RATINGS: Moody's: A3
Fitch: BBB+
See "Ratings" herein

NEW ISSUE – BOOK-ENTRY ONLY

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, (i) under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2019A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any Series 2019A Bond for any period during which the Series 2019A Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed or refinanced with the proceeds of the Series 2019A Bond or a "related person" and (ii) interest on the Series 2019A Bonds is treated as a preference item in calculating the alternative minimum tax under the Code. Bond Counsel is further of the opinion that, under existing statutes, interest on the Series 2019A Bonds is also exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York) and the Series 2019A Bonds are exempt from taxation directly imposed thereon by or under authority of said State, except for estate and gift taxes and taxes on transfers. See "TAX MATTERS" herein.

$81,920,000
NIAGARA FRONTIER TRANSPORTATION AUTHORITY
Airport Revenue Bonds, Series 2019A (AMT)
(Buffalo Niagara International Airport)

Dated: Date of Issuance **Due: April 1, as shown on inside cover**

The Niagara Frontier Transportation Authority's $81,920,000 Airport Revenue Bonds, Series 2019A (the "Series 2019A Bonds") are being issued under and pursuant to a resolution adopted by the Authority's Board of Commissioners on May 12, 1994, as supplemented by a seventh supplemental resolution adopted by the Authority's Board of Commissioners on December 20, 2018, and a certificate of determination executed by a designated financial officer pursuant thereto. U.S. Bank National Association, as successor trustee (the "Trustee"), will serve as registrar and paying agent for the Series 2019A Bonds.

The Series 2019A Bonds are being issued to provide funds, together with other funds of the Authority, to (i) finance certain capital improvements at Buffalo Niagara International Airport, (ii) refund all of the Authority's Outstanding Airport Revenue Bonds, Refunding Series 2004A and Refunding Series 2004C and pay swap termination payments in connection therewith, (iii) fund a separate account in the Airport Bond Reserve Fund for the Series 2019A Bonds and (iv) pay the costs of issuing the Series 2019A Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Interest on the Series 2019A Bonds will be payable on each October 1 and April 1, commencing April 1, 2019. The Series 2019A Bonds will be issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") under the book entry only system maintained by DTC. So long as Cede & Co. is the registered owner of the Series 2019A Bonds, principal of, premium, if any, and interest on the Series 2019A Bonds will be payable by the Trustee to DTC, which will in turn remit such payments to its participants for subsequent disbursement to beneficial owners of the Series 2019A Bonds, as more fully described herein.

The Series 2019A Bonds will be payable from and will be secured by a lien on Net Airport Revenues derived by the Authority from the operation of the Airport System as described herein. **The Series 2019A Bonds are special and limited obligations of the Authority, shall not be or constitute general obligations of the Authority and shall not be a debt of the State of New York or any political subdivision thereof. The Authority has no taxing power.**

THIS COVER PAGE, INCLUDING THE INSIDE COVER PAGE HERETO, CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF ALL FACTORS RELATING TO AN INVESTMENT IN THE SERIES 2019A BONDS. INVESTORS ARE ADVISED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY BEFORE MAKING AN INVESTMENT DECISION.

The Series 2019A Bonds are offered when, as, and if issued and received by the Underwriters subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority. Certain matters with respect to the Official Statement will be passed on by Hawkins Delafield & Wood LLP, New York, New York, and Pearlman & Miranda LLC, New York, New York, Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Authority by David J. State, General Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Harris Beach PLLC, Buffalo, New York. It is expected that the Series 2019A Bonds in definitive form will be available for delivery in New York, New York, on or about February 26, 2019.

J.P. Morgan **Siebert Cisneros Shank & Co., L.L.C.**

February 8, 2019

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND PRICES

$81,920,000
Niagara Frontier Transportation Authority
Airport Revenue Bonds, Series 2019A (AMT)
(Buffalo Niagara International Airport)

Maturity (April 1)	Amount ($)	Interest Rate (%)	Yield (%)	Price	CUSIP†
2020	5,940,000	5.00	1.93	103.315	653544 DL7
2021	6,240,000	5.00	2.06	106.002	653544 DM5
2022	6,545,000	5.00	2.19	108.368	653544 DN3
2023	6,875,000	5.00	2.31	110.456	653544 DP8
2024	7,220,000	5.00	2.39	112.453	653544 DQ6
2025	2,275,000	5.00	2.49	114.115	653544 DR4
2026	2,390,000	5.00	2.59	115.530	653544 DS2
2027	2,510,000	5.00	2.70	116.625	653544 DT0
2028	2,635,000	5.00	2.79	117.645	653544 DU7
2029	2,765,000	5.00	2.89	118.361	653544 DV5
2030	2,905,000	5.00	2.98	117.499‡	653544 DW3
2031	3,050,000	5.00	3.07	116.644‡	653544 DX1
2032	3,205,000	5.00	3.14	115.985‡	653544 DY9
2033	3,360,000	5.00	3.20	115.423‡	653544 DZ6
2034	3,530,000	5.00	3.25	114.957‡	653544 EA0
2035	3,705,000	5.00	3.31	114.402‡	653544 EB8
2036	3,890,000	5.00	3.37	113.849‡	653544 EC6
2037	4,085,000	5.00	3.43	113.300‡	653544 ED4
2038	4,290,000	5.00	3.49	112.754‡	653544 EE2
2039	4,505,000	5.00	3.54	112.301‡	653544 EF9

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‡ Priced at the stated yield to the April 1, 2029 optional redemption date at a redemption price of 100%.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
Buffalo, New York

BOARD OF COMMISSIONERS*

Denise A. Roche	Chair
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John T. Cox	Chief Financial Officer
William R. Vanecek	Aviation Director

AUTHORITY COUNSEL

David J. State	General Counsel

BOND COUNSEL

Hawkins Delafield & Wood LLP
New York, New York

DISCLOSURE COUNSEL

Hawkins Delafield & Wood LLP
New York, New York

Pearlman & Miranda LLC
New York, New York

AUDITOR

Lumsden & McCormick, LLP
Buffalo, New York

MUNICIPAL ADVISOR

Frasca & Associates, LLC
New York, New York

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* There is one vacancy on the Board of Commissioners

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THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2019A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE.

NO DEALER, BROKER, SALESMAN OR OTHER PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING OF THE SERIES 2019A BONDS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE SERIES 2019A BONDS, NOR SHALL THERE BE ANY SALE OF THE SERIES 2019A BONDS BY ANY PERSON IN ANY STATE IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER, SALE OR SOLICITATION, AND NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED OR IS AUTHORIZED BY THE AUTHORITY OR THE UNDERWRITERS TO MAKE SUCH OFFER, SALE OR SOLICITATION.

The information contained in this Official Statement has been obtained from the Authority, and other sources deemed reliable, but no representation or guarantee is made by the Underwriters as to the accuracy or completeness of such information and nothing contained in this Official Statement is, or shall be construed or relied upon as, a promise or representation by the Authority or the Underwriters. This Official Statement is submitted in connection with the sale of the securities described herein and may not be reproduced or used, in whole or in part, for any other purpose. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or imply that the information contained herein is correct as of any time subsequent to the date hereof or the date as of which such information is given, if earlier.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT DO NOT REFLECT HISTORICAL FACTS BUT ARE FORECASTS, PROJECTIONS, ESTIMATES OR OTHER “FORWARD-LOOKING STATEMENTS.” THE WORDS “ESTIMATE,” “PROJECT,” “ANTICIPATE,” “EXPECT,” “INTEND,” “BELIEVE,” “FORECAST,” “ASSUME” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH FORECASTS, PROJECTIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE NOT INTENDED AS REPRESENTATIONS OF FACT OR GUARANTEES OF RESULTS. ANY SUCH FORWARD-LOOKING STATEMENTS ARE SUBJECT TO A VARIETY OF RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS OR PERFORMANCE TO DIFFER MATERIALLY FROM THOSE THAT HAVE BEEN FORECASTED, ESTIMATED OR PROJECTED. THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS OFFICIAL STATEMENT. THE DELIVERY OF THIS OFFICIAL STATEMENT DOES NOT IMPOSE UPON THE AUTHORITY ANY OBLIGATION OR UNDERTAKING TO RELEASE PUBLICLY ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT CONTAINED HEREIN TO REFLECT ANY CHANGES IN THE AUTHORITY’S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Prospective purchasers of the Series 2019A Bonds must rely solely on the information contained in this Official Statement in making an investment decision. Information on the Authority’s website, particularly forecasts, projections, estimates or other “forward-looking statements,” marketing information, expressions of opinion, press releases and similar information, is not intended to be used and may not be relied upon by prospective purchasers of the Series 2019A Bonds in making any decision to purchase the Series 2019A Bonds.

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OFFICIAL STATEMENT

relating to

$81,920,000
Niagara Frontier Transportation Authority
Airport Revenue Bonds, Series 2019A (AMT)
(Buffalo Niagara International Airport)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to furnish certain information concerning the Niagara Frontier Transportation Authority (the “Authority”), the Buffalo Niagara International Airport (the “Airport”), and the Authority’s $81,920,000 Airport Revenue Bonds, Series 2019A (the “Series 2019A Bonds”).

Purpose of Series 2019A Bonds. The proceeds of the Series 2019A Bonds will be used to provide funds, together with other funds of the Authority, to (i) finance a portion of the Project (as hereinafter defined), (ii) refund all of the Authority’s Outstanding Airport Revenue Bonds, Refunding Series 2004A (the “Refunded 2004A Bonds”) and Airport Revenue Bonds, Series 2004C (the “Refunded 2004C Bonds” and, together with the Refunded 2004A Bonds, the “Refunded Bonds”) and pay swap termination payments in connection with terminating the related 2004A Swap and 2004C Swap (each as defined herein), (iii) fund a separate account in the Airport Bond Reserve Fund for the Series 2019A Bonds, and (iv) pay a portion of the costs of issuing the Series 2019A Bonds. See “PURPOSE OF THE SERIES 2019A BONDS” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Authority for Issuance of Series 2019A Bonds. The Series 2019A Bonds are being issued pursuant to (i) the Niagara Frontier Transportation Authority Act, constituting Title 11 A of Article 5 of the Public Authorities Law of the State of New York (the “Act”), (ii) a resolution (the “Master Resolution”) adopted by the Authority’s Board of Commissioners on May 12, 1994, as supplemented by a seventh supplemental resolution adopted by the Authority’s Board of Commissioners on December 20, 2018 and a certificate of determination executed by a designated financial officer pursuant thereto (the seventh supplemental resolution and certificate of determination being hereinafter referred to as the “Seventh Supplemental Resolution”).

Security for the Series 2019A Bonds. The Bonds (as hereinafter defined), including the Series 2019A Bonds, are payable by the Authority from, and are equally and ratably secured by a lien on, Net Airport Revenues derived by the Authority from the operation of the Airport System. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Sources of Payment.” In addition to the Refunded Bonds, the Authority has previously issued its Airport Revenue Bonds, EFC Series 2000 (the “Series 2000 Bonds”) in the original principal amount of $3,824,192 (of which $528,326 is currently Outstanding) pursuant to a fourth supplemental resolution (the “Fourth Supplemental Resolution”) adopted by the Board of Commissioners on September 20, 1999 and its Airport Revenue Bonds, Refunding Series 2014A in the original principal amount of $65,340,000 (of which $58,965,000 is currently Outstanding) (the “Series 2014A Bonds”) and Airport Revenue Bonds, Refunding Series 2014B in the original principal amount of $12,430,000 (of which $3,050,000 is currently Outstanding) (the “Series 2014B Bonds”) pursuant to a sixth supplemental resolution (the “Sixth Supplemental Resolution”) adopted by the Authority’s Board of Commissioners on June 26, 2014 (the Series 2014A Bonds and the Series 2014B Bonds are referred to collectively as the “Series 2014 Bonds”) (the Master

Resolution, as supplemented and amended, including as supplemented by the Fourth Supplemental Resolution, the Sixth Supplemental Resolution and the Seventh Supplemental Resolution are collectively referred to herein as the "Resolution").

The Series 2019A Bonds will be issued on parity with the Series 2000 Bonds and the Series 2014 Bonds. The Series 2019A Bonds, the Series 2000 Bonds, the Series 2014 Bonds and any Additional Bonds issued under the Resolution are collectively referred to herein as the "Bonds." U.S. Bank National Association, as successor trustee for the Bonds under the Resolution (the "Trustee"), will also serve as registrar and paying agent for the Series 2019A Bonds.

Historical and Forecasted Debt Service Coverage on Outstanding Bonds. The historical debt service coverage on outstanding Bonds has been as follows:

FY 2014	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
1.54x	1.51x	1.48x	1.38x	1.39x

See "FINANCIAL MATTERS – Debt Service Coverage."

The Report of the Airport Consultant forecasts debt service coverage on outstanding Bonds to be as follows:

FY 2019	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**
1.45x	1.47x	1.46x	1.48x	1.57x	1.96x	2.46x

Source: Appendix A – REPORT OF THE AIRPORT CONSULTANT – Table 30.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY. THE AUTHORITY IS OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS SOLELY FROM THE NET AIRPORT REVENUES OF THE AUTHORITY PLEDGED THEREFOR UNDER THE TERMS OF THE RESOLUTION AND AVAILABLE FOR SUCH PAYMENT. THE BONDS ARE NOT A DEBT OF THE STATE OF NEW YORK, OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER THE STATE OF NEW YORK NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON. THE BONDS SHALL NOT BE PAYABLE FROM ANY OTHER FUNDS OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

Authority. The Authority is a New York public benefit corporation that owns and operates public transportation and transit systems in the Buffalo, New York area, including the Airport, Niagara Falls International Airport ("NFIA"), which serves as a reliever airport to the Airport, Niagara Frontier Transit Metro System, Inc., consisting primarily of bus and light rail transit, the Metropolitan Transportation Center, a terminus for intercity bus transportation, and the Niagara Falls Transportation Center. See "THE AUTHORITY;" "THE AIRPORT" and "OTHER AUTHORITY PROPERTIES."

Airport System. The Airport System currently consists solely of the Airport. The Airport is predominantly an origination and destination ("O&D") airport and is classified by the Federal Aviation Administration (the "FAA") as a medium hub with 2,401,174 enplanements in Fiscal Year 2018. See "THE AIRPORT" and "FINANCIAL INFORMATION." The Authority has a Use and Lease Agreement ("ULA") with the following signatory airlines (the "Signatory Airlines"): American, Delta, Frontier, JetBlue, Southwest and United Airlines. See "AGREEMENTS FOR THE USE OF AIRPORT FACILITIES – Airline Lease Agreements" and "THE AIRPORT– Enplanements by Air Carriers."

Exclusions from Airport System. Certain airport facilities owned and operated by the Authority are not included in the Airport System, including NFIA and certain facilities at the Airport operated, maintained or managed by the property management department of the Authority. Revenues derived from these airport facilities, if any, are not included in Airport Revenues. Expenses or deficits with respect to these airport facilities may be paid from Net Airport Revenues in the Airport Development Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Application of Revenues – Flow of Funds", "OTHER AIRPORT MATTERS – Airport Development Fund" and "OTHER AUTHORITY PROPERTIES – Niagara Falls International Airport; Property Management Real Estate Services." Operations at NFIA are also partially subsidized under the ULAs. See the twelfth paragraph under "AGREEMENTS FOR THE USE OF AIRPORT FACILITIES – Airline Lease Agreements."

Airport Grandfathered. The Airport is grandfathered from certain FAA revenue diversion requirements and accordingly Net Airport Revenues in the Airport Development Fund may also be applied to off-Airport purposes. See "OTHER AIRPORT MATTERS – Airport Grandfathered." See also "INVESTMENT CONSIDERATIONS – Factors Unique to the Authority."

Miscellaneous. This Official Statement contains summaries of the terms of and security for the Bonds and descriptions of the Airport and its operations. Summaries of certain provisions of the Resolution are included as Appendix C. All references to agreements and documents are qualified in their entirety by references to the definitive forms of the agreements or documents. All references to the Bonds, including the Series 2019A Bonds, are further qualified by references to the information with respect to them contained in the Resolution. Any statements or information indicated to involve matters of opinion or estimates are represented as opinions or estimates in good faith, and there is no assurance that the facts will materialize as so opined or estimated.

Unless otherwise indicated, capitalized terms used in this Official Statement shall have the meanings established in the Resolution. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SEVENTH SUPPLEMENTAL RESOLUTION – Definitions."

PURPOSE OF THE SERIES 2019A BONDS

The Series 2019A Bonds are being issued to finance a portion of the costs of the expansion, reconfiguration and renovation of the passenger terminal, including expansion and reconfiguration of the baggage claim area and replacement of baggage claim equipment (the "Project"). The Project constitutes part of the Authority's five-year Capital Improvement Program ("CIP") (FY 2019 through FY 2023). For a discussion of the CIP and other funding sources for the Project, see "THE AIRPORT – Future Airport Improvements." See also "APPENDIX A –REPORT OF THE AIRPORT CONSULTANT – Capital Improvement Program Estimated Costs and Funding Sources."

A portion of the Series 2019A Bonds, together with other available amounts, will be used to refund and redeem on or before March 6, 2019 all of the Refunded Bonds set forth below and pay a termination payment to terminate the Authority's ISDA Master Agreement and related Schedule and Confirmations with respect to the Series 2004A Bonds (the "2004A Swap") and the Series 2004C Bonds (the "2004C Swap" and, together with the 2004A Swap, the "Swaps") with Goldman Sachs Capital Markets, L.P., each dated as of October 31, 2003.

REFUNDED BONDS

Series	Original Maturity	Amount to be Refunded	Redemption Price
2004A	April 1, 2024	$24,350,000	100%
2004C	April 1, 2024	3,825,000	100
		$28,175,000	

DESCRIPTION OF THE SERIES 2019A BONDS

General

The Series 2019A Bonds will mature on April 1 in each of the years and in the amounts shown on the front inside cover hereof. The Series 2019A Bonds will bear interest payable on April 1, 2019, and semiannually thereafter on October 1 and April 1 in each year, at the rates per annum set forth on the front inside cover hereof.

The Series 2019A Bonds will be issued in fully registered form and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as the securities depository (the "Securities Depository") for the Series 2019A Bonds. Individual purchases will be made in book-entry form only in the principal amount of $5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2019A Bonds. See "APPENDIX G – DTC AND ITS BOOK-ENTRY ONLY SYSTEM."

Optional Redemption

The Series 2019A Bonds maturing April 1, 2030 and thereafter shall be subject to redemption prior to maturity at the option of the Authority, on April 1, 2029, and thereafter, as a whole or in part at any time and from time to time in such order of maturity as the Authority shall determine and by lot within a maturity, from any available moneys, other than moneys on credit to any Airport Term Bond Principal Account in the Airport Bond Fund, at the redemption price equal to the principal amount thereof, together with the interest accrued thereon to the date fixed for redemption.

Extraordinary Optional Redemption

The Series 2019A Bonds are subject to redemption at the option of the Authority, in whole at any time, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, in the event of the destruction or damage to all, or substantially all, of the Airport, or the condemnation of the Airport.

Notice of Redemption

Notice of redemption of the Series 2019A Bonds shall be mailed not less than thirty (30) days prior to a redemption date, by registered or certified mail, to the registered owner of such Series 2019A Bonds at the address as it appears on the registration books. If at the time of the giving of any notice of optional or extraordinary redemption there shall not be on deposit with the Trustee or the Paying Agent moneys sufficient to redeem all the Series 2019A Bonds called for redemption, the notice of redemption shall state that the redemption of such Series 2019A Bonds is conditional and subject to deposit of moneys with the Trustee or the Paying Agent sufficient to redeem all such Series 2019A Bonds not later than the opening of business on the redemption date, and that such notice shall be of no effect with respect to any of such Series 2019A Bonds for which moneys are not on deposit. If the amount on deposit with the Trustee or the Paying Agent, or otherwise available, is insufficient to pay the redemption price and accrued interest on the Series 2019A Bonds called for redemption on such date, the Paying Agent shall redeem and pay on such date an amount of such Series 2019A Bonds for which such moneys or other available funds are sufficient, selecting the maturities of Series 2019A Bonds to be redeemed and Series 2019A Bonds within a maturity to be redeemed by lot.

The Securities Depository, as registered owner of all the Series 2019A Bonds, shall receive any such notice. The Securities Depository provides notice of such redemption to its Participants and Indirect Participants which, in turn, provide notice to the Beneficial Owners, all as defined and further described herein under the caption "Book Entry Only System." Any notice given in accordance with the provisions of the Resolution is conclusively presumed to have been duly given, whether or not the Beneficial Owner of such Series 2004 Bond receives such notice or otherwise has actual notice of such call for redemption.

Book Entry Only System

The Depository Trust Company, New York, New York ("DTC"), will act as Securities Depository for the Series 2019A Bonds. The Series 2019A Bonds will be issued as fully registered bonds registered in the name of Cede & Co. Upon issuance of the Series 2019A Bonds, a single bond, registered in the name of Cede & Co., as the nominee of DTC, will be issued for each bond maturity. See "APPENDIX G – DTC AND ITS BOOK-ENTRY ONLY SYSTEM."

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Sources of Payment

The Bonds, including the Series 2019A Bonds, are payable by the Authority from, and are equally and ratably secured by a lien on, Net Airport Revenues derived by the Authority from the operation of the Airport System. Such Net Airport Revenues are defined under the Resolution as Airport Revenues less Operation and Maintenance Expenses. The Authority has covenanted in the Resolution to duly and punctually pay, or cause to be paid, but solely from Net Airport Revenues pledged under the Resolution, principal of, premium, if any, and interest on the Bonds.

The term "Airport System" means the Airport and such other airport facilities that may be included in the definition of Airport System by resolution of the Board of Commissioners of the Authority. The term "Airport" means the terminal building, runways and ramps, public parking facilities and public roads, general aviation area, including all fueling facilities and fixed base operations, and related land located at and on the Airport and such other facilities or properties that are included in the definition of Airport by resolution of the Board of Commissioners of the Authority; provided, however, that unless specifically included in the definition of Airport by Board resolution as aforesaid, all properties or facilities operated, maintained or managed by the property management department of the Authority, including but not limited to certain aeronautical and air transportation related properties, at or on the Airport are excluded from the definition of the Airport.

NFIA is not included in the Airport System. Revenues derived from NFIA, if any, are not included in Airport Revenues. See "OTHER AUTHORITY PROPERTIES – Niagara Falls International Airport." See also "INVESTMENT CONSIDERATIONS – Factors Unique to the Authority."

Cargo operations at the Airport are conducted at facilities operated by the property management department of the Authority. Such facilities are excluded from the definition of "Airport System" and accordingly revenues derived by the Authority from cargo operations at the Airport (other than as landing fees) are not included in Airport Revenues.

Additionally, a National Weather service building and an airline ground maintenance building are operated by the property management department of the Authority. Accordingly, these facilities and their associated revenues are excluded from the definition of the Airport and Airport Revenues, respectively.

Special and Limited Obligations

THE SERIES 2019A BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY. THE AUTHORITY IS OBLIGATED TO PAY PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2019A BONDS SOLELY FROM NET AIRPORT REVENUES OF THE AUTHORITY PLEDGED THEREFOR UNDER THE TERMS OF THE RESOLUTION AND AVAILABLE FOR SUCH PAYMENT. THE SERIES 2019A BONDS ARE NOT A DEBT OF THE STATE OF NEW YORK, OR ANY POLITICAL SUBDIVISION THEREOF AND NEITHER THE STATE OF NEW YORK NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON. THE SERIES 2019A BONDS SHALL NOT BE PAYABLE FROM ANY OTHER FUNDS OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWERS.

Airport Revenues

Subject to certain exclusions, Airport Revenues are generally defined under the Resolution to include the total of all income and revenue from all sources collected or accrued under generally accepted accounting principles by the Authority in connection with the Airport System, including the rates, charges, rentals, fees and any other compensation and investment income earned by the Authority. Among other exclusions, Airport Revenues do not include the proceeds of any passenger facility charge (the "PFC") or analogous charge or fee hereafter received by the Authority. For a complete definition of Airport Revenues, see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SEVENTH SUPPLEMENTAL RESOLUTION – Definitions" herein. See also, "FINANCIAL MATTERS – Debt Service Coverage."

Airport Bond Reserve Fund

A separate account in the Airport Bond Reserve Fund has been established under the Resolution for the Series 2019A Bonds. Such account will be maintained at, and proceeds of the Series 2019A Bonds will be deposited in an amount equal to, the Airport Bond Reserve Fund Requirement. Unless otherwise provided in the Supplemental Resolution with respect to a particular Series of Bonds, an account in the Airport Bond Reserve Fund may be disbursed by the Authority solely for the purpose of paying principal of and interest on Bonds of the Series for which such account was established for the payment of which there shall be insufficient money in the Airport Bond Fund. The holders of any other

Series of Bonds shall have no right to payment of principal of or interest on Bonds from or lien on amounts on deposit in such account.

"Airport Bond Reserve Fund Requirement" shall mean, with respect to the Series 2019A Bonds, the lesser of (i) the greatest amount of principal and interest payable on the Series 2019A Bonds in the then current or any future Fiscal Year, (ii) 125% of the average annual principal and interest payable on the Series 2019A Bonds, or (iii) 10% of the proceeds of the Series 2019A Bonds.

In lieu of the deposit of moneys in the Airport Bond Reserve Fund, the Authority may cause to be so credited a surety bond or an insurance policy payable to the Trustee or a letter of credit in an amount equal to the difference between the Airport Bond Reserve Fund Requirement and the amounts then on deposit in the Airport Bond Reserve Fund with respect to the Series 2019A Bonds.

The Authority has fully satisfied the Airport Bond Reserve Fund Requirement with respect to each prior Series of Bonds with cash and Investment Securities. Upon issuance of the Series 2019A Bonds, the current balances in the accounts established in the Airport Bond Reserve Fund for each Series of Outstanding Bonds will be as follows:

Series	Airport Bond Reserve Fund Requirement (2)
2000 (1)	$ 234,249
2014A	6,513,332
2014B	1,239,068
2019A	7,558,894

(1) Requirement established by the New York State Environmental Facilities Corporation.
(2) The Airport Bond Reserve Fund Requirement for the Refunded Bonds will be applied as set forth under ESTIMATED SOURCES AND USES OF FUNDS.

The Seventh Supplemental Resolution authorizes the Authority, in a future Supplemental Resolution, to use the account established in the Airport Bond Reserve Fund for the Series 2019A Bonds to pay principal of and interest on the Series 2019A Bonds and one or more future Series of Bonds. In such case the "Airport Bond Reserve Fund Requirement" shall mean, with respect to the Series 2019A Bonds and any future Series of Bonds designated in such Supplemental Resolution, the lesser of (i) the greatest amount of principal and interest payable on the Series 2019A Bonds and any such designated future Series of Bonds in the aggregate in the then current or any future Fiscal Year, (ii) 125% of the average annual principal and interest payable on the Series 2019A Bonds and any such designated future Series of Bonds in the aggregate, or (iii) 10% of proceeds of the Series 2019A Bonds and any such designated future Series of Bonds; provided that in no case shall the Authority be required to deposit more than 10% of proceeds of any designated future Series of Bonds to meet the Airport Bond Reserve Fund Requirement.

Covenant as to Rates, Rentals, Fees and Charges

The Authority has covenanted and agreed to impose and prescribe such schedules of rates, rentals, fees and charges for the use and services of and the facilities and commodities furnished by the Airport System, and shall revise the same from time to time whenever necessary, and collect the income, receipts and other moneys derived from the rates, rentals, fees, and charges, so that the Airport System shall be and always remain financially self-sufficient and self-sustaining. The rates, rentals, fees and charges imposed, prescribed and collected shall be such as will produce Airport Revenues at least sufficient (i) to pay the principal of and interest and premium on the Bonds as and when the same become due (whether at maturity or upon required redemption prior to maturity or otherwise); (ii) to pay as and when the same become due all Operation and Maintenance Expenses, (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from Airport Revenues, and (iv) to carry out all provisions and covenants of the Resolution. In addition to the other requirements, at all times and in any and all events such rates, rental, fees and charges shall be imposed, prescribed, adjusted, enforced and collected that will yield Net Airport Revenues (which includes amounts on deposit in the Airport Development Fund that are subsequently transferred or credited by the Authority to the Airport Revenue Fund), in an amount at least equal to one hundred twenty five percent (125%) of Debt Service on all Bonds Outstanding under the Master Resolution. For a description of the obligation of the Signatory Airlines to fund coverage under the ULA, see the eleventh paragraph under "AGREEMENTS FOR THE USE OF AIRPORT FACILITIES – Airline Lease Agreements."

Generally *"Debt Service"* includes, with respect to any Series of Bonds, the total, as of any particular date of computation and for any particular period or year, of the aggregate amount required pursuant to the Resolution to be deposited during such period or year in the Airport Bond Fund (i) to provide for the payment of interest on the Bonds of such Series, except to the extent that such interest is to be paid from (w) amounts credited to a Construction Interest Account in the Construction Fund, (x) amounts credited to any Airport Interest Account for such Series, or (y) any other amounts available for the payment of interest; (ii) to provide for the payment at maturity of any such Bonds of such Series issued in serial form; and (iii) to provide for the retirement of any such Bonds of such Series issued in term form. For the complete definition of Debt Service, see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SEVENTH SUPPLEMENTAL RESOLUTION – Definitions – *Debt Service*."

The failure to comply with the rate covenant described above does not constitute an Event of Default under the Resolution if the Authority promptly (i) causes an Airport Consultant to make a study for the purpose of making recommendations with respect to rates, rentals, fees and charges for the Airport System in order to provide funds for all the payments and other requirements specified above; (ii) considers the recommendations of the Airport Consultant, and (iii) takes such action as the Authority, in its discretion, may deem necessary to comply with the rate covenant.

In the event that the rates, fees and charges imposed by the Authority are insufficient to produce Net Airport Revenues in amounts necessary to pay the principal of and interest and premium on the Bonds as and when the same become due, the Authority shall implement the recommendations of the Airport Consultant provided that in preparing its study and making its recommendations, the Airport Consultant shall not make any recommendations that would require the Authority to violate or otherwise be in contravention of any State or Federal law, regulation or mandate or any other agreement to which the Authority is a party.

Additional Bonds and Completion Bonds

The Authority may, for any Airport Purpose, issue, authenticate and deliver, from time to time, one or more Series of Additional Bonds in such principal amount(s) as the Authority may determine.

The Resolution specifies the following requirements for the Authority to issue Additional Bonds or Refunding Bonds:

(i) a determination by the Chief Financial Officer that no Event of Default (as defined in the Resolution) exists; and

(ii) either (a) the Designated Financial Officer of the Authority shall have certified that, based on the latest available audited financial statements of the Authority, the Net Airport Revenues for that Fiscal Year as derived from the latest available audited financial statements shall have equaled not less than one hundred twenty five percent (125%) of Debt Service on all Bonds Outstanding and the Bonds of the Series then proposed to be issued; or (b) an Airport Consultant shall have certified that estimated Net Airport Revenues to be derived in each of the three full Fiscal Years following the Fiscal Year in which (1) the Authority estimates a substantial portion of the project or projects, the Project Costs of which are to be financed by the issuance of such Additional Bonds, will be placed in continuous service or in commercial operation or (2) Refunding Bonds or Bonds that are not issued to fund Project Costs are issued, shall equal not less than one hundred twenty five percent (125%) of the Debt Service on all Bonds to be Outstanding upon the issuance of such Additional Bonds and including such Additional Bonds.

The Authority may issue Refunding Bonds without complying with the provisions described under clause (ii) of the second paragraph above under the circumstances described under "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SEVENTH SUPPLEMENTAL RESOLUTION – Additional Obligations of the Authority – Refunding Bonds."

Without complying with the provisions described under clause (ii) of the second paragraph above, the Authority may at any time and from time to time issue one or more Series of Additional Bonds, for the purpose of completing any project specified and described in such supplemental resolution and for which Bonds have been previously issued, in an amount not to exceed 15% of the principal amount of the initial Series of Bonds issued to finance such project.

See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SEVENTH SUPPLEMENTAL RESOLUTION – Additional Obligations of the Authority."

Application of Revenues

A special fund is created under the Master Resolution and designated the Airport Revenue Fund. The Authority is required to set aside and deposit all Airport Revenues, upon receipt thereof, into the Airport Revenue Fund. The Resolution also requires to be deposited into the Airport Revenue Fund moneys derived from the following additional sources: certain condemnation awards and insurance proceeds; certain revenues derived from special facilities; and certain proceeds of bond defeasance. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SEVENTH SUPPLEMENTAL RESOLUTION – Definitions." The Master Resolution requires that moneys on deposit in the Airport Revenue Fund be applied solely at such times and in accordance with the priorities established by the Master Resolution.

In addition to the Airport Revenue Fund, the Master Resolution creates the following Funds and Accounts: the Construction Fund, the Airport Operation and Maintenance Fund, including the Operation and Maintenance Account and the Operation and Maintenance Reserve Account, the Airport Bond Fund, the Airport Bond Reserve Fund, the Airport Renewal and Replacement Fund, and the Airport Development Fund.

The moneys in the Airport Revenue Fund shall be used and applied at the following times, in the following amounts, for the following purposes and in the following order of priority:

First, there shall be deposited each month into the Airport Operation and Maintenance Fund and the Accounts therein the amounts required by the Master Resolution to be used for the purposes specified therein.

Second, there shall be deposited each month into the Airport Bond Fund and the Accounts therein the amount required by the Master Resolution to be used for to pay the principal and interest as specified therein.

Third, there shall be applied each month the amount, if any, required to be deposited in the Airport Bond Reserve Fund.

Fourth, there shall be deposited each month the amount necessary to pay principal of, premium, if any, and interest on subordinate bonds, notes, certificates, warrants or other evidences of subordinate indebtedness in the funds and accounts established therefor.

Fifth, there shall be applied each month the amount required, if any, to be deposited in any reserve fund or account established with respect to any subordinate bonds, notes, certificates, warrants or other evidences of subordinate indebtedness.

Sixth, there shall be applied each month the amount required, if any, to be deposited in the Airport Renewal and Replacement Fund.

Seventh, after making all deposits and credits required as described in "First" through "Sixth" above, all moneys remaining on deposit in the Airport Revenue Fund shall be deposited each month in the Airport Development Fund. Amounts in the Airport Development Fund shall be applied first to make up any deficiencies in any Fund or Account established under the Resolution and thereafter shall be applied to any corporate purpose of the Authority. The Authority is authorized and applies certain amounts in the Airport Development Fund to non-Airport purposes. See "OTHER AIRPORT MATTERS – Airport Grandfathered."

Until used and applied as provided in the Resolution, all moneys in the Airport Revenue Fund and Airport Bond Fund and the securities in which such moneys may from time to time be invested are held under the Resolution in trust for the equal and ratable benefit and security of all the Bonds and are subject to the liens and pledges created by the Resolution. Amounts held in accounts established in the Airport Bond Fund, unless otherwise provided in a Supplemental Resolution with respect to a particular Series of Bonds, or Airport Bond Reserve Fund with respect to a particular Series of Bonds, are only available to makes payments with respect to such Series of Bonds and are not subject to the liens and pledges created by the Resolution for the benefit of all Bondholders. All other Funds and Accounts established under the Resolution to which Airport Revenues or Net Airport Revenues are deposited, including the Airport Development Fund, are not subject to the liens and pledges created by the Resolution for the benefit of all Bondholders. All moneys on deposit in the Funds and Accounts shall be invested only in Investment Securities, as defined in the Resolution and the Act.

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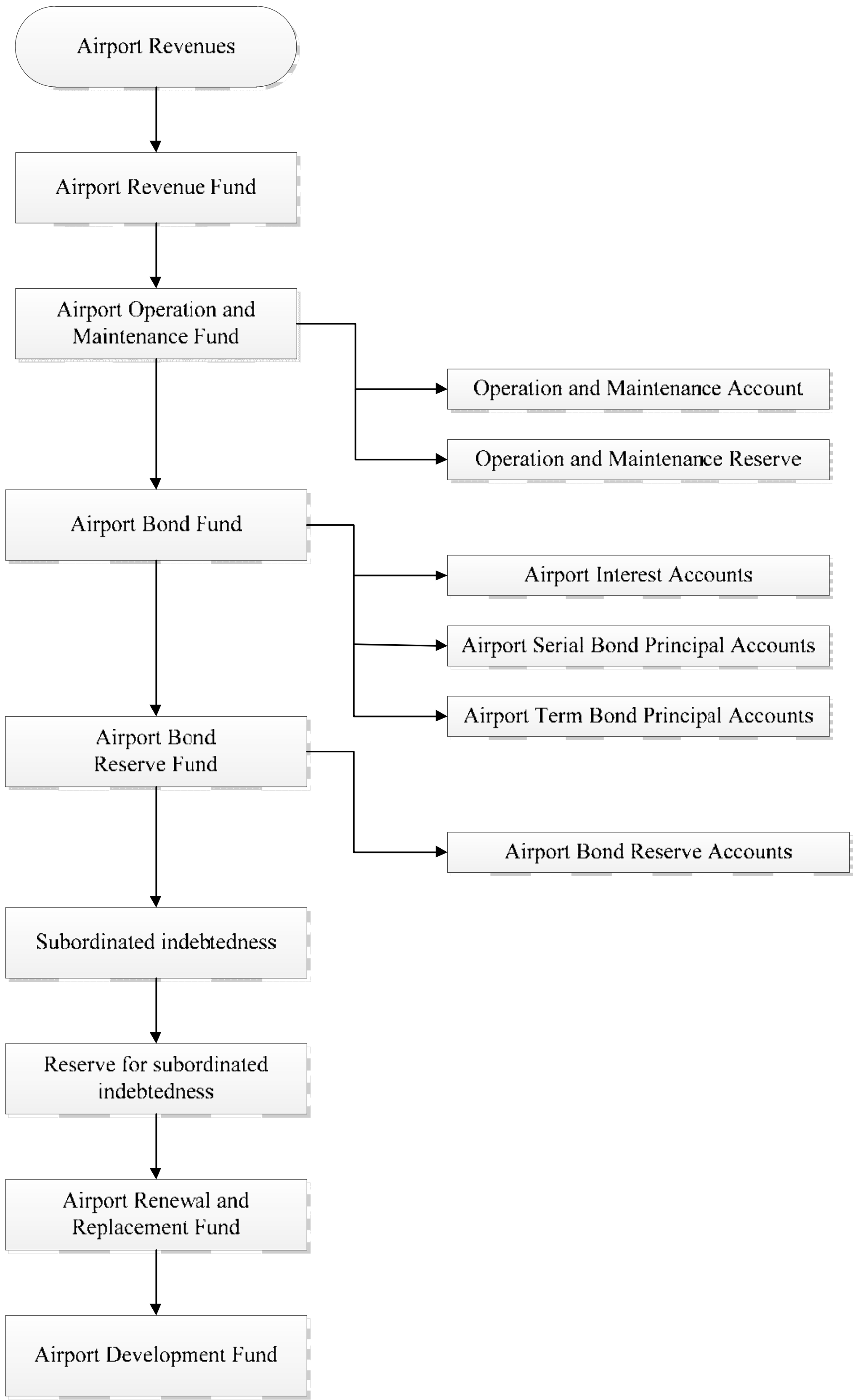
FLOW OF FUNDS



Subordinate Lien and Other Obligations

Pursuant to the Resolution, the Authority may issue bonds, notes or other evidences of indebtedness for any corporate use or purpose of the Authority relating to the Airport System payable as to principal and interest from the Net Airport Revenues subject and subordinate, and secured by a lien and pledge on the Net Airport Revenues junior and inferior, to the lien on and pledge of the Net Airport Revenues created under the Resolution for the payment and security of the Bonds.

The Authority may authorize and issue bonds, notes or other evidences of indebtedness, other than Bonds, for the purpose of providing proceeds to finance any Airport Purpose payable from and secured by a pledge of and lien on those revenues, proceeds, grants or other sources specifically excluded from the definition of Airport Revenues, and all income or revenues derived with respect to any Airport Purpose so financed shall constitute Airport Revenues and be paid into the Airport Revenue Fund. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SEVENTH SUPPLEMENTAL RESOLUTION – Additional Obligations of the Authority Subordinate Lien and Other Obligations."

The Authority has entered into a number of bank loans and capital leases in connection with its system, some of which pertain to the Airport. None of these loans or capital leases is secured by a lien on Net Airport Revenues. See "OTHER AIRPORT MATTERS – Bank Loans and Capital Leases."

Separate Improvements

The Authority may authorize and issue bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, other than Bonds, and establish reserves in connection therewith, payable from and secured by a pledge of and lien on those revenues, proceeds, grants or other sources specifically excluded from the definition of Airport Revenues, or any combination of all or a portion of the foregoing for the purpose of acquiring, constructing, renovating, remodeling or rehabilitating Separate Improvements. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SEVENTH SUPPLEMENTAL RESOLUTION – Separate Improvements."

Special Obligation Bonds and Special Facility Agreements; PFC Bonds

The Authority may issue bonds, notes or other evidences of indebtedness for the purpose of acquiring, constructing, renovating, remodeling or rehabilitating a special facility payable solely from amounts payable by the user, lessee or sublessee under the special facility agreement entered into with respect to such special facility and shall not be a charge or claim against or payable from or secured by Airport Revenues or any other moneys held under the Master Resolution. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SEVENTH SUPPLEMENTAL RESOLUTION – Special Obligation Bonds" and "Special Facility Agreements" therein.

The Authority may issue Bonds that are also secured by PFCs which Bonds, upon compliance with the conditions set forth in the supplemental resolution providing for the issuance thereof, may be secured solely by PFCs. See APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SEVENTH SUPPLEMENTAL RESOLUTION – Provisions Applicable to Bonds Secured by PFC Revenues and Net Airport Revenues."

Hedge, Support and Other Financial Agreements

Subject to applicable State law, the Authority may enter into Hedge Agreements, Support Agreements or other financial agreements payments under which (including but not limited to, fees, charges, expenses but excluding any termination, indemnification or other payments intended to pay any person for loss of benefits under such agreement) are payable from Net Airport Revenues and secured by a lien on and pledge of Net Airport Revenues on a parity with the lien on and pledge of the Net Airport Revenues created for the payment and security of the Bonds; provided such payments shall meet the requirements set forth under Additional Bonds and Completion Bonds; and provided further that Integrated Swap Agreement Payments shall be treated as payment of interest on Bonds. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SEVENTH SUPPLEMENTAL RESOLUTION – Definitions" and "Hedge, Support and Other Financial Agreements" therein. The Swaps shall be terminated using a portion of the proceeds of the Series 2019A Bonds. Upon the termination of such Hedging Agreements, the Authority will not have any outstanding Hedge Agreements or Support Agreements payable from Net Airport Revenues and secured by a lien on and pledge of Net Airport Revenues.

The Authority has implemented Master Liability Management Policy Guidelines pertaining to all Authority hedging transactions. The Authority does not anticipate entering into any Hedge Agreements in the foreseeable future.

REPORT OF THE AIRPORT CONSULTANT

The report of Unison Consulting, Inc. (the "Airport Consultant") dated January 25, 2019 (the "Report of the Airport Consultant") is attached to this Official Statement as APPENDIX A. The Report of the Airport Consultant evaluates the ability of the Airport System to produce Net Revenues sufficient to meet the requirements of the rate covenant during the forecast period (Fiscal Year 2019 through Fiscal Year 2025), taking into account estimated Annual Debt Service Requirements and based on the assumptions set forth in the Report of the Airport Consultant. Certain information in this Official Statement has been excerpted from the Report of the Airport Consultant.

Forecast Net Airport Revenues are projected to exceed 125% of the Debt Service on all Bonds Outstanding. The following table presents the debt service coverage ratio for the forecast period:

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FORECASTED DEBT SERVICE COVERAGE TABLE [(1)]

	For Fiscal Years Ending March 31						
	FY 2019	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**
Total Net Airport Revenues	$20,603,999	$21,193,099	$20,619,165	$20,835,441	$21,873,571	$21,449,966	$20,925,413
Total Debt Service	$14,430,598	$18,599,914	$18,336,650	$18,335,150	$18,178,750	$18,137,750	$12,547,000
Debt Service net of PFCs and DSR	$14,213,277	$14,374,949	$14,111,935	$14,110,435	$13,954,035	$10,935,016	$8,497,414
Debt Service Coverage	1.45x	1.47x	1.46x	1.48x	1.57x	1.96x	2.46x

(1) Not updated to reflect final pricing of the Series 2019A Bonds.

Source: Appendix A – REPORT OF THE AIRPORT CONSULTANT – Table 30.

The Report of the Airport Consultant contains numerous assumptions and includes forecasts and projections. Actual results may be materially different from those described in such report. The Report of the Airport Consultant should be read in its entirety for an understanding of the assumptions, limiting conditions and rationale underlying the financial projections. See “INVESTMENT CONSIDERATIONS – Report of the Airport Consultant” and “APPENDIX A – REPORT OF THE AIRPORT CONSULTANT.”

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ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Series 2019A Bonds:

SOURCES OF FUNDS:	
Par Amount	$81,920,000.00
Original Issue Premium	10,110,710.10
Release of Refunded Bonds Debt Service Reserve Accounts	2,833,656.82
Other Authority Funds	4,322,969.46
TOTAL SOURCES	$99,187,336.38
USES OF FUNDS:	
Amounts Applied to Projects	$60,744,852.52
Amounts Applied to Refund the Refunded Bonds [(1)]	28,297,299.90
Amounts Applied to Terminate Swaps	1,429,500.00
Deposit to Airport Bond Reserve Fund	7,558,894.26
Costs of Issuance [(2)]	1,156,789.70
TOTAL USES	$99,187,336.38

(1) On or prior to the date of issuance of the Series 2019A Bonds, the Authority will deposit into the escrow an additional amount equal to the interest to be determined for the Series 2004C Bonds on February 20 and accruing for the days February 21 through and including February 27.

(2) Includes Underwriters' discount, legal fees, Municipal Advisor and consultant fees, rating agency fees, printing costs, and other fees and costs.

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DEBT SERVICE REQUIREMENTS

The table below illustrates the debt service requirements for the Outstanding Bonds upon issuance of the Series 2019A Bonds and the refunding of the Refunded Bonds.

Year Ending April 1 [(1)]	Series 2000 [(2)]	Series 2004 [(3)]	Series 2014	Debt Service Series 2019A Bonds			Total Debt Service
				Principal	Interest	Total	
2019	$263,562	$5,994,745	$ 7,581,400		$ 398,222	$ 398,222	$ 14,775,988
2020	264,764		7,748,900	$ 5,940,000	4,096,000	10,036,000	18,049,664
2021			7,752,400	6,240,000	3,799,000	10,039,000	17,791,400
2022			7,748,400	6,545,000	3,487,000	10,032,000	17,780,400
2023			7,591,000	6,875,000	3,159,750	10,034,750	17,625,750
2024			7,551,250	7,220,000	2,816,000	10,036,000	17,587,250
2025			7,494,750	2,275,000	2,455,000	4,730,000	12,224,750
2026			7,296,750	2,390,000	2,341,250	4,731,250	12,028,000
2027			7,293,750	2,510,000	2,221,750	4,731,750	12,025,500
2028			7,295,750	2,635,000	2,096,250	4,731,250	12,027,000
2029			5,916,750	2,765,000	1,964,500	4,729,500	10,646,250
2030				2,905,000	1,826,250	4,731,250	4,731,250
2031				3,050,000	1,681,000	4,731,000	4,731,000
2032				3,205,000	1,528,500	4,733,500	4,733,500
2033				3,360,000	1,368,250	4,728,250	4,728,250
2034				3,530,000	1,200,250	4,730,250	4,730,250
2035				3,705,000	1,023,750	4,728,750	4,728,750
2036				3,890,000	838,500	4,728,500	4,728,500
2037				4,085,000	644,000	4,729,000	4,729,000
2038				4,290,000	439,750	4,729,750	4,729,750
2039				4,505,000	225,250	4,730,250	4,730,250
Total	$528,326	$5,994,745	$81,271,100	$81,920,000	$39,610,222	$121,530,222	$209,862,452

NOTE: Totals may not add due to rounding.

(1) The numbers in this table reflect payments of debt service on bonds during a period from and including April 2 of each calendar year to and including April 1 of the following calendar year.

(2) The Authority has previously borrowed a portion of the proceeds of the New York State Environmental Facilities Corporation ("EFC") State Revolving Funds Revenue Bonds, Series 2000B ("Series 2000 EFC Bonds") and issued the Series 2000 Bonds to the EFC, which were pledged as security for the Series 2000 EFC Bonds. The Series 2000 EFC Bonds were refunded by the EFC's State Revolving Funds Revenue Bonds, Series 2011A (2010 Master Financing Program) ("Series 2011 EFC Bonds"). Pursuant to policies implemented by the EFC, the Authority did not issue a refunding Bond to the EFC but instead receives a credit on debt service for the Series 2000 Bonds equal to the Authority's allocable share of savings from the issuance of the Series 2011 EFC Bonds. The debt service in the table for the Series 2000 Bonds is NOT net of the credit to be received from the EFC on the Series 2000 Bonds.

(3) Includes estimated interest on the Series 2004C Bonds from February 21 through February 27.

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THE AUTHORITY

General

The Authority was created in 1967 as a body corporate and politic constituting a public benefit corporation pursuant to the Act. In 1969 the operations of the Niagara Frontier Port Authority were consolidated with those of the Authority. The Authority is governed by a 13 member Board of Commissioners (the "Board") appointed by the Governor of the State. Of the 13 members, one member is appointed upon the written recommendation of the Erie County Executive and one is appointed upon the written recommendation of the Erie County Legislature. All appointments are made with the consent of the New York State Senate. The Board governs and sets policy for the Authority. The Board appoints an Executive Director who, subject to policy direction and delegation from the Board, is responsible for all activities of the Authority. The Chairman and each of the members of the Board of Commissioners are appointed for a five-year term.

The Authority owns and operates: (i) the Airport, (ii) NFIA, (iii) Niagara Frontier Transit Metro System, Inc. ("Metro"), a subsidiary of the Authority; (iv) the Metropolitan Transportation Center, a terminus for intercity bus transportation; and (v) the Niagara Falls International Transportation Center. The Authority also owns and, through its Property Management Department, operates or manages several commercial and industrial facilities, including property on the Airport that is not part of the Airport System. See "THE AIRPORT – Introduction – *Aviation Related Facilities*" and "OTHER AUTHORITY PROPERTIES" herein.

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The present members of the Authority, their occupations and the dates on which their terms expire are set forth below.

Board of Commissioners

Name and Title	**Occupation**	**Expiration of Term**
Denise A. Roche, Chair	Retired president of D'Youville College	June 30, 2021
Peter G. Demakos, Vice Chair	General Manager, Niagara Blower Company (Buffalo, NY)	June 30, 2018*
Charles L. Gurney, Secretary	Partner and Residing President, Gurney, Becker & Bourne, Inc.	June 30, 2017*
Bonita R. Durand, Treasurer	Chief of Staff to the President and Secretary to the College Council at Buffalo State (State University of New York College at Buffalo)	June 30, 2019
LaVonne E. Ansari	CEO and Executive Director of Community Health Center of Buffalo, Inc.	June 30, 2016*
Joan G. Aul	Credit Accounting Manager at M & T Bank	June 30, 2020
Anthony J. Baynes	Founder and owner of A.J. Baynes Freight Contractors, Ltd., AJB Truck Lines, Inc., Extra Mile Transportation, LLC, Evolution Development, LLC, Evolution Logistics, LLC and 100 South Elmwood, LLC	June 30, 2018*
Margo D. Downey **	Secretary of the National Federation of the Blind's Travel and Tourism Division as well as President of the New York Association of Guide Dog Users	June 30, 2017*
Wesley L. Hicks Jr.	Roswell Park Cancer Institute - Chairman, Department of Head & Neck/Section of Plastic & Reconstructive Surgery, Director, Head and Neck Surgical Fellowship Program. University at Buffalo School of Medicine and Biomedical Sciences - Professor of Otolaryngology/ Head and Neck Surgery, Neurosurgery, and Bioengineering	June 30, 2016*
Michael P. Hughes	Chief of Staff for Kaleida Health	June 30, 2018*
Adam W. Perry	Partner, Hodgson Russ's Business Litigation and Employment Litigation Practice Groups	June 30, 2017*
Philip G. Wilcox	Niagara Mohawk Power Corporation employee and the International Brotherhood of Electrical Workers Local 97 Business Representative	June 30, 2014*

* Commissioners with expired terms are held over until a replacement is appointed in accordance with the Act.
** Non-voting members.

There is one vacancy on the Board of Commissioners.

The senior staff of the Authority consists of the following persons:

Kimberley A. Minkel - Executive Director. Ms. Minkel was appointed Executive Director of the Authority in December 2010. Ms. Minkel started at the Niagara Frontier Transportation Authority in

October 2002, as its Director of Health, Safety, and Environmental Quality. She has over 20 years of experience in the environmental and safety regulations business along with experience in compliance managing. As director of the Authority's HSEQ department, she worked to ensure the safety and protection of its workers, riders, the public and the environment. She oversaw the completion of an award winning $13.1 million environmental project for the Airport that uses wetland treatment technology for treating spent deicing fluid in storm water runoff. She has also co-authored several papers dealing with innovative approaches for managing storm water runoff at airports. The Airport is the first airport in the United States to use such a process. This project was awarded the Diamond Award in the Environmental Category by the NY branch of the American Council of Engineering Companies and a very prestigious Honor Award by the U.S. national ACEC. Under her leadership the Authority earned a coveted Gold Standard award from the Transportation Security Administration for the Authority's overall high security standards and practices based on a 2013 Baseline Assessment evaluation conducted by the TSA. She is a member of various professional organizations, including Evans Bank Board of Directors, Western New York Safety Advisory Committee, the Buffalo Urban Development Corporation's Board of Directors, Niagara Military Affairs Commission, B.U.I.L.D. and Who's Who of Professional Management. She has previously served on the Board of Directors of The Buffalo and Fort Erie Public Bridge Authority, the City of Niagara Falls N.F.B. Development Corporation and is a 2007 graduate of Leadership Buffalo. Ms. Minkel received a Bachelor of Science from Niagara University in 1988 and her MBA in Concentration Management from Canisius College in 1995.

John T. Cox - Chief Financial Officer. Mr. Cox was appointed Chief Financial Officer in April 2014. Prior to joining the Authority, Mr. Cox served as the Deputy Director of Finance / Accounting, for the City of Rochester, New York, as Deputy Comptroller and Comptroller/Director of Finance of the City of Binghamton, New York and as the Fiscal Officer for the Binghamton-Johnson City Joint Sewage Board, Binghamton Local Development Corporation and Binghamton Urban Renewal Agency. Prior to joining government service Mr. Cox served as a Junior Fixed Income Analyst for Bear, Stearns & Co. Inc. and as an accountant for Mondorf & Fenwick CPAs. Mr. Cox received his Bachelor of Science in Finance from Syracuse University and a Master of Science in Accounting from Binghamton University.

David J. State - General Counsel. Mr. State was appointed General Counsel of the Authority in April 2011. Prior to that Mr. State was an administrative law judge with the New State Office of Temporary Disability and a JAG Officer (Major) for the Trial Counsel, 42nd Infantry Division. He has previous experience as legal counsel to numerous boards and agencies including the Buffalo Common Council, Preservation Board, Elevator Safety Review Board and the Buffalo Municipal Housing Authority. An Iraq veteran, he served from May 2004 to January 2006 when he was mobilized to active duty in support of Operation Iraqi Freedom and served with the Army Judge Advocate General Corps in Iraq. He is a graduate of Buffalo State College and SUNY at Buffalo Law School. He holds faculty positions at the University of Buffalo where he teaches Urban Development Law and Policy and at Erie Community College where he instructs on Business Law I and II. Mr. State is admitted to the New York State Bar and to Federal Practice in the Western District of New York.

William R. Vanecek - Aviation Director. Mr. Vanecek has managed the Authority's airports since November 1998. Prior to joining the Authority, Mr. Vanecek received his Certified Public Accountant license in New York State and worked for PricewaterhouseCoopers (PwC). After leaving PwC, he worked for AMR Corp. in Dallas, Texas where he served as the Vice President of Finance for Simmons Airlines, American Eagle's largest regional air carrier. Mr. Vanecek received a Bachelor of Science in both Accounting and Finance from the State University of New York at Buffalo and also received an MBA from the University of Texas at Arlington.

Employees and Labor Relations

The Authority employs approximately 1,580 full-time employees, of which 154 work at the Airport. Of the 154 Airport employees, 143 are members of five unions, covering primarily administration, airfield, fuel farm, terminal, facilities staff and firefighters. The following table sets forth information about union contracts:

Union	Number of Employees	Contract Expiration Date
International Longshoremen's Association Local 1949	81	3/31/2022
International Longshoremen's Association Local 2028	5	3/31/2022
Teamsters Local 264	17	3/31/2021
Buffalo Niagara Airport Fire Fighters' Association	36	3/31/2022
Superior Officers' Association	4	3/31/2019

The remaining 11 employees of the Airport are not subject to any collective bargaining agreement.

In addition to the Airport employees who are represented by the aforementioned unions, certain Authority employees that provide services to the Airport are represented by other unions as well. The Authority and its employees have had positive labor relations over the years and the Authority does not anticipate any significant labor issues in the foreseeable future.

Employee Pension Benefits

Substantially all employees of the Authority at the Airport are members of either the New York State and Local Employees' Retirement System, or the New York State and Local Police and Fire Retirement System (the "Retirement Systems"). The Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefit to employees are governed by the New York State Retirement System and Social Security Law. For additional information regarding the State Retirement Systems as it pertains to the Authority, see "APPENDIX B – FINANCIAL STATEMENTS OF THE AUTHORITY – Notes to Basic Financial Statements – Note 9(a)."

The Authority's retirement contributions to the Retirement Systems for Airport employees represent approximately 25% of the Authority's contributions to the Retirement Systems.

Other Post-Employment Benefits

The Authority provides a defined benefit post-employment health care plan for essentially all fulltime employees with a minimum of 10 years of service upon retirement. For additional information regarding the other postemployment benefits ("OPEB") of the Authority, see "APPENDIX B – FINANCIAL STATEMENTS OF THE AUTHORITY – Notes to Basic Financial Statements – Note 10."

The Authority's annual OPEB costs for Airport employees represent approximately 50% of the Authority's total annual OPEB costs contributions.

THE AIRPORT

Introduction

The Airport is located approximately 10 miles east of Buffalo's central business district on approximately 1,100 acres of land in Cheektowaga Township, Erie County, New York. The Buffalo Municipal Airport was originally built by the City of Buffalo on a 318 acre site. The Airport's facilities were expanded in late 1939 and a new terminal was built in 1955 tripling the footage and containing 11 gates. In 1956, the Niagara Frontier Port Authority, a public body created by the New York State legislature, acquired the Airport from the City of Buffalo. It continued to operate the Airport until it was assimilated into the Authority, created by the New York State Legislature in 1967. All subsequent work on the Airport was carried out by the Authority. In 1959, the name of the Airport was changed to the Greater Buffalo International Airport. A new terminal was added in 1971. In September 1996, the Authority Board of Commissioners changed the name of the Airport to the Buffalo Niagara International Airport (BNIA) effective with the opening of the new passenger terminal. In 1997, a new terminal building was constructed to replace the former terminal buildings and was subsequently expanded during 1999/2000, resulting in the current 26-gate terminal facility.

Airfield Facilities. The major airfield facilities at the Airport consist of two air carrier runways (5/23 and 14/32) and associated taxiways that provide access to the airline parking ramps to the south and southwest, the cargo apron to the west and general aviation facilities to the north. The primary runway is Runway 5/23 which is 8,829 feet in length and 150 feet in width. The secondary runway is Runway 14/32 used primarily for crosswind operations and general aviation aircraft. This runway is 7,161 feet in length and 150 feet in width. Runway 5/23 is equipped with precision instrument landing systems (ILS) at either approach end along with high intensity runway edge lights. A non-precision approach system is also available for Runway 14 and a precision instrument landing system for Runway 32.

Passenger Terminal Facilities. The 462,000 square foot 26-gate terminal facility contains two levels: an upper or departure level and a lower or arrivals level. The upper level contains the ticket counters and the passenger boarding facilities for the West Concourse and the East Concourse. The six-gate West Concourse contains a restaurant, a "Club Buffalo Niagara" airport lounge scheduled to open in August 2019, two gates that provide accommodations for either domestic or international flights and five gates occupied by American. The 18-gate East Concourse contains three restaurants, two coffee shops, a food court, four retail shops, moving walkways and gates occupied by Delta, Frontier, JetBlue, Southwest and United. The ticket counters are linked to the concourse by a 10-lane security checkpoint station gateway containing TSA security, a pre-security restaurant and a barber shop. The lower level contains Airport operations, baggage handling and baggage claim. Gates are leased on a preferential use basis. The Authority reserves the right to direct an Airline to share a gate under an "efficient use of airport premises" clause of the ULA.

Parking and Roadway System. The terminal is accessed from Genesee Street via separate roadway systems. The 450,000 square foot parking garage houses 844 public parking spaces and 429 rental car spaces. In addition to the parking garage, the Airport has a 1,439 space public surface preferred long term lot, a 2,693 space public surface long term lot and a 2,854 space public surface remote long term economy lot.

General Aviation Facilities. Fixed base operations are provided by a fixed base operator which occupies facilities on the north side of the Airport and provides aircraft fueling services, aircraft maintenance, hangar storage, flight training, ground handling services and equipment and other pilot services. General aviation facilities consist of an administration building and three aircraft hangars with attached offices.

Aviation Related Facilities. The properties discussed in this subsection are not included in the definition of Airport System, and therefore, revenues derived therefrom are not pledged as security for the Bonds. The properties discussed in this section and the revenues associated with such properties, however, may, at the election of the Authority, be eligible to pay principal of, premium, if any, and interest on the Bonds, including the Series 2019A Bonds. See also "OTHER AUTHORITY PROPERTIES" herein.

Aviation related facilities located at the Airport consist of air cargo facilities, a National Weather service building and an airline ground equipment maintenance building.

Air cargo facilities are located along Cayuga Road on the west boundary of the Airport. Contiguous to the building is a one-million square-foot aircraft parking apron owned, operated and maintained by the Authority to accommodate cargo aircraft parking and loading and unloading directly into the warehouse. These facilities were developed by Air Cargo Buffalo LLC which financed, constructed and operates the facility through a ground lease with the Authority. The Authority receives fixed rent and percentage rent which are recorded in the property management department.

The National Weather service occupies an office located south of Runway 5/23 and east of Runway 14/32. The National Weather Service has entered into two ground leases with the Authority for a NEXRAD radar and transmitter and a new office building.

American leases approximately one acre of land from the Authority. Located on this site is a 10,000 square foot ground equipment service building.

Future Airport Improvements

The Authority's Capital Improvement Program (2019-2023) ("CIP") totals approximately $118.6 million. Of this amount, the Authority is projecting that $120.5 million or 80.1% will be funded with PFCs, State or Federal funds. The Improve Terminal Building, Baggage Claim Area Terminal Expansion, Construction project accounts for approximately 62.4% of the total CIP. See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Table 1."

The Authority last updated its Airport Master Plan in 2013. Most of the major airside runway and taxiway projects outlined in the Authority's 2003 Master Plan have been completed. Accordingly, the 2013 update focused on constructing new taxiways, continuing enhancement of terminal area facilities including parking, roadways and Airport support facilities. The Authority is also seeking to develop revenue neutral or revenue positive sustainability opportunities that maximize environmental quality and efficiency. Most of the CIP is derived from projects in Phase I and Phase II of a three-phase capital improvement program described in the updated master plan.

Emergency Preparedness

The Authority has an approved Airport Emergency Plan ("AEP") as required under FAA regulations. The AEP addresses essential emergency-related and deliberate actions planned to ensure the safety of and emergency services of the Airport.

The Authority also has prepared a Business Continuity Plan ("BCP") to assist the organization in managing: (a) minor events - business disruptions impacting a single Authority function/department; (b) moderate events – business disruptions impacting multiple Authority functions/department; and, (c) major events – business disruptions impacting the entire Authority. The plan contains information on emergency contact details, strategies to mitigate impacts, procedures to be implemented and communication processes to be followed in response to business disruptions. The BCP is to be initiated at the outset of a disruptive event and provides for continued operations during the emergency situation and business recovery steps to return the Airport to regular management after the BCP leader deems the recovery to be complete.

The BCP, the AEP and all their components, are reviewed periodically and a tabletop exercise is conducted annually to test the readiness of the plans. Every three years, the BCP is subject to a full test during the execution of AEP testing.

All employees of the Authority are responsible for maintaining the continuous operation of the organization in the event of a disaster. The BCP includes a recommended schedule to ensure that all employees participate in on-going training. While the BCP does not include recovery activities that are part of the AEP, it is the intent of management that both plans work in tandem with each other during an emergency incident.

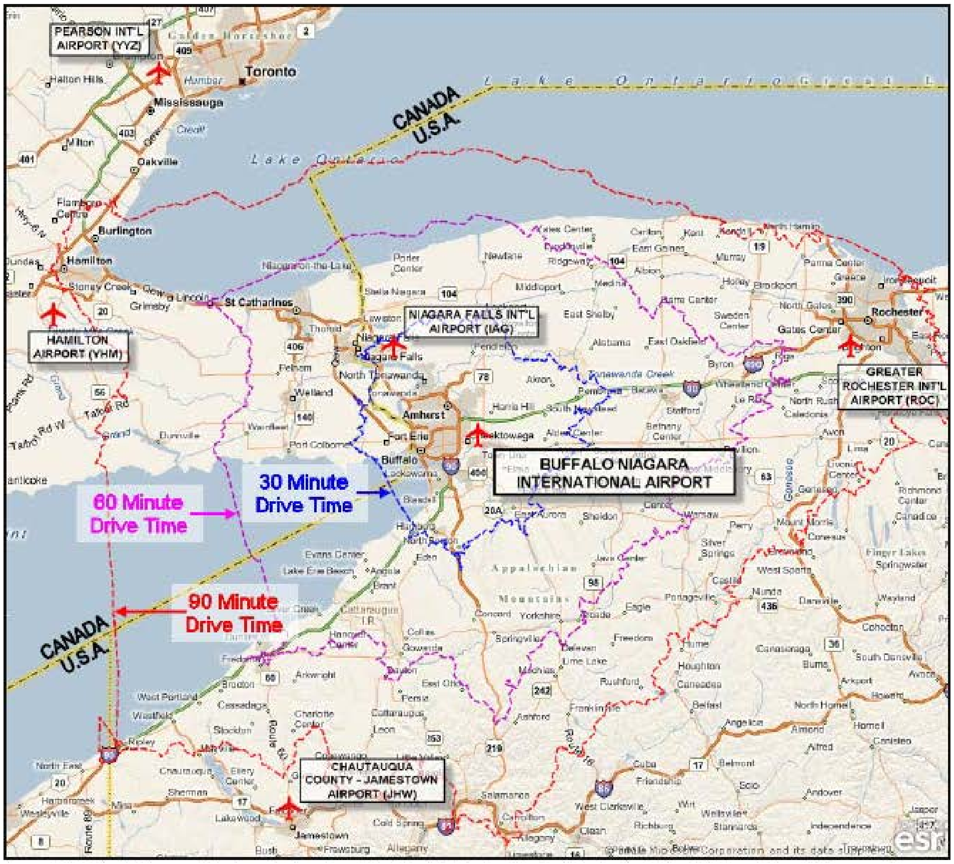
The Authority has developed, tested and evaluated a comprehensive set of emergency procedures for a possible disruptive event due to an emergency. These procedures and precautions seek to minimize the operational and financial impact on the Airport and the Authority. However, the Authority cannot predict whether the Airport would need to cease operations in the event of an emergency, or what types of emergencies would cause the Airport to cease operating. The Authority is not able to predict for the length of time the Airport would be closed and whether the Authority's reserves would be adequate to return the Airport to full operation in the event of a cessation of operations due to an emergency.

The Air Service Area

The Buffalo Niagara Falls Metropolitan Statistical Area ("MSA") is the primary air service area for the Airport. The MSA consists of two New York counties: Erie County (the county in which the Airport is located) and Niagara County. Based on location, accessibility, and services available at other commercial service airports within nearby service areas, the total area served by the Airport extends well beyond the primary air service area. The Airport's secondary air service area includes counties adjacent to the MSA, including Orleans County, Genesee County, and Wyoming County as well as Monroe County, which includes the City of Rochester, to the east; and Chautauqua County, Cattaraugus County, and Allegheny County along with parts of northwest Pennsylvania to the south (collectively the "Southern Tier and Other").

In addition, the Airport's proximity to the Canadian border provides it with another secondary air service area that includes Southern Ontario (Canada). The MSA is strategically located in a bi-national urban region known as the "Golden Horseshoe." This region is home to nearly 10 million people and stretches from the Greater Toronto Area, around the western end of Lake Ontario, through the Niagara Peninsula and across the MSA and Western New York, to the Rochester metropolitan area. The Golden Horseshoe is the fourth largest urban region in North America, and with a growth rate of 110,000 people per year, is the second fastest growing major urban region on the continent. While most of the growth is on the Canadian side of this bi-national region, the Airport's proximity to the border allows it to serve a significant portion of Canadian travelers.

Air Service Area Map



Source: Appendix A – REPORT OF THE AIRPORT CONSULTANT.

The Airport serves as a gateway to the Niagara region tourist attractions. Niagara Falls is one of the world's premier tourist attractions with over 14 million visitors annually. There are numerous tourist attractions on both sides of the border including the Cave of the Wind and the Maid of the Mist boat tours as well as amusement, theme parks and numerous hotel and night spots. Other nearby tourist attractions include the Erie Canal and the many vineyards and wineries on both sides of the border. Further, Buffalo is home to the NFL Buffalo Bills, the NHL Buffalo Sabres and the Buffalo Bisons, a AAA minor league baseball team.

According to the U.S. Bureau of Economic Analysis, the Buffalo Niagara Region was the 54th largest metro economy in the US with a gross metro product of $60.01 billion as of 2017. The Buffalo-Niagara Falls MSA Annual Mean Wage as calculated by the US Bureau of Labor Statistics was $48,180 as of May 2017 compared to $50,620 for the U.S. It is estimated that roughly 34% of households in the Buffalo Niagara region had income of $75,000 or higher.

Two of the largest industries in the area are health services and financial services according to Invest Buffalo Niagara's "Buffalo Niagara 2018 Economic Guide" (the "Economic Guide"). Among the largest private employers in the region are Kaleida Health (8,113), Catholic Health System (7,347), M&T Bank (7,000), Tops Markets, LLC (5,423), Seneca Gaming Corp. (4,000), Wegmans Food Markets, Inc. (3,377), HSBC Bank NA (3,190), Roswell Park Cancer Institute (3,157), GEICO Insurance (3,060), and People Inc. (2,675) according to the Economic Guide. Furthermore, Western New York is also home to

21 institutions of higher education with more than 105,000 students, including SUNY Buffalo, the largest campus in the SUNY system.

Other Commercial Airports in the Service Area

For information regarding other commercial airports in the MSA, see "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Section 2 | Economic Base – Air Service Area."

Canadian Passenger Traffic

Geographical proximity to the major Canadian population center of the Southern Ontario combined with significant airfare advantages to U.S. destinations have made the Airport a popular option for Canadian travelers. The Authority maintains a website to promote air services and highlight the competitive advantages of the Airport and NFIA to Canadian residents. The Authority uses license plate and terminal surveys to estimate Canadian passenger traffic at the Airport.

The Airport conducts monthly license plate surveys in its various parking facilities and uses this data as a proxy for passenger residence. In Fiscal Year 2018, approximately 71% of the license plates surveyed were from New York State, the majority from Erie and Niagara Counties, and 22% of the license plates surveyed were from Canada.

The following table summarizes the Authority's license plate data for Fiscal Years 2014 to 2018.

SUMMARY LICENSE PLATE SURVEY DATA

License Plate	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
New York	55%	54%	68%	68%	71%
Pennsylvania	3%	3%	4%	5%	4%
Other	0%	0%	3%	5%	3%
Canada	42%	43%	25%	22%	22%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Authority

Starting in 2016, the Authority began conducting terminal surveys at the Airport, which, as to total passenger traffic, generally corresponds to the license plate survey data. The following table summarizes the Authority's terminal survey data for total passengers for calendar years 2016 to 2018.

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SUMMARY TERMINAL SURVEY DATA
Total Passengers

	CY 2016	CY 2017	CY 2018*
U.S. and other	77.7%	79.2%	79.9%
Canada	22.3%	20.8%	20.1%
Total	100.0%	100.0%	100.0%

* Through October, 2018.

Source: Authority

The terminal surveys at the Airport, however, demonstrate that Canadian passengers are a significantly higher percentage of the passenger traffic from the Airport's service area, which consists of residents of, for the U.S., Erie, Genesee, Orleans, Wyoming, Niagara, Allegany, Cattaraugus, Chautauqua and Monroe counties, Central New York State and Pennsylvania, and, for Canada, Eastern Ontario, Central Ontario, Metropolitan Toronto, Southwestern Ontario and Northern Ontario. The following table summarizes the Authority's terminal survey data for its service area for calendar years 2016 to 2018.

SUMMARY TERMINAL SURVEY DATA
Service Area

	CY 2016	CY 2017	CY 2018*
U.S.	51.1%	52.7%	57.2%
Canada	49.9%	42.3%	42.8%
Total	100.0%	100.0%	100.0%

* Through October, 2018.

Source: Authority

While the license plate and terminal surveys demonstrate significant Canadian passenger traffic, the Airport Consultant used a correlation of U.S. Department of Transportation cross border traffic data to air traffic at the Airport to develop its forecasts. See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT."

Airport Activity

Air service at the Airport is predominantly domestic. As of April 2018, the Airport provided daily nonstop service to 20 destinations with a total of 650 scheduled flights weekly. The Airport is served by six major/national carriers: American, Delta, Frontier, JetBlue, Southwest and United and by 13 regional/commuter airlines operating at the request of or under the flag of a Signatory Airline. During Fiscal Year 2018, the Airport handled a total of 2,401,174 enplaned passengers. The Airport estimates that it serves primarily as a point of O&D for 99% of the enplaned passengers at the Airport, 60% of which begin their trip at the Airport.

In addition, five all-cargo carriers provided regularly scheduled cargo service at the Airport.

The following table lists all the airlines serving the Airport as of December 2018. See "INVESTOR CONSIDERATIONS," herein.

AIRLINES SERVING THE AIRPORT
December 2018

Flag Carriers (7 carriers)	Regionals/Commuters [3] (12 carriers)
American [1]	Air Wisconsin [4,6]
Delta [1]	ASA/Express Jet [4,5]
Frontier [1]	Commutair [4]
JetBlue [1]	Endeavor [5]
Southwest [1]	Envoy [6]
United [1]	GoJet [5]
Vacation Express by Sunwing [2]	Mesa [4]
	Piedmont [6]
	PSA [6]
	Republic Airlines [4,5,6]
	Skywest [4,5,6]
	Transtate [4,6]
	All-Cargo Carrier (5 carriers)
	AmeriFlight
	FedEx Express
	Mountain Air Cargo
	UPS Airlines
	Wiggins

(1) Signatory airline.
(2) Charter service to Cancun, Mexico, Punta Cana, Dominican Republic, and Montego Bay, Jamaica from January through May.
(3) Operating at the request of or under the flag of Signatory Airlines.
(4) DBA United Express.
(5) DBA Delta Connection.
(6) Provides service for American Airlines.
Source: Authority

The following table sets forth the 10 largest markets by enplaned passengers served by the Airport for calendar year 2017.

TOP 10 MARKETS

Rank	Market to/from Airport	CY 2017 O&D Enplaned Passengers
1.	NYC (JFK,LGA,EWR)	315,080
2.	Orlando (MCO)	210,900
3.	Ft. Lauderdale (FLL)	127,522
4.	Boston (BOS)	110,254
5.	Washington (BWI,IAD & DCA)	109,375
6.	Chicago (ORD & MDW)	98,810
7.	Los Angeles (LAX, SNA, ONT, BUR & LGB)	95,352
8.	Tampa (TPA)	93,011
9.	Atlanta (ATL)	78,685
10.	Las Vegas (LAS)	77,633

Source: Authority

Historical Passenger Activity

The FAA classifies the Airport as a "medium hub" (an airport enplaning 0.25 to 1% of the country's annual passenger boardings). According to preliminary 2017 data from the Airports Council International – NA, the Airport ranked as the 55th busiest airport in the U.S. in terms of enplaned passengers.

The table below sets forth annual changes in enplanements and percentage changes at the Airport for Fiscal Years 1999 to 2018.

HISTORICAL ENPLANEMENTS

Fiscal Year	Airport Enplanements	% Change
1999	1,667,406	
2000	1,864,249	12%
2001	2,166,158	19%
2002	2,161,344	-2%
2003	2,040,889	-6%
2004	2,081,866	2%
2005	2,283,836	10%
2006	2,454,230	7%
2007	2,541,089	4%
2008	2,705,095	6%
2009	2,724,489	1%
2010	2,652,750	-3%
2011	2,606,727	-2%
2012	2,592,237	-1%
2013	2,617,835	1%
2014	2,509,673	-4%
2015	2,379,491	-5%
2016	2,322,538	-2%
2017	2,309,067	-1%
2018	2,401,174	4%
2019(1)	1,982,934	n/a

(1) Through December 2018. In FY 2018 through December 2017, there were 1,852,313 enplanements.

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Enplanements by Air Carriers

The following table presents total enplanements for each air carrier serving the Airport for the last five Fiscal Years. For Fiscal Year 2018, Southwest accounted for approximately 32.4% of enplanements. Over each of the past five years, Southwest has enplaned approximately one third of passengers at the Airport.

HISTORICAL ENPLANEMENTS BY AIRLINE

Airline Group	FY 2014 Enplanements	% Share	FY 2015 Enplanements	% Share	FY 2016 Enplanements	% Share	FY 2017 Enplanements	% Share	FY 2018 Enplanements	% Share	FY 2019 [(1)] Enplanements	% Share
American Airlines	402,357	16.0%	400,759	16.8%	371,803	16.0%	366,549	15.9%	358,600	14.9%	280,592	14.1
United Airlines	316,377	12.6%	269,041	11.3%	246,787	10.6%	247,880	10.7%	260,011	10.8%	257,582	13.0
Delta Air Lines	509,880	20.3%	517,652	21.8%	523,733	22.6%	516,243	22.4%	537,299	22.4%	449,187	22.7
Southwest Airlines	853,344	34.0%	800,280	33.6%	807,625	34.8%	780,402	33.8%	778,297	32.4%	580,568	29.3
JetBlue Airways	423,829	16.9%	385,617	16.2%	365,136	15.7%	391,386	16.9%	415,292	17.3%	320,828	16.2
Frontier Airlines [(2)]									45,213	1.9%	87,636	4.4
Charter/Other	3,886	0.2%	6,142	0.3%	7,454	0.3%	6,607	0.3%	6,462	0.3%	6,541	.3
Total	2,509,673	100%	2,379,491	100%	2,322,538	100%	2,309,067	100%	2,401,174	100%	1,982,934	100%

Source: Authority

(1) Through December 31, 2018.

(2) Began service December 2017.

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AGREEMENTS FOR THE USE OF AIRPORT FACILITIES

The Authority has entered into, and receives payments under, different agreements with various airlines and other parties, including: operating and lease agreements relating to landing fees and the leasing of space in terminal buildings, other building and miscellaneous leases for cargo and hangar facilities; and, concession agreements relating to the sale of goods and services at the Airport. The following is a summary of the more significant agreements relating to the Airport.

Airline Lease Agreements

The ULA, as amended, is effective for a five-year term ending March 31, 2019 with American, Delta, Frontier, JetBlue, Southwest and United Airlines.

The Authority is currently negotiating with the Signatory Airlines to extend the ULAs. See "INVESTMENT CONSIDERATIONS – Expiration of Airline Lease Agreements."

The ULA covers the use and rate-setting mechanisms for the airfield, ramp and terminal facilities at the Airport.

Under the ULA, each Signatory Airline leases exclusive/preferential use space that typically consists of hold rooms, ticket counters, operations and office space and ramp areas. The Signatory Airlines receive the non-exclusive right to use joint-use space that typically includes baggage makeup and baggage system equipment and other areas used by multiple Signatory Airlines. Common use space includes hallways, stairwells and rest rooms used by the airlines and other building tenants.

Pursuant to the ULA, landing fees are calculated on a cost compensatory rate setting methodology. Terminal rents are calculated on a modified compensatory methodology. Each Airline is required to pay landing fees on a monthly basis equal to the landed weight of each aircraft multiplied by the landing fee rate. The landing fee rate is equal to the airfield requirement divided by the total landed weight for all planes landing at the Airport. The airfield requirement represents the total direct and indirect non-grant funded operating and capital expenditures of the Landing Area (as defined in the ULA) including maintenance, security and administrative operating expenses, debt service, and reliever airport allocations excluding a fixed proportion assigned to the general aviation operations in excess of revenues of the Landing Area. Each year, the difference between budgeted versus actual expenditures, as well as budgeted versus actual landed weights, are calculated as a prior year adjustment which becomes a component of the airfield requirement.

A portion of the airfield requirement is assigned to the ramp area. This cost, divided by total ramp linear footage, is calculated as the cost per linear foot. Each Airline is charged a ramp fee for the linear footage of the ramp assigned to its leased gate(s).

The terminal requirement represents non-grant funded direct and indirect operating and capital expenditures of the terminal building including maintenance, security and administrative expenses, and related debt service requirements (net of PFCs authorized for debt repayments) and revenue offsets including utility reimbursements. The terminal requirement is divided by the total square footage of the terminal building to arrive at a terminal rental rate. Each year, the difference between the budgeted versus the actual expenditures is calculated as a prior year adjustment which becomes a component of the current year terminal requirement. Each Airline is required to pay terminal rentals on a monthly basis for its usage of exclusive, joint use and common space.

In addition to landing fees, ramp fees and terminal rentals, the Signatory Airlines are required to pay other fees and charges, including baggage system maintenance fees and, pursuant to its tariff, remain overnight parking charges (if unleased gates and parking areas are utilized).

The ULA provides for the ability to adjust airline rent fees and charges for the Current Fiscal Year if the Authority forecasts show an underpayment or overpayment of 10% or more of the amount required to be generated by the Authority. Airline rates and charges are subject to a mid-year adjustment if needed.

The ULA does not require Signatory Airline approval of capital projects or the issuance of debt.

The ULA contains an "extraordinary coverage provision" which provides that, if in any given Fiscal Year the Authority fails to meet the coverage test prescribed in the Master Resolution, the Signatory Airlines operating at the Airport during the subsequent contract year shall be obligated to make up the deficiency through the rate base, with that portion of the rate base agreed to be income to the Authority and expense to the Signatory Airlines in the prior Fiscal Year in which the coverage deficiency occurred. As such, the deficiency amount that is factored into the following Contract Year's (as defined in the ULA) rate base may not be included in revenue for determining whether coverage was met in the Current Fiscal Year (as defined in the ULA). For a description of the coverage test prescribed in the Master Resolution, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Covenant as to Rates, Rentals, Fees and Charges."

The ULA, as amended, provides for a mechanism to include a portion of the deficit amount attributable to NFIA in the Airport's landing fee. The amount included in the Airport's landing fee is the lesser of 50% of the combined operating and capital deficits incurred at NFIA for the Fiscal Year, or, the maximum capped Fiscal Year contribution amount listed below (the "NFIA Support Amount"):

FY 2015	$1,690,859
FY 2016	750,000
FY 2017	750,000
FY 2018	500,000
FY 2019	500,000

See "OTHER AUTHORITY PROPERTIES – Niagara Falls International Airport."

Parking Agreement

The Authority has entered into an agreement with SP Plus Corporation ("SP Plus") for the management of the parking facilities at the Airport and NFIA. The agreement with SP Plus expires on November 30, 2022. The agreement requires SP Plus to remit to the Authority, on a daily basis, the gross revenues from the parking facilities it operates. As compensation for SP Plus's performance under the agreement, the Authority pays SP Plus a fixed percentage of annual Adjusted Gross Parking Receipts and reimburses SP Plus for certain expenses incurred in the management and operation of the parking facilities. The management fee is 1.87% of Adjusted Gross Parking Receipts.

The Authority sets rates for parking in the Airport's garage and parking lots. As of July 1, 2014, long-term parking rates in the surface parking lots range from $9 to $12 per day or $45 to $72 per week, not including taxes. Parking rates in the covered garage range from $23 to $26 per day depending on location within the garage or whether reserved parking was requested.

Rental Car Concession Agreement

As of March 1, 2018 there were seven rental car companies authorized by the Authority to provide rental car services at the Airport. All of the major national brands are represented at the Airport (Alamo, Avis, Budget, Dollar, Enterprise, Hertz and National). Each of the rental car companies has entered into a nonexclusive car rental concession agreement with the Authority that expires on February 28, 2023 including lease renewal terms. The car rental facilities occupy office and counter space within the first and second floor of the airport garage adjacent to the terminal in addition to designated parking spaces for each company. Pursuant to the Rental Car Concession Agreement, the rental car companies pay the Authority the greater of 10% of their gross revenues or a specific minimum annual guaranty for each company plus a fixed rental for counter, office and parking spaces.

Taxi Agreement

Independent Taxi Association (ITA) entered into a one-year agreement (with four one-year renewals) with the Authority for exclusive taxi operations at BNIA, commencing on January 1, 2019 and ending on December 31, 2023 (including renewals). ITA agreed to pay a minimum annual guarantee (MAG) of $700,000 in 2019, escalating $5,000.00 per year and a per deplaned passenger fee of $0.01, increasing $0.002 per year.

Transportation Network Companies (TNCs)

Uber and Lyft each began operating at BNIA effective June 29, 2017 under separate one-year agreements (ending June 30, 2018). During that initial year of operations, Uber's agreement required Uber to pay to the Authority a flat annual fee of $180,000, and Lyft's agreement required Lyft to pay to the Authority a $3.00 fee for each pick up or drop off. Effective July 1, 2018, Uber and Lyft each executed identical agreements with the Authority requiring both TNCs to pay the Authority a $2.50 fee for each pick up or drop off at the Airport.

Terminal Concession Agreement

The Airport has a master concession agreement with Delaware North Companies Travel Hospitality Services, Inc. for all of the Airport's food & beverage, news & gift and retail concessions. The current agreement expires on November 30, 2027. As of January 1, 2019 there were 11 food and beverage outlets, two news and gift stores and two retail stores operating throughout the terminal facility. The leases provide for rental payments equal to the greater of a $1.16 million minimum annual guarantee payment calculated for the current year or a percentage of gross income. See "FINANCIAL MATTERS – Management Discussion of Airport Fiscal Year 2017 and Fiscal Year 2018 Financial Results and Fiscal Year 2019 Budget."

FINANCIAL MATTERS

Financial Results

The Authority prepared the following table from data extracted from its audited financial statements for the Fiscal Years 2014 through 2018 and from the Airport's Fiscal Year 2019 budget. See also " – Management Discussion of Airport Fiscal Year 2017 and Fiscal Year 2018 Financial Results and Fiscal Year 2019 Budget."

FINANCIAL SUMMARY

(Fiscal Year Ended March 31) ($000)	2014	2015	2016	2017	2018	Budget 2019
OPERATING REVENUES						
Airline Contractual Revenues						
Terminal Revenue	$8,431	$9,240	$8,907	$9,644	$9,780	$10,566
Landing Fee Revenue	15,445	15,946	14,828	15,498	16,573	17,058
Baggage Maintenance Rebillings	1,964	1,695	1,840	1,862	2,032	1,925
Fuel Farm Services	928	963	982	1,065	1,214	1,350
Total Airline Contractual Revenue	26,768	27,844	26,557	28,069	29,599	30,899
OTHER REVENUES						
Parking	17,577	16,758	15,748	15,750	16,423	15,543
Car Rental	6,195	6,043	6,159	6,519	6,572	6,822
Food & Meals	1,531	1,512	1,489	1,564	1,707	1,652
Retail	654	751	852	899	893	868
Other Revenues	6,133	6,016	6,105	6,178	6,250	6,965
Total Other Revenues	32,090	31,080	30,353	30,910	31,845	31,850
Total Operating Revenues	$58,858	$58,924	$56,910	$58,979	$61,444	$62,749
OPERATING EXPENSES						
Personnel Services	$11,970	$13,066	$13,252	$13,336	$15,508	$14,344
Maintenance & Repairs	9,083	8,913	7,474	8,067	8,485	9,660
Utilities	2,756	2,438	1,965	1,980	2,026	2,176
Insurance & Injuries	494	348	408	373	245	415
Safety & Security	6,239	6,309	6,448	6,772	6,767	7,210
General Business/Other	6,631	6,343	6,148	6,599	6,304	6,910
Administration Cost Reallocation	3,115	3,417	3,743	4,144	4,452	4,838
TOTAL OPERATING EXPENSES	$40,288	$40,834	$39,438	$41,271	$43,787	$45,553
OPERATING INCOME BEFORE DEPRECIATION	$18,570	$18,090	$17,472	$17,708	$17,657	$17,196
Depreciation Expense	20,026	$19,593	$18,570	$17,710	$18,347	$18,347
Operating Income/(Loss)	$(1,456)	$(1,503)	$(1,098)	$(2)	$(690)	$(1,151)
Capital Contributions	8,010	6,453	4,894	1,428	10,971	26,972
Derivatives Investment Gain/Loss	2,289	(208)	576	1,701	1,192	(1,565)
Interest expense, net	(7,133)	(5,244)	(3,862)	(3,756)	(3,514)	(3,967)
Passenger Facility Charges	10,176	9,518	9,181	9,271	9,624	11,129
Airport Noise Abatement	(7,291)	(4,693)	(2,819)	(489)	(291)	0
Other expense	(3,593)	(5,499)	(3,207)	522	(840)	(2,523)
Income (Loss) before operating transfers	$1,002	($1,176)	$3,665	$8,675	$16,452	$28,895
NFIA related transfers to/(from) ADF	4,994[(1)]	486	(2,253)	(1,723)	(1,852)	(2,137)
Net Income/(loss)	$5,996	($690)	$1,412	$6,952	$14,600	$26,758

Source: Authority

Revenue Diversity

The following table sets forth the top 10 operating revenue providers at the Airport for Fiscal Years 2017 and 2018.

TOP 10 OPERATING REVENUE PROVIDERS
Fiscal Year Ended March 31, 2017 and 2018

	FY 2017		FY 2018	
	Revenues	**% of total**	**Revenues**	**% of total**
Southwest Airlines	$8,614,012	14.6%	$8,436,728	13.7%
Delta Air Lines	$6,510,065	11.0%	$6,572,310	10.7%
American Airlines	$4,684,940	7.9%	$5,069,978	8.3%
JetBlue Airways Corp.	$4,344,325	7.3%	$4,701,103	7.7%
United Airlines	$3,157,117	5.3%	$3,346,816	5.4%
Delaware North Companies Travel Hospitality Services	$2,594,263	4.4%	$2,753,171	4.5%
Hertz Corporation	$1,807,411	3.1%	$1,833,837	3.0%
Avis Rent-A-Car System	$1,841,235	3.1%	$1,589,589	2.6%
National Car Rental Systems	$1,157,788	2.0%	$1,129,981	1.8%
Enterprise Rent-A-Car	$1,069,162	1.8%	$999,008	1.6%

Source: Authority

Debt Service Coverage

The following table shows historical debt service coverage for Fiscal Years 2014 through 2018 and as forecast for Fiscal Year 2019 calculated in accordance with the Resolution. The Resolution provides that amounts on deposit in the Airport Development Fund transferred or credited by the Authority to the Airport Revenue Fund may be treated as Airport Revenues for the purpose of making such calculation. The Authority elected not to make any such transfer or credit in prior Fiscal Years. The Authority may elect to make such transfers or credits in future Fiscal Years. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SEVENTH SUPPLEMENTAL RESOLUTION – Definitions – *Airport Revenues*; *Debt Service*" and "OTHER AIRPORT MATTERS – Airport Development Fund." See also "APPENDIX D – SUMMARY OF THE USE AND LEASE AGREEMENTS – Coverage."

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DEBT SERVICE COVERAGE

(Fiscal Year Ended March 31) ($000)	2014	2015	2016	2017	2018	Budget 2019
Airport Revenues						
Operating Revenues [1]	$58,857	$58,924	$56,910	$58,979	$61,444	$62,749
Interest Income	115	99	112	150	479	650
Airport Revenues [2]	58,972	59,023	57,022	59,129	61,923	63,399
Operating Expenses	40,287	40,834	39,438	41,271	43,787	45,553
Net Airport Revenues	18,685	18,189	17,584	17,858	18,136	17,846
Net Debt Service						
Debt Service	14,626	14,151	12,398	13,461	13,591	13,122
Less: PFCs	2,526	2,103	535	535	535	535
Net Debt Service	12,100	12,048	11,863	12,926	13,056	12,587
Debt Service Coverage Ratio (X)	1.54	1.51	1.48	1.38	1.39	1.42

(1) Corresponding numbers in this table and the FINANCIAL SUMMARY table under "– Financial Results" above may not match due to rounding.
(2) As defined in the Resolution.
Source: Authority

Airline Cost Per Enplaned Passenger

The following table sets forth historical airline costs (landing fees, ramp fees, terminal rent and baggage maintenance fees) of operating at the Airport for the past five Fiscal Years and budgeted costs for Fiscal Year 2019.

AIRLINE DERIVED REVENUE PER ENPLANED PASSENGER

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Budget FY 2019
Landing Fees [1]	$12,641,921	$14,401,761	$13,801,706	$14,090,106	$14,262,208	$15,082,907
Terminal Revenues:						
Ramp Fees	1,330,365	1,402,102	1,355,076	1,442,977	1,490,196	1,549,286
Terminal Rent [1]	7,112,858	7,083,133	7,700,278	7,932,210	8,023,090	8,334,444
Sub-total	$21,085,144	$22,886,996	$22,857,059	$23,465,294	$23,775,494	$24,966,638
Baggage Maintenance Rebillings	1,964,036	1,694,635	1,839,913	1,861,762	2,032,220	2,229,487
Total	$23,049,180	$24,581,631	$24,696,972	$25,327,056	$25,807,714	$27,196,125
Enplaned Passengers	2,509,673	2,379,491	2,322,538	2,309,067	2,401,174	2,473,209
Airline Derived Revenue per Enplaned Passenger	$9.18	$10.33	$10.63	$10.97	$10.75	$11.00

(1) Landing fees and terminal rent reflect actual billings and prior year adjustment for respective fiscal years.
Source: Authority

Management Discussion of Airport Fiscal Year 2017 and Fiscal Year 2018 Financial Results and Fiscal Year 2019 Budget

Operating Revenues

Airline Contractual Revenues

Airline revenues represent fees received from Signatory Airlines which are contractually obligated by the ULA or general aviation commissions collected by the Fixed Based Operator. Components include:

Terminal Revenues. Terminal revenues are compensatory in nature and represent rental fees for areas which the Signatory Airlines lease exclusively (mostly holdrooms, ticket counters, operations areas, baggage claim offices, etc.) or lease jointly with other airlines (mostly baggage maintenance and the ticket lobby areas) or lease in common use areas shared with non-airline tenants (mostly restrooms, hallways, and elevators). This category also includes ramp fees for gates leased by the Signatory Airlines. Terminal revenues increased $138,000, or 1.5%, during Fiscal Year 2018 compared to Fiscal Year 2017. The increase is the result of higher direct and indirect expenditures resulting in higher compensatory billings. In Fiscal Year 2019, revenues are anticipated to increase $370,000, or 3.9%, primarily due to contractual wage increases and significant Authority central administration MIS costs including network, security, and server upgrades.

Landing Fees. Landing fees are also compensatory in nature and are imposed as a fixed annual tariff per 1,000 pounds of gross certified landing weight for all aircraft. Landing fees increased $172,000, or 1.2%, during Fiscal Year 2018 resulting from higher landing area operating costs. Fiscal Year 2019 revenues are estimated to increase $821,000 or 5.8% as compensatory billings will go up due to the higher personnel costs and increased Authority central administration MIS costs noted above.

Baggage Maintenance Rebillings. Baggage maintenance rebillings represent a 100% recovery of services and parts paid to a third party vendor to provide preventive and non-preventive maintenance to the baggage handling system. During Fiscal Year 2018, rebillings increased $170,000 or 8.4% compared to Fiscal Year 2017 due to higher maintenance costs during the year. Fiscal Year 2019 revenues are projected to decrease $107,000, or 5.3%, based on anticipated maintenance costs.

Fuel Farm Services. Fuel Farm Services represent 100% recovery of costs to operate the fuel farm which provides fuel to signatory and general aviation aircraft. The cost is recovered by collecting a surcharge on a per gallon rate. Increases in revenue correspond with increased costs to operate the fuel farm.

Other Operating Revenues. Other operating revenues represent fees or commissions received from parking and concession operations as well as fees from airlines for use of non-leased gates and aircraft parking areas. Components include:

Parking Revenues. Parking Revenues represent weekly/daily/hourly fees for patron and employee parking within the short term and long term parking lots. Fiscal Year 2018 revenues increased $673,000 or 4.3% compared to Fiscal Year 2017 primarily as a result of an increase in enplanements. Fiscal Year 2019 budgeted revenues are projected to decline $880,000 or 5.4% mostly due to the full year impact of transportation network company/ride share services which were authorized to operate in upstate New York during Fiscal Year 2018. The Fiscal Year 2019 budget anticipated parking revenues to decline; however, actual revenues were up $547,000, year over year, through November 2018.

Car Rental Commissions. Car Rental commissions are received from seven national car rental companies operating on Airport property. Commissions received are the greater of 10% of gross revenues or a contractual minimum annual guaranteed payment. Fiscal Year 2018 revenues increased $53,000, or 0.8% from Fiscal Year 2017 as increased deplanements were partially offset by the ride share services impact on auto rentals. Fiscal Year 2019 budgeted revenues are projected to increase $250,000, or 3.8% based on estimated deplanements.

Food & Meals / Retail Commissions. Food & Meals / Retail commissions are based on percentage of gross revenues of concessions operated by Delaware North Companies Travel Hospitality Services, Inc. The contractual minimum annual guaranteed payment is less than percentage commissions currently received. Revenues for Fiscal Year 2018 increased by $143,000, or 9.1%, from Fiscal Year 2017 primarily due to higher enplanements at the airport. Fiscal Year 2019 revenues are projected be relatively consistent with historical revenue per enplanement averages, with a minor $55,000, or 3.2%, decrease from Fiscal Year 2018.

Other Revenues. Other Revenues include non-contractual airline fees for non-leased gates and parking areas, rental income from auto rental companies for office and designated parking spaces in the garage for vehicle operations, rental income from governmental agencies, fees from transportation network companies to operate on airport property, advertising commissions, reimbursement of tenant utility charges, etc. Other revenues increased $72,000, or 1.2%, from Fiscal Year 2017 to Fiscal Year 2018 mostly due to new transportation network company/ride share fees for part of the fiscal year. Fiscal Year 2019 revenues are projected to increase $715,000, or 11.4%, primarily due to $320,000 of additional transportation network company/ride share fees and $244,000 in increased non-signatory airline gate fees.

Operating Expenses

Personnel Services. Personnel Services include wages and fringe benefit costs including medical insurance, New York State Retirement contributions, workers compensation, payroll taxes, etc. Fiscal Year 2018 expenses increased $2,172,000, or 16.3%, compared to Fiscal Year 2017 primarily due to contractual wage increases, higher medical costs and a large pension liability actuarial adjustment. Fiscal Year 2019 expenditures are projected to decrease $1,164,000, or 7.5%, mostly resulting from a lower than anticipated actuarial adjustment to the pension liability, partially offset by contractual/step wage increases combined with higher fringe benefit costs, including medical insurance and workers compensation increases.

Maintenance & Repairs. Maintenance & Repairs primarily includes building/vehicle/premises repairs and maintenance, baggage handling fees paid to a third party vendor, and environmental expenditures. Fiscal Year 2018 expenditures increased $418,000, or 5.2%, mostly as a result of higher snow removal fees paid to third party companies which were $120,000 higher than in the prior Fiscal Year, $170,000 of additional baggage maintenance fees, and $210,000 of higher vehicle repairs and fuel usage partially offset by $50,000 less environmental expenses. Fiscal Year 2019 costs are forecasted to increase $1,175,000, or 13.8%, primarily due to significant airport repair projects (including fuel tank repairs of $200,000, pavement maintenance of $200,000 and elevator repairs of $65,000), $354,000 of increased environmental costs, and $70,000 higher outside snow removal costs .

Utilities. Utilities expenses increased $46,000, or 2.3%, from Fiscal Year 2017 to Fiscal Year 2018 primarily due higher natural gas rates. Fiscal Year 2019 expenses are projected to increase $150,000, or 7.4%, as a result of higher electric billings.

Insurance & Injuries. Insurance & Injuries represents policy premiums paid and self-insured claim losses. Expenses fluctuate year-to-year primarily based on claims settlement activity.

Safety and Security. Safety and Security category consists primarily of allocations by the Transit Authority Police Department (TAPD) and third party services for traffic control and security gate access. Fiscal Year 2018 expenditures were relatively flat from Fiscal Year 2017, mostly due to contractual wage increases and higher fringe benefit costs for the TAPD of $140,000 offset by $120,000 reduction in traffic control costs. Fiscal Year 2019 charges are projected to increase $443,000, or 6.5%, mostly due to higher TAPD allocations including contractual/step wage increases and higher fringe benefit charges.

General Business/Other. General Business/Other primarily includes reimbursement of direct costs to SP Plus for expenses incurred in operating/managing parking lots including wages, fringe benefits, repairs and maintenance as well as a Management Fee which is based on a tiered percentage of gross revenues. This category also includes tax assessments, reserves for doubtful accounts, outside consulting services, marketing costs, travel and training, general office, temporary help, and direct labor charges from non-aviation departments. Compared to Fiscal Year 2017, expenditures in Fiscal Year 2018 decreased $295,000, or 4.5%, due to lower consultants/outside services costs. Fiscal Year 2019 expenditures are forecast to increase $606,000, or 9.6%, mostly due to higher parking operation costs and advertising expenses.

Administrative Cost Reallocation. Administrative Cost Reallocation represents allocations from the headquarters office of the Authority for services provided to the Airport including accounting, payroll, procurement, grants management, legal, human resources, risk management, cash and debt management, accounts receivable, and engineering services. Allocations increased $308,000, or 7.4%, during Fiscal Year 2018 compared to the previous year mostly due to wage and fringe benefit increases and the addition of new staff positions in MIS and general counsel's office. Fiscal Year 2019 allocations are estimated to increase by $386,000, or 8.7%, primarily due to wage and fringe benefit increases, the full year impact of the new positions, and increases in ERP and accounting software licensing agreements.

Internal Controls

In developing and evaluating the Authority's accounting system, consideration is given to the adequacy of the internal control structure. The internal control structure is designed to provide reasonable, but not absolute, assurance regarding: (1) the safety of assets against loss from theft, unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements in conformity with accounting principles generally accepted in the United States of America. The Authority believes its internal control structure safeguards assets and provides reasonable assurance for the proper recording of financial transactions.

Insurance

The Authority is required under sound business practices to have insurance in force and has obtained property and casualty policies, including airport liability, to protect its operations. The Authority has war risk and hijacking insurance coverage on its airport liability insurance policy and terrorism coverage on its property insurance policy. In addition, all airlines and tenants at the Airport are required to obtain various forms and amounts of insurance, depending on their operations, naming the Authority as additional insured. Further, the Authority has obtained insurance to provide builder's risk, general and liability insurance to protect all contractors and their subcontractors working on the Airport.

OTHER AIRPORT MATTERS

Passenger Facility Charges

Pursuant to the Aviation Safety and Capacity Expansion Act of 1990, Pub. L. 101-508, Title IX, Subtitle B, §§ 9110 and 9111, recodified as 49 U.S.C. § 40117, as amended from time to time (the "PFC Act") and Part 158 of the Federal Aviation Regulations (14 CFR Part 158), as amended from time to time, and any other regulation issued with respect to the PFC Act (the "PFC Regulations"), a public agency such as the Authority may impose a PFC of up to $4.50 per enplaned passenger at the commercial service airport it controls, subject to certain limitations. The proceeds from PFCs are to be used to finance eligible airport-related projects that preserve or enhance safety, capacity or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers. PFCs are collected on behalf of airports by air carriers, certain foreign air carriers and their agents ("Collecting Carriers").

The Collecting Carriers are authorized to withhold, as a collection fee (i) 11 cents per enplaning passenger from whom a PFC is collected, and (ii) any investment income earned on the amount collected prior to the due date of the remittance. The PFC Act was amended in 1996 to provide that PFC Revenues that are held by a Collecting Carrier constitute a trust fund that is held for the beneficial interest of the eligible agency imposing the fee and that the Collecting Carrier holds neither legal nor equitable interest in the PFC Revenues, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, PFC Regulations require Collecting Carriers to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in financial statements. The Collecting Carriers, however, are permitted to commingle PFC collections with the carriers' other sources of revenue.

On December 12, 2003, the Vision 100 – Century of Aviation Reauthorization Act ("Vision 100") was enacted. Vision 100 requires an airline that files for bankruptcy protection, or that has an involuntary bankruptcy proceeding commenced against it, to segregate PFC revenue in a separate account for the benefit of the eligible agencies entitled to such revenue. On October 5, 2018, the President signed into law the FAA Reauthorization Act of 2018 (the "FAA Act"). The FAA Act expands the pilot program that would expedite the process for agencies to impose PFCs from non-hub airports to all airports.

PFC applications are approved by the FAA to fund specific projects in specific total amounts and the Authority may impose the designated PFC only until it collects the amount authorized for the project. Interest earnings on the collections are treated as collections for purposes of the authorized total.

On May 29, 1992, the FAA approved the Authority's application to collect a $3.00 PFC at the Airport and on May 25, 2007, the FAA approved the Authority's application to collect a $4.50 PFC to fund various projects at the Airport or NFIA.

The Authority has received authorizations from multiple separate FAA approval applications to impose and use an aggregate of $248.3 million in PFC funds. The expiration date for the Authority's authorization to impose PFCs is January 1, 2024. The Authority submitted amendments to applications 16-13-C-00-BUF and 18-14-C-00-BUF to the FAA in January 2019 to increase authorization to collect PFCs for projects including an increase in the cost of designing the Baggage Claim Expansion project and an increase and change in use for the construction of the Baggage Claim Expansion project from pay-as-you-go to bond capital and financing and interest. The amendments are expected to increase the impose and use aggregate amount to $281.8 million and extend the charge expiration date to March 1, 2027. See

"INVESTMENT CONSIDERATIONS – Considerations Regarding Passenger Facility Charges."PFCs are dependent upon the number of enplaned passengers at the Airport and, under certain circumstances, could be subject to termination by the FAA for, among other things, failure by the Authority to comply with the PFC Act, the PFC Regulations, or the Airport Noise and Capacity Act of 1990, as amended.

PFC revenues are not included in Net Airport Revenue and are not pledged as security for the Bonds, including the Series 2019A Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Airport Revenues." PFCs collected at the Airport are segregated into an account separate and apart from Airport Revenues. The Authority uses PFCs to fund approved PFC projects on a pay-as-you-go basis as well as to pay debt service on Bonds previously issued to finance approved PFC projects. The amount of debt service paid with PFCs is treated as a deduction from Debt Service, as defined in the Resolution, in the calculations described in "FINANCIAL MATTERS – Historical Financial Results – Debt Service Coverage."

Federal and State Grants

The Airport and Airway Improvement Act of 1982 created the Federal Airport Improvement Program ("AIP"), which is administered by the FAA and funded by the Airport and Airway Trust Fund. This fund is financed by Federal aviation user taxes. Grants are available to airport operators in the form of "entitlement" funds and "discretionary" funds. Entitlement funds are apportioned annually based upon enplaned passengers and discretionary funds are available at the discretion of the FAA based upon a national priority system. Actual entitlement funds will vary with based on the actual number of passenger enplanements, with total appropriations for the AIP, and with any revision of the existing statutory formula for calculating such funds. In addition, pursuant to the PFC Act, an airport's annual Federal entitlement grants are reduced by 50 percent following the imposition of PFCs at the $1.00, $2.00 or $3.00 level and reduced by 75 percent following the imposition of PFCs at the $4.00 or $4.50 level. In addition, Federal entitlement grants may be reduced as described under "OTHER AIRPORT MATTERS – Airport Grandfathered." State support for the Airport consists of matching grants for the AIP program and other discretionary programs.

Summary of Airport Grant Awards
Federal Fiscal Years 2014 through 2018

	FAA Non-Discretionary Entitlement Funds	FAA Discretionary Funds Noise Program	Other	New York State Share	Local Share	Total AIP Program
FYY 2014	$ 1,488,685	$ 3,033,233	$ -	$ 627,268	$ 627,268	$ 5,776,454
FYY 2015	859,866	-	-	143,311	143,311	1,146,488
FFY 2016	1,586,077	-	6,776,181	1,393,709	4,547,831	14,303,798
FFY 2017	655,508	-	-	109,251	109,251	874,011
FFY 2018	2,050,096	-	2,069,792	686,648	686,648	5,493,184

Source: Authority

Airport Grandfathered

Under applicable Federal law all revenues generated by a public airport must generally be expended for airport purposes. An exception to this requirement is revenue generated at an airport that qualifies for treatment by the FAA as a "grandfathered" airport. The Airport qualifies as a "grandfathered" airport and may accordingly use Airport Revenue on deposit in the Airport Development

Fund for off-Airport expenditures. An airport is deemed "grandfathered" when existing provisions establishing certain financial arrangements between the airport and sponsor were in effect prior to the enactment of the Airport and Airway Improvement Act of 1982 on September 3, 1982. A grandfathered airport is permitted to pay the sponsor for costs the purposes of which are for something other than the airport's capital and operating costs ("Off-Airport Transfers"). However, under the authority of 49 U.S.C. § 47115(f), the FAA considers as a factor militating against the approval of an application for AIP discretionary funds the fact that a grandfathered airport has exercised its rights to use airport revenue for non-airport purposes. Approval of the application would be jeopardized in cases where the FAA discovers that in the airport's fiscal year preceding the date of the application for discretionary funds, the amount of airport revenues used for non-airport purposes exceeded the amount used for such purposes in the airport's first fiscal year ending after August 23, 1994, adjusted for changes in the Consumer Price Index (the "Safe Harbor Amount"). In making this determination, the FAA will evaluate the grandfathered payments for the fiscal year preceding the date of the application.

The only Net Airport Revenues available for Off-Airport Transfers are Net Airport Revenues transferred to and on deposit in the Airport Development Fund in accordance with the Resolution. The maximum amount of Net Airport Revenue on deposit in the Airport Development Fund that the Authority may apply to Off-Airport Transfers without potentially adversely impacting the Authority's AIP discretionary funding as described in the preceding paragraph is referred to as the "Safe Harbor Amount". The Safe Harbor Amount for Fiscal Year 2018 is $4,478,312. Generally, Off-Airport Transfers are made from the Airport Development Fund to support the Authority's other operations. Transfers from the Airport Development Fund are also made to support NFIA. These transfers do not constitute Off-Airport Transfers.

The Authority has made Off-Airport Transfers in some but not all prior Fiscal Years. The Authority has not made Off-Airport Transfers in FY 2017 or 2018.

Capital Leases

The Authority has entered into a number of capital leases in connection with its system, some of which pertain to the Airport. The Authority has also entered into three separate energy efficiency operating leases with Citimortgage Asset Management, Inc., Premier National Investment Company, Inc., and Huntington Public Capital Corporation for certain equipment in the Airport terminal. None of the capital leases related to the Airport are secured by a lien on Net Airport Revenues on a parity with the Bonds. The Authority's obligations under the energy efficiency operating lease for certain equipment in the Airport terminal are secured by a subordinate lien on Net Airport Revenues on deposit in the Airport Development Fund. For a description of the Authority's currently Outstanding subordinate indebtedness for the Airport, see generally "APPENDIX B – FINANCIAL STATEMENTS OF THE AUTHORITY – Notes to Basic Financial Statements – Note 5(a)(5), (7) and (10)."

Airport Development Fund

The Airport Development Fund is a primary source of Airport liquidity. Monthly deposits of Airport Revenues are made to the Airport Development Fund after all required monthly deposits to the Funds and Accounts established under the Resolution. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Application of Revenues" and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SEVENTH SUPPLEMENTAL RESOLUTION – Application of Airport Revenues; Special Funds." To the extent not required to be applied to make up any deficiencies in any Fund or Account established under the Resolution, amounts in the Airport Development Fund are applied annually to support off-Airport Authority operations, to pay NFIA deficits, to service subordinate indebtedness issued to finance improvements at the Airport and NFIA, to fund capital improvements and for other purposes. See “OTHER AUTHORITY PROPERTIES – Niagara Falls International Airport – *NFIA Operating Deficits*.”

AIRPORT DEVELOPMENT FUND

Set forth in the table below are the ending balances in the Airport Development Fund for Fiscal Years 2014 through 2018.

Fiscal Year	**2014**	**2015**	**2016**	**2017**	**2018**
Ending Balance	$17,564,000	$21,479,000	$28,873,000	$29,800,000	$29,895,000

Source: Authority

INVESTMENT CONSIDERATIONS

The purchase of the Series 2019A Bonds involves certain investment risks and considerations. Prospective purchasers should read this Official Statement in its entirety. In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations set forth throughout this Official Statement and should specifically consider certain risks associated with the ability of the Authority to repay the Series 2019A Bonds. Following is a discussion of some, but not necessarily all, of the possible considerations and risks that should be carefully evaluated by purchasers of the Series 2019A Bonds. As the financial strength of the airlines serving the Airport are key determinants of airline traffic, there is no assurance that the Airport, despite a demonstrated level of service and operations, will maintain such levels of operations in the future.

Factors Affecting the Airline Industry and the Airport in General

The Bonds, including the Series 2019A Bonds, are payable solely from Net Airport Revenues. The Authority’s ability to collect Net Airport Revenues depends primarily on the financial condition of the Airport and the level of aviation activity and enplaned passenger traffic at the Airport and is affected by the dynamics of the airline industry, which also impact the ability of the Signatory Airlines, individually and collectively, to meet their respective obligations under the ULAs.

Historically, the financial performance of the airline industry generally has correlated with the strength of the national economy. Certain factors that may materially affect the Airport and the Signatory Airlines include, but are not limited to, (i) national and international economic and political conditions, (ii) aviation security concerns and costs, (iii) the financial health of the airline industry and of individual airlines, (iv) airline service and route networks, (v) airline competition and airfares, (vi) airline consolidation, mergers, bankruptcies and alliances, (vii) availability and price of aviation and other fuel and necessary supplies, (viii) capacity of the national air traffic control system, (ix) competition from other airports, (x) changes in demand for air travel, (xi) service and cost competition, (xii) reliability of air service, (xiii) business travel substitutes, including teleconferencing, videoconferencing and web-casting, (xiv) the capacity, availability and convenience of service at the Airport, (xv) national and international disasters and hostilities, (xvi) ongoing conflicts in the Middle East, (xvii) acts of war, (xviii) terrorist activity or the threat of terrorist activity, (xix) various health and medical concerns such as the spread of influenza and severe acute respiratory syndrome, (xx) growth of population and the economic health of the region and the nation, including, in particular the growth or decline in the population and economy of the MSA, (xxi) fixed costs and capital requirements, (xxii) the cost and availability of financing, (xxiii) the cost and availability of employees, (xxiv) labor relations within the airline industry, (xxv) aviation accidents, (xxvi) Federal regulatory actions, (xxvii) environmental risks and regulations, (xxviii) noise abatement concerns and regulation, (xxix) bankruptcy and insolvency laws, and (xxx) various other local, regional, national and international economic, political and other factors. Many of these factors are outside the Authority's control. As a result of these and other factors, many airlines have operated at a loss in the past and many (including some that served the Airport) have filed for bankruptcy, ceased operations and/or merged with other airlines. In addition, the so-called legacy carriers have taken many actions to restructure and reduce costs including reducing their workforce, renegotiating their labor agreements, reducing routes served, consolidating connecting activity and replacing mainline jets with regional jets. Changes in demand, decreases in aviation activity and their potential effects on enplaned passenger traffic at the Airport may result in reduced Net Airport Revenues.

Many of the airlines serving the Airport were impacted by the global economic downturn and recession that occurred between 2008 and 2009, and most major domestic airlines suffered significant financial losses. While the U.S. and global economies generally have rebounded, and the airline industry as a whole is enjoying stable financial operations, there can be no assurances that any such rebound will continue, or that other national or international fiscal concerns will not have an adverse effect on the airline industry. Future financial and operational difficulties encountered by the airlines serving the Airport could have a material adverse effect on operations at, and the financial condition of, the Airport.

In addition to revenues from airlines, the Authority derives a substantial portion of its revenues from concessionaires including parking operations, food and beverage concessions, retail concessions and rental cars. Declines in passenger traffic may adversely affect the commercial operation of concessionaries. While the Authority's agreements with concessionaires require the concessionaires to pay a minimum annual guarantee, severe financial difficulties could lead to a failure by a concessionaire to make the required payments and cessation of such concessionaires operations.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and by the inconveniences associated with security screening procedures both lead to the avoidance of travel or the switching from air to surface travel modes for short-haul trips. Historically, air travel demand has recovered from the temporary declines that have followed terrorist attacks, hijackings, aircraft crashes, and international hostilities. With enactment of the Aviation and Transportation Security Act ("ATSA") in November 2001, the Transportation Security Administration ("TSA") was created and established different and improved security processes and procedures. The ATSA mandates certain individual, cargo and baggage screening requirements, security awareness programs for airport personnel and deployment of explosive detection devices. The act also permits the deployment of air marshals on all flights and requires air marshals on all "high-risk" flights. The Federal government controls aviation industry security requirements, which can significantly impact the economics of the industry. Security requirements due to unexpected events could increase costs directly and indirectly to the industry and could have an adverse effect on passenger demand.

Airline Competition and Airfares

Airline fares have an important effect on passenger demand, particularly for relatively short trips where the automobile and other travel modes are alternatives and for price-sensitive "discretionary" travel, particularly leisure travel. Airfares are influenced by labor, fuel, and other airline operating costs and debt burden; passenger demand; capacity and yield management; market presence; and competitive factors. A large part of the typical airfare is now accounted for by taxes, fees, and other charges assessed by governmental and airport agencies. Such charges can account for 20 percent or more of the cost of short-haul and low-fare tickets. Industry analysts have expressed concern about the sustainability of the current "revenue model" of most of the major airlines, which involves uneconomically low discount fares made available to many leisure travelers and high "walk-up" fares that must be paid by many business travelers. Simplification and rationalization of this model are seen as key to the industry regaining profitability. In many air travel markets nationwide, including the Airport, price competition is provided by new entrant and other airlines with lower cost structures. While the nature and extent of such "low-fare" competition varies from airport to airport, most large origin-destination passenger markets have attracted low-fare airline service and passenger traffic has increased as a result. Continued increases in passenger traffic at the Airport will depend to some extent on the continued availability of competitive airfares and service.

Growth of Low Cost and Ultra Low Cost Carriers

A low-cost or ultra low cost carrier (each, respectively, an "LCC" or "ULCC") is an airline that generally has lower fares for customers and which is able to take advantage of an operating cost structure that is significantly lower than the cost structures of network carriers. These lower costs can include lower labor costs and a streamlined aircraft fleet, among others. Because of these lower cost structures, LCCs and ULCCs can conceivably remain profitable while offering lower fares to the traveling public.

Over the last decade, as larger U.S. carriers consolidated and became more focused on capacity discipline, the ticket prices for their flights began to increase. LCCs and ULCCs emerged in markets where passenger levels were significant enough that the LCCs and ULCCs could overcome any barrier to entry. The low-cost structure of the LCCs and ULCCs stimulated traffic and budget conscious travelers to emerge as a formerly underserved segment of the traveling public.

Ultra-low cost carriers such as Allegiant Air, Frontier Airlines, Spirit Airlines and Sun Country Airlines have experienced rapid growth. They currently represent almost seven percent of all US airline departing seats which is expected to increase to 12% in the next 18 months. Such carriers typically focus on generating discretionary travel with low fares and travel packages at smaller or underserved airports. Frontier Airlines currently operates at the Airport under a ULA. The Authority cannot predict the impact of the growth of ultra-low cost carriers on the Airport or Airport Revenues.

Presently, the LCCs operating at BNIA are Southwest and JetBlue, who, together, represented 49.7% of FY18 enplanements. Frontier is the only ULCC operating at BNIA and represented 1.9% of FY18 enplanements at BNIA. NFIA is presently served by two ULCCs, Spirit and Allegiant. There can be no assurance that the LCCs or ULCCs will continue to maintain such levels in the future. The continued presence of the LCCs and ULCCs serving at BNIA, and the levels at which such airlines might provide service at BNIA, are a function of a variety of factors, including: airline fares and competition; airline industry economics, including labor costs and the price of aviation fuel; and capacity of BNIA and competition from other airports. Most of these factors are beyond the control of the Authority. Accordingly, no assurance can be given as to the levels of aviation activity that the LCCs and ULCCs will provide at BNIA.

Airline Consolidation

In recent years, airlines have experienced increased costs and industry competition, both domestically and internationally. As a result, airlines have merged and acquired competitors in an attempt to combine operations in order to increase cost synergies and become more competitive. In 2009, Delta completed its merger with Northwest Airlines. In 2010, United Airlines and Continental Airlines merged. In 2011, Southwest acquired AirTran Holdings, Inc., the former parent company of AirTran Airways, Inc. In 2015, American Airlines and US Airways Group, Inc. completed their merger. Further airline consolidation is possible and could change airline service patterns, particularly at the connecting hub airports of the merged airlines. In addition, all of the large U.S. airlines are members of alliances with foreign-flag airlines, which alliances, and other marketing arrangements, provide airlines with many of the advantages of mergers. Alliances typically involve marketing, code-sharing, and scheduling arrangements to facilitate the transfer of passengers between the airlines. The Authority cannot predict what impact, if any, such consolidations will have on airline traffic at the Airport.

Availability and Price of Aviation Fuel

Airline earnings are significantly affected by the price of aviation fuel. Any increase in fuel prices results in an increase of airline operating costs. Fuel prices continue to be impacted by, among other things, political unrest in oil-producing parts of the world, increased demand for fuel caused by rapid growth in certain global economies, such as China and India, currency fluctuations and changes in demand for and supply of oil worldwide. Significant fluctuations and prolonged periods of increases in the cost of aviation fuel have in the past had material adverse effects on airline profitability, causing airlines to reduce capacity, fleet and personnel, as well as increase fares and institute additional fees, such as checked baggage fees, all of which may decrease demand for air travel.

Bankruptcy of Signatory Airlines Operating at the Airport

Airlines operating at the Airport have filed for bankruptcy in the past and may do so in the future. If a bankruptcy case is filed with respect to a Signatory Airline operating at the Airport, a bankruptcy court could determine that the ULA to which such Signatory Airline is a party is an executory contract or unexpired lease pursuant to Section 365 of the United States Bankruptcy Code. In that event, a trustee in bankruptcy or the Signatory Airline as debtor-in-possession might reject the ULA to which such airline is a party, in which case the rights of that Signatory Airline to the facilities it leased (including gates and boarding areas) would terminate and the Authority could lease them to other airlines. The rejection of a ULA in connection with the bankruptcy of a Signatory Airline operating at the Airport may result in the loss of Airport Revenues to the Authority and a resulting increase in the costs per enplaned passenger for the other airlines at the Airport. In addition, the Authority may be required to repay landing fees, terminal rentals and other amounts paid by the airline up to 90 days prior to the date of the bankruptcy filing. The Authority's ability to lease such facilities to other airlines may depend on the state of the airline industry in general, on the nature and extent of the increased capacity at the Airport, if any, resulting from the airline's bankruptcy, and on the need for such facilities by other airlines.

Also, under the United States Bankruptcy Code, any rejection of a ULA could result in a claim for damages for lease rejection by the Authority, which damages are limited under the United States Bankruptcy Code, and which claim would rank as that of a general unsecured creditor of the airline, in addition to pre-bankruptcy amounts owed.

For a discussion of PFC Act provisions as they pertain to PFCs in an airline bankruptcy, see "OTHER AIRPORT MATTERS – Passenger Facility Charges." No assurance can be given as to how these provisions would be applied by a bankruptcy court in an airline bankruptcy. While the PFC Act provides that PFCs are trust funds both before and after an air carrier files for bankruptcy protection, there can be no assurance that the air carrier has collected, retained, segregated or properly accounted for its PFCs, or that the Airport would be able to collect from the air carrier the PFCs that were collected prior to the bankruptcy filing.

Federal Authorization and Funding Considerations

The Authority receives federal funding for the Airport not only in connection with FAA AIP Grants and PFC authorizations, but also in the form of funding for the TSA, air traffic control and other FAA staffing and facilities. On October 5, 2018, President Trump signed into law the FAA Reauthorization Act which reauthorizes the Federal Aviation Administration ("FAA") operations, programs and funding through September 30, 2023. As of the date of this Official Statement, the Authority has no assurance that Congress will appropriate funding up to the authorized amounts, that the current FAA authorization and programs will be extended or that a new authorization or programs will be approved beyond September 30, 2023. In the event that the FAA authorization were to expire without a long-term reauthorization or another short-term extension, during such period FAA programs would be unauthorized, including FAA programs providing funding for the Airport. The Authority is unable to predict whether legislation to extend or reauthorize this statute or otherwise continue FAA programs will be adopted prior to the scheduled expiration date, if not so adopted, the duration of any resulting period of de-authorization, and the impact on the Airport finances which might result therefrom.

Federal funding is also impacted by sequestration, a budgetary feature first introduced under the federal Budget Control Act of 2011. Unless changed by the United States Congress from time to time, sequestration is a multi-year process and could continue to affect FAA, Transportation Security Administration ("TSA"), and Customs and Border Control ("CBP") budgets and staffing, resulting in staffing shortages and traffic delays and cancellations at airports across the United States. The full impact of sequestration on the aviation industry and the Airport, generally, resulting from potential layoffs or further furloughs of federal employees responsible for federal airport security screening, air traffic control and CBP, is unknown at this time.

Federal Government Shutdown

The ongoing partial federal government shutdown that began on December 22, 2018 has the potential to adversely impact the operations of the Airport System, particularly if the shutdown continues for an extended period of time. Federal employees who are either working without pay or are presently furloughed include employees of the TSA, National Transportation Safety Board, CBP and the FAA, among others. Although the Authority is actively monitoring the situation and has not noted a significant financial or service impact in the first month of the shutdown, it is unable to quantify the operational impact of an extended federal government shutdown on the Airport System.

Considerations Regarding Passenger Facility Charges

The Authority uses PFCs to finance PFC eligible projects on a pay-as-you-go basis as well as to pay debt service on Bonds previously issued to finance PFC eligible projects. For a discussion of the Authority's PFC program see "OTHER AIRPORT MATTERS – Passenger Facility Charges."

No assurance can be given that the Authority's authority to collect PFC Revenues will be increased or extended. Further, no assurance can be given that PFC Revenues will actually be received in the amounts or at the times contemplated by the Authority. The amount and timing of receipt of actual PFC Revenues are expected to vary depending on actual levels of qualified passenger enplanements at the Airport.

In addition, the FAA may terminate the Authority's ability to impose PFC Revenues, subject to informal and formal procedural safeguards, if (a) PFC Revenues are not being used for approved projects in accordance with the FAA's approval, the PFC Act or the regulations promulgated thereunder, or (b) the Authority otherwise violates the PFC Act or regulations. The Authority's authority to impose PFCs may also be terminated if the Authority violates certain AIP grant assurances and certain provisions of the Airport Noise and Capacity Act ("ANCA") and its implementing regulations relating to the implementation of noise and access restrictions for certain types of aircraft. The regulations under ANCA also contain procedural safeguards to ensure that the Authority's authority to impose PFCs would not be summarily terminated. No assurance can be given that the Authority's authority to impose passenger facility charges will not be terminated by Congress or the FAA, that the PFC program will not be modified or restricted by Congress or by the FAA so as to reduce PFC Revenues available to the Authority or that the Authority will not seek to decrease the amount of the PFCs to be collected.

In the event the FAA or Congress reduced or terminated the Authority's ability to collect PFC Revenues, or PFCs were otherwise less than anticipated, the Authority would need to find other funding sources to pay the cost of projects or debt service it expects to pay with PFC Revenues. In addition, in such a circumstance the Authority might need to find other sources of funding, including issuing additional parity securities, to finance the projects currently being paid for, or projected to be paid for, with PFC Revenues.

The ability of the Authority to collect sufficient PFC Revenues depends upon a number of factors, including, without limitation, the number of enplanements at the Airport, the use of the Airport by the collecting carriers and the efficiency and ability of the collecting carriers to collect and remit PFCs to the Authority. The Authority relies on the collecting carriers' collection and remittance of PFCs, and both the Authority and the FAA rely upon the airlines' reports of enplanements and collections.

PFCs are applied to the payment of debt service on the Series 2019A Bonds in calculating projected debt service coverage in the Report of the Airport Consultant. See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT – Table 30 – Rate Covenant." Although the Authority has obtained authorization to pay a portion of the costs of the Project with PFCs on a pay-as-you-go basis, it has not obtained the authority to pay debt service on the portion of Series 2019A Bonds that will be used to finance the Project. The Authority intends to submit amendments in January 2019 to its existing PFC applications to permit the use of PFCs to pay debt service on a portion of the Series 2019A Bonds. See "OTHER AIRPORT MATTERS – Passenger Facility Charges." In the event such amendments are not approved, the Authority would be able to include the debt service expected to be paid from PFCs and related coverage in the terminal rental rate paid by the Signatory Airlines under the ULAs. In such case, the terminal rental rate paid by the Signatory Airlines would be higher than the projected terminal rental rate shown in the Report of the Airport Consultant.

Alternative Transportation Modes and Future Parking Demand

One significant category of non-airline revenues at the Airport is derived from ground transportation activity, including use of on-Airport parking garages; trip fees paid by taxi, limousine and transportation network companies ("TNCs"), such as Uber Technologies Inc. and Lyft, Inc.; and rental car transactions by Airport passengers.

New technologies (such as autonomous vehicles and connected vehicles) and innovative business strategies in established markets such as commercial ground transportation and car rental may continue to occur and may result in further changes in Airport passengers' choice of ground transportation mode.

While the Authority makes every effort to anticipate demand shifts, there may be times when the Authority's expectations differ from actual outcomes. In such event, revenue from one or more ground transportation modes may be lower than expected. The Authority cannot predict with certainty what impact these innovations in ground transportation will have over time on revenues from parking, other ground transportation services or rental cars. The Authority also cannot predict with certainty whether or to what extent it will collect non-airline revenues in connection with such new technologies or innovative business strategies.

Economic and Political Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. Future increases in passenger traffic will depend largely on the ability of the nation to sustain growth in economic output and income. With the globalization of many business sectors and the increased importance of international trade, growth of the U.S. economy has become more closely tied to economic, political, and social conditions worldwide. As a result, international economics, currency exchange rates, trade balances, political relationships, public health concerns, and hostilities are now increasingly important influences on passenger traffic at U.S. airports. Sustained future increases in both domestic and international passenger traffic will depend on stable and peaceful international relationships and global economic growth.

The demand for air transportation is, to a degree, dependent upon the demographic and economic characteristics of an airport's air trade area. This relationship is particularly true for O&D passenger traffic, which has historically accounted for approximately 99% percent of demand at the Airport in 2018. There can be no assurances that any negative economic or political conditions affecting the Air Trade Area would not have an adverse effect on demand for air transportation at the Airport.

Regulatory Environment

The FAA has jurisdiction over flying operations generally, including personnel, aircraft, ground facilities and other technical matters, as well as certain environmental matters. Under the FAA's noise reduction regulations, the air transportation industry was required to modify substantial numbers of its existing aircraft. Airport noise remains a significant Federal and local issue at certain airports, which may require substantial capital investments by the industry and airport operators, including the Airport, from time to time to meet applicable standards.

The operations of the Airport and its ability to generate revenues are affected by a variety of contractual, statutory and regulatory restrictions and limitations, including, without limitation, the provisions of the Airline Use and Lease Agreements, the PFC Act and other extensive federal legislation and regulations applicable to all airports in the United States. There is no assurance that there will not be any change in, interpretation of, or addition to any such applicable laws, regulations and provisions. Any such change, interpretation or addition may have a material adverse effect, either directly or indirectly, on the Airport, which could materially adversely affect the Airport's operations or financial condition.

In addition, following the events of September 11, 2001, the Airport also has been required to implement enhanced security measures mandated by the FAA, TSA and the Department of Homeland Security. It is not possible to predict whether future restrictions or limitations on Airport operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for the Airport, whether additional requirements will be funded by the federal government or require funding by the Authority or whether such restrictions or legislation or regulations would adversely affect Revenues.

Current and Possible Regulation Related to Climate Change

Climate change concerns have led, and may continue to lead, to new laws and regulations at the federal and state levels. Pending and possible regulations aimed at curbing the effects of climate change may directly or indirectly materially impact the operations or financial condition of the Airport and on the airlines operating at the Airport. Of particular import are regulations pertaining to greenhouse gas ("GHG") emissions. According to the United States Environmental Protection Agency ("EPA"), aircraft account for 12 percent of all U.S. transportation GHG emissions and 3 percent of total U.S. GHG emissions. While in 2016 the EPA finalized an endangerment finding that GHG emissions from "U.S. covered aircraft" cause or contribute to air pollution, triggering the Clean Air Act Section 231's requirement to regulate, aircraft GHG emission standards are not yet proposed and there has been no public EPA action in this area since December 2016. Regulations may be implemented in the future. In March 2017, the International Civil Aviation Organization ("ICAO"), a specialized agency within the United Nations, adopted GHG carbon neutral growth targets applicable to (i) new aircraft type designs as of 2020 and (ii) new deliveries of current in-production aircraft models from 2023. The global standard includes a cutoff date of 2028 for production of non-compliant aircraft. The ICAO also passed in October 2016 a market-based mechanism to curb emissions, the Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"). CORSIA is designed to achieve carbon-neutral growth for international (but not domestic) civil aviation from 2020 onwards, via pilot, volunteer and mandatory phases. As of January 31, 2018, 73 nations representing 87.7% of international aviation activity, including the United States, have indicated that they will be participating in the pilot and volunteer phases of CORSIA.

The Authority is unable to predict what additional laws and regulations with respect to GHG emissions or other environmental issues (including but not limited to air, water, hazardous substances and waste regulations) will be adopted, or what effects such laws and regulations will have on the Airport, airlines operating at the Airport, other Airport tenants, or the local economy. The effects, however, could be material.

Cyber-Security

The Airport, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). As a recipient and provider of personal, private, or sensitive information, the Airport may be the target of cybersecurity incidents that could result in adverse consequences to the Airport and its Systems Technology, requiring a response action to mitigate the consequences.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the Airport's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the Airport invests in multiple forms of cybersecurity and operational safeguards.

While the Airport cybersecurity and operational safeguards are periodically tested, no assurances can be given by the Authority that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could cause material disruption to the Airport's finances or operations. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the Airport to material litigation and other legal risks, which could cause the Airport to incur material costs related to such legal claims or proceedings.

The airlines serving the Airport and other the Airport tenants also face cybersecurity threats that could affect their operations and finances. Computer networks and data transmission and collection are vital to the safe and efficient operation of the airlines that serve the Airport and other tenants of the Airport. Despite security measures, information technology and infrastructure of any of the airlines serving the Airport or any other tenants at the Airport may be vulnerable to attacks by outside or internal hackers, or breached by employee error, negligence or malfeasance. Any such breach or attack could compromise systems and the information stored thereon. Any such disruption or other loss of information could result in a disruption in the efficiency of the operation of the airlines serving the Airport and the services provided at the Airport, thereby adversely affecting the ability of the Airport to generate revenue.

Force Majeure Events Affecting the Authority and the Airport

There are certain unanticipated events beyond the Authority's control that could have a material adverse effect on the Authority's operations and financial condition, or on the Airport's operations and financial condition, if they were to occur. These events include fire, flood, earthquake, epidemic, adverse health conditions or other unavoidable casualties or acts of God, freight embargo, labor strikes or work stoppages, civil commotion, new acts of war or escalation of existing war conditions, sabotage, enemy action, pollution, unknown subsurface or concealed conditions affecting the environment, and any similar causes. No assurance can be provided that such events will not occur, and, if any such events were to occur, no prediction can be provided as to the actual impact or severity of the impact on the Authority's operations and financial condition or on the Airport's operations and financial condition, as applicable.

Expiration of Airline Lease Agreements

Airport Revenue are dependent largely on payments by the Signatory Airlines under the terms of the ULAs. The ULAs expire March 31, 2019. The Authority is currently negotiating an extension of the ULAs with the Signatory Airlines. No assurances can be given that the UALs will be extended, or, if the ULAs are extended, that they will be extended on the same terms as the current ULA or will be extended for a particular term. Further, no assurances can be given that the Authority will be able to negotiate extensions of the ULAs in the future, that future ULAs will be with the same Signatory Airlines or that future ULAs will have the same terms and provisions as the current ULA.

Factors Unique to the Authority

Airport an O&D Facility. The Airport is an O&D airport and accordingly enplanements and other activity are largely tied to the local and regional economy. Given the O&D nature of the Airport's passenger base (approximately 99% of enplanements, according to Authority estimates), the Authority expects that any reduction in service by a particular Signatory Airline would be absorbed by one or more of the other Signatory Airlines or a non-signatory airline operating at the Airport. No assurance can be given that reductions in service would in fact be absorbed by other Signatory Airlines or non-signatory airlines operating at the Airport.

Significant Use of the Airport by Canadian Passengers. A significant number of the Airport's O&D passengers (20% in 2018) originate in Canada. Factors affecting O&D passenger traffic from Canada include exchange rates, costs to fly from Canadian airports, and security/customers/border crossing processes and procedures, among others. Changes in one or more of these factors could adversely affect the level of O&D traffic at the Airport.

NFIA an Alternative to Airport; Subsidization of NFIA by Airport. NFIA is not included in the Airport System and accordingly revenues derived at NFIA are not included in Airport Revenues. Charter and other carriers may elect to use NFIA instead of the Airport. The Authority could elect to use amounts in the Airport Development Fund to construct or secure financing to construct additional capital improvements at NFIA. In addition, NFIA is not self-supporting and operations at NFIA are currently partially subsidized under the ULAs subject to a cap. See the eleventh paragraph under "AGREEMENTS FOR THE USE OF AIRPORT FACILITIES – Airline Lease Agreements." The Authority is expected to continue to subsidize operations at NFIA not paid under the ULAs or from other sources from amounts on deposit in the Airport Development Fund. The Authority is currently negotiating an extension of the ULAs, which expire March 31, 2019. See "– Expiration of Airline Lease Agreements." If the Authority is able to negotiate an extension of the ULAs with the Signatory Airlines, such ULAs may not provide for any subsidization of NFIA by the Signatory Airlines after Fiscal Year 2021. In such case, the Authority may have to provide additional subsidization of NFIA from other sources, including additional amounts from the Airport Development Fund.

Federal Law Prohibiting Revenue Diversion - Airport Grandfathered. The Airport, and therefore the Airport Revenues, are grandfathered under the federal law prohibiting revenue diversion. See "OTHER AIRPORT MATTERS – Airport Grandfathered." Accordingly, the Authority may apply Net Airport Revenues on deposit in the Airport Development Fund for Off-Airport Transfers thereby reducing the amounts available in the Airport Development Fund for coverage or to make up any future deficiencies in funds and accounts held under the Resolution. The Airport has, in two prior Fiscal Years, exceeded the Safe Harbor Amount (the amount of Off-Airport Transfers from the Airport Development Fund that can be made without potentially adversely impacting the Authority's AIP discretionary grants). No assurance can be given that the Authority will not exceed the Safe Harbor Amount in the future in making Off-Airport Transfers from the Airport Development Fund.

Certain Revenues Not Pledged. The definition of Airport excludes any properties or facilities operated, maintained or managed by the property management department of the Authority, including but not limited to certain aeronautical and air transportation related properties, at or on the Airport. The definition of Airport Revenues accordingly excludes all income and revenue, if any, collected and received by the property management department of the Authority with respect to properties and facilities which are not included in the definition of Airport. In addition, the Authority could also elect to subsidize operations at these properties or facilities from amounts on deposit in the Airport Development Fund.

Limitation of Remedies. The remedies available to bondholders upon nonpayment of principal of or interest on the Series 2019A Bonds are in many respects dependent upon judicial enforcement actions which are often subject to discretion and delay. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SEVENTH SUPPLEMENTAL RESOLUTION – Events of Default; Remedies."

Capacity of National Air Traffic Control and Airport System

Capacity limitations of the national air traffic control systems continue to cause aircraft delays and restrictions, both on the number of aircraft movements in certain air traffic routes and on the number of landings and takeoffs at certain airports. These restrictions affect airline schedules and passenger traffic nationwide. The FAA has made certain improvements to the computer, radar and communications equipment of the air traffic control system in recent years, but no assurances can be given that future increases in airline and passenger traffic will not again adversely affect airline operations.

Additional Airline Information

Certain of the Signatory Airlines (or its respective parent corporation) file reports and other information (collectively, the "SEC Reports") with the SEC. Certain information, including financial information, as of particular dates concerning each of the Signatory Airlines (or its respective parent corporation) is included in the SEC Reports. The SEC Reports can be read and copied at the SEC's Public Reference Rooms, which can be located by calling the SEC at 1-800-SEC-0330. In addition, electronically filed SEC Reports can be obtained from the SEC's website. Each Signatory Airline and certain other airlines are required to file periodic reports of financial and operating statistics with the United States Department of Transportation. Information on obtaining such reports is available on the Bureau of Transportation Statistics website maintained by the Department of Transportation. Non-U.S. airlines also provide certain information concerning their operations and financial affairs, which may be obtained from the respective airlines. The information under this caption is for informational purposes only, is not intended to incorporate any such information by reference into this Official Statement and will not be subject to update by the Authority. See "CONTINUING DISCLOSURE" herein.

Report of the Airport Consultant

The Report of the Airport Consultant contains numerous assumptions as to the utilization of the Airport and other matters and includes forecasts and projections. Any forecast is subject to uncertainties. Therefore, there may be differences between forecast and actual results, and those differences may be material. Furthermore, the findings and projections in the Report of the Airport Consultant are subject to a number of other assumptions that should be reviewed and considered by prospective investors. The projections and forecasts contained in Report of the Airline Consultant are not necessarily indicative of future performance, and neither the Airport Consultant nor the Authority assumes any responsibility for the accuracy of such projections and forecasts. No assurance can be given that the findings and projections discussed in the Report of the Airport Consultant will be achieved. The projections are based, in part, on historic data from sources considered by the Airport Consultant to be reliable, but the accuracy of these data has not been independently verified. The projections are based on assumptions made by the Airport Consultant concerning future events and circumstances which the Airport Consultant believes are significant to the projections but which cannot be assured. The Report of the Airport Consultant has not been and will not be updated to reflect the final pricing terms of the Series 2019A Bonds or other changes that may have occurred after the date of such report. Actual results may be materially different from those described in such report. The Report of the Airport Consultant should be read in its entirety for an understanding of the assumptions, limiting conditions and rationale underlying the financial projections. See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT."

OTHER AUTHORITY PROPERTIES

The properties discussed in this section entitled "OTHER AUTHORITY PROPERTIES" are ***not*** *included in the definition of Airport System and therefore revenues derived therefrom are not pledged as security for the Bonds. However, the revenues associated with such properties may, at the election of the Authority, be applied to pay principal of, premium, if any, and interest on the Bonds, but the Authority is under no obligation to do so.*

Metro Bus and Rail

Metro is the Authority's largest business center and operates a combined bus and light rail rapid transit system. Metro's 1,081 employees operate and maintain 321 buses, 74 paratransit/MetroLink vehicles, and 27 rail cars. Metro carries roughly 70,760 bus passengers and 15,190 rail passengers each weekday over a 1,575 square mile service area. On an annualized basis, system ridership totaled approximately 25.2 million passengers.

Metropolitan Transportation Centers

The Metropolitan Transportation Center, located in downtown Buffalo, serves as a bus terminal for inter-city and NFTA-Metro services 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 NFTA-Metro bus transfer stations for Niagara County.

Property Management Real Estate Services

The primary mission of the property management department of the Authority is to maximize the revenue to the Authority on its non-public transportation assets, and provide an impetus to enhance the regional economic development potential. The property management department of the Authority manages various properties, including Metro Transportation Center, Operations Control Center, Niagara Falls Transportation Center, off-Airport properties (247 Cayuga Road, 485 Cayuga Road, et al) and railroad right-of-ways as well as Airport cargo facilities.

Niagara Falls International Airport

NFIA is a non-hub airport. NFIA is currently served by two ultra low-cost scheduled carriers, Allegiant Air and Spirit Airlines, which provide service to a total of five airports in Florida and South Carolina with 12 flights per week, as of January 2019.

NFIA is a joint use military base, serving as the home station for units of both the United States Air Force Reserve and the New York State Air National Guard. NFIA occupies approximately 1,067 acres of land in Niagara County, New York, approximately 10 miles east of Buffalo's central business district.

The Authority and the United States of America ("U.S. Government") are parties to an Airport Joint Use Agreement ("AJUA"). The term of the AJUA expires June 30, 2022. The AJUA provides for the joint use of runways, taxiways, lighting systems, navigational aids, markings and appurtenances open to the public. The Authority owns approximately two-thirds of the main runway and the U.S.

Government owns approximately one-third. The AJUA further provides that the U.S. Government provide for aircraft fire fighting and rescue and snow removal as well as a sharing of costs on U.S. Government projects at NFIA.

On August 22, 2017 the Authority's ability to impose and use PFCs at NFIA was approved by the FAA. The Authority has received authorization from two separate FAA approval applications since that time to use an aggregate of $0.7 million of collections at the $4.50 level. The expiration date for the Authority's authorization to impose PFCs at NFIA is May 1, 2020. On January 15, 2019 the FAA approved Amendment 18-02-C-01-IAG to increase PFC revenue for collection at NFIA to $3,662,905 and extend the projected program expiration date to July 1, 2024.

HISTORICAL NFIA ENPLANEMENTS

The table below sets forth annual changes in enplanements and percentage changes at NFIA for Fiscal Years 2014 to 2018.

	FY 2014 Enplanements	% Share	FY 2015 Enplanements	% Share	FY 2016 Enplanements	% Share	FY 2017 Enplanements	% Share	FY 2018 Enplanements	% Share
Spirit Airlines	50,108	49.2%	50,590	44.9%	47,692	44.5%	66,782	51.6%	59,831	46.2%
Allegiant Air	51,837	50.8%	62,132	55.1%	59,583	55.5%	62,759	48.4%	69,643	53.8%
Total	101,945	100%	112,722	100%	107,275	100%	129,541	100%	129,474	100%

Airfield Facilities. The airfield facilities consist of three air carrier runways. The primary runway is Runway 10/28 which is 10,825 feet in length and the secondary crosswind runway, 6/24, is 5,850 feet in length. The third runway 10/28 is 3,973 feet in length and is used for small general aviation operations.

Passenger Terminal Facilities. The 69,430 square foot four-gate terminal facility contains two levels and was dedicated on September 2, 2009.

Parking Facilities. NFIA parking facilities consist of 665 spaces and an additional 1,150 remote parking spaces mostly used during peak periods for overflow parking.

NFIA Capital Improvement Program. The Authority's Capital Improvement Program (2019 through 2023) for NFIA (the "NFIA CIP") totals approximately $20.6 million. Of this amount, the Authority is projecting that approximately $15.0 million or 70 percent will be funded with FAA and State funds. The remaining $5.6 million or 27 percent is projected to be funded by PFCs. The primary projects to be funded include an apron expansion totaling $12.5 million, full design and partial construction for the parallel taxiway program at $8.8 million, and a snow equipment storage building totaling $6.0 million.

On August 22, 2017, the Authority was approved to impose and use PFCs at NFIA. Following a second application, the Authority was authorized to continue collections at the $4.50 level through December 1, 2019. The Authority has submitted an application amendment and plans to submit a third application in early 2019 to collect PFCs for new and existing projects in an impose and use aggregate amount of $4.8 million and an estimated new charge expiration date of May 1, 2027.

NFIA Operating Deficits. The Authority's five-year forecast for NFIA includes an annual 4% enplanement growth rate. Although management will seek new business opportunities including cargo and air service development, the five-year operation forecast does not include any revenue impact from new business development. NFIA is projected to operate at a deficit over the forecast period. Such deficits, arising from NFIA operations, debt service requirements and capital requirements not included in the NFIA CIP are expected to be funded as follows:

NFIA Deficit Funding Sources ($000)

	Total Deficit	NFIA Entitlement Funds	§99-h.4 [(1)] (a)(ii)(4) Amounts	Max $ Funded by ULA	Funded by Airport Development Fund
FY2018 (actual)	$4,287	$1,435	$1,000	$500	$1,352
FY2019	4,931	1,522	1,000	500	1,909
FY2020	5,103	1,500	1,000	500	2,103
FY2021	5,787	1,500	1,000	250	3,037
FY2022	4,794	1,500	1,000	0	2,294
FY2023	5,338	1,500	1,000	0	2,838

(1) State Finance Law § 99-h.4(a)(ii)(4) provides that monies which are appropriated and received each year by the State, in an amount equal to the lesser of one million dollars or seven percent of the total of the net drop from electronic gaming devices the State receives in relation to the operation of a gaming facility in the City of Niagara Falls (the "§ 99-h.4(a)(ii)(4) Amounts"), will be transferred to the Authority in connection with the construction of the NFIA terminal. The law sunsets on December 31, 2023.

See "INVESTMENT CONSIDERATIONS – Factors Unique to the Authority – *NFIA an Alternative to Airport; Subsidization of NFIA by Airport*."

AGREEMENT OF THE STATE OF NEW YORK

Section 1299-k of the Act provides that the State agrees with the registered owners of the Series 2019A Bonds that it will not limit or alter the rights vested by the Act in the Authority to fulfill the terms of any agreements made with the registered owners of the Series 2019A Bonds, or in any way impair the rights and remedies of such registered owners until the Series 2019A Bonds, together with the interest thereon, and all costs and expenses for which the Authority is liable in connection with any action or proceeding by or on behalf of such registered owners, are fully met and discharged.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2019A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any Series 2019A Bond for any period during which the Series 2019A Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed or refinanced with the proceeds of the Series 2019A Bond or a "related person," (ii) interest on the Series 2019A Bonds is treated as a preference item in calculating the alternative minimum tax under the Code.

In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the Series 2019A Bonds, and Bond Counsel has assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2019A Bonds from gross income under Section 103 of the Code.

In the further opinion of Bond Counsel, under existing statutes, interest on the Series 2019A Bonds is also exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City of New York), and the Series 2019A Bonds are exempt from taxation directly imposed thereon by or under authority of said State, except for estate and gift taxes and taxes on transfers.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Series 2019A Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2019A Bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2019A Bonds in order that interest on the Series 2019A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2019A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2019A Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2019A Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2019A Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2019A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2019A Bonds.

Prospective owners of the Series 2019A Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Series 2019A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2019A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2019A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2019A Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2019A Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2019A Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2019A Bonds.

Prospective purchasers of the Series 2019A Bonds should consult their own tax advisors regarding the foregoing matters.

LITIGATION

There are various lawsuits in which the Authority is involved. The Authority's management, including its General Counsel, estimates that the potential claims against the Authority not covered by insurance or self-insurance in the form of reserve funds with respect to such litigation would not materially affect the Authority's financial condition or its obligations with respect to the Series 2019A Bonds, other Outstanding Bonds or other Outstanding obligations.

To the knowledge of the Authority, no litigation, inquiry, or investigation, at law or in equity, is pending or threatened against the Authority wherein an unfavorable decision, ruling or finding would have a materially adverse effect upon the transactions contemplated by this Official Statement, the Contract of Purchase, the Resolution or the validity of the Series 2019A Bonds.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance, and sale of the Series 2019A Bonds by the Authority are subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority. The opinions of Bond Counsel will be substantially in the forms attached hereto as Appendix E. Certain matters with respect to the Official Statement will be passed on by Hawkins Delafield & Wood LLP, New York, New York, and Pearlman & Miranda LLC, New York, New York, Disclosure Counsel to the Authority. Legal matters pertaining to the Authority will be passed upon by David J. State, General Counsel to the Authority, Buffalo, New York. Certain legal matters will be passed upon for the Underwriters by their counsel, Harris Beach PLLC, Buffalo, New York.

LEGALITY FOR INVESTMENT

Under the provisions of Section 1299 of the Act (and with any special or additional filing or registration), the Series 2019A Bonds are securities in which all public officers and bodies of the State and all of its municipalities and political subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or who may hereafter be authorized to invest in bonds or in other obligations of the State, may properly and legally invest funds, including capital in their control or belonging to them. Pursuant to such section, the Series 2019A Bonds are also securities which may be deposited with and shall be received by all public officers and bodies of the State and all of its municipalities and political subdivisions for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

UNDERWRITING

The Series 2019A Bonds are being purchased by J.P. Morgan Securities LLC ("JPMS"), as representative of the underwriters (the "Underwriters"), at a price of $91,842,861.11 (representing the principal amount of the Series 2019A Bonds, plus original issue premium of $10,110,710.10, less an underwriting discount of $187,848.99), pursuant to a Purchase Contract by and between the Underwriters and the Authority that provides that the Underwriters will purchase all of the Series 2019A Bonds if any are purchased, subject to certain conditions set forth in the Purchase Contract.

The Series 2019A Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell Series 2019A Bonds to the public.

The following paragraphs have been provided by and are being included in this Official Statement at the request of the Underwriters. The Authority does not assume any responsibility for the accuracy or completeness of such statements or information and makes no representations with respect thereto:

JPMS, one of the Underwriters, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2019A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2019A Bonds that such firm sells.

J.P. Morgan and its affiliates together comprise a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Such activities may involve or relate to assets, securities and/or instruments of the Authority (whether directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with (or that are otherwise involved with transactions by) the Authority. J.P. Morgan and its affiliates may have, from time to time, engaged, and may in the future engage, in transactions with, and performed and may in the future perform, various investment banking services for the Authority for which they received or will receive customary fees and expenses. Under certain circumstances, J.P Morgan and its affiliates may have certain creditor and/or other rights against the Authority and any affiliates thereof in connection with such transactions and/or services. In addition, J.P. Morgan and its affiliates may currently have and may in the future have investment and commercial banking, trust and other relationships with parties that may relate to assets of, or be involved in the issuance of securities and/or instruments by, the Authority and any affiliates thereof. J.P. Morgan and its affiliates also may communicate independent investment recommendations, market advice or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

INDEPENDENT AUDITORS

The financial statements of the Authority, included in Appendix A, for the year ended March 31, 2018, have been audited by Lumsden & McCormick, LLP, independent auditors, as stated in their report appearing therein.

The accounting and financial reporting policies of the Authority, including the financial statements of the Authority as of and for the years ended March 31, 2017 and March 31, 2018, conform to accounting principles generally accepted in the United States of America for local government units as set forth by the Government Accounting Standards Board.

MUNICIPAL ADVISOR

The Authority has engaged Frasca & Associates, LLC, New York, NY, as its financial advisor (the "Municipal Advisor") in connection with the authorization, issuance and sale of the Bonds. Under the terms of its engagement, the Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

RATINGS

Moody's Investors Service, Inc. and Fitch Ratings, have assigned their municipal bond ratings of "A3" and "BBB+", respectively, to the Series 2019A Bonds. A rating reflects only the views of the rating agency and an explanation of the significance of such ratings may be obtained from the respective rating agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of the rating agencies, if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2019A Bonds.

CONTINUING DISCLOSURE

To enable the Underwriters to comply with the provisions of Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the Authority will execute a Continuing Disclosure Certificate substantially in the form attached hereto as Appendix F. Any failure by the Authority to perform in accordance with the Continuing Disclosure Certificate shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure. Bondholders' rights to enforce the provisions of the Continuing Disclosure Certificate are limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Authority's obligations under the Continuing Disclosure Certificate. A failure by the Authority to comply with the Continuing Disclosure Certificate is required to be reported in accordance with the Rule and is required to be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2019A Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2019A Bonds and their market price.

Except as described in the following paragraph, the Authority represents that in the previous five years it has not failed to comply in all material respects with any previous undertaking in a written certificate or agreement specified in paragraph (b)(5)(i) of the Rule.

The Authority has previously entered into continuing disclosure undertakings with respect to the Refunded Bonds and Series 2014 Bonds (collectively, the "Prior Bonds") pursuant to which the Authority agreed, among other things, to file notices of certain events in a timely manner, including, but not limited to, rating changes relating to the Prior Bonds. All Prior Bonds were insured by a municipal bond insurer and accordingly the ratings on the Prior Bonds reflected the respective ratings of such insurers. Each of such municipal bond insurers has experienced ratings downgrades over the course of the past five years. During the past five years, the Authority did not timely file material event notices in connection with all rating changes relating to the Prior Bonds on the Electronic Municipal Market Access (EMMA) system maintained by the Municipal Securities Rulemaking Board. However, as of August 7, 2014, the

Authority has filed written notices of all such rating changes and is currently in compliance with its existing continuing disclosure undertakings. The Authority has amended its existing continuing disclosure policies and procedures to ensure that its material event notices or event notices will be filed in compliance with the requirements of its continuing disclosure undertakings.

ADDITIONAL INFORMATION

The information contained in this Official Statement is subject to change without notice and no implication should be derived therefrom or from the sale of the Series 2019A Bonds that there has been no change in the affairs of the Authority from the date hereof. Additional information may be obtained from the undersigned at 181 Ellicott Street, Buffalo, New York 14203, telephone (716) 855-7300.

MISCELLANEOUS

Any statement in this Official Statement involving matters of opinions, whether or not expressly so stated, are intended as such, and not as representations of fact. This Official Statement is not to be construed as an agreement or contract between the Authority and the purchasers or holders of any Series 2019A Bonds.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

By: /s/ Kimberley A. Minkel
Executive Director

BUFFALO NIAGARA INTERNATIONAL AIRPORT

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

AIRPORT REVENUE BONDS, SERIES 2019A
AIRPORT REVENUE BONDS, SERIES 2019B

REPORT OF THE AIRPORT CONSULTANT

January 25, 2019

Prepared by:

UNISON CONSULTING

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SECTION 1 | INTRODUCTION

The Niagara Frontier Transportation Authority (NFTA, or the Authority) is issuing the Airport Revenue Bonds, Series 2019A and the Airport Revenue Bonds, Refunding Series 2019B (together, the Series 2019 Bonds) in the principal amount of approximately $86.925 million, to fund the cost of certain capital improvements at the Buffalo Niagara International Airport (BNIA, or the Airport) and to refund certain currently outstanding debt that was issued to fund past capital improvements at the Airport and pay certain swap termination payments in connection with the termination of certain interest rate swaps. The proceeds of the Series 2019 Bonds will also be used to fund deposits into the Debt Service Reserve Funds and pay certain costs of issuance of the Series 2019 Bonds.

The Series 2019 Bonds, and all airport revenue bonds heretofore or hereafter issued on a parity with the Series 2019 Bonds (collectively, the "Bonds", or "Revenue Bonds") are being issued pursuant to the Niagara Frontier Transportation Authority Act (the Act) and a resolution (the Master Resolution) adopted by the Authority's Board of Commissioners (the Board) on May 12, 1994, as supplemented, in the case of the Series 2019 Bonds, by a seventh supplemental resolution adopted by the Board on December 20, 2018 (the Seventh Supplemental Resolution).

The Series 2019 Bonds are payable solely from and secured by a pledge of Net Airport Revenues generated by the Authority from the Airport System, which currently consists solely of BNIA. The Niagara Falls International Airport (NFIA), certain facilities at BNIA that are operated, maintained, or managed by the property management department of the Authority, and NFTA rail and bus facilities are not included in the Airport System. Any revenues derived from those airport facilities are not included in Airport Revenues. However, expenses or deficits related to those other airport facilities may be paid from Net Airport Revenues deposited into the Airport Development Fund (ADF). However, pursuant to the flow of funds specified in the Master Resolution (as described in Section 4), any deposits to the ADF would be made after all principal and interest payments on the Series 2019 Bonds and other outstanding bonds are satisfied.

The Series 2019 Bonds represent a key source of capital funding for the Airport's Capital Improvement Program (CIP), which includes planned capital improvement project expenditures for the period of the Authority's Fiscal Year ending March 31, 2019 (FY2019) through FY 2023. The CIP consists of projects designed to maintain and enhance the facilities at the Airport, and to facilitate the implementation of operational improvements at the Airport.

This Report is organized into the following sections:

- Section 1 describes the NFTA, the Airport, the CIP, and the funding plan for the CIP.
- Section 2 defines the Airport's air service area and discusses the local economic base.
- Section 3 analyzes the historical aviation activity at the Airport and presents forecasts of future aviation activity.

- Section 4 reviews the framework for the financial operation of the Airport, including key provisions of the bond resolution that governs the Bonds. This section also reviews the recent historical financial performance of the Airport and examines the ability of the Authority to generate sufficient Net Airport Revenues in each Fiscal Year of the forecast period to meet the obligations of the Master Resolution.

Niagara Frontier Transportation Authority

The NFTA was created by an Act of the New York State Legislature in 1967, as a body corporate and politic constituting a public benefit corporation. The NFTA was created to promote the development and improvement of transportation and related services with the Niagara Frontier transportation district. The NFTA owns and operates: (1) the Airport; (2) NFIA; (3) the Niagara Frontier Transit Metro System, Inc.; (4) the Metropolitan Transportation Center, a terminus for intercity bus transportation; and (5) the Niagara Falls International Transportation Center. The NFTA is governed by a 13-member Board of Commissioners (the Board) appointed by the Governor of the State of New York (the State). Of the 13 members, one member is appointed upon the written recommendation of the Erie County Executive and one member is appointed upon the written recommendation of the Erie County Legislature. All appointments are with the consent of the State Senate. The Board governs and sets policy for the Authority.

BNIA operates as a commercial service airport, with approximately 2.395 million passenger enplanements during the Authority's fiscal year ended March 31, 2018 (FY2018). NFIA serves as the general aviation reliever airport for BNIA. NFIA, which is shared with a military base, also accommodates scheduled charter service.

Kimberley A. Minkel, Executive Director of the NFTA, is responsible for all activities of the Authority, subject to policy direction and delegation from the Board. Ms. Minkel has an experienced staff to help her carry out her duties, including John T. Cox, the NFTA's Chief Financial Officer and William R, Vanecek, the Aviation Director.

Buffalo Niagara International Airport

BNIA is the primary passenger and cargo airport serving Western New York. The Airport serves a region that includes the Buffalo Niagara Metropolitan Statistical Area (the Buffalo MSA). The Federal Aviation Administration (FAA) classifies the Airport as a medium-hub airport, a category that includes airports enplaning at least 0.25 percent but less than 1 percent of annual domestic enplanements. According to calendar year (CY) 2017 airport traffic data compiled by the Airports Council International-North America (ACI-NA), BNIA is the 58th largest airport in the United States by total passenger traffic.

The Airport is located approximately 10 miles east of Buffalo's central business district on approximately 1,100 acres of land in Cheektowaga Township, Erie County, New York. The Buffalo Municipal Airport was originally built by the City of Buffalo on a 318-acre site. The Airport's facilities were expanded in late 1939 and a new terminal containing 11 gates was built in 1955. In 1956, the Niagara Frontier Port Authority, a public body created by the New York State legislature, acquired the Airport from the City of Buffalo. In 1959, the name of the Airport was changed to the

Greater Buffalo International Airport. The Niagara Frontier Port Authority continued to operate the Airport until it was assimilated into the NFTA, created by the New York State Legislature in 1967. All subsequent improvements to the Airport were conducted by the NFTA, including a new terminal that opened in 1971. In September 1996, the Board changed the name of the Airport to the Buffalo Niagara International Airport (BNIA). In 1997, a new terminal building was constructed to replace the former terminal buildings and was subsequently expanded during 1999-2000, resulting in the current 26-gate terminal facility.

Airfield Facilities. The Airport has two air carrier runaways (5/23 and 14/32) and associated taxiways, which provide access to the airline parking ramps to the south and southwest, the cargo apron to the west and general aviation facilities to the north. The primary runway is Runway 5/23 (8,829 feet by 150 feet). Runway 14/32 (7,161 feet by 150 feet) is used mainly for crosswind operations and general aviation aircraft.

Passenger Terminal Facilities. The terminal facility encompasses 462,000 square feet and contains 26 gates on two concourses (the West Concourse and the East Concourse). The terminal facility contains an upper or departure level and a lower or arrivals level. The upper level contains the ticket counters and the passenger boarding facilities for both concourses. The ticket counters are linked to the concourses by a security checkpoint station gateway containing TSA security. The lower level contains Airport operations, baggage handling and baggage claim.

Parking and Roadway System. The terminal is accessed from Genesee Street via separate roadway systems. The 450,00 square foot parking garage accommodates public parking and rental car spaces. In addition to the parking garage, there is a surface parking lot within walking distance of the terminal (the "Preferred Parking Lot"), a surface long-term public parking lot, and a surface economy public parking lot.

General Aviation Facilities. Fixed base operations are provided by a fixed base operator which occupies facilities on the north side of the Airport and provides aircraft fueling services, aircraft maintenance, hangar storage, flight training, ground handling services and equipment and other pilot services. General aviation facilities consist of an administration building and three aircraft hangars with attached offices.

Aviation Related Facilities. Aviation related facilities located at the Airport consist of air cargo facilities, a National Weather service building and an airline ground equipment maintenance building. These properties are not included in the definition of Airport System, and therefore, revenues derived therefrom are not pledged as security for the Bonds. However, such revenues may at the election of the Authority, be used to pay principal of, premium, if any, and interest on the Bonds.

- Air cargo facilities are located along Cayuga Road on the west boundary of the Airport Contiguous to the building is a 1.0 million square foot aircraft parking apron owned, operated and maintained by the Authority to accommodate cargo aircraft parking and loading and uploading directly into the warehouse. These facilities were developed by Air

Cargo Buffalo LLC which financed, constructed and operates the facility through a ground lease with the Authority.

- The National Weather service occupies an office located south of Runway 5/23 and east of Runway 14/32.
- American/US Airways leases approximately one acre of land from the Authority. Located on this site is a 10,000 square foot ground equipment service building and a triturator which is available to other aircraft operators.

Capital Improvement Program Estimated Costs and Funding Sources

The BNIA CIP is designed to maintain and enhance the facilities at BNIA, maintain critical infrastructure, meet current regulatory requirements, enhance safety, and to facilitate the implementation of operational improvements at BNIA. The total estimated cost of the five-year CIP (FY 2019 through FY 2023) is approximately $118.6 million, as presented on Table 1.

The major project in the CIP is the Baggage Claim Expansion project, which is estimated to cost approximately $62.6 million, or 52.8 percent of the total CIP. The project will expand the baggage claim area and reconfigure the passenger terminal to maximize capacity for baggage and passengers. The existing three flat-plate baggage claim belts will be replaced with four sloped baggage claim belts. In addition, the center core of the passenger terminal building will be expanded on the east and west sides, and the baggage claim hall and the secure baggage drop off area will be renovated. The airline baggage offices will be relocated in order to accommodate the expansion of the baggage claim area.

The project will include expansion on the west side and the east side of the core passenger terminal building, as follows:

- The west side expansion will include:
    - Improvements to the Federal Inspection Services (FIS) facility, thereby providing a connection to the main baggage claim area through an enclosed, air-conditioned exit from the west side concourse;
    - Additional passenger circulation space;
    - A meet-and-greet area; and
    - Additional arrival curb length.
- The east side expansion will include:
    - A second exit from the east side concourse;
    - Relocation of the administration offices;
    - Relocation and expansion of concessions;
    - A meet-and-greet area;
    - New restrooms on both the departure and arrival levels;
    - Additional passenger circulation space;
    - New conference room space;
    - A new baby nursing room; and

- A new exit to include automated doors for arriving passengers moving from secure to non-secure areas of the terminal.

Table 1| BNIA FY2019-FY2023 Capital Improvement Program Costs and Funding Sources

		Funding Sources					
Capital Projects	**Total Cost**	**Series 2019 New Money Bonds [3]**	**AIP Grants [1]**	**Pay-As-You Go PFCs [2]**	**State Funding**	**BNIA Funds**	**Total**
FY 2019							
Improve Terminal, Bag Claim Expansion	$62,617,768	$60,744,852			$1,872,916		$62,617,768
Improve Terminal, Install Bridge Gate 26	$2,538,458		$1,903,844	$317,307	$317,307		$2,538,458
Snow Removal Equipment	1,975,000		1,481,250	246,875	246,875		1,975,000
Obstruction Removal Phase I	110,844		83,133	13,856	13,855		110,844
ARFF Equipment	1,000,000			1,000,000			1,000,000
Ground Power Unit Gates 2 & 21	117,000			117,000			117,000
FY 2020							
Snow Equip. Bldg. Expansion - Design	2,433,800		1,222,984	203,831	203,831	803,154	2,433,800
Snow Removal Equipment	1,080,000		810,000	135,000	135,000		1,080,000
Obstruction Removal - EA - Phase II	95,000		71,250	11,875	11,875		95,000
FY 2021							
Runway 5/23 Improvements - Design	3,000,000		2,250,000	375,000	375,000		3,000,000
Master Plan Update	1,500,000		1,125,000	187,500	187,500		1,500,000
Rehab Public Access Apron - Design	173,500		91,088	15,181	15,181	52,050	173,500
Glycol Recovery Vehicle	450,000			450,000			450,000
FY 2022							
Snow Equip. Bldg. Expansion - Constr	21,593,000		6,700,000	6,650,643	1,116,667	7,125,690	21,593,000
FY 2023							
Runway 5/23 and TW A Improvements	17,930,000		13,447,500	2,241,250	2,241,250		17,930,000
Rehab Public Access Apron - Constr.	1,471,500		772,538	128,756	128,756	441,450	1,471,500
Obstruction Removal - Phase III	500,000		375,000	62,500	62,500		500,000
TOTALS	**$118,585,870**	**$60,744,852**	**$30,333,587**	**$12,156,574**	**$6,928,513**	**$8,422,344**	**$118,585,870**

[1] AIP grants include passenger and cargo entitlement funds and discretionary funds.
[2] PFCs on a "pay-as-you-go" basis.
[3] Approximately $4.2 million of the annual debt service on the Series 2019 Bonds will be paid with PFCs.

CIP Funding Sources

The estimated funding sources for the CIP projects are the following:

- Series 2019 Bonds. The Baggage Claim Expansion project costs will be financed with a portion of the proceeds of the Series 2019A Bonds. As an approved Passenger Facility Charge (PFC) project, the NFTA plans to apply PFCs to pay the annual debt service for the Series 2019 Bonds. The financial analysis presented in Section 4 includes the projected financial effects of the estimated debt service for the Series 2019 Bonds, and the application of PFCs to the associated annual debt service requirements.

- FAA Airport Improvement Program (AIP) grants. AIP grants, which include AIP passenger and cargo entitlement funds and AIP discretionary funds, are anticipated to fund approximately $30.3 million in eligible CIP costs. AIP entitlement funds are apportioned by formula each year to individual airports or types of airports. AIP discretionary funds are awarded by the FAA based on eligible projects' priority as determined by the FAA through the application of its National Priority System (NPS). The NPS uses a combination of quantitative and qualitative factors to evaluate projects with highest priority given to projects to enhance airport safety and security.

- Pay-As-You-Go PFCs. BNIA currently collects PFCs at a level of $4.50 per enplaned passenger, with a total authorized PFC collection amount of approximately $250.8 million and an estimated charge expiration date of January 1, 2024. In addition to the PFCs planned to be applied to the annual debt service requirements of the Series 2019A Bonds (see above), the funding plan includes the application of approximately $12.2 million in PFCs to approved eligible PFC project costs, on a Pay-As-You-Go basis.
- State funding. BNIA receives funding from the State of New York for a portion of the cost of certain projects in the BNIA capital program. This state funding represents matching funds, typically for a portion of the capital costs of AIP-eligible projects not covered by the applicable AIP grant. In addition to the matching funds for AIP-eligible projects in its CIP, BNIA is receiving $1.8 million in state funds for the Baggage Claim Expansion project.
- BNIA funds. These funds are those moneys generated from BNIA operations and available after all of the BNIA financial obligations are satisfied. Such monies are deposited into the ADF (see Section 4 for the flow of funds pursuant to the Master Resolution) and may be used for BNIA capital costs. The CIP funding plan includes approximately $17.2 million in BNIA funds to be applied to CIP project costs.

SECTION 2 | ECONOMIC BASE

Demographic and economic trends drive demand for air travel, especially when traffic is nearly all O&D[1] as in the case of BNIA. Both local and national trends matter. The strength of the local economy determines local demand and contributes to the attractiveness of the local area as a business and leisure destination. National trends not only determine national demand for air travel, but they also determine local demand by their influence on local economic trends. At BNIA, trends across the Canadian border also matter because the Airport draws passengers from residents across the border. BNIA is also a popular option for U.S. residents visiting destinations across the border, particularly the Canadian side of Niagara Falls.

Air Service Area

BNIA is located in the Town of Cheektowaga, Erie County, New York, approximately 10 miles east of Buffalo's central business district and 16 miles southeast of Niagara Falls (Figure 1). It is situated along the southern border of the Town of Amherst and the Village of Williamsville, bounded by State Route 33 (Genesee Avenue), State Route 78 (Transit Road), Interstate 90 (New York State Thruway), and Cayuga Road.

BNIA's primary service area covers Erie County and Niagara County, which comprise the Buffalo-Cheektowaga-Niagara Falls, NY, Metropolitan Statistical Area (Buffalo MSA).[2] The Buffalo MSA's proximity to the Canadian border extends BNIA's service area to Southern Ontario, Canada. The Buffalo MSA is located in a bi-national urban region known as the "Golden Horseshoe" that stretches from the Greater Toronto Area, around the western end of Lake Ontario, through the Niagara Peninsula, across the Buffalo MSA and Western New York, to the Rochester metropolitan area. The airports located within the Golden Horseshoe area are shown on Figure 2. The Golden Horseshoe is home to 10 million people, making it one of the largest urban regions in the continent. The Golden Horseshoe is also one of the fastest growing major urban regions in the continent, adding more than 100,000 residents every year mostly on the Canadian side.

[1] Origin and destination (O&D) traffic consists of passengers who begin or end their flight itineraries at the airport, as contrasted to connecting passengers.

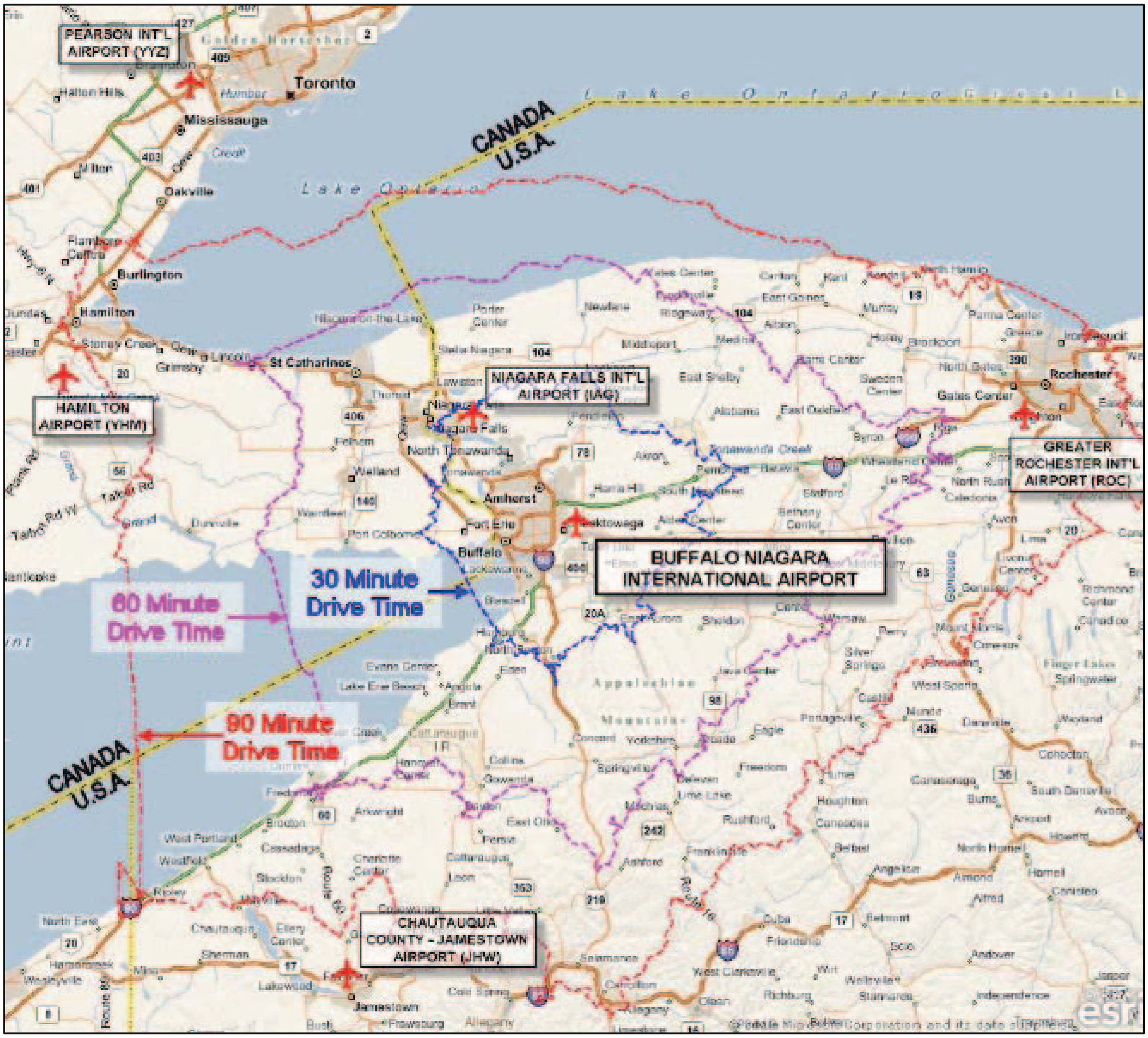
[2] Metropolitan Statistical Areas are county-based geographical divisions with a high degree of social and economic integration. MSA delineations are developed by the U.S. Office of Management and Budget (OMB) for federal data collection and analysis purposes.

Figure 1|Location of Buffalo Niagara International Airport

Source: McFarland Johnson, "Chapter 2 – Inventory," *Sustainable Master Plan Update, Final – Technical Report*, May 2013, page 2-4.

The 2013 Master Plan Update for BNIA delineates the Airport's service area by drive times of 30, 60 and 90 minutes (Figure 2).

Figure 2| BNIA Air Service Area and Other Airports Within 30-, 60- and 90-Minute Drive Times



Source: McFarland Johnson, "Chapter 2 – Inventory," *Sustainable Master Plan Update, Final – Technical Report*, May 2013, page 2-7.

The two other primary commercial service airports closest to BNIA are Niagara Falls International Airport (IAG), which is within the 30-minute drive area, and Greater Rochester International Airport (ROC), which is within the 60-minute drive area. Both airports have more limited scheduled commercial airline service than BNIA (Table 2).

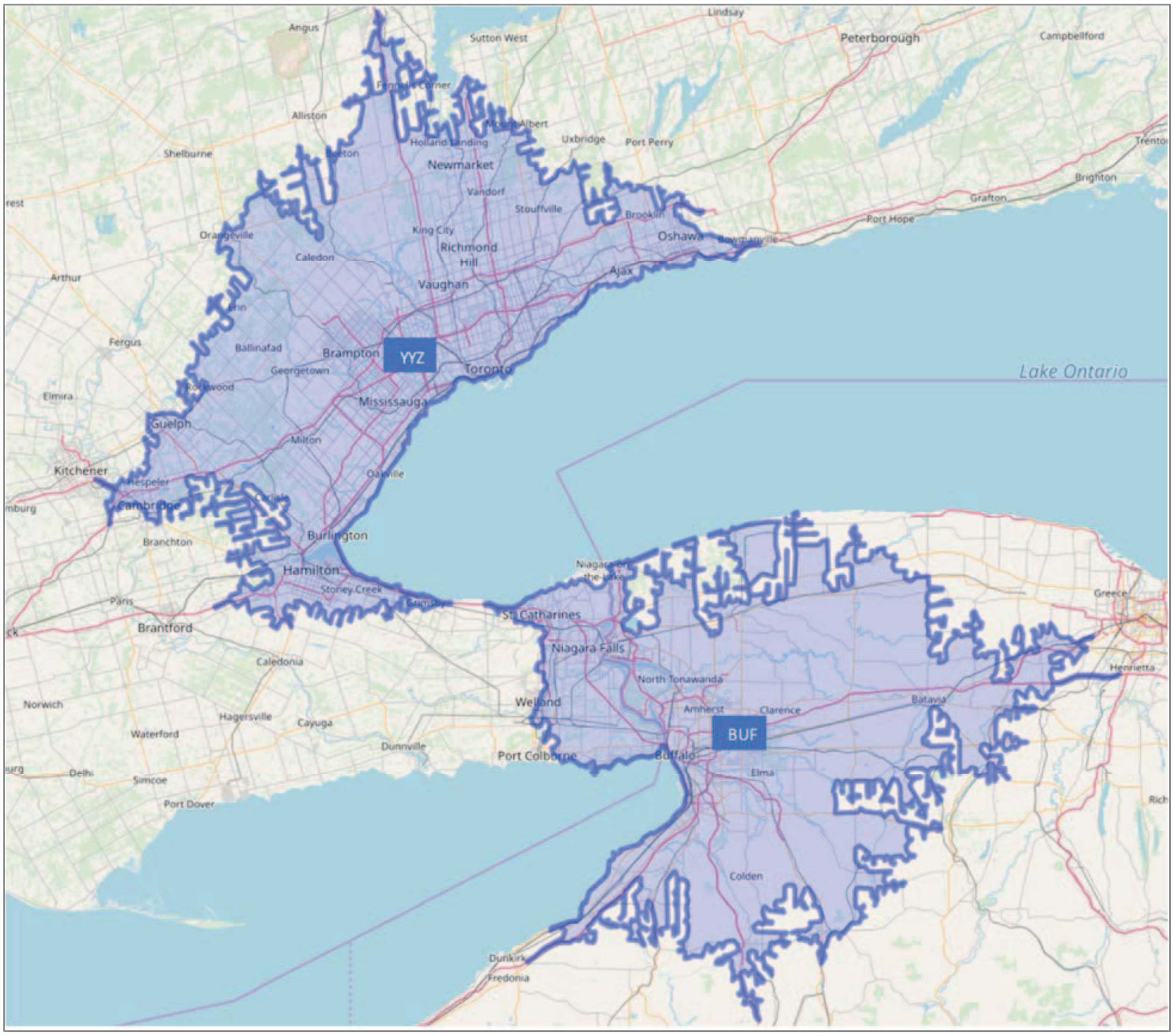
Table 2|CY2018 Scheduled Passenger Airline Service from Buffalo Niagara International Airport, Niagara Falls International Airport, and Greater Rochester International Airport

Airport	Nonstop Destinations	Flights	Seats
Buffalo Niagara	30	30,200	3,172,959
Niagara Falls	5	810	142,574
Rochester	19	19,906	1,605,961

Source: OAG Schedules Analyzer.

Just outside the 90-minute drive area are two other airports: Chautauqua County – Jamestown Airport (JHW) and Hamilton Airport (YHM) across the border. Toronto Pearson International Airport (YYZ) is about 1 hour 45 minutes northwest of BNIA, so that BNIA's and YYZ's 60-mile drive service area do not overlap (Figure 3).

Figure 3| 60-Minute Drive Areas from BNIA (BUF) and Toronto Pearson International (YYZ)



Source: Unison Consulting, Inc., using R, OpenStreetMap, and openrouteservice APIs.

Buffalo-Cheektowaga-Niagara Falls, NY, MSA

The Buffalo MSA, BNIA's primary service area, has been enjoying an economic resurgence over the past 17 years, halting a decades-long trend of decline. A $1 billion commitment of tax breaks and grants from New York State government, called the *Buffalo Billion*, and a comprehensive development plan helped spur Buffalo's economic renewal.[3, 4]

The Buffalo MSA was once a leader in America's industrial economy—a major center of heavy manufacturing and a hub for transportation and logistics.[5] It was an important economic driver not only to New York State but also to the entire country. Its early economic success was tied to the completion of the Erie Canal and the construction of the Niagara Falls hydroelectric plant in the early 1800s. Advancements in transportation technology and infrastructure shifting freight transportation from water to highway and rail, along with improvements in electricity transmission, eliminated the advantage for manufacturing to be located close to the Erie Canal and Niagara Falls. Manufacturing firms left Buffalo for warmer parts of the country, taking jobs along with them. Eventually residents left to seek opportunities elsewhere, setting Buffalo on a path of long-term population decline, which began as early as the 1950s and continued through the mid-2000s.[6]

The 2008-2009 recession (the Great Recession) presented another setback to Buffalo's economic recovery, although the Buffalo MSA's job losses from the recession were milder than the losses for the entire nation and the Buffalo MSA recovered these recession job losses faster than the nation. The area's housing market also held up well during the recession.[7]

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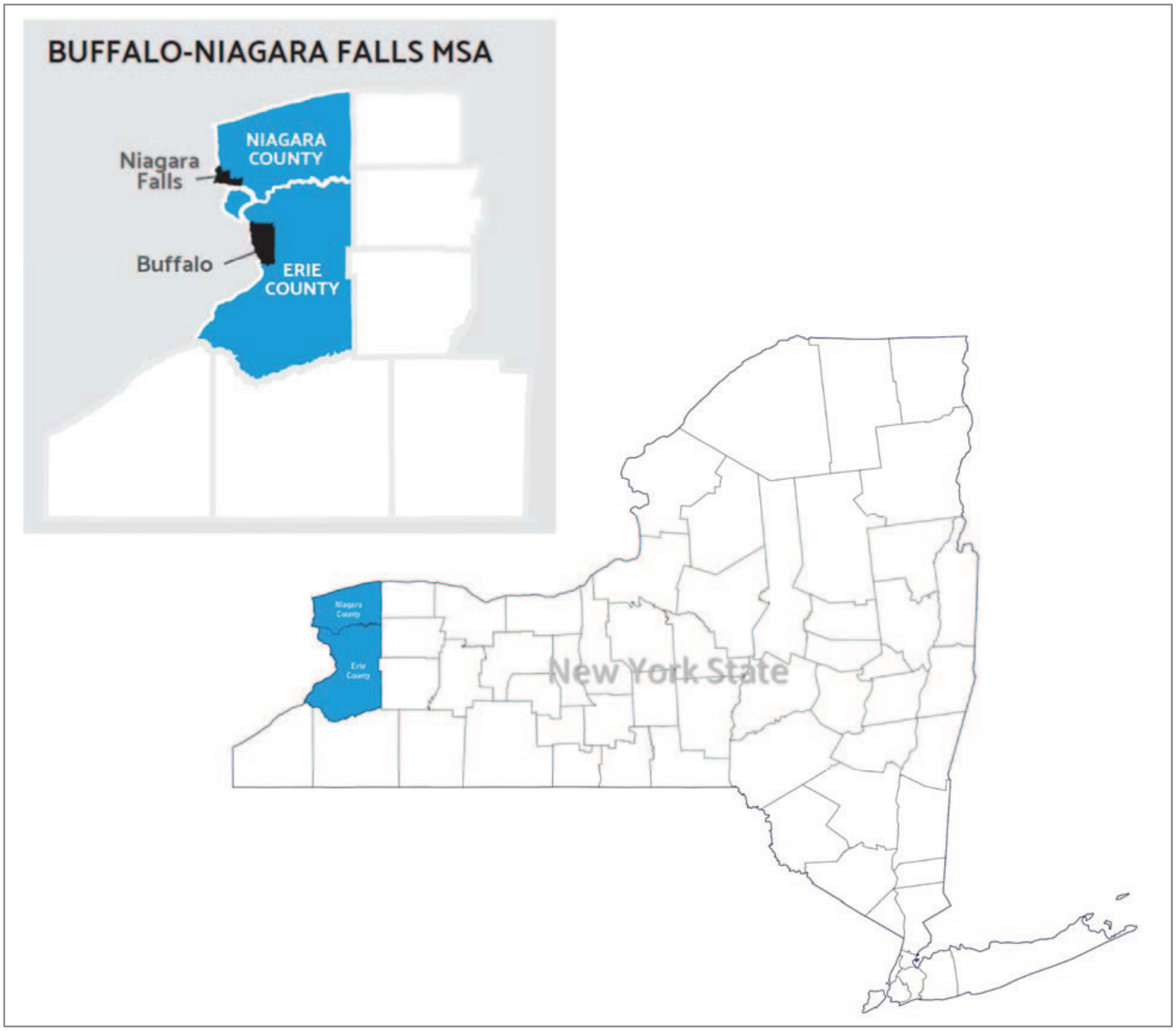
[3] Matthew Hubacher, Positive Trends for Economic Growth in Buffalo Niagara Region, March 20, 2017, accessed on October 16, 2018 at https://info.buffaloniagara.org/blog/positive-trends-for-economic-growth-in-buffalo-niagara-region.
[4] New York State Government, *Buffalo Billion*, at https://buffalobillion.ny.gov/.
[5] WNY Regional Economic Development Council, *The Buffalo Billion Investment Development Plan*, February 2013, accessed on October 16, 2018 at http://uploads.oneregionforward.org/content/ uploads/2013/06/Buffalo-Billion-Investment-Development-Plan.pdf.
[6] Edward L. Glaeser, "Can Buffalo Ever Come Back?" *City Journal*, Autumn 2007, accessed on October 16, 2018 at https://www.city-journal.org/html/can-buffalo-ever-come-back-13050.html.
[7] Federal Reserve Bank of New York, "Buffalo-Niagara Falls Metro Area," *Regional Snapshot*, accessed on October 16, 2018 at https://www.newyorkfed.org/data-and-statistics/regional-data-center/profiles/buffalo.html.

Figure 4 | The Buffalo-Cheektowaga-Niagara Falls, NY, MSA



The Buffalo MSA economy has been expanding in recent years, although its pace of growth has been slower than state and national benchmarks. Since 2009, the Buffalo MSA economy has enjoyed growth in number of business establishments, jobs, economic output, and exports.[8] In 2012, the Buffalo MSA received a pledge of $1 billion—$100 million every year for 10 years—in New York State funds to attract business investment and stimulate economic growth in the area. Community leaders worked together through the Western New York Regional Economic Development Council to develop a strategic economic renewal plan called "A Path to Renewal: The Buffalo Investment Development Plan."[9] Renewal efforts are starting to produce the desired results of attracting businesses and young people back to Buffalo.[10, 11]

Population

The long-term trend of decline in the Buffalo MSA population has abated (Figure 5). Since 2007, the metropolitan area's population has remained at just under 1.14 million. The population aged 25-34 years, however, has increased nearly 25 percent—a positive indication that the Buffalo MSA is again attracting young adults to stay or move into the area to build careers and start families. As the Buffalo MSA's population stabilized over the last nine years, population grew 2.8 percent in the entire state of New York and 6.1 percent in the entire country (Figure 6).

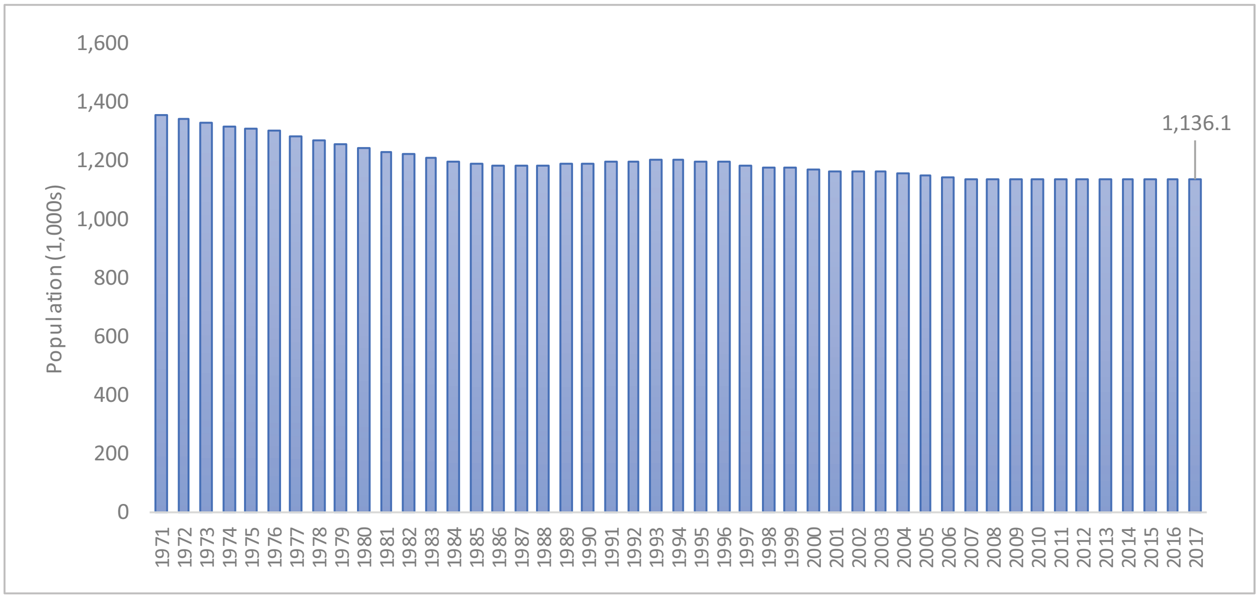
[8] University at Buffalo Regional Institute, "Who's Our Economy?" *Buffalo Niagara Labor Market Assessment*, 2017, accessed on October 16, 2018 at https://info.buffaloniagara.org/lma.

[9] WNY Regional Economic Development Council, *The Buffalo Billion Investment Development Plan*, February 2013, accessed on October 16, 2018 at http://uploads.oneregionforward.org/content/ uploads/2013/06/Buffalo-Billion-Investment-Development-Plan.pdf.

[10] U.S. Chamber of Commerce, "Buffalo and Its Remarkable Economic Resurgence," *Free Enterprise*, July 15, 2015, accessed on October 16, 2018 at https://www.freeenterprise.com/buffalo-and-its-remarkable-economic-resurgence/.

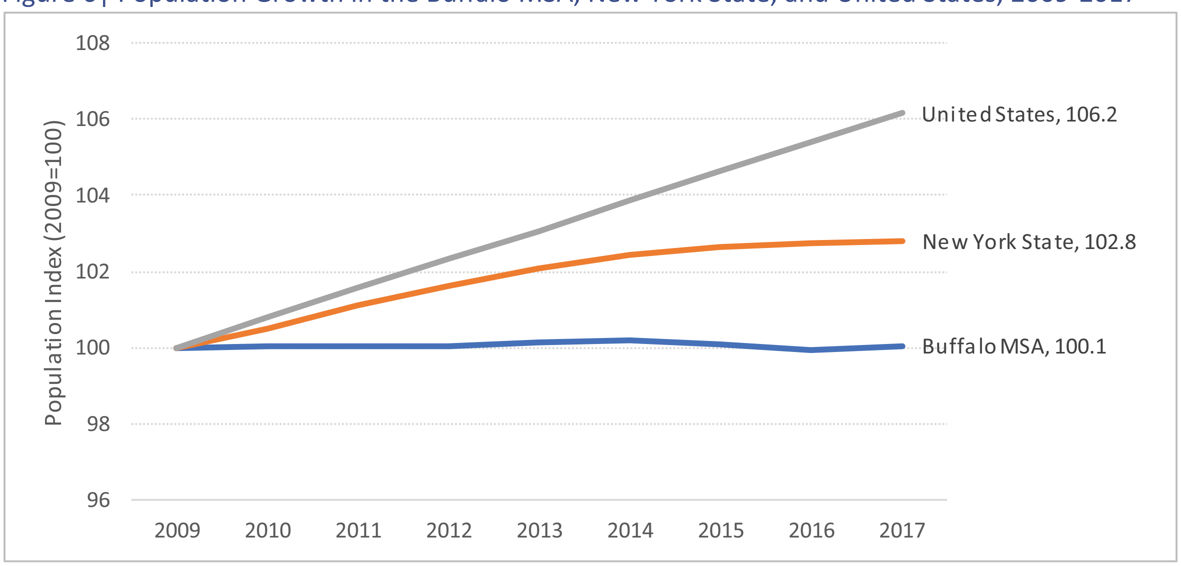
[11] Matthew Hubacher, "Positive Trends for Economic Growth in Buffalo Niagara Region," *Invest in Buffalo Niagara*, March 20, 2017, accessed on October 16, 2018 at https://info.buffaloniagara.org/blog/positive-trends-for-economic-growth-in-buffalo-niagara-region.

Figure 5|Buffalo MSA Population, 1971-2017



Source: U.S. Census Bureau mid-year population estimates.

Figure 6| Population Growth in the Buffalo MSA, New York State, and United States, 2009-2017



Source: U.S. Census Bureau mid-year population estimates.

By population, the Buffalo MSA is the second largest metropolitan area in New York State (Table 3), followed by the neighboring MSA of Rochester, NY. The tri-state MSA of New York-Newark-Jersey City, NY-NJ-PA, is the largest metropolitan area in New York State. Counting all 382 metropolitan areas in the United States, the Buffalo MSA ranked 50th by total population in 2017.

Table 3|New York State MSA Populations, 2017

New York State MSA	Population (1,000s)
New York-Newark-Jersey City, NY-NJ-PA Metro Area	20,321
Buffalo-Cheektowaga-Niagara Falls, NY Metro Area	1,137
Rochester, NY Metro Area	1,078
Albany-Schenectady-Troy, NY Metro Area	886
Syracuse, NY Metro Area	655
Utica-Rome, NY Metro Area	294
Binghamton, NY Metro Area	242
Kingston, NY Metro Area	179
Glens Falls, NY Metro Area	126
Watertown-Fort Drum, NY Metro Area	114
Ithaca, NY Metro Area	105
Elmira, NY Metro Area	86

Source: U.S. Census Bureau mid-year population estimates.

Population Education Attainment

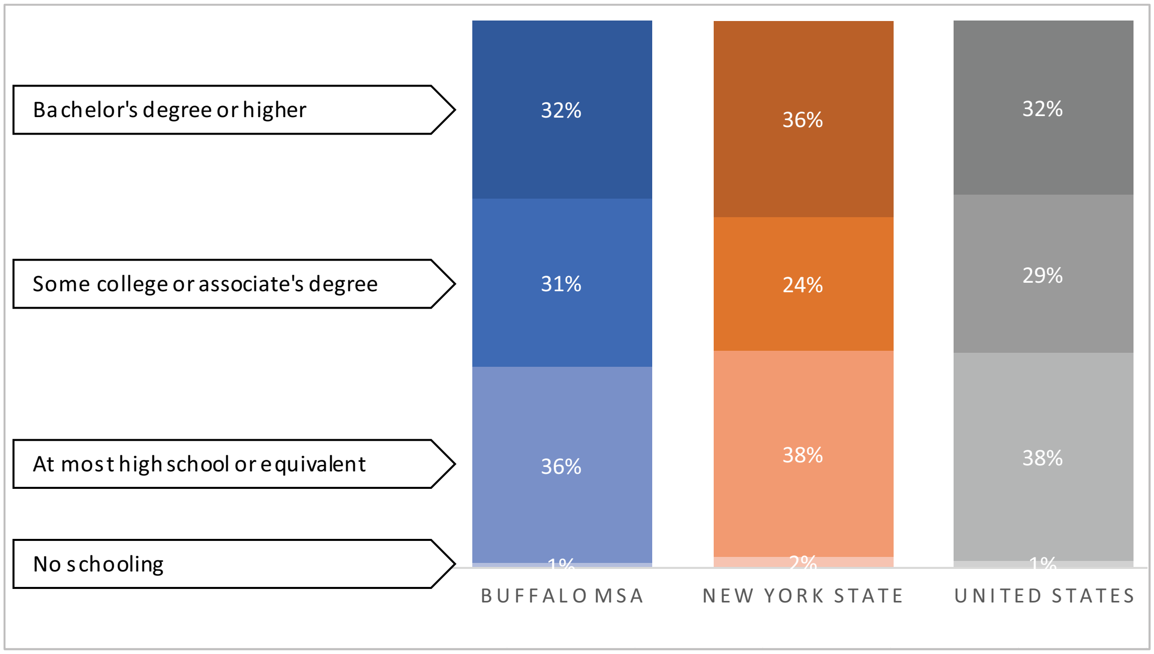
An educated population is important for long-term economic growth for many reasons. Places with a more educated workforce add jobs and population faster because they are more attractive to businesses seeking highly skilled workers. They are also more resilient to economic recessions and transformations because their educated workforce can adapt better to changes in skills required by businesses. Workers with higher education levels typically earn higher wages and receive larger wage increases than less educated workers.

Community leaders in the Buffalo MSA recognize that a successful economic renewal requires growth in knowledge-based sectors and innovation—knowledge-based service sectors account for nearly 75 percent of economic output in developed economies today. A knowledge economy requires an educated and highly skilled workforce. Today, 32 percent of the adult population in the Buffalo MSA have a bachelor's degree or higher (Figure 7). By this measure, the Buffalo MSA is on par with the U.S. average, but it falls below New York State's average. To fuel the growth of a knowledge economy, the region's community leaders have identified workforce development as one of the six high-level strategies in *The Buffalo Billion Investment Development Plan*.[12] Major colleges and universities in the region formed a consortium, branded as *WNY College Connection*, to

[12] WNY Regional Economic Development Council, *The Buffalo Billion Investment Development Plan*, February 2013.

attract students to the region, engage students in the community, and retain them after graduation.[13]

Figure 7| Population 25 Years and Older – Education Attainment in the Buffalo MSA, New York State, and the United States, 2017



Source: U.S. Census Bureau, 2017 American Community Survey.

Labor Market

The Buffalo MSA is the largest employment center in New York State outside of the New York metropolitan area. As of March 2018, 29,600 business establishments in the Buffalo MSA provided more than 535,000 jobs. As of August 2018, the Buffalo MSA's labor pool consisted of 556,000 individuals, with unemployment rate at a low percent. While *manufacturing* remains an important sector, the Buffalo MSA's economy has diversified and now closely mirrors the nation's diverse economy. A few sectors do have higher employment concentrations in the Buffalo MSA relative to national benchmarks. These sectors are *health services*, *retail*, *leisure & hospitality*, *manufacturing*, and *education*.[14] The region's economic development organizations, Invest Buffalo Niagara and the WNY Regional Economic Development Council, have identified seven target industries for expansion and investment: *advanced business services*, *advanced manufacturing*, *agribusiness*, *cleantech*, *life sciences*, *logistics*, and *tourism*.[15]

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[13] University at Buffalo Regional Institute, *Better by Degrees*, at http://regional-institute.buffalo.edu/project/better-by-degrees/.

[14] University at Buffalo Regional Institute, "Who's Our Economy?" *Buffalo Niagara Labor Market Assessment*, 2017.

[15] University at Buffalo Regional Institute, "Who's Our Economy? An Overview of Buffalo Niagara's Economy, Labor Force and Target Industries," *Buffalo Niagara Labor Market Assessment*, 2017.

Number of Business Establishments

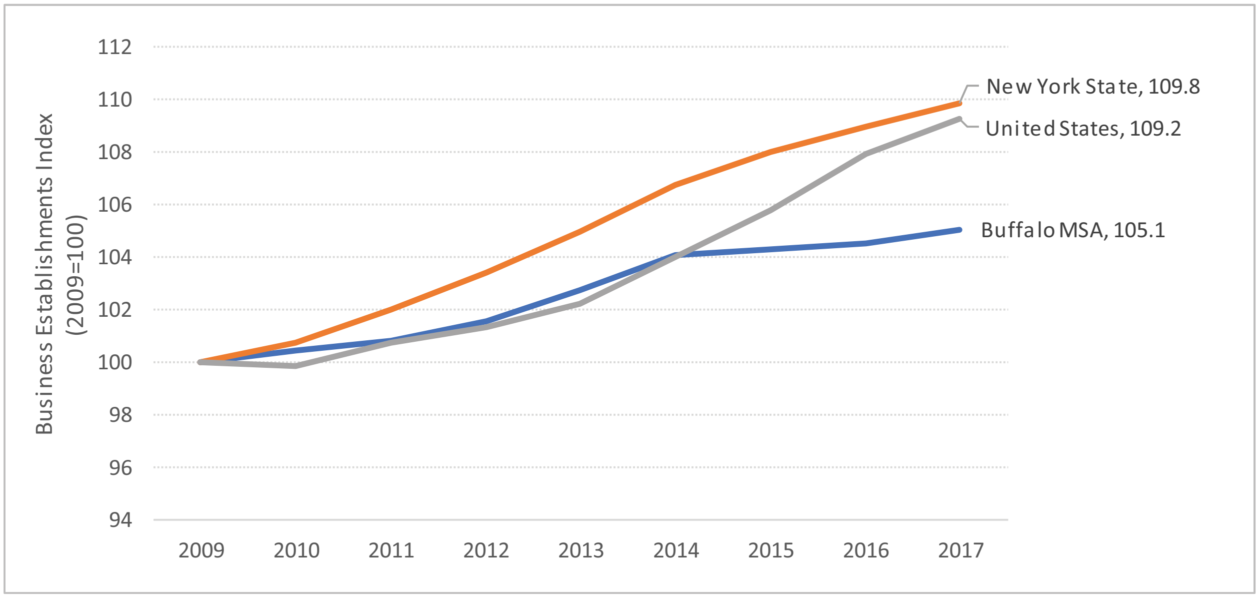
Since 2001, the Buffalo MSA has seen growth in the number of business establishments in every year, except three (2001, 2006 and 2009) (Figure 8). Growth has been steady since 2009, setting a new record for the number of business establishments each year since 2011.

Figure 8| Number of Business Establishments in the Buffalo MSA, 2001-2017

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.
Shading indicates recession periods.

The Buffalo MSA kept pace with the nation in the growth of business establishments from 2009 to 2014 (Figure 9). After 2014, the number of business establishments in the Buffalo MSA continued to increase at a slower rate. From 2009 to 2017, the number of business establishments in the Buffalo MSA increased 5.1 percent, compared with 9.2 percent in the nation and 9.8 percent in the entire state.

Figure 9|Growth in the Number of Business Establishments in the Buffalo MSA, New York State, and the United States, 2009-2017



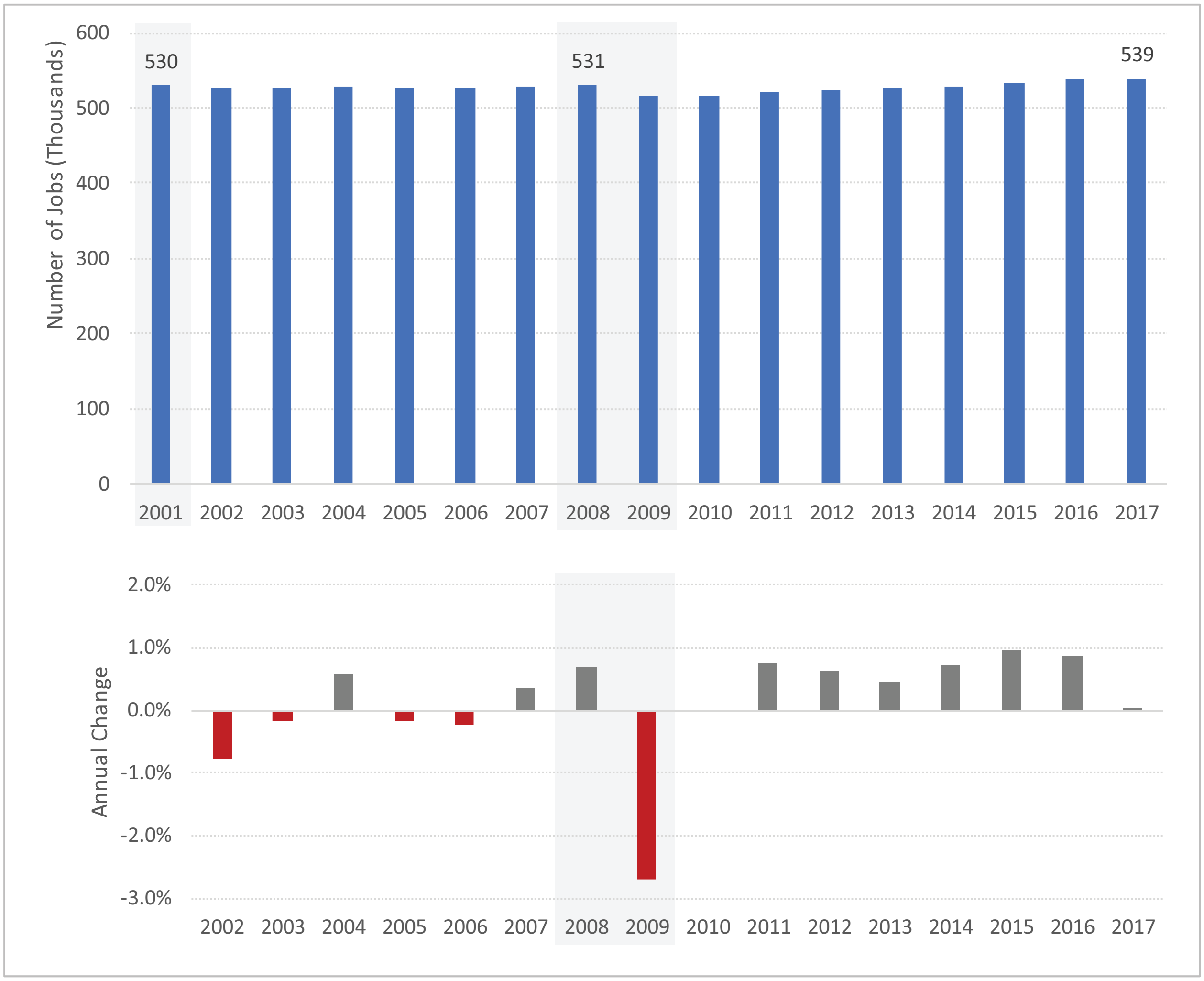
Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Job Creation

The Buffalo MSA lost jobs between 2001 and 2010. After 2010, job creation gained momentum, resulting in an increase in employment in every year through 2017 (Figure 10). In 2017, however, total employment increased only slightly from the previous year. The March 2018 preliminary estimate is lower than the 2017 average due to seasonal variation. Year-over-year, it indicates continued growth in employment.

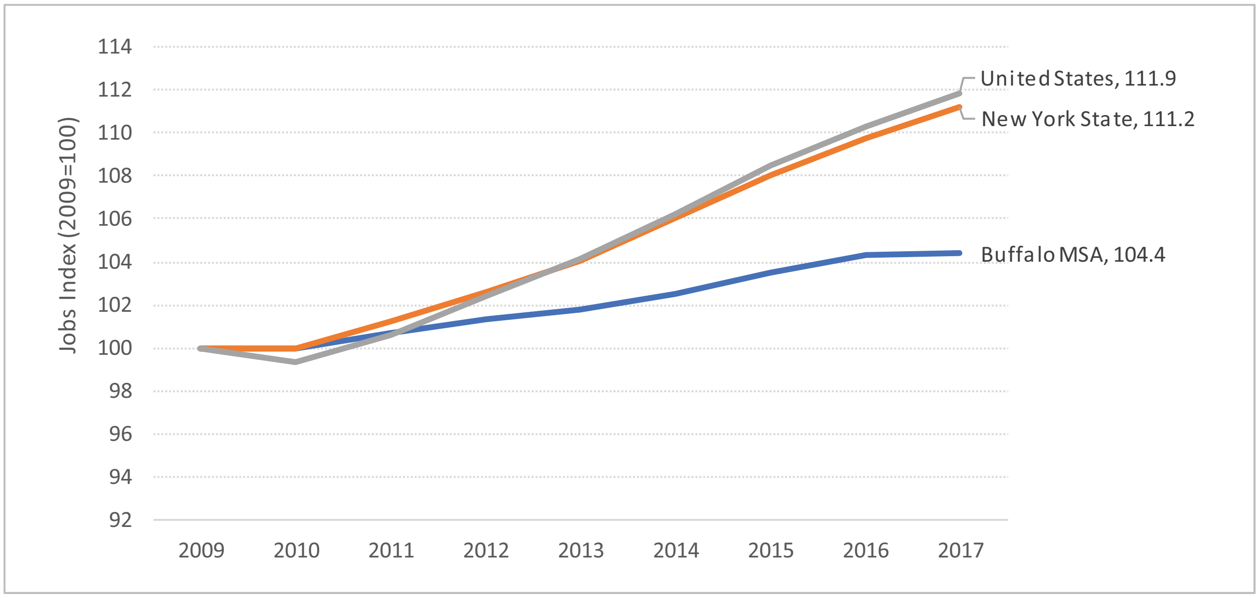
From 2009 through 2017, the Buffalo MSA achieved employment growth of 4.4 percent, lower than the state (11.2 percent) and the nation (11.9 percent) (Figure 11). But it also lost fewer jobs (-2.8 percent) from the recession than the entire state (-3.2 percent) and the nation (-5.9 percent).

Figure 10| Total Employees in All Business Establishments in the Buffalo MSA, 2001-2017



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.
Shading indicates recession periods.

Figure 11 | Job Growth in the Buffalo MSA, New York State, and the United States, 2009-2017



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Employment by Industry

Today the Buffalo MSA has a diversified economy—no longer heavily concentrated in manufacturing. The distribution of jobs by major industry sector in the Buffalo MSA closely mirrors the national distribution (Figure 152). The Buffalo MSA has higher employment concentrations in certain sectors, most notably:

- *Education & health services* (17.1 percent compared with 15.4 percent nationwide)
- *Government* (15.7 percent compared with 14.9 percent nationwide)
- *Manufacturing* (9.5 percent compared with 8.6 percent nationwide)
- *Financial Activities* (6.7 percent compared with 5.6 percent nationwide)

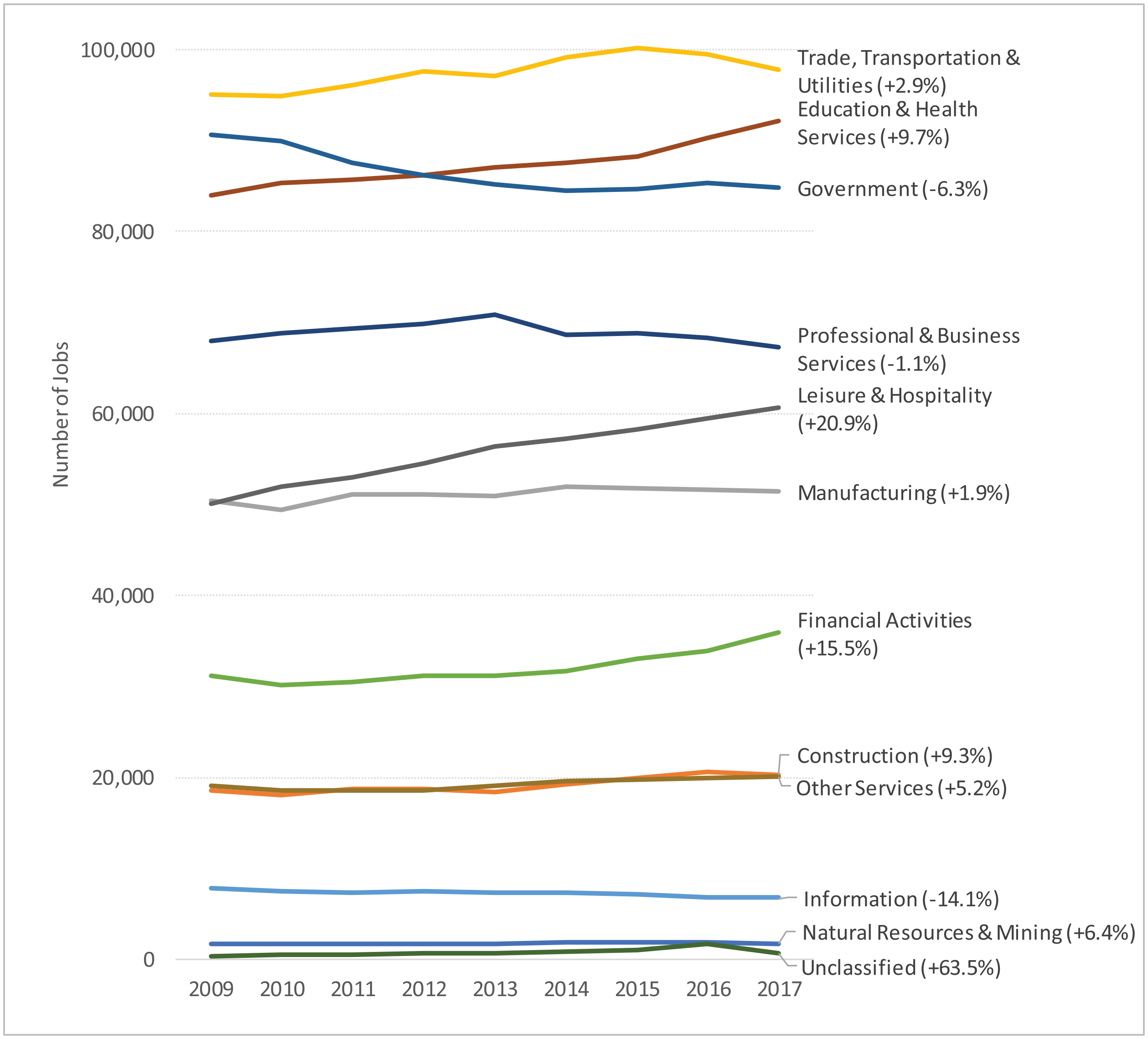
Economic diversification reduces the vulnerability of the Buffalo MSA economy to a downturn in any one industry. It also improves the resilience of the regional economy from broad-based economic recessions.

Figure 12 | Employment Distribution by Industry in the Buffalo MSA and the United States, 2017

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Job growth in the Buffalo MSA in recent years has been broad-based. From 2009 to 2017, employment in all but three major industry sectors grew (Figure 13). Excluding the group of unclassified industries, the fastest growing sectors were *leisure & hospitality*, *financial activities*, *education & health services*, and *construction*. As of 2017, the Buffalo MSA's top five employment sectors were *trade, transportation & utilities*; *education & health services*; *government*; *professional & business services*; and *leisure & hospitality*. Table 4 lists the top 10 employers in the Buffalo MSA.

Figure 13|Employment by Industry in the Buffalo MSA, 2009-2017



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.
The percentages in parentheses represent overall change in employment from 2009 to 2017.

Table 4|Top 10 Employers in the Buffalo MSA, 2017

Employer	Employees
State of New York	23,400
Federal Executive Board (United States of America)	9,000
Kaleida Health	8,113
Buffalo City Schools	7,552
Catholic Health System	7,347
M&T Bank	7,000
University at Buffalo	6,992
Tops Friendly Markets	5,423
Erie County	4,300
Seneca Gaming Corp	4,000

Sources: *Buffalo Business First*, July 28, 2017, and, City of Buffalo, *Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2017*.

Target Industries

In 2018, Invest Buffalo Niagara identified seven target industries for expansion in the Buffalo region:[16]

- Advanced business services – professional business support services in telecommunications, data processing, banking, insurance, payroll and financial.
- Advanced manufacturing – production processes that automate goods and parts production with innovative techniques facilitated through R&D and high-tech facilities.
- Agribusiness – all aspects of food and beverage production, from food processing to food and drink manufacturing and the production of machinery to support the industry.
- Cleantech – a range of industries involving green manufacturing and construction, alternative energy and renewable resources.
- Life sciences – research and development of medicine, medical equipment, and biomedical supplies that support human life.
- Logistics – businesses involved in the movement of goods, including wholesalers, warehousing, trucking and other modes of freight transportation.
- Tourism – services aimed at attracting and accommodating visitors, including gaming, recreation and entertainment, lodging, eating, and travel.

The Buffalo Niagara region has higher employment concentrations in these industries than present nationwide. The higher employment concentrations reflect the competitive advantages the Buffalo Niagara MSA offers in these industries. [17] Figure 14 lists the top employers in advanced business services, advanced manufacturing, agribusiness, and life sciences.

[16] Invest Buffalo Niagara is a privately funded, nonprofit economic development organization focused on job creation in Western New York.

[17] University at Buffalo Regional Institute, "Who's Our Economy? An Overview of Buffalo Niagara's Economy, Labor Force and Target Industries," *Buffalo Niagara Labor Market Assessment*, 2017.

Figure 14|Top Employers by Industry in the Buffalo MSA

Advanced Business Services

61,732 Jobs
(8.5% of Total Jobs)

- M&T Bank, commercial bank
- HSBC Bank, financial services
- GEICO NA, insurance services
- Citibank NA, financial services
- Ingram Micro, information technology
- BlueCross BlueShield of WNY, insurance services
- Independent Health, insurance services
- Key Bank, commercial bank
- Bank of America, financial services
- Univera, health insurer

Advanced Manufacturing

58,815 Jobs
(8.1% of Total Jobs)

- Moog, Inc., precision-control components and defense systems
- General Motors Powertrain Tonawanda Engine,car and boat engines
- GM Components Holdings, climate control and powertrain cooling systems
- Cummins, Inc., dielsel engines and engine components
- Sumitomo Rubber USA, tires
- Ford Motor Company, car part stampling and sub-assemblies
- Praxair, Inc., industrial gases
- Fisher Price/Mattel, toys
- Aurubis Buffalo, copper products

Agribusiness

11,744 Jobs
(1.6% of Total Jobs)

- Rich Products Corp, frozen food manufacturer
- Upstate Niagara Co-Op Inc., dairy production
- Fieldbrook Foods Corp, ice cream and frozen dessert manufacturer
- Steuben Foods Inc, dairy processing
- Rosina Food Products, frozen food manufacturer
- Sorrento Lactails Inc, cheese manufacturer
- Perry's Ice Cream Co Inc, ice cream and frozen dessert manufacturer
- Associated Brands, dried and dehydrated food manufacturer
- Big Heart Pet Brands, pet food manufacturer
- Bonduelle USA Inc, frozen food manufacturer

Life Sciences

10,031 Jobs
(1.3% of Total Jobs)

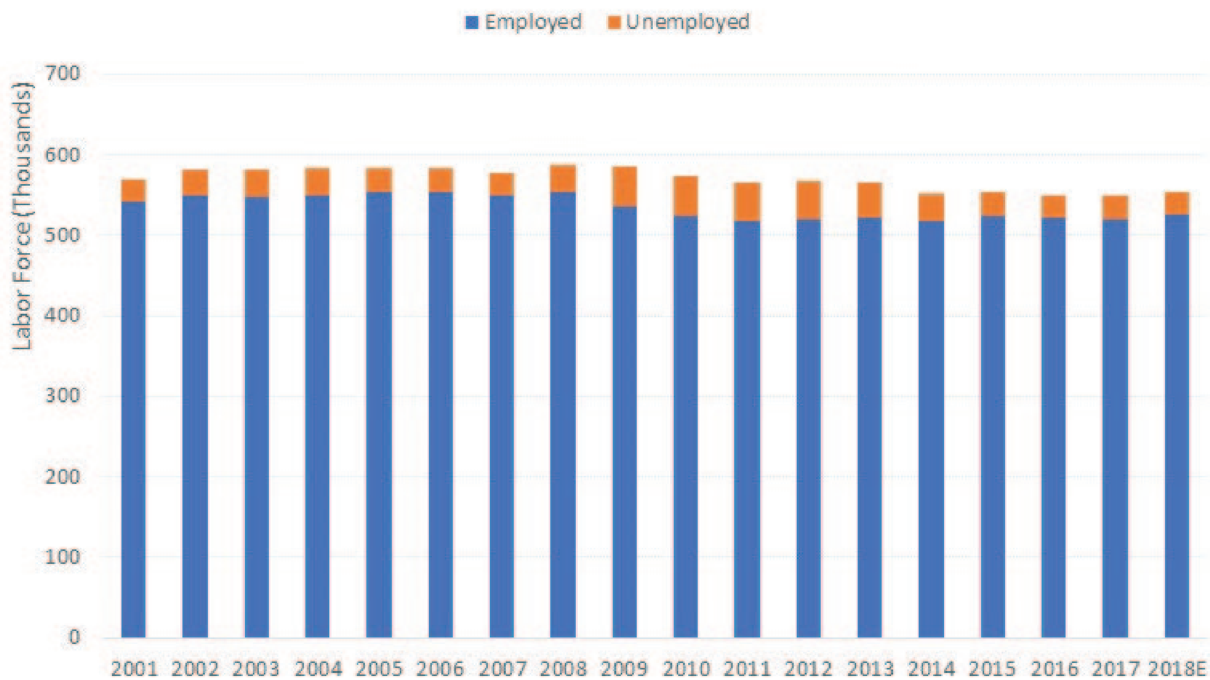
- Baxter Healthcare Corporation, medical device
- Greatbatch (Integer), medical device
- Harmac Medical Products, Inc., medical device
- Polymer Conversions, Inc., medical device
- Tapecon, Inc., medical device
- AESKU.DIAGNOSTICS, diagnostics
- ZeptoMetrix, diagnostics
- Immco Diagnostics, diagnostics
- OmniSeq, diagnostics,
- Rheonix, diagnostics
- Ceno Technologies Incorporated, therapeutics
- Cleveland BioLabs, Inc., therapeutics
- Frenesius-Kabi USA, therapeutics
- Photolitec, therapeutics
- Thermo Fisher Scientific, therapeutics

Source: Invest Buffalo Niagara, Buffalo Niagara 2018 Economic Guide, accessed on October 22, 2018 at https://info.buffaloniagara.org/economicguide.

Labor Force

The Buffalo MSA's labor force increased slightly from 2001 to 2008 (Figure 15). After 2008, however, the labor force began shrinking. Between 2009 and 2017, the labor force decreased 6.4 percent, constraining the growth in employment. Fewer people of working age (16 years and over) are working or actively looking for work. The decline in the labor force participation rate is a problem across the country, brought in part by population aging. The problem, however, is worse in the Buffalo MSA. The labor force participation rate in the Buffalo MSA is estimated at 58 percent in 2016,[18] lower than the U.S. labor participation rate of 63 percent that year.[19]

Figure 15| Labor Force Trends in the Buffalo MSA, 2001-2018

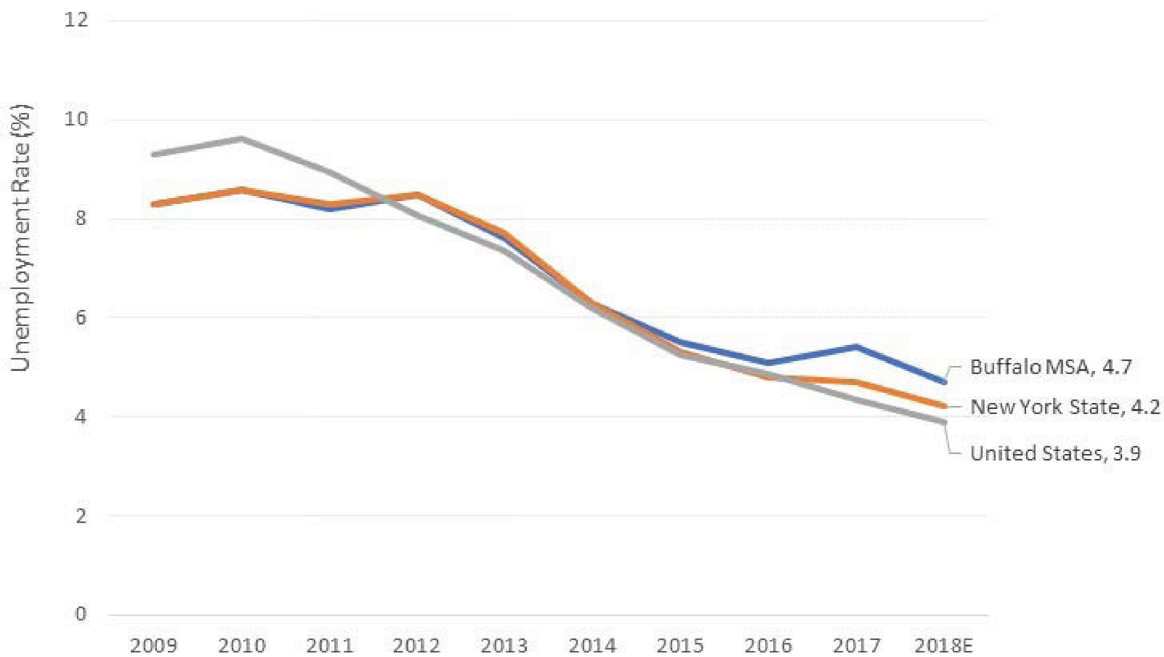


Source: U.S. Bureau of Labor Statistics.

[18] Invest Buffalo Niagara, *Buffalo Niagara 2018 Economic Guide*, accessed on October 22, 2018 at https://info.buffaloniagara.org/economicguide.
[19] U.S. Bureau of Labor Statistics.

The decrease in the labor force along with growing employment at the Buffalo MSA resulted in a decline in the unemployment rate from a high 8.6 percent in 2010 to an estimated percent in 2018 (Figure 16). The unemployment rate in the Buffalo MSA has followed state and national trends, although it has been trending higher than the state and national averages in recent years.

Figure 16| Unemployment Rates in the Buffalo MSA, New York State, and the U.S., 2009-2018



Source: U.S. Bureau of Labor Statistics.

Tourism

The Buffalo MSA is home to one of the world's premier tourist attractions, Niagara Falls, which draws over 14 million visitors annually. Niagara Falls straddles the United States and Canada, and is lined with various attractions on both sides. Nearby tourist attractions include the Erie Canal and the many vineyards and wineries on both sides of the U.S.-Canada border. Buffalo also draws visitors to its major sporting events. The NFL Buffalo Bills play at the Ralph Wilson Stadium; the NHL Buffalo Sabres play at the First Niagara Center, and the Buffalo Bisons, a AAA minor league baseball team, play at the Coca-Cola Field. Famous architectural, cultural, and historical landmarks include the Kleinhans Music Hall, Frank Lloyd Wright's Darwin D. Martin House Complex, Shea's Performing Arts Center, and Buffalo City Hall. Table 5 lists the top 10 visitor attractions in the Buffalo MSA, according to U.S. News Travel.

Table 5|Top 10 Visitor Attractions in the Buffalo MSA

Rank	Attraction
#1	Niagara Falls
#2	Forest Lawn
#3	Kleinhans Music Hall
#4	Frank Loyd Wright's Darwin D. Martin House Complex
#5	Shea's Performing Arts Center
#6	Buffalo City Hall
#7	Coca-Cola Field
#8	Key Bank Center
#9	Buffalo & Erie County Naval and Military Park
#10	New Era Field

Source: U.S. News Travel, *Best Things to Do in Buffalo*, accessed on October 22, 2018 at https://travel.usnews.com/Buffalo_NY/Things_To_Do/.

At the top of the list is Niagara Falls itself, which is a collective of three waterfalls that sit on the border of the United States and Canada. Individually, from largest to smallest, the waterfalls are known as the Horseshoe Falls, the American Falls, and the Bridal Veil falls—the largest of them, Horseshoe Falls, has a height of 57 meters (187 feet) and an average flow rate of 2,800 cubic meters per second (85,000 cubic feet per second). The city of Niagara Falls welcomes just over 12 million visitors each year, the majority of whom are Canadian, while over 3 million are from the United States, and approximately 650,000 are from overseas. In total, tourism generates almost $1.94 billion in annual revenue, across 2,501 different tourism businesses. On top of its popularity as a tourist destination, Niagara Falls also serves as a valuable generator of hydroelectric power, with five power stations placed along the Niagara River (two on the U.S. side, three on the Canadian side), the largest of which generates enough electricity to power 1.92 million homes.

Economic Output

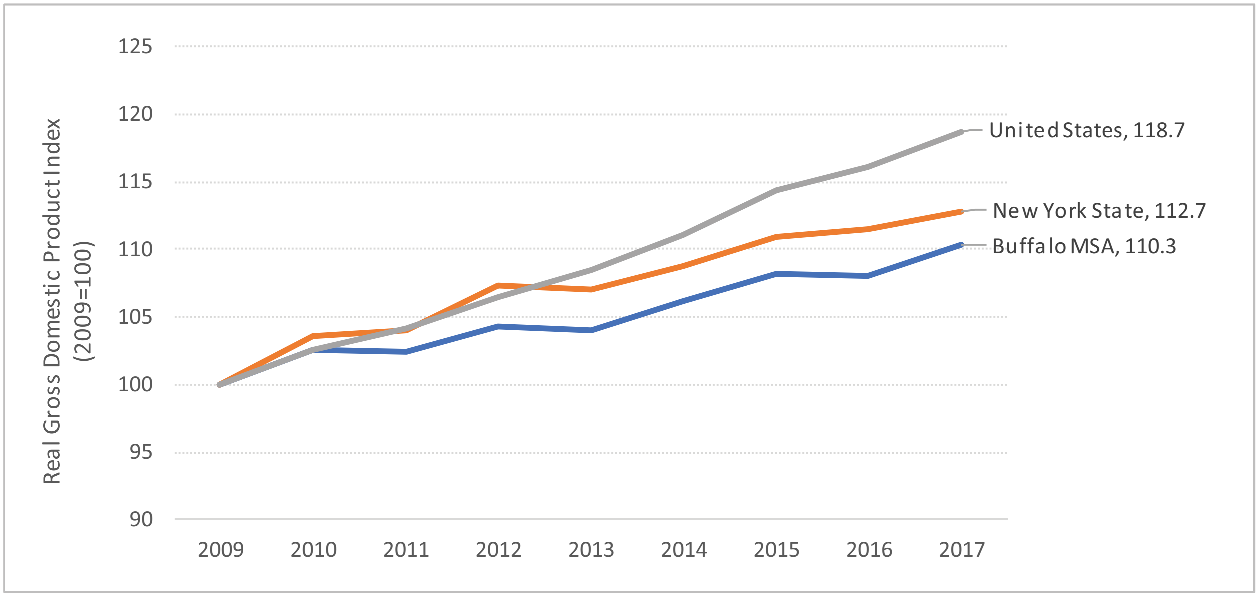
Economic trends drive Airport passenger traffic, especially at an airport like BUF that serves predominantly O&D traffic. An economic expansion increases employment and income, boosts consumer confidence and increases the demand for air travel. In contrast, an economic recession dampens business activity, causes job losses, reduces income, diminishes consumer confidence and weakens the demand for air travel.

GDP measures the value of all goods and services produced within a geographic area. Growth in inflation-adjusted (real) GDP indicates overall economic growth trends. Figure 17 tracks the overall economic trends in the Buffalo MSA in terms of real GDP. Since 2001, this measure of economic output in the Buffalo MSA has grown each year except in 2007, 2010 and 2013. The growth trends in real GDP in the Buffalo MSA have followed state trends more closely than national trends, but the Buffalo MSA lagged behind both the state and the nation (Figure 18).

Figure 17| Real Gross Metro Product in the Buffalo MSA, 2001-2017

Source: U.S. Bureau of Economic Analysis.
Shading indicates periods of economic recession.

Figure 18| Growth in Real GDP in Buffalo MSA, New York State and U.S., 2009-2017



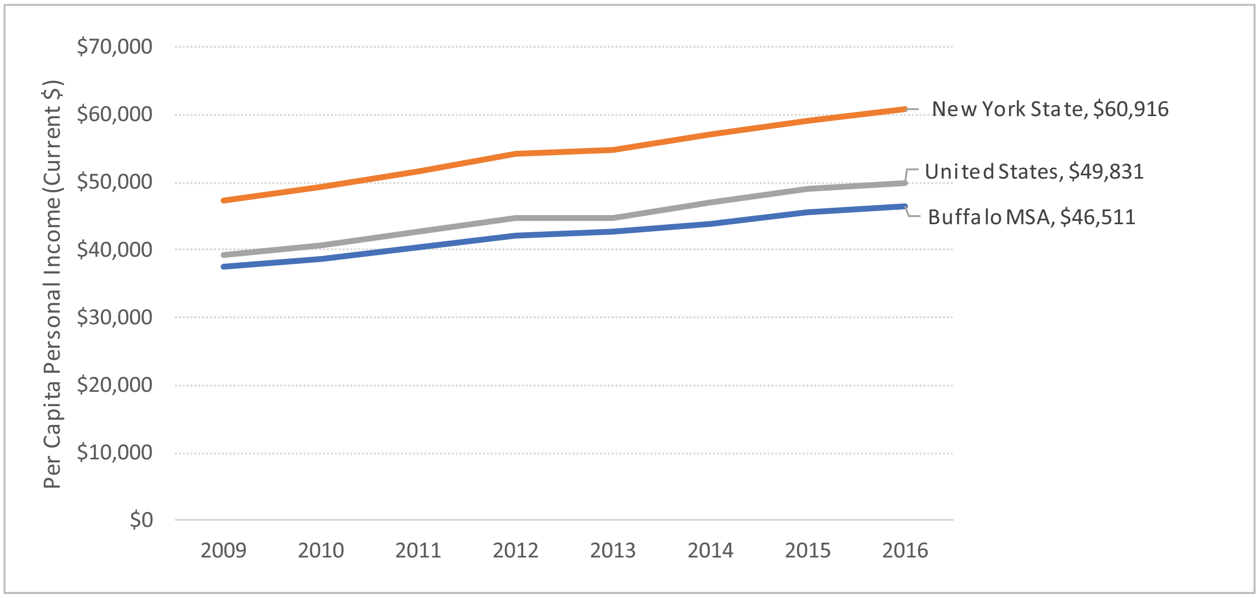
Source: U.S. Bureau of Economic Analysis.

Personal Income and Cost of Living

Personal income, a component of GDP, is another key economic indicator measuring consumers' ability to spend and build wealth. Growth in personal income boosts demand for air travel. As shown in Figure 19, per capita personal income in the Buffalo MSA has been increasing steadily since 2009—an average of 3.2 percent per year, faster than annual inflation of 1.6 percent, through 2016. The rate of growth in the Buffalo MSA, however, is slower than the state's (3.7 percent) and the nation's (3.5 percent). The Buffalo MSA has had lower per capita personal income than the state and national averages.

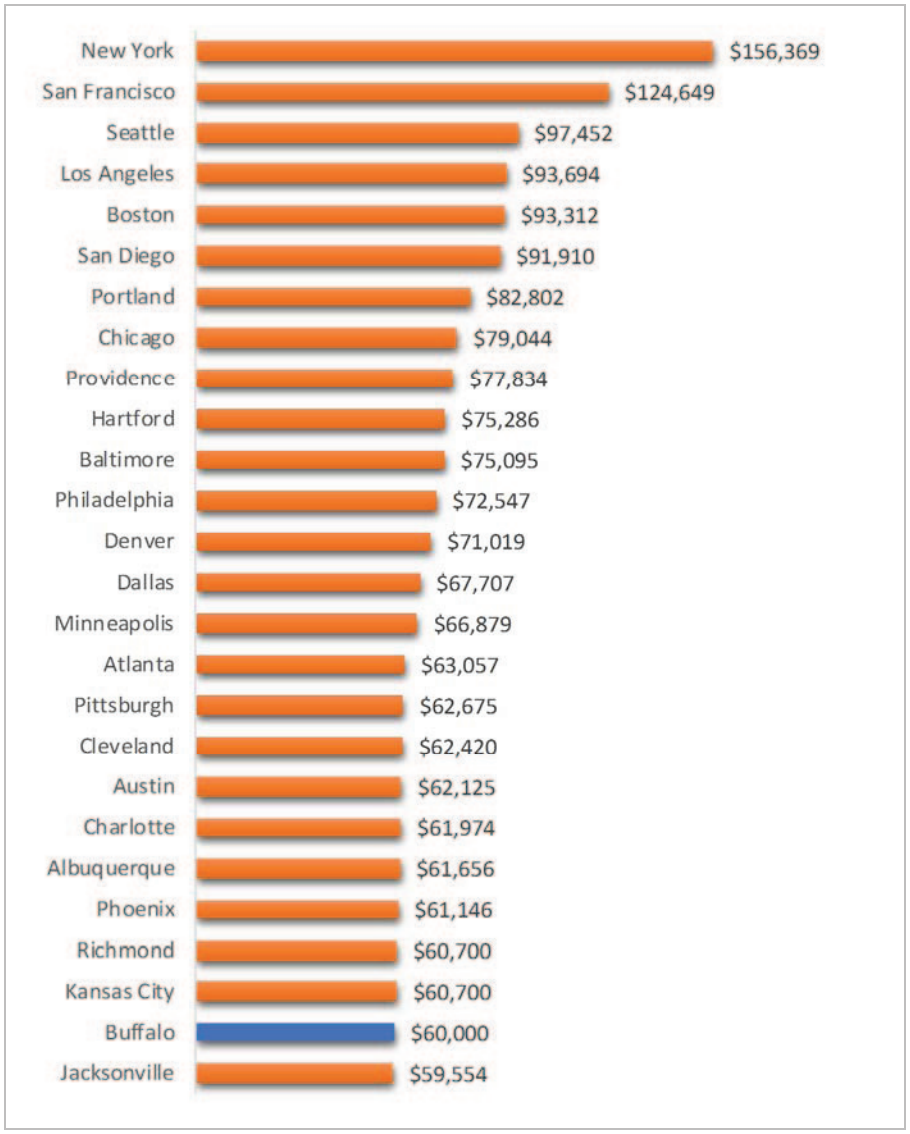
Lower cost of living makes up for lower per capita personal income in the Buffalo MSA. The cost of living is 5.2 percent lower than the national average. With the median home price at $146,200, 78.6 percent of homes are affordable to families making median income. Figure 20 shows that it would take a salary of $156,369 in the New York metro area to afford the same standard of living as someone earning $60,000 in the Buffalo MSA.

Figure 19| Per Capita Personal Income for Buffalo MSA, New York State and U.S., 2009-2016



Source: U.S. Bureau of Economic Analysis.

Figure 20|Salary Needed to Match the Living Standard of a $60,000 Earner in the Buffalo MSA



Sources: Estimates by Invest Buffalo Niagara using the Council for Community & Economic Research Cost of Living Index for 2017.

Outlook for the Buffalo MSA

The *Buffalo Billion*, a commitment of $1 billion in state funding of development initiatives in the Buffalo region, has spurred economic renewal in the Buffalo region. Phase 1 was implemented from 2012 to 2016, and Phase 2 began in 2017. The *Buffalo Billion* has funded various development initiatives and stimulated private investments. More than six years since the *Buffalo Billion* commitment was made, nearly $8 billion in construction projects have been completed or are under way in the City of Buffalo alone—more than $19.2 billion counting projects in the entire Buffalo-Niagara region.

The projects below are only a few examples of the major developments in the region:

- RiverBend – RiverBend is a 1.2 million square-feet solar panel production facility operated by Solar City that is expected to create 3,000 permanent jobs. RiverBend is the signature project funded from the *Buffalo Billion*. New York State spent $750 million on the facility, expected to generate an investment of $5 billion by SolarCity.

- Buffalo Niagara Medical Campus – The *Buffalo Billion* has also funded critical state investments at the Buffalo Niagara Medical Campus, a consortium of the region's top health care, education, and research institutions. Employment in this 120-acre site adjacent to downtown Buffalo has increased from 12,000 to 17,000 due to the completion of several major projects including the State University of New York (SUNY) at Buffalo's $375 million new medical school, the Kaleida Health's $270 million Women & Children's Hospital, the $50 million expansion of the Roswell Park Cancer Institute, and the $291 million Gates Vascular Institute.

- Education – SUNY at Buffalo, the largest campus in the SUNY system, leads growth in the education sector with its *UB2020* plan, a comprehensive growth strategy to increase jobs, enrollment, and research funding at the university. *UB2020* is expected to create more than 1,000 jobs at the university, 2,000 private-sector research jobs, and 1,600 construction jobs. SUNY at Buffalo's $375 million new medical school is part of *UB2020*.

- Waterfront Development – Public investment has also been directed to parks and amenities along the Lake Erie shoreline to spur private development. The centerpiece of waterfront development is the Canalside, a year-round destination on the southern edge of downtown Buffalo. The Canalside development includes a central wharf, a navigable commercial slip, the excavation of historic streets and buildings, a pedestrian bridge, a new building housing a restaurant and a museum, an amphitheater, a public park, and the $30 million renovation of the Donovan State Office Building into One Canalside housing office spaces, retail shops and a 96-room Marriott Hotel. The Canalside development has led to more than $500 million in private commercial and residential developments in surrounding areas.

- Niagara Falls State Park – The City of Niagara Falls has seen $400 million in investments to the Niagara Falls State Park, its downtown, and infrastructure connecting the city to the waterfront. Tourism is important to the region's economy, and the Niagara Falls State Park is the main attraction that brings tourists into the region.

- Workforce Training – Millions have been committed to workforce training and development, including $44 million for the Northland Workforce Training Center, $3.2 million for the Burgard High School Advanced Manufacturing Program, and $10 million for the Western New York Workforce Development Challenge.

The *Buffalo Billion* initiative has entered its second phase and promises to continue the economic growth momentum resulting from the first phase. Table 6 lists the development initiatives under the second phase. All these investments contribute to building the foundation for a sustainable economic future for the Buffalo region.[20, 21, 22]

Table 6 | Buffalo Billion Phase 2 Development Initiatives

Revitalization & Smart Growth	
East Side Revitalization	$60M
Scajaquada Boulevard	$30M
The Buffalo Blueway	$10M
Outer Harbor Phase II	$15M
The Erie Street Waterfront	$10M
DL&W Canalside-Cobblestone	$20M
Light Rail Extension	$5M
Buffalo Train Station	$25M
Better Buffalo Fund Phase II	$10M
Bethlehem Steel Site Redevelopment	$10M
Downtown Revitalization Initiative	$20M
Innovation & Entrepreneurship	
43North Phase II	$25M
The Innovation Hub	$40M
Workforce	
Workforce Development Fund	$10M
Say Yes Buffalo	$10M

Advanced Manufacturing	
Strategic Investments & Incentives	$15M
Buffalo Manufacturing Works Phase	$35M
Tourism	
Strategic Investments & Incentives	$10M
Niagara Falls Redevelopment	$25M
Frank Lloyd Wright's Legacy	$10M
National Comedy Center	$5M
Visitor Welcome Center	$20M
Marketing Buffalo Niagara	$5M
Health | Life Sciences	
Strategic Investments & Incentives	$10M
University at Buffalo Jacobs School of Medicine and Biomedical Sciences	$20M
Regional Economic Development Council Award	$70M

Source: Western New York Regional Economic Development Council, *Buffalo Niagara's Strategic Plan for Prosperity*, January 2017.

Moody's Analytics, an independent economic forecasting firm, predicts continued growth at modest rates in the Buffalo MSA: average annual growth rates of 0.2 percent in non-farm employment, 0.9 percent in total personal income (before inflation), and 1.2 percent in gross metro product (after inflation), over the next 10 years.[23]

Outlook for the National Economy

The national economy is a major driver of the MSA's economy and of passenger traffic at the Airport. Continued growth in the U.S. economy would bring continued growth in the MSA's economy. In the same way, risks facing the national economy would also hamper growth in MSA's

20 City of Buffalo, *Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2017*.

21 Western New York Regional Economic Development Council, *Buffalo Niagara's Strategic Plan for Prosperity*, January 2017.

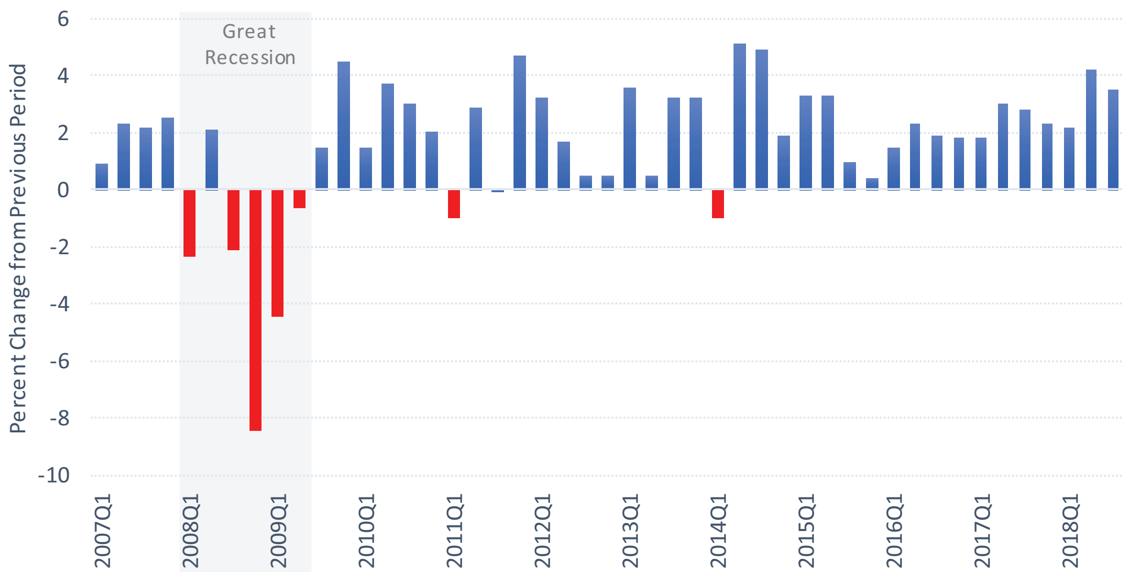
22 New York State Government, *Buffalo Billion*, at https://buffalobillion.ny.gov/workforce-development.

23 Moody's Analytics' economic forecasts for the Buffalo MSA as of September 25, 2018.

economy. The U.S. economy grew strongly in 2018, after years of slow and uneven recovery from the Great Recession. The current U.S. economic expansion is now on its 10th year; it has the potential to outlast the 1990s' record 10-year economic expansion, barring major economic shocks. The rate of growth, however, is expected to slow in 2019, in part because the fiscal stimulus from tax cuts is set to wane.

Figure 21 shows quarterly changes in U.S. economic output, measured by the U.S. real GDP, from the first quarter of 2007 to the third quarter of 2018. Quarterly real GDP growth has averaged 2.2 percent since the current economic expansion began in the third quarter of 2009. Through the third quarter of 2018, the U.S. economy had grown steadily for 18 consecutive quarters.

Figure 21| U.S. Real GDP Trends

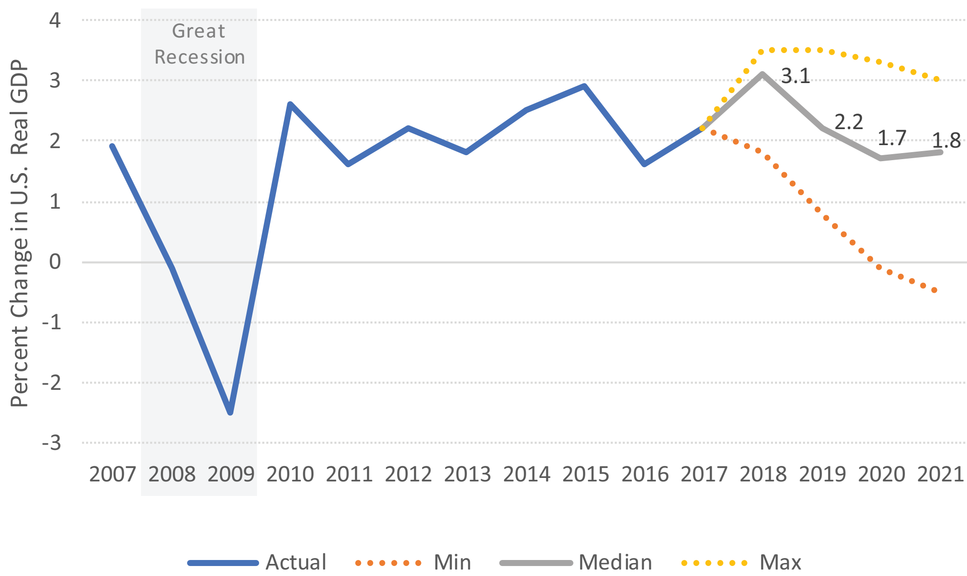


Source: U.S. Bureau of Economic Analysis.

The U.S. economy is enjoying low unemployment, modest inflation, relatively low levels of consumer debt, strong corporate balance sheets, improving corporate profits, an improving but volatile stock market, and a global economic expansion. In 2018, the U.S. economy grew 2.2 percent in the first quarter, 4.1 percent in the second quarter, and 3.5 percent in the third quarter. The Wall Street Journal January 2019 economic forecasting survey provided median predictions for U.S. real GDP growth of 2.6 percent for the fourth quarter of 2018, 3.0 percent for the entire year in 2018, 2.2 percent in 2019, 1.7 percent in 2020, and 1.8 percent in 2021. Figure 22 shows the full ranges of U.S. real GDP annual growth forecasts through 2021.

The January 2019 WSJ economic forecasting survey reports that the recession probability estimates for the next 12 months, based on input from 67 economists, range from zero to 60 percent, with a median of 25 percent. Risk factors include significant economic policy changes, high level of U.S. government and private debt, tightening monetary policy, weakening housing market, adverse effects of rising oil prices on the U.S. energy and manufacturing sectors, international trade tensions, slowing global economic growth, and continuing political tensions abroad.

Figure 22| U.S. Real GDP Growth Forecasts



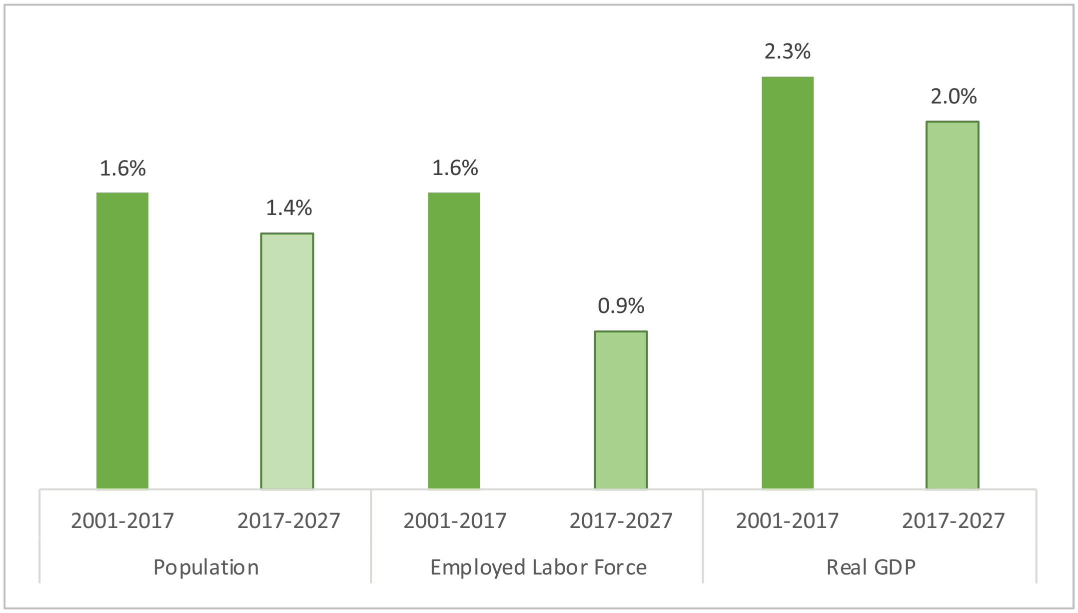
Sources: U.S. Bureau of Economic Analysis for historical data and the Wall Street Journal January 2019 Economic Forecasting Survey.

Outlook for Southern Ontario, Canada

Developments across the border will have an increasing impact on the Buffalo MSA and BNIA—Canadians make up 43 percent of BNIA passengers who live in the Airport's air service area. The expansion of the Peace Bridge Plaza was completed in 2016, speeding up border crossings and easing congestion on the bridge. This encourages border crossings not only for air travel at BNIA, but also for shopping. Buffalo's retail sector continued to enjoy robust growth following the Great Recession when retail sales weakened across the country.

Southern Ontario has been growing at a faster pace than the Buffalo region (Figure 23). Measured for the Toronto Census Metropolitan Area, population has grown at an average annual rate of 1.6 percent since 2001 and is projected to continue growing at an average annual rate of 1.4 percent over the next 10 years. Employed labor force has grown at an average annual rate of 1.6 percent since 2001 and is projected to continue growing at an average annual rate of 0.9 percent over the next 10 years. The gross metro product has grown at an average annual rate of 2.3 percent since 2001 and is projected to continue growing at an average annual rate of 2.0 percent over the next 10 years.

Figure 23| Historical and Forecast Annual Growth Rates in Key Socio-Economic Indicators for the Toronto Metropolitan Area



Source: Moody's Analytics' baseline forecast as of October 2018.

Summary

Demographic and economic trends are important drivers of air travel demand. This section explored relevant trends in the Buffalo MSA, the United States, and Southern Ontario, as the trends in all these geographic areas influence aviation activity at BNIA.

The Buffalo MSA is the primary air service area for BNIA. The Buffalo MSA has been enjoying an economic resurgence spurred by the *Buffalo Billion*, a $1 billion commitment in tax breaks and grants from the New York State government, and a comprehensive economic development plan. The Buffalo MSA's population has levelled off after decades of decline. Since 2009, the number of business establishments and the number of jobs in the Buffalo MSA have been rising, and the unemployment rate has been falling. The Buffalo MSA economy continues to diversify, reducing its vulnerability to a downturn in any particular industry and improving its resilience from broad-based national economic recessions. The *Buffalo Billion*, now on its second phase, has spurred public and private investments toward building the foundation for sustained economic growth in the Buffalo MSA.

The U.S. economy, a major driver of both the Buffalo MSA and air traffic at BNIA, continues to expand, after years of slow and uneven recovery from the 2008-2009 recession (the Great Recession). The current U.S. economic expansion, now on its 10th year, has the potential to outlast the 1990s' record 10-year economic expansion, barring any major economic shock. As the U.S. economic expansion continues, however, recession fears are also growing. The probability of the U.S. economy going into a recession over the next 12 months remains low, although it has been rising in recent months. Risk factors include significant economic policy changes, high level of U.S. government and private debt, tightening monetary policy, weakening housing market, adverse effects of rising oil prices on the U.S. energy and manufacturing sectors, international trade tensions, slowing global economic growth, and continuing political tensions abroad.

The Buffalo MSA economy is closely linked to its neighboring metropolitan area across the border. Canadians from Southern Ontario make up 40 percent of passengers using BNIA. Southern Ontario has been growing at a faster pace than the Buffalo MSA, in population, employment, and economic output—a trend likely to continue in the future.

SECTION 3| AVIATION ACTIVITY

This section presents forecasts of commercial aviation activity, which serve as an important input to the financial feasibility analysis. The discussion in this section is organized into three topics:

- Historical trends in aviation activity – How the Airport's commercial aviation activity has performed over time, what market factors and industry developments explain observed trends, and how the trends at the Airport compare with national trends and trends at other comparable airports.
- Forecast development – Methodology, assumptions, and forecasts for fiscal years (FYs) 2019-2029.
- Forecast uncertainty and risk factors – Broader factors affecting the aviation industry and the Airport that bring risk and uncertainty into the forecasts.

Historical Trends in Commercial Aviation Activity at the Airport

BNIA is classified as a medium hub commercial service airport by the Federal Aviation Administration (FAA). A medium hub is defined as an airport enplaning at least 0.25 percent but less than 1 percent of total U.S. enplanements. In FY2018, the Airport enplaned 2.4 million passengers, representing 0.25 percent of total U.S. enplanements that year. According to calendar year (CY) 2017 airport traffic data compiled by the Airports Council International-North America (ACI-NA), BNIA is the 58th largest airport in the United States by total passenger traffic, the 106th busiest by total aircraft operations, and the 77th largest airport for air cargo by cargo tonnage.

As of December 2018, six U.S. passenger carriers and three all-cargo carriers provide scheduled air service at BNIA (Table 7). The passenger carriers currently fly nonstop from BNIA to 26 airports in the United States (Figure 24).

Table 7| Commercial Airlines Providing Scheduled Service at BNIA as of October 2018

Passenger Carriers	All-Cargo Carriers
American Airlines[1]	**AmeriFlight**
Delta Air Lines[2]	**FedEx Express**
Frontier Airlines	**Mountain Air Cargo**
JetBlue Airways	**UPS Airlines**
Southwest Airlines	**Wiggins**
United Airlines[3]	

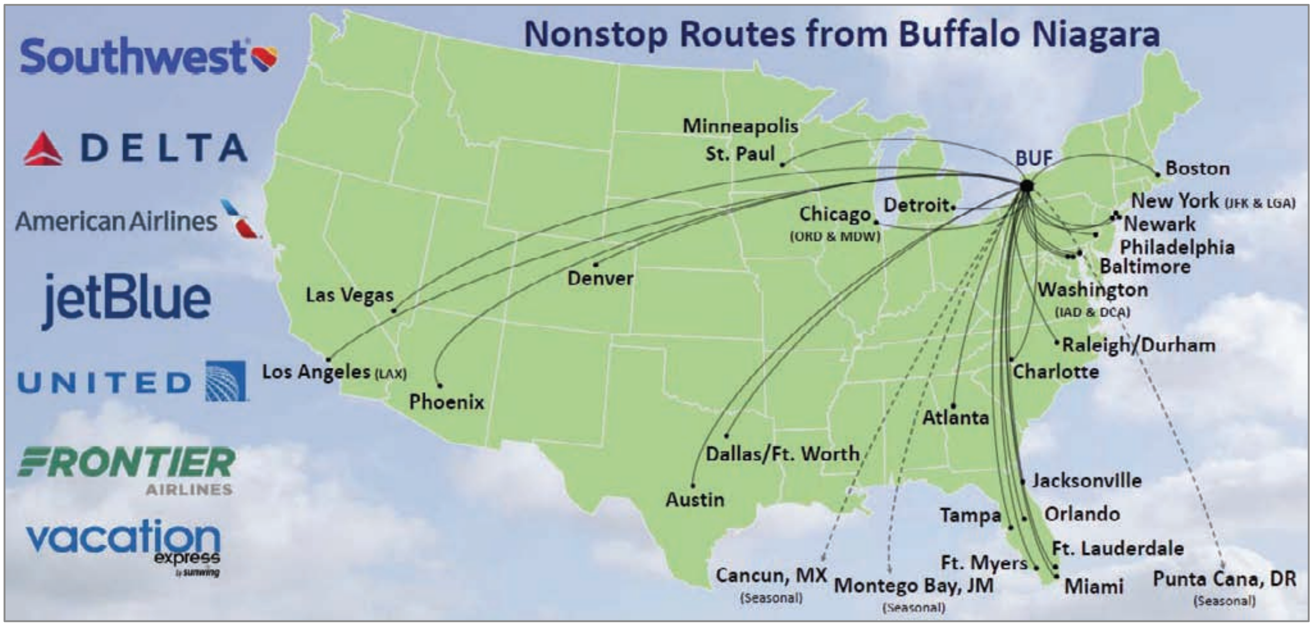
Sources: The Authority and OAG Schedules Analyzer.

[1] Some of American Airlines' flights are operated by regional affiliates: Air Wisconsin, Envoy Air, Piedmont Airlines, PSA Airlines, Republic Airline, SkyWest Airlines, and Trans States Airlines.

[2] Some of Delta Air Lines' flights are operated by regional affiliates: Endeavor Air, ExpressJet Airlines, GoJet Airlines, Republic Airline, and SkyWest Airlines.

[3] Some of United Airlines' flights are operated by regional affiliates: Air Wisconsin, CommutAir, ExpressJet Airline, Mesa Airlines, Republic Airline, SkyWest Airlines, and Trans States Airlines.

Figure 24| BNIA Nonstop Passenger Service Destinations, as of December 2018



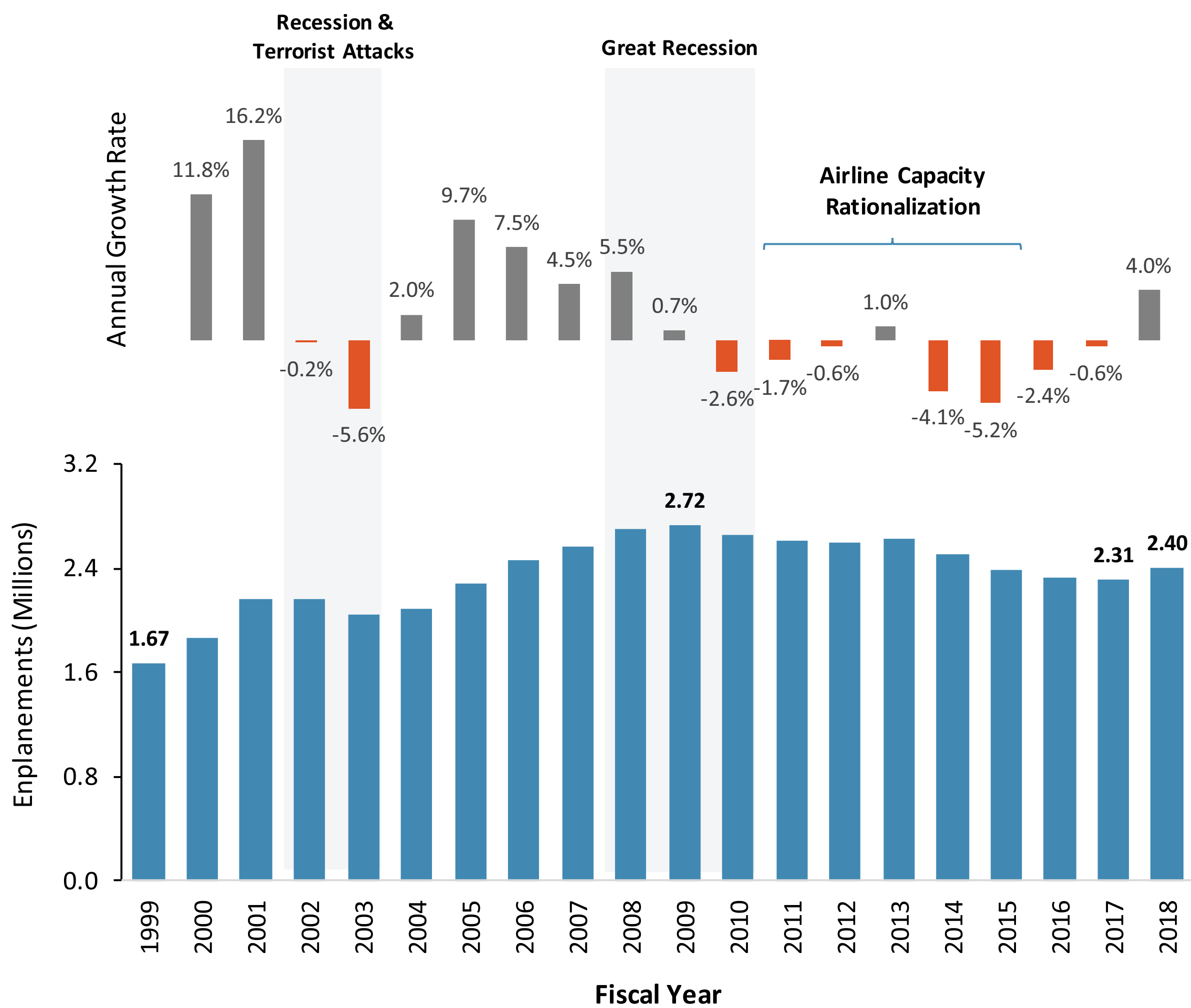
Source: The Authority.

Long-Term Enplanement Trends

BNIA enjoyed a strong 4 percent growth in enplanements in FY2018, ending four consecutive years of decreases in enplanements. FY2019 promises even stronger growth—through November enplanements increased 7.4 percent over the same period in FY2018. These positive trends can be attributed to improving national and regional economic conditions, and growing airline capacity. Helped by relatively stable fuel prices, airlines have been earning profits in recent years, which has allowed them to renew their fleets with larger aircraft for increased scheduled capacity.

The recent uptrend in BNIA's passenger traffic ends a long-term trend of decline that began towards the end of the Great Recession in FY2010 (Figure 25). The Airport's enplanements reached their highest level at 2.72 million the previous year (FY2009). Passenger traffic recovery was set back many times by various events affecting the Airport's service area and the U.S. aviation industry. Enplanement growth in FY2018 (almost 4 percent, from 2.31 million in FY2017 to 2.40 million in FY2018) and year-to-date FY2019 trends (7.4 percent growth through November) suggest that enplanements are on track to return to their pre-recession levels in the near term.

Figure 25| BNIA Annual Enplanement Trends, FY1999-2018



Source: The Authority.

Events Affecting the U.S. Aviation Industry

Since 2001 the U.S. aviation industry faced many adverse events that prompted structural changes in the air travel market and airline industry.

In 2001 a recession ended the long-running U.S. economic expansion from the early 1990s. The recession was brief, lasting from March to November 2001, but during the recession, the U.S. aviation industry faced terrorist attacks on September 11, 2001 and their aftermath. The terrorist attacks caused an already weak air travel demand to fall sharply. The U.S. airline industry suffered financial losses, especially American Airlines and United Airlines. After the terrorist attacks, airports tightened security screening, resulting in longer wait times and changes in air travel behavior.

Meanwhile, jet fuel cost per gallon quadrupled from 2000 to 2008, remaining at record high levels through 2014. Amid record fuel prices, the U.S. economy entered the Great Recession from

December 2007 to June 2009. The Great Recession weakened demand for domestic and international passenger and cargo air services. The Great Recession holds the record for the longest and deepest recession since the Great Depression. The recovery from this recession was also the slowest of all recoveries from previous recessions since the Great Depression.

Facing weak air travel demand and high fuel prices, airlines responded with cuts in domestic seat capacity, increases in load factors, retirement of old aircraft, addition of seats to existing aircraft, changes in route networks, pricing changes, and various other cost-cutting measures. The cuts in domestic seat capacity—approximately 20 percent between 2005 and 2014—fell disproportionately on small and medium hubs like BNIA.

Mounting financial difficulties led to airline bankruptcies, mergers, business restructuring, and network consolidations. Today the U.S. airline industry is left with four major airlines controlling 80 percent of the U.S. domestic passenger traffic.

Many of these events have had adverse effects on BNIA. After the Great Recession ended, BNIA continued to face cuts in airlines' schedules due to capacity rationalization. Weak demand and airline capacity cuts combined to keep BNIA's passenger traffic on a downward trend through recent years.

In 2010 the U.S. airline industry as a whole began see net profits. In late 2014, jet fuel prices began falling along with world oil prices, returning to mid-2000s' levels. The sharp decrease in fuel costs greatly improved financial results for airlines. U.S. airlines began renewing their fleets and increasing their flight schedules, while maintaining capacity discipline. BNIA has started to benefit from the recent increases in flight schedules.

Airport and U.S. System Enplanements

Table 8 and Figure 26 compare enplanement growth trends at BNIA and in the entire U.S. system from FY2006 through FY2018, and the first six months of FY2019 (through September 2018, the most recent month for which U.S. enplanements are available):

- Total enplanements at the Airport decreased nearly 6 percent (an average decrease of 0.6 percent per year) between FY2006 and FY2017, while U.S. system enplanements increased 17 percent (an average increase of 1.4 percent per year). Compared to the U.S. system enplanements, BNIA's annual enplanements suffered a mild decline during the Great Recession of 2008-2009, but they continued to decline each year, except in FY2012, through FY2017. U.S. system enplanements sustained their post-recession growth that began in FY2011.

- FY2018 marked a turning point for BNIA, with a 4 percent growth in enplanements matching the U.S. system growth of 4 percent that year.

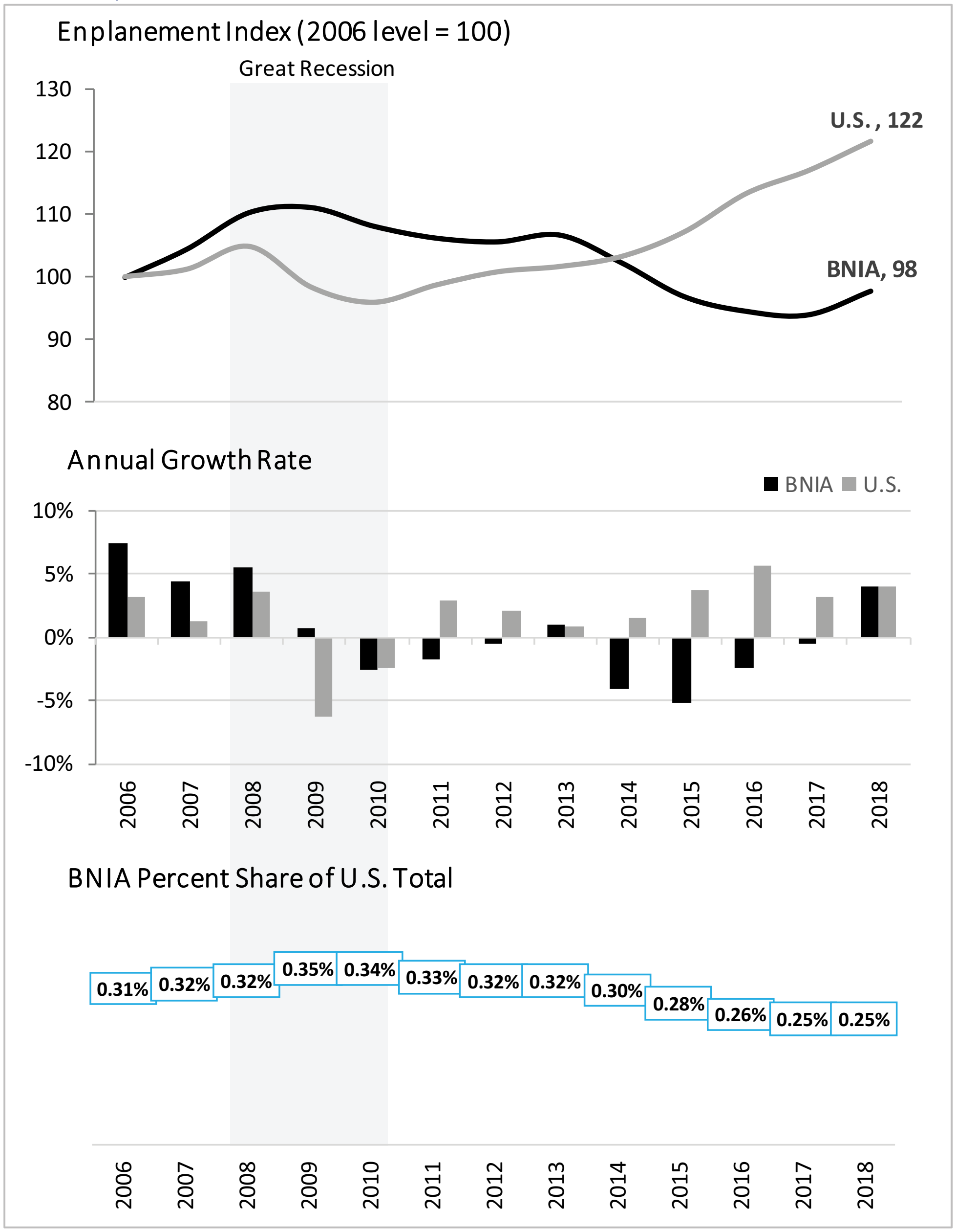
- BNIA enplanements in FY2019 (for the first six months of the fiscal year, through September 2018) outpaced U.S. enplanement increases for the same period, growing at 7.3 percent over the same period in FY2018, while U.S. enplanements grew 5.2 percent. BNIA enplanements through November 2018 (the first eight months of FY2019) were 7.4 percent higher than the same months in FY2019.

Table 8 | BNIA and U.S. System Historical Enplanements

FY	Enplanements (1,000s) BNIA	Enplanements (1,000s) U.S.
2006	2,454	802,265
2007	2,564	811,929
2008	2,705	840,837
2009	2,724	788,588
2010	2,653	769,513
2011	2,607	791,444
2012	2,592	808,450
2013	2,618	815,226
2014	2,510	828,218
2015	2,379	859,422
2016	2,323	908,523
2017	2,309	937,774
2018	2,401	975,183
YTD 2018 (Apr-Sep)	1,266	505,043
YTD 2019 (Apr-Sep)	1,358	531,233
Compound Annual Growth Rate		
2006-2018	-0.2%	1.6%
YTD 2019 (Apr-Sep)	7.3%	5.2%

YTD: Year-to-date.
Sources: The Authority for BNIA enplanements and U.S. Department of Transportation for U.S. system enplanements.

Figure 26| BNIA and U.S. Enplanement Growth Trends, FY2006-2018



Sources: The Authority for BNIA enplanements and U.S. Department of Transportation for U.S. system enplanements.

Origin and Destination (O&D) and Connecting Traffic

BNIA passengers consist almost entirely of O&D traffic—passengers who begin or end their air travel at the Airport. The share of O&D traffic has remained constant since CY2006, ranging between 98.8 percent and 99.5 percent (Table 9). Having predominantly O&D traffic reduces an airport's vulnerability to changes in airline route networks. Unlike connecting traffic that is brought by an airline and can go away with routing changes, O&D traffic is generated by an airport's service area. O&D traffic volumes are sensitive to local and national economic conditions and, in the case of BNIA, economic conditions across the border. But as long as O&D traffic remains strong, airlines will come to serve an airport.

Connecting traffic makes up the remainder of passengers at BNIA, which has ranged from 0.6 percent in CY2006 to 1.2 percent in CYs 2014 and 2015.

Table 9 | BNIA O&D and Connecting Traffic Shares, CY2006-2017

CY	O&D Share	Connecting Share
2006	99.4%	0.6%
2007	99.4%	0.6%
2008	99.4%	0.6%
2009	99.4%	0.6%
2010	99.2%	0.8%
2011	99.2%	0.8%
2012	98.9%	1.1%
2013	98.9%	1.1%
2014	98.8%	1.2%
2015	98.8%	1.2%
2016	98.9%	1.1%
2017	99.0%	1.0%

Sources: U.S. Department of Transportation.

Table 10 shows that BNIA's O&D traffic includes more resident travelers than visitors. Counted as residents, passengers whose flight itineraries begin and end at BNIA make up over half of the Airport's O&D traffic (55.2 percent in CY2017). These passengers typically live in Western New York and Southern Ontario. Counted as visitors, passengers whose flight itineraries begin and end at an airport other than BNIA make up the remaining share of O&D traffic. Consistent with trends for leisure travel during economic downturns, visitor traffic declined through the Great Recession and only recovered to pre-recession levels in CY2015.

Table 10 | BNIA Resident and Visitor Traffic Shares, CY2006-2017

CY	Resident	Visitor
2006	57.1%	42.3%
2007	57.3%	42.1%
2008	58.0%	41.4%
2009	58.5%	40.9%
2010	59.2%	40.1%
2011	59.1%	40.1%
2012	58.5%	40.4%
2013	59.1%	39.8%
2014	58.9%	39.9%
2015	57.2%	41.6%
2016	55.7%	43.2%
2017	55.2%	43.7%

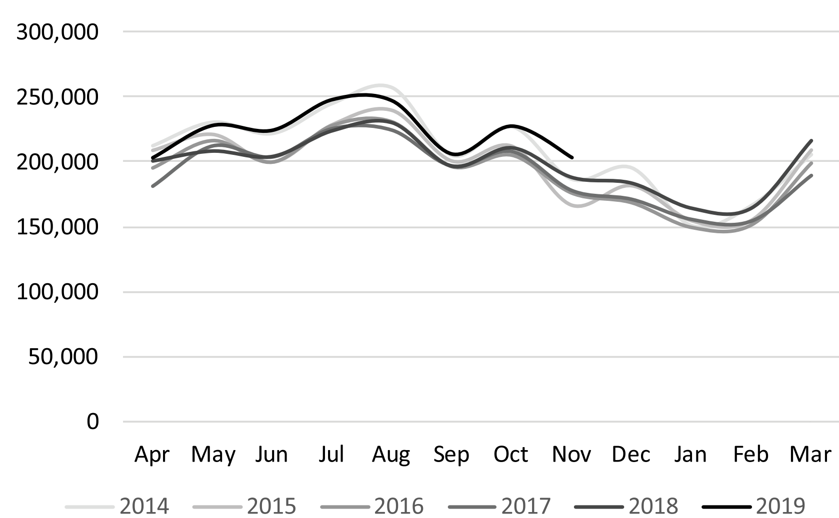
Sources: U.S. Department of Transportation.

Seasonality in Enplanements

As shown in Figure 28, during the fiscal year, monthly enplanements at BNIA typically reach their highest levels in July and August. They fall to their lowest levels in January and February. This seasonal traffic pattern is consistent with the patterns observed at most other U.S. airports.

Figure 27| BNIA Monthly Enplanements

Monthly Distribution of FY Total Enplanements	
Apr	8.4%
May	9.2%
Jun	8.7%
Jul	9.7%
Aug	9.9%
Sep	8.4%
Oct	8.9%
Nov	7.5%
Dec	7.6%
Jan	6.5%
Feb	6.7%
Mar	8.6%



Source: The Authority.

Airline Market Shares

The recent wave of airline consolidation left the industry with four major airlines controlling more than 80 percent of U.S. domestic passenger traffic (American, Delta, Southwest, and United). These four major airlines also control more than 80 percent of BNIA's total passenger traffic. As of FY2018, Southwest held the largest share of BNIA's enplanements of 32 percent; Delta, the second largest share of 22 percent; American, the fourth largest share of 15 percent; and United, the fifth largest share of 11 percent. JetBlue held the third largest share of 17 percent. The distribution of BNIA passengers among the top 5 airlines has changed little over the last five years.

The significant presence of low-cost carriers, Southwest and JetBlue, helps keep airfares at BNIA in check. In December 2017, ultra low-cost carrier Frontier began service at BNIA and captured a 2 percent share of BNIA's enplanements in FY2018. Together, Southwest, JetBlue and Frontier accounted for 52 percent of BNIA's enplanements in FY2018. Through November 2018, Frontier has increased its share of enplanements at BNIA to 4.2 percent.

Table 11 and Figure 28 show the trends in enplanements and enplanement share by airline at BNIA.

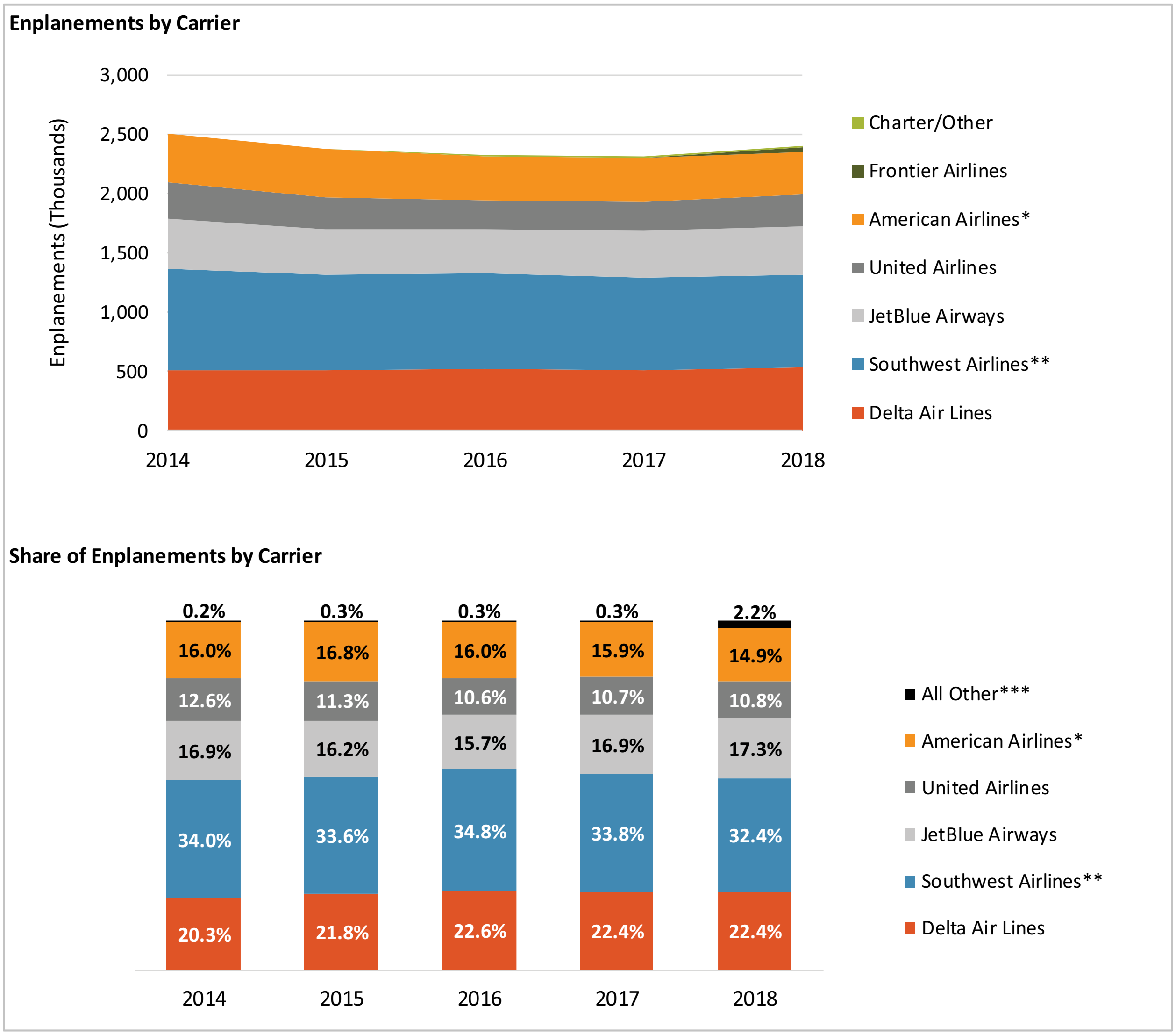
Table 11| BNIA Passenger Enplanements by Airline

	FY Enplanements					CAGR	April-November		AGR
	2014	2015	2016	2017	2018	2014-2018	2018	2019	2018-2019
American Airlines[1]	402,357	400,759	371,803	366,549	358,600	-2.8%	253,192	251,657	-0.6%
Delta Air Lines	509,880	517,652	523,733	516,243	537,299	1.3%	390,747	408,898	4.6%
United Airlines	316,377	269,041	246,787	247,880	260,011	-4.8%	195,814	238,006	21.5%
JetBlue Airways	423,829	385,617	365,136	391,386	415,292	-0.5%	296,323	287,676	-2.9%
Southwest Airlines[2]	853,344	800,280	807,625	780,402	778,297	-2.3%	529,193	524,684	-0.9%
Frontier Airlines	0	0	0	0	45,213	NA	0	75,006	NA
Charter/Other	3,886	6,142	7,454	6,607	6,462	13.6%	0	3,350	NA
TOTAL	2,509,673	2,379,491	2,322,538	2,309,067	2,401,174	-1.1%	1,665,269	1,789,277	7.4%

	FY Enplanements Shares						April-November		
	2014	2015	2016	2017	2018	2014-2018	2018	2019	2018-2019
American Airlines[1]	16.0%	16.8%	16.0%	15.9%	14.9%	15.9%	15.2%	14.1%	14.6%
Delta Air Lines	20.3%	21.8%	22.6%	22.4%	22.4%	21.8%	23.5%	22.9%	23.1%
United Airlines	12.6%	11.3%	10.6%	10.7%	10.8%	11.2%	11.8%	13.3%	12.6%
JetBlue Airways	16.9%	16.2%	15.7%	16.9%	17.3%	16.6%	17.8%	16.1%	16.9%
Southwest Airlines[2]	34.0%	33.6%	34.8%	33.8%	32.4%	33.7%	31.8%	29.3%	30.5%
Frontier Airlines	0.0%	0.0%	0.0%	0.0%	1.9%	0.4%	0.0%	4.2%	2.2%
Charter/Other	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.0%	0.2%	0.1%
All Other[3]	0.2%	0.3%	0.3%	0.3%	2.2%		0%	4%	

[1] American Airlines includes US Airways through FY2016.
[2] Southwest Airlines includes AirTran in FY2014.
CAGR: Compound average growth rate.
Source: The Authority.

Figure 28| BNIA Passenger Traffic Trends by Airline, FY2014-2018



Source: The Authority.
* American includes US Airways through FY2016.
** Southwest includes AirTran in FY2014.
*** All Other includes Frontier Airlines, charters, and other carriers through FY2018.

Top Domestic O&D Markets

Table 12 and Figure 29 show BNIA's top 20 domestic O&D markets in FY2018, ranked by share of O&D enplanements at the Airport. They include 18 of the 30 largest U.S. metropolitan areas by 2017 population. The top 20 markets received 70 of the 79 daily nonstop flight departures from BNIA and accounted for 79 percent of O&D enplanements at the Airport. The top 5 domestic markets were New York, NY; Orlando, FL; Miami, FL; Boston, MA; and Tampa, FL.

Table 12| BNIA's Top 20 Domestic O&D Markets in FY2018

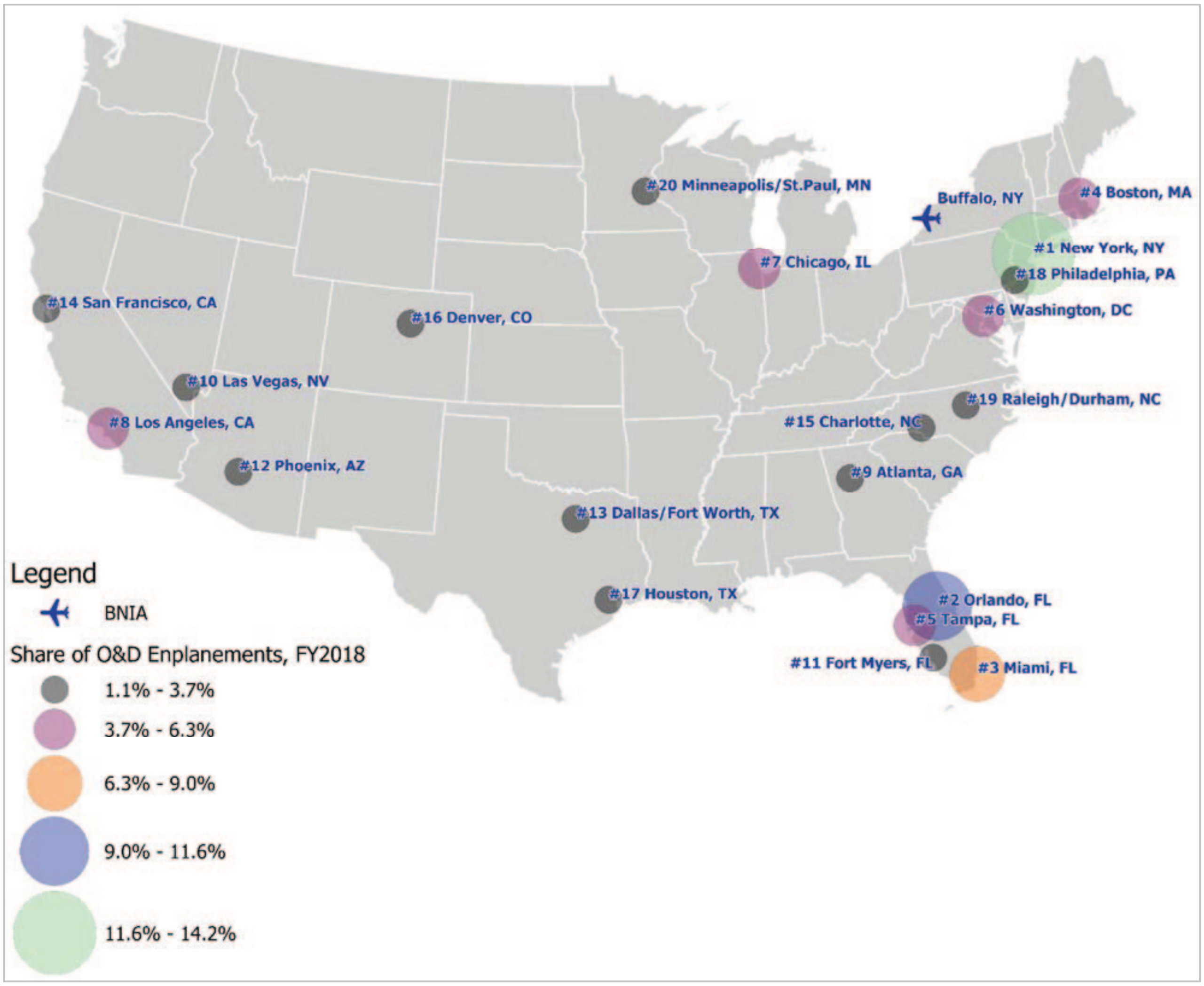
FY2018 Ranking[1]	Metropolitan Area (2017 Population Ranking)	Airports	O&D Market Share	Daily Nonstop Departures[2]	Airlines with Nonstop Service from BUF
1	New York, NY (1)	JFK, LGA, EWR, ISP, SWF, HPN	14.2%	20	Delta, JetBlue, United
2	Orlando, FL (23)	MCO	10.6%	4	Frontier, JetBlue, Southwest
3	Miami, FL (7)	FLL, MIA	6.8%	2	American, Frontier, JetBlue, Southwest
4	Boston, MA (10)	BOS, PVD, MHT	5.3%	6	American, Delta, JetBlue
5	Tampa, FL (18)	TPA	4.9%	2	Frontier, Southwest
6	Washington, DC (6)	BWI, DCA, IAD	4.8%	7	American, United, Southwest
7	Chicago, IL (3)	ORD, MDW	4.5%	11	American, Southwest, United
8	Los Angeles, CA (2)	LAX, SNA, ONT, BUR, LGB	4.2%	1	JetBlue
9	Atlanta, GA (9)	ATL	3.6%	5	Delta
10	Las Vegas, NV (28)	LAS	3.5%	2	Southwest
11	Fort Myers, FL (78)	RSW	2.2%	<1	Frontier, Southwest
12	Phoenix, AZ (11)	PHX	2.1%	1	Southwest
13	Dallas/Fort Worth, TX (4)	DFW, DAL	2.1%	---	---
14	San Francisco, CA (12)	SFO, SJC, OAK	2.0%	---	---
15	Charlotte, NC (22)	CLT	1.9%	3	American
16	Denver, CO (19)	DEN	1.6%	<1	Denver
17	Houston, TX (5)	IAH, HOU	1.5%	---	---
18	Philadelphia, PA (8)	PHL	1.3%	5	American
19	Raleigh/Durham, NC (44)	RDU	1.1%	---	---
20	Minneapolis/St. Paul, MN (16)	MSP	1.1%	1	Delta
	Top 20 Destinations		**79%**	**70**	
	Other Destinations		**21%**	**9**	
	Total		**100%**	**79**	

Sources: U.S. Census Bureau population estimates, U.S. Department of Transportation DB1B, and OAG Schedules Analyzer.

[1] Ranking is based on share of domestic O&D passengers in FY2018.

[2] The number of daily nonstop departures equals annual departures divided by 365. Some markets currently have less than the equivalent of one departure per day (<1), while some markets do not have nonstop service provided (---). Nonstop service for Raleigh Durham and Dallas/Fort Worth began in April 2018 and December 2018, respectively. Therefore, no nonstop service is indicated for those two airports on this table, because this table represents the top 20 domestic O&D markets for the entirety of FY2018 (which ended on March 31, 2018).

Figure 29 | BNIA's Top 20 Domestic O&D Markets in FY2018



Sources: U.S. Department of Transportation 10%-sample airline ticket survey and Unison Consulting, Inc.
Ranking is based on share of domestic O&D passengers in FY2018.

Scheduled Passenger Airline Service

Figure 30 shows the trends in scheduled passenger airline service. Through FY2018, BNIA enjoyed small increases in seats, despite small decreases in flight departures and nonstop destinations. The average number of seats per day increased from 7,974 in FY2016, the lowest over the last five years, to 8,187 in FY2018—a 2.7 percent increase over two years. The increase in were mainly driven by aircraft upgauging—the airline industry's transition toward using aircraft with more seats. Airlines have been upgauging their fleet by putting more seats on each aircraft and by replacing smaller aircraft with larger aircraft to maximize financial returns on each flight. The average number of seats per flight departure increased from 99 in FY2016 to 103 in FY2018, continuing a trend from FY2014. The number of nonstop destinations served from BNIA range from 21 to 24 over the five-year period. New destinations being added to the airlines' nonstop service from BUF in FY2019 include Austin-Bergstrom International Airport (AUS), Dallas/Fort Worth International Airport (DFW), Jacksonville International Airport (JAX), Miami International Airport (MIA), and Raleigh/Durham International Airport (RDU). As shown on Table 13, the airlines operating at BNIA provide non-stop service to 30 airports.

Airline schedules through March 2019 show that average daily seats are expected to increase to 8,698 (6.2 percent) in FY2019. While airlines continue upgauging their fleets, the growth in BNIA's seats is mainly driven by increases in flight departures and nonstop destinations. BNIA will serve five more nonstop destinations with four more daily departures in FY2019, compared with FY2018.

Of the top five carriers at BNIA, Southwest and Delta have increased their seats at BNIA since FY2014 (Figure 31). Although Southwest's seats declined in FY2018, and are expected to decrease another 3 percent in FY2019, the carrier will still offer around 3 percent more seats in FY2019 compared with FY2014. The other top five carriers (JetBlue, United and American) have increased their scheduled seats in recent years. For all carriers serving the Airport, scheduled seats have grown since FY2016, and are expected to be within 1 percent of FY2014 levels by FY2019.

As the largest airport in Western New York, BNIA has more annual enplanements than Niagara Falls International Airport (IAG) and Greater Rochester International Airport (ROC). BNIA's size and activity in relation to IAG and ROC can also be seen in BNIA's higher levels of seats, flights, and nonstop destinations. Figure 32 compares these metrics for BNIA, IAG, and ROC for the period 2014 through 2018.

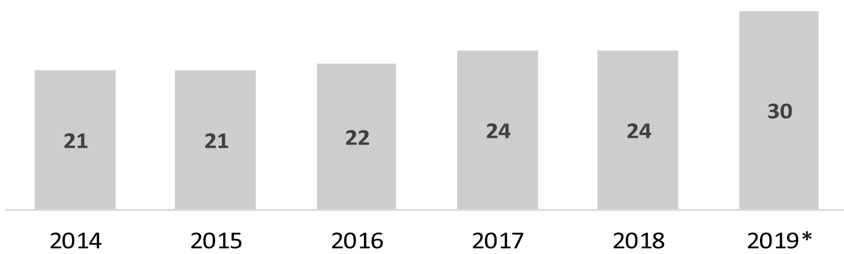
Table 13| Nonstop Destinations from BNIA

	Airport	Carrier	New Service in FY2019	Year-round or Seasonal
ATL	Atlanta Hartsfield-jackson Int'l	Delta		Year-round
AUS	Austin-Bergstrom Int'l	Frontier	X	Seasonal
BOS	Boston Logan Int'l	Delta		Year-round
		JetBlue		Year-round
BWI	Baltimore Washington Int'l	Southwest		Year-round
CLT	Charlotte	American		Year-round
CUN	Cancun (Mexico)	Vacation Express		Seasonal
DCA	Washington Ronald Reagan National	American		Year-round
DEN	Denver Int'l	Frontier	X	Year-round
		Southwest		Year-round
DFW	Dallas Dallas/Fort Worth Int'l	American	X	Year-round
DTW	Detroit Metropolitan Wayne County	Delta		Year-round
EWR	Newark Liberty Int'l	United		Year-round
FLL	Fort Lauderdale/Hollywood Int'l	JetBlue		Year-round
		Southwest		Year-round
IAD	Washington Dulles Int'l	United		Year-round
JAX	Jacksonville Int'l	Frontier	X	Seasonal
JFK	New York J F Kennedy Int'l	Delta		Year-round
		JetBlue		Year-round
LAS	Las Vegas McCarran Int'l	Southwest		Year-round
LAX	Los Angeles Int'l	JetBlue		Year-round
LGA	New York LaGuardia	Delta		Year-round
MIA	Miami Int'l	American	X	Seasonal
MBJ	Montego Bay (Jamaica)	Vacation Express	X	Seasonal
MCO	Orlando Int'l	Frontier		Year-round
		JetBlue		Year-round
		Southwest		Year-round
MDW	Chicago Midway Int'l	Southwest		Year-round
MSP	Minneapolis/St Paul Int'l	Delta		Year-round
ORD	Chicago O'Hare Int'l	American		Year-round
		United		Year-round
PHL	Philadelphia Int'l	American		Year-round
PHX	Phoenix Sky Harbor Int'l	Southwest		Year-round
PUJ	Punta Cana (Dominican Republic)	Vacation Express		Seasonal
RDU	Raleigh/Durham	Frontier	X	Seasonal
RSW	Fort Myers Sw Florida Int'l	Frontier		Seasonal
		Southwest		Seasonal
TPA	Tampa Int'l	Frontier		Year-round
		Southwest		Year-round

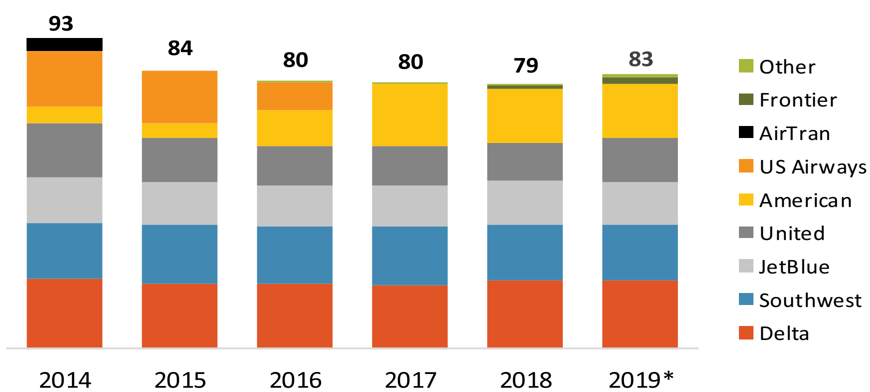
Source: OAG Schedules Analyzers and the Authority.

Figure 30| Scheduled Passenger Service Trends at BNIA, FY2014-2018

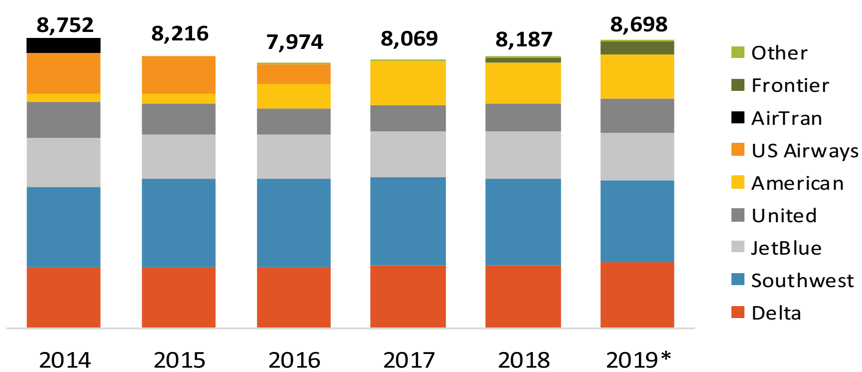
Nonstop Airport Destinations



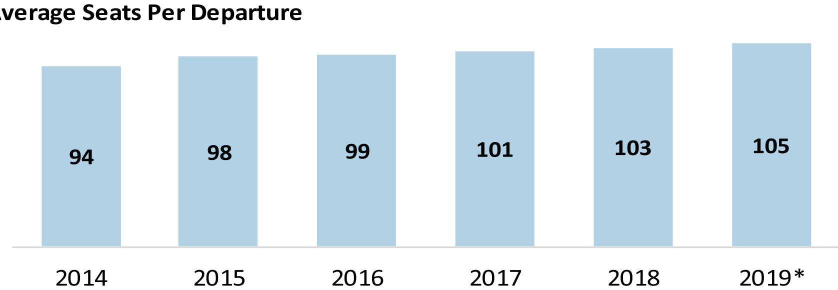
Average Daily Departures



Average Daily Seats



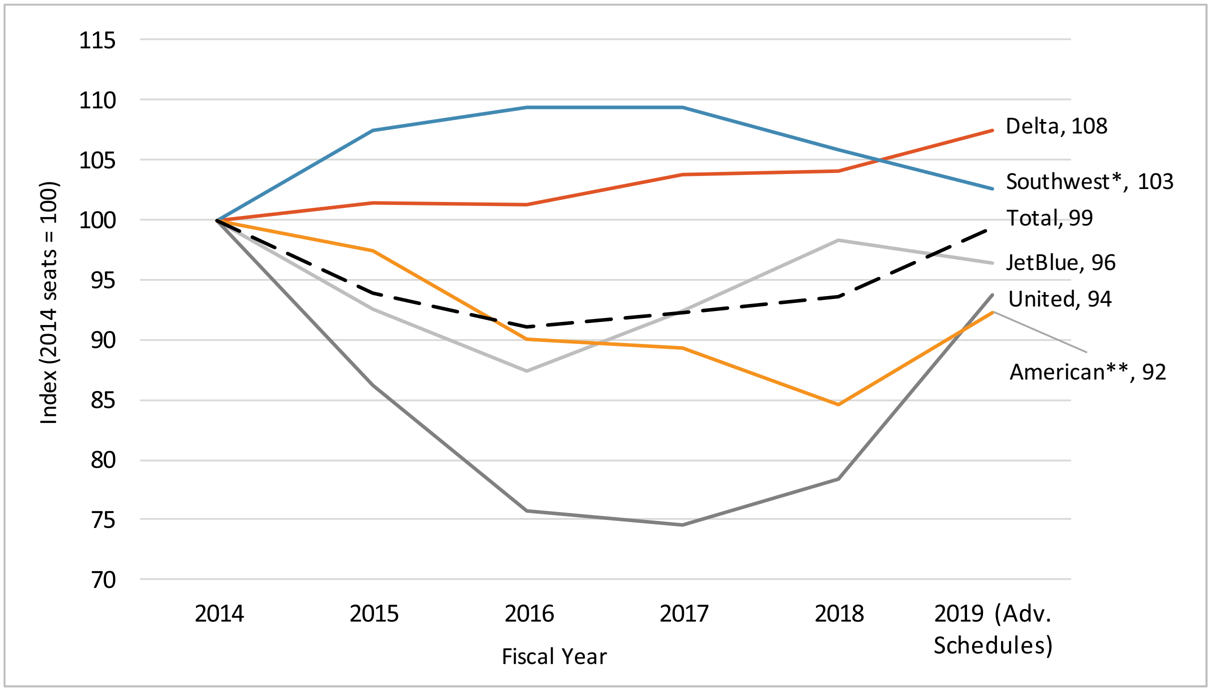
Average Seats Per Departure



Source: OAG Schedules Analyzer.
* Based on advanced airline schedules for December 2018-March 2019.
"Other" includes Sunwing Airlines and OneJet.

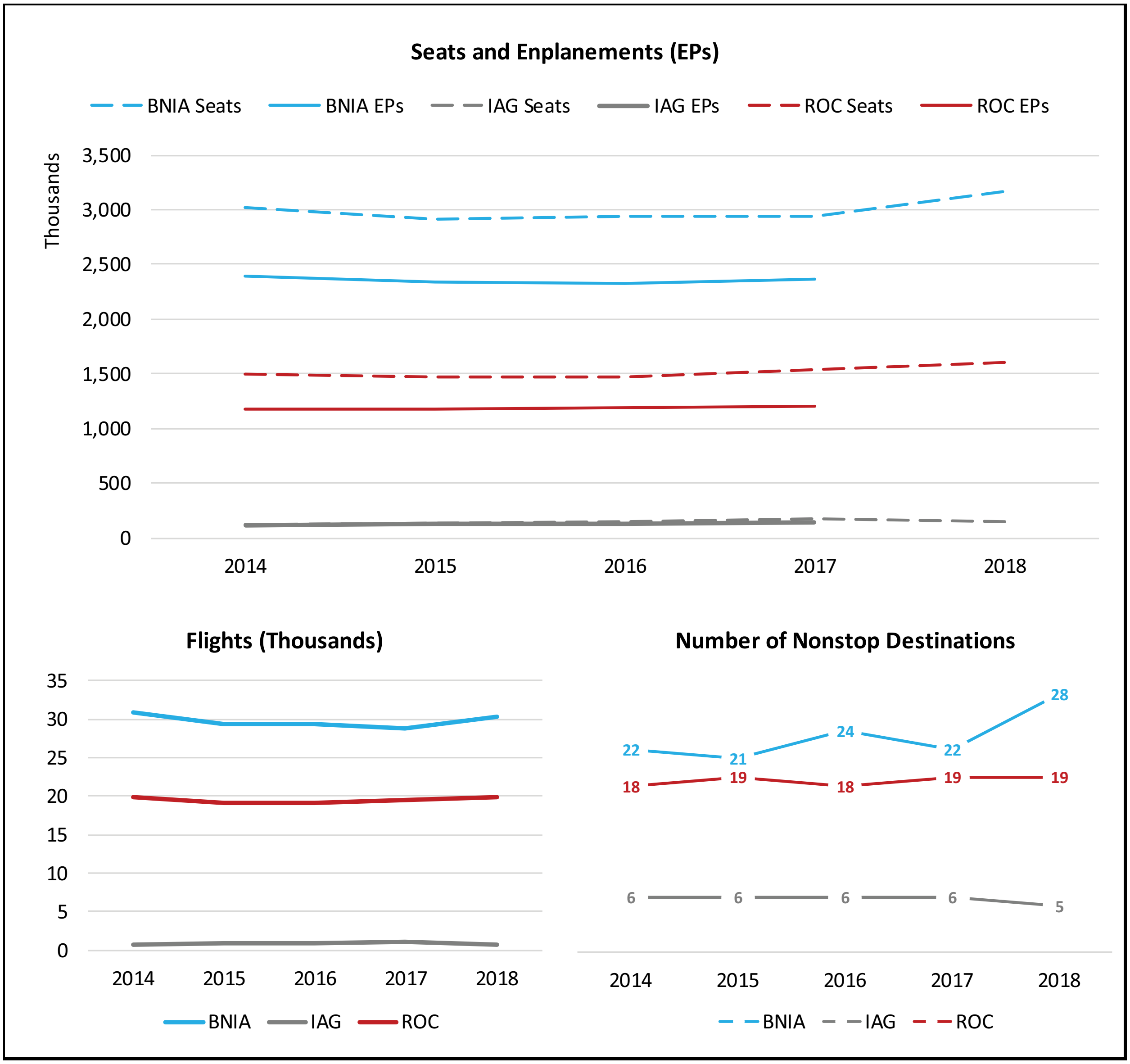
Average daily departures and seats are calculated by dividing the FY total by 365 days.

Figure 31| Trends in Scheduled Seats from BNIA by Airline, FY2014-2018



Source: Airline flight schedules accessed using OAG Schedules Analyzer.
* Southwest includes AirTran through FY2014.
** American includes US Airways through FY2016.

Figure 32| Seats, Enplanements, Flights, and Nonstop Destinations at BNIA, IAG, and ROC



Sources: OAG Schedules Analyzer and U.S. Department of Transportation.

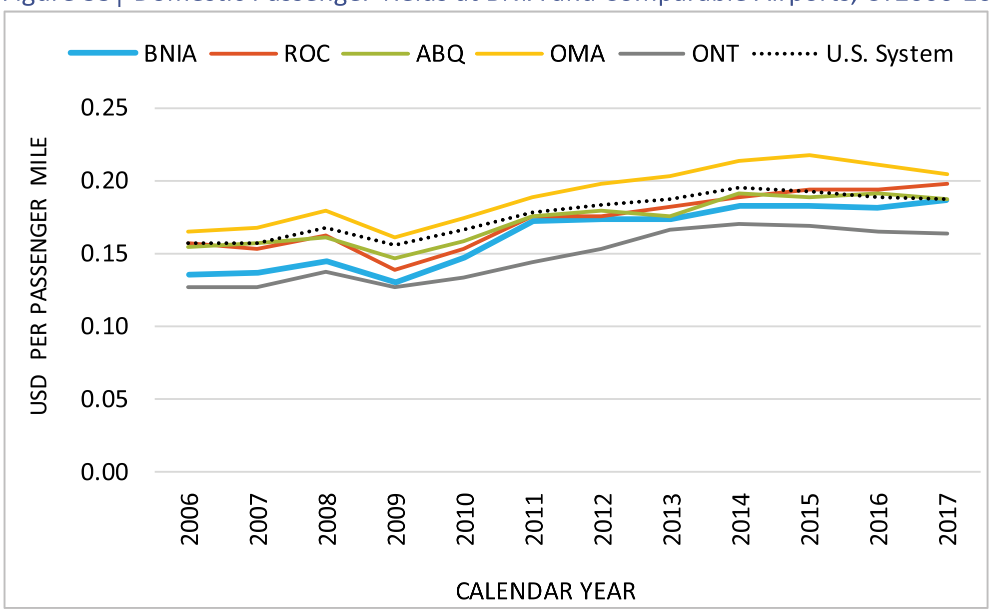
Passenger Yield

Lower airfares attract passengers. A common measure of airfares that controls for trip length is passenger yield—the average airline revenue per revenue passenger mile. Figure 33 shows the average domestic passenger yields at BNIA, a nearby small hub (Greater Rochester International Airport (ROC)), and three medium hubs with comparable passenger traffic levels to BNIA: Albuquerque International Sunport (ABQ), Ontario International (ONT), and Eppley Airfield (OMA). Since CY2006, BNIA's average passenger yield has stayed second-lowest among the comparison airports, only higher than passenger yields at ONT.

Figure 33 also shows the U.S. average domestic passenger yield. BNIA's average passenger yield remained below the U.S. average through CY2016. The difference has narrowed since CY2010, and BNIA yields reached parity with the U.S. average in CY2017.

The changes in the average passenger yield at BNIA over time generally followed overall industry trends. Yields decreased during the economic recessions when demand was weak; they increased during economic expansions when demand was strong. After the Great Recession, airlines restrained growth in seat capacity as demand grew strong with economic recovery and expansion. They were able to raise airfares for a few years. In recent years, passenger yields have decreased again, likely due to growing fare competition from ultra low-cost carriers.

Figure 33 | Domestic Passenger Yields at BNIA and Comparable Airports, CY2006-2017



Source: U.S. Department of Transportation DB1B.
The comparison airports are Greater Rochester International (ROC); Albuquerque International Sunport (ABQ); Eppley Airfield (OMA); and Ontario International (ONT).

Nonstop Airline Service

Table 14 shows additional air traffic metrics for BNIA and the selected comparison airports. Although BNIA served fewer nonstop destinations than ABQ and ONT, scheduled airline seats at BNIA and the three medium hubs were fairly even in CY2017. BNIA, however, provided more weekly nonstop flights compared with these airports, implying that there is a higher prevalence of regional flights operated by smaller aircraft at BNIA. The Airport's relatively lower airfares, as measured by passenger yields (Figure 33), and greater frequency of nonstop flights are key features that attract passengers.

Table 14| Nonstop Airline Service at BNIA and Comparable Airports, CY2017

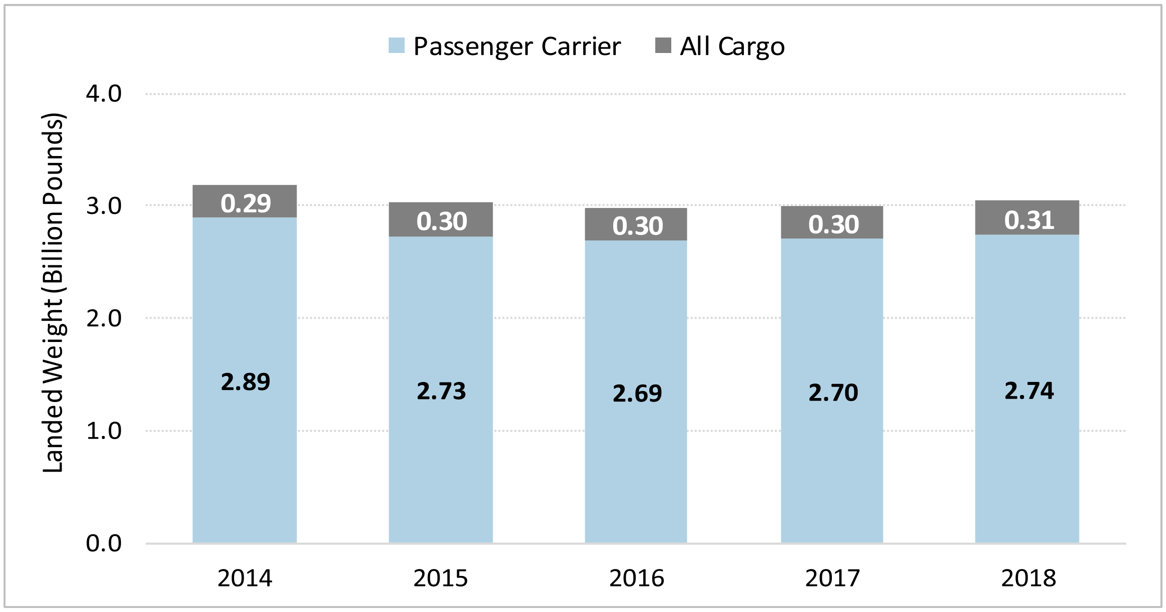
Measure	BNIA	ROC	ABQ	OMA	ONT
Seats (Millions)	2.94	1.54	3.12	2.87	2.84
Weekly Frequency	550	375	516	498	426
Nonstop Destinatons Served	22	19	27	32	18

Source: OAG Schedules Analyzer.
The comparison airports are Greater Rochester International (ROC); Albuquerque International Sunport (ABQ); Eppley Airfield (OMA); and Ontario International (ONT).

Commercial Aircraft Landed Weight

Airports assess landing fees—the largest airline revenue source—based on aircraft gross landed weight (GLW). Total commercial aircraft GLW at BNIA has remained at about the same level after decreasing almost 5 percent in FY2015 (Figure 34). The last two years show small increases, raising total commercial aircraft GLW from 2.99 billion pounds in FY2016 to 3.04 billion pounds in FY2018, consistent with recent increases in total seats offered at BNIA.

Figure 34| BNIA Commercial Aircraft Gross Landed Weight, FY2014-2018



Source: The Authority.

Forecast Commercial Aviation Activity

Forecasts are presented for three key measures of commercial aviation activity—enplanements, aircraft landings, and landed weight—for the 10-year period ending in FY2029. Forecast enplanement levels determine the number of aircraft operations and corresponding landed weight, along with assumptions regarding trends in boarding load factors and aircraft gauge.

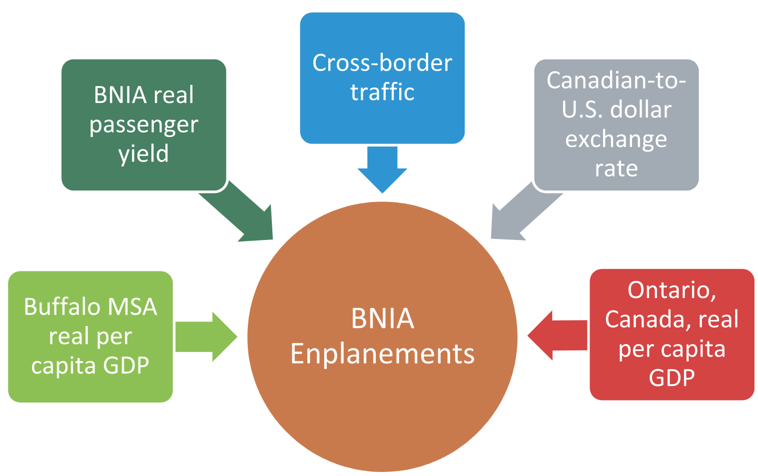
Unison's approach to forecast development features a hybrid modeling framework that combines different forecasting techniques to consider both air service supply and demand factors. The resulting forecasts are largely capacity-driven in the near-term (FY2019) and demand-driven over the long run (beyond FY2019). The near-term forecast reflects actual performance at BNIA through November 2018 and trends in scheduled airline service through March 2019. Airlines publish scheduled flights and seats for up to nine months ahead based on passenger airline bookings. These published airline schedules reflect current market demand. For the long-term forecasts, multivariate time series regression analysis links trends in enplanements to trends in key market demand drivers. Regression analysis provides a systematic framework for measuring the contributions of market drivers to growth in enplanements.

A number of market demand drivers were evaluated as explanatory variables for regression analysis. Figure 35 shows the five market demand drivers that proved the best in explaining growth trends in enplanements at BNIA:

- Buffalo MSA real per capita GDP as an indicator of regional economic trends
- BNIA average real passenger yield as an indicator of the price of air travel
- Number of passengers in personal vehicles crossing the Canada-U.S. border through the Buffalo Port of Entry
- Canadian-to-U.S. dollar exchange rate as an indicator of the purchasing power of Canadian residents
- Ontario, Canada, real per capita GDP as an indicator of economic trends across the border

In addition to these five demand drivers, the regression analysis also controlled for the impact of structural changes in the airline industry and travel market that have unfolded since the September 11, 2001 events.

Figure 35| Key Drivers of Enplanement Growth



Key Market Demand Drivers

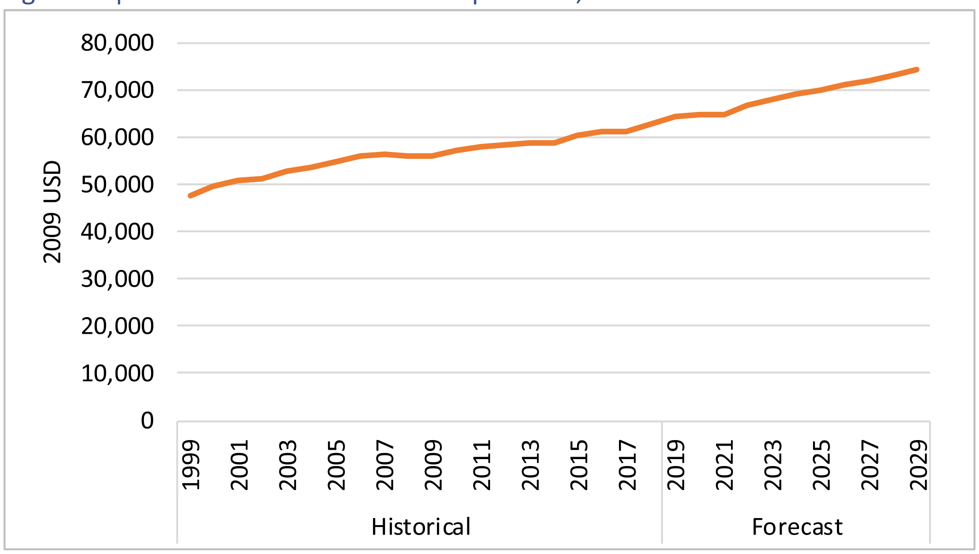
Multivariate time series regression analysis quantifies the contributions of market demand drivers to growth in enplanements. The regression model for enplanements includes as key explanatory variables the following market drivers: the Buffalo MSA real per capita GDP, BNIA real passenger yield, cross-border traffic, and the Canadian-to-U.S. dollar exchange rate. Another regression model was estimated to develop projections for cross-border traffic with the exchange rate and the Ontario, Canada, real per capita GDP as explanatory variables.

The Buffalo MSA Real Per Capita GDP

To capture regional economic trends, the regression model for enplanements uses the Buffalo MSA real per capita GDP (adjusted for inflation), which is calculated by dividing the Buffalo MSA real GDP by the Buffalo MSA population. The source of historical and forecast data on the Buffalo MSA real GDP and population is Moody's Analytics, an independent economic forecasting firm.

The Buffalo MSA real per capita GDP increased 1.7 percent per year, on average, from FY1999 to FY2009. Its average annual rate of increase slowed slightly to 1.6 percent in the following years through FY2018. Based on Moody's Analytics' forecasts for the Buffalo MSA real GDP and population, the average annual rate of increase in the Buffalo MSA real per capita GDP would slow to 1.5 percent over the forecast period. Moody's Analytics' forecast for the Buffalo MSA real GDP anticipates a slowing of economic growth in some years, but no downturns. Figure 36 shows the historical and forecast trends for the Buffalo MSA real per capita GDP.

Figure 36| The Buffalo MSA Real Per Capita GDP, FY1999-2029



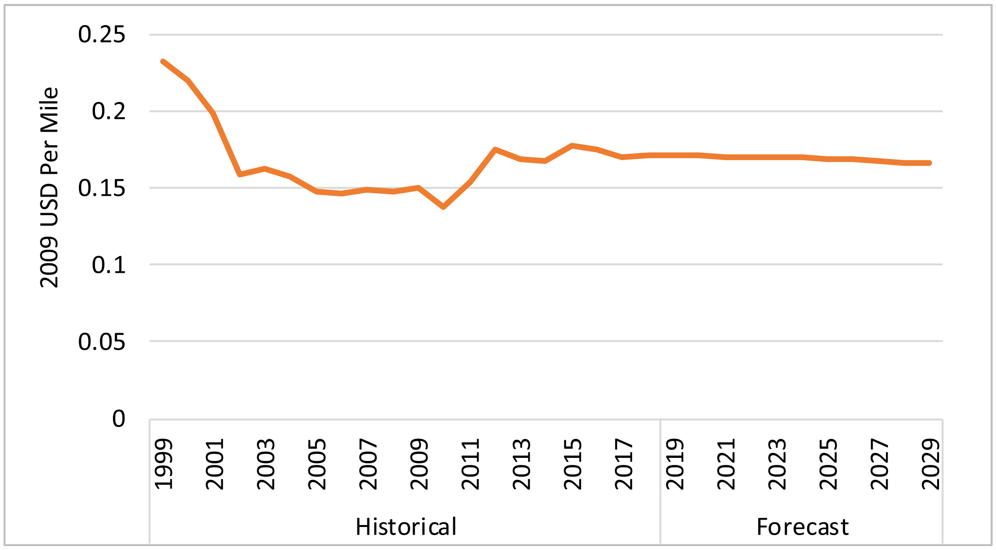
Source: Unison's calculations using data from Moody's Analytics on real GDP and population for the Buffalo MSA.

BNIA Real Passenger Yield

Consumer demand is inversely related to price. Demand increases when price decreases, and decreases when price increases, holding all other factors constant. The regression model for enplanements uses the average real passenger yield at BNIA as the indicator for the price of air travel. Passenger yield, which is the average airline revenue per passenger mile, is a better price indicator than the average fare, because it controls for trip distance.

According to data from the U.S. Department of Transportation, the average real passenger yield at BNIA decreased, on average, 5 percent annually between FY1999 and FY2010. It then rebounded in FYs 2011 and 2012, growing over 10 percent each year, and returning to 17.5 cents (in 2009 USD). After 2012, the trend has not been consistent, but the average real passenger yield at BNIA decreased in most years. For the BNIA enplanement forecasts, the projections for BNIA's real passenger yield (Figure 37) follow the FAA's projections for real domestic mainline passenger yields of continued decreases averaging around 0.3 percent annually.[24]

Figure 37| BNIA Average Real Passenger Yield, FY1999-2029



Sources: U.S. Bureau of Transportation Statistics (DB1B 10% ticket survey) and Federal Aviation Administration.

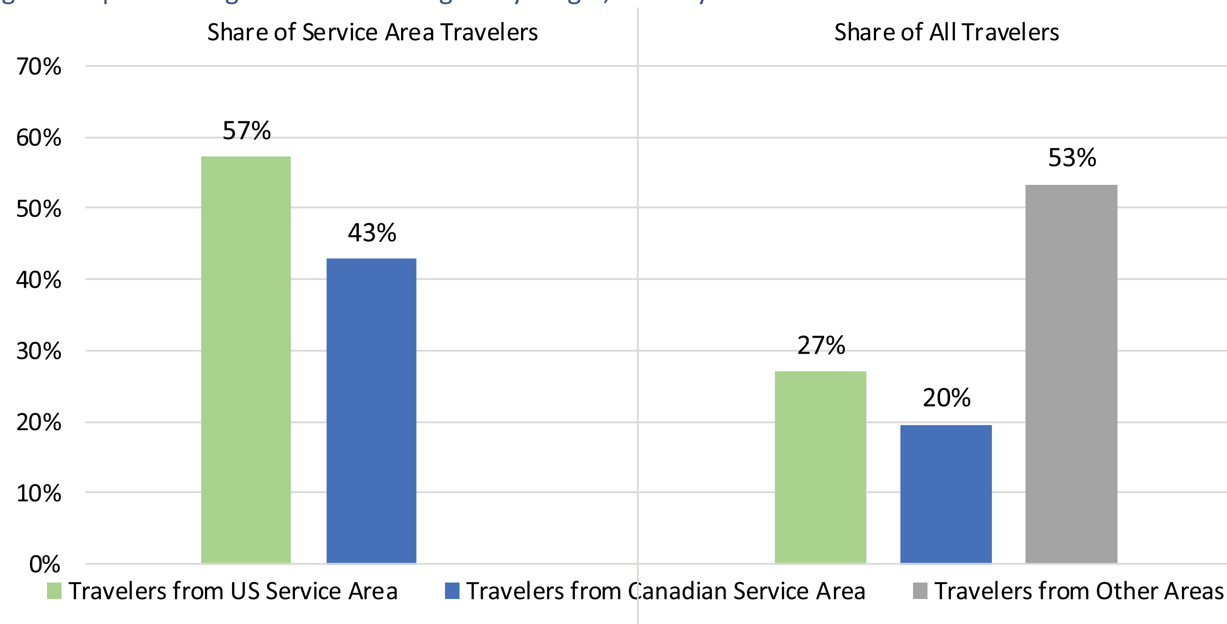
Cross-Border Traffic

BNIA offers Southern Ontario residents a convenient and often a lower-cost alternative to Toronto Pearson International (YYZ) especially for flights to U.S. destinations. Passengers originating from Canada make up a substantial portion of BNIA's air service area enplanements-approximately 43 percent according to The Authority's latest estimates (Figure 27). They also account for approximately 20 percent of total enplanements at the Airport.[25] Figure 39 shows the findings from surveys of license plate registrations of vehicles parked in BNIA's long-term parking spaces. Canadian license plates accounted for 22.8 percent of vehicles parked in BNIA's long-term parking spaces in CY2017. They accounted for a higher share in previous years—the highest share was 47 percent in CY2012.

[24] Federal Aviation Administration, *Aerospace Forecast for FY2018-2038*, March 2018.

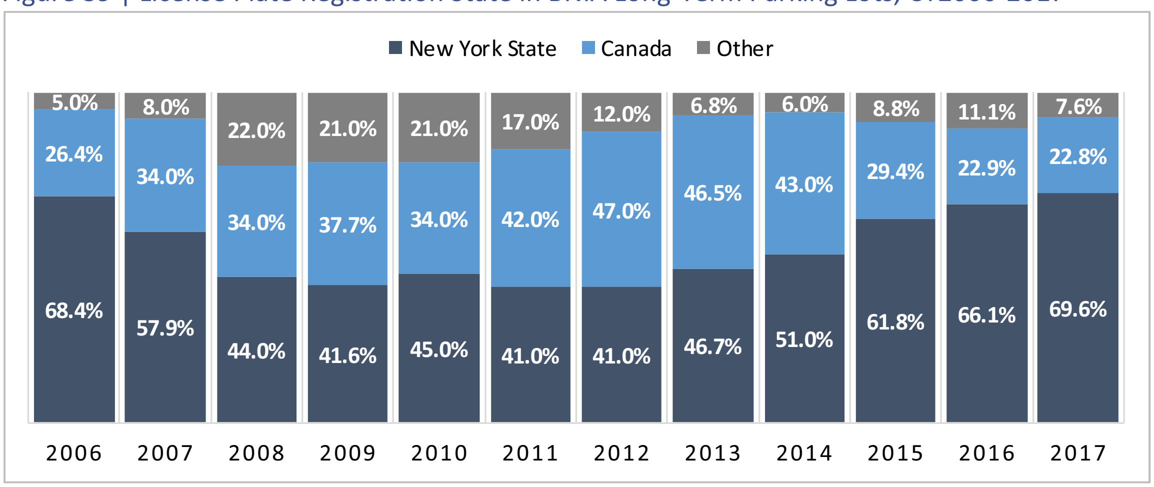
[25] Based on statistics for January-October 2018, obtained from BNIA terminal passenger surveys conducted by the Authority for BNIA. The reported shares for this period are consistent with full-year estimates for CYs 2016 and 2017.

Figure 38 | Percentage of BNIA Passengers by Origin, January-October 2018



Source: The Authority.

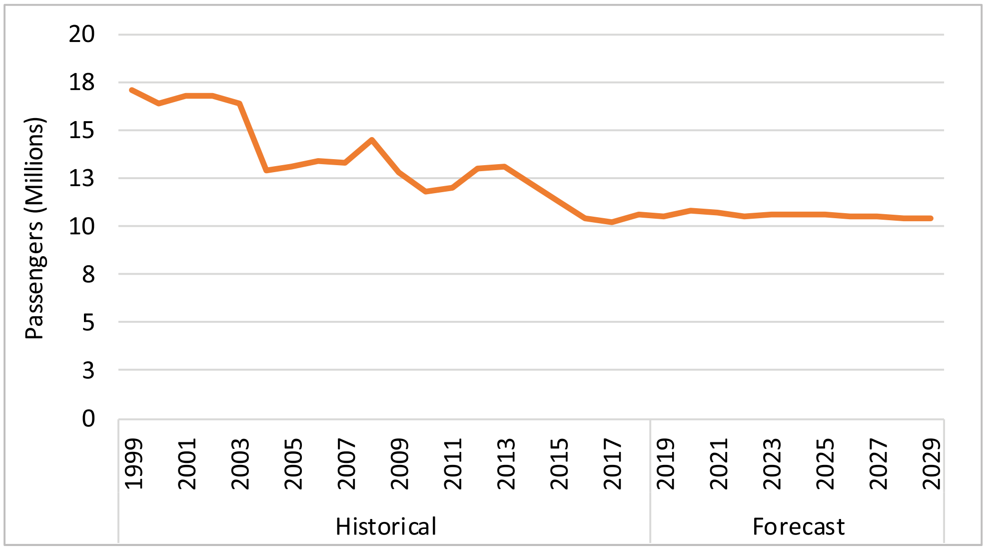
Figure 39 | License Plate Registration State in BNIA Long-Term Parking Lots, CY2006-2017



Source: The Authority.

The regression model for enplanements includes as an explanatory variable the number of people in personal vehicles crossing the Canada-U.S. border through the Buffalo Port of Entry, using data from the U.S. Department of Transportation. The number of people crossing the border in personal vehicles, however, has been decreasing, on average, 2.5 percent annually since FY1999. For this study, we developed a forecast for this variable also using multivariate time series regression analysis with the Canadian-to-U.S. dollar exchange rate and real per capita GDP for the Province of Ontario as explanatory variables. Figure 40 shows the historical and forecast number of people crossing the border in personal vehicles.

Figure 40| Number of People Crossing the Border in Personal Vehicles, FY1999-2029

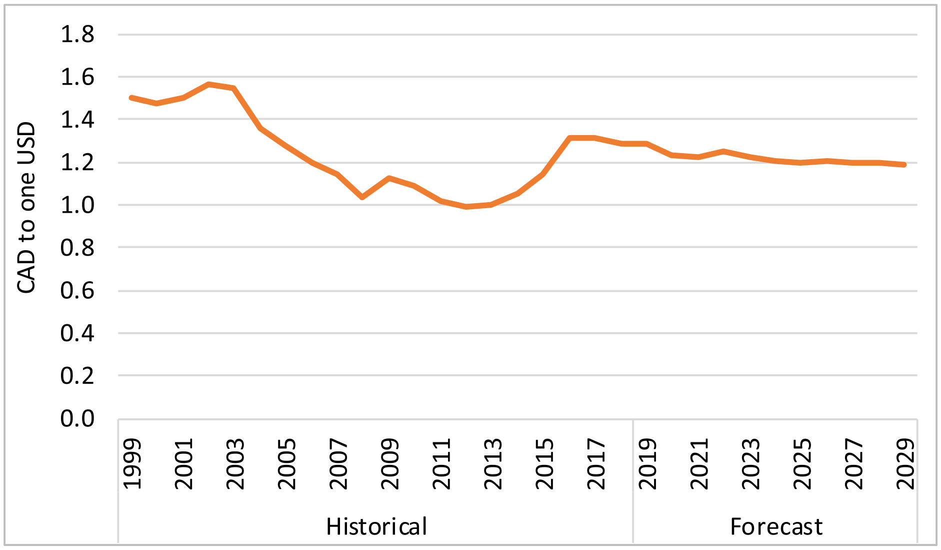


Sources: U.S. Bureau of Transportation Statistics (historical) and Unison Consulting, Inc. (forecast).
Note: Buffalo-Niagara Falls port of entry includes the following crossings: Lewiston Bridge, Peace Bridge, Rainbow Bridge and Whirlpool Bridge.

Canadian-to-U.S. Dollar Exchange Rate

The exchange rate serves as an explanatory variable in both the regression model of enplanements and the regression model of cross-border traffic. The exchange rate determines the purchasing power of Canadian residents when traveling to the United States. An increase in the exchange rate decreases Canadian's purchasing power and makes traveling to the United States less affordable. Conversely, a decrease in the exchange rate increases Canadian's purchasing power and makes traveling to the United States more affordable. Figure 41 shows the historical and forecast data on the Canadian-to-U.S. dollar exchange rate, also from Moody's Analytics. The exchange rate decreased through most of the 2000s, reaching parity in FY2011-2013, and then increased each year through FY2017. After FY2017, it is projected to decrease during most years over the forecast period.

Figure 41 | Canadian to U.S. Dollar Exchange Rate, FY1999-2029

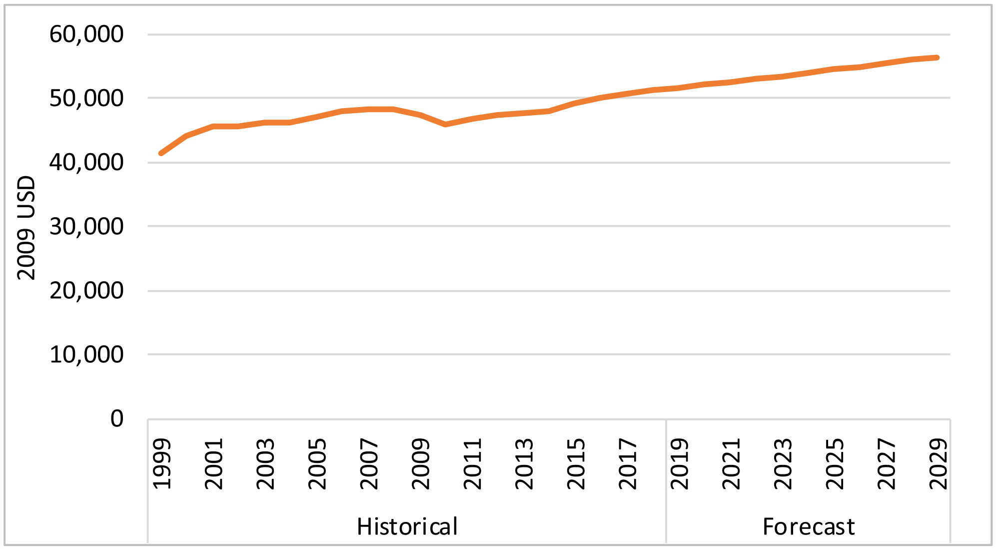


Source: Moody's Analytics.

Ontario, Canada, Real Per Capita GDP

Economic trends across the border in Southern Ontario help explain trends in enplanements at BNIA through their effect on cross-border traffic. The regression model for cross-border traffic uses real per capita GDP for the Province of Ontario as an indicator of regional economic trends in BNIA's Southern Ontario market. Southern Ontario accounts for over 90 percent of the province of Ontario's population, and therefore drives economic trends in the entire province. Figure 42 shows the historical and forecast data on Ontario, Canada, real per capita GDP from Moody's Analytics. On average, Ontario's real per capita GDP increased 1.1 percent annually from FY1999 to FY2018. It is projected to continue increasing at a slightly lower rate of 0.9 percent annually.

Figure 42|Ontario, Canada, Real Per Capita GDP, FY1999-2029



Source: Moody's Analytics.

Forecast Results

The regression coefficient estimates measuring the contributions of market drivers to growth in BNIA's enplanements, along with the projections for the four market demand drivers, determine growth in enplanements beyond FY2019 for the base forecast. The results are summarized in Table 15.

Recognizing uncertainty in the future trends of these market demand drivers, we developed a range of forecasts using Monte Carlo simulation. A comprehensive approach to forecast risk analysis, Monte Carlo simulation uses probability distributions[26] and random sampling techniques for assigning future values to the three key explanatory variables of the regression model. The simulation involved 5,000 iterations, producing the same number of forecasts and corresponding percentile rankings. Percentiles provide an indication of the likelihood of each of the forecast scenarios. The 75-percentile results are the basis for the high forecast presented in Table 16, and the 25-percentile results are the basis for the low forecast presented in Table 17.

[26] The probability distributions for the input variables in the Monte Carlo simulation were determined from sampling distributions of their historical data.

Interpretation of Percentiles

A percentile indicates the value at or below which a given percentage of results fall. For example, if we arrange 100 forecast results for one year from lowest to highest, 25 results (25 percent) will be at or below the 25-percentile, 75 results (75 percent) will be at or below the 75-percentile, and 50 results (50 percent) will be at or below the 50-percentile (also known as the median). A percentile gives the probability that actual outcome will be as forecast or lower.

The following examples illustrate how the percentile results can be used to indicate forecast probability:

- The 75-percentile results have a 25 percent probability that actual transaction days will exceed the forecast and a 75 percent probability that actual transaction days will be at or below the forecast.
- The 25-percentile results have a 75 percent probability that actual transaction days will exceed the forecast and a 25 percent probability that actual transaction days will be at or below the forecast.

The range of forecasts bounded by the 25-percentile and the 75-percentile is called the interquartile range—the middle 50 percent of results fall within this range.

Base Forecast

Under the base forecast, enplanements will increase from 2.6 million in FY2019 to 3.2 million in FY2029. Year-to-date enplanements for FY2019 (through November 2018) increased 7.4 percent over the same period in FY2018, while scheduled seats for the remaining months of the fiscal year are projected to increase 1.6 percent. As a result, passenger enplanements for the entire FY2019 are estimated to increase 6.8 percent over FY2018. The recent growth in enplanements has been driven by increased capacity provided by existing mainline carriers (American and United, in particular) and by the entry of an ultra-low-cost carrier (Frontier) in late FY2018. Beyond FY2019, BNIA's enplanements are projected to grow 2.4 percent annually on average through FY2029. This growth rate is slightly higher than the Airport's historical average annual growth of 1.9 percent (FYs 1999-2018), in part due to more favorable conditions projected for the key air travel demand drivers in the forecast model.

Passenger carrier aircraft landings operations are forecast to increase 1.6 percent annually on average from 30,000 in FY2019 to 35,000 in FY2028, while their total landed weight will increase 2.2 percent annually on average from 2.91 billion pounds to 3.62 billion pounds over the same period. The average number of enplanements per aircraft landing is projected to increase at a slightly faster rate than the average number of seats per aircraft departure, increasing the average boarding load factor by a total of 1 percentage point over the forecast period. The BNIA passenger terminal has 26 gates, including two gates for international flights. The FY2019 estimated passenger aircraft activity for the 24 gates not designated for international flights would equate to an average of 3.4 turns per day per gate. The forecast passenger aircraft activity for FY2029 would equate to an average of 4.0 turns per day per gate. Therefore, the forecast air traffic activity through FY2029 could be accommodated by the existing passenger terminal.

The base forecast growth rates for BNIA enplanements after FY2019 are close to the 50-percentile (median) Monte Carlo simulation result. The median forecast corresponds with a 50 percent probability estimate that actual enplanements will be less than forecast and a 50 percent probability that they will be greater than forecast.

High Forecast

Enplanements under the high forecast also grow to the estimated 2.9 million in FY2019. Beginning in FY2020, the high forecast applies the growth rates from the 75-percentile Monte Carlo simulation forecast. Enplanements are forecast to grow at an average annual rate of 3.1 percent from FY2019, reaching 3.5 million in FY2029. Passenger carrier aircraft landings will increase 2.4 percent annually on average, reaching 37,000 in FY2029. Their total aircraft landed weight will increase 2.9 percent annually on average, reaching 3.89 billion pounds in FY2029.

Low Forecast

The low enplanement forecast is based on the 25-percentile Monte Carlo simulation result, which corresponds with a 75 percent probability estimate that actual enplanements will be equal to or greater than the 25-percentile level. Enplanements are forecast to grow at an average annual rate of 2.0 percent from FY2019, reaching 3.1 million in FY2029. Passenger carrier aircraft landings will increase to reach 34,000 in FY2029, resulting in an average annual growth rate of 1.3 percent. Their total aircraft landed weight will increase 1.8 percent annually on average, reaching 3.49 billion pounds in FY2029.

All-Cargo Aircraft Landings and Landed Weight

In all three forecast scenarios, all-cargo aircraft landings are projected to grow at a slow 0.6 percent annual rate between FY2019 and FY2029. All-cargo aircraft landed weights are forecast to grow in proportion with landings.

Table 15| Base Forecast Commercial Aviation Activity by Fiscal Year

	Actual		Estimate	Forecast										CAGR
Aviation Activity Measure	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2019-2029**
Total Enplanements (Thous.)														
Southwest Airlines	780	778	762	790	792	809	839	866	886	899	920	939	964	
Delta Air Lines	516	537	560	580	581	594	616	635	651	660	675	689	708	
JetBlue Airways	391	415	403	418	419	428	444	458	469	476	487	497	510	
All Others	621	670	838	869	871	889	923	952	975	989	1,012	1,032	1,060	
Total	**2,309**	**2,401**	**2,564**	**2,658**	**2,662**	**2,720**	**2,822**	**2,911**	**2,981**	**3,025**	**3,094**	**3,157**	**3,242**	**2.4%**
Annual Growth Rate		*4.0%*	*6.8%*	*3.7%*	*0.2%*	*2.2%*	*3.8%*	*3.1%*	*2.4%*	*1.5%*	*2.3%*	*2.1%*	*2.7%*	
Total Aircraft Landings (Thous.)														
Passenger Carriers	29	28	30	30	30	31	31	32	33	33	34	34	35	1.7%
All-Cargo Carriers	3	3	3	3	3	3	3	3	3	3	3	3	3	0.6%
Total	**31**	**31**	**32**	**33**	**33**	**33**	**34**	**35**	**36**	**36**	**37**	**37**	**38**	**1.6%**
Annual Growth Rate		*-0.8%*	*4.1%*	*2.6%*	*-0.6%*	*1.2%*	*2.7%*	*2.4%*	*1.7%*	*0.9%*	*1.6%*	*1.4%*	*2.0%*	
Total Landed Weight (Billion lbs)														
Passenger Carriers	2.69	2.74	2.91	3.01	3.01	3.06	3.17	3.27	3.34	3.39	3.46	3.53	3.62	2.2%
All-Cargo Carriers	0.30	0.31	0.31	0.31	0.31	0.31	0.31	0.32	0.32	0.32	0.32	0.32	0.33	0.6%
Total	**2.99**	**3.04**	**3.21**	**3.32**	**3.32**	**3.38**	**3.49**	**3.59**	**3.66**	**3.71**	**3.79**	**3.86**	**3.95**	**2.1%**
Annual Growth Rate		*1.9%*	*5.6%*	*3.2%*	*0.0%*	*1.8%*	*3.3%*	*2.8%*	*2.1%*	*1.3%*	*2.0%*	*1.8%*	*2.4%*	
Average Enplanement per Passenger Aircraft Landing														
Passenger Carriers	**74**	**77**	**79**	**80**	**81**	**81**	**82**	**83**	**83**	**84**	**85**	**85**	**86**	**0.8%**
Annual Growth Rate		*4.8%*	*2.6%*	*1.1%*	*0.8%*	*0.9%*	*1.1%*	*0.8%*	*0.7%*	*0.6%*	*0.7%*	*0.7%*	*0.7%*	
Average Seats per Passenger Aircraft Landing														
Passenger Carriers	**94**	**96**	**98**	**99**	**100**	**100**	**101**	**102**	**102**	**103**	**104**	**104**	**105**	**0.6%**
Annual Growth Rate		*2.2%*	*2.0%*	*0.8%*	*0.5%*	*0.7%*	*0.8%*	*0.7%*	*0.6%*	*0.5%*	*0.6%*	*0.6%*	*0.6%*	
Aircraft Boarding Load Factor														
Passenger Carriers	**78%**	**80%**	**81%**	**81%**	**81%**	**81%**	**81%**	**81%**	**82%**	**82%**	**82%**	**82%**	**82%**	**0.1%**
Average Aircraft Landed Weight (lbs)														
Passenger Carriers	94,188	96,660	98,313	98,951	99,599	100,247	100,899	101,408	101,921	102,436	102,953	103,473	103,960	0.6%
All-Cargo Carriers	106,502	109,913	109,913	109,913	109,913	109,913	109,913	109,913	109,913	109,913	109,913	109,913	109,913	0.0%
All Carriers	**95,279**	**97,843**	**99,314**	**99,879**	**100,483**	**101,071**	**101,652**	**102,107**	**102,570**	**103,042**	**103,512**	**103,987**	**104,428**	**0.5%**
Annual Growth Rate		*2.7%*	*1.5%*	*0.6%*	*0.6%*	*0.6%*	*0.6%*	*0.4%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*	*0.4%*	

CAGR: Compound average growth rate.

Table 16| High Forecast Commercial Aviation Activity by Fiscal Year

	Actual		Estimate	Forecast										CAGR
Aviation Activity Measure	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2019-2029**
Total Enplanements (Thous.)														
Southwest Airlines	780	778	762	795	823	851	878	906	931	958	983	1,010	1,035	
Delta Air Lines	516	537	560	583	604	625	645	665	683	703	722	741	759	
JetBlue Airways	391	415	403	421	436	451	465	479	493	507	520	534	548	
All Others	621	670	838	874	905	936	966	996	1,024	1,054	1,081	1,110	1,138	
Total	**2,309**	**2,401**	**2,564**	**2,672**	**2,768**	**2,863**	**2,953**	**3,045**	**3,130**	**3,223**	**3,307**	**3,396**	**3,479**	**3.1%**
Annual Growth Rate		*4.0%*	*6.8%*	*4.2%*	*3.6%*	*3.4%*	*3.1%*	*3.1%*	*2.8%*	*3.0%*	*2.6%*	*2.7%*	*2.5%*	
Total Aircraft Landings (Thous.)														
Passenger Carriers	29	28	30	31	31	32	33	34	34	35	36	37	37	2.4%
All-Cargo Carriers	3	3	3	3	3	3	3	3	3	3	3	3	3	0.6%
Total	**31**	**31**	**32**	**33**	**34**	**35**	**36**	**37**	**37**	**38**	**39**	**40**	**40**	**2.2%**
Annual Growth Rate		*-0.8%*	*4.1%*	*3.1%*	*2.5%*	*2.4%*	*2.1%*	*2.4%*	*2.1%*	*2.2%*	*1.9%*	*2.0%*	*1.8%*	
Total Landed Weight (Billion lbs)														
Passenger Carriers	2.69	2.74	2.91	3.02	3.13	3.22	3.32	3.42	3.51	3.61	3.70	3.80	3.89	2.9%
All-Cargo Carriers	0.30	0.31	0.31	0.31	0.31	0.31	0.31	0.32	0.32	0.32	0.32	0.32	0.33	0.6%
Total	**2.99**	**3.04**	**3.21**	**3.33**	**3.44**	**3.54**	**3.63**	**3.74**	**3.83**	**3.93**	**4.02**	**4.12**	**4.22**	**2.7%**
Annual Growth Rate		*1.9%*	*5.6%*	*3.7%*	*3.1%*	*3.0%*	*2.7%*	*2.8%*	*2.5%*	*2.7%*	*2.3%*	*2.4%*	*2.2%*	
Average Enplanement per Passenger Aircraft Landing														
Passenger Carriers	**74**	**77**	**79**	**80**	**81**	**82**	**83**	**83**	**84**	**84**	**85**	**86**	**86**	**0.8%**
Annual Growth Rate		*4.8%*	*2.6%*	*1.1%*	*1.1%*	*1.0%*	*1.0%*	*0.7%*	*0.7%*	*0.7%*	*0.7%*	*0.7%*	*0.6%*	
Average Seats per Passenger Aircraft Landing														
Passenger Carriers	**94**	**96**	**98**	**99**	**100**	**101**	**102**	**102**	**103**	**103**	**104**	**105**	**105**	**0.7%**
Annual Growth Rate		*2.2%*	*2.0%*	*0.9%*	*0.8%*	*0.8%*	*0.8%*	*0.7%*	*0.6%*	*0.6%*	*0.6%*	*0.6%*	*0.6%*	
Aircraft Boarding Load Factor														
Passenger Carriers	**78%**	**80%**	**81%**	**81%**	**81%**	**81%**	**81%**	**81%**	**82%**	**82%**	**82%**	**82%**	**82%**	**0.1%**
Average Aircraft Landed Weight (lbs)														
Passenger Carriers	94,188	96,660	98,313	98,951	99,599	100,247	100,899	101,408	101,921	102,436	102,953	103,473	103,960	0.6%
All-Cargo Carriers	106,502	109,913	109,913	109,913	109,913	109,913	109,913	109,913	109,913	109,913	109,913	109,913	109,913	0.0%
All Carriers	**95,279**	**97,843**	**99,314**	**99,875**	**100,452**	**101,033**	**101,621**	**102,078**	**102,542**	**103,008**	**103,479**	**103,953**	**104,399**	**0.5%**
Annual Growth Rate		*2.7%*	*1.5%*	*0.6%*	*0.6%*	*0.6%*	*0.6%*	*0.4%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*	*0.4%*	

CAGR: Compound average growth rate.

Table 17| Low Forecast Commercial Aviation Activity by Fiscal Year

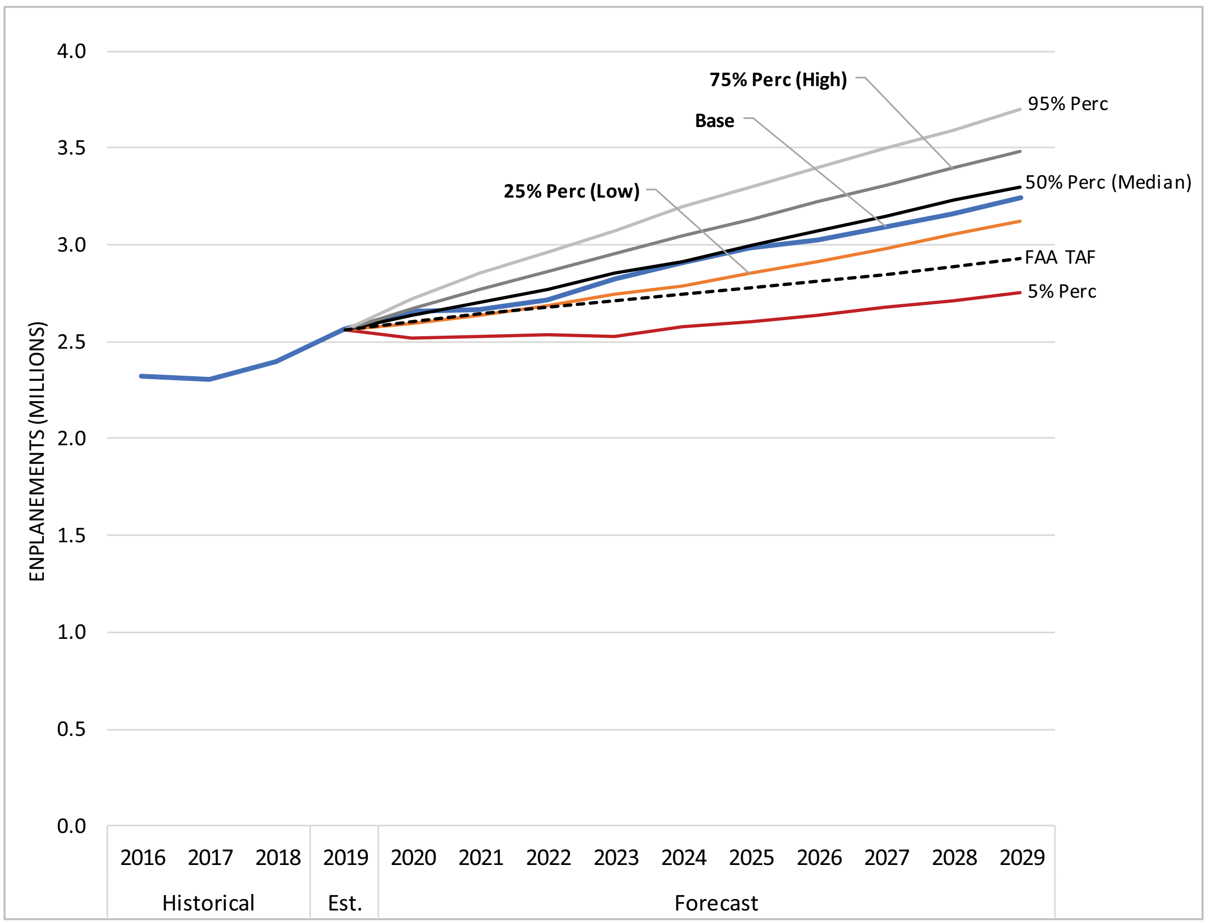
	Actual		Estimate	Forecast										CAGR
Aviation Activity Measure	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2019-2029**
Total Enplanements (Thous.)														
Southwest Airlines	780	778	762	771	784	798	816	829	848	865	886	908	927	
Delta Air Lines	516	537	560	566	575	586	599	608	623	635	650	667	681	
JetBlue Airways	391	415	403	408	415	422	432	439	449	458	469	481	491	
All Others	621	670	838	848	862	877	897	912	933	952	974	999	1,020	
Total	**2,309**	**2,401**	**2,564**	**2,594**	**2,636**	**2,683**	**2,744**	**2,787**	**2,853**	**2,910**	**2,979**	**3,055**	**3,119**	**2.0%**
Annual Growth Rate		*4.0%*	*6.8%*	*1.2%*	*1.6%*	*1.8%*	*2.3%*	*1.6%*	*2.3%*	*2.0%*	*2.4%*	*2.6%*	*2.1%*	
Total Aircraft Landings (Thous.)														
Passenger Carriers	29	28	30	30	30	30	31	31	31	32	32	33	34	1.3%
All-Cargo Carriers	3	3	3	3	3	3	3	3	3	3	3	3	3	0.6%
Total	**31**	**31**	**32**	**32**	**33**	**33**	**33**	**34**	**34**	**35**	**35**	**36**	**37**	**1.2%**
Annual Growth Rate		*-0.8%*	*4.1%*	*0.3%*	*0.7%*	*0.9%*	*1.3%*	*0.9%*	*1.6%*	*1.3%*	*1.7%*	*1.8%*	*1.5%*	
Total Landed Weight (Billion lbs)														
Passenger Carriers	2.69	2.74	2.91	2.94	2.98	3.02	3.08	3.13	3.20	3.26	3.33	3.42	3.49	1.8%
All-Cargo Carriers	0.30	0.31	0.31	0.31	0.31	0.31	0.31	0.32	0.32	0.32	0.32	0.32	0.33	0.6%
Total	**2.99**	**3.04**	**3.21**	**3.24**	**3.29**	**3.34**	**3.40**	**3.45**	**3.52**	**3.58**	**3.66**	**3.74**	**3.81**	**1.7%**
Annual Growth Rate		*1.9%*	*5.6%*	*0.9%*	*1.3%*	*1.5%*	*1.9%*	*1.4%*	*2.1%*	*1.8%*	*2.1%*	*2.3%*	*1.9%*	
Average Enplanement per Passenger Aircraft Landing														
Passenger Carriers	**74**	**77**	**79**	**80**	**81**	**81**	**82**	**83**	**83**	**84**	**84**	**85**	**85**	**0.8%**
Annual Growth Rate		*4.8%*	*2.6%*	*0.8%*	*0.9%*	*0.9%*	*0.9%*	*0.6%*	*0.7%*	*0.7%*	*0.7%*	*0.7%*	*0.6%*	
Average Seats per Passenger Aircraft Landing														
Passenger Carriers	**94**	**96**	**98**	**99**	**100**	**100**	**101**	**101**	**102**	**103**	**103**	**104**	**104**	**0.6%**
Annual Growth Rate		*2.2%*	*2.0%*	*0.6%*	*0.7%*	*0.7%*	*0.7%*	*0.5%*	*0.6%*	*0.6%*	*0.6%*	*0.6%*	*0.5%*	
Aircraft Boarding Load Factor														
Passenger Carriers	**78%**	**80%**	**81%**	**81%**	**81%**	**81%**	**81%**	**81%**	**82%**	**82%**	**82%**	**82%**	**82%**	**0.1%**
Average Aircraft Landed Weight (lbs)														
Passenger Carriers	94,188	96,660	98,313	98,951	99,599	100,247	100,899	101,408	101,921	102,436	102,953	103,473	103,960	0.6%
All-Cargo Carriers	106,502	109,913	109,913	109,913	109,913	109,913	109,913	109,913	109,913	109,913	109,913	109,913	109,913	0.0%
All Carriers	**95,279**	**97,843**	**99,314**	**99,900**	**100,491**	**101,081**	**101,671**	**102,135**	**102,597**	**103,064**	**103,532**	**104,003**	**104,445**	**0.5%**
Annual Growth Rate		*2.7%*	*1.5%*	*0.6%*	*0.6%*	*0.6%*	*0.6%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*	*0.4%*	

CAGR: Compound average growth rate.

Comparison of Enplanement Forecasts with FAA Terminal Area Forecast (TAF)

The FAA develops annual airport forecasts for planning, budgeting, and staffing purposes (the Terminal Area Forecast, or TAF). The most recent TAF was published in January 2018. Forecast publications lag more than a year behind forecast development, so the latest TAF considers actual performance only through federal fiscal year 2016 (which ended on September 30, 2016). To compare the TAF with this report's forecasts, the TAF was scaled up to reflect the FY2019 estimate. With this adjustment, annual enplanements will grow at an average rate of 1.3 percent, reaching 2.9 million in FY2029. Figure 43 shows the adjusted TAF along with the base, high, low, and selected Monte Carlo simulation forecasts. The adjusted TAF tracks the low forecast closely through 2022. The FAA's TAF projections for BNIA were developed following eight consecutive years of declining passenger traffic at the Airport, a likely explanation for the more conservative growth forecast.[27]

Figure 43| Comparison of BNIA Forecast with FAA Terminal Area Forecast, FY2016-2029



Sources: FAA Terminal Area Forecast (TAF) 2018 and Unison Consulting, Inc. (all other forecasts).

[27] Enplanements declined 1.7 percent annually in the 2016 federal fiscal year, ending September 31, 2016.

Forecast Uncertainty and Risk Factors

The forecasts of enplanements are based on information available at the time of analysis, measurable factors that drive air travel demand, and assumptions about the availability and characteristics of airline service at the Airport. These assumptions may not hold in the future, so that actual enplanements could differ materially from the forecasts. In addition, broader factors affect the aviation industry and the Airport, and they could bring risk and uncertainty to the forecasts.

Economic Conditions

National and regional economic conditions affect airport traffic trends. The national economy is a major driver of the regional economy as a whole, and it is an important determinant of air travel demand. Economic expansions increase income, boost consumer confidence, stimulate business activity, and increase demand. In contrast, economic recessions reduce income, diminish consumer confidence, dampen business activity, and weaken demand. Generally, air travel demand declines during economic recessions and grows during economic recoveries and expansions. While the diversity of the regional economy BNIAs temper the effects of business cycles, the regional economy can be vulnerable to a national economic recession as deep as the Great Recession in 2008-2009.

The U.S. economy is now on its ninth year of expansion after the Great Recession. Driven by growth in consumer spending and business investment, the U.S. economy is predicted to continue growing over the next few years. According to the WSJ May 2018 survey of economists, U.S. real GDP is forecast to grow by 2.9 percent in 2018, 2.4 percent in 2019, and 1.9 percent in 2020. While the probability of a recession in the near-term remains low (15 percent according to the WSJ May 2018 survey), many factors within the country and abroad present economic risks. Sources of economic risks include significant economic policy changes, the high level of U.S. government and private debt, tightening monetary policy, the adverse effects of volatile oil prices on the U.S. energy and manufacturing sectors, and the continuing political tensions involving the Middle East, Russia, and North Korea.

Trends in Oil Prices and Jet Fuel Prices

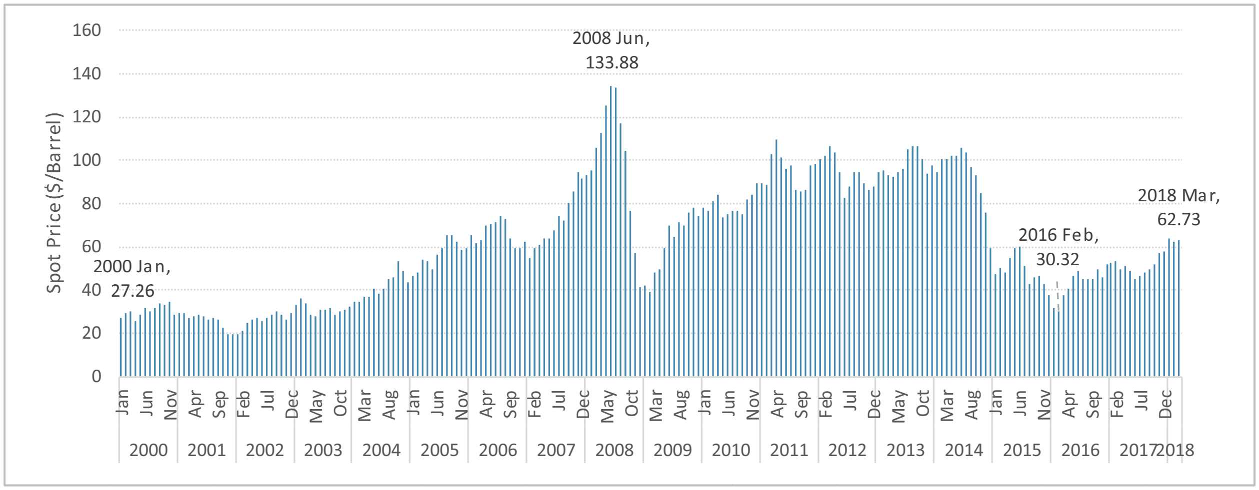
Oil prices affect one of the largest components of airline costs—jet fuel. The sharp increases in oil prices (Figure 44) in the past decade caused sharp increases in jet fuel costs (Figure 45). The U.S. airline industry suffered huge financial losses, pushing many airlines into bankruptcy and prompting significant changes in airlines' operations and business practices. In contrast, the sharp decrease in oil prices since June 2014 has brought airlines windfall profits, allowing them to renew their fleets and invest in other service improvements.

World oil prices are slowly recovering. Since June 2017 they have been on a steady upward trend, raising the average spot price per barrel for 2017 to $50.79 and for March 2018 to $62.73.

According to the U.S. Energy Information Administration forecast, WTI spot prices could average around $66 per barrel in 2018 and around $61 per barrel in 2019.[28]

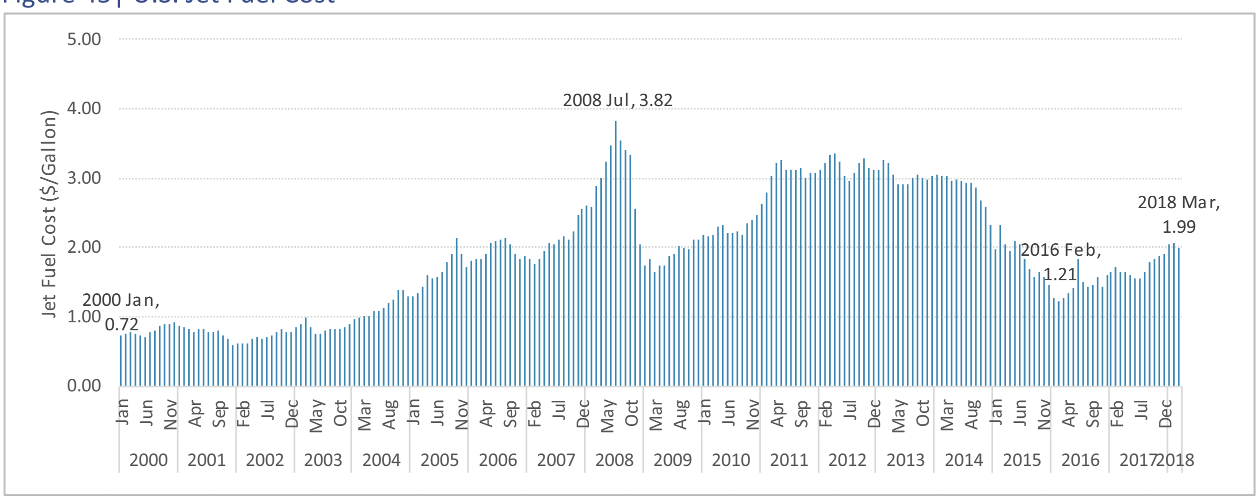
U.S. airlines yet again face increases in jet fuel prices, although this time with more fuel-efficient fleet, more cost-efficient business operations, and better financial conditions.

Figure 44 | Monthly Crude Oil Spot Prices (Cushing, OK WTI)



Source: U.S. Energy Information Administration.

Figure 45 | U.S. Jet Fuel Cost



Source: U.S. Bureau of Transportation Statistics.

Financial Health of the U.S. Airline Industry

Since 2000, the U.S. airline industry has incurred losses in seven years, totaling $83.9 billion, and has made profits in 11 years, totaling $114.2 billion (Figure 46). The period from 2010 to 2017 has

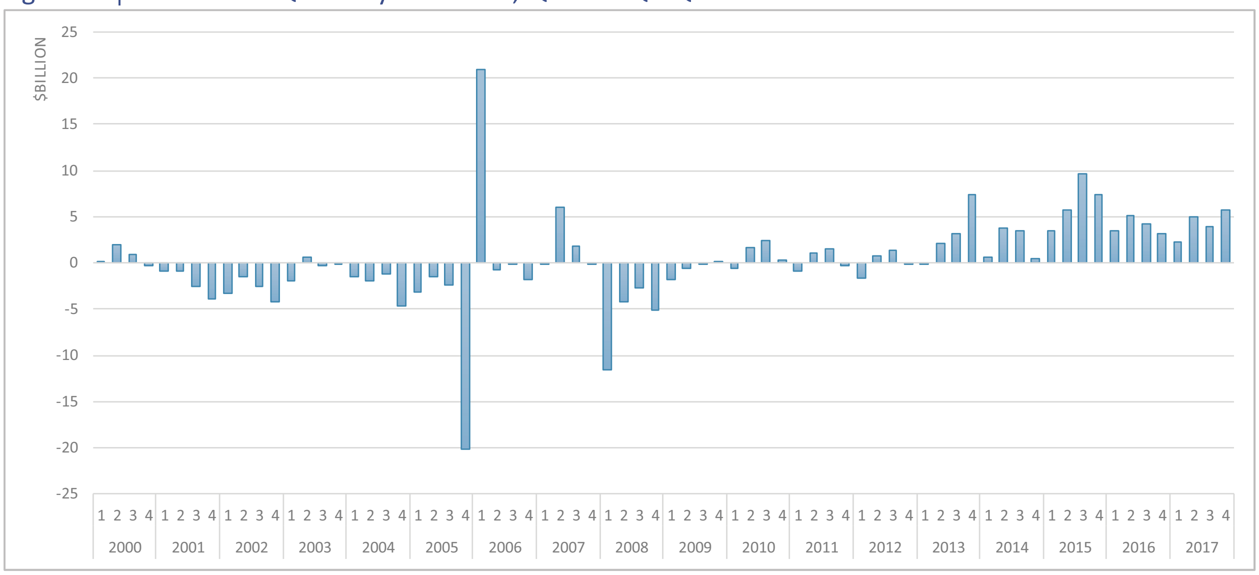
[28] U.S. Energy Information Administration Short-Term Energy Outlook, May 8, 2018.

been one of the industry's most profitable periods, with an average of $10.7 billion in profits each year.

All of the airline industry's losses were incurred prior to 2010, when the demand for air travel declined following the September 2001 terrorist attacks, during the Great Recession, and when fuel prices increased to record levels. Mounting financial difficulties forced airlines into bankruptcy and liquidation. Surviving airlines merged, cut costs, retired fuel-inefficient aircraft, scaled back networks, changed pricing of airline services, and took many other measures to improve financial results.

The airline industry has been earning profits since 2010, reaping the benefits of lower fuel prices, capacity discipline, traffic recovery along with global and U.S. economic recovery. Amid strong air travel demand, airlines have been able to raise airfares and earn substantial revenues from ancillary services. Airports have benefitted with increases in airline service.

Figure 46| U.S. Carrier Quarterly Net Profit, Q1 2000Q1-Q4 2017



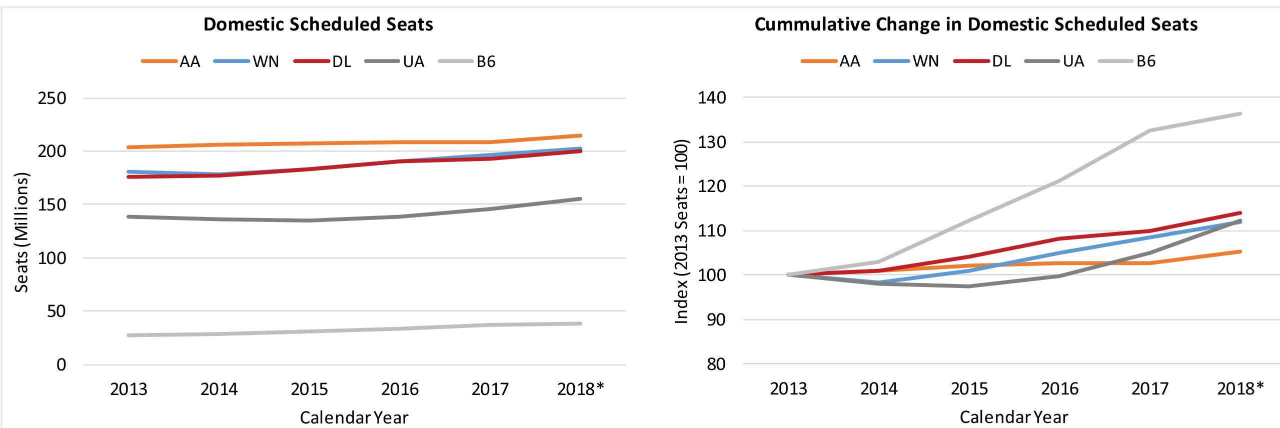
Source: U.S. Bureau of Transportation Statistics F41 Schedule P12 data.

Performance of the Five Largest Airlines Serving the Airport[29]

The market performance of major airlines can affect future Airport traffic. Southwest and Delta are the two largest carriers at BNIA, respectively accounting for 32 percent and 22 percent of the Airport's enplanements in FY2018. JetBlue accounted for 17 percent that year, followed by American and United, which accounted for 15 percent and 11 percent, respectively. Together, these five air carriers accounted for approximately 97 percent of BNIA enplanements in FY 2018.

In recent years, the Airport's five largest air carriers (measured by enplanement market share at BNIA) have been earning profits, aided by the continuing economic expansion and relatively stable fuel prices. These five airlines have been renewing and upgauging their fleets, allowing them to increase scheduled capacity (see Figure 47 for the U.S. domestic market). The following paragraphs provide summary information regarding Southwest and Delta, the two carriers with the largest enplanement market shares at BNIA.

Figure 47| Domestic Scheduled Seats by BNIA's Five Largest Airlines



Source: OAG Schedules Analyzer.
* Actual seats through Oct. 2018 and scheduled seats through Dec. 2018.
AA – American Airlines (includes US Airways in 2013-2015)
B6 – JetBlue Airways
DL – Delta Airlines
UA – United Airlines
WN – Southwest Airlines (includes AirTran Airways in 2013-2014)

29 The discussion is based on information and reports contained in the airlines' websites and operating data from the Bureau of Transportation Statistics.

Southwest Airlines

Southwest is the second largest scheduled domestic market U.S. carrier, based on its share of U.S. system revenue passenger miles (18.2 percent in CY2017). In CY2017, Southwest reported its 45th consecutive annual net income of $3.5 billion, maintaining its record as the only major U.S. airline that has remained consistently profitable through all the downturns in the airline industry.

Southwest's business strategy centers on cost discipline and profitably charging competitive low fares. Adjusted for stage length, Southwest has lower unit costs, on average, than the majority of major domestic carriers. Southwest is able to keep its costs low by (1) using a single aircraft type, the Boeing 737, (2) operating an efficient point-to-point route structure, and (3) achieving high labor productivity.

Southwest began flying Boeing's new 737 MAX 8 aircraft in October 2016, believed to be the best narrow-body airplane of comparable size in the world in terms of fuel efficiency and noise reduction. As of December 31, 2017, Southwest operated a total of 706 Boeing 737 aircraft, 13 of them are the new MAX 8 aircraft. Southwest expects to grow its fleet to 750 aircraft by the end of 2018.

Like other airlines, Southwest cut capacity during the last recession and the early years of economic recovery. Like other airlines, it began increasing capacity in recent years—CY2015 was the turning point for Southwest's domestic capacity as shown in Figure 47. Southwest's scheduled domestic seats in CY2017 were up 9 percent from 2013. Southwest expects to continue its strategic capacity increases in CY2018.[30] The carrier's scheduled seats are expected to be up 12 percent from CY2013 in CY2018.

Delta Air Lines

Delta is the third largest scheduled domestic market U.S. carrier, accounting for 16.8 percent of U.S. system revenue passenger miles in CY2017. Delta earned a net income of $1.1 billion in CY2017, consistently earning an annual profit since CY2010.[31] Delta merged with Northwest Airlines in October 2008 and completed the integration of the two airlines in CY2010.

As of March 31, 2018, Delta has 867 aircraft in its mainline fleet. Delta is taking delivery of 60 new aircraft for the entire calendar year in 2018 toward meeting its target of 30 percent mainline fleet renewal by 2020.[32]

As shown in Figure 47, Delta has steadily increased domestic seat capacity since CY2013, posting a cumulative increase of 10 percent through CY2017. Delta plans to continue increasing system-wide seat capacity in CY2018; its scheduled seats are expected to be up 14 percent from CY2013 in CY2018.

[30] Southwest Airlines Co. 2017 Annual Report to Shareholders, March 23, 2018.
[31] Delta Air Lines Earnings Releases, various years.
[32] Delta Air Lines Investor Day 2017, December 14, 2017.

Airline Competition

Competition within the airline industry is intense and highly unpredictable—one of the main reasons for the volatility of the airline industry. Airlines compete on various factors including (1) pricing and cost structure, (2) routes, frequent flyer programs, schedules; and (3) customer service, operational reliability, and amenities. Airlines also face competition from other forms of transportation and alternatives to travel such as videoconferencing and the internet.

Pricing is a significant competitive factor in the airline industry because airfares are an important consideration for customers when choosing flights. The Internet has made it easy for customers to compare fares and identify competitor promotions and discounts.

The significant growth of ULCCs has made price competition even more fierce. ULCCs offer "a la carte" service offerings, promoting extremely low relative base fares while separately charging for related services and products. Certain major U.S. airlines have responded by introducing a new "Basic Economy" fare product, offering a lower base fare to compete with a ULCC base fare but with significant restrictions on related amenities and services. This price competition has led to lower fares across the industry.[33]

Airline Mergers

Responding to competition, cost and regulatory pressures, the airline industry has been consolidating. The most recent examples of large mergers include Delta and Northwest in 2008, United and Continental in 2010, Southwest and AirTran in 2011, American and US Airways in 2013, and Alaska and Virgin America in 2016.

Airline mergers affect service and traffic at airports, when they consolidate facilities, optimize route networks, and route connecting traffic through other hubs. The impact on affected airports usually plays out within a few years—sometimes immediately—following the merger. The impact can be significant or trivial, depending upon whether the merging airlines have a large market share at an airport and whether they carry significant connecting traffic through the airport.

Aviation Security, Health and Safety Concerns

Concerns about security, health, and safety influence consumer travel behavior. Even with tightened security measures implemented by the Department of Homeland Security, terrorism remains a serious threat to the aviation industry. Additionally, the stringent airport security screening and long waits at security screening lines discourage air travel particularly to destinations that can be reached by ground transportation within a reasonable amount of time. Health and safety concerns can also cause temporary dips in traffic in affected routes.

Structural Changes in Travel Demand

Consumers alter their travel patterns in response to changes at airports, changes in airline business practices, and changes in technology. For example, the stringent airport security screening and long wait times at airports after the 2001 terrorist attacks decreased the demand for air travel for short-

[33] Southwest Airlines Co. 2017 Annual Report to Shareholders, March 23, 2018.

haul trips. Intense fare competition and the ease of comparison shopping allowed by the internet have made consumers more price-sensitive. The widespread use of tele- and videoconferencing has decreased the need for business travel.

Summary

This section reviews the historical trends in commercial passenger traffic at BNIA and presents forecasts of enplanements and aviation activity at the Airport.

The past 20 years were eventful for the U.S. aviation industry and the Airport. Significant events caused structural changes in the airline industry, the air travel market, and airline service at the Airport, many with lasting impacts on airline service and passenger traffic trends at the Airport. BNIA experienced fluctuations in passenger traffic coinciding with adverse events, and, over the long term, its passenger enplanements declined from a peak of 2.72 million in FY2009 to 2.40 million in FY2018. On average, however, BNIA enplanements grew 1.9 percent annually over the two decades between FYs 1999 and 2018.

This section presents a range of forecasts for enplanements at BNIA and corresponding forecasts of aircraft landings and landed weight. Under the base forecast, enplanements will increase from 2.56 million in FY2019 to 3.24 million in FY2029, growing at an average annual rate of 2.4 percent. Aircraft landings, including All Cargo carriers, will increase 1.6 percent annually on average from 32,000 in FY2019 to 38,000 in FY2029, while total landed weight will increase 2.1 percent annually on average from 3.21 billion pounds to 3.95 billion pounds over the same period.

SECTION 4 | FINANCIAL ANALYSIS

This section (1) reviews the recent historical financial performance of the Airport, (2) examines the ability of the Airport to generate sufficient Net Revenues in each Fiscal Year of the forecast period to meet the obligations of the Master Resolution and the Seventh Supplemental Resolution (collectively referred to as the Resolutions), and (3) discusses the information and assumptions underlying the financial forecasts, which include Revenues, Operation and Maintenance Expenses (O&M Expenses), debt service requirements, and debt service coverage. The financial projections presented in this section assumes the base enplanement forecast developed in Section 3 and are shown for the period FY2019 through FY2025.

Financial Framework

Airport Accounting and Financial Reporting

The Authority operates the Airport in accordance with generally accepted accounting principles (GAAP) for governmental entities. The Authority prepares its financial statements based on the Authority's fiscal year, which begins on April 1st of each calendar year and ends on March 31st of each succeeding year.

Airline Use and Lease Agreement

The Authority has entered into separate, but substantially similar, Airline Use and Lease Agreements (the Airline Agreements) with the nine passenger and air cargo carriers operating at the Airport (the Signatory Airlines). The Airline Agreements cover the use of, and the rate-setting mechanisms for, the airfield, terminal facilities and the ramp area at the Airport. The Airline Agreements, as extended, have a term commencing on April 1, 2014 and terminating on March 31, 2019. The Authority and the Signatory Airlines are currently conducting negotiations, which contemplate a continuation of the Airline Agreements past the current expiration date of March 31, 2019. The Authority anticipates that a new five-year term for the Airline Agreements will be entered into, beginning on July 1, 2019 (with an anticipated expiration date of June 30, 2024). The Authority further anticipates that there will be a three-month holdover period between the current expiration date of March 31, 2019 and June 30, 2019. It is the Authority's expectation that the existing airline rates and charges methodology will continue in effect throughout the holdover period and the new five-year term of the Airline Agreements. Therefore, the financial analysis and projections in this section assume the same rate making provisions currently in the Airline Agreements will remain in place throughout the remainder of the forecast period.

Following are the major provisions of the Airline Agreements:

- Term is April 1, 2014 to March 31, 2019.
- Compensatory rate methodology is used to calculate fees in the Airfield, the Terminal and the ramp area.
- The Airline Agreements do not require airline approval of capital projects.

- During the agreement, the Authority has the discretion to undertake any capital improvements to improve the Airport.
- The Authority included a capital improvement program in the Airline Agreements. The Authority may make revisions at its sole discretion. The Baggage Claim Expansion project has been approved by the Signatory Airlines.

- Other
  - Signatory Airlines report passengers of their affiliates (code share partners & subsidiaries, parent companies or contract airlines) combined with their own passengers and serve as the financial guarantor for their affiliates.
  - Non-Signatory Airlines pay 125 percent of the rates paid by Signatory Airlines.
  - The Airline Agreements allow the Authority to include a portion of NFIA's deficit in the landing fee calculation. The amount that can be included is the lesser of 50 percent of the combined operating and capital deficits incurred at the Airport for the Fiscal Year or the maximum capped Fiscal Year amount, which is $500,000 in FY 2019.
  - Signatory airlines lease exclusive use space which consists of hold rooms, ticket counters, operation space, office space, and ramp areas. Signatory airlines also have the non-exclusive right to use joint-use space and common use space.

Airline Rates and Charges

The Authority collects landing fees, terminal rental fees, ramp use fees and other fees and charges, including baggage system maintenance and overnight parking charges.

The calculation methodologies for the airline rates and charges, as specified in the current Airline Agreements, include a compensatory methodology for the landing fee, ramp fee, and terminal rental rate. The calculations for the projected landing fee, terminal rental rate and ramp fee during the forecast period are presented later in this section. The airline revenue projections presented in this section reflect the current airline rate methodology.

The methodology for calculating these fees and charges, as specified in the Airline Agreement, is discussed below.

Landing Fees. The Signatory Airlines are responsible for paying landing fees in an amount equal to the total of the capital and operating requirement chargeable to the Landing Area (the Landing Area Requirement). Landing Area Requirement is summation of the following:

- Landing Area and Maintenance Facility O&M Expenses
- ARFF Expenses allocable to the Landing Area
- Operating Expense Reserve deposits
- Depreciation allocable to the Landing Area
- Capital Expenditures associated with the Landing Area

- Debt Service and coverage allocable to the Landing Area
- NFIA operating loss

The Net Landing Fee Requirement used for purposes of establishing the landing fee rate is computed by reducing the Airfield expenses listed above by the following offsets or credits:

- Expenses allocated to the Ramp cost center
- Any Revenue offsets which includes any landing fees paid by non-signatory airlines and remote aircraft parking fees
- Expenses allocated to General Aviation
- Prior year Landing Area adjustment

Prior to the beginning of each year, Airport Management projects the Net Landing Fee Requirement for the year based on budgeted Landing Area expenses and the adjustments to the requirement. The signatory landing fee rate is calculated as the Net Landing Fee Requirement divided by the projected signatory aircraft landed weight in thousand pound units. Non-Signatory Airlines are charged a landing fee that is 125 percent of the fee charged to Signatory Airlines.

The Airline Agreements provide the Authority the ability to adjust the landing fee rate during a fiscal year if the Authority forecasts show an underpayment or overpayment of 10 percent or more of the Net Landing Fee Requirement. Any such adjustment will be effective for the balance of the fiscal year. On or before March 31st of each fiscal year the Authority recalculates rates based on the actual costs, revenues, leased premises, and airline activity. If the airline rent or fees paid by the airlines are less than the amounts required, the Authority adds the amount of the underpayment to the Net Landing Fee Requirement. If the amount is more than required, the Authority will deduct the overpayment from the Net Landing Fee Requirement.

Terminal Rents. The Signatory Airlines pay annual Terminal rent based on the airlines' use of the Terminal. The Terminal net deficit is computed by aggregating all costs for the Terminal cost center (the Terminal Requirement), and deducting certain revenues that are used to offset the Terminal Requirement. The components of the Terminal Requirement are listed below:

- Terminal O&M Expenses
- Operating Expense Reserve Deposits
- Depreciation allocable to the Terminal
- Capital Expenditures associated with the Terminal Building
- Debt Service and coverage allocable to the Terminal Building

The Net Terminal Requirement used for purposes of establishing the terminal rental rate is computed by reducing the Terminal Requirement listed above by the following offsets or credits:

- Passenger Facility Charges (PFCs) applied to Terminal debt service

- Any Revenue offsets which includes utilities reimbursements
- Prior year Terminal adjustment

The rental rate for Terminal space occupied by the Signatory Airlines will be determined by dividing the Terminal net deficit by the total square footage in the Terminal.

The Airline Agreements provide the Authority the ability to adjust the terminal rental rate during a fiscal year if the Authority forecasts show an underpayment or overpayment of 10 percent or more of the Net Terminal Requirement. Any such adjustment will be effective for the balance of the fiscal year. On or before March 31st of each fiscal year the Authority recalculates rates based on the actual costs, revenues, leased premises, and airline activity. If the airline rent or fees paid by the airlines are less than the amounts required, the Authority adds the amount of the underpayment to the Net Terminal Requirement. If the amount is more than required, the Authority will deduct the overpayment from the Net Terminal Requirement.

Ramp Fees. 10 percent of the Landing Area Requirement is assigned to the ramp area. That amount is then divided by the total ramp linear footage to determine the ramp fee. Airlines pay the ramp fee based on linear footage assigned to their respective leased gates.

Application of Revenues

Figure 48 illustrates the application of and priority in the uses of amounts in the Revenue Fund. Pursuant to the Master Resolution, the Authority shall establish the funds shown in Figure 48. The Airport Revenue Fund is established under the Master Resolution. The Authority deposits all Airport Revenues into the Airport Revenue Fund and those funds are applied based on the priority established in the Master Resolution. The priority is as follows:

1.) Airport Operation and Maintenance Fund – the amount determined by Designated Financial Officer to be necessary to pay O&M expenses. In addition, this fund includes the Operating Reserve which is equal to two months of O&M Expenses. The Operating Reserve can be used for payment of O&M expenses if the Airport Revenue Fund is insufficient.

2.) Airport Bond Fund – the amount required to be used to pay the required principal and interest on Bonds.

3.) Airport Bond Reserve Fund – the amount required to meet the Airport Bond Reserve Fund Requirement established by the Trustee.

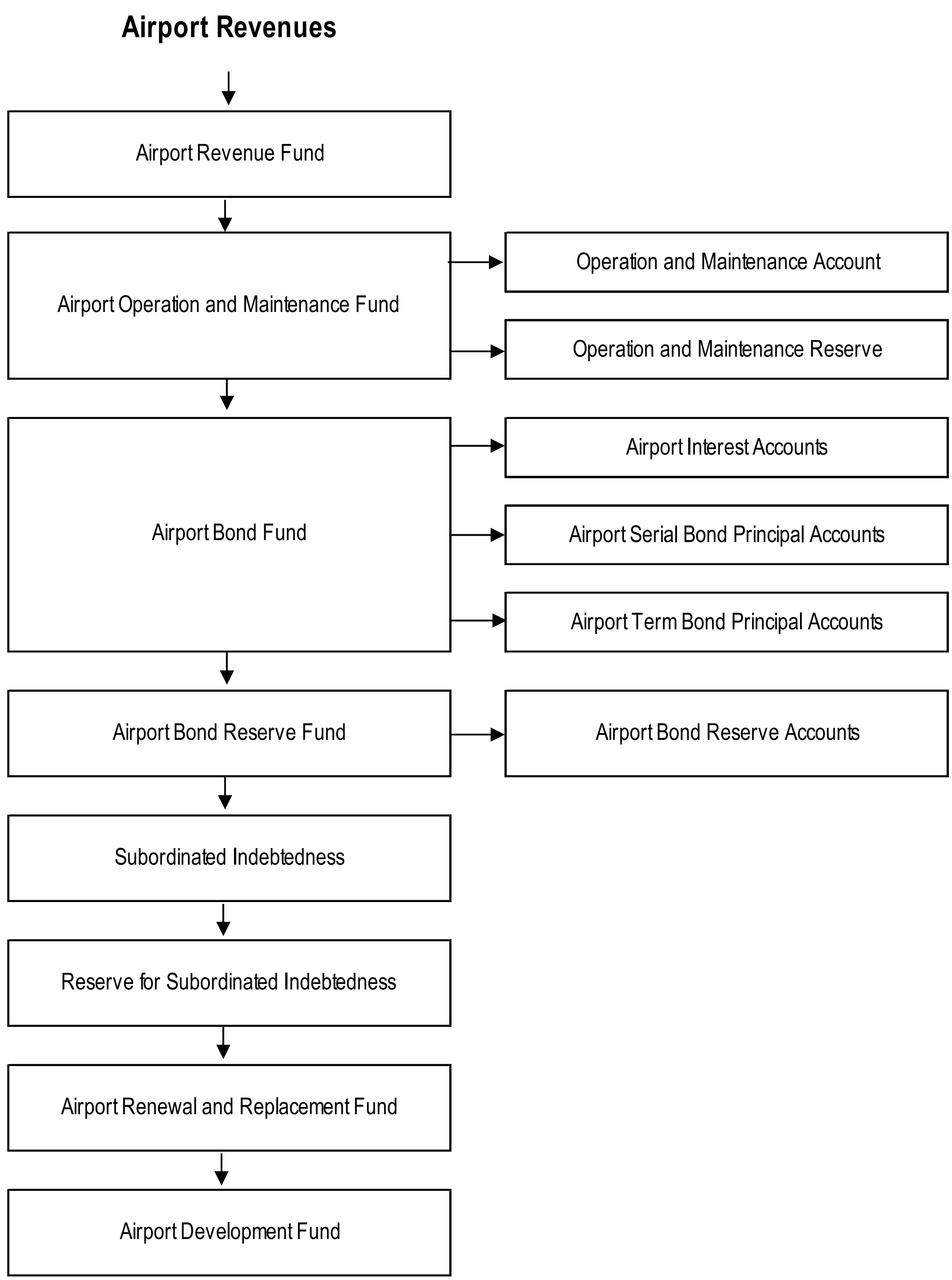
4.) Subordinated Indebtedness – the amount required to pay the required principal, premium, and any interest on subordinate bonds, notes, certificates or warrants.

5.) Reserve for Subordinated Indebtedness – the amount required to be deposited established with respect to the subordinate debt.

6.) Airport Renewal and Replacement Fund – the amount required to be on deposit shall be maintained in an amount determined by the Authority, provided that the amount is not less than $750,000.

7.) Airport Revenue Fund – remaining revenues after meeting the previous obligations can be used for any corporate purpose by the Authority. In addition, the Authority is authorized to use certain amounts for Other Airport Matters.

Figure 48| Flow of Funds



The Series 2019 Bonds are payable solely from and secured by a pledge of Net Airport Revenues generated by the Authority from the Airport System, which consists of BNIA. NFIA and certain facilities at BNIA that are operated, maintained, or managed by the property management department of the Authority are not included in the Airport System. Any revenues derived from those airport facilities are not included in Airport Revenues. However, expenses or deficits related to those other airport facilities may be paid from Net Airport Revenues deposited into the ADF. However, pursuant to the flow of funds specified in the Master Resolution (see flow of funds figure above), any deposits to the ADF would be made after all principal and interest payments on the Series 2019 Bonds and other outstanding bonds are satisfied.

The Airport is grandfathered from certain FAA revenue diversion requirements. Therefore, Net Airport Revenues deposited into the Airport Development Fund may be applied to off-Airport purposes.

Rate Covenant Requirement

Pursuant to the Master Resolution, the Authority shall establish and impose a schedule of rates, rentals, fees, and charges sufficient so that in each fiscal year, Net Airport Revenues, together with amounts on deposit in the Airport Development Fund (ADF), will be at least equal to one hundred twenty-five percent (125%) of the current year Debt Service. Net Airport Revenues are defined as the aggregate of the Airport Revenues minus the aggregate of the Operation and Maintenance Expenses.

Operation and Maintenance Expenses

Pursuant to the Master Resolution, "Operation and Maintenance Expenses" are those costs necessary in administering, operating, maintaining, and repairing the Airport. Table 18 presents historical O&M Expenses for the period FY2014 through FY2018. Total O&M Expenses increased from approximately $38.3 million in FY2014 to $39.4 million in FY2018, representing an average annual increase of 0.7 percent during that period. The largest components of FY2018 O&M Expenses were Safety and Security (28.4 percent of total O&M Expenses), Salaries and Employee Benefits (24.9 percent), Maintenance and Repairs (15.9 percent), and General Business and Other Expenses (15.4 percent). Together, these largest categories accounted for approximately 84.6 percent of total FY2018 O&M Expenses. The historical changes in the various categories of O&M Expenses are discussed in the subsections below.

Table 18 also shows the allocation of O&M Expenses by cost center, as used in the Airport's airline rate setting methodology. In FY2018, Landing Area expenses accounted for the largest share of total O&M Expenses (36.1 percent), followed by Terminal (31.8 percent), Parking Lots (21.3 percent), Maintenance Facilities (5.0 percent), Fuel Farm (2.7 percent), Roadways & General (2.3 percent), General Aviation (0.6 percent) and AFSS cost center (0.0 percent).

During the forecast period, total O&M Expenses are projected to increase to approximately $50.2 million in FY2025, as shown on Table 19. The projection of O&M Expenses reflects the Airport's FY2019 Budget; anticipated future expense trends, including an inflation factor; and the projected operating expense impacts of the capital projects. The projected changes in the various elements of projected O&M Expenses are explained in the sub-sections below.

FY2019 O&M Expenses are budgeted to total approximately $43.5 million, an increase of 10.5 percent over the FY2018 O&M Expenses, mainly due to anticipated maintenance and repair projects and environmental expenses. These and other anticipated increases in FY 2019 are discussed in the associated subsections below.

Table 18|Historical O&M Expenses

Total O&M Expenses	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**CAGR 2014 - 2018**
Salaries and Employee Benefits	$ 10,632,669	$ 10,980,611	$ 8,947,176	$ 9,481,673	$ 9,793,842	-2.0%
Safety and Security	10,230,914	10,180,784	10,437,427	11,003,663	11,189,298	2.3%
Maintenance and Repairs	6,814,893	7,010,194	5,386,934	6,034,004	6,246,149	-2.2%
Utilities	2,717,222	2,407,787	1,924,095	1,955,359	1,975,579	-7.7%
Insurance and Injuries	493,321	347,785	405,520	373,397	245,501	-16.0%
General Business/Other	4,597,034	4,482,742	6,267,140	6,352,407	6,070,207	7.2%
Costs Transferred to Capital Projects	(85,465)	(75,471)	(26,883)	(29,897)	(418,260)	48.7%
Inter-Division Reimbursement	(192,791)	(107,682)	(105,333)	(109,456)	(170,178)	-3.1%
Administration Cost Reallocation	3,115,021	3,337,809	3,724,584	4,143,641	4,451,694	9.3%
Total O&M Expenses	**$ 38,322,818**	**$ 38,564,559**	**$ 36,960,660**	**$ 39,204,791**	**$ 39,383,832**	**0.7%**
Total O&M Expenses by Cost Center	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**CAGR 2014 - 2018**
Landing Area	$ 13,437,478	$ 13,745,332	$ 13,242,055	$ 14,106,559	$ 14,235,796	1.5%
Fuel Farm	855,249	920,877	944,051	1,066,521	1,066,067	5.7%
AFSS	9,085	8,541	13,560	11,766	4,906	-14.3%
Terminal Building	12,230,235	12,196,057	11,995,623	12,791,981	12,514,308	0.6%
General Aviation	210,551	210,364	222,546	237,576	247,276	4.1%
Maintenance Facilities	1,975,426	2,006,359	1,872,662	1,787,282	1,986,298	0.1%
Parking Lots	8,796,604	8,651,319	7,829,652	8,304,296	8,406,374	-1.1%
Roadways & General	808,190	825,709	840,512	898,811	922,806	3.4%
Total O&M Expenses	**$ 38,322,818**	**$ 38,564,559**	**$ 36,960,660**	**$ 39,204,791**	**$ 39,383,832**	**0.7%**

Source: Airport Records
[1] ARFF salaries are included in Safety and Security expenses.

Table 19|Projected O&M Expenses

Total O&M Expenses	Estimate FY 2019	Projected FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	CAGR 2019 - 2025
Salaries and Employee Benefits	$ 10,394,683	$ 10,654,550	$ 10,920,914	$ 11,193,937	$ 11,473,785	$ 11,760,630	$ 12,054,645	2.5%
Safety and Security [1]	11,535,271	11,846,647	12,165,191	12,491,695	12,827,829	13,173,612	13,528,836	2.7%
Maintenance and Repairs	7,579,643	7,771,762	7,953,296	8,129,457	8,313,782	8,503,980	8,695,474	2.3%
Utilities	2,105,000	2,158,355	2,208,770	2,257,693	2,308,883	2,361,705	2,414,886	2.3%
Insurance and Injuries	413,748	426,160	438,945	452,114	465,677	479,647	494,037	3.0%
General Business/Other	6,785,980	6,958,020	7,120,603	7,278,389	7,443,483	7,613,837	7,785,358	2.3%
Costs Transferred to Capital Projects	(31,430)	(32,373)	(33,344)	(34,344)	(35,375)	(36,436)	(37,529)	3.0%
Inter-Division Reimbursement	(111,925)	(115,283)	(118,741)	(122,303)	(125,973)	(129,752)	(133,644)	3.0%
Administration Cost Reallocation	4,836,810	4,959,407	5,075,250	5,187,664	5,305,287	5,426,659	5,548,857	2.3%
Total O&M Expenses	**$ 43,507,780**	**$ 44,627,245**	**$ 45,730,883**	**$ 46,834,301**	**$ 47,977,378**	**$ 49,153,882**	**$ 50,350,920**	**2.5%**

Total O&M Expenses by Cost Center	Esimate FY 2019	Projected FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	CAGR 2019 - 2024
Landing Area	$ 15,937,789	$ 16,368,171	$ 16,801,421	$ 17,240,847	$ 17,694,647	$ 18,161,764	$ 18,639,802	2.6%
Fuel Farm	1,460,986	1,498,392	1,535,365	1,572,388	1,610,704	1,650,119	1,690,233	2.5%
AFSS	11,217	11,500	11,766	12,023	12,293	12,571	12,850	2.3%
Terminal Building	13,908,521	14,257,605	14,600,706	14,942,923	15,297,322	15,661,823	16,032,158	2.4%
General Aviation	255,265	262,530	269,965	277,591	285,453	293,553	301,883	2.8%
Maintenance Facilities	1,847,433	1,892,776	1,937,296	1,981,659	2,027,566	2,074,744	2,122,633	2.3%
Parking Lots	9,159,626	9,389,022	9,606,484	9,817,986	10,039,019	10,266,966	10,496,597	2.3%
Roadways & General	926,943	947,249	967,879	988,883	1,010,373	1,032,342	1,054,763	2.2%
Total O&M Expenses	**$ 43,507,780**	**$ 44,627,245**	**$ 45,730,883**	**$ 46,834,301**	**$ 47,977,378**	**$ 49,153,882**	**$ 50,350,920**	**2.5%**

[1] ARFF salaries are included in Safety and Security expenses.

Salaries and Employee Benefits

Salaries and Employee Benefits increased from $10.6 million in FY2014 to almost $11.0 million in FY2015 before decreasing to $8.9 million in FY2016. Prior to FY2016, the facilities maintenance and bus shelter departments were organizationally under the Airport, and the salaries and employee benefits expenses of the employees of those departments were included in the Airport's salary and employee benefits expenses. Those expenses were then reallocated to other NFTA departments (see discussion below under General Business and Other expenses). In FY2016, the facilities maintenance and bus shelter departments were reassigned to be part of the NFTA Engineering Department, and as a result, the Airport's salaries and employee benefits expenses decreased accordingly.

Salaries and employee benefits are budgeted to increase to $10.4 million in FY 2019, due to contractual wage increases and employee benefit cost increases. The Airport does not anticipate making any significant staffing increases during the forecast period. Salaries and Employee Benefits are projected to increase by the projected annual inflation rate of 2.5 percent, to$12.0 million in FY2025.

Safety and Security

Safety and Security expenses include Police expenses, Aircraft Rescue and Fire Fighting (ARFF) expenses, and traffic control expenses. Safety and Security expenses increased by an average of 2.3 percent per year from $10.2 million in FY2014 to $11.2 million in FY2018. The increases in this category were composed of the following factors:

- Police expenses are the largest category of Safety and Security expenses (54.6 percent in FY2018). Police expenses increased from approximately $5.6 million in FY2014 to $6.1 million in FY2018 or by an average of 2.2 percent per year. Police expenses are budgeted to increase slightly to approximately $6.2 million in FY2019. Police expenses are projected to increase by the historical average annual rate of 2.2 percent per year, to $7.0 million in FY2025.

- ARFF expenses are the second-largest category of Safety and Security expenses (38.1 percent in FY2018) ARFF expenses increased by an average of 3.4 percent per year from $3.7 million in FY2014 to $4.3 million in FY2018. ARFF expenses are projected to increase by the historical average annual rate of 3.4 percent per year, from $4.6 million budgeted for FY2019 to approximately $5.6 million in FY2025.
- Traffic control expenses accounted for 7.2 percent of Safety and Security expenses in FY2018. Traffic control expenses decreased slightly from approximately $897,000 in FY2014 to $893,000 in FY2015. Traffic control expenses increased to $913,000 and $920,000 in FY2016 and FY2017, respectively. In FY2018, traffic control expenses decreased to $807,000 because of a new, more favorable contract for traffic control services. Traffic control expenses are budgeted to decrease by 1.7 percent in the FY2019 Budget. Traffic control expenses are projected to increase at the rate of inflation to approximately $910,000 in FY2025.

Total Safety and Security expenses are projected to increase from $11.5 million in the FY2019 Budget to $13.5 million in FY2025.

Maintenance and Repairs

The expense category labeled Maintenance and Repairs is mostly composed of maintenance and repairs expenses (74.6 percent of the category), but it also includes automotive expenses (14.0 percent), janitorial and laundry expenses (7.0 percent), environmental expenses (2.9 percent), and grounds and landscaping expenses (1.4 percent). The total Maintenance and Repairs category fluctuated during the historical period, from $6.8 million in FY2014 and $7.0 million in FY2015 to a low of $5.4 million in FY 2016, and then increasing to $6.2 million in FY2018. The fluctuations were mainly caused by the number and nature of maintenance and repair projects conducted in each year. In addition, the changes in fuel prices during the historical period affected the automotive expenses component of this category.

Total Maintenance and Repairs expenses are budgeted to increase to approximately $7.6 million in the FY2019 Budget (a 21.3 percent increase over FY2018) due to anticipated increases in maintenance and repair projects and anticipated increases in environmental expenses. The anticipated additional projects include pavement maintenance, storm drain repairs, fuel tank repairs and rehabilitation, and major elevator repairs. Environmental expenses are budgeted to increase for wetlands maintenance and testing, a compliance audit, and engineering costs for tank and pipe systems. Total Maintenance and Repairs expenses are projected to increase from $7.6 million in the FY2019 Budget to $8.7 million in FY2025, or by the projected rate of inflation (2.3 percent per year).

Utilities

Utilities expenses include electric, gas, water, and telephone expenses. Electric expenses are the largest category (80.6 percent of the category total in FY2018). Utilities expenses decreased from

$2.7 million in FY2014 to $2.4 and $1.9 million in FY2015 and FY2016, respectively, before increasing slightly in FY2017 and FY2018 to approximately $2.0 million. The overall decrease was driven by the Authority's decision to change to LED lighting throughout the passenger terminal and parking lots, thereby significantly reducing the Airport's electrical expenses. Utilities expenses are projected to grow at the rate of inflation or by an average of 2.3 percent annually, from $2.1 million in FY2019 to $2.4 million in FY2025.

Insurance and Injuries

Insurance and Injuries expenses fluctuated during the historical period, due to reductions in premiums in FY2015 and fluctuations in the number of insurance claims each year. Overall, Insurance and Injuries expenses decreased from $493.000 in FY 2014 to $245,000 in FY2018. The Authority has budgeted an increase in this category to approximately $414,000 in FY2019, due to increases in insurance premiums associated with higher coverage limits. Insurance and Injuries expenses are projected to increase at an annual rate of 3.0 percent (slightly higher than the projected inflation rate), to $494,000 in FY2025.

General Business and Other Expenses

The General Business and Other expense category is composed mostly of consultant/outside service expenses (86.7 percent of the FY 2018 category total), but the category also includes Inter-Authority labor charges, rent expense, provisions and reserves, taxes and assessments, printing and advertising expenses, employee travel expenses, employee training expenses, postage expenses, general office expenses, freight expenses and other miscellaneous expenses.

The General Business and Other expense category increased significantly in FY2017, from approximately $4.5 million in FY2015 to $6.3 million in FY2016. The total category decreased slightly in FY2018, to $6.1 million. The main reason for the significant increase in FY 2016 was a change in the Inter Authority labor charges, which represent the reallocation of personnel costs between the Airport and certain non-Airport NFTA departments. Prior to FY2016, this line item was negative (-$1.9 million in FY2015), to charge the employee costs for the facilities maintenance and bus shelter departments to certain non-Airport NFTA departments. In FY2016, the facilities maintenance and bus shelter departments were reassigned to be part of the NFTA Engineering Department, so there was no more need to charge other NFTA departments for labor costs. Beginning in FY 2017, the Airport's inter Authority labor charges became positive, reflecting the allocation of a minimal amount of employee costs related to services performed for the Airport by non-Airport NFTA departments. The allocation was a positive $26,000 in FY2017 and FY2018.

General Business and Other expenses are projected to increase from $6.8 million in the FY2019 Budget to $7.8 million in FY2025 or by the projected annual inflation rate of 2.3 percent.

Costs Transferred to Capital Projects

Costs Transferred to Capital Projects represent the cost of Airport staff members' time spent working on capital projects. These costs are included in operating expenses, but then are deducted from operating expenses and recorded as capital expenditures. The amount transferred fluctuated during the historical period, but increased significantly in FY2018 due to the amount of time spent by Airport employees on the runway repaving project. The Authority anticipates that the total cost of Airport staff time spent on capital projects will decrease to approximately $31,000. In FY2019. The amount projected to be transferred to capital expenditures is projected to increase modestly at 3.0 percent per year, to approximately $37,000 in FY2025.

Inter-Division Reimbursement

Inter-division reimbursement expenses decreased by an average of 3.1 percent from approximately $193,000 in FY2014 to $170,000 in FY2018. The amount projected to be removed from expenses is $112,000 in the FY2019 Budget to $134,000 in FY2025.

Administration Expenses

Administration expenses are allocated each year based on each cost center's percentage of direct O&M Expenses. Administration expenses increased from approximately $3.1 million in FY2014 to approximately $4.5 million in FY2018, or by an average of 9.3 percent per year. Most of the administration expenses are personnel costs and the increases occurred because of increasing headcount in some years, normal salary increases, and increased fringe benefits. In addition, in recent years, there were increased IT costs. The Administration expenses are projected to increase at the rate of inflation from $4.8 million in the FY2019 Budget to $5.5 million in FY2025.

Debt Service

Prior to the issuance of the Series 2019 Bonds, the outstanding bond issues of the Airport are the following:

- Series 2000 Bonds
- Series 2004 Bonds
- Series 2014 Bonds

The Series 2019 Bonds are being issued (i) to fund the cost of certain capital improvements at BNIA; (2) to refund the Series 2004 Bonds, which were issued to fund past capital improvements at BNIA; and (3) to pay certain swap termination payments in connection with the termination of certain interest rate swaps. The proceeds of the Series 2019 Bonds will also be used to fund deposits into the Debt Service Reserve Funds; and pay certain costs of issuance of the Series 2019 Bonds.

The estimated sources and uses of the Series 2019 Bonds are summarized on Table 20, and the estimated annual debt service requirements for the Series 2019 Bonds and the currently outstanding bonds are shown on Table 21. The first interest payments for the Series 2019 Bonds will be due on April 1, 2019, and the first principal payments will be due on April 1, 2020. The annual debt service requirements, based on the estimates prepared by Frasca & Associates, LLC, are projected to increase from the initial interest payments due on April 1, 2019 (the day after the end of FY2019) to approximately $10.6 million in FY 2020 through FY 2024. As a result of the refunding portion of the Series 2019A and 2019B Bonds reaching maturity in FY2024, the debt service reserve requirement will reduce by approximately $3.0 million. The funds available from the reduced requirement will be applied to the debt service payment in FY2024. The annual debt service is scheduled to decrease to $5.1 million in FY 2025, after the maturity of the refunding portion of the Series 2019A and 2019B Bonds.

The Baggage Claim Expansion project is a PFC project approved by the FAA. Therefore, the NFTA plans to apply approximately $4.2 million in annual PFCs to fund a portion of the annual debt service on the Series 2019 Bonds.

Total annual debt service, net of the PFCs applied to the Series 2019 Bonds, is estimated to increase from $14.2 million in FY2019 to $14.4 million in FY2020, reflecting the first full year of debt service on the Series 2019 Bonds. Annual debt service net of PFCs applied is then projected to decrease to $14.1 million in FY2021 (following the end of the debt service on the Series 2000 Bonds in FY2020) and in FY 2022. Annual debt service net of PFCs is projected to decrease slightly to $13.9 million in FY2023. Annual debt service, net of PFCs and the balance applied from the Debt Service Reserve Fund for the Series 2019 refunding bonds, is projected to decrease to $10.9 million in FY2024. In FY2025, the first year after the maturity of the Series 2019B Bonds, annual debt service net of PFCs is projected to decrease to $8.5 million.

Table 20|Estimated Sources and Uses of Series 2019 Bonds

Sources and Uses	Series 2019A (New Money)	Series 2019A (Refunding)	Series 2019B (Refunding)	Total Series 2019
Sources:				
Par	$ 62,970,000	$ 20,765,000	$ 3,190,000	$ 86,925,000
Premium	4,542,146	1,092,686	259,921	5,894,754
ARS Monthly Principal Deposits	-	3,391,667	527,083	3,918,750
DSRF Release	-	2,783,471	438,046	3,221,517
Total Sources	$ 67,512,146	$ 28,032,824	$ 4,415,051	$ 99,960,021
Uses:				
Escrow Deposit - ARS Principal Takeout	$ -	$ 24,474,414	$ 3,844,543	$ 28,318,957
Swap Termination Payment	-	1,325,000	225,000	1,550,000
Project Deposit	60,744,853	-	-	60,744,853
DSRF Deposit	5,819,985	1,919,199	294,835	8,034,019
Cost of Issuance	947,309	314,211	50,672	1,312,192
Total Uses	$ 67,512,146	$ 28,032,824	$ 4,415,051	$ 99,960,021

Source: Frasca & Associates, LLC.

Table 21|Projected Annual Debt Service

Debt Service	Estimate	Projected					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Total Series 2000	$ 263,562	$ 264,764	$ -	$ -	$ -	$ -	$ -
Total Series 2004	$ 5,673,317	$ -	$ -	$ -	$ -	$ -	$ -
Total Series 2014	$ 8,119,458	$ 7,748,900	$ 7,752,400	$ 7,748,400	$ 7,591,000	$ 7,551,250	$ 7,494,750
Series 2019A (New Money)	271,121	5,053,500	5,053,250	5,053,250	5,053,250	5,053,000	5,052,250
Series 2019A (Refunding)	89,405	5,373,250	5,371,500	5,374,000	5,375,000	2,184,000	-
Series 2019B (Refunding)	13,735	159,500	159,500	159,500	159,500	3,349,500	-
Total Series 2019	$ 374,260	$ 10,586,250	$ 10,584,250	$ 10,586,750	$ 10,587,750	$ 10,586,500	$ 5,052,250
Less: DRF applied	-	-	-	-	-	2,978,269	-
Less: PFCs applied	217,320	4,224,965	4,224,715	4,224,715	4,224,715	4,224,465	4,049,586
Series 2019 Net Debt Service	$ 156,940	$ 6,361,285	$ 6,359,535	$ 6,362,035	$ 6,363,035	$ 3,383,766	$ 1,002,664
Total Net Debt Service	$ 14,213,277	$ 14,374,949	$ 14,111,935	$ 14,110,435	$ 13,954,035	$ 10,935,016	$ 8,497,414
Debt Service by Cost Center							
Landing Area	2,403,993	2,297,725	2,298,028	2,297,769	2,270,712	1,748,421	1,296,592
Terminal	7,488,115	7,934,218	7,935,154	7,934,352	7,850,678	6,235,503	5,012,355
Other	4,321,169	4,143,006	3,878,753	3,878,315	3,832,646	2,951,092	2,188,467
Total Debt Service	**$ 14,213,277**	**$ 14,374,949**	**$ 14,111,935**	**$ 14,110,435**	**$ 13,954,035**	**$ 10,935,016**	**$ 8,497,414**

Sources: Annual debt service for Series 2000, 2004, and 2014 Bonds provided by NFTA. Annual debt service for Series 2019 Bonds provided by Frasca & Associates, LLC., estimated as follows:

- Refunding bonds: $23.955 million principal; 3.60% annual interest rate; 2024 maturity.
- New money bonds: $62.97 million principal; 4.36% annual interest rate; 2039 maturity.

[1] It is anticipated that the balance in the Debt Service Reserve Fund for the Series 2019 refunding bonds will be applied to the final debt service payment, due in FY2024.

Airport Revenues

Airport Revenues, as defined in the Master Resolution, mean the total of all income and revenue from all sources collected or accrued under GAAP accounting principles by the Authority in connection with the Airport System, which currently consists solely of BNIA. Certain airport facilities owned and operated by the Authority are not included in the Airport system – such as NFIA and certain facilities at BNIA that are operated, maintained, or managed by the property management department of the Authority. Any revenues derived from those airport facilities are not included in

Airport Revenues include all rates, charges, rentals, fees and other compensation, investment income earned by the Authority in the operation of BNIA, and the amount on deposit in the ADF. Revenues do not include (1) proceeds of bonds issued by the Authority or loans obtained by the Authority, (2) condemnation proceeds or insurance proceeds except insurance proceeds received from rental or business interruption insurance, (3) all income and revenue collected and received by the property management department of the Authority with respect to properties and facilities which are not included in the definition of the Airport System, (4) revenues (other than ground rents) derived from any Special Facility, (5) grants in aid or similar payments received from any state or Federal entity, (6) the proceeds from PFC collections, (7) moneys or securities received by the Authority as gifts or grants, (8) investment income derived from moneys or securities on deposit in the Construction Fund, (9) any arbitrage earnings which are required to be paid to the US Government, (10) the proceeds of any Support Facility, or (11) revenues derived from any Separate Improvement.

Historical and Projected Airport Revenues are presented on Table 22 and Table 23, respectively. Airport Revenues increased from approximately $56.9 million in FY2014 to $61.2 million in FY2018. Airport Revenues are estimated to increase to $64.1 million in FY2019. Airport Revenues are projected to increase to $70.8 million in FY2025. The projections of the various categories of Airport Revenue are explained in the subsections below.

Table 22 | Historical Airport Revenues

Revenues	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	CAGR 2014 - 2018
Airline Revenues						
Landing Fees						
Scheduled Airlines	$ 13,869,322	$ 13,507,075	$ 12,880,925	$ 13,485,538	$ 15,181,856	2.3%
General Aviation/Air Cargo	1,575,694	1,908,301	1,947,348	2,012,805	2,024,626	6.5%
Subtotal Landing Fees	15,445,016	15,415,376	14,828,273	15,498,343	17,206,482	2.7%
Terminal Building Rents	7,100,719	8,229,561	7,552,221	8,201,388	9,358,704	7.1%
Terminal Ramp Fees	1,330,360	1,533,723	1,355,075	1,442,988	1,490,196	2.9%
Total Airline Revenues	**$ 23,876,095**	**$ 25,178,660**	**$ 23,735,569**	**$ 25,142,719**	**$ 28,055,382**	**4.1%**
Nonairline Revenues						
Parking and Ground Trasnportation	$ 18,852,663	$ 17,694,870	$ 17,135,906	$ 16,897,825	$ 17,636,039	-1.7%
Rental Car	6,194,756	6,895,108	6,159,401	6,518,936	6,572,333	1.5%
Food & Beverage	1,530,539	1,511,102	1,488,631	1,564,055	1,706,944	2.8%
Retail	654,304	751,118	852,421	899,049	892,491	8.1%
Other Concessions	264,932	275,796	396,764	382,474	392,956	10.4%
Subtotal Concessions	2,449,775	2,538,016	2,737,816	2,845,578	2,992,391	5.1%
Nonairline Building Space Rentals	3,002,063	2,625,994	3,025,069	2,926,178	3,103,466	0.8%
Other Terminal Revenues	979,702	1,009,771	627,902	1,015,193	929,209	-1.3%
General Aviation Revenue	390,891	389,542	402,650	411,848	409,293	1.2%
Fuel Farm Revenues	927,712	861,825	981,306	1,093,721	1,214,334	7.0%
AFSS Revenues	177,900	177,900	234,164	232,700	228,150	6.4%
Ground Rentals	10,132	10,132	10,132	10,132	10,132	0.0%
Other Revenues	31,245	30,734	20,924	23,951	23,634	-6.7%
Total Nonairline Revenues	**$ 33,016,839**	**$ 32,233,892**	**$ 31,335,270**	**$ 31,976,062**	**$ 33,118,981**	**0.1%**
Total Revenues	**$ 56,892,934**	**$ 57,412,552**	**$ 55,070,839**	**$ 57,118,781**	**$ 61,174,363**	**1.8%**

Source: Airport records.

Table 23|Projected Airport Revenues

Revenues	Estimate FY 2019	Projected FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	CAGR 2019 - 2025
Airline Revenues								
Landing Fees								
Scheduled Airlines	$ 15,707,679	$ 15,452,178	$ 15,679,619	$ 15,729,461	$ 16,217,019	$ 16,207,304	$ 16,184,684	0.5%
General Aviation/Air Cargo	2,133,757	2,076,849	2,109,083	2,100,856	2,119,735	2,094,941	2,077,505	-0.4%
Subtotal Landing Fees	17,841,435	17,529,027	17,788,702	17,830,317	18,336,754	18,302,244	18,262,190	0.4%
Terminal Building Rents	9,341,698	9,887,435	9,940,139	10,025,075	10,114,611	9,613,917	9,231,107	-0.2%
Terminal Ramp Fees	1,577,743	1,531,022	1,552,622	1,555,440	1,595,928	1,591,947	1,587,798	0.1%
Total Airline Revenues	**$ 28,760,877**	**$ 28,947,484**	**$ 29,281,463**	**$ 29,410,833**	**$ 30,047,292**	**$ 29,508,108**	**$ 29,081,095**	**0.2%**
Nonairline Revenues								
Parking and Ground Transportation	$ 19,125,994	$ 19,826,633	$ 19,861,452	$ 20,293,414	$ 21,056,527	$ 21,716,409	$ 22,236,211	2.5%
Rental Car	6,857,705	7,289,492	7,472,093	7,803,689	8,281,312	8,736,574	9,147,193	4.9%
Food & Beverage	1,753,624	1,864,039	1,910,733	1,995,527	2,117,663	2,234,081	2,339,082	4.9%
Retail	910,245	967,558	991,795	1,035,808	1,099,205	1,159,633	1,214,136	4.9%
Other Concessions	360,634	383,341	392,944	410,382	435,499	459,440	481,034	4.9%
Subtotal Concessions	3,024,503	3,214,937	3,295,471	3,441,717	3,652,367	3,853,154	4,034,252	**4.9%**
Nonairline Building Space Rentals	3,368,304	3,492,858	3,156,285	3,172,691	3,189,986	3,093,272	3,019,328	-1.8%
Other Terminal Revenues	935,918	959,640	982,056	1,003,808	1,026,568	1,050,053	1,073,698	2.3%
General Aviation Revenue	417,203	428,130	435,985	445,117	455,859	466,618	476,888	2.3%
Fuel Farm Revenues	1,354,243	1,391,734	1,381,845	1,399,490	1,439,473	1,475,790	1,502,076	1.7%
AFSS Revenues	232,900	234,423	234,021	234,738	236,361	237,836	238,904	0.4%
Ground Rentals	10,132	10,132	10,132	10,132	10,132	10,132	10,132	0.0%
Other Revenues	24,000	24,880	24,922	25,464	26,423	27,252	27,905	2.5%
Total Nonairline Revenues	**$ 35,350,902**	**$ 36,872,860**	**$ 36,854,260**	**$ 37,830,260**	**$ 39,375,008**	**$ 40,667,090**	**$ 41,766,588**	**2.8%**
Total Revenues	**$ 64,111,779**	**$ 65,820,344**	**$ 66,135,724**	**$ 67,241,092**	**$ 69,422,300**	**$ 70,175,198**	**$ 70,847,683**	**1.7%**

Airline Revenues

Airline revenues consist of landing fees (61.3 percent of total airline revenues), terminal rentals (33.3 percent), and terminal ramp fees (5.3 percent). Total airline revenues increased from approximately $23.9 million in FY2014 to $28.1 million in FY2018, mainly due to increased terminal building rental revenue. Airline revenues are estimated to total $28.8 million in FY2019. Airline revenues are projected to grow to $29.1 million in FY2025. The components of airline revenues, as well as the historical trends and projections for the various components are discussed below.

Landing Fees

Landing Fee revenues consist of fees collected from scheduled airlines, air cargo carriers, and general aviation aircrafts. As explained previously, the airlines pay fees established to recover the Landing Fee net requirement. Scheduled Carrier Landing Fee revenue grew from $13.9 million in FY2014 to $15.2 million in FY2018. General Aviation and Air Cargo Landing Fee revenue grew from $1.6 million in FY2014 to $2.0 million in FY2018 or by an average of 6.5 percent per year.

As shown on Table 24, the Landing Fee Net Requirement is projected to increase from $17.4 million in FY2019 to $17.7 million in FY2025. This projected increase is mainly due to projected increases in the Airfield Total Requirement (from $22.2 million in FY2019 to $22.4 million in FY2025), as a result of projected increases in O&M Expenses allocated to the landing area.

The projected signatory Landing Fee rate is calculated by dividing the projected annual Landing Fee Net Requirement (the Airfield Total Requirement minus specified deductions) by the projected annual total landed weight for each year. The total landed weight is estimated to increase from 3.2 million thousand-pound units in FY2019 to 3.7 million thousand-pound units in FY2025. The Landing Fee Rate is projected to decrease from $5.40 in FY2019 to $4.84 in FY2025. The decrease in the Landing Fee Rate is mainly the result of projected increases in the landed weight more than offsetting the projected increases in the Landing Fee Net Requirement (discussed above).

Based on the above calculations, Scheduled Airline Landing Fee revenue is projected to grow from approximately $15.7 million in FY2019 to $16.2 million in FY2025. General Aviation Landing Fees are projected to grow at the rate of general aviation operations. Air Cargo Landing Fees are determined by units of signatory cargo landed weight charged at the signatory landing fee. General Aviation and Air Cargo Landing Fee revenue is projected to remain relatively flat at approximately $2.1 million during the forecast.

Terminal Space Rentals

Scheduled Airlines Terminal Building Rental revenue consists of rents collected from airlines for space occupied in the Airport Terminal. As explained previously, the airlines pay fees established to recover the Terminal Building Requirement, Terminal space rentals increased from approximately $7.1 million in FY2014 to $9.4 million in FY2018. Terminal Building rentals are projected to decrease to $9.3 million in the FY2019 estimate. Space rentals are projected to increase to high of $10.1 million in FY2023 before decreasing to $9.6 million in FY2024 and $9.2 million in FY2025. The increases are primarily due to increased O&M and debt service allocated to the terminal and the increased square footage associated with the baggage claim project that is anticipated to be charged to the airlines. The decrease in FY2024 is expected to occur because of the funds from the reduction in the debt service reserve requirement being applied to the debt service. The reduction in FY2025 is a result of reduced debt service following the scheduled maturity of the refunding portion of the Series 2019 Bonds. The calculation of the Terminal Rental Rate is presented on Table 25.

The Terminal Building Total Requirement is projected to increase from approximately $22.4 million in FY2019 to approximately $22.6 million in FY2024 before decreasing to $21.6 million in FY2025. As discussed above, the increases are mainly due to increased O&M Expenses and debt service allocated to the Terminal. The decrease in FY2025 is a result of the reduced debt service.

The Terminal Rental Rate is calculated by dividing the projected Terminal Net Requirement (the Terminal Building Total Requirement reduced by specified credits) by the projected number of total square feet. The Terminal Rental Rate is projected to decrease from $52.45 in FY2019 to $43.87 in FY2025, mainly due to a projected increase in the total terminal space in FY2021 following the completion of the baggage claim expansion project.

Table 24|Projected Landing Fee Rate

Landing Fee	Estimate	Projected					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Direct Landing Area Expenses	$ 7,003,746	$ 7,180,027	$ 7,354,941	$ 7,530,511	$ 7,711,889	$ 7,898,283	$ 8,088,044
Indirect Landing Area Exepenses	4,389,090	4,489,093	4,588,712	4,688,875	4,791,929	4,897,514	5,004,878
Allocated ARFF Expenses	4,544,952	4,699,051	4,857,768	5,021,461	5,190,829	5,365,967	5,546,880
Direct Mainteance Facility Expenses	1,381,401	1,415,841	1,449,732	1,483,557	1,518,559	1,554,541	1,591,095
Indirect Maintenance Facility Expenses	466,032	476,935	487,565	498,102	509,007	520,203	531,538
Other	1,541,072	456,117	558,827	368,463	515,848	462,878	325,238
Total Expenditures	$ 19,326,294	$ 18,717,064	$ 19,297,545	$ 19,590,969	$ 20,238,061	$ 20,699,386	$ 21,087,673
NFIA Operating Loss	500,000	500,000	250,000	-	-	-	-
Bond Debt Service	2,403,993	2,297,725	2,298,028	2,297,769	2,270,712	1,748,421	1,296,592
Entitlements	-	-	-	-	-	-	-
Total Requirement	$ 22,230,287	$ 21,514,789	$ 21,845,573	$ 21,888,738	$ 22,508,773	$ 22,447,807	$ 22,384,265
LESS: Terminal Ramp Fee	2,223,029	2,151,479	2,184,557	2,188,874	2,250,877	2,244,781	2,238,426
LESS: Revenue Offsets	-	-	-	-	-	-	-
Adjusted Requirement	$ 20,007,258	$ 19,363,310	$ 19,661,016	$ 19,699,864	$ 20,257,896	$ 20,203,026	$ 20,145,838
LESS: % Allocation to GA (12%)	2,400,871	2,323,597	2,359,322	2,363,984	2,430,947	2,424,363	2,417,501
LESS: Prior Year Adjustment	239,969	-	-	-	-	-	-
Net Requirement	$ 17,366,418	$ 17,039,713	$ 17,301,694	$ 17,335,880	$ 17,826,948	$ 17,778,663	$ 17,728,338
Total Landed Weight	3,214,690	3,316,530	3,316,656	3,376,816	3,486,812	3,585,252	3,662,284
Landing Fee Rate	$ 5.40	$ 5.14	$ 5.22	$ 5.13	$ 5.11	$ 4.96	$ 4.84

[1] Other items charged to the landing fee rate calculation include the following charges allocated to the Landing Area cost center: depreciation and capital expenditures, net of expenses allocated to the roads and investment earnings on reserve funds.

Table 25|Projected Terminal Rental Rate

Terminal Rental Rate	Estimate	Projected					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Direct Terminal Expenses	$ 9,253,105	$ 9,488,082	$ 9,718,229	$ 9,947,256	$ 10,184,695	$ 10,429,014	$ 10,677,083
Indirect Terminal Expenses	4,655,416	4,769,523	4,882,477	4,995,667	5,112,628	5,232,809	5,355,075
Other	1,048,070	1,068,233	833,842	713,793	676,363	674,879	572,323
Total Expenditures	$ 14,956,591	$ 15,325,838	$ 15,434,548	$ 15,656,716	$ 15,973,685	$ 16,336,703	$ 16,604,482
Bond Debt Service	7,488,115	7,934,218	7,935,154	7,934,352	7,850,678	6,235,503	5,012,355
Entitlements	-	-	-	-	-	-	-
Total Requirement	$ 22,444,706	$ 23,260,056	$ 23,369,702	$ 23,591,068	$ 23,824,363	$ 22,572,205	$ 21,616,837
LESS: Unassigned Gate Credit	-	-	-	-	-	-	-
LESS: Passenger Facility Charges	535,000	535,000	535,000	535,000	535,000	535,000	535,000
LESS: Revenue Offsets	325,653	333,907	341,707	349,275	357,195	365,366	373,594
Adjusted Requirement	$ 21,584,053	$ 22,391,149	$ 22,492,995	$ 22,706,793	$ 22,932,168	$ 21,671,839	$ 20,708,243
LESS: Prior Year Adjustment	568,317	-	-	-	-	-	-
Net Requirement	$ 21,015,736	$ 22,391,149	$ 22,492,995	$ 22,706,793	$ 22,932,168	$ 21,671,839	$ 20,708,243
Terminal Square Feet	448,845	448,845	529,681	529,681	529,681	529,681	529,681
Terminal Rental Rate	$ 46.82	$ 49.89	$ 42.47	$ 42.87	$ 43.29	$ 40.91	$ 39.10
Baggage Claim Expansion	$ 5.63	$ 5.63	$ 4.77	$ 4.77	$ 4.77	$ 4.77	$ 4.77
Terminal Rental Rate	$ 52.45	$ 55.52	$ 47.24	$ 47.64	$ 48.07	$ 45.69	$ 43.87

[1] Other items charged to the terminal rental rate calculation include the following charges allocated to the Terminal cost center: depreciation and capital expenditures, net of expenses allocated to the roads and investment earnings on reserve funds.

Terminal Ramp Fees

Each airline is charged a ramp fee based on the linear footage of the ramp assigned to that airline's leased gates. As explained above, 10 percent of the Landing Fee Total Requirement is assigned to the ramp area. In addition, Glycol costs are included in the Terminal Ramp Fee Total Expenditures. The Terminal Ramp Fee Total Expenditures are divided by ramp linear footage. Terminal Ramp Fee revenue is projected to increase from approximately $1.5 million in FY2019 to $1.6 million in FY2025. As shown on Table 26, the Terminal Ramp Fee is projected to increase from $656.57 in FY2019 to $660.76 in FY2025.

Table 26|Projected Terminal Ramp Fee

Terminal Ramp Fee	Estimate	Projected					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Terminal Ramp Requirement	$ 2,223,029	$ 2,151,479	$ 2,184,557	$ 2,188,874	$ 2,250,877	$ 2,244,781	$ 2,238,426
Glycol Operating and Capital Costs	193,157	193,157	193,157	193,157	193,157	193,157	193,157
Total Expenditures	$ 2,416,186	$ 2,344,636	$ 2,377,714	$ 2,382,031	$ 2,444,034	$ 2,437,938	$ 2,431,583
Tenant Linear Feet	3,680	3,680	3,680	3,680	3,680	3,680	3,680
Terminal Ramp Fee per Lineal Foot	$ 656.57	$ 637.13	$ 646.12	$ 647.29	$ 664.14	$ 662.48	$ 660.76

Non-Airline Revenues

Non-airline revenues consist of parking and ground transportation, rental car, concessions, nonairline space rental, ground rental, general aviation, fuel farm, AFSS, and other miscellaneous revenues. Non-airline revenues increased by an average of 0.1 percent per year, from $33.0 million in FY2014 to $33.1 million in FY2018. Non-airline revenues increased to a high of $33.9 million in FY2015 before decreasing by 7.6 percent to $31.3 million in FY2016. Non-airline revenues increased to $33.1 million in FY2018. Non-airline revenues are projected to increase from $35.3 million in the FY2019 Estimate to $41.8 million in FY2025. The components of non-airline revenue, including historical trends and projected increases, are discussed in the paragraphs below.

Parking and Ground Transportation

Parking and Ground Transportation revenues include parking revenues, ground transportation revenues, taxi revenues, and fees from Transportation Network Companies (TNCs). Overall, Parking and Ground Transportation revenues declined from FY2014 ($18.9 million) through FY2017 ($16.9 million), and then increased in FY2018 ($17.6 million).

Overall, Parking and Ground Transportation revenues are projected to increase at an average annual rate of 2.5 percent from FY2019 through FY2025. This rate of increase is consistent with the forecast increases in BNIA enplanements for those years under the base forecast presented in Section 3. This revenue category is estimated to increase by 8.4 percent in FY2019, which is slightly higher than the 6.8 percent estimated increase in BNIA enplanements in FY2019. The analysis and assumptions underlying the projections of Parking and Ground Transportation revenues are described in the following paragraphs.

- *Parking revenues.* Parking revenues primarily consist of revenues from public parking, but also include reimbursement amounts for electric, water, gas and custodial costs related to public parking operations. Public parking revenues on a per-enplanement basis have remained fairly stable since FY2016, increasing only slightly from $6.86 in FY2016 to $6.89 in FY2018. It appears that TNCs – ridesharing companies Uber and Lyft – have not had much effect on parking revenues at BNIA. A significant portion of BNIA passengers travel by car from Canada, in addition to those passengers who travel by car to BNIA from other areas in New York, such as Rochester and Syracuse. It would seem to be more cost effective for those passengers to travel by private vehicle and park at BNIA, rather than traveling by TNCs. In addition, there are government regulations that prohibit cross-border travel via TNCs.

  In December 2017, NFTA entered into a five-year agreement with SP Plus Corporation (SP Plus) for the management of the Airport's public parking facilities, with oversight from NFTA. The current parking options at the Airport with the rates are presented on Table 27. Although there are no planned future parking rate increases, the NFTA will continue to monitor revenues and operations, and will revise rates if and when deemed necessary by the NFTA. For purposes of this analysis, it is assumed there will be no parking rate increases during the forecast period.

  The projections of future parking revenues were developed based on the assumption that the FY2018 per-enplanement parking revenue level would remain constant throughout the forecast period. Parking revenues are projected to increase with the forecast growth in enplanements. This approach reflects the assumptions of no rate increases during the forecast period, and the negligible effect of TNCs on parking revenues since the entrance of TNCs into the market at BNIA.

Table 27 | Parking Rates

	Hourly Rate	Daily Rate [1]	Weekly Rate
Daily/Hourly Garage	$4	$23	N/A
Reserved Covered Parking	$4	$26	N/A
Preferred Parking Lot [2]	$1	$12	$72
Long Term Parking Lot [2]	$1	$10	$50
Economy Parking Lot [2]	$1	$9	$45

Source: Airport website.
[1] Maximum price for 24 hours.
[2] Daily maximum is charged after 5 hours.

- *Taxi revenue.* The Independent Taxi Association of Buffalo New York, Inc. (the Taxi Association) entered into a five-year agreement with the Authority for operations at BNIA, commencing on January 1, 2014 and terminating on December 31, 2018. The Taxi

Association agreed to pay a minimum annual guarantee (MAG) of $500,000 in 2014 with a $25,000 increase each year thereafter, plus a per-deplaned passenger fee that began at $0.03 in contract year 2014 and increased by $0.0025 per year to $0.04 in 2018. Taxi revenues have increased in recent years as a result of the increased MAGs. A new taxi contract will become effective as of January 1, 2019, under which the Taxi Association will pay an increased MAG ($700,000) and a per-deplanement fee of $0.01. The NFTA anticipates that taxi revenues under the new contract will increase due to the higher MAG. This anticipated revenue increase is reflected in the BNIA FY2019 revenue budget, which has been incorporated into the FY2019 estimates for Parking and Ground Transportation revenues in this analysis.

- *TNCs*. Uber and Lyft began operating at BNIA under separate agreements that were effective on June 29, 2017 (the early part of FY2018), with a one-year term (through the end of June 2018). During that initial year of operations, Uber's agreement required Uber to pay to the Authority a flat annual fee of $180,000, and Lyft's agreement required Lyft to pay to the Authority a $3.00 fee for each pick up or drop off (each ride sharing vehicle paid only one fee for each trip to the Airport, even if the one trip included both a pick-up and a drop-off). Effective July 1, 2018 (the early part of FY2019), Uber and Lyft each executed an agreement with the Authority containing identical provisions. Both TNCs now pay to the Authority a $2.50 fee for each pick up or drop off at the Airport (each ride sharing vehicle pays one fee for a drop-off and another fee for a pick-up, even if both are accomplished in the same trip to the Airport).

  For purposes of projections, it is assumed the general provisions of the current TNC agreements will continue throughout the projection period. TNC revenues have increased so far in FY2019, mainly because Uber is no longer paying a flat annual fee (which was less than the current per-trip fee), and the per-trip fee is now applied to both pick-ups and drop-offs, even if both actions are accomplished in the same vehicle trip to the Airport. Since FY2019 is the first year of the new TNC agreements, there is not yet enough historical information to adequately assess trends in TNC revenue. Therefore, the revenue projections conservatively assume that the FY2019 TNC revenue per enplanement level will continue throughout the forecast period. Only a portion of the anticipated increase in TNC revenue was included in the FY2019 BNIA revenue budget, which has been incorporated into the FY2019 revenue estimates for this analysis.

- *Other Ground Transportation revenues*. This sub-category includes revenues fees the Authority receives from off-airport parking, off-site rental car companies, and hotel parking. These revenues decreased during the historical period, mainly due to the cessation of service by an off-Airport parking operator. The projections conservatively assume that the lower level of off-Airport parking revenue will continue throughout the forecast period.

In total, based on the underlying analysis and assumptions described above, Parking and Ground Transportation revenues are projected to increase from $19.1 million in FY2019 to $22.2 million in FY2025.

Rental Car Concession Revenues

The current rental car companies (RACs) serving the Airport are Alamo, Avis, Budget, Dollar, Enterprise, Hertz, and National. The current agreement between the Authority and the RACs commenced on March 1, 2018 and will terminate on February 28, 2023. The RACs have agreed to pay to the Authority the greater of a MAG or 10 percent of each RACs gross revenues.

Overall, rental car concession revenues increased from $6.2 million in FY 2014 to $6.6 million in FY2018. However, during that time period there were fluctuations in the total rental car concession revenues and the per-enplanement revenue amounts. The fluctuations were most likely related to the entrance of TNCs into the market, and the subsequent increase of TNC operations at the Airport, as described related to Parking and Ground Transportation revenues, above.

Rental Car revenues are projected to grow by the rate of enplanement growth and inflation, an average of 5.0 percent per year, from $6.9 million in the FY2019 Estimate to $9.1 million in FY2025.

Concession Revenues

Concession revenues include food & beverage, retail, and other concessions. Total concessions revenues increased from $2.4 million in FY2014 to approximately $3.0 million in FY2018 or by an average of 5.1 percent annually. Concession revenues are projected to increase at the rate of the enplanement growth and the inflation rate. Total concession revenues are projected to increase from $3.0 million in the FY2019 Estimate to $4.0 million in FY2025.

NFTA has an exclusive agreement with Delaware North Companies Travel Hospitality Services, Inc. ("Delaware North") to develop, establish and operate the food and beverage and retail operations at the Airport. The agreement began October 24, 1995 and the Authority has entered into five amendments with Delaware North since the termination of the initial agreement. The current amendment commenced June 1, 2008 and will terminate on November 30, 2027.

Delaware North pays to the Authority the greater of the MAG or 11 percent of gross revenues up to $7.0 million and 13 percent of gross revenues in excess of $7.0 million from branded food, 13 percent of gross revenues up to $4.0 million and 14 percent of gross revenues in excess of $4.0 million from non-branded food, and 12 percent of gross revenues up to $2.5 million and 15 percent of gross revenues in excess of $2.5 million from alcoholic beverages. Food & Beverage revenues increased by an average of 2.8 percent per year from $1.5 million in FY2014 to $1.7 million in FY2018. Food & Beverage revenues are projected to increase at the rate of the enplanement growth plus the inflation rate, by 5.0 percent, per year from $1.7 million in FY2019 to $2.3 million in FY2025.

Delaware North pays to the Authority the greater of the MAG or 11 percent of gross revenues from news, books and magazines, 14 percent of all other retail up to $2.5 million, and 16.5 percent of all other retail in excess of $2.5 million. Retail revenues increased from $654,000 in FY2014 to $892,000 in FY2018 or by an average of 8.1 percent per year. The majority of the increase occurred in FY2015 and FY2016 due to a 10 percent price increase in FY 2015. Retail revenues are projected to increase at the rate of the enplanement growth plus the inflation rate from $910,000 in FY2019 to $1.2 million in FY2025.

Other concessions include ATM Fees, luggage cart rental fees, and other fees from services based on a commission structure. Those revenues increased from approximately $265,000 in FY2014 to $393,000 in FY2018, including a significant increase (13.5 percent) in FY2016 when Primeflight Aviation, a ground handling company, took over ground handling for United Airlines. Other concessions are projected to increase from approximately $361,000 in FY2019 to $481,000 in FY2025.

Non-airline Building Space Rentals

Non-airline Building Space Rental revenues include revenues from other Airport tenants that lease space at the Airport. The other tenants include the TSA, the FAA, Primeflight Aviation, and Prior Aviation. Non-airline Building Space Rental revenues increased by an average of 0.8 percent per year from $3.0 million in FY2014 to $3.1 million in FY2018. These revenues are projected to decrease in accordance with the projected decrease in the terminal rental rate (discussed above), from approximately $3.4 million in FY2019 to $3.0 million in FY2025.

Other Terminal Revenues

Other Terminal revenues include advertising revenues, labor charges, and reimbursements for electricity and gas. Other terminal revenues decreased by an average of 1.3 percent per year from $980,000 in FY2014 to $929,000 inFY2018. Other Terminal revenues are projected to grow at the rate of inflation, 2.3 percent per year, from $936,000 in FY2019 to $1.1 million in FY2025.

General Aviation

General Aviation revenues include building space rent for general aviation tenants and ground rent and fuel flowage fees paid by the Fixed Base Operator (FBO) operating at BNIA, Prior Aviation Service, Inc. General Aviation revenues increased from $391,000 in FY2014 to $409,000 in FY2018. The building space rents and ground rents paid by the FBO are projected to grow at the rate of inflation. The fuel flowage is projected to grow at the same rate as general aviation operations. Overall, General Aviation revenues are projected to grow by 2.3 percent per year. General Aviation revenues are projected to increase from $417,000 in FY2019 to $477,000 in FY2025.

Fuel Farm

Fuel Farm revenues, which are paid by the airlines to cover the costs incurred by the Authority to operate the fuel farm, increased from approximately $928,000 in FY2014 to $1.2 million in FY2017. Fuel Farm revenues are projected to increase in accordance with the forecast increase in operations at the Airport. Fuel Farm revenues are projected to grow from $1.3 million in FY2019 to $1.5 million in FY2025.

AFSS Revenues

AFSS revenues consist of annual rents paid by the police and FAA for use of Airport facilities and rents paid by the airlines for use of the triturator services. AFSS revenues increased from $178,000 in FY2014 to $228,000 in FY2018. The significant increase occurred in FY2016 when the airlines began using the triturator services. AFSS revenues are projected to grow at the rate of operations, to approximately $239,000 in FY2025.

Ground Rentals

Ground Rentals include rents paid by parking concessionaires and airfield users. Ground Rentals, which remained constant at approximately $10,100 during the historical period, are projected to remain constant through FY2025.

Other Revenues

Other revenues include traffic fines, cash discount and miscellaneous revenues. Other revenues decreased are projected to increase from $24,000 in FY2019 to $28,000 in FY2025.

PFC Cash Flow

The Authority has submitted 14 PFC applications for the Airport, all of which have been approved by the FAA. The first PFC application was approved for a $3.00 collection beginning on June 2, 1992. The most recent PFC application (Application 14) was approved for a $4.50 collection beginning on August 1, 2018, for a total PFC approval amount of $54.7 million to fund 14 projects. In total, the Authority has received approval from the FAA to collect $250.8 million in PFCs at BNIA.

The projected PFC cash flow is presented on Table 28. The projections assume the PFC collection level will remain at the current rate of $4.50 throughout the forecast period. Annual PFC collections, net of the airline collection fee, are projected to increase from approximately $10.0 million in FY2019 to $11.7 million in FY2025. The Authority plans to apply PFCs to pay a portion of the annual debt service on the Series 2019A Bonds (approximately $4.2 million per year). In addition, the Authority is applying PFCs on a Pay-As-You-Go basis toward PFC eligible costs of approved projects and future projects as part of the capital program. PFC uses are projected to increase from $7.1 million in FY2019 to a high of $16.1 million in FY2022. In FY2023, the PFC uses are projected to decrease to $11.8 million before further reducing to $4.2 million in FY 2024 and FY2025.

Table 28|Projected PFC Cash Flow

PFC Sources and Uses			For Fiscal Years Ending March 31						
			FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
PFC Beginning Balance [1]			$ 17,206,933	$ 20,161,025	$ 20,832,990	$ 20,821,730	$ 15,426,704	$ 14,702,838	$ 21,908,873
PFC Sources									
Enplanements			2,563,632	2,657,685	2,662,078	2,719,970	2,822,450	2,911,016	2,980,714
Eligible Enplanements [2]		89%	2,281,633	2,365,340	2,369,250	2,420,773	2,511,980	2,590,805	2,652,835
PFC Collections	$	4.50	$ 10,267,348	$ 10,644,029	$ 10,661,624	$ 10,893,480	$ 11,303,912	$ 11,658,620	$ 11,937,759
Less: Airline Collection Fee	$	0.11	(250,980)	(260,187)	(260,617)	(266,285)	(276,318)	(284,988)	(291,812)
PFC Revenues			$ 10,016,368	$ 10,383,841	$ 10,401,006	$ 10,627,195	$ 11,027,594	$ 11,373,632	$ 11,645,947
Interest Income		0.50%	50,082	51,919	52,005	53,136	55,138	56,868	58,230
Total Sources			$ 10,066,450	$ 10,435,761	$ 10,453,011	$ 10,680,331	$ 11,082,732	$ 11,430,500	$ 11,704,177
PFC Uses									
Pay-As-You-Go - Approved Projects			$ 5,200,000	$ 5,200,000	$ 5,200,000	$ 5,200,000	$ 5,149,377	$ -	$ -
Pay-As-You-Go - Future Projects			1,695,038	338,831	1,039,556	6,650,643	2,432,506	-	-
Series 2019 Debt Service			217,320	4,224,965	4,224,715	4,224,715	4,224,715	4,224,465	4,049,586
Total Uses			$ 7,112,358	$ 9,763,795	$ 10,464,271	$ 16,075,358	$ 11,806,598	$ 4,224,465	$ 4,049,586
PFC Ending Balance in PFC Fund			$ 20,161,025	$ 20,832,990	$ 20,821,730	$ 15,426,704	$ 14,702,838	$ 21,908,873	$ 29,563,464

[1] Source: NFTA's PFC Quarterly Report dated September 30, 2018.
[2] Percentage based on 2017 and 2018 Actual PFC cash flow.

Key Financial Indicators

An important component of the financial feasibility report is an assessment of how the Series 2019 Bonds will affect the Airport's key financial variables. The following sub-sections discuss the following: (1) the application of Airport Revenues pursuant to the provisions of the Bond Resolution; (2) the Authority's ability to meet the Rate Covenant contained in the Resolutions; and (3) the airline cost per enplaned passenger.

Application of Revenues

Table 29 shows the forecast application of Airport Revenues pursuant to the provisions of the bond documents during the forecast period. Airport Revenues are applied in the order shown on Figure 46, shown earlier in this section. After meeting the required financial obligations, the deposit to the ADF is projected to range from approximately $6.0 million to $11.8 million during the forecast period.

Rate Covenant

The calculations of the Rate Covenant for GARBs contained in the Bond Resolution, shown on Table 30, reflect the projected debt service of the Series 2000, Series 2004, Series 2014 Bonds and the Series 2019 Bonds. The Authority has covenanted to establish and collect fees and charges sufficient so that in each fiscal year, Net Airport Revenues, together with funds on deposit in the ADF, will be at least equal 125 percent of the current year debt service on the outstanding bonds. Net Revenues are defined in the Maser Resolution as Airport Revenues less O&M Expenses. Debt

Service coverage calculated according to the Rate Covenant is projected to equal at least 1.45 times debt during the forecast period.

Table 29|Application of Revenues

Application of Revenues	Estimate	Projected					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Airline Revenues	$ 28,760,877	$ 28,947,484	$ 29,281,463	$ 29,410,833	$ 30,047,292	$ 29,508,108	$ 29,081,095
Nonairline Revenues	35,350,902	36,872,860	36,854,260	37,830,260	39,375,008	40,667,090	41,766,588
Total Revenues	$ 64,111,779	$ 65,820,344	$ 66,135,724	$ 67,241,092	$ 69,422,300	$ 70,175,198	$ 70,847,683
Less: O&M Expenses	43,507,780	44,627,245	45,730,883	46,834,301	47,977,378	49,153,882	50,350,920
Less: Deposit to O&M Reserve	687,325	186,578	183,940	183,903	190,513	196,084	199,506
Net Revenues	$ 19,916,674	$ 21,006,521	$ 20,220,901	$ 20,222,889	$ 21,254,409	$ 20,825,232	$ 20,297,257
Less: Debt Service	14,167,036	18,335,150	18,336,650	18,335,150	18,178,750	18,137,750	12,547,000
Add: Debt Service Reserve Applied to Debt Service	-	-	-	-	-	2,978,269	-
Add: PFCs Applied to Debt Service	217,320	4,224,965	4,224,715	4,224,715	4,224,715	4,224,465	4,049,586
Deposit to ADF	$ 5,966,959	$ 6,896,336	$ 6,108,965	$ 6,112,453	$ 7,300,374	$ 9,890,216	$ 11,799,843

[1] It is anticipated that the balance in the Debt Service Reserve Fund for the Series 2019 refunding bonds will be applied to the final debt service payment, due in FY2024.

Table 30|Rate Covenant

Debt Service Coverage	For Fiscal Years Ending March 31						
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Total Revenues	$ 64,111,779	$ 65,820,344	$ 66,135,724	$ 67,241,092	$ 69,422,300	$ 70,175,198	$ 70,847,683
O&M Expenses	43,507,780	44,627,245	45,730,883	46,834,301	47,977,378	49,153,882	50,350,920
Net Airport Revenues	$ 20,603,999	$ 21,193,099	$ 20,404,840	$ 20,406,792	$ 21,444,922	$ 21,021,316	$ 20,496,763
Add: Transfers from ADF	-	-	-	-	-	-	-
Total Net Airport Revenues	$ 20,603,999	$ 21,193,099	$ 20,404,840	$ 20,406,792	$ 21,444,922	$ 21,021,316	$ 20,496,763
GARB Debt Service							
Series 2000	$ 263,562	$ 264,764	$ -	$ -	$ -	$ -	$ -
Series 2004 [1]	5,673,317	-	-	-	-	-	-
Series 2014	8,119,458	7,748,900	7,752,400	7,748,400	7,591,000	7,551,250	7,494,750
Series 2019	374,260	10,586,250	10,584,250	10,586,750	10,587,750	10,586,500	5,052,250
Total Debt Service	$ 14,430,598	$ 18,599,914	$ 18,336,650	$ 18,335,150	$ 18,178,750	$ 18,137,750	$ 12,547,000
Less: Debt Service Reserve Applied to Debt Service	-	-	-	-	-	(2,978,269)	-
Less: PFCs Applied	(217,320)	(4,224,965)	(4,224,715)	(4,224,715)	(4,224,715)	(4,224,465)	(4,049,586)
Debt Service net of PFCs	$ 14,213,277	$ 14,374,949	$ 14,111,935	$ 14,110,435	$ 13,954,035	$ 10,935,016	$ 8,497,414
Debt Service Coverage on GARBs	1.45	1.47	1.45	1.45	1.54	1.92	2.41

[1] The Series 2004 bonds are being refunded with a portion of the proceeds of the Series 2019 Bonds.
[2] It is anticipated that the balance in the Debt Service Reserve Fund for the Series 2019 refunding bonds will be applied to the final debt service payment, due in FY2024.

Signatory Cost per Enplaned Passenger

An important component of the financial feasibility study report is an assessment of how the planned capital improvements and the related funding plan will affect airline rates and charges. Based on the financial projections discussed above, the signatory cost per enplaned passenger

(CPE), presented on Table 31, is projected to decrease from $10.39 in FY2019 to $9.89 in FY2023, mainly due to the forecast increases in enplanements more than offsetting the projected increases in airline revenue. The CPE is projected to decrease further to $9.42 in FY2024 and $9.06 in FY 2025, mainly due to the decreased debt service charged to the airline rate base following the scheduled maturity of the refunding portion of the Series 2019 Bonds. CPE data compiled from the FAA's Part 127 Study for FY2017 (the most recent data available) for medium hub airports ranges from $2.22 to $17.13 with an average CPE of $8.94. BNIA's CPE is very close to the average for medium hub airports, and it is projected to decrease during the forecast period. It is reasonable to assume the CPEs of the other airports will increase during the forecast as the costs from upcoming capital programs are included in the airline cost structure.

Table 31|Projected Signatory Cost per Enplaned Passenger

Cost per Enplaned Passenger	Estimate	Projected					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Landing Fees - Scheduled Airlines	$ 15,707,679	$ 15,452,178	$ 15,679,619	$ 15,729,461	$ 16,217,019	$ 16,207,304	$ 16,184,684
Terminal Building Rents - Sheduled Airlines	9,341,698	9,887,435	9,940,139	10,025,075	10,114,611	9,613,917	9,231,107
Terminal Ramp Fees	1,577,743	1,531,022	1,552,622	1,555,440	1,595,928	1,591,947	1,587,798
Total Scheduled Airline Revenue	$ 26,627,120	$ 26,870,635	$ 27,172,380	$ 27,309,976	$ 27,927,557	$ 27,413,168	$ 27,003,589
Enplanements	2,563,632	2,657,685	2,662,078	2,719,970	2,822,450	2,911,016	2,980,714
Cost per Enplaned Passenger	**$ 10.39**	**$ 10.11**	**$ 10.21**	**$ 10.04**	**$ 9.89**	**$ 9.42**	**$ 9.06**

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APPENDIX B
FINANCIAL STATEMENTS OF THE AUTHORITY

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

FINANCIAL STATEMENTS

MARCH 31, 2018 and 2017

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

March 31, 2018 and 2017

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Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Niagara Frontier Transportation Authority

We have audited the accompanying balance sheets of Niagara Frontier Transportation Authority (the Authority) (a component unit of the State of New York), a business-type activity, as of March 31, 2018 and 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of March 31, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Lumsden & McCormick, LLP

June 28, 2018

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

March 31, 2018 and 2017

MANAGEMENT'S CERTIFICATION OF THE FINANCIAL STATEMENTS

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

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

Kimberley A. Minkel Executive Director	John T. Cox Chief Financial Officer	Patrick J. Dalton Director of Internal Audit and Corporate Compliance

June 28, 2018

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Management is responsible for establishing and maintaining effective internal control over financial reporting. Management assessed the effectiveness of the Authority's internal control over financial reporting as of March 31, 2018, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework.* Based on that assessment, management concluded that, as of March 31, 2018, the Authority's internal control over financial reporting is effective based on the criteria established in *Internal Control – Integrated Framework.*

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

Kimberley A. Minkel Executive Director	John T. Cox Chief Financial Officer	Patrick J. Dalton Director of Internal Audit and Corporate Compliance

June 28, 2018

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

Management's Discussion and Analysis

For the Years Ended March 31, 2018, 2017 and 2016
(Unaudited)

This management's discussion and analysis (MD&A) of the Niagara Frontier Transportation Authority (the Authority) provides an introduction and overview to the Authority's financial activities as of and for the years ended March 31, 2018, 2017 and 2016, which should be read in conjunction with the Authority's financial statements and notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Effective April 1, 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* These statements require the Authority to record its net pension liability and deferred outflows and deferred inflows of resources for certain pensions provided to Authority employees. The cumulative effect on the 2016 statements is a decrease in beginning of year net position totaling $1.5 million.

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

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

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

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

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

FINANCIAL HIGHLIGHTS

Summarized Balance Sheets

(In thousands)	March 31		
	2018	2017	2016
Current assets	$ 81,088	$ 88,518	$ 82,350
Restricted assets	53,407	55,493	53,086
Capital assets, net	612,233	604,208	610,676
Deferred outflows of resources from pensions	15,600	27,005	7,390
Total assets and deferred outflows of resources	$ 762,328	$ 775,224	$ 753,502
Current liabilities	$ 52,147	$ 51,344	$ 52,307
Noncurrent liabilities	366,999	370,143	317,978
Deferred inflows of resources from pensions	2,644	3,139	38
Total liabilities and deferred inflows of resources	421,790	424,626	370,323
Net position:			
Net investment in capital assets	482,077	466,688	466,460
Restricted	48,081	47,866	46,172
Unrestricted	(189,620)	(163,956)	(129,453)
Total net position	340,538	350,598	383,179
Total liabilities, deferred inflows of resources, and net position	$ 762,328	$ 775,224	$ 753,502

The changes in total net position over time serve as a useful indicator of the Authority's financial position. Net investment in capital assets represents the Authority's net capital assets, offset by any payables or debt outstanding used to finance the capital asset purchases. Restricted net assets consist primarily of cash and investments restricted in accordance with bonding requirements or assets whose use is limited to specific purposes in accordance with various agreements. Negative unrestricted net position of $189.6 million, $164.0 million, $129.5 million at March 31, 2018, 2017 and 2016 results primarily from the accrual of postemployment benefits other than pensions. As a result of the Authority's activities, March 31, 2018 net position decreased $10.1 million from March 31, 2017 ($7.9 million from 2016).

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

Current assets increased $6.2 million from March 31, 2016 to March 31, 2017 primarily due to an increase in unrestricted cash and investments, partially offset by a decrease in governmental receivables. Deferred outflows of resources increased $19.6 million primarily due to changes in assumptions and differences between the projected and actual investment earnings related to certain pension plans.

The Authority entered into a $9.3 million capital lease for new buses in fiscal 2018. This new debt, offset by current year principal payments and combined with an increase in other post-employment benefits of $14.2 million, decreases in net pension liability of $9.6 million, and other noncurrent liabilities of $2.4 million, resulted in an overall decrease in noncurrent liabilities of $3.1 million at March 31, 2018 compared to March 31, 2017.

The Authority entered into a $10.5 million capital lease for new buses in fiscal 2017. This new debt, offset by 2017 principal payments and combined with increases in other post-employment benefits of $13.5 million and net pension liability of $41.8 million, resulted in an increase in noncurrent liabilities of $52.2 million at March 31, 2017 compared to March 31, 2016.

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

Management's Discussion and Analysis

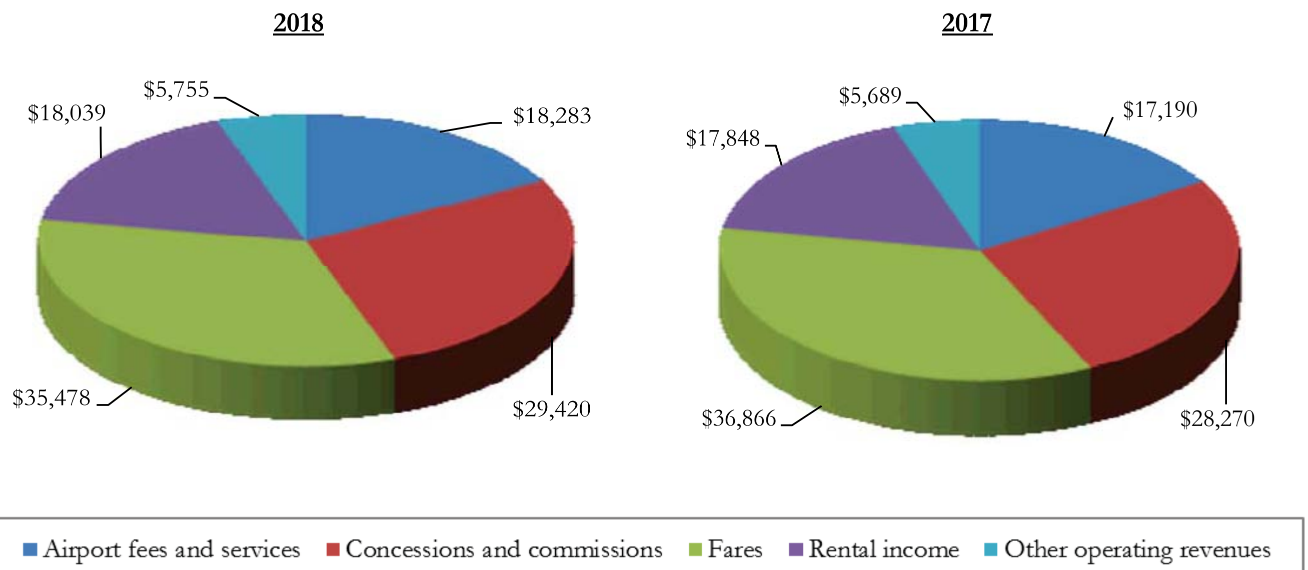
For the Years Ended March 31, 2018, 2017 and 2016
(Unaudited)

Summarized Statements of Revenues, Expenses and Changes in Net Position

(in thousands)	Years ended March 31		
	2018	2017	2016
Operating revenues:			
Fares	$ 35,478	$ 36,866	$ 37,506
Concessions and commissions	29,420	28,270	27,813
Rental income	18,039	17,848	17,052
Airport fees and services	18,283	17,190	16,354
Other operating revenues	5,755	5,689	4,684
Total operating revenues	106,975	105,863	103,409
Operating expenses:			
Salaries and employee benefits	146,511	140,110	135,823
Other postemployment benefits	14,238	13,545	17,415
Depreciation	52,741	51,778	50,051
Maintenance and repairs	21,444	20,374	19,347
Transit fuel and power	3,425	3,805	5,137
Utilities	4,623	4,454	4,254
Insurance and injuries	3,947	3,754	3,725
Other operating expenses	16,400	15,749	15,380
Total operating expenses	263,329	253,569	251,132
Operating loss	(156,354)	(147,706)	(147,723)
Non-operating revenues, net	121,931	120,010	107,105
Change in net position before capital contributions and special item	(34,423)	(27,696)	(40,618)
Capital contributions	24,363	19,820	26,890
Change in net position	(10,060)	(7,876)	(13,728)
Net position - beginning of year	350,598	383,179	398,418
Cumulative effect of restatement	-	(24,705)	(1,511)
Net position - beginning, as restated	350,598	358,474	396,907
Net position - end of year	$ 340,538	$ 350,598	$ 383,179

Summary of Revenues, Expenses and Changes in Net Position

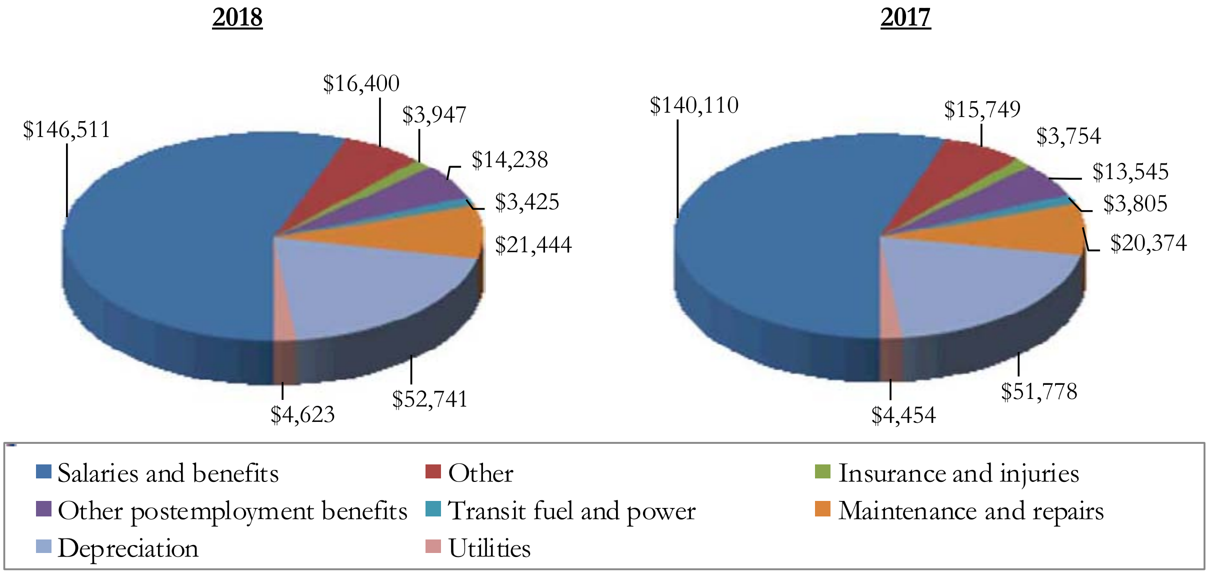
The charts below summarize operating revenues by source.



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

Operating revenues increased $2.5 million, or 2.4%, from 2016 to 2017. Fares decreased $0.6 million, as ridership was down from 2016 levels and individual passenger fares were unchanged. Concessions and commissions in 2017 were $0.5 million higher than 2016, primarily due to an increase in auto rental fees at Buffalo Niagara International Airport (BNIA). Airport fees and services in 2017 were $0.8 million higher than 2016 as increased BNIA direct landing area expenses resulted in higher compensatory airline billings. Other operating revenues were $1.0 million higher than 2016 primarily due to higher Metro advertising revenue.

The charts below summarize operating expenses by category.



Operating expenses increased 3.8%, from $253.6 million to $263.3 million from 2017 to 2018. Salaries and employee benefits increased $6.4 million, or 4.6%, primarily due to higher Metro salaries as a collective bargaining agreement with the Amalgamated Transit Union Local 1342, which represents approximately 1,000 Metro employees, was settled during the year as well as higher health insurance, workers' compensation and pension costs across the Authority. Maintenance and repairs increased $1.1 million from 2017 due to higher snowplowing and baggage system maintenance costs at BNIA and increased maintenance projects at the Metropolitan Transportation Center. Depreciation expense, which varies from year to year based on the timing of asset purchases and estimated useful lives, increased by $1.0 million from 2017 to 2018.

Operating expenses increased 1.0%, from $251.1 million to $253.6 million from 2016 to 2017. Salaries and employee benefits increased $4.3 million, or 3.2%, due to higher health insurance, workers' compensation and pension costs. Changes in actuarial assumptions and the transition to self-insured healthcare resulted in an actuarially calculated decrease in other postemployment benefits of $3.9 million from 2016. Depreciation expense increased by $1.7 million from 2016 to 2017.

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

Net non-operating revenues for 2017 increased $12.9 million compared to 2016, from $107.1 million to $120.0 million, primarily due to a $4.0 million increase in operating assistance, a decrease in airport noise abatement costs of $2.3 million, and realized gain on the sale of property totaling $3.4 million.

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

Capital contributions decreased from $26.9 million in 2016 to $19.8 million in 2017 primarily due to the timing of capital projects and revenue vehicle purchases.

CAPITAL ASSETS

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

Net capital assets total $604.2 million at March 31, 2017, representing a decrease of 1.1% from March 31, 2016, as depreciation and dispositions exceeded investment in capital. Capital asset additions totaling $45.6 million include $13.6 million for twenty-four buses, $4.9 million for the ongoing mid-life railcar rebuild project, and $7.0 million for the BNIA ARFF facility. Depreciation and asset disposals exceeded capital asset additions by $6.5 million in 2017.

DEBT ADMINSTRATION

The Authority had $130.2 million in long-term debt at March 31, 2018. This $3.4 million decrease from 2017 primarily results from a new bus capital lease of $9.3 million, offset by debt service payments of $13.2 million. The Authority had $133.6 million in long-term debt at March 31, 2017. This $1.1 million decrease from 2016 primarily results from a new bus capital lease of $10.4 million, offset by debt service payments of $11.6 million.

FACTORS IMPACTING THE AUTHORITY'S FUTURE

Surface Transportation

Approximately 22% of Metro's revenues are derived from fare collection and advertising, while 78% are from outside operating assistance. New York State is the Authority's largest investor providing 48% of operating assistance while 34% comes from local sources and 18% from the federal government. Any changes in these funding sources can have a significant impact on Authority operations.

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

The property surrounding the Metro Rail system has seen significant office, retail, housing and entertainment development in the past few years. The Buffalo Niagara Medical Campus (BNMC), a consortium of the region's top health care, education, and research institutions, is located adjacent to the Allen-Medical Campus station. More than 16,000 people currently work, volunteer or study every day at the BNMC after John R. Oishei Children's Hospital of Buffalo and the University at Buffalo Jacobs School of Medicine moved to the campus in 2017. Because of the increased activity in this part of the city, ridership on the light rail system is projected to grow.

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

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

Aviation

Together, BNIA and NFIA served approximately 5 million passengers in 2018 as the only commercial service airports in Erie and Niagara counties. Additionally, the airports are a convenient and less costly option for nearby Canadian travelers. As approximately 40% of BNIA passenger traffic originates from Canada, fluctuations in the exchange rate of the Canadian dollar have an impact on enplanements.

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

A two-year, $80 million passenger terminal and baggage claim expansion project at BNIA is scheduled to begin in 2018. The project will improve overall airport security, expand and modernize the baggage claim area, improve passenger flow to and from the international boarding areas, expand the terminal for additional concessions and amenities, and add new curb space at both ends of the BNIA terminal. Passenger Facility Charges are funding program design and are the planned source for project construction.

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 John T. Cox, Chief Financial Officer, 181 Ellicott Street, Buffalo, New York 14203.

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

Balance Sheets (In thousands)

March 31,	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	$ 37,268	$ 50,154
Investments	12,612	12,500
Accounts receivable, net of allowance for doubtful accounts of $513 in 2017	11,937	7,212
Grants receivable	13,344	12,758
Materials and supplies inventory	5,101	4,980
Prepaid expenses and other	826	914
	81,088	88,518
Restricted assets:		
Cash and cash equivalents	26,381	37,775
Investments	27,026	17,718
	53,407	55,493
Capital assets, net (Note 4)	612,233	604,208
Total assets	746,728	748,219
Deferred outflows of resources:		
Deferred outflows of resources related to pensions	15,600	27,005
Total assets and deferred outflows of resources	$ 762,328	$ 775,224
Liabilities		
Current liabilities:		
Current portion of long-term debt	$ 13,303	$ 11,321
Accounts payable and accrued expenses	31,460	30,198
Other current liabilities	7,384	9,825
	52,147	51,344
Noncurrent liabilities:		
Long-term debt	116,853	122,254
Other postemployment benefits	165,522	151,284
Estimated liability for self-insured claims	42,556	42,524
Net pension liabilities	33,137	42,743
Other noncurrent liabilities	8,931	11,338
	366,999	370,143
Total liabilities	419,146	421,487
Deferred inflows of resources:		
Deferred inflows of resources related to pensions	2,644	3,139
Net position		
Net investment in capital assets	482,077	466,688
Restricted	48,081	47,866
Unrestricted	(189,620)	(163,956)
Total net position	340,538	350,598
Total liabilities, deferred inflows of resources, and net position	$ 762,328	$ 775,224

See accompanying notes.

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

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

For the years ended March 31,	2018	2017
Operating revenues:		
Fares	$ 35,478	$ 36,866
Concessions and commissions	29,420	28,270
Rental income	18,039	17,848
Airport fees and services	18,283	17,190
Other operating revenues	5,755	5,689
Total operating revenues	106,975	105,863
Operating expenses:		
Salaries and employee benefits	146,511	140,110
Other postemployment benefits	14,238	13,545
Depreciation	52,741	51,778
Maintenance and repairs	21,444	20,374
Transit fuel and power	3,425	3,805
Utilities	4,623	4,454
Insurance and injuries	3,947	3,754
Other	16,400	15,749
Total operating expenses	263,329	253,569
Operating loss	(156,354)	(147,706)
Non-operating revenues (expenses):		
Government assistance	114,587	111,119
Passenger facility charges	9,755	9,271
Change in fair value of swap agreements	1,192	1,701
Interest expense, net	(4,397)	(4,549)
Airport noise abatement	(291)	(489)
Other non-operating revenues, net	1,085	2,957
Total non-operating net revenues	121,931	120,010
Change in net position before capital contributions	(34,423)	(27,696)
Capital contributions	24,363	19,820
Change in net position	(10,060)	(7,876)
Net position - beginning of year	350,598	358,474
Net position - end of year	$ 340,538	$ 350,598

See accompanying notes.

Statements of Cash Flows (In thousands)

For the years ended March 31,	2018	2017
Operating activities:		
Cash collected from customers	$ 102,063	$ 103,193
Cash paid for employee wages and benefits	(144,016)	(137,331)
Cash paid to vendors and suppliers	(47,698)	(53,460)
Cash paid for insurance and injuries	(3,915)	(1,262)
Net operating activities	(93,566)	(88,860)
Non-capital financing activities:		
Government assistance	114,587	111,119
Capital and related financing activities:		
Repayments of long-term debt	(13,218)	(11,628)
Proceeds from issuance of long-term debt	9,799	10,478
Other liabilities	(519)	322
Interest paid	(5,040)	(4,725)
Mortgage recording tax, net	(1,733)	390
Capital grants and contributions	23,777	42,167
Additions to capital assets	(60,766)	(45,723)
Construction retainages, net	778	413
Proceeds from sale of capital assets	5	3,703
Passenger facility charges	9,755	9,271
Airport noise abatement	(291)	(489)
Other	1,080	906
Net capital and related financing activities	(36,373)	5,085
Investing activities:		
Purchase of investments, net	(9,420)	(11,757)
Interest income	492	176
Net investing activities	(8,928)	(11,581)
Net change in cash and cash equivalents	(24,280)	15,763
Cash and cash equivalents, beginning of year	87,929	72,166
Cash and cash equivalents, end of year	$ 63,649	$ 87,929
Reconciliation to Balance Sheet		
Cash and cash equivalents:		
Unrestricted	$ 37,268	$ 50,154
Restricted	26,381	37,775
Total cash and cash equivalents	$ 63,649	$ 87,929
Reconciliation of operating loss to net operating activities:		
Operating loss	$ (156,354)	$ (147,706)
Adjustments to reconcile operating loss to net operating activities:		
Depreciation	52,741	51,778
Net pension activity	1,304	2,339
Other postemployment benefits, net	14,238	13,545
Changes in assets and liabilities:		
Receivables	(4,725)	(3,304)
Materials and supplies inventory	(121)	(245)
Prepaid expenses and other	88	147
Accounts payable and accrued expenses	635	(7,447)
Other current liabilities	(189)	634
Estimated liability for self-insured claims	32	2,492
Other noncurrent liabilities	(1,215)	(1,093)
Net operating activities	$ (93,566)	$ (88,860)

See accompanying notes.

(1) Financial Reporting Entity

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

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation and Measurement Focus

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

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

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

Authority Operations

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

NFTA Operations

Aviation

The Authority operates the Buffalo Niagara International Airport (BNIA) and the Niagara Falls International Airport (NFIA). BNIA is Western New York's primary passenger and cargo airport, while NFIA 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.

Property Management

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

Metro Operations

Surface Transportation

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

Metro also provides a light rail rapid transit (LRRT) system between downtown Buffalo and the State University of New York at Buffalo and a seasonal/tourist-oriented service operating replica trolley vehicles over a fixed loop route in the City of Niagara Falls.

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

(b) Cash and Cash Equivalents

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

(c) Accounts Receivable

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

(d) Materials and Supplies Inventory

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

(e) Restricted Assets

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

(f) Investments

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

(g) Bond Costs and Premiums

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

(h) Capital Assets

The Authority's policy is to capitalize assets that cost at least $5,000 and have estimated useful lives of 2 years or more. Capital assets are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The useful lives used in computing depreciation on principal classes of capital assets are as follows:

	Estimated Useful Life
Metropolitan transportation centers	25
Improvements	10 - 25
Buildings	10 - 45
LRRT system	10 - 45
Motor buses	12
Marine terminals, docks, and wharves	10 - 40
Equipment and other	2 - 10

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

(i) *Other Current Liabilities*

Advances

The Authority administers the funding of regional transportation improvement projects on behalf of the Federal Highway Administration (FHWA) for the Niagara International Transportation Technology Coalition (NITTEC). At March 31, 2018 and 2017, net advance payments provided by the FHWA for regional construction projects authorized by NITTEC and the FHWA are included in other current liabilities on the accompanying balance sheets and totaled $5,331,000 and $5,850,000, respectively.

Mortgage Recording Tax Revenue

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

(j) *Self-Insured Claims*

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

(k) *Pensions*

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

(l) *Postemployment Benefits*

In addition to providing pension benefits, the Authority provides various health insurance coverage to retired employees (Note 9). Substantially all employees become eligible for these benefits when they reach normal retirement age with a minimum of ten years of service.

(m) *Other Noncurrent Liabilities*

Other noncurrent liabilities consist primarily of amounts due to the New York State retirement system pursuant to the New York State Pension Contribution Stabilization Program (Note 8) and the fair value of interest rate swap agreements (Note 5).

(n) *Revenue Recognition*

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

The Authority receives operating assistance and capital contributions pursuant to various federal, state and local government contracts and grant agreements. Operating assistance and capital contributions are recorded as revenue based on annual appropriations or when expenditures have been incurred in compliance with grant requirements. Operating assistance and capital contributions represent 53% (52% for 2017) of total revenue for the year ended March 31, 2018. A significant decrease in this funding may negatively impact future operations of the Authority.

(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 agreements for payments made in lieu of tax.

(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) *Administrative Services*

In accordance with agreements between the Authority and the New York State Department of Transportation, the Authority functions as the "host agency" for the Greater Buffalo Niagara Regional Transportation Council (GBNRTC), the designated Metropolitan Planning Organization (MPO) for the metro region including Erie and Niagara counties, and NITTEC, a regional traffic operations center. As the host agency for both organizations, the Authority provides certain administrative responsibilities relating to grants management and accounting functions; however, the Authority has no budgetary oversight and no responsibility for operations, deficits or debts. Consequently, the Authority's financial statements do not include the assets, liabilities, revenues or expenses of GBNRTC or NITTEC. The Authority administered reimbursement grants totaling $4,930,000 and $4,515,000 for GBNRTC and NITTEC combined during fiscal 2018 and 2017.

(3) Cash Deposits and Investments

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

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At March 31, 2018 and 2017, the Authority's bank deposits were fully insured by FDIC or collateralized in accordance with the above requirements.

(4) Capital Assets

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

(in thousands)	April 1, 2016	Additions	Reclassifications and Disposals	March 31, 2017
Non-depreciable capital assets:				
Land	$ 63,018	$ 315	$ (3)	$ 63,330
Construction in progress	43,429	(9,919)	-	33,510
Total non-depreciable capital assets	106,447	(9,604)	(3)	96,840
Depreciable capital assets:				
Land improvements	315,483	2,232	(718)	316,997
LRRT system	618,717	15,385	(5,450)	628,652
Airport buildings	274,480	1,097	344	275,921
Metropolitan transportation centers	21,582	174	-	21,756
Marine terminals, docks, and wharves	18,172	-	(18,172)	-
Motor buses	136,663	22,308	(6,415)	152,556
Equipment, buildings, and other	133,397	14,016	(2,653)	144,760
Total depreciable capital assets	1,518,494	55,212	(33,064)	1,540,642
Accumulated depreciation:				
Land improvements	216,718	11,686	(720)	227,684
LRRT system	451,163	13,399	(5,550)	459,012
Airport buildings	127,613	8,987	(53)	136,547
Metropolitan transportation centers	15,121	475	-	15,596
Marine terminals, docks, and wharves	17,301	78	(17,379)	-
Motor buses	91,506	9,583	(6,401)	94,688
Equipment, buildings, and other	94,843	7,570	(2,666)	99,747
Total accumulated depreciation	1,014,265	51,778	(32,769)	1,033,274
Total depreciable assets, net	504,229	3,434	(295)	507,368
	$ 610,676	$ (6,170)	$ (298)	$ 604,208

(5) Long-Term Debt

(a) Long-Term Obligations (in thousands)

	2018	2017
(1) Airport Revenue Bonds 2014:		
Series A, maturing April 1, 2029 with variable annual principal payments commencing April 1, 2015, bearing interest at 3.0% to 5.0% (net of unamortized premium of $5,012 in 2018 and $5,838 in 2017)	$ 65,182	$ 67,159
Series B, maturing April 1, 2019 with variable annual principal payments commencing April 1, 2016, bearing interest at 4.0% to 5.0% (net of unamortized premium of $105 in 2018 and $300 in 2017)	6,425	9,735
(2) 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	24,350	27,800
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	3,825	4,375
(3) New York State, non-interest bearing	3,380	3,380
(4) Capital leases, monthly payments with fixed interest rates ranging from 4.19% to 6.59%, maturing in 2019, secured by related equipment	489	797
(5) Environmental Facilities Corporation (EFC) maturing January 15, 2020 with variable annual principal payments, bearing interest at 5.612% to 5.742%, offset by a variable refunding interest credit provided by EFC (NYS EFC Series 2011A)	500	735
(6) Capital leases, monthly payments with fixed interest rate of 2.91%, maturing in 2025, secured by related equipment	3,173	3,537
(7) Capital leases, monthly payments with fixed interest rate of 4.27%, maturing in 2020, secured by related equipment	569	847

	2018	2017
(8) Capital lease, monthly payments with fixed interest rate of 7.75%, maturing in 2032, secured by related equipment	**3,654**	3,783
(9) Capital lease, monthly payments with fixed interest rate of 2.57%, maturing in 2022, secured by related equipment	**1,486**	1,786
(10) Capital lease, monthly payments with fixed interest rate of 1.511% maturing in 2023, secured by related equipment	**8,199**	9,641
(11) Capital lease, monthly payments with fixed interest rate of 2.093% maturing in 2024, secured by related equipment	**8,428**	-
(12) Capital lease, annual payments with fixed interest rate of 1.60% maturing in 2020, secured by related equipment	**496**	-
	130,156	133,575
Less current portion	**13,303**	11,321
	$ 116,853	$ 122,254

(1) On September 3, 2014, the Authority issued $65,340,000 Series 2014A and $12,430,000 Series 2014B Airport Revenue Bonds at a premium of $9,336,000. These bonds were issued to refund outstanding Series 1999A, 1999B, and 1998 bonds in the amounts of $61,525,000, $13,775,000, and $13,485,000, respectively.

(2) On January 15, 2004, the Authority issued $63,000,000 Series 2004A and $10,025,000 Series 2004C Airport Revenue Bonds with fixed interest rates of 3.646% and 3.55%, respectively, and variable auction rates offset by a swap of fixed percentages of the prevailing LIBOR rate. These bonds were issued to refund the Series 1994A and the Series 1994C Airport Revenue Bonds of $55,435,000 and $9,765,000 with interest rates ranging from 5.70% to 6.25% for Series 1994A and 5.50% to 6.00% for Series 1994C, respectively.

(3) The State Legislature passed a law in 1994 that granted the Authority immediate relief from the repayment covenant for a non-interest bearing loan totaling $3,380,000. The law provides in pertinent part that repayment of the loan would be deferred for a two-year period, which expired on May 12, 1996. The Director of the Budget has been granted the discretion to either enter into an agreement with the Authority setting forth a schedule for reimbursement without interest or waive the requirement for reimbursement in whole or in part. No decision has been made to date. Maturities for this loan have been included in the category of loans and capital leases for long-term debt maturities for 2029 through 2033 due to the uncertainty of repayment.

The Airport Revenue Bonds from 2014, 2004, and NYS EFC Series 2011A are payable from and secured by a lien against net revenues derived from the operations of the BNIA. Payment of scheduled bond principal and interest payments are also guaranteed by municipal bond insurance policies maintained by the Authority. The bonds are special limited obligations of the Authority. They are neither general obligations of the Authority nor a debt of the State or any political subdivision.

Changes in long-term debt for the years ended March 31, 2018 and 2017 were as follows (in thousands):

	2018	2017
Balance, beginning of year	$ 133,575	$ 134,725
Proceeds from issuance of debt	9,799	10,478
Repayment of long-term debt, net of premium amortization	(13,218)	(11,628)
Balance, end of year	130,156	133,575
Less current portion	13,303	11,321
Noncurrent portion	$ 116,853	$ 122,254

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

	Loans and Capital Leases		Serial Bonds		
	Principal	Interest	Principal	Unamortized Premium	Interest
Years ending March 31,					
2019	$ 4,308	$ 720	$ 8,995	$ 937	$ 4,101
2020	4,220	613	9,180	826	3,794
2021	3,864	521	9,555	710	3,305
2022	3,740	435	9,930	599	2,920
2023	3,721	351	10,410	550	2,476
2024-2028	4,996	969	34,780	1,435	6,351
2029-2033	5,024	324	12,316	60	282
	$ 29,873	$ 3,933	$ 95,166	$ 5,117	$ 23,229

At March 31, 2018 and 2017, the Authority was in compliance with all loan and bond covenants.

(b) *Derivative Instruments*

Interest Rate Swaps

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

Risks

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

Basis Risk – The risk that the Authority's variable rate interest payments will not equal the variable rate swap receipts because they are based on different indexes. If the rate under the swap is lower than the bond interest rate, the payment under the swap agreement will not fully reimburse the Authority for the interest payments on the bonds. However, if the bond interest rate is lower than the swap payment, there is a net gain to the Authority. At March 31, 2018 and 2017, the unfavorable basis variance totaled $3,150,000 and $2,607,000.

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

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

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

Terms

At March 31, 2018, the negative fair values of the Series 2004A and 2004C interest rate swaps were $1,547,000 and $235,000, respectively. At March 31, 2017, the negative fair values of the Series 2004A and 2004C interest rate swaps was $2,588,000 and $386,000, respectively. At March 31, 2018, the notional amounts of Series 2004A and 2004C swaps were $24,350,000 and $3,825,000, respectively. At March 31, 2017, the notional amounts of Series 2004A and 2004C swaps were $27,800,000 and $4,375,000, respectively. The terms of the interest rate swaps will remain in effect until the bonds are fully matured on April 1, 2024.

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

As of March 31, 2018 and 2017, the negative fair values of all investment and ineffective derivative instruments totaled $1,782,000 and $2,974,000 and are recorded as other noncurrent liabilities. Negative fair value decreases of $1,192,000 and $1,701,000 for 2018 and 2017 are recorded as non-operating revenues in the statement of revenues, expenses and change in net position.

(6) Passenger Facility Charges

In 1992, the FAA approved the Authority's application to impose collection of Passenger Facility Charges (PFC) at the BNIA. PFCs used specifically for FAA approved projects at the BNIA and included in non-operating revenues totaled $9,624,000 and $9,271,000 for the years ended March 31, 2018 and 2017. During the year ended March 31, 2018, the FAA approved the collection of PFCs at NFIA which totaled $131,000.

(7) Government Assistance

Operations are funded primarily by passenger fares and operating subsidy payments from the Federal Transit Administration (FTA) under Sections 5307 and 5311 of the Urban Mass Transportation Administration (UMTA) Act; the State, Erie and Niagara Counties (pursuant to State transportation laws); and the Buffalo & Fort Erie Public Bridge Authority. Assistance recognized as revenue for the years ended March 31, 2018 and 2017 was as follows (in thousands):

	2018	2017
Metro:		
FTA:		
Section 5307 and 5311 assistance	$ 20,693	$ 20,229
State:		
Statewide transit operating assistance program	48,361	47,337
Section 18b assistance	4,100	4,100
Section 5307 capital maintenance match	2,568	2,510
Total State	55,029	53,947
Erie County:		
88(c) - general	3,357	1,850
Mortgage recording tax (section 88a)	8,658	9,236
Section 18b matching funds	3,657	3,657
Sales tax receipts	20,323	19,613
Total Erie County	35,995	34,356
Niagara County:		
Mortgage recording tax	1,541	1,282
Section 18b matching funds	443	443
Total Niagara County	1,984	1,725
Buffalo and Fort Erie Public Bridge Authority	200	200
	113,901	110,457
NFTA:		
Department of Homeland Security	686	662
	$ 114,587	$ 111,119

(8) *Pensions*

(a) *New York State Retirement System*

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

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

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

Contribution requirements: No employee contributions are required for those whose service began prior to July 27, 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems on or after July 27, 1976 through December 31, 2009. Participants whose service began on or after January 1, 2010 through March 31, 2012 are required to contribute 3% of their salary for the entire length of service. Employees who joined on or after April 1, 2012 contribute based on annual wages at a rate of 3% to 6% each year, based on their level of compensation. The Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the Authority to the pension accumulation fund. For payments made in fiscal year 2018, rates ranged from 9.3% - 21.7% for ERS (9.3% - 21.8% for 2017) and 7.3% - 25.3% for PFRS (7.1% - 24.8% for 2017).

The Authority participates in the New York State Pension Contribution Stabilization Program (the Program), an optional program which establishes a graded contribution rate system that enables the Authority to pay a portion of its annual contributions over time and more accurately predict pension costs. At March 31, 2018 and 2017, $5,292,000 and $6,042,000, respectively, is due to the Systems pursuant to the Authority's participation in the Program which is included in other noncurrent liabilities in the accompanying balance sheets.

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

At March 31, 2018 and 2017, the Authority reported a liability of $13,741,000 and $22,292,000, respectively, for its proportionate share of the Systems' net pension liability.

The net pension liability as of March 31, 2018 was measured as of March 31, 2017, and the total pension liability was determined by an actuarial valuation as of April 1, 2016. The Authority's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to the Systems' total actuarially determined employer contributions for the fiscal year ended on the measurement date. At the March 31, 2017 measurement date, the Authority's proportion was 0.0853631% for ERS (a decrease of 0.0024991 from 2016) and 0.2760008% for PFRS (a decrease of 0.0006251 from 2016).

For the years ended March 31, 2018 and 2017, the Authority recognized pension expense of $8,125,000 and $8,208,000, respectively. At March 31, 2018 and 2017, the Authority reported deferred outflows and deferred inflows of resources as follows:

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

	2017			
	ERS		PFRS	
(in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 71	$ 1,672	$ 73	$ 1,238
Changes of assumptions	3,760	-	3,531	-
Net difference between projected and actual earnings on pension plan investments	8,366	-	4,590	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	703	6	9	223
Authority contributions subsequent to the measurement date	3,787	-	2,115	-
	$ 16,687	$ 1,678	$ 10,318	$ 1,461

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

Years ending March 31,	**ERS**	**PFRS**
2019	**$ 1,763**	**$ 1,055**
2020	**1,763**	**1,055**
2021	**1,506**	**992**
2022	**(1,032)**	**(116)**
2023	**-**	**104**
	$ 4,000	**$ 3,090**

Actuarial Assumptions

The actuarial assumptions used in the April 1, 2016 valuation, with update procedures used to roll forward the total pension liability to March 31, 2017, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Inflation - 2.5%
Salary increases - 3.8% (ERS), 4.5% (PFRS)
Cost of living adjustments - 1.3% annually
Investment rate of return - 7.0% compounded annually, net of investment expense, including inflation
Mortality - Society of Actuaries' Scale MP-2014
Discount rate - 7.0%

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

Investment Asset Allocation

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	36%	4.6%
International equities	14%	6.4%
Private equities	10%	7.8%
Real estate	10%	5.8%
Bonds and mortgages	17%	1.3%
Inflation-indexed bonds	4%	1.5%
Short-term	1%	(0.3%)
Other	8%	4.0-5.9%
	100%	

Discount Rate

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

The following presents the Authority's proportionate share of its net pension liability for ERS and PFRS as of March 31, 2018 calculated using the discount rate of 7% and the impact of using a discount rate that is 1% lower and 1% higher:

(in thousands)	1% Lower Discount Rate (6%)	Current Discount Rate (7%)	1% Higher Discount Rate (8%)
Authority's proportionate share of the ERS net pension asset (liability)	$ (25,617)	$ (8,021)	$ 6,857
Authority's proportionate share of the PFRS net pension asset (liability)	$ (16,217)	$ (5,720)	$ 3,084

(b) Past Service Costs Due to ERS

Effective January 1, 1997, active non-bargaining unit participants in the Niagara Frontier Transit Metro System, Inc. Retirement Plan (Metro Plan) transferred to the employment of the NFTA and were given the opportunity to elect to have their contribution accounts transferred from the Metro Plan to ERS. The enabling legislation that provided for the purchase of service credits under ERS for pre-transfer service obligated the Authority to pay ERS additional annual contributions of $465,000 annually, commencing December 1997 (in addition to its regular employer contribution) for 25 years. At March 31, 2018 and 2017, related past service costs totaling $1,860,000 and $2,323,000 are included in other noncurrent liabilities.

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

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

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

Employees Covered by Benefit Terms: At the March 31, 2017 measurement date, the following employees were covered by the Metro Plan:

Retired	55
Beneficiaries	12
Terminated vested	17

Contribution requirements: The Authority pays the full cost of all benefits provided under the Metro Plan. The Authority's policy is to fund the minimum recommended contribution as actuarially determined annually. Contributions to the plan were $32,000 in 2017 and $9,000 in 2016.

Net Pension Liability

The net pension liability was measured as of March 31, 2018 based on an actuarial valuation as of April 1, 2017. Actuarial assumptions applied to all periods included in the measurement are as follows:

Actuarial Cost Method - Entry Age Normal
Mortality - Generational RP-2014 Blue Collar Mortality Table using Scale MP-2016
Rate of Return on Plan Assets – 6.50% (5.7% in 2017)
Discount Rate - The Plan's fiduciary net position is projected to be available to meet all projected future benefit payments resulting in a single discount rate of 6.50% (5.7% in 2017)
Asset Valuation – 5-year smoothed market
Assumed Retirement Age - Age first eligible for unreduced benefits

Changes in the Net Pension Liability

(in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at March 31, 2016	$ (5,261)	$ 4,805	$ (456)
Changes for the year:			
Interest	(283)	-	(283)
Differences between expected and actual experience	334	-	334
Changes of assumptions	(323)	-	(323)
Employer contributions	-	9	9
Net investment income	-	(5)	(5)
Benefit payments	593	(593)	-
Administrative expense	-	(14)	(14)
Net changes	321	(603)	(282)
Balances at March 31, 2017	$ (4,940)	$ 4,202	$ (738)
Changes for the year:			
Interest	(266)	-	(266)
Differences between expected and actual experience	(129)	-	(129)
Changes of assumptions	239	-	239
Employer contributions	-	32	32
Net investment income	-	507	507
Benefit payments	536	(536)	-
Administrative expense	-	(16)	(16)
Net changes	380	(13)	367
Balances at March 31, 2018	**$ (4,560)**	**$ 4,189**	**$ (371)**

The impact of using a discount rate that is 1% lower (5.50%) than the current rate would result in a net pension liability of $675,000 and at 1% higher (7.50%) would result in a net pension liability of $103,000.

(d) 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, a portion of part-time employee compensation is also contributed by Metro to the ATU Plan, although part-time employees do not participate in or benefit from the ATU Plan.

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

Funding Requirement

On a weekly basis, each eligible employee is required to contribute the greater of sixteen dollars or 5% of payroll. Metro's contribution is 11% of eligible employee wages and is determined pursuant to the collective bargaining agreement (CBA) between Metro and the ATU. Metro's contributions to the Plan recorded on the statements of revenues, expenses and change in net position, pursuant to the CBA, totaled $5,667,000 and $5,150,000 for 2018 and 2017. The Agreement provides that Metro is not obligated to make any other payment to fund the benefits or to meet any expenses of administration and, in the event of termination, Metro will have no obligation for further contributions to the ATU Plan. Therefore, net pension assets and liabilities of the ATU plan are not recorded by the Authority.

(e) Postretirement Medical Premium Stipend Plan

The Authority's Metro retirees are provided with a monthly stipend (Stipend Plan) representing the insurance premium amount of single medical coverage if they retired prior to January 1, 2004. If they retired subsequent to January 1, 2004, Metro retirees are provided with continuation of full medical coverage as described in Note 9.

As of March 31, 2018, there are 147 retirees within Metro who retired prior to January 1, 2004. Monthly, each retiree is provided with a cash stipend equivalent to the single medical premium cost or, if enrolled in Medicare, the retiree is provided with an amount equal to the Medicare Part B premium and $932. The retiree has the option of any combination of cash stipend and/or health insurance continuation.

The Authority's annual pension cost and net pension obligation as of March 31, 2018 and 2017 related to the Stipend Plan was:

(in thousands)	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at March 31, 2016	$ (21,515)	$ -	$ (21,515)
Changes for the year:			
Interest	(922)	-	(922)
Differences between expected and actual experience	1,661	-	1,661
Changes of assumptions	(1,055)	-	(1,055)
Benefit payments	2,118	-	2,118
Net changes	1,802	-	1,802
Balances at March 31, 2017	$ (19,713)	$ -	$ (19,713)
Changes for the year:			
Interest	(722)	-	(722)
Differences between expected and actual experience	(219)	-	(219)
Changes of assumptions	(366)	-	(366)
Benefit payments	1,995	-	1,995
Net changes	688	-	688
Balances at March 31, 2018	**$ (19,025)**	**$ -**	**$ (19,025)**

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

- Actuarial valuation and measurement date of March 31, 2018
- Healthcare cost trend is estimated at 5.90% next year, ultimately declining to 3.94% in year 2075
- Actuarial cost method used is Entry Age Normal
- Discount rate is 3.61% (previously 3.86%)
- RP-2014 Blue Collar Mortality Table projected using Scale MP-2016

The following presents the Authority's Stipend Plan net pension liability as of March 31, 2018 calculated using the discount rate of 3.61% and the impact of using a discount rate that is 1% lower and 1% higher:

(in thousands)	1% Lower Discount Rate (2.61%)	Current Discount Rate (3.61%)	1% Higher Discount Rate (4.61%)
Authority's Stipend Plan net pension liability	$ (20,635)	$ (19,025)	$ (17,636)

(9) Postemployment Benefits

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

The Authority recognizes the costs of other postemployment benefits (OPEB) during the periods when employees render services that will eventually entitle them to the benefits. This cost is referred to as the annual required contribution (ARC) and includes:

- amortization of the unfunded actuarial accrued liability (UAAL) for the current year, which is 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

- normal cost which is the actuarially-determined cost of future OPEB earned in the current year

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 position as other postemployment benefits. The Authority's Board has the authority to establish a funding policy for the Plan. The Authority's current policy is to fund the benefits to the extent of premium payments, on a "pay-as-you-go" basis. The plan does not issue a publicly available financial report.

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 year ended March 31, 2018 and 2017 (in thousands):

	2018	2017
Annual required contribution		
Normal cost	**$ 8,792**	$ 8,462
Amortization of UAAL	**12,700**	11,746
Annual required contribution	**21,492**	20,208
Interest on OPEB obligation	**6,051**	5,510
Adjustment to ARC	**(9,079)**	(8,110)
Annual OPEB cost	**18,464**	17,608
Employer contributions	**(4,226)**	(4,063)
Increase in net OPEB obligation	**14,238**	13,545
Net OPEB obligation, beginning of year	**151,284**	137,739
Net OPEB obligation, end of year	**$ 165,522**	$ 151,284

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation were as follows (in thousands):

March 31,		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
2018	$	18,464	22.89%	$	165,522
2017	$	17,608	23.07%	$	151,284
2016	$	21,610	21.70%	$	137,739

The actuarial analysis supporting the obligation for 2018 was completed using a full valuation as of April 1, 2017. The total unfunded actuarial accrued liability (UAAL) for future benefits was $211,617,000, which includes $165,520,000 for Metro. These projections are based on the April 1, 2017 census data, claims information and the impact of healthcare reform. The covered payroll (annual payroll of active employees covered by the plan) was $92,516,000 and the ratio of the UAAL to the covered payroll was 228.7%.

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 are subject to routine actuarial revaluations 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:

- Medical trend based on Society of Actuaries Long Term Medical Trend Model, the rate in 2017 is 5.90% with an ultimate rate of 4.0% Pre-Medicare and 3.9% Post-Medicare in 2075

- Actuarial cost method used is Entry Age Normal

- Discount rate is 4.0%

- Amortization method is level dollar method, closed

- Generational RP-2014 Blue Collar Mortality Table using Scale MP-2016

(10) Leases

A portion of the Authority's revenue is generated by a number of fixed-term operating leases at its airport and transportation center facilities. The leases generally provide for rentals determined on the basis of a rate per square foot occupied or a percentage of the lessee's gross revenues with guaranteed minimum amounts. Total revenue from leases was $66,987,000 and $59,807,000 in 2018 and 2017, which includes guaranteed minimum rentals of $21,742,000 and $22,960,000 during 2018 and 2017, respectively.

Rental income is derived primarily from airport operations. At March 31, 2018 and 2017, airport capital assets totaled $236,758,000 and $232,700,000 of which approximately 40% is leased to third parties (based on square footage).

Fixed-term operating leases in effect at March 31, 2018 are expected to yield future minimum rentals as follows:

Years ending March 31,		
2019	$	21,179
2020		12,273
2021		12,221
2022		12,002
2023		10,575
2024 - 2028		14,636
2029 - 2033		1,390
2034 - 2038		917
2039 - 2043		692
2044 - 2048		60
	$	85,945

(11) Commitments and Contingencies

(a) Litigation and Claims

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

(b) Self-Insured Claims

The Authority assumes the liability for most risks including, but not limited to, workers compensation, health, property damage, environmental claims, and personal injury claims. The Authority has excess insurance from commercial carriers to cover claims in excess of $1,250,000 per occurrence for workers compensation claims and limits ranging from $50,000 to $5 million depending on the type of claim for other self-insured claims. Estimated liabilities for claims not covered by insurance have been reflected in the financial statements. Workers' compensation liabilities are estimated based on an actuarial valuation dated April 10, 2018. Other self-insured liabilities are estimated by the Authority based on available information. Management believes the estimated liabilities are reasonable based upon historical experience and the opinions of internal risk management administrators and legal counsel.

Changes in the reported liability claims for the year ended March 31, 2018 and 2017 were as follows (in thousands):

	2018	2017
Liability, beginning of year	$ 42,524	$ 40,032
Current year claims and change in estimate	10,690	10,515
Claim payments	(10,658)	(8,023)
Liability, end of year	$ 42,556	$ 42,524

(c) Project Commitments

As of March 31, 2018, the Authority has commenced several projects including:

- Metro 24 Transit buses estimated at $13,753,000 of which none was expended
- BNIA Terminal Roof Replacement estimated at $9,319,000 of which $349,000 was expended
- BNIA Runway 14/32 Rehabilitation estimated at $20,450,000 of which $15,391,000 was expended
- Metro Rail Escalator/Elevator Rehabilitation estimated at $10,990,000 of which $6,705,000 was expended
- BNIA Baggage Claim Expansion estimated at $80,180,000 of which $3,350,000 was expended
- Rail car refurbishment estimated at $49,595,000 of which $41,112,000 was expended
- Metro DL&W Station estimated at $43,000,000 of which none was expended
- Metro (Bus and Rail) fare collection upgrade $22,359,000 of which $7,313,000 was expended
- Metro Amherst/Buffalo LRRT Extension estimated at $5,000,000 of which $587,000 was expended

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

(12) 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 BNIA. The Master Resolution contains certain compliance covenants including requiring net airport revenues to be a minimum percentage of net debt service. The bonds are payable from and are secured by a lien on net revenues derived from the operations of BNIA. The bonds are special limited obligations of the Authority. They are not general obligations of the Authority and are not a debt of the State or any political subdivision.

(a) BNIA Condensed Balance Sheets (in thousands)

	2018	2017
Assets:		
Current and other	$ 90,426	$ 87,493
Capital assets, net	236,758	232,700
Total assets	327,184	320,193
Deferred outflows of resources	5,688	9,605
Total assets and deferred outflows of resources	$ 332,872	$ 329,798
Liabilities:		
Current liabilities	$ 15,228	$ 15,211
Long-term liabilities	110,269	123,012
Total liabilities	125,497	138,223
Deferred inflows of resources	1,046	1,198
Net position:		
Net investment in capital assets	132,613	117,222
Restricted	45,234	45,263
Unrestricted	28,482	27,892
Total net position	206,329	190,377
Total liabilities, deferred inflows of resources, and net position	$ 332,872	$ 329,798

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

	2018	2017
Operating revenues:		
Concessions and commissions	$ 27,120	$ 26,211
Rental income	11,990	11,727
Airport fees and services	18,064	16,941
Other	4,270	4,100
Total operating revenues	61,444	58,979
Operating expenses	43,787	41,271
Depreciation expense	18,347	17,710
Operating loss	(690)	(2)
Non-operating revenues (expenses):		
Passenger facility charges	9,624	9,271
Change in fair value of swap agreements	1,192	1,701
Interest expense, net	(3,514)	(3,756)
Airport noise abatement	(291)	(489)
Other, net	(840)	522
Operating transfers	(500)	2,070
Change in net position before capital contributions	4,981	9,317
Capital contributions	10,971	1,428
Change in net position	15,952	10,745
Net position - beginning of year	190,377	179,632
Net position - end of year	$ 206,329	$ 190,377

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

	2018	2017
Net operating activities	$ 16,732	$ 19,324
Net investing activities	(8,980)	(11,614)
Net capital and related financing activities	(17,610)	(14,260)
Net change in cash	(9,858)	(6,550)
Cash, beginning of year	48,319	54,869
Cash, end of year	$ 38,461	$ 48,319

(d) Master Resolution Covenant

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

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

	2018	2017
Airport revenues:		
Operating revenues	$ 61,444	$ 58,979
Interest income	479	150
Gross airport revenues	61,923	59,129
Operating expenses, excluding depreciation	(43,787)	(41,271)
Net airport revenues	18,136	17,858
Net debt service:		
Principal payable	8,500	8,315
Interest payable	5,091	5,146
Passenger facility charges	(535)	(535)
Net debt service	$ 13,056	$ 12,926
Debt service coverage percentage	138.91%	138.16%
Minimum percentage requirement	125.00%	125.00%

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

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

Data prior to 2015 is unavailable.

The following is a summary of changes of assumptions:

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

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

March 31,	2018	2017	2016	2015	2014
ERS					
Contractually required contribution	$ 3,729	$ 3,787	$ 4,291	$ 4,855	$ 4,541
Contribution in relation to the contractually required contribution	(3,729)	(3,787)	(4,291)	(4,855)	(4,541)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 25,420	$ 24,628	$ 24,187	$ 24,546	$ 22,847
Contributions as a percentage of covered payroll	14.67%	15.38%	17.74%	19.78%	19.88%
PFRS					
Contractually required contribution	$ 2,137	$ 2,115	$ 1,962	$ 2,394	$ 2,230
Contribution in relation to the contractually required contribution	(2,137)	(2,115)	(1,962)	(2,394)	(2,230)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 9,311	$ 9,078	$ 9,675	$ 9,124	$ 8,796
Contributions as a percentage of covered payroll	22.95%	23.30%	20.28%	26.24%	25.35%

Data prior to 2014 is unavailable.

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

March 31,	**2018**	2017
Total pension liability		
Interest	**$ 722**	$ 922
Differences between expected and actual experience	**219**	(1,661)
Changes of assumptions	**366**	1,055
Benefit payments	**(1,995)**	(2,118)
	(688)	(1,802)
Total pension liability - beginning	**19,713**	21,515
Total pension liability - ending	**$ 19,025**	$ 19,713

Data prior to 2017 is unavailable.

The plan has no assets accumulated in a trust.

Required Supplementary Information (Unaudited)
Schedule of Funding Progress for Other Postemployment Benefits
(In thousands)

For the year ended March 31, 2018

Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Deficiency of Assets over UAAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
4/1/2010	$ -	$ 226,304	$ (226,304)	0%	$ 83,823	270.0%
4/1/2012	$ -	$ 194,540	$ (194,540)	0%	$ 82,536	235.7%
4/1/2014	$ -	$ 229,180	$ (229,180)	0%	$ 85,219	268.9%
4/1/2016	$ -	$ 199,492	$ (199,492)	0%	$ 85,934	232.1%
4/1/2017	$ -	$ 211,617	$ (211,617)	0%	$ 92,516	228.7%

Additional Information
Combining Balance Sheets (In thousands)

March 31,	2018			
	NFTA	BNIA	Metro	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 5,902	$ 20,228	$ 11,138	$ 37,268
Investments	-	12,612	-	12,612
Accounts receivable, net	3,802	5,147	2,988	11,937
Grants receivable	2,056	1,638	9,650	13,344
Due to/from affiliate	(30,279)	5,030	25,249	-
Materials and supplies inventory	-	-	5,101	5,101
Prepaid expenses and other	111	537	178	826
	(18,408)	45,192	54,304	81,088
Restricted assets:				
Cash and cash equivalents	7,212	18,233	936	26,381
Investments	-	27,001	25	27,026
	7,212	45,234	961	53,407
Capital assets, net	78,109	236,758	297,366	612,233
Total assets	66,913	327,184	352,631	746,728
Deferred outflows of resources:				
Deferred outflows of resources related to pensions	5,647	5,688	4,265	15,600
Total assets and deferred outflows of resources	$ 72,560	$ 332,872	$ 356,896	$ 762,328
Liabilities				
Current liabilities:				
Current portion of long-term debt	$ 1,810	$ 9,275	$ 2,218	$ 13,303
Accounts payable and accrued expenses	11,725	5,790	13,945	31,460
Other current liabilities	5,426	164	1,794	7,384
	18,961	15,229	17,957	52,147
Noncurrent liabilities:				
Long-term debt	4,654	94,870	17,329	116,853
Other postemployment benefits	28,052	6,456	131,014	165,522
Estimated liability for self-insured claims	2,136	2,715	37,705	42,556
Net pension liabilities	6,084	4,446	22,607	33,137
Other noncurrent liabilities	5,292	1,781	1,858	8,931
	46,218	110,268	210,513	366,999
Total liabilities	65,179	125,497	228,470	419,146
Deferred inflows of resources:				
Deferred inflows of resources related to pensions	817	1,046	781	2,644
Net position				
Net investment in capital assets	71,645	132,613	277,819	482,077
Restricted	1,886	45,234	961	48,081
Unrestricted	(66,967)	28,482	(151,135)	(189,620)
Total net position	6,564	206,329	127,645	340,538
Total liabilities, deferred inflows of resources, and net position	$ 72,560	$ 332,872	$ 356,896	$ 762,328

2017			
NFTA	BNIA	Metro	Total
$ 5,752	$ 20,749	$ 23,653	$ 50,154
-	12,500	-	12,500
4,936	716	1,560	7,212
1,689	507	10,562	12,758
(27,530)	7,115	20,415	-
-	-	4,980	4,980
63	643	208	914
(15,090)	42,230	61,378	88,518
7,400	27,570	2,805	37,775
-	17,693	25	17,718
7,400	45,263	2,830	55,493
81,196	232,700	290,312	604,208
73,506	320,193	354,520	748,219
9,972	9,605	7,428	27,005
$ 83,478	$ 329,798	$ 361,948	$ 775,224
$ 384	$ 8,768	$ 2,169	$ 11,321
9,542	6,367	14,289	30,198
6,088	76	3,661	9,825
16,014	15,211	20,119	51,344
4,729	105,165	12,360	122,254
25,917	5,178	120,189	151,284
2,065	2,534	37,925	42,524
9,621	7,162	25,960	42,743
6,042	2,973	2,323	11,338
48,374	123,012	198,757	370,143
64,388	138,223	218,876	421,487
1,028	1,198	913	3,139
76,744	117,222	272,722	466,688
1,549	45,263	1,054	47,866
(60,231)	27,892	(131,617)	(163,956)
18,062	190,377	142,159	350,598
$ 83,478	$ 329,798	$ 361,948	$ 775,224

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

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

For the years ended March 31,	2018			
	NFTA	BNIA	Metro	Total
Operating revenues:				
Fares	$ -	$ -	$ 35,478	$ 35,478
Concessions and commissions	2,300	27,120	-	29,420
Rental income	6,049	11,990	-	18,039
Airport fees and services	219	18,064	-	18,283
Other operating revenues	266	4,270	1,219	5,755
Total operating revenues	8,834	61,444	36,697	106,975
Operating expenses:				
Salaries and employee benefits	15,209	18,196	113,106	146,511
Other postemployment benefits	1,086	2,327	10,825	14,238
Depreciation	4,940	18,347	29,454	52,741
Maintenance and repairs	3,042	8,485	9,917	21,444
Transit fuel and power	-	-	3,425	3,425
Utilities	913	2,026	1,684	4,623
Insurance and injuries	370	245	3,332	3,947
Other	4,131	8,056	4,213	16,400
Administration cost reallocation	(10,209)	4,452	5,757	-
Total operating expenses	19,482	62,134	181,713	263,329
Operating loss	(10,648)	(690)	(145,016)	(156,354)
Non-operating revenues (expenses):				
Government assistance	686	-	113,901	114,587
Passenger facility charges	131	9,624	-	9,755
Change in fair value of swap agreements	-	1,192	-	1,192
Interest expense, net	(217)	(3,514)	(666)	(4,397)
Airport noise abatement	-	(291)	-	(291)
Other non-operating revenues (expenses), net	3,981	(840)	(2,056)	1,085
Operating transfers	500	(500)	-	-
Total non-operating net revenues	5,081	5,671	111,179	121,931
Change in net position before capital contributions	(5,567)	4,981	(33,837)	(34,423)
Capital contributions	(5,931)	10,971	19,323	24,363
Change in net position	(11,498)	15,952	(14,514)	(10,060)
Net position - beginning of year	18,062	190,377	142,159	350,598
Net position - end of year	$ 6,564	$ 206,329	$ 127,645	$ 340,538

	2017			
	NFTA	BNIA	Metro	Total
	$ -	$ -	$ 36,866	$ 36,866
	2,059	26,211	-	28,270
	6,121	11,727	-	17,848
	249	16,941	-	17,190
	244	4,100	1,345	5,689
	8,673	58,979	38,211	105,863
	18,211	15,658	106,241	140,110
	3,089	152	10,304	13,545
	5,517	17,710	28,551	51,778
	2,699	8,067	9,608	20,374
	-	-	3,805	3,805
	889	1,980	1,585	4,454
	370	373	3,011	3,754
	1,397	10,897	3,455	15,749
	(9,503)	4,144	5,359	-
	22,669	58,981	171,919	253,569
	(13,996)	(2)	(133,708)	(147,706)
	662	-	110,457	111,119
	-	9,271	-	9,271
	-	1,701	-	1,701
	(259)	(3,756)	(534)	(4,549)
	-	(489)	-	(489)
	5,490	522	(3,055)	2,957
	(2,070)	2,070	-	-
	3,823	9,319	106,868	120,010
	(10,173)	9,317	(26,840)	(27,696)
	(7,768)	1,428	26,160	19,820
	(17,941)	10,745	(680)	(7,876)
	36,003	179,632	142,839	358,474
	$ 18,062	$ 190,377	$ 142,159	$ 350,598

Additional Information
Buffalo Niagara International Airport - Restricted Assets (In thousands)

For the years ended March 31,	2018	2017
Cash and cash equivalents:		
Passenger facility charges	$ 5,793	$ 15,428
Operations and maintenance reserve	2,000	2,000
Aviation reserve	2,683	2,566
Debt service reserve	6,957	6,777
Operating reserve	800	799
	18,233	27,570
Investments:		
Passenger facility charges	10,081	-
Revenue bond reserve	9,867	10,696
Repairs and replacement reserve	750	750
Operating reserve	6,303	6,247
	27,001	17,693
Total restricted assets	$ 45,234	$ 45,263

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

The Board of Commissioners
Niagara Frontier Transportation Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the balance sheet of Niagara Frontier Transportation Authority (the Authority) (a component unit of the State of New York), a business-type activity, as of March 31, 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Lumsden & McCormick, LLP

June 28, 2018

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

The Board of Commissioners
Niagara Frontier Transportation Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Niagara Frontier Transportation Authority (the Authority), a business-type activity and a component unit of the State of New York, which comprise the balance sheet as of March 31, 2018, and the related statement of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated June 28, 2018.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended March 31, 2018. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above rules and regulations.

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

Lumsden & McCormick, LLP

June 28, 2018

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SEVENTH SUPPLEMENTAL RESOLUTION

The following is a summary of certain provisions of the Resolution. The summary does not purport to be complete or to follow the exact language of the Resolution and is subject in all respects to the detailed provisions of the Resolution, copies of which are available upon request at the office of the Authority. The capitalization of any word or phrase which is not otherwise defined in this Official Statement or under this caption or not conventionally capitalized indicates that such word or phrase is defined in the Resolution.

Definitions

"Airport Bond Reserve Fund Requirement" shall mean, with respect to the Series 2019A Bonds, the lesser of (i) the greatest amount of principal and interest payable on the Series 2019A Bonds in the then current or any future Fiscal Year, (ii) 125% of the average annual principal and interest payable on the Series 2019A Bonds, or (iii) 10% of the proceeds of the Series 2019A Bonds.

"Airport Consultant" means an independent person, firm or corporation (a) not under the control of the Authority or any airline or air carrier landing at the Airport on a routine basis, and (b) who shall have a widely known and favorable reputation for special skill, knowledge and experience in methods of the development, operation and management of airports of the approximate size and character as the properties constituting the Airport System.

"Airport Purpose" means any action or undertaking by the Authority reasonably related to the development and promotion of the Airport System as a destination for air commerce or as industrial or commercial sites or related to the development and promotion of air transportation and commerce by air.

"Airport Revenues" means the total of all income and revenue from all sources collected or accrued under generally accepted accounting principles by the Authority in connection with the Airport System, including all rates, charges, rentals, fees and other compensation, regardless of form, investment income earned by the Authority, except as hereinafter provided to the contrary, and that amount on deposit in the Airport Development Fund which is transferred or credited by the Authority to the Airport Revenue Fund (and PFC Revenues to the extent specifically included in Gross Operations Income as provided under the caption "Provisions Applicable to Bonds Secured by PFC Revenues and Net Airport Revenues"). Airport Revenues shall not include: (i) proceeds from Bonds issued by the Authority or proceeds from loans obtained by the Authority; (ii) condemnation proceeds or insurance proceeds except insurance proceeds received from rental or business interruption insurance; (iii) all income and revenue collected and received by the property management department of the Authority with respect to properties and facilities which are not included in the definition of Airport; (iv) revenues (other than ground rents) derived from any Special Facility (defined in the Resolution) including amounts which are assigned as security to liquidate indebtedness incurred to finance such Special Facility; (v) grants in aid or similar payments received from any state or Federal entity; (vi) the proceeds of any passenger facility or analogous charge or fee that may hereafter be levied (whether on the use of the Airport System, on transportation, or otherwise) which are received and retained by the Authority and any investment earnings thereon; (vii) moneys or securities received by the Authority as gifts or grants; (viii) investment income derived from moneys or securities on deposit in the Construction Fund and investment income derived from any moneys or securities which may be placed in escrow or trust to defease bonds of the Authority, including the Bonds, or to meet the Authority's obligations under any consent decree; (ix) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the

Internal Revenue Code of 1986, as amended, and the rulings and regulations promulgated thereunder; (x) the proceeds of any Support Facility; and (xi) revenues derived from any Separate Improvement, including but not limited to payments under any contract or agreement with respect to such Separate Improvement.

"Debt Service" means with respect to any Series of Bonds, the total, as of any particular date of computation and for any particular period or year, of the aggregate amount required pursuant to the Resolution to be deposited during such period or year in the Airport Bond Fund (i) to provide for the payment of interest on the Bonds of such Series, except to the extent that such interest is to be paid from (w) amounts credited to a Construction Interest Account in the Construction Fund, (x) amounts credited to any Airport Interest Account for such Series, or (y) any other amounts available for the payment of interest; (ii) to provide for the payment at maturity of any such Bonds of such Series issued in serial form; and (iii) to provide for the retirement of any such Bonds of such Series issued in term form. Such interest and principal installments shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of the calculation will cease to be Outstanding except by reason of the payment of principal installments for the Bonds of such Series on the due date thereof or through scheduled mandatory sinking fund redemptions. For the purposes of computing Debt Service with respect to a Series of Bonds issued as Variable Rate Bonds, or an Integrated Swap Agreement that provides for variable rate payments to be made by the Authority, the interest rate per annum thereon shall be determined as follows: (a) with respect to a Series of Variable Rate Bonds or an Integrated Swap Agreement at the time of calculation then Outstanding or entered into, the interest rate shall be the higher of (i) the current interest rate per annum borne by or current variable rate payment payable under the Series of Variable Rate Bonds or Integrated Swap Agreement, or (ii) the weighted average interest rate per annum borne by or the variable rate payment payable under such Series of Variable Rate Bonds or Integrated Swap Agreement (computed on an actual day basis) for the twelve month period then ended at the time of calculation; and (b) with respect to Variable Rate Bonds or an Integrated Swap Agreement then proposed to be issued or entered into, the interest rate per annum shall be assumed to be the higher of (i) the current interest rate per annum borne by or current variable rate payment payable under the Series of Variable Rate Bonds or Integrated Swap Agreement, (ii) the weighted average interest rate per annum borne by or the variable rate payment payable under such Series of Variable Rate Bonds or Integrated Swap Agreement (computed on an actual day basis) for the twelve month period then ended at the time of calculation, and (iii) the Revenue Bond Index; provided however, that if the Authority enters into an Integrated Swap Agreement with respect to a Series of Variable Rate Bonds that provides for fixed payments to be made by the Authority, the interest rate thereon shall be determined as follows: (a) with respect to a Series of Variable Rate Bonds at the time of calculation then Outstanding for which the Integrated Swap Agreement in effect, the interest rate shall be the sum of (i) the fixed interest rate established under the Integrated Swap Agreement and (ii) to the extent that variable rate payments under the Integrated Swap Agreement are based on an interest index and not the Authority's actual variable rate on the Variable Rate Bonds, the greatest difference between such index and the variable interest rates actually paid during the prior twelve or three months, whichever is highest, and (b) with respect to Variable Rate Bonds then proposed to be issued, the fixed interest rate established under the Integrated Swap Agreement. If the principal and interest coming due with respect to any Series of Bonds in any fiscal year exceeds by more than 10% the amount coming due on all Bonds of such Series Outstanding in any prior fiscal year, principal and interest payments on such Series shall be calculated as if the principal of such Series matures in annual installments resulting in approximately level debt service for all Bonds of such Series Outstanding over the term of such Series to maturity. With respect to any payment under any hedge, support or other financial agreement, which payments are payable from Net Airport Revenues and secured by a lien on the pledge of Net Airport Revenues on and secured by a lien on and a parity with a lien on and pledge of Net Airport Revenues created for the payment and security of the Bonds, "Debt Service" shall include the full amount of any such payments.

"Hedge Agreement" means an interest rate swap or exchange agreement, including an Integrated Swap Agreement, a payment exchange agreement, forward purchase agreement or any other hedge agreement entered into by the Authority for any purpose providing for payments between the parties based on levels of, or changes in, interest rates, stock or other indices or contracts to exchange cash flows or a Series of payments or contracts, including without limitation, interest rate floors or caps, options, puts or calls to hedge payment, rate, spread or similar risk.

"Integrated Swap Agreement" means any interest rate swap agreement entered into by the Authority with respect to a Series of Bonds having a notional amount equal to the principal amount of such Series of Bonds and pursuant to which the Authority agrees to make payments on the basis of (a) a fixed rate of interest, or (b) a variable rate of interest.

"Integrated Swap Agreement Payments" means payments made pursuant to an Integrated Swap Agreement on the basis of fixed or variable rates of interest; specifically excluding, however, termination payments, fees, expenses and other amounts payable under an integrated Swap Agreement not specifically made on the basis of interest rates.

"Investment Securities" means any of the following which at the time are legal investments under the laws of the State of New York for the moneys held under the Resolution then proposed to be invested therein: (i) direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by the United States of America; (ii) obligations of any of the following which constitute the full faith and credit of the United States of America: Export Import Bank, Farm Credit System Financial Assistance Corporation, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, and Federal Housing Administration; (iii) senior debt obligations rated "AAA" by Standard & Poor's Corporation and "Aaa" by Moody's Investors Service, Inc. issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation; (iv) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A 1" or "A 1+" by Standard & Poor's Corporation and "P-1" by Moody's Investors Service, Inc. and which matures not more than 360 days after the date of purchase; (v) commercial paper rated "A 1+" by Standard and Poor's Corporation and "P 1" by Moody's Investors Services, Inc. at the time of purchase and which matures not more than 270 days after the date of purchase; and (vi) investments in a money market fund rated "AAAm" or "AAm G" or better by Standard & Poor's Corporation. Notwithstanding the foregoing, the Authority may amend the definition of Investment Securities or the Authority or Trustee may invest in investments or securities not included within the definition of Investment Securities without bondholder consent; provided, however, the Authority shall obtain the consent of each company or financial institution which has provided a bond insurance policy guaranteeing the payment of principal and interest on any Outstanding Bonds.

"Maximum Annual Debt Service" means, at the time of computation, the greatest amount of Debt Service payable on all Bonds of a Series Outstanding in the then current or any future fiscal year.

"Net Airport Revenues" means (i) for any period or year which has concluded at the time a calculation is made, the aggregate of the Airport Revenues minus for such past period or year the aggregate of the Operation and Maintenance Expenses; and (ii) for any future period or year, the aggregate of the Airport Revenues that is estimated for such future period or year, minus for such future period or year the aggregate of the estimated Operation and Maintenance Expenses payable in such year or period.

"Operation and Maintenance Expenses" means the reasonable and necessary current expenses of the Authority paid or accrued (or to be paid or accrued) in administering, operating, maintaining, and repairing the Airport System. The term "Operation and Maintenance Expenses" shall include, without limitation, the following items: (a) costs of collecting Airport Revenues and making any refunds therefrom lawfully due others; (b) engineering, auditing, legal and other overhead expenses directly related to the administration, operation, maintenance, and repair of the Airport System; (c) costs of all or a portion of salaries, wages and other compensation of officers and employees and payments to pension, retirement, health and hospitalization funds and other insurance, including self insurance for the foregoing with respect to the officers and employees of or properly allocable to the Airport System; (d) costs of repairs, replacements, renewals and alterations occurring in the usual course of business of the Airport System; (e) taxes, assessments and other governmental charges, or payments in lieu thereof, imposed on the Airport System or any part thereof or on the operation thereof or on the income therefrom or on any privilege in connection with the ownership or operation of the Airport System or otherwise imposed on the Airport System or the operation thereof or income therefrom; (f) costs of utility services with respect to the Airport System; (g) costs and expenses of general administrative overhead of the Authority allocable to the Airport System; (h) costs of equipment, materials and supplies used in the ordinary course of business, including ordinary and current rentals of equipment or other property allocable to the Airport System; (i) contractual services and professional services for the Airport System, including but not limited to, legal services, accounting services, and services of financial consultants and airport consultants; (j) costs of fidelity bonds, or a properly allocable share of the premium of any blanket bond, pertaining to the Airport System or Airport Revenues or any other moneys held under the Resolution or required hereby to be held or deposited under the Resolution; (k) costs of carrying out the provisions of the Resolution, including paying agents' fees and expenses; fees for remarketing Bonds and Support Facilities; costs of insurance required hereby, or a properly allocable share of any premium of any blanket policy pertaining to the Airport System or Airport Revenues; and costs of recording, mailing and publication; and (l) all other costs and expenses of administering, operating, maintaining and repairing the Airport System arising in the routine and normal course of business; provided, however, that (A) for the purpose of meeting any test described under "Additional Bonds" or of meeting the covenant described under "Covenant as to Rates, Rentals, Fees and Charges", the term "Operation and Maintenance Expenses" shall not include: (1) any allowance for depreciation or any amount of capital replacements or reserves therefor; (2) costs of extensions, enlargements, betterments and improvements or reserves therefor; (3) reserves for operation, maintenance, renewals and repairs occurring in the normal course of business; (4) payment (including redemption) of Bonds or other evidences of indebtedness or interest and premium thereof or reserves therefor; and (B) for all purposes of the Resolution, the term "Operation and Maintenance Expenses" shall not include any (i) operation and maintenance costs and expenses pertaining to (1) Special Facilities or expenses incurred by any lessee under a Special Facility Agreement, (2) properties or facilities financed, operated, managed or otherwise controlled by the property management department of the Authority which are not included in the definition of Airport, (3) any Separate Improvement, or (4) lands and properties not a part of the Airport System leased for industrial, governmental or other non aviation purposes, or (ii) payments under a Hedge Agreement.

"*Outstanding*" when used with respect to any Bond shall have the construction given to such word under "Discharge of Liens and Pledges; Bonds No Longer Outstanding Under the Resolution," i.e., a Bond shall not be Outstanding hereunder if such Bond is at the time not deemed to be Outstanding hereunder by reason of the operation and effect of the provisions described under "Discharge of Liens and Pledges; Bonds No Longer Outstanding Under the Resolution."

"Refunded Municipal Obligations" means noncallable obligations of any state, the District of Columbia or possession of the United States or any political subdivision thereof which obligations are rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation and provision for the payment of the principal of and interest on which shall have been made

by deposit with a trustee or escrow agent of direct obligations of the United States of America, which are held by a bank or trust company organized and existing under the laws of the United States of America or any state, the District of Columbia or possession thereof in the capacity as custodian, the maturing principal of and interest on which obligations when due and payable shall be sufficient to pay when due the principal of and interest on such obligations of such state, the District of Columbia, possession, or political subdivision.

"Revenue Bond Index" means the Revenue Bond Index of The Bond Buyer, a publication in New York, New York, or any successor publication maintaining such Index or in the event The Bond Buyer or any successor publication does not maintain such Index, an equivalent index with the same components as the Revenue Bond Index.

"Series" or *"Series of Bonds"* means any particular Series of Bonds issued pursuant to a Supplemental Resolution in accordance with the Resolution.

"Special Facility" means a hangar, overhaul, maintenance or repair building or shop, or other aviation or aerospace or airport or air navigation facility, including, without limitation, any hotel, garage or other building or facility incident or related to the Airport System.

"Supplemental Resolution" means any resolution adopted under and pursuant to the Resolution providing for the issuance of a Series of Bonds or amending or supplementing the Master Resolution as originally enacted or as theretofore amended and supplemented in accordance therewith.

"Support Agreement" means any agreement entered into by the Authority which provides for a Support Facility, and any and all modifications, alterations, amendments and supplements thereto.

"*Support Facility*" means any instrument, contract or agreement entered into or obtained in connection with an issue of Variable Rate Bonds such as a letter of credit, a committed line of credit, insurance policy, surety bond or standby bond purchase agreement, or any combination of the foregoing, and issued by a bank or banks, other financial institution or institutions or any combination of the foregoing, which Support Facility provides for the payment of (i) the purchase price equal to the principal of and accrued interest on Bonds delivered to the remarketing agent or any depository, tender agent or other party pursuant to a remarketing agreement or supplemental resolution and discount, if any, incurred in remarketing such Bonds; and/or (ii) principal of and interest on all Bonds becoming due and payable during the term thereof.

"Trustee" means U.S. Bank National Association, as successor trustee, in its capacity as Trustee under the Resolution, and its successors or assigns, and any successor as Trustee under the Resolution.

"Variable Rate Bonds" means any Bonds issued bearing interest at a rate or rates per annum subject to adjustment from time to time pursuant to the terms thereof and calculated in a manner which precludes the actual rate for the entire term of such debt from being ascertainable in advance. For purposes of this definition, Bonds shall not be considered to be Variable Rate Bonds upon the establishment of or conversion of the rate of interest thereon to a fixed rate.

Additional Obligations of the Authority

Additional Bonds. The Authority may issue additional Bonds upon compliance with the following conditions:

(1) A Designated Financial Officer of the Authority shall have found and determined that no event of default as defined in the Resolution exists.

(2) Either (i) a Designated Financial Officer of the Authority shall have certified that, based on the latest available audited financial statements of the Authority, the Net Airport Revenues for that fiscal year as derived from said audited financial statements shall have equaled not less than 125% of Debt Service on all Bonds Outstanding and the Bonds of the Series then proposed to be issued; or (ii) an Airport Consultant shall have certified that estimated Net Airport Revenues to be derived in each of the three full fiscal years following the fiscal year in which (a) the Authority estimates a substantial portion of the project or projects, the project costs of which are to be financed by the issuance of such Additional Bonds, will be placed in continuous service or in commercial operation; or (b) Refunding Bonds or Bonds which are not issued to fund Project Costs are issued, shall equal not less than 125% of the Debt Service on all Bonds to be Outstanding upon the issuance of such additional Bonds and including such additional Bonds.

Completion Bonds. Without complying with the provisions under "Additional Bonds", the Authority may at any time and from time to time issue one or more Series of additional Bonds, for the purpose of completing any project specified and described in such supplemental resolution and for which Bonds have been previously issued in an amount not to exceed 15% of the principal amount of the initial Series of Bonds issued to finance such project.

Refunding Bonds. The Authority may at any time and from time to time issue one or more Series of Bonds (herein defined and referred to as "Refunding Bonds") upon compliance with the provisions described under "Additional Bonds"; provided the Authority need not comply with the provisions described under "Additional Bonds" with respect to Refunding Bonds issued for the purpose of (a) refunding at their maturity, or at any time within one year prior to their maturity, any of the then Outstanding Bonds for the payment of which sufficient funds are not available, and any Refunding Bonds for such purpose shall mature, or be subject to mandatory redemption from mandatory credits to the Airport Term Bond Principal Account in the Airport Bond Fund, which mandatory credits shall commence, in a year later than the latest stated maturity date of any Bond then Outstanding which shall remain Outstanding after the completion of such refunding, or (b) refunding at any time only part of the Bonds, provided that the amount required to be paid in any fiscal year after the delivery of such Refunding Bonds for the principal of, interest and premium, if any, on the Bonds shall not be greater in any fiscal year after such delivery in which any of the Bonds not refunded shall remain Outstanding, than would have been the total amount required to be paid for the principal of, interest and premium, if any, on the Bonds for such fiscal year were such Refunding Bonds not to be issued.

Subordinate Lien and Other Obligations. The Authority may issue bonds, notes, certificates, warrants or other evidences of indebtedness for any corporate use or purpose of the Authority relating to the Airport System payable as to principal and interest from the Net Airport Revenues subject and subordinate, and secured by a lien and pledge on the Net Airport Revenues junior and inferior, to the lien and pledge on the Net Airport Revenues created for the payment and security of the Bonds.

Subject to any other contractual obligations of the Authority, nothing contained in the Resolution shall prevent the Authority from authorizing and issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, other than Bonds, for the purpose of providing proceeds to finance any Airport Purpose payable from and secured by a pledge of and lien on those revenues, proceeds, grants or other sources specifically excluded from the definition of Airport Revenues pursuant to clauses (ii), (iii), (v), (vi), (vii), or (x) of the definition thereof, and all income and revenues derived with respect to any Airport Purpose so financed shall constitute Airport Revenues and shall be paid into the Revenue Fund. Nothing described in this paragraph shall be deemed to preclude the Authority from financing any Separate Improvements as described in the text under the caption "Separate Improvements" contained in this Summary.

Variable Rate Bonds. The Authority may issue Variable Rate Bonds. The supplemental resolution or resolutions providing for the issuance of such Variable Rate Bonds may provide for the Authority to obtain Support Facilities or alternate Support Facilities and enter into agreements in connection therewith, enter into remarketing agreements and appoint remarketing agents in accordance with standards specified in the supplemental resolution, provide for interest to be payable or redetermined on such dates and to accrue over such periods as set forth in such supplemental resolution, provide for the determination or establishment of rates of interest based on determinations of a remarketing agent, market auction procedures or the establishment, use, composition, adjustment and change of interest indices or the establishment and use of alternate interest indices or the establishment of a fixed interest rate or rates, provide for the establishment of special funds and accounts in connection with the issuance of such Variable Rate Bonds, provide for the special redemption or purchase provisions for such Variable Rate Bonds and establish notice provisions in connection with the purchase, redemption, delivery or tender of such Variable Rate Bonds.

Hedge, Support and Other Financial Arrangements. The Authority may enter into Hedge Agreements, Support Agreements or other financial agreements payments under which (including but not limited to, fees, charges, expenses but excluding any termination, indemnification or other payments intended to pay any person for loss of benefits under such agreement) are payable from Net Airport Revenues and secured by a lien on and pledge of Net Airport Revenues on a parity with the lien on and pledge of the Net Airport Revenues created for the payment and security of the Bonds; provided such payments shall meet the requirements set forth under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds and Completion Bonds." Integrated Swap Agreement Payments shall be treated as payment of interest on Bonds.

Application of Bond Proceeds; Construction Fund

The Resolution creates the Niagara Frontier Transportation Authority Construction Fund (the "Construction Fund") to be held and administered by the Authority. Two accounts in the Construction Fund are to be created for the Bonds issued for the purposes of paying Project Costs of airport projects constituting an Airport Purpose, a Construction Account and a Construction Interest Account.

From the proceeds of the Bonds issued for the purposes of paying Project Costs of airport projects constituting an Airport Purpose, the Authority shall credit to the Construction Account for such Series such proceeds as are to be applied to the payment of such Project Costs. In the event that the interest on such Series of Bonds is to be capitalized from Bond proceeds, the Authority shall credit the amount of such interest to the Construction Interest Account. The moneys on deposit from time to time in the Construction Fund shall be used and applied solely to the payment of Project Costs of the Airport System.

"Project Costs" include the costs of acquisition, construction, reconstruction, purchase, establishment, development, expansion, renovating, adding to or improving of properties included or to be included in the Airport System, including the cost of acquiring any building or facility and the site thereof; the costs of acquiring such land or interest in land or other properties (real, personal, or mixed) as may be deemed necessary or convenient by the Authority for the construction or operation of the Airport System; costs of acquiring any rights, interests or franchises deemed necessary or convenient by the Authority for the construction or operation of the Airport System; costs of labor, services, material, supplies, machinery, equipment and apparatus; costs of installation of utility services or connections thereto or relocation thereof, costs of supervision and inspection; costs of builders' risk or other insurance on the buildings and facilities being constructed; costs of indemnity and fidelity bonds and expenses of

administration properly chargeable to such construction; the costs and expenses of financing, and costs incurred in issuing the Bonds; costs of the initial furnishings of any building or structure; costs of publication, advertising, filing and recording; taxes and assessments; costs or estimates of costs and economic feasibility reports; fees, costs and expenses of accounting, clerical help and other independent contractors, agents and employees, and fiscal services, airport consultants, financial consultants and attorneys (including bond counsel); if and to the extent permitted by law and determined by the Authority, interest on the Bonds issued to finance the construction of any project during the estimated period of construction and for one year after the completion thereof; and any and all other costs and expenses necessary or desirable and pertaining or incident to construction of any project, as estimated or otherwise ascertained by the Authority.

Withdrawals of moneys on deposit in any Construction Account shall be made only in accordance with applicable law and upon a written requisition for such payment signed by a Designated Financial Officer and, with respect to certain costs, an engineer or architect supervising the construction of a project (who may be in the employ of the Authority) as to, among other things, the amounts to be paid, that the payment of such amount is a proper charge against such Construction Account and specifying the purpose and circumstances of such obligation in reasonable detail.

Moneys deposited in each Construction Interest Account for a Series of Bonds shall be deposited in the Airport Interest Account in the Airport Bond Fund established with respect to such Series of Bonds in amounts sufficient to pay, to the extent such moneys are sufficient, the interest to become due on such Series of Bonds on each Interest Payment Date.

Application of Airport Revenues; Special Funds

The Resolution creates and establishes several special funds. Among them are the Airport Revenue Fund, the Airport Operation and Maintenance Fund, the Airport Renewal and Replacement Fund and the Airport Development Fund, all of which are held and administered by the Authority. The Resolution also creates the Airport Bond Fund and the Airport Bond Reserve Fund, which are held and administered by the Trustee. The Resolution requires that a separate Airport Interest Account, Airport Serial Bond Principal Account and Airport Term Bond Principal Account be established in the Airport Bond Fund, and a separate account be established in the Airport Bond Reserve Fund, with respect to the Bonds. Amounts on deposit in any account established with respect to a particular Series of Bonds in the Airport Bond Fund or the Airport Bond Reserve Fund may not be applied to the payment of Bonds of any other Series.

All Airport Revenues and certain other moneys shall be set aside as collected and, except as otherwise provided in the Resolution, shall be deposited in the Airport Revenue Fund. The moneys in the Airport Revenue Fund shall be used and applied for the following purposes and in the following order of priority.

FIRST: There shall be deposited into the Operation and Maintenance Account of the Airport Operation and Maintenance Fund, on the first business day of each month, an amount determined by the Designated Financial Officer to be necessary to pay Operation and Maintenance Expenses. In addition, to the extent such moneys are insufficient for the payment of Operation and Maintenance Expenses, the Authority shall apply amounts credited to the Operation and Maintenance Reserve Account to such payments. In each month, commencing with the first business day of the month following the date of beneficial occupancy of the new terminal building to be constructed with the proceeds of one of the first Series of Bonds issued under the Resolution, and on the first business day of each month thereafter, the Authority shall deposit to the Operations and Maintenance Reserve Account, one twenty fourth (1/24) of the amount estimated by the Designated Financial Officer to be equal to two months Operation and

Maintenance Expenses (the “Operating Reserve”), until the Operating Reserve is fully funded; thereafter, in each month, commencing with the first business day of such month, the Authority shall deposit to the Operation and Maintenance Reserve Account an amount, if any, necessary to maintain a balance equal to the Operating Reserve as estimated by the Designated Financial Officer.

SECOND: In each month, commencing with the first business day of the month which follows the last month for which interest on such Series of Bonds if any, is fully provided from moneys credited to a Construction Interest Account, (a) with respect to such Series of Bonds (other than Variable Rate Bonds which have Interest Payment Dates occurring at intervals of one month or less), commencing on such first business day and continuing on the last business day of each month thereafter so long as any of the Bonds of each such Series are Outstanding, the Trustee shall credit to the Airport Interest Account established for each such Series of Bonds an amount such that, if the same amount were so credited to each such Airport Interest Account on the first business day of each succeeding month thereafter, the aggregate of such amounts on credit to each such Airport Interest Account of the first business day of the month preceding an Interest Payment Date would be equal to the installment of interest falling due on the Bonds of such Series on such Interest Payment Date or the amount required to reimburse a financial institution for a draw on the Support Facility made to provide funds for the payment thereof, and (b) with respect to Variable Rate Bonds (which have Interest Payment Dates occurring at intervals of one month or less), on the first business day of the month prior to each Interest Payment Date the Authority shall credit to each Airport Interest Account the amount required together with other funds available therefor in the Airport Interest Account, to pay, or to reimburse a financial institution for a draw on a Support Facility made to provide funds for the payment of, the interest payable on each Series of Outstanding Variable Rate Bonds on such Interest Payment Date.

In the event of the issuance of any Series of Bonds maturing at time customarily known as maturing serially, in order to provide for the payment of principal of such Bonds of such Series, or to reimburse a financial institution for a draw on a Support Facility made to provide funds for the payment of, such Series of Bonds maturing serially, commencing with the month which is twelve months prior to the first principal payment of any such Bond maturing serially and in each month thereafter so long as any of such Series of Bonds so maturing are Outstanding, there shall be credited to the Airport Serial Bond Principal Account established for such Series of Bonds an amount such that, if the same amount were so credited to such Account on the first business day of each succeeding month thereafter prior to the next date upon which the principal of any of said Series of Bonds maturing serially becomes due and payable, the aggregate of the amounts on credit to such Account would on each such next principal payment date be equal to the principal amount of said Series of Bonds becoming due on such principal payment date.

In the event of the issuance of any Series of Bonds pursuant to the Master Resolution in the form customarily known as “term bonds”, for the purpose of retiring such Bonds, or to reimburse a financial institution for a draw on the Support Facility made to provide funds for the payment of, such term Bonds, commencing with the month which is twelve months immediately prior to the date upon which the first sinking fund installment to provide for the retirement of such term Bonds is due, and in each month thereafter so long as any of such Bonds are Outstanding, there shall be credited to each Airport Term Bond Principal Account an amount such that, if the same amount were so credited to this Account on the first business day of each succeeding month thereafter prior to the next date upon which a sinking fund installment falls due, the aggregate of the amounts on credit to each such Account would on each such next date upon which a sinking fund installment falls due be sufficient to redeem such term Bonds in the principal amounts and at the times specified in the supplemental resolution authorizing the issuance thereof.

THIRD: Subject to the remaining provisions of this paragraph, if (a) at any time upon an optional valuation by the Trustee during a Fiscal Year the moneys on deposit in the Airport Bond Reserve Fund are less than the Airport Bond Reserve Fund Requirement, the amount of the deficiency shall be restored from the first available Net Airport Revenues; (b) at the end of any fiscal year, the moneys on deposit in the Airport Bond Reserve Fund are less than the Airport Bond Reserve Fund Requirement, the Authority shall deposit an amount in the Airport Bond Reserve Fund from Net Airport Revenues on deposit in the Airport Revenue Fund after making the deposits "FIRST" through "THIRD" so that there shall then be on deposit in the Airport Bond Reserve Fund an amount equal to the Airport Bond Reserve Fund Requirement; (c) the deficiency in the Airport Bond Reserve Fund is due to the withdrawal of moneys on deposit therein to pay principal of or interest on a particular Series of Bonds then in each month, commencing with the month which follows the month in which such withdrawal is made from the Airport Bond Reserve Fund, the Authority shall deposit from the Net Airport Revenues on deposit in the Airport Revenue Fund after making the deposits "FIRST" through "THIRD" to the Airport Bond Reserve Fund an amount which, if the same amount were so deposited to the Airport Bond Reserve Fund in each month thereafter until the day which is thirty six (36) months from the making of the first of such deposits, there shall be on deposit in the Airport Bond Reserve Fund on such day an amount not less than the Airport Bond Reserve Requirement for such Series of Bonds; and (d) at any time and for so long as the moneys on deposit in the Airport Bond Reserve Fund are at least equal to the Airport Bond Reserve Fund Requirement, no further deposits shall be made to the Fund, and, except as otherwise provided in a supplemental resolution providing for the issuance of a particular Series of Bonds, any amounts in excess of the Airport Bond Reserve Fund Requirement may be restored to the Airport Revenue Fund for use and application as are all other moneys on deposit therein.

FOURTH: The Authority shall deposit the amount necessary to pay principal of, premium, if any, and interest on bonds, notes, certificates, warrants or other evidences of indebtedness referred to in the first paragraph under "Additional Obligations of the Authority – Subordinate Lien and Other Obligations" in the funds and accounts established therefor.

Except as otherwise provided in a supplemental resolution with respect to a Series of Bonds, the Airport Bond Reserve Fund Requirement shall be determined with respect to a Series of Bonds at the time of the issuance of such Series of Bonds, April 1 of each year and such other time or times as the Authority shall determine. The supplemental resolution providing for the issuance of a Series of Bonds shall provide for, among other things, the initial funding of an Airport Bond Reserve Account for a Series of Bonds, which may be at such time or times and from such sources as specified in such supplemental resolution.

In lieu of the deposit of moneys in the Airport Bond Reserve Fund, the Authority may cause to be so credited a surety bond or an insurance policy payable to the Trustee for the benefit of the holders of the Bonds of a Series or a letter of credit in an amount equal to the difference between the Airport Bond Reserve Fund Requirement and the amounts then on deposit in the Airport Bond Reserve Fund with respect to the Bonds of a Series. The surety bond, insurance policy or letter of credit shall be payable (upon the giving of notice as required thereunder) on any date on which moneys will be required to be withdrawn from the Airport Bond Reserve Fund and applied to the payment of the principal of or interest on any Bonds of such Series and such withdrawals cannot be made by amounts credited to the Airport Bond Reserve Fund. The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in the highest rating category by either Standard & Poor's Corporation or Moody's Investors Service, Inc., or their successors, or any insurer who holds the highest policyholder rating accorded insurers by A. M. Best & Co. or any comparable service. The letter of credit issuer shall be a bank or trust company which is rated not lower than the second highest rating category by either Standard & Poor's Corporation or Moody's Investors Service, Inc., or their successors and the letter of credit itself shall be rated in the highest category of either such rating agency. If a disbursement is made pursuant to such a surety bond, an insurance policy or a letter of credit the Authority shall be obligated either (i) to reinstate the maximum limits of such surety bond, insurance policy or letter of credit or (ii) to deposit funds into the Airport Bond Reserve Fund in accordance with clause (c) of the first paragraph under SIXTH, or a combination of such alternatives, as shall provide that the amount, credited to the Airport Bond Reserve Fund equals the Airport Bond Reserve Fund Requirement for such Series of Bonds. If the issuer of a surety bond, insurance policy or letter of credit on deposit in the Airport Bond Reserve Fund shall cease to have a rating described in the immediately preceding paragraph, the Authority shall use reasonable efforts to replace such surety bond, insurance policy or letter of credit with one issued by an issuer having a rating so described, but shall not be obligated to pay, or commit to pay, increased fees, expenses or interest in connection with such replacement or to deposit Net Airport Revenues in the Airport Bond Reserve Fund in lieu of replacing such surety bond, insurance policy or letter of credit with another such surety bond, insurance policy or letter of credit shall fully satisfy the Airport Bond Reserve Requirement with respect to a particular Series of Bonds notwithstanding such decrease in rating.

FIFTH: The Authority shall apply the amount required, if any, to be deposited in any reserve fund or account established with respect to the bonds, notes, certificates, warrants, or other evidences of indebtedness referred to under “Additional Obligations of the Authority Subordinate Lien and Other Obligations”.

SIXTH: In each month, commencing with the first business day of the month following the date of beneficial occupancy of the new terminal building to be constructed with the proceeds of one of the first Series of Bonds issued under the Resolution and on the first business day of each month thereafter, the Authority shall deposit to the Renewal and Replacement Fund the amount set forth in a report of the Airport Consultant so that there shall be on deposit in such fund $750,000 by the end of the fourth year following such date of beneficial occupancy (including the year in which such beneficial occupancy occurs as a year for this purpose). Thereafter the amount on deposit in the Renewal and Replacement Fund shall be maintained in such amount as the Authority shall determine (the “Required Amount”); provided, however, such amount shall not be less than $750,000. If any time during a Fiscal Year, the moneys on deposit in the Renewal and Replacement Fund are less than the Required Amount, the Authority, beginning with the first month of the Fiscal Year following the Fiscal Year in which said deficiency occurs and within a period of twelve months thereafter, shall deposit, on the first business day of each month, amounts into the Renewal and Replacement Fund from Net Airport Revenues on deposit in the Airport Revenue Fund, after making the deposits “FIRST” through “FOURTH” above, so that not less than the Required Amount will be on deposit in the Renewal and Replacement Fund. The moneys on deposit in the Renewal and Replacement Fund shall be used solely for non recurring capital costs related to the Airport System.

SEVENTH: The Authority shall deposit in the Airport Development Fund all remaining Net Airport Revenues on deposit in the Airport Revenue Fund after making the deposits FIRST through SIXTH above. The moneys on deposit in the Airport Development Fund shall be applied first to make up any deficiencies in any Fund or Account established under the Resolution and thereafter may be used by the Authority for any corporate purpose of the Authority.

Investment of Moneys

Moneys in the Airport Operation and Maintenance Fund, the Airport Renewal and Replacement Fund and the Airport Development Fund shall be invested and reinvested by the Authority, and moneys in the Airport Bond Fund shall be invested by the Trustee at the direction of the Authority, to the extent reasonable and practicable in Investment Securities maturing in the amounts and at the times as determined by the Authority so that the payments required to be made from such Funds may be made when due. Moneys on credit to the Airport Bond Reserve Fund shall be invested by the Trustee at the direction of the Authority in Investment Securities so as to mature by no later than the earlier of eight years from the date of investment or the final maturity date of all Bonds then Outstanding. The Authority (or the Trustee at the direction of the Authority) shall be authorized to sell any investment when necessary to make the payments to be made from such Funds. All earnings on and income from investments of moneys in such Funds shall be deposited in the Airport Revenue Fund, for use and application as are all other moneys deposited in that Fund; provided, however, that prior to the completion date of any project the Project Costs of which will be paid from the proceeds of a particular Series of Bonds, earnings amounts in any account in the Bond Reserve Fund established with respect to such Series of Bonds shall be deposited in the Construction Fund and credit either to the construction account or construction interest account established with respect to such Series of Bonds as provided in the Supplemental Resolution providing for the issuance of such Series of Bonds.

Moneys on deposit in the Construction Fund and credited to a Construction Account therein shall be invested and reinvested to the extent reasonable and practicable in Investment Securities maturing in such amounts and at such times as is anticipated by the Authority that such moneys will be required to pay Project Costs, and moneys on deposit in the Construction Fund and credited to a Construction Interest Account therein shall be invested to the extent reasonable and practicable in Investment Securities maturing in such amounts and at such times so that the required transfers to each Airport Interest Account to be made therefrom can be made when due. The interest and income derived from all such investments shall be credited to the Account from which such investment is made, to be used and applied as are the other moneys credited to such Account.

Annual Budget

The Authority before the beginning of each Fiscal Year shall prepare and adopt an annual budget for such Fiscal Year. Such budget shall set forth in reasonable detail Airport Revenues anticipated to be derived in such Fiscal Year and the expenditures anticipated to be paid or provided for therefrom in such Fiscal Year, including, without limitation, the amounts required to provide for the payment of the principal of, interest and premium, if any, on the Bonds to pay or provide for Operation and Maintenance Expenses, to make up any deficiencies in any fund or account anticipated for the then current Fiscal Year, and to pay or provide for the payment of all other claims or obligations required to be paid from Airport Revenues. A copy of the budget or of a summary thereof will be furnished to any bondholder who files a written request therefor with the Authority.

Covenants to Rates, Rentals, Fees and Charges

The Authority shall impose and prescribe such schedule of rates, rentals, fees and charges for the use and services of and the facilities and commodities furnished by the Airport System, and shall revise the same from time to time whenever necessary, and collect the income, receipts and other moneys derived therefrom, so that the Airport System shall be and always remain financially self sufficient and self sustaining. The rates, rentals, fees and charges imposed, prescribed and collected shall be such as will produce Airport Revenues at least sufficient (i) to pay the principal of and interest and premium on the Bonds as and when the same become due whether at maturity or upon redemption prior to maturity or otherwise, (ii) to pay as and when the same become due all Operation and Maintenance Expenses, (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from Airport Revenues, and (iv) to carry out all provisions and covenants of the Resolution. Without limiting the foregoing provisions, at all times and in any and all events such rates, rentals, fees and charges, shall be imposed, prescribed, adjusted, enforced and collected which will yield Net Airport Revenues with respect to the immediately ensuing Fiscal Year which, after deducting Operation and Maintenance Expenses, is in an amount at least equal to 125% of Debt Service on all Bonds Outstanding.

The failure to comply with the covenant in the preceding paragraph shall not constitute an Event of Default under the Resolution if the Authority shall promptly (i) cause an Airport Consultant to make a study for the purpose of making recommendations with respect to rates, rentals, fees and charges for the Airport System in order to provide funds for all the payments and other requirements as specified in the preceding paragraph; (ii) consider the recommendations of the Airport Consultant; and (iii) take such action as the Authority, in its discretion, may deem necessary to comply with the preceding paragraph.

In the event that the rates, rents, fees and charges imposed by the Authority are insufficient to produce Net Airport Revenue in an amounts referred to in clause (i) in the first paragraph above, the Authority shall implement the recommendations of the Airport Consultant provided that in preparing its study and makings its recommendations, the Airport Consultant shall not make any recommendation which would require the Authority to violate or otherwise be in contravention of any state or federal law, regulation or mandate or any other agreement to which the Authority is party.

Additional Covenants

The Authority will proceed with all reasonable dispatch to complete the acquisition, purchase, construction, reconstruction, improvement, betterment or extension of any properties, the costs of which are to be paid from the proceeds of Bonds or from any other moneys held under the Resolution.

The Authority will maintain, preserve, keep and operate, or cause to be maintained, preserved, kept and operated, the properties constituting the Airport System (including all additions, improvements and betterments thereto and extensions thereof and every part and parcel thereof) in good repair, working order and operating condition in conformity with standards customarily followed in the aviation industry for airports of like size and character, and will from time to time, construct additions and improvements to and extensions and betterments of said properties which are economically sound, so that at all times the business carried on in connection therewith shall be properly and advantageously conducted in an efficient manner and at a reasonable cost.

The Authority shall operate and maintain the Airport System as a revenue producing enterprise and shall manage the same in the most efficient manner consistent with sound economy and public advantage and consistent with the protection of the bondholders.

The Authority shall cause its accounts relating to the Airport System to be audited by an independent Certified Public Accountant or a firm of independent Certified Public Accountants of recognized standing. Such audit shall be made annually and shall be completed within 150 days after the close of each fiscal year. A copy of each such annual audit shall be open for public inspection, filed with the Trustee and shall be mailed to any bondholder filing with the Authority a request for the same.

The Authority shall not sell, lease or otherwise dispose of all, or substantially all, of the properties constituting the Airport System without simultaneously with such sale, lease or other disposition depositing cash or Government Obligations in an amount sufficient so that no Bonds are any longer deemed Outstanding under the Resolution; provided however, that (i) the Authority may exchange Airport System property for property of comparable value, (ii) the Authority may grant leases, licenses, easements and other agreements pertaining to the Airport System property in the normal and customary course of business, according to the Authority's policy regarding rates, rentals, fees and charges of the Airport System, properties constituting the Airport System, and the revenues from such leasing shall be part of the Airport Revenues and such properties shall remain part of the Airport System, but any such leasing shall not be inconsistent with the provisions of the Resolution and shall not impair or diminish the security of a payment for the Bonds, (iii) the Authority may enter into Special Facility Leases, and (iv) the Authority may sell, lease or otherwise dispose of any portion of the properties and facilities (real or personal) comprising a part of the Airport System, the disposal of which will not impede or prevent the use of the Airport or its facilities for air transportation or air commerce and which the Authority has determined has become unserviceable, unsafe or no longer required or which have been replaced by other property of substantially equal revenue producing capability and of substantially equal utility for the conduct of air transportation or air commerce, and any moneys received by the Authority as the proceeds of any such sale, lease or any other disposition of said surplus properties shall become Airport Revenues and deposited in the Airport Revenue Fund, provided that if the original construction or acquisition of such surplus properties or facilities was financed from moneys on deposit in the Airport Development Fund, then such proceeds shall be deposited in the Airport Development Fund provided, further, that to the extent that the original construction or acquisition of such surplus properties or facilities was financed from moneys derived from grants or passenger facility charges, then such proceeds shall be deposited in the Airport Revenue Fund only to the extent that such application of proceeds is consistent with the conditions agreed to by the Authority with any governmental authority, or imposed on the Authority by law or any governmental authority, in obtaining such grants or passenger facility charges. In the event any Airport System properties shall be taken by the exercise of the power of eminent domain, the amount of the award received by the Authority as a result of such taking shall be deposited in the Airport Development Fund and applied to any Airport Purpose consistent with the Airport lease as then in effect, including to the redemption or purchase of Bonds and to acquire or construct revenue producing properties to constitute a part of the Airport System.

The Authority will carry insurance with generally recognized responsible insurers with policies payable to the Authority against risks, accidents or casualties at least to the extent that similar insurance is usually carried by airport operators operating similar properties. The Authority may create and establish special funds for self insurance. The Authority shall seek the advice and counsel from time to time of an independent insurance consultant or consultants to advise and assist the Authority with respect to the insurance program of the Airport System, and the Authority shall take into consideration but will not be bound to follow the advice of such insurance consultant or consultants in the placement of insurance and the establishment of its self insurance fund or funds.

In the event of any loss or damage to the properties constituting the Airport System covered by insurance or by self insurance, the Authority will promptly repair and reconstruct the damaged or destroyed property, provided that to the extent permitted by the Airport Lease no such repair or reconstruction shall be required if the Authority finds that such is not in its best interest and, based on a certificate of an Airport Consultant, the failure to repair, replace or reconstruct will not (i) cause the Airport Revenues in any future fiscal year to be less than an amount sufficient to comply with the Resolution, or (ii) impair the security or the payment of the Bonds. The Authority shall apply the proceeds of any insurance policy or policies or self insurance fund or funds covering such damage or loss for that purpose to the extent required therefor.

With respect to any Series of Bonds the interest on which is excludable from gross income for federal tax purposes, so long as any of such Bonds shall be Outstanding, the Authority shall comply with all applicable provisions of Sections 103, 141 and 150 of the Internal Revenue Code of 1986, as amended, and all applicable regulations of the Internal Revenue Service proposed and promulgated thereunder.

Amendments

The Resolution may be amended without the consent of the bondholders for the purpose of providing for the issuance of additional Bonds, to permit the Resolution to be qualified under the Trust Indenture Act of 1939 of the United States of America and for any one or more of the following purposes, if such amendment shall not materially adversely affect the rights of the holders of the Bonds then Outstanding; to make any changes or corrections in the Resolution or any supplemental resolution as to which it shall have been advised by its counsel that the same are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained therein, or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable; to add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds; to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution or any supplemental resolution; to confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge or charge, created or to be created by the provisions of the Resolution or any supplemental resolution; to grant to or confer upon the holders of the Bonds any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them; to prescribe further limitations and restrictions upon the issuance of the Bonds and the incurring of indebtedness by the Authority payable from the Airport Revenues; and to modify in any other respect any of the provisions of the Resolution, or any supplemental resolution previously adopted, provided that such modifications shall have no material adverse effect as to any Bond or Bonds which are then Outstanding.

With the consent of the holders of not less than 51% of the principal amount of the Bonds then Outstanding, the Authority may amend the provisions of the Resolution for the purposes of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Resolution or any supplemental resolution, or modifying in any manner the rights of the holders of the Bonds then Outstanding, provided that without the specific consent of the holder of each Bond which would be affected thereby, no such amendment shall: (i) change the fixed maturity date for the payment of the principal of any Bond or the dates for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Bond or the rate of interest thereon or any premium payable upon the redemption thereof, (ii) reduce the aforesaid percentage of Bonds, the holders of which are required to consent to any such amendment, (iii) give to any Bond or Bonds any preference over any other Bond or Bonds, (iv) authorize the creation of any pledge of the Net Airport Revenues or any lien thereon, prior, superior or equal to the pledge and lien created by the Resolution for the payment and security of the Bonds or (v) deprive any holder of the Bonds of the security afforded by the Resolution.

Events of Default; Remedies

Defaults. Under the Resolution, the happening of one or more of the following events constitutes an Event of Default: (i) payment of the principal and premium (if any) of or interest on any Bond shall not be made when due, (ii) default in the due and punctual performance of the covenants and agreements contained in the Resolution and summarized above under "Covenants as to Rates, Rentals, Fees and Charges" except as otherwise described under such caption or in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Resolution or in any supplemental resolution on the part of the Authority to be performed after 90 days written notice to the Authority of such failure by the Trustee or to the Authority and the Trustee by the holders of not less than 20% of the principal amount of the Bonds then Outstanding or any committee therefor, (iii) certain events in connection with the bankruptcy, insolvency or reorganization of the Authority, the appointment of receivers of the Airport System and the adjustment of claims of creditors of the Authority and (iv) the Authority shall for any reason be rendered incapable of fulfilling its obligations under the Resolution.

Declaration of Principal and Interest as Due. Upon the occurrence of an Event of Default described in (i) under "Defaults" and at any time thereafter while such Event of Default shall continue, the Trustee by notice in writing to the Authority, may, and upon the written request of the holders of not less than twenty five percent (25%) in principal amount of the Outstanding Bonds, shall declare the principal of all the Outstanding Bonds, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Resolution or in the Bonds contained to the contrary notwithstanding.

Action of Trustee in Event of Default. The Trustee in case of an Event of Default may, and upon the written request of the holders of not less than twenty five percent (25%) in principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction, shall, proceed to protect and enforce its rights and the rights of the holders of the Bonds by a suit or suits in equity, in bankruptcy or at law, either in mandamus or for the specific performance of any covenant or agreement contained herein or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee, being advised by counsel, may deem most effectual to protect and enforce any of the rights or interests under the Bonds and/or the Resolution. The Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered (i) to institute any action or proceedings at law or in equity for the collection of all fees and charges, rents or sums, as the case may be, due and unpaid under any lease or other agreement to which the Authority is a party, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the other party to such lease or other agreement and collect in the manner provided by law out of the property of such party wherever situated the moneys adjudged or decreed to be payable, and (ii) to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Trustee and of the holders of the Bonds allowed in any equity, receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization or other similar proceedings relative to the Authority or any party to a lease or agreement with the Authority.

The Trustee may proceed by appropriate proceedings in any court of competent jurisdiction in the Event of Default in the payment of principal of or interest on any Bonds to obtain the appointment of a receiver for the Airport System, which receiver may enter upon and take possession of the Airport System and fix rates and charges and collect all Airport Revenues arising therefrom in as full a manner and to the same extent as the Authority itself might do. The receiver shall collect and dispose of Airport Revenues in accordance with the terms and conditions of the Resolution or as the court shall direct.

Suits or Actions by Bondholders. No bondholder shall have any right to institute or prosecute any suit or proceeding at law or in equity for the appointment of a receiver of the Authority, for the enforcement of any of the provisions hereof or of any remedies hereunder unless the Trustee, after a request in writing by the holders of twenty five percent (25%) in aggregate principal amount of the Outstanding Bonds, and after the Trustee shall have been assured such reasonable indemnity as it may require, shall have neglected for sixty (60) days to take such action.

Subordinate Lien Obligations

The first Series of the Bonds and Additional Bonds, Completion Bonds and Refunding Bonds may be issued hereunder upon compliance with provisions of the Resolution. Except as otherwise provided in the preceding sentence, the Authority will not create or permit the creation of or issue any bonds, notes, warrants or other obligations or evidences of indebtedness or create any additional indebtedness which will be payable as to principal or interest, or both, from Net Airport Revenues prior to or on a parity with the payment therefrom of the principal of or interest on the Bonds or prior to or on a parity with the payments and credits from Airport Revenues to be made pursuant to the provisions of the Resolution to the Airport Interest Account, Airport Serial Bond Principal Account and Airport Term Bond Principal Account in the Airport Bond Fund, or which will be secured as to principal or interest, or both, by a lien and charge on Net Airport Revenues superior or equal to the lien and charge of the Bonds and the interest thereon, or superior or equal to the lien and charge on Net Airport Revenues or the payments and credits therefrom to be made pursuant to the provisions of the Resolution to the Airport

Interest Account, Airport Serial Bond Principal Account and Airport Term Bond Principal Account in the Airport Bond Fund.

Nothing in the Resolution shall prevent the Authority from authorizing and issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness which as to principal or interest, or both, are payable from Net Airport Revenues after and subordinate to the payment from Net Airport Revenues of the principal of and interest on the Bonds and after the subordinate to the payments and credits from Net Airport Revenues to be made pursuant to the provisions of the Resolution to the Airport Interest Account, Airport Serial Bond Principal Account and Airport Term Bond Principal Account in the Airport Bond Fund and which are secured as to principal or interest, or both, by a lien and charge on Net Airport Revenues junior and inferior to the lien and charge on Net Airport Revenues of the Bonds and interest thereon and junior and inferior to the lien and charge on Net Airport Revenues of the payments and credits therefrom to be made pursuant to the provisions of the Resolution to the Airport Interest Account, Airport Serial Bond Principal Account and Airport Term Bond Principal Account in the Airport Bond Fund.

Special Obligation Bonds and Special Facility Agreements

The Authority may issue bonds, notes or other evidences of indebtedness ("Special Obligation Bonds") for the purpose of acquiring, constructing, renovating, remodeling or rehabilitating a Special Facility for use, lease or sublease thereof, as provided in the Resolution, or for refunding other Special Obligation Bonds. Such Special Obligation Bonds (i) shall be payable solely from amounts payable by the user, lessee or sublessee under the Special Facility Agreement entered into with respect to such Special Facility to be financed from such Special Obligation Bonds; (ii) shall not be a charge or claim against or payable from or secured by the Airport Revenues or any other moneys held hereunder; (iii) will not result in a reduction of Net Airport Revenues; and (iv) shall mature within the term of the Special Facility Agreement entered into with respect to such Special Facility.

A Special Facility lease, loan or other agreement ("Special Facility Agreement") shall be entered into between the Authority and the user or occupier of such Special Facility pursuant to which the user, lessee or sublessee shall agree to pay or otherwise provide for the payment of (i) installment amounts which will be sufficient to pay during such term as the same respectively becomes due the principal of and interest on all Special Obligation Bonds to be issued to pay the cost of construction or acquisition of the Special Facility; (ii) amounts necessary or required to provide or maintain all reserves required for such Special Obligation Bonds and to pay all trustees', fiscal agents' and paying agents' fees and expenses in connection therewith; (iii) installment amounts equal to a properly allocable share of the administrative costs of the Authority arising out of such Special Facility Agreement and the issuance and servicing of such Special Obligation Bonds or, if the land on which the Special Facility is to be constructed constitutes a part of the Airport System, a ground rental for the ground upon which such Special Facility is to be located payable in periodic installments in amounts not less than shall be required pursuant to the Authority's policy for rental of ground space in the Airport System as fixed from time to time by the Authority; any amount payable pursuant to clause (iii) shall be free and clear of all charges under said Special Facility Agreement; shall be in addition to the rentals required by clauses (i), (ii), and (iv); and shall constitute Airport Revenues and be paid into the Airport Revenue Fund; and (iv) all costs connected with the ownership, operation, maintenance, repair, renewals and rehabilitation of the Special Facility (including, without limitation, insurance, utilities, taxes or payments in lieu of taxes and assessments).

Special Obligation Bonds may be refunded by an issue of refunding Special Obligation Bonds. Special Obligation Bonds may also be refunded by an issue of Additional Bonds if (i) all Special Obligation Bonds then Outstanding and unpaid pertaining to the particular Special Facility are refunded at one time from such Additional Bonds or are then otherwise retired, and (ii) the conditions contained in the Resolution for the issuance of Additional Bonds are complied with upon such refunding, and, for the purposes of any such refunding, such refunding shall be considered as though the Authority were acquiring such Special Facility by the issuance of such Additional Bonds.

If a Special Facility is located on land included in the Airport System, upon the retirement of the indebtedness evidenced by the Special Obligation Bonds issued therefor or evidenced by refunding Special Obligation Bonds, all rentals and other income thereafter received by the Authority from the Special Facility for which Special Obligation Bonds were issued, shall, to the extent permitted by law, constitute Airport Revenues and be paid into the Revenue Fund, to be used and applied as are other moneys deposited therein, and if such rentals and other income shall then constitute Airport Revenue, such Special Facility shall, unless contrary to law, then constitute part of the Airport System for all purposes of the Resolution; provided, however, that if any such Special Obligation Bonds are retired through the refunding thereof from the proceeds of Additional Bonds, such Special Facility in all events shall thereafter constitute part of the Airport System for all purposes of the Resolution.

Separate Improvements

Subject to any other contractual obligations of the Authority, nothing contained in the Resolution shall prevent the Authority from authorizing and issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, other than Bonds, and establish reserves in connection therewith, payable from and secured by a pledge of and lien on those revenues, proceeds, grants or other sources specifically excluded from the definition of Airport Revenues pursuant to clauses (ii), (iii), (v), (vi), (vii), (x), or (xi) of the definition thereof, or any combination of all or a portion of the foregoing for the purpose of acquiring, constructing, renovating, remodeling or rehabilitating Separate Improvements. A Separate Improvement ("Separate Improvement") shall be any facility or improvement in the Airport System acquired, constructed, renovated, remodeled or rehabilitated with the proceeds of bonds, notes, warrants, certificates or other obligations or evidences of indebtedness payable and secured in the manner prescribed in the first sentence hereof which the Authority determines will (i) not materially adversely affect the Outstanding Bonds, and (ii) so long as any Bonds are Outstanding (a) produce revenue excluded from the definition of Airport Revenue pursuant to clause (xi) of the definition thereof, or (b) have pledged or committed to the payment of all or a portion of the principal, premium, interest and other costs described below any revenues or amounts excluded from the definition of Airport Revenue pursuant to clauses (ii), (iii), (v), (vi), (vii), or (x) of the definition thereof, or any combination thereof, sufficient to pay principal of, premium, if any, and interest on the bonds, notes, warrants, certificates or other obligations or evidences of indebtedness issued with respect to any such Separate Improvement and all operation and maintenance costs connected with the ownership, operation, maintenance, repair, renewals and rehabilitation of any such Separate Improvement (including, without limitation, insurance, utilities, payments in lieu of taxes and assessments) and the administrative costs of the Authority associated with any such Separate Improvement. Any amount attributable to administrative costs shall be free and clear of all charges under any agreement or obligation entered into or issued as described herein, shall be in addition to all other amounts required to be provided for as described herein; and shall constitute Airport Revenues and be paid into the Airport Revenue Fund. Nothing described under "Separate Improvements" shall be deemed to preclude the Authority from financing any Airport Purpose by the issuance of any bonds, notes, certificates, warrants or other evidences of indebtedness secured by a lien and charge on Net Airport Revenues junior and inferior to the lien and charge created for the payment and security of the Bonds.

Discharge of Liens and Pledges; Bonds No Longer Outstanding Under the Resolution

The obligations of the Authority under the Resolution, including all supplemental resolutions, and the liens, pledges, charges, trusts, assignments, covenants and agreements of the Authority therein made or provided for, shall be fully discharged and satisfied as to any Bond and such Bond shall no longer be deemed to be Outstanding thereunder, when payment of the principal of and the applicable redemption premium, if any, on such Bond, plus interest thereon to the due date thereof either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with a paying agent for such Bond, in trust and irrevocably appropriated and set aside exclusively for such payment, (1) moneys sufficient to make such payment, (2) Governmental Obligations, or (3) any combination thereof maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the paying agents pertaining to the Bond with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of said paying agents. At such time as a Bond shall be deemed to be no longer Outstanding under the Resolution as aforesaid, such Bond shall cease to draw interest from the due date thereof and, except for the purposes of any such payment from such moneys or Governmental Obligations, shall no longer be secured by or entitled to the benefits of the Resolution.

Notwithstanding the foregoing, in the case of Bonds which by their terms may be redeemed or otherwise prepaid prior to their stated maturities and which the Authority elects to so redeem or prepay, no deposit under (b) above shall constitute such payment, discharge and satisfaction as aforesaid, until such Bonds shall have been irrevocably called or designated for redemption or prepayment and proper notice of such redemption or prepayment shall have been given or provision shall have been irrevocably made for the giving of such notice.

The term “Governmental Obligations” shall mean (i) direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America which are non callable or redeemable only at the option of the holder and which at the time are legal investments for the moneys proposed to be invested therein, (ii) receipts, certificates or other similar documents evidencing ownership of future interest or principal payments due on direct obligations of the United States of America held in a custody or trust account by a commercial bank (having at least $20,000,000 in capital stock, surplus and undivided profits) pursuant to a custody or trust agreement, (iii) (A) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (1) as to such obligations of a political subdivision, all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, and (2) at the time of their purchase under the Resolution, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies, or (B) long-term obligations of any state or any political subdivision thereof the entire principal of and interest on which is insured pursuant to an irrevocable municipal bond insurance policy and which obligations are rated by two nationally recognized bond rating agencies in the highest rating category or (iv) Refunded Municipal Obligations.

The Trustee

The Resolution contains provisions regarding the appointment and removal of the Trustee. The Authority may at any time remove the Trustee; provided that such removal is subject to revocation by 10% of the holders of Bonds Outstanding and that such removal may not be effected if an Event of Default has occurred or there is any deficiency in any fund or account held under the Resolution.

Provisions Applicable to Bonds Secured by PFC Revenues and Net Airport Revenues

Notwithstanding anything in the Master Resolution to the contrary, the Authority may by supplemental resolution, upon complying with the applicable additional bonds test heretofore described, (i) grant as additional security a pledge of and lien on, and a security interest for the benefit of bondholders in, all or a portion of those revenues specifically excluded from the definition of Airport Revenues pursuant to clause (vi) thereof ("PFC Revenues") to a particular Series of Bonds ("PFC Bonds") issued under the Master Resolution, and (ii) provide that, upon compliance with such terms and provisions as may be set forth in the supplemental resolution providing for the issuance thereof, such Series of PFC Bonds will be secured solely by a pledge of and lien on such PFC Revenues. In the event the supplemental resolution providing for the issuance of a Series of PFC Bonds also contains provisions as set forth in (ii), the Authority will set forth in a separate resolution (a "PFC Resolution") adopted prior to the time such Series of PFC Bonds is issued the terms and provisions of which will apply to such Series of PFC Bonds at such time as such PFC Bonds are no longer secured by the Net Airport Revenues.

In the event the Authority issues a Series of PFC Bonds, the following provisions apply so long as such Series of PFC Bonds are Outstanding under the Master Resolution:

(i) PFC Revenues will be segregated in a separate account in the Airport Revenue Fund (the "Segregated Account") and shall be disbursed solely as follows to the following accounts in the order of priority as set forth below and, to the extent any PFC Revenues remain in such Segregated Account at the end of a fiscal year, may be transferred to and deposited in a separate fund or account established under the PFC Resolution and may be applied to any lawful purpose:

(1) an interest account in the Airport Bond Fund in which will be deposited PFC Revenues necessary to pay interest on such Series of PFC Bonds.

(2) a principal account in the Airport Bond Fund in which will be deposited PFC Revenues necessary to pay principal of such Series of PFC Bonds.

(3) an account in the Airport Bond Reserve Fund in which will be deposited PFC Revenues necessary to maintain such account in amount established in the supplemental resolution providing for the issuance of such Series of PFC Bonds.

(ii) The PFC Revenues shall be treated as Airport Revenues for the purposes of meeting the Authority's covenants under the rate covenant and additional bonds tests of the Master Resolution with respect to PFC Bonds provided the PFC Revenues shall not constitute Airport Revenues with respect to any other Series of Bonds for the purposes of such covenants.

(iii) PFC Revenues consisting of investment earnings will be deposited in the Revenue Fund, credited to the Segregated Account and applied in the same manner as all other PFC Revenues on deposit therein. Investment earnings on the proceeds of a Series of PFC Bonds (a) on deposit in the Construction Fund will be retained therein and applied to the same purposes as the proceeds of such Series of PFC Bonds and after completion of any project financed with said Series of PFC Bonds will be deposited in the Revenue Fund for credit to the Segregated Account, and (b) on deposit in the account in the Airport Bond Reserve Fund will be deposited in the Airport Revenue Fund for credit to the Segregated Account. All excess proceeds of any Series of PFC Bonds issued, whether in the Construction Fund or the Airport Bond Reserve Fund, will be deposited in the Airport Revenue Fund for credit to the Segregated Account.

(iv) To the extent there is any deficiency in any account referred to in (i) above, PFC Revenues credited to the Segregated Account will be applied to make up any such deficiency in any such account, and in the event PFC Revenues credited to the Segregated Account are insufficient to make up such deficiency, Net Airport Revenues will be credited to said account in an amount necessary, together with the PFC Revenues on deposit therein, to make up such deficiency. To the extent Net Airport Revenues are credited to any account to make up any deficiency and PFC Revenues subsequently become available prior to the expenditure of such Net Airport Revenues, such Net Airport Revenues will be immediately restored to the Airport Revenue Fund.

At such time as such Series of PFC Bonds is no longer secured by the Net Airport Revenues, such PFC Bonds will be deemed to be no longer Outstanding under the Master Resolution and will be Outstanding solely for the purpose of the PFC Resolution. Any PFC Revenues on credit to the Segregated Account and proceeds of the Series of PFC Bonds, whether on deposit in the Construction Fund or Airport Bond Reserve Fund, held under the Master Resolution will be transferred to and applied in the manner provided in the PFC Resolution.

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APPENDIX D

SUMMARY OF THE USE AND LEASE AGREEMENTS

The following is a summary of certain provisions of the Use and Lease Agreement ("ULA"). This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to all of the terms and provisions of the ULA, copies of which are available for inspection at the principal offices of the Authority and the Trustee. Capitalized words or phrases have the meanings given such words or phrases in the ULA and do not necessarily correspond with the definitions of similar words and phrases in the Resolution.

Scope

The Leases govern the operations of the Signatory Airlines at the Airport. The Authority has entered into substantially similar Leases with certain Signatory Airlines with respect to the Airport providing for terminal and ramp area landing fees. The Leases establish eight cost centers for the purpose of determining rates and charges payable by the Signatory Airlines and other users of Airport facilities: landing area, new terminal, general aviation, fuel farm, maintenance facility, federal services building, parking areas and roadways and general.

Term

The Lease terminates on March 31, 2019, or earlier under certain conditions. If the Airline remains in possession of the Leased Premises after the expiration of the ULA without any written renewal thereof, such holding over shall create only a tenancy from month to month terminable at any time by the Authority and subject to the same terms and conditions as set forth in the Agreement.

Airline Rent, Fees and Charges

Rates charged the Signatory Airlines for use of each cost center are determined on a compensatory basis. Each Airline must pay pursuant to invoice all rent and charges in monthly installments based upon a statement of estimated annual rent, fees and charges furnished to the Airline by the Authority prior to the beginning of each Contract Year (April 1 through March 31). Landing fees are paid monthly and must be accompanied by a report of Airline activity.

Terminal Rental

The annual rent payable to the Authority for the exclusive space, preferential use space, joint use space and common use space in the Airline's leased premises is calculated according to formula based upon such Airline's share of total Terminal Building costs attributable to the Airline's use of the terminal building, exclusive of costs allocable to concession and common areas.

Landing Fees

Each Airline is also required to pay a monthly landing fee based on landings of Aircraft at the Airport. For each commercial landing by an Airline at the Airport is assumed that the weight of the Aircraft is the maximum weight in 1,000 pound units, at which the Airline is authorized by the FAA to land the Aircraft at the Airport. The total weight landing ("Total Landed Weight") for each month is calculated for each Airline. The monthly landing fee is computed by multiplying the Total Landed Weight of the Airline during such month by the then current Landing Fee Rate.

The Landing Fee Rate is determined by the dividing cost of the landing area cost center for the current fiscal year by the total estimated maximum certified Gross Landed Weight of all Signatory Airlines. The cost of the Landing Area for each Contract Year is equal to the excess of the capital and operating requirement of the Landing Area, including, without limitation, maintenance and operating expenses, Debt Service and coverage allocable to the Landing Areas for the current Fiscal Year over the revenues of the Landing Area for the Current fiscal year. Terminal ramp fees charged to the Signatory Airlines for aircraft parking positions and 12% of the capital and operating requirement at the Landing Area are deducted from the cost of the landing area for purpose of calculating the landing fee. The 12% of the capital and operating requirement is recovered from general aviation users. The cost of the landing area is increased by 50% of the NFIA operating and capital deficit, capped for each Fiscal Year as listed below:

- Fiscal Year 2014/2015 $1,690,859
- Fiscal Year 2015/2016 $ 750,000
- Fiscal Year 2016/2017 $ 750,000
- Fiscal Year 2017/2018 $ 500,000
- Fiscal Year 2018/2019 $ 500,000

The revenues of the landing area used as a basis for calculation of the Landing Fee included landing fees paid by non-signatory airlines and charges paid by Signatory Airlines for remote aircraft parking areas.

Airline rent, fees and charges may be adjusted midway through each Contract Year if Authority records indicate that the payment of airline rent, fees and charges by Signatory Airlines at existing rates would result in an underpayment or overpayment by ten percent (10%) or more of the amount required to be generated by the Authority through airline rent, fees and charges for that Contract Year.

Reserves

The Airline agrees to the inclusion of the Renewal and Replacement Fund ("R&R Reserve") and the Maintenance and Operation Fund ("M&O Reserve"), hereinafter sometimes collectively referred to as "Reserves", in the rate base. Incremental changes in the Reserves shall be regularly included in the determination of Rates and Charges each Fiscal Year.

Coverage

If in any given Fiscal Year the Authority fails to meet the coverage test prescribed in the Resolution, the Signatory Airlines operating at the Airport the subsequent Contract Year shall be obligated to makeup the deficiency through the rate base, with that portion of the rate base agreed to be income to the Authority and expense to the Signatory Airlines in the Prior Fiscal Year in which the coverage deficiency occurred. As such, the deficiency amount that is put into the following Contract Year's rate base could not be included in revenue for determining whether coverage was met in the Current Fiscal Year.

On or before May 31st of each Fiscal Year, the Authority must recalculate and adjust airline rent, fees and charges for the Prior Fiscal Year, based on actual costs incurred therein, with credits to or payments by the Signatory Airlines required in connection with over or under payments to be reflected in the rates and charges for the subsequent Contract year. Such Fiscal Year recalculation shall also include an adjustment for the differences between rates and charges in the current and prior contract years as they apply to the affected periods of the Prior Fiscal Year.

Repair and Maintenance

The Airline shall, as its own expense, keep its Leased Premises in good repair and condition to the extent of its maintenance obligation. In addition, the Airline agrees to maintain the Leased Premises and all of its fixtures and equipment clean, neat, safe, sanitary and in good order at all times.

The Authority agrees to keep, operate and maintain the Terminal Building in good condition and repair, and to keep, operate, and maintain the public, joint use space and common use space in the Terminal Building in a neat, clean and operating condition to the extent of its obligations, under the Agreement. The Authority shall also maintain and keep in repair the Airport landing areas, including taxiways.

Damage or Destruction of Premises

If any building of the Authority in which the Airline occupies Exclusive Use Space, Preferential Use Space, Joint Use Space and Common Use Space is partially damaged by fire, the elements, the public enemy or other casualty so as to materially affect the Airline's use of such space but not render it untenantable, the same shall be repaired with due diligence by the Authority and the rent payable shall be paid up to the time of such damage or destruction has inflicted on the Airline's use of such premises. If the damage renders all or a portion of such space in the building unusable, but is capable of being repaired in sixty (60) days, it shall be repaired with due diligence by the Authority and the rent payable with respect to such space in the building shall be proportionately paid up to the time of such damage and shall from that time proportionately be abated until the time as such building shall be fully restored.

In case any such building is completely destroyed or so damaged that it will or does remain untenantable for more than sixty days, the Authority has the option of terminating the Agreement or of repairing or constructing the building. If the Authority elects to rebuild, the rent payable with respect to the Airline's space in said building shall be proportionately paid up to the time as such damage or destruction and shall thereafter crease until such time as said building is fully restored. If within sixty days after the time of such damage or destruction said building is not repaired or reconstructed for the Airline's use, the Airline may give the Authority written notice of its intention to cancel the Agreement in its entirety or to cancel, as of the date of such damage or destruction, such part of the Agreement as it relates only to said building.

Indemnity and Insurance

Each Airline shall defend, indemnify and hold the Authority and its agents, officers and employees harmless from and against any and all liabilities, losses, suits, claims, judgments, fines or demands arising by reason of injury or death or any person or property damage arising out of or incident to the Airline's conduct of its business under the Agreement and/or use of the Airport, or the acts of the Airline's officers, agents, employees, contractors, licensees or invitees unless such injury, death or damage is caused by the negligence of the Authority. In addition, each Airline shall indemnify the Authority against liabilities arising from (i) violation by the Airline of any federal, state or municipal law or regulation, (ii) the initiation of a civil penalty action and any resulting civil penalty or settlement related thereto arising from a breach of security by the Signatory Airlines, its officers, employees or agents, and (iii) personal injury or death or property damage arising from jet emissions, from the Airline's aircraft occurring in connection with the Airline's use of gate facilities at the Airport.

In addition, each Airline shall obtain and maintain a comprehensive public liability insurance policy with a carrier authorized to do business in the State of New York.

Assignment and Subletting

No Airline shall assign, transfer, convey, sublet or otherwise dispose of the Agreement or its right, title or interest therein, without the previous consent in writing of the Authority; provided, that each Airline shall have the right to assign the Agreement and any rights and privileges granted to it under the Agreement to any corporation with which the Airline may merge or consolidate or which may succeed to the business of the Airline. The Airline shall have the right to sublet to any code-sharing affiliate of the Airline, space in the Leased Premises now or hereafter leased to it as Exclusive Use Space. Due notice of any such assignment shall be given to the Authority within thirty (30) days after any such merger, consolidation or succession.

Cancellation of Agreement

The Authority may cancel the Agreement by giving the Airline sixty (60) days advance written notice upon or after the occurrence of any one of the following events: (i) any act that deprives the Airline permanently of the rights, power, and privileges necessary for the proper conduct and operation of its air transportation business; (ii) the Airline defaults in the performance of any covenant or agreement required to be performed by the Airline, including but not limited to failure to pay rents, fees and charges as required, failure to maintain liability insurance in the amount and form required, or failure when required to do so under the Agreement to provide or maintain a Security Deposit in the amount and form required, and does not remedy such default during a period of thirty (30) days after receipt from the Authority of written notice of default; no notice of cancellation shall take effect if the Airline remedies the default before receiving the cancellation notice or, if such default cannot reasonably be remedied within thirty (30) days, if the Airline has within that time taken all reasonable steps to remedy and diligently pursues all action thereafter necessary to remedy the default; or (iii) the Airline ceases to provide air transportation services at the Airport for a period of sixty (60) consecutive days or abandons or fails to use its Exclusive Use Space for a period of thirty (30) consecutive days, except when such cessation or abandonment is due to fire, earthquake, labor dispute, strike, governmental action, other damage or destruction of facilities, default of the Authority, or other cause beyond the Airline's control.

The Airline may cancel the Agreement and terminate all of any of its obligations under it at any time that the Airline is not in default in its payment to the Authority, by giving the Authority sixty (60) days advance written notice, upon or after the happening of any of the following events: (i) issuance by any court of competent jurisdiction of an injunction preventing or restraining the use of the Airport for Airport purposes, and the remaining in force of such injunction for a period of at least six (6) months; (ii) the inability of the Airline to use, for a period in excess of sixty (60) days, the Airport or any of the premises, facilities, rights, licenses, services or privileges leased to the Airline under the Agreement because of any law or any order, rule, regulation or other action or any non-action of any governmental authority other than the Authority, or because of fire, earthquake, other casualty or acts of God or the public enemy; (iii) default by the Authority in the performance of any covenant or agreement herein required to be performed by the Authority and failure of the Authority to remedy such default for a period of thirty (30) days after receipt from the Airline of a written notice to remedy the same or if such default cannot reasonably be remedied within thirty (30) days, if the Authority has within that time taken all reasonable steps to remedy, and diligently pursues all action thereafter necessary to remedy the default; or (iv) the assumption by the United States Government or any authorized agency thereof of the operation, control or use of the Airport and facilities, or any substantial part or parts thereof, in such a manner as substantially to restrict the Airline, for a period of at least ninety (90) days from operating thereon for the carrying of passengers, cargo, property and U.S. air mail.

Subordination to the Resolution

The Agreement and all rights granted to the Airline under it are expressly subordinated and subject to the lien and provisions of the pledges, transfer, hypothecation or assignment made by the Authority in any prior Resolution, or any future Resolution hereafter executed by the Authority, to issue Bonds. The Authority expressly reserves the right to enter into Resolution agreements and to make such pledges and grant such liens and enter into covenants as it may deem necessary or desirable to secure and provide for the payment of Bonds, including the creation of reserves therefor.

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APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION
FOR SERIES 2019A BONDS

_____, 2019

Board of Commissioners
Niagara Frontier Transportation
Authority
Buffalo, New York 14203

$81,920,000
NIAGARA FRONTIER TRANSPORTATION AUTHORITY
AIRPORT REVENUE BONDS, SERIES 2019A

Ladies and Gentlemen:

At your request we have examined into the validity of Eighty-One Million Nine Hundred Twenty Thousand Dollars ($81,920,000) principal amount of Airport Revenue Bonds, Series 2019A (hereinafter called the "Series 2019A Bonds"), of Niagara Frontier Transportation Authority (hereinafter called the "Authority"), a public benefit corporation duly organized and existing under the laws of the State of New York. The Series 2019A Bonds are issued in fully registered form; are dated as of the date of issuance thereof; are of the denomination of $5,000 or any integral multiple thereof; bear interest payable April 1, 2019, and semiannually each October 1 and April 1 thereafter at the rates per annum set forth in the schedule below; and mature and become payable as to principal on April 1 in each of the years and in the principal amounts as follows:

Year	**Principal Amount**	**Interest Rate**	**Year**	**Principal Amount**	**Interest Rate**
2020	$5,940,000	5.00%	2030	$2,905,000	5.00%
2021	6,240,000	5.00	2031	3,050,000	5.00
2022	6,545,000	5.00	2032	3,205,000	5.00
2023	6,875,000	5.00	2033	3,360,000	5.00
2024	7,220,000	5.00	2034	3,530,000	5.00
2025	2,275,000	5.00	2035	3,705,000	5.00
2026	2,390,000	5.00	2036	3,890,000	5.00
2027	2,510,000	5.00	2037	4,085,000	5.00
2028	2,635,000	5.00	2038	4,290,000	5.00
2029	2,765,000	5.00	2039	4,505,000	5.00

The Series 2019A Bonds are subject to redemption prior to maturity upon the terms and conditions and at the prices set forth therein.

The Series 2019A Bonds recite that they are issued under the authority of and pursuant to and in full compliance with the Constitution and statutes of the State of New York, a resolution (hereinafter called the "Bond Resolution") duly adopted by the Board of Commissioners of the Authority under said Constitution and statutes on May 12, 1994, and a seventh supplemental resolution (the "Seventh Supplemental Resolution") duly adopted by the Board of Commissioners under said constitution and statutes and the Bond Resolution on December 20, 2018. We have examined the Constitution and statutes of the State of New York, certified copies of proceedings of the Board of Commissioners of the Authority authorizing the issuance of the Series 2019A Bonds (including the Bond Resolution and the Seventh Supplemental Resolution), and such other instruments and documents as we have deemed necessary and advisable and a specimen Series 2019A Bond.

In our opinion:

1. The Series 2019A Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the State of New York, the Bond Resolution and the Seventh Supplemental Resolution and constitute valid and binding special limited obligations of the Authority enforceable in accordance with their terms payable, on a parity with all bonds heretofore or hereafter issued under the Bond Resolution, from, and secured equally and ratably with such bonds by, the Net Airport Revenues (as defined in the Bond Resolution) pledged to the payment thereof by the Bond Resolution.

2. The Bond Resolution and the Seventh Supplemental Resolution have been duly adopted by the Board of Commissioners of the Authority, the provisions of said resolutions are valid and binding upon the Authority and enforceable in accordance with their terms, and the holders of the Series 2019A Bonds are entitled to the security and benefits of said resolutions.

3. Under existing statutes, interest on the Series 2019A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City of New York), and the Series 2019A Bonds are exempt from taxation directly imposed thereon by or under authority of said State, except for estate and gift taxes and taxes on transfers.

4. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2019A Bonds (a) is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any Series 2019A Bond for any period during which the Series 2019A Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed or refinanced with the proceeds of the Series 2019A Bond or a "related person," and (b) is treated as a preference item in calculating the alternative minimum tax under the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2019A Bonds in order that interest on the Series 2019A Bonds be and remain not includable in gross income under Section 103 of the Code. These requirements include provisions which prescribe yield and other limits relative to the investment of proceeds of the Series 2019A Bonds and other amounts and require that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2019A Bonds to become subject to Federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance is ascertained. We have examined the Bond Resolution, the Seventh Supplemental

Resolution and the Authority's Arbitrage and Use of Proceeds Certificate, which, in our opinion, establish procedures under which the pertinent Code requirements can be satisfied. In rendering our opinion, in respect of the Federal income tax treatment of interest on the Series 2019A Bonds, we have assumed that the Authority will comply with and abide by the terms of the Bond Resolution, the Seventh Supplemental Resolution and the Authority's Arbitrage and Use of Proceeds Certificate.

In rendering our its opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the Series 2019A Bonds, and have assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2019A Bonds from gross income under Section 103 of the Code.

We express no opinion regarding Federal, state, or local tax consequences arising with respect to the Series 2019A Bonds except as stated above. We have rendered our opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2019A Bonds, or under state and local tax law.

It is to be understood that the rights of the holders of the Series 2019A Bonds under the Series 2019A Bonds, the Bond Resolution and the Seventh Supplemental Resolution and the enforceability thereof under the same may be subject to the exercise of judicial discretion, the sovereign police powers of the State of New York and the Constitutional powers of the United States of America, and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

Very truly yours,

HAWKINS DELAFIELD & WOOD LLP

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APPENDIX F

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate") is being provided in connection with the issuance by the Niagara Frontier Transportation Authority (the "Authority") of the its $81,920,000 principal amount Airport Revenue Bonds, Series 2019A (the "Bonds") under a resolution adopted by the Board of Commissioners of the Authority on May 12, 1994 and a Seventh Supplemental Resolution (the "Seventh Supplemental Resolution") adopted by the Board of Commissioners of the Authority on December 20, 2018 (collectively, the "Resolution"). Capitalized terms used in this Certificate which are not otherwise defined in the Resolution shall have the respective meanings specified above or in Article IV hereof. Pursuant to Section 5.6 of the Seventh Supplemental Resolution, the Authority agrees as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose. This Certificate is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) The Authority shall provide Annual Financial Information with respect to each fiscal year of the Authority, commencing with fiscal year 2019, by no later than two hundred ten (210) days after the end of the respective fiscal year, to the MSRB.

(b) The Authority shall provide, in a timely manner, notice of any failure of the Authority to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Authority shall provide Audited Financial Statements, when and if available, to the MSRB.

Section 1.4. Notice Events. (a) If a Notice Event occurs, the Authority shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to the MSRB.

(b) Any notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

Section 1.5. Additional Information. Nothing in this Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event under the Resolution, in addition to that which is required by this Certificate. If the Authority chooses to do so, the Authority shall have no obligation under this Certificate to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event under the Resolution.

Section 1.6. Additional Disclosure Obligations. The Authority acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Authority and that, under some circumstances, compliance with this Certificate without additional disclosures or other action may not fully discharge all duties and obligations of the Authority under such laws.

ARTICLE II

Operating Rules

Section 2.1. Reference to Other Filed Documents. It shall be sufficient for purposes of Section 1.2 hereof if the Authority provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

Section 2.3. Dissemination Agents. The Authority may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Authority under this Certificate, and revoke or modify any such designation.

Section 2.4. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. Fiscal Year. (a) The Authority's current fiscal year is April 1 – March 31, and the Authority shall promptly notify the MSRB of each change in its fiscal year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) This Certificate shall be effective upon the issuance of the Bonds.

(b) The Authority's obligations under this Certificate shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Certificate, or any provision hereof, shall be null and void in the event that the Authority (1) receives an opinion of Counsel, addressed to the Authority, to the effect that those portions of the Rule which require this Certificate, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 3.2. Amendment. (a) This Certificate may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Authority or the type of business conducted thereby, (2) this Certificate as so amended would have complied with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Authority shall have received an opinion of Counsel, addressed to the Authority, to the same effect as set forth in clause (2) above, (4) either (i) the Authority shall have received an opinion of Counsel or a determination by an entity, in each case unaffiliated with the Authority (such as bond counsel), addressed to the Authority, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Certificate pursuant to the same procedures as are required for amendments to the Resolution with consent of holders of Bonds pursuant to the Resolution as in effect at the time of the amendment, and (5) the Authority shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) This Certificate may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Certificate which is applicable to this Certificate, (2) the Authority shall have received an opinion of Counsel, addressed to the Authority, to the effect that performance by the Authority under this Certificate as so amended will not result in a violation of the Rule and (3) the Authority shall have delivered copies of such opinion and amendment to the MSRB.

(c) This Certificate may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the Authority shall have received an opinion of Counsel, addressed to the Authority, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Authority shall have delivered copies of such opinion and amendment to the MSRB.

(d) To the extent any amendment to this Certificate results in a change in the type of financial information or operating data provided pursuant to this Certificate, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2 hereof relating to the accounting principles to be followed by the Authority in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third Party Beneficiaries; Enforcement. (a) The provisions of this Certificate shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third party beneficiaries of this Certificate. The provisions of this Certificate shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the Authority to comply with the provisions of this Certificate shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by any holder of Outstanding Bonds. The holders' rights to enforce the provisions of this Certificate shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Authority's obligations under this Certificate. In consideration of the third party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the Authority to perform in accordance with this Certificate shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Certificate shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following terms used in this Certificate shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) updated versions of the following financial information and operating data contained in the Official Statement, for each fiscal year of the Authority, as follows (to the extent not included in submitted Audited Financial Statements or Unaudited Financial Statements):

(a) Table entitled "SUMMARY LICENSE PLATE SURVEY DATA" under the caption "THE AIRPORT– Canadian Passenger Traffic;"

(b) Table entitled "AIRLINES SERVING THE AIRPORT" under the caption "THE AIRPORT–Airport Activity;"

(c) Table entitled "TOP 10 MARKETS" under the caption "THE AIRPORT–Airport Activity;"

(d) Table entitled "HISTORICAL ENPLANEMENTS" under the caption "THE AIRPORT–Historical Passenger Activity;"

(e) Table entitled "HISTORICAL ENPLANEMENTS BY AIRLINE" under the caption "THE AIRPORT–Enplanements by Air Carriers;"

(f) Table entitled "FINANCIAL SUMMARY" under the caption "FINANCIAL MATTERS–Financial Results;"

(g) Table entitled "TOP 10 OPERATING REVENUE PROVIDERS" under the caption "FINANCIAL MATTERS–Revenue Diversity"

(h) Table entitled "DEBT SERVICE COVERAGE" under the caption "FINANCIAL MATTERS–Debt Service Coverage;"

(i) Table entitled "AIRLINE DERIVED REVENUE PER ENPLANED PASSENGER" under the caption "FINANCIAL MATTERS–Airline Cost Per Enplaned Passenger;"

(j) Table entitled "AIRPORT DEVELOPMENT FUND" under the caption "OTHER AIRPORT MATTERS–Airport Development Fund;" and

(ii) the information regarding amendments to this Certificate required pursuant to Sections 3.2(d) and (e) of this Certificate. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in Section 4.1(1)(i) hereof of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) "Audited Financial Statements" means the annual financial statements, if any, of the Authority, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Sections 3.2(a) and (e) hereof, the Authority may from time to time, if required by Federal or State legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific Federal or State law a regulation describing such accounting principles, or other description thereof.

(3) "Counsel" means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

(4) "GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(5) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Certificate.

(6) "Notice Event" means any of the following events with respect to the Bonds, whether relating to the Authority or otherwise:

(i) principal and interest payment delinquencies;

(ii) non payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Bondholders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Authority;

Note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(7) "Official Statement" means the Official Statement dated February 8, 2019 of the Authority relating to the Bonds.

(8) "Rule" means Rule 15c2 12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2 12), as amended, as in effect on the date of this Certificate, including any official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

(9) "SEC" means the United States Securities and Exchange Commission.

(10) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

(11) "Underwriters" means J.P. Morgan Securities LLC and Siebert Cisneros Shank & Co. L.L.C.

IN WITNESS WHEREOF, I have hereunto set my hand as of the 26th day of February, 2019.

Niagara Frontier Transportation Authority

By:______________________________
Title:

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APPENDIX G

DTC AND ITS BOOK-ENTRY ONLY SYSTEM

THE INFORMATION IN THIS APPENDIX G CONCERNING DTC (DEFINED HEREIN) AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY BELIEVES TO BE RELIABLE, BUT THE AUTHORITY TAKES NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS THEREOF. THERE CAN BE NO ASSURANCE THAT DTC WILL ABIDE BY ITS PROCEDURES OR THAT SUCH PROCEDURES WILL NOT BE CHANGED FROM TIME TO TIME.

The Depository Trust Company "DTC"), New York, NY, will act as securities depository for the Series 2019A Bonds. The Series 2019A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2019A Bond certificate will be issued for each maturity of the Series 2019A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2019A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2019A Bonds, except in the event that use of the book-entry system for the Series 2019A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2019A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2019A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2019A Bond documents. For example, Beneficial Owners of Series 2019A Bonds may wish to ascertain that the nominee holding the Series 2019A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2019A Bonds of a single maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2019A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2019A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest and redemption proceeds on the Series 2019A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal of and interest and redemption proceeds on each Series 2019A Bond to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2019A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2019A Bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2019A Bond certificates will be printed and delivered. To DTC and the requirements of the Resolution with respect to certificated Series 2019A Bonds will apply.

THE AUTHORITY AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SECURITIES (I) PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE SERIES 2019A BONDS (II) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SECURITIES OR (III) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SECURITIES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER THE AUTHORITY NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OR COMPLETENESS OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON SECURITIES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE RESOLUTION; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SECURITIES.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY • AIRPORT REVENUE BONDS, SERIES 2019A (AMT) (BUFFALO NIAGARA INTERNATIONAL AIRPORT)

NFTA

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