

BUFFALO FISCAL STABILITY AUTHORITY

Meeting Minutes

June 9, 2010

The following are the minutes from the Special Meeting of the Buffalo Fiscal Stability Authority's Board of Director held on Wednesday, June 9, 2010, in the Market Arcade Building Complex, 1st Floor Conference Room. The meeting was called to order at 1:09 PM.

Board Present: Arthur, Brown [Penksa¹], Collins [Hornung²], Floss, Mesiah

Board Excused: Giardino, Johnstone, Olsen, Townsend

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

Additionally Present: Ms. Laura Smalley, Esq., Legal Counsel with Harris Beach, PLLC

Opening Remarks

Secretary Arthur called the meeting to order. He noted the excused absence of Chair Olsen and summarized the single-item agenda as follows:

- An approval request from the City of Buffalo's Comptroller to approve borrowing of up to \$28,000,000 to cover the costs of capital projects for the City, the School District, and the related issuance costs.

Director Arthur requested that Ms. Penksa call roll in his stead. Ms. Penksa agreed and called a roll of the Board. She confirmed that a quorum was present; the meeting commenced.

Director Arthur asked Executive Director Jeanette Mongold to summarize the details of the proposed borrowing. He noted the presence of various City officials who could address questions relative to the borrowing if needed.

Ms. Mongold addressed the Board and provided the following information:

Introduction

- The City Comptroller had requested approval from the Buffalo Fiscal Stability Authority (the "BFSA") to borrow up to \$28,000,000 to fund the 2010 Capital Improvement Program (the "CIP") and to pay for the costs of issuance.
- Approval of this bond issuance will represent the third annual approval for the City to be the issuer of its annual capital borrowing. BFSA had issued bonds on the behalf of the City in previous years.
- Approval of the bond issuance will necessitate the need for the Board to delegate authority to certain officers to approve documentation and final pricing, consistent with past practices. These officers have historically been the Chair, the Vice-Chair, and the Executive Director.

¹ City of Buffalo Commissioner of Administration, Finance, Policy and Urban Affairs, Ms. Janet Penksa represented Mayor Bryon W. Brown in accordance with §3853 of the Buffalo Fiscal Stability Authority Act.

² Erie County Commissioner of Parks, Recreation & Forestry, Mr. James Hornung represented County Executive Chris Collins in accordance with §3853 of the Buffalo Fiscal Stability Authority Act.

Key Aspects of the Proposed Borrowing

- The total proposed borrowing is up to \$27,600,000. Of this amount, up to \$22,700,000 is anticipated for City needs; while up to \$4,900,000 is anticipated for School District needs.
 - The City of Buffalo's 2010 CIP was approved by the BFSA's Board of Directors on February 10, 2010. The proposed borrowing mirrors the improvements highlighted in the approved CIP.
 - The bond issuance will consist of a combination of both tax-exempt and taxable Build America Bonds ("BABs"). This is the first opportunity the City of Buffalo has had to utilize BABs which were included in the American Recovery and Reinvestment Act (ARRA).
 - The bonds are to be sold in a competitive sale. This approach is different from what has been used in the past two years in which the bonds were sold through a negotiated sales process.
 - The bonds will be eligible for bond insurance at the option of the bidders and only if it is cost-effective to do so.
 - The total borrowing is not to exceed \$28,000,000.
 - The tax-exempt bonds are expected at a premium. The BAB bonds are expected to be issued at par. The bonds will have fifteen year terms.

Results of Analysis

Ms. Mongold stated that the City of Buffalo's Office of the Comptroller had recently announced that the City had received an "A" bond rating from Fitch Inc. The City of Buffalo is now in the "A" category in all bonding groups for the first time since the 1970's. She explained that the BFSA had been established in such a way as to have a higher bond rating than the City of Buffalo. With this in mind, BFSA directed its financial advisor to run hypothetical scenarios to compare both a BFSA issuance of the borrowing along with a City of Buffalo issuance. The scenarios provided only dollar estimates and did not incorporate less quantifiable concepts such as the impact on public policy.

The BFSA's financial advisor had estimated that if the BFSA issued the borrowing the debt service savings would be \$859,000 or an average of \$57,000 per year. The present value savings would be \$574,000 or \$38,000 per year. The City Administration and Comptroller have taken the position that in times of financial surpluses it is to the City's benefit to maintain independence in order to maintain the City's credit worthiness and market position.

Ms. Mongold concluded her presentation.

Director Arthur requested a motion to move the resolution.

Motion to approve by Floss, second by Mesiah.

RESOLUTION NO. 10-15

APPROVING BOND ISSUANCE BY THE CITY OF BUFFALO NOT TO EXCEED \$22.7 MILLION OF GENERAL IMPROVEMENT SERIAL BONDS AND \$4.9 MILLION OF SCHOOL SERIAL BONDS

WHEREAS, §3858 of Chapter 122 of the Laws of 2003 (“Chapter 122”), as amended, requires that the Buffalo Fiscal Stability Authority (“BFSA” or the “Authority”) “shall, with respect to any proposed borrowing by or on behalf of the city or any covered organization on or after July first, two thousand three, review the terms of and comment, within thirty days after notification by the city or covered organization of a proposed borrowing, on the prudence of each proposed issuance of bonds or notes to be issued by the city or covered organization...”; and

WHEREAS, Chapter 122, as amended, further provides that “...no such borrowing shall be made unless first reviewed, commented upon and approved by the Authority”; and

WHEREAS, Chapter 122, as amended, permits BFSA to review and approve or disapprove contracts or other obligations of the City or any covered organization; and

WHEREAS, the City Comptroller has requested BFSA approval to borrow in the public markets up to \$28.0 million for City of Buffalo and Buffalo School District projects; and

WHEREAS, the City Comptroller’s correspondence indicates a plan to borrow for capital projects on a level debt payment basis, with a final maturity of 2025 which reflects the weighted average of the projects’ period of probable usefulness of 8.347 years; and

WHEREAS, the City Comptroller identifies the source of repayment as being property taxes collected by the City of Buffalo and deposited in advance with the Trustee to cover upcoming maturities; and

WHEREAS, debt service costs have been included in the 2011-2014 budgets and four-year plan; and

WHEREAS, BFSA has utilized the services of its financial advisor The PFM Group (“PFM”) in its review of the structure and pricing of the issue.

NOW THEREFORE BE IT RESOLVED, that the Authority approves the borrowing as proposed by the City Comptroller to address the City and School District of Buffalo’s capital needs, provided that (i) the aggregate amount of the borrowing shall not exceed \$28.0 million for capital purposes, and (ii) the Chair, the Vice Chair or the Executive Director of the Buffalo Fiscal Stability Authority shall approve the final terms and pricing of the borrowing in writing; and

BE IT FURTHER RESOLVED, that the Authority authorizes the City to enter into necessary and appropriate contracts in connection with this borrowing; and

BE IT FURTHER RESOLVED, that the City shall continue to submit contracts and other obligations in excess of \$50,000 for review and approval or disapproval; and

BE IT FURTHER RESOLVED, that the Chair, the Vice Chair or the Executive Director of the Buffalo Fiscal Stability Authority are hereby authorized and directed to approve, execute and deliver any agreements, certificates, documents, papers or other written instrument, to make any changes, modifications or amendments as he or she deems necessary, to do all other things and to take all other actions necessary and appropriate in their judgment, to consummate the transaction contemplated by this Resolution.

This Resolution shall take effect immediately.

Director Floss asked Ms. Penksa what the proposed borrowing's relationship was to the City's debt level if approved.

Ms. Penksa replied that the City is currently under a debt cap issued by the Comptroller. The amount of borrowing proposed does not exceed this cap.

Director Arthur called for a vote.

Vote to approve 5-0.

Adjournment

Director Arthur entertained a motion to adjourn the meeting.

Motion to adjourn by Floss, second by Collins.

The meeting adjourned at 1:18 PM.