BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
June 4, 2012

The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the "BFSA" or the "Authority") held on Monday, June 4, 2012, in the Buffalo Market Arcade Complex. The meeting was called to order at 1:00 PM.

Board Members Present: Arthur, Brown (proxy), Doherty, Floss, Jurasek, Mesiah, Olsen, and Poloncarz (proxy)

Board Members Absent: Giardino

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

Additionally Present: Ms. Pietra Lettieri, Esq., Harris Beach, PLLC

Opening Remarks

Chair Olsen called the meeting to order and opened by stating the agenda included the final review and consideration of the 2012-13 budgets and related four-year financial plans of the City of Buffalo and Covered Organizations (including the Buffalo Public School District, the Buffalo Urban Renewal Agency, and the Buffalo Municipal Housing Authority), a review of the third quarter reports of these entities, a request to approve the BMHA's 2011 and 2012 Capital Plans, and consideration of a recommendation from the Audit, Budget, and Finance Committee for the approval of the Buffalo Fiscal Stability Authority's (the "BFSA's") Proposed 2012-13 Budget and 2013-16 Financial Plan.

He noted that members of the audience would have an opportunity to address the Board of Directors at the conclusion of the meeting to offer a public statement regarding items discussed at the day's meeting.

Roll Call of Directors

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

Erie County Constituent Services Assistant, Mr. Leonard Williams, represented County Executive Mark Poloncarz in accordance with Subdivision 1 of §3853 of the Buffalo Fiscal Stability Authority Act (the "BFSA Act").

City of Buffalo (the "City") Commissioner of Administration, Finance, Policy and Urban Affairs, Ms. Janet Penksa, represented City of Buffalo Mayor Byron W. Brown, in accordance with Subdivision 1 of §3853 of the BFSA 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…"*

Approval of the May 14, 2012 Minutes

Chair Olsen introduced Resolution No. 12-14, "Approving Minutes and Resolution from May 14, 2012"

Director Arthur offered a motion to approve the resolution.

Director Floss seconded the motion.

RESOLUTION NO. 12-14
APPROVING MINUTES FROM MAY 14, 2012

BE IT RESOLVED that the Buffalo Fiscal Stability Authority approves the minutes of its meeting on May 14, 2012.

BE IT FURTHER RESOLVED that the Buffalo Fiscal Stability Authority ratifies and affirms Resolutions Nos. 12-09 through 12-12 that were approved on May 14, 2012.

The Board voted 8-0 to approve the resolution.

Review of Final 2012-13 Budgets and Related Four-Year Financial Plans

Chair Olsen advanced the agenda to the next item of business: a review of final FY 2012-13 budgets and related four-Year financial Plans. At the May meeting, BFSA staff provided a review of the budgets and financial plans of the City and the School District. Due to timing constraints, the review of the BURA was deferred. BMHA's financial plan was unavailable for the May meeting. The BFSA Board will consider the approval of the final changes to the City and School District's financial plans, along with the BURA and BMHA final budgets and financial plans.

Chair Olsen asked BFSA Principal Analyst, Mr. Bryce Link, to present brief comments related to the City's Revised Budget and Financial Plan.

City's Revised Budget and Four-Year Financial Plan

Mr. Link addressed the Board. He provided the following summary:

Buffalo Common Council Amendments
The Buffalo Common Council ("Common Council") submitted changes totaling approximately $360,000 to the Mayor on May 18, 2012 consisting of the following:

- $135,000 increase for contractual services,
- $200,000 additional allocation for cultural arts and anti-violence initiatives, and
- $24,000 increase in staff salaries.

The increased costs are offset by reductions in budgeted line item expenditures which include the following:

- $100,000 active employee health insurance payments,
- $100,000 FICA payroll taxes,
- $100,000 purchase of gasoline stores,
- $ 35,000 tax adjustments, and
- $ 24,000 reduction in hourly council staffing.

The result is a net-zero impact on the budget. The Mayor accepted the changes and provided the revised 2012-13 Budget to BFSA on May 23, 2012.

Director Arthur asked if the Common Council employees' salaries were increased. Mr. Link confirmed the changes were changes in titles (i.e., promotions) and not actual increases within individual titles.

Mr. Link continued his presentation and added that the City has projected a total budgetary gap of $31.6 million over the four-years of the financial plan. The City will use $20.6 million in available, Unassigned Fund Balance, leaving a remaining deficit of approximately $11 million. The City is projecting to close the remaining deficit through the implemention of cost savings programs. The first of these programs is an asset management program and is estimated to provide savings of $3.9 million. The second program is an energy assessment project, expected to reduce energy costs by $7.0 million.

Additional financial plan highlights include the full depletion of restricted State Aid and Incentives to Municipalities ("AIM") funds in the amount of $18 million and the near full depletion of Unassigned Fund Balance by fiscal year ("FY") 2016. The City is also relying on aggressive revenue projections from the Parking Fund as an operational transfer of $19.7 million as well as State AIM increasing at 2% annually, or $19.6 million, in the out-years of the financial plan.

Mr. Link concluded his presentation by stating there were no significant changes in the revised budget and four-year financial plan.

District's Revised Budget and Four-Year Financial Plan

Chair Olsen advanced the agenda to the next item of business: the District's revised 2012-13 Budget and related Four-Year Financial Plan. He asked Financial Analyst/ Manager of Technology, Mr. Nathan Miller to present a summary related to the material. He asked the Directors to reserve any questions until the conclusion of all the Covered Organizations' presentations.

Mr. Nathan Miller began his presentation by stating that General Fund revenues remain unchanged in the 2012-13 Adopted Budget from the 2012-13 Preliminary Budget. General Fund expenditures have increased from $775.5 million to $780 million. The $4.5 million increase was offset by the increased use of Assigned Fund Balance.

Expenditure changes are in the following areas:

- increased total employee compensation and employee benefits,
- an adjustment to charter school tuition payments, and
- increased transportation costs.

The effect of the updated four year adopted plan indicates 84% of total revenue is derived from state aid. The change in fund balance usage was increased from $900,000 in FY 2012-13 to $5.4 million with a total budgeted use of fund balance over the four year plan at $53.1 million. The cumulative operational deficit over the four-year financial plan totals $165.7 million, which is reduced by the usage of total fund balance to $112.6 million.

The Proposed Elimination of the Gap ("PEG") plan includes a cumulative $42.3 million in defined gap-closing measures in addition to $70.3 million in yet to-be-determined actions which may include further staff reductions, increased revenues and reductions in non-mandated services.

Highlights of the four-year financial plan are:

- no remaining available Unassigned fund balance after fiscal year 2014-15,
- $33.4 million in New York State aid at risk due to uncertainty of an agreed upon evaluation system,
- compensation increases from settled collective bargaining agreements ("CBA") are not reflected in the financial plan.

Mr. Miller conveyed that the District is required to have an Annual Professional Performance Review ("APPR") process approved by the New York State Education Department by January 17, 2013, in order to secure the increase in New York State Aid.

Chair Olsen asked if the $33.4 million increase in New York State Aid was included in the 2012-13 Adopted Budget. Mr. Miller confirmed that it was included.

Mr. Miller noted that assumptions for compensation increases from unsettled CBAs were not included in the budget and financial plan. The annual increases in employee compensation was the net impact of employees receiving higher compensation through step increases, less the replacement of higher-step employees with lower-step employees due to retirements. Most unions at the District are out of contract. The Collective Bargaining Agreement ("CBA") with the Professional, Clerical, & Technical Employees Association ("PCTEA") expires on June 30, 2013. The CBA with the Transportation Aides of Buffalo ("TAB") expires on June 30, 2014.

BFSA has calculated the financial impact from hypothetical scenarios including 1%, 2%, and 3% net increases in employee compensation in each of the outyears of the financial plan. Each scenario takes into consideration the expiration date for each contract (i.e., PCTEA and TAB). In order to simplify the approach to the calculation, no retroactive compensation or base increases were included, the increases in the costs of certain fringe benefits were not included, and expected decreases in costs in other areas (such as changes in health insurance contributions by employees) were not included.

The 2012-13 Adopted Budget and financial plan includes the total employee compensation over the four-year financial plan of $971 million. The increases in employee compensation using the various net salary increases are as follows:

- 1% annual increase = $18.1 million,
- 2% annual increase = $23.5 million,
- 3% annual increase = $40.2 million.

As a reminder, the current cumulative operational deficit after the use of fund balance is $165.7 million. Future settled CBAs will increase this projected deficit.

Director Floss asked if the initial assumptions included Tier 5 pension savings. Mr. Miller responded there were no pension assumptions included in these scenarios.

Mr. Nathan Miller concluded his presentation.

BMHA Revised Budget and Four-Year Financial Plan

Chair Olsen advanced the agenda to the next item of business: the BMHA's Revised 2012-13 Budget and related Four-Year Financial Plan. He asked BFSA Comptroller, Mr. Robert Miller, to provide a summary of the material.

Mr. Robert Miller began his presentation by stating the BFSA had received the preliminary FY 2012-13 Budget on May 1, 2012. After a review of the initial plan and after many conversations with the management at the BMHA, BFSA received a final plan on June 1, 2012. The 2012-13 Budget was approved by the BMHA Board of Commissioners on May 31, 2012.

The preliminary version of the FY 2013-16 Financial Plan utilized $2.2 million in reserves over the four-year period. The adopted version of the FY 2013-16 Financial Plan uses $5.2 million of reserves over the four-year period, or 85% more than initially estimated.

BMHA FY 2013-2016 Assumptions

The following assumptions pertain to the 2013 Budget and Four-Year Financial Plan:

- a 95% average occupancy rate, which is higher than the historic average,
- a 92% operating subsidy proration for 2013 that increases to 95% in FYs 2014-2016,
- a 1.5% inflationary increase for most expenditures,
- the utilization of reserves to eliminate budgetary gaps,
- staffing remaining at 287 full-time equivalent ("FTE") employees,
- budgeted revenues for FY 2012-13 decrease by $1.0 million from the previous fiscal years actual revenues due to a reduction in the operating subsidy from HUD,
- revenue in each of the out-years of the Financial Plan will increase slightly less than 3% annually,
- budgeted expenses will increase from $35.2 million in FY 2011 to $35.5 million in FY 2013. The out-years will each be lower than 2013 and will increase slightly by 1% -1.5% each year.

He noted that the use of funding from the reserves will be required to balance the FY 2012-13 budget and each of the out-years as follows:

- ✓ 2013 - $2.8 million,
- ✓ 2014 - $1.3 million,
- ✓ 2015 - $0.8 million,
- ✓ 2016 - $0.3 million.

As of June 30, 2011, there was $36.2 million in Unassigned Fund Balance available to the BMHA.

2012-13 Budgeted Revenues
The operating subsidy is budgeted for FY 2013 in the amount of $19.0 million, representing 57% of total revenues. Dwelling rental income is the next largest category representing 29% of total budgeted revenues, and is budgeted at $9.7 million. Transfers for administrative expenses from the Capital Grant fund totals $2.1 million, or 6% of the total estimated revenue. All other revenues are budgeted at $2.5 million and represent 8% of the total.

2012-13 Budgeted Expenditures
An increase in maintenance cost of $2.6 million from FY 2012 to $12.0 million for FY 2013 is a result of a mandated increase in occupancy rates by HUD. This increase represents an initial investment, with the budgeted amounts reduced in the out-years of the financial plan of approximately $1.5 million annually. Administrative expenses are expected to be approximately $9.2 million.

Budgeted expenditures can be categorized as follows:

- Salaries and benefits - $21.3 million, or 60% of total budgeted expenses,
- Maintenance - $4.6 million, or 13% of total budgeted expenses,
- Utilities - $4.5 million, or 13% of total budgeted expenses,
- OPEB Costs - $3.5 million, or 10% of total budgeted expenses,
- Protective Services - $1.0 million, or 3% of total budgeted expenses
- All other operating costs - $0.5 million, or 1% of total budgeted expenses.

Mr. Robert Miller concluded by stating BMHA's current financial plan has many challenges that include:

- significant reductions in HUD funding,
- the Federal stimulus funding has ended, and
- the BMHA has planned to use reserves annually to balance the budget, which has not been necessary in past years.

As a result of these challenges, expenses such as salaries and benefits, utilities, and maintenance must be monitored very closely**.** Manpower levels are being maintained at 287 FTEs throughout the financial plan. The BMHA has budgeted for a cost decrease in utilities, which may very well be a flawed projection based on historical experience.

Secretary Arthur asked what percentage of the units was financed by New York State and if the presentation by Mr. Robert Miller included the New York State subsidy.

Mr. Modesto Candelario, Assistant Executive Director of BMHA, addressed the Board and advised that BMHA does not receive any New York State operating subsidy. The New York State units are operated from the rent revenue generated by those units. There are 616 such units.

Director Arthur asked if the 616 units received the same services as the federally subsidized units. Mr. Candelario responded the services are provided to the extent of the amount of rental generated revenue.

Director Arthur asked what the population size per household was in those units and if the rent structure was the same for Federal and State occupants. Mr. Candelario advised rent for those residing in federally subsidized housing is based on 30% of the disposable income of the occupant, whereas the state occupied unit rental structure is based on a flat-rate which is calculated annually.

Director Jurasek asked for the ratio of Federal and State funding for capital grants, and if the drop in total capital funding could be attributed to the lack of Federal stimulus funds seen in prior years.

Mr. Candelario replied that capital funds came entirely from Federal sources and confirmed that the expiration of Federal stimulus funding was the reason for the decrease of available capital funding for FY 2013.

BURA Revised Budget and Four-Year Financial Plan

Chair Olsen thanked Mr. Candelario and advanced the agenda to the next item of business: the review of BURA's Revised Budget and Four-Year Financial Plan. He asked Ms. Mongold to provide a summary of the material.

Ms. Mongold began by stating the focus of this presentation will be on revenues since BURA is funded though grants and is limited in spending up to the amount of grant awards. We had anticipated a funding decrease from the negative impact of the results from the 2010 census; the funding reductions are seen this upcoming year in the final allocations to BURA by the U.S. Department of Housing and Urban Development ("HUD"). HUD Funds over 90% of BURA's revenues, with the Community and Development Block Grant ("CDBG") representing the most significant grant in terms of total dollars, representing 63% of the budget.

2012-13 Revenues

Final HUD allocations for 2012-13 represent a decrease of $4.6 million, or 20%, from the prior year's allocation.

Total budgeted revenues for 2012-13 is $21.0 million, which includes the total 2012-13 allocation from HUD as well as carryover funds available from prior year grants, as well as program income. Total grant revenue is estimated to decrease $5.4 million, or 20.5%, from the prior year.

BURA has prepared a financial plan that assumes a stable level of funding over the four-year period, while taking into consideration known changes which include:

- the elimination of the CDBG Recovery Program,
- the elimination of the Emergency Shelter Grant ("ESG") for Homeless Prevention,
- 2012-13 reflects the last year of funding from the Neighborhood Stabilization Program and represent carryforward funds of $1.1 million for FY 2013,
- BURA has budgeted for Program Administrative Funds ($477,000 in FY 2013, $583,000 in FY 2014, $389,000 in FY 2015) which also represent prior year funding available for carryforward and are budgeted in accordance with the expectation of how these funds will be drawn down.

Major revenue categories include:

- CDBG represents the most significant revenue source, representing 63% of total estimated revenue in FY 2013, which increases to 68% of total estimated revenue in FY 2016; the increased reliance is a result of expected decreases in other funding sources;
- CDBG-R has expired; this was budgeted at $1,400,000 in FY 2012;
- Housing Opportunities Made Equal ("HOME") Program Funds have decreased substantially from $4.5 million in FY 2012 to $2.8 million in FY2013, a reduction of $1.7 million. HOME is held consistent at $2.8 million for the remainder of the financial plan,
- ESG is budgeted at $1.3 million annually. The Homeless Prevention program concludes in 2012 ($1.1 million),
- The Neighborhood Stabilization program grant concludes after FY 2013; this grant was budgeted at $2.2 million in the current year (FY 2012) and is budgeted for $1.1 million in FY 2013,
- Remaining revenues are relatively flat with the current year.

2012-13 Expenditures

Expenditures consist of administration and planning costs and direct program costs, which are driven solely by the incoming revenue. There are no increases built into administration costs in the financial plan and are capped at various levels depending on what is authorized by the grant.

An average of 23-24% of grant dollars, over the financial plan, is budgeted to be used for administrative and planning related expenses. Previous years allowed for more funds to go into the direct programs as opposed to administrative costs.

A total of 63 positions are budgeted in 2013 and held at this level throughout the financial plan. In light of the significant decrease in funding, BURA is managing to the best of their ability.

Director Doherty asked if there has been any conversations regarding streamlining the administrative functions of BURA. Ms. Mongold advised that BURA employees are separate from City employees and perform all the administrative functions of BURA. She noted that, as a cost reducing measure, BURA has begun self-insuring prescription plans. Additionally, they have examined selling land inventory and are always looking for additional grant opportunities.

Director Doherty asked if they had considered outsourcing any of the administrative costs. Ms. Penska indicated that the outsourcing of administrative functions would not be permissible under the current collective bargaining agreements.

Chair Olsen noted that the 2012-13 budgets and related four-year financial plans would be considered separately. He asked for a motion to approve the City of Buffalo's 2012-13 Budget and the related 2013-16 Financial Plan.

Secretary Arthur offered a motion to approve the City of Buffalo's 2012-13 Budget and 2013-16 Financial Plan.

Director Floss seconded the motion.

The Board voted 8-0 to approve the City of Buffalo's 2012-13 Budget and 2013-16 Financial Plan.

Chair Olsen asked for a motion to approve the Buffalo Municipal Housing Authority's 2012-13 Budget and 2013-16 Financial Plan.

Director Floss offered a motion to approve the Buffalo Municipal Housing Authority's 2012-13 Budget and 2013-16 Financial Plan.

Director Arthur seconded the motion.

The Board voted 8-0 to approve the Buffalo Municipal Housing Authority's 2012-13 Budget and 2013-16 Financial Plan.

Chair Olsen asked for a motion to approve the Buffalo Urban Renewal Agency's 2012-13 Budget and 2013-16 Financial Plan.

Director Arthur offered a motion to approve the Buffalo Urban Renewal Agency's 2012-13 Budget and 2013-16 Financial Plan.

Director Floss seconded the motion.

The Board voted 8-0 to approve the Buffalo Urban Renewal Agency's 2012-13 Budget and 2013-16 Financial Plan.

Chair Olsen asked for a motion to approve the Buffalo Public School District's 2012-13 Budget and 2013-16 Financial Plan.

Director Floss offered a motion to approve the Buffalo Public School District's 2012-13 Budget and 2013-16 Financial Plan.

Director Arthur seconded the motion.

Chair Olsen opened the floor for discussion. He noted his intention to dissent from approving the District's 2012-13 Adopted Budget and 2013-16 Financial Plan due to the substantial structural deficits presented and the District's choice to effectively use all of the unassigned fund balance. The Programs to Eliminate the Gap ("PEG") plan offers draconian actions which include staff reductions, layoff of bus aides and reductions of non-mandated services such as arts, music, after school programming and clubs, and athletics. Following these actions, there still remains a deficit of $70 million to be addressed. The plan is not balanced and threatens to leave the District a dysfunctional and ineffective system. Additionally, the expected turnaround grant funds are designated for new programs which will create further demands on the District's budget once these funds cease.

Chair Olsen further stated he would like to see a plan that deals with the cost of labor relations, specifically settling collective bargaining agreements that support the mission and public service of the schools. Both the teachers union ("BTF") and the administrators union ("BCSA") are sizable collective bargaining groups and have been out-of-contract for a considerable amount of time. Collective bargaining was stalled and there is no sign of resumption in the District.

Chair Olsen noted that the current labor agreements include elective cosmetic surgery which costs the District an estimated $5.0 million annually. Unions should abandon and return their cosmetic surgery provision as opposed to tying it to a future negotiation process that has not begun in many years.

Chair Olsen acknowledged the limits to the powers of the BFSA; however, due to the structural deficit represented within the District's Financial Plan he cannot vote in favor of its passage. He furthermore noted the District is predominantly funded by the State, and it is highly unlikely that the State has the ability to begin funding the structural deficit.

Director Floss left the meeting at 1:40 PM.

Secretary Arthur advised Chair Olsen that Ms. Barbara Smith, Chief Financial Officer for the District, was present. He asked Chair Olsen if it would be appropriate for her to address the Board.

Chair Olsen asked Ms. Smith to address the Board and noted that he did not intend his dissenting vote to imply an attack on the financial management of the District which has shown conservative and professional financial management to address the existing structural deficits. The difference between the current budget and financial plan and prior years' budgets and financial plans is that it is balanced through the use of most of the reserves along with other, amorphous actions.

Ms. Smith addressed the Board by stating the current four-year financial plan is not different from previous four year financial plans. The deficits typically range between $40.0 and $50.0 million. The FY2007 year saw a large increase in New York State Aid. The financial plan presented that year was the only one in recent history that was balanced for all four years without the usage of reserves.

The structural deficit drivers have also been the same each year since the inception of the BFSA in 2003 and are beyond the District's control. She requested that the BFSA assist the District with some of the deficit drivers that are set legislatively, such as Charter School tuition payments, annual step increases, and continuation of benefits beyond the expiration of a contract for unions are set by Taylor Law and Triborough Amendment. While the out-years of the Financial Plan look dismal, the District has been able to close deficits in recent years. The out-years of the Financial Plan depict both revenue and expenditure projections that are conservatively budgeted. Projections could be overstated or understated due to the District's dependency on State Aid.

Ms. Smith added that collective bargaining agreement negotiations will begin with concessions in health insurance contributions from the employees. However, some bargaining units have no incentive to negotiate new contracts with the District. While the needs of the District are obvious, assistance is needed both legislatively and financially to meet those needs.

There are some amounts of fund balance that could ultimately be reassigned to Unassigned Fund Balance to close budgetary gaps if necessary. Increases in revenue from the State as well as the City would greatly help the District's financial situation.

Chair Olsen concurred that increasing compensation and benefit costs hinder the District's ability to negotiate effective collective bargaining agreements. The ability to balance the budget through effective financial management is difficult. Implementing the changes that will improve graduation rates, including those suggested by the Say Yes to Education, is difficult without the financial resources.

Chair Olsen added that, given that the Financial Plan shows Unassigned Fund Balance decreasing at a rapid rate and State Aid increasing at a low rate he would not vote to approve the District's 2012-13 Adopted Budget and 2013-16 Financial Plan.

Secretary Arthur noted that the PEG plan included reductions in non-mandated services such as the Arts and Music education. These educational services are important for a well-rounded education. It is his hope those programs are not eliminated in order to balance the budget. It is important to have a good educational system that will attract new residents and keep the current families in the City. It is equally important that children in the City receive the same quality of education as those in the suburbs.

Ms. Smith agreed with Secretary Arthur and Chair Olsen and confirmed those programs are not ones that the District desires to cut. However, she added the District is limited to the cuts being in those non-mandated areas.

Director Doherty asked if the financial audits had been completed by the Say Yes to Education organization. Ms. Smith responded she anticipated it would have been completed by now and is not sure of the status of the audit but it should be forthcoming soon. Director Doherty requested, upon completion, the financial audits be placed as an agenda item for the Board. Chair Olsen concurred with this addition as a future agenda item.

Director Jurasek commented that to begin a fiscal year with a revenue and expenditure gap is not unusual. The gap is closed through careful financial management and actions yet to be determined. However, in the case of the District, the gap widens over the four-year course of the Financial Plan. He asked what the amount of the gap was with yet-to-be-determined actions. Ms. Smith responded the gap to be closed is $70 million.

Director Jurasek asked for confirmation that the traditional, initial budgetary deficit was approximately $40 million. Ms. Smith concurred that this was the amount traditionally seen annually prior to budgetary balancing actions. The 70 million noted in yet-to-be-determined actions is a summation of the four-year cumulative deficit after more defined gap-closing actions. If the gap is closed in earlier years of the financial plan, the cumulative out-year gap will decrease commensurately.

Director Jurasek asked if prior years' financial plans had been passed showing similar out-year gaps closed by yet-to-be determined actions. Ms. Smith responded FY 2007-2008 was the first year the Financial Plan was balanced. Shortly thereafter, New York State's four-year educational investment plan was abolished; out-year deficits were again projected in FY 2008-2009. The structural deficit always begins with $30 million which consists of the payments to charter schools, retiree health insurance and step increases.

Chair Olsen thanked Ms. Smith for providing the information to the Board. He called for a vote.

RESOLUTION NO. 12-15
APPROVAL OF CITY OF BUFFALO 2012-13 BUDGET AND 2013-16 FOUR-YEAR FINANCIAL PLANS

WHEREAS, Chapter 122 of the laws of 2003, as amended by Chapter 86 of the laws of 2004, requires the City of Buffalo (the "City") to submit a four-year financial plan that includes the City of Buffalo, the Buffalo Public School District (the "District"), the Buffalo Municipal Housing Authority (the "BMHA") and the Buffalo Urban Renewal Agency ("BURA") along with 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 the proposed City budget and related four-year financial plan to the BFSA on May 1, 2012; and

WHEREAS, the City of Buffalo submitted a revised City budget and related four-year financial plan to the BFSA on May 8, 2012; 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 2012-13 Budget and 2013-2016 Financial Plan; and

WHEREAS, the BFSA held a Public Forum the evening of May 7, 2012, at the Market Arcade Complex, located in downtown Buffalo, New York; and

WHEREAS, Ms. Jacqueline Siever and Mr. Joshua Boston were the independent scribes to record the public's comments, as required by the BFSA Act; and

WHEREAS, Ms. Jacqueline Siever, Mr. Joshua Boston and BFSA Financial Analyst/ Manager of Technology Mr. Nathan D. Miller compiled a report on the Public Forum and submitted it the BFSA Board on May 14, 2012; and

WHEREAS, the Buffalo Common Council acted to modify and approve the proposed budget on May 18, 2012, 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 23, 2012; and

WHEREAS, the Buffalo Public School District presented a revised Budget to the BFSA on May 16, 2012; and

WHEREAS, the Board of Education approved the revised Buffalo Public School District budget on May 23, 2012; and

WHEREAS, the Buffalo Municipal Housing Authority ("BMHA") submitted a revised Budget and Four-Year Financial Plan to the BFSA on June 1, 2012; and

WHEREAS, the BMHA's Board of Commissioners approved the revised Buffalo Municipal Housing Authority budget on May 31, 2012; and

WHEREAS, BFSA received a Certificate from the Mayor on May 8, 2012, that indicates that City's 2012-13 budget as submitted 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 Authority 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 §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 2012-13.

The Board voted 5-2 (Doherty and Olsen dissent) to approve the 2012-13 Budget and 2013-16 Financial Plan for the Buffalo School District.

Review of Quarterly Reports

Chair Olsen advanced the agenda to the next item of business: a review of the 3rd quarter reports for the City and the Covered Organizations. The reports were originally provided at BFSA's May 14th meeting. Staff has prepared brief summaries to provide to the Board.

City of Buffalo 3rd Quarter Report

Mr. Link began the City's review by stating the City's 3rd quarter report is as of March 31, 2012. The City adopted a balanced budget of $462.3 million. Revenue projections have increased by $2.2 million from $462.3 to $464.5 million. The increase in revenue is driven by higher-than-expected rent collections as well as additional reimbursement from New York State for court facility aid.

These increases, as well as increases for building inspections and meter fees, are offset by the decrease in the Tribal State Compact which is the revenue sharing agreement with the Seneca casinos for host communities.

The City is projecting to end the year with a favorable budget variance of $2.2 million. This variance is not a surplus since the City projected the use of $12.3 million of fund balance in the current fiscal year. The amount of fund balance will be reduced from $12.3 million to $10.1 million. The City is projecting a savings of $6.1 million which is diminished by overages in fringe benefits. There is a 10% vacancy rate for full-time employees which is in line with prior year vacancies and should provide additional year-end savings. However, the City will still need to calculate a year-end accrual for the estimated costs for potential salary adjustments.

Mr. Link concluded his presentation.

Buffalo School District 3rd Quarter Report

Chair Olsen advanced the agenda to the next item of business: a review of the District's 3rd quarter report by Mr. Nathan Miller.

Mr. Miller began by stating that actual General Fund revenues and General Fund expenditures were very close to the modified budget. Revenues were projecting to be at a positive budgetary variance of $100,000. Expenditures were projecting to be $6.05 million less than what was budgeted.

The modified budget included a deficit of $40.9 million. The estimated year-end deficit is currently projected to be $34.8 million at fiscal year-end.

A large portion of the use of fund balance was for the settlement of the PCTEA contract settled in September as well as for carryforward prior-year encumbrances. The projected use of Unassigned Fund Balance has decreased as a result of lower than expected expenditures by approximately $6 million.

General Fund Revenue

Erie County Sales Tax receipts are projecting a $1.5 million positive budgetary variance at fiscal year-end. Federal Medicaid reimbursements are now being received after halting for some time and are $1.2 million greater than what was originally projected. New York State aid has decreased by $2.6 million, largely due to lower than anticipated State Transportation Aid. The net impact is a projected favorable variance of $100,000 at the end of the fiscal year.

General Fund Expenditures

Employee compensation is projecting a negative variance at fiscal year-end as a result of a higher FTE count than that was originally planned for in the modified budget. The $3.2 million favorable variance in employee benefits is due to a lower than expected number of retirees and related retiree health insurance costs.

A comparative view of budgeted full-time employees indicates a higher number of teachers administrators, white-collar employees and teacher assistants than what was originally budgeted.

Mr. Miller concluded his presentation.

Buffalo Municipal Housing Authority 3rd Quarter Report

Chair Olsen advanced the agenda to the next item of business: a review of the BMHA's 3rd quarter report presented by Mr. Robert Miller.

Mr. Robert Miller began his presentation by stating the central office cost center revenue was 71% of budget while expenses were 79% of budget. The expenses exceeded revenue by $451,000 for the first nine months of the year. This loss occurred in the third quarter due to timing. He further noted that April medical insurance expenses were recorded in March in the amount of $293,000.

Asset Management Projects

Revenues were 69% of budget while expenses were 75% of budget. The revenue difference is due to the decrease in the operating subsidy from HUD, which was $1.1 million less than the budgeted amount, in addition to the HUD operating grant, which was $663,000 less than budget. Beginning January 2012, the operating subsidy from HUD is $2 million less.

Expenses varied due to higher maintenance costs and lower utility costs. Historically, maintenance represents 28% of expenses while utilities represent 25% of expenses. Expenses exceeded revenues by $1.3 million for the first nine months of the year.

Other Current Year Highlights

The operating subsidy from HUD decreased by $463,000 due to the HUD reserve recapture. The effect on the BMHA moving forward is currently estimated in excess of $2.0 million, annualized. The operating subsidy is the difference between the formula expenses and the formula income. The operating subsidy for 2012 has been set at 92%. Housing authorities have been told by HUD that only four months of reserves are acceptable. Since BMHA has reserves greater than four months at this time they are forced to offset reserves against the reduction to the operating subsidy.

The 100% required use of stimulus funds was achieved by the deadline of March 31, 2012. The independent audit as of June 30, 2011 is still under review by HUD. A draft of the audit report highlights that operating loss for 2011 excluding depreciation was $870,000 compared to operating income excluding depreciation for fiscal year 2010 of $1.7 million.

Finally, BMHA will continue to encounter fiscal challenges due to the HUD funding reductions.

Mr. Robert Miller concluded his presentation

Buffalo Urban Renewal Agency 3rd Quarter Report

Chair Olsen advanced the agenda to the next item of business: a review of the BURA 3rd Quarter Report by Ms. Mongold.

Ms. Mongold began by stating projections for the current fiscal year are in line with the total budgeted revenues and expenditures of $26.4 million. BURA is structured differently from the other Covered Organizations in that they focus on spending during the grant period, which is two-to-three years, as opposed to spending within a particular fiscal year.

Expenditures were budgeted at $22.6 million in FY 2012-13 for direct program costs and $3.9 million for administrative costs. There are no unusual fluctuations or concerns as of the end of the third quarter.

Revenue and expenditures are both under budget, which is attributed by management to timing matters, with the exception of the HOME program. There is a series of projects that management is reviewing for the HOME program. Upon entering into contracts, there will be an increase in HOME revenue and expenditures in the current fiscal year's fourth quarter.

Ms. Mongold noted that BURA had transitioned into a self-insured prescription drug plan as a cost-reduction measure in addition to actively seeking the sale of land inventory.

Ms. Mongold concluded her presentation by making the Board aware that BURA was instructed to stop charging administrative expenses for the CDBG economic development office as direct program costs while the eligibility to reimburse these costs is being reviewed.

Buffalo Municipal Housing Authority Issues

2011-12 Capital Plan

Chair Olsen advanced the agenda to the next item of business: consideration of the BMHA's 2011 and 2012 Capital Plans. Both plans were submitted to BFSA on June 1, 2012 with a request for approval.

He asked Ms. Mongold will briefly discuss these items.

Ms. Mongold began by stating the 2011 Capital Plan was just approved by HUD in March of 2012 but had been submitted a year ago. The final grant authorization for this period is $8.3 million. The 2012 application was completed based on the expected authorization amount which decreases to $7.5 million and has been submitted to HUD for approval. The capital plans cover a calendar year although BMHA has a June 30th fiscal year end resulting in the plan affecting years 2011, 2012 and 2013. The grant funds must be committed within a two year period. The funds must be disbursed within a four-year period.

A five-year needs assessment plan was completed by BMHA which assists them in determining the priorities of projects to be completed. This item also requires HUD approval.

Chair Olsen asked for a motion to approve the Buffalo Municipal Housing Authority's 2011 and 2012 Capital Fund Plans.

Secretary Arthur offered a motion to approve the Buffalo Municipal Housing Authority 2011 and 2012 Capital Fund Plans.

Director Doherty seconded the motion.

RESOLUTION NO. 12-16
APPROVAL OF BUFFALO MUNICIPAL HOUSING AUTHORITY
2011 AND 2012 CAPITAL FUND PROGRAMS

WHEREAS, the mission of the Buffalo Municipal Housing Authority ("BMHA") is to provide safe, decent and affordable public housing, which is of vital importance to the region; and

WHEREAS, BMHA presented its 2011 and 2012 capital fund program budgets to the United States Department of Housing and Urban Development ("HUD") for approval; and
WHEREAS, HUD authorized an estimated capital fund program for 2012 in the amount of $7,470,988; and

WHEREAS, HUD will approve the final 2012 capital fund program; and

WHEREAS, HUD approved BMHA's 2011 capital fund program in the amount of $8,261,833 in March of 2012; and

WHEREAS, BMHA has submitted a list of improvements to its housing stock to be completed with the use of the capital funds; and

WHEREAS, BMHA must commit these funds within two years and spend them within four years in accordance with HUD and other Federal regulations.

NOW THEREFORE BE IT RESOLVED, that the Buffalo Fiscal Stability Authority approves the Buffalo Municipal Housing Authority's 2011 and 2012 Capital Fund Programs.

The Board voted 7-0 to approve the Buffalo Municipal Housing Authority 2011 and 2012 Capital Fund Plans.

Buffalo Fiscal Stability Authority Issues

Adoption of the BFSA 2012-13 Budget & 2013-16 Financial Plan

Chair Olsen advanced the agenda to the next item of business: a recommendation from the Audit, Finance & Budget Committee to approve the BFSA's Proposed 2012-13 Budget and related 2013-16 Financial Plan.

Secretary Arthur offered a motion to approve the BFSA's Proposed 2012-13 Budget and related 2013-16 Financial Plan.

Director Doherty seconded the motion.

RESOLUTION NO. 12-17
ADOPTION OF 2012-2013 BFSA BUDGET AND 2013-2016 FOUR YEAR FINANCIAL PLAN

WHEREAS, the Buffalo Fiscal Stability Authority ("BFSA") was created by Chapter 122 of the Laws of 2003 of the State of New York, as amended (the "BFSA Act"); and

WHEREAS, the BFSA is a corporate governmental agency and instrumentality of the State of New York constituting a public benefit corporation with a broad range of financial control and oversight powers over the City of Buffalo and the non-exempted Covered Organizations; and

WHEREAS, the BFSA intercepts certain revenues according to the direction to the State Comptroller as prescribed within the BFSA Act; and

WHEREAS, the BFSA incurs expenses for its operations and the execution of the functions prescribed within the BFSA Act; and

WHEREAS, the New York State Office of the Comptroller's Public Authority Regulations Part 203 requires the BFSA to annually prepare a budget and financial plan covering the budget year and the three subsequent fiscal years in accordance with generally accepted accounting principles; 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 2012-13 through 2015-16.

NOW THEREFORE BE IT RESOLVED, that the Directors of the Buffalo Fiscal Stability Authority do hereby approve the 2012-2013 BFSA Budget and 2013-2016 Financial Plans.

Director Arthur asked why there was an increase of $25,000 in legal expenses. Ms. Mongold responded the expenses for last year were under-budgeted. She added there were still a number of lawsuits pending which necessitated the increase in budgeted legal expenses.

Director Arthur asked for a list of open litigation items to be provided to the Board for review. Ms. Mongold confirmed she would provide the requested information to the Board. She added that the legal costs were reduced in last year's budget as a result of the wage litigation being completed. However, that particular litigation produced additional lawsuits as it moved into Federal court.

The Board voted 7-0 to approve the BFSA's 2012-13 Budget and 2013-16 Financial Plan.

New Business

Chair Olsen noted that the scheduled portion of the agenda had concluded and asked if there was any new business for consideration.

Director Mesiah stated that BFSA deals with a variety of organizations. When it comes to education, the Federal government has determined what "education" will be and the states have picked that concept up. There now exists a system of testing that has nothing to do with education. Music, art and reading programs are being cut, and education is now based upon who can pass a test. There is no correlation between a student's ability to pass a test and function as a human being in society. Decisions are based upon who can pass a test. The District's incoming Superintendent will be not be evaluated on educating children but on how many children pass a test. He expressed his concern that children are not receiving a well-rounded education.

Privilege of the Floor

Chair Olsen asked if there was any further new business for discussion. Hearing none, he extended the Privilege of the Floor to any member of the attending audience who wished to address the Board for the public record.

Ms. Marilyn Gallivan addressed the Board. Speaking as a resident of the Marine Drive Apartment Complex, she agreed with Mr. Candelario's response that the Marine Drive Apartments do not receive any subsidy and are supported wholly by the rent that is paid by residents. The negative few who criticize the management of the BMHA are ignoring the fact that Marine Drive is operating under circa 2004 income in a 2012 economy. Considering this fiscal challenge, BMHA is doing a monumental job.

Ms. Samantha Colon addressed the Board. She stated she disagreed with the demonization of the teachers union, and expressed her opinion that the Administration of the District should have their pay and benefits linked to the ability to balance budgets. In addition, she expressed her opinion that it is time for the City of Buffalo to negotiate with the Police union.

Adjournment

Director Arthur offered a motion to adjourn the meeting.

Director Mesiah seconded the motion.

The Board voted 7-0 to adjourn.

The meeting adjourned at 2:16 P.M.