



Niagara Frontier Transportation Authority

ECLEG 00703'19 PM 1:07

September 26, 2019

Mr. Robert Graber
Clerk
Erie County Legislature
92 Franklin Street
Buffalo, New York 14202

Re: NFTA Board Minutes

Dear Mr. Graber:

Enclosed for your information and files please find a copy of the approved Minutes and Attendance from the Niagara Frontier Transportation Authority's Regular Board Meeting held on July 25, 2019.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Lisa Flynn", is written over the typed name.

Lisa Flynn
Assistant to David J. State
General Counsel

Enclosure

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**NIAGARA FRONTIER TRANSPORTATION AUTHORITY
NIAGARA FRONTIER TRANSIT METRO SYSTEM, INC.
REGULAR BOARD MEETING
JULY 25, 2019 12:30 PM
MINUTES**

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1. **CALL TO ORDER**

A. **Meeting Called to Order**

The Chair called the meeting to order at approximately 12:30 p.m.

B. **Approval of Attendance and Minutes of the NFTA Regular Board Meeting held on June 27, 2019**

It was moved by Commissioner Hughes, seconded by Commissioner Demakos, that the Attendance and Minutes of the June 27, 2019 Regular Meeting of the Niagara Frontier Transportation Authority and Niagara Frontier Transit Metro System, Inc., be accepted and approved.

AYES: ROCHE, DEMAKOS, GURNEY, ANSARI, AUL, HUGHES, PERRY, WILCOX

NOES: NONE

ADOPTED

C. Executive Director Report

Executive Director Kimberley Minkel acknowledged bus operator Washington Lewis who was honored as veteran of the month at the Cold Spring bus facility by Senator Chris Jacobs. He spent nearly a decade in the US Air Force as a Staff Sergeant and then served in the US Army Reserves before joining the NFTA in 1995 where he is very popular with bus passengers and a wonderful ambassador for Metro. She also advised the Board that there are no meetings in August and the next scheduled meeting will be September 26, 2019.

The Executive Director invited the Board to the second annual Run on the Runway which will be held at Niagara Falls International Airport on Sunday, August 18th and is a great way to promote the airport and the Aerospace Museum.

2. NFTA CORPORATE REPORT

- A. Audit, Governance and Finance Committee Report
- B. Consolidated Financial
- C. Corporate Resolutions

JUNE 2019 NFTA/METRO PERFORMANCE
(\$000's)

	BUDGET	ACTUAL	VARIANCE
NET SURPLUS/(DEFICIT)	1,297	737	(560)
Revenues and Operating Assistance			(440)
Expenses			246
Non-Operating/Capital			(366)
			(560)
OPER REVENUES & ASST	19,455	19,015	(440)
Metro Passenger Fares			(256)
BNIA Concessions/Commissions - lower parking lot/ramp and auto rental revenues			(180)
All Other			(4)
			(440)
TOTAL OPER EXPENSES	16,832	16,586	(246)
Maintenance & Repairs			
BNIA - lower facility maintenance and environmental expenses		(109)	
NFIA - higher automotive and environmental expenses		34	
Central Admin - lower police and facility maintenance automotive expenses		(12)	
All Other		(5)	(92)
Metro Transit Fuel/Power - lower diesel and rail traction costs			(77)
Utilities			
Metro - lower electric billings		(61)	
BNIA - lower electric and water billings		(23)	
All Other		(3)	(87)
All Other			10
			(246)
NON-OPERATING/CAPITAL	(1,326)	(1,691)	(366)
Capital			
Metro		(17)	
BNIA		(363)	(380)
Non-Operating			
BNIA Operating Expense Reserve			14
			(366)

NFTA/METRO
KEY ITEM REPORT
JUNE 2019

(\$000 Omitted)

<u>MONTH ACTUAL TO BUDGET</u>	<u>Jun 2019</u> <u>Budget</u>	<u>Jun 2019</u> <u>Actual</u>	<u>Variance</u>	<u>%</u>
Operating Revenues	8,978	8,504	(475)	-5.3%
Operating Assistance	10,476	10,511	35	0.3%
Total Oper. Revenues & Assistance	19,455	19,015	(440)	-2.3%
Personnel Services	12,851	12,885	34	0.3%
Maintenance & Repairs	1,652	1,560	(92)	-5.6%
Transit Fuel/Power	436	360	(77)	-17.6%
Utilities	356	269	(87)	-24.5%
Insurance & Injuries	399	392	(8)	-2.0%
Safety & Security	1,159	1,143	(16)	-1.4%
General Business/Other	2,411	2,437	27	1.1%
Other	(2,432)	(2,459)	(27)	-1.1%
Total Operating Expenses	16,832	16,586	(246)	-1.5%
Operating Income/(Loss)	2,623	2,428	(195)	-7.4%
Non-Operating/Capital	(1,326)	(1,691)	(366)	-27.6%
Net Surplus/(Deficit)	1,297	737	(560)	-43.2%

NFTA/METRO YEAR TO DATE JUNE 2019 PERFORMANCE
(\$000's)

	BUDGET	ACTUAL	VARIANCE
NET SURPLUS/(DEFICIT)	3,185	2,653	(533)
Revenues and Operating Assistance			(512)
Expenses			341
Non-Operating/Capital			(362)
			<u>(533)</u>
OPER REVENUES & ASST	59,243	58,732	(512)
Metro Passenger Fares			(258)
BNIA Airport Fees & Services - lower compensatory billings based on decreased expenses			(119)
BNIA Concessions/Commissions - lower parking lot/ramp and auto rental revenues			(161)
BNIA Resales & Rebillings - adjustment to fuel farm billings due to prior period reconciliation			(81)
Mortgage Tax			187
All Other			(78)
			<u>(512)</u>
TOTAL OPERATING EXPENSES	51,860	51,519	(341)
Personnel Services			
Metro - higher student operator and early return to work labor and timing of filling vacancies		490	
BNIA - lower overtime		(106)	
NFIA - lower overtime and temporary help		(43)	
Central Admin - lower police overtime and timing of stipend payments		(68)	
All Other		14	286
Maintenance & Repairs			
Metro - lower revenue vehicle maintenance costs		(275)	
BNIA - lower facility maintenance, automotive, environmental and landscaping expenses		(89)	
NFIA - higher materials/supplies/service costs, automotive and environmental expenses		62	
Transportation Centers - higher service costs at MTC		15	
All Other		2	(285)
Metro Transit Fuel/Power - lower diesel and rail traction costs			(125)
Insurance & Injuries			
Metro - lower claim loss reserve appropriations and insurance premiums		(57)	
BNIA - lower insurance premiums		(20)	
Central Admin - lower police claim loss reserves		(60)	
All Other		(15)	(152)
All Other			(66)
			<u>(341)</u>
NON-OPERATING/CAPITAL	(4,198)	(4,560)	(362)
Capital			
Metro		(31)	
BNIA		(366)	
All Other		(5)	(402)
Non-Operating			
BNIA Operating Expense Reserve		38	
All Other		2	40
			<u>(362)</u>

NFTA/METRO
KEY ITEM REPORT
JUNE YTD 2019

(\$000 Omitted)

<u>YTD ACTUAL TO BUDGET</u>	Jun 2019 <u>YTD Budget</u>	Jun 2019 <u>YTD Actual</u>	<u>Variance</u>	<u>%</u>
Operating Revenues	28,179	27,501	(678)	-2.4%
Operating Assistance	31,065	31,231	166	0.5%
Total Oper. Revenues & Assistance	59,243	58,732	(512)	-0.9%
Personnel Services	39,487	39,774	286	0.7%
Maintenance & Repairs	5,154	4,869	(285)	-5.5%
Transit Fuel/Power	1,271	1,147	(125)	-9.8%
Utilities	1,098	983	(116)	-10.5%
Insurance & Injuries	1,198	1,047	(152)	-12.7%
Safety & Security	3,471	3,373	(98)	-2.8%
General Business/Other	7,487	7,663	177	2.4%
Other	(7,307)	(7,336)	(29)	-0.4%
Total Operating Expenses	51,860	51,519	(341)	-0.7%
Operating Income/(Loss)	7,383	7,212	(171)	-2.3%
Non-Operating/Capital	(4,198)	(4,560)	(362)	-8.6%
Net Surplus/(Deficit)	3,185	2,653	(533)	-16.7%

NFTA/METRO
BUSINESS CENTERS
NET SURPLUS/(DEFICIT)
JUNE YTD 2019

(\$000 Omitted)

	Jun 2019 <u>YTD Budget</u>	Jun 2019 <u>YTD Actual</u>	<u>Variance</u>	<u>%</u>
NFTA				
BNIA	1,822	1,243	(580)	-31.8%
NFIA	(221)	(168)	53	23.8%
Transportation Centers	(238)	(295)	(58)	-24.3%
Property Development	319	364	45	14.0%
NFTA Total	1,683	1,143	(540)	-32.1%
Metro	1,502	1,510	7	0.5%
NFTA/Metro	3,185	2,653	(533)	-16.7%

JUNE NFTA/METRO PERFORMANCE
FYE 2020 vs. FYE 2019
(\$000's)

	Jun 2018 Actual	Jun 2019 Actual	VARIANCE
NET SURPLUS/(DEFICIT)	708	737	29
Revenues and Operating Assistance			227
Expenses			146
Non-Operating/Capital			(344)
			<u>29</u>
OPER REVENUES & ASST	18,788	19,015	227
Metro Passenger Fares			(465)
BNIA Concessions/Commissions - increased ride share and other concession revenues			68
Erie County Sales Tax			76
State - MTOAF			427
Federal - PM			80
All Other			41
			<u>227</u>
TOTAL OPERATING EXPENSES	16,732	16,586	(146)
Personnel Services			
Metro - increased contractual salaries, instruction labor, workers' compensation and pension costs		145	
Central Admin - increased contractual salaries, Metro support overtime and workers' compensation costs		63	
All Other		<u>(4)</u>	204
Metro Transit Fuel/Power - lower diesel costs			(59)
Insurance & Injuries			
Metro - lower claim loss reserve appropriations		(174)	
Central Admin - higher police claim loss reserves		<u>33</u>	(141)
General Business/Other			
Metro - higher support labor costs		21	
BNIA - higher outside service costs and advertising expenses		60	
Central Admin - decreased professional service costs and MIS/technology expenses		(208)	
All Other		<u>(2)</u>	(130)
All Other			(20)
			<u>(146)</u>
NON-OPERATING/CAPITAL	(1,347)	(1,691)	(344)
Capital			
Metro		41	
BNIA		(363)	
Property Development		72	
Central Admin		<u>27</u>	(223)
Non-Operating			
BNIA ADF Funding		(130)	
All Other		<u>9</u>	(121)
			<u>(344)</u>

NFTA/METRO
KEY ITEM REPORT
FYE 2020 vs. FYE 2019
JUNE

(\$000 Omitted)

<u>MONTH PRIOR YEAR COMPARISON</u>	<u>Jun 2018</u>	<u>Jun 2019</u>	<u>Variance</u>	<u>%</u>
	<u>Actual</u>	<u>Actual</u>		
Operating Revenues	8,866	8,504	(362)	-4.1%
Operating Assistance	9,922	10,511	589	5.9%
Total Oper. Revenues & Assistance	18,788	19,015	227	1.2%
Personnel Services	12,681	12,885	204	1.6%
Maintenance & Repairs	1,476	1,560	84	5.7%
Transit Fuel/Power	419	360	(59)	-14.1%
Utilities	320	269	(51)	-16.0%
Insurance & Injuries	533	392	(141)	-26.5%
Safety & Security	1,030	1,143	113	11.0%
General Business/Other	2,567	2,437	(130)	-5.0%
Other	(2,294)	(2,459)	(165)	-7.2%
Total Operating Expenses	16,732	16,586	(146)	-0.9%
Operating Income/(Loss)	2,055	2,428	373	18.1%
Non-Operating/Capital	(1,347)	(1,691)	(344)	-25.5%
Net Surplus/(Deficit)	708	737	29	4.1%

NFTA/METRO YEAR TO DATE JUNE PERFORMANCE
 FYE 2020 vs. FYE 2019
 (\$000's)

	Jun 2018 YTD Actual	Jun 2019 YTD Actual	VARIANCE
NET SURPLUS/(DEFICIT)	2,795	2,653	(142)
Revenues and Operating Assistance			1,664
Expenses			(1,470)
Non-Operating/Capital			(335)
			<u>(142)</u>
OPER REVENUES & ASST	57,068	58,732	1,664
Metro Passenger Fares			(286)
BNIA Concessions/Commissions - increased parking lot/ramp, auto rental and other concession revenues			318
NFIA Other Operating Revenues - increased Niagara County IDA proceeds			144
State - MTOAF			1,281
Federal - PM			241
All Other			(35)
			<u>1,664</u>
TOTAL OPERATING EXPENSES	50,049	51,519	1,470
Personnel Services			
Metro - increased contractual salaries, instruction labor, student operator labor, workers' compensation and pension costs		921	
NFIA - lower overtime		(51)	
Central Admin - increased contractual salaries, police, engineering and Metro support overtime and workers' compensation costs		140	
All Other		<u>16</u>	1,026
General Business/Other			
Metro - higher support labor and outside service costs, advertising and training expenses		146	
BNIA - higher parking management and outside service costs		224	
Central Admin - timing of MIS/technology expenses		103	
All Other		<u>6</u>	478
All Other			(34)
			<u>1,470</u>
NON-OPERATING/CAPITAL	(4,224)	(4,560)	(335)
Capital			
Metro		198	
BNIA		(246)	
Property Development		119	
Central Admin		<u>108</u>	179
Non-Operating			
BNIA ADF Funding		(508)	
All Other		<u>(6)</u>	(514)
			<u>(335)</u>

NFTA/METRO
KEY ITEM REPORT
FYE 2020 vs. FYE 2019

JUNE YTD

(\$000 Omitted)

	Jun 2018	Jun 2019		
	Prior	Current		
<u>YTD PRIOR YEAR COMPARISON</u>	<u>YTD Actual</u>	<u>YTD Actual</u>	<u>Variance</u>	<u>%</u>
Operating Revenues	27,452	27,501	49	0.2%
Operating Assistance	29,616	31,231	1,614	5.5%
Total Oper. Revenues & Assistance	57,068	58,732	1,664	2.9%
Personnel Services	38,748	39,774	1,026	2.6%
Maintenance & Repairs	4,529	4,869	341	7.5%
Transit Fuel/Power	1,233	1,147	(87)	-7.0%
Utilities	1,119	983	(137)	-12.2%
Insurance & Injuries	1,032	1,047	14	1.4%
Safety & Security	3,213	3,373	160	5.0%
General Business/Other	7,185	7,663	478	6.7%
Other	(7,010)	(7,336)	(326)	-4.6%
Total Operating Expenses	50,049	51,519	1,470	2.9%
Operating Income/(Loss)	7,019	7,212	193	2.8%
Non-Operating/Capital	(4,224)	(4,560)	(335)	-7.9%
Net Surplus/(Deficit)	2,795	2,653	(142)	-5.1%

Corporate Resolutions

1. Approval of Financial Statements for Niagara Frontier Transportation Authority and Niagara Frontier Transit Metro System, Inc. for Fiscal Year Ending March 31, 2019
2. Authorization for Lease and Use Agreement, FlixBus, Inc., Metropolitan Transportation Center, NFTA
3. Authorization for Lease Agreement, Integrated Deicing Services, LLC, 247 Cayuga Road
4. Authorization for Term Consultant Agreements, Information Technology Services, NFTA and Metro

CORPORATE:

2. C. (i) **Niagara Frontier Transportation Authority, Acceptance of Corporate Resolutions 2. C. (2) through 2. C. (4)**

The Executive Director advised that Items 2. C. (2) through 2. C. (4) have been discussed with the Board of Commissioners of the NFTA, and the Board is unanimously in favor of all subject Resolutions. Whereupon, it was moved by Commissioner Wilcox, seconded by Commissioner Aul, that the following Resolution be adopted:

“**RESOLVED**, that the Resolutions of the Niagara Frontier Transportation Authority, identified as numbers 2. C. (2) through 2. C. (4) dated July 25, 2019 as set forth herein, be and hereby are accepted and approved in their entirety.”

AYES: ROCHE, DEMAKOS, GURNEY, ANSARI, AUL, HUGHES, PERRY, WILCOX

NOES: NONE

ADOPTED

CORPORATE 2. C. (i)

CORPORATE:

2. C. (1) **Approval of Financial Statements for Niagara Frontier Transportation Authority and Niagara Frontier Transit Metro System, Inc. for Fiscal Year Ending March 31, 2019**

RECOMMENDATION: Staff recommends that the Board approve the Authority's financial statements for fiscal year ending March 31, 2019.

INFORMATION: The New York State Public Authorities Accountability Act requires that all financial reports completed pursuant to Section 2800 of the New York Public Authorities Law (NYPAL) be approved by the Board and certified by the Chief Executive Officer and Chief Financial Officer of the Authority.

FUNDING: No funding is required.

Whereupon, it was moved by Commissioner Perry, seconded by Commissioner Wilcox, that the following Resolution be adopted:

“**RESOLVED**, that the Board hereby approves, and authorizes the Authority's Executive Director and Chief Financial Officer to certify the financial statements, for fiscal year ending March 31, 2019, as required by the NYPAL”

AYES: ROCHE, DEMAKOS, GURNEY, ANSARI, AUL, HUGHES, PERRY, WILCOX

NOES: NONE

ADOPTED

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**NIAGARA FRONTIER
TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)**

FINANCIAL STATEMENTS

MARCH 31, 2019

DRAFT

NIAGARA FRONTIER TRANSPORTATION AUTHORITY (A Component Unit of the State of New York)

March 31, 2019

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Niagara Frontier Transportation Authority

We have audited the accompanying balance sheets of Niagara Frontier Transportation Authority (the Authority) (a component unit of the State of New York), a business-type activity, as of March 31, 2019 and 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of March 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Change in Accounting Principle

As described in Note 3 to the financial statements, in 2019, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Additional Information

The additional information on pages 40 through 42 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2019 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

July 18, 2019

MANAGEMENT'S CERTIFICATION OF THE FINANCIAL STATEMENTS

Management certifies that, based on our knowledge, the information provided herein is accurate, correct and does not contain any untrue statement of material fact; does not omit any material fact, which, if omitted, would cause the financial statements to be misleading in light of the circumstances under which such statements are made; and fairly presents in all material respects the financial condition and results of operations and cash flows of the Authority as of, and for, the period presented in the financial statements.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

Kimberley A. Minkel
Executive Director

John T. Cox
Chief Financial Officer

Patrick J. Dalton
Director of Internal Audit and
Corporate Compliance

July 18, 2019

DRAFT

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Niagara Frontier Transportation Authority's (the Authority) internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenses of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Management is responsible for establishing and maintaining effective internal control over financial reporting. Management assessed the effectiveness of the Authority's internal control over financial reporting as of March 31, 2019, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework*. Based on that assessment, management concluded that, as of March 31, 2019, the Authority's internal control over financial reporting is effective based on the criteria established in *Internal Control – Integrated Framework*.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

Kimberley A. Minkel
Executive Director

John T. Cox
Chief Financial Officer

Patrick J. Dalton
Director of Internal Audit and
Corporate Compliance

July 18, 2019

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

For the Years Ended March 31, 2019, 2018 and 2017

(Unaudited)

This management's discussion and analysis (MD&A) of the Niagara Frontier Transportation Authority (the Authority) provides an introduction and overview to the Authority's financial activities as of and for the years ended March 31, 2019, 2018 and 2017, which should be read in conjunction with the Authority's financial statements and notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. It begins by presenting and explaining the financial statements. These statements have been prepared according to accounting principles generally accepted in the United States of America (GAAP). Revenues and expenses are recorded using the accrual basis of accounting, meaning that they are recorded by the Authority as earned/incurred, regardless of when cash is received or paid.

The financial statements of the Authority encompass the activity of the NFTA, which includes aviation operations and property management, and Niagara Frontier Transit Metro System, Inc. (Metro), a blended component unit of the Authority, which primarily provides surface transportation.

Effective April 1, 2018, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement requires full accrual of the other postemployment benefits (OPEB) liability as opposed to the previous accounting treatment of amortizing the prior service cost. The cumulative effect on the 2019 statements is a decrease in beginning of year net position totaling \$308.9 million.

Effective April 1, 2016, the Authority adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73). The statement extends the approach to accounting and financial reporting established in GASB 68 to all pensions. The cumulative effect on the 2017 statements is a decrease in beginning of year net position totaling \$24.7 million.

The **Balance Sheets** present information on the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the differences reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether Authority's financial position is strengthening or weakening.

The **Statements of Revenues, Expenses and Changes in Net Position** show the results of the Authority's operations during the year and reflect both operating and non-operating activities. Changes in net position reflect the operational impact of the current year's activities on the financial position of the Authority.

The **Statements of Cash Flows** provide an analysis of the sources and uses of cash. The cash flow statements show net cash provided or used in operating, non-capital financing, capital and related financing, and investing activities.

The notes to the financial statements include additional information which provides a further understanding of the financial statements.

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY (A Component Unit of the State of New York)

Management's Discussion and Analysis

For the Years Ended March 31, 2019, 2018 and 2017
(Unaudited)

FINANCIAL HIGHLIGHTS

Summarized Balance Sheets

(In thousands)	March 31		
	2019	2018	2017
Current assets	\$ 74,515	\$ 81,088	\$ 88,518
Restricted assets	124,437	53,407	55,493
Capital assets, net	610,145	612,233	604,208
Deferred outflows of resources	41,914	15,600	27,005
Total assets and deferred outflows of resources	<u>\$ 851,011</u>	<u>\$ 762,328</u>	<u>\$ 775,224</u>
Current liabilities	\$ 47,086	\$ 52,147	\$ 51,344
Noncurrent liabilities	783,741	366,999	370,143
Deferred inflows of resources related to pensions	15,004	2,644	3,139
Total liabilities and deferred inflows of resources	<u>845,831</u>	<u>421,790</u>	<u>424,626</u>
Net position:			
Net investment in capital assets	424,249	482,077	466,688
Restricted	116,886	48,081	47,866
Unrestricted	<u>(535,955)</u>	<u>(189,620)</u>	<u>(163,956)</u>
Total net position	<u>5,180</u>	<u>340,538</u>	<u>350,598</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 851,011</u>	<u>\$ 762,328</u>	<u>\$ 775,224</u>

The changes in total net position over time serve as a useful indicator of the Authority's financial position. Net investment in capital assets represents the Authority's net capital assets, offset by any payables or debt outstanding used to finance the capital asset purchases. Restricted net assets consist primarily of cash and investments restricted in accordance with bonding requirements or assets whose use is limited to specific purposes in accordance with various agreements. Unrestricted net position deficits of \$536.0 million, \$189.6 million, and \$164.0 million at March 31, 2019, 2018 and 2017 results primarily from the accrual of postemployment benefits other than pensions. The change from 2018 to 2019 is primarily due to the impact of the adoption of GASB Statement No. 75. As a result of the Authority's activities, March 31, 2019 net position decreased \$26.4 million from March 31, 2018, excluding the effect of the restatement of \$308.9 million due to the implementation of GASB 75 (\$10.1 million from March 31, 2017).

Current assets decreased \$6.6 million from March 31, 2018 to March 31, 2019 primarily due to a decrease in unrestricted cash and investments and grants receivable, partially offset by an increase in accounts receivable. The decrease is primarily attributable to a decrease in cash from operations, additions of capital assets, and transfer of cash to restricted assets. Restricted assets increased \$71.0 million resulting from the unexpended proceeds from sale of Series 2019A Airport Revenue Bonds (discussed below). Deferred outflows of resources increased \$26.3 million due to changes in assumptions and differences between the projected and actual investment earnings related to certain pension and OPEB plans as well as amounts recognized for payments made subsequent to the measurement date of each plans' actuarial valuations.

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

For the Years Ended March 31, 2019, 2018 and 2017

(Unaudited)

Current assets decreased \$7.4 million from March 31, 2017 to March 31, 2018 primarily due to a decrease in unrestricted cash, partially offset by an increase in accounts receivable. The decrease in current assets is primarily attributable to a decrease in cash from operations and additions of capital assets. Deferred outflows of resources decreased \$11.4 million primarily due to changes in assumptions and differences between the projected and actual investment earnings related to certain pension plans.

The Authority issued \$81.9 million Series 2019A Airport Revenue Bonds to finance the expansion, reconfiguration and renovation of the passenger terminal at Buffalo Niagara International Airport (BNIA) and refund outstanding Series 2004A and 2004C bonds (as further discussed under Debt Administration). The new debt, net of refunding and unamortized premium, offset by 2019 principal payments and combined with an increase in total OPEB liability of \$366.2 million and a decrease in net pension liabilities of \$10.3 million, resulted in an increase in noncurrent liabilities of \$416.7 million at March 31, 2019 compared to March 31, 2018.

The Authority entered into a \$9.1 million capital lease for new buses in fiscal 2018. This new debt, offset by current year principal payments and combined with an increase in other postemployment benefits of \$14.2 million, decreases in net pension liability of \$9.6 million, and other noncurrent liabilities of \$2.4 million, resulted in an overall decrease in noncurrent liabilities of \$3.1 million at March 31, 2018 compared to March 31, 2017.

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

For the Years Ended March 31, 2019, 2018 and 2017

(Unaudited)

Summarized Statements of Revenues, Expenses and Changes in Net Position

(in thousands)	Years ended March 31		
	2019	2018	2017
Operating revenues:			
Fares	\$ 35,510	\$ 35,478	\$ 36,866
Concessions and commissions	31,133	29,420	28,270
Rental income	18,616	18,039	17,848
Airport fees and services	19,864	18,283	17,190
Other operating revenues	5,713	5,755	5,689
Total operating revenues	<u>110,836</u>	<u>106,975</u>	<u>105,863</u>
Operating expenses:			
Salaries and employee benefits	138,265	141,073	140,110
Other postemployment benefits	44,215	19,676	13,545
Depreciation	51,933	52,741	51,778
Maintenance and repairs	21,934	21,444	20,374
Transit fuel and power	4,330	3,425	3,805
Utilities	4,943	4,623	4,454
Insurance and injuries	4,816	3,947	3,754
Other operating expenses	16,325	16,400	15,749
Total operating expenses	<u>286,761</u>	<u>263,329</u>	<u>253,569</u>
Operating loss	(175,925)	(156,354)	(147,706)
Non-operating revenues, net	<u>127,929</u>	<u>121,931</u>	<u>120,010</u>
Change in net position before capital contributions	(47,996)	(34,423)	(27,696)
Capital contributions	<u>21,564</u>	<u>24,363</u>	<u>19,820</u>
Change in net position	<u>(26,432)</u>	<u>(10,060)</u>	<u>(7,876)</u>
Net position - beginning of year	340,538	350,598	383,179
Cumulative effect of a change in accounting principle	<u>(308,926)</u>	-	<u>(24,705)</u>
Net position - beginning, as restated	<u>31,612</u>	<u>350,598</u>	<u>358,474</u>
Net position - end of year	<u>\$ 5,180</u>	<u>\$ 340,538</u>	<u>\$ 350,598</u>

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY

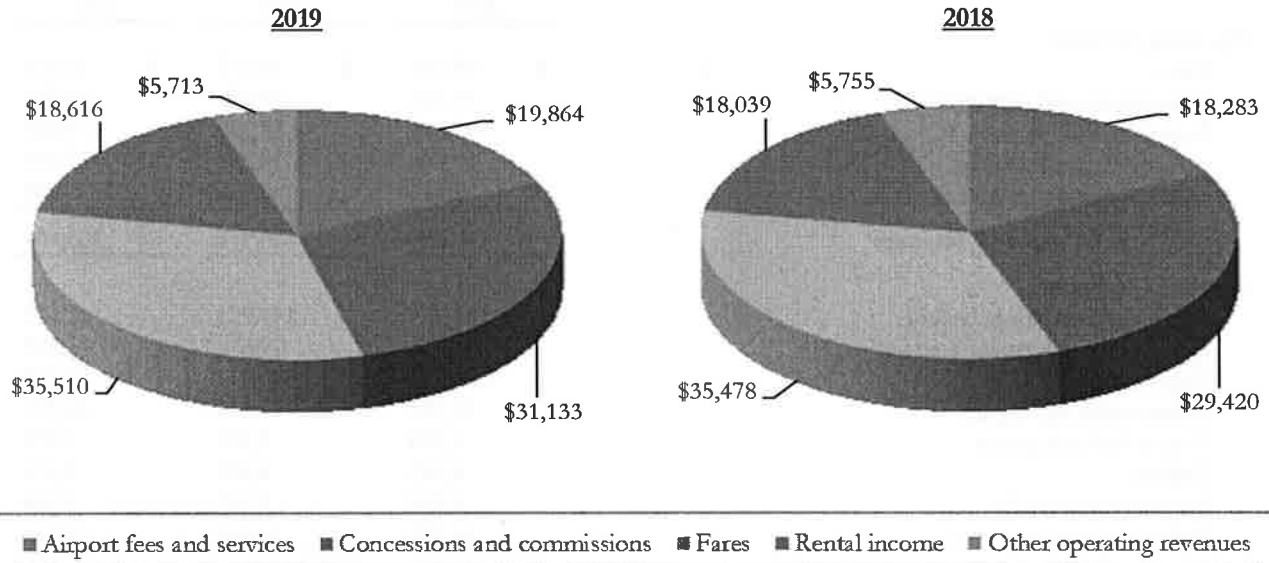
(A Component Unit of the State of New York)

Management's Discussion and Analysis

For the Years Ended March 31, 2019, 2018 and 2017
(Unaudited)

Summary of Revenues, Expenses and Changes in Net Position

The charts below summarize operating revenues by source.



Operating revenues increased \$3.9 million, or 3.6%, from 2018 to 2019. Fare revenue was steady from 2018 to 2019 as individual passenger fares were unchanged. Concessions and commissions in 2019 were \$1.7 million higher than 2018, primarily due to an increase in parking, food, and retail revenues at BNIA as enplanements increased approximately 5% from 2018. Airport fees and services in 2019 were \$1.6 million higher than 2018 as increased BNIA direct terminal and landing area expenses resulted in higher compensatory airline billings. Other operating revenues were consistent with 2018.

Operating revenues increased \$1.1 million, or 1.1%, from 2017 to 2018. Fares decreased \$1.4 million, as ridership was down from 2017 levels and individual passenger fares were unchanged. Concessions and commissions in 2018 were \$1.2 million higher than 2017, primarily due to an increase in auto rental and parking revenues at BNIA and Niagara Falls International Airport (NFIA). Airport fees and services in 2018 were \$1.1 million higher than 2017 as increased BNIA direct landing area expenses resulted in higher compensatory airline billings. Other operating revenues were consistent with 2017.

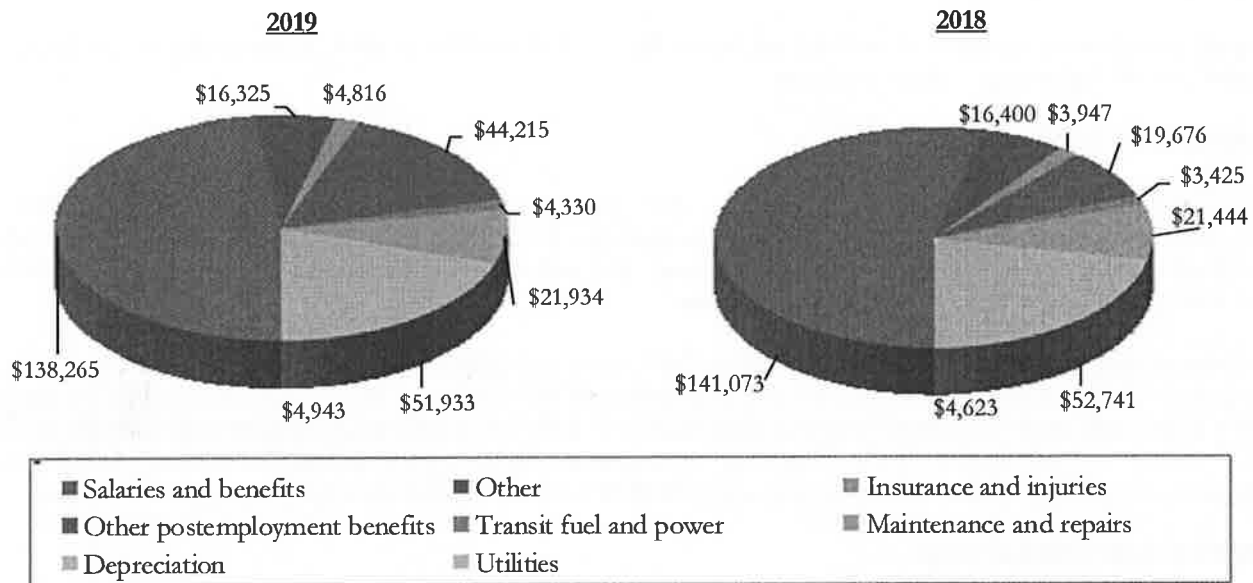
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NIAGARA FRONTIER TRANSPORTATION AUTHORITY (A Component Unit of the State of New York)

Management's Discussion and Analysis

For the Years Ended March 31, 2019, 2018 and 2017
(Unaudited)

The charts below summarize operating expenses by category.



Operating expenses increased 8.9%, from \$263.3 million to \$286.8 million from 2018 to 2019. Salaries and employee benefits decreased \$2.8 million, or 2.0%, primarily due to a decrease in pension expense of \$1.8 million and a decrease in health insurance of \$0.5 million. Changes in actuarial assumptions and the adoption of GASB No. 75 resulted in an increase in other postemployment benefits of \$24.5 million from 2018. Transit fuel and power costs increased \$0.9 million, or 26.4%, due to higher diesel fuel prices in 2019 and the Federal fuel tax credit for compressed natural gas not being renewed. Depreciation expense, which varies from year to year based on the timing of asset purchases and estimated useful lives, decreased by \$0.8 million from 2018 to 2019.

Operating expenses increased 3.8%, from \$253.6 million to \$263.3 million from 2017 to 2018. Salaries and employee benefits increased \$1.0 million, or 0.7%, primarily due to higher Metro salaries as a collective bargaining agreement with the Amalgamated Transit Union Local 1342, which represents approximately 1,000 Metro employees, was settled during the year as well as higher health insurance, workers' compensation, and pension costs across the Authority. Maintenance and repairs increased \$1.1 million from 2017 due to higher snowplowing and baggage system maintenance costs at BNIA and increased maintenance projects at the Metropolitan Transportation Center. Depreciation expense increased by \$1.0 million from 2017 to 2018.

Net non-operating revenues for 2019 increased \$6.0 million compared to 2018, from \$121.9 million to \$127.9 million, primarily due to a \$3.5 million increase in government operating assistance and a \$1.6 million increase in other non-operating revenues.

Net non-operating revenues for 2018 increased \$1.9 million compared to 2017, from \$120.0 million to \$121.9 million, primarily due to a \$3.5 million increase in operating assistance, partially offset by a \$1.9 million decrease in other non-operating revenues.

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

For the Years Ended March 31, 2019, 2018 and 2017

(Unaudited)

Capital contributions decreased from \$24.4 million in 2018 to \$21.6 million in 2019, primarily due to the timing of capital projects and revenue vehicle purchases.

Capital contributions increased from \$19.8 million in 2017 to \$24.4 million in 2018, primarily due to the timing of capital projects and revenue vehicle purchases.

CAPITAL ASSETS

Net capital assets total \$610.1 million at March 31, 2019, representing a decrease of 0.3% from March 31, 2018, as depreciation and dispositions exceeded investment in capital by \$2.1 million in 2019. Capital asset additions totaling \$49.9 million include \$13.6 million for twenty-four buses, \$3.3 million for rail station escalator/elevator rehabilitation, and \$2.8 million for rail fastener and pad replacements.

Net capital assets total \$612.2 million at March 31, 2018, representing an increase of 1.3% from March 31, 2017, as investment in capital exceeded depreciation and dispositions by \$8.0 million in 2018. Capital asset additions totaling \$60.8 million include \$13.6 million for twenty-four buses, \$4.1 million for the ongoing mid-life railcar rebuild project, \$4.7 million for rail station escalator/elevator rehabilitation, \$13.9 million for BNIA runway repaving and rehabilitation, and \$1.2 million for the completion of the BNIA Airport Rescue and Fire Fighting (ARFF) facility.

DEBT ADMINISTRATION

Long-term debt at March 31, 2019 totaled \$185.9 million. The increase of \$55.7 million from 2018 was the result of the issuance of \$81.9 million Series 2019A Airport Revenue Bonds (at a premium of \$10.1 million) to finance the expansion, reconfiguration, and renovation of the passenger terminal at BNIA, refund of \$28.2 million of outstanding Series 2004A and 2004C bonds, and payment of the interest rate swap termination in connection with the related 2004A and 2004C bonds. During 2019 there were debt service payments (other than refunding) of \$8.1 million.

Long-term debt at March 31, 2018 totaled \$130.2 million. This \$3.4 million decrease from 2017 primarily results from a new bus capital lease of \$9.1 million, offset by debt service payments of \$13.2 million.

FACTORS IMPACTING THE AUTHORITY'S FUTURE

Surface Transportation

Approximately 25% of Metro's revenues are derived from fare collection and advertising, while 75% are from outside government assistance. New York State is the Authority's largest investor, providing 48% of total assistance while 34% comes from local sources and 18% from the federal government. Any changes in these funding sources can have a significant impact on Authority operations.

As part of Metro's Blueprint for the Future, in addition to stabilizing government assistance, strategic plans concentrate on revenue generation, cost control, increasing organizational liquidity, technological improvements, operational changes such as implementation of a new fare box collection system, providing more flexible fare structures, improving service standards, continuing to engage the public with the Citizens Advisory Committee, Accessibility Advisory Committee, and workforce development.

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

Management's Discussion and Analysis

For the Years Ended March 31, 2019, 2018 and 2017

(Unaudited)

Metro-owned property along the Metro Rail corridor and property adjacent to Metro Rail has seen significant mixed-use development and development interest in the past few years. The Metro Rail Allen-Medical Campus station is located on the Buffalo Niagara Medical Campus (BNMC), a consortium of the region's top health care, education, and research institutions. More than 16,000 people currently work, volunteer, or study every day at the BNMC. In 2017, the University at Buffalo completed a new \$375 million School of Medicine and Biomedical Sciences building built on Metro-owned property. A new Allen-Medical Campus Metro Rail station is incorporated into the building and will be connected to the new John R. Oishei Children's Hospital, Buffalo General, and other BNMC properties by skywalk. Because of the increased activity in this part of the city, boardings and alightings at this stop have grown and are expected to continue to grow.

The Authority is currently seeking developers for Authority properties in the Metro Rail corridor in the City of Buffalo. The purpose of the development is to increase the success of neighborhood businesses, add residential connectivity, further enhance access to Metro Rail for residents and visitors, and increase ridership and revenue for Metro.

Additionally, the Authority has accepted the Niagara Falls Boulevard Light Rail alternative recommended by an alternatives analysis study for the Amherst-Buffalo Corridor. Twenty percent of all regional jobs and more than ten percent of all regional residents live within the Amherst-Buffalo Corridor. The proposed project would extend the current light rail system 6.4 miles, from its present end point in Buffalo through the University at Buffalo's North Campus in Amherst, which is projected to more than double ridership, spur an estimated \$1.7 billion in new development, increase existing property values by \$310 million, and create billions in direct, indirect, and induced economic impact. New York State has invested \$5 million to complete the environmental process for the project. The order of magnitude estimate of project construction is approximately \$1.2 billion, with 50% of project costs planned to come from a federal funding program and the remainder from a mix of state, local, and value capture sources.

Aviation

Together, BNIA and NFIA served approximately 5 million passengers in 2019 as the only commercial service airports in Erie and Niagara counties. Additionally, the airports are a convenient and less costly option for nearby Canadian travelers. As approximately 40% of BNIA passenger traffic originates from Canada, fluctuations in the exchange rate of the Canadian dollar have an impact on enplanements.

In 2016, an overall aviation strategic plan was completed, which identified critical issues relating to the two airports and established goals to enhance air cargo development, enhance and maintain air service to Canadian travelers, maintain the quality of overall customer service, and improve the financial sustainability of BNIA and NFIA.

A two-year, \$67.7 million passenger terminal and baggage claim expansion and renovation project at BNIA began in 2019. The project will improve overall airport security, expand and modernize the baggage claim area, improve passenger flow to and from all boarding areas, including international boarding areas, expand the terminal for additional concessions and amenities, and add new curbspace at both ends of the BNIA terminal.

CONTACT FOR THE AUTHORITY'S FINANCIAL MANAGEMENT

This report is designed to provide a general overview of the finances of the Authority for interested parties. Questions concerning any information within this report or requests for additional information should be addressed to John T. Cox, Chief Financial Officer, 181 Ellicott Street, Buffalo, New York 14203.

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Balance Sheets (In thousands)

March 31,	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 32,711	\$ 37,268
Investments	12,500	12,612
Accounts receivable	13,369	11,937
Grants receivable	9,614	13,344
Materials and supplies inventory	5,115	5,101
Prepaid expenses and other	1,206	826
	<u>74,515</u>	<u>81,088</u>
Restricted assets:		
Cash and cash equivalents	100,557	26,381
Investments	23,880	27,026
	<u>124,437</u>	<u>53,407</u>
Capital assets, net (Note 5)	610,145	612,233
Total assets	<u>809,097</u>	<u>746,728</u>
Deferred outflows of resources:		
Deferred outflows of resources related to pensions	19,407	15,600
Deferred outflows of resources related to OPEB	22,507	-
	<u>41,914</u>	<u>15,600</u>
Total assets and deferred outflows of resources	<u>\$ 851,011</u>	<u>\$ 762,328</u>
Liabilities		
Current liabilities:		
Current portion of long-term debt	\$ 9,310	\$ 13,303
Accounts payable and accrued expenses	31,224	31,460
Other current liabilities	6,552	7,384
	<u>47,086</u>	<u>52,147</u>
Noncurrent liabilities:		
Long-term debt	176,586	116,853
Self-insured claims	45,241	42,556
Net pension liabilities	22,836	33,137
Total OPEB liability	531,756	165,522
Other noncurrent liabilities	7,322	8,931
	<u>783,741</u>	<u>366,999</u>
Total liabilities	<u>830,827</u>	<u>419,146</u>
Deferred inflows of resources:		
Deferred inflows of resources related to pensions	15,004	2,644
Net position		
Net investment in capital assets	424,249	482,077
Restricted	116,886	48,081
Unrestricted	(535,955)	(189,620)
Total net position	<u>5,180</u>	<u>340,538</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 851,011</u>	<u>\$ 762,328</u>

See accompanying notes.

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Statements of Revenues, Expenses and Changes in Net Position (In thousands)

For the years ended March 31,	2019	2018
Operating revenues:		
Fares	\$ 35,510	\$ 35,478
Concessions and commissions	31,133	29,420
Rental income	18,616	18,039
Airport fees and services	19,864	18,283
Other operating revenues	5,713	5,755
Total operating revenues	110,836	106,975
Operating expenses:		
Salaries and employee benefits	138,265	141,073
Other postemployment benefits	44,215	19,676
Depreciation	51,933	52,741
Maintenance and repairs	21,934	21,444
Transit fuel and power	4,330	3,425
Utilities	4,943	4,623
Insurance and injuries	4,816	3,947
Other	16,325	16,400
Total operating expenses	286,761	263,329
Operating loss	(175,925)	(156,354)
Non-operating revenues (expenses):		
Government assistance	118,122	114,587
Passenger facility charges	10,850	9,755
Change in fair value of swap agreements	352	1,192
Interest expense, net	(4,045)	(4,397)
Airport noise abatement	(7)	(291)
Other non-operating revenues, net	2,657	1,085
Total non-operating net revenues	127,929	121,931
Change in net position before capital contributions	(47,996)	(34,423)
Capital contributions	21,564	24,363
Change in net position	(26,432)	(10,060)
Net position - beginning of year	340,538	350,598
Cumulative effect of a change in accounting principle (Note 3)	(308,926)	-
Net position - beginning, as restated	31,612	350,598
Net position - end of year	\$ 5,180	\$ 340,538

See accompanying notes.

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Statements of Cash Flows (In thousands)

For the years ended March 31,	2019	2018
Operating activities:		
Cash collected from customers	\$ 107,973	\$ 102,063
Cash paid for employee wages and benefits	(151,952)	(144,016)
Cash paid to vendors and suppliers	(48,270)	(47,698)
Cash paid for insurance and injuries	(2,131)	(3,915)
Net operating activities	(94,380)	(93,566)
Non-capital financing activities:		
Government assistance	118,122	114,587
Capital and related financing activities:		
Repayments of long-term debt	(38,440)	(13,218)
Proceeds from issuance of long-term debt	94,180	9,799
Other liabilities	179	(519)
Interest paid	(4,971)	(5,040)
Mortgage recording tax, net	1,999	(1,733)
Capital grants and contributions	25,235	23,777
Additions to capital assets	(49,861)	(60,766)
Construction retainages, net	(203)	778
Proceeds from sale of capital assets	63	5
Passenger facility charges	10,850	9,755
Airport noise abatement	(7)	(291)
Other	2,669	1,080
Net capital and related financing activities	41,693	(36,373)
Investing activities:		
Purchase of investments, net	3,258	(9,420)
Interest income	926	492
Net investing activities	4,184	(8,928)
Net change in cash and cash equivalents	69,619	(24,280)
Cash and cash equivalents, beginning of year	63,649	87,929
Cash and cash equivalents, end of year	\$ 133,268	\$ 63,649
Reconciliation to Balance Sheet		
Cash and cash equivalents:		
Unrestricted	\$ 32,711	\$ 37,268
Restricted	100,557	26,381
Total cash and cash equivalents	\$ 133,268	\$ 63,649
Reconciliation of operating loss to net operating activities:		
Operating loss	\$ (175,925)	\$ (156,354)
Adjustments to reconcile operating loss to net operating activities:		
Depreciation	51,933	52,741
Net pension activity	(1,748)	1,304
Other postemployment benefits, net	34,801	14,238
Changes in assets and liabilities:		
Receivables	(1,432)	(4,725)
Materials and supplies inventory	(14)	(121)
Prepaid expenses and other	(380)	88
Accounts payable and accrued expenses	(33)	635
Other current liabilities	(3,010)	(189)
Self-insured claims	2,685	32
Other noncurrent liabilities	(1,257)	(1,215)
Net operating activities	\$ (94,380)	\$ (93,566)

See accompanying notes.

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY (A Component Unit of the State of New York)

Notes to Financial Statements

March 31, 2019

(1) Financial Reporting Entity

The Niagara Frontier Transportation Authority (the Authority) was created by an Act of the New York State Legislature in 1967 to promote the development and improvement of transportation and related services within the Niagara Frontier transportation district. As a multi-modal transportation authority, the Authority operates a number of transportation related business centers including aviation, surface transportation and property management. The Authority is included in the financial statements of the State of New York (the State) as an enterprise fund.

The Niagara Frontier Transit Metro System, Inc. (Metro) was created in 1974 to provide mass transportation services to the Niagara Frontier. Although Metro is a separate legal entity, the Authority maintains financial and governance responsibility over its operations. Based on its financial and governance responsibility for Metro, the Authority reports Metro as a blended component unit.

The Authority, including Metro, is governed by a 13 member Board of Commissioners (the Board) appointed by the Governor of the State. Of the 13 members, one member is appointed upon the written recommendation of the Erie County Executive and one is appointed upon the written recommendation of the Erie County Legislature. All appointments are with the consent of the New York State Senate. The Board governs and sets policy for the Authority. The Executive Director, subject to policy direction and delegation from the Board, is responsible for all activities of the Authority.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation and Measurement Focus

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority reports as a special purpose government engaged in business-type activities, using the economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been satisfied.

The Authority's policy for defining operating activities in the statements of revenues, expenses and changes in net position are those that generally result from exchange transactions such as payments received for services and payments made to purchase goods and services. Certain other transactions are reported as non-operating activities.

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

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Authority Operations

The Authority operates three strategic business centers within NFTA and Metro:

NFTA Operations

Aviation

The Authority operates the Buffalo Niagara International Airport (BNIA) and the Niagara Falls International Airport (NFIA). BNIA is Western New York's primary passenger and cargo airport, while NFIA is a commercial, primary small-hub airport and serves as a joint-use military facility with the Niagara Falls Air Reserve Station.

Property Management

The property management department manages real estate owned by the Authority, including certain rail rights of way and non-public transportation assets, such as industrial distribution warehouses and associated office space for lease.

Metro Operations

Surface Transportation

Metro operates the surface transportation business unit responsible for all ground-based transportation services provided by the Authority. Such services include public fixed-route bus and rail routes, paratransit, and other non-traditional transit services, and intracity bus terminals in Buffalo and Niagara Falls.

Metro also provides a 6.4 mile light rail rapid transit (LRRT) system in the City of Buffalo between downtown Buffalo and the State University of New York at Buffalo's South Campus.

The Metropolitan Transportation Center, located in downtown Buffalo, serves inter-city and NFTA-Metro passengers and contains the offices of the Authority. The Niagara Falls Transit Center and the Portage Road Transit Center in Niagara Falls serve NFTA-Metro customers in Niagara County.

The majority of Metro operations employees are members of the Amalgamated Transit Union Local 1342 (ATU). Five other labor unions represent a small percentage of remaining employees. The current ATU contract expires July 31, 2020.

(b) Cash and Cash Equivalents

Cash and cash equivalents principally include cash on hand, money market funds, and certificates of deposit with original maturities less than three months.

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY (A Component Unit of the State of New York)

Notes to Financial Statements

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(c) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect on outstanding balances and consist primarily of amounts due from services related to the Authority's operations and advertising. Management provides for probable uncollectible amounts based on collection history and aging of accounts. Balances outstanding after reasonable collection efforts are written off through a charge to an allowance for bad debts and a credit to accounts receivable.

(d) Grants Receivable

Grants receivable are stated at the amount management expects to collect on outstanding balances and consists primarily of amounts due from Federal, State, and local governments related to grant expenses incurred.

(e) Materials and Supplies Inventory

Materials and supplies inventory is valued based on the weighted average cost method or net realizable value. To reduce its exposure to rising fuel costs, the Authority entered into a contract that fixed the prices of certain vehicle fuels purchased from September 1, 2016 through August 31, 2019, with the option to extend the contract for two additional one year periods. The Authority expects to take delivery of the fuel as specified, and therefore, the agreement is considered a normal purchase contract.

(f) Restricted Assets

Certain cash deposits and investments are classified as restricted assets in accordance with bonding requirements or because their use is legally limited to specific purposes such as airport capital expansion and operations or the LRRT system. The Authority's policy is to use restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

(g) Investments

The Authority's investment policies comply with the New York State Comptroller's guidelines for Public Authorities. Investments consist primarily of certificates of deposits with original maturities greater than three months and obligations of the U.S. Government reported at fair value.

(h) Bond Costs and Premiums

Bond issuance costs, with the exception of prepaid insurance, are expensed as incurred. Premiums received upon the issuance of debt are included with the debt liability and amortized against interest expense over the life of the related obligation.

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY (A Component Unit of the State of New York)

Notes to Financial Statements

March 31, 2019

(i) Capital Assets

The Authority's policy is to capitalize assets that cost at least \$5,000 and have estimated useful lives of two years or more. Capital assets are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The estimated useful lives on principal classes of capital assets are as follows:

	<u>Estimated Useful Life (Years)</u>
Metropolitan transportation centers	25
Improvements	10 - 25
Buildings	10 - 45
LRRT system	10 - 45
Motor buses	12
Equipment and other	2 - 10

Maintenance and repairs are charged to operations as incurred unless the repair significantly increases the life of the asset.

(j) Other Current Liabilities

Advances

The Authority administers the funding of regional transportation improvement projects on behalf of the Federal Highway Administration (FHWA) for the Niagara International Transportation Technology Coalition (NITTEC). At March 31, 2019 and 2018, net advance payments provided by the FHWA for regional construction projects authorized by NITTEC and the FHWA are included in other current liabilities on the accompanying balance sheets and totaled \$5,508,000 and \$5,331,000, respectively.

Mortgage Recording Tax Revenue

As required by New York State legislation, the Authority receives a percentage of mortgage recording taxes collected by Erie County and Niagara County. Receipts are recorded as other liabilities until all eligibility requirements are met.

(k) Self-Insured Claims

The Authority is self-insured for property damage, environmental claims, personal injury liability, and workers' compensation claims. An estimate of the liability is made by the Authority based primarily on information available from third-party administrator claims, actuarial studies, and in-house and outside legal counsel.

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY (A Component Unit of the State of New York)

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(l) Pensions

The Authority has elected to participate in the New York State and Local Retirement System, including the Employees' Retirement System (ERS) and the Police and Fire Retirement System (PFRS). The Authority provides retirement benefits to substantially all employees through various defined benefit retirement plans. For ERS and PFRS, the Authority recognizes its proportionate share of the net pension liability, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position on the same basis as reported by ERS and PFRS. ERS and PFRS recognize benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value.

(m) Postemployment Benefits

In addition to providing pension benefits, the Authority provides other postemployment benefits (OPEB) in the form of health insurance coverage to retired employees (Note 10). Substantially all employees become eligible for these benefits when they reach normal retirement age with a minimum of ten years of service.

(n) Other Noncurrent Liabilities

Other noncurrent liabilities consist primarily of amounts due to the New York State retirement system pursuant to the New York State Pension Contribution Stabilization Program (Note 9) and the fair value of interest rate swap agreements (Note 6).

(o) Revenue Recognition

The Authority's principal sources of operating revenues are fares, airport fees and services, rental income, and concessions and commissions. Operating revenues from fares represent surface transportation services and are generated from cash and various fare media including tickets and passes which are recognized as income as they are used. Operating revenues from airport fees and services include landing and terminal ramp fees. Rental income includes building and ground space rented to airlines and air cargo carriers, among others. Operating revenues from concessions and commissions include parking fees and rental of retail space. These sources of operating revenues are recognized upon provision of services. Commissions from auto rental companies are recognized based upon a monthly percentage of revenues earned during the contractual year with an annual adjustment for any minimum annual guaranteed fees.

The Authority receives operating assistance and capital contributions pursuant to various federal, state, and local government contracts and grant agreements. Operating assistance and capital contributions are recorded as revenue based on annual appropriations or when expenditures have been incurred in compliance with grant requirements. Operating assistance and capital contributions represent 53% of total revenue for the years ended March 31, 2019 and 2018. A significant decrease in this funding may negatively impact future operations of the Authority.

(p) Taxes

As a public benefit entity, the Authority is exempt from federal and state income tax, as well as state and local property and sales taxes, with the exception of certain agreements for payments made in lieu of tax.

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

March 31, 2019

(q) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(r) Administrative Services

In accordance with agreements between the Authority and the New York State Department of Transportation, the Authority functions as the “host agency” for the Greater Buffalo Niagara Regional Transportation Council (GBNRTC), the designated Metropolitan Planning Organization (MPO) for the metro region including Erie and Niagara counties, and NITTEC, a regional traffic operations center. As the host agency for both organizations, the Authority provides certain administrative responsibilities relating to grants management and accounting functions; however, the Authority has no budgetary oversight and no responsibility for operations, deficits, or debts. Consequently, the Authority’s financial statements do not include the assets, liabilities, revenues, or expenses of GBNRTC or NITTEC. The Authority administered reimbursement grants totaling \$4,738,000 and \$4,930,000 for GBNRTC and NITTEC combined during fiscal 2019 and 2018.

(s) Reclassifications

The March 31, 2018 financial statements have been reclassified to conform to the presentation adopted for 2019.

(3) Change in Accounting Principle

Effective April 1, 2018, the Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which supersedes GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement addresses accounting and financial reporting for other postemployment benefits offered by the Authority and requires various note disclosures (Note 10) and required supplementary information. As a result, beginning of year net position has been restated as follows (in thousands):

Net position previously reported, April 1, 2018	\$	340,538
OPEB previously reported		165,522
Total OPEB liability		(486,984)
Amounts paid by the Authority subsequent to the measurement date		12,536
Net position as restated	\$	<u>31,612</u>

Certain information for the prior year is not available and therefore such amounts have not been restated.

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY (A Component Unit of the State of New York)

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March 31, 2019

(4) Cash Deposits and Investments

The Authority has a written investment policy which is in compliance with the Authority's enabling legislation under Sections 1299e and 2925(3)(f) of the New York State Public Authorities Law. Further, pursuant to collateralizing its investments, the Authority is subject to General Municipal Law Section 10, *Deposit of Public Money*, whereby all cash, cash equivalents, and investments are fully insured by the Federal Deposit Insurance Corporation (FDIC) and/or are fully collateralized with U.S. government obligations held in the name of the Authority. Investments consist of certificates of deposit and U.S. Treasury notes purchased directly by the Authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At March 31, 2019 and 2018, the Authority's bank deposits were fully insured by FDIC or collateralized in accordance with the above requirements.

(5) Capital Assets

(in thousands)	April 1, 2018	Additions	Reclassifications and Disposals	March 31, 2019
Non-depreciable capital assets:				
Land	\$ 63,578	\$ 939	\$ -	\$ 64,517
Construction in progress	35,710	9,507	-	45,217
Total non-depreciable capital assets	99,288	10,446	-	109,734
Depreciable capital assets:				
Land improvements	334,921	1,142	(5,310)	330,753
LRRT system	637,933	11,689	(3,646)	645,976
Airport buildings	285,318	6,390	(3,848)	287,860
Metropolitan transportation centers	21,733	208	-	21,941
Motor buses	164,597	14,015	(7,190)	171,422
Equipment, buildings, and other	150,182	5,971	(4,940)	151,213
Total depreciable capital assets	1,594,684	39,415	(24,934)	1,609,165
Accumulated depreciation:				
Land improvements	239,356	10,798	(5,310)	244,844
LRRT system	472,254	13,623	(3,672)	482,205
Airport buildings	144,326	9,365	(3,848)	149,843
Metropolitan transportation centers	16,013	367	-	16,380
Motor buses	102,793	10,340	(7,190)	105,943
Equipment, buildings, and other	106,997	7,440	(4,898)	109,539
Total accumulated depreciation	1,081,739	51,933	(24,918)	1,108,754
Total depreciable assets, net	512,945	(12,518)	(16)	500,411
	\$ 612,233	\$ (2,072)	\$ (16)	\$ 610,145

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY (A Component Unit of the State of New York)

Notes to Financial Statements

March 31, 2019

(in thousands)	April 1, 2017	Additions	Reclassifications and Disposals	March 31, 2018
Non-depreciable capital assets:				
Land	\$ 63,330	\$ 248	\$ -	\$ 63,578
Construction in progress	33,510	2,200	-	35,710
Total non-depreciable capital assets	<u>96,840</u>	<u>2,448</u>	<u>-</u>	<u>99,288</u>
Depreciable capital assets:				
Land improvements	316,997	17,924	-	334,921
LRRT system	628,652	9,443	(162)	637,933
Airport buildings	275,921	10,760	(1,363)	285,318
Metropolitan transportation centers	21,756	-	(23)	21,733
Motor buses	152,556	14,521	(2,480)	164,597
Equipment, buildings, and other	144,760	5,705	(283)	150,182
Total depreciable capital assets	<u>1,540,642</u>	<u>58,353</u>	<u>(4,311)</u>	<u>1,594,684</u>
Accumulated depreciation:				
Land improvements	227,684	11,672	-	239,356
LRRT system	459,012	13,404	(162)	472,254
Airport buildings	136,547	9,142	(1,363)	144,326
Metropolitan transportation centers	15,596	435	(18)	16,013
Motor buses	94,688	10,576	(2,471)	102,793
Equipment, buildings, and other	99,747	7,512	(262)	106,997
Total accumulated depreciation	<u>1,033,274</u>	<u>52,741</u>	<u>(4,276)</u>	<u>1,081,739</u>
Total depreciable assets, net	<u>507,368</u>	<u>5,612</u>	<u>(35)</u>	<u>512,945</u>
	<u>\$ 604,208</u>	<u>\$ 8,060</u>	<u>\$ (35)</u>	<u>\$ 612,233</u>

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY (A Component Unit of the State of New York)

Notes to Financial Statements

March 31, 2019

(6) Long-Term Debt

(a) Long-Term Obligations (in thousands)

	2019	2018
(1) Airport Revenue Bonds 2019: Series A, maturing April 1, 2039 with variable annual principal payments commencing April 1, 2020, bearing interest at 5.0% (including unamortized premium of \$9,966 in 2019)	\$ 91,886	\$ -
(2) Airport Revenue Bonds 2014: Series A, maturing April 1, 2029 with variable annual principal payments commencing April 1, 2015, bearing interest at 3.0% to 5.0% (including unamortized premium of \$4,179 in 2019 and \$5,012 in 2018)	63,145	65,182
Series B, maturing April 1, 2019 with variable annual principal payments commencing April 1, 2016, bearing interest at 4.0% to 5.0% (including unamortized premium of \$105 in 2018)	3,050	6,425
(3) Airport Revenue Bonds 2004: Series A, original maturity of April 1, 2024 with variable annual payments commencing March 10, 2005, bearing fixed interest at 3.646% and a variable auction interest rate, offset by earned swap interest rate at 71% of the prevailing LIBOR rate, refunded February 2019	-	24,350
Series C, original maturity April 1, 2024 with variable annual payments commencing March 10, 2005, bearing fixed interest at 3.55% and a variable auction interest rate, offset by earned swap interest rate at 69% of the prevailing LIBOR rate, refunded February 2019	-	3,825
(4) New York State, non-interest bearing	3,380	3,380
(5) Capital leases, monthly payments with fixed interest rates ranging from 4.19% to 6.59%, maturing in 2019, secured by related equipment	166	489
(6) Environmental Facilities Corporation (EFC) maturing January 15, 2020 with variable annual principal payments, bearing interest at 5.612% to 5.742%, offset by a variable refunding interest credit provided by EFC (NYS EFC Series 2011A)	255	500
(7) Capital leases, monthly payments with fixed interest rate of 2.91%, maturing in 2025, secured by related equipment	2,798	3,173
(8) Capital leases, monthly payments with fixed interest rate of 4.27%, maturing in 2020, secured by related equipment	277	569

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	<u>2019</u>	<u>2018</u>
(9) Capital lease, monthly payments with fixed interest rate of 7.75%, maturing in 2032, secured by related equipment	3,516	3,654
(10) Capital lease, monthly payments with fixed interest rate of 2.57%, maturing in 2022, secured by related equipment	1,172	1,486
(11) Capital lease, monthly payments with fixed interest rate of 1.511% maturing in 2023, secured by related equipment	6,735	8,199
(12) Capital lease, monthly payments with fixed interest rate of 2.093% maturing in 2024, secured by related equipment	7,188	8,428
(13) Capital lease, annual payments with fixed interest rate of 1.60% maturing in 2020, secured by related equipment	333	496
(14) Capital lease, annual payments with fixed interest rate of 3.19% maturing in 2022, secured by related equipment	<u>1,995</u>	<u>-</u>
	185,896	130,156
Less current portion	<u>9,310</u>	<u>13,303</u>
	<u>\$ 176,586</u>	<u>\$ 116,853</u>

- (1) On February 26, 2019, the Authority issued \$81,920,000 Series 2019A Airport Revenue Bonds at a premium of \$10,110,710. These bonds were issued to provide financing for certain capital improvements at BNIA, to refund outstanding Series 2004A and 2004C bonds in the amounts of \$24,350,000 and \$3,825,000, respectively.
- (2) On September 3, 2014, the Authority issued \$65,340,000 Series 2014A and \$12,430,000 Series 2014B Airport Revenue Bonds at a premium of \$9,336,000. These bonds were issued to refund outstanding Series 1999A, 1999B, and 1998 bonds in the amounts of \$61,525,000, \$13,775,000, and \$13,485,000, respectively.
- (3) On January 15, 2004, the Authority issued \$63,000,000 Series 2004A and \$10,025,000 Series 2004C Airport Revenue Bonds with fixed interest rates of 3.646% and 3.55%, respectively, and variable auction rates offset by a swap of fixed percentages of the prevailing LIBOR rate. These bonds were issued to refund the Series 1994A and the Series 1994C Airport Revenue Bonds of \$55,435,000 and \$9,765,000 with interest rates ranging from 5.70% to 6.25% for Series 1994A and 5.50% to 6.00% for Series 1994C, respectively.
- (4) The State Legislature passed a law in 1994 that granted the Authority immediate relief from the repayment covenant for a non-interest bearing loan totaling \$3,380,000. The law provides in pertinent part that repayment of the loan would be deferred for a two-year period, which expired on May 12, 1996. The Director of the Budget has been granted the discretion to either enter into an agreement with the Authority setting forth a schedule for reimbursement without interest or waive the requirement for reimbursement in whole or in part. No decision has been made to date. Maturities for this loan have been included in the category of loans and capital leases for long-term debt maturities for 2040 due to the uncertainty of repayment.

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY (A Component Unit of the State of New York)

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The Airport Revenue Bonds from 2019, 2014, and NYS EFC Series 2011A are payable from and secured by a lien against net revenues derived from the operations of the BNIA. Payment of scheduled bond principal and interest payments are also guaranteed by municipal bond insurance policies maintained by the Authority. The bonds are special limited obligations of the Authority. They are neither general obligations of the Authority nor a debt of the State or any political subdivision.

Changes in long-term debt for the years ended March 31, 2019 and 2018 were as follows (in thousands):

	2019	2018
Balance, beginning of year	\$ 130,156	\$ 133,575
Proceeds from issuance of debt	94,180	9,799
Repayment of long-term debt, including premium amortization	(38,440)	(13,218)
Balance, end of year	185,896	130,156
Less current portion	9,310	13,303
Noncurrent portion	\$ 176,586	\$ 116,853

Required principal and interest payments for long-term debt, including unamortized premiums, are as follows (in thousands):

	Loans and Capital Leases		Serial Bonds		
	Principal	Interest	Principal	Unamortized	
	Principal	Interest	Principal	Premium	Interest
Years ending March 31,					
2020	\$ 4,505	\$ 673	\$ 4,805	\$ 2,380	\$ 5,481
2021	4,154	572	10,870	2,122	6,766
2022	4,048	476	11,420	1,863	6,215
2023	4,035	381	11,980	1,665	5,637
2024	2,992	293	12,370	1,416	5,084
2025-2029	3,103	825	47,820	4,699	17,647
2030-2034	1,344	207	20,920	-	8,268
2035-2039	3,380	-	19,500	-	3,659
2040	-	-	4,505	-	113
	\$ 27,561	\$ 3,427	\$ 144,190	\$ 14,145	\$ 58,870

At March 31, 2019 and 2018, the Authority was in compliance with all loan and bond covenants.

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY

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March 31, 2019

(b) *Derivative Instruments*

Interest Rate Swaps

To reduce exposure to changing interest rates, the Authority previously entered into two hedging interest rate swaps with Goldman Sachs Capital Markets, L.P. in connection with its \$73,025,000 Refunding Series 2004A and 2004C variable-rate bonds. The interest rate swaps were forward, floating-to-fixed agreements in notional amounts equal to the outstanding bonds pursuant to which the Authority will pay a specified fixed rate of interest in return for receipts of a variable rate of interest based on a fixed percentage of the prevailing LIBOR rate. The intention of the interest rate swaps was to effectively change the Authority's variable interest rate on the bonds to a synthetic fixed rate of 3.646% and 3.55% for Series 2004A and 2004C, respectively.

The swap agreements were terminated in 2019 in connection with the refunding of the Series 2004 bonds. The Authority paid \$1,429,500 as a swap termination payment that was funded from proceeds of the Series 2019 bond issuance.

Risks

Below is a list of risks inherent in the Authority's interest rate swaps:

Basis Risk – The risk that the Authority's variable rate interest payments will not equal the variable rate swap receipts because they are based on different indexes. If the rate under the swap is lower than the bond interest rate, the payment under the swap agreement will not fully reimburse the Authority for the interest payments on the bonds. However, if the bond interest rate is lower than the swap payment, there is a net gain to the Authority. At March 31, 2018, the unfavorable basis variance totaled \$3,150,000.

Tax Risk – The risk that a change in Federal tax rates will alter the fundamental relationship between auction rates and LIBOR.

Interest Rate Risk – The risk that changes will adversely affect the fair value or cash flows.

Credit Risk – The risk that a counterparty will not fulfill its obligations under the swap. In this event, the Authority would have to pay another entity to assume the position of the defaulting counterparty. The Authority has sought to limit its counterparty risk by contracting with a highly rated entity.

Terms

At March 31, 2018, the negative fair values of the Series 2004A and 2004C interest rate swaps was \$1,547,000 and \$235,000, respectively. At March 31, 2018, the notional amounts of Series 2004A and 2004C swaps were \$24,350,000 and \$3,825,000, respectively.

The Series 2004A and 2004C interest rate swaps as of March 31, 2012 were considered ineffective because they did not meet the effectiveness criteria under the synthetic instrument method quantitative method of evaluating effectiveness. Therefore, changes in the fair value of the swaps were recorded as derivative instrument losses in the statements of revenues, expenses and changes in net position for 2012 through termination in February 2019.

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As of March 31, 2018, the negative fair values of all investment and ineffective derivative instruments totaled \$1,782,000 and are recorded as other noncurrent liabilities. Negative fair value decreases of \$1,192,000 for 2018 are recorded as non-operating revenues in the statement of revenues, expenses and change in net position.

(7) Passenger Facility Charges

In 1992, the Federal Aviation Administration (FAA) approved the Authority's application to impose collection of Passenger Facility Charges (PFC) at the BNIA, and in 2018, the FAA approved collection of such amounts at NFIA. PFCs used specifically for FAA-approved projects at the BNIA and NFIA included in non-operating revenues totaled \$10,850,000 and \$9,755,000 for the years ended March 31, 2019 and 2018.

(8) Government Assistance

Operations are funded primarily by passenger fares and operating subsidy payments from the Federal Transit Administration (FTA) under Sections 5307 and 5311 of the Urban Mass Transportation Administration (UMTA) Act; the State, Erie and Niagara Counties (pursuant to State transportation laws); and the Buffalo & Fort Erie Public Bridge Authority. Assistance recognized as revenue for the years ended March 31, 2019 and 2018 was as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Metro:		
FTA:		
Section 5307 and 5311 assistance	\$ 21,341	\$ 20,693
State:		
Statewide transit operating assistance program	49,398	48,361
Section 18b assistance	4,100	4,100
Section 5307 capital maintenance match	2,658	2,568
Total State	<u>56,156</u>	<u>55,029</u>
Erie County:		
88(c) - general	4,476	3,357
Mortgage recording tax (section 88a)	8,808	8,658
Section 18b matching funds	3,657	3,657
Sales tax receipts	21,020	20,323
Total Erie County	<u>37,961</u>	<u>35,995</u>
Niagara County:		
Mortgage recording tax	1,329	1,541
Section 18b matching funds	443	443
Total Niagara County	<u>1,772</u>	<u>1,984</u>
Buffalo and Fort Erie Public Bridge Authority	200	200
	<u>117,430</u>	<u>113,901</u>
NFTA:		
Department of Homeland Security	692	686
	<u>\$ 118,122</u>	<u>\$ 114,587</u>

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(9) Pensions

(a) New York State Retirement System

The Authority participates in ERS and PFRS (the Systems), which are cost-sharing, multiple-employer, public employee retirement systems that provide retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law (NYSRSSL) governs obligations of employers and employees to contribute and provide benefits to employees. The benefits to employees are guaranteed under the State constitution. The Authority's election to participate in the State plans is irrevocable.

As set forth in NYSRSSL, the Comptroller of the State (the Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller adopts and may amend rules and regulations for the administration and transaction of the Systems and for the custody and control of their funds. The Systems issue publicly available financial reports that include financial statements and required supplementary information. Those reports may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

Benefits: The Systems provide retirement, disability, and death benefits for eligible members, including automatic cost of living adjustments. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

Contribution requirements: No employee contributions are required for those whose service began prior to July 27, 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems on or after July 27, 1976 through December 31, 2009. Participants whose service began on or after January 1, 2010 through March 31, 2012 are required to contribute 3% of their salary for the entire length of service. Employees who joined on or after April 1, 2012 contribute based on annual wages at a rate of 3% to 6% each year, based on their level of compensation. The Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the Authority to the pension accumulation fund. For payments made in fiscal year 2019, rates ranged from 9.3% - 21.6% for ERS (9.3% - 21.7% for 2018) and 7.0% - 24.7% for PFRS (7.3% - 25.3% for 2018).

The Authority participates in the New York State Pension Contribution Stabilization Program (the Program), an optional program which establishes a graded contribution rate system that enables the Authority to pay a portion of its annual contributions over time and more accurately predict pension costs. At March 31, 2019 and 2018, \$4,350,000 and \$5,292,000, respectively, is due to the Systems pursuant to the Authority's participation in the Program which is included in other noncurrent liabilities in the accompanying balance sheets.

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

At March 31, 2019 and 2018, the Authority reported a liability of \$5,704,000 and \$13,741,000, respectively, for its proportionate share of the Systems' net pension liability.

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY (A Component Unit of the State of New York)

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The net pension liability as of March 31, 2019 was measured as of March 31, 2018, and the total pension liability was determined by an actuarial valuation as of April 1, 2017. The Authority's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to the Systems' total actuarially determined employer contributions for the fiscal year ended on the measurement date. At the March 31, 2018 measurement date, the Authority's proportion was 0.0867945% for ERS (an increase of 0.0014314 from 2017) and 0.2872086% for PFRS (an increase of 0.0112078 from 2017).

For the years ended March 31, 2019 and 2018, the Authority recognized pension expense of \$6,375,000 and \$8,125,000, respectively and reported deferred outflows and deferred inflows of resources as follows:

(in thousands)	2019			
	ERS		PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 999	\$ 826	\$ 1,195	\$ 771
Changes of assumptions	1,857	-	2,200	-
Net difference between projected and actual earnings on pension plan investments	4,068	8,030	2,350	4,732
Changes in proportion and differences between Authority contributions and proportionate share of contributions	794	65	82	580
Authority contributions subsequent to the measurement date	3,739	-	2,123	-
	<u>\$ 11,457</u>	<u>\$ 8,921</u>	<u>\$ 7,950</u>	<u>\$ 6,083</u>

(in thousands)	2018			
	ERS		PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 201	\$ 1,218	\$ 751	\$ 989
Changes of assumptions	2,741	-	2,818	-
Net difference between projected and actual earnings on pension plan investments	1,602	-	854	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	760	86	7	351
Authority contributions subsequent to the measurement date	3,729	-	2,137	-
	<u>\$ 9,033</u>	<u>\$ 1,304</u>	<u>\$ 6,567</u>	<u>\$ 1,340</u>

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Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

<u>Years ending March 31,</u>	<u>ERS</u>	<u>PFRS</u>
2020	\$ 921	\$ 488
2021	662	421
2022	(1,917)	(731)
2023	(869)	(504)
2024	-	70
	<u>\$ (1,203)</u>	<u>\$ (256)</u>

Actuarial Assumptions

The actuarial assumptions used in the April 1, 2017 valuation, with update procedures used to roll forward the total pension liability to March 31, 2018, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Inflation - 2.5%

Salary increases - 3.8% (ERS), 4.5% (PFRS)

Cost of living adjustments - 1.3% annually

Investment rate of return - 7.0% compounded annually, net of investment expense, including inflation

Mortality - Society of Actuaries' Scale MP-2014

Discount rate - 7.0%

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

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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Investment Asset Allocation

Best estimates of arithmetic real rates of return for each major asset class and the Systems' target asset allocations as of the valuation date are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	36%	4.6%
International equities	14%	6.4%
Private equities	10%	7.5%
Real estate	10%	5.6%
Absolute return strategies	2%	3.8%
Opportunistic portfolio	3%	5.7%
Real assets	3%	5.3%
Bonds and mortgages	17%	1.3%
Other	5%	(0.3)-1.3%
	100%	

Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Authority's proportionate share of its net pension liability for ERS and PFRS as of March 31, 2019 calculated using the discount rate of 7% and the impact of using a discount rate that is 1% lower and 1% higher:

(in thousands)	1% Lower Discount Rate (6%)	Current Discount Rate (7%)	1% Higher Discount Rate (8%)
Authority's proportionate share of the ERS net pension asset (liability)	\$ (21,195)	\$ (2,801)	\$ 12,759
Authority's proportionate share of the PFRS net pension asset (liability)	\$ (14,220)	\$ (2,903)	\$ 6,589

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY (A Component Unit of the State of New York)

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(b) Past Service Costs Due to ERS

Effective January 1, 1997, active non-bargaining unit participants in the Niagara Frontier Transit Metro System, Inc. Retirement Plan (Metro Plan) transferred to the employment of the NFTA and were given the opportunity to elect to have their contribution accounts transferred from the Metro Plan to ERS. The enabling legislation that provided for the purchase of service credits under ERS for pre-transfer service obligated the Authority to pay ERS additional annual contributions of \$465,000 annually, commencing December 1997 (in addition to its regular employer contribution) for 25 years. At March 31, 2019 and 2018, related past service costs totaling \$1,394,000 and \$1,860,000 are included in other current and noncurrent liabilities.

(c) Niagara Frontier Transit Metro System, Inc. Retirement Plan

The Metro Plan is a single-employer defined benefit pension plan covering certain full-time non-union employees previously employed by Metro. Participation in the Metro Plan was frozen effective January 1, 1998.

Benefits: The Metro Plan provides for retirement and death benefits for eligible members. In general, retirement benefits are determined based on an employee's individual circumstances based on age, years of credited service, and compensation.

Employees Covered by Benefit Terms: At the March 31, 2018 measurement date, the following employees were covered by the Metro Plan:

Retired	55
Beneficiaries	12
Terminated vested	17

Contribution requirements: The Authority pays the full cost of all benefits provided under the Metro Plan. The Authority's policy is to fund the minimum recommended contribution as actuarially determined annually. Contributions to the plan were \$15,000 in 2019 and \$32,000 in 2018.

Net Pension Liability

The net pension liability was measured as of March 31, 2018 based on an actuarial valuation as of March 31, 2018. Actuarial assumptions applied to all periods included in the measurement are as follows:

Actuarial Cost Method - Entry Age Normal

Mortality - Generational RP-2014 Blue Collar Mortality Table using Scale MP-2017

Rate of Return on Plan Assets - 6.5%

Discount Rate - The Plan's fiduciary net position is projected to be available to meet all projected future benefit payments resulting in a single discount rate of 6.5%

Asset Valuation - 5-year smoothed market

Assumed Retirement Age - Age first eligible for unreduced benefits

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY (A Component Unit of the State of New York)

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March 31, 2019

Changes in the Net Pension Liability

<u>(in thousands)</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at March 31, 2017	\$ (4,940)	\$ 4,202	\$ (738)
Changes for the year:			
Interest	(266)	-	(266)
Differences between expected and actual experience	(129)	-	(129)
Changes of assumptions	239	-	239
Employer contributions	-	32	32
Net investment income	-	507	507
Benefit payments	536	(536)	-
Administrative expense	-	(16)	(16)
Net changes	380	(13)	367
Balances at March 31, 2018	\$ (4,560)	\$ 4,189	\$ (371)
Changes for the year:			
Interest	(280)	-	(280)
Differences between expected and actual experience	54	-	54
Changes of assumptions	-	-	-
Employer contributions	-	15	15
Net investment income	-	469	469
Benefit payments	512	(512)	-
Administrative expense	-	(13)	(13)
Net changes	286	(41)	245
Balances at March 31, 2019	\$ (4,274)	\$ 4,148	\$ (126)

The impact of using a discount rate that is 1% lower (5.50%) than the current rate would result in a net pension liability of \$405,000 and at 1% higher (7.50%) would result in a net pension asset of \$120,000.

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(d) Amalgamated Transit Union Division 1342 NFT Metro Pension Plan

All full-time Metro employees who are ATU members are covered by the Amalgamated Transit Union Local 1342 Niagara Frontier Transit Metro System Pension Fund (the ATU Plan), a defined benefit pension plan established in accordance with an Agreement and Declaration of Trust between the ATU and Metro (the Agreement). Pursuant to the ATU Union Contract, a portion of part-time employee compensation is also contributed by Metro to the ATU Plan, although part-time employees do not participate in or benefit from the ATU Plan.

The ATU Plan is managed by four trustees: two union representatives and two management representatives. These trustees are responsible for management of investments and payments to retirees. The ATU Plan issues a publicly available financial report that includes financial statements and notes. That report may be obtained by writing to Amalgamated Transit Union Local 1342, 196 Orchard Park Road, West Seneca, New York 14224.

Funding Requirement

On a weekly basis, each eligible employee is required to contribute the greater of sixteen dollars or 5% of payroll. Metro's contribution is 11% of eligible employee wages and is determined pursuant to the collective bargaining agreement (CBA) between Metro and the ATU. Metro's contributions to the Plan recorded on the statements of revenues, expenses and change in net position, pursuant to the CBA, totaled \$5,806,000 and \$5,667,000 for 2019 and 2018. The Agreement provides that Metro is not obligated to make any other payment to fund the benefits or to meet any expenses of administration and, in the event of termination, Metro will have no obligation for further contributions to the ATU Plan. Therefore, net pension assets and liabilities of the ATU plan are not recorded by the Authority.

(e) Postretirement Medical Premium Stipend Plan

The Authority's Metro retirees are provided with a monthly stipend (Stipend Plan) representing the insurance premium amount of single medical coverage if they retired prior to January 1, 2004. If they retired subsequent to January 1, 2004, Metro retirees are provided with continuation of full medical coverage as described in Note 10.

As of March 31, 2019, there are 136 retirees within Metro who retired prior to January 1, 2004. Monthly, each retiree is provided with a cash stipend equivalent to the single medical premium cost or, if enrolled in Medicare, the retiree is provided with an amount equal to the Medicare Part B premium and \$932. The retiree has the option of any combination of cash stipend and/or health insurance continuation.

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The Authority's annual pension cost and net pension obligation as of March 31, 2019 and 2018 related to the Stipend Plan was:

(in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at March 31, 2017	\$ (19,713)	\$ -	\$ (19,713)
Changes for the year:			
Interest	(722)	-	(722)
Differences between expected and actual experience	(219)	-	(219)
Changes of assumptions	(366)	-	(366)
Benefit payments	1,995	-	1,995
Net changes	688	-	688
Balances at March 31, 2018	\$ (19,025)	\$ -	\$ (19,025)
Changes for the year:			
Interest	(653)	-	(653)
Differences between expected and actual experience	909	-	909
Changes of assumptions	(61)	-	(61)
Benefit payments	1,824	-	1,824
Net changes	2,019	-	2,019
Balances at March 31, 2019	\$ (17,006)	\$ -	\$ (17,006)

-A summary of the actuarial methods and assumptions is provided below:

- Actuarial valuation and measurement date of March 31, 2019
- Healthcare cost trend is estimated at 5.60% next year, ultimately declining to 3.94% in year 2075
- Actuarial cost method used is Entry Age Normal
- Discount rate is 3.42% (previously 3.61%)
- RP-2014 Blue Collar Mortality Table projected using Scale MP-2018

The following presents the Authority's Stipend Plan net pension liability as of March 31, 2019 calculated using the discount rate of 3.42% and the impact of using a discount rate that is 1% lower and 1% higher:

(in thousands)	1% Lower Discount Rate (2.42%)	Current Discount Rate (3.42%)	1% Higher Discount Rate (4.42%)
Authority's Stipend Plan net pension liability	\$ (18,427)	\$ (17,006)	\$ (15,780)

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(10) Other Postemployment Benefits

The Authority provides a defined benefit postemployment health care plan (the Plan) for essentially all full-time employees with a minimum of ten years of service upon retirement. Upon retirement, most Authority employees are provided a portion of medical coverage while certain employees hired prior to February 2004 are provided with continuation of full medical coverage.

At March 31, 2019, employees covered by the Plan include:

Active employees	1,629
Inactive employees or beneficiaries currently receiving benefits	900
Inactive employees entitled to but not yet receiving benefits	-
	<u>2,529</u>

Total OPEB Liability

The Authority's total OPEB liability of \$531,756,000 was measured as of March 31, 2018 and was determined by an actuarial valuation as of March 31, 2018. The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Healthcare cost trend rates – based on the Society of Actuaries Long-Run Medical Cost Trend Model, initially 5.4%, increasing to 14.9%, and an ultimate rate of 3.9% after 2075

Salary increases – 1.3% - 2.0%

Mortality – Generational RP-2014 mortality tables for employees and healthy annuitants, projected using scale MP-2016

Discount rate – 3.61% based on the GO 20-Year Bond rate as of September 30, 2018

Inflation rate – 2.5%

Changes in the Total OPEB Liability

(in thousands)	Total OPEB Liability
Balance at March 31, 2018, as restated	<u>\$ 486,984</u>
Changes for the year:	
Service cost	23,590
Interest	18,267
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	15,451
Benefit payments	<u>(12,536)</u>
Net changes	<u>44,772</u>
Balance at March 31, 2019	<u>\$ 531,756</u>

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The following presents the sensitivity of the Authority's total OPEB liability to changes in the discount rate, including what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current discount rate (in thousands):

	1.0% Decrease (2.61%)	Discount Rate (3.61%)	1.0% Increase (4.61%)
Total	\$ 625,207	\$ 531,756	\$ 457,274

The following presents the sensitivity of the Authority's total OPEB liability to changes in the healthcare cost trend rates, including what the Authority's total OPEB liability would be if it were calculated using trend rates that are 1% higher or lower than the current healthcare cost trend rates (in thousands):

	1.0% Decrease (2.9% to 13.9%)	Discount Rate (3.9% to 14.9%)	1.0% Increase (4.9% to 15.9%)
Total	\$ 448,291	\$ 531,756	\$ 639,139

OPEB Expense and Deferred Outflows of Resources

For the year ended March 31, 2019, the Authority recognized OPEB expense of \$44,064,000. At March 31, 2019, the Authority reported deferred outflows of resources related to OPEB for amounts paid subsequent to the measurement date of \$9,264,000, which will be recognized as a reduction of the total OPEB liability as of March 31, 2020, and \$13,243,000 from changes of assumptions, which will be recognized in OPEB expense as follows (in thousands):

Years ending March 31,	
2020	\$ 2,207
2021	2,207
2022	2,207
2023	2,207
2024	2,207
Thereafter	2,208
	<u>\$ 13,243</u>

(11) Leases

A portion of the Authority's revenue is generated by a number of fixed-term operating leases at its airport and transportation center facilities. The leases generally provide for rentals determined on the basis of a rate per square foot occupied or a percentage of the lessee's gross revenues with guaranteed minimum amounts. Total revenue from leases was \$70,081,000 and \$66,987,000 in 2019 and 2018, which includes guaranteed minimum rentals of \$23,093,000 and \$21,742,000 during 2019 and 2018, respectively.

Rental income is derived primarily from airport operations. At March 31, 2019 and 2018, airport capital assets totaled \$235,892,000 and \$236,758,000 of which approximately 40% is leased to third parties (based on square footage).

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March 31, 2019

Fixed-term operating leases in effect at March 31, 2019 are expected to yield future minimum rentals as follows (in thousands):

Years ending March 31,	
2020	\$ 22,617
2021	14,067
2022	13,762
2023	12,214
2024	4,140
2025 - 2029	12,050
2030 - 2034	1,162
2035 - 2039	896
2040 - 2044	575
	<u>\$ 81,483</u>

(12) Commitments and Contingencies

(a) *Litigation and Claims*

In the normal course of business, it is not uncommon for the Authority to incur litigation surrounding certain events. There are outstanding lawsuits involving substantial amounts that have been filed against the Authority. Based on the facts presently known, management and in-house legal counsel do not expect these matters to have a material adverse effect on the Authority's financial condition or results of operations.

(b) *Self-Insured Claims*

The Authority assumes the liability for most risks including, but not limited to, workers compensation, health, property damage, environmental claims, and personal injury claims. The Authority has excess insurance from commercial carriers to cover claims in excess of \$1,250,000 per occurrence for workers compensation claims and limits ranging from \$50,000 to \$5,000,000 depending on the type of claim for other self-insured claims. Estimated liabilities for claims not covered by insurance have been reflected in the financial statements. Workers' compensation liabilities are estimated based on an actuarial valuation dated April 12, 2019. Other self-insured liabilities are estimated by the Authority based on available information. Management believes the estimated liabilities are reasonable based upon historical experience and the opinions of internal risk management administrators and legal counsel.

Changes in the reported liability claims for the years ended March 31, 2019 and 2018 are as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Liability, beginning of year	\$ 42,556	\$ 42,524
Current year claims and change in estimate	12,914	10,690
Claim payments	<u>(10,229)</u>	<u>(10,658)</u>
Liability, end of year	<u>\$ 45,241</u>	<u>\$ 42,556</u>

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March 31, 2019

(c) Project Commitments

As of March 31, 2019, the Authority has commenced several projects including:

- BNIA Aircraft Deicing Containment Facility Expansion estimated at \$6,734,000 of which \$843,000 was expended
- Metro Station Panel Liner Rehab estimated at \$4,214,000 of which \$1,501,000 was expended
- Metro Rail Escalator/Elevator Rehabilitation estimated at \$18,759,000 of which \$9,742,000 was expended
- BNIA Baggage Claim Expansion estimated at \$67,654,000 of which \$10,124,000 was expended
- Rail car refurbishment estimated at \$49,595,000 of which \$48,787,000 was expended
- Metro DL&W Station estimated at \$56,200,000 of which \$4,200,000 was expended
- Metro (Bus and Rail) fare collection upgrade \$26,427,000 of which \$13,043,000 was expended
- Metro Amherst/Buffalo LRRT Extension Study estimated at \$5,000,000 of which \$2,866,000 was expended
- Management Information Systems estimated at \$18,772,000 of which \$2,239,000 was expended

Funding for these projects will be provided from anticipated federal, state and local grant awards, passenger facility charges, outside financing, and other revenue sources.

(13) Segment Information – Buffalo Niagara International Airport

BNIA is Western New York's primary passenger and cargo airport. In fiscal year 1991, the Authority began the Airport Improvement Program to build a new terminal building and provide improved facilities for BNIA passengers. The Authority issued Airport Revenue Bonds (Note 6) pursuant to a Master Resolution approved by the Board of Commissioners for the construction of BNIA. The Master Resolution contains certain compliance covenants including requiring net airport revenues to be a minimum percentage of net debt service. The bonds are payable from and are secured by a lien on net revenues derived from the operations of BNIA. The bonds are special limited obligations of the Authority. They are not general obligations of the Authority and are not a debt of the State or any political subdivision.

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Notes to Financial Statements

March 31, 2019

(a) **BNIA Condensed Balance Sheets (in thousands)**

	<u>2019</u>	<u>2018</u>
Assets:		
Current and other	\$ 156,647	\$ 90,426
Capital assets, net	<u>235,892</u>	<u>236,758</u>
Total assets	<u>392,539</u>	<u>327,184</u>
Deferred outflows of resources	<u>8,140</u>	<u>5,688</u>
Total assets and deferred outflows of resources	<u>\$ 400,679</u>	<u>\$ 332,872</u>
Liabilities:		
Current liabilities	\$ 12,709	\$ 15,229
Long-term liabilities	<u>181,365</u>	<u>110,268</u>
Total liabilities	<u>194,074</u>	<u>125,497</u>
Deferred inflows of resources	<u>5,614</u>	<u>1,046</u>
Net position:		
Net investment in capital assets	73,974	132,613
Restricted	<u>113,257</u>	<u>45,234</u>
Unrestricted	<u>13,760</u>	<u>28,482</u>
Total net position	<u>200,991</u>	<u>206,329</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 400,679</u>	<u>\$ 332,872</u>

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March 31, 2019

(b) BNIA Condensed Statements of Revenues, Expenses and Changes in Net Position (in thousands)

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Concessions and commissions	\$ 29,230	\$ 27,120
Rental income	12,011	11,990
Airport fees and services	19,668	18,064
Other	4,289	4,270
Total operating revenues	<u>65,198</u>	<u>61,444</u>
Operating expenses	46,065	43,787
Depreciation expense	<u>17,502</u>	<u>18,347</u>
Operating income (loss)	1,631	(690)
Non-operating revenues (expenses):		
Passenger facility charges	10,195	9,624
Change in fair value of swap agreements	352	1,192
Interest expense, net	(3,147)	(3,514)
Airport noise abatement	(7)	(291)
Other, net	(850)	(840)
Operating transfers	<u>(3,800)</u>	<u>(500)</u>
Change in net position before capital contributions	4,374	4,981
Capital contributions	<u>1,109</u>	<u>10,971</u>
Change in net position	5,483	15,952
Net position - beginning of year	206,329	190,377
Cumulative effect of a change in accounting principle (Note 3)	<u>(10,821)</u>	-
Net position - beginning, as restated	<u>195,508</u>	<u>190,377</u>
Net position - end of year	<u>\$ 200,991</u>	<u>\$ 206,329</u>

(c) BNIA Condensed Statements of Cash Flows (in thousands)

	<u>2019</u>	<u>2018</u>
Net operating activities	\$ 11,463	\$ 16,732
Net investing activities	878	(8,980)
Net capital and related financing activities	<u>51,859</u>	<u>(17,610)</u>
Net change in cash	64,200	(9,858)
Cash, beginning of year	<u>38,461</u>	<u>48,319</u>
Cash, end of year	<u>\$ 102,661</u>	<u>\$ 38,461</u>

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY (A Component Unit of the State of New York)

Notes to Financial Statements

March 31, 2019

(d) Master Resolution Covenant

As required by the Master Resolution authorizing the issuance of airport revenue bonds, the Authority charges rates, rentals, and fees at the BNIA which are sufficient to pay debt service, operating expenses, and any and all other claims and charges relating to the BNIA. In addition, net airport revenues must at all times be at least 125% of net debt service on all bonds outstanding. The Authority has the ability to bill the airlines to meet the bond covenant pursuant to the Airline Use and Lease Agreement.

Airport revenues are defined in the Master Resolution as the total of all revenue from all sources collected by the Authority at the BNIA, which specifically excludes passenger facility charges and includes interest income. Passenger facility charges are not pledged as security for the Airport Revenue Bonds. Operating expenses are defined as all costs to operate and maintain the BNIA including general, administrative, and professional fee expenses allocated by the Authority. Debt service is defined as the total amount required to pay current year principal and interest, net of amounts available for the payment of interest as defined by the Master Resolution.

	<u>2019</u>	<u>2018</u>
Airport revenues:		
Operating revenues	\$ 65,198	\$ 61,444
Interest income	878	479
Gross airport revenues	<u>66,076</u>	<u>61,923</u>
Operating expenses, excluding depreciation	<u>(46,065)</u>	<u>(43,787)</u>
Net airport revenues	<u>20,011</u>	<u>18,136</u>
Net debt service:		
Principal payments	4,720	8,500
Interest payments	3,605	5,091
Passenger facility charges	<u>(535)</u>	<u>(535)</u>
Net debt service	<u>\$ 7,790</u>	<u>\$ 13,056</u>
Debt service coverage percentage	256.88%	138.91%
Minimum percentage requirement	125.00%	125.00%

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Required Supplementary Information (Unaudited)
Schedule of the Authority's Proportionate Share of the Net Pension Position
New York State and Local Retirement System (In thousands)

	2018	2017	2016	2015
As of the measurement date of March 31,				
ERS				
Authority's proportion of the net pension position	0.0867945%	0.0853631%	0.0878622%	0.0881407%
Authority's proportionate share of the net pension liability	\$ 2,801	\$ 8,021	\$ 14,102	\$ 2,978
Authority's covered payroll	\$ 25,420	\$ 24,628	\$ 24,187	\$ 24,546
Authority's proportionate share of the net pension position as a percentage of its covered payroll	11.02%	32.57%	58.30%	12.13%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.90%
PFRS				
Authority's proportion of the net pension position	0.2872086%	0.2760008%	0.2766259%	0.2697875%
Authority's proportionate share of the net pension liability	\$ 2,903	\$ 5,720	\$ 8,190	\$ 742
Authority's covered payroll	\$ 9,311	\$ 9,078	\$ 9,675	\$ 9,124
Authority's proportionate share of the net pension position as a percentage of its covered payroll	31.18%	63.01%	84.65%	8.13%
Plan fiduciary net position as a percentage of the total pension liability	96.93%	93.50%	90.20%	99.00%

Data prior to 2015 is unavailable.

The following is a summary of changes of assumptions:

	2016	2015
Inflation	2.5%	2.7%
Salary increases	3.8%	4.9%
Cost of living adjustments	1.3%	1.4%
Investment rate of return	7.0%	7.5%
Discount rate	7.0%	7.5%

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

**Required Supplementary Information (Unaudited)
Schedule of Authority Contributions
New York State and Local Retirement System (In thousands)**

March 31,	2019	2018	2017	2016	2015	2014
ERS						
Contractually required contribution	\$ 3,739	\$ 3,729	\$ 3,787	\$ 4,291	\$ 4,855	\$ 4,541
Contribution in relation to the contractually required contribution	(3,739)	(3,729)	(3,787)	(4,291)	(4,855)	(4,541)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll						
Contributions as a percentage of covered payroll	14.15%	14.67%	15.38%	17.74%	19.78%	19.88%
PFRS						
Contractually required contribution	\$ 2,123	\$ 2,137	\$ 2,115	\$ 1,962	\$ 2,394	\$ 2,230
Contribution in relation to the contractually required contribution	(2,123)	(2,137)	(2,115)	(1,962)	(2,394)	(2,230)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll						
Contributions as a percentage of covered payroll	21.83%	22.95%	23.30%	20.28%	26.24%	25.35%

Data prior to 2014 is unavailable.

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Required Supplementary Information (Unaudited)
Schedule of Net Pension Liability
Postretirement Medical Premium Stipend Plan (In thousands)

March 31,	2019	2018	2017
Total pension liability			
Interest	\$ 653	\$ 722	\$ 922
Differences between expected and actual experience	(909)	219	(1,661)
Changes of assumptions	61	366	1,055
Benefit payments	(1,824)	(1,995)	(2,118)
	<u>(2,019)</u>	<u>(688)</u>	<u>(1,802)</u>
Total pension liability - beginning	19,025	19,713	21,515
Total pension liability - ending	<u>\$ 17,006</u>	<u>\$ 19,025</u>	<u>\$ 19,713</u>

Data prior to 2017 is unavailable.

The plan has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73.

DRAFT

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Required Supplementary Information
Schedule of Changes in the Authority's Total
OPEB Liability and Related Ratios (In thousands)

March 31, 2019

Total OPEB liability - beginning	<u>\$ 486,984</u>
Changes for the year:	
Service cost	23,590
Interest	18,267
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions and other inputs	15,451
Benefit payments	<u>(12,536)</u>
Net change in total OPEB liability	44,772
Total OPEB liability - ending	<u>\$ 531,756</u>
Covered-employee payroll	<u>\$ 93,017</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>572%</u>

Data prior to 2019 is unavailable.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Additional Information
Combining Balance Sheets (In thousands)

March 31,

2019

	NFTA	BNIA	Metro	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 7,034	\$ 13,259	\$ 12,418	\$ 32,711
Investments	-	12,500	-	12,500
Accounts receivable	3,950	7,052	2,367	13,369
Grants receivable	2,220	585	6,809	9,614
Due to/from affiliate	(39,490)	9,568	29,922	-
Materials and supplies inventory	-	-	5,115	5,115
Prepaid expenses and other	526	426	254	1,206
	<u>(25,760)</u>	<u>43,390</u>	<u>56,885</u>	<u>74,515</u>
Restricted assets:				
Cash and cash equivalents	8,198	89,402	2,957	100,557
Investments	-	23,855	25	23,880
	<u>8,198</u>	<u>113,257</u>	<u>2,982</u>	<u>124,437</u>
Capital assets, net	<u>76,721</u>	<u>235,892</u>	<u>297,532</u>	<u>610,145</u>
Total assets	<u>59,159</u>	<u>392,539</u>	<u>357,399</u>	<u>809,097</u>
Deferred outflows of resources:				
Deferred outflows of resources related to pensions	6,792	7,226	5,389	19,407
Deferred outflows of resources related to OPEB	3,821	914	17,772	22,507
	<u>10,613</u>	<u>8,140</u>	<u>23,161</u>	<u>41,914</u>
Total assets and deferred outflows of resources	<u>\$ 69,772</u>	<u>\$ 400,679</u>	<u>\$ 380,560</u>	<u>\$ 851,011</u>
Liabilities				
Current liabilities:				
Current portion of long-term debt	\$ 170	\$ 5,183	\$ 3,957	\$ 9,310
Accounts payable and accrued expenses	9,773	7,289	14,162	31,224
Other current liabilities	5,605	237	710	6,552
	<u>15,548</u>	<u>12,709</u>	<u>18,829</u>	<u>47,086</u>
Noncurrent liabilities:				
Long-term debt	4,151	156,735	15,700	176,586
Self-insured claims	2,911	2,997	39,333	45,241
Net pension liabilities	3,178	1,567	18,091	22,836
Total OPEB liability	97,888	20,066	413,802	531,756
Other noncurrent liabilities	4,350	-	2,972	7,322
	<u>112,478</u>	<u>181,365</u>	<u>489,898</u>	<u>783,741</u>
Total liabilities	<u>128,026</u>	<u>194,074</u>	<u>508,727</u>	<u>830,827</u>
Deferred inflows of resources:				
Deferred inflows of resources related to pensions	5,124	5,614	4,266	15,004
Net position				
Net investment in capital assets	72,400	73,974	277,875	424,249
Restricted	2,688	113,257	941	116,886
Unrestricted	(138,466)	13,760	(411,249)	(535,955)
Total net position	<u>(63,378)</u>	<u>200,991</u>	<u>(132,433)</u>	<u>5,180</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 69,772</u>	<u>\$ 400,679</u>	<u>\$ 380,560</u>	<u>\$ 851,011</u>

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2018			
NFTA	BNIA	Metro	Total
\$ 5,902	\$ 20,228	\$ 11,138	\$ 37,268
-	12,612	-	12,612
3,802	5,147	2,988	11,937
2,056	1,638	9,650	13,344
(30,279)	5,030	25,249	-
-	-	5,101	5,101
111	537	178	826
(18,408)	45,192	54,304	81,088
7,212	18,233	936	26,381
-	27,001	25	27,026
7,212	45,234	961	53,407
78,109	236,758	297,366	612,233
66,913	327,184	352,631	746,728
5,647	5,688	4,265	15,600
-	-	-	-
5,647	5,688	4,265	15,600
\$ 72,560	\$ 332,872	\$ 356,896	\$ 762,328
\$ 1,810	\$ 9,275	\$ 2,218	\$ 13,303
11,725	5,790	13,945	31,460
5,426	164	1,794	7,384
18,961	15,229	17,957	52,147
4,654	94,870	17,329	116,853
2,136	2,715	37,705	42,556
6,084	4,446	22,607	33,137
28,052	6,456	131,014	165,522
5,292	1,781	1,858	8,931
46,218	110,268	210,513	366,999
65,179	125,497	228,470	419,146
817	1,046	781	2,644
71,645	132,613	277,819	482,077
1,886	45,234	961	48,081
(66,967)	28,482	(151,135)	(189,620)
6,564	206,329	127,645	340,538
\$ 72,560	\$ 332,872	\$ 356,896	\$ 762,328

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Additional Information
Combining Schedules of Revenues, Expenses and Changes in Net Position (In thousands)

For the years ended March 31,

2019

	NFTA	BNIA	Metro	Total
Operating revenues:				
Fares	\$ -	\$ -	\$ 35,510	\$ 35,510
Concessions and commissions	1,903	29,230	-	31,133
Rental income	6,605	12,011	-	18,616
Airport fees and services	196	19,668	-	19,864
Other operating revenues	201	4,289	1,223	5,713
Total operating revenues	8,905	65,198	36,733	110,836
Operating expenses:				
Salaries and employee benefits	12,134	19,912	106,219	138,265
Other postemployment benefits	7,773	2,377	34,065	44,215
Depreciation	4,942	17,502	29,489	51,933
Maintenance and repairs	2,358	9,446	10,130	21,934
Transit fuel and power	-	-	4,330	4,330
Utilities	1,000	2,231	1,712	4,943
Insurance and injuries	308	350	4,158	4,816
Other	5,367	7,010	3,948	16,325
Administration cost reallocation	(10,868)	4,739	6,129	-
Total operating expenses	23,014	63,567	200,180	286,761
Operating income (loss)	(14,109)	1,631	(163,447)	(175,925)
Non-operating revenues (expenses):				
Government assistance	692	-	117,430	118,122
Passenger facility charges	655	10,195	-	10,850
Change in fair value of swap agreements	-	352	-	352
Interest expense, net	(182)	(3,147)	(716)	(4,045)
Airport noise abatement	-	(7)	-	(7)
Other non-operating revenues (expenses), net	4,160	(850)	(653)	2,657
Operating transfers	3,800	(3,800)	-	-
Total non-operating net revenues	9,125	2,743	116,061	127,929
Change in net position before capital contributions	(4,984)	4,374	(47,386)	(47,996)
Capital contributions	(5,313)	1,109	25,768	21,564
Change in net position	(10,297)	5,483	(21,618)	(26,432)
Net position - beginning of year	6,564	206,329	127,645	340,538
Cumulative effect of a change in accounting principle (Note 3)	(59,645)	(10,821)	(238,460)	(308,926)
Net position - beginning, as restated	(53,081)	195,508	(110,815)	31,612
Net position - end of year	\$ (63,378)	\$ 200,991	\$ (132,433)	\$ 5,180

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2018

NFTA	BNIA	Metro	Total
\$ -	\$ -	\$ 35,478	\$ 35,478
2,300	27,120	-	29,420
6,049	11,990	-	18,039
219	18,064	-	18,283
266	4,270	1,219	5,755
8,834	61,444	36,697	106,975
14,442	17,908	108,723	141,073
1,853	2,615	15,208	19,676
4,940	18,347	29,454	52,741
3,042	8,485	9,917	21,444
-	-	3,425	3,425
913	2,026	1,684	4,623
370	245	3,332	3,947
4,131	8,056	4,213	16,400
(10,209)	4,452	5,757	-
19,482	62,134	181,713	263,329
(10,648)	(690)	(145,016)	(156,354)
686	-	113,901	114,587
131	9,624	-	9,755
-	1,192	-	1,192
(217)	(3,514)	(666)	(4,397)
-	(291)	-	(291)
3,981	(840)	(2,056)	1,085
500	(500)	-	-
5,081	5,671	111,179	121,931
(5,567)	4,981	(33,837)	(34,423)
(5,931)	10,971	19,323	24,363
(11,498)	15,952	(14,514)	(10,060)
18,062	190,377	142,159	350,598
-	-	-	-
18,062	190,377	142,159	350,598
\$ 6,564	\$ 206,329	\$ 127,645	\$ 340,538

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Additional Information

Buffalo Niagara International Airport - Restricted Assets (In thousands)

For the years ended March 31,	2019	2018
Cash and cash equivalents:		
Passenger facility charges	\$ 7,723	\$ 5,793
Operations and maintenance reserve	2,000	2,000
Aviation reserve	2,687	2,683
Debt service reserve	14,176	6,957
Auto rental-CFC	790	-
Construction fund	61,224	-
Operating reserve	802	800
	<u>89,402</u>	<u>18,233</u>
Investments:		
Passenger facility charges	10,281	10,081
Revenue bond reserve	6,202	9,867
Repairs and replacement reserve	750	750
Operating reserve	6,622	6,303
	<u>23,855</u>	<u>27,001</u>
Total restricted assets	<u>\$ 113,257</u>	<u>\$ 45,234</u>

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

The Board of Commissioners
Niagara Frontier Transportation Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the balance sheet of Niagara Frontier Transportation Authority (the Authority) (a component unit of the State of New York), a business-type activity, as of March 31, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 18, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

July 18, 2019

DRAFT

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SECTION 2925(3)(f) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW

The Board of Commissioners
Niagara Frontier Transportation Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Niagara Frontier Transportation Authority (the Authority), a business-type activity and a component unit of the State of New York, which comprise the balance sheet as of March 31, 2019, and the related statement of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated July 18, 2019.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended March 31, 2019. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above rules and regulations.

The purpose of this report is solely to describe the scope and results of our testing. This communication is not suitable for any other purpose.

July 18, 2019

CORPORATE:

2. C. (2) **Authorization for Lease and Use Agreement, FlixBus, Inc., Metropolitan Transportation Center, NFTA**

RECOMMENDATION: Staff recommends that the Board authorize a Lease and Use Agreement with FlixBus Inc. (Pierre Gourdain, Managing Director, U.S.) for one (1) bus dock at the Metropolitan Transportation Center (MTC).

INFORMATION: The Agreement will provide FlixBus with the use of one (1) bus dock solely for the purpose of operating its bus transportation business. FlixBus does not require the use of a ticket counter as its passengers use the Internet to make reservations and purchase tickets.

The initial term of the Agreement will be two (2) years, commencing on September 1, 2019, and have an option to renew for one (1) additional one-year period, subject to the Niagara Frontier Transportation Authority's (NFTA) approval.

The rent for the first lease year of the Agreement will be \$54,636.00. The rent will be subject to a 3% annual escalator through the term. Both the rental rate and the escalator are consistent with the terms granted to other bus tenants at the MTC.

FUNDING: No funding is necessary.

“RESOLVED, that the Board hereby authorizes an Agreement with FlixBus, Inc. for one (1) bus dock at the MTC, as described above; and

BE IT FURTHER RESOLVED, that the Executive Director, her designee and/or the Chair, be, and hereby are, authorized to execute and deliver said Agreement; and

BE IT FURTHER RESOLVED, that said Agreement may include such additional terms, conditions and safeguards to the NFTA as deemed appropriate by the General Counsel.”

CORPORATE:

2. C. (3) **Authorization for Lease Agreement, Integrated Deicing Services, LLC, 247 Cayuga Road (NFTA)**

RECOMMENDATION: Staff recommends that the Board authorize a Lease Agreement with Integrated Deicing Services LLC (IDS) for office space at 247 Cayuga Road.

INFORMATION: IDS has been leasing Class C- office space at 247 Cayuga Road since 2009. The leased space is used to support the deicing services IDS provides to airlines operating at the Buffalo Niagara International Airport. The existing lease will expire on August 31, 2019.

In connection with the Lease Agreement, IDS will increase its Class C- office space from 772 square feet to 821 square feet, and add 484 square feet of Class C office space. The Lease Agreement will have a term of two (2) years, commencing September 1, 2019. The rental rate for the first lease year will be \$11.74 per square foot for the Class C- office space and \$12.74 for the Class C office space, for a total rent of \$15,804.70 for the first lease year. The rental rates will be subject to a three percent (3%) annual escalator throughout the term.

FUNDING: No funding is necessary.

“RESOLVED, that the Board hereby authorizes a Lease Agreement with IDS for use of Class C and Class C- office space at 247 Cayuga Road, as described above; and

BE IT FURTHER RESOLVED, that the Executive Director, her designee and/or the Chair, be, and hereby are, authorized to execute and deliver said Lease Agreement on the terms set forth above and as further negotiated; and

BE IT FURTHER RESOLVED, that said Lease Agreement may include such additional terms, conditions and safeguards to the NFTA as deemed appropriate by the General Counsel.”

CORPORATE:

2. C. (4) **Authorization For Term Consultant Agreements, Information Technology Services, NFTA and Metro**

RECOMMENDATION: Staff recommends that the Board authorize Term Consulting Agreements to 12 information technology companies for the provision of technical services and equipment to the Niagara Frontier Transportation Authority (NFTA) and Niagara Frontier Transit Metro System, Inc. (Metro), in each case, on an as-needed basis, as determined, from time to time, by management. Each Agreement will have an initial term of three (3) years, with the right to renew for a single two-year period, exercisable by the NFTA in its discretion.

Discipline 1 - Network Infrastructure, Telecommunications

Converge One
ECC Technologies Inc.
FirstLight
Manchester CS Inc.

Discipline 2 - Server and Application Administration

AddOns, Inc.
ComSource
ConvergeOne
Entre Computer Services
Experis IT

Discipline 3 – Server, Printer and Storage Services

ConvergeOne
Experis IT
Stellar Services, Inc.

Discipline 4 – Application Development and Support

AddOns, Inc.
Diversified Technology Inc.
Experis IT
Stellar Services, Inc.

Discipline 5 – Database Design and Administration

AddOns, Inc.
ComSource
Experis IT
Stellar Services, Inc.

**Discipline 6 - Information and Physical Security Policy, Technology, Implementation,
Response and Remediation**

ConvergeOne
Digital Surveillance Solutions
Entre Computer Services
Experis IT
U&S A Stark Tech Group Company

INFORMATION: The procurement of term consulting services has proven to be both time and cost effective in implementing smaller capital projects and assignments typically less than \$100,000. Originally, several of these vendors supported the NFTA's Information Technology (IT) department pursuant to an Engineering Term Consultant Agreement. However, staff determined that a separate Term Consultant Agreement specifically tailored to the needs of the IT department would result in a more efficient and effective contracting process. In accordance with the NFTA's Procurement Guidelines, a Request for Proposals (RFP) was issued soliciting the provision of certain technology services and equipment. In order to ensure maximum competition, the services were divided into six disciplines: (1) Network Infrastructure and Telecommunications; (2) Server and Application Administration; (3) Server, Printer, and Storage Services; (4) Application Development; (5) Database Design and Administration; and (6) Information and Physical Security Policy, Technology, Implementation, Response and Remediation. The RFP invited proponents to submit proposals for services relating to one or more disciplines.

The NFTA received 13 responsive proposals. Separate review teams, comprised of IT and Procurement staff, were established for each discipline. The 12 recommended organizations set forth above were determined to be the most qualified based on experience, expertise, personnel qualifications, technical resources and cost.

As various IT assignments are identified, staff will provide the most appropriate consultant (based upon expertise, experience, personnel, and availability) with a written description of the scope of work to be performed. The consultant will be required to respond with a cost proposal based upon previously agreed terms, salary rates, and MWBE/SDVOB goals. Staff will pursue and, as necessary, recommend formal approval by the Board, on a per assignment basis following successful negotiations.

Diversified Technologies and Stellar are MBE's; ECC is a WBE. MWBE and SDVOB requirements and goals will be addressed on a per assignment basis.

None of the Term Consultant Agreements will obligate the Authority to contract with the consultant on a specific project, nor for any dollar value of consulting services. Each consultant's performance will be reviewed throughout the year, and the decision to renew a Term Consultant Agreement will depend upon the consultant's past performance.

FUNDING: Funding for these services are included in the annual operating budgets of the NFTA and Metro.

“RESOLVED, that the Board hereby approves the aforementioned term consultant selections and authorizes Term Consulting Agreements with such term consultants, said Agreements will provide for Network Infrastructure, Telecommunications; Server and Application Administration; Server, Printer, and Storage Services; Application Development and Support; Database Design and Administration; Information and Physical Security, Technology, Implementation, Response and Remediation services, as applicable and described above; and

BE IT FURTHER RESOLVED, that the Executive Director, her designee and/or the Chair, be, and hereby are, authorized to execute and deliver said Agreements, as described above; and

BE IT FURTHER RESOLVED, that said Agreements may include such terms, conditions and safeguards to the Authority as deemed appropriate by the General Counsel; and

BE IT FURTHER RESOLVED, that the Chief Financial Officer be, and, hereby is, authorized to make payments under said Agreements, upon certification by the Chief Information Officer that such payments are in order based upon receipt of all required supporting documentation.”

3. AVIATION BUSINESS GROUP REPORT

- A. Aviation Committee Report
- B. Financial and Business Update
- C. Resolutions

Aviation Resolutions

1. Adoption of Goal for Participation of Disadvantaged Business Enterprises, NFTA
2. Authorization for Change Order No. 1, Pike Company, Baggage Claim Expansion Project, BNIA
3. Authorization for Procurement, Batts, Inc., Chemical Application Truck, BNIA

AVIATION:

3. C. (i) Niagara Frontier Transportation Authority, Acceptance of Aviation Resolutions 3. C. (1) through 3. C. (3)

The Executive Director advised that Items 3. C. (1) through 3. C. (3) have been discussed with the Board of Commissioners of the NFTA, and the Board is unanimously in favor of all subject Resolutions.

Whereupon, it was moved by Commissioner Demakos, seconded by Commissioner Gurney, that the following Resolution be adopted:

“**RESOLVED**, that the Resolutions of the Niagara Frontier Transportation Authority, identified as numbers 3. C. (1) through 3. C. (3) and dated July 25, 2019 as set forth herein, be and hereby are accepted and approved in their entirety.”

AYES: ROCHE, DEMAKOS, GURNEY, ANSARI, AUL, HUGHES, PERRY, WILCOX

NOES: NONE

ADOPTED

AVIATION 3. C. (i)

AVIATION:

3. C. (1) **Adoption of Goal for Participation of Disadvantaged Business Enterprises, NFTA**

RECOMMENDATION: Staff recommends the Board adopt the goal of 16% for participation by Disadvantaged Business Enterprises (DBE) on Niagara Frontier Transportation Authority (NFTA) projects funded, in whole or in part, through grants received from the Federal Aviation Administration (FAA) for the period commencing October 1, 2019 through September 30, 2022.

INFORMATION: On February 2, 1999, amendment of the Federal Regulations 49 C.F.R. Part 26, changed the goal setting process to require that the DBE Program be narrowly tailored to reflect the percentage of local firms that are DBE's who are ready, willing and able to perform work on contracts.

Upon analysis of data obtained from the County Business Pattern database, Bidder's list, and the New York State Unified Certified Program directory of certified disadvantaged business enterprises, staff has determined that a DBE participation goal of 16% is both reasonable and achievable.

FUNDING: No funding is required.

“**RESOLVED**, that the Board hereby approves the adoption of a 16% goal for participation by DBEs on NFTA projects funded, in whole or in part, through grants received from the FAA for the period commencing October 1, 2019 through September 30, 2022.”

AVIATION:

3. C. (2) Authorization for Change Order No. 1, Pike Company, Baggage Claim Expansion Project, BNIA

RECOMMENDATION: Staff recommends that Change Order No. 1, in the aggregate amount of \$1,788,400.00, be approved as a no net-cost change order to Pike Company, Contract No. 31BT1516, BNIA Baggage Claim Expansion (Contract). The total Contract value, inclusive of Change Order No. 1, remains \$52,666,528.00.

INFORMATION: The cost for the proposed change orders (PCO) set forth below are in accordance with the terms of the Contract. Specifically, Article 22 – Extra Work, Article 24 – Payment for Agreed Prices, and Article 25 – Payment for Force Account Work of the General Conditions. The PCO costs set forth below incorporate New York State Prevailing Wage Rates and standard material and equipment costs, as verified by the Authority’s Engineer.

Change Order No. 1 is the result of (i) unforeseeable varying site conditions, (ii) construction permit reviews, (iii) mitigating interference with operations and (iv) related overhead costs, inclusive of insurance and bonds. A breakdown of the work and costs associated with Change Order No. 1 is set forth below.

Unforeseeable Varying Site Conditions: \$838,500.00, approximately 47% of Change Order No. 1

PCO 010- Re-route electrical duct bank on west sideADD \$85,000.00
Underground obstructions encountered and duct bank must be relocated to avoid new foundation footers.

PCO 011- Re-route potable water lines on west sideADD \$305,000.00
Underground obstructions encountered and exploratory excavation and relocation is necessary to install new potable water lines.

PCO 015- West side deteriorated storm sewer line replacement.....ADD \$185,000.00
Upon excavating for the west side utility relocation, deteriorated corrugated metal pipes were discovered. The failed pipes are to be removed and replaced with ductile iron wrapped in Poly to prevent any future failure.

PCO 021- West side test pits for relocation of sewer linesADD \$8,500.00
Tests pits for storm water sewer line relocation

PCO 024- East side mass excavationADD \$220,000.00
Upon excavating, old terminal foundation footers were encountered. The soil inside the foundation area was tested and determined to be contaminated with petroleum based solid material. Soil and foundations must be removed to provide area for new footers.

PCO 028- Re-route 8" fire service at west side.....ADD \$35,000.00
Record drawings inaccurately locate the existing 8" fire service line. This fire service line needs to be relocated to prevent interference with footers and proposed structure.

Construction Permit Reviews: \$396,100.00, approximately 22% of Change Order No. 1

PCO 007- Gate guard booth.....ADD \$2,500.00
Specified gate guard booth was not NYS code compliant. This is to upgrade the booth to meet NYS code.

PCO 009- Exhaust duct with dampers.....ADD \$22,000.00
Install exhaust duct and damper in generator room to comply with NYS code.

PCO 012- Directional boring from generator room.....ADD \$34,100.00
Primary electrical feed needs to be relocated out of the demo/reconstruction area.

PCO 013- Electrical work modifications.....ADD \$85,000.00
Code review required additional receptacles, additional lighting and heat trace for primary fire service line located at the west side expansion area, and issued through Bulletin 7

PCO 014- Revised Security Gate No. 37.....ADD \$23,100.00
Security gate required key pad to be compliant with current Department of Homeland Security (DHS) standards.

PCO 016- VAV boxes, fire alarm devices and power feeds.....ADD \$52,000.00
Code review required modifications to the electrical drawings to amend fire alarm devices, power feeds, VAV boxes, electrical panel locations and issued through Bulletin 8

PCO 019- Remove J-boxes and extend underground duct for gateADD \$75,500.00
Electrical duct bank needs additional conduit and to be encased in concrete to meet NYS code.

PCO 022- Electrical wire for power and cameras at Gate No. 37ADD \$9,500.00
Additional wire for power and cameras at Gate No. 37.

PCO 023- Gate No. 21 HardwareADD \$2,500.00
Hardware for access doors both airside and terminal were not specified for Gate No. 21.

PCO 026- Adding security to doors via cameras.....ADD \$81,000.00
Security cameras are required on secure airside access doors to meet current DHS standards.

PCO 027- Move arrivals monitorsADD \$8,900.00
Passenger information displays need to be moved in the baggage pickup area prior to demolition.

Mitigating Operations Interference: \$368,800.00, approximately 21% of Change Order No. 1

PCO 001- New employee parking exit.....ADD \$70,183.00
Realign the new employee parking exit lanes to avoid interference with the contractor's entrance.

PCO 002- New employee parking entrance.....ADD \$90,027.00
Realign the new employee parking entrance lanes to avoid entering contractor's laydown and equipment storage area.

PCO 003 – Post driven fencing and employee egress.....ADD \$23,190.00
Provide additional security fencing from employee parking lot to the airport entrance.

PCO 004 –International drop off.....ADD \$54,000.00
Provide curb and sidewalk bump out area for bus staging for the International gate and FIS area.

PCO 005- Phase 2 bus cross-over.....ADD \$7,800.00
Turning radius for busses was not functional. Realigned curbing to allow busses to egress service road.

PCO 006- Removal of existing concrete at Gate No. 37.....ADD \$16,000.00
Concrete removal necessary for alignment and grading to work for security Gate No. 37.

PCO 008- Added slab dowels.....ADD \$26,000.00
Drill and grout dowels to tie existing slab to newly poured concrete slab for security Gate No. 37.

PCO 017- Interior fencingADD \$18,900.00
Security fencing required to separate work zone from TSA sidewalk.

PCO 018- Wall pack lighting at FIS areaADD \$7,700.00
Exterior lighting required to illuminate the FIS area at night.

PCO 025- Gate No. 21 additional workADD \$55,000.00
Gate No. 21 needed floor drains, double doors, and extended lintel along with additional demo and impact resistant walls.

Overhead: \$185,000.00, approximately 10% of Change Order No. 1

PCO 020- Revised overhead..... ADD \$185,000.00
Cost of bonds and insurance relating to work under Change Order No. 1.

FUNDING: The funding for Change Order No. 1 is reflected in, and will be deducted from, the \$2,000,000.00 contingent and non-contingent allowance bid item, which is a component of the \$52,666,528.00 total Contract value previously approved by the Board. The funding breakdown for Change Order No. 1 is as follows:

Funding Source	%	Value
NFTA	13%	\$232,492.00
NYSDOT	3%	\$53,652.00
PFC	84%	\$1,502,256.00
	Total	\$1,788,400.00

“RESOLVED, that the Board hereby authorizes Change Order No. 1 in the amount of \$1,788,400.00 to the Contract with Pike Company relating to the Baggage Claim Expansion Project at BNIA, as described above; and

BE IT FURTHER RESOLVED, that the Executive Director, her designee and/or the Chair, be, and hereby are, authorized to execute and deliver said Change Order No. 1; and

BE IT FURTHER RESOLVED, that the Chief Financial Officer, be, and hereby is, authorized to make payments in connection with the performance of the work reflected said Change Order No. 1 upon certification by the Director of Engineering that such payments are in order based upon receipt of all required supporting documentation.”

AVIATION:

3. C. (3) **Authorization for Procurement, Batts, Inc., Chemical Application Truck, BNIA**

RECOMMENDATION: Staff recommends that the Board approve the procurement of a chemical application truck from Batts, Inc., located in Advance, Indiana, at a cost of \$252,450.00.

INFORMATION: Buffalo Niagara International Airport (BNIA) airfield staff is responsible for snow and ice removal for all ramps, runways, and roadways during winter operations. Staff proposes to purchase a chemical application truck which will utilize liquid chemical (potassium acetate) for anti-icing and de-icing of airfield pavement. The chemical has proven to be much more effective and efficient during icing events, which have been occurring with more frequency. The chemical has also proven to cause less damage to pavement and structural bridges. This truck will augment the current winter fleet and make operations more efficient.

Request for Proposals No. 4855 was issued for a chemical application truck in accordance with the NFTA's Procurement Guidelines. The NFTA evaluation team, which consisted of members from the BNIA Airfield Department and the NFTA Procurement Department evaluated all proposals taking into consideration:

- Compliance with technical specifications;
- Vehicle cost; and
- Manufacturer qualifications and experience.

The proposal received from Batts was rated highest, at a cost of \$252,450.00. NFTA did not set a DBE goal for this procurement because there were no certified providers of this equipment. Empire State Development excluded this procurement from MWBE requirements because there are no NYS certified providers of this equipment. NFTA excluded this requirement from SDVOB requirements because there are no NYS certified provider of this equipment.

The Federal Aviation Administration (FAA) requirement for Buy American Preferences was 100% for this procurement. FAA approved a Buy America waiver based on the fact that 90.4% of the cost of the components and subcomponents of this equipment are produced in the United States with final assembly performed in Advance, Indiana.

FUNDING: Funding for this procurement will be through an AIP Grant.

“RESOLVED, that the Board hereby authorizes the procurement of a chemical application truck from Batts, Inc. at a cost of \$252,450.00 to be used at BNIA, as described above; and

BE IT FURTHER RESOLVED, that the Manager of Procurement, be, and hereby is, authorized to issue a purchase order to Batts, Inc. for the procurement of one chemical application truck, as described above; and

BE IT FURTHER RESOLVED, that the Chief Financial Officer, be, and hereby is, authorized to make payment(s) under said purchase order upon certification by the Director of Aviation that such payment(s) is in order based upon receipt of all required supporting documentation.”

RFP EVALUATION FORM

RFP 4855	BATTS INC.	OSHKOSH AIRPORT PRODUCTS, LLC	WAUSAU EQUIPMENT COMPANY, INC.
LIQUID DE-ICER TRUCK	Advance, IN	Neenah, WI	New Berlin, WI
SELECTION CRITERIA			
Technical: Compliance with technical specifications, design and operating system proposed. 50%	8.50	8.50	9.00
Cost. 30%	10.00	5.99	8.99
Qualifications and experience: Demonstrated ability in the industry, references, past performance, warranty/delivery. 20%	9.00	5.00	9.00
TOTAL	9.05	7.05	9.00
<hr/>			
COST			
Liquid De-Icer Truck with chassis and de-icer equipment	\$252,450.00	\$421,342.00	\$280,863.00
TOTAL	\$252,450.00	\$421,342.00	\$280,863.00

4. **SURFACE TRANSPORTATION BUSINESS GROUP REPORT**
 - A. Surface Transportation Committee Report
 - B. Financial and Business Update
 - C. Resolutions

Surface Transportation Resolutions

1. Authorization for Agreement, Ferguson Electric Construction Company, Inc., Catenary and Insulator Replacement Phase 3, LRRT

SURFACE:

4. C. (1) **Authorization for Agreement, Ferguson Electric Construction Company, Inc., Catenary and Insulator Replacement Project Phase 3, LRRT**

RECOMMENDATION: Staff recommends that the Board award the subject construction contract to Ferguson Electric Construction Co., Inc. (Ferguson) for a lump sum total bid amount of \$1,230,000.00.

INFORMATION: The catenary power system provides dc power to the light rail vehicles. It consists of copper wire, insulators, and hangar supports. The project objectives are to improve reliability, availability, and maintainability of the catenary power system. This will be accomplished, in part, by replacing 14,135 feet of the overhead contact system with new contact wire, insulators, and hanger supports at the following four (4) areas:

- Amherst Station (inbound track only)
- Humboldt Station (outbound track only)
- Delavan Station (inbound track only)
- Allen Station (inbound and outbound tracks)

The Niagara Frontier Transportation Authority (NFTA) will furnish the overhead contact wire, insulators, and hangar supports to Ferguson for the installation.

This project was publicly advertised in accordance with the NFTA's Procurement Guidelines. Two (2) sets of contract documents were distributed to potential bidders with one (1) responding as shown below:

Company	Total Bid Amount
Engineer's Estimate	\$1,280,000.00
Ferguson Electric Construction Co., Inc. Buffalo, NY Angelo A. Veanes, President	\$1,230,000.00

The potential bidder that did not submit a proposal is located outside of the Western New York area and determined that the project was not large enough to compete with local contractors.

An audit of this single bid was performed and it was determined that the cost was fair and reasonable.

Staff has determined that Ferguson has the knowledge, understanding, and ability to successfully accomplish the scope of work for this project.

Empire State Development excluded this procurement from MWBE requirements because there are no NYS certified providers of this service. The NFTA excluded this procurement from SDVOB goals because the number of certified SDVOB providers was limited.

FUNDING: Funding will be supported by Account No. 12-0000000-3188-2-9185 and is distributed as follows:

Funding Source	Amount
SMRC Funds (100%)	\$1,230,000.00

Whereupon, it was moved by Commissioner Aul, seconded by Commissioner Wilcox, that the following Resolution be adopted:

“RESOLVED, that the Board hereby authorizes an Agreement with Ferguson in the amount of \$1,230,000.00 for work associated with Phase 3 of the Catenary and Insulator Replacement project, as described above; and

BE IT FURTHER RESOLVED, that the Executive Director, her designee and/or the Chair, be, and hereby are, authorized to execute and deliver said Agreement; and

BE IT FURTHER RESOLVED, that said Agreement may include such additional terms, conditions and safeguards to the Authority as deemed appropriate by the General Counsel; and

BE IT FURTHER RESOLVED, that the Chief Financial Officer, be, and hereby is, authorized to make payments under said Agreement upon certification by the Director of Engineering that such payments are in order based upon receipt of all required supporting documentation.”

AYES: ROCHE, DEMAKOS, GURNEY, ANSARI, AUL, HUGHES, WILCOX

ABSTENTION: PERRY

NOES: NONE

ADOPTED

SURFACE 4. C. (1)

6. General Counsel Report - None

7. Executive Session

At approximately 1:04 p.m., it was moved by Commissioner Hughes, seconded by Commissioner Wilcox, that the Commissioners convene in Executive Session to discuss matters regarding an FAA investigation which will include providing legal advice to the Board. There was no action taken during the Executive Session.

Following discussion, at approximately 1:28 p.m., it was moved by Commissioner Aul, seconded by Commissioner Perry, that the Executive Session be adjourned and that the Board resume the Regular Session.

**AYES: ROCHE, GURNEY, ANSARI, AUL, HUGHES, PERRY,
WILCOX**

NOES: NONE

8. Adjournment

At approximately 1:28 p.m., the Chair indicated that there was no further business coming before the Board, whereupon it was moved by Commissioner Aul, seconded by Commissioner Wilcox and unanimously approved that the Regular Meeting of the Niagara Frontier Transportation Authority and Niagara Frontier Transit Metro System, Inc. be adjourned.

**AYES: ROCHE, GURNEY, ANSARI, AUL, HUGHES, PERRY,
WILCOX**

NOES: NONE

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