BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
June 22, 2010

The following are the minutes of the meeting of the Board of Directors of the Buffalo Fiscal Stability Authority ("BFSA") held on Wednesday, June 22, 2010, in the Buffalo & Erie County Central Public Library Auditorium. The meeting was called to order at 1:06 PM.

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

Board Excused: Giardino, Townsend

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

Additionally Present: Mr. A.V. Buzard, Esq., Legal Counsel with Harris Beach, PLLC

Opening Remarks
Chair Olsen called the meeting to order. He noted the meeting's agenda as follows:

- Final staff review of the budget and four-year plans for the City of Buffalo (the "City") and the Covered Organizations (which include the Buffalo School District [the "District"], the Buffalo Municipal Housing Authority [the "BMHA"] and the Buffalo Urban Renewal Agency ["BURA"]);
- A revision to a previously passed budget modification for the City;
- A new collective bargaining agreement ("CBA") between the District and the Summer Food Service Workers;
- A review and vote on approval of BURA's Annual Action Plan as submitted to the US Department of Housing and Urban Development ("HUD");
- Review of the proposed BFSA budget and four-year financial plan; and
- Privilege of the Floor – A period of up to ten minutes for the public to address the Board regarding any actions taken during the meeting.

Chair Olsen concluded his summary of the meeting's agenda and asked Secretary Arthur to facilitate a roll call. Director Arthur called role and confirmed a quorum. The meeting commenced.

Approval of the May 12, 2010, Minutes
Chair Olsen introduced Resolution No. 10-16, "Approving Minutes from May 12, 2010" and asked for a motion to move the item.

Motion by Mesiah, second by Arthur.

RESOLUTION NO. 10-16
APPROVING MINUTES FROM MAY 12, 2010

BE IT RESOLVED that the Buffalo Fiscal Stability Authority approves the minutes of its meeting on May 12, 2010.

BE IT FURTHER RESOLVED that the Buffalo Fiscal Stability Authority ratifies and affirms resolutions 10-10, 10-11, 10-13, and 10-14 that were approved May 12, 2010.

This resolution shall take effect immediately.

Vote 7-0 to approve.

Review of 2010-11 Annual Budgets & Related Four-Year Financial Plans
City of Buffalo

Chair Olsen introduced the next item for consideration on the agenda, the staff overview of the budgets and financial plans for the City and the Covered Organizations. He noted that the Buffalo Board of Education had several late changes to the District's budget due to the lateness of the New York State budget. He asked Executive Director Jeanette Mongold to provide an overview of the staff's analysis.

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

Introduction
- The Buffalo Fiscal Stability Authority (the "BFSA") has dedicated time at several of the last board meetings to compare the City's financial health at the inception of the BFSA up to its current outlook.
- The New York State Legislature created the BFSA after determining that the financial position of the City was weak. The effects of the recession that ensued in the aftermath of the 9/11 terrorist attacks was particularly severe for the City of Buffalo. This was exacerbated by population loss and a higher level of unemployment.
- The City had a structural imbalance of revenues/expenditures. Additionally, the City did not have the ability to generate additional tax revenues as it was very close to the tax levy margin. These factors contributed to a downgrade in the City's bond ratings (almost lower than investment grade-one notch higher).

Tax Levying Margin (2003 to Present)
- In 2003, there was $12.9 million available of taxing margin.
- In 2011, the margin is projected to be $35.6 million, an increase of $22.8 since the BFSA's inception.
- In 2003, the taxing levy represented less than 4% of total expenditures. In 2011, the taxing levy represents about 5% of total expenditures. While this is still a relatively low margin of tax levy to expenditures, it is a steady improvement.

Assessed Valuation (2003-Present)
- The assessed valuation in 2003 was $5.2 billion.
- The assessed valuation in 2011 is projected to be $6.3 billion, an increase of $1.1 billion or 21%.

Property Tax Rates (2003-Present)
- Homestead (residential) property tax rates have declined by about 6% since 2003.
- Non-homestead (commercial) property tax rates have similarly declined by about 10% since 2003.

Fund Balance Projection to June 30, 2014 (City of Buffalo Unreserved, Undesignated)
Executive Director Mongold noted that unreserved, undesignated fund balance is the key factor in evaluating the City's ability to meet it recurring obligations. This should be the primary focus for the Directors because it represents uncommitted funds that have accumulated over time.
- In 2003, the City had a very low unreserved, undesignated fund balance of $8.3 million.

- In 2004, the City received an infusion of debt financing of $7.8 million. Had the debt financing not occurred, the amount of unreserved, undesignated fund balance would have actually been lower in 2004 than in 2003.
- In 2005, there was an infusion of $19 million of debt financing. This, along with the BFSA-ordered wage freeze as well as Administration-led curtailing initiatives, helped grow the fund balance near $40 million.
- Beginning in 2011, the unreserved, undesignated fund balance is expected to decline gradually over the life of the financial plan. Important factors that potentially negatively impact the four-year plan include unsettled CBAs involving the police and firefighters' unions as well as the unresolved "Steps Litigation" lawsuit which would cost the City $10-$40 million during the life of the financial plan if it is decided unfavorably for the City.

Fund Balance Projection to June 30, 2014 (Buffalo School District Unreserved, Undesignated)

- The infusion of cash due to debt financing is not applicable to the District data because such funds went directly to the City. Similar to the City, the School District was able to build up unreserved, undesignated fund balance because of actions taken, such as the wage freeze.
- The unreserved, undesignated fund balance is completely depleted during the current four-year plan. A $120 million structural gap continues to exist after having depleted the fund balance.
- Important factors that cannot be quantified in the four-year plan include unsettled CBAs with District unions, chiefly the Buffalo Teacher's Federation as well as the unsettled issue of the "Steps Litigation" lawsuit.

Conclusion

- Both the City and the District are heavily dependent on State Aid. This places both entities in a precarious position especially given the State's fiscal distress.

Ms. Mongold concluded her presentation. She asked Principal Analyst Mike Kelly to provide the overview of the staff's analysis of the City's budget and four-year plan.

Mr. Kelly addressed the Board and provided the following information:

Introduction

- The overview constitutes BFSA staff's second overview of the budget and four-year financial plan. Staff provided a preliminary review during the May 12, 2010, board meeting.
- The financial plan remains in balance in each of the four years of the financial plan due to some substantial actions by the City, principally the use of fund balance.
- The City intends to draw down its fund balance in each year of the financial plan to achieve balance.
- Over the life of the financial plan, the City plans to use approximately $37 million in unreserved, undesignated fund balance. In the 2010-11 fiscal year, the City intends to use $12.2 million in unreserved, undesignated fund balance.
- The City also intends to take some additional gap closing measures to balance its budget and four-year financial plan. These actions are referred to as Programs to Eliminate the Gap ("PEGs").

Programs to Eliminate the Gap ("PEGs")

- PEGs include:
  - ✓ Service and workforce reengineering initiatives, which total $8.5 million in savings over the life of the financial plan,

- ✓ Offsite time and attendance initiatives which total $5.5 million in savings over the life of the financial plan, and
- ✓ An Asset and Property Management Plan initiative which totals $6.75 million in savings over the life of the financial plan.

- Total PEG actions equal $20.75 million in savings over the life of the financial plan.
- Altogether the City is faced with a total deficit of nearly $58 million over the life of the financial plan.
- In each year of the financial plan the budget deficit grows larger increasing from $12.2 million in 2010-11 to $16.51 million in 2013-14.
- The City plans to utilize $2.3 million in restricted Aid for Incentives to Municipalities ("AIM") funds in each of the three out years of the financial plan to assist in its budgetary efforts to attain balance.
- Altogether the City will use $6.9 million in restricted AIM over the life of the four-year financial plan. By adding the $6.9 million in restricted AIM use to the City's nearly $58 million deficit the deficit would grow to nearly $65 million in total over the financial plan.
- Restricted AIM and fund balance are nonrecurring resources; they are largely being used to fund recurring expenses. The City's planned use of fund balance is its primary means for balancing its budget in each year of its financial plan.
- PEGs come with a certain degree of risk. For example, if one of these initiatives to cut costs and save resources does not work out as intended, the City would be forced to either use additional fund balance or develop another method for closing the gap.

Financial Plan Revenues

- In 2009-10, the City's budget called for revenues totaling $449.1 million. The City now projects revenues for the current fiscal year to total $458.1 million including nearly $5 million in fund balance.
- In fiscal year 2010-11, the City anticipates revenues of $460.6 million which is inclusive of the $12.2 million in unrestricted fund balance.
- Revenues grow to $473.1 million in 2013-14 which is also inclusive of fund balance. Overall revenues grow $12.5 million over the four years of the financial plan or by about 2.7 percent.
- Note: The City rolls the use of fund balance into its total annual revenues. According to Generally Accepted Accounting Principles (GAAP), fund balance is not recognized as revenue.
- BFSA's was created during the 2003-04 fiscal year. In this year, City revenues totaled approximately $385 million dollars while state aid equaled nearly $127 million or approximately 33%. This breaks down as follows:
  - ✓ City of Buffalo revenues - $174 million or 45%;
  - ✓ Erie County revenues - $60.5 million or 15.7%; and
  - ✓ All Other revenues - $24 million or 6%.
- In fiscal year 2010-11 City revenues are anticipated to total $460.6 million. Of this total, state aid is expected at $190.0 million or 41.2%, City sources at $170.8 million or 37.1%, County revenues at $71.5 million or 15.5%, other resources at $16.1 million or 3.5%, and fund balance at $12.2 million or 2.6%.
- State Aid is projected to remain flat throughout the period. In fiscal year 2013-14 revenues are expected to total approximately $473 million with state aid equal to nearly $189 million or approximately 40 percent. This breaks down as follows:
  - ✓ City revenues - $180.4 million or 38%;
  - ✓ Erie County revenues - $76.9 million or 16%;
  - ✓ All Other revenues – $19.4 million or 4%; and
  - ✓ Fund Balance - $7.8 million or 1.6%.

Financial Plan Expenditures

- From fiscal year 2010 to 2011, expenditures are expected to grow $11.5 million from the adopted budget versus the proposed budget. In the current fiscal year, expenditures are forecasted to finish the year at $455.1 million, or a $6 million variance from the initial 2010 budget.
- From 2011 to 2014, expenditures are expected to grow by $21.2 million or 4.6%. This is ahead of revenues, which leads to the year-over-year budget gaps.
- City expenditures by category (2003-04):
  - ✓ Fringe Benefits - $82.4 million;
  - ✓ Transfers Out - $99.1 million;
  - ✓ Police - $69.8 million;
  - ✓ Fire - $53 million;
  - ✓ Public Works - $21.8 million;
  - ✓ All Other - $51.8 million.
- City expenditures by category (2013-14):
  - ✓ Fringe Benefits - $135.7 million;
  - ✓ Transfers Out - $105.3 million;
  - ✓ Police - $80.5 million;
  - ✓ Fire - $56.3 million;
  - ✓ Public Works - $28 million;
  - ✓ All Other - $76 million.
- Historically the largest expenditures are fringe benefits, transfers out (School District, Debt Service Fund and Refuse Fund), the police and fire departments, public works, and then all other spending.
- Expenditures totaled about $378 million in 2003-04. In 2010-11 expenditures are expected to total $460.6 million, a growth of $82.6 million or nearly 22% in just eight years.
- Note: no new CBA, arbitration or litigation related cost increases are built into the budget and four year plan for police and fire. The potential for additional growth in these departments is very real between now and the end of the proposed financial plan.
- Employee compensation has grown over time. There has been significant growth in both personal services (salary and other monetary compensation – overtime, acting time, longevity, shift-differentials, et al…) and fringe benefit costs.
- Note: When a union is out-of-contract an employee may or may not receive an annual salary increase. However, the fringe benefit cost increases for the City; the employee rarely has to cover these cost increases.
- From the current fiscal year to next fiscal year, personal services will grow by $5.2 million dollars or about 3%. Fringe benefits will grow by $11.9 million or 11.1%.
- From the 2010-11 fiscal year to the 2013-14 fiscal year, personal services and fringe benefits will increase by a combined $17.1 million with the potential for greater increases.
- Staff levels have declined inverse to personnel costs.

Police and Fire Overtime

- Overtime in the police and fire departments are major spending categories. They have increased significantly in the past few fiscal years and remain a concern throughout the financial plan.
- The cost of police and firefighter overtime was a major concern outlined in the May 12, 2010, BFSA board meeting.
- The City has decreased budgeted police overtime for the 2010-11 budget by $400,000 from where it is expected to end in the current fiscal year. This appears to be an overly aggressive

budgetary plan given historic costs. Since fiscal year 2004-05 police overtime has grown by a net $7.1 million for an annual increase that averages approximately $1.2 million.

- If police overtime were to increase by $1.2 million from where it is expected to finish the current fiscal year, the City would be faced with a $1.6 million gap in its police overtime budget.
- The City is expected to finish the current fiscal year at about $10.6 million in fire department overtime. It has budgeted fire overtime for next fiscal at $8.8 million or down by 17%.
- Since the 2004-05 fiscal year fire department overtime has increased by a net $8.0 million, an average annual increase of approximately $1.3 million. If fire overtime were to increase by the average annual increase since 2004-05 from where it is expected to finish the current fiscal year, there would be a deficit of $3.1 million from the 2010-11 proposed overtime budget for the fire department.

Associated Risks to the Budget & Financial Plan

- The risks include:
  - ✓ The use of one time revenues to fill gaps left from the lack of growth in State Aid including $6.9 million dollars in restricted AIM and the use of over $37 million dollars in fund balance to balance the budget over the life of the financial plan represent serious risks;
  - ✓ The financial plan requires the implementation of nearly $21 million in PEGs in order to bring balance to the City's budgets in each of the three out-years of the financial plan;
  - ✓ The financial plan has a total budget deficit of nearly $58 million. If the use of restricted AIM is added to the deficit amount the four-year deficit grows to nearly $65 million;
  - ✓ Reductions in capital outlays, supplies and services across departments;
  - ✓ Overtime for police and fire;
  - ✓ Increased costs for employee compensation including benefits;
  - ✓ A heavy reliance on State aid during particularly difficult economic times;
  - ✓ A structural imbalance: revenue growth is not meeting expenditure growth;
  - ✓ The need for new revenues to fund any future cost increases tied to new CBAs, any potential arbitration or litigation rulings;
  - ✓ The Steps Litigation is expected to be heard later this year. If the ruling is not favorable to the City, a potentially serious financial liability would have to be funded from either reserves or some other source;
  - ✓ The City has retaken control of its parks management and had believed that a budget totaling $6 million annually would be sufficient. However, parks related costs for the upcoming fiscal year exceeds this amount, as do costs in the out-years of the financial plan; and
  - ✓ The $1.2 billion Other Post-Employment Benefits ("OPEB") liability remains with no funding mechanism in place and financial markets taking notice

Mr. Kelly concluded his presentation.

Mayor Brown commented that the presentation given acknowledges the City's fiscally conservative budgetary approach which includes a focused plan for the City and curtailing spending. This includes increasing the tax-levying margin and lowering the homestead and non-homestead tax rates within the City. One positive factor in these developments has been more interest in investing within the City. This has helped increase the assessed valuation: properties are becoming more valuable while people are spending more to purchase both residential and commercial properties.

He continued that the BFSA staff has historically done a good job analyzing and presenting trends to the board. He requested that staff develop a list of recommendations, ideas, best practices and legislative changes that the City could consider implementing along with any current action taken. He added, "even though BFSA is a legislative construct, it seems that there is little coordination between this board and the legislature that created it in terms of looking at laws and other issues with respect to the State that could be helpful to the City of Buffalo. Hopefully, going forward, some of these requests that we've been making over the past four years can be looked at by the State Legislature."

County Executive Collins noted that, relative to the New York State Efficiency Grants, "[the County and the Erie County Fiscal Stability Authority ("ECFSA")] is looking to use up all of the Efficiency Grants [money] next week. We know that those funds have been raided by Albany. They were intended to help the County and the City; it is a very attractive slush fund. [Both the City and the County] lost money the last 'go-around.' It is my opinion and the opinion of the Erie County Fiscal Stability Authority that if we don't work overtime to allocate and encumber those fund, they likely would be taken." He added, "My recommendation is that we ask the City for $4.6 million in Efficiency Grant requests and that this Board move post-haste to move those dollars or they may be headed back to Albany."

Mayor Brown replied that there were projects which the City could submit for BFSA review and concurred that there did seem to be an attempt to take back these funds.

County Executive Collins noted that Erie County has focused on areas such as upgrading technology and purchasing new, more fuel efficient vehicles to provide greater efficiencies and savings.

Ms. Mongold noted that a representative of the New York State Division of the Budget had called earlier in the day. BFSA was notified that the City of Buffalo would be allocated $4.6 million in new efficiency grant funding.

Director Floss thanked Mayor Brown and his staff for drafting a budget that recognizes the current economic issues. The budget is especially commendable when compared with other municipalities. Additionally, he thanked public service employees such as police officers, teachers and firefighters for their hard work which helps keep the area a good place to live and allow the City to grow in the future. The high level of service provided encourages people to come to the City and enjoy the quality of life.

Director Floss referenced the presentation and noted the rates of change in expenditures highlighted from 2003 to 2010. He expressed his concern that, "while we had a wage freeze at the time [that] is a short-term solution to our problems, we're see the other side of the wage freeze which is, allow wages to grow, they have to catch up or else we can not hire anybody because nobody will take any of our jobs." He queried what recommendations could be given to the Mayor now that the wage freeze has been lifted with respect to the percentage changes in expenditures.

Mr. Kelly replied that these types of consideration have been taken into account. He added, "One of the things that we've done with the City Administration over time is to meet with them and discuss ways that we can hopefully control costs with collective bargaining agreements. We have worked with the Mayor's team and administration quite extensively on ways to bring down costs on labor contracts and reform some of the practices that were put into place generations ago but still exist in labor contracts today. We have and will continue to work with the Mayor's team on those issues."

Director Floss asked if the expectation was that the high rates in expenditure increases has now subsided and that the City now "has a handle" on these issues. Mr. Kelly stated that this assumption would be premature and noted that, after the wage freeze ended there were some collective bargaining agreements settled. The costs in these contracts are beginning to be reflected in the budgets and are starting to put pressure on the budget. The City has taken the difficult steps of negotiating some of the expensive aspects out of these contracts; BFSA staff continues to advocate for these types of actions to occur.

Chair Olsen noted that is was a "terribly difficult" process to evaluate the City's budget and four-year financial plan. Both the City and the District have benefitted from outstanding leadership. He added, "One the other hand, we have established a position where we have a carry-over deficit, which is of course partly due to the economy. The problem is that the budgets and plans that are presented fail to present what is likely to be the most difficult challenge for both the City and the District. Trying to come to grips with collective bargaining agreements, not to mention binding arbitration when conducted in the context of a pre-existing wage freeze. We also have significant litigation pending with extraordinary potential liabilities; this is going to be an extremely difficult time. We are blessed by having the leadership that we have had. We have established a very good working relationship with the Administration. I certainly agree with the Mayor that we should work [together] on some of the changes that need to happen legislatively. We are really here to provide support for the [City and Covered Organizations]. I do not see a particularly rosy picture here especially when considering the worst-case scenarios of continuing deficits and instability in Albany given that these two entities are 50% or greater State funded. We have the quandary of very limited access to raising property taxes." He added that it is encouraging to prospective buyers to see a larger constitutional tax-levying margin that has increased recently. There is an enormous challenge to face on one hand, but a solid record of achievement to acknowledge.

Buffalo School District

Chair Olsen advanced the agenda to the review of the District's budget and four-year financial plan. He asked Principal Analyst Bryce Link to summarize the staff's findings.

Mr. Link addressed the Board and provided the following information:

Introduction
Mr. Link presented a high-level overview explaining that the District is susceptible to any changes that might occur when the New York State legislature finally approves the budget. He also reminded the Board that the Governor's current plans reduce the District's budget by $16 million versus the previous year.

- The budget and four-year financial plan has changed a little since the BFSA's last board meeting.
- The revenue assumptions have not changed (State aid, sales tax revenues, et al).

General Fund Year-to-Year: Base Deficit

- The District was faced with a current services deficit of $44.9 million, a combination of $30 million increased costs and a 3.4% reduction in state aid.
- Use of $16 million in fund balance reduces this deficit to $28.9 million.
- Revenue actions taken are a one-time use of Reinsurance Investment Act funds from the federal government to fund early retirees and a settlement between the federal and state governments to provide an additional $1.8 million in Medicaid reimbursement (a recurring action). These revenue increases reduce the deficit to $24.8 million.
- Expenditure reductions eliminate the deficit as follows (these are recurring actions):
  - ✓ Staffing changes, reduction of approximately 400 positions - $16.3 million;
  - ✓ Health insurance reductions, rates not increasing as fast as initially planned - $3.3 million;
  - ✓ Various departmental recommendations for deductions - $3.1 million;
  - ✓ Reallocation of Contract For Excellence funds, to be used for general purposes - $1.1 million;
  - ✓ Transportation reductions - $0.8 million.

Adopted General Fund: Revenues and Expenditures

- Reoccurring revenues - $733.6 million;
- Reoccurring expenditures - $806.0 million;
- Deficit prior to use of reserves – $72.4 million;
- Use of reserves - $72.4 million.
- The District intends to use $100 million in general fund reserves over the financial plan. This action leaves $124.1 million operating deficit over the life of the plan.

2010-11 Projected General Fund Revenues - $806 million
- Foundation aid – 53%;
- Other (County, Medicaid, Misc.) – 16%;
- Other formula aid -13%;
- Building aid (JSCB) – 8%;
- Appropriated fund balance – 9%;
- Charter School Transition Aid – 1%

2009-10 Projected Expenditures ($805.9 million)
- Compensation – 31%;
- Health Insurance – 12%;
- Other Benefits – 7%;
- Charter School – 10%;
- Debt Service (includes JSCB) – 13%;
- Transportation – 5%;
- Other (Agency Tuition, Utilities, Textbooks, Misc.) – 13%;
- Step Increases – 9%

All Funds: Year-to-Year Changes
- Total Revenue/Expenditures (2009-2010 Adopted Budget) - $936.7 million;
- Total Revenue/Expenditures (2010-2011 Adopted Budget) - $945.6 million;

District & Charter School Enrollment
- Charter enrollment increased conversely with District enrollment from fiscal years 2007-2009. This trend is expected to continue throughout the financial plan.
- There is a net loss of students enrolled in schools in the District.

Projected District Employment Levels: All Funds
- Full-time employees are expected to decline from 5,607 in fiscal year 2010 to a projected 4,950 in fiscal year 2014.

Budget and Four-Year Plan Risks
- New York State's economic climate is a risk to revenues. There is a potential for delay or reduction in State Aid.
- There is a potential liability of $74 million, in the current year, if the District loses the "Steps Litigation". This would create a recurring expense of approximately $18.5 million and a financial burden of $130 million for the District over the life of the plan.
- New funding sources will need to be identified to pay for new collective bargaining agreements. There are no salary or wage increases in the current budget outside of step increases.
- OPEB liabilities will impact the financial picture in the out years of the financial plan. The OPEB liability is currently $1.2 billion. The District is currently funding a portion of that

liability, or $58 million, on a "pay-as-you-go" basis. This failure to fully fund OPEB could affect the District's rating in the future as Wall Street continues to evaluate the District.

- Loss of Academic Progress – The District has successfully implemented plans targeting struggling students. Recent results indicate improvements in math and ELA state test scores. There were sixteen schools that were considered failing and under review earlier in the decade. This number has been reduced to three, all of which are high schools
- Depletion of Fund Balance – The entire unreserved, undesignated fund balance will be fully depleted by the end of this financial plan. $56 million is allocated for Steps Litigation, with the balance set aside for JSCB, prior year claims, OPEB, etc.
- Pension contribution rates have increased and consume a larger portion of the District's resources, a $5.1 million increase in fiscal year 2011.
- There is increased financial pressure due to enrollment losses and increases in charter school enrollment. The Charter School payment is $78.2 million in fiscal year 2011.
- Risks also include a loss of academic progress as well as the depletion of fund balance.

Director Mesiah noted that it was, "interesting that the School District continues to lose money and resources through the Charter Schools but still continues to grow. A lot of credit should be given to the school system for being able to do that." He added, "Despite this drain on the public schools, they are still continuing to show progress."

County Executive Collins replied, "the best evaluation we are seeing is the parents of these children who are [increasingly being sent] to the Charter Schools. The evaluation that matters most to me is the parents' decision to move toward Charter Schools."

Director Mesiah likened the current popularity of Charter Schools to the past popularity of Magnet Schools. He stated, "The excitement [toward Magnet Schools] dried up, the money from the federal government dried up and the money from the State dried up. I see the same situation happening now. In a few years we will have a bunch of Charter Schools [failing without adequate funds]." He furthered that taking funds from a public school system for Charter Schools deprives the public schools of valuable resources.

Chair Olsen noted that the issue of Charter Schools was a contentious one. He added that the State's expansion of Charter Schools to receive more federal dollars will be a strain on the public school system. He added, "It is a very serious problem particularly as the School District must fund certain very costly ancillary services that many of the students who were fortunate enough to get admitted into Charter Schools require." He added, "The concern that remains is the structural deficit that remains [and is] enormous. Due to the heroic efforts of the superintendent and his staff there is a surplus to cover the extraordinary labor costs inherent in the 'Steps Litigation' and in the ever increasing benefits costs. It is not possible to project this out and fund it over time, particularly the benefits for retirees which are very difficult to change without really significant collaborations between the employer and the union. You see a situation again where this deficit exists without considering the problem of looming collective bargaining negotiations in a setting in which there has been a wage freeze and litigation. Where the money is going to come from to cover the inevitable increases in collective bargaining obligation is very troublesome."

He added, "Again we have this problem of a very well administered District operating heroically under enormous financial challenges and making significant strides in terms of academic accomplishments but at the same time having a fiscal future that is daunting. Again, I think that we need to work as closely and as collaboratively as possible to try to come up with some solutions to address what is going to be an ever-increasing structural deficit. Clearly it is not possible to fund this cost over time by relying on the State or by relying on the Federal grants by shifting teachers from State to Federal programs. It is clearly a very difficult situation and ultimately an extremely concerning situation."

Director Floss added, "One of the other issues that we need to be cognizant of is that the community believes that the number of students in the City of Buffalo has declined dramatically and is continuing to decline and that everyone is leaving the City when in fact when we look at the actual numbers of the total number of students that have to be educated [it is a] really constant number. There are a large number of students that we are going to have to make sure that we educate, and educate well, because these are the people who are going to have to take over all of these burdens." He added, "We have to be careful and realize that people think that there will be a lot of savings from the School District because there aren't any as many students there to teach when in fact that is not true. Hopefully our discussions will keep that in mind."

Buffalo Municipal Housing Authority

Chair Olsen advanced the agenda to the next item for consideration, the review of BMHA's budget and four-year financial plan. He asked Comptroller Greta Mobley to summarize the staff's analysis.

Ms. Mobley provided the following summary:

2011 Budget Operating Revenue ($35.1 million)
- Operating Subsidy - $20.1 million or 57%;
- Dwelling Rental Income - $9.4 million or 27%;
- Other Income - $3.9 million or 11%;
- Capital Fund Operating Income - $1.5 million or 4%;
- Investment Income - $0.2 million or 1%.

2011 Budget Operating Expenditures ($35.1 million)
- Maintenance - $7.2 million or 21%;
- Utilities - $7.3 million or 21%;
- Administrative Costs - $7.2 million or 21%;
- Employee Benefits - $6.2 million or 18%;
- Other General Expenses - $3.6 million or 10%;
- Insurance - $1.3 million or 4%;
- Protective Services - $0.9 million or 3%;
- Tenant Services - $0.6 million or 2%.

2011-2014 Four-Year Financial Plan
- Revenue is budgeted to increase to $37.4 million in 2014, while expenses grow at a slightly lower rate to $36.1 million in 2014.
- The percentage increase over the four-year period is 6.6% for revenue and 5.3% for expenses.
- Expenses average around 97% of revenue over the four-year plan.
- The budget reflects very narrow cash flow margins ranging from approximately $100 thousand to $600 thousand in 2014.

Salary & Benefits
- Salaries and benefits grow from a combined $15.7 million (actual) in fiscal year 2009 to $19.1 million in fiscal year 2014 (budgeted).

- Salaries and benefits total 46.4% of revenue in fiscal year 2009 (actual) and are expected to equal 56.7% of total revenue in fiscal year 2014 (budgeted).
- Salaries and benefits average 6.3% higher when factoring OPEB obligations.
- The annual growth of the salaries and benefits cost increases 8.4% annually from fiscal year 2010 to fiscal year 2014. These increases are due to the collective bargaining agreements approved in December 2009 and May 2010. There are virtually no increases scheduled for the out years because these agreements expire in 2011.

Capital and Other Grants

- Capital Grants are budgeted at $29.7 million for fiscal year 2011; $13.5 million is nonrecurring stimulus fund dollars.
- The capital budget levels off to $15.6 million in fiscal year 2012 and increases slightly to $15.9 million in 2014.

Potential Challenges

- Level of projected cash flow surpluses constrains the ability to respond to financial emergencies or incur major unexpected expenditures. Cost control measures must be diligently monitored for utilities, employee benefits and salaries, which have seen the most significant growth historically.
- BMHA has an unfunded OPEB liability of $53.4 million. Although BMHA budgeted $2.3 million in 2011 for this purpose, BMHA's Annual Required Contribution ("ARC") is $3.2 million, leaving a $0.9 million gap for this liability.
- As Federal stimulus funding is spent BMHA must be aware of any recurring expenses created from funding projects which must be covered through operating revenue going forward.

Ms. Mobley concluded her presentation.

Buffalo Urban Renewal Agency

Chair Olsen advanced the agenda to the next item for consideration, staff's analysis of BURA's budget and four-year financial plan. He asked Mr. Kelly to provide the summary.

Mr. Kelly provided the following summary:

Overview of the Buffalo Urban Renewal Agency's Four-Year Financial Plan

- In the 2010 program year BURA plans to spend $31.1 million. This is an increase from $1.8 million from the prior fiscal year.
- Revenues over the life of the plan are even with expenditures. BURA has a balanced budget in each year of the financial plan.

Financial Plan Revenues

- In fiscal year 2010-11 BURA anticipates $31.1 million in revenue, a 6.5% increase from the prior year's level.
- In each year of the proposed financial plan revenues decrease.
- In 2013-14 revenues are expected to total $25.6 million, down $5.5 million or nearly 18%. The decrease in revenues is largely attributed to the spend-down in federal stimulus dollars which were allocated in 2009-10. They are fully expended by the 2012-13 budget year.

BURA Proposed Revenues

- CDBG & CDBG-R – 59% of total revenues;
- HOME – 16%;
- ESG/Homeless Re-housing – 11%;
- Program Income & Other – 8%;
- Neighborhood Stabilization Program – 2%;
- NYS AHC Block by Block – 2%;
- HOPWA - 2%.

BURA Proposed Expenditures
- Grant & Program – 87%;
- Administration & Planning – 13%.

BURA Staff Levels
- Staffing continues on a downward trend.
- In 2003-04 BURA had a high of 87 staff members.
- BURA expects to have 54 staff members in the upcoming fiscal year.
- Note: BURA also fully funds five positions in the City of Buffalo's Office of Strategic Planning.

Risks to the Budget and Financial Plan
- There are no salary increases built into the BURA's budget and financial plan. If BURA were to reach a labor agreement with its employee's union, resources to pay for the increased costs would have to be identified.
- BURA has about a $250,000 prior year deficit it continues to pay off. The potential exists for this deficit to be paid off over the course of the upcoming fiscal year.
- BURA also continues to pay off bad Section 108 Loans with its annual CDBG allocation, which is a guarantee on Section 108 Loans.
- BURA has had some key staff turnover, as well as some key new hires and staff will have to ensure HUD compliance for the variety of programs that BURA administers on the City's behalf, including the remaining Federal Stimulus dollars, which also carry fairly heavy administrative requirements.

Mr. Kelly concluded his presentation

Chair Olsen sought a motion advance the resolution.

Motion by Arthur, second by Brown.

RESOLUTION NO. 10-17
APPROVAL OF CITY OF BUFFALO FOUR-YEAR FINANCIAL PLAN

WHEREAS, Chapter 122 of the laws of 2003 as amended by Chapter 86 of the laws of 2004 requires the City of Buffalo to submit a four-year financial plan that includes the City of Buffalo, the Buffalo Public School District, the Buffalo Municipal Housing Authority ("BMHA") and the Buffalo Urban Renewal Agency ("BURA") and 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 of Buffalo submitted a Four Year Financial Plan and proposed City budget on May 3, 2010 to the BFSA; and

WHEREAS, pursuant to §3857 of the BFSA Act, BFSA is required, "…prior to the approval or disapproval of the financial plan of the city by the [BFSA], the [BFSA] shall request community, educational or other entity or entities to seek public input and comment relating to the city's and/or any covered organization's financial plan. Such community, educational or other entity or entities shall report to the authority on such public input and comment ten days after the city has submitted the financial plan to the [BFSA]…"; and

WHEREAS, the BFSA advertised through various local media sources, provided notices at all area public libraries, met with various community groups, sent out public notices and flyers to a wide array of local constituents via standard mail, facsimile and/or electronic mail, and posted pertinent material on the BFSA website that a Public Forum would be held for citizens to provide valuable feedback to the BFSA Board of Directors about the City of Buffalo's Proposed 2010-11 Budget and 2011-2014 Financial plan; and

WHEREAS, the BFSA held a Public Forum the evening of May 10, 2010, at the Market Arcade Complex, located in downtown Buffalo, New York; and

WHEREAS, Mr. Bryan Dettrey was retained as an independent scribe to record the public's comments, as required by the BFSA Act; and

WHEREAS, Mr. Bryan Dettrey and BFSA Principal Analyst Mr. Bryce E. Link compiled a report on the Public Forum and submitted it the BFSA Board on May 12, 2010; and

WHEREAS, the Buffalo Common Council acted to modify and approve the proposed budget on May 21, 2010, and such modifications were minor and did not alter the totality of the budget as presented to BFSA; and

WHEREAS, the City of Buffalo presented a revised Budget and Four-Year Financial Plan to the BFSA on May 31, 2010; and

WHEREAS, the Board of Education approved the revised Buffalo Public School District budget on June 16, 2010; and

WHEREAS, the Buffalo Public School District presented a revised Budget and Four Year Plan to the BFSA on June 18, 2010; and

WHEREAS, BFSA received a Certificate from the Mayor on June 16, 2010, that indicates that the budget submitted with the Complete Plan is consistent with the City of Buffalo's Revised Four-Year Financial Plan and that the City of Buffalo operations within that budget are feasible as required by Section 3857(2)(a) of the Public Authorities Law; and

WHEREAS, BFSA staff has reviewed the revised Budget and Four-Year Financial Plans for the City of Buffalo, the Buffalo Public Schools District , the Buffalo Municipal Housing and the Buffalo Urban Renewal agency and reported that it complies with the requirements of the BFSA Act and recommends that the BFSA approve the plan.

NOW THEREFORE BE IT RESOLVED, that the Buffalo Fiscal Stability Authority determines that the City of Buffalo's Four-Year Financial Plan is complete, complies with the standards set forth in Sections 3857 and 3858 of the Buffalo Fiscal Stability Authority Act, and is hereby approved.

BE IT FURTHER RESOLVED, that the Buffalo Fiscal Stability Authority hereby certifies the revenue estimates in the budgets submitted to the BFSA by the City, the District, BMHA and BURA for the fiscal years 2010-2011.

This Resolution shall take effect immediately.

Director Floss asked a question relative to the District's budget. He noted that the adopted budget showed staff increases for principals and assistant principles but not for teachers compared to the previously proposed staff reduction model. He queried how the District would be able to directly help students if New York State is able to provide additional funding.

District Superintendent James Williams addressed the Board. Dr. Williams stated, "We feel that this is a very good budget for the children. The Governor's budget forced us to look at everything. On the teachers' side we are reducing 145 [teaching positions]; we believe that we do not need those teachers. The reason for that is as follows: Three years ago we started a program called 'Model B' that was approved by the State. We put dual-English and dual-Math certified teachers into low-performing schools. Those students are getting better so we are decreasing those numbers."

Dr. Williams added, "Now with the assistant principals we were trying to provide equity across the board with respect to position reductions. We need assistant principals, but we put them in as placeholders. The [Board of Education] asked to revisit that and we did. We restored nine assistant principals but we do not believe that we need to rehire those 145 teachers back if we get additional funds."

Director Floss stated, "Given the federal [Senator] Schumer bill which was to put teachers back in the classroom and put over $1 billion to New York State to essentially hire teachers, if that bill goes through during the current year how would you then use that money or would we give that money up to other districts that would be looking to hire teachers?"

Dr. Williams replied that the District would not "give up" the funds and added, "One problem in our business is that the [federal government] and the State will earmark money and tie our hands. They do not necessarily know if we need it or not. It is something that we would have to sit down and reconsider based on the budgetary constraints that we have." He noted the seriousness of the District's structural problems, but added that teachers were not a component of these problems. This problem is tied to pensions, health care, OPEB and charter schools. Ideally, the Superintendent is hoping that the federal and state governments will remove the constraints they impose and allow the District to use funds according to the needs the District identifies. He alluded to comments made earlier in the meeting by Director Mesiah and concurred that public funding for projects does indeed "dry up" with the changing of various administrations, leaving districts "back to square one."

Chair Olsen noted that BFSA's focus will be to work collaboratively with the District on the structural budgetary deficits but leave policy decisions to the District's administration.

Dr. Williams thanked the Board for continued support.

Vote to approve 7-0.

<u>City Issues</u>
Rescind Resolution No. 10-12

Chair Olsen advanced the agenda to the next item for consideration, rescinding Resolution Nos. 10-12 which had been approved at the May 12, 2010, board meeting. He added that the resolution originally had several inconsistencies necessitating the need to rescind and reintroduce the items. The resolution contained a series of budget modifications which would be reconsidered individually following the approval of the resolution.

Director Arthur offered a motion to consider Resolutions No. 10-12 through 10-24 cumulatively. It was duly seconded by Director Floss.

RESOLUTION NO. 10-18
RESCIND RESOLUTION 10-12 "APPROVAL OF THE CITY OF BUFFALO'S BUDGET MODIFICATIONS TRANSFERRING FUNDS FROM MULTIPLE SOURCES FOR A VARIETY OF PURPOSES"

WHEREAS, on May 6, 2010, the City of Buffalo (the "City") submitted a series of budget modifications for the 2009-2010 fiscal year to the Buffalo Fiscal Stability Authority (the "BFSA") requesting BFSA approval; and

WHEREAS, the proposed modifications would amend the 2009-10 budget originally approved by the BFSA on June 10, 2009, and subsequently modified and approved on March 22, 2010 and May 12, 2010; and

WHEREAS, the Buffalo Fiscal Stability Authority approved Resolution No. 10-12 on May 12, 2010; and

WHEREAS, the Buffalo Fiscal Stability Authority now deems it prudent to rescind Resolution No. 10-12 and readdress the budget modifications on a singular basis.

NOW THEREFORE BE IT RESOLVED, that the Buffalo Fiscal Stability Authority hereby determines that Resolution No. 10-12 has been rescinded.

This Resolution shall take effect immediately.

RESOLUTION NO. 10-19
APPROVAL OF THE CITY OF BUFFALO'S BUDGET MODIFICATION TRANSFERRING FUNDS FROM THE JAG STIMULUS GRANT TO THE POLICE DEPARTMENT

WHEREAS, on May 6, 2010, the City of Buffalo (the "City") submitted a series of budget modifications for the 2009-2010 fiscal year to the Buffalo Fiscal Stability Authority (the "BFSA") requesting BFSA approval; and

WHEREAS, the proposed modifications would amend the budget originally approved by the BFSA on June 10, 2009, and subsequently modified and approved on March 22, 2010 and May 12, 2010; and

WHEREAS, the Buffalo Fiscal Stability Authority approved Resolution No. 10-12 which encompassed five separate budget modifications on May 12, 2010; and

WHEREAS, the Buffalo Fiscal Stability Authority deemed it proper to rescind Resolution No. 10-12 and reconsider each of the budget modifications separately; and

WHEREAS, the City desires to use Justice Assistance Grant (JAG) proceeds available to the Police Department for wages to be paid for five (5) Camera Monitors, to be hired upon BFSA approval, for the remainder of the 2010 fiscal year; and

WHEREAS, the budget modification would recognize the additional revenue source in the amount of $32,490 of JAG funding; and

WHEREAS, the City's JAG Program has been awarded sufficient resources to fund these positions; and

WHEREAS, the City's Common Council previously approved the budget modification on March 30, 2010; and

WHEREAS, the City has ensured the BFSA that the budget modification is fully funded and leaves sufficient reserves in fund balance to fund any unforeseen contingencies; and

WHEREAS, BFSA staff has reviewed the budget modification and determined that it complies with the requirements of the BFSA Act.

NOW THEREFORE BE IT RESOLVED, that the Buffalo Fiscal Stability Authority hereby determines that the proposed budget modification is complete and hereby approved.

This Resolution shall take effect immediately.

RESOLUTION NO. 10-20

APPROVAL OF THE CITY OF BUFFALO'S BUDGET MODIFICATION IN THE AMOUNT OF $200,000 TO BE USED TOWARD THE PURCHASE OF A MASS CASUALTY AMBULANCE BUS

WHEREAS, on May 6, 2010, the City of Buffalo (the "City") submitted a series of budget modifications for the 2009-2010 fiscal year to the Buffalo Fiscal Stability Authority (the "BFSA") requesting BFSA approval; and

WHEREAS, the proposed modifications would amend the budget originally approved by the BFSA on June 10, 2009, and subsequently modified and approved on March 22, 2010 and on May 12, 2010; and

WHEREAS, the Buffalo Fiscal Stability Authority approved Resolution No. 10-12 which encompassed five separate budget modifications on May 12, 2010; and

WHEREAS, the Buffalo Fiscal Stability Authority deemed it proper to rescind Resolution No. 10-12 and reconsider each of the budget modifications separately; and

WHEREAS, the City has requested a budget modification in the amount of $200,000 to be used towards the purchase of a Mass Casualty Ambulance Bus which will cost a total of $400,000; and

WHEREAS, the budget modification would transfer funding from Reserved Fund Balance for Emergency Medical Services in the amount of $200,000 with the remaining funds previously budgeted for a Homeland Security Grant made to the Fire Department; and

WHEREAS, the Reserved Fund Balance for Emergency Medical Services along with the Homeland

Security Grant awarded to the Fire Department the City has sufficient resources available to pay for the Mass Casualty Ambulance Bus; and

WHEREAS, the City's Common Council previously approved the budget modification on February 16, 2010; and

WHEREAS, the City has ensured the BFSA that the budget modification is fully funded and leaves sufficient reserves in fund balance to fund any unforeseen contingencies; and

WHEREAS, BFSA staff has reviewed the budget modification and determined that it complies with the requirements of the BFSA Act.

NOW THEREFORE BE IT RESOLVED, that the Buffalo Fiscal Stability Authority hereby determines that the proposed budget modification is complete and hereby approved.

This Resolution shall take effect immediately.

RESOLUTION NO. 10-21
APPROVAL OF THE CITY OF BUFFALO'S BUDGET MODIFICATION IN THE AMOUNT OF $300,000 TO BE PROVIDED TO THE OLMSTED PARKS CONSERVANCY FOR PAYROLL COSTS

WHEREAS, on May 6, 2010, the City of Buffalo (the "City") submitted a series of budget modifications for the 2009-2010 fiscal year to the Buffalo Fiscal Stability Authority (the "BFSA") requesting BFSA approval; and

WHEREAS, the proposed modifications would amend the budget originally approved by the BFSA on June 10, 2009, and subsequently modified and approved on March 22, 2010 and on May 12, 2010; and

WHEREAS, the Buffalo Fiscal Stability Authority approved Resolution No. 10-12 which encompassed five separate budget modifications on May 12, 2010; and

WHEREAS, the Buffalo Fiscal Stability Authority deemed it proper to rescind Resolution No. 10-12 and reconsider each of the budget modifications separately; and

WHEREAS, the City has requested a transfer from the General Fund in the amount of $300,000 to be provided to the Olmsted Parks Conservancy ($300,000) for payroll costs; and

WHEREAS, the City's General Fund has sufficient resources to pay for the transfer to the Olmsted Conservancy as a result of receiving a reimbursement for prior year expenditures related to the Restore New York program in the amount of $2,061,579; and

WHEREAS, the City's Common Council previously approved the budget modification on March, 30, 2010; and

WHEREAS, the City has ensured the BFSA that the budget modification is fully funded and leaves sufficient reserves in fund balance to fund any unforeseen contingencies; and

WHEREAS, BFSA staff has reviewed the budget modification and determined that it complies with the requirements of the BFSA Act.

NOW THEREFORE BE IT RESOLVED, that the Buffalo Fiscal Stability Authority hereby determines that the proposed budget modification is complete and hereby approved.

This Resolution shall take effect immediately.

RESOLUTION NO. 10-22
APPROVAL OF THE CITY OF BUFFALO'S BUDGET MODIFICATION INCREASE OF $1,435,000 FOR INJURED ON DUTY (IOD) PAYMENTS, ADDITIONAL VOICE OVER INTERNET PROTOCOL TELEPHONES (VOIP), VARIOUS REPAIRS TO PUBLIC BUILDINGS & CURRENT YEAR DEMOLITIONS

WHEREAS, on May 6, 2010, the City of Buffalo (the "City") submitted a series of budget modifications for the 2009-2010 fiscal year to the Buffalo Fiscal Stability Authority (the "BFSA") requesting BFSA approval; and

WHEREAS, the proposed modifications would amend the budget originally approved by the BFSA on June 10, 2009, and subsequently modified and approved on March 22, 2010 and on May 12, 2010; and

WHEREAS, the Buffalo Fiscal Stability Authority approved Resolution No. 10-12 which encompassed five separate budget modifications on May 12, 2010; and

WHEREAS, the Buffalo Fiscal Stability Authority deemed it proper to rescind Resolution No. 10-12 and reconsider each of the budget modifications separately; and

WHEREAS, the City has requested additional budget modifications that total $1,435,000 and which include $325,000 increase to cover additional Injured-On-Duty payments, $275,000 for additional VOIP telephones in the Department of Public Works, $335,000 for numerous repairs to outside buildings and $500,000 to conduct current year demolitions; and

WHEREAS, the City's General Fund has sufficient resources to pay for these additional expenditures as a result of receiving a reimbursement for prior year expenditures related to the Restore New York program in the amount of $2,061,579; and

WHEREAS, the City's Common Council previously approved the budget modification on May 11, 2010; and

WHEREAS, the City has ensured the BFSA that the budget modification is fully funded and leaves sufficient reserves in fund balance to fund any unforeseen contingencies; and

WHEREAS, BFSA staff has reviewed the budget modification and determined that it complies with the requirements of the BFSA Act.

NOW THEREFORE BE IT RESOLVED, that the Buffalo Fiscal Stability Authority hereby determines that the proposed budget modification is complete and hereby approved.

This Resolution shall take effect immediately.

RESOLUTION NO. 10-23
APPROVAL OF THE CITY OF BUFFALO'S BUDGET MODIFICATION TO REIMBURSE PBA EMPLOYEES FOR HEALTHCARE CONTRIBUTIONS

WHEREAS, on May 6, 2010, the City of Buffalo (the "City") submitted a series of budget modifications for the 2009-2010 fiscal year to the Buffalo Fiscal Stability Authority (the "BFSA") requesting BFSA approval; and

WHEREAS, the proposed modifications would amend the budget originally approved by the BFSA on June 10, 2009, and subsequently modified and approved on March 22, 2010 and on May 12, 2010; and

WHEREAS, the Buffalo Fiscal Stability Authority approved Resolution No. 10-12 which encompassed five separate budget modifications on May 12, 2010; and

WHEREAS, the Buffalo Fiscal Stability Authority deemed it proper to rescind Resolution No. 10-12 and reconsider each of the budget modifications separately; and

WHEREAS, an Arbitrator ruled that the City must repay members of the Police Benevolent Association (PBA) for healthcare contributions withheld by the City retroactive to July 1, 2004; and

WHEREAS, the City has sufficient resources to cover the $1,374,820 PBA grievance in the City's Unreserved, Designated Fund Balance fund for various claims and litigation; and

WHEREAS, the City's Common Council previously approved the budget modification on March 16, 2010; and

WHEREAS, the City has ensured the BFSA that the budget modification is fully funded and leaves sufficient reserves in fund balance to fund any unforeseen contingencies; and

WHEREAS, BFSA staff has reviewed the budget modification and determined that it complies with the requirements of the BFSA Act.

NOW THEREFORE BE IT RESOLVED, that the Buffalo Fiscal Stability Authority hereby determines that the proposed budget modification is complete and hereby approved.

This Resolution shall take effect immediately.

RESOLUTION NO. 10-24
APPROVAL OF THE CITY OF BUFFALO'S BUDGET MODIFICATION IN THE AMOUNT OF $300,000 TO BE PROVIDED TO THE COLORED MUSICIANS CLUB FOR CAPITAL IMPROVEMENTS

WHEREAS, on May 6, 2010, the City of Buffalo (the "City") submitted a series of budget modifications for the 2009-2010 fiscal year to the Buffalo Fiscal Stability Authority (the "BFSA") requesting BFSA approval; and

WHEREAS, the proposed modifications would amend the budget originally approved by the BFSA on June 10, 2009, and subsequently modified and approved on March 22, 2010 and on May 12, 2010; and

WHEREAS, the Buffalo Fiscal Stability Authority approved Resolution No. 10-12 which encompassed five separate budget modifications on May 12, 2010; and

WHEREAS, the Buffalo Fiscal Stability Authority deemed it proper to rescind Resolution No. 10-12 and reconsider each of the budget modifications separately; and

WHEREAS, the City has requested a transfer from the General Fund in the amount of $300,000 to be provided to the Colored Musicians Club ($300,000) for Capital Improvements; and

WHEREAS, the City's General Fund has sufficient resources to pay for the grant to the Colored Musicians Club as a result of receiving a reimbursement for prior year expenditures related to the Restore New York program in the amount of $2,061,579; and

WHEREAS, the City's Common Council previously approved the budget modification on March 30, 2010; and

WHEREAS, the City has ensured the BFSA that the budget modification is fully funded and leaves sufficient reserves to fund any unforeseen contingencies; and

WHEREAS, BFSA staff has reviewed the budget modification and determined that it complies with the requirements of the BFSA Act.

NOW THEREFORE BE IT RESOLVED, that the Buffalo Fiscal Stability Authority hereby determines that the proposed budget modification is complete and hereby approved.

This Resolution shall take effect immediately.

Vote 7-0 to approve resolutions Nos. 10-18 through 10-24.

School District Issues
Collective Bargaining Agreement with Summer Food Service Workers

Chair Olsen advanced the agenda to the next item for consideration: a CBA between the District and the Summer Food Service Workers. He asked Ms. Mongold to provide a summary of the staff's analysis.

Ms. Mongold provided the following summary:

Introduction

- The new Collective Bargaining Agreement has been approved by the Board of Education and ratified by the union members.
- These employees work in the Summer Food Program which supplies lunches to approximately 10,000 students each weekday for a 7-to-8 week period.
- Approximately 215 summer food service employees are impacted.
- In 2009 the Board of Education adopted the City's Living Wage Ordinance which applies to summer food service employees. This resolution called for all contracts to include the defined living wage by fiscal year 2011-12.

Details of the CBA

- 2 year proposal;
- 3% increase for the summer of 2010;

- 2% for summer of 2011;
- $9,300 in costs for 2010-11;
- $6,400 in costs for 2011-12;
- Total cost over the two-year period of $15,700.

Director Arthur commented that is was unfortunate that a larger raise could not be given to the workers.

Motion to approve by Arthur, second by Floss.

RESOLUTION NO. 10-25
APPROVING THE SCHOOL DISTRICT LABOR AGREEMENT WITH AFCSME LOCAL 264 COVERING SUMMER FOOD SERVICE WORKERS

WHEREAS, Chapter 122 of the Laws of 2003, Section 3858(2(e) as amended, requires that during a control period the Buffalo Fiscal Stability Authority ("BFSA") shall approve or disapprove any collective bargaining agreement binding or purporting to bind the City of Buffalo (the "City") or any covered organization; and

WHEREAS, the City of Buffalo School District (the "School District"), a covered organization, has submitted to the BFSA a Memorandum of Understanding ("MOU") between the School District and AFSCME Local 264 ("Local 264"); and

WHEREAS, the MOU covers workers involved in the School District's summer food service program, which supplies lunches to approximately 10,000 children each weekday for a 7-to-8 week period over the summer; and

WHEREAS, the MOU formalizes terms and conditions regarding these employees for a two-year term; and

WHEREAS, the MOU and provides an increase of approximately 3.0% beginning on or after July 1, 2010 and an additional 2% on or after July 1, 2011 for the titles of Directors, Assistant Directors, Coordinators, Monitors, Commissary Workers and Site Supervisors.

NOW THEREFORE BE IT RESOLVED, that the BFSA does hereby approve the MOU between the School District and Local 264 for the summer food service program.

This Resolution shall take effect immediately.

Approval 7-0.

<u>BURA Issues</u>
Annual Action Plan

Chair Olsen advanced the agenda to the next item for consideration: BURA's Program Year 36 Annual Action Plan. He asked Mr. Kelly to summarize the staff's analysis.

Mr. Kelly provided the following summary:

Introduction

- BURA recently requested BFSA approval of its Annual Action Plan for operating year number 36. The Annual Action Plan is similar to a "road map" for how grant dollars will be spent and is subject to U.S. Department of Housing and Urban Development approval.
- Approval of BURA's Annual Action Plan is a normal part of BFSA's oversight responsibilities and this is an annual occurrence. Until BFSA approves BURA's plan to spend these entitlement funds, BURA is not authorized to do so.
- BURA is responsible for administering the City's HUD formula entitlement grants. While HUD makes its federal allocation to the City, the City is ultimately responsible for administering these funds.
- The 2010-11 Annual Action Plan reflects the City's funding priorities and identifies the projects proposed to receive Federal funds under the CDBG, HOME, ESG, and HOPWA programs. The Annual Action Plan describes priority projects for neighborhood revitalization, public improvements, housing development, economic development, public services, and homeless activities.
- BURA's Annual Action Plan for Year 36 (May 1, 2010 – April 30, 2011) has been finalized and appears to be in balance. HUD approval is currently in the Congressional Release process and expected soon. Any approval BFSA provides today would be contingent on HUD's expected approval.

2010 Program Year Allocation

- The 2010 program year allocation is for CDBG, HOME, ESG and HOPWA funds.
- The total allocation equals $23,752,973 and is up over approximately 6 % from last year's allocation.
- The CDBG and HOPWA programs saw increases, while the HOME and ESG allocations were decreased slightly ($8,788 and $1,427 respectively).

Major Goals

- Concentrating resources for owner-occupied rehabilitation in the Livable Communities Initiative Neighborhoods (4 specific neighborhoods around Hamlin Park);
- Stimulate economic development in neighborhood commercial districts, specifically the mid-City NRSA or Neighborhood Revitalization Strategy Area; and
- Improve the health, welfare and safety of residents and those with special needs.

Application Criteria

- Organizations submit funding or grant applications to provide services throughout the City are judged on the following criteria:
  - ✓ Threshold requirements (The project's eligibility and national objective compliance);
  - ✓ Deficiency issues;
  - ✓ The agency's capacity (The ability of the agency to do what it says it can with an eye on the problem it plans to address and the extend of the need to address the problem).
- The application process was streamlined from prior years. Applications were previously considered on the following basis:
  - ✓ The completeness and quality of the application;
  - ✓ The agency's past performance and prior performance;
  - ✓ The project's necessity;
  - ✓ The logic model provided with the application;
  - ✓ The project's budget; and
  - ✓ The project's location.

BURA's Spending Plan

- For the 2010 program year rehabilitation is the largest spending category at 30% or $7.9 million which is down from 35% last year.
- While Planning and Administration is second at 16%, Economic Development assistance is next at 14%, followed by Clearance activities at 12%, Public Services 11%, Public Facilities and Improvements 9%, and Other spending at 7% (Homeownership Assistance, ESG, HOPWA), which includes ESG, HOPWA and Homeownership assistance.

Conclusion

- BURA's Annual Action Plan is not final for the CDBG funds or for the HOPWA programs.
- The plan represents $16,091,522 in CDBG funds (before program income) which is the same as in Year 35.
- The plan includes $521,962 in HOPWA funds, which is the same as in Year 35.
- The final allocation amounts for CDBG and HOPWA in Year 36 are $17,409,073 and $565,329.
- BURA will have to go through some HUD required procedures before the Annual Action Plan can include the final allocation amounts. The final plan will need to come to BFSA for approval.

Mr. Kelly concluded his presentation.

Motion to approve by Brown, second by Arthur.

RESOLUTION NO. 10-26
APPROVAL OF BUFFALO URBAN RENEWAL AGENCY'S PROGRAM YEAR 36 ANNUAL ACTION PLAN

WHEREAS, the Buffalo Urban Renewal Agency ("BURA") submitted its Annual Action Plan for Program Year 36 to the Buffalo Fiscal Stability Authority ("BFSA") for approval; and

WHEREAS, the revised Annual Action Plan for Program Year 36 was due to the U.S. Department of Housing and Urban Development ("HUD") on or by April 23, 2010; and

WHEREAS, to facilitate the prompt spending of these needed public dollars, BURA is seeking BFSA approval at the June 22, 2010 BFSA Board Meeting, subject to final HUD review and approval; and

WHEREAS, Chapter 122 of the Laws of 2003 as amended by Chapter 86 of the Laws of 2004 permits the BFSA to review and approve or disapprove contracts or other obligations binding or purporting to bind the City or any covered organization; and

WHEREAS, Chapter 122 of the Laws of 2003 as amended by Chapter 86 of the Laws of 2004 permits the BFSA to review and approve or disapprove the terms of any proposed settlement of claims against the City or any covered organization in excess of $50,000.00; 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 contracts or obligations; and

WHEREAS, BURA will follow HUD and BURA policies and procedures in obligating the federal funds; and

WHEREAS, BFSA Staff have reviewed such Plan and recommends approval of such Plan contingent on the approval by HUD.

NOW THEREFORE BE IT RESOLVED, that the Buffalo Fiscal Stability Authority approves and authorizes the Buffalo Urban Renewal Agency's Year 36 Action Plan subject to final HUD approval.

This Resolution shall take effect immediately.

Approval 7-0.

BFSA Issues

BFSA Budget & Four-Year Financial Plan

Chair Olsen advanced the agenda to the next item for consideration: review of the proposed BFSA budget and four-year financial plan. He noted that there were some minor modifications to the budget since the original was provided to the board. The modifications reduce the proposed budget by $7,615. In recognition of the State's, the City's, and the District's fiscal situation, the salaries line has been reduced.

Director Johnstone requested an elaboration of the changes.

Ms. Mongold noted that both the originally proposed and the revised budget were provided to the board. She explained that the major change had occurred in the salaries line which had been reduced. Additionally office supplies and various repairs had been altered.

Director Arthur requested a list of all entities that BFSA has contracts with. The list was requested to include the entities names, the amounts spent and the whether or not a RFP had been issued to advertise of the service.

Chair Olsen directed staff to compile the requested material, per Director Arthur's request.

Motion to approve by Arthur, second by Floss.

RESOLUTION NO. 10-27

ADOPTION OF 2010-2011 BFSA BUDGET AND 2011-2014 FOUR YEAR FINANCIAL PLAN

WHEREAS, the Buffalo Fiscal Stability Authority ("BFSA") was created by Chapter 122 of the Laws of 2003 ("BFSA 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 BFSA receives revenues according to the direction to the State Comptroller in the BFSA Act, and incurs expenses for its operations and executing the functions prescribed within the BFSA Act; and

WHEREAS, the Office of the State Comptroller's Regulation 203 requires the BFSA to annually 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 BFSA 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 for fiscal years 2010-2011 through 2013-2014.

NOW THEREFORE BE IT RESOLVED, that the Directors of the Buffalo Fiscal Stability Authority do hereby approve the 2010-2011 BFSA Budget and 2011-2014 Financial Plan.

This resolution shall take effect immediately.

Approval 7-0.

Privilege of the Floor

Chair Olsen offered the Privilege of the Floor to any member of the public who wished to comment on the meeting's actions. No member of the public offered to comment.

Adjournment

Director Arthur offered a motion to adjourn that was unanimously seconded.

Approval to adjourn 7-0.

The meeting adjourned at 2:46 PM