

MINUTES
Buffalo Fiscal Stability Authority
Audit, Finance & Budget Committee
June 5, 2007

The regular meeting of the Audit, Finance & Budget Committee meeting of the Buffalo Fiscal Stability Authority (BFSA) was called to order at 12:47 PM on June 5, 2007 at the Buffalo & Erie County Central Public Library by Rev. Stenhouse, Chair of the Audit Committee. The meeting was convened by Notice of Meeting sent to the Director and announced the public and press.

Directors Present: Lipke, Townsend and Stenhouse

Directors Absent: N/A

Staff Present: Johnson, Kelly, Link, Mobley, Miller, Mitchell, and Stefko

Opening Remarks:

Secretary Stenhouse called the meeting to order and called roll. Finding a quorum present, the meeting commenced.

Approval of Minutes

Secretary Stenhouse requested a motion to approve the minutes from the January 31, 2007 committee meeting.

Motion by Lipke, second by Townsend. Vote 3-0 to take effect immediately.

Open Issues

Review of Budget and Four-Year Plan

Secretary Stenhouse requested that Executive Director Dorothy A. Johnson explain the proposed BFSA budget and four-year plan.

Ms. Johnson provided a summary of the proposed BFSA Budget & Four-Year plan. She noted that the BFSA preliminary budget and financial plan had been posted at nine public libraries around the City of Buffalo and has also been available on BFSA's website in accordance with the BFSA Act.

Chair Lipke sought clarification regarding delivery of the Budget and Four-Year plan to the Board. Ms. Johnson explained that all Directors had received the materials in their January 31st board book. She further explained BFSA has budgeted decreases in expenses over the course of the plan, going from about \$1.4m to \$1.3m. BFSA's actual spending has been below

budget every year and spent about \$1m every year. In BFSA's 2007-2008 budget, there have been modest revisions (from the January preliminary budget). The State is providing more money that passes through BFSA as revenues, increasing from about \$247m to about \$282m. Operational costs have been steady, but decreasing a little every year (as reflected in the four-year plan).

Secretary Stenhouse sought a motion to send the Budget and Four-Year plan to the full Board for approval.

Motion by Townsend, second by Lipke. Vote 3-0 to take effect immediately.

Renewal of Procurement Policy

The Procurement Guidelines had been provided to BFSA Board members prior to the meeting. Ms. Johnson noted that the BFSA Act required annual review of the Guidelines, but that the Proposed Guidelines were identical to those adopted in the immediately prior year. The Directors recommended sending them to the full Board for approval. Motion by Townsend, second by Lipke, Vote 3-0 to take effect immediately.

Renewal of Investment Guidelines

The proposed BFSA Investment Guidelines were also provided to BFSA Board members in advance of the meeting. Ms. Johnson explained that, pursuant to the BFSA Act, the Investment Guidelines are also subject to annual review but have been unchanged from the prior year. If adopted by the BFSA Board they will define the investment limitations of the BFSA for the following year. These Guidelines conform to the BFSA Act and the Public Authorities Law. The quarterly report on BFSA's investment earnings was provided in the May 9, 2007 Board Book. The Directors reviewed BFSA's existing Investment Guidelines and recommended sending them to the full Board for approval. Motion by Lipke, second by Townsend. Vote 3-0 to take effect immediately.

There being no further business, Secretary Stenhouse entertained a motion to adjourn, which was duly seconded. The meeting adjourned at 1:04 PM

MINUTES
Buffalo Fiscal Stability Authority
June 5, 2007

The regular meeting of the Buffalo Fiscal Stability Authority (BFSA) was called to order at 1:10 PM on June 5, 2007 at the Buffalo & Erie County Central Public Library by Mr. Brian Lipke, Chair of the Board. The meeting was convened by a Notice of Meeting sent to the Directors by Chairman Lipke and announced to the public and press.

Directors Present: Brown, Giambra, Giardino, Lipke, Norwood, Stenhouse, Townsend & Wilmers

Directors Absent (excused): Colucci

Staff Present: Johnson, Kelly, Link, Mobley, Miller, Mitchell and Stefko

BFSA General Counsel: Buzard, Esq.

Opening Remarks:

Chair Lipke welcomed the attendees, called the meeting to order and noted the location of the emergency exits.

Chair Lipke indicated that BFSA had previously reviewed and discussed the City's May 1, 2007 proposed budget and financial plan at the May 9th BFSA Board meeting. At that time, the Board questioned if the fiscal crisis of the City had abated sufficiently to allow for the wage freeze to be lifted beginning with the 2007-08 fiscal year. To test this possibility, the BFSA Board requested a modified budget from the Mayor by May 23rd which would demonstrate, if possible, the City's ability to proceed without the savings associated with the wage freeze. On May 23, the City provided its revised financial plan which included the impact of lifting the wage.

Chair Lipke noted that BFSA staff would present a briefing on the revised financial plan to help the BFSA Board consider the affordability of lifting the wage freeze and whether to approve the City's revised budget and four-year plan.

Chair Lipke acknowledged the efforts of Mayor Brown, Superintendent Williams and others, including staff for their work in developing the revised budget and four-year plan. In addition, Chair Lipke thanked Governor Spitzer and the State for their participation in Buffalo's recovery effort.

Following his opening statement, Chair Lipke requested a roll call of the Directors. Secretary Stenhouse called roll and confirmed that a quorum was present. The meeting commenced.

Approval of Minutes

The Directors voted to approve Resolution 07-20 to ratify the May 9, 2007 Board Meeting Minutes and to ratify resolutions numbered 07-17 through 07-19. Motion to approve by Giambra, second by Townsend. Vote 8-0 to take effect immediately.

RESOLUTION NO. 07-20

APPROVING MINUTES AND RESOLUTIONS FROM MAY 9, 2007

BE IT RESOLVED that the Buffalo Fiscal Stability Authority approves the minutes of its meeting of May 9, 2007 and ratifies and affirms three resolutions numbered 07-17 through 07-19 that were approved on May 9, 2007.

Review of Revised Four-Year Financial Plan

Chair Lipke asked Executive Director Dorothy A. Johnson to provide a summary of the revised Four-Year plan. Ms. Johnson reiterated the Chair's comments thanking the City Administration and staff for all of their hard work complying with BFSA's request for a modified budget by the May 23rd deadline. She utilized a PowerPoint presentation which included the following points:

- **City of Buffalo** - breakdown by percentage of the \$418.3 million in 2007-08 expenditures;
- City financial plan spending levels;
- Common Council revisions to the budget and four-year plan;
- City estimates of the wage freeze costs;
- **Buffalo City Schools** - breakdown by percentage of the \$796.4 million in 2007-08 expenditures;
- Buffalo City Schools financial plan spending levels; and
- School District estimates of wage freeze costs.

Ms. Johnson advised that from the BFSA staff perspective, the revised plan is balanced.

Chair Lipke thanked Ms. Johnson and asked for comments or questions.

Director Giambra queried Mayor Brown for clarification of the following revenue assumptions in the revised financial plan:

- The proposal to install intersection cameras designed to catch motorists going through red lights; and
- Any proposed changes to the formula for sales tax revenue sharing with Erie County.

Mayor Brown indicated that no revenues from the cameras had been built into the plan and that the sales tax revenue formula had been kept the same.

Chair Lipke sought a motion to approve the resolution. Ms. Johnson noted the resolution was entitled, "**LIFTING OF THE AUTHORITY'S WAGE FREEZE AND APPROVAL OF CITY OF BUFFALO REVISED FOUR YEAR FINANCIAL PLAN.**"

Motion to approve by Brown, second by Townsend. Chair Lipke then asked if there was any further discussion.

Mayor Brown noted many factors helped alleviate the fiscal crisis, including: efficiency measures; spending control; and the sacrifices of City employees since April 2004. He stated that City workers should be recognized and thanked for their efforts. The Mayor added that he saw the revised budget as a turnaround budget for the City in which there were no one-shot revenues and no projected gaps in any of the years. He cited the City's credit rating upgrades as evidence of the City's financial improvement. He noted that, based on State legal opinion, a one-step increase in salary and longevity payments was included in his revised plan.

County Executive Giambra warned against what he termed "irrational exuberance" about the City's fiscal condition in light of its dependence on State Aid and the State's own financial condition.

Director Townsend commented that the City has also benefited from increases in State Aid for schools. She noted that, notwithstanding the State's largess, the School District's gap closing measures included the following:

- Reduction of fund balance;
- Elimination of 90 staff positions by the end of the four-year plan;
- Closing five schools by the end of the four-year plan;
- Reduction in supplies and professional development; and
- Reduction in athletic programs.

Director Townsend went on to say that the School District is not "out of the woods" yet; its budget remains an area of deep concern. The City's fiscal health is directly connected to the School District's fiscal health.

There being no further questions or discussion, Chair Lipke called for the vote.

Vote 8-0 in favor, to take effect immediately.

RESOLUTION NO. 07-21

LIFTING OF THE AUTHORITY'S WAGE FREEZE AND APPROVAL OF CITY OF BUFFALO REVISED FOUR YEAR FINANCIAL PLAN

WHEREAS, Section 3857 of the Buffalo Fiscal Stability Authority Act (the "BFSA Act") requires the City of Buffalo (the "City") to submit (i) a four-year financial plan that includes the City, the Buffalo Public School District, the Buffalo Municipal Housing Authority ("BMHA") and the Buffalo Urban Renewal Agency ("BURA")(collectively the "Covered Organizations") and (ii) the Mayor's proposed City budget to the Buffalo Fiscal Stability Authority ("BFSA") not later than the date required for submission of the budget to the Common Council as set by the City Charter, and

WHEREAS, the City submitted a four-year financial plan for fiscal years 2008-11 and the proposed 2007-08 City budget on May 1, 2007 to the BFSA that, for the first time since the Authority began approving four year financial plans and budgets of the City, projected no budget gaps during any year of the four year forecast period, and

WHEREAS, prior four year financial plans submitted by the City to the BFSA projected substantial budget gaps in one or more years of the forecast period as well as on a cumulative basis, including most recently for the 2006-07 fiscal year; and

WHEREAS, at the BFSA Board meeting on May 9, 2007, the Board discussed whether the City's improved financial condition evidenced a sufficient abatement of the fiscal crisis to consider the possibility of lifting the wage freeze in accordance with the provisions of the BFSA Act; and

WHEREAS, the BFSA Board requested that the City and its covered entities to prepare and deliver a revised four-year financial

plan that reflected the projected financial impact of lifting the wage freeze during the 2008-11 forecast period, and

WHEREAS, the City submitted the revised 2008-11 four-year financial plan on May 23, 2007, and

WHEREAS, the BFSA has received a Certificate from the Mayor that indicates that the budget submitted with the complete plan is consistent with the City's revised 2008-11 four-year financial plan and that the City operations within the 2007-08 budget are feasible as required by Section 3857(2)(a) of the BFSA Act, and

WHEREAS, the BFSA has reviewed the revised 2008-11 four year financial plan and determined that the absence of projected budget gaps during the four year forecast period reflects the City's improved financial condition and, among other factors, evidences that the fiscal crisis has sufficiently abated for the City's 2007-08 fiscal year to enable a lifting of the BFSA's wage freeze as of July 1, 2007, and

WHEREAS, the BFSA has also determined that additional City resources, in the form of increased levels of State aid to the City, as well as the pledge of the State to continue to provide the City with such increased levels of State aid in the future, are likely to be sufficient to offset the 2008-11 financial plan's projected additional labor costs of the City and its Covered Organizations resulting from the lifting the wage freeze, as well as additional costs contingencies that may result, and

WHEREAS, the BFSA has reviewed the revised four-year financial plan as submitted by the City and, taking into consideration the risk that actual experience may vary from budgetary and planning projections, has determined that the revised four year financial plan is in compliance with the applicable provisions of the BFSA Act, and

NOW, THEREFORE, BE IT RESOLVED, that the BFSA hereby determines that the fiscal crisis will have sufficiently abated for the City's 2007-08 fiscal year to warrant a lifting of the wage freeze, and the wage freeze (Resolution 04-35) is hereby lifted effective July 1, 2007; and be it further

RESOLVED, that the BFSA hereby certifies the revenue estimates in the revised 2008-11 four-year financial plan submitted to the BFSA by the Mayor on May 23, 2007; and be it further

RESOLVED, that the BFSA hereby determines that the revised 2008-11 four-year financial plan as submitted is complete, complies with the standards set forth in Sections 3857 and 3858 of the BFSA Act, and is hereby approved.

This Resolution shall take effect immediately.

Buffalo Public School
Superintendent Contract

Chair Lipke presented a resolution to approve the School District's proposed amendment to the Superintendent's contract. He asked Ms. Johnson to summarize the amendment for the Board.

Ms. Johnson stated that the contract amendment, as previously approved by the Buffalo Board of Education (BOE), extends the Superintendent's contract through FY 2011. It allows for \$15,000, which had been previously paid into an annuity account on the behalf of the Superintendent, to be paid instead of salary. The payment amount from the BOE would therefore remain the same for the term of the contract.

Motion to approve by Norwood, second by Townsend. Vote 8-0 to take effect immediately.

RESOLUTION NO. 07-22

AUTHORIZE THE BUFFALO SCHOOL DISTRICT TO ENTER INTO ONE CONTRACT

WHEREAS, Chapter 122 of the Laws of 2003, as amended, permits the Buffalo Fiscal Stability Authority ("BFSA") to review and approve or disapprove contracts or other obligations binding or purporting to bind the City or any covered organization, and

WHEREAS, in order to carry out the mission of the BFSA, the BFSA will review contracts or other obligations in excess of \$50,000, though the BFSA Act provides no limitation for such items, and

WHEREAS, the BFSA will review contracts or other obligations in excess of \$50,000, but will require approval by the full BFSA Board when the contract or obligation is valued at \$200,000 or more, and

WHEREAS, School District officials submitted correspondence to BFSA in which they seek the approval of one contract, together with the signed BFSA contract approval request form, in which they indicate that there are sufficient funds available for said contract, and

WHEREAS, BFSA staff has reviewed the contract and recommends its approval,

NOW THEREFORE BE IT RESOLVED, that the Buffalo Fiscal Stability Authority approves and authorizes the Buffalo School District to enter into the following contract:

Amendment to contract of employment for Superintendent of Schools

BFSA Issues

Review of BFSA Budget & Four Year Plan

Chair Lipke introduced BFSA's proposed budget and four-year plan. Ms. Johnson summarized these and stated that they had been reviewed earlier in the day by the Audit, Finance & Budget Committee and subsequently sent to the full Board for approval. The proposed Budget and Four-Year plan will be familiar to Directors as it had been included in the January 31st Board Book. It had also been made available at nine public libraries in the City of Buffalo as well as on BFSA's website.

She noted that the BFSA financial plan projects a decline in every year from budgets in the past. BFSA has had to budget for unknown legal risks, but has typically spent less than budgeted in this area. BFSA spending typically comes in at about \$1m annually with a fiscal year that ends June 30th. Also, State Aid to the City approved for 2007-08 and beyond has increased BFSA's projected revenues. The Governor's budget has \$281.9m coming through BFSA and, after BFSA spending is taken out, the money flows to the City on the same day. BFSA has a high AA credit rating. Budgetary spending is down.

Mayor Brown questioned whether or not the BFSA budget assumes that the City will do its own borrowing going forward. He questioned the increase in staff salaries and litigation expenses from prior year budgets. Ms. Johnson stated that the budget includes no assumptions that BFSA will borrow on the City's behalf. Increases in budgeted staff salary is not the result of salary increases but rather the difference between spending in prior years with unfilled staff positions compared with proposed spending for a full staff. The financial plan does not include BFSA staff raises. Expenditures for litigation is expected to decrease in every year of the financial plan.

Motion to approve by Townsend, second by Wilmers. Vote 8-0 to take effect immediately.

RESOLUTION NO. 07-23**ADOPTION OF 2007-08 BFSFA BUDGET AND 2008-11 FOUR YEAR PLAN**

WHEREAS, the Buffalo Fiscal Stability Authority ("BFSFA") was created by Chapter 122 of the Laws of 2003 ("BFSFA Act") to (1) oversee the City of Buffalo's budget, financial and capital plans, (2) issue bonds, notes or other obligations to achieve budgetary savings through debt restructuring, (3) finance short-term cash flow or capital needs and (4) if necessary, to develop financial plans on behalf of the City of Buffalo if it is unwilling or unable to take the required steps toward fiscal stability; and

WHEREAS, the BFSFA receives revenues according to the direction to the State Comptroller in the BFSFA Act, and incurs expenses for its operation and carrying out the functions prescribed in the BFSFA Act; and

WHEREAS, the Office of the State Comptroller's regulation 203 requires that BFSFA prepare a Financial Plan covering the budget year and the three subsequent fiscal years in a form similar to that of the budget, and

WHEREAS, the BFSFA has carefully reviewed and projected the revenues expected to be received and expenses expected to be incurred over the four-year period of the financial plan of fiscal years 2007-08 through 2010-11,

NOW THEREFORE, BE IT RESOLVED, that the Directors of the Buffalo Fiscal Stability Authority do hereby approve the 2007-08 BFSFA Budget and 2008-11 Financial Plan.

Renewal of Procurement Policy

At Chair Lipke's request, Ms. Johnson summarized the proposed BFSFA Procurement Policy. It is a renewal from the prior year's policy; the Audit, Finance & Budget Committee had recommended its approval.

Motion to approve by Norwood, second by Townsend. Vote 8-0 to take effect immediately.

RESOLUTION NO. 07-24**APPROVING PROCUREMENT POLICIES FOR CERTAIN CONTRACTS**

WHEREAS, the Buffalo Fiscal Stability Authority ("BFSFA") was formed by Chapter 122 of the Laws of 2003 to "oversee the city's

budget, financial and capital plans; to issue bonds, notes or other obligations to achieve budgetary savings through debt restructuring; to finance short-term cash flow or capital needs; and if necessary, to develop financial plans on behalf of the city if the city is unwilling or unable to take the required steps toward fiscal stability and

WHEREAS, the BFSA requires professional assistance in performing its mission, and.

WHEREAS, the BFSA is a public authority of the state of New York and as such is governed by certain state laws that specify the method for the procurement of certain services, and

WHEREAS, in order to comply with state law it was necessary for the BFSA to adopt Guidelines for the Use, Awarding, Monitoring and Reporting of Procurement Contracts, and

WHEREAS, in Resolution 03-36 adopted October 7, 2003, the BFSA adopted procurement guidelines as required by law; and

WHEREAS, in order to further comply with State law, it is necessary for the BFSA to review the adopted procurement guidelines at least annually; and

WHEREAS, the BFSA Audit, Finance, & Budget Committee reviewed and approved the proposed procurement guidelines on June 5, 2007, and

WHEREAS, upon a review of the current procurement guidelines, the BFSA finds that amendments are not needed at this time,

NOW THEREFORE BE IT RESOLVED, that the Buffalo Fiscal Stability Authority hereby adopts the Guidelines for the Use, Awarding, Monitoring and Reporting of Procurement Contracts that are attached to this resolution.

Renewal of Investment Guidelines

Again at the request of Chair Lipke, Ms. Johnson summarized the proposed BFSA Investment Guidelines. It is a renewal from the prior year's guidelines; the Audit, Finance & Budget Committee had recommended its approval.

Motion to approve by Norwood, second by Townsend. Vote 8-0 to take effect immediately.

RESOLUTION NO. 07-25**APPROVING BFSA INVESTMENT GUIDELINES**

WHEREAS, the Buffalo Fiscal Stability Authority ("BFSA") was formed by Chapter 122 of the Laws of 2003 to "oversee the city's budget, financial and capital plans; to issue bonds, notes or other obligations to achieve budgetary savings through debt restructuring; to finance short-term cash flow or capital needs; and if necessary, to develop financial plans on behalf of the city if the city is unwilling or unable to take the required steps toward fiscal stability; and

WHEREAS, Section 2925 of the Public Authorities Law requires public authorities to develop investment guidelines that establish a set of basic procedures to meet investment objectives, assure that investment assets are adequately safeguarded and collateralized, establish and maintain a system of internal controls including adequate accounts and records which reflect investment transactions and provide for accurate reporting and evaluation of investments in conformance with generally accepted accounting principles; and

WHEREAS, Section 3854 of the Buffalo Fiscal Stability Act directs BFSA as to permissible investments of public funds not subject to provisions of contracts with bondholders; and

WHEREAS, in Resolution 04-02 adopted January 21, 2004, the BFSA adopted investment guidelines as required by law; and

WHEREAS, in order to further comply with State law, it is necessary for the BFSA to review the adopted Investment Guidelines at least annually; and

WHEREAS, the BFSA Audit, Finance, & Budget Committee reviewed and approved the proposed Investment Guidelines on June 5, 2007, and

WHEREAS, upon a review of the current Investment Guidelines, the BFSA finds that amendments are not needed at this time,

NOW THEREFORE BE IT RESOLVED, that the Buffalo Fiscal Stability Authority hereby affirms the Investment Guidelines that are attached to this resolution.

Closing Remarks

Having no further business, Chair Lipke made a motion to adjourn, which was accepted unanimously. The meeting adjourned at 1:42 PM.