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May 8, 2026

The Honorable Sean Ryan, Mayor  
Members of the Common Council  
City of Buffalo  
Buffalo City Hall  
65 Niagara Square  
Buffalo, New York 14202

Report Number: B26-1-5

Dear Mayor Ryan and Members of the Common Council:

Our Office completed a limited-scope review of the City's budget. The objective of our review was to determine the City's structural budget deficit (budget deficit) – the gap between recurring revenues and recurring expenditures. To accomplish this objective, we reviewed the proposed 2026-27 budget, audited financial statements and other financial data.

We determined that the City's general fund will have a projected budget deficit of approximately \$103 million, in part, because City officials historically have adopted budgets that relied on nonrecurring revenues to fund operations and underestimated expenditures. Therefore, City officials relied on and depleted fund balance to finance the budget deficits. As a result, the City no longer has surplus fund balance available to help balance the proposed 2026-27 budget.

Officials included a real property tax increase of \$46.1 million in the proposed 2026-27 budget to help address the projected budget deficit and plan to address the remaining budget deficit of \$56.9 million with non-recurring revenues and other revenue sources. However, these revenues may not materialize. As such, officials must ensure that sufficient resources are available in subsequent years to finance recurring expenditures.

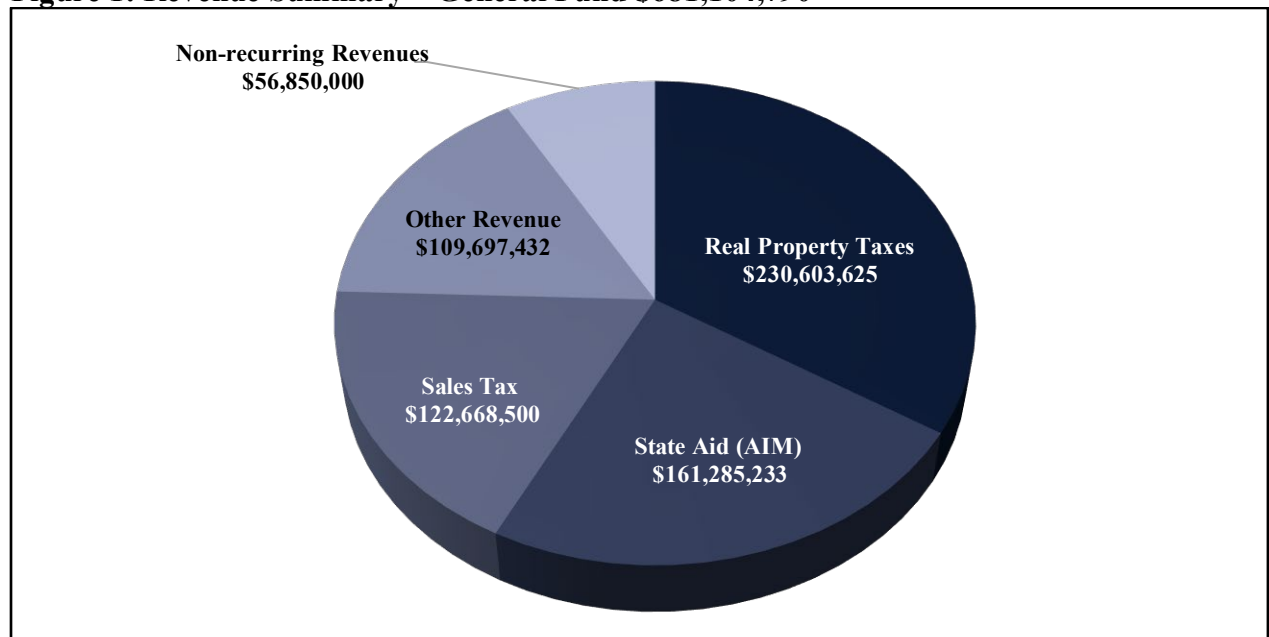
The Mayor's proposed 2026-27 budget includes general fund revenues and transfers-in totaling \$681.1 million and appropriations and transfers-out totaling \$681.1 million. This represents an increase of approximately 10 percent from the current fiscal year's adopted budget of \$622 million. However, the City Comptroller projects the City's actual 2025-26 general fund spending to total approximately \$671 million. Therefore, the proposed 2026-27 budget represents a 1.5 percent increase over the actual projected spending for the 2025-26 fiscal year.

The scope of our review does not constitute an audit under generally accepted government auditing standards (GAGAS). We do not offer comments or make specific recommendations on public policy decisions, such as the type and level of services under consideration to be provided.

## **Revenues**

The City derives the majority (76 percent) of its revenues from real property taxes, sales tax and State aid (Figure 1). Real property taxes are the largest locally controlled revenue source. The proposed 2026-27 budget includes total real property tax revenue of \$230.6 million,<sup>1</sup> an increase of 25 percent from the 2025-26 fiscal year. Sales tax, which is shared by Erie County, increased approximately 7 percent from \$114.9 million budgeted in the 2025-26 fiscal year to \$122.7 million in the proposed 2026-27 budget. The proposed budget includes State aid consisting of \$161.3 million of Aid and Incentives for Municipalities (AIM), which has remained flat for more than 10 years.

**Figure 1: Revenue Summary – General Fund \$681,104,790**



The proposed 2026-27 budget includes non-recurring revenues and revenue that may not materialize, totaling \$56.9 million as follows:

- \$16.2 million from the collection of past due amounts from previous years, including \$10 million from past due real property taxes and \$6.2 million in other fines and violations.
- \$15.2 million from the sale of City parking structures to the Buffalo Municipal Parking Authority.
- \$15 million of Temporary Municipal Assistance State aid.
- \$10.5 million of gaming revenues for which there is no current Compact agreement.<sup>2</sup>

<sup>1</sup> This amount includes School Tax Relief (STAR) Program rebates and credits.

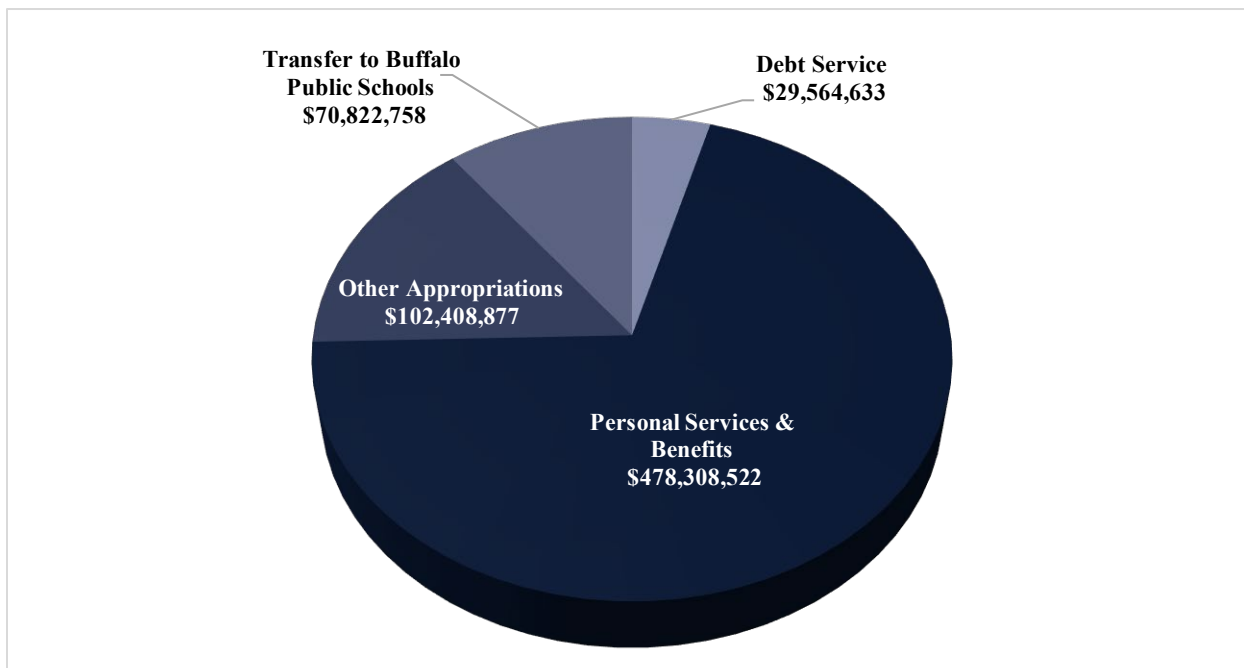
<sup>2</sup> A special form of State aid whereby the City receives a portion of tribal casino revenues pursuant to an agreement referred to as the Compact.

City officials historically relied on non-recurring revenues/funding sources including federal stimulus funds and surplus fund balance to balance the City’s budget. For example, City officials used \$331 million in federal stimulus funds since the 2020-21 fiscal year to help fund operations without identifying other revenue sources to replace the temporary funding.

### **Appropriations**

A substantial portion of City expenditures are contractual, personnel-related costs including salaries, pensions and healthcare for active employees and retirees. These costs represent 70 percent of the City’s proposed 2026-27 budget, totaling \$478.3 million (Figure 2).

**Figure 2: Appropriations Summary – General Fund \$681,104,790**



While the proposed 2026-27 budget includes these expenditures, it does not account for potential increases resulting from impending collective bargaining agreement (CBA) negotiations. Five of the City’s eight CBAs are expired, and the remaining three will expire in June 2026.

In addition, while not included in the proposed 2026-27 budget, the general fund historically funded annual solid waste fund operating deficits because the Common Council did not ensure user fees were sufficient to fund recurring solid waste fund expenditures. As a result, as of March 30, 2026, the solid waste fund owed the general fund \$27.3 million and does not have sufficient resources to repay the general fund. The proposed 2026-27 budget relies on a 25 percent increase in solid waste user fees to eliminate the annual operating deficit in the solid waste fund.

City officials’ ability to address the budget deficit is constrained by limited local revenue sources and contractual expenditures. As a result, a multifaceted approach is required to resolve the budget deficit. To restore long-term fiscal stability, City officials must:

- Better align recurring revenues with current service costs,
- Discontinue using non-recurring revenues to fund ongoing operations, and

- Develop realistic financial plans that include rebuilding and maintaining adequate fund balance and reserves.

We request that you provide us with a copy of the adopted budget.

We hope this information is useful as you adopt the upcoming budget for the City. If you have any questions on the scope of our work, please feel free to contact Melissa A. Myers, Chief of Municipal Audits of the Buffalo Regional Office, at (716) 847-3647.

Sincerely,

Robin L. Lois, CPA  
Deputy Comptroller

cc: Barbara Miller-Williams, City Comptroller  
Jessica Brown, Commissioner of Finance  
Tianna Marks, City Clerk  
Joel Feroletto, Common Council President  
Leah M. Halton-Pope, Council Majority Leader  
Zeneta B. Everhart, Council President Pro-Tempore  
Bryan J. Bollman, Council Member  
Joseph Golombek Jr., Council Member  
Mitch Nowakowski, Council Member  
David A. Rivera, Council Member  
Christopher P. Scanlon, Council Member  
Rasheed N.C. Wyatt, Council Member  
Pedro J. Gonzalez-Ortiz, Chief of Staff – Council  
Gabrielle Harrington, Chief of Staff – Mayor  
Alexis Beaver, Executive Assistant to the Mayor  
Jeanette M. Robe, Buffalo Fiscal Stability Authority Executive Director  
Melissa A. Myers, Chief of Municipal Audits, Buffalo Regional Office