

**AUDIT, FINANCE & BUDGET COMMITTEE MEETING
BUFFALO FISCAL STABILITY AUTHORITY
THURSDAY, MAY 8, 2008**

The following are the minutes from the Buffalo Fiscal Stability Authority's Audit, Finance & Budget Committee Meeting held on Thursday, May 8, 2008, at the Buffalo & Erie County Public Library's Central Branch.

Committee Members Present: Giardino & Kolkmeier

Additional Directors Present [at the Chair's behest]: Arthur & Townsend

Staff Present: Kelly, Link, Miller, Mitchell & Mobley

The meeting of the Buffalo Fiscal Stability Authority's Audit, Finance & Budget Committee was called to order at 11:41 AM by Committee Chair John Giardino. He performed a roll call. Finding a quorum present, the meeting commenced.

Minutes

Director Giardino presented a resolution to approve the Committee's minutes from its March 31, 2008, meeting.

Motion by Kolkmeier, second by Giardino. Vote 4-0 to approve.

RESOLUTION NO. 08-03

APPROVING COMMITTEE MINUTES FROM MARCH 31, 2008

BE IT RESOLVED that the Audit, Finance & Budget Committee of the Buffalo Fiscal Stability Authority approves the minutes of its meeting March 31, 2008.

This Resolution shall take effect immediately.

Approved May 8, 2008

Preliminary BFA Budget & Four-Year Financial Plan

Director Giardino explained that BFA had held a public forum on Monday, May 5, 2008, in the Common Council Chambers of City Hall. While notice of the public forum had been advertised in a number of news outlets City-wide and posted in all of the City public libraries, it continues to be poorly attended. Further, while the public notices had invited input to the BFA's preliminary budget and four-year plan, none of the speakers in attendance made reference to it. He asked Executive Director Bertha H. Mitchell to provide an update on the preliminary BFA budget & Four-Year Plan.

Mrs. Mitchell stated that the preliminary budget & four-year plan had been prepared in accordance with GAAP [Generally Accepted Accounting Principles] on an accrual basis. Comparative amounts of the fiscal year were derived from the Authority's 2006 audited financial statements.

She continued with a summary of the revenues and expenditures in the budget.

Chair Kolkmeier asked for an explanation relative to State Aid revenues, specific to the variance between the City's full-year forecast in the budget of \$171 million versus the \$167 million listed in material in the BFA Board book. Mrs. Mitchell explained that the City was eligible for \$5 million in Spin-Up Aid funds from the State and had not requested this until April. The \$5 million is expected in

June. AIM 2007-08 funds were received on March 11, 2008. The funds were invested by BFSA and are released to the City upon the receipt of proper requests for funding.

Director Arthur requested clarification of the request to increase BFSA staff. He questioned why a sixth member of staff will be added in the new year when the Authority has been operating at five for sometime. Mrs. Mitchell explained that the Authority had only recently lost its sixth member of staff with the departure of Dr. Stefko, former Acting Executive Director. Prior to his departure, the Authority had budgeted for seven members, reduced to six with the departure of BFSA first Executive Director, Dorothy Johnson. Given the extent of the workload [encompassing the City and all of the Covered Entities] and with respect to her own eminent departure to occur in less than or equal to one year's time, a sixth staffer is prudent.

Director Giardino asked that an Organizational Chart along with a description of all duties and responsibilities be created for Director Arthur to further explain this viewpoint.

Chair Kolkmeier stated that the expenses remain stable with the exception of professional fees, particularly legal fees, which can vary greatly, and employee health insurance costs, which grow at an accelerated pace.

Director Arthur posed a question regarding BFSA meeting expenses specific to the Public Forum. He stated that the date selected for the Public Forum is too early because the City has only released a proposed budget & four-year plan that has not yet been approved by the Common Council. Further, it is not necessary to have the Regional Institute at the Forum at all. Mrs. Mitchell explained that the date of the Public Forum is ordained by the BFSA Act and must be held within ten days of the release of the proposed budget on May 1st. Further, the Act mandates that an independent body such as the Regional Institute report on the Forum. Director Arthur stated for the record that the process should be reevaluated because there is not enough time for the public to read the material and comment.

Director Giardino queried the arrangement in place with outside legal counsel. Mrs. Mitchell explained that Harris Beach, PLLC, was not on retainer but paid "per usage." This arrangement has been preferential to a retainer because the amount of labor hours worked by the firm varies based on a number of factors. In the litigation area it depends on how active each case is in the courts while in the general counsel area it varies widely with the issues that come up during a year. In 2007 labor issues created a heavier workload, but this has not been the case to date this year. Chairman Giardino offered to counsel staff on possibly considering a retainer type arrangement for general counsel issues.

Chair Kolkmeier asked for clarification on the "Other Professional Fees" expense category. Mrs. Mitchell explained that those fees primarily have covered studies that the Board itself requested and where BFSA staff did not have the expertise to do in house. In 2007 a good portion of the fees arose from a Charter School study that Price Waterhouse did at the request of the Board.

Mrs. Mitchell explained that the financial statements in the Board book do not reflect the entire revenue and expenditure picture as it does not include all the debt components. BFSA has over \$150 million of outstanding debt. She went over interest expense projections and sales tax set asides for debt repayments.

Adjournment

Motion to adjourn by Kolkmeier, second by Giardino. The meeting adjourned at 12:22 PM.