 million, or 71.1 percent, in overtime costs. Overtime was budgeted at $4.9 million for 2021-22, of which $9.5 million was expended, reflecting an overage of $4.6 million, or 93.9 percent, in overtime costs. Overtime was budgeted at $6.5 million for 2022-23, of which $10.3 million was expended, reflecting an overage of $3.8 million, or 57.9 percent, in overtime costs. As of March 31, 2024, overtime expenditures totaled $10.1 million, which exceeds the budget of $5.5 million by $4.6 million (44.2 percent).

Similar to the police department, in prior years, the City would use vacancy savings to cover overages in overtime.

The City did not achieve the projected estimated savings with the most recent firefighters' contract. Overtime continues to be an area of concern as it historically has been under-budgeted. It is recommended that the City continue to closely monitor overtime and revise the Financial Plan if necessary, and continue to utilize the management tools provided to the City administration under the terms of the current collective bargaining agreement.

All other expenditures, including services, supplies, capital outlay, and travel, comprise the remaining 15.4 percent of the budget, excluding transfers, or $78.9 million.

The following chart provides the average cost for salary and benefits for active employees over the past ten years, covering the period between FY 2016 and FY 2025. Employee costs for active employees have increased annually, with total personnel service costs increasing by $55.4 million (29.4 percent) and fringe benefits for active employees increasing by $55.0 million (44.0 percent) over the ten year period. Personnel service costs have increased due to the settlements of employee contracts over the past decade. Fringe benefit cost increases are largely a result of pension contributions, health insurance costs, and to a lesser extent employer payroll taxes. In FY 2016, actual employee costs totaled $274.9 million; compared to the proposed 2024-25 budget of $385.3 million, this represents an increase of $110.4 million (40.2 percent) over the ten-year period. More specifically, employees' salaries and compensation have increased from $188.2 million to $243.6 million, or $55.4 million (29.4 percent), while fringe benefits, including retiree health insurance, have increased from $125.1 million to $188.3 million or $63.2 million (50.5 percent).



***Eliminates retiree health insurance from total PS costs.**

In 2015-16, the average actual cost per employee for salary and fringe benefits was $115,474. For the upcoming 2024-25 fiscal year, the average budgeted cost per City employee is $139,097, an increase of $23,624, or 20.5 percent, compared to 2015-16. The employee cost increases over the last ten-year period are attributed to negotiated salary increases for all City employees. In addition, there are increased costs in pension contributions and health insurance costs. The figures above exclude retiree health insurance costs to reflect the total cost per active employee.

The amount budgeted for health insurance for retirees for 2024-25 is increased by $3.1 million (7.1 percent) from the prior year; the total amount budgeted is $46.6 million. Health insurance for active employees is budgeted at $49.3 million in 2024-25, an increase of $2.4 million (5.1 percent) compared to the 2023-24 budget of $46.9 million. The budgeted increase brings the amount more in-line with recent experience and estimated growth.

The following chart provides a ten-year schedule of health insurance costs, with actual amounts provided for 2016 to 2023 and budget amounts for 2024 and 2025. Health insurance is budgeted to increase by $27.8 million (40.8 percent) over the actual amounts incurred in 2015-16. The actual increase from 2016 to 2023 was $13.6 million, or 20.0 percent. It is noted the City became self-insured for health insurance on January 1, 2016, and self-insured for prescription drug coverage on September 1, 2011. The City has purchased a stop-loss insurance policy to mitigate the exposure to the City for unpredictable and high cost claims.

Health Insurance										
	Actual								Budgeted	
FYE	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Active	$ 29.7	$ 35.6	$ 36.7	$ 40.0	$ 38.5	$ 41.0	$ 40.2	$ 48.0	$ 46.9	$ 49.3
Retiree	$ 38.4	$ 33.0	$ 35.6	$ 36.6	$ 38.6	$ 31.9	$ 35.7	$ 33.7	$ 43.5	$ 46.6
Total	**$ 68.1**	**$ 68.6**	**$ 72.3**	**$ 76.6**	**$ 77.1**	**$ 72.9**	**$ 75.9**	**$ 81.7**	**$ 90.4**	**$ 95.9**

Financial Plan

The following chart summarizes the Financial Plan:

	2024-25 Proposed Budget	2025-26 Projection	2026-27 Projection	2027-28 Projection	Four-Year Increase/(Decrease)	
Revenues:	**Financial Plan**				**$**	**%**
Revenue	$ 589,993,168	$ 605,896,892	$ 609,152,269	$ 614,488,487	$ 24,495,319	4.2%
Transfers In	13,056,588	14,563,117	16,798,774	18,118,712	5,062,124	38.8%
Total Revenues	**$ 603,049,756**	**$ 620,460,009**	**$ 625,951,043**	**$ 632,607,199**	**$ 29,557,443**	**4.9%**
Expenditures						
Departmental Charges	$ 296,668,628	$ 301,242,893	$ 306,279,713	$ 310,944,140	$ 14,275,512	4.8%
General Charges	214,086,577	212,367,191	214,477,677	217,856,997	3,770,420	1.8%
Interfund Transfers Out	107,209,795	106,849,925	105,193,653	103,806,062	(3,403,733)	-3.2%
TOTAL Expenditures	**$ 617,965,000**	**$ 620,460,009**	**$ 625,951,043**	**$ 632,607,199**	**$ 14,642,199**	**2.4%**
Surplus / (Deficit)	**$ (14,915,244)**	**$ -**	**$ -**	**$ -**	**14,915,244**	**-100.0%**

Over the 2025-2028 Financial Plan, expenditures are projected to increase from $618.0 million to $632.6 million, an increase of $14.6 million or 2.4 percent. Departmental Costs are budgeted to increase by $14.3 million, or 4.8 percent; General Charges to increase by $3.8 million, or 1.8 percent; and Transfers Out to decrease by $3.4 million, or 3.2 percent. Negotiated salary increases for the unions under contract, including PBA, Local 2651, Local 17, Local 264, Local 282, and Local 264T, are included in the respective departments. It is noted that Local 650 expires June 30, 2024. Resources for negotiating with the unions out of contract are historically carried in the salary adjustment line under General Charges. The salary adjustment line is only funded in 2024-25 in the amount of $1.5 million, with $0 included in the three remaining out-years. All remaining CBA's are set to expire between fiscal years 2025 and 2026, and there appears to be inadequate resources budgeted for settlement of new contracts.

The following chart summarizes departmental costs, general charges, and transfers out over the 2025-2028 Financial Plan. On an annual basis, there are moderate increases in departmental expenditures and general charges in each year of the Financial Plan.

	2023-24 Adopted Budget	2024-25 Proposed Budget	2025-26	2026-27 Projection	2027-28	Increase/(Decrease) Four-Year	
Departments	$	$	$	$	$	$	%
Common Council	3,448,980	3,612,815	3,673,685	3,735,771	3,735,899	123,084	3.4%
City Clerk	4,086,315	4,270,700	4,303,047	4,336,031	4,337,225	66,525	1.6%
Mayor & Executive	8,870,042	8,811,986	9,419,596	9,528,814	9,639,666	827,680	9.4%
Audit & Control	4,374,884	4,517,649	4,598,841	4,683,849	4,770,527	252,878	5.6%
Law	5,227,343	5,430,635	5,501,692	5,574,165	5,648,081	217,446	4.0%
Assessment	3,693,647	3,639,311	3,713,754	3,779,863	3,847,264	207,953	5.7%
MIS	6,479,390	7,058,890	7,154,483	7,251,604	7,350,279	291,389	4.1%
Administration & Finance	12,072,670	12,202,862	12,331,715	12,462,631	12,595,537	392,675	3.2%
Parking	4,225,196	4,410,248	4,453,295	4,497,195	4,541,965	131,717	3.0%
Police	94,634,319	109,169,773	111,144,444	113,396,322	115,287,783	6,118,010	5.6%
Fire	70,893,155	72,863,639	73,953,745	75,268,810	76,609,328	3,745,689	5.1%
Human Resources	6,002,429	6,212,347	6,275,563	6,339,714	6,404,813	192,466	3.1%
Public Works	37,772,038	41,337,616	41,377,267	41,867,586	42,398,770	1,061,154	2.6%
Community Services	4,817,116	5,636,714	5,720,963	5,806,644	5,893,783	257,069	4.6%
Permits & Inspections	6,509,877	7,493,443	7,620,803	7,750,714	7,883,220	389,777	5.2%
Total Departmental	**273,107,401**	**296,668,628**	**301,242,893**	**306,279,713**	**310,944,140**	**14,275,512**	**4.8%**
General Charges							
Grants In Aid	400,000	400,000	400,000	400,000	400,000	-	0.0%
Utilities	18,307,367	18,155,000	18,334,900	18,516,599	18,700,115	545,115	3.0%
Services	1,441,500	1,391,000	1,415,000	1,439,480	1,464,450	73,450	5.3%
Other	6,085,000	5,780,000	4,149,320	4,149,320	4,149,320	(1,630,680)	-28.2%
Fringe Personal Services	8,842,600	8,324,975	8,408,225	8,492,307	8,577,230	252,255	3.0%
Fringe Benefits							
Health Insurance Active	46,906,624	49,280,776	49,882,795	50,381,623	51,166,361	1,885,585	3.8%
Health Insurance Retiree	43,498,281	46,571,326	46,730,812	47,198,120	47,951,022	1,379,696	3.0%
FICA & Medicare	15,000,000	16,000,000	16,160,000	16,321,600	16,648,032	648,032	4.1%
NYSERS	10,000,000	11,400,000	11,514,000	11,686,710	12,084,497	684,497	6.0%
NYSPFRS	39,000,000	46,850,000	46,888,500	47,357,385	48,111,880	1,261,880	2.7%
Salary Adjustment	8,480,000	1,500,000	-	-	-	(1,500,000)	-100.0%
All Other Fringe Benefits	7,447,587	8,345,500	8,395,639	8,446,533	8,516,090	170,590	2.0%
Debt Service	88,000	88,000	88,000	88,000	88,000	-	0.0%
Total General Charges	**205,496,959**	**214,086,577**	**212,367,191**	**214,477,677**	**217,856,997**	**3,770,420**	**1.8%**
Interfund Transfers Out	98,390,590	107,209,795	106,849,925	105,193,653	103,806,062	(3,403,733)	-3.2%
Total Budget	**576,994,950**	**617,965,000**	**620,460,009**	**625,951,043**	**632,607,199**	**14,642,199**	**2.4%**

Departmental costs increase from $296.7 million to $310.9 million, an increase of $14.3 million, or 4.8 percent over the Financial Plan. The most significant increases include $6.1 million (6.4 percent) for the police department, $3.7 million (5.1 percent) for the fire department, $1.1 million (2.6 percent) for public works and $0.8 million (9.4 percent) for the mayor and executive department. Over the Financial Plan, the remaining 11 departments are increasing by $2.5 million, or 0.9 percent. The increase in departmental expenditures over the Financial Plan is driven by contractual salary increases and the inclusion of 2.0 percent estimated salary increases for bargaining units that will have contracts expire over the financial plan, with personal service costs increasing by $13.0 million over the Financial Plan. All other expenditures are projected to increase by $1.3 million, including an increase of $1.1 million in services. All other departmental costs are increasing by $0.3 million on a net basis.

General charges are increasing by $3.8 million, or 1.8 percent, over the Financial Plan. Significant changes include an increase of $4.5 million (2.7 percent) in fringe benefits, $0.5 million (3.0 percent) for utilities, and an increase in budgeted injured-on-duty salary costs of $0.3 million, representing a 3.0

percent increase. Other is reduced by $1.6 million (28.2 percent) and services are increasing by $0.1 million (5.3 percent). Grants in aid and debt service are held flat over the Financial Plan.

Fringe benefits are budgeted to increase from $179.9 million in 2024-25 to $184.5 million in 2027-28, an increase of $4.5 million, or 2.7 percent. Active employee health insurance increased by 1.2 percent in year two and 1 percent in year three and 1.6 percent in year four, increasing from $49.3 million to $51.2 million over the Financial Plan, a total increase of $1.9 million or 3.8 percent. Retiree health insurance is budgeted at $46.6 million in 2024-25 and is increased by 0.3 percent in year two and 1.0 percent in year three and 1.6 percent in year four, for a total increase of $1.4 million, or 3.0 percent, to $48.0 million in 2027-28. Total health insurance for retirees and active employees combined is projected to increase $3.3 million over the Financial Plan.

Included within fringe benefits are contributions to the New York State Employee Retirement System (NYSERS). The contribution to NYSERS is increasing annually between 1.0 to 3.4 percent over the Financial Plan, from $11.4 million to $12.1 million, or by $0.7 million. Contributions to the New York State Police and Fire Retirement System (NYSPFRS) are increasing between 0.1 to 1.6 percent annually, from $46.9 million to $48.1 million, a total increase of $1.3 million. The City uses a blended pension rate calculation based on the employees' pension tier. As more employees retire, they are replaced by new employees who are in tier 6 compared to employees that are predominately in tiers 2, 3, and 4. Increased costs to the pension system attributed to the impact of the COVID-19 pandemic have impacted fiscal year 2024-25 and will most likely impact 2025-26 as well, based on how the New York State Comptroller calculates the rates.

Also included within fringe benefits is a salary adjustment line budgeted at $1.5 million in 2024-25 and decreasing to $0 in 2025-26, representing a decrease of $1.5 million, or 100 percent, over the Financial Plan. The Administration budgeted for the decrease of the salary adjustment line to reflect the settlement of contracts. As more represented groups settle contracts, the cost will be known and carried at the departmental level, as opposed to the salary adjustment line.

Transfers Out are budgeted to decrease $3.4 million from $107.2 million in 2024-25 to $103.8 million in 2027-28. The decrease of $3.4 million is attributed to the decrease in the transfer to the debt service fund, which is projected to decrease by $3.4 million from $36.0 million to $32.6 million. The transfer to the District of $70.8 million and the transfer to the capital projects fund of $0.4 million are held flat across the Financial Plan.

The following schedule summarizes budgeted and projected departmental costs by purpose to provide a different view of the changes to projected expenditures over the Financial Plan.

	2023-24 Adopted Budget	2024-25 Proposed Budget	2025-26	2026-27 Projection	2027-28	Increase/(Decrease) Four-Year	
Departmental Costs	$	$	$	$	$	$	%
Personal Services	223,778,856	243,613,583	248,008,883	252,299,672	256,610,113	12,996,530	5.3%
Utilities	197,276	183,300	195,691	197,705	199,743	16,443	9.0%
Travel	186,132	367,749	367,097	368,342	369,611	1,862	0.5%
Supplies	13,045,343	13,160,131	13,090,644	13,172,475	13,255,206	95,075	0.7%
Services	33,301,296	36,972,433	37,067,646	37,722,468	37,984,174	1,011,741	2.7%
Capital Outlay	2,598,498	2,371,432	2,512,932	2,519,051	2,525,293	153,861	6.5%
Subtotal	**273,107,401**	**296,668,628**	**301,242,893**	**306,279,713**	**310,944,140**	**14,275,512**	**4.8%**

Personal services costs are increasing from $243.6 million to $256.6 million, an increase of $13.0 million, or 5.3 percent. As previously noted, this increase is attributed to negotiated employee salary steps, compensation increases, and estimated compensation increases for future settlement of labor contracts. Additional resources for future labor costs associated with new labor contracts have been budgeted within General Charges as the salary adjustment line.

Expenditures for capital outlay are projected to increase by $0.2 million, or 6.5 percent, and expenditures for services are projected to increase by $1.0 million, or 2.7 percent, over the Financial Plan. Services are outside contracts with private companies that provide the City with technical, engineering, and other services that the City does not have the capacity or expertise to provide. Expenditures for supplies increased by $0.1 million, or 0.7 percent, over the Financial Plan, increasing from $13.2 million to $13.3 million. Departmental utilities and travel are each held relatively flat over the Financial Plan, with minor changes reflected.

Staffing Levels

Budgeted positions are to be increased by twenty full-time equivalents ("FTEs") compared to the prior budget; total positions are budgeted at 2,770 FTEs for 2024-25 compared to 2,750 FTEs for 2023-24. The Financial Plan maintains budgeted positions at 2,770 FTEs throughout the Financial Plan. The police department includes 812 sworn police personnel, the fire department includes 742 firefighters, and the remaining City workforce totals 1,216 FTEs.

	2023-24 Adopted	2024-25 Proposed Budget	2025-26 Projected	2026-27 Projected	2027-28 Projected
Police (uniform)	812	812	812	812	812
Fire (uniform)	742	742	742	742	742
Other	1,196	1,216	1,216	1,216	1,216
Citywide	2,750	2,770	2,770	2,770	2,770
Net Increase/(Decrease)	**(1)**	**20**	**0**	**0**	**0**

The following table shows budgeted staff changes within the various departments from the adopted 2023-24 budget to the proposed 2024-25 spending plan; there are no variances in the out-years of the staffing plan:

	2023-24 Adopted	2023-24 Proposed	Change	2023-24 3rd Quarter Filled	Variance to 2024-25 Proposed Budget
Animal Control & Shelter	16	15	(1)	14	(1)
Assessment & Taxation	33	33	0	25	(8)
Audit & Control	52	53	1	36	(17)
Budget & Urban Affairs	13	15	2	11	(4)
City Clerk	26	27	1	24	(3)
City Council	41	41	0	39	(2)
Community Services	49	49	0	43	(6)
Division of Buildings	67	63	(4)	50	(13)
Engineering	61	70	9	54	(16)
Fire (Non-Uniform)	47	48	1	38	(10)
Fire (Uniform)**	743	742	(1)	679	(63)
Forestry	7	7	0	4	(3)
Human Resources	23	25	2	19	(6)
Law	41	38	(3)	29	(9)
Mayor & Executive	103	108	5	91	(17)
MIS	33	32	(1)	26	(6)
Parking	41	41	0	28	(13)
Parks	33	33	0	29	(4)
Parks Admin.	5	6	1	5	(1)
Permits & Inspections	95	100	5	81	(19)
Police (Non-Uniform)	208	208	0	175	(33)
Police (Uniform)*	812	812	0	769	(43)
Public Works (Gen Office)	17	18	1	15	(3)
Purchase	27	26	(1)	22	(4)
Recreation	1	1	0	1	0
Sanitation & Streets	135	137	2	120	(17)
Telecommunications	5	5	0	5	0
Treasury & Collections	16	17	1	12	(5)
Total	**2,750**	**2,770**	**20**	**2,444**	**(326)**

* **Uniformed Police** positions were budgeted at 812 in the 2023-24 fiscal year and are budgeted to remain flat in 2024-25. As of March 31, 2024, the City had filled 769 positions, an increase of 15 FTE's compared to the third quarter count of 754 FTE's on March 31, 2023. The City expects this number to decline through the remainder of the current year due to retirements. The City has included an assumed attrition rate of twenty-six sworn police officers due to retirement and other reasons for leaving service in the next fiscal year. There are currently twenty sworn police officers at least 55 years old, have 30 years of service, and are eligible to retire, representing 2.6 percent of the current force. It is, therefore, improbable that the City will staff 812 uniformed Police positions in 2024-25 with a more realistic expectation of 750 to 775 uniformed police officers on the force by the end of FY 2024-25.

** **Uniformed Fire** positions were budgeted at 743 in the 2023-24 fiscal year and are budgeted to be reduced by one position in 2024-25. This position will be included in the fire department under non-uniform employees. At March 31, 2024, the number of firefighters totaled 679, an increase of 19 employees compared to the 660 filled positions on March 31, 2023. The City estimates approximately thirty retirements during the 2024-25 fiscal year and anticipates hiring 45 new firefighter recruits during 2024-25. The City is expected to run a class of 25-30 in the fall and the spring based on available spots at the New York State Fire Academy in Montour Falls, NY. The City expanded the number of budgeted positions in the 2018-19 budget to accommodate the hiring of larger recruit classes to offset retirements and to assist in hiring larger recruit classes but is not intended to be maintained as permanent positions at that level. It is most likely the City will have approximately 660-685 uniformed firefighters depending on the final number of retirements and recruits. There are currently 31 firefighters at least 55 years old, have at least 30 years of service, and are currently eligible to retire, which is approximately 4.6 percent of the current workforce. It is noted that 16 firefighters, or 2.4 percent, of the current workforce are currently on long-term duty disability.

On a year-to-year basis, the total number of budgeted positions increased by a net twenty FTEs, or 0.7 percent. There are moderate changes across most departments; it is noted that public works as an entire department is adding eight (8) FTE's, there is an increase of five (5) FTE's in the mayor and executive and permits and inspections departments. Two (2) FTE's are added to human resources and administration and finance, and one (1) additional position has been budgeted in the following departments audit and control, fire non-uniform, and the city clerk.

Departments with decreases in FTE's include three (3) FTE's in the law department, and one (1) position each in management information systems and uniformed fire personnel. All eliminated positions are currently vacant. There are no staffing changes in the remaining departments.

The following schedule summarizes the composition of the fire and police forces as of March 31, 2024, summarized by membership in pension tier and including the average age, average years of service, median age, and median years of service by tier. In previous years Tier 2 would have been the largest tier on a membership basis. However, beginning with fiscal year 2020-21, the largest tier is Tier 6. There are 446 FTE's in Tier 2 compared to 477 FTE's last year, a decrease of 31 employees. As a reference, 2015-16 had 1,005 FTEs in Tier 2, a decrease of 559 Tier 2 FTEs over the last eight years. Tier 6 has a combined 901 FTEs compared to 837 FTEs a year ago, a net increase of 64 employees. On average, most protective service employees retire after 25 to 30 years.

Fire	# FTE's	Average Years of Service	Average Age	Median Age	Median Years of Service	Tier as Percent
Tier 1	-	-	-	-	-	-
Tier 2	215	23.1	51.6	52.7	24.9	31.7%
Tier 3	1	14.6	40.6	40.6	14.6	0.1%
Tier 4	-	-	-	-	-	-
Tier 5	48	12.6	42.4	40.7	13.0	7.1%
Tier 6	415	6.2	36.2	35.7	6.2	61.1%
Total Count	**679**	**12.0**	**41.5**	**39.8**	**8.9**	**100.0%**

Police	# FTE's	Average Years of Service	Average Age	Median Age	Median Years of Service	Tier as Percent
Tier 1	-	-	-	-	-	-
Tier 2	231	20.8	48.9	48.7	16.2	30.0%
Tier 3	-	-	-	-	-	-
Tier 4	-	-	-	-	-	-
Tier 5	52	11.5	39.3	38.9	11.7	6.8%
Tier 6	486	5.8	33.7	33.3	6.2	63.2%
Total Count	**769**	**10.7**	**38.7**	**37.1**	**7.4**	**100.0%**

Fund Balance

The City's proposed 2024-25 budget does rely on $14.9 million in fund balance in 2024-25. Based on the final 2023 results of operations, a total unassigned fund balance of $14.9 million was reported on June 30, 2023, the assigned fund balance was $42.9 million, and the Rainy Day Fund of $43.3 million remained intact, for a total of $101.1 million of unrestricted fund balance. On a year-to-year basis, that is an increase of $18.4 million in total unrestricted fund balance, reflecting a decrease of $9.1 million in unassigned fund balance, $25.4 million increase in assigned fund balance, and an increase of $2.1 million for the Rainy Day Fund.

Enterprise Funds

In addition to the general fund revenues and expenditures discussed, it is important to include the City's Enterprise Funds when discussing the health of the City's finances. An Enterprise Fund, by definition, is a fund that provides services to the public for which fees are collected and are intended to fund a significant portion of operations. The City has three major enterprise funds: the Parking Fund, Solid Waste and Recycling Fund, and the Water Fund.

Before 2018-19 and beginning again in 2021-22, the Solid Waste and Recycling Fund incurred annual operating deficits. The cumulative deficit in the fund is $60.4 million at June 30, 2023, which is a year-to-year increase of $1.3 million compared to the previous deficit of $59.1 million. Of this amount, $19.4 million represents a long-term loan from the General Fund and is reported as nonspendable fund balance within the General Fund. The Administration last increased refuse fees on July 1, 2019, on all trash totes to generate additional revenue for the fund to be self-sustaining. The General Fund is required to fund deficits either through a transfer or a cash loan. The Solid Waste and Recycling Fund reported surpluses in 2018-19, 2019-20, and 2020-21 of $6.0 million, $3.3 million, and $1.5 million, respectively, and reduced the long-term receivable by a corresponding $6.0 million over this period. The Administration proposed a fee hike for 2023-24 that the Common Council rejected, and another operating deficit is expected at year-end. The proposed budget includes an increase to the user fee for homeowners and businesses that would go into effect on July 1, 2024. The proposed increase would allow the refuse fund to be self-sustaining in fiscal year 2024-25.

The Parking Fund was substantially impacted during the COVID-19 pandemic and has been slowly recovering. In 2022-23, a total of $2.8 million was transferred to the General Fund. The current year-end estimate for the transfer is equal to the budgeted amount of $1.7 million. Transfers from the Parking Fund are projected to increase gradually over the Financial Plan, reflective of the City's assumption of continued recovery from the pandemic and employees returning to the office. The transfers are budgeted at $2.8 million in 2024-25, $3.9 million in year two, $5.5 million in year three, and $6.2 million in year four.

The Water Fund is budgeted to increase its transfer from $8.8 million to $9.3 million, an increase of $0.5 million in 2024-25. The transfer from the Water Fund is budgeted to increase each year of the Financial Plan to $9.7 million in year two, $10.2 million in year three, and $10.7 million in year four. The total increase is $1.4 million over the Financial Plan.

The City has included details for the 2024-25 Proposed Budget regarding assumptions such as staff count, titles, and steps. It has discretely broken out payroll and fringe benefits but does not provide the details for subsequent projected years. To provide a more accurate review of the Enterprise Funds, it is recommended that the City include an FTE schedule similar to the one that is prepared for the General Fund.

Budget and Four-Year Plan Summary

There are numerous external economic risks facing the City that could impact operations. While this list is not comprehensive, it does highlight key concerns facing the national economy. The City's 2025-2028 Financial Plan overall was constructed with an underlying key assumption that existing economic conditions remain constant. Recent economic statistics indicate that the U.S. inflationary rate is at 3.48 percent, compared to 4.93 percent a year ago. The U.S. Index of Consumer Sentiment indicates consumers have a pessimistic outlook on the economy. To counteract the rapid inflation encountered recently, the Federal Reserve increased interest rates a number of times with the current effective federal funds rate at 5.33 percent. Inflation appears to be slowing, however, it is unknown when the Federal Reserve may begin reducing rates. As a result of the increase in the interest rate, mortgage rates have increased substantially and has subsequently impacted the housing market. The increase in rates were a contributing factor to the failure of three U.S. banks in March 2023; bank failures continue to be a concern both domestically and internationally. Moody's has a negative outlook on the U.S. banking industry for 2024. Fitch gave the sector a deteriorating outlook, expecting a "moderate amount" of bank failures over the course of the year. The work-from-home response to the pandemic continues to impact businesses with more people working flexible schedules; this has impacted the commercial real estate business as leases expire and could impact those assessed valuations. In addition, with fewer commuters coming into the City, certain revenues dependent on volume use may be overstated. There is the risk of a recession, which could have a significant impact on the City's Financial Plan. Sales tax collections continue to increase, however there are indications that sales tax growth is slowing and possibly plateauing.

During the period of economic expansion from July 2009 through the start of the pandemic in March 2020, the City elected to maintain the real property tax levy and spend down fund balance to spur growth within the City. The Financial Plan includes increases to the real property tax levy ranging between 2.0 percent and 9.0 percent annually, providing a cumulative increase in real property taxes of $26.7 million over the next four years. The 2024-25 Proposed Budget increase is 9.0 percent, which would provide the City with $14.3 million in additional revenue. This increase appears reasonable and financially responsible in light of the economic uncertainties facing the City.

The 2024-25 Proposed Budget is balanced with the use of an estimated $40.7 million in one-time resources and an additional $11.5 - $19.0 million in uncertain revenues. The one-time resources consist of $19.8 million of ARPA revenue replacement funds, an additional $6.0 million of ARPA to address prior-year arrears, and $14.9 million of Unassigned Fund Balance. The pressures on the Financial Plan are apparent as ARPA revenue replacement dollars are not available beyond 2024-25. The City has addressed this revenue decrease by increasing revenue estimates for State AIM ($43.9 million), forecasting $20.1 million in Occupancy Tax revenue, forecasting $13.6 million and $10.2 million in additional revenue generate by parking meter fees and traffic violation fines, and inclusion of $14-44 million of casino revenue. BFSA staff have requested support and details for the aforementioned revenue estimates. Details from the City to support these revenue estimates are required in order to opine as to the reasonableness of the Proposed Budget and the related four-year Financial Plan.

Areas of our analysis over the Preliminary Budget and Financial Plan to highlight:

- The Financial Plan contains $40.6 million of nonrecurring, one-time revenues used to support recurring expenditures, including ARPA revenue replacement funds. This indicates a structural imbalance as such funding is not sustainable. Future revenues will need to be generated to replace such one-time sources or expenditures decreased.

- Various revenues and expenditures will continue to require close monitoring due to the difficulty in estimating such revenue sources, especially in a post-pandemic environment, and the uncertainty as to how long the recovery will take and when revenues will return to pre-pandemic levels. These revenue lines include parking meter fees, parking tags, fines and fees, cannabis tax, occupancy tax, tribal state compact and traffic violation fines. Mortgage tax should be monitored due to the impact on the housing market from increased mortgage rates.

- Sales tax appears to be plateauing at this time compared to 2022-23, any additional sales tax growth may be minimal. The estimate within the Proposed Budget of 2.0 percent seems reasonable, however an increase of 4.3, followed by two 2 percent increases over the three out-years of the Financial Plan are concerning. Sales tax is budgeted at $113.5 million in 2024-25 and is projected to increase by 8.5 percent over the three outyears of the Financial Plan, providing $9.7 million in additional revenue.

- The City has increased overtime in the proposed budget by $2.7 million. Combined overtime for the police, fire, and public works departments is $2.8 million. The remaining twelve departments have a net decrease of $137,000 for overtime in the proposed budget. Based on recent history, overtime likely continues to be underestimated within the police and fire departments. Underlying assumptions include the turnover rate and difference in salaries, assumptions related to injured-on-duty claims, the ability to manage the workforce through initiatives and contract changes, and training needs related to new employees. Due to the difficulty in predicting these costs and the significant reduction in vacancy savings as positions are filled, we recommend this continue to be closely monitored.

- The Government Finance Officers Association (GFOA) recommends no less than two months of regular operating expenditures. This is equivalent to $85.1 million, excluding transfers out. The fund balance as reported at June 30, 2023 is at recommended levels, with total unrestricted fund balance reported of $101.1 million. Unrestricted fund balance consists of $43.3 million in the Emergency Stabilization Fund (i.e., Rainy Day Fund), $42.9 million of assigned fund balance and $14.9 million in unassigned fund balance. It is noted that while the Financial Plan has no provision for increasing or replenishing the fund balance, the Rainy Day Fund is maintained over the plan. The 2024-25 Proposed Budget includes the full use, $14.9 million, of unassigned fund balance.

- The City is maintaining its contribution to the Buffalo School District of $70.8 million annually over the life of the Financial Plan. The District continues to request additional funding.

- The City returned to subsidizing the Solid Waste and Recycling Fund in 2021-22 and is expected to increase its long-term loan to this enterprise fund in 2023-24. Based on the City's current year projections, the proposed rate increase will be adequate to fund the operations of this enterprise fund. The General Fund is responsible for any cash deficit if there are insufficient resources to support operations.

The amount due from the Solid Waste and Recycling Fund to the General Fund was $19.4 million on June 30, 2023, which is reported as a restriction to the fund balance in the General Fund. No formal plan has been developed to address the outstanding receivable in the General Fund. The City has indicated that cash surpluses, if any, will be applied against the outstanding receivables. Such payments will reduce General Fund restricted fund balance and increase the unrestricted fund balance.

Buffalo Fiscal Stability Authority
Summary of the City of Buffalo's 2023-24 Third Quarter Report

COVID – 19 Recovery:

As of the end of the 2023-24 third quarter, March 31, 2024, it has been approximately four years since the COVID-19 Pandemic was first determined to be a public health crisis in New York State. In response to the detrimental economic impact of the pandemic, in March 2021, the federal government awarded additional resources to local governments via the American Rescue Plan Act ("ARPA"), which allocated $331.4 million to the City of Buffalo. The ARPA funds are to be utilized to address lost revenue attributed to the pandemic, to provide additional safety-net programs, and to make strategic capital investments. The U.S. Department of the Treasury issued the final rule over the use of ARPA funding, effective April 1, 2022, which provided increased flexibility in how the ARPA funds can be used. Furthermore, on November 20, 2023, the U.S. Department of the Treasury issued a new interim final rule to amend the definition of "obligation" to expand transactions deemed to represent obligations-to-pay and provide more flexibility to address recipients' concerns regarding meeting the timing requirements. The final rule requires all ARPA funds to be obligated by December 31, 2024, and disbursed by December 31, 2026. The availability and use of ARPA funds for revenue recovery allowed the City to maintain City staffing and programming at pre-covid levels. The City continues to remain dependent on ARPA funds to maintain a balanced budget and will need to identify new resources to replace those that will be reflected in the General Fund over the next two years.

There are continuing external factors outside the control of the City that are a risk to the City's finances, including inflation and the risk of an economic slowdown. Inflation continues to remain a challenge and it is unknown when the Federal Reserve will lower its interest rate. Interest rates were increased eleven times between March 2022 and July 2023 to combat inflation. The national economy has indicators that it continues to be operating in a strong position; however, inflation continues to be higher than the goal established by the Federal Reserve.

General Fund Overview:

As of the end of the third quarter, the City Administration is projecting a year-end surplus of $9.9 million:

	City Projection
Projected year-end revenues	$ 604,707,649
Projected year-end expenditures	(594,826,364)
Total projected surplus	**$ 9,881,285**

At the end of the third quarter, the projected year-end surplus of $9.9 million is attributed to a net positive budget variance in revenues of approximately $27.7 million and an unfavorable variance in expenditures of approximately $17.8 million:

City of Buffalo 2023-24 3rd Quarter Summary Projected Budget Variances - General Fund		
Revenues - projected favorable budget variance	$	27,712,699
Expenditures - projected unfavorable budget variance		(17,831,414)
Total - projected favorable budget variance	**$**	**9,881,285**

The City's 2023-24 Adopted Budget included estimated revenues and budgeted appropriations of $577.0 million. The 2023-24 Adopted Budget was balanced with $41.1 million in one-time revenues including $30.6 million of ARPA revenue replacement funds, $6.0 million in ARPA program funds for prior year property tax arrears, and $4.5 million for the sale of capital assets and in rem property sales. The use of fund balance was not included in the budget.

The following chart demonstrates the City's current year-end projection compared to the 2023-24 Adopted Budget at the end of the City's third quarter.

City of Buffalo 2023-24 3rd Quarter Summary Projected Budget Variances - General Fund				
	Adopted Budget	**3rd Quarter Year-End Projection***	**Variance Between Adopted Budget and Year-End Projection Favorable / (Unfavorable)**	
	$	**$**	**$**	**%**
Revenues	576,994,950	604,707,649	27,712,699	4.8%
Expenditures	(576,994,950)	(594,826,364)	(17,831,414)	-3.1%
Projected surplus	-	9,881,285	9,881,285	1.7%

Revenues:

Following is a line-item summary of the 2023-24 Adopted Budget and current year-end projections as reported in the City's third quarter report.

City of Buffalo 2023-24 Third Quarter Report Summary of Revenues				
Revenue Source	**Adopted Budget**	**3rd Quarter Year-End Projection**	**Variance Between Adopted Budget and Year-End Projection Favorable / (Unfavorable)**	
	$	**$**	**$**	**%**
Intergovernmental	325,897,530	347,347,516	21,449,986	6.6%
Taxes	176,302,115	176,760,422	458,307	0.3%
Service Charges	14,375,013	13,142,967	(1,232,046)	-8.6%
Non-Property Taxes	12,350,000	12,845,767	495,767	0.0
Fines	10,421,425	7,065,482	(3,355,943)	-32.2%
Miscellaneous	16,062,645	16,074,049	11,404	0.1%
Licenses and Permits	5,392,060	5,300,919	(91,141)	-1.7%
Interest	5,000,000	14,976,365	9,976,365	199.5%
Total Departmental	**565,800,788**	**593,513,487**	**27,712,699**	**4.9%**
Transfers In	11,194,162	11,194,162	-	-
Total Resources and Transfers In	**11,194,162**	**11,194,162**	-	-
Total Revenues, Resources and Transfers In	**576,994,950**	**604,707,649**	**27,712,699**	**4.8%**

As shown above, a budgetary surplus for total revenues, including the year-end reconciliation of ARPA program funds, of $27.7 million is projected. At the end of the third quarter, the City Administration is projecting unfavorable variances in three of the eight revenue categories for a combined negative variance of $4.7 million. This negative variance is offset by a favorable variance of $32.4 million in the five remaining revenue categories.

It is noted that the City's year-end favorable variance estimate of $27.7 million is likely overstated by $6.0 million and may be closer to $21.7 million at year-end. The adopted budget included $6.0 million for prior years' property tax arrears funded by ARPA dollars. The Administration has yet to implement the program in the current year, but has included the program and funding of $6.0 million in the 2024-25 Recommended Budget. BFSA does not anticipate this revenue to be reflected in 2023-24.

Notable variations to the Adopted Budget are as follows:

- Intergovernmental revenue is the single largest revenue category, with a year-end estimate of $347.3 million for the current fiscal year, compared to a budgeted amount of $325.9 million, representing a favorable variance of $21.4 million, or 6.6 percent. Included within this revenue category is New York State ("State") Aid and Incentive for Municipalities ("AIM") at $161.3 million, sales tax in the amount of $111.3 million, federal American Rescue Plan Act ("ARPA") funds in the amount of $30.6 million, and Tribal State Compact ("TSC") revenue in the amount of $11.0 million. All other intergovernmental sources total $11.7 million.

	2022-23 Adopted Budget	2022-23 Year-End Actuals	2023-24 Adopted Budget	2023-24 Year-End Projection	Year-end Variance	
Intergovernmental					$	%
State AIM	$ 161,285,233	$ 161,549,843	$ 161,285,233	$ 161,285,233	$ -	0.0%
Sales Tax	104,300,000	111,778,302	111,335,000	111,985,000	650,000	0.6%
TSC - Casino Revenue	11,000,000	7,468,260	11,000,000	7,500,000	(3,500,000)	-31.8%
Revenue Replacement ARPA Funds	51,841,195	49,000,000	30,585,235	30,585,235	-	0.0%
ARPA Program Funds	-	26,352,116	-	22,151,032	22,151,032	-
All Other	7,120,962	8,039,262	11,692,062	13,841,016	2,148,954	18.4%
Total Intergovernmental	**335,547,390**	**364,187,783**	**325,897,530**	**347,347,516**	**21,449,986**	**6.6%**

The favorable variance of $21.4 million is driven by the $22.2 million of unbudgeted ARPA program dollars; this is offset by unbudgeted transfers out of such ARPA dollars.

Included in the All Other category is Medicare Part D, which is projected to exceed the adopted budget of $5.1 million by $4.8 million; the year-end estimate is $9.9 million.

There is lower-than-budgeted expected receipts in Tribal State Compact (i.e., casino) revenue of $3.5 million and cannabis tax receipts of $3.0 million, offset by sales tax projected to exceed budget by $650,000. Sales tax is currently trending to have a favorable year-end variance of $650,000 when compared to the adopted budget. The accelerated growth over the previous two years has plateaued through the third quarter.

The City budgeted federal ARPA funding in the amount of $30.6 million in fiscal year 2023-24 for revenue replacement. This is a portion of the $331.4 million the federal government funded as part of the COVID-19 pandemic relief package. The City has developed a recovery plan that utilizes the federal ARPA funds as part of the annual operating budget over five years and investments in other programs to assist city residents, whether with arrears on water/sewer or rental payments.

There is no expected budget variance in State AIM. It is noted that the State had maintained the annual AIM revenue allocation at the same amount of $161.3 million between fiscal years 2012 and 2019. In response to the economic uncertainty created by the pandemic, the State temporarily reduced State AIM to the City in 2019-20 by $20.0 million and remitted this held-back payment in the fiscal year 2020-21. The State provided the City with $161.3 million of AIM in 2021-22 and has held this amount over the State's five-year financial plan.

The Tribal State Compact ("TSC") revenue, or casino revenue, is related to the operation of the Seneca Buffalo Creek gaming facility. The current gaming compact expired on December 9, 2023; both parties agreed to a short-term extension until March 31, 2024. The agreement automatically renews each quarter unless a party opts out. The terms of the original compact remain in effect, except that payments under the agreement are held in escrow until a new compact is negotiated. The timing of an agreement and terms for revenue sharing are unknown, but there have been indications that revenue sharing will be reduced. The City has included $11.0 million in the current budget, with prior year actuals of $7.5 million. The City has reduced current year-end estimates to $7.5 million.

- Fines are projected to be under budget by $3.4 million, or 32.2 percent, at year-end. Traffic violation fines are estimated to be $2.3 million under budget, and parking tag fines and penalties are estimated to be $1.1 million under budget. All other fines are estimated to have a net negative variance of $37,000 at year-end.

- Service charges are projected to be under budget by $1.2 million, or 8.6 percent. There are multiple service charges projected to be less than initially estimated based on actual revenue collected during the first three quarters of the year and include negative variances of $645,900 for parking meter fees, $245,900 for rental dwelling registration fees, $216,000 for demolition fees, and $148,000 for public utility inspection fees. These unfavorable variances are offset by a favorable variance of $250,000 for towing and storage fees and a net negative variance of $227,000 for all other service charges at year-end.

- Licenses and permits are projected to be under budget by $91,141, or 1.7 percent, at year-end, primarily attributed to revenue trending lower than expected. This includes unfavorable variances in plumbing/electrical permits of $93,740, market license group fee of $29,700, secondhand dealers licenses of $46,435, and smoke shop inspection fee of $32,600. Encroachment permits are favorable by $74,300. All other licenses and permits are projected to be unfavorable by $7,300 net.

- Interest earnings are projected to exceed the budget by $10.0 million due to investment proceeds from ARPA dollars and favorable interest rates. This additional interest income was not budgeted for.

- Taxes, per the Administration's estimate, are to be favorable by $0.5 million at year-end. As previously discussed, it's unlikely the property taxes arrears program in the amount of $6.0 million will result in revenue recognition in 2023-24. The revised budget variance is unfavorable by $5.5 million, and the revised year-end total is $170.8 million as opposed to the $176.8 million current year-end estimate.

American Rescue Plan Act Summary as of April 16, 2024:

The following schedule summarizes total expenditures and obligations of ARPA funds as of April 16, 2024. The schedule excludes the $36.6 million in ARPA funds for revenue replacement and property tax arrears included in the 2023-24 Adopted Budget. The City has a spending plan for the ARPA funds and has submitted this plan, along with the required annual and quarterly updates, to the U.S. Treasury Department. The ARPA funds must be obligated by December 31, 2024, and disbursed by December 31, 2026. The City has issued both Requests for Qualifications ("RFQ's") and Requests for Applications ("RFA's") that are aligned with the ARPA Recovery Plan. Once the RFQ's and RFA's are reviewed, contractors will be selected and awarded a portion of the funds to address the myriad of economic, social, and health programs identified within the ARPA Recovery Plan. From a timing perspective, funds will continue to be disbursed over the remaining quarter of the current fiscal year.

American Rescue Plan Act Funds
($ in Millions)

Total Award	$331.4
Total amount expended and/or obligated as of 4/16/24	207.6
Total amount remaining to be obligated by 12/31/24	**$123.8**

Fiscal Year-End (FYE) 2022-23 Audited Actual Revenues Compared to Fiscal Year (FY) 2023-24 Projected Revenues

The following analysis is based on audited FY 2022-23 year-end actuals. Audited actual General Fund revenues, excluding transfers in and other financing sources, were $589.7 million for the year ended June 30, 2023. General Fund year-end revenues projected by the City Administration for FYE 2023-24 as of the end of the third quarter are $593.5 million. The City Administration did account for the recognition of ARPA project funds in the general fund to pay for those ARPA project expenditures that have been reported as of the 3rd quarter; it has been conveyed that ARPA revenue replacement dollars, i.e., unrestricted general fund revenue, may decrease if operating results are favorable.

Intergovernmental revenue is estimated to decrease by $16.8 million, or 4.6 percent. The year-to-year decrease is mainly due to the change in ARPA funding. There are two components of ARPA funding: unrestricted revenue replacement and program funding. ARPA funds for revenue replacement are estimated to decrease by $18.4 million, from $49.0 million in 2022-23 to an estimated $30.6 million in the current year, but subject to reduction, as noted above. ARPA program funds are estimated to decrease by $4.2 million. Sales tax is estimated to increase modestly by $0.2 million year-to-year. Also within the Intergovernmental revenue category is a projected year-to-year increase in Medicare Part D revenue of $5.6 million, with the total year-end projection at $9.9 million. State AIM is held flat year-to-year. All other intergovernmental revenue is projected to increase by $0.6 million year-to-year.

Taxes are projected to increase by $13.0 million, or 8.0 percent, on a year-to-year basis. The increase is attributed to an increase in real property tax of $7.6 million and $6.0 million in ARPA program funds for assistance to qualified taxpayers for property taxes in arrears. There is also an estimated increase of $0.9 million for payments-in-lieu-of-taxes. These increases are offset by decreases in the mortgage tax in the amount of $0.8 million, the STAR program in the amount of $0.4 million, and a reduction of all other taxes' net decrease of $0.3 million.

Miscellaneous revenue is estimated to increase by $8.7 million, or 117.7 percent. Of this, $3.8 million is attributed to grant reimbursement for the fire department, $3.6 million is for the sale of capital assets and auction sales, $1.9 million is for grant reimbursement for the police department, and a $0.6 million net decrease for all other miscellaneous revenues.

Service charges are projected to decrease by $1.0 million, or 7.4 percent, on a year-to-year basis. The decrease is attributed to a decrease of $0.8 million for engineering service charges, and all other service charges have a net decrease of $0.2 million.

On a year-to-year basis, non-property taxes are decreasing by $0.2 million, or 1.4 percent. The decrease is attributed to a decrease in the Class I utility fee of $1.8 million, offset by an increase in foreign fire insurance tax of $1.6 million.

The remaining variances are noted in the categories of fines as a decrease of $0.3 million, licenses and permits as a decrease of $0.6 million, and an increase of $0.8 million for interest income.

It is noted that Other Financing Sources are projected to decrease by $2.8 million on a year-to-year basis. Transfers In are projected to decrease by $0.7 million, attributed to an increase of $0.4 million from the water enterprise and a decrease of $1.1 million from the parking enterprise funds. Other financing sources decrease further by $2.2 million and reflect the retroactive application of GASB 87 and 96.

Expenditures:

The following chart summarizes the variances in expenditures between the Adopted Budget and the year-end projections as of the third quarter:

City of Buffalo 2023-24 Third Quarter Report Summary of Expenditures				
Departments	**Adopted Budget**	**3rd Quarter Year-End Projection**	**Variance Between Adopted Budget and Year-End Projection Favorable / (Unfavorable)**	
	$	**$**	**$**	**%**
Police	94,634,319	100,594,240	(5,959,921)	-6.3%
Fire	70,893,155	75,053,281	(4,160,126)	-5.9%
Public Works	37,772,038	42,782,271	(5,010,233)	-13.3%
Administration & Finance	12,072,670	9,807,531	2,265,139	18.8%
Permits & Inspections	6,509,878	6,362,483	147,395	2.3%
Human Resources	6,002,429	4,992,294	1,010,135	16.8%
Management Information Systems	6,479,390	6,242,996	236,394	3.6%
Community Services	4,817,116	4,410,155	406,961	8.4%
Law	5,227,343	4,300,009	927,334	17.7%
Assessment	3,693,647	3,392,300	301,347	8.2%
Mayor & Executive	8,870,042	8,028,260	841,782	9.5%
Audit & Control	4,374,884	3,467,697	907,187	20.7%
Parking	4,225,195	3,201,092	1,024,103	24.2%
City Clerk	4,086,315	3,827,152	259,163	6.3%
Common Council	3,448,980	3,298,019	150,961	4.4%
Total Departmental	**273,107,401**	**279,759,780**	**(6,652,379)**	**-2.4%**
General Charges				
Fringe Benefits	170,332,492	160,105,734	10,226,758	6.0%
Other	6,085,000	6,473,714	(388,714)	-6.4%
Personal Services	8,842,600	8,842,600	-	0.0%
Capital Outlay	-	-	-	0.0%
Grants In Aid	400,000	306,000	94,000	23.5%
Debt Service	88,000	88,000	-	0.0%
Services	1,441,500	1,441,500	-	0.0%
Utilities	18,307,367	17,267,414	1,039,953	5.7%
Total General Charges	**205,496,959**	**194,524,962**	**10,971,997**	**5.3%**
Total General Fund	**478,604,360**	**474,284,742**	**4,319,618**	**0.9%**
Transfers Out	**98,390,590**	**120,541,622**	**(22,151,032)**	**-22.5%**
Total General Fund w/ Transfers	**576,994,950**	**594,826,364**	**(17,831,414)**	**-3.1%**

At the end of the third quarter, the City is projecting an unfavorable budgetary variance of $17.8 million consisting of unfavorable variances of $6.7 million in departmental expenditures, a favorable variance of $11.0 million for general charges, and an unfavorable variance of $22.2 million in transfers out. The unfavorable variance in transfers out is directly related to the transfer of ARPA program funds to the special revenue fund; this item was not budgeted.

The police department is projecting an unfavorable variance of $6.0 million compared to the Adopted Budget. Personal services are estimated to be unfavorable to budget by $6.3 million and is primarily due to overtime and the impact of the settlement of the collective bargaining agreement. Supplies are estimated to be favorable to budget by $0.4 million, and all other costs are favorable by a net $45,000. There are 43 vacancies in the police department at the end of the third quarter, including a new police recruit class of 37 trainees that began their training in January 2024. The City assumes that attrition will continue to increase the number of vacancies and that even with the current police officer recruit class of 37, they will be unable to change the current trend. Overtime in the police department for the current year exceeds the budget for the year as of the end of the third quarter. As of March 31, 2024, overtime for the police department totaled $10.8 million, an increase of $1.0 million compared to the $9.8 million reported for the same period in the prior year. The current year-end projection for overtime is $14.0 million, which is $4.3 million over the Adopted Budget amount of $9.7 million. Total overtime for FY 2023 was $12.9 million which exceeded the budget of $9.7 million by $3.3 million. The City of Buffalo and the Police Benevolent Association ("PBA") settled a labor contract in January 2024, which expires June 30, 2025. The fiscal impact of the contract settlement is reflected in the third quarter report.

The fire department has an unfavorable year-end variance projection of $4.2 million compared to the adopted budget. The unfavorable variance in the fire department expenditures is related to capital outlay, which is unfavorable by $2.6 million, and personal services, which are projected to be unfavorable to the budget by $1.4 million. The unfavorable variance for capital outlay is related to purchasing vehicles for the fire department. The unfavorable personal service variance is attributed to departmental vacancies in the amount of $8.3 million, offset by an unfavorable variance of $3.8 million for duty-disability salary and $5.9 million in overtime. There are 64 firefighter vacancies in the fire department. There are approximately 16 firefighters out on injured-on-duty that are non-deployable; these individuals represent a filled budgeted position, but as the individuals cannot work, other firefighters must fill the shifts which impacts overtime costs. Overtime for the fire department is $10.1 million as of March 31, 2024, compared to the prior-year third quarter of $8.4 million, and reflects a year-to-year increase of $1.7 million. Total fire department overtime expenditures for FY 2023 totaled $10.7 million; the current year-end projection for overtime ranges between $13.0 million and $13.4 million. Compared to the 2023-24 Adopted Budget amount of $6.0 million, this would result in an overage of $7.0 – $7.4 million in the current fiscal year.

Public Works has an unfavorable year-end variance projection of $5.0 million compared to the adopted budget. The variance is directly related to the outside contractor costs for the winter storm clean-up during the third quarter.

The remaining twelve departments are projected to be under budget at year-end with a combined favorable variance of $8.5 million, or 3.1 percent. These budgetary savings are attributed to lower than projected staffing (i.e., vacancies) of $7.5 million and lower than expected supply purchases of approximately $1.7 million, offset by increases in service contracts of approximately $9.1 million and capital outlay of $6.9 million.

Both the fire and police departments provide critical public health and safety functions and have minimum manning requirements. The police department, including sworn officers and civilians, currently has 92.5 percent of positions filled with 76 vacancies, a 7.5 percent vacancy rate. There are approximately 37 police recruits/trainees at this time; those recruits are currently enrolled at the academy and are scheduled to begin their field training in July 2024. Including this count, the City effectively has 113 vacancies, 11.1 percent, through the third quarter.

The fire department, including firefighters and civilian employees, is currently at 90.8 percent staffing with 73 vacancies, a 9.2 percent vacancy rate.

Both departments have employees eligible for retirement or who could be eligible within the year. Currently, 31 individuals, or 4.6 percent of the filled positions in the fire department, will be eligible for retirement by June 30, 2024. In the police department, 20 police officers, or 2.6 percent of the filled sworn positions, are eligible to retire by June 30, 2024.

A new hire for a police officer or firefighter is counted towards the City's total full-time equivalent ("FTE") staffing levels. Still, there is a lag between the time they are officially hired and serving in the role due to required training. The training for a police officer includes five months of academy training followed by an additional sixteen weeks of field training for nine months from a police officer's date of hire to be able to work independently. The fire academy lasts eighteen weeks, and successful graduates are assigned to a fire company upon completion.

Staffing levels will be discussed in further detail later in this report.

General Charges, excluding transfers out, are projected to be under the 2023-24 Adopted Budget by $11.0 million, or 5.3 percent. Of that amount, $10.2 million is attributed to lower-than-budgeted fringe benefits, including a favorable variance of $5.3 million for retiree health insurance and $4.0 million for pension payments. There is a $2.0 million favorable variance for both employee retirement system contributions (“ERS”) and police fire retirement system (“PFRS”) contributions. There is a favorable variance of $0.5 million for group dental insurance and $0.4 million for workers' compensation insurance. All other fringe benefits are projected to be favorable by $5,000 on a net basis.

The City’s projection for actual fringe benefits expenditures is likely understated as it does not reflect the vacancies carried for the year or projected for the remainder of the year.

In addition to fringe benefits, there is a remaining favorable variance in General Charges of $0.7 million consisting of a favorable variance of $1.0 million for utilities and $0.1 million in grants in aid, which is offset by an unfavorable increase of $0.4 million in other.

Transfers out are estimated to be over budget by $22.2 million at year-end. This negative variance is directly related to ARPA program funds, as these funds were not included in the 2023-24 Adopted Budget. The funds are included in the ARPA revenue year-end projection, as previously noted, and are offset by this increase in transfers out. The remaining three components of transfers out are projected to be consistent with the adopted budget levels and consist of transfers to 1) the

Buffalo School District - $70.8 million, 2) Capital Debt payments - $27.2 million, and 3) Capital Projects - $0.4 million.

FYE 2022-23 Actual Expenditures Compared to FY 2023-24 Projected Expenditures

The following analysis includes the use of audited actuals for the prior year.

Actual General Fund expenditures were $579.4 million for the year ended June 30, 2023. Projected General Fund expenditures for 2023-24 are $594.8 million, representing an increase of $15.5 million, or 2.7 percent.

Departmental costs are estimated to be $279.8 million at year-end, an increase of $16.3 million, or 6.2 percent over the 2022-23 amount of $263.5 million. General charges, including transfers out, are projected to decrease by $0.8 million, or 0.3 percent, from $315.9 million in the prior year, 2022-23, to $315.1 million projected for the current year.

Actual 2023-24 expenditures may be less than projected at the third quarter's end. Personnel costs comprise approximately 85 percent of the City's operating budget, and depending on the City's management of its workforce and filling of positions, actual costs associated with employees may be lower than currently projected when including salary and benefits. The following analysis is based on year-end filled positions for the fiscal year 2022-23 compared to 2023-24 year-end estimates based on budgeted amounts and the assumption that all budgeted positions are filled over the remaining quarter. Personal service increases include salaries for firefighters in the amount of 3.4 percent, blue-collar employees' increase of 3.0 percent, and a 2.0 percent increase for white-collar and exempt employees. The increase associated with the settlement of the Police Benevolent Association contract is reflected at this time. The year-to-year increase is comprised of the following:

Departmental Costs are increasing by $16.3 million, or 6.2 percent:

- Employee compensation, excluding duty disability payments, is increasing by $10.7 million, or 5.0 percent. The increase in personnel costs is attributed to the following departmental changes:
    - Police Department $3.6 million
    - Public Works $1.7 million
    - Fire Department $1.4 million
    - Mayor and Executive Department $1.0 million
    - Permits and Inspections $0.8 million
    - Audit and Control Department $0.5 million
    - Assessment $0.3 million
    - Management and Information Systems $0.2 million
    - All other departments increased by $1.2 million on a net basis
- Services are increasing by $3.8 million, or 11.5 percent; the increase is attributed to the police department $1.9 million, including $1.3 million for other contractual services and $0.4 million for vehicle rentals, an increase of $1.2 million in public works for outside contractor services for snow removal, a decrease of $0.4 million in the fire department for drive train repairs, a decrease of $0.3 million in neighborhood initiatives, and all other services are increasing by $1.4 million on a net basis.

- Supplies are increasing by $0.1 million, or 0.9 percent. There is an increase of $0.1 million for gasoline and fuel for City vehicles, a $0.3 million increase for uniforms for the fire department, and a decrease of $0.3 million for all other supplies.
- Capital outlay is increasing by $1.6 million, or 36.8 percent, with the increase attributed to $2.5 million for fire department vehicles, $0.7 million for land improvements in the mayor and executive departments, and $0.1 million for public works vehicles. This is offset by a decrease of $2.1 million in the police department for vehicles purchased in the prior year, and all other capital outlay is increasing by $0.4 million on a net basis.
- All other departmental costs are decreasing by $17,030.

General Charges, including transfers out, are currently projected to decrease $0.8 million, or 0.3 percent:

- Employee benefits are increasing by $10.8 million, or 6.8 percent, on a year-to-year basis and includes duty disability salary and the funds set aside for contract negotiations.
    - Significant changes in fringe benefits include an increase of $4.5 million for retiree health insurance, a $1.7 million increase for contributions towards the police and fire retirement system, and the salary adjustment line for contract negotiations, increasing by $6.6 million.
    - The increases are offset by decreases of $1.3 million for active employee health insurance and $1.0 million for federal employer taxes.
    - All other fringe benefits are increasing by $0.3 million on a net basis.
- Interfund transfers are decreasing by $10.5 million, or 8.0 percent; the ARPA program funds drive this variance and may change by year-end.
- Other General Charges is increasing by $1.2 million, or 22.2 percent.
- All other General Charges are decreasing by $2.3 million on a net basis. Utilities are decreasing by $0.5 million; grants-in-aid is increasing by $0.1 million; services are decreasing by $0.2 million; and debt service is decreasing by $1.7 million year-to-year.

Actual 2022-23 expenditures, excluding transfers out, totaled $448.4 million and comprised 97.3 percent of total budgeted expenditures of $460.9 million. For the year ending June 30, 2024, the City is projecting total year-end expenditures of $474.3 million, excluding transfers out, representing 99.1 percent of the adopted budget of $478.6 million.

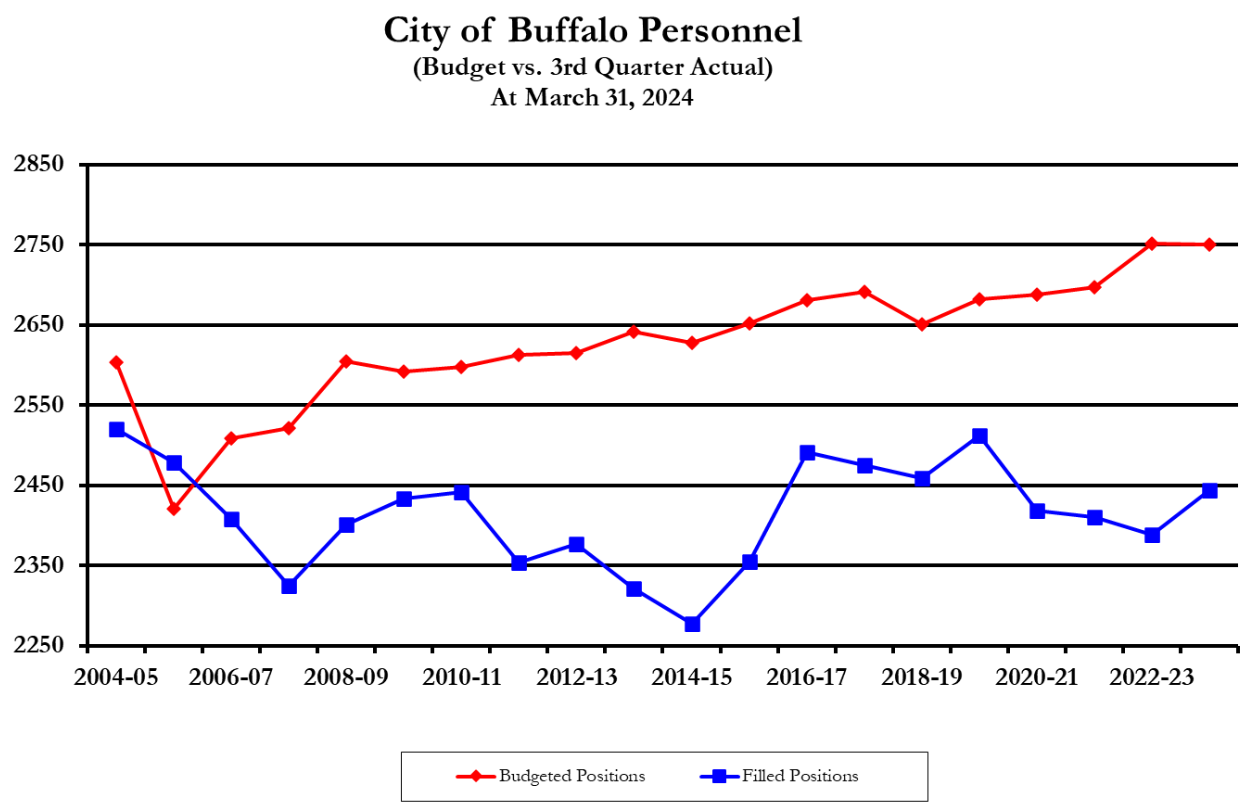
All City unions are under contract through 2024 and 2026.

Union	Number of Employees [2]	Present Agreement Expire
PBA (Police Officers)	759	6/30/2025
Local 282 (Firefighters)	675	6/30/2025
Local 264 (Blue Collar)	353	6/30/2025
Local 650 (White Collar)	414	6/30/2024
Local 2651 (Building Inspectors)	53	6/30/2026
Local 17 (Operating Engineers)	14	6/30/2026
Local 264T (Pipe Caulkers)	21	6/30/2026
CGA (Crossing Guards) [1]	117	8/31/2024

1) Seasonal employees, laid-off during the summer
2) Full-time equivalent count as of March 31, 2024

Personnel

The following chart compares budgeted positions to actual filled positions on an annual basis from 2005 to 2024:



The City decreased budgeted positions by 1 FTE from 2,751 to 2,750, year-to-year from 2022-23 to 2023-24 FTE. As of March 31, 2024, 2,444 positions have been filled, resulting in 306 vacant positions, or a vacancy rate of 11.1 percent. Over ten years, the budgeted number of FTE's increased by 109 (4.1 percent) from 2,641 to 2,750. Concerning filled positions, there is an increase of 123 FTE's over the last ten years from 2,321 in FY 2014 to 2,444 on March 31, 2024.

Compared to last year's third quarter, there is an increase of 56 filled positions from 2,388 to 2,444, or 2.3 percent. The increase of 56 filled positions is driven by 19 firefighters, 15 positions in both the mayor and executive and police officer positions and 5 civilian positions in the police department. The remaining 12 departments had a net increase of 2 FTE's.

The police department currently has 812 FTE sworn officers budgeted; as of March 31, 2024, 769 positions were filled, leaving 43 vacancies, or a 5.6 percent vacancy rate. These vacancies include a class of 37 police recruits who started academy training on January 22, 2024. These recruits are expected to begin their field training in July 2024, which would place the recruits in the field under the supervision of a senior patrol officer. Total non-deployable officers and vacancies total 80 FTE's, or 9.9 percent, as of March 31, 2024. Non-sworn police department personnel are budgeted at 208 FTE's, with 175 filled, creating a vacancy of 33 positions, or 15.9 percent. Approximately 76 out of the 306 current vacancies, or 24.8 percent of vacancies, are in the police department.

The fire department has 743 FTE uniformed officers budgeted, and currently, 679 of those positions are filled. As of March 31, 2024, there were 64 uniformed vacancies in the fire department, as well as approximately 16 employees on long-term injured-on-duty disability, for an effective vacancy of 80 FTE's or 10.8 percent of the department's firefighters. There are 9 non-uniform vacancies in the fire department for 73 out of 306 city-wide vacancies, or 23.4 percent of total City vacancies.

On a year-to-year basis, the City has increased the number of filled firefighter positions from 660 FTE's on March 31, 2023, to 679 FTE's on March 31, 2024, an increase of 19 FTE's, or 2.9 percent, on an annual basis. Police FTE's have increased over the same period from 754 FTE's to 769 FTE's, a net increase of 15 FTE's or 2.0 percent.

<u>Summary and Recommendation:</u>

Significant subsequent events could occur that could have a material impact on the projections made by the City Administration.

The City's year-end revenue projection is by $6.0 million at the end of the third quarter due to the real property tax arrears program not being implemented in the current fiscal year. The revised surplus is estimated at $3.9 million.

Neither the City Administration nor BFSA has identified additional budget concerns. BFSA will continue to monitor operating results, specifically actual revenue received compared to budgeted amounts and the obligation and disbursement of the ARPA funds.

BUFFALO FISCAL STABILITY AUTHORITY

TAB 3

Buffalo Fiscal Stability Authority
Summary of the Buffalo Urban Renewal Agency's FY 2023-24 Third Quarter Report
May 15, 2024

The Buffalo Urban Renewal Agency ("BURA") has submitted its 2023-24 third-quarter report for the nine months ended March 31, 2024. The City of Buffalo Administration submitted BURA's third-quarter report on May 1, 2024. The following analysis is based on the 2023-24 Adopted Budget compared to the third-quarter actual balances, as reported by BURA management.

The COVID-19 Pandemic did not significantly impact BURA's business operations, as services provided by BURA were deemed essential and were not shut down under the New York State Pause Order. Supplemental federal funds have been provided to the City of Buffalo and BURA to address community issues created by the pandemic, including housing and public health programs. BURA staff have returned to working in the office. As part of the recently settled labor contract, BURA employees may work remotely based on the agency's needs and prior approval from the employee's supervisor.

The most significant obstacle BURA faces from a workforce management perspective is the ability to hire and retain staff. BURA continues to work on filling vacant positions; there are nine (9) vacant positions as of March 31, 2024. The need for adequate staffing levels has increased the workload for the current employees and could impact the timing and ability of staff to complete work, leading to further delays in program operations and delivery of services. BURA has been utilizing temporary employees from a staffing agency to continue to provide administrative services.

Grant revenues administered by BURA on behalf of the City of Buffalo are primarily based on funding received from federal allocations through the U.S. Department of Housing and Urban Development ("HUD"). Congress approves the funding, and a formula determines how such funds will be distributed to local communities. In addition to the current grant awards, BURA can draw down previously allocated funding that has yet to be expended from previous grant awards for program and administrative costs incurred in the current year. BURA's financial plan includes current year allocations as well as the planned use of available prior year funds, including Community Development Block Grant funds ("CDBG"), Home Investment Partnerships Program ("HOME") program funds, in addition to Emergency Solutions Grant ("ESG") funds and Housing Opportunities for Persons with Aids ("HOPWA") grants. These four funding sources are collectively referred to as Entitlement Funds since they are an annual allocation to BURA from HUD.

In addition to the annual allocation of the Entitlement Funds, additional resources were provided to BURA under the Coronavirus Aid, Relief, and Economic Security (the "CARES") Act funding, referred to as Community Development Block Grant CARES Act ("CDBG-CV") funds, in the amount of $11.4 million, an estimated balance of $4.2 million is remaining as of March 31, 2024. The funds were provided to BURA for activities that prevent, prepare for, and respond to the coronavirus or COVID-19 Pandemic. These funds must be obligated by January 6, 2025, and disbursed by January 6, 2027. BURA has been awarded additional revenues to assist the residents of Buffalo, including funds for lead hazard remediation and funds from the City of Buffalo from the American Rescue Plan Act ("ARPA"). BURA will receive over $11.0 million in ARPA funds from the City of Buffalo over the four-year financial plan, with $1.5 million included in the current year. The original allotment per the City's August 2021 ARPA recovery plan was $20.3 million, which was subsequently reduced to $11.0 million with revisions having been made to the original plan. The federal stimulus funds address affordable housing and health inequalities in the City. ARPA funds must be obligated by December 31, 2024, and disbursed by December 31, 2026.

The Office of the City Comptroller's Department of Audit and Control is responsible for several functions related to program implementation of CDBG funds, including the review of subrecipient submissions for the draw-down of grant proceeds, the issuance of payments to local service providers under contract, monitoring contracts between BURA and its subrecipients, and the auditing of expenses and invoices. BURA has entered into a subrecipient agreement with the City of Buffalo per the HUD directive; the subrecipient agreement is renewed annually once the City of Buffalo receives the HUD entitlement. BURA has a subrecipient agreement with the City Comptroller's Office specifically for the CARES Act funds, which would provide functionality similar to that provided for CDBG funds.

The following schedule details the final amounts of Entitlement Funds awarded for Program Year 49, the current operating year. Entitlement Funds were released and available to be drawn-down at the end of December, with no change to the revised award notice provided to the City of Buffalo in May 2023.

HUD Allocation*
Entitlement Funds
Program Year 49: 2023-24

	Total	**BURA**	**City of Buffalo**
CDBG	$ 13,154,000	$ 6,838,100	$ 6,315,900
HOME	3,738,814	3,553,099	185,715
ESG	1,171,812	0	1,171,812
HOPWA	1,013,830	0	1,013,830
Total:	**$ 19,078,456**	**$10,391,199**	**$ 8,687,257**

***Does not include local program income amounts.**

Total Entitlement Funds awarded to the City of Buffalo are approximately $19.1 million, with BURA receiving $10.4 million of the allocation and the balance of $8.7 million flowing directly to the City. The BURA third quarter report focuses on the funds received and expended only by BURA. Entitlement funds are reimbursement-based, which means BURA must first incur the expense and then submit a request to draw down funds from the federal government for said expenditures. It is noted that the schedule above accounts only for the current year's grant awards and does not include prior year award amounts or program income generated by BURA programs.

BURA is primarily funded through grants and, therefore, is limited in spending up to the amounts awarded under those grants. Unspent grant awards are available in subsequent fiscal years to fund operations and programs. At the end of each fiscal year, the grant funds are individually balanced so that operating revenues are equal to operating expenditures.

The following schedule provides a high-level comparison of budget-to-actual for the first nine months:

	Adopted Budget	YTD Budget 3/31/24	Actual YTD	Actual as Percent of Budget
Total Grant and Progam Income	**$ 16,898,663**	**$ 11,669,875**	**$ 11,368,807**	**67.3%**
Total Program Costs	12,291,982	8,656,365	9,011,140	73.3%
Total Admin & Planning Costs	4,606,681	3,034,010	2,646,950	57.5%
Total Expenditures	**$ 16,898,663**	**$ 11,690,375**	**$ 11,658,090**	**69.0%**

The Adopted Budget revenue was estimated at $16.9 million, with BURA projection of $11.7 million through March 31, 2024. Approximately $11.4 million was reported as of the end of the third quarter, which constituted primarily prior year allocations, as current year (Year 49) funds were released for draw-down from HUD at the end of December 2023. The draw-down of cash occurs as needed to reimburse for expenditures. However, a one-time occurrence, such as the sale of a property, can have an unplanned positive revenue impact, as seen in recent years. Expenditures as of March 31, 2024 were consistent with the budget at $11.7 million. However, specific programs, such as ARPA funded programs and the lead water abatement program, are not disbursing funds in a timely manner. The delay in expending these funds is attributed to several factors, including delays in subrecipients filing the appropriate documentation with BURA to draw down funds, and delays in the planning process for the use of ARPA funding. BURA, and to a greater extent the City of Buffalo, is behind in awarding ARPA funding to organizations who will be conducting the planned community enhancement projects and services. As contracts are entered into, it is expected that there will be an increase in ARPA expenditures in the 4th quarter of the current fiscal year.

The City amended its ARPA recovery plan to reduce the ARPA funds allocation from $20.3 million to $11.0 million. Even with the known allocation, BURA management is waiting for further direction in preparing and issuing requests for proposals.

The following revenue schedule provides a detailed listing of the various revenue sources utilized by BURA to fund expenditures and provides additional detail about the available revenue sources. Funds are restricted for specific purposes and have a cap on chargeable administrative costs against the individual grant awards.

	2023-24 Adopted Budget	2023-24 3rd Quarter Budget	2023-24 Actual YTD-3rd Quarter	Variance-Actual to Budget $	Variance-Actual to Budget %
Grant Revenues and Related Income					
Community Development Block Grant (CDBG)	$ 5,838,100	$ 5,085,600	$ 5,417,330	331,730	6.5%
Community Development Block Grant Cares Act (CDBG-CV)	2,339,394	1,440,651	1,689,259	248,608	17.3%
CDBG Interest/Rental Income	200,000	150,000	20,229	(129,771)	-86.5%
HOME Investments Partnership Program	3,303,099	2,477,324	2,754,544	277,220	11.2%
CDBG Program Income	800,000	600,000	543,985	(56,015)	-9.3%
HOME Program Income	250,000	187,500	144,119	(43,381)	-23.1%
Lead Hazard Grant Income	1,563,070	918,000	56,832	(861,168)	-93.8%
Evans Fund	15,000	10,800	2,434	(8,366)	-77.5%
Cities Rise	250,000	-	-	-	-
City American Rescue Plan Act Affordable Housing Advancement Fund (ARPA AHAF)	800,000	155,000	160,759	5,759	3.7%
HOME American Rescue Plan Act (HOME ARPA)	700,000	15,000	12,782	(2,218)	-14.8%
General Fund Revenues	840,000	630,000	566,534	(63,466)	-10.1%
Total	**$ 16,898,663**	**$ 11,669,875**	**$ 11,368,807**	**$ (301,068)**	**-2.6%**

The three significant budgeted revenue sources are CDBG resources at $5.8 million, HOME resources at $3.3 million, and CDBG-CV resources at $2.3 million, for approximately $11.5 million, representing 67.9 percent of total budgeted revenue of $16.9 million. This is the third year of the lead hazard grant, and the grant income is budgeted at $1.6 million, representing 9.2 percent of estimated revenue. The utilization of this funding has been delayed; BURA has submitted a request to extend the deadline for this program as it is set to expire in July 2024. The extension was granted by HUD and is through July 2025. In addition, the City provided BURA with $0.8 million, equivalent to 4.7 percent of budgeted resources, in ARPA funding for the Affordable Housing Advancement Fund (ARPA AHAF) and $0.7 million, equal to 4.1 percent of the budget, for HOME ARPA projects. CDBG and HOME program income were budgeted at $800,000 and $250,000, respectively, and all other revenue sources total $1.3 million or 7.7 percent of budgeted revenues.

BURA planned on reporting $11.7 million, or 69.1 percent, of budgeted grant revenue by March 31, 2024; the actual amount reported was $11.4 million, which resulted in a variance of $0.3 million, or 2.6 percent. Significant revenues through the first nine months included CDBG revenues of $5.4 million, CDBG-CV resources of $1.7 million, and HOME resources of $2.8 million. Other revenue sources included CDBG program income of $0.5 million, and HOME program income of $144,119, general fund income of $0.6 million, City provided ARPA AHAF income of $160,759, and all other revenues totaled approximately $92,277.

Program Costs

Due to the various cap restrictions on administrative costs, program costs are broken out and discussed separately from general administrative and planning expenses. Total program costs for 2023-24 were budgeted at $12.3 million, with $8.7 million projected to be expended by March 31, 2024. Actual program expenditures have exceeded the budget and totaled $9.0 million, representing a variance to the budget of $0.4 million through the end of the third quarter. Third-quarter expenditures represent approximately 73.3 percent of the Adopted Budget amount.

	2023-24 Adopted Budget	2023-24 3rd Quarter Budget	2023-24 Actual YTD-3rd Quarter	Variance-Actual to Budget $	Variance-Actual to Budget %
Grant Expenditures					
CDBG CV Program Costs	$ 1,689,394	$ 953,151	$ 1,510,743	$ (557,592)	-58%
City ARPA AHAF Program Costs	500,000	150,000	150,000	-	0%
CDBG Emergency Loan Program Costs	2,300,000	2,520,000	2,725,575	(205,575)	-8%
HOME Program Costs	2,612,218	2,370,414	2,623,205	(252,791)	-11%
CDBG Program Delivery	1,855,000	1,391,250	1,373,245	18,005	1%
CDBG CV Program Delivery	350,000	262,500	61,588	200,912	77%
Lead Hazard Program Costs	1,563,070	909,000	45,784	863,216	95%
Health Equity Program Costs	-	-	-	-	-
Cities Rise	250,000	20,500	19,937	563	3%
HOME ARPA Program Costs	400,000	-	-	-	-
CDBG Crime Prevention	202,300	63,750	86,871	(23,121)	-36%
HOME Community Housing Development Organization	500,000	-	-	-	-
HOME Program Delivery Costs	55,000	5,000	2,196	2,804	56%
Evans Fund Program Costs	15,000	10,800	5,105	5,695	53%
General Fund	-	-	406,891	(406,891)	-
Total Program Costs	**$ 12,291,982**	**$ 8,656,365**	**$ 9,011,140**	**$ (354,775)**	**-4.1%**

Significant expenditures during the third quarter include a combined $4.1 million for the CDBG emergency loan program and program delivery costs, a total of $1.6 million in CDBG-CV program ($1,510,743) and delivery ($61,588) costs, $2.6 million for HOME programs, $406,891 in general fund programmatic spending, and $150,000 in City ARPA AHAF resources. All other program expenditures totaled $159,893 through the end of the third quarter.

Currently, several HOME projects in progress are difficult to budget quarterly as the timing of such payments depends on the subrecipient submitting the required documentation to BURA promptly. Such projects include continuing over $3.5 million for a Citywide initiative targeting select homes to be rehabilitated and other targeted investments. Examples of current projects include:

- 892 Genesee Street/Polly Jean Suites – This is a $1.7 million historic preservation and adaptive reuse conversion of a formerly vacant commercial structure into eight units of affordable housing for those experiencing homelessness. A total of six studio apartments and two one-bedroom apartments will be created. Supportive services, an on-site management office, and shared laundry facilities will also be available to tenants. Construction began in September 2020 and is completed. BURA's commitment to the project is $125,000; $117,500 has been expended through March 31, 2024. The project is complete, rent-up is underway, and closeout is pending, with an anticipated completion date of April 2024.

- 1373 Main Street/Main Utica Square Apartments – The Bethesda Community Development Corporation leads this project for $1.1 million. It is an adaptive reuse historic conversion of former commercial space into six HOME assisted rental units. Upon completion, the project will consist of a mix of four one-bedroom and two two-bedroom apartments. Rents for four of the apartments will be set at 80 percent of AMI thresholds, with the remaining two apartments targeted to persons whose household income does not exceed 50 percent of area median income (AMI). Construction began in January 2021, and 98 percent has been completed with an anticipated completion date of April 2024. Project closeout is pending at this time. BURA's commitment to the project is $1,086,960; $967,394 has been expended through March 31, 2024, with a balance of $119,566.

- McCarley Gardens Apartments – 818 Michigan Avenue - is a $56.8 million joint redevelopment of the McCarley Gardens Apartments between McCarley Gardens Master Developer LLC and St. John Fruit Belt CDC/St., to rehabilitate John's Baptist Church to 135 units. McCarley Gardens was constructed in 1978 and consists of 1, 2, and 3-bedroom units supported by a HUD project-based Section 8 contract, with tenant incomes restricted at or below 80 percent of AMI. The units will receive a comprehensive tenant-in-place renovation, including new kitchens with upgraded appliances, fixtures, cabinets, countertops, bathroom fixtures, new flooring, and fresh paint. All units will receive new windows, retrofitted insulation, and hot water heaters/boilers. Two buildings that house 15 units will be used as temporary hospitality suits as the work is completed at the other units. Tenants in those 15 units will be relocated to new facilities once the construction is complete. When all of the units are completed, those two buildings will be demolished and the parcel will be redeveloped in the near future. Construction began in October 2022, with 99 percent completed as of March 31, 2024, and an anticipated completion date of April 2024. BURA has committed $1.0 million in HOME funds for this project, and $0.9 million has been expended through March 31, 2024.

- People Inc., Folwell Apartments – 219 Bryant Street – is a $14.7 million single-phase, forty-four-unit affordable rental housing project. The project is the redevelopment and adaptive reuse of the former maternity hospital. Thirty-four units will have one bedroom, ten units will have two bedrooms, and ten units will be HOME assisted. The building will also contain a large community room, a small kitchen, and on-site laundry and storage areas. Residents will be low-income senior citizens ages 55 and up, with rents scaled based on the AMI. The rent composition of the units includes nine units at 60 percent of AMI, twenty-eight units at 50 percent of AMI, and seven units at 30 percent of AMI. Construction is complete, rent up is complete, and close out is pending, with an anticipated completion date of April 2024. BURA initially committed $520,000 in BURA HOME funding to support the project. At the April 2023 Board Meeting, BURA approved an increase to the amount by an additional $350,000 for a total of $870,000 in HOME funding, with $465,482 disbursed to date and a remaining balance of $404,518 to be disbursed.

- West Side Homes – The Buffalo Neighborhood Stabilization Company Inc. (BNSC) of PUSH Buffalo is developing a $20 million affordable rental housing project on the City's west side, including forty-nine units. The West Side Homes project consists of several scattered sites comprised of new construction and redevelopment of several parcels. The project includes four rehabilitated units in two buildings and twelve newly constructed buildings on twelve sites consisting of 2-4 family homes and small multi-family buildings. BNSC is partnering with Best Self Behavioral Health to designate sixteen apartments for homeless individuals with a substance use disorder or severe mental illness; seven units will be HOME assisted. Construction began in October 2022 and is approximately 89 percent complete, with an anticipated completion date of May 2024. BURA's commitment to the project is $520,000 in HOME funds funding to support the project, with $220,000 disbursed and a balance of $300,000 remaining.

- Apartments at the Lyceum – Community Services for Every1 is redeveloping the St. John Kanty Lyceum building and ten adjacent/vacant lots to develop the Apartments at the Lyceum for a project total of $17.7 million. The project will redevelop the Lyceum building into forty-two residential units and commercial space. Ten vacant lots on Swinburne Street, directly adjacent to the Lyceum, will be used to create off-street parking for tenants, along with a greenspace featuring gardens and a playground. The project has been allocated $760,000 in HOME funds.

  Apartments at the Lyceum will consist of thirty-one one (1) bedroom and eleven two (2) bedroom apartments targeted to renters at or below 50 percent of AMI. Eleven units will be HOME-assisted, eight (8) one-bedroom units, and three (3) two-bedroom units. The existing kitchen, cafeteria, and activity room will be renovated as a commercial space. Construction is underway, with construction beginning in October 2022 and anticipated to be completed in May 2024. The project is 80 percent complete, with an anticipated completion date of May 2024. $300,000 has been released in HOME funds as of March 31, 2024, with a balance of $460,000 remaining.

- Mt. Olive Senior Manor – 703 E. Delavan – Mt. Olive Development Corp. has partnered with People, Inc., as co-developers for an affordable housing project estimated to total $27.5 million. Mt. Olive Senior Manor is an integrated permanent supportive senior housing project involving the remediation of a vacant brownfield and infill of new construction of a 65,250 square foot multi-family housing building, creating 65 affordable units. The units comprise sixty-one (61) one-bedroom and four (4) two-bedroom apartments. The residents will be low-income seniors ages 55 and up. In addition to the residential apartments, the building will include common laundry areas, a community room with a kitchen, an on-site management office, a services office, a multipurpose room, a lobby area, and bicycle storage space.

  All units will be made affordable to households whose annual income is at or below 30%, 50%, and 60% of AMI; no household will pay more than 30% of their income toward rent. The project has been allocated $2.0 million in HOME funds. Construction is underway, with construction beginning in June 2023 and 45 percent complete with an anticipated completion date of June 2025. $5,000 has been released in HOME funds as of March 31, 2024, with a remaining balance of $2.0 million.

BURA continuously provides resources for emergency home repairs, including emergency roof repairs, weatherization programs, down payment and closing cost assistance, home buyers' education workshops, and lead remediation. BURA has expended $2.9 million year-to-date for these programs.

Outside of the non-federal grants, BURA has secured a total of $1,038,983 in grant funding through the Enterprise New York's Cities for Responsible Investment and Strategic Enforcement ("Cities RISE") program. These grant funds will target neighborhood development through "Love Your Block" mini-grants, provide funding for code enforcement officers, and address abandoned properties. The Love Your Block mini-grants are to provide financing to block clubs and community-based organizations to assist in improving their neighborhoods by creating community gardens and playgrounds. $250,000 is budgeted in the current fiscal year, with $19,937 expended as of March 31, 2024, and as of June 30, 2023, $645,000 of available funding remained.

BURA previously received a $475,000 grant from Evans Bank, referred to as the Evans Fund, with a remaining balance of $20,000 that was established as part of a revolving fund for various programs, including a target street program, which provides funds for code-related repairs and lead abatement, an emergency roof program, a weatherization assistance program and a down payment closing costs assistance program. As borrowers repay loans, the proceeds are reinvested into the program. At the end of the third quarter, approximately $9,900 remained as available budgeted spending, with $5,100 disbursed.

The City of Buffalo was awarded $2.0 million in federal funds for a lead hazard initiative. BURA, as a subrecipient, will receive $1.9 million of the grant to be administered for various programs addressing lead issues in the City of Buffalo. The grant was budgeted to be spent down over three years, with the grant award set to expire in July 2024. At the beginning of 2023-24, $1.6 million remained with $45,800 expended through the third quarter. BURA’s third quarter report did not provide an update as to the status of an extension request that was expected to be submitted in March 2024. BURA explained that program delays occurred due to low citizen participation. During the 2023-24 third quarter, BURA amended the lead abatement policies and procedures to widen eligibility requirements and also conducted a mass marketing and outreach campaign. Further information from BURA management has been requested and it is noted that HUD has provided a one-year extension for the lead abatement program, with a new expiration date of July 2024.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") CDBG-CV funds represent nonrecurring revenues to BURA as they are federal stimulus funds related to the Covid 19 pandemic. The use of these funds were budgeted over three years, with the current fiscal year being year three and budgeted at $2.4 million consisting of $1.7 million of program costs, $0.4 million of program delivery costs, and $0.3 million for administrative costs. CDBG-CV funding is provided to prevent rent evictions and foreclosures, address fair housing issues, support renter and owner rehabilitation projects, and promote economic development through a microenterprise grant program. Expenditures through the end of the third quarter include $1.7 million, consisting of $1.5 million for program costs, $61,588 for delivery costs, and $0.1 million for administrative costs.

These projects and programs are examples of some of the targeted investments that BURA is making in the City.

Administration and Planning Costs

The Adopted Budget included $4.6 million for Administration and Planning Costs. BURA's third-quarter budget was $3.0 million of the total budgeted amount of $4.6 million, or 65.9 percent of the total budget. Actual expenditures were $2.6 million, representing a budget variance of $387,060. Nine vacancies currently exist in BURA, contributing to the variance in administrative costs.

Total expenditures for the third quarter that ended March 31, 2024, including program, administration, and planning costs, were $11.7 million, or 69.0 percent of annual budgeted expenditures. At the end of the third quarter, a deficit of $289,283 is reported, with any variances addressed at the end of the year.

The following schedule summarizes Administration and Planning Costs and total expenditures as of the third quarter.

	2023-24 Adopted Budget	2023-24 3rd Quarter Budget	2023-24 Actual YTD-3rd Quarter	Variance-Actual to Budget $	Variance-Actual to Budget %
Admin & Planning Costs					
CDBG Admin @ 20% cap including Program Income	$ 2,480,800	$ 1,860,600	$ 1,795,853	$ 64,747	3.5%
HOME Admin Costs @ 10% cap including Program Income	385,881	289,410	273,262	16,148	5.6%
CDBG CV Administrative Costs	300,000	225,000	116,928	108,072	48.0%
Emergency Rental Assistance Program Administrative Costs	-	-	-	-	-
General Fund Costs	840,000	630,000	429,069	200,931	31.9%
HOME ARPA Admin	300,000	15,000	12,782	2,218	14.8%
Lead Hazard	-	9,000	11,048	(2,048)	-22.8%
City ARPA AHAF Admin	300,000	5,000	8,008	(3,008)	-60.2%
Subtotal	$ 4,606,681	$ 3,034,010	$ 2,646,950	$ 387,060	12.8%
Total Program Costs	**$ 12,291,982**	**$ 8,656,365**	**$ 9,011,140**	**$ (354,775)**	**-4.1%**
Total Expenditures	**$ 16,898,663**	**$ 11,690,375**	**$ 11,658,090**	**$ 32,285**	**0.3%**

Current year-end projections are consistent with the Adopted Budget amounts for Administration and Planning costs. Thirty-three of the forty-two budgeted positions are filled; there are no projected savings as resources would be used for program costs if they are unused for administration and planning.

Salary and Fringe Benefits

Salary and fringe benefit expenditures are reflected in program, administration, and planning costs. BURA carefully monitors personnel expenditures to ensure administrative caps are not exceeded and other restrictions are met. Total personnel service costs through the first nine months total $2.5 million; of that, salaries total $1.5 million, health insurance totals $555,653, pension costs total $214,362, employer payroll taxes total $120,388, and all other fringe benefits total $58,131.

The following schedule summarizes salary and fringe benefits expenditures for BURA employees for the period July 1, 2023, through March 31, 2024:

Salary and Fringe Benefits Expenses
July 1, 2023 - March 31, 2024

	Salary Expense	FICA Expense	Pension Expense	Health Insurance	All Other Fringe Benefits	Total Fringe Benefits	Total Personnel Costs
CDBG Projects/Programs:							
Demolition/Clearance	$ 45,388	$ 3,590	$ 6,120	$ 17,560	$ 1,729	$ 28,999	$ 74,387
Homeownership Assistance	7,649	602	387	2,718	243	3,950	11,599
Rehabilitation	236,244	18,548	29,100	86,867	9,128	143,643	379,887
Crime Prevention	37,137	2,955	5,322	14,241	1,365	23,883	61,020
Public Facilities & Infrastructure	28,477	2,306	5,234	11,344	1,033	19,917	48,394
Program Delivery	**$ 354,895**	**$ 28,001**	**$ 46,163**	**$ 132,730**	**$ 13,498**	**$ 220,392**	**$ 575,287**
Policy, Planning, Management	$ 32,253	$ 2,823	$ 8,841	$ 16,640	$ 1,025	$ 29,329	$ 61,582
General Administration	700,897	55,428	130,335	245,868	27,342	458,973	1,159,870
Administrative	**733,150**	**58,251**	**139,176**	**262,508**	**28,367**	**488,302**	**1,221,452**
Total CDBG	**$ 1,088,045**	**$ 86,252**	**$ 185,339**	**$ 395,238**	**$ 41,865**	**$ 708,694**	**$ 1,796,739**
HOME	$ 271,038	$ 21,226	$ 129	$ 98,105	$ 9,798	$ 129,258	$ 400,296
COVID Admin	59,177	3,562	18,444	23,007	2,024	47,037	106,214
All Other Programs	117,206	9,348	10,450	39,303	4,444	63,545	180,751
Total	**$ 1,535,466**	**$ 120,388**	**$ 214,362**	**$ 555,653**	**$ 58,131**	**$ 948,534**	**$ 2,484,000**

Programming

BURA continues looking for opportunities with community partners to leverage resources and expertise to maximize available resources. BURA has taken several specific actions, including enhanced advertising and outreach for programs, specifically housing assistance and those impacted by COVID-19. Advertising initiatives include but are not limited to advertising on bus shelters and bus tails, print advertisement in local publications, digital marketing, radio shows/advertisements, and community outreach and engagement events.

- BURA is working with several partners/community stakeholders and is participating in the Housing Solutions Collaboration ("HSC"). The HSC aims to facilitate the connection between the communities in each cohort to discuss housing challenges and solutions. Buffalo is one of eight communities across the United States participating in this program.

- River Rock Connections Project is a six-month feasibility study focused on the Black Rock and Riverside neighborhoods. The study's outcome is a better understanding of how to connect Black Rock and Riverside to the waterfront assets. Points of focus of the study include increasing waterfront access, complete streets, and implementing a rails-to-trails program. As of March 31, 2024, the inventory study, the initial public engagement sessions, and the preliminary drafting of plan elements are complete. The targeted completion of the finalized plan is March 2024. The Office of Strategic Planning has received an administrative draft and appendices for the connectivity plan and has begun reviewing it. OSP is arranging a priority ranking of the draft rankings for each recommendation, and the vendor will then complete the draft cost estimate for each recommendation. The Division of Engineering and the Division of Parks have reviewed the draft plan and provided comments on the plan. It was noted that a change order was approved by the BURA board at the September 28th meeting for $29,418, with the execution of the change order completed in October 2023. Fischer Associates continues to work on addressing all City comments and will provide an updated plan that addresses comments received.

Other Notable Items

BURA continues to attempt to maximize various revenue streams by identifying additional opportunities outside of HUD Entitlement Funds. BURA's management team continues to research and identify grants that would contribute towards the programs being delivered by BURA. Over the past several years, two such grants were awarded, including Cities RISE in the amount of $250,000 and Evans Bank in the amount of $15,000 included in the current fiscal year.

BURA is up to date regarding the contract with CSEA Local 815. The current collective bargaining agreement was settled during the first quarter of 2022-23 and expires on June 30, 2026, in the third year of the current four-year financial plan.

It is recommended that BURA enhance the public's ability to participate in its governance by ensuring public meetings are posted to the BURA website, accompanied by an agenda and board meeting items. The New York State Open Meetings Law governs the requirements.

Federal Funding Requirements - Summary

The CARES Act was authorized by Congress and signed into law in March 2020. The City was initially awarded $11.4 million in CARES funding, and BURA is the subrecipient of those funds, and has $4.2 million remaining, which must be committed by January 6, 2025, and expended by January 6, 2027. Concerning APRA funding, BURA was originally included in the City's August 2021 ARPA Recovery Plan to receive $20.3 million; a revised APRA Recovery Plan reduced this to $11.0 million in June 2023. There is a balance remaining of $10.7 million on March 31, 2024, and expended by December 31, 2026.

The current year budget includes appropriations of $2.3 million for programs funded by CARES. For the nine-month period ending March 31, 2024, total CARES spending was $1.7 million, representing 72.2 percent of the annual budget. As of March 31, 2024, BURA had expended 63.4 percent and 3.0 percent of CARES and ARPA funds, respectively.

ARPA federal stimulus is budgeted at $1.5 million in the current fiscal year, $2.5 million in 2024-25, and $3.5 million in 2025-26 and 2026-27. The current year's budget includes an appropriation of $1.5 million, and BURA has reported that $175,878 has been expended as of the end of the third quarter.

Additional federal awards granted in response to the COVID-19 pandemic were awarded to BURA during the 2020-21 fiscal year and are included in the 2023-24 budget; those grants and budgeted amounts are for the lead hazard remediation program and are budgeted at $1.6 million. The remaining funding for the lead hazard remediation program is $1.5 million as of March 31, 2024, and was to be expended by July, 2024. The City has successfully reached an extension with HUD, that allows the City an additional year to utilize the funds.

Currently, BURA is understaffed with a vacancy rate of 21.4 percent. As previously discussed, BURA has budgeted for 42 positions, of which 33 are filled. BURA management has conveyed that there is an active process to fill the positions. The capacity of BURA to address the organization's needs, along with the additional pressures of timing requirements for the use of pandemic-related federal funds, is a concern.

It is recommended that senior management review material in the quarterly reports for accuracy prior to submitting the reports. There continues to be inaccuracies in the quarterly report, which hinders the ability to discern BURA’s financial and operating positions.

We are additionally concerned that the delays BURA has encountered in planning for and implementing programs funded by federal stimulus funds could result in missed deadlines and the loss of such funding. We urge BURA's Board of Directors and management to prioritize addressing the delays as soon as possible and strategize on fully utilizing this one-time opportunity to meet the community's needs.

BUFFALO FISCAL STABILITY AUTHORITY

TAB 4

BUFFALO FISCAL STABILITY AUTHORITY
Overview of the Buffalo Municipal Housing Authority's 2024-25 Adopted Budget & 2025-2028 Financial Plan

Introduction
The City of Buffalo (City) submitted Buffalo Municipal Housing Authority's fiscal year (FY) 2024-25 Consolidated Adopted Budget (Adopted Budget) and FY 2025-2028 Consolidated Financial Plan (Financial Plan) to the Buffalo Fiscal Stability Authority (BFSA) on May 1, 2024. The Financial Plan includes the individual budgets and financial plans for the combined twenty-two Asset Management Programs (AMPs), the Central Office Cost Center (COCC), the Marine Drive Apartments (Marine Drive), and the U.S. Housing and Urban Development (HUD) Housing Choice Voucher Program (Section 8) and an Adopted Budget and Financial Plan. The Adopted Budget and Financial Plan was approved by the Buffalo Municipal Housing Authority's Board of Commissioners on April 18, 2024.

The individual budgets and financial plans of the operating segments do not cross-foot to the Adopted Budget and Financial Plan. BMHA has been requested to submit a revised plan to address the errors. BFSA's analysis herein summates the four budgets and financial plans. The following depicts the mathematical discrepancies between the BMHA's combined four budgets and financial plans and BMHA's consolidated Adopted Budget and Financial Plan. The consolidated Financial Plan includes $0.5 million less revenue and expenses in each Financial Plan out-year.

2025-2028 Revenues				
BMHA's Individual Plans	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**
AMP	$40.3	$41.1	$41.8	$42.5
COCC	5.8	5.8	5.8	5.8
Marine Drive	3.7	3.7	3.8	3.9
Section 8	9.9	10.1	10.3	10.5
Total Individual Plans	**$59.7**	**$60.7**	**$61.7**	**$62.7**
BMHA's Consolidated Plan	**$59.7**	**$60.2**	**$61.2**	**$62.2**
Difference	**$0.0**	**$0.5**	**$0.5**	**$0.5**

2025-2028 Expenses				
BMHA's Individual Plans	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**
AMP	$38.2	$38.8	$39.0	$39.2
COCC	6.2	6.3	6.4	6.5
Marine Drive	3.9	4.0	4.0	4.0
Section 8	9.7	9.7	9.7	9.8
Total	**$58.0**	**$58.8**	**$59.1**	**$59.5**
BMHA's Consolidated Plan	$58.0	$58.3	$58.6	$59.0
Difference	**$0.0**	**$0.5**	**$0.5**	**$0.5**

Economic Factors Impacting the Buffalo Municipal Housing Authority (BMHA) Adopted Budget and Financial Plan

BMHA's Adopted Budget and Financial Plan are heavily impacted by several economic factors as follows:

1. Congressional approval of the U.S. Department of Housing and Urban Development (HUD) funding levels
2. Local, inflationary, and unemployment trends that affect resident incomes and the number of eligible recipients.

Financial Plan Consolidated Summary

The following are the highlights of the Adopted Budget and Financial Plan (summation of the four individual adopted budgets and adopted financial plans).

2025-2028 Consolidated Financial Plan

Description	2023-24 Modified Budget	$ Change	2024-25 Adopted Budget	2025-26 Outyear 1	2026-27 Outyear 2	2027-28 Outyear 3	Totals
	$ in Millions						
Total Revenues	$57.8	$1.9	$59.7	$60.7	$61.7	$62.7	$244.7
Total Expenses	55.7	$2.3	58.0	58.8	59.1	59.5	235.4
Net Operating Income before Debt Service	$2.1	($0.4)	$1.7	$1.8	$2.6	$3.2	$9.3
Debt Service - Principal Reduction	(2.1)	$0.0	(2.1)	(2.1)	(2.1)	(3.0)	(9.3)
Net Income Reduced for Debt Service - Principal Reduction	0.0	($0.4)	(0.4)	(0.3)	0.5	0.2	0.0
Cash Impact after Removal of the Non-cash OPEB Accrual	$1.7	($0.5)	$1.2	$1.3	$2.1	$1.8	$6.4

Note: Total expenses include the $1.6 million annual accrual for Other Postemployment Benefits (OPEB), representing the non-cash accrued expense of future benefits earned by active employees.

The Adopted Budget contains a budgeted net income of $1.7 million (prior to the outstanding debt principal payment). The three out-years of the Financial Plan include net income ranging between $1.8 million and $3.2 million (prior to the outstanding debt principal payment). BMHA is projecting a cumulative, four-year positive cash impact of $6.4 million after reducing net income for the impact of principal debt payments and adding back the $1.6 million non-cash OPEB accrual.

Revenues in total are budgeted to increase by $1.9 million, or 3.3%, in 2024-25 as compared to the 2023-24 Modified Budget and are comprised of the following:

- HUD Subsidy: $0.6 million (2.5%)
- Net Dwelling/Non-Dwelling Income: $0.6 million (3.8%)
- HUD PHA Grants – Vouchers: $1.3 million (18.8%)
- All Other Revenues: $0.1 million (1.5%)
- Transfers from Capital Grants: $(0.7) million (-19.6%)

Revenues are projected to increase $3.0 million from $59.7 million in 2024-25 to $62.7 million in 2027-28, representing a 5% increase over the Financial Plan.

Expenses in total are budgeted to increase by $2.3 million, or 4.1%, in 2024-25 as compared to the 2023-24 Modified Budget and are comprised of the following:

- General Expenses: $(0.3) million (-2.0%)
- Maintenance Expenses: $1.6 million (12.9%)
- Administrative Expenses: $(0.1) million (-0.9%)
- Utility Expenses: $(0.9) million (-11.4%)
- Other Expenses: $1.2 million (15.8%)
- Personnel Services/Resident Service Costs: $0.8 million (53.3%)

Expenses are projected to increase $1.5 million from $58.0 million in 2024-25 to $59.5 million in 2027-28, representing a 2.6% increase over the Financial Plan. As revenues exceed expenses in each fiscal year of the Financial Plan, BMHA is operationally balanced on a consolidated basis.

BMHA has applied a -0.9% decrease in total salaries and a 7.2% increase in total employee benefits in FY 2024-25. The combined budget-to-budget increase is $0.3 million (1.6%). The salary decrease is based on the elimination of a net two full-time equivalent positions as well as actual current fiscal year (CFY) salaries; the labor agreements stipulate a 4% increase effective July 1, 2024.

A 2.0% salary increase is included for FYs 2026 through 2028. The increases are inconsistent with the 3% annual contractual salary increases dictated by the current Memorandum of Agreements (MOAs) with Local 17 and Local 264 representing the managerial, white-collar, and blue-collar employees employed by the BMHA. The labor agreements expire on June 30, 2028.

Individual Financial Plan Summaries

The AMP Financial Plan includes $40.3 million in 2024-25 revenues and $38.2 million in 2024-25 expenses. Each fiscal year projects net income increasing from $2.2 million in FY 2024-25 to $3.4 million in FY 2027-28. Cumulative net income is $10.5 million. The four-year cumulative cash impact after debt service principal payment and removal of the non-cash OPEB accrual is $6.9 million.

The AMP Adopted Budget and Financial Plan are operationally balanced within each fiscal year of the plan. Reserves are projected to increase from $8.6 million (BMHA-estimated) on June 30, 2024, to $15.5 million on June 30, 2028.

The COCC Financial Plan includes $5.8 million in FY 2024-25 revenues and $6.2 million in FY 2024-25 expenses. After removing the $0.6 million non-cash OPEB accrual, the COCC FY 2024-25 Adopted Budget has $0.2 million in cashflow. The cumulative, four-year projected cash impact is $0.2 million. Reserves are projected to increase from $2.4 million (BMHA-estimated) on June 30, 2024, to $2.6 million on June 30, 2028.

The Marine Drive Financial Plan includes $3.7 million in FY 2024-25 revenues and $3.9 million in FY 2024-25 expenses. The Marine Drive Financial Plan projects a negative cashflow in all four fiscal years totaling $(1.6) million. Budgeted expenses exceed budgeted revenues in all four fiscal years.

The Section 8 Financial Plan includes $9.9 million in FY 2024-25 revenues and $9.7 million in FY 2024-25 expenses. Section 8 revenues increase to $10.5 million by FY 2027-28, including annual PHA Grant revenue increases between $0.2 million and $0.3 million. Section 8 expenses are held essentially flat in all four years of the Section 8 Financial Plan with a slight $0.1 million increase in FY 2027-28.

The Section 8 program operates as a pass-through of HUD PHA Grants – Vouchers as Housing Assistance Payments. The three out-years of the Section 8 programs reflect revenue increases but not a corresponding expense, thus underestimating expenses.

Consolidated Revenues

BMHA's revenues consist of five major subcategories:

1) The HUD Subsidy
2) Net Dwelling /Non-Dwelling Income
3) HUD Public Housing Authority (PHA) Grants – Vouchers
4) All Other Revenues
5) Transfers from Capital Grants

The following depicts BMHA's Adopted Budget and Financial Plan revenues.

Consolidated 2025-28 Financial Plan Revenues

Description	2023-24 Modified Budget	$ △	2024-25 Adopted Budget	2025-26 Outyear 1	2026-27 Outyear 2	2027-28 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions							
HUD Subsidy								
AMP	$24.2	$0.6	$24.8	$25.4	$25.9	$26.3	$1.5	6.0%
COCC								
Marine Drive								
Section 8								
Total HUD Subsidy	**$24.2**	**$0.6**	**$24.8**	**$25.4**	**$25.9**	**$26.3**	**$1.5**	**6.0%**
Net Dwelling/Non-Dwelling Income								
AMP	$11.5	$0.6	$12.1	$12.3	$12.5	$12.8	$0.7	6.0%
COCC								
Marine Drive	3.6	0.0	3.6	3.6	3.7	3.8	0.2	5.6%
Section 8								
Total Net Dwelling/Non-Dwelling Income	**$15.1**	**$0.6**	**$15.7**	**$15.9**	**$16.2**	**$16.6**	**$0.9**	**5.9%**
HUD PHA Grants - Vouchers								
AMP								
COCC								
Marine Drive								
Section 8	$6.9	1.3	8.2	8.3	8.5	8.7	0.5	5.5%
Total HUD PHA Grants - Vouchers	**$6.9**	**$1.3**	**$8.2**	**$8.3**	**$8.5**	**$8.7**	**$0.5**	**5.5%**
All Other Revenues								
AMP	$0.1	$0.2	$0.3	$0.3	$0.3	$0.3	$0.0	0.0%
COCC	6.1	(0.3)	5.8	5.8	5.8	5.8	0.0	0.0%
Marine Drive	0.1	0.0	0.1	0.1	0.1	0.1	0.0	0.0%
Section 8	1.5	0.2	1.7	1.8	1.8	1.8	0.1	7.0%
Total All Other Revenues	**$7.8**	**$0.1**	**$7.9**	**$8.0**	**$8.0**	**$8.0**	**$0.1**	**1.5%**
Transfers from Capital Grants								
AMP	$3.8	($0.7)	$3.1	$3.1	$3.1	$3.1	$0.0	0%
COCC								
Marine Drive								
Section 8								
Total Transfers from Capital Grants	**$3.8**	**($0.7)**	**$3.1**	**$3.1**	**$3.1**	**$3.1**	**$0.0**	**0%**
Total Revenue	**$57.8**	**$1.8**	**$59.7**	**$60.7**	**$61.7**	**$62.7**	**$3.0**	**5.0%**

HUD Subsidy
Percent of Total Consolidated 2024-25 Revenues – 41.6%

PHAs receive an operating subsidy from HUD to provide funding for operational and maintenance expenses of its public housing dwellings, in accordance with Section 9 of the U.S. Housing Act of 1937, as amended. HUD's 2023 appropriation totaled $72.2 billion, an overall increase of $6.4 billion from the prior fiscal year (PFY). This included a total of $8.52 billion overall for the Public Housing Fund. On March 13, 2024, President Biden signed a $469 billion FY 2024 minibus bill with $81.4 billion in gross appropriations for HUD. This spending bill included $8.81 billion overall for the Public Housing Fund, including $5.48 billion in public operating subsidies.

HUD's Operating Fund determines the amount of operating subsidy to be paid to PHAs. PHAs provide HUD with financial information on project expenses, utility expenses, other formula expenses, and formula income (i.e., the major Operating Fund components). HUD reviews the information to determine each PHA's formula aid amount and the funds to be obligated for the funding period based on the appropriation by the U.S. Congress. BMHA's HUD operating subsidy is budgeted at $24.8 million for 2024-25, a $0.6 million (2.5%) increase, over the PFY's budget. The operating subsidy is anticipated to increase by $1.5 million (6.0%) over the Financial Plan. The increase is forecasted based on a 98% proration from 2024-25 to 2027-28.

The exact 2024-25 Operating Subsidy has not been calculated by HUD and is an estimate.

The subsidy funds AMP operations. The projected proration rate of 98% of eligible expenses is based on the most recent interim proration funding cycle. BMHA has previously estimated that it would receive approximately $268,000 in HUD subsidy per year for every 1% increase in occupancy.

BFSA has requested that BMHA provide calculations for reduced prorations. The current interim proration rate is 87%. As such, this revenue may be overestimated within each Adopted Financial Plan fiscal year.

BMHA will receive an additional $0.6 million in HUD subsidy in 2024-25. These additional revenues are included within each Financial Plan fiscal year. The additional HUD subsidy is from a program intended to elevate the reserves of certain PHAs. The $0.6 million additional subsidy is carried throughout the Financial Plan, but eligibility terminates when reserves are equal to four months of AMP expenses.

The budgeted increase in FY 2024-25 is reasonable given the current fiscal year-end (CFYE) estimate of $24.0 million and HUD's methodology for determining interim proration levels prior to a determination based on actual eligibility. For March and April funding, HUD considered estimated eligibility and the 2024 appropriation amount to provide an interim proration level of 87%.

The operating subsidy from HUD is projected to grow at a rate that exceeds the rate of growth for all other revenues.

Net Dwelling/Non-Dwelling Income
Percent of Total Consolidated FY 2024-25 Revenues – 26.3%

Net dwelling income includes the rental payments that BMHA receives from AMP and Marine Drive tenants, while non-dwelling income consists of rental income received for commercially rented space, principally for cellular towers.

BMHA has budgeted $15.7 million in Net Dwelling/Non-Dwelling Income. Based on an inflationary factor of 2.0% annually, Net Dwelling/Non-Dwelling Income is anticipated to increase $0.9 million (5.9%) over the Financial Plan. Of the $15.7 million in Net Dwelling/Non-Dwelling Income, $15.3 million is budgeted for dwelling income, while the remaining $0.4 million is budgeted for non-dwelling rental income.

The total tenant portion of the rental payment at the AMPs is no more than 30 percent of the monthly adjusted gross income. The average family income is $15,000. Marine Drive residents pay a flat rent based on unit size and the number of bedrooms within the apartment. If the AMP is a part of the Low-Income Housing Tax Credit (LIHTC) program, a flat rent may also be charged, which does not fluctuate with changes in household income or size but will increase or decrease with comparable nearby units in the private unassisted rental market. The LIHTC program allows the BMHA to leverage private equity to fund the renovations or revitalization of the properties and provides a source that allows for additional hard debt, defined as debt for which there is a requirement for repayment, and other credit terms to the property to achieve long-term preservation.

BMHA notes that non-payment of rental receipts continues to have an impact on its ability to provide required services. However, the total tenant account receivables have decreased from a high of $4.4 million (40% of annual tenant rents) to a forecast of $2.4 million at fiscal year-end (FYE) 2024 (22% of annual tenant rents). BMHA has taken the following steps to address this issue:

- BMHA continues to work through the City of Buffalo Housing Court to obtain legally binding payment agreements to minimize the impact of evictions. Evictions are now being processed as a last resort.
- The City of Buffalo (City) has earmarked $2.0 million in American Rescue Plan Act (ARPA) funds to help BMHA residents with rental obligations. A total of $1.2 million was received enabling BMHA to help 373 families avoid homelessness. The funds are targeted toward families that had difficulties paying rent during the COVID-19 Pandemic.

The BMHA has become increasingly reliant on dwelling income for general operations, as rental income has increased both in amount and as a percentage of total revenues. Marine Drive budgets are particularly dependent on rental income, as the facility does not receive an operating subsidy. A budgetary gap at Marine Drive would need to be covered by available resources such as COCC reserves. Marine Drive does not currently have operating reserve funds.

Voucher Grants
Percent of Total Consolidated FY 2024-25 Revenues – 13.7%

BMHA receives Housing Choice Vouchers and Project-Based Section 8 grants (Voucher Grants) from HUD. The revenues are recorded within the Section 8 Adopted Budget.

The FY 2024-25 Adopted Budget includes $8.2 million in Voucher Grants. These revenues are utilized solely by the Section 8 program. This projection is based on the HUD Housing Choice Voucher-approved funding. This revenue is projected to increase $0.5 million (5.5%) over the course of the Financial Plan based on a 2% inflationary factor.

This revenue source has a negligible impact on overall BMHA operations as the BMHA passes the vouchers to recipients. If Voucher Grant revenue does not increase at this rate, the amount of Voucher Grant funds passed through to recipients will be adjusted. The revenues and expenses of the voucher program reflect BMHA's continued efforts to fully utilize the total vouchers available from the program. PHAs that do not spend 100% of available PHA grants are considered underutilized and may be subject to either a penalization or a recapture of the underutilized funds.

Transfers from Capital Grants
Percent of Total Consolidated FY 2024-25 Revenues – 5.1%

Transfers from Capital Grants represent funds used to reimburse BMHA for the administrative and programmatic work performed on capital grants and may fund general operations. The revenues are recorded within the AMP Adopted Budget.

Transfers from Capital Grants consist of two components: one representing the capital grant program administration cost reimbursements and one for direct personnel costs. A PHA may use capital funds for operating fund purposes only if it is included in the five-year action plan that is approved by the PHA Board of Commissioners and HUD, subject to limitations. This revenue represents the transfer of grant funds for the reimbursement of expenses. Capital Funds identified in the five-year action plan to be transferred to operations are obligated once the funds have been budgeted and drawn down by the PHA. Once such a transfer of funds occurs, the PHA must follow the requirements of 24 CFR Part 990 with respect to those funds. Unless otherwise provided in the annual HUD appropriation act, a PHA with 250 or more public housing units may use no more than 20% of its annual Capital Fund grant for eligible activities.

Transfers from Capital Grants are budgeted at $3.1 million in the Adopted Budget and are consistently flat in each fiscal year of the Financial Plan. BMHA anticipates receiving the same amount of Capital Fund Program (CFP) grants and Capital Financing Fund Program (CFFP) funds as received in the CFY. The $0.7 million decrease from the 2023-24 Modified Budget is based on the actual revenues projected in 2023-24.

<u>All Other Revenues</u>
Percent of Total Consolidated FY 2024-25 Revenues – 13.3%

All Other Revenues include interest income, fees for services, administrative fees for development, administrative fee reimbursement associated with the HUD Section 8 Housing Voucher Program, and other miscellaneous income. All Other Revenues are budgeted at $7.9 million in the Adopted Budget.

All Other Revenues remain relatively static over the Financial Plan at $7.9 million in 2024-25 through 2025-26 and $8.0 million in 2027-28. Most of these revenues are projected to be static over the Financial Plan. A 2% inflationary growth in the Housing Choice Voucher (HCV) Administrative Fee and the HCV Special Gant Income has been assumed. These revenues are recorded solely within the Section 8 budget.

<u>Consolidated Revenue Summary</u>
BFSA has reviewed BMHA’s revenue assumptions and determined that they appear fairly stated. Net Dwelling/Non-Dwelling Income constitutes 26.3% of total BMHA revenue. BMHA has budgeted Net Dwelling/Non-Dwelling Income at a conservative level that is greater than previous years based on lower Tenant Accounts Receivable than recorded during the Covid-19 Pandemic and the eviction moratoria.

The HUD Operating Subsidy appears to be reasonably estimated given the CFYE projected amount of $24.0 million, the 2024 HUD Operating Fund allocation, and the Executive Budget’s 2025 requested HUD Operating Fund allocation. The funding level is not certain given the current state of Congressional discourse; the assumed 98% proration factor may be overly optimistic given the current 87% interim proration rate. Over the last several years, the proration factor has ranged between 82.35% and 97.6%.

<u>Consolidated Expenses</u>
BMHA’s expenses consist of six major subcategories:

1) General Expenses
2) Maintenance
3) Administration
4) Utility
5) Other Expenses
6) Protective/Resident Services Costs

The following is a depiction of BMHA's Consolidated Adopted Budget and Financial Plan expenses.

Consolidated 2025-28 Financial Plan Expenses

Description	2023-24 Modified Budget	$ △	2024-25 Adopted Budget	2025-26 Outyear 1	2026-27 Outyear 2	2027-28 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions							
General Expenses								
AMP	$11.5	($0.2)	$11.3	$11.3	$11.3	$11.3	$0.0	0.0%
COCC	2.6	(0.2)	2.4	2.4	2.4	2.4	0.0	0.0%
Marine Drive	0.9	0.0	0.9	0.9	0.9	0.9	0.0	0.0%
Section 8	0.0	0.1	0.1	0.1	0.1	0.1	0.0	0.0%
Total General Expenses	**$15.0**	**($0.3)**	**$14.7**	**$14.7**	**$14.7**	**$14.7**	**$0.0**	**0.0%**
Maintenance								
AMP	$10.9	$1.4	$12.3	$12.5	$12.6	$12.7	$0.4	3.3%
COCC	0.2	(0.1)	0.1	0.1	0.1	0.1	0.0	0.0%
Marine Drive	1.3	0.3	1.6	1.6	1.6	1.6	0.0	0.0%
Section 8								
Total Maintenance	**$12.4**	**$1.6**	**$14.0**	**$14.2**	**$14.3**	**$14.4**	**$0.4**	**2.9%**
Administration								
AMP	$6.2	($0.1)	$6.1	$6.2	$6.2	$6.3	$0.2	3.3%
COCC	3.6	(0.1)	3.5	3.6	3.7	3.8	0.3	8.6%
Marine Drive	0.5	0.0	0.5	0.5	0.5	0.5	0.0	0.0%
Section 8	1.0	0.1	1.1	1.1	1.1	1.2	0.1	9.1%
Total Administration	**$11.3**	**-$0.1**	**$11.2**	**$11.4**	**$11.5**	**$11.8**	**$0.6**	**5.4%**
Utility								
AMP	$7.0	($0.8)	$6.2	$6.5	$6.6	$6.6	$0.4	6.5%
COCC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Marine Drive	0.9	(0.1)	0.8	0.9	0.9	0.9	0.1	12.5%
Section 8								
Total Utility	**$7.9**	**($0.9)**	**$7.0**	**$7.4**	**$7.5**	**$7.5**	**$0.5**	**7.1%**
Other Expenses								
AMP	$0.2	$0.1	$0.3	$0.3	$0.3	$0.3	$0.0	0.0%
COCC								
Marine Drive								
Section 8	7.4	1.1	8.5	8.5	8.5	8.5	0.0	0.0%
Total Other Expenses	**$7.6**	**$1.2**	**$8.8**	**$8.8**	**$8.8**	**$8.8**	**$0.0**	**0.0%**
Protective Services/ Resident Service Costs								
AMP	$1.2	$0.8	$2.0	$2.0	$2.0	$2.0	$0.0	0.0%
COCC	0.2	0.0	0.2	0.2	0.2	0.2	0.0	0.0%
Marine Drive	0.1	0.0	0.1	0.1	0.1	0.1	0.0	0.0%
Section 8								
Total Protective Services/ Resident Service Costs	**$1.5**	**$0.8**	**$2.3**	**$2.3**	**$2.3**	**$2.3**	**$0.0**	**0.0%**

General Expenses

Percent of Total Consolidated FY 2024-25 Expenses – 25.3%

General Expenses include employee benefits, insurance, the annual accrual for OPEB retiree health insurance, actual retiree health insurance expenses, and other miscellaneous expenses.

BMHA has budgeted $14.7 million in General Expenses, a $0.8 million reduction from the CFY. The Financial Plan projects these expenses to remain static overall over the Financial Plan.

BMHA has budgeted employee benefits at $5.1 million in each fiscal year. No inflationary factor was applied. OPEB and the OPEB accrual are budgeted flat at $3.3 million and $1.6 million, respectively. Retiree healthcare expenses are budgeted $0.8 million less than the FY 2023-24 budgeted amount based on CFYE projections.

The various insurances (property, liability, workers' compensation, other) comprise 21.1% based on an assumed annual increase of 2% of total General Expenses. These expenses are budgeted flat over the Financial Plan. No inflationary factor was applied; they are potentially under budgeted.

These expenses are budgeted flat over the Financial Plan. No inflationary factor was applied. As such, these expenses may be underbudgeted over the Financial Plan.

BMHA maintains an employer-defined-benefit healthcare plan providing medical benefits to eligible retirees and spouses. Benefit provisions are based on individual contracts with the BMHA. Employees hired after September 13, 2018, are not covered and are not eligible for BMHA-funded health insurance upon retirement. Eligibility is determined based on hire date, minimum age of 55, and five or more years of service. Qualifying retirees are moved to a less costly HMO Medicaid plan, with BMHA reimbursing 100% of the plan's costs. Qualifying retirees are eligible to continue the same coverage as received immediately before retirement for their lifetime. On June 30, 2023, BMHA accrued future OPEB benefits for 137 active employees. Actual retiree healthcare benefits were provided to 318 retirees or beneficiaries. The BMHA's total OPEB liability of $65,378,180 was measured as of June 30, 2023.

Maintenance
Percent of Total Consolidated FY 2024-25 Expenses – 24.1%

BMHA's Maintenance expenses include the maintenance employees' salaries and non-personnel expenses, including materials and equipment to maintain BMHA-managed property, including the AMPs, Central Office, and Marine Drive.

BMHA has budgeted $14.0 million in Maintenance Expenses in 2024-25. The Financial Plan projects these expenses to increase by $0.4 million, or 2.9%, over the Financial Plan. While most Maintenance Expenses are projected to remain static, BMHA is projecting an increase of $0.1 - $0.2 million annually in maintenance employee compensation The labor agreement expires on June 30, 2028. The 2% annual increases in Maintenance salaries in the Financial Plan are less then the 4% (2024-2025) and 3% (2026-2028) contractual increases and may underestimate these expenses.

Administration
Percent of Total Consolidated FY 2024-25 Expenses – 19.3%

BMHA's Administration expenses include the administration employees' salaries as well as AMP management fees, telephone, internet, software, office equipment, employee travel, etc.

BMHA has budgeted $11.5 million in Administration expenses in 2024-25. The Financial Plan projects these expenses to increase by $0.6 million (5.4%) over the Financial Plan. While most Administration expenses are projected to remain relatively static, BMHA is projecting a $0.6 million increase in administrative employee costs based on annual contractual salary increases, increasing from $6.9 million in 2024-25 to $6.6 million in 2027-28. The labor agreement expires on June 30, 2028. The 2% annual increases in Administrative salaries in the Financial Plan are less than the 4% (2024-2025) and 3% (2026-2028) contractual increases and may underestimate these expenses.

Utility
Percent of Total Consolidated FY 2024-25 Expenses – 14.1%

BMHA's Utility expenses include water, sewer, electric, and natural gas for the AMPs, the COCC, and the Marine Drive Apartments, as well as the salaries of Utility employees.

BMHA has budgeted $7.0 million in Utility expenses in 2024-25. Actual Utility expenses were $4.7 million as of March 31, 2024, $1.2 million less than the budget-to-date amount of $5.9 million. Utilities are projected to increase by $0.5 million (7.1%) over the four years of the Financial Plan based on a 2% inflation projection.

The labor agreement expires on June 30, 2028; a 2% increase in Utility employee compensation expenses is included for 2024-25 through FY 2027-28. The annual increases in Utility employee's salaries in the Financial Plan are less than the 4% (2024-2025) and 3% (2026-2028) contractual increases and may underestimate these expenses.

BMHA is reimbursed through the HUD Operating Subsidy for AMP Utility expenses. However, there is a time lag associated with this reimbursement.

Protective Services/Resident Service Costs
Percent of Total Consolidated Expenses – 4.0%

BMHA's Protective Services expense includes the AMP, COCC, and Marine Drive Protective Service employees' salaries, as well as contract costs. Resident Service expenses include employees' salaries, contract costs, AMP tenant stipends, and other miscellaneous costs.

BMHA has budgeted $2.3 million for Protective Services/Resident Service Costs in 2024-25. Protective services expenses are budgeted at $1.7 million, a $1.0 million increase over the CFY, as BMHA has budgeted additional safety and security measures. These expenses remain flat over the Financial Plan. Protective services expenses are budgeted at $1.7 million, a $1.0 million increase over the CFY. It is largely contractually based on an agreement with the City for an annual fee of $0.5 million before services are charged hourly and a 2% administrative fee. Resident Service Expenses are budgeted at $0.6 million in 2024-25. The remaining budget for this category consists of employee costs.

Other Expenses
Percent of Total Consolidated Expenses – 15.2%

Other Expenses include non-operating items, the majority of which are housing assistance payments (HAPs), representing the payments a PHA makes on behalf of Section 8 participants.

The BMHA has budgeted $8.8 million for Other Expenses in 2024-25 and holds these expenses flat over the Financial Plan. This amount includes the HAP expenses at $8.3 million in each fiscal year of the Financial Plan. As noted, the HUD PHA Grant – Vouchers increase annually by $0.2 million. The HAP expense will increase at an amount correlated with the revenue receipt. Total Other Expenses are therefore underestimated in all three Financial Plan out-years.

Consolidated Expense Summary

BFSA has reviewed BMHA's expense assumptions and determined that they appear fairly stated overall. As noted, the Adopted Budget and Financial Plan do not foot with the four individual budgets and financial plans' summations. BFSA's analysis utilized the revenues and expenses provided for each individual segment.

Total 2024-25 expenses are budgeted at $58.0 million, $2.3 million greater than the CFY projection. Salaries appear reasonable but potentially underestimated based on budgeted 2% annual employee compensation increases. The current labor agreements stipulate a 4% increase (2024-2025) and 3% increases (2026-2028). Employee Benefits appear to be somewhat overstated; net Employee Compensation and Benefits appear to be sufficient to fund all budgeted positions.

Healthcare payments for retirees decreased substantially by $0.5 million from 2023-24 to 2024-25. FY 2023-24 is projecting a $0.5 million budgetary variance. The decrease from budget-to-budget appears reasonable given the CFY projection.

The OPEB non-cash accrual was decreased by $0.1 million over the prior year's budget. The 2023-24 Modified Budget included budgeted OPEB expenses that appeared overstated. The decrease in the Adopted Budget appears reasonable. The overall OPEB liability has decreased based on plan experience, the transition of current retirees into lower-cost Medicare Advantage and HMO Medicaid plans, and the elimination of retiree health insurance for employees hired after September 13, 2018.

Personnel

The employee groups represented by Local 264 (managerial, white-collar, and blue-collar) are all under contract until June 30, 2028. Non-represented employees are covered by the terms of this labor agreement. The operating engineers represented by Local 17 are also under contract until June 30, 2028.

Budgeted positions are held flat in each year of the Financial Plan. Total employee salaries and benefits are budgeted at $15.8 million in 2024-25 and are projected to increase by $0.6 million to $16.4 million over the Financial Plan.

Employee Compensation is budgeted to increase $0.6 million (6%) over the Financial Plan. Employee Benefits are budgeted flat; no inflationary increase was included. These expenses appear to be underbudgeted based on the current labor agreements' contractual increases.

The 2024-25 Adopted Budget removes a net two budgeted positions as follows:

- Executive (+1)
- MIS (-1)
- Asset Management (-2)

The total number of budgeted positions is 157 FTEs. BMHA intends to fill all budgeted positions. BMHA has historically had a level of vacancy between 10-25% at any period during a fiscal year. The vacancy rate was 13.8% on March 31, 2024.

The following is a depiction of the BMHA's four-year staffing plan.

BMHA STAFFING 2025-2028 FINANCIAL PLAN					
Employee Group	**2023-24 Adopted Budget**	**2023-24 (3.31.23)**	**2023-24 Vacancy Rate (3.31.2024)**	**2024-25 Adopted Budget**	**2025-2028 Outyears 1-3***
Executive	**13**	**12**	**7.7%**	**14**	**14**
MIS	**5**	**3**	**40.0%**	**4**	**4**
Finance	**12**	**9**	**25.0%**	**12**	**12**
Personnel	**4**	**4**	**0.0%**	**4**	**4**
Capital Improvements	**7**	**5**	**28.6%**	**7**	**7**
Asset Management	**118**	**105**	**11.0%**	**116**	**116**
Total	**159**	**138**	**13.2%**	**157**	**157**

** The number of budgeted positions in 2024-25 are maintained flat over the 2025-2028 Financial Plan.*

AMP Financial Plan

BMHA's housing stock is grouped into 22 individual AMPs. Each AMP includes single or multiple housing facilities, depending on the number of habitable units within the facility. The individual AMP budgets cumulatively comprise the total AMP budget and financial plan.

The following are the highlights of the AMP Adopted Budget and Financial Plan.

Asset Management Program 2025-28 Financial Plan Summary								
\	2023-24 Modified Budget	$ Change	% Change	2024-25 Adopted Budget	2025-26 Outyear 1	2026-27 Outyear 2	2027-28 Outyear 3	Totals
	$ in Millions							
Total Revenues	$39.6	$0.7	1.8%	$40.3	$41.1	$41.8	$42.5	**$165.7**
Total Expenses	37.0	1.2	3.2%	38.2	38.8	39.0	39.2	**155.2**
Net Operating Income (Loss) before Debt Service	**$2.6**	**($0.5)**	**-19.2%**	**$2.1**	**$2.3**	**$2.8**	**$3.3**	**$10.5**
Debt Service - Principal Reduction	(1.8)	0.0	0.0%	(1.8)	(1.8)	(1.8)	(1.8)	(7.2)
Net Income reduced for Debt Service - Principal Reduction	0.8	(0.5)	-62.5%	0.3	0.5	1.0	1.5	**3.3**
Cash Impact after Removal of the Non-cash OPEB Accrual)	**$1.8**	**($0.6)**	**-33.3%**	**$1.2**	**$1.4**	**$1.9**	**$2.4**	**$6.9**

AMP revenues account for $40.3 million (67.7%) of total 2024-25 estimated revenues. AMP expenses account for $38.2 million (65.9%) of total 2024-25 budgeted expenses. The AMP budget is the largest component within the overall Adopted Budget.

The 2024-25 AMP Adopted Budget depicts $2.1 million in net operating income. The cash impact after $1.8 million of debt service payments and removing the non-cash $0.9 million OPEB accrual is a positive $1.2 million. The cumulative four-year operating income is $10.5 million. The net cash impact after paying the principal paid on debt and removing the non-cash OPEB accrual is a cumulative $6.9 million. AMP operating reserves are projected to increase from June 30, 2024, through June 30, 2028.

The AMP Financial Plan includes HUD Operating Subsidy revenues of $24.8 million in the 2024-25 Adopted Budget. This revenue increases $1.5 million over the AMP Financial Plan to $26.3 million in 2027-28. The assumption is based on 98% proration and a 95% occupancy rate. BMHA projects these funding levels but notes that they are estimates. BFSA has requested that BMHA provide revenue estimates assuming lower proration levels including the current 95% level.

Central Office Cost Center Financial Plan

The COCC is the business unit within the BMHA. It operates as a property management company, earning income from fees and overseeing other business activities.

The following are the highlights of the COCC Adopted Budget and Financial Plan.

Central Office Cost Center 2025-28 Financial Plan Summary

Description	2023-24 Modified Budget	$ Change	% Change	2024-25 Adopted Budget	2025-26 Outyear 1	2026-27 Outyear 2	2027-28 Outyear 3	Totals
	$ in Millions							
Total Revenues	**$6.1**	**($0.3)**	**-4.9%**	$5.8	$5.8	$5.8	$5.8	**$23.2**
Total Expenses	6.6	(0.4)	-6.1%	6.2	6.3	6.4	6.5	**25.4**
Net Operating Loss before Debt Service	**($0.5)**	**$0.1**	**-20.0%**	**($0.4)**	**($0.5)**	**($0.6)**	**($0.7)**	**($2.2)**
Debt Service - Principal Reduction	0.0	0.0	0.0%	0.0	0.0	0.0	0.0	**0.0**
Net Income reduced for Debt Service - Principal Reduction	(0.5)	0.1	-20.0%	(0.4)	(0.5)	(0.6)	(0.7)	**(2.2)**
Cash Impact after Removal of the Non-cash OPEB Accrual)	**$0.1**	**$0.7**	**40.0%**	**$0.2**	**$0.1**	**$0.0**	**($0.1)**	**$0.2**

COCC revenues account for $5.8 million (9.7%) of total 2024-25 estimated revenues. COCC expenses account for $6.2 million (10.7%) of total 2024-25 budgeted expenses.

The BMHA has budgeted a net operating loss of $0.4 million in 2024-25. A net loss is projected in each fiscal year for a cumulative four-year deficit of $2.2 million. The cash impact is $0.2 million in 2024-25 after removing the $0.6 million non-cash OPEB accrual. A cumulative four-year deficit of $0.2 million is budgeted after removing a cumulative $2.4 million OPEB accrual.

The COCC Financial Plan is not balanced overall as presented. The BMHA has budgeted a net operating loss of $0.4 million in 2024-25. A net loss is projected in each fiscal year at a cumulative $2.2 million. The cash impact is $0.2 million in 2024-25 after removing the $0.6 million non-cash OPEB accrual.

Any shortfall in rental receipts at Marine Drive may constitute an additional expense for the COCC.

The COCC is projected to have $2.4 million in operating reserves on June 30, 2024. These reserves would be available to close any out-year deficit as depicted within the COCC Financial Plan.

Marine Drive Financial Plan

BMHA manages the Marine Drive Apartments, a BMHA-owned apartment complex. The following are the highlights of the Marine Drive Adopted Budget and Financial Plan.

Marine Drive 2025-28 Financial Plan Summary

Description	2023-24 Modified Budget	$ Change	2024-25 Adopted Budget	2025-26 Outyear 1	2026-27 Outyear 2	2027-28 Outyear 3	Totals
	$ in Millions						
Total Revenues	$3.7	$0.0	$3.7	$3.7	$3.8	$3.9	**$15.1**
Total Expenses	3.7	0.2	3.9	4.0	4.0	4.0	**$15.9**
Net Operating Income before Debt Service	**0.0**	**(0.2)**	**(0.2)**	**(0.3)**	**(0.2)**	**(0.1)**	**($0.8)**
Debt Service - Principal Reduction	(0.3)	0.0	(0.3)	(0.3)	(0.3)	(0.3)	**($1.2)**
Net Income reduced for Debt Service - Principal Reduction	(0.3)	(0.2)	(0.5)	(0.6)	(0.5)	(0.4)	**($2.0)**
Cash Impact after Removal of the Non-cash OPEB Accrual)	**($0.2)**	**($0.1)**	**($0.4)**	**($0.5)**	**($0.4)**	**($0.3)**	**($1.6)**

Marine Drive revenues account for $3.7 million (6.2%) of the total 2024-25 estimated revenues, and Marine Drive expenses account for $3.9 million (6.7%) of the total 2024-25 budgeted expenses.

The FY 2024-25 Marine Drive Adopted Budget includes an increase of rental receipts of $0.2 million over the FY 2023-24 Marine Drive Adopted Budget. Net dwelling income is almost the entirety of Marine Drive’s operating revenue.
A cumulative budgeted net operating loss of $(0.8) million has been projected over the financial plan. On a cash basis, the 2024-25 cash impact is budgeted at $(0.4) million. The four-year cash impact is projected to be $(1.6) million. A structural deficit is depicted within each Financial Plan fiscal year.

If losses are incurred, such losses would be funded through COCC current-year operations or COCC reserves to the extent available, as Marine Drive does not have any operating reserves.

BMHA took two actions to address Marine Drive’s budgetary shortfall. BMHA applied to the New York State Homes and Community Renewal to 1) increase Marine Drive’s flat rents, yielding an additional $250,000 in additional annual dwelling income, and 2) allow project-based housing vouchers, yielding an additional $0.8 million in additional, annual revenues. These revenue increases are not reflected in the Marine Drive Financial Plan.

Section 8 Financial Plan

The following are highlights of the Section 8 Adopted Budget and Financial Plan.

Section 8 2025-28 Financial Plan Summary							
Description	2023-24 Modified Budget	$ Change	2024-25 Adopted Budget	2025-26 Outyear 1	2026-27 Outyear 2	2027-28 Outyear 3	Totals
	$ in Millions						
Total Revenues	$8.4	$1.5	$9.9	$10.1	$10.3	$10.5	$40.7
Total Expenses	8.4	1.3	9.7	9.7	9.7	9.8	38.9
Net Operating Income (Loss) before Debt Service	$0.0	$0.2	$0.2	$0.4	$0.6	$0.7	$1.8
Debt Service - Principal Reduction	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income reduced for Debt Service - Principal Reduction	0.0	0.2	0.2	0.4	0.6	0.7	1.8
Cash Impact after Removal of the Non-cash OPEB Accrual)	$0.0	$0.2	$0.2	$0.4	$0.6	$0.7	$1.8

The HUD Section 8 Voucher Program is the federal government's major program for assisting low-income families, older adults, and the disabled to afford decent, safe, and sanitary housing in the private market. Section 8 revenues account for $9.9 million (16.6%) of total 2024-25 revenues. Section 8 expenses account for $9.7 million (16.7%) of total 2024-25 expenses.

The Section 8 Financial Plan is balanced as budgeted revenues meet or exceed budgeted expenses in each fiscal year. HUD PHA Grants total $8.2 million in 2024-25, 82.8% of total Section 8 revenues. These revenues increase by $0.5 million (5.5%) to $8.7 million in 2027-28. HAPs are flat in each fiscal year at $8.5 million. Since the HAPs are the voucher disbursements of the PHA Grants, these amounts should increase annually at a rate correlated with PHA Grants received. As such, the Section 8 Financial Plan understates its expenses within the three out-years by a cumulative $1.8 million. Any reported surplus or deficit is temporary in nature as the program self-balances.

Summary and Conclusions

The Adopted Budget and Adopted Financial Plan do not cross-foot with the summation of the four individual budgets and financial plans. BMHA was notified of these discrepancies and has been requested to submit a revised plan. As such, BFSA's analysis is based on the summation of the individual budgets and financial plans and not the submitted consolidated budget and financial plan.

The Financial Plan projects a four-year cumulative surplus of $9.3 million and a four-year positive cashflow of $6.4 million. The fiscal impact related to the Section 8 unit of the organization should be eliminated in evaluating the plan's completeness as ultimately there is no fiscal impact from implementing the Section 8 voucher program (the revised four-year cumulative surplus after eliminating the Section 8 unit is $7.5 million) and a four-year positive cashflow of $5.9 million is projected.

The Marine Drive Adopted Budget and Financial Plan is not balanced in all four fiscal years. Marine Drive does not have any operating reserves available to address budgetary deficits. BMHA intends to provide cashflow assistance from COCC reserves, as needed and intends to increase revenues through increased occupancy and an additional rental increase, if approved.

All collective bargaining units and non-represented employees have current contracts. The ratified labor agreements with Local 264 and Local 409 expire on June 30, 2028. The 2% inflationary factor applied to employee salaries in the Financial Plan may not be adequate to address contractual increases as per the labor agreements.

Net income is projected in each of the four years of the Financial Plan. BMHA has budgeted the HUD Operating Subsidy based on a 98% proration. The current interim proration rate is 87%. There is a risk to the plan that revenues are decreased in the event the actual proration is less than 98%. Additionally, Congressional funding levels are uncertain. Revenues could potentially be overstated by the additional $0.6 million operating subsidy provided to BMHA annually until four months of operating reserves are available; this could impact the last three years of the Financial Plan. BMHA will adjust future plans as necessary, and BFSA considers this a mitigated risk as the intent of the program is to assist PHAs achieve a minimum level of financial stability.

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BUFFALO FISCAL STABILITY AUTHORITY

TAB 5

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