

BUFFALO FISCAL STABILITY AUTHORITY
Governance Committee Meeting Minutes
December 7, 2011

The following are the minutes from the meeting of the Governance Committee (the “Committee”) of the Buffalo Fiscal Stability Authority (the “BFSA”) held on Wednesday, December 7, 2011, in the Buffalo Market Arcade Complex. The meeting was called to order at 12:31 PM.

Committee Members Present: Arthur, Johnstone, and Olsen

Additional Board Members Present: Mesiah

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

Opening Remarks

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

- An update on BFSA’s internal controls;
- A review of the draft Petty Cash Policy;
- A review of the draft Lobbying Contact Policy and a proposed Lobbying Contact Officer appointment;
- A review of the draft Prompt Payment Report;
- BFSA’s proposed 2012 meeting calendar.

Chair Olsen called a roll of the attending Committee Members. Finding a quorum present, the meeting commenced. He noted that Director Mesiah was additionally present for the proceedings.

Approval of Minutes

Chair Olsen introduced Governance Committee Resolution No. 11-04 “Approving Minutes and Resolution from October 3, 2011.”

Director Johnstone offered a motion to approve the resolution. Secretary Arthur seconded this motion.

GOVERNANCE COMMITTEE RESOLUTION NO. 11-04
APPROVING MINUTES FROM OCTOBER 3, 2011

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

BE IT FURTHER RESOLVED that the Buffalo Fiscal Stability Authority Governance Committee ratifies and affirms resolution 11-03 that was approved on said date.

The Committee voted 3-0 to approve the resolution.

Chair Olsen advanced the agenda to the internal controls update. He asked Principal Analyst Bryce E. Link, BFSA’s Internal Control Officer, to provide a summary of his findings to the Committee.

Internal Controls Update

Mr. Link addressed the Committee. He advised that as part of BFSA's ongoing responsibilities, the BFSA maintains a rigorous system of internal controls to safeguard BFSA's assets and assist the organization in meeting its mission. Periodically, the staff updates the Board of Directors on internal control matters. The update provided today is a report of the internal control work that has been completed since the last update.

Mr. Link stated that risk assessment had been completed in the following three areas:

- Petty Cash;
- BFSA budget preparation and approval process; and
- Physical security and disaster recovery.

Highlights of testing included:

1. Petty Cash – The need to establish a formal petty cash policy was identified;
2. Purchasing – The practice of allowing staff to purchase stamps from BFSA was eliminated due to difficulty in maintaining receipts. No discrepancies were noted;
3. Budget Preparation and Approval - Unique testing in the different aspects of the budget preparation and approval process occurred over a series of months. Outside of the timing of the review there was nothing material to report. Final testing had occurred two weeks prior to the generation of the report. The delay of the entry of the 2012 budget in the accounting system was intentional, as BFSA's Executive Director wanted to maintain an appropriate segregation of duties and the fill of the Comptroller's position was pending.
4. Physical Security & Disaster Recovery - The electronic security and access of BFSA's data and office facilities was examined. A sample of file backups was conducted. The results were sufficient. The New York State Office of General Services Department of Information Resources Management ("IRM") backs up data for the BFSA and has six months of backups available. IRM provides a daily email confirmation to Mr. Nathan Miller if the backup for that day was successful or not.

Chair Olsen queried how much money was retained in petty cash. Mr. Link replied that it was \$100. The use of petty cash is infrequent.

Director Johnstone asked for clarification of the security involved with the petty cash. Mr. Link replied that petty cash was held in a box within a locked cabinet. It houses office keys as well. Access to this cabinet is limited.

Mr. Link concluded his summary of the update on BFSA's internal controls.

Chair Olsen requested a motion to send the draft Petty Cash Policy to the full Board with a recommendation for approval.

Secretary Arthur offered the motion. Director Johnstone seconded the motion.

The Committee voted 3-0 to send the Petty Cash Policy to the full Board with a recommendation for approval.

Authorization of Banking Agreement

Chair Olsen advanced the agenda to the next item for consideration: authorization of a banking agreement with First Niagara Bank. He asked Executive Director Jeanette Mongold to provide the Committee with a summary.

Ms. Mongold addressed the Committee. She noted that BFSA's operating accounts are currently held with HSBC Bank. HSBC had recently sold a portion of its business to First Niagara Bank. In order for BFSA to continue the relationship with First Niagara Bank, the Board will need to approve and authorize the financial relationship. She also noted the team of employees who worked with BFSA on the behalf of HSBC has been retained by First Niagara Bank and will continue in this role. This continuity will ease complications that may arise from the transition.

Secretary Arthur inquired if any other local banks were considered along with First Niagara Bank. Ms. Mongold advised she had spoken to M&T Bank regarding getting a fixed collateral agreement in place to facilitate the comparison of interest rates between the two banks. BFSA periodically reviews investment rates from different financial institutions in order to receive a more favorable return on investment.

Secretary Arthur suggested that BFSA solicit rates from other local banking institutions in order to achieve the highest possible rate of return. Ms. Mongold advised that a resolution would be drafted to permit potential investments with addition financial institutions. BFSA invests \$17.0 million in State Aid and Incentives for Municipality ("AIM") funds on the behalf of the City of Buffalo. BFSA's operating accounts generally hold about \$80,000.

Chair Olsen directed Ms. Mongold to draft the appropriate material for BFSA's next meeting so that BFSA may explore other banking opportunities. He asked for a motion to send the banking authorization resolution to the full Board with a recommendation for approval.

Secretary Arthur offered a motion to approve the recommendation. Director Johnstone seconded the motion.

The Committee voted 3-0 to send the banking authorization resolution to the full Board with a recommendation for approval.

Lobbying Contact Policy & Lobbying Contact Officer Appointment

Chair Olsen advanced the agenda to the next item for consideration: the draft Lobbying Contact Policy and a proposed appointment of a Lobbying Contact Officer. He asked Ms. Mongold to summarize the material.

Ms. Mongold advised that the New York State Public Authorities Law ("NYSPAL") was amended in March 2010, to include requirements with respect to lobbying contact and the reporting of such contact. The law defines who a lobbyist is and what is considered lobbying. BFSA's draft policy states that any individual or individuals who are working in an official capacity of the BFSA is required to maintain a record of contact with individuals and/or organizations engaged in lobbying activity, as defined by the law. Such a record shall include:

- The individual and/or organization's name;
- The topic of the conversation, and
- The date of the contact.

Chair Olsen noted that, per the statute, a Lobbyist does not include any officer, directors, trustee or employee of the State of New York, or any subdivision thereof, whose contact is an act of their job functions. For example, if an agent of the City of Buffalo or one of the Covered Organizations contacts a Director of the BFSA regarding a contractual matter it is not deemed to be “lobbying” but rather as a function of the job, per the tenets of the law.

Ms. Mongold advised the law also requires the appointment of an officer who is charged with maintaining a database of the lobbying contact records for a period of no less than seven years. The Comptroller has been chosen to be the BFSA Lobbying Contact Officer.

Chair Olsen requested a motion to send the proposed Lobbying Contact Policy and appointment of the Lobbying Contact Officer to the full Board with a recommendation for approval.

Secretary Arthur offered a motion to approve. Director Johnstone seconded the motion.

Chair Olsen noted that a member of a municipal union who contacts BFSA would likely be considered a lobbyist per the law. He asked Ms. Mongold to obtain clarification from legal counsel regarding this item.

Secretary Arthur sought clarification of whether a representative of a municipal union who address the Board in a public meeting would constitute lobbying contact what would therefore need to be recorded.

Chair Olsen agreed that clarification is required from legal counsel whether or not this would constitute lobbying contact.

The committee voted 3-0 to send the Lobbying Contact Policy and the proposed appointment of a Lobbying Contact Officer to the full Board with a recommendation for approval.

Prompt Payment Report

Chair Olsen advanced the agenda to the next item for consideration: the draft Prompt Payment Report. He asked Ms. Mongold to provide a summary.

Ms. Mongold summarized the Prompt Payment Report. She explained that the report requires a list of all contracts that the BFSA entered into within the last fiscal year, if any, as well as an explanation of whether or not these contracts are subject to the adopted Prompt Payment Policy. Additionally, it requires a listing of the number of late charges incurred with contracted vendors during the fiscal year, if any, as well as the amount paid in late charges, the number of days taken to process any late payment, and an explanation of why a late charge was incurred.

BFSA entered into four new contracts within the last fiscal year. They are:

- AON-Hewitt, who provided actuarial services related to the Buffalo Urban Renewal Agency and the City of Buffalo’s Other Postemployment Benefit (“OPEB”) liability;
- Integrity Public Financing Consulting , who provided arbitrage services relative to BFSA’s issued bonds ;
- Milliman Consulting and Actuaries , who performed BFSA’s OPEB valuation; and
- Selective Staffing Solutions, who provided temporary staffing for BFSA.

Ms. Mongold noted that all contracts entered into in FY 2010-11 were subject to the provisions of the Prompt Payment Policy. BFSA was in compliance with these policies and paid no late charges to any contracted vendor in FY 2010-11.

Chair Olsen requested a motion to send the Prompt Payment Report to the full Board with a recommendation for approval.

Secretary Arthur offered a motion. Director Johnstone seconded the motion.

The committee voted 3-0 to send the Prompt Payment Report to the full Board with a recommendation for approval.

BFSA 2012 Meeting Calendar

Chair Olsen advanced the agenda to the final item for consideration: the proposed BFSA schedule of public meetings for 2012.

Chair Olsen requested a motion to send the 2012 BFSA schedule of public meetings to the full Board with a recommendation for approval.

Secretary Arthur offered a motion.

Director Johnstone seconded the motion.

The committee voted 3-0 to send the 2012 BFSA schedule of public meetings to the full Board with a recommendation for approval.

Adjournment

Chair Olsen asked if any Committee member had any new business. Hearing none, he asked for a motion to adjourn.

Director Johnstone offered a motion to adjourn.

Secretary Arthur seconded this motion.

The Governance Committee vote 3-0 to adjourn.

The Governance Committee adjourned at 12:52 PM.