

Minutes

Buffalo Fiscal Stability Authority

October 7, 2003

A meeting of the Buffalo Fiscal Stability Authority (“BFSA”) convened at 2:03 p.m. in the Mason O. Damon Auditorium of the Central Library of the Buffalo and Erie County Public Library in Buffalo, New York

The Meeting was convened by a Notice of Meeting sent to the Directors by Chair Baker and announced to the public and press.

Directors Present: Baker, Faso, Giambra, Masiello, McCall, Pirtle, Tobe, Townsend, Wilmers (Directors Giambra and Wilmers arrived after the commencement of the meeting)

Staff Present: Johnson, Tocker, Stefko

Others present, Friedman, Esq.

1. Chair, Baker made an opening statement regarding agenda:
 - a. Meeting would include presentations by the City of Buffalo, and other entities;
 - b. Staff analysis and discussion following presentations;
 - c. BFSA next steps discussed;
 - d. BFSA employee benefits presented for action; and
 - e. Action on new BFSA staff.

2. Minutes

The Directors voted to approve Resolution 03-34 to approve the minutes of the meetings of September 10 and September 15, 2003 and to ratify resolutions numbered 03-18 through 03-33. Motion by Townsend, second by McCall, vote 7-0. Directors Giambra and Wilmers had not yet arrived (Attachment 1).

3. Executive Session

The Directors decided that an Executive Session was not necessary at this time.

4. Appointment of new Staff

The Directors were advised that Bertha Mitchell was hired to serve as Chief Financial Officer. (Ms. Mitchell's resume is attached as Attachment 2).

5. The Directors voted to approve Resolutions 03-35, 03-43, 03-44, 03-45 and 03-46 in which Agenda Items 5, 6, 7 and 8 were approved. The Directors voted to offer its employees:
 - a. Two programs from New York State Health Insurance Plan (NYSHIP).
 - i. Health – individual contribution 10% / dependent contribution 25%
 - ii. Dental and Vision Coverage through NYSHIP – same employee contribution levels.
 - b. New York State M/C Group Term Life Insurance Plan and
 - c. New York State Deferred Compensation Plan
 - d. New York State and Local Employees' Retirement System

Motion by McCall, second by Townsend, vote 7-0. Directors Giambra and Wilmers had not yet arrived.

6. **BFSA Procurement Guidelines:**

The Directors discussed and then approved Resolution 03-36 that establishes Procurement Guidelines for the acquisition of goods and services that cost more than \$15,000. The Guidelines will be posted on the BFSA website. BFSA will soon issue RFP's for bond counsel, legal services, independent auditors and underwriters. The Guidelines are attached to the Resolution.

Motion by Faso, second by McCall vote 7-0 (Attachment 3). Directors Giambra and Wilmers had not yet arrived.

7. **Approval of Certain City Contracts**

The Directors approved Resolution 03-37 that authorized the City of Buffalo to enter into five contracts.

 - a. Recycling grant \$343,700
 - b. Annual contract with Buffalo Place \$120,000
 - c. Weed harvester \$78,426.01
 - d. Computers and related equipment for police \$244,570
 - e. Management Information Systems (computers) \$274,250.

The City of Buffalo advised the BFSA that there are sufficient funds in adopted budgets to provide for each contract and staff recommends approval.

Motion by Faso second by McCall vote 8-0. Director Wilmers had not yet arrived. (Attachment 4).

8. Approval of Certain School Board Contracts –
The Directors approved Resolution 03-38 that authorized the Buffalo School Board to enter into 9 contracts as listed in September 25, 2003 letter to staff:
 - a. Contract services \$1,194,795
 - b. Purchase Order for classroom reading materials (Leapfrog) \$183,449
 - c. Purchase Order for classroom reading materials (Steck Vaughn) \$77,620
 - d. Procurement of gasoline \$513,334
 - e. Fuel Oil \$795,000
 - f. Change order for cabling \$73,889
 - g. Change order for cabling \$62,044
 - h. Energy performance Johnson Controls \$9,914,458
 - i. Hardware for e-rate system \$2,100,000

The Buffalo School Board advised the BFSA that there are sufficient funds in adopted budgets to provide for each contract and staff recommends approval. Motion for approval by Faso, second by McCall vote 8-0 Director Wilmers had not arrived. (Attachment 5).

9. Approval of City Audit Contract – for outside City audit of last fiscal year by Deloitte & Touche LLP.
 - A. SanFilippo presented and acknowledges that a competitive bid process was not held for the audit contract. He listed reasons why a RFP was not issued: national accountant firm was needed; the timeframe was crucial to comply with State Law; and the City needed a firm familiar with other entities (for example, the school district). After discussion, the Directors approved Resolution 03-39, to authorize the engagement of the firm of Deloitte & Touche for a period of one year. Motion by Giambra, second by Faso, vote 8-1, Director Tobe voted in the negative. (Attachment 6)
10. Ratification of Water and Sewer Boards Settlement.
The Directors approved Resolution 03-40 that authorizes the Buffalo Corporation Counsel to enter into a settlement on behalf of the Buffalo Sewer Authority and Buffalo Water Board with Amana Capital Corporation. The Buffalo Corporation Counsel recommends approval, and BFSA Counsel has reviewed the matter and also recommends approval. Both entities certify that they have established reserves for these claims and there are funds available.

Motion by Tobe, second by Townsend vote 9-0 (Attachment 7).
11. Ratification of legal action with regards to the Firefighters Show Cause Order.

The Directors approved Resolution 03-41 to authorize BFSA counsel to intervene on behalf of the Authority in a lawsuit commenced by the Buffalo Professional Firefighters against the City of Buffalo, to oppose the relief sought by the Firefighters and to ratify actions taken by the BFSA to date on this matter.

Firefighters are seeking a court order that \$8.1 million of state aid be set aside and used to support “reengineering” efforts as part of their next contract. It is necessary for the BFSA to intervene in this proceeding, to ensure that the rights granted to the BFSA by law are protected. Success in this lawsuit would allow the Mayor and Firefighters to negotiate a contract and to submit any such agreement to the BFSA for its consideration.

Motion by Tobe, second by Faso vote 9-0 (Attachment 8).

12. Staff Discussion of Revised Four-Year Financial Plan submitted
 - D. Johnson presented: The City, School District, BURA and BMHA have submitted plans to the BFSA. BFSA developed an initial understanding of each entity. There has been good cooperation thus far and there has been no instance where the Control Board staff has asked for more information it was not provided. The School District submitted a much-improved plan with a great deal of detail and footnotes along with extensive back-up information.
Analysis specifically focused on and evaluated the Program to Eliminate the Gap (PEG) for each entity. The Buffalo Public Schools, Buffalo Urban Renewal Agency and Buffalo Municipal Housing Authority have taken satisfactory action. The City of Buffalo has not yet taken sufficient action to close its gap.

13. Presentations and Responses
 - a. Mayor Anthony Masiello and Commissioner of Administration and Finance Jim Milroy made a presentation to the BFSA on the Revised Four Year Financial Plan
The administration presented a plan to BFSA on 9/1/03. Since then additional changes have been made to: reduce the work force, suspend raises, modify sales tax revenue estimates and remove new sales tax revenue from the current and next fiscal year. Borrowing to close gaps is included in the plan. The Administration wanted BFSA adoption of the revised plan to enable the City to negotiate with Common Council. Council action, including declaration of need, would be difficult without a BFSA approved plan.

T. Baker noted that the City had not provided a balanced budget. The BFSA Act requires a balanced Plan/Budget. K. Freidman indicated the Act says the City shall determine the Declaration of Need; the Mayor and Council must ask Control Board for borrowing to fulfill the need.

- b. Buffalo School Superintendent Marion Canedo, James Kane, and Roy Rogers made a presentation to the BFSA.

Ms. Canedo indicated the School District had balanced its budget in the current year and requested BFSA borrowing in the out-years. School District Plan revenue estimates are very conservative. Costs reductions totaling \$20 million include: reductions in staff and utilities; school reorganization; and retirements. All actions focused on the education of students.

R. Wilmers noted the plan shows great collaboration. However, the number of white-collar workers has increased while the number of students has fallen. All funds including those from the federal government in the budget should be included in the budget. It is better to focus on the budget in its totality. Another focus should be on administrative levels since there has been a perception over time that the School District has a large bureaucracy.

- c. BURA – Tim Wanamaker, Carla Cosmeral and Dave Sengbusch from the Office for Strategic Planning (OSP) made the presentation, as follows:

In summary, the Four Year Plan calls for re-organization of functions and management. OSP currently has 149 employees in total: 27 on City side, 88 under BURA, 24 under BERC and 10 in BNRC.

To eliminate deficits, OSP proposed a 28.5 percent across the board cut in program and strategic cuts in administration. OSP is in the process of working with the Dennison Group (HUD consultants) to identify and implement efficiencies.

Identified deficits include: a \$5.5 million accumulate deficit over several prior years; and a \$2.4 million gap this current year. A total of 51 positions would be cut to address the deficit. The OSP will speak with HUD to resolve all issues. Efforts will focus on how CDBG funds are used. OSP hopes to redo the CDBG entitlement budget process, and to continue to negotiate with HUD to restore lost funding and fully eliminate the accumulated deficit.

No more than twenty percent of block grant funding can go to administration costs. OSP is confident that HUD will not suspend the Block Grant as long as programs are managed effectively and efficiently.

BURA plans to allocate CDBG funds more professionally than politically. This is a critical component to properly manage CDBG dollars.

- d. BMHA - presentation by Sharon West, Cheryl McMillan and Modesto Canderlario.

BMHA plans to eliminate the City subsidy by moving State program units into their federal portfolio. BMHA has provided fiscal trends, staffing levels, federal regulations, cash flows, and future forecasts to aide in the BFSa staff analysis.

- e. City Comptroller report on Cash Flows- Andy SanFillipo, Ann Forti-Scharino and Rich Witkim

Cash flows have been revised since the RAN borrowing. The original \$20 million BFSa borrowing estimate was eliminated as a January 2004 revenue and replaced it with \$8.2 million in deficit financing by March 1, 2004. Other changes reflect the recent tax lien securitization proceeds of \$4.1 million in the property tax column, and salary adjustment reductions of \$3 million in June 2004. The City and School District are in a stronger cash position; because of greater than anticipated receipts and reductions in anticipated expenditures. Comptroller San Filippo emphasized the importance of receipt of BFSa assistance by March 1, 2004 to ensure sufficient cash.

- 14. Agenda Item 12- Discussion of next steps.

T. Baker recommended that before the BFSa imposes a plan on the City, that the BFSa request the City to balance its plan and to make any other changes or adjustments necessary it believes appropriate. This amended Plan should be presented to the BFSa on or about October 15, 2003. The BFSa will meet on October 21, 2003 to approve or disapprove this amended Plan. If disapproved, the BFSa will announce its intention to impose its Plan on the City. A. Townsend recommended BFSa express its positive sense of progress on the City's Revised Plan.

- 15. Executive Session

The Directors decided that an Executive Session was not necessary at this time.

16. Other Business

After a detailed discussion, the Directors adopted Resolution 03-42 that tentatively approved portions of Plan relating to the Buffalo Public Schools, BURA and BMHA. The Plan of the City of Buffalo demonstrated positive progress. In order to facilitate the approval process with the Buffalo Common Council, the BFSA encouraged the closing of the existing budget gap, the use of gap financing, the issuance of a Declaration of Need by the Mayor and the Common Council and the Common Council taking the steps necessary to provide the BFSA with a balanced budget consistent with a balanced four-year plan.

Motion by Townsend, second by Wilmers, approved 9-0.

17. Adjourn Meeting

The BFSA meeting was adjourned at 5:45 p.m.