

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

Management's Discussion and Analysis

For the Years Ended March 31, 2020, 2019, and 2018
(Unaudited)

FACTORS IMPACTING THE AUTHORITY'S FUTURE

Surface Transportation

Approximately 25% of Metro's revenues are derived from fare collection and advertising, while 75% are from outside government assistance. New York State is the Authority's largest investor, historically 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.

COVID-19, and the related New York State stay-at-home order to prevent its spread, resulted in a 60-70% erosion in ridership at the end of fiscal 2020 and the beginning of fiscal 2021. It is anticipated that there will be a long-term impact on ridership even after the stay-at-home order is ultimately lifted. Additionally, to ensure that bus operators and passengers can maintain social distancing, Metro suspended fare collection beginning March 27, 2020. Fare collection will resume June 29, 2020 on all NFTA-Metro services.

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

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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. Currently, more than 16,000 people work, volunteer, or study every day at the BNMC. In 2017, the University at Buffalo completed the new \$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 to over 20,000 people in the next few years 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.

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 will construct a new Metro Rail Station on the 1st floor of the facility and open up development opportunities on the 1st and 2nd 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 Cos. for the DL&W train shed in December 2019.

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Aviation

Together, BNIA and NFIA served approximately 5 million passengers in 2020 as the only commercial service airports in Erie and Niagara counties. COVID-19 and the nationwide stay-at-home orders to prevent its spread resulted in a drastic reduction in air travel at the end of fiscal 2020 and into fiscal 2021. Some experts predict that it may take 18-24 months for air travel to return to regular levels. 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. 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 curbspace at both ends of the BNIA terminal.

CONTACT FOR THE AUTHORITY'S FINANCIAL MANAGEMENT

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