Niagara Frontier Transportation Authority
Serving Buffalo Niagara

181 Ellicott Street
Buffalo, New York 14203
716-855-7300
Fax: 716-855-7657
TDD: 855-7650
www.nfta.com

July 23, 2012

Mr. Robert M. Graber
Clerk
Erie County Legislature
25 Delaware Avenue
Buffalo, New York 14202

Re: NFTA Board Minutes

Dear Mr. Graber:

Enclosed, for your information and files, please find a copy of the Minutes from the Niagara Frontier Transportation Authority's Board Meeting held on June 25, 2012.

Very truly yours,

David J. State
General Counsel

DJS:lf

Enclosure

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
NIAGARA FRONTIER TRANSIT METRO SYSTEM, INC.
REGULAR BOARD MEETING
JUNE 25, 2012 12:30 PM
MINUTES

---

1. CALL TO ORDER

A. Meeting Called to Order

Chairman Zemsky called the meeting to order at approximately 12:50 p.m.

B. Special Business

Chairman Zemsky acknowledged the dedication and commitment to the Authority of Commissioner Carmen Granto whose tenure on the Board ended last month.

C. Approval of Minutes of the NFTA Regular Board Meeting held on May 21, 2012

It was moved by Commissioner Perry, seconded by Commissioner Lewin, that the Minutes of the May 21, 2012, Regular Meeting of the Niagara Frontier Transportation Authority and Niagara Frontier Transit Metro System, Inc., be accepted and approved.

AYES: **ZEMSKY, SLOMA, DEMAKOS, LEWIN, CROCE, EAGAN, DURAND, GURNEY, HUGHES, PERRY, WILCOX**

NOES: **NONE**

D. <u>Executive Director's Report:</u>

Executive Director Kimberley Minkel updated the Board on the status of the Office of State Comptrollers audit which is expected to be completed in July. Upon completion of that audit the Authorities Budget Office will be conducting an audit at the request of Assemblyman Sean Ryan with a projected time frame of three to four months. The focus of their audit will be fiscal compliance.

2. **NFTA CORPORATE REPORT**
   A. Audit and Governance Committee Report (Howard Zemsky)
   B. Consolidated Financial (Debbie Leous)
   C. Human Resource Report (Adam Perry)
   D. Corporate Resolutions (Kim Minkel)

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, 2012.

2. Authorization to Apply for Section 5311 Operating Assistance for Federal Fiscal Years 2011 and 2012

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, 2012

RECOMMENDATION: The Audit and Governance Committee has reviewed this item and recommends that the Board approve the Authority's financial statements for fiscal year ending March 31, 2012.

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

FUNDING: No funding is required.

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

> "**RESOLVED**, that the Board hereby approves the financial statements for fiscal year ending March 31, 2012 for the Niagara Frontier Transportation Authority and the Niagara Frontier Transit Metro System, Inc."

AYES: **ZEMSKY, SLOMA, DEMAKOS, LEWIN, CROCE, EAGAN, DURAND, GURNEY, HUGHES, PERRY, WILCOX**

NOES: **NONE**

ADOPTED

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

Basic Financial Statements and
Required Supplementary Information

March 31, 2012 and 2011

(With Independent Auditors' Reports Thereon)

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
March 31, 2012 and 2011

Table of Contents

* * * * * *

TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

300 Essjay Road, Ste 115
Williamsville, NY 14221
(716) 634-0700

14 Corporate Woods Blvd.
Albany, NY 12211
(518) 935-1069

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Niagara Frontier Transportation Authority
Buffalo, New York:

We have audited the accompanying statements of net assets of Niagara Frontier Transportation Authority (the Authority) (a component unit of the State of New York) as of March 31, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic 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 audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of March 31, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 13, 2012 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

EMAIL: toski@toskicpa.com
WEBSITE: www.toskicpa.com

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis preceding the basic financial statements and schedules of funding progress for defined benefit pension and other postemployment benefit plans on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other 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 basic financial statements taken as a whole.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 13, 2012

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
March 31, 2012 and 2011

MANAGEMENT'S RESPONSIBILITY FOR AND CERTIFICATION OF THE FINANCIAL STATEMENTS

The management of the Niagara Frontier Transportation Authority (the Authority) is responsible for the preparation and presentation of the financial statements and other financial information. Management is also responsible for the reasonableness of estimates and judgments inherent in the preparation of the financial statements, which are prepared in accordance with accounting principles generally accepted in the United States of America.

It is management's responsibility to ensure the Authority maintains accounting and reporting systems, supported by a system of internal accounting control, designed to provide reasonable assurance as to the integrity of the underlying financial records and the protection of assets. These systems include written policies and procedures, selection and training of qualified personnel, organizational segregation of duties and a program of internal reviews and appropriate follow-up.

Management believes the Authority's systems are adequate to provide reasonable assurances that assets are safeguarded against loss from unauthorized use or disposition and financial records are reliable for preparing financial statements.

The Board of Commissioners is responsible for ensuring the independence and qualifications of Audit and Governance Committee members. The Audit and Governance Committee of the Board of Commissioners, which consists of five non-management commissioners, oversees the Authority's financial reporting and internal control system and meets regularly with management, the independent auditors and internal auditors periodically to review auditing and financial reporting matters. The Audit and Governance Committee is solely responsible for the selection and retention of the Authority's independent auditors. The independent auditors and internal auditors have full and free access to the Audit and Governance Committee and meet with it to discuss their audit work, the Authority's internal controls, and financial reporting matters.

Toski & Co., CPAs, P.C. is responsible for conducting an independent examination of the Authority's financial statements in accordance with auditing standards generally accepted in the United States of America, and expressing an opinion as to whether the financial statements fairly present, in all material respects, the Authority's financial position, operating results, and cash flows.

Management certifies that, based on our knowledge, the information provided therein 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, results of operations and cash flows of the Authority as of and for the periods presented in the financial statements.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

Kimberley A. Minkel Executive Director	Deborah C. Leous Chief Financial Officer	Patrick J. Dalton Director of Internal Audit

June 13, 2012

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
March 31, 2012 and 2011

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Niagara Frontier Transportation Authority (the Authority) is responsible for establishing and maintaining adequate internal controls and procedures over financial reporting. The Authority's internal control system is designed to provide reasonable assurance to the Authority's management and Board of Commissioners regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Further, because of changes in conditions, internal control effectiveness may vary over time.

The Authority's management assessed the effectiveness of the Authority's internal control over financial reporting as of March 31, 2012. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Based on our assessment we believe that, as of March 31, 2012, the Authority's internal controls over financial reporting are effective based on those criteria.

The Authority's independent auditors, Toski & Co., CPAs, P.C., has issued a report on our assessment of the Authority's internal control over financial reporting.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

Kimberley A. Minkel	Deborah C. Leous	Patrick J. Dalton
Executive Director	Chief Financial Officer	Director of Internal Audit

June 13, 2012

TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

300 ESSJAY ROAD, STE 115
WILLIAMSVILLE, NY 14221
(716) 634-0700

14 CORPORATE WOODS BLVD.
ALBANY, NY 12211
(518) 935-1069

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS

The Board of Commissioners
Niagara Frontier Transportation Authority
Buffalo, New York:

We have audited management's assertion, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Niagara Frontier Transportation Authority (the Authority) maintained effective internal control over financial reporting as of March 31, 2012, based on criteria established in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Authority's management is responsible for maintaining effective internal control over financial reporting, and for its assertion of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on management's assertion based on our audit.

We conducted our audit in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

An entity's 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 expenditures 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.

EMAIL: toski@toskicpa.com
WEBSITE: www.toskicpa.com

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that the Authority maintained effective internal control over financial reporting as of March 31, 2012 is fairly stated, in all material respects, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Authority and our report dated June 13, 2012 expressed an unqualified opinion.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 13, 2012

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Management's Discussion and Analysis
March 31, 2012 and 2011
(Unaudited)

This management's discussion and analysis (MD&A) of the Niagara Frontier Transportation Authority (the Authority) provides an introduction and overview to the financial statements of the Authority for the fiscal years ended March 31, 2012 and 2011. Following this MD&A are the financial statements of the Authority together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

The financial statements of the Authority are prepared using the economic resources measurement focus and the accrual basis of accounting, which requires that transactions be recorded when they occur, not when the related cash receipt or disbursement occurs.

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 component unit of the Authority, which primarily provides surface transportation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of:

- Statements of Net Assets
- Statements of Revenues, Expenses and Changes in Net Assets
- Statements of Cash Flows

Statements of Net Assets present information on the assets and liabilities, with the differences reflected as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statements of Revenues, Expenses and Changes in Net Assets report the operating revenues and expenses, and non-operating revenues and expenses of the Authority for the fiscal year with the difference, loss before capital contributions, combined with capital contributions determine the change in net assets for the fiscal year. That change, combined with the previous year's net asset total, reconciles to the net asset total at the end of this fiscal year.

Statements of Cash Flows report cash activities for the fiscal year resulting from operating activities, non-capital financing activities, capital and related financing activities and investing activities. The net result of these activities, added to the beginning of the year cash and cash equivalents balance, reconciles to the total cash and cash equivalents balance at the end of the fiscal year.

The financial statements also include notes that further explain certain information in the financial statements and provide more detailed data. The statements are followed by additional information that provides information related to the NFTA and Metro.

Summary of Financial Highlights

Summary of Net Assets

	March 31		
	2012	2011	As adjusted (note 2) 2010
		(In thousands)	
Current assets	$ 35,082	$ 33,793	$ 43,842
Restricted assets	56,317	52,464	62,456
Capital assets	713,763	727,275	739,242
Bond issuance costs, net	3,661	3,948	4,832
Total assets	808,823	817,480	850,372
Current liabilities	50,271	46,186	58,291
Long-term liabilities	282,383	276,173	274,375
Total liabilities	332,654	322,359	332,666
Net assets:			
Invested in capital assets, net of related debt	529,698	535,231	534,209
Restricted	51,613	47,740	54,418
Unrestricted	(105,142)	(87,850)	(70,921)
Total net assets	$ 476,169	$ 495,121	$ 517,706

March 31, 2012 vs. March 31, 2011

The changes in total net assets serve over time as a useful indicator of the Authority's financial position. The Authority's assets exceeded liabilities by $476.2 million at March 31, 2012, a $19.0 million, or 3.8%, decrease from March 31, 2011. Included in 2012 is an increase in health insurance postemployment liabilities of $16.1 million.

- Current assets increased $1.3 million, or 3.8%, due to an increase in our government agencies receivable in anticipating receipt of New York State operating assistance, partially offset by cash balance decreases of $2.4 million, or 25.0%, resulting from higher insurance and injury claims paid and lower cash flows from capital and related financing activities.

- Restricted assets increased $3.9 million, or 7.3%, due to higher balances in our Buffalo Niagara International Airport (BNIA) Airport Development Fund (ADF) resulting from operations and the receipt of New York State reimbursement proceeds previously used to fund construction of our Niagara Falls International Airport (NFIA) terminal.

- Capital assets decreased $13.5 million, or 1.9%, due to the continued depreciation of our existing Metro railcars and BNIA buildings, facilities and surrounding infrastructure, partially offset by the receipt of twenty-nine new Metro buses and two refurbished railcars.
- Current liabilities increased $4.1 million, or 8.8%, that includes a $5.5 million line of credit draw for the anticipated receipt of New York State dedicated transit funds.
- Long-term debt (net of current portion) declined $13.6 million, or 7.6%, as BNIA related debt service payments for capital projects incurred, highlighted by construction of our BNIA and NFIA terminals, contributed to the decrease.

The Authority uses its capital assets primarily to provide services to the public. Significant components of capital assets include a Light Rail Rapid Transit (LRRT) system and the Buffalo Niagara International Airport. The major change between 2012 and 2011 included $8.5 million for NFIA runway 6-24 safety area improvements, $4.0 million and $1.5 million for the BNIA noise compatibility program and NFIA mill and overlay of runway 10L/28R, respectively, and $1.0 million for the BNIA master plan update. Metro additions included $15.9 million for the purchase of twenty-nine hybrid buses, $4.9 million and $1.3 million for the ongoing mid-life railcar rebuild project and South Park perimeter security initiative, respectively, and $1.1 million for fire detection and system intrusion for our rail stations. Also, sixty life-expired transit buses were disposed of in 2012.

March 31, 2011 vs. March 31, 2010

The Authority's assets exceeded liabilities by $495.1 million at March 31, 2011, a $22.6 million, or 4.4%, decrease from March 31, 2010. This decrease is primarily attributable to an increase in health insurance postemployment liabilities of $15.8 million. With the help of the federal stimulus program, the NFTA upgraded its bus fleet with the delivery of fifty-eight new buses in 2011. This represented nearly 20% of our bus fleet. Our mid-life railcar rebuild project continues with our goal to have the entire railcar fleet upgraded by the end of 2014. Current assets decreased $10.1 million, or 22.9%, due to a decline in our government agencies receivable from funds received, immediately forwarded to our vendor for eleven hybrid buses delivered during 2010. Restricted assets decreased $10.0 million, or 16.0%, as our 88(c), Buffalo Niagara International Airport (BNIA) Airport Development Fund and Passenger Facility Charge (PFC) accounts were utilized to fund Metro capital and operational shortfalls, loan payments for construction of our new Niagara Falls International Airport terminal and completion of BNIA capital projects to be reimbursed in subsequent years with the receipt of PFC funds. Capital assets decreased $12.0 million, or 1.6%, due to the continued depreciation of our existing Metro railcars and BNIA buildings and facilities, partially offset by the receipt of fifty-eight new Metro buses. Current liabilities decreased $12.1 million, or 20.8%, due to the aforementioned receipt of government funds immediately forwarded to our vendor for eleven hybrid buses delivered during 2010. Long-term debt (net of current portion) declined $13.5 million, or 7.0%, as BNIA related debt service payments for capital projects incurred, highlighted by construction of our BNIA and NFIA terminals, contributed to the decrease.

The major change in capital assets between 2011 and 2010 included $4.5 million for the BNIA noise compatibility program, $2.5 million and $1.0 million for the BNIA automatic baggage system and runway brooms replacement, respectively, and $0.5 million for the BNIA terminal fire alarm system replacement. Metro additions included $24.2 for the purchase of fifty-six transit buses, $1.3 million and $1.1 million for two hybrid buses and ten small buses, respectively, $1.0 million for our rail station CCTV upgrade, and $0.8 million for South Park perimeter security.

Summary of Revenues, Expenses and Changes in Net Assets

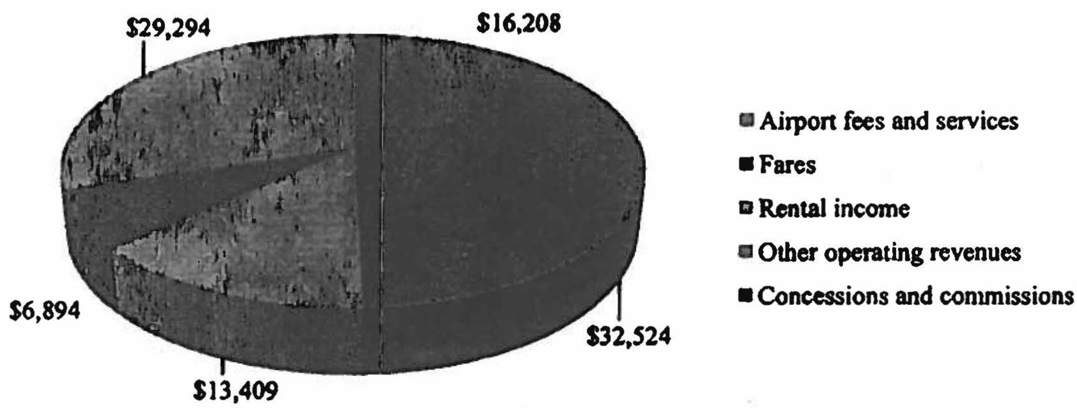
	Years ended March 31		
	2012	2011	As adjusted (note 2) 2010
		(In thousands)	
Operating revenues:			
Fares	$ 32,524	$ 31,651	$ 30,662
Concessions and commissions	29,294	28,245	26,727
Rental income	13,409	13,542	13,342
Airport fees and services	16,208	15,253	14,839
Other operating revenues	6,894	6,742	6,406
Total operating revenues	98,329	95,433	91,976
Operating expenses:			
Salaries and employee benefits	116,089	116,223	110,247
Other postemployment benefits	17,329	15,756	15,595
Depreciation and amortization	57,523	60,489	53,171
Maintenance and repairs	16,267	16,128	16,119
Transit fuel power	8,582	6,803	7,443
Utilities	5,242	6,273	5,988
Insurance and injuries	4,118	3,646	3,012
Safety and security	11,581	11,272	11,454
Other operating expenses	13,784	12,319	11,982
Total operating expenses	250,515	248,909	235,011
Operating loss	(152,186)	(153,476)	(143,035)
Nonoperating revenues, net	107,349	87,876	79,428
Loss before capital contributions	(44,837)	(65,600)	(63,607)
Capital contributions	25,885	43,015	38,624
Change in net assets	(18,952)	(22,585)	(24,983)
Total net assets, beginning of year	495,121	517,706	542,689
Total net assets, end of year	$ 476,169	$ 495,121	$ 517,706

Summary of Revenues, Expenses and Changes in Net Assets, Continued

March 31, 2012 vs. March 31, 2011

The Authority ended 2012 with total net assets of $476.2 million, a $19.0 million or 3.8%, decrease as compared to 2011. Significant items affecting the revenues, expenses and changes in net assets are as follows:

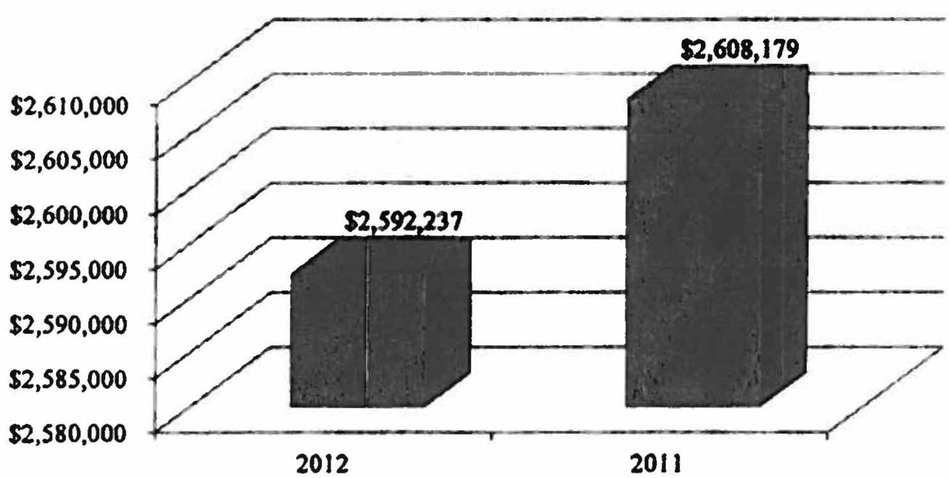
Sources of Revenue for FYE 2012



Operating revenues increased 3.0% from $95.4 million to $98.3 million due to the following:

- NFTA operating revenues increased 3.5%, from $63.0 million to $65.2 million.

BNIA Enplanements



BNIA airport fees and services increased $0.9 million, or 6.0%, as increased direct landing area expenses, partially offset by lower NFIA net deficit and bond debt service costs, are factored into our signatory airline billings. The BNIA signatory airlines, as part of the landing fee rate, fund 50% of NFIA's net deficit, after capital needs. General aviation/air cargo fees increased $0.3 million, or 27.1%, as the transfer of administrative billing to the airport and the monitoring and standardization of general aviation aircraft contributed to the variance. BNIA concessions/commissions increased $0.4 million, or 1.3%, primarily due to increased auto rental, ground transportation and meals revenue. Other operating revenues increased $0.2 million, or 6.9%, as higher contractual baggage maintenance costs billed directly to the airlines contributed to the variance.

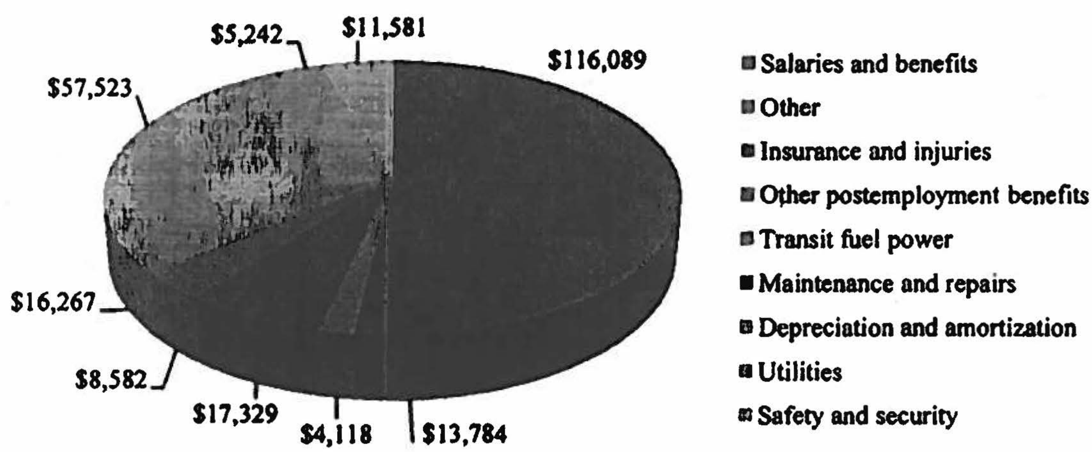
NFIA concessions/commissions increased $0.7 million, or 221.6%, as a result of higher parking revenue.

Property Management Group operating revenue increased $0.1, or 1.9%, due to higher Boat Harbor dock rental and gasoline sales revenue.

METRO

- Metro operating revenue increased 2.1%, from $32.4 million to $33.1 million, due to increased passenger usage with higher gasoline prices and the full year implementation of our Erie County service restructuring initiative emphasizing more service in core areas.

Expenses for FYE 2012



Operating expenses increased 0.6%, from $249.0 million to $250.5 million, due to the following:

NFTA

- Authority expenses increased 3.4% from $77.2 million to $79.9 million. Included in 2012 are $3.3 million in health insurance postemployment costs. Higher workers' compensation costs of $1.4 million, or 273.4%, due to a year-end actuarial adjustment based on cases outstanding, health insurance increases of $0.5 million, or 9.7%, and higher pension costs of $0.4 million, or 9.1%, are allocated throughout the Authority to the business centers and support functions noted below. Other expense variances identifiable to our business centers and administrative support areas are the following:

  BNIA:

  - Salaries and employee benefits increased $0.7 million, or 5.6%, as a result of union contractual increases, higher health insurance, pension and workers' compensation costs, partially offset by lower overtime expenses.
  - Utilities decreased $0.3 million, or 13.5%, due to lower National Grid delivery costs, mild winter and multi-year low natural gas prices, and decreased water billings.
  - Insurance & injuries increased $0.1 million, or 27.1%, as a result of increased claim losses and favorable reserve adjustments in 2011.
  - Safety & security increased $0.1 million, or 2.3%, due to increased police health insurance, pension and workers' compensation costs, mitigated with traffic control costs consistent with 2011 levels.
  - General business/other increased $0.3 million, or 5.7%, as higher parking operation expenses and increased provisions/reserves (bad debt) costs related to Colgan and American Eagle bankruptcies contributed to the variance.
  - Other operating expenses increased $0.1 million, or 8.2%, due to higher facility maintenance expenses, specifically higher health insurance, pension and workers' compensation costs.

  NFIA:

  - Salaries and employee benefits increased $0.3 million, or 24.9%, as a result of union contractual increases, higher health insurance, pension and workers' compensation costs and increased staffing.
  - Maintenance and repairs increased $0.3 million, or 54.2%, due to higher facility maintenance costs and increased automotive expenses.
  - Insurance and injuries decreased $0.08 million, or 45.9%, as a result of lower claim losses.
  - Safety and security increased $0.05 million, or 20.9%, due to increased traffic control costs and higher police health insurance, pension and workers' compensation costs.
  - General business/other increased $0.2 million, or 40.8%, as a result of higher parking operation expenses and increased provisions/reserves (bad debt) costs related to DirectAir bankruptcy, partially offset by decreased advertising expenses.

Transportation Centers:

- Utilities decreased $0.1 million, or 22.9%, as a result of lower National Grid delivery costs, mild winter and multi-year low natural gas prices.
- Safety and security decreased $0.08 million, or 20.9%, due to reallocation of police resources, partially offset by higher police health insurance, pension and workers' compensation costs.

Property Management Group:

- Maintenance and repairs decreased $0.1 million, or 20.9%, due to lower major repairs at our Sierra Plant 3 and Terminal A buildings.
- Utilities decreased $0.2 million, or 24.5%, as billings at our Sierra Plant 3 and Terminal A buildings decreased as a result of lower National Grid delivery costs, mild winter and multi-year low natural gas prices.
- Insurance & injuries increased $0.3 million, or 179.9%, as 2011 included the receipt of dock/greenbelt insurance proceeds.

Administrative Support:

- Personnel services increased $0.8 million, or 3.0%, as a result of union contractual increases and higher health insurance, workers' compensation and pension costs.
- Maintenance and repairs decreased $0.1 million, or 27.2%, due to lower MIS service costs and police automotive expenses.
- Insurance and injuries increased $0.05 million, or 33.9%, resulting from a terminated employee settlement and higher police claim losses.
- Other operating expenses decreased $1.1 million, or 42.5%, due to the reallocation of police grants and timing in Engineering personnel costs charged to capital projects.

METRO:

- Metro operating expenses decreased 0.6% from $171.7 million to $170.7 million, due to the following:
  - Salaries and employee benefits decreased $1.5 million, or 1.5%, due to lower workers' compensation costs and decreased staffing costs resulting from full year implementation of our Erie County service restructuring initiative, partially offset by increased health insurance costs.
  - 2012 includes $14.0 million in health insurance postemployment costs, an increase of $1.6 million, or 12.7%.
  - Transit Fuel/Power increased $1.8 million, or 26.2%, due to increased diesel fuel costs, partially offset by lower rail traction costs.
  - Utilities decreased $0.4 million, or 18.5%, as a result of lower National Grid delivery costs, mild winter and multi-year low natural gas prices, and decreased water billings.
  - Insurance and injuries increased $0.1 million, or 4.1%, as a result of reserve adjustments based on cases outstanding.

- Safety and security increased \$0.2 million, or 3.4%, due to increased police health insurance, pension and workers' compensation costs, partially offset by decreased staffing levels.

The net result of the above was an operating loss decrease of 0.8% from \$153.5 million in 2011 to \$152.2 million in 2012.

Net non-operating revenues increased 22.2% from \$87.9 million to \$107.3 million as of March 31, 2012.

- The increase was due to higher 88(c) revenue of \$1.2 million, or 16.1%, lower interest expense of \$0.6 million, or 6.0%, related to our 2004 revenue bonds, higher federal operating assistance of \$0.9 million, or 143.1%, related to our police operation, higher Erie County sales tax revenue of \$0.6 million, or 3.3%, and increased grant funds of \$18.5 million, or 903.9%, related to increased drawdowns of FTA, FAA, NYSDOT and other miscellaneous grants for the purchase of hybrid buses, mid-life railcar rebuild expenses and Metro Preventive Maintenance (PMA). This was partially offset by an increase of \$1.8 million, or 197.0%, related to the change in fair value of the derivative instruments recognized in accordance with GASB 53.

The net result of the above was a decrease in the loss before capital contributions of 31.7% from \$65.6 million in 2011 to \$44.8 million in 2012.

Capital contributions decreased 39.8% from \$43.0 million in 2011 to \$25.9 million in 2012 primarily due to fewer new bus purchases.

Summary of Revenues, Expenses and Changes in Net Assets

March 31, 2011 vs. March 31, 2010

The Authority ended 2011 with total net assets of \$495.1 million, a \$22.6 million decrease, or 4.4%, as compared to 2010. Significant items affecting the revenues, expenses and changes in net assets are as follows:

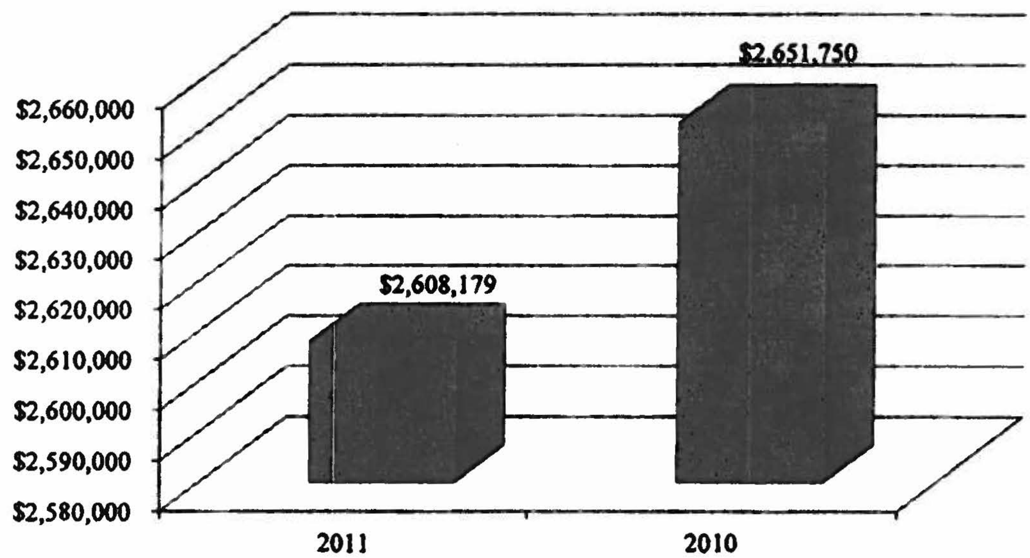
Sources of Revenues for FYE 2011

Operating revenues increased 3.8% from $92.0 million to $95.4 million due to the following:

- NFTA operating revenues increased 4.3%, from $60.4 million to $63.0 million.

  BNIA airport fees and services increased $0.4 million, or 2.8%, as a higher NFIA net deficit, partially offset by lower direct landing area expenses and bond debt service costs, are factored into our signatory airline billings. The BNIA signatory airlines, as part of the landing fee rate, fund 50% of NFIA's net deficit, after capital needs. BNIA rental income increased $0.2 million, or 1.5%, as higher airline cost compensatory billings resulting from increased operating expenses, operating expense reserves, and lower passenger facility charges credited against signatory airline billing costs, were partially offset by lower bond debt service costs. BNIA concessions and commissions increased $1.3 million, or 4.9%, primarily due to an approximate 7% parking rate increase, effective April 1, 2010. Other operating revenues increased $0.3 million, or 9.4%, as higher contractual baggage maintenance costs billed directly to the airlines and increased advertising revenue contributed to the variance.

BNIA Enplanements



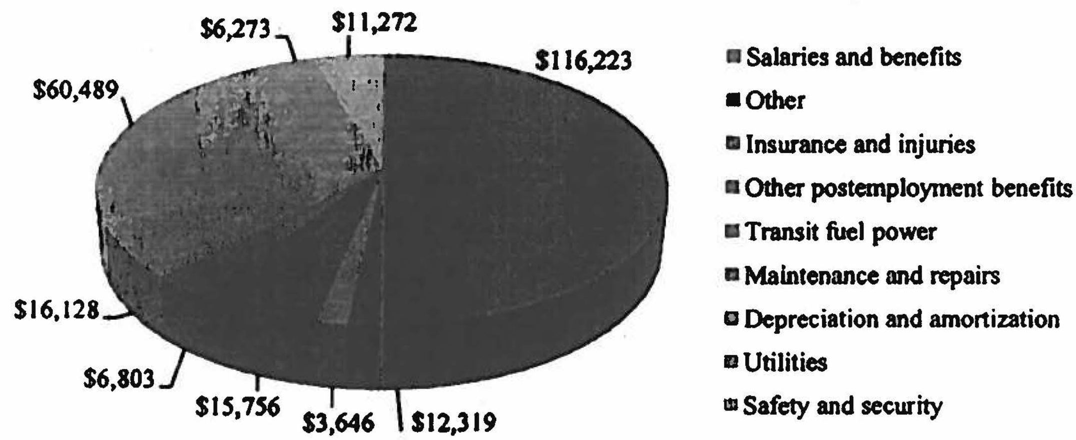
NFIA concessions/commissions increased $0.2 million, or 83.9%, resulting from higher parking lot fees.

Property Management Group boat harbor fees increased $0.1 million, or 15.2%, primarily due to higher dock rental fees.

METRO:

- Metro operating revenue increased 2.8%, from $31.6 million to $32.4 million, due to increased passenger usage with higher gasoline prices and the implementation of our Erie County service restructuring initiative.

Expenses for FYE 2011



Operating expenses decreased 5.9%, from $235.0 million to $249.0 million, due to the following:

NFTA

- Authority expenses increased 3.0% from $75.0 million to $77.2 million. Included in 2011 are $3.3 million in health insurance postemployment costs, a decrease of $0.5 million, or 12.1%. Health insurance increases of $0.7 million, or 16.2%, and higher pension costs of $1.2 million, or 35.8%, partially offset by lower workers' compensation costs of $0.6 million, or 55.5%, are allocated throughout the Authority to the business centers and support functions noted below. Other expense variances identifiable to our business centers and administrative support areas are the following:

  BNIA:

  - Salaries and employee benefits increased $0.8 million, or 6.3%, as a result of union contractual increases, higher health insurance, pension and overtime costs, partially offset by lower workers' compensation costs and savings realized from our early retirement incentive program.
  - Insurance and injuries decreased $0.08 million, or 18.5%, due to lower claim losses.

  NFIA:

  - Salaries and employee benefits increased $0.2 million, or 19.6%, as a result of union contractual increases, higher health insurance, pension and overtime costs and increased staffing with the full year operation of our new terminal, partially offset by lower workers' compensation costs.
  - Utilities increased $0.02 million, or 73.9%, as higher usage costs with the full year operation of our new terminal contributed to the increase.

- Safety and security increased $0.02 million, or 164.7%, as a greater security force is required with the full year operation of our new terminal and increased passenger traffic.
- Other operating expenses increased $0.2 million, or 60.2%, due to higher marketing/advertising and parking operation costs.

Transportation Centers:

- Salaries and employee benefits increased $0.04 million, or 3.3%, as a result of union contractual increases, higher health insurance and pension costs, partially offset by lower workers' compensation costs and savings realized from our early retirement incentive program.
- Utilities increased $0.05 million, or 10.7%, due to higher electric and gas billings.
- Insurance and injuries decreased $0.04 million, or 65.2%, as general liability insurance costs were allocated more equitably to other areas of the organization.
- Other operating expenses increased $0.08 million, or 9.1%, due to lower Central Services costs.

Property Management Group:

- Salaries and employee benefits decreased $0.09 million, or 12.6%, due to three less full-time positions, lower overtime and workers' compensation costs, partially offset by union contractual increases, higher health insurance and pension costs.
- Maintenance and repairs were $0.06 million, or 10.1%, below 2010 due to lower major repairs and services at our Sierra Plant 3 facility.
- Utilities decreased $0.09 million, or 10.0%, as our downsizing of the Terminal A facility contributed to the decrease.
- Insurance & injuries decreased $0.02 million, or 571.2%, due to the receipt of dock/greenbelt insurance claim proceeds.
- Other operating expenses increased $0.08 million, or 11.6%, as increased temporary help and the higher cost of fuel sold at our NFTA Boat Harbor operation contributed to the increase.

Administrative Support:

- Personnel services increased $0.9 million, or 3.2%, due to contractual union increases, higher health insurance and pension costs, partially offset by lower workers' compensation costs and savings realized from our early retirement incentive program.
- Maintenance and repairs increased $0.01 million, or 45.1%, due to higher MIS service and police automotive costs.
- Insurance and injuries decreased $0.06 million, or 29.0%, as police claim losses declined and the general liability insurance costs allocated to police decreased.

METRO

- Metro expenses decreased 7.3% from $160.0 million to $171.7 million as a result of the following:
  - Salaries and employee benefits increased $5.1 million, or 5.7%, as a result of higher accrued wages, increased workers' compensation and overtime costs, partially offset by lower health insurance costs.
  - 2011 includes $12.4 million in health insurance postemployment costs, an increase of $0.6 million, or 5.2%.
  - Lower diesel prices resulting from our ongoing efforts in hedging the market with the purchase of futures contracts, partially offset by increased rail traction costs, resulted in our transit fuel/power decreasing $0.6 million, or 8.6%.
  - Utilities were $0.2 million, or 7.7%, higher than 2010 due to increased electric and water billings, partially offset by lower gas charges.
  - Insurance and injuries increased $0.9 million, or 42.3%, as a result of reserve adjustments based on cases outstanding and higher insurance liability costs.
  - Safety and security decreased $0.4 million, or 6.4%, as an increase in 2011 operating assistance, the receipt of prior period funds and lower workers' compensation costs, were partially offset by increased staffing levels, higher transit police salaries, overtime, health insurance and pension costs.

The net result of the above was an operating loss increase of 7.3% from $143.0 million in 2010 to $153.5 million in 2011.

Net non-operating revenue increased 10.6% from $79.4 million to $87.9 million as of March 31, 2011.

- The increase was due to higher 88(c) revenue of $2.8 million, or 55.6%, lower expenditures of $3.5 million, or 41.3%, incurred with our BNIA noise mitigation program, lower interest expense of $0.3 million, or 3.3%, related to our 2004 revenue bonds and higher Erie County sales tax revenue of $0.6 million, or 3.8%, and a decrease of $3.1 million, or 77.4%, related to the change in fair value of the derivative instruments recognized in accordance with GASB 53. This was partially offset by lower New York State assistance of $0.7 million, or 1.6%, decreased mortgage tax receipts of $0.6 million, or 7.6%, and lower passenger facility charges of $0.6 million, or 4.9%.

Capital Assets

Non-depreciable capital assets include land and construction in progress. Depreciable capital assets include light rail rapid transit, airport buildings, metropolitan transportation centers, marine terminals, docks and wharves, motorbuses and equipment.

The following is a schedule of the Authority's capital assets:

	March 31		
	2012	2011	2010
		(In thousands)	
Nondepreciable:			
Land	$ 62,572	62,108	62,108
Construction in progress	40,630	28,071	41,908
Total capital assets not subject to depreciation	103,202	90,179	104,016
Depreciable:			
Land improvements	311,963	347,079	342,265
Light rail rapid transit system	607,998	602,512	632,904
Airport buildings	267,888	268,449	260,024
Metropolitan transportation centers	20,849	21,807	21,556
Marine terminals, docks and wharves	27,566	29,147	28,560
Motor buses	130,534	123,895	102,589
Equipment, miscellaneous, buildings and other	133,590	132,731	124,376
Depreciable capital assets	1,500,388	1,525,620	1,512,274
Less accumulated depreciation	(889,827)	(888,524)	(877,048)
Total net capital assets	$ 713,763	727,275	739,242

March 31, 2012 vs. March 31, 2011

Noteworthy capital asset additions and deletions for fiscal year 2012 were:

- Authority additions included $8.5 million for NFIA runway 6-24 safety area improvements, $4.0 million and $1.5 million for the BNIA noise compatibility program and NFIA mill and overlay of runway 10L/28R, respectively, and $1.0 million for the BNIA master plan update.
- Metro additions included $15.9 million for the purchase of twenty-nine hybrid buses, $4.9 million and $1.3 million for the ongoing mid-life railcar rebuild project and South Park perimeter security initiative, respectively, and $1.1 million for fire detection and system intrusion for our rail stations. Also, sixty life-expired transit buses were disposed in 2012.

March 31, 2011 vs. March 31, 2010

Noteworthy capital asset additions and deletions for fiscal year 2011 were:

- Authority additions included $4.5 million for the BNIA noise compatibility program, $2.5 million and $1.0 million for the BNIA automatic baggage system and runway brooms replacement, respectively, and $0.5 million for the BNIA terminal fire alarm system replacement.
- Metro additions included $24.2 million for the purchase of fifty-six transit buses, $1.3 million and $1.1 million for two hybrid buses and ten small buses, respectively, $1.0 million for our rail station CCTV upgrade, and $0.8 million for South Park perimeter security.

Debt Administration

March 31, 2012 vs. March 31, 2011

At March 31, 2012, the Authority had $184.1 million of outstanding debt. This represents an $8.0 million, or 4.2%, decrease from 2011. BNIA related debt service payments for capital projects incurred, highlighted by construction of our BNIA and NFIA terminals, partially offset by a $5.5 million advance in the anticipated receipt of New York State dedicated transit funds, contributed to the decrease.

March 31, 2011 vs. March 31, 2010

At March 31, 2011, the Authority had $192.0 million of outstanding debt. This represents a $13.0 million, or 6.3%, decrease from 2010. BNIA related debt service payments for capital projects incurred, highlighted by construction of our BNIA and NFIA terminals, contributed to the decrease.

OPERATIONS, ACCOMPLISHMENTS & OUTLOOK FOR THE AUTHORITY

Surface Transportation

Metro bus and rail is the Authority's largest strategic business unit with over 1,100 employees. It is also the second largest transit provider in New York State, behind the Metropolitan Transportation Authority in New York City, and the only upstate transportation authority to operate a light rail system. It transports over 30.5 million passengers a year over 1,575 square miles. In 2012, we took delivery of 29 new hybrid buses in our continuing effort to go green. Each hybrid bus saves the Authority approximately $13,700 in fuel and maintenance. In addition, in 2012 we put the first two newly rebuilt light rail cars into service. This is part of our Light Railcar Mid-life Rebuild project where we are rehabilitating all 27 of our railcars that have been in service for over 25 years, and extends the life of the fleet for another 20 years. The extensive improvements, being done in Hornell New York, includes enhanced video monitoring of the railcar interiors, upgraded brakes, rebuilt HVAC systems, rebuilt door systems, upgraded propulsion and repairs to the body shells. The savings of rebuilding as compared to the purchase of new vehicles is estimated at $50 million.

Approximately 25% of Metro's revenues come from fare collection and advertising, while 75% comes from outside operating assistance. New York State is our largest investor providing 35% of our operating assistance while 30% comes from local sources and 10% from the federal government. Any changes in these funding sources can have a significant impact.

As a result, as we prepared the update to the five year capital and operating plan for FYE 13-17, it was clear that the Niagara Frontier Transportation Authority and its Metro Bus and Rail System are at a crossroad. How we navigate this crossroad going forward will affect the lives of thousands of people of the Buffalo Niagara Region.

Ever increasing expenses, coupled with reduced state and county operating assistance over the past few years, and deficits going forward for Surface Transportation need to be addressed, and throughout the Authority improvements need to be implemented. We cannot continue to do business the same way in the future.

Executive Director Kimberley Minkel has set forth a blueprint for the future with particular emphasis being placed on economic sustainability while keeping in mind that Metro Bus and Rail provides a service which, as noted above, is 75% funded through outside assistance to a ridership base that is 77% transit dependent.

Included in the blueprint for the future are strategic plans for cost control, increasing organizational liquidity, technological improvements, operational changes such as implementation of a new fare box collection system providing more user flexible fare structures, improving our service standards, establishing a Citizens Advisory Panel, developing our workforce, growing locally generated revenue through public-private partnerships and stabilizing government assistance.

New York State through its commitment to public transportation is increasing its FYE 13 operating assistance to the NFTA by 7%, as well as for the other upstate agencies. However, the NFTA lags behind its sister agencies in NYS aid per trip:

System	Aid per Trip	% of operating Budget funded by NYS
Capital District Transportation Authority	$2.98	61%
Rochester Genesee Regional Transportation Authority	$1.94	53%
CENTRO (Central New York)	$1.74	53%
NFTA	$1.61	37%

Based on 2009 NTD Database

In FYE 13 fares will be increased to also help offset Metro's deficit, and to further decrease expenses. Metro anticipates the delivery of 19 new hybrid buses during the fiscal year.

With the implementation of some the strategic blueprint initiatives, we anticipate a balanced capital and operating budget for the Authority as a whole for the FYE 13-15, with modest deficits in FYE 16 and 17 that we intend to address through other blueprint initiatives.

Aviation

Buffalo Niagara International Airport, the Authority's second largest strategic business unit serves over 5 million passengers, marking its sixth straight year of that level or higher of passengers, a milestone that was not predicted until 2020. Because of improvements to BNIA over the past few years to accommodate the increased passengers, and a positive continued trend, a new Master Plan update was completed in 2012.

In FYE 13 BNIA's Long Term Lot B will be expanded to accommodate an additional 988 cars. The total project costs are estimated to be $8,094,231 with $6,000,000 being funded by the New York State Airport Infrastructure Investment Program and $880,000 for Empire State Development with the balance of $1,214,231 coming from BNIA funds.

BNIA also continues to progress on the $56.8 million Noise Mitigation Projects that will continue for the next five years. These projects are fully funded by the FAA, New York State and Passenger Facility Charges.

Located just five miles from Niagara Falls, the Niagara Falls International Airport has been a catalyst for economic development. Since the completion of the new terminal building in 2009, the number of year over year enplanements has grown well over 180%. However, in March 2012, Direct Air ceased operations and this has had a significant decrease on enplanements. While other carriers may pick up some of the passengers and destinations served by Direct Air, there will still be an anticipated negative impact to the budget for FYE 13.

In FYE 13 Runway 10L/28R, the main runway at NFIA will be milled and overlaid. The total project budget is $20.7 million. The project will address the expiration of pavement life, associated electrical and drainage systems, and the Instrument Landing System on the 28R approach. The design will incorporate provisions for the growing aircraft fleet mix into the current traffic distribution providing for a twenty year pavement design life.

Property Management

The Property Management Division serves as the Authority-wide provider of real estate services, managing over 2,000 acres of property throughout Erie and Niagara counties and is responsible for the Authority's non-public transportation assets, including the NFTA Boat Harbor, the largest recreational boat harbor in New York State with over 1,000 slips.

Economic conditions have made it challenging to lease vacancies with the Property Management portfolio, and Port Terminals A & B have been closed. The direction of the Board of Commissioners is to divest those properties that are not in concert with our mission of providing and supporting transportation. Currently we are looking at options for all of the Outer Harbor Property including the Boat Harbor.

CONTACT FOR 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 Deborah C. Leous, Chief Financial Officer, 181 Ellicott Street, Buffalo, New York 14203.

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

Statements of Net Assets

March 31, 2012 and 2011
(In thousands)

Assets		2012	2011
Current assets:			
Cash and cash equivalents	$	7,120	9,504
Accounts receivable, net of allowance for doubtful accounts of $243 in 2012 and $177 in 2011		6,010	6,567
Grants receivable		17,368	12,459
Materials and supplies inventory		3,993	3,820
Prepaid expenses and other		591	1,443
		35,082	33,793
Restricted assets:			
Cash and cash equivalents		56,292	52,439
Investments		25	25
		56,317	52,464
Bond issuance costs, net		3,661	3,948
Capital assets, net		713,763	727,275
		773,741	783,687
Total assets	$	808,823	817,480

See accompanying notes to basic financial statements.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Statements of Net Assets, Continued
(In thousands)

Liabilities and Net Assets	2012	2011
Current liabilities:		
Current portion of long-term debt	$ 19,167	13,497
Accounts payable and accrued expenses	24,079	25,826
Deferred revenue	2,581	2,618
Other liabilities	4,444	4,245
	50,271	46,186
Noncurrent liabilities:		
Derivative instruments	7,618	4,921
Long-term debt	164,898	178,547
Deferred 88(c) revenue and other noncurrent liabilities	260	479
Other postemployment benefits	77,724	61,591
Payable to NYS Retirement	621	646
Estimated liability for self-insured claims	31,262	29,989
	282,383	276,173
Total liabilities	332,654	322,359
Net assets:		
Capital assets, net of related debt	529,698	535,231
Restricted net assets	51,613	47,740
Unrestricted net assets (deficit)	(105,142)	(87,850)
Total net assets	476,169	495,121
Commitments and contingencies (note 12)		
Total liabilities and net assets	$ 808,823	817,480

See accompanying notes to basic financial statements.

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

Statements of Revenues, Expenses and Changes in Net Assets

Years ended March 31, 2012 and 2011

(In thousands)

		2012	2011
Operating revenues:			
Fares	$	32,524	31,651
Concessions and commissions		29,294	28,245
Rental income		13,409	13,542
Airport fees and services		16,208	15,253
Tenant reimbursements		1,698	1,724
Boat harbor fees		1,016	963
Retail sales		342	250
Other operating revenues		3,838	3,805
Total operating revenues		98,329	95,433
Operating expenses:			
Salaries and employee benefits		116,089	116,223
Other postemployment benefits		17,329	15,756
Depreciation		57,523	60,489
Maintenance and repairs		16,267	16,128
Transit fuel and power		8,582	6,803
Utilities		5,242	6,273
Insurance and injuries		4,118	3,646
Safety and security		11,581	11,272
Other operating expenses		13,784	12,319
Total operating expenses		250,515	248,909
Operating loss		(152,186)	(153,476)

See accompanying notes to basic financial statements.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Statements of Revenues, Expenses and Changes in Net Assets, Continued
(In thousands)

		2012	2011
Non-operating revenues (expenses):			
Operating assistance	$	95,340	92,124
Passenger facility charges		10,872	10,747
Derivative instrument losses		(2,697)	(908)
Interest expense, net		(8,675)	(9,050)
Airport noise abatement		(4,932)	(4,913)
Other non-operating revenues (expenses)		17,441	(124)
Total net non-operating revenues		107,349	87,876
Loss before capital contributions		(44,837)	(65,600)
Capital contributions		25,885	43,015
Change in net assets		(18,952)	(22,585)
Total net assets, beginning of year		495,121	517,706
Total net assets, end of year	$	476,169	495,121

See accompanying notes to basic financial statements.

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

Statements of Cash Flows

Years ended March 31, 2012 and 2011

(In thousands)

	2012	2011
Cash flows from operating activities:		
Cash collected from customers	$ 98,847	93,885
Cash paid for employee wages and benefits	(126,530)	(126,703)
Cash paid to vendors and suppliers	(48,029)	(52,963)
Cash paid for insurance and injury	(2,845)	(1,309)
Net cash used in operating activities	(78,557)	(87,090)
Cash flows from non-capital financing activities - operating assistance	95,340	92,124
Cash flows from capital and related financing activities:		
Repayments of long-term debt	(13,481)	(12,989)
Proceeds from issuance of long-term debt	5,502	-
Escrow funds, net	199	169
Interest paid	(8,848)	(9,412)
Deferred 88(c) revenues	(219)	(3,484)
Capital grants and contributions	20,976	55,900
Additions to capital assets	(44,004)	(48,523)
Construction retainages, net	726	(2,290)
Proceeds from sale of capital assets	162	125
Passenger facility charges	10,872	10,747
Airport noise abatement	(4,932)	(4,913)
Other	17,560	37
Net cash used in capital and related financing activities	(15,487)	(14,633)
Cash flows from investing activities - interest income	173	362
Net change in cash and cash equivalents	1,469	(9,237)
Cash and cash equivalents, beginning of year	61,943	71,180
Cash and cash equivalents, end of year	$ 63,412	61,943

See accompanying notes to basic financial statements.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Statements of Cash Flows, Continued
(In thousands)

		2012	2011
Reconciliation to Statement of Net Assets:			
Cash and cash equivalents:			
Unrestricted	$	7,120	9,504
Restricted		56,292	52,439
Total cash and cash equivalents	$	63,412	61,943
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss		(152,186)	(153,476)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation		57,523	60,489
Other postemployment benefits, net		16,133	15,756
Changes in assets and liabilities:			
Receivables		557	(1,050)
Materials and supplies inventory		(173)	(72)
Prepaid expenses and other		852	(960)
Accounts payable and accrued expenses		(2,474)	(9,992)
Deferred revenue		(37)	(498)
Estimated liability for self-insured claims		1,273	2,336
Payable to NYS Retirement		(25)	377
Net cash used in operating activities	$	(78,557)	(87,090)

See accompanying notes to basic financial statements.

(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. The Niagara Frontier Transit Metro System, Inc. (Metro) was created as part of the Authority in 1974 to provide mass transportation services to the Niagara Frontier.

The Authority is governed by a 12 member Board who are appointed by the Governor of New York State, with the consent of the New York State Senate. The Board of Commissioners (Board) governs and sets policy for the Authority. Each year a financial expert is designated by the Audit and Governance Committee of the Board. The Executive Director, subject to policy direction and delegations from the Board, is responsible for all activities of the Authority.

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's charter requires that it operate under an approved annual balanced consolidated budget. Therefore, its basic mode of operations calls for transfers, if necessary, within business centers that produce a surplus to those that incur a deficit.

Inclusion in the entity is based primarily on the notion of financial accountability. Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, defines financial accountability in terms of a primary government (the Authority) that is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officers appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. The Authority is included in the financial statements of the State of New York (the State) as an enterprise fund as the State is the primary government of the Authority.

In evaluating the Authority as a reporting entity, management has addressed GASB Statement No. 39 to determine potential component units that may fall within the Authority's financial statements. Based on the criteria in GASB Statement No. 39, the Authority has determined that Metro is a component unit of the Authority.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Authority prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting. The Authority applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure. The Authority has elected the option, under GASB Statement No. 20, to not apply FASB Statements and Interpretations issued after November 30, 1989. The activities of the Authority are similar to those of proprietary funds of local jurisdictions and are as follows:

Authority Operations

Airports

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 continues to serve as a general aviation airport with an emerging scheduled charter business. NFIA, shared with a military base, also serves as the Federal Aviation Administration (FAA) reliever airport for BNIA.

Transportation Centers

The Metropolitan Transportation Center, located in downtown Buffalo, serves as a bus terminal for Buffalo and its immediate suburbs and contains the offices for the Authority. The Niagara Falls Transit Center and the Portage Road Transit Center in Niagara Falls serve as the bus terminals for Niagara County. The facilities connect Metro and inter-city bus passengers to regional destinations and essential services.

Property Management

The Property Management Department manages more than 2,000 acres of real estate. This includes the NFTA Boat Harbor, Outer Harbor property, rail right of way, and non-public transportation assets, including industrial warehouse distribution and associated office space.

Metro Operations

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. Management is currently renegotiating the ATU contract which expired March 31, 2009 and expects settlement without disruption in operations.

(2) Summary of Significant Accounting Policies, Continued

(a) Basis of Accounting, Continued

Metro provides the following operations:

Bus service for the Niagara Frontier, comprising Erie and Niagara Counties, serving a population of approximately 1.1 million people. Its fleet consists of 311 buses which operate 65 routes.

MetroLink, a fixed route scheduled service providing community circular/access to jobs, and a Paratransit program for disabled persons, which share a total of 75 vans.

A seasonal/tourist-oriented service, using four replica trolley vehicles, over a fixed loop route in the City of Niagara Falls.

A light rail system, which serves the Buffalo area over a 6.2 mile line between downtown Buffalo and the State University of New York at Buffalo. The light rail system includes a total of 14 stations, six on the surface and eight underground.

(b) Cash and Cash Equivalents

Cash and cash equivalents principally include cash on hand, money market funds, certificates of deposit, U.S. Treasury bills and repurchase agreements with an initial term of less than three months.

(c) Investments

The Authority's investment policies comply with the New York State Comptroller's guidelines for Public Authorities. Investments for the Authority are comprised primarily of obligations of the U.S. Government valued at cost, which approximates fair value. Securities are held by the banks in the Authority's name.

(d) Revenue/Expense 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, passes and tokens which are recognized as income as they are used. Operating revenue from airport fees and services includes landing and terminal ramp fees. Rental income includes building and ground space rented to the airlines and air cargo carriers among others. Operating revenue from concessions and commissions includes parking fees, auto rentals, and retail concessions store space. These sources of operating revenue are recognized upon provision of services. Auto revenue commissions are recognized based upon monthly percentage of revenues earned during the contractual year with an annual adjustment to the minimum annual guaranteed fees upon completion of the contract year. The Authority's principal operating expenses include cost of services, salaries and benefits, depreciation, and maintenance and repairs. All other revenues and expenses are reported as non-operating.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

(2) Summary of Significant Accounting Policies, Continued

(e) Materials and Supplies Inventory

Materials and supplies inventory are valued based on the weighted average cost method.

(f) Restricted Assets

Certain cash deposits and investments are classified as restricted assets because their use is legally limited to specific purposes such as airport capital expansion and operations, light rail rapid transit system, and resources held in escrow.

(g) Bond Issuance Costs

Bond discounts and bond issuance costs are amortized over the life of the respective bonds using the interest and straight-line methods of amortization, respectively.

(h) Capital Assets

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 useful lives used in computing depreciation on principal classes of capital assets are as follows:

	Years
Metropolitan Transportation Centers	25
Improvements	20 - 25
Buildings	20 - 45
Light Rail Rapid Transit System	10 - 45
Motor buses	12
Marine terminals, docks, and wharves	10 - 40
Equipment and other	3 - 10

Expenditures for maintenance and repairs are charged to operations as incurred.

(i) Compensated Absences

Authority Operations

There are seven separate labor unions while senior management is non-represented. Each employee group has a different compensated absence plan. All employees accrue vacation at varying rates ranging from 13 days per year to a maximum of 25 days per year. Depending on the labor agreements, employees may accumulate a maximum of vacation leave credits ranging from 30 to 40 days that may be carried forward into the next fiscal year. These amounts, in addition to any current year vacation accruals, will be paid to an employee upon termination or retirement. At March 31, 2012 and 2011, the Authority's liability for unused vacation leave totaled $2,167 and $2,079, respectively, and is included in accounts payable and accrued expenses in the accompanying Statements of Net Assets.

All employees accumulate sick leave at a rate of 13 days per year. Depending on the labor union, unused sick leave may accumulate to a maximum of 180 days to 230 days. No cash is paid for these accumulated benefits at retirement or termination. At retirement, eligible employees may redeem unused sick leave toward their 50% share of medical coverage costs ranging up to 20 months of coverage (Note 10).

(2) Summary of Significant Accounting Policies, Continued

(i) Compensated Absences, Continued

Metro Operations

Generally, all eligible employees accrue vacation credits ranging from 5 days to 25 days per year and unused vacation credits cannot accumulate. Vacation credits are awarded on January 1 and are generally available for use until December 31 for operators. Clerical employees can rollover up to 5 days into the following year however these days must be used by March 31. At March 31, 2012 and 2011, the Metro liability for unused vacation leave is $2,858 and $2,954, respectively.

Eligible employees receive 10 sick/personal leave days per year that may accumulate from year to year. Upon retirement, an employee may be paid up to a maximum of 30 unused sick days. At March 31, 2012 and 2011, Metro has recorded a liability totaling approximately $2,000 representing the estimated present value of future benefits which is included in accounts payable and accrued expenses in the accompanying Statements of Net Assets.

(j) Deferred Revenue and Deferred 88(c) Revenue

Operating revenues received for services prior to being earned are recorded as deferred revenue.

88(c) revenue represents a percentage of mortgage recording taxes collected by Erie County required by New York State legislation. It is recorded as deferred revenue until all eligibility requirements are met.

(k) Self-Insured Claims

The Authority assumes the liability for most risks including, but not limited to, 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 of claims, actuarial studies, and in-house and outside legal counsel. Certain assets are internally designated to fund, in part, the ultimate settlement of such claims. The Authority also maintains excess liability insurance.

(l) Other Liabilities (Escrow Funds)

The Authority is administering the funding of regional transportation improvement projects on behalf of the Federal Highway Administration (FHWA) for the Niagara International Transportation Technology Coalition (NITTEC). The Authority administers payment and collection of such resources provided by the FHWA for regional construction projects authorized by NITTEC and the FHWA.

(m) Pensions

The Authority provides retirement benefits to substantially all employees through various defined benefit retirement plans (Note 9).

(2) Summary of Significant Accounting Policies, Continued

(n) Postemployment Benefits

In addition to providing pension benefits, the Authority provides health insurance coverage for retired employees. Substantially all employees may become eligible for these benefits if they reach normal retirement age with a minimum of ten years of service. Health insurance benefits are provided through an insurance company whose premiums are based on benefits paid during the year.

Beginning fiscal year ended March 31, 2008, the Authority adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This pronouncement established standards for the measurement, recognition, and display of other postretirement benefits (OPEB) expenses and related liabilities and disclosures (Note 10).

(o) 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 payments made in lieu of tax agreements.

(p) 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.

(q) Accounting Pronouncement Adopted

During 2011, the Authority adopted the provisions of GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments (GASB 53). This Statement was effective for periods beginning after June 15, 2009 and enhances the usefulness and comparability of derivative instrument information reported by state and local governments by providing a comprehensive framework for the recognition, measurement, and disclosure of derivative instrument transactions. Derivative instruments such as interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts are entered into by governments as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions (i.e., hedgeable items); to lower the costs of borrowings; to effectively fix cash flows or synthetically fix prices; or to offset the changes in fair value of hedgeable items. A key provision of GASB 53 is that certain derivative instruments, are reported at fair value in the basic financial statements. The changes in fair value of hedging derivative instruments do not affect investment revenue but are reported as deferrals. Alternatively, the changes in fair value of investment derivative instruments (which include ineffective hedging derivative instruments) are reported as part of investment revenue in the current reporting period. Effectiveness is determined by considering whether the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedge-able item. The statement describes several quantitative methods and a qualitative method for evaluating effectiveness.

(2) Summary of Significant Accounting Policies, Continued

(q) Accounting Pronouncement Adopted, Continued

As part of the application of GASB 53, the provisions of the statement were applied retroactively to the prior year financial statement amounts as required in the transition guidance.

The financial reporting impact resulting from implementation of GASB 53 was the recognition of a liability for the negative fair value of all derivative instruments of $4,611 as of March 31, 2010. The corresponding amount of the hedging derivative instrument of $598 was reported as "deferred outflow of resources" in the assets section of the Statement of Net Assets as of March 31, 2010, while the corresponding amount of the ineffective or investment derivative instrument of $4,013 was recorded as "derivative instrument losses" within the non-operating revenues (expenses) section of the Statement of Revenues, Expenses and Changes in Net Assets for the year then ended. As of March 31, 2011, the hedging derivative instrument was no longer considered effective, and consequently, the $598 deferred outflow was recognized as "derivative instrument losses" for the year then ended.

As of March 31, 2012 and 2011, the negative fair value of all investment and ineffective derivative instruments totaled $7,618 and $4,921, respectively, and is recorded as "derivative instruments" within the noncurrent liability section of the Statements of Net Assets. The increase in negative fair value of these instruments of $2,697 and $310 is reflected in "derivative instrument losses" within the nonoperating revenues (expenses) section of the Statements of Revenues, Expenses and Changes in Net Assets for the years ended March 31, 2012 and 2011, respectively. See note 5(b) for further details regarding the derivative instruments reporting.

(r) Subsequent Events

The Authority has evaluated events after March 31, 2012, and through June 13, 2012, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly address in these financial statements.

(3) Deposits and Investments

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government 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, 2012 and 2011, none of the Authority's bank deposits were exposed to custodial credit risk.

(3) Deposits and Investments, Continued

The following describes the Authority's policies related to deposit and investment risk:

The Authority has a written investment policy applicable to each of its cash, cash equivalents, and investment accounts 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 either 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 U.S. Treasury notes purchased directly by the Authority.

(4) Capital Assets

	April 1, 2011	Additions	Disposals	March 31, 2012
Capital assets not subject to depreciation:				
Land	$ 62,108	464	-	62,572
Construction in progress	28,071	12,559	-	40,630
	90,179	13,023	-	103,202
Capital assets subject to depreciation:				
Land improvements	347,079	437	(35,553)	311,963
Light rail rapid transit (LRRT) system	602,512	5,991	(505)	607,998
Airport buildings	268,449	1,281	(1,842)	267,888
Metropolitan transportation centers	21,807	27	(985)	20,849
Marine terminals, docks, and wharves	29,147	137	(1,718)	27,566
Motor buses	123,895	19,993	(13,354)	130,534
Equipment, misc., buildings, and other	132,731	3,122	(2,263)	133,590
	1,525,620	30,988	(56,220)	1,500,388

(4) Capital Assets, Continued

	April 1, 2011	Additions	Disposals	March 31, 2012
Accumulated depreciation:				
Land improvements	$ (207,644)	(15,008)	35,554	(187,098)
LRRT system	(402,911)	(14,665)	505	(417,071)
Airport buildings	(92,052)	(8,933)	1,540	(99,445)
Metropolitan transportation centers	(14,401)	(492)	985	(13,908)
Marine terminals, docks, and wharves	(20,936)	(1,062)	2,021	(19,977)
Motor buses	(67,882)	(10,358)	13,354	(64,886)
Equipment, misc., buildings, and other	(82,698)	(7,005)	2,261	(87,442)
	(888,524)	(57,523)	56,220	(889,827)
Capital assets, net	$ 727,275	(13,512)	-	713,763

	April 1, 2010	Additions	Disposals	March 31, 2011
Capital assets not subject to depreciation:				
Land	$ 62,108	-	-	62,108
Construction in progress	41,908	-	(13,837)	28,071
	104,016	-	(13,837)	90,179
Capital assets subject to depreciation:				
Land improvements	342,265	5,665	(851)	347,079
LRRT system	632,904	3,369	(33,761)	602,512
Airport buildings	260,024	8,425	-	268,449
Metropolitan transportation centers	21,556	251	-	21,807
Marine terminals, docks, and wharves	28,560	587	-	29,147
Motor buses	102,589	30,233	(8,927)	123,895
Equipment, misc., buildings, and other	124,376	13,855	(5,500)	132,731
	1,512,274	62,385	(49,039)	1,525,620

(4) Capital Assets, Continued

	April 1, 2010	Additions	Disposals	March 31, 2011
Accumulated depreciation:				
Land improvements	$ (193,103)	(15,391)	850	(207,644)
LRRT system	(415,680)	(20,993)	33,762	(402,911)
Airport buildings	(82,472)	(9,580)	-	(92,052)
Metropolitan transportation centers	(13,904)	(497)	-	(14,401)
Marine terminals, docks, and wharves	(20,799)	(137)	-	(20,936)
Motor buses	(69,076)	(7,733)	8,927	(67,882)
Equipment, misc., buildings, and other	(82,014)	(6,216)	5,532	(82,698)
	(877,048)	(60,547)	49,071	(888,524)
Capital assets, net	$ 739,242	1,838	(13,805)	727,275

(5) Long-Term Debt

(a) Long-term Obligations

	2012	2011
(1) Airport Revenue Bonds 2004:		
Series A, maturing 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.	$ 43,500	46,350
Series C, maturing 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.	6,875	7,325
(2) Airport Revenue Bonds 1999:		
Series A, maturing April 1, 2029 with variable annual principal payments commencing April 1, 2004, bearing interest at 4.75% to 5.875% (net of unamortized discount of $1,367 in 2012 and $1,413 in 2011).	69,083	71,697

(5) Long-Term Debt, Continued

(a) Long-term Obligations, Continued

		2012	2011
Series B, maturing April 1, 2019 with variable principal payments commencing April 1, 2016, bearing interest at 5.50% (net of unamortized discount of $106 in 2012 and $120 in 2011).	$	13,669	13,655
(3) Airport Revenue Bonds 1998, maturing April 1, 2028, with variable annual principal payments commencing April 1, 2001, bearing interest at 4.10% to 5.00% (net of unamortized discount of $339 in 2012 and $358 in 2011).		15,021	15,567
(4) Payable to the State of New York, 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.		2,153	2,391
(6) NYS EFC Series 2000B Bonds issued by New York State maturing January 15, 2020 with variable annual principal payments, bearing interest at 2.375%.		1,800	1,990
(7) Bank loan, monthly payments with variable interest based on the 30 day LIBOR rate plus 350 basis points, subject to an interest rate swap with a fixed rate of 5.81%, maturing in 2013, unsecured.		227	474
(8) Bank loan, monthly payments with variable interest based on the 30 day LIBOR rate plus 225 basis points and fixed principal payments, maturing in 2015, secured by passenger facility charges.		10,503	14,076
(9) Capital lease, monthly payments with fixed interest rate of 4.27%, maturing in 2020, secured by related equipment.		2,076	2,292
(10) Capital lease, monthly payments with fixed interest rate of 7.75%, maturing in 2032, secured by property.		4,294	4,375
(11) Bank loan, monthly payments with variable interest based on the 30 day LIBOR rate plus 265 basis points and fixed principal payments, maturing in 2015, secured by non-real estate property.		5,225	7,125
(12) Loan with Delaware North with a fixed rate of 4% maturing in 2013, unsecured.		740	1,347
(13) Capital Lease, monthly payments with fixed interest rate of 5.5% maturing in 2016, secured by related equipment.		19	-

(5) Long-Term Debt, Continued

(a) Long-term Obligations, Continued

		2012	2011
(14) Revolving line of credit with a variable interest rate of LIBOR plus 1.45% (1.69% on March 31, 2012).	$	5,500	-
		184,065	192,044
Less current portion		(19,167)	(13,497)
Noncurrent portion	$	164,898	178,547

The following is a description of the Authority's long-term debt:

(1) On January 15, 2004, the Authority issued $63,000 in Series 2004A and $10,025 in 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 advance refund the Series 1994A and the Series 1994C Airport Revenue Bonds of $55,435 and $9,765 with interest rates ranging from 5.70% to 6.25% for Series 1994A and 5.50% to 6.00% for Series 1994C, respectively.

(2) On September 17, 1999, the Authority issued $102,110 of additional Airport Revenue Bonds to provide funding for the continued expansion of the BNIA. The bonds were issued as a supplement to the 1994 and 1998 bond issuance with similar provisions. These bonds were sold at a discount of $1,582 which is being amortized using the interest method over the life of the bonds.

(3) On August 25, 1998, the Authority issued $20,375 of additional Airport Revenue Bonds to provide funding for the expansion of the BNIA. The bonds were issued as a supplement to the 1994 bond issuance with similar provisions. These bonds were sold at a discount of $546 which is being amortized using the interest method over the life of the bonds.

(4) The New York State Legislature passed a law in 1994 that granted the Authority immediate relief from the repayment covenant for this loan. The law provides in pertinent part that repayment of the loan for $3,380 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 2033 through 2037 due to the uncertainty of repayment.

(5) Long-Term Debt, Continued

(a) Long-term Obligations, Continued

The Airport Revenue Bonds from 2004, 1999 and 1998 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 of New York or any political subdivision.

Changes in long-term debt for the years ended March 31, 2012 and 2011 were as follows:

	March 31 2012	March 31 2011
Balance at beginning of year	$ 192,044	205,033
Loan/capital lease proceeds	5,502	-
Repayment of long-term debt, net of discount amortization	(13,481)	(12,989)
Balance at end of year	184,065	192,044
Less current portion	(19,167)	(13,497)
Noncurrent portion of long-term debt	$ 164,898	178,547

Required principal and interest payments for long-term debt, net of unamortized discounts, are as follows:

	Loans and Capital Leases		Serial Bonds		
	Principal	Interest	Principal	Unamortized discount	Interest
Year ending March 31:					
2013	$ 12,397	955	6,855	(85)	7,499
2014	6,175	670	7,350	(87)	7,012
2015	5,017	504	7,710	(92)	6,662
2016	1,041	417	7,940	(98)	6,438
2017	681	382	8,475	(99)	5,928
2018-2022	2,398	1,433	47,740	(484)	23,659
2023-2027	1,108	977	42,805	(597)	11,648
2028-2032	1,630	454	22,885	(270)	1,887
2033-2037	3,670	9	-	-	-
	$ 34,117	5,801	151,760	(1,812)	70,733

At March 31, 2012 and 2011, the Authority was in compliance with all loan and bond covenants.

(5) Long-Term Debt, Continued

(b) Derivative Instruments

Objective of Interest Rate Swaps

In order to lower its borrowing costs on its fixed-rate bonds, the Authority entered into two interest rate swaps in connection with its $73,025 Refunding Series 2004A and 2004C variable-rate bonds. 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.

Risks

Below is a list of risks inherent in the interest rate swaps the Authority has entered into:

Basis Risk - The risk that the Authority's variable rate payments will not equal its variable rate receipts because they are based on different indexes. Variable auction rates and fees paid differ from variable LIBOR rates received. There was an unfavorable basis risk of $1,901 and $1,773 during the years ended March 31, 2012 and 2011, respectively.

The Series 2004 Bonds were issued to refund the Authority's outstanding Airport Revenue Bonds, Series 1994A and 1994C, which, together with the Authority's interest rate swaps entered into with respect to the Series 2004 Bonds, are expected to achieve debt service savings for the Authority.

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 affect the fair value or cash flows.

Credit Risk - The risk that a counterparty will not meet its obligations under the swaps. 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, 2012, the fair value of the Series 2004A and 2004C interest rate swaps was a negative fair value of $6,615, and $1,003, respectively. At March 31, 2011, the fair value of the Series 2004A and 2004C interest rate swaps was a negative fair value of $4,272 and $649, respectively. The combined negative fair values of $7,618 and $4,921 were recorded in accordance with the provisions of GASB 53 described in note 2. At March 31, 2012, the notional amounts of Series 2004A and 2004C swaps were $43,500 and $6,875, respectively. At March 31, 2011, the notional amounts of Series 2004A and 2004C swaps were $46,350 and $7,325, respectively. The terms of the interest rate swaps will remain in effect until the bonds are fully matured on April 1, 2024 or more than 10 years investment maturity.

(5) Long-Term Debt, Continued

(b) Derivative Instruments, Continued

As part of the provisions of GASB 53, the Authority evaluated the effectiveness of the interest rate swap derivatives that existed at the end of the reporting period. Due to the risks inherently noted above, the Series 2004A and 2004C interest rate swaps as of March 31, 2011 were considered ineffective because they did not meet the effectiveness criteria under the Synthetic Instrument Method (SIM) quantitative method of evaluating effectiveness. Therefore, changes in the fair value of the swaps are recorded as "derivative instrument losses" in the Statements of Revenues, Expenses and Changes in Net Assets for 2011 and all future periods.

(6) Deferred 88(c) Revenue

Changes in deferred 88(c) revenues for the years ended March 31, 2012 and 2011 were as follows:

	March 31	
	2012	2011
Balance at beginning of year	$ 479	3,963
Receipts of funds	4,773	5,131
Interest income	4	5
Light rail capital and operating expenditures	(4,996)	(8,620)
Balance at end of year	$ 260	479

(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. The PFCs are used specifically for FAA approved projects at BNIA, including the Airport Improvement Program. PFC revenues for fiscal years ended March 31, 2012 and 2011 were $10,872 and $10,747, respectively.

(8) Operating Assistance

Operations are funded primarily by farebox revenues from passengers and operating subsidy payments from the Federal Transit Administration (FTA) under Sections 5307 and 5311 of the Urban Mass Transportation Administration (UMTA) Act; New York State, Erie and Niagara Counties (pursuant to New York State transportation laws); and the Buffalo & Fort Erie Public Bridge Authority. Assistance recognized as revenue for the years ended March 31, 2012 and 2011 were as follows:

(8) Operating Assistance, Continued

Metro:

	2012	2011
FTA:		
Section 5307 and 5311 assistance	$ 9,820	9,660
Section 5307 capital maintenance	361	331
Other	2,275	1,968
Total FTA	12,456	11,959
New York State:		
Statewide transit operating assistance program	37,907	37,720
Section 18b assistance	4,100	4,099
Section 5307 capital maintenance match	1,266	1,243
Other	213	320
Total New York State	43,486	43,382
Erie County:		
88(c) - general	8,971	7,727
Mortgage recording tax (section 88a)	5,875	5,962
Section 18b matching funds	3,657	3,657
Sales tax receipts	17,804	17,232
Total Erie County	36,307	34,578
Niagara County:		
Mortgage recording tax	909	931
Section 18b matching funds	443	443
Total Niagara County	1,352	1,374
Peace Bridge Authority	200	200
	93,801	91,493
Authority:		
Department of Homeland Security	1,522	560
Department of Justice	17	71
	1,539	631
	$ 95,340	92,124

(9) Retirement Plans

(a) New York State Retirement System

The Authority participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS). Both ERS and PFRS are cost-sharing, multiple-employer Public Employee Retirement Systems (PERS) that provide retirement benefits as well as death and disability benefits. These benefits are provided in accordance with the New York State Retirement and Social Security Law (NYSRSSL), which also governs obligations of employers and employees to contribute. 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 the NYSRSSL, the Comptroller of the State of New York (the Comptroller) serves as sole trustee and administrative head of ERS and PFRS. The Comptroller adopts and may amend rules and regulations for the administration and transaction of the business of ERS and PFRS and for the custody and control of their funds. ERS and PFRS issue publicly available financial reports that include financial statements and required supplementary information. Those reports may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12236.

ERS and PFRS are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PRFS) who generally contribute 3% of their salary for the entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. The rates range from 9.1% to 17.5% of annual covered payroll over the past three years.

The Authority contributions to the System for the years ended March 31, 2012 and 2011 were $5,447 and $4,594, respectively. The Authority contributions made to the Systems were equal to 100% of the contributions required for each year.

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

Plan Description

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 signed in 1993, 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 by the ATU Plan.

(9) Retirement Plans, Continued

(b) Amalgamated Transit Union Division 1342 NFT Metro Pension Plan, Continued

Plan Description, Continued

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 for the ATU Plan. That report may be obtained by writing to Amalgamated Transit Union Local 1342, 196 Orchard Park Road, West Seneca, New York 14224.

Funding Requirement

Each eligible employee is required to contribute the greater of sixteen dollars or 4% of their weekly 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 Changes in Net Assets, pursuant to the CBA, totaled $5,520 and $5,499 for 2012 and 2011, respectively. 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 of the ATU plan are not recorded by the Authority.

Annual Pension Cost and Net Pension Asset

Annual pension cost and net pension asset of the ATU Plan for the years ended March 31, were as follows for the plan year which encompasses August 1 through July 31:

	2012	2011
Annual required contribution	$ (5,716)	(5,091)
Interest on net pension asset	970	953
Adjustment to annual required contribution	(1,159)	(1,140)
Annual pension cost	(5,905)	(5,278)
Contributions made	5,520	5,499
Increase (decrease) in net pension asset	(385)	221
Net pension asset beginning of year	12,928	12,707
Net pension asset end of year	$ 12,543	12,928

The annual required contribution was determined using the entry age normal actuarial cost method. The actuarial assumptions include a 7.5% investment rate of return (net of administrative expenses), mortality rates based on the 1971 Group Annuity Mortality Table and retirement age at the earlier of age 62 with 5 years of service, or age 59 with 30 years of service, and a salary scale increasing 3% annually.

(9) Retirement Plans, Continued

(c) *Metro Nonunion Retirement Plan*

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 the New York State and Local Employees' Retirement System. The enabling legislation that provided for the purchase of service credits under the ERS for pre-transfer service obliges the Authority to make $465 additional annual contributions commencing December 1997 to ERS (in addition to its regular employer contribution) each year for 25 years, and to amortize the liability assumed by the ERS for benefits attributable to the former Metro Plan participants' pre-transfer service. The Metro Plan was amended as of January 1, 1998, at which time the plan was frozen.

The Authority's annual pension cost and net pension obligation of the Metro Nonunion Plan for the years ended March 31 were as follows for the plan year which encompasses January 1 through December 31:

	2012	2011
Annual required contribution	$ (576)	(491)
Interest on net pension asset	(24)	(23)
Adjustment to annual required contribution	24	23
Annual pension cost	(576)	(491)
Contributions made	491	420
Decrease in net pension obligation	(85)	(71)
Net pension obligation, beginning of year	(491)	(420)
Net pension obligation, end of year	$ (576)	(491)

The annual required contribution was determined using the Unit Credit Actuarial Cost Method. The actuary assumed a 5.0% investment rate of return, mortality rates based on the Applicable Mortality Table for the Valuation Year, and retirement age 62 with 5 years of service.

At December 31, 2011, on the basis for actuarial assumptions used for funding purposes, the actuarial value of the plan assets of $4,239 is lower than the actuarial accrued liabilities of $6,492.

(10) Postemployment Benefits

Postemployment Health Care

The Authority provides a defined benefit postemployment health care plan for essentially all full-time employees with a minimum of ten years service upon retirement. Upon retirement, most Authority employees are provided 50% of the medical insurance premiums while certain management employees hired prior to February 2004 are provided with continuation of full medical coverage.

Metro retirees are provided with a monthly stipend representing the insurance premium amount of a single medical coverage if they retired prior to January 2004. If they retired subsequent to January 2004, Metro retirees are provided with continuation of full medical coverage.

As identified in Note 2, the Authority adopted GASB Statement No. 45 for the year ended March 31, 2008. The objective of this statement is to improve the faithfulness and usefulness of financial information presented with respect to postemployment benefits other than pensions (OPEB). This pronouncement requires the recognition of the costs of these benefits during the periods when employees render services that will eventually entitle them to the benefits, rather than continuing to use the "pay-as-you-go" method. This cost is referred to as the annual required contribution (ARC) and includes:

- amortization of the unfunded actuarial liability (UAAL) for the current year, the UAAL being the actuarially-determined and unfunded present value of all future OPEB costs associated with current employees and retirees as of the beginning of the year.
- the actuarially-determined cost of future OPEB ascribed to, or "earned", in the current year (normal cost).

The ARC represents an amount that, if funded each year, would ultimately satisfy the UAAL at the end of the amortization period (30 years) as well as each year's normal cost during that timeframe. A liability is recognized to the extent that actual funding is less than the ARC. This liability is reflected as a noncurrent liability on the Statements of Net Assets as other postemployment benefits. The Authority's current policy is to fund the benefits on a "pay-as-you-go" basis.

The following table summarizes the Authority's ARC the amount actually contributed to the Plan, and changes in the Authority's net OPEB obligation for the years ended March 31, 2012 and 2011:

(10) Postemployment Benefits, Continued

	2012	2011
Annual required contribution (ARC)		
Normal cost	$ 8,840	8,460
Amortization of UAAL	13,600	12,721
Annual required contribution	22,440	21,181
Interest earned on OPEB obligation	2,885	2,120
Adjustment to ARC	(3,936)	(2,892)
Annual OPEB cost	21,389	20,409
Employer contributions	(4,060)	(3,443)
Increase in OPEB obligation	17,329	16,966
Net OPEB obligation - beginning of year	64,114	47,148
Net OPEB obligation - end of year	$ 81,443	64,114

The Authority's total annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for the years ended March 31, 2010 through March 31, 2012 were:

March 31,	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2012	$ 21,389	18.98%	81,443
2011	20,409	16.66%	64,114
2010	19,469	13.42%	47,148

The actuarial analysis supporting the GASB 45 obligation for 2012 was completed using a valuation date of April 1, 2010. The total actuarial accrued liability (AAL) for future benefits was $54,224 for the Authority and $172,079 for Metro, all of which is unfunded. These projections are based on the April 1, 2010 census data, claims information and the impact of healthcare reform. The covered payroll (annual payroll of active employees covered by the plan) was $83,823, and the ratio of the UAAL to the covered payroll was 270.0%.

(10) Postemployment Benefits, Continued

The actuarial valuation involves estimates of costs and the impacts of events far into the future. Examples include employee turnover and retirement rates, employee and retiree mortality, and changes in health care costs and interest rates. The benefits will be subject to routine actuarial revaluations in future years and these analyses will reflect revised estimates and assumptions as actual results are compared to past projections and expectations of the future. Any changes in these factors will impact the results of future valuations. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The actuarial calculations reflect a long-term prospective and use techniques designed to reduce short-term volatility in actuarial accrued liabilities. A summary of the methods and assumptions is provided below:

- Healthcare cost trend is estimated at 7% next year, ultimately declining to 5% in year 2019 and remaining level thereafter.
- Actuarial cost method used is projected unit credit
- Discount rate is 4.50%
- Amortization method is 30 years, open, level dollar method

Postemployment Stipends
As of March 31, 2012, there are 237 retirees within Metro who retired prior to January 2004. Each retiree is provided with a cash stipend equivalent to the single medical premium cost and, if enrolled in Medicare, the retiree also is provided with full Medicare reimbursement. The retiree has the option of any combination of cash stipend and/or health insurance continuation.

Health care benefits where the recipient has the option to receive cash stipends in lieu of coverage are treated as pension benefits. The Authority's annual pension cost and net pension obligation (asset) related to such stipends was:

	2012	2011
Annual required contribution	$ 1,832	2,078
Interest on net pension cost	(101)	(59)
Adjustment to ARC	146	80
Annual pension cost	1,877	2,099
Employer contributions	(3,073)	(3,309)
Increase in net pension asset	(1,196)	(1,210)
Net pension asset - beginning of year	(2,523)	(1,313)
Net pension asset - end of year	$ (3,719)	(2,523)

(10) Postemployment Benefits, Continued

The actuarial accrued liability at March 31, 2012 and 2011 was $29,814 and $31,682, respectively, all of which is unfunded. The net pension asset of $3,719 and $2,523 as of March 31, 2012 and 2011, respectively, has been recorded as a noncurrent liability on the Statements of Net Assets as other postemployment benefits. The current policy is to fund on the "pay as you go" basis.

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

- Healthcare cost trend is estimated at 8% next year declining 1% per year through 2015.
- Actuarial cost method used is Projected Unit Credit.
- Discount rate is 4%.
- Amortization method is 30 years, open, level dollar method.

(11) Leases

A substantial portion of the Authority's revenue is generated by a number of fixed-term operating leases at its airport, marine 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 $51,115 and $50,529 in 2012 and 2011, including guaranteed minimum rentals of $21,960 and $22,147, respectively.

Fixed-term operating leases in effect at March 31, 2012 are expected to yield minimum rentals in future years as follows:

2013	$ 17,110
2014	3,252
2015	2,587
2016	2,691
2017	2,498
2018-2022	11,251
2023-2027	9,598
2028-2032	3,100
2033-2037	861
2038-2042	324
2043-2048	225
	$ 53,497

(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, property damage, environmental claims, personal injury claims, and workers' compensation claims. Estimated liabilities for these claims, which are not covered by insurance, have been reflected in the financial statements. Management believes that such liabilities are adequate based upon experience and the opinions of internal risk management administrators and legal counsel.

The Authority is subject to various federal, state, and local laws and regulations relating to the protection of the environment. The Authority has established procedures for the on-going evaluation of its operations to identify potential environmental exposures and assure compliance with regulatory policies and procedures.

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with notification by an outside agency, determination of the need for a feasibility study or the Authority's commitment to a formal plan of action based on completion of the feasibility study.

For the fiscal year ended March 31, 2009, the Authority adopted GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. The Authority has recognized a liability of $50 and $43 for 2012 and 2011, respectively, relating to the ongoing water treatment remediation project at the former Westinghouse facility. This liability is included in the estimated liability for self-insured claims on the Statements of Net Assets.

Changes in self-insured claims for the years ended March 31, 2012 and 2011 were as follows:

	March 31	
	2012	2011
Beginning of year liability	$ 29,989	27,653
Current year claims	11,369	13,317
Claim payments	(10,096)	(10,981)
Balance at end of year	$ 31,262	29,989

(12) Commitments and Contingencies, Continued

(c) Project Commitments

As of March 31, 2012, the Authority has commenced several projects including:

- NFIA (Niagara Falls International Airport) terminal replacement, apron expansion and landside improvements estimated at $50,796 of which $46,085 was expended.
- BNIA improvement of baggage sorting system estimated at $30,270 of which $28,322 was expended.
- BNIA noise abatement program for outlaying properties estimated at $56,860 of which $31,351 was expended. (Expenditures are classified as non-operating expenses in the Statements of Revenues, Expenses and Changes in Net Assets).
- Rail car refurbishment estimated at $45,564 of which $20,855 was expended.
- BNIA concourse level modifications to expand the security checkpoint and add a food court estimated at $5,961 of which $5,660 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 5) pursuant to a Master Resolution approved by the Board of Commissioners for the construction of the BNIA. The Master Resolution includes certain compliance covenants which include requiring net airport revenues to be 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 the 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 of New York or any political subdivision.

(13) Segment Information - Buffalo Niagara International Airport, Continued

(a) Condensed Statements of Net Assets (BNIA)

	2012	2011
Assets:		
Current	$ 41,837	42,634
Capital assets, net	290,613	308,543
Other	50,812	46,110
Total assets	$ 383,262	397,287
Liabilities:		
Current liabilities	16,388	16,137
Long-term liabilities	164,266	172,205
Total liabilities	$ 180,654	188,342
Net assets:		
Invested in capital assets, net of related debt	125,026	132,554
Restricted	47,173	42,193
Unrestricted	30,409	34,198
Total net assets	$ 202,608	208,945

Included in current and other assets are airport revenue bond fund accounts and other cash and deposit accounts totaling $48,083 and $10 for the fiscal year ended March 31, 2012 and $28,770 and $14,308 for the fiscal year ended March 31, 2011, respectively.

(13) Segment Information - Buffalo Niagara International Airport, Continued

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

	2012	2011
Operating revenues:		
Concessions and commissions	$ 28,179	27,807
Airport fees and services	16,123	15,203
Rental income	8,724	8,671
Other	4,501	4,320
Total operating revenues	57,527	56,001
Operating expenses	36,631	35,723
Depreciation expense	21,505	21,289
Operating loss	(609)	(1,011)
Nonoperating revenues (expenses):		
Derivative investment losses	(2,697)	(908)
Interest expense, net	(8,152)	(8,313)
Passenger facility charges	10,872	10,747
Airport noise abatement	(4,932)	(4,913)
Other, net	(7,812)	(4,196)
Loss before capital contribution	(13,330)	(8,594)
Capital contributions	6,993	8,987
Change in net assets	(6,337)	393
Net assets, beginning of year	208,945	208,552
Net assets, end of year	$ 202,608	208,945

(c) Condensed Statements of Cash Flows (BNIA)

	2012	2011
Net cash provided by operating activites	$ 21,176	15,131
Net cash provided by investing activities	143	334
Net cash used in capital and related financing activities	(16,304)	(22,165)
Net increase (decrease) in cash	5,015	(6,700)
Cash, beginning of year	43,078	49,778
Cash, end of year	$ 48,093	43,078

(13) Segment Information - Buffalo Niagara International Airport, Continued

(d) Master Resolution Covenant

Subsection(a) of Section 5.02 of the Master Resolution requires the Authority to charge rates, rentals, fees, and charges at BNIA, which are sufficient to pay debt service, operating expenses, and any and all other claims and charges relating to 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 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 principal and interest, net of amounts available for the payment of interest as defined by the Master Resolution.

	2012	2011
Airport revenues:		
Operating revenues	$ 57,527	56,001
Interest income	140	330
Gross airport revenues	57,667	56,331
Operating expenses	(36,631)	(35,723)
Net airport revenues	21,036	20,608
Net debt service:		
Principal paid	7,090	6,572
Interest paid	7,829	8,185
Passenger facility charges	(1,437)	(1,430)
Net debt service	$ 13,482	13,327
Debt service coverage percentage	156.03%	154.63%
Minimum percentage requirement	125.00%	125.00%

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Required Supplementary Information (Unaudited)
Schedules of Funding Progress for Defined Benefit Pension and Other Postemployment Benefit Plans
For the Years ended March 31, 2012 and 2011
(In thousands)

ATU Division 1342 NFT Metro Plan

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
3/31/2012	8/1/2011	$ 90,380	141,824	(51,444)	63.7%	46,968	109.5%
3/31/2011	8/1/2010	86,260	133,305	(47,045)	64.7%	45,507	103.4%
3/31/2010	8/1/2009	82,983	124,439	(41,456)	66.7%	41,273	100.4%

Postemployment Benefits

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
3/31/2012	4/1/2010	$ -	226,304	(226,304)	0%	83,823	270.0%
3/31/2011	4/1/2010	-	221,523	(221,523)	0%	83,812	264.3%
3/31/2010	4/1/2008	-	191,684	(191,684)	0%	82,116	233.4%

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Supplementary Information
Combining Schedules of Net Assets
March 31, 2012 and 2011
(In thousands)

	2012			2011		
Assets	Authority	Metro	Total	Authority	Metro	Total
Current assets:						
Cash and cash equivalents	$ 2,658	4,462	7,120	2,603	6,901	9,504
Accounts receivable, net of allowance for doubtful accounts of $243 in 2012 and $177 in 2011	4,138	1,872	6,010	4,546	2,021	6,567
Grants receivable	2,379	14,989	17,368	4,907	7,552	12,459
Due from other funds	(4,956)	4,956	-	(5,502)	5,502	-
Materials and supplies inventory	7	3,986	3,993	5	3,815	3,820
Prepaid expenses and other	327	264	591	913	530	1,443
	4,553	30,529	35,082	7,472	26,321	33,793
Restricted assets:						
Cash and cash equivalents	54,685	1,607	56,292	50,184	2,255	52,439
Investments	-	25	25	-	25	25
	54,685	1,632	56,317	50,184	2,280	52,464
Bond issuance costs, net	3,661	-	3,661	3,948	-	3,948
Capital assets, net	392,485	321,278	713,763	404,594	322,681	727,275
	450,831	322,910	773,741	458,726	324,961	783,687
Total assets	$ 455,384	353,439	808,823	466,198	351,282	817,480
Liabilities and Net Assets						
Current liabilities:						
Current portion of long-term debt	13,442	5,725	19,167	13,281	216	13,497
Accounts payable and accrued expenses	11,165	12,914	24,079	12,266	13,560	25,826
Deferred revenue	1,119	1,462	2,581	929	1,689	2,618
Other liabilities	4,444	-	4,444	4,245	-	4,245
	30,170	20,101	50,271	30,721	15,465	46,186
Noncurrent liabilities:						
Derivative instruments	7,618	-	7,618	4,921	-	4,921
Long-term debt	163,047	1,851	164,898	176,471	2,076	178,547
Deferred 88(c) revenue and other noncurrent liabilities	-	260	260	-	479	479
Other postemployment benefits	17,584	60,140	77,724	14,281	47,310	61,591
Payable to NYS Retirement	621	-	621	646	-	646
Estimated liability for self-insured claims	4,811	26,451	31,262	3,774	26,215	29,989
	193,681	88,702	282,383	200,093	76,080	276,173
Total liabilities	223,851	108,803	332,654	230,814	91,545	322,359
Net assets:						
Capital assets, net of related debt	215,996	313,702	529,698	214,842	320,389	535,231
Restricted net assets	50,241	1,372	51,613	45,939	1,801	47,740
Unrestricted net assets (deficit)	(34,704)	(70,438)	(105,142)	(25,397)	(62,453)	(87,850)
Total net assets	231,533	244,636	476,169	235,384	259,737	495,121
Total liabilities and net assets	$ 455,384	353,439	808,823	466,198	351,282	817,480

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Supplementary Information
Combining Schedules of Revenues, Expenses and Changes in Net Assets
Years ended March 31, 2012 and 2011
(In thousands)

	2012			2011		
	Authority	Metro	Total	Authority	Metro	Total
Operating revenues:						
Fares	$ -	32,524	32,524	-	31,651	31,651
Concessions and commissions	29,294	-	29,294	28,245	-	28,245
Rental income	13,409	-	13,409	13,542	-	13,542
Airport fees and services	16,208	-	16,208	15,253	-	15,253
Tenant reimbursements	1,698	-	1,698	1,724	-	1,724
Boat harbor fees	1,016	-	1,016	963	-	963
Retail sales	342	-	342	250	-	250
Other operating revenues	3,230	608	3,838	3,021	784	3,805
Total operating revenues	65,197	33,132	98,329	62,998	32,435	95,433
Operating expenses:						
Salaries and employee benefits	21,746	94,343	116,089	20,405	95,818	116,223
Other postemployment benefits	3,303	14,026	17,329	3,310	12,446	15,756
Depreciation	27,708	29,815	57,523	27,594	32,895	60,489
Maintenance and repairs	9,892	6,375	16,267	9,803	6,325	16,128
Transit fuel and power	-	8,582	8,582	-	6,803	6,803
Utilities	3,356	1,886	5,242	3,958	2,315	6,273
Insurance and injuries	920	3,198	4,118	575	3,071	3,646
Safety and security	6,126	5,455	11,581	5,994	5,278	11,272
Other operating expenses	10,551	3,233	13,784	9,298	3,021	12,319
Administration cost reallocation	(3,750)	3,750	-	(3,690)	3,690	-
Total operating expenses	79,852	170,663	250,515	77,247	171,662	248,909
Operating loss	(14,655)	(137,531)	(152,186)	(14,249)	(139,227)	(153,476)
Non-operating revenues (expenses):						
Operating assistance	1,539	93,801	95,340	631	91,493	92,124
Passenger facility charges	10,872	-	10,872	10,747	-	10,747
Derivative instrument losses	(2,697)	-	(2,697)	(908)	-	(908)
Interest income	157	16	173	342	20	362
Interest expense	(8,754)	(94)	(8,848)	(9,310)	(102)	(9,412)
Airport noise abatement	(4,932)	-	(4,932)	(4,913)	-	(4,913)
Other non-operating revenues (expenses)	14,649	2,792	17,441	698	(822)	(124)
Total non-operating revenues (expenses)	10,834	96,515	107,349	(2,713)	90,589	87,876
Loss before capital contributions	(3,821)	(41,016)	(44,837)	(16,962)	(48,638)	(65,600)
Capital contributions	(30)	25,915	25,885	7,722	35,293	43,015
Change in net assets	(3,851)	(15,101)	(18,952)	(9,240)	(13,345)	(22,585)
Total net assets, beginning of year	235,384	259,737	495,121	244,624	273,082	517,706
Total net assets, end of year	$ 231,533	244,636	476,169	235,384	259,737	495,121

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Supplementary Information
Combining Schedules of Cash Flows
Years ended March 31, 2012 and 2011
(In thousands)

	2012			2011		
	Authority	Metro	Total	Authority	Metro	Total
Cash flows from operating activities:						
Cash collected from customers	$ 65,794	33,053	98,847	62,500	31,385	93,885
Cash paid for employee wages and benefits	(26,483)	(100,047)	(126,530)	(25,848)	(100,855)	(126,703)
Cash paid to vendors and suppliers	(25,856)	(22,173)	(48,029)	(26,626)	(26,337)	(52,963)
Receipts/payments to other funds	3,204	(3,204)	-	3,369	(3,369)	-
Cash paid for insurance and injury	117	(2,962)	(2,845)	(818)	(491)	(1,309)
Net cash provided by (used in) operating activities	16,776	(95,333)	(78,557)	12,577	(99,667)	(87,090)
Cash flows from noncapital financing activities - operating assistance	1,539	93,801	95,340	631	91,493	92,124
Cash flows from capital and related financing activities:						
Repayments of long-term debt	(18,765)	5,284	(13,481)	(12,782)	(207)	(12,989)
Proceeds from issuance of long-term debt	5,502	-	5,502	-	-	-
Escrow funds, net	199	-	199	169	-	169
Interest paid	(8,754)	(94)	(8,848)	(9,310)	(102)	(9,412)
Deferred 88(c) revenues	-	(219)	(219)	-	(3,484)	(3,484)
Capital grants and contributions	2,498	18,478	20,976	13,639	42,261	55,900
Additions to capital assets	(15,592)	(28,412)	(44,004)	(16,027)	(32,496)	(48,523)
Construction retainages, net	126	600	726	(2,474)	184	(2,290)
Proceeds from sale of capital assets	3	159	162	15	110	125
Passenger facility charges	10,872	-	10,872	10,747	-	10,747
Airport noise abatement	(4,932)	-	(4,932)	(4,913)	-	(4,913)
Other	14,927	2,633	17,560	970	(933)	37
Net cash provided by (used in) capital and related financing activities	(13,916)	(1,571)	(15,487)	(19,966)	5,333	(14,633)
Cash flows from investing activities - interest income	157	16	173	342	20	362
Net change in cash and cash equivalents	4,556	(3,087)	1,469	(6,416)	(2,821)	(9,237)
Cash and equivalents, beginning of year	52,787	9,156	61,943	59,203	11,977	71,180
Cash and equivalents, end of year	$ 57,343	6,069	63,412	52,787	9,156	61,943
Reconciliation to Statements of Net Assets:						
Cash and cash equivalents:						
Unrestricted	2,658	4,462	7,120	2,603	6,901	9,504
Restricted	54,685	1,607	56,292	50,184	2,255	52,439
Total cash and cash equivalents	$ 57,343	6,069	63,412	52,787	9,156	61,943

(Continued)

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)
Supplementary Information
Combining Schedules of Cash Flows, Continued
(In thousands)

	2012			2011		
	Authority	Metro	Total	Authority	Metro	Total
Reconciliation of operating loss to net cash provided by (used in) operating activities:						
Operating loss	$ (14,655)	(137,531)	(152,186)	(14,249)	(139,227)	(153,476)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:						
Depreciation	27,708	29,815	57,523	27,594	32,895	60,489
Other postemployment benefits, net	3,303	12,830	16,133	3,310	12,446	15,756
Changes in assets and liabilities						
Receivables	408	149	557	(555)	(495)	(1,050)
Materials and supplies inventory	(2)	(171)	(173)	1	(73)	(72)
Prepaid expenses and other	586	266	852	(497)	(463)	(960)
Accounts payable and accrued expenses	(1,228)	(1,246)	(2,474)	(2,896)	(7,096)	(9,992)
Deferred revenue	190	(227)	(37)	57	(555)	(498)
Due to other funds	(546)	546	-	(321)	321	-
Estimated liability for self-insured claims	1,037	236	1,273	(244)	2,580	2,336
Payable to NYS Retirement	(25)	-	(25)	377	-	377
Net cash provided by (used in) operating activities	$ 16,776	(95,333)	(78,557)	12,577	(99,667)	(87,090)

TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

300 Essjay Road, Ste 115
Williamsville, NY 14221
(716) 634-0700

14 Corporate Woods Blvd.
Albany, NY 12211
(518) 935-1069

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH INVESTMENT GUIDELINES FOR PUBLIC AUTHORITIES

The Board of Commissioners
Niagara Frontier Transportation Authority
Buffalo, New York:

We have examined the Niagara Frontier Transportation Authority's (the Authority) (a component unit of the State of New York) compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York during the year ended March 31, 2012. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements during the year ended March 31, 2012.

In accordance with Government Auditing Standards, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Authority's compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Authority complied with the aforementioned requirements and not for the purpose of expressing an opinion on the internal control over compliance with those requirements or other matters; accordingly, we express no such opinion. The results of our tests disclosed no matters that are required to be reported under Government Auditing Standards.

EMAIL: toski@toskicpa.com
WEBSITE: www.toskicpa.com

This report is intended solely for the information and use of the Board of Commissioners, management of the Authority, the New York State Legislature, the New York State Office of the State Comptroller, the New York State Division of the Budget, and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than those specified parties.

Toski & Co., CPAs, P.C.

Williamsville, New York
June 13, 2012

CORPORATE:

2. C. (2) **Authorization to Apply for Section 5311 Operating Assistance for Federal Fiscal Years 2011 and 2012**

RECOMMENDATION: The Audit and Governance Committee has reviewed this item and recommends that the Board authorize submittal of a request for a grant of funds to the New York State Department of Transportation, pursuant to Section 5311, Title 49 United States Code, for a project to provide public mass transportation service for segments of three Metro bus routes for federal fiscal years 2011 and 2012 in the amount of $105,600.

INFORMATION: The NFTA and the State of New York have entered into a continuing agreement, which authorizes the undertaking of the project and payment of the federal share. Section 5311 funding provides Erie County assistance for the operation of mass transit in rural areas. The funding is for the continued operation of segments of three Metro bus routes that operate outside the urbanized boundary in Erie County. Those route segments are:

Routes for 2011	Routes for 2012
27 – BNIA – Erie County Home	27 – BNIA – Erie County Home
76 – Lotus Bay	44 – Lockport
216 – Gowanda	55 – Pine Avenue
	69 – Alden
	70 – East Aurora
	76 – Lotus Bay

FUNDING: FFY 2011 Section 5311 - $51,500
FFY 2012 Section 5311 - $54,100

Wherefore, it was moved by Commissioner Sloma, seconded by Commissioner Perry, that the following Resolutions be adopted:

> "**RESOLVED**, that the Board authorizes submittal of a request for a grant of funds to the New York State Department of Transportation as described hereinabove; and
>
> **BE IT FURTHER RESOLVED**, that the Executive Director, her designee and or the Chairman be and hereby are authorized to execute a request of grant funds as set forth above; and

BE IT FURTHER RESOLVED, the said Request shall include such additional terms, conditions, provisions and safeguards to the Authority as deemed appropriate by the General Counsel."

AYES: **ZEMSKY, SLOMA, DEMAKOS, LEWIN, CROCE, EAGAN, DURAND, GURNEY, HUGHES, PERRY, WILCOX**

NOES: **NONE**

ADOPTED

CORPORATE 2. C. (2)

3. AVIATION BUSINESS GROUP REPORT

A. Aviation Committee Report
B. Financial Update
C. Business Update
D. Resolutions

C. <u>Aviation Business Update:</u>

Aviation Director William Vanecek apprised the Board that the runway at Niagara Falls International Airport is now open and in full operation with a projection of fifteen flights a week beginning July 1, 2012.

Aviation Resolutions

1. Acceptance of Bid, Jameson Roofing Co., Inc., Roof Replacement, BNIA

2. Authorization for Supplement No. 6, Ravi Engineering & Land Surveying, P.C., Design Support for Construction Monitoring Services, Two-Tier Road Departure Level Deck Rehabilitation, BNIA

AVIATION:

3. D. (1) **Acceptance of Bid, Jameson Roofing Co., Inc., Roof Replacement, BNIA**

RECOMMENDATION: The Aviation Committee has reviewed this item and recommends that the Board award the subject construction contract to Jameson Roofing Co., Inc. for a lump sum bid amount of $190,000.00.

INFORMATION: Project objective is to replace the built-up PVC roof system at the Transit Police Airport Office (TPAO) at 175 Aero Drive. The existing roof system is past its useful life and is failing.

The project was publicly advertised in accordance with NFTA Procurement Guidelines. Six (6) sets of contract documents were distributed to potential prime bidders with four (4) responding as follows:

Company	Total Amount of Bid
Jameson Roofing Co., Inc. Dunkirk, NY J. William Farrell, President	$190,000.00
Weaver Metal and Roofing, Inc. Buffalo, NY Anthony Byrne, President	$197,500.00
Joseph A. Sanders & Son, Inc. Buffalo, NY Wendy L. Sanders, President	$208,665.00
Grove Roofing Services, Inc. Buffalo, NY John Embow, President	$240,920.00

It has been determined that the low bidder, Jameson Roofing Co., Inc. has the knowledge, understanding, and ability to successfully accomplish the project work.

The NFTA Affirmative Action/EEO office has been briefed on the bid results and concurs with the recommendation for board approval.

FUNDING: Funding for this project will be provided from BNIA Capital Reserves.

Whereupon it was moved by Commissioner Croce, seconded by Commissioner Eagan, that the following Resolutions be adopted:

> "**RESOLVED**, that the Board accepts the bid submitted by Jameson Roofing Co., Inc. for the lump sum amount of $190,000.00, as described hereinabove; and

BE IT FURTHER RESOLVED, that the Executive Director, her designee and/or the Chairman, be and hereby are authorized to execute an Agreement with Jameson Roofing Co., Inc. for the lump sum amount of $190,000.00, with terms and conditions as set forth above and as negotiated; and

BE IT FURTHER RESOLVED, that said Agreement shall 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 she is hereby authorized to make payments upon the terms of the Agreement upon certification by the Director, Engineering, that such payments are in order."

AYES: **ZEMSKY, SLOMA, DEMAKOS, LEWIN, CROCE, EAGAN, DURAND, GURNEY, HUGHES, PERRY, WILCOX**

NOES: **NONE**

ADOPTED

AVIATION 3. D. (1)

AVIATION:

3. D. (2) **Authorization for a Supplemental Agreement, Ravi Engineering & Land Surveying, P.C., Design Support for Construction Monitoring Services, Two-Tier Road Departure Level Deck Rehabilitation, BNIA**

RECOMMENDATION: The Aviation Committee has reviewed this item and recommends that the Board approve a supplemental agreement with term consultant Ravi Engineering & Land Surveying, P.C. in the additional amount of $28,968.00 for design support for construction monitoring services for the BNIA Two Tier Road Departure Level Deck Rehabilitation, Project No. 15BL0910. This will result in a revised contract value of $61,425.00.

INFORMATION: The design support for construction monitoring services provided under the term contract assignment includes meeting attendance, review of the Contractor's schedules, shop drawings and product submittals, material testing services, change order review and preparation, engineering consultation, and preparation of record drawing CADD files.

During the deck rehabilitation process the existing Ground Transportation Lane canopy structural steel was found to conflict with the installation of the concrete beam shoring system required to perform the structural concrete repairs to the beams at three locations. Ravi Engineering and Land Surveying, P.C. was requested to investigate the canopy's steel framework and develop a construction bulletin to remove the conflicting steel to allow the shoring to be erected, and the beam repairs to proceed as designed, and to replace the steel after the repairs were completed. This design support task was not included in the Consultant's original scope. Ravi Engineering and Land Surveying, P.C. prepared Bulletin No. 1 as requested and the Contractor was subsequently authorized to proceed with the steel modifications required.

In addition, the Business Center requested the Consultant to prepare a construction bulletin to provide enhancements to the protection currently in place at the pedestrian crosswalks to improve safety and to update the existing signage to meet current New York State Department of Transportation requirements under the Manual of Uniform Traffic Control Devices (MUTCD). Ravi Engineering and Land Surveying, P.C. prepared Bulletin No. 2 in which the speed control devices at the crosswalks were revised to reduce the vehicular traffic speed through the crosswalks while eliminating the complaints received from Ground Transportation Committee member organizations.

Additionally, the current signs installed during original construction and subsequent modifications to the Arrivals Level roadway and Ground Transportation lane that did not meet current MUTCD codes were replaced with new signs to conform to the current codes.

Ravi Engineering and Land Surveying, P.C. advised the Authority that they could not complete these additional services within the cost-not-to-exceed amount established in the original term contract assigned and requested a supplement to cover the additional costs to prepare Bulletins Nos. 1 and 2. They submitted a detailed cost proposal based upon the actual direct labor and other direct costs required to complete the bulletins including hourly labor, overhead, and fixed fee rates in accordance with the Term Contract. Upon review, the NFTA Resident Engineer found the supplement request to represent fair and equitable compensation.

FUNDING: Funds for the Supplemental Agreement are contained in the BNIA Capital Budget account No. 120000000-3117-22535 and are provided as follows:

BNIA Two-Tier Road Departures Level Rehabilitation:

75.0 % FAA		$ 21,726.00
12.5 % NYSDOT		$ 3,621.00
12.5 % BNIA (PFC)		$ 3,621.00
	Total	$ 28,968.00

Whereupon it was moved by Commissioner Lewin, seconded by Commissioner Demakos, that the following Resolutions be adopted:

> "**RESOLVED,** that the Board hereby authorizes a Supplemental Agreement with Ravi Engineering & Land Surveying, P.C., for the Design Support and Construction Monitoring Services for the Two-Tier Departure Level Deck Rehabilitation Project at the Buffalo Niagara International Airport as described above; and
>
> **BE IT FURTHER RESOLVED,** that the Executive Director, her designee and/or the Chairman, be and hereby are authorized to execute a Supplemental Agreement with Ravi Engineering & Land Surveying, P.C., as stated hereinabove and as negotiated; and
>
> **BE IT FURTHER RESOLVED,** that said Supplemental Agreement shall 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 she is hereby authorized to make payments under said Change Order upon certification by the Director, Engineering, that such payments are in order."

AYES: **ZEMSKY, DEMAKOS, LEWIN, CROCE, DURAND, GURNEY, HUGHES, PERRY, WILCOX**

NOES: **SLOMA, EAGAN**

ADOPTED

AVIATION 3. D. (2)

4. SURFACE TRANSPORTATION BUSINESS GROUP REPORT

A. Surface Transportation Committee Report
B. Financial Update
C. Business Update
D. Resolutions

C. Surface Transportation Business Update:

Surface Transportation Director Thomas George advised the Board that ridership is down slightly which is being carefully monitored and thought to be the result of various factors which include implementation of the fare increase, slightly reduced service and recent lower fuel costs which always affect ridership.

Surface Transportation Resolutions

1. Authorization for Procurement, Mentor Engineering, Mobile Data Terminals, Metro
2. Authorization for College/University Pass Agreement, Canisius College
3. Authorization for College/University Pass Agreement, Buffalo State College

SURFACE:

4. D. (1) Authorization for Procurement, Mentor Engineering, Mobile Data Terminals, Metro

RECOMMENDATION: The Surface Transportation Committee has reviewed this item and recommends that the Board approve the purchase of the hardware, software and support services necessary to install and use Mobile Data Terminals (MDT) in fifteen Metrolink vehicles for $56,250 from Mentor Engineering of Calgary AB, Canada.

INFORMATION: The requested hardware, software and support services will permit MDTs to be installed by Metro staff and utilized in fifteen existing Metrolink vehicles. Metro currently uses these MDTs in twenty-nine Metrolink vehicles. The seventeen paratransit vehicles currently on order will also be equipped with MDTs. The MDTs will interface with Metro's demand response dispatch system in order to collect real time data and facilitate schedule changes. The software will also display a GPS integrated map to assist an operator when finding a location or route.

Due to the proprietary nature of the software/firmware used in this equipment, this is a validated single source procurement in accordance with the NFTA Procurement Guidelines. This procurement is determined to be fair and reasonable based on past purchases.

FUNDING: Funding for this procurement is included in Account Number 1200000003209 23383. These funds are shared on an 80% FTA, 10% NYSDOT and 10% NFTA basis.

FTA	$ 45,000.00
NYSDOT	$ 5,625.00
NFTA	$ 5,625.00
Total	$ 56,250.00

Whereupon it was moved by Commissioner Lewin, seconded by Commissioner Demakos, that the following Resolutions be adopted:

"**RESOLVED,** that the Board hereby authorizes the procurement of mobile data terminals from Mentor Engineering as described above; and

BE IT FURTHER RESOLVED, that the Manager, Procurement, be and she is hereby authorized to issue Purchase Orders to Mentor Engineering for the procurement of mobile data terminals to be used as described hereinabove; and

BE IT FURTHER RESOLVED, that said Purchase Orders shall 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 she is hereby authorized to make payments under said Purchase Orders upon certification by the Director, Surface Transportation, that such payments are in order."

AYES: **ZEMSKY, SLOMA, DEMAKOS, LEWIN, CROCE, EAGAN, DURAND, GURNEY, HUGHES, PERRY, WILCOX**

NOES: **NONE**

ADOPTED

SURFACE 4. D. (1)

SURFACE:

4. D. (2) Authorization for College/University Pass Agreement, Canisius College

RECOMMENDATION: The Surface Transportation Committee has reviewed this item and recommends entering into a new one-year College University Pass Agreement with Canisius College.

INFORMATION: The Board has previously approved a College/University Transit Pass Agreement with Canisius College that entitled all registered undergraduate students unlimited access to regular Metro fixed route service. Staff negotiated a new one-year College/University Transit Pass Agreements with Canisius College for a payment of $47 per student per semester. The revenue generated by this agreement is estimated to be $270,000. All other terms and conditions of the new agreement remain the same.

FUNDING: No funding is required.

Whereupon it was moved by Commissioner Lewin, seconded by Commissioner Demakos, that the following Resolutions be adopted:

> "**RESOLVED**, that the Board herby authorizes an Agreement with Canisius College for a one-year College/University Transit Pass Program that allows students access to fixed route service for the school calendar year of 2012 -2013 as described hereinabove; and
>
> **BE IT FURTHER RESOLVED,** that the Executive Director, her designee and/or the Chairman, be and herby are authorized to execute the Agreement with Canisius College for the school calendar year of 2012-2013 with terms and conditions as set forth above and negotiated; and
>
> **BE IT FURTHER RESOLVED,** that the Board authorizes the Executive Director to execute future College/University Transit Pass Agreements with Canisius College if there is no material change to the terms authorized by the Board in this resolution; and
>
> **BE IT FURTHER RESOLVED,** that said Agreement and any renewal Agreements shall include such terms, conditions and such additional provisions and safeguards to the Authority as deemed appropriate by the General Counsel."

AYES: **ZEMSKY, SLOMA, DEMAKOS, LEWIN, CROCE, EAGAN, DURAND, GURNEY, HUGHES, PERRY, WILCOX**

NOES: **NONE**

ADOPTED

SURFACE 4. D. (2)

SURFACE:

4. D. (3) Authorization for College/University Pass Agreement, Buffalo State College

RECOMMENDATION: The Surface Transportation Committee has reviewed this item and recommends entering into a new three-year College University Pass Agreement with Buffalo State College.

INFORMATION: The Board has previously approved a three-year College/University Transit Pass Agreement with Buffalo State College that entitled all registered undergraduate students unlimited access to regular Metro fixed route service. This agreement also included the operation of one campus circulator and some college pass printing supplies.

Staff has negotiated a new three-year College/University Transit Pass Agreement with the college to include both access to fixed route service and one campus circulator that will provide service around the campus and to local shopping areas. The discounted fee structure for access to Metro's fixed route service has been negotiated as follows: Year 1 - $34, Year 2 - $41 and Year 3 - $48, which over a three year period equates to an average rate of $41 per student pass per semester.

Metro's Route 206 circulator service will be maintained and the cost of this service will be included in the students' transit fees per semester. This cost has been negotiated at $3.80 per student in year one (see chart below).

Service	Year '12-13	Year '13-14	Year '14-15
Fixed Route Access	$34.00	$41.00	$48.00
206 Circulator	$3.80	TBD	TBD
Total Per Semester	**$37.80**	**TBD**	**TBD**

The circulator service would be negotiated on an annual basis to allow for service adjustments and related cost differentials. The revenue generated by this Agreement is estimated to be $650,000 in the first year.

FUNDING: No funding is required.

Whereupon it was moved by Commissioner Hughes, seconded by Commissioner Eagan, that the following Resolutions be adopted:

> "**RESOLVED**, that the Board herby authorizes an Agreement with Buffalo State College for a three-year College/University Transit Pass Program that allows students access to fixed route service for the school calendar years of 2012 -2015 as described hereinabove; and

BE IT FURTHER RESOLVED, that as part of the abovementioned Agreement the Board herby authorizes operation of one campus circulator with costs and service to be negotiated on an annual basis for the school calendar years of 2012-2015 as described hereinabove; and

BE IT FURTHER RESOLVED, that the Executive Director, her designee and/or the Chairman, be and herby are authorized to execute the Agreement with Buffalo State College for the school calendar years of 2012-2015 with terms and conditions as set forth above and negotiated; and

BE IT FURTHER RESOLVED, that the Board authorizes the Executive Director to execute future College/University Transit Pass Agreements with Buffalo State College if there is no material change to the terms authorized by the Board in this resolution; and

BE IT FURTHER RESOLVED, that said Agreement and any renewal Agreements shall include such terms, conditions and such additional provisions and safeguards to the Authority as deemed appropriate by the General Counsel."

AYES: **ZEMSKY, SLOMA, DEMAKOS, CROCE, EAGAN, GURNEY, HUGHES, WILCOX**

ABSTENTION: LEWIN, DURAND, PERRY

NOES: NONE

ADOPTED

SURFACE 4. D. (3)

5. PROPERTY/RISK MANAGEMENT GROUP REPORT

A. Property/Risk Management Committee Report
B. Financial Update
C. Business Update
D. Resolutions

C. **<u>Property Development Business Update:</u>**

General Counsel David State updated the Board on Boat Harbor slip sales and revenues and going forward will provide a breakdown for the Board.

Property/Risk Management Resolutions

1. Authorization for Agreement with First Niagara Risk Management, Third Party Administrator, Risk Management
2. Authorization to Terminate Selection Process, Request for Proposals, Sale of Boat Harbor and Gallagher Beach; Authorization for Issuance of Notice, Proposed Sale of NFTA Waterfront Properties

PROPERTY:

5. D. (1) **Authorization for Agreement, First Niagara Risk Management Corp., Third Party Administrator for Workers' Compensation and Disability Services**

RECOMMENDATION: The Property/Risk Management Committee has reviewed this item and recommends that the Board authorize an agreement with First Niagara Risk Management as the NFTA's Third Party Administrator for workers' compensation and disability services effective September 1, 2012. The annual estimated fee for workers' compensation services is $229,355 and the annual fee for disability services is $14,900.

INFORMATION: The NFTA issued RFP No. 4193 in accordance with NFTA procurement guidelines to provide workers' compensation and disability claims administration services for a three-year contract period with two unilateral one-year extensions at the sole discretion of the NFTA.

An NFTA review team consisting of staff from the Risk Management, Human Resources, and Procurement Departments evaluated the proposals based on qualifications and experience, technical criteria, and compensation as reflected in the attachment. Eight responsive workers' compensation proposals were received and four firms were selected to participate in an on-site presentation and interview. Seven responsive disability proposals were received and four firms were selected to participate in an on-site presentation and interview. The team ranked the proposal with First Niagara Risk Management from Buffalo, New York as the highest for both workers' compensation and disability third party administrator services based upon the review criteria.

The annual estimated fee for this service is $229,355 for all five years. This includes a $15 per bill fee for medical bill review which is payable on the claim file based on the average number of medical bills paid in the last three fiscal years. Also included and payable on the claim file is a RN/physician review of variance requests at $200 per review with an estimate of 240 per year which will require pre-authorization by the NFTA workers' compensation department. First Niagara Risk Management is also willing to put 10% of its annual fee at risk based upon successfully meeting agreed upon performance measures.

FUNDING: Funding is included in the proposed FY 2012-2013 operating budget.

Whereupon it was moved by Commissioner Eagan, seconded by Commissioner Sloma, that the following Resolutions be adopted:

> "**RESOLVED**, that the Board hereby authorizes an Agreement with First Niagara Risk Management Corporation as Third Party Administrator for Workers' Compensation and Disability services for an estimated annual cost of $244,255 and as described above; and

BE IT FURTHER RESOLVED, that the Executive Director, her designee and/or the Chairman, be and are hereby authorized to execute an Agreement with First Niagara Risk Management Corporation, for an estimated annual cost of $244,255 as described above; and

BE IT FURTHER RESOLVED, that said Agreement shall 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 she is hereby authorized to make payments under said Agreement upon certification by the Director, Risk Management, that such payments are in order."

AYES: **ZEMSKY, SLOMA, DEMAKOS, LEWIN, CROCE, DURAND, GURNEY, HUGHES, WILCOX**

ABSTENTION: EAGAN, PERRY

NOES: NONE

ADOPTED

PROPERTY 5. D. (1)

6/18/2012

RFP 4193
Workers' Compensation and Disability TPA's

RFP DOCUMENTS REQUIRED (Completed by Procurement)	Pomco Syracuse, NY	EBS-RMSCO Liverpool, NY	USA TPA Syracuse	Gallagher Bassett Kimberton, NY	COOL Latham, NY	NCA Comp Buffalo, NY	First Niagara Buffalo, NY	Corvel Irvine, CA	PMA DeWitt, NY
Non-Collusive Cert	x	x	x	x	x	x	x	x	x
Disclosure of Prior Non-rep Determinations	x	x	x	x	x	x	x	x	x
Cover Letter	x	x	x	x	x	x	x	x	x
Description of services	x	x	x	x	x	x	x	x	x
Firm, Mgmt & Staff Qualifications	x	x	x	x	x	x	x	x	x
Resumes	x	x	x	x	x	x	x	x	x
References	x	x	x	x	x	x	x	x	x
Itemized Cost Proposal	x	x	x	x	x	x	x	x	x
SELECTION CRITERIA	(Rate on a score of 1 -10, with 10 being the highest)								
(Completed by Team)									
Qualifications and experience - servicing abilities and qualifications, dedicated resources, responsiveness, flexibility 40%	disability only	7.00	2.00	4.75	3.25	3.00	6.00	8.50	7.00
Technical Criteria - commitment, creativity,methods,procedures, ability to reduce costs 30%		4.50	2.00	5.00	3.00	2.00	7.00	8.50	4.50
Compensation/at risk fee 30%		6.58	7.16	4.49	6.68	8.39	10.00	7.30	4.17
RATING		**6.12**	3.55	4.75	4.20	4.32	**7.50**	**8.14**	**5.40**
WORKERS' COMP TPA									
COMPETITVE RANGE DETERMINED									
Interviews Conducted/Re-evaluated									
Qualifications and experience - servicing abilities and qualifications, dedicated resources, responsiveness, flexibility 40%		5.50					8.50	6.00	8.50
Technical Criteria - commitment, creativity,methods,procedures, ability to reduce costs 30%		4.50					7.50	7.00	7.00
Compensation/at risk fee 30%		7.35					10.00	7.32	4.17
FINAL RATING		**5.76**					**8.65**	**6.70**	**6.75**

6/18/2012

RFP 4193
Workers' Compensation and Disability TPA's

RFP DOCUMENTS REQUIRED (Completed by Procurement)	Pomco Syracuse, NY	EBS-RMSCO Liverpool, NY	USA TPA Syracuse	Gallagher Bassett Kimberton, NY	COOL Latham, NY	NCA Comp Buffalo, NY	First Niagara Buffalo, NY	Corvel Irvine, CA	PMA DeWitt, NY
COST PROPOSALS									
Year 1									
Annual Fee		$145,000	$135,000	$294,612	$195,000	$154,000	$98,900	$135,000	$225,000
MBR Fee		$41,706					$82,455	$166,098	$189,749
Variance Review Fee		$120,000					$48,000	n/a	n/a
Total		$306,706					$229,355	$301,098	$414,749
Year 2									
Annual Fee		$148,625	$135,000	$294,612	$195,000	$159,547	$98,900	$135,000	$231,000
MBR Fee		$41,706					$82,455	$166,098	$189,749
Variance Review Fee		$120,000					$48,000	n/a	n/a
Total		$310,331					$229,355	$301,098	$420,749
Year 3									
Annual Fee		$152,340	$140,000	$306,396	$195,000	$164,333	$98,900	$135,000	$237,000
MBR Fee		$41,706					$82,455	$166,098	$189,749
Variance Review Fee		$120,000					$48,000	n/a	n/a
Total		$314,046					$229,355	$301,098	$426,749
Year 4									
Annual Fee		$152,340	$140,000	$315,588	$205,000	$169,263	$98,900	$135,000	$243,000
MBR Fee		$41,706					$82,455	$166,098	$189,749
Variance Review Fee		$120,000					$48,000	n/a	n/a
Total		$314,046					$229,355	$301,098	$432,749
Year 5									
Annual Fee		$152,340	$140,000	$325,055	$215,000	$174,341	$98,900	$135,000	$249,000
MBR Fee		$41,706					$82,455	$166,098	$189,749
Variance Review Fee		$120,000					$48,000	n/a	n/a
Total		$314,046					$229,355	$301,098	$438,749
Five Year Grand Total		**$1,559,175**	**$690,000**	**1,536,263**	**$1,005,000**	**$821,484**	**$1,146,775**	**$1,505,490**	**$2,133,745**

RFP 4193

Workers' Compensation and Disability TPA's

6/18/2012

RFP DOCUMENTS REQUIRED (Completed by Procurement)	Pomco Syracuse, NY	EBS-RMSCO Liverpool, NY	USA TPA Syracuse	Gallagher Bassett Kimberton, NY	COOL Latham, NY	NCA Comp Buffalo, NY	First Niagara Buffalo, NY	Corvel Irvine, CA	PMA DeWitt, NY
DISABILITY									
COMPETITVE RANGE DETERMINED									
Interviews Conducted/Re-evaluated									
Qualifications and experience - servicing abilities and qualifications, dedicated resources, responsiveness, flexibility 40%	8.50	7.00	2.00	no disability	3.00	3.00	8.50	5.00	no disability
Technical Criteria - commitment, creativity,methods,procedures, ability to reduce costs 30%	8.50	4.50	2.00		2.00	2.00	8.50	4.00	
Compensation/at risk fee 30%	1.79	3.31	2.04		3.43	10.00	3.56	1.60	
FINAL RATING	**6.49**	5.14	2.01		2.83	4.80	**7.02**	**3.68**	
COST PROPOSALS									
Year 1	$29,500	$16,200	$25,000		$15,000	$5,000	$14,900	$33,000	
Year 2	$29,500	$16,868	$25,000		$15,000	$5,150	$14,900	$33,000	
Year 3	$29,500	$17,186	$26,500		$15,000	$5,304	$14,900	$33,000	
Year 4	$29,500	$17,186	$26,500		$15,750	$5,464	$14,900	$33,000	
Year 5	$29,500	$17,186	$26,500		$16,537	$5,628	$14,900	$33,000	
Five Year Grand Total	**$147,500**	**$84,626**	**$129,500**		**$77,287**	**$26,546**	**$74,500**	**$165,000**	

PROPERTY:

5. D. (2) **Termination of Selection Process, Request for Proposals for Sale of Boat Harbor and Gallagher Beach; Authorization for Issuance of Notice, Proposed Sale of NFTA Waterfront Properties**

RECOMMENDATION: The Property/Risk Management Committee has reviewed this item and recommends that the Board terminate the selection process for the Request for Proposals for the Sale of the Boat Harbor and Gallagher Beach. Staff further recommends that the Board authorize staff to issue the statutorily required notices to the City of Buffalo and the County of Erie that the NFTA intends to dispose of all of its waterfront holdings.

INFORMATION: The NFTA issued a Request for Proposals for the sale of the Boat Harbor and Gallagher Beach in August 2011 (RFP No. 4126). The RFP explicitly states, among other pertinent provisions, that issuance of the RFP does not commit the NFTA to undertake any action; that the RFP may be reissued, amended, supplemented and/or withdrawn, in the sole and absolute discretion of the NFTA at any time; and that NFTA may choose to terminate the selection process if negotiations cannot be concluded successfully in the sole discretion of the NFTA.

After evaluating the responses to the RFP, the Board wishes to invoke its right to terminate RFP No. 4126 and explore disposing of all of the NFTA's waterfront property by transferring the property to a responsible governmental entity.

FUNDING: No funding is necessary.

Whereupon it was moved by Commissioner Croce, seconded by Commissioner Eagan, that the following Resolutions be adopted:

> "**RESOLVED**, that the Board hereby terminates the selection process for the Request for Proposals for the Sale and rejects any and all responses to RFP No. 4126; and
>
> **BE IT FURTHER RESOLVED**, that the Board hereby authorizes staff to issue the statutorily required notice to the City of Buffalo and County of Erie that the NFTA is contemplating the transfer of all of its waterfront property."

AYES: **ZEMSKY, SLOMA, DEMAKOS, LEWIN, CROCE, EAGAN, DURAND, GURNEY, HUGHES, PERRY, WILCOX**

NOES: **NONE**

ADOPTED

PROPERTY 5. D. (2)

6. General Counsel Report – Written

7. Executive Session

At approximately 1:20 p.m., it was moved by Commissioner Eagan, seconded by Commissioner Demakos, that the Commissioners convene in Executive Session to discuss matters related to the most recent litigation.

Following discussion, at approximately 1:30 p.m., it was moved by Commissioner Lewin, seconded by Commissioner Eagan, that the Executive Session be adjourned and that the Board resume the Regular Session.

AYES: **ZEMSKY, SLOMA, DEMAKOS, LEWIN, CROCE, EAGAN, DURAND, GURNEY, HUGHES, PERRY, WILCOX**

NOES: **NONE**

8. Adjournment

At approximately 1:32 p.m., the Chairman indicated that there was no further business coming before the Board, whereupon it was moved by Commissioner Sloma, seconded by Commissioner Eagan, and unanimously approved that the Regular Meeting of the Niagara Frontier Transportation Authority and Niagara Frontier Transit Metro System, Inc. be adjourned.

AYES: **ZEMSKY, SLOMA, DEMAKOS, LEWIN, CROCE, EAGAN, DURAND, GURNEY, HUGHES, PERRY, WILCOX**

NOES: **NONE**