

BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
February 10, 2010

The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority held on Wednesday, February 10, 2010, in the Buffalo & Erie County Central Public Library Auditorium. The meeting was called to order at 1:01 PM.

Board Present: Arthur, Brown, Collins, Floss, Johnstone, Messiah and Olsen

Staff Present: Kelly, Link, Miller, Mobley and Mongold

Additionally Present: Mr. Paul Braunsdorf, Esq., Outside Legal Counsel with Harris Beach, PLLC.

Opening Remarks

Director Johnstone opened the meeting at the behest of Vice-Chair Townsend.

Director Johnstone stated:

- * Vice-Chair Townsend would not be in attendance due to the cancellation of her flight from New York City;
- * Vice-Chair Townsend has served in the capacity of Acting Chair since the resignation of former-Chair Paul J. Kolkmeier;
- * The Directors had been notified that a new Director had been appointed to the Board by Governor Patterson. The Directors were subsequently notified that the newly appointed member, Mr. Nils Olsen, Jr., has been appointed as Chair of the Board.

Director Johnstone thanked Vice-Chair Townsend for her dedication and hard work in her capacity as Acting Chair and introduced Chair Olsen.

Chair Olsen thanked Director Johnstone for the introduction. He noted that he was personally familiar with many current members of the Board and looked forward to working with them. He thanked the BFSA staff for their hard work and accessibility. He thanked Vice-Chair Townsend, Director Johnstone, as well as City Commissioner of Administration, Finance, Policy and Urban Affairs, Ms. Janet Penksa for the “warm welcome” to the Board.

Chair Olsen noted the day’s agenda, as follows:

Governor’s Executive Budget -

- * An overview will be provided on the potential financial impact of the Governor’s Proposed 2010-11 Executive Budget on both the City and the School District.

City of Buffalo (the “City”) -

- * Consideration to approve the City’s 2010-2014 Capital Improvement Plan;
- * A brief review of the 2009 audited financial statements and final operating results;
- * A brief review of the second quarter report for 2010.

Buffalo School District (the “District”) –

- * A brief review of the 2009 audited financial statements and final operating results;
- * A brief review of the second quarter report for 2010.

Buffalo Municipal Housing Authority (the “BMHA”) -

- * A brief review of the second quarter report for 2010;
- * An Executive Session to discuss a personnel related issue;
- * A vote for a contract extension of the Executive Director.

Buffalo Urban Renewal Agency (the “BURA”) -

- * A brief review of the second quarter report for 2010.

Buffalo Fiscal Stability Authority (the “BFSA”) -

- * A vote to reconstitute the Audit, Finance and Budget Committee and the Governance Committee.

Chair Olsen noted that a draft 2010 BFSA public meeting calendar had been provided as an additional document within the board books. The calendar will be presented to the Governance Committee on March 11, 2010, and subsequently to the full board for its consideration. He requested that the Directors review the dates and report potential conflicts to the staff.

At 1:06 PM Mayor Brown entered the proceedings.

Roll Call

Chair Olsen asked Secretary Arthur to call roll.

Director Arthur called a roll of the Directors and confirmed that a quorum was present.

Approval of Minutes

Chair Olsen introduced Resolution 10-01, “Approving Minutes from December 9, 2009.” He asked for a motion to move the item.

Director Arthur made a motion to approve which was contingent on some minor edits. He noted several instances where the text of the resolutions was placed prior to the vote count and asked that this language be moved forward in the document with the vote count placed afterward. Additionally, he noted that Mr. A. V. Buzard, ESQ., BFSA’s outside legal counsel with Harris Beach, PLLC., had made a comment explaining the relationship between Harris Beach, PLLC, and the District. He was not certain that this statement had occurred at the December 9, 2009, meeting but wanted to ensure that the statement was documented in the public record.

Executive Director Jeanette Mongold replied that the statement likely was made at an earlier meeting and would instruct staff to research this issue.

Chair Olsen asked for a second to the motion which was offered by Director Mesiah.

**RESOLUTION NO. 10-01
APPROVING MINUTES FROM DECEMBER 9, 2009**

BE IT RESOLVED that the Buffalo Fiscal Stability Authority approves the minutes of its meeting on December 9, 2009, and ratifies and affirms resolutions 09-41 through 09-46 that were approved December 9, 2009.

This resolution shall take effect immediately.

Vote to approve 7-0.

Governor Patterson's Executive Budget FYE 2011
Potential Fiscal Impact on the City of Buffalo & the Covered Organizations

Chair Olsen introduced the next item on the agenda; an overview of the potential fiscal impact of the Governor's Executive Budget on the City and the District. He asked Principal Analyst Michael Kelly to provide the Board with a summary of the staff's findings.

Utilizing a slide-show presentation, Mr. Kelly provided the following summary:

Introduction

- * Every year to begin the budget process for New York State ("NYS"), the Governor releases his proposed budget often referred to as the "Executive Budget Proposal."
- * The Executive Budget Proposal is merely the first step along the way in putting together a NYS budget for the upcoming fiscal year which runs from April 1st to March 31st.
- * Subsequent to the Governor's proposed budget, he releases an amended budget twenty-one days after his first proposal, which is sent to the State Legislature for consideration.
- * In NYS, the Legislature is required to adopt a budget by April 1st each year. This deadline has been missed in the past.
- * The Executive Budget Proposal has serious implications for units of local government around the State.

Summary

- * In Buffalo's case, the Executive Budget Proposal calls for a 1% decrease in Aid and Assistance to Municipalities ("AIM") for the 2010-11 fiscal year. AIM is the largest source of General Fund State Aid bestowed to local governments from Albany on an annual basis.
- * The proposed 1% reduction would translate into a \$1.7 million reduction from the currently enacted budget. While some might conclude that a 1% or \$1.7 million reduction is a small price to pay considering the State fiscal crisis, one has to also consider that back in December, the State reduced Buffalo's AIM by 1% or another \$1.7 million, as part of the State's "Deficit Reduction Plan."
- * Taken together, the \$1.7 million December 2009 reduction and the proposed \$1.7 million reduction in AIM, Buffalo is faced with a combined potential loss of \$3.4 million when compared to the adopted State budget for the current 2009-10 fiscal year.
- * For municipalities, costs typically increase annually. State Aid is expected to decrease moderately while costs increase.

City Impact

- * To start the 2009-10 fiscal year, the City expected to receive over \$169 million in State AIM, but for 2010-11, based on the Governor's proposed budget, the City would receive a little over \$165.6 million.
- * The Executive Budget also calls for a 50% reduction in "Efficiency Incentive Grants." These grants are provided to foster investments necessary to restructure City operations in order to provide savings. The proposed budget would honor in full all grant awards made prior to December 1, 2009, but reduce remaining available funds by 50 percent.

- * Buffalo currently has \$9.2 million in undesignated Efficiency Incentive Grant funds. With the 50 percent reduction the City would have access to approximately \$4.6 million for 2010-11.
- * The Executive Budget proposal indicates that there will be some initiatives to “wring” greater efficiencies out of operations. These initiatives are not clearly defined at this time, nor have any financial models been completed to indicate what these could potentially mean for a City such as Buffalo.

School District Impact

- * Not only is the City adversely affected by the Executive Budget proposal, but the Buffalo Public Schools are also facing a significant reduction in State assistance.
- * Overall the Buffalo Public Schools are faced with a 3% reduction in State Formula Aid.
- * The largest component of this reduction is an \$18.4 million reduction as part of the State’s “Gap Elimination Adjustment.” Secondly, the City schools are faced with a \$3.5 million reduction in “Building Aid.”
- * These cuts are offset to a minimal degree by slight increases in Transportation Aid, Special Services Aid and Charter School Aid.
- * Taken together, the District is facing a \$19.5 million total decrease in State from budgeted levels in the current fiscal year of 2009-10, as proposed by the Governor.
- * Based on the Executive Budget proposal and the amount of State Aid proposed, per pupil State assistance would decrease \$668 per student in the district from the 2009-10 fiscal year to the 2010-11 fiscal year. This is the second consecutive year that State Aid per pupil would decrease.

Governor’s proposed budget initiatives

- * Foundation and assistance for Universal Pre-K would be delayed and implemented over a 10 year period versus the initially proposed 7 year period.
- * There would be a four year moratorium on unfunded mandates, designed to assist school districts avoid future cost increases. No estimates of potential savings were provided by the State.
- * There would be an exemption from the Wick’s Law for School Districts. This proposal could cut costs by eliminating the multi-bidder requirements for school districts undertaking construction projects. No estimates of potential savings were provided for this proposal.
- * Additionally, the Contract for Excellence program would be maintained by the State.

Mr. Kelly concluded his presentation.

Chair Olsen asked if any Directors had any question or comments regarding the item.

Mayor Brown stated that both he and Commissioner Penksa had had the opportunity to provide testimony to the joint fiscal committees of the New York State Senate and Assembly. The request was made to maintain the current levels for the City of AIM funds and the Efficiency Grant funding at this time. He stated, “Additionally, we expressed a desire to have the “Restore NY” funding reauthorized. Restore NY is a three-year program that provided funding for demolition and renovation activities, both residentially and commercially. Over the three year period of that program, the City secured almost \$26 million, so we felt that this was a critical program for Buffalo, which has the highest rate of vacant housing in the State, and one of the highest rates of vacancy in the nation. The Legislators seemed very sympathetic; hopefully our requests for this funding will be favorably considered.”

City Issues

Capital Improvement Plan

Chair Olsen advanced the agenda on to City issues. He noted that the City had submitted its 2010-2014 Capital Improvement Plan (the "CIP") for the Board's consideration and approval. The plan had been previously approved by the Buffalo Common Council (the "Common Council"). He directed the Board's attention to two items that had been submitted on the CIP. The first is a letter from Mayor Brown to the Board for approval of the 2010 CIP and the second is a letter from the City Comptroller to the Mayor containing financial information on the spending cap and status of current capital projects and related bond accounts.

He asked Mr. Kelly to provide a summary of the Capital Improvement Plan to the Board.

Utilizing a slide-show presentation, Mr. Kelly provided the following information:

CITY OF BUFFALO 2010-2014 CAPITAL IMPROVEMENT PLAN

Introduction

- * The City submitted its CIP budget and five-year plan to BFS.A.
- * The budget and plan are components of an annual planning process for capital expenditures covering both the City and School District, leading to the annual capital borrowing.
- * The CIP is a five-year plan for addressing the City's anticipated needs for physical infrastructure, facilities such as streets, parks and public buildings.
- * Capital improvements typically involve the construction, purchase or renovation of buildings, parks, streets or other physical structures or equipment.
- * The CIP establishes the current year capital budget (i.e., the items for which the City intends to issue capital bonds in the current year), as well as a schedule of capital purchases the City anticipates making in the following four years.
- * The multi-year plan, which is re-evaluated, revised and adopted each year, enables a forward-thinking strategy for addressing capital needs within the City's ability to pay anticipated borrowing costs. It also enables the City to coordinate and prioritize projects within its debt capacity.
- * The 2010 capital budget contains \$27.6 million in total capital spending, of which \$22.7 million is for the City and \$4.9 million is for the School District.

Capital Spending Overview (spending by percentage)

- * Public Works - 45%
- * District -18%
- * Police & Fire - 12%
- * Economic Development - 7%
- * Miscellaneous – approximately 18%

Capital Spending Overview (spending by project)

City of Buffalo

- * Infrastructure Repairs - \$4.8 million
- * Park Improvements - \$4.3 million
- * Demolitions - \$2.0 million
- * Upgraded Police and Fire Radio System - \$1.6 million

District

- * Reconstruction of various schools - \$3.2 million
- * Mechanical / Electrical work - \$1.7 million

Capital Borrowing (2004 to present)

- * 2004 - \$15.2 million
- * 2008 - \$31 million
- * 2010 - \$27.6 million (anticipated)
- * 2004-10 - \$23.6 million (mean)

Mr. Kelly concluded his presentation.

Chair Olsen asked if any Directors had any question or comments regarding the issue.

Director Floss asked a question relative to the repayment of debt. He queried, “whether or not we’ve maximized the downturn in interest rates. Since the Federal Reserve today is coming out with a plan to raise interest rates, are we taking that into consideration to pay down whatever debt is part of our Capital Plan so that in the out-years we are able to have more money?”

Mr. Kelly replied, “One thing that I’d point out is that today is the approval of just the plan. The borrowing will take place at a future date, typically mid-to-late spring. It is something that will have to come back to the Board for approval.”

Ms. Mongold agreed with these comments and added that, “the timing of the borrowing is tricky. The Comptroller’s office has an outstanding financial consultant to [aid] with the timing of the borrowing and entering the market.”

Mr. Floss noted that the approval today is tied to the ultimate borrowing and wanted the Board to know that the timing of the borrowing is critical, given the movement in borrowing rates.

Mayor Brown added, “The Comptroller watches this process very closely and sets a debt limit for what the capital borrowing can be so that it is affordable for the City to repay. As you all know, for the past three years, working with the Comptroller’s office, we have been able to see several bond rating upgrades. The City, through its very conservative fiscal management, working with the Control Board, has seen a rating upgraded three times. The debt limit that we have, with the \$27 million, certainly is affordable for the City to pay back. We think that, at the rating we have, we can do this at a level that is affordable.” Additionally, “the City received over \$120 million in capital requests for the spending plan (City & District). There are a lot of needs. We wish we had more money to spend but the borrowing is within the limits set by the Comptroller.”

Motion to approve by Arthur, second by Messiah.

RESOLUTION NO. 10-02

APPROVAL OF CITY OF BUFFALO 2010 CAPITAL IMPROVEMENT BUDGET

WHEREAS, Chapter 122 of the Laws of 2003, as amended by Chapter 86 of the Laws of 2004, authorizes the Buffalo Fiscal Stability Authority (“BFSA”) to approve the City of Buffalo’s four-year financial plan that encompasses the City of Buffalo, the Buffalo Public Schools and other covered organizations, and may include a capital budget, and

WHEREAS, the Charter of the City of Buffalo requires the Mayor to prepare and submit a capital budget and four-year recommended capital improvement program after receiving a recommendation from the Citizens Planning Council (“CPC”), and

WHEREAS, after receiving CPC’s recommendation, the Mayor submitted a capital budget to the Common Council for its consideration, and

WHEREAS, the Mayor has submitted the capital budget to BFSA for its consideration, and

WHEREAS, the City of Buffalo will submit for approval the proposed terms of the bond issuance to finance the capital improvement program and include in its budget and four year financial plan the necessary resources to make the debt service payments required by this capital budget, and

WHEREAS, in approving last year’s capital budget, BFSA noted the following caveat: “That the City of Buffalo continue to reduce its use of capital borrowing for short-term operating expenses that are not supported by a long-term physical asset with the goal of eliminating the practice,” and

WHEREAS, in approving last year’s capital budget, BFSA also noted the following caveat: “That the City of Buffalo continue to rescind authorized but unissued debt whenever possible,” and

NOW THEREFORE BE IT RESOLVED, that the Buffalo Fiscal Stability Authority does hereby approve the City of Buffalo’s 2010-2014 Capital Improvement Program Budget as submitted by the Mayor on January 19, 2010, and

BE IT FURTHER RESOLVED, that BFSA does hereby reaffirm the caveats it included in its approval of last year’s capital budget, “That the City of Buffalo continue to reduce its use of capital borrowing for short-term operating expenses that are not supported by a long-term physical asset with the goal of eliminating the practice,” and “That the City of Buffalo continue to rescind authorized but unissued debt whenever possible.”

This resolution shall take effect immediately.

Approval 7-0.

Financial Statement Update

Chair Olsen advanced the agenda. He noted that the City Comptroller had recently issued the 2009 financial statements. He asked Ms. Mongold to present the staff’s summary.

Utilizing a slide-show presentation, Ms. Mongold provided the following information:

Introduction

* At the beginning of 2009, the City started the fiscal year with an adopted budget of \$435 million.

- * The budget did not include any plan to use fund balance. Revenues are therefore equal to the expenditures.

Operating Budget

- * In order to determine the operating budget, the following three budget amounts must be considered:
 1. The amount of funds transferred to the District (\$70.3 million);
 2. The amount used for debt service (\$28.8 million); and
 3. The amount transferred to the Solid Waste fund (\$2.0 million), which has been operating at a deficit for a number of years.
- * The Operating Budget is therefore reduced to \$333.9 million.

Final Budget

- * Budgeted appropriations increased during 2009 by \$25.8 million.
- * These increases are a result of the following:
 1. Encumbrances (commitments that the City has entered into but not yet rendered) - \$7.7 million (these expenditures will automatically roll forward as increases to the next year's budget);
 2. Spin-up Aid – increased by \$10 million and used for demolitions;
 3. AIM – increased by \$2.9 million and also used for demolitions;
 4. Fund Balance - \$4.9 million to be used for prior years' claims and contingencies;
 5. Miscellaneous - \$0.3 million
- * The revised budget was higher at \$460.8 million.
- * Out of the \$25.8 million increase in the budget, \$13.3 million had additional revenue sources identified.
- * There was a planned use of Fund Balance of \$12.5 million.

Final 2009 Budget vs. Actual

- * Actual Revenues were \$4.3 million more than budgeted. This variance is not significant as it is less than 1% of total budgeted revenues.

Explanations on Variances

- * Three primary drivers:
 1. General Government Support:
 - Administrative Expenses - \$2.0 million, favorable variance
 - Utility Costs - \$2.3 million
 2. Fringe Benefits - \$3.0 million, unfavorable variance
 - Estimate for unsettled labor contracts
 3. Debt Service - \$2.0 million, favorable variance
 - No cash borrowing necessary for fiscal year 2009
- * The City had budgeted use of Fund Balance at \$12.5 million.
- * Actual use of Fund Balance as \$3.7 million, a positive variance of \$8.8 million, due to stronger revenues and less than anticipated expenditures.

Looking at 2009 on an actual basis:

- * Total Fund Balance increased \$5.3 million over year 2008 to \$138.6 million.
- * Unreserved Fund Balance decreased \$12.6 million over 2008
 - Unreserved, Designated decreased \$1.9 million (includes “Rainy Day Fund” of \$33.6 million)
 - Unreserved, Undesignated decreased \$10.7 million

Director Arthur asked if the City spends about \$1 million dollars a day; roughly \$30 million a month. Ms. Mongold confirmed that that was one way of looking at it.

Historic

- * Total Fund Balance has steadily increased since 2001-02.
- * Unreserved, undesignated similarly increased from 2001-02 until 2006-07 when the Rainy Day Fund was created.

Ms. Mongold concluded her presentation.

Chair Olsen asked if any Directors had any question or comments regarding this item. He noted that the steady increase in fund balance was impressive and acknowledged the work of the Mayor and his staff.

2nd Quarter Gap Report

Chair Olsen advanced the agenda to the next order of business, the City’s 2nd Quarter. He asked Mr. Kelly to provide a summary of this report for the Board.

Utilizing a slide-show presentation, Mr. Kelly provided the following:

Introduction

- * Budgeted revenues and expenditures are each totaling \$449.1 million.
- * Projected revenues total \$451.3 million; projected expenditures total \$449.4 million.
- * Overall, after the second quarter, the City is projecting a positive surplus of \$1.9 million.

Revenues Projecting Over-Budget

- * Revenues are trending over budget by nearly \$2.2 million.
- * Two notable categories are intergovernmental revenues, which are projecting over budget by nearly \$1.7 million, and miscellaneous revenues, currently projecting over budget by nearly \$900,000.
- * Revenues from fines are currently projecting under budget by \$1.0 million.

City Expenditures

This includes departmental spending alone and excludes general charges.

- * Twelve of fourteen departments are trending under budget, a total savings of \$2.2 million.
- * Factoring in general charges, expenditures are currently projecting over budget by \$300,000. One of the largest factors contributing to the overage is an \$8.5 million salary adjustment setting aside funds for potential salary increases tied to unions out-of-contract.

- * Personnel totals – vacancies currently total 172 and nearly approach 7 percent of the City’s workforce.
- * Spending in Administration and Finance is projecting under budget by nearly \$1.0 million.
- * Public Works spending is projecting under budget by over \$1.7 million.
- * Fire Department spending is currently projecting over budget by approximately \$325,000.
- * The Law Department is projecting over budget by \$107,000.

Risks

- * December of 2009 saw an AIM decrease of \$1.7 million.
- * There is uncertainty over the level of future State Aid with a possibility for further reductions.
- * General Charges spending for the City is currently projecting \$6.1 million dollars over budget and largely tied to a salary adjustment for unsettled union agreements (\$8.5 million). If other areas of general charges spending should spike for some reason, the City’s fiscal year ending performance could be negatively affected.
- * There is uncertainty regarding the City’s takeover and management of its parks. Some early indications seem to point to spending on the City’s parks system as inadequate and in need of additional spending for effective operation and management.
- * The City has taken a cautious approach and froze certain budgetary lines in departments (supplies, travel, etc...). Savings from this freeze are expected to equal \$2.7 million. Such a freeze could affect certain departments’ abilities to deliver services to citizens and will need to be watched closely.

Mr. Kelly concluded his presentation.

Chair Olsen asked if any Directors had any question or comments regarding the issue. Hearing none, he advanced the agenda.

School District Issues

Financial Statement Update

Chair Olsen introduced the next item on the agenda, the review of the District Financial Statements. He asked Ms. Mongold to provide a review of the staff’s summary.

Utilizing a slide-show presentation, Ms. Mongold provided the following:

Final 2009 Budget vs. Actual

- * The net change in the Final 2009 Budget Fund Balance was \$28.8 million.
- * The 2009 actual net change in Fund Balance was \$50.6 million, a variance of \$79.4 million.

Explanations of Variances

- * Actual revenues are consistent with the budget. There is a difference of less than 1% of revised budget.
- * Expenditures have a positive variance of \$82.6 million:
 - 11% of the revised budget;
 - \$37 million budgeted for wage freeze litigation;

- Revised variance of \$45.6 million = 6% of revised budget.

Operating

- * Lower than projected utility rates - \$4.2 million;
- * Health insurance savings - \$9.6 million;
- * Lower than projected retirements - \$2.0 million;
- * Staff vacancies - \$3.7 million;
- * Total Operating accounts for \$19.5 million of total variance.

Instructional

- * Instructional related savings (e.g., supplies, contracts, etc...) - \$3.7 million;
- * Vacancies and lower compensation levels - \$7.1 million (100 new teachers brought in at lower salary levels);
- * Total Instructional accounts for \$10.8 million of total variance.

Additional

- * Charter School Payments (less students attended than projected) - \$4.8 million;
- * Pupil transportation - \$2.1 million.

Summary

- * Total Fund Balance increased \$50.6 million over 2008;
- * Unreserved Fund Balance increased \$39.2 million over 2008;
 - Unreserved, Designated increased \$30.4 million;
 - Unreserved, Undesignated increased \$8.8 million;
 - Total Fund Balance at June 30, 2009 - \$169.9 million

Significant Fluctuations (2008-2009)

- * Total revenue increased \$46.6 million (6.9%);
 - State Aid increased \$51.1 million (9.3%)
- * Total expenditures increased \$24.0 million (including encumbrances);
 - Employee benefits - \$8.4 million
 - Charter school payments - \$5.7 million
 - Instruction - \$4.4 million
 - General support - \$4.0 million
 - Transportation - \$1.5 million.

Ms. Mongold concluded her presentation.

Director Arthur asked for an update on the current status of the wage freeze litigation. Ms. Mongold suggested that it may be prudent to discuss this issue in an executive session.

Director Arthur clarified that he wished to hear an update on the appeals process and which court was currently reviewing the lawsuit.

Mr. Paul Braunsdorf, Esq., Outside Legal Counsel with Harris Beach, PLLC, replied, “The permission to appeal to the Court of Appeals, the highest court in the State, has been sought. We are waiting for resolution from the Court.”

Director Arthur asked how long this process would take. Mr. Braunsdorf replied that it was difficult to say but that it has been pending for several months and should reasonably be expected to be resolved within the next few months. He added that there was no oral argument involved in the motion; it had been submitted via legal papers.

Director Arthur expressed his frustration noting the length and cost of the process without a resolution of the lawsuit. He asked whether or not the Superintendent was in negotiations to resolve the situation. Mr. Braunsdorf replied that he wasn't privy to this information but would not be at liberty to disclose this type of information in a public meeting.

Second Quarter Gap Report

Chair Olsen introduced the next item on the agenda, the review of the District's Second Quarter Gap Report. He asked Principal Analyst Bryce Link to provide a review of the staff's summary.

Utilizing a slide-show presentation, Mr. Link provided the following:

Introduction

- * The District is projecting a positive variance of \$2.95 million

Revenues

- * In December 2009, the State reduced State Aid to the District by \$5 million. This was offset by the use of Federal stimulus funds of \$5.8 million.
- * Actual revenue has only been slightly lower than budgeted by about \$200 thousand.

Expenditures

- * Actual expenditures have been lower than budgeted by \$3.2 million due to such factors as under-spending, lower utility costs, and lower than anticipated staffing levels.
- * There are several factors outside of the District's control which could adversely affect the current year's budget as well as following years' budgets:
 1. The potential for additional current year reductions in State Aid (no guarantee of additional Federal stimulus funds as received in the current year);
 2. The potential for State Aid lags (delayed payments);
 3. The potential of an unfavorable decision in regards to the steps litigation
 4. A continued softening of sales tax receipts.

Mr. Link concluded his presentation.

Director Arthur referred back to the Financial Statement presentation and asked for clarification relative to the \$1.5 million increased transportation cost. He asked if it was a result of the District's facilitation of busing previously performed by area charter schools.

Mr. Link noted two components of the issue: the District's policy to only provide transportation within City limits and the utilization of more efficient bus routes. He directed the question to District Chief Financial Officer, Ms. Barbara Smith for further elaboration.

Ms. Smith addressed the Board and stated the following:

- * The transportation savings in 2008-09 were the result of more efficient routing;
- * In year 2009-10 additional savings through efficiencies were realized through the new transportation policy and additional more efficient routing.
- * The change in the transportation policy was that the District would no longer provide transportation for students who reside outside of the District.

Director Arthur asked for a breakdown of the savings in expenditures relative to the savings realized through route efficiencies and through discontinued transportation of students outside of the District. Ms. Smith replied that this level of detail was not on-hand but would provide it following the meeting.

Director Mesiah asked if there had ever been a study by the State or other entity conducted to determine the most efficient delivery of transportation services for the Buffalo School District in concert with other area districts. Based on observational evidence, it appears that greater efficiencies and therefore cost savings could be realized through the economies of scale by combining the transportation efforts of area school districts.

Ms. Smith replied that the District has examined being more efficient with routing within its own district. The District has tried to avoid adding on additional students from other districts. The issues of having other districts provide transportation for Buffalo School District has not been examined. She added that there are issues with State reimbursement for Transportation Aid which complicates the issue.

Director Mesiah stressed that the potential for greater efficiencies by extending bus routes beyond City limits should be examined.

BMHA Issues

Second Quarter Gap Report

Chair Olsen introduced the next item on the agenda, the review BMHA's Second Quarter Gap Report. He asked Mr. Kelly to provide a review of the staff's summary.

Utilizing a slide-show presentation, Mr. Kelly provided the following:

Summary

- * BMHA's housing unit portfolio or Asset Management Plan ("AMP") revenue is on target after the second quarter at 48% or \$14.9 million of budgeted amounts.
- * Expenditures total 43% or \$12.6 million of budget, resulting in a positive cash flow of \$1.6 million after debt service, energy programs and other capital outlays.
- * Central Office Operations revenue totals 42% or nearly \$2.5 m after the 2nd quarter, while Central Office expenditures total 37% or \$2.1 m, resulting in positive cash flows of nearly \$345,000.
- * Spending on federal stimulus projects has begun and currently stands at about 27% of BMHA's allocation. Projects are currently getting underway; spending is expected to increase during the

third quarter of 2009-10 operations.

- * The Second Quarter Financials for BMHA do not reflect the retroactive payment portion from the recently approved collective bargaining agreement (“CBA”) with BMHA employees.
- * These costs are expected to be reflected in the third quarter report.

Mr. Kelly concluded his presentation.

Chair Olsen asked if any Directors had any question or comments regarding the issue. Hearing none, he advanced the agenda.

Executive Session

Chair Olsen requested a motion to move into Executive Session to discuss BMHA personnel issues.

Director Arthur offered a motion to enter into Executive Session with the sole purpose of discussing the BMHA Executive Director’s contract extension. The motion was duly seconded by County Executive Collins.

Approval 7-0 to enter into Executive Session.

Executive Session February 10, 2010

Board Present: Arthur, Brown, Collins, Floss, Johnstone, Messiah and Olsen

Staff Present: Kelly and Mongold

Mr. Paul Braunsdorf, Esq., Outside Legal Counsel with Harris Beach, PLLC.

The Board met in Executive Session at 2:03 PM specifically to discuss the contract extension for the BMHA Executive Director. The meeting adjourned at 2:10 PM.

Exit from Executive Session

At 2:12 PM, the Board exited from Executive Session.

Chair Olsen requested a motion to exit from Executive Session.

Motion to exit Executive Session by Arthur, second by Collins. Approval 7-0 to exit Executive Session.

Executive Director Contract Extension

Chair Olsen introduced the next item for consideration on the agenda, the approval of the BMHA Executive Director's Contract Extension. He asked for a motion to move the item.

Motion by Arthur, second by Mesiah.

RESOLUTION NO. 10-03

**AUTHORIZATION FOR THE BUFFALO MUNICIPAL HOUSING AUTHORITY ("BMHA")
TO EXTEND THE EMPLOYMENT CONTRACT WITH THE EXECUTIVE DIRECTOR**

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, BMHA officials submitted correspondence to BFSA in which they seek the approval of a one-year contract extension for the current Executive Director, together with the signed BFSA contract approval request form, in which they indicate that there are sufficient funds available for said contract; and

WHEREAS, the BFSA approved the original two-year employment contract for BMHA's current Executive Director at its March 21, 2007 Board of Director Meeting; and

WHEREAS, the BFSA previously discussed the contract extension for BMHA's current Executive Director in Executive Session at the July 29, 2009 Board meeting and tabled the contract extension, and

WHEREAS, this contract extension with the current Executive Director of the BMHA will be for a one-year period effective retroactive to May 1, 2009 and will expire on April 30, 2010; 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 BMHA to enter into the following contract:

1. Addendum to contract of employment with the current Executive Director of BMHA

This Resolution shall take effect immediately.

Vote 7-0 to approve.

BURA Issues

Second Quarter Gap Report

Chair Olsen introduced the next item for consideration on the agenda, the review of BURA's Second Quarter Gap Report. He asked Mr. Kelly to provide a summary of the staff's analysis.

Utilizing a slide-show presentation, Mr. Kelly provided the following information:

Summary

- * BURA revenues total \$9.2 million or nearly 32% of budgeted levels after the second quarter. Program related expenditures total \$9.2 million or nearly 32% as of December 31, 2009.
- * BURA operations, which generally include salaries and benefits, total about \$1.8 million or 36% of budgeted levels at the end of the second quarter.
- * Both revenue receipt and spending is down at this point during the fiscal year for BURA. This is largely the result of HUD (United States Housing and Urban Development Agency) rejecting BURA's initial Annual Action Plan and subsequently issuing a late approval.
- * BURA fully expects that funding will finish at or near budgeted levels by the end of the current fiscal year.
- * BURA continues to address findings and concerns related to HUD's monitoring of BURA's CDBG (Community Development Block Grant) program and expect to have two additional findings cleared up in the near future.
- * BURA has recently lost some key personnel. Most of these vacancies remain. It will be important for BURA to fill these vacancies with qualified individuals in the near term to bring stability and expertise under the BURA "umbrella".
- * BURA recently hired Mr. James Wimbley as their Director of Administration, filling one of the key vacancies at BURA since last Fall.

Mr. Kelly concluded his presentation.

Chair Olsen asked if any Directors had questions or comments. Hearing none, he advanced the agenda.

BFSA Issues

Reconstitute Committees

Chair Olsen introduced Resolution 10-04, "Reconstitute the Governance Committee" and Resolution 10-05, "Reconstitute the Audit, Finance & Budget Committee" to reconstitute the statutorily committees. He noted that he had discussed the minutia of the committees with staff and believed that maintaining the continuity of the committees was essential. He asked for a motion to move these resolutions in unison.

Motion to approve by Arthur, second by Collins.

RESOLUTION NO. 10-04
RECONSTITUTE GOVERNANCE COMMITTEE

WHEREAS, the Board of Directors (“Board”) of the Buffalo Fiscal Stability Authority (“BFSA”) approved Resolution No. 06-27 establishing a Governance Committee (“Committee”) on April 12, 2006; and

WHEREAS, the Board of the BFSA approved Resolution No. 07-54 reconstituting the Committee on November 7, 2007; and

WHEREAS, the Committee was established because BFSA falls under the requirements of the Public Authorities Accountability Act of 2005, which has the stated purpose of ensuring greater efficiency, openness and accountability for public authorities within New York State; and

WHEREAS, the Public Authorities Accountability Act requires each state authority to establish a governance committee comprised of independent members; and

WHEREAS, the composition of the Committee was previously the Board Chair Paul J. Kolkmeier, Board Vice-Chair Alair A. Townsend, and Board Secretary George K. Arthur; and

WHEREAS, Mr. Paul J. Kolkmeier is no longer a member of the Board.

NOW THEREFORE BE IT RESOLVED, in the interest of the ongoing operation and continued efficiency of the Committee, the Governance Committee is hereby reconstituted to include Board Chair R. Nils Olsen Jr., who will serve as Chair of the Committee, Board Secretary George K. Arthur, and Director Gail E. Johnstone.

This Resolution shall take effect immediately.

RESOLUTION NO. 10-05
RECONSTITUTE AUDIT, FINANCE AND BUDGET COMMITTEE

WHEREAS, the Board of Directors (“Board”) of the Buffalo Fiscal Stability Authority (“BFSA”) approved Resolution No. 03-55 establishing an Audit, Finance and Budget Committee (“Committee”) on October 21, 2003; and

WHEREAS, the Board of the BFSA approved Resolution No. 07-32 reconstituting the Committee on August 8, 2007; and

WHEREAS, the Board approved Resolution No. 07-55 reconstituting the Committee on November 7 2007; and

WHEREAS, the composition of the Committee was previously the Board Chair Paul J. Kolkmeier, Director John J. Giardino, and Director Wayne W. Mertz; and

WHEREAS, Mr. Paul J. Kolkmeier is no longer a member of the Board; and

WHEREAS, Mr. Wayne W. Mertz is no longer a member of the Board; and

NOW THEREFORE BE IT RESOLVED, in the interest of the ongoing operation and continued efficiency of the Committee, the Committee is hereby reconstituted to include Director John Giardino, who will continue to serve as Chair of the Committee, Board Vice-Chair Alair A. Townsend, and Director Fredrick G. Floss.

This Resolution shall take effect immediately.

Vote 6-0 to approve (Mayor Brown abstained).

Adjournment

Director Arthur offered a motion to adjourn the meeting that was duly seconded by Chair Olsen. The meeting adjourned at 2:20 PM.