

Minutes

Buffalo Fiscal Stability Authority

May 12, 2004

A meeting of the Buffalo Financial Stability Authority (“BFSA”) convened at 1:03 p.m. at the Buffalo Convention Center 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, Masiello, Stenhouse Tobe and Townsend

Directors Arriving Late: Giambra

Directors Present

Via Conference Call: None

Directors Absent: McCall and Wilmers

Staff Present: Johnson, McPherson, Mitchell, Santos, Stefko and Tocker

Opening Statement:

Chair Baker welcomed those present at the Convention Center, noted the emergency evacuation information and announced the roll call of Directors.

Public Forum:

Baker welcomed John Scheffer from The Local Institute of Local Governance at the University at Buffalo. Sheffer summarized the Public Forum the Institute conducted on behalf of BFSA on May 8, 2004 and the associated publication which was provided to the Authority. Director Tobe asked if any comments were made that claimed that the Buffalo plan could not be implemented as presented for legal reasons. Mr. Sheffer stated that no such comments had been made. Several people suggested changes in the plan, but no legal impediments were mentioned by any witness. Directors asked for additional feedback on the reasons for the low participation by the public, compared to the Forum held in September. Sheffer suggested that options might include: scheduling the Forum during evening hours; that it not be broken into focus sessions; and that it be announced by targeted mailing of various groups.

City Issues:

Executive Director, Johnson presented a series of slides to graphically illustrate: the City’s revenues and expenditures; escalating employee costs; fringe benefits; and pension costs. The slides are attached to these minutes. Johnson talked about the City’s program to eliminate the gap, indicating the likeliness of achieving each initiative based on BFSA

staff evaluation. Chair Baker mentioned that in the City's first year under BFSA control, it has to fill in 35% of its budget gap and that BFSA can borrow the remainder -\$7.8 million to plug the gap this year. In year two, the City has to close 45 % of its budget gap in order to trigger BFSA deficit borrowing. If the parks merger and the experience-based health care initiatives are not adopted and implemented, then \$5 million and \$3 million, respectively, will have to be replaced with other spending reductions or additional revenues. Director Townsend commented that the health initiative is a zero pain way to save \$7-\$11 million annually with no change in benefits. Additionally borrowing could be reduced while no one would be hurt.

Discussion focus was redirected to the parks initiative. Commissioner Milroy of Administration and Finance stated that the next fiscal year values the merger at \$5.2 million; however, failure to adopt the initiative would result in a \$25 million hole - \$5 million from the lost initiative, and \$20 million in lost BFSA borrowing because the City failed to close the required percentage of the gap. Milroy indicated the type of draconian cuts that would be needed to reduce spending by \$5 million if the parks initiative is not adopted.

Director Baker suggested that the Administration look into efficiencies among the City's Police Department, the NFTA and BMHA. The Mayor said he has been discussing collaboration.

Johnson stated the value of the wage freeze on the City side: FY 04-05 \$2.9 million, 05-06 \$6.2 million, 06-07 \$9.5 million and in 07-08 nearly \$10 million.

Director Tobe emphasized the importance of non-stop work on the parks initiative to complete all actions necessary for adoption prior to BFSA's May 19 Board meeting, at which time BFSA would have to accept or deny the City's plan, the need to have the take over accomplished and operational by July 1, 2004 and to have a successful fourth of July celebration.

Permit & Licensing:

Chair Baker noted that a meeting on the effort to implement reforms in permits and licensing, which took place the day before, was productive.

School Issues:

Johnson presented a slide show which showed where the District's revenues come from, and the categories of spending. She noted that the District's plan is not balanced since it relies on \$17.7 million in additional State Aid in the 04-05 State Budget, which has yet to be adopted. The District prefers to wait until June 23rd to adopt its budget. However the BFSA timeline does not allow for that. Johnson indicated that the District could balance its budget through an assumption of BFSA borrowing, since it had already planned for actions which would close the required 45 percent of its budget gap. If the State Aid were subsequently provided, the District could eliminate the need for borrowing through Budget modification request to BFSA.

Other Covered Organizations:

BMHA

Johnson stated that the Municipal Housing Authority (BMHA) projects to end the year in balance. Executive Director Sharon West expects to end the current fiscal year in balance, believes the 2004-2005 budget will also be in balance and she indicated that BMHA has more in reserve than required by HUD. She indicated that there is sufficient revenue available in the 2004-2005 budget to cover the planned pay raises and that if the pay raises do not occur the revenue will become a surplus added to the year end fund balance. These revenues can not be used to support the City general fund gap. She also indicated that while communication has begun with the City on public protection efficiencies, the cost of BMHA police was considerably lower than similar services through the City.

BURA

Johnson stated that the Urban Renewal Agency (BURA) has implemented the necessary actions to close the current fiscal year in balance. Furthermore, BURA has negotiated with HUD to close prior year deficits by spending less over FY 05, 06, 07.

Debt Issuance:

Johnson provided an update on BFSAs request for legislative amendment intended to yield the highest credit rating BFSAs will therefore delay debt issuance until the amendment has been adopted, action which is expected before the Authority's May 19 meeting. BFSAs continues to expect to issue bonds to fulfill the City's needed \$7.8 million remaining gap prior to the end of the fiscal year.

Directors voted to approve resolution 04-51, affirming resolution 04-36 relating to conditional approval of the City's capital borrowing. Motion by Masiello, second by Faso. Vote 6-0

Chair Baker announced the next meeting would be held at the Smith Theater on May 19th 1:00 pm.

Meeting adjourned at 3:20 pm.