

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

Management's Discussion and Analysis

For the Years Ended March 31, 2023 and 2022
(Unaudited)

Operating expenses for 2023 of \$267.1 million were \$3.9 million lower than 2022. Salaries and employee benefits increased \$4.0 million, or 3.3%, primarily due to contractual wage increases and fewer vacant positions. Other postemployment benefits decreased \$14.6 million from 2022 relating to the actuarially calculated postemployment health insurance costs. Depreciation and amortization expense, which varies from year to year based on the timing of asset purchases and estimated useful lives, increased by \$0.3 million from 2022 to 2023. Transit fuel and power costs increased \$1.5 million due to higher diesel and compressed natural gas fuel prices in 2023. Other operating expenses increased \$3.0 million primarily due to higher parking management costs related to higher BNIA parking revenue.

Net non-operating revenues for 2023 decreased \$72.6 million compared to 2022, from \$218.8 million to \$146.2 million, due to a \$75.7 million decrease in government assistance, mostly due to no further federal funds appropriated by Congress to the Authority to address the impact of the COVID-19 pandemic.

Capital contributions fluctuate depending on the timing of capital projects and vehicle and equipment purchases.

CAPITAL ASSETS

Net capital assets totaled \$645.5 million at March 31, 2023, representing a 1.9% increase from March 31, 2022, as investment in capital exceeded depreciation and dispositions by \$10.5 million in 2023 and the impact of GASB 87 created an additional \$1.5 million in net right-to-use lease assets as of the beginning of the year. Capital asset additions totaling \$64.4 million include \$36.6 million for rail extension and station construction in the former DL&W train shed, \$7.2 million for bus purchases, and \$5.0 million for the rehabilitation and reconstruction of NFIA taxiway "D".

DEBT ADMINISTRATION

Long-term debt at March 31, 2023 totaled \$123.4 million, which is a decrease of \$17.9 million from 2022 and results from debt service payments net of premium amortization.

FACTORS IMPACTING THE AUTHORITY'S FUTURE

Surface Transportation

Historically, approximately 25% of Metro's revenues are derived from fare collection and advertising, while 75% are from outside government assistance. New York State is the Authority's largest investor, usually providing almost 50% of total assistance while approximately 30% comes from local sources and 20% from the federal government. Any changes in these funding sources can have a significant impact on Authority operations.

The impact of efforts to minimize the spread of COVID-19 resulted in an approximately 50% erosion in ridership during 2021. It is anticipated that there will be a long-term impact from the pandemic on ridership and it will take years to return to pre-COVID-19 ridership levels. Metro has been awarded COVID relief funds from the federal government to support operations with the drop in business activity.

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

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Metro-owned property along the Metro Rail corridor and property adjacent to Metro Rail has seen significant development in the recent years, including the Metro Rail Allen-Medical Campus Station which is located on the Buffalo Niagara Medical Campus (BNMC). The Allen-Medical Campus Metro Rail Station will continue to play a prominent role in meeting the mobility needs of BNMC employees, patients, visitors, and neighborhood residents well into the future. In June 2022 the City of Buffalo, in partnership with the NFTA, received ten responses to a Request for Qualifications from developers and development teams for development at and around the NFTA-Metro Rail Lasalle station. The NFTA and the City of Buffalo own adjoining parcels at the site. The NFTA will continue to work with the City of Buffalo on next steps towards an equitable transit-oriented development at the site.

In February 2018, the Authority started the environmental review process for extending Metro Rail from its current terminus at the University Station along the preferred Niagara Falls Boulevard route alternative through the University at Buffalo North Campus in the Town of Amherst as approved by the Authority Board of Commissioners and recommended by our Alternatives Analysis Study. The Amherst-Buffalo Metro Rail Corridor contains 20% of all regional jobs and more than 10% of all regional residents. The proposed project would more than double ridership, link all three University at Buffalo Campuses with a one-seat Metro Rail ride, provide a seamless connection between the region's largest concentration of housing to significant employment, health care, education, and recreation destinations, and generate billions in direct, indirect, and induced economic impact throughout the Corridor. The Authority has \$31 million under contract with New York State Department of Transportation to complete the environmental process for the project, project development, and some preliminary engineering. The order of magnitude estimate of project construction is approximately \$1.5 billion, with up to 50% of project costs planned to come from the Federal Capital Investment Grant (CIG) Program and the remainder from a mix of state, local, and/or private sector sources.

In 2019, the Authority started construction on an extension of NFTA-Metro Rail revenue service into the former DL&W train shed which is owned by the Authority. The project, which is scheduled to be complete in 2024, involves construction of a new Metro Rail Station on the first floor of the facility and will open up development opportunities on the first and second floor. In July 2020, the Authority executed a pre-development agreement with Savarino Companies, a private sector developer, for development of the first and second floor space. In April 2022, New York State announced an appropriation of \$30 million to rehabilitate the core and shell of the train shed in order to facilitate private sector development.

Aviation

Together, BNIA and NFIA historically have served approximately 5 million passengers per year as the only commercial service airports in Erie and Niagara counties. Additionally, the airports have been a convenient and less costly option for nearby Canadian travelers. As approximately 30% of BNIA and 88% of NFIA passenger traffic originates from Canada, any closure of the United States and Canada border, such as the COVID-19 closure in 2021 and 2022, has a significant negative impact on enplanements. During 2023, approximately 4.4 million passengers were served by the two airports. Some experts predict that it may take several years for air travel to return to regular levels. Both BNIA and NFIA have been awarded COVID relief funds from the Federal government to mitigate the impact of the drop in enplanements in the short term. Also, fluctuations in the exchange rate of the Canadian dollar have an impact on enplanements.

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

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A two-year, \$72.2 million passenger terminal and baggage claim expansion and renovation project at BNIA began in 2019 and was completed in 2022. The project improves overall airport security, expands and modernizes the baggage claim area, improves passenger flow to and from all boarding areas, including international boarding areas, expands the terminal for additional concessions and amenities, and adds new curb space at both ends of the BNIA terminal.

In 2023, the NFTA began construction related to the rehabilitation of the main runway at BNIA. The project, currently broken into 2 phases, is budgeted to cost approximately \$81.5 million. Construction of the first phase of the project is primarily funded by the Federal Aviation Administration.

CONTACT FOR THE AUTHORITY'S FINANCIAL MANAGEMENT

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