

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

Management's Discussion and Analysis

For the Years Ended March 31, 2021, 2020, and 2019
(Unaudited)

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 approximately 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 from the Federal government to mitigate the drop in fare collections in the short term.

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 the public with the Citizens Advisory Committee, Accessibility Advisory Committee, and workforce development.

Metro-owned property along the Metro Rail corridor and property adjacent to Metro Rail has seen significant development in the recent years. The Metro Rail Allen-Medical Campus Station is located on the Buffalo Niagara Medical Campus (BNMC), a consortium of the region's top health care, education, and research institutions. Prior to the COVID-19 pandemic, more than 16,000 people worked, volunteered, or studied every day at the BNMC. In 2017, the University at Buffalo completed the \$375 million Jacobs School of Medicine and Biomedical Sciences building built on Metro-owned property with the Allen-Medical Campus Metro Rail Station incorporated into the building's footprint. The new station provides a coatless connection for Metro Rail riders between the Jacobs School, other BNMC properties, and destinations along the Metro Rail corridor. With employment on the BNMC anticipated to grow in the future and parking availability continuing to become strained, Metro Rail service operating in and out of the Allen-Medical Campus Metro Rail Station will continue to play a prominent role in meeting the mobility needs of employees, patients, visitors, and neighborhood residents well into the future.

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. New York State has invested \$5 million to complete the environmental process for the project and appropriated an additional \$6 million for continued project development and preliminary engineering. The order of magnitude estimate of project construction is approximately \$1.2 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.

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

Management's Discussion and Analysis

For the Years Ended March 31, 2021, 2020, and 2019
(Unaudited)

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 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.

With the increasing interest in mixed-use development along the existing Metro Rail corridor and ongoing planning and construction for expansion, the Authority issued a Request for Qualifications (RFQ) from developers who have an interest in development at Authority properties in the Metro Rail corridor in the City of Buffalo. The NFTA received several responses to the RFQ which listed each Authority-owned property in order of level of development interest. With the strongest interest in development at the future DL&W Station, the Authority issued a Request for Proposals for a development partner at DL&W Station. The NFTA Board of Commissioners approved a pre-development agreement with Savarino Companies for the DL&W train shed in December 2019.

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. During 2021, domestic efforts to minimize the spread of COVID-19 resulted in a drastic reduction in air travel. Additionally, the airports have historically been a convenient and less costly option for nearby Canadian travelers. As approximately 40% of BNIA passenger traffic originates from Canada, any closure of the United States and Canada border, such as the COVID-19 closure that has been in effect since March 21, 2020, has a significant negative impact on enplanements. During 2021, approximately 1 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 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.

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

A two-year, \$75.7 million passenger terminal and baggage claim expansion and renovation project at BNIA began in 2019 and is expected to be completed in 2022. The project will improve overall airport security, expand and modernize the baggage claim area, improve passenger flow to and from all boarding areas, including international boarding areas, expand the terminal for additional concessions and amenities, and add new curb space at both ends of the BNIA terminal.

CONTACT FOR THE AUTHORITY'S FINANCIAL MANAGEMENT

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