BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
December 7, 2011

The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the "BFSA") held on Wednesday, December 7, 2011, in the Buffalo Market Arcade Building. The meeting was called to order at 1:03 PM.

Board Members Present: Arthur, Brown (proxy), Collins (proxy), Johnstone, Messiah and Olsen

Board Members Excused: Giardino, Floss

Staff Present: Link, N. Miller, R. Miller, Mongold and Tyler

Additional: A. V. Buzard, Esq., Harris Beach, PLLC

Opening Remarks

Chair Olsen opened the meeting. He announced the meeting's agenda as follows:

- Consideration of the October 3, 2011 meeting minutes,
- Recommendations from the Governance Committee to approve the following items:
    - Adoption of a petty cash policy,
    - Authorization of a banking agreement with First Niagara Bank,
    - Adoption of a Lobbying Contact Policy and appointment of a Lobbying Contact Officer,
    - Review and approval of the 2011 Prompt Payment Report, and
    - Review and approval of BFSA's 2012 Meeting Calendar.
- City of Buffalo ("City") issues including:
    - A proposed redesignation of Efficiency Grant Funds, and
    - A proposed modification to the FY 2012-2015 Financial Plan.
- Buffalo School District ("District") issues including:
    - A proposed collective bargaining agreement ("CBA") between the District and the Professional, Clerical, and Technical Employees' Association ("PCTEA"), and
    - A proposed Budget Modification and Financial Plan Modification.
- Buffalo Municipal Housing Authority ("BMHA") issues including :
    - A proposed Walden Estate Conduit financing transaction; representing a mixed financing agreement for a low-income senior housing center located within the City.
- First quarter reports for the City, the District, BURA, and the BMHA, and
- BFSA issues including:
    - A resolution honoring the service to the BFSA Board by outgoing County Executive Chris Collins.

Chair Olsen noted that the audited 2010-11 Financial Statements for the District had been provided to the Board members. Due to the voluminous amount of material to be covered at the meeting, discussion of theses financial statements will be deferred until the next regularly scheduled meeting of the Board.

Chair Olsen acknowledged that the County Executive would be recognized upon his arrival for his service to the BFSA Board as this is his last meeting. He also advised the announced Executive Session to discuss legal matters would be deferred until January of 2012 when the complete documentation is available for consideration.

Chair Olsen acknowledged the presence of the following representatives from the Police Benevolent Association ("PBA"):

- Mr. Robert Meagan, Retiring PBA President,
- Mr. John Evans, Vice President-Elect, and
- Mr. William Gambino, Recording Secretary-Elect.

Secretary Arthur requested that Chair Olsen inquire if President Meagan if he had any counsel or advice for the BFSA Board.

Following Chair Olsen's inquiry, President Meagan responded humorously that his counsel would be available only at the current fees of BFSA's outside legal counsel, Mr. A.V. Buzard. He noted the additional attendance of PBA President-Elect, Mr. James Panus.

Chair Olsen advised that Privilege of the Floor shall be extended to any attending member of the public who wishes to comment on the record on any items discussed at the day's proceedings.

Roll Call of Directors

Chair Olsen asked Secretary Arthur to call a roll of the members. Finding a quorum present, the meeting commenced.

City of Buffalo Commissioner of Administration, Finance, Policy and Urban Affairs, Ms. Janet Penska, represented Mayor Byron W. Brown, in accordance with Subdivision 1 of §3853 of the Buffalo Fiscal Stability Authority Act (the "Act").

Mr. Christopher Petrino, Director of Labor Relations, represented County Executive Chris Collins, in accordance with Subdivision 1 of §3853 of the Buffalo Fiscal Stability Authority Act (the "Act").

Subdivision 1 of §3853 of the BFSA Act reads, "…*The Mayor and the County Executive shall serve as ex officio members. Every Director, who is otherwise an elected official of the City or County, shall be entitled to designate a single representative to attend, in his or her place, meetings of the Authority and to vote or otherwise act in his or her behalf. Such designees shall be residents of the City of Buffalo. Written notice of such designation shall be furnished prior to any participation by the single designee…"*

Chair Olsen noted that one additional member's presence would be necessary for consideration of the CBA between the District and PCTEA, as Mayor Brown had instructed Ms. Penksa to abstain from this vote due to a conflict-of-interest matter. He noted that the agenda would be subsequently reordered until an additional member arrived.

Approval of the October 3, 2011 Meeting Minutes
Chair Olsen introduced Resolution No. 11-37, "Approving Minutes and Resolution from October 3, 2011."

Director Johnstone offered a motion to approve the resolution.

Secretary Arthur seconded this motion.

RESOLUTION NO. 11-37
APPROVING MINUTES FROM OCTOBER 3, 2011

BE IT RESOLVED that the Buffalo Fiscal Stability Authority approves the minutes of its meeting on October 3, 2011.

BE IT FURTHER RESOLVED that the Buffalo Fiscal Stability Authority ratifies and affirms Resolutions No. 11-37 through 11-48 that were approved on October 3, 2011.

This resolution shall take effect immediately.

The Board voted 5-0 to approve the resolution.

City Issues
Chair Olsen advanced the agenda to the next two items for consideration: the proposed changes to the efficiency grants and the related financial plan modification. He noted that the initial request from the City was included along with a memo from the BFSA staff discussing the modifications, and two corresponding resolutions addressing both matters. Chair Olsen noted that the New York State Division of Budget ("NYSDOB") stated that the City should have all efficiency grant dollars expended before the fall of 2013. It was further noted that the BFSA does not hold these funds, but acts a pass through organization; the City must be reimbursed for its expenditures.

Chair Olsen requested that Executive Director Jeanette Mongold summarize the two interrelated items.

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

- The BFSA is required to approve the how the City uses efficiency grant funds. The grant funds were initially allocated by New York State in 2007 with an additional re-appropriation for the next three years. The total appropriations at the end of the three year period were approximately $20 million including some adjustments;
- The requirements of the grant are broad in that projects are intended to provide the City with certain efficiencies and are not to be used to fund recurring operations. Yet, there are broad parameters in how the dollars can be spent;
- Mayor Byron Brown has requested redesignation of some of the dollars that were previously approved for other projects. The two previously approved efficiency projects were for a Time & Attendance system of $850,000 and a Salt Barn of $600,000;
- The $1.45 million would be redesignated to include:
  - Police surveillance cameras of $600,000, at a cost of $45,000 per camera, adding thirteen to fifteen additional cameras to the City. Installing surveillance cameras for

use by the Police Department has been a priority of the Mayor's administration;
- Additionally, $480,000 of the $1.45 million would be re-designated for replacement windows at Police Headquarters. Currently, there are dislodged windows at police headquarters that now have scaffolding around the building to prevent windows from falling on pedestrians. There is an estimated energy cost savings of $25,000 to $30,000 annually along with a scaffolding cost savings of $10,000 annually. The return on investment is fairly long term which is normal for window replacements, approximately 12 to 15 years; the current situation presents a liability since there are windows that are dislodged and may injure individuals;
- The purchase and installation of single-head solar parking meters constitutes $250,000 of the re-designated $1.45 million. The cost is $500 per meter would replace approximately 500 stand-alone meters throughout the City. The City has moved to larger display meters over the last few years. Single-head meters are to be used on smaller streets where there are currently single meters;
- The purchase and installation of license plate readers constitutes $120,000 of the re-designated $1.45 million. The readers allow the license plates to be scanned into a network software system to confirm if there are any outstanding parking violations. The City currently has approximately $8,000,000 of outstanding parking tickets. Following a test run last month, the indicators revealed that one machine would have paid for within one month's time. Therefore, it has been determined that license plate readers are a good use of efficiency grant funds;

➢ During the process of reviewing the request for re-allocation of funds, there were some savings that were factored into the Financial Plan related to the Time & Attendance program. A review of the Financial Plan that the Board approved back in June 2011 indicates a total savings of $5,000,000 over four years. As these savings will not be realized, the City has modified the Financial Plan accordingly;
    - The City has been notified by Blue Cross and Blue Shield that they will receive a corrected rating related to the health care premium. Currently their rating includes employees from certain legally separate component units such as the Buffalo Sewer Authority and the BMHA. As a result of these groups being included, the rate cost for the City of Buffalo has been higher. The corrected rating is expected to result in healthcare savings of $7,000,000 over the four year Financial Plan.

➢ The Asset and Management plan remains static from the original approval. In addition, a small savings would be realized from the replacement of the windows and the related annual energy savings.

Ms. Mongold noted that the Board is being asked to approve two items collectively:

➢ The approval of the new projects and the re-designation of the Efficiency Grant Funds; and
➢ The Financial Plan Modification.

Chair Olsen noted that following the redesignation of the Efficiency Grant funds as well as the adjustments to the Financial Plan, the City shows a cumulative surplus of $2.09 million throughout the Financial Plan, following the proposed utilization of fund balance and the proposed Plans to eliminate the Gap ("PEG") actions. He asked if the Board was required to approve this surplus as well.

Ms. Mongold noted the modified Financial Plan would need to be approved as one item.

Chair Olsen asked what amount was left from the Efficiency Grants and over what time frame those dollars needed to be spent.

Ms. Mongold replied that approximately $5,000,000 of Efficiency Grant funds remained. NYSDOB advised that the City spend down the funds by the fall of 2013.

Ms. Penska confirmed the City is prepared to meet the requirements of NYSDOB. She also advised the City has a number of projects that could be implemented.

Chair Olsen introduced Resolution No. 11-38 "Approval of the City of Buffalo's Budget and Financial Plan Modification for Programs to Eliminate the Projected Gap."

Director Messiah offered a motion to approve the resolution.

Secretary Arthur seconded this motion.

RESOLUTION NO. 11-38
APPROVAL OF THE CITY OF BUFFALO'S BUDGET AND FINANCIAL PLAN MODIFICATION FOR PROGRAMS TO ELIMINATE THE PROJECTED GAP

WHEREAS, on November 25, 2011, the City of Buffalo ("City") submitted a financial plan modification for the 2012-2015 financial plan to the Buffalo Fiscal Stability Authority ("BFSA"); and

WHEREAS, the proposed modification would serve to amend the 2012-2015 financial plan originally approved by BFSA on June 15, 2011; and

WHEREAS, the modification addresses budgetary gap closing measures as originally planned for in the initial 2012-2015 financial plan; and

WHEREAS, the City has requested a re-designation of $1,450,000 of Efficiency Grant Funds to programs other than what were initially planned and approved by the BFSA; and

WHEREAS, this re-designation has increased the operating deficit over the 2012-2015 financial plan by $5 million; and

WHEREAS, the budget modification provides for recognition of reduced future appropriations to close the budgetary deficits; and

WHEREAS, the City is projecting $7 million in savings attributed to the corrected rating of City healthcare premiums and $105,000 in savings associated with the replacement of the windows at Police Headquarters; and

WHEREAS, BFSA staff has reviewed the financial plan modification and has determined that such modification is in compliance with the provisions of Chapter 122 of the Laws of 2003, as amended by Chapter 86 of the Laws of 2004 ("BFSA Act").

NOW, THEREFORE BE IT RESOLVED THAT the Buffalo Fiscal Stability Authority hereby determines that the revised financial plan is complete and is hereby approved.

The Board voted 5-0 to approve the resolution.

Chair Olsen introduced Resolution No. 11-39 “Approval of Re-designation of Efficiency Incentive Grant Request.”

Director Messiah offered a motion to approve the resolution.

Secretary Arthur seconded this motion.

RESOLUTION NO. 11-39
APPROVAL OF REDESIGNATION OF EFFICIENCY INCENTIVE GRANT REQUEST

WHEREAS, in 2006, New York State amended the Buffalo Fiscal Stability Authority Act (the “Act”) to include Section 3857-A, which provides for Efficiency Incentive Grants to the City of Buffalo (the “City”); and

WHEREAS, according to Section 3857-A of the Act, the City “shall develop and submit to the Authority a plan for achieving recurring savings through innovations and reengineering”; and

WHEREAS, in 2006, New York State amended the Buffalo Fiscal Stability Authority Act (“Act’) to add in a new Section 3857-A, which provides for Efficiency Incentive Grants to the City of Buffalo (“City”); and

WHEREAS, according to Section 3857-A of the Act, the City “shall develop and submit to the Authority a plan for achieving recurring savings through innovations and reengineering”; and

WHEREAS, Buffalo Fiscal Stability Authority (“BFSA”) had approved the use of twenty million one hundred thousand dollars ($20,100,000) of total Efficiency Incentive Grants since March 2007 for various efficiency projects; and

WHEREAS, the City has submitted to the BFSA a plan to re-designate one million four hundred and fifty thousand dollars ($1,450,000) of available Efficiency Incentive Grants funding from previously approved projects including a Time and Attendance System ($850,000) and the construction of a Salt Barn ($600,000) to four other; and

WHEREAS, BFSA staff has reviewed the City’s Efficiency Incentive Grant proposals and has determined them to be reasonable initiatives toward achieving efficiencies, increasing revenues or enhancing the delivery of certain City services.

NOW THEREFORE, BE IT RESOLVED, that the Buffalo Fiscal Stability Authority hereby approves the City of Buffalo's request to re-designate $1,450,000 in Efficiency Incentive Grants to fund the following initiatives in the following amounts:

Police Surveillance Cameras	$600,000
Replacement Windows at Police Headquarters	$480,000
Single Head Pay and Display Parking Meters	$250,000
License Plate Readers	$120,000

This resolution shall take effect immediately.

The Board voted 5-0 to approve the resolution.

Chair Olsen noted that the next item scheduled for consideration was the District's proposed CBA. He apologized and advised that the item would be taken later in the agenda, as there were not five Directors present to vote on the item. Ms. Penksa had advised that Mayor Brown deemed it proper to abstain, as he potentially had a conflict-of-interest.

<u>Buffalo Municipal Housing Authority Issues</u>
Walden Estate Conduit Financing

Chair Olsen advanced the agenda to the next item for consideration: the Walden Estate Conduit Financing Agreement. BMHA had requested approval of a mixed financing agreement to benefit a senior housing development. BMHA is awaiting final approval by the U.S. Department of Housing and Urban Development ("HUD"). As a result, the related bond issuance of $5,300,000 and a loan of replacement housing factor funds also in the amount of $5,300,000 are expected to be taken up at a future meeting of the BFSA Board. Chair Olsen requested Ms. Mongold discuss the item with the Board at this meeting. He asked Ms. Mongold to provide a summary of the item for the Board.

Ms. Mongold informed the Board that BMHA legal counsel was attempting to obtain U.S. Department of Housing and Urban Development ("HUD") approval before the conclusion of this meeting. However, if it is not received today, it is expected to be forthcoming in the near future. Therefore, it was decided to present a synapsis of the transactions to the BFSA today as there is a BMHA representative in attendance to answer any questions that may arise.

Ms. Mongold explained that the transaction is fairly complex. The mixed-financing agreement is intended to benefit the Walden Park Senior Residences, a 126 one and two-bedroom low-income senior apartment complex located within the City. The total project cost is approximately $10,500,000 which is expected to be financed through a variety of sources, one of which is a requested conduit financing, representing a non-recourse financing by BMHA in an amount not-to- exceed $5,300,000. In addition to the bond, the project will also be funded with a short-term loan and a permanent loan by BMHA. It is noted that there is other external financing contributing to this transaction.

Chair Olsen inquired if the project was a rehabilitation project. Ms. Mongold affirmed that it was partially related to rehabilitation, and also for re-financing the mortgage on the property.

Ms. Mongold explained that proceeds for the project from bond proceeds will pay for the costs of bond issuance. In order to complete the transaction, BMHA had to create an affiliate, Bridges Development, Inc., to work in conjunction with Walden Park Senior Housing II, LLC, the owner of the building, an investment partnership, Stratford Walden Park Investors Limited Partnership, and the Developer, SAA Plus Development. Walden Park Senior Housing II, LLC has applied to the BMHA requesting the issuance of tax-exempt revenue bonds. By BMHA issuing these bonds, the owner and developer can both take advantage of the tax-exempt status which they would not be able to obtain on their own. This procedure is fairly routine in New York State in order to develop low-income housing from a private equity investor. The tax-exempt revenue funding will assist in obtaining the tax credits.

Ms. Mongold continued that there was also a loan request of Replacement Housing Factor funds, known as “RHF” funds that are available to BMHA through HUD. Empire State Development has provided a volume cap on the RHF funds which allows BMHA to bond the amount of $5,300,000 for this transaction. There are Series 2011A bonds that are long-term in the amount of $3,200,000 and Series 2011B bonds that are short-term in the amount of $1,700,000. The total amount is not to exceed $5,300,000, with cushion established for interest rate movement and issuance costs.

Ms. Mongold continued that there were limited obligations of BMHA and they are non-recourse to BMHA and the City in the event of default. The Series 2011A bond in the amount of $3,200,000 will provide the first mortgage on the property which will be a fifteen year bond with repayment to be provided through property revenue. The Series 2011B bond in the amount of $1,700,000 will provide for the reconstruction of the facility. Series 2011B bond is a short-term borrowing for a period of two years with repayment through the equity infusion generated by the tax credit. The general structure overview is very similar to the Joint School Construction Board (“JSCB”) borrowing in that the bond issuer is the BMHA, however, Walden Park Senior Housing II, LLC is ultimately responsible for the payment of principle and interest. BMHA will provide the funding to its affiliate, Bridges Development, Inc.. Bridges Development, Inc., will in turn enter into a lessee/lessor agreement with the LLC. There will be an installment sale from Bridges to Walden Park Senior Housing II, LLC, which will result in the lease payments from Bridges Development, Inc., to the Walden Park Senior Housing II, LLC.

Ms. Mongold continued that Freddie Mac is providing credit enhancement for both bond series and requires a further guarantee on the Series 2011B collateral because it is a short-term loan and there is no guarantee that the tax credits will sell. In the event the credits don’t sell, Freddie Mac is requiring $1,700,000 of the RHF funds to collateralize the guarantee of the Series 2011B bonds. If the tax credit infusion does occur, it will be repaid within two years. When the project meets test for low-income housing credits and the related equity infusion occurs, the loan will be repaid. If the tax credit infusion does not occur, the loan would then become long-term to the BMHA.

Other parties to the issue are as follows:

- Stern Brothers & Co., the Underwriter,
- Deutsche Bank, the Trustee,
- Hodgson Russ, Bond Counsel, and
- Kavinoky Cook, Issuer’s Counsel.

The benefit for the BMHA entering into this transaction is that a minimum of 34 units will be designated as low-income housing with a purchase option by Bridges Development, Inc. at the end of 15 years in the amount of $2,500,000, which represents the estimated outstanding balance on the mortgage, or Series A bonds.

The RHF funds loan is for the acquisition, construction and/or rehabilitation of property. The loan must be made to a private entity and must be approved by HUD. As part of this transaction there is an additional loan in the amount of $3,430,000 as a 30 year, second mortgage with repayment to be provided from the cash flow of housing development. Approval is requested from BFSA for the bond issuance not to exceed $5,300,000 and the RHF Funds loan not to exceed $5,130,000.

Ms. Mongold concluded her summary.

Secretary Arthur inquired who the principles to the transaction were. Ms. Mongold deferred the response to Mr. Larry Rubin from the law firm Kavinoky Cook which represents BMHA.

Mr. Rubin addressed the Board and advised the principles of the development team, Stuart Alexander Associates. Mr. Stuart was the original developer in the original Walden Park Estates.

Attorney Rubin advised that HUD approval via email was expected presently.

Secretary Arthur recommended that action on the item be delayed until notification of HUD's approval was received.

Chair Olsen agreed and indicated that a Special Meeting of the Board could be called within the next thirty days if HUD does not approve of the agreement during BFSA's meeting.

Attorney Rubin responded the funds are expected to be released by HUD by December 19, 2011. He reiterated that HUD approval is expected shortly during the course of the meeting.

Chair Olsen advised the Board would hold a special session in January 2012 if necessary.

Director Johnstone exited the proceedings at 1:24 pm.

The four currently attending members of the Board agreed to consider the item after the receipt of HUD approval and upon reinstitution of a meeting quorum.

1st Quarter Reports
Buffalo Municipal Housing Authority

Chair Olsen advanced the agenda to the next items for consideration: review of the City and the Covered Organization's 1st quarter reports. Chair Olsen advised that staff would discuss the review of the quarterly reports.

Ms. Mongold presented a summary of BMHA's first quarter report and noted that the summary was intended to be a high level summary of the first quarter results, as required under our statute to be received within thirty days of the end of the fiscal year. The report was received from the BMHA within the time frame afforded by the Act.

The BMHA breaks out their reporting into the actual housing aspect of their business and what it costs to provide those services through the Central Office. BMHA is on target with where they expected to be for the quarter with 25% of their budget expended for both housing and central office.

The housing budget is between $32,000,000 and $33,000,000. The central office budget is just under $6,000,000.

There are a number of issues of interest:

- Anticipated Reduction in HUD Funding – Currently, HUD is providing an operating subsidy of 100%, expiring December 31, 2011. Bills are in the US House of Representatives (the "House") and the U.S. Senate (the "Senate") to reduce those subsidies for entities that have more than four months of operating reserves. BMHA currently has seven months of reserves and anticipates a reduction estimated at $2,000,000 to $4,000,000.

- Discussion of a waiver - In September HUD issued a waiver notice that allowed public authorities to apply for a waiver of the bills that are circulating in the House and Senate which relate to the anticipated reduction in the operating subsidy. BMHA did file such a waiver; no determination by HUD has been made. If successful, there will still be a reduction of the operating subsidy but the impact would be reduced with an expected reduction in the range of $500,000 to $1,400,000 less than the previous estimate.

- American Recovery and Reinvestment Act ("Federal Stimulus" or "ARRA") Funds - BMHA has expended 88% of all ARRA funds as of the end of the 1st quarter and are scheduled to be fully expended by January 2012. The deadline for spending ARRA dollars is March 2012.

- Independent Audit Status June 30, 2011 - Fieldwork has been completed on the FY 2010-11 Independent Audit. The auditors are in the process of pulling together draft financial statements. Last year the statements were overdue and received in June of 2011.

Director Johnstone returned to the proceedings at 1:36 pm.

Ms. Mongold concluded her summary of BMHA's first quarter report. She noted that Principal Analyst Bryce Link had intended to provide the summary but was currently attempting to contact one of the absent Directors to see when to anticipate their arrival at the meeting. She continued with a summary of the City's first quarter report.

City of Buffalo First Quarter Report

Ms. Mongold provided the following summary:

- Budget-to-Actual Analysis - The City is projecting a favorable budget surplus of $2.9 million for the year ending June 30, 2012. This consists of a favorable revenue budget variance of $643,550 and favorable expenditure budget variance of $2.2 million. The $2.9 million budgetary surplus would reduce the planned use of fund balance of $12.3 million to $9.4 million. Currently, the fund balance is making up the gap between revenues and budgeted expenditures.

- General Fund Revenue – The current projected positive variance of $643,550 is attributed primarily to higher than expected rent collections at the Broadway Market of $427,000 and higher than projected collection of service fees of $212,900.

- General Fund Expenditures – Fourteen of fifteen departments are currently projecting under budget for a cumulative savings of $2.7 million, the savings are spread fairly evenly across all departments. The savings are offset by approximately $450,000 in projected additional energy costs, for a net decrease of $2.2 million. The only department projecting to be over the adopted budget is the Fire department. The overage is attributed to minimal manning requirements. Vacancies within the department were 34 as of September 30, 2011, or approximately 5%. This vacancy rate does not include any firefighters that may be out on Injured-on-duty ("IOD") leave or another type of leave.

- Budgetary Variances - The largest variances are as follows:
  - Fire Department and Utilities (over budget), $2.5 million
  - Police Department (under budget), $2.9 million
  - Public Works (under budget), $1.0 million
  - All twelve other departments (under budget by a net $1.2 million).

- Departmental Savings - The departmental savings are attributed to staff vacancies. The adopted budget calls for 2,613 full-time equivalent ("FTE") employees. Currently, the City has filled 2,354 positions representing a vacancy rate of 10%. The vacancy rate will decrease over the course of the year due to a new Fire and Police class that will be starting at the end of the calendar year. Additionally, the City will be bringing on eighteen individuals to staff the detention center as a result of the cell block re-establishment by the City.

Current fiscal year risks include:

- Overages - Overages exist in the Public Safety Budget as it relates to the Fire Department. Due to minimal manning requirements and providing quality services to the residents of Buffalo, there could be potential overages depending on the needs of the City and policy decisions made by the administration.

- State Aid Reductions - At this point there is no notification as to how the State is going to close the current year State projected budget deficit of $350 million.

- Other Postemployment Benefit ("OPEB") – OPEB liabilities increased from $1.2 billion, in the last report, to $1.7 billion in the current report.

- Unsettled Collective Bargaining Agreements – Major collective bargaining units within the City have unsettled CBAs.

Chair Olsen inquired if the OPEB liabilities were financed annually. Ms. Mongold advised they are financed on a "pay as you go" basis which increases drastically every year.

Director Johnstone inquired as to the effect this has on the annual required contribution (the "ARC").

Ms. Mongold advised the ARC increases as well. The actual data will be provided following the meeting.

Ms. Mongold concluded the summary of the City's first quarter report. She continued with a summary of BURA's first quarter report.

Buffalo Urban Renewal Agency First Quarter Report

Ms. Mongold noted that BURA is essentially a self-balancing entity. The first quarter is historically slow in disbursing BURA resources and related spending. There are remaining sub-recipient agreements that BURA needs to enter into. Once those are entered into, BURA will draw down more of the Community Development Block Grant ("CDBG") dollars and distribute those funds to those recipients. As a result, revenue and expenditures are approximately 17% of budget.

Highlights include the following:

- Operating revenue is projected to decrease by $4.1 million as compared to FY 2011;

- BURA owes a current year-end projected balance of $8.4 million in default loan guarantees,

- BURA currently is reporting an OPEB liability of $39.2 million, which will be reduced once the final impact of the recently settled CBA with BURA employees is applied and a recalculation of the OPEB liability is completed.

Ms. Mongold concluded her presentation and turned the next presentation over to Financial Analyst/Manager of Technology, Mr. Nathan Miller to present a summary of the District's first quarter report.

Buffalo Public School District First Quarter Report

Mr. Miller addressed the Board and provided the following summary of the District's first quarter report:

- The quarter ended on September 30, 2011 with no projected budgetary variances for General Fund revenues or General Fund expenditures. Revenues and expenditures ended with positive variance of $320,198 and $3.47 million respectively. Both variances are attributed to the timing of cash receipts rather than projected differences for fiscal year end.

- General Fund revenue variances are comprised of Erie County sales tax at a favorable $256,976, federal Medicaid at a favorable $12,085, and a combination of tuition, interfund and miscellaneous dollars at a favorable $650,379. In addition, there is a negative variance of $599,670 in New York State Aid.

- General Fund expenditure variances are comprised of total employee compensation of $201,841, total employee benefits of $925,948 and combined all other expenses at $2.34 million for a total variance of $3.47 million.

Chair Olsen inquired if the overall positive variance in employee compensatory expenditures was driven by vacant positions.

Mr. Miller affirmed that it was, and advised that there are two employee groups that are over budget: the Buffalo Teachers' Federation ("BTF") and the Buffalo Educational Support Team ("BEST"). Other collective bargaining units including PCTEA, the Buffalo Council of Supervisors & Administrator ("BCSA") as well as other collective bargaining units showed positive variances. Overall employee compensation showed a positive variance.

Significant favorable budget variances are:

- PCTEA - $414,730
- Health insurance (active employees) - $308,800
- Transportation - $837,179
- Miscellaneous contracts, supplies and related items - $970,108

The significant unfavorable budget variances are:

- BTF compensation – ($419,874)
- BEST compensation – ($89,353)
- Teachers retirement – ($37,058)
- Health insurance (retirees) – ($28,288)

Cash receipts were favorable by $8.1 million. However, cash payments were unfavorable by $16.9 million. This is a direct result of $15.13 million in payments being processed in the first quarter of this year as opposed to the fourth quarter of last year.

Mr. Miller concluded his presentation by noting the beginning cash and investments are $226.62 million with the revised year-end projection at the end of the first quarter of $192.57 million.

Buffalo Municipal Housing Authority Issues
Walden Estate Conduit Financing (continued)

Chair Olsen suggested the Board return to the BMHA Walden Estate Conduit Financing Agreement discussed earlier.

Secretary Arthur offered a motion to consider the BMHA Walden Estate Conduit Financing Agreement, which had been deferred earlier in the meeting.

The motion was seconded by Director Messiah.

The Board voted 5-0 to consider the matter.

Director Johnstone noted that the Board had just received the statement from HUD approving of the agreement and requested a brief delay in order to review the document.

Chair Olsen concurred. He asked Mr. Rubin if there were any new items involved with HUD's approval that had not been discussed previously.

Attorney Rubin advised that HUD had given the approval for the Walden Estate Conduit Financing which included subsequent instructions to be followed by the BMHA.

Chair Olsen introduced Resolution No. 11-40, "Resolution Authorizing the Issuance and Sale by Buffalo Municipal Housing Authority of Senior Housing Revenue Bonds (Walden Park Senior Apartments), Series 2011-A and Senior Housing Revenue Bonds (Walden Park Senior Apartments), Series 2011-B in an Aggregate Principal Amount Not To Exceed $5,300,000 and the Loan of Replacement Housing Factor Funds in the Principal Amount Not To Exceed $5,130,000."

Secretary Arthur offered a motion to approve.

Director Messiah seconded the motion.

RESOLUTION NO. 11-40
RESOLUTION AUTHORIZING THE ISSUANCE AND SALE BY BUFFALO MUNICIPAL HOUSING AUTHORITY OF SENIOR HOUSING REVENUE BONDS (WALDEN PARK SENIOR APARTMENTS), SERIES 2011-A AND SENIOR HOUSING REVENUE BONDS (WALDEN PARK SENIOR APARTMENTS), SERIES 2011-B IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $5,300,000 AND THE LOAN OF REPLACEMENT HOUSING FACTOR FUNDS IN THE PRINCIPAL AMOUNT NOT TO EXCEED $5,130,000

WHEREAS, the Buffalo Municipal Housing Authority ("BMHA") was established pursuant to Article III of the New York Public Housing Law (the "Enabling Act"), which Enabling Act grants and defines the powers and purposes of municipal housing authorities in the State of New York (the "State"), and Chapter 4 of the 1934 Laws of the State of New York, Act of the City of Buffalo Common Council dated March 20, 1934 approved by the Mayor of the City of Buffalo on October 19, 1934, Chapter 312 of the 1935 Laws of New York, and Chapter 913 of the 1957 Laws of New York, as amended, constituting Section 404 of the New York Public Housing Law (collectively with the Enabling Act, the "Act"); and

WHEREAS, the BMHA is authorized and empowered by the Act to promote the clearance, replanning, reconstruction and rehabilitation of substandard and insanitary areas and the providing of adequate, safe and sanitary affordable housing accommodations in these areas and elsewhere for persons and families of low income; and

WHEREAS, to accomplish its stated purposes, the BMHA is authorized and empowered under the New York Public Housing Law to issue its authority bonds to finance the cost of the acquisition and renovation of dwelling accommodations for persons of low income; and

WHEREAS, the BMHA was created for the benefit of the City of Buffalo, New York (the "City"); and

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, to accomplish the provision and preservation of a significant number of safe, sanitary and affordable dwelling units for low income senior citizens in the City, Walden Park Senior Housing II LLC (the "Company") has made application to the BMHA requesting that the BMHA undertake a project to provide dwelling accommodations for persons of low income (the "Program") consisting of the following: (A) the acquisition by the Authority of a leasehold interest in an approximately 6.09 acre parcel of land located at 101 Bakos Blvd., Buffalo, New York (the "Land"), together with certain residential buildings and related improvements on the Land (collectively, the "Facility") to be renovated by the Company for use as 126 one and two bedroom apartments for low income seniors, and the acquisition of certain equipment and other personal property related thereto (the "Equipment") (the Land, the Facility, and the Equipment hereinafter collectively referred to as the "Program Facility"); (B) the financing of all or a portion of the costs of the foregoing by the issuance of tax-exempt/taxable revenue bonds of the Authority in one or more issues or series in an aggregate principal amount sufficient to pay the cost of undertaking the Program, together with necessary incidental costs in connection therewith, presently estimated to be $4,900,000 and in any event not to exceed $5,300,000 (the "Obligations"); (C) the granting of certain other financial assistance with respect to the foregoing, including potential exemptions from real estate transfer taxes, sales taxes and mortgage recording taxes; and (D) the sublease of the foregoing to the Company or such other person as may be designated by the Company and agreed upon by the Authority; and

WHEREAS, to provide additional financing for the Program, the Company has arranged for a loan in the principal amount of up to $5,130,000 from the Authority's affiliate, Bridges Development Inc. (the "Bridges Loan"), to be funded with United States Department of Housing and Urban Development Replacement Housing Factor Funds; and

WHEREAS, for the purpose of funding a portion of the costs of the Program, the BMHA has requested BFSA approval to issue tax-exempt revenue bonds, Series 2011-A and Series 2011-B in an aggregate principal amount not to exceed $5,300,000; and

WHEREAS, such bonds represent limited obligations of the BMHA payable solely from, among other things, revenues of the Facility and neither the BMHA nor its members or officers are personally liable with respect to the Bonds; and

WHEREAS, such Bonds do not constitute and shall not be debt of the City of Buffalo nor shall the City of Buffalo be liable thereon; and

WHEREAS, the Bonds do not give rise to a pecuniary liability or charge against the general credit or taxing powers of the City of Buffalo; and

WHEREAS, for the purpose of funding a portion of the costs of the Program, the BMHA has requested BFSA approval to enter into the Bridges Loan; and

WHEREAS, the BFSA has reviewed the proposed issuance of the Bonds by the BMHA and the making of the Bridges loan by the BMHA as hereinbefore set forth and has found the transaction to be financially sound and in the public interest.

NOW, THEREFORE, BE IT RESOLVED that the BFSA hereby approves the BMHA to issue the Bonds in a principal amount sufficient to pay the costs of undertaking the Program, together with certain related costs and amounts, which costs are presently estimated to aggregate approximately $4,900,000 and in any event shall not exceed $5,300,000; and further

BE IT RESOLVED that the BFSA hereby approves the BMHA to make, through its affiliate, Bridges Development Inc., the Bridges Loan to the Company in a principal amount not to exceed $5,300,000; and further

RESOLVED that the BFSA authorizes the BMHA and/or its affiliate Bridges Development Inc., to enter into necessary and appropriate contracts and documents in connection with the aforementioned transactions.

The Board voted 5-0 to approve the resolution.

Exit to Recess

Chair Olsen suggested a brief recess to the meeting as the County Executive was expected to arrive momentarily.

Secretary Arthur offered a motion to briefly adjourn that was universally seconded.

The Board voted 5-0 to briefly adjourn.

The Board adjourned at 1:53PM.

Return from Recess

Secretary Arthur offered a motion to return into public session that was university seconded.

The Board voted 5-0 to return from recess.

The Board returned from recess at 1:59PM.

BFSA Issues
Authorization of a Banking Agreement

Chair Olsen advanced the agenda to the recommendations for approval on the following BFSA issues:

- the authorization of a banking agreement,
- a Lobbying Contact Policy and Appointment of a Lobbying Contact Officer,
- a Petty Cash Policy,
- the 2011 Prompt Payment Report, and
- the BFSA 2012 Meeting Calendar.

Chair Olsen requested Ms. Mongold provide a brief overview of each item.

Ms. Mongold introduced the authorization to open a deposit and brokerage account at First Niagara Bank. HSBC Bank, BFSA's current financial institution, sold their local government business to First Niagara Bank. A resolution has been drafted that would allow the BFSA to continue to do banking with First Niagara Bank.

Ms. Mongold noted that the Governance Committee had also recommended that the Board consider other local financial institutions to invest along with First Niagara Bank.

Chair Olsen introduced Resolution No. 11-41, "Authorize the Opening of Deposit and Brokerage Accounts at First Niagara Bank and Authorized Signatures and Signing Restrictions for Such Accounts."

Director Mesiah offered a motion to approve the item.

Director Johnstone offered a second.

Secretary Arthur directed staff to solicit other rates from local banks at the beginning of the upcoming calendar year.

RESOLUTION NO. 11- 41
AUTHORIZE THE OPENING OF DEPOSIT AND BROKERAGE ACCOUNTS AT FIRST NIAGARA BANK AND AUTHORIZED SIGNATURES AND SIGNING RESTRICTIONS FOR SUCH ACCOUNTS

WHEREAS, the Legislature of the State of New York, pursuant to 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 invest any funds held in reserve or sinking funds, or any funds not required for immediate use; and

WHEREAS, BFSA maintains depository account and money market account with HSBC BANK, USA, as a means of optimizing returns on funds that are held in reserve or are not of immediate use; and

WHEREAS, in 2011, HSBC divested many of its operations and sold both local bank branches and related operations to First Niagara Bank; and

WHEREAS, the sale of the banking business from HSBC to First Niagara is expected to be completed in the second quarter of 2012; and

WHEREAS, the BFSA's bank accounts will be converted from HSBC to First Niagara at such time; and

WHEREAS, in order to continue to operate smoothly and without restrictions, the BFSA must approve the establishment of depository and brokerage accounts with First Niagara, so that when the transfer of operations is complete BFSA is able to maintain fiscal operations and efficiently carry out the requirements of the BFSA Act.

NOW THEREFORE, BE IT RESOLVED, that BFSA approves the transfer of accounts from HSBC to First Niagara in connection with the aforementioned sale; and

BE IT RESOLVED that BFSA designates First Niagara as a financial institution for depository, investment and brokerage accounts (the "Accounts"), as deemed necessary; and

BE IT FURTHER RESOLVED, that in connection with the signing of checks, drafts, funds transfers or other order for the payment of money issued in the name and on behalf of BFSA against any funds deposited in the Accounts, the following restrictions will apply to all transactions:

1. The Chair, Vice Chair, Executive Director, and the Treasurer are each authorized as a sole signer for any payment up to and including $25,000; and

2. Two of the above-listed signatories of the BFSA are required to jointly sign for any payment over $25,000.

The Board voted 5-0 to approve the resolution.

Lobbying Contact Policy & Lobbying Contact Officer Appointment

Chair Olsen advanced the agenda to the next item for consideration: a recommendation by the Governance Committee to approve the draft Lobbying Contact Policy and appoint a Lobbying Contact Officer.

Ms. Mongold informed the Board that the drafted Lobbying Contact Policy is a more recent requirement of Public Authorities Law ("PAL"). A "Lobbyist" is defined by PAL as, "…every person or organization retained, employed or designated by any client to engage in lobbying. The term lobbyist shall not include any officer, director, trustee, employee, counsel or agent of the State, or any municipality or subdivision of New York when discharging their official duties."

Lobbying is furthermore defined within the draft Lobbying Contact Policy as any attempt to influence the adoption or rejection of any rule or regulation having force in effect of law by the BFSA. The policy also requires that in the event any director or employee of the BFSA, while acting in their role, is contacted by a lobbyist as defined by this policy, that a record must be made and retained for seven years. The record shall include the following:

- the date and time of the contact,
- the identity of the lobbyist¸ and
- a general summary of the substance of the contact.

An additional requirement of the law is to identify an officer within the organization who will be the contact person. BFSA has proposed that the position of Comptroller to be the contact person in terms of creating and maintaining these records.

Director Messiah requested that Chair Olsen share his interpretation of the policy.

Chair Olsen advised it is important to note that when employees from the City or the Covered Organizations contact individual members to discuss ongoing issues, such is not considered lobbying, but rather as a function of their job. This includes administrators of various agencies, and likely union officers who are employees of the City.

He added that general counsel from Harris Beach would reexamine the issue and expose on some of the less clear areas of the requirement.

Secretary Arthur offered a motion for approval.

Director Johnstone seconded the motion and noted that some revision may be required, contingent on Harris Beach's further examination of the requirement.

Chair Olsen advised that once the item is approved there is an obligation to report based on our reasonable belief.

Director Johnstone submitted that there may be some modification required.

Chair Olsen recommended all interested parties contact the Board to share their opinion regarding this matter. He again committed to have counsel provide clarity for all individuals affected.

RESOLUTION NO. 11-42
ADOPTION OF LOBBYING CONTACT POLICY & APPOINTMENT OF A LOBBYING CONTACT OFFICER

WHEREAS, Chapter 122 of the Laws of 2003, as amended, created the Buffalo Fiscal Stability Authority ("BFSA"); and

WHEREAS, Public Authorities Law, Article 10-D, Title 2, §3854(12) provides that the BFSA Board of Directors shall appoint officers and employees as it may require; and

WHEREAS, as a New York State public authority, the BFSA is subject to the requirements of Public Authorities Law, Article 9, Title 12-A §2987, "Public Authorities Lobbying Contacts"; and

WHEREAS, Public Authorities' Law, Article 9, Title 12-A §2987(4) requires that New York State public authorities adopt a Lobbying Contact Policy and appoint an officer to oversee the requirements of the Lobbying Contact Policy.

NOW THEREFORE BE IT RESOLVED that the BFSA does hereby adopted the Lobbying Contact Policy, as attached to this resolution.

BE IT FURTHER RESOLVED, that the BFSA does hereby appoint the position of Comptroller to the position of Lobbying Contact Officer, who shall serve in this capacity along with his/her regularly, assigned duties at no additional rate of compensation.

The Board voted 5-0 to approve the resolution.

Petty Cash Policy

Chair Olsen advanced the agenda to the next item for consideration: a recommendation from the Governance Committee to approve Resolution No. 11-43 “Adoption of BFSA Petty Cash Policy,” and adopt a petty cash policy.

Ms. Mongold advised the Board that upon review of BFSA’s internal controls there was no formalized petty cash policy. This policy provides the specifics for what the funds can be used for as adherence to the policy.

Secretary Arthur offered a motion for approval.

Director Johnstone seconded the motion.

RESOLUTION NO. 11-43
ADOPTION OF BFSA PETTY CASH POLICY

WHEREAS, Chapter 122 of the Laws of 2003, as amended, created the Buffalo Fiscal Stability Authority (“BFSA” or “Authority”) to provide financial oversight and budgetary control over the City of Buffalo and Covered Organizations; and

WHEREAS, the BFSA is a public authority of the State of New York and as such is governed by certain State laws as well as best governance practices; and
WHEREAS, it is recommended that the BFSA as a public authority of the State of New York codify all policies and directives; and

WHEREAS, the Governance Committee of the BFSA has reviewed the proposed Petty Cash Policy of the BFSA and has recommended its adoption by the BFSA Board.

NOW THEREFORE BE IT RESOLVED, that the Buffalo Fiscal Stability Authority does hereby acknowledge and adopt the petty cash policy as attached.

The Board voted 5-0 to approve the resolution.

Prompt Payment Report

Chair Olsen advanced the agenda to the next item for consideration: a recommendation from the Governance Committee to approve Resolution No. 11-44 “Adopting the Prompt Payment Report.”

Ms. Mongold advised that the Prompt Payment Report was another requirement of Public Authorities Law that requires the staff to report to the Board any new contracts that were entered into during the last year, whether they fall under the purveyance of the Prompt Payment Policy. The report should also include the number of late payments made on any contracts during the year, the amount of the late payment, the number of days that the payment was late, and an explanation for the late payment.

The Prompt Payment Report documents that there were four new contracts that were entered into in 2011 by the BFSA. Those contracts include:

- AON-Hewitt - a professional service for actuarial services related to the District and the City's OPEB liability,
- Integrity Public Financing Consulting - an arbitrage specialist that handles fairly complex calculations in connection with our bonds,
- Milliman Consulting and Actuaries – utilized for the BFSA's GASB 45 calculation which is the OPEB, and
- Selective Staffing Solutions – use of temporary staffing.

All four contacts entered into during 2011 were subject to the requirements of the Prompt Payment Policy. There were no late payments made to any contracted vendor during 2011.

Secretary Arthur offered a motion for approval.

Director Johnstone seconded the motion.

RESOLUTION NO. 11-44
ADOPTING THE PROMPT PAYMENT REPORT

WHEREAS, Chapter 122 of the Laws of 2003, as amended, created the Buffalo Fiscal Stability Authority ("BFSA") to provide financial oversight and budgetary control over the City of Buffalo and other Covered Organizations; and

WHEREAS, as a public authority, the BFSA is subject to regulation by the State of New York, either in the form of rules and regulations promulgated by the State Comptroller or legislation approved by the State Legislature and signed into law by the Governor; and

WHEREAS, §2879(7) of the Public Authorities Law requires public authorities to annually prepare and approve a report on procurement contracts; and

WHEREAS, §2879(2) of the Public Authorities Law defines a procurement contract as, a written agreement for the acquisition of goods or services of any kind, in the actual or estimated amount of five thousand dollars or more; and

WHEREAS, §2880 of the Public Authorities Law requires public authorities to promulgate rules and regulations detailing its prompt payment policy and to periodically review the same; and

WHEREAS, the BFSA has developed and implemented a Prompt Payment Report to comply with this requirement; and

WHEREAS, the BFSA readopted its Prompt Payment Policy statement on July 20, 2011 by resolution 11-24; and

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of the Buffalo Fiscal Stability Authority does hereby approve the 2011 Prompt Payment Report.

The Board voted 5-0 to approve the resolution.

Mr. Christopher Petrino, Director of Labor Relations, representing County Executive Chris Collins joined the proceedings at 2:12 pm.

BFSA 2012 Public Meeting Calendar

Chair Olsen advanced the agenda to the next item for consideration: a recommendation from the Governance Committee to approve Resolution No. 11-45, "Adoption of a BFSA Board of Director Regular Meeting Schedule for Calendar Year 2012."

Chair Olsen thanked the staff for accommodating the Board with all of their schedules and advised all conflicts previously discussed have been resolved.

Secretary Arthur offered a motion for approval.

Director Johnstone seconded the motion with the stipulation the calendar would be subject to revision.

RESOLUTION NO. 11-45
ADOPTION OF A BFSA BOARD OF DIRECTOR REGULAR MEETING SCHEDULE FOR CALENDAR YEAR 2012

WHEREAS, the Buffalo Fiscal Stability Authority ("BFSA" or the "Authority") was created by Chapter 122 of the Laws of 2003 to be a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation to oversee the City of Buffalo's budget, financial and capital plans; to issue bonds, notes and other obligations, as defined in the Act; and to develop and implement financial plans on behalf of the City of Buffalo as necessary.

WHEREAS, it was necessary for the BFSA to adopt By-Laws to conduct its business; and

WHEREAS, the BFSA approved the adoption of By-Laws by Resolution No. 03-01 adopted July 15, 2003; and

WHEREAS the BFSA reaffirmed and/or amended the By-Laws by Resolution No. 03-09 adopted August 6, 2003, Resolution No. 07-47 on September 24, 2007, Resolution No. 08-45 on September 19, 2008, Resolution 10-07 on March 11, 2010 and Resolution No. 10-43 on September 29, 2010; and

WHEREAS, the BFSA By-Laws under Article III, Section I, "Meetings of the Authority", allows the Directors to schedule regular meetings of the Authority as the Directors determine necessary with such regular meetings required to be held at least quarterly; and

WHEREAS, the BFSA Directors believe that the adoption of a 2012 regular meeting schedule, including committee meetings and the annual BFSA public forum, is in the interests of the Authority and other interested parties.

NOW THEREFORE BE IT RESOLVED, that the BFSA approves the adoption of the 2012 regular Board of Director meeting schedule as attached.

The Board voted 6-0 to approve the resolution.

<u>Buffalo Public School District Issues</u>

2011-2012 Budget Modification, 2012-2015 Financial Plan Modification, Collective Bargaining Agreement with the Professional, Clerical, and Technical Employees Association

Chair Olsen advanced the agenda to the next item for consideration: a proposed CBA between the District and PCTEA along with a related 2011-12 Budget Modification and Modification of the 2012-2015 Financial Plan. The District has reached a tentative collective bargaining agreement with PCTEA that requires BFSA approval. In addition, the District is requesting a budget modification and financial plan modification to absorb the cost of the new contract.

He asked staff to summarize the proposed CBA.

Ms. Mongold advised this is the most significant contract reached for the District. Members of PCTEA represent 510 FTE positions District-wide. The majority of those positions are funded within the General Fund. Additional positions are funded from both the Food Service Fund and the Special Projects Fund ("Grants Fund"). Both the Food Service Fund and the Grants Fund are self-sustaining; in the event that there aren't adequate revenues to cover expenditure, other adjustments are required to be made.

Ms. Mongold added that adoption of the CBA requires both a budget and financial plan modification. The District has adequately planned for the cost of this contract for the current year. The financial plan modification is necessary to demonstrate adequate funding for the cost increases associated with ratification of the CBA.

Ms. Mongold asked Mr. Miller to provide a further summary of the material.

Mr. Miller thanked the Board for the opportunity to present BFSA's analysis of the proposed CBA. He provided the following summary:

Background

- The proposed CBA is with the Professional, Clerical, Technical Employees' Association (White-Collar Employees),
- The current CBA expired June 30, 2004,
- The proposed CBA covers July 1, 2004, through June 30, 2013,
- All prerequisite approvals have been received,
- The CBA includes 41 separate Grades, each with 4 steps,
    - 82% of employees are Grade A-14;
    - 18% are Grade 14A-25;
- Positions include: Clerks, IT personnel, Supervisors, Engineers, Technicians, Finance Personnel, HR Personnel, Legal Assistants, Directors, etc.,
- The current mean average salary is $37,412.

Terms of Proposed CBA
Terms of the proposed CBA are summarized as follows:
Salary increases

- July 1, 2004 through June 30, 2009 – 0%,
  - No retroactive increases were included during the period of the BFSA imposed wage freeze
- July 1, 2009 - 2.25% increase;
- July 1, 2010 - $2,500 base salary increase *then* 3% increase;
- July 1, 2011 - 2.7% increase;
- July 1, 2012 - 2.7% increase.

Health Insurance – Retirees

- There are no changes for currently retired employees;
- There are no changes for active employees who retire prior to January 7, 2012 (including necessary cosmetic surgery);
- There are no contribution changes for active employees who retire prior to July 1, 2012.

Health Insurance – Active Employees

- Active employees shall contribute 1.25% of their salary toward cost of health insurance premium, irrespective of plan;
- The average FY 2011-12 contribution = $503.00;
- Employees have the choice of PCTEA Enhanced Plan or Revised PCTEA Base Plan:
  - Enhanced $5,832 (single)/$14,988 (family),
  - Base $4,740 (single)/ $13,056 (family);
- Necessary cosmetic surgery provision is eliminated.

Health Insurance – Active Employees at Retirement
Active employees at retirement shall contribute as follows:

- Grades A-14A : $400 (single); $700 (family);
- Grades 15-25: $600 (single); $1,000 (family);
- Employees shall enroll in Medicare Part A (inpatient care) & Part B (physician & outpatient services) upon eligibility;
- Employees shall receive the senior product, Forever Blue Medicare Plan, upon enrollment in Medicare:
  - District pays 100% of the premium cost, currently $4,080 (WNY resident), $4,560 (non-WNY).

Health Insurance – New Employees

- New employees shall contribute 20% of premium for Revised PCTEA Base Plan;
- New employees may opt for PCTEA Enhanced Plan but pay 100% of the premium cost differential between the plans;
- Necessary cosmetic surgery provision is eliminated.

Health Insurance – New Employees at Retirement

- New employees at retirement shall pay 25% of premium cost upon retirement of the Enhanced PCTEA Plan or Revised PCTEA Base Plan;
- New employees shall enroll in Medicare Part A (inpatient care) & Part B (physician & outpatient services) upon eligibility and pay for Part B;

- New employees shall receive the senior product, Forever Blue Medicare Plan, upon enrollment in Medicare:
  - District pays 100% of the premium cost, currently $4,080 (WNY resident), $4,560 (non-WNY).

<u>Supplemental Benefits Fund: Eye Care and Dental Insurance administered by PCTEA</u>
- The District contributes $50,000 to fund on a one-time basis,
- The District contributes approximately $46,000 annually thereafter.

<u>Paid Leave - Vacation</u>
- There is no change for Active Employees:
  - <u>Personnel other than School Clerical</u> receive anywhere between 2 to 5 weeks' vacation
    contingent on length of service,
  - <u>School Clerical Personnel</u> receive anywhere between 2 to 3 weeks of vacation, contingent on length of service.
- New Employees have the following changes:
  - <u>Personnel other than School Clerical</u> receive anywhere between 2 to 4 weeks' vacation, contingent on length of service,
  - <u>School Clerical Personnel</u> receive anywhere between 1 to 2 weeks, contingent on length of service.

<u>Paid Leave – Personal Leave</u>
- There are no changes for Active Employees
  - Employees receive 5 days annually,
- Future Active Employees will receive 4 days annually.

<u>Paid Leave – Summer Hours</u>
- Summer Hours are eliminated for all current and future employees.

<u>Paid Leave – Sick Leave</u>
- <u>Personnel other than School Clerical</u> - reduction from 15 to 13 days annually,
- <u>School Clerical Personnel</u> - 10 days annually (no change).

<u>Other Notable Changes</u>
- Discontinuance of the arbitration challenging wage freeze,
- Agreement to a single-carrier, multi-plan health insurance, and
- Mandatory direct deposit of pay.

Unchanged Terms of Current CBA

Terms unchanged include:

- Holidays - 15 annually
- Longevity Payments
  - 5-9 years =$400
  - 10-14 years = $725
  - 15-19 years = $1,050
  - 20-24 years = $1,375
  - 25-29 years = $1,700
  - 30+ = $1,850

- Payment in lieu of Health Insurance - Up to $1,200 annually
- Residency - All employees are required to be residents of the City of Buffalo unless exempt by State Law

Proposed CBA Costs/Savings

BFSA estimates the impact to the Four Year Financial Plan as follows:

- Total Cost = $17.73 Million
- Total Savings = $3.78 Million
- Net Cost = $13.95 Million

Proposed CBA OPEB Impact

The OPEB valuation was produced by Aon-Hewitt. The report examined the impact of ratification of the CBA on the District's OPEB liability and Annual Required Contribution ("ARC"). It extended the terms of the proposed PCTEA CBA to employees District-wide who receives more costly benefits.

The District's OPEB liability estimates at June 30, 2010 (i.e., the starting point) are:

- OPEB Liability = $2.51 Billion
- ARC = $158.9 Million

The District's OPEB liability would change with the ratification of the PCTEA CBA as follows:

- OPEB Liability = $2.497 Billion, representing a reduction of $12.7 million, or 0.5%,
- ARC = $158.0 Million, representing a reduction of $924,000, or 0.6%.

A hypothetical District-Wide scenario, where the terms of the proposed PCTEA CBA are imposed to all other collective bargaining units (unless the current benefit package is more costly to employees) is as follows:

- OPEB Liability = $2.34 Billion, representing a reduction of $166 million, or 6.6%
- ARC = $147.9 Million, representing a reduction of $11million, or 7.2%

FY 2011-12 Adopted Budget

The original FY 2011-2012 Adopted Budget is as follows:

- General Fund Revenues = $726.65 million,
- General Fund Expenditures = $756.85 million, and
- Usage of Fund Balance = $30.2 million
  - Designated or Reserved Fund Balance = $14.2 million
  - Unreserved, Undesignated Fund Balance = $16.0 million.

Budget Modification
The proposed budget modification would permit the use of $5.7 million of $86.5 million of Assigned Fund Balance designated for Prior Year Claims for the General Fund. These funds had been specifically set aside for the anticipated PCTEA CBA.

The Amended FY 2011-2012 Adopted Budget is as follows:

- General Fund Revenues = $726.65 million,
- General Fund Expenditures = $767.71 million,
- Usage of Fund Balance = $41.1 million
    - Designated or Reserved Fund Balance = $25.06 million (includes $5.7 million for CFY cost of PCTEA CBA)
    - Includes $5.16 million of carryover encumbrances from FY 2010-11
    - Other Designated or Reserved =$14.2 million
    - Unreserved, Undesignated Fund Balance = $16.0 million

Financial Plan Modification
The FY 2012-15 Financial Plan utilizes existing Fund Balance of $82.1 million. Approval of the Budget Modification increases this planned use of Fund Balance to $87.8 million. The modifications recognize a cumulative $12.5 million projected reduction in expenditures throughout the financial plan, stemming from a reexamination of certain personnel levels, with a potential reduction of 40 FTE's which would carry over to other reductions in employee health insurance, and benefit payments. In addition there has been fewer than projected retirements and lower than anticipated transfers from the District into area Charter Schools.

Proposed Elimination of the Gap Actions (as of June 30, 2011)
The Board adopted a Proposed Elimination of the Gap Action Plan (the "PEG Plan") in June of 2011. This plan would not be altered by the adoption of the budget modification and financial plan modification. The PEG Plan includes gap closing measures to close a cumulative $225.47 million gap over the four year of the financial plan through an anticipated usage of $82.10 million in fund balance and $143.37 million in PEG Plan actions which include staffing reductions, consolidations, increased aid levels, and the elimination of non-mandated programs.

Mr. Miller concluded his summaries.

Chair Olsen requested a motion to approve Resolution No. 11-46 "Approval of the Buffalo Public School District's Fiscal Year 2011-12 Budget Modification Transferring Funds from the General Fund Assigned Fund Balance for Prior Year Claims along with a modification to the Fiscal Year 2012-15 Financial Plan."

Chair Olsen commended the Superintendent and the union leadership for crafting an agreement that addresses the cost of benefits, particularly healthcare and retiree costs. The previously approved contract for BURA represents the type of contract that is going to be necessary to get the City and District out of the $1 billion dollar plus OPEB liability.

He added that the proposed CBA with PCTEA represents a significant change from the norm. It is important for current employees to recognize the impact of the high cost of health insurance, particularly for retirees. Future CBAs will also need to acknowledge and address these cost drivers as well.

One concern with approval of this agreement is "pattern bargaining." Approved agreements often times establish a template for future CBAs. While this CBA addresses employee health insurance costs, future contacts with larger unions, particularly those with higher median salaries, will need to exceed the terms of this CBA. In the past, structural deficits have been addressed through layoffs of individuals who work directly with District students including teachers, teachers' aides, bus aides, etc…. Future deficits may be closed through the elimination of programs that are crucial for the educational development of the students. Consequently, it is crucial to settle open CBAs that address the major cost drivers, such as health insurance contributions from active employees and a greater share of retiree health insurance costs between the retirees and the District, for the District in order to avoid other draconian measures.

Chair Olsen noted his intention to vote in favor of the proposed CBA and reiterated that future CBAs will need to address health insurance costs more aggressively than the CBA with PCTEA. This agreement cannot be the ceiling for sharing health insurance costs, as eventually retiree health insurance costs will exceed active employee salary costs.

Ms. Penska noted her intent to abstain from the vote on the behalf of Mayor Brown who had indicated a potential conflict-of-interest with the issue.

Secretary Arthur offered a motion to consider and approve both Resolution No. 11-46, "Approval of the Buffalo Public School District's Fiscal Year 2011-12 Budget Modification Transferring Funds from the General Fund Assigned Fund Balance for Prior Year Claims Along with a Modification to the Fiscal Year 2012-15 Financial Plan," and Resolution No. 11-47, "Approval of a Collective Bargaining Agreement Between the Buffalo School District and the Professional, Clerical, and Technical Employees' Association."

Director Mesiah seconded the motion.

<u>RESOLUTION NO. 11-46</u>

APPROVAL OF THE BUFFALO PUBLIC SCHOOL DISTRICT'S FISCAL YEAR 2011-12 BUDGET MODIFICATION TRANSFERRING FUNDS FROM THE GENERAL FUND ASSIGNED FUND BALANCE FOR PRIOR YEAR CLAIMS ALONG WITH A MODIFICATION TO THE FISCAL YEAR 2012-15 FINANCIAL PLAN

WHEREAS, on November 16, 2011, Buffalo Public School District (the "District") submitted a budget modification for the 2011-12 fiscal year to the Buffalo Fiscal Stability Authority (the "BFSA") requesting BFSA approval; and

WHEREAS, on December 2, 2011, District submitted a financial plan modification, modifying projected expenditures in fiscal years ("FYs") 2012-13, 2013-14, and 2014-15 of the 2012-2015 financial plan; and

WHEREAS, the transfer of $5.7 million of Assigned Fund Balance to the General Fund will amend the 2011-12 Adopted Budget, as originally approved by BFSA on June 15, 2011; and

WHEREAS, approval of the budget modification amends the current year adopted budget sufficiently to address the increased costs associated with approval of the collective bargaining agreement ("CBA") between the District and PCTEA in the current fiscal year; and

WHEREAS, the proposed Financial Plan modification would amend the Financial Plan as originally approved by the BFSA on June 15, 2011, by reducing projected expenditures by a combined $12.5 million in the three out-years of the Financial Plan; and

WHEREAS, the modifications to the Financial Plan are sufficient to address the increased costs of approval of the proposed CBA; and

WHEREAS, the Programs to Eliminate the Gap Action Plan remains unchanged by the proposed Financial Plan modification; and

WHEREAS, the District's Board of Education has approved both the budget modification as well as the proposed CBA on November 9, 2011; and

WHEREAS, the District's Board of Education is not required to approve the modification to the Financial Plan; and

WHEREAS, the District's Interim Superintendent certified the modifications to the Financial Plan on December 2, 2011; and

WHEREAS, the District has complied with the requirements of Public Authorities Law, §3858(2)(e) which directs the City of Buffalo and the Covered Organizations to provide materials necessary to the BFSA to adequately review labor agreements and to demonstrate adequate resources to pay for any costs associated with approval of a labor agreement in the Adopted Budget and the Financial Plan; and

WHEREAS, BFSA staff has reviewed all of the material submitted by the District and determined that the increased costs associated with approval of the proposed CBA have been adequately addressed with the modified Adopted Budget and modified Financial Plan.

NOW THEREFORE BE IT RESOLVED THAT, the Buffalo Fiscal Stability Authority does hereby approve the requested modification to the FY 2011-12 Adopted Budget.

BE IT FURTHER RESOLVED THAT, the Buffalo Fiscal Stability Authority does hereby approve the requested modification to the FY 2012-15 Financial Plan.

BE IT FURTHER RESOLVED THAT, the approval of the budget modification is contingent on the ratification of the proposed CBA with PCTEA.

<u>RESOLUTION NO. 11-47</u>

APPROVAL OF A COLLECTIVE BARGAINING AGREEMENT BETWEEN THE BUFFALO SCHOOL DISTRICT AND THE PROFESSIONAL, CLERICAL, AND TECHNICAL EMPLOYEES' ASSOCIATION

WHEREAS, Chapter 122 of the Laws of 2003, Section 3858(2)(e), requires that during a control period the Buffalo Fiscal Stability Authority ("BFSA"), "shall review and approve or disapprove any collective bargaining agreement ("CBA") to be entered into by the City or any Covered Organizations, or purporting to bind the City or any Covered Organization; and

WHEREAS, the BFSA is required to promptly review the terms of such a CBA and the supporting information in order to determine compliance with the Adopted Budget and Financial Plan, and shall disapprove any CBA, which, in its judgment, would be inconsistent with the Adopted Budget and Financial Plan; and

WHEREAS, on November 9, 2011, the Buffalo Board of Education passed a resolution authorizing the Superintendent to enter into a Collective Bargaining Agreement ("CBA") with the Professional, Clerical and Technical Employees' Association; and

WHEREAS, the proposed CBA would be effective July 1, 2004 through June 30, 2013; and

WHEREAS, the District submitted such agreement with supporting materials to the BFSA for approval under Section 3858(2)(e) and Section 3858(2)(h) of the Act, and has complied with all information requests of the BFSA; and

WHEREAS, the District has addressed the increased costs of this CBA by modifying the 2011-12 Adopted Budget and the 2012-15 Financial Plan; and

WHEREAS, the CBA provides for certain savings and increases to productivity through such modifications including contributions to health insurance for current and new employees, additional health insurance contributions for future employees at retirement, the elimination of summer hours for all employees and initiatives related to reduced paid-time off.

NOW THEREFORE BE IT RESOLVED that the BFSA does hereby approve the aforementioned Collective Bargaining Agreement the Buffalo School District and the Professional, Clerical, and Technical Employee's Association.

Mr. Christopher Petrino introduced himself as the representative for County Executive Chris Collins. Mr. Petrino is currently serving as the Commissioner of Labor Relations for Erie County. He added that although he is voting on behalf of the County Executive today, he has accepted a position with the Buffalo School District as legal counsel effective Jan 1, 2012. He is voting on behalf of the County Executive and not himself and wanted to disclose this information to the Board and the public. Additionally, Mr. Petrino indicated that the County Executive had instructed him to vote in the affirmative on the CBA, as he deemed it fair and equitable for all parties concerned

The Board voted 5-0 to approve the resolution (Brown abstain).

BFSA Issues (continued)

Honoring County Executive Chris Collins

Chair Olsen advanced the agenda to the next item for consideration: a resolution to honor outgoing County Executive Chris Collins. He read some of the pertinent portions of the resolution and asked for a motion to move the item.

Secretary Arthur motioned to approve the resolution.

Director Messiah seconded the motion.

RESOLUTION NO. 11-48
HONORING BFSA DIRECTOR AND COUNTY EXECUTIVE CHRIS C. COLLINS

WHEREAS, on July 3, 2003, New York State Governor George Pataki signed into law Chapter 122 of the Laws of 2003, also known as the Buffalo Fiscal Stability Authority Act, which created the Buffalo Fiscal Stability Authority ("BFSA") to assist in the restoration of fiscal stability in the City of Buffalo and within its covered organizations; and

WHEREAS, Mr. Collins was sworn in as the seventh County Executive of Erie County, New York and took office on January 1, 2008; and

WHEREAS, as an ex-officio member of the Buffalo Fiscal Stability Authority ("BFSA"), County Executive Collins has participated in the approval of four Four-Year Financial Plans, taking significant steps towards restoring fiscal stability to the City of Buffalo; and

WHEREAS, Mr. Collins actively participated during his tenure and provided a steady hand to ensure Buffalo's fiscal health continued to improve, drawing upon his successful 30 plus years of business experience as well as his success as the County Executive; and

WHEREAS, after four-years of effectively participating as a Director of the BFSA and bringing both a business perspective along with a governmental view to the Board concerning issues facing the City of Buffalo, Mr. Collins has completed his term; and

WHEREAS, these positive strides were made possible by the cooperative relationship County Executive Collins developed with the other BFSA Directors and Mayor Brown, guided by his good nature and bright outlook for the Region; and
WHEREAS, Mr. Collins has been tireless in working to promote the mission of BFSA to help restore long-term fiscal stability to the City of Buffalo and its covered organizations; and

WHEREAS, despite his departure from the BFSA Board, Mr. Collins contributions to BFSA and the community will endure.

NOW THEREFORE BE IT RESOLVED that the Buffalo Fiscal Stability Authority does hereby honor and appreciate Christopher Collins for his outstanding contributions to the Buffalo Fiscal Stability Authority, and to the betterment of the City of Buffalo, its citizens and the Western New York community.

The Board voted 5-0 to approve the resolution (Petrino on behalf of Collins abstains).

Privilege of the Floor

Chair Olsen extended the privilege of the floor to any attending member of the public who wished to comment for the public record on any item that had been discussed during the course of the meeting.

BFSA Issues (continued)

New Business

Ms. Mongold introduced new employees new to BFSA: Mr. Robert Miller, Comptroller, and Ms. Carmen R. Tyler, Executive Administrative Assistant.

Adjournment

Chair Olsen requested a motion to adjourn.

Secretary Arthur motioned to adjourn the meeting.

Director Messiah seconded the motion.

The Board voted 6-0 to adjourn the meeting.

The meeting adjourned at 2:47 pm