

BUFFALO FISCAL STABILITY AUTHORITY
Governance Committee
Meeting Minutes August 1, 2012

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, August 1, 2012, in the Buffalo Market Arcade Complex. The meeting was called to order at 12:33 PM.

Committee Members Present: Arthur, Doherty, and Olsen

Additional Directors Present: Floss and Mesiah

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

Opening Remarks

Committee Chair Olsen opened the meeting. He stated the agenda as follows:

- a review of various policies of the BFSA and to recommend their approval to the full Board,
- a review of the annual Procurement Report and the Prompt Payment Report and to recommend their approval by the full Board,
- to receive the annual Internal Controls report from the Internal Controls Officer, Mr. Bryce Link, and
- to compile the results of the annual Board of Directors self-evaluation.

Committee Chair Olsen called a roll of the Committee members. A quorum was present. The meeting commenced.

Approval of Minutes

Committee Chair Olsen introduced Committee Resolution No. 12-02, “Approving Minutes and Resolution from March 14, 2012.”

Secretary Arthur offered a motion to approve the resolution.

Director Doherty seconded the motion.

GOVERNANCE COMMITTEE RESOLUTION NO. 12-02
APPROVING MINUTES AND RESOLUTION FROM MARCH 14, 2012

BE IT RESOLVED that the Buffalo Fiscal Stability Authority’s Governance Committee approves the minutes of its meeting on March 14, 2012.

BE IT FURTHER RESOLVED that the Buffalo Fiscal Stability Authority’s Governance Committee ratifies and affirms Resolution No. 12-01 that was approved on said date.

The Committee voted 3-0 to approve the resolution.

Review of Policies and Guidelines

Committee Chair Olsen advanced the agenda to the next item for consideration: A review of the BFSA's proposed policies and guidelines. He asked BFSA Executive Director, Ms. Jeanette Mongold, to provide a summary of the materials.

Code of Ethics

Ms. Mongold began by stating that all the policies and guidelines are required under the laws of New York State. The BFSA's draft policies and guidelines have been modified, as necessary, to reflect current requirements.

The proposed Code of Ethics contain several minor changes including updating the document with the name of the State's current Ethics Commission.

Secretary Arthur asks if the Board has the ability to make the Code of Ethics policy more restrictive. Director Floss responded the policy could be made more restrictive than required by law but couldn't be modified to be less restrictive.

Committee Chair Olsen requested a motion to accept the revisions to the Code of Ethics and to send the document to the full Board with a recommendation for approval.

Secretary Arthur offered a motion to accept the revisions and to send the document to the full Board with a recommendation for approval.

Committee Chair Olsen seconded the motion.

The Committee voted 3-0 to send the proposed Code of Ethics to the full Board with a recommendation for approval.

Ms. Mongold noted that the Code of Ethics includes a certification statement that all Directors, excluding ex-officio board members, and staff are required to sign. The certification may be submitted to Mr. Link, BFSA's Internal Controls Officer, or any of the staff.

Mission Statement

Ms. Mongold continued with the next policy for consideration: BFSA's proposed Mission Statement.

Ms. Mongold noted that there was a significant amount to time incurred last year revising the Mission Statement. The current changes in the Mission Statement are minor and are for clarification purposes.

Committee Chair Olsen requested a motion to send the revised Mission Statement to the full Board with a recommendation for approval.

Secretary Arthur offered a motion send the Mission Statement to the full Board with a recommendation for approval.

Director Doherty seconded the motion.

The Committee voted 3-0 to send the Mission Statement to the full Board with a recommendation for approval.

Investment Guidelines

Ms. Mongold continued with the next policy for consideration: BFSA's proposed Investment Guidelines. The guidelines are required by §2925 of the New York State Public Authorities Law and include no changes from the previously approved version.

Committee Chair Olsen requested a motion to send the Investment Guidelines to the full Board with a recommendation for approval.

Secretary Arthur offered a motion to send the Investment Guidelines to the full Board with a recommendation for approval.

Director Doherty seconded the motion.

The Committee voted 3-0 to send the Investment Guidelines to the full Board with a recommendation for approval.

Property Disposal Guidelines

Ms. Mongold continued with the next policy for consideration: BFSA's proposed Property Disposal Guidelines.

Pursuant to §2895-2897 of the New York State Public Authorities Law, the Property Disposal Guidelines were proposed to be amended to incorporate the definition of a Contracting Officer.

The Board is required to annually approve a designated Contracting Officer. Mr. Robert Miller, Comptroller, is proposed to serve in this capacity.

Committee Chair Olsen requested a motion to send the proposed Property Disposal Guidelines to the full Board with a recommendation for approval.

Secretary Arthur offered a motion to send the proposed Property Disposal Guidelines to the full Board with a recommendation for approval.

Director Doherty seconded the motion.

The Committee voted 3-0 to send the proposed Property Disposal Guidelines to the full Board with a recommendation for approval.

Procurement Guidelines

Ms. Mongold continued with the next policy for consideration: BFSAs proposed Procurement Guidelines.

These guidelines are required to be approved annually. There are no changes noted except for the current dating of the document.

It is noted that last year, New York State Executive Law Article 15-A, concerning Minority and Women-Owned Business Enterprises requirements, was revised by Governor Cuomo. Harris Beach extensively reviewed the Procurement Guidelines in connection with the revised Article 15-A to confirm that the BFSAs was in compliance with the requirements. There are no additional changes to these guidelines.

Committee Chair Olsen noted that the Committee had previously discussed whether there were certain actions that could be taken outside of the Procurement Guidelines, particularly professional legal counsel assistance. Rather than issuing a Request for Proposals (“RFP”) with respect to legal counsel, it is requested that the Board consider the forthcoming recommendations from both the Chair and the Secretary. The recommendation for general counsel is anticipated to be made at the forthcoming full Board Meeting.

Committee Chair Olsen requested a motion to send the Procurement Guidelines to the full Board with a recommendation for approval.

Secretary Arthur offered a motion to send the Procurement Guidelines to the full Board with a recommendation for approval.

Director Doherty seconded the motion.

The Committee voted 3-0 to send the Procurement Guidelines to the full Board with a recommendation for approval.

Whistleblower Policy

Ms. Mongold continued with the next policy for consideration: BFSAs proposed Whistleblower Policy. She noted that the proposed changes were minor and non-substantive.

Committee Chair Olsen inquired who held the title of BFSAs Human Resource Officer. Ms. Mongold replied that she currently serves in this additional capacity.

Committee Chair Olsen requested a motion to send the Whistleblower Policy to the full Board with a recommendation for approval.

Secretary Arthur offered a motion to send the Whistleblower Policy to the full Board with a recommendation for approval.

Director Doherty seconded the motion.

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

Prompt Payment Policy

Ms. Mongold continued with the next policy for consideration: BFSA's proposed Prompt Payment Policy.

Pursuant to §2880 of New York State Public Authorities Law, the policy requires payment of all invoices within thirty days unless a shorter time period is contractually agreed upon. There were no proposed changes to this policy.

Director Doherty asked if New York State has a similar policy. Ms. Mongold advised this is the New York State policy adopted by the BFSA.

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

Secretary Arthur offered a motion to send the Prompt Payment Policy to the full Board with a recommendation for approval.

Director Doherty seconded the motion.

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

Committee Chair Olsen advanced the agenda to the next items of business: A review of the proposed Procurement Report and the proposed Prompt Payment Report. He asked Ms. Mongold to review these reports.

Prompt Payment Report

Ms. Mongold noted that the Prompt Payment Report is an annually required report that includes a listing of all new contracts over five thousand dollars entered into during the previous year, whether such new contracts are subject to the Prompt Payment Policy, the number and amount of interest payments made for any contracts, the number of interest chargeable days and total number of days taken to process each late payment, and reasons why any payments were made late.

BFSA's draft 2012 Prompt Payment Report includes two new contracts entered into during the most recent fiscal year. Both contracts were subject to the provisions of the Prompt Payment Policy requiring payment within 30 days after receipt of a valid invoice. Both these contracts were paid timely. In addition, all BFSA vendors were paid consistent with the requirements of the Prompt Payment Policy; no interest or penalties were assessed.

Committee 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 to send the Prompt Payment Report to the full Board with a recommendation for approval.

Director Doherty seconded the motion.

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

Procurement Report

Ms. Mongold continued with the final report: BFSA's proposed Procurement Report. This report is required to be made annually, and includes a list of all contracts exceeding \$5,000 which were effective during the fiscal year ended June 30, 2012.

BFSA's office lease remains with Buffalo Economic Renaissance Corporation ("BERC") with the expectation that the lease will ultimately be entered into with Buffalo Urban Renewal Agency ("BURA").

It is noted that the outstanding contract with Harris Beach involves only litigation services and general counsel services are no longer being provided by Harris Beach.

Director Mesiah inquired as to the status of BERC. Ms. Mongold replied that BERC is in the process of being dissolved but remains the owner of the building where BFSA's offices are located. This relationship will continue until BERC's assets are transferred to BURA.

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

Secretary Arthur offered a motion to send the Procurement Report to the full Board with a recommendation for approval.

Director Doherty seconded the motion.

The Committee voted 3-0 to send the Procurement Report to the full Board with a recommendation for approval.

Ms. Mongold concluded her summaries of the various reports and policies.

Internal Controls Review

Committee Chair Olsen advanced the agenda to the next item for consideration: a review of BFSA's Internal Controls report. He asked Mr. Link to summarize the report's findings.

Mr. Link began by presenting a review of the recently completed internal controls testing. As part of BFSA's ongoing responsibilities, the Authority maintains a rigorous system of internal controls to safeguard the Authority's assets and to assist the Authority in meeting its mission.

BFSA periodically provides the Board of Directors an update on internal control matters. Currently two of three internal control tests have been completed for consideration by the Committee. The third area relates to employee hiring and training and is still under review. The findings will be presented at the next review of internal controls.

Areas tested include revenue recognition and recording, and payroll recording and processing. There were no material findings as a result of these reviews.

Additional focus was placed on areas identified where potential fraud could occur and evaluating the areas potential weakness.

- Revenue Recognition and Recording

The review focused on the various revenue streams, timing of the transactions, as well as timely reporting and recording of all transactions. In addition to reviewing the standard revenue streams which include State Aid and Incentives to Municipalities (“AIM”), sales tax, and interest earnings, BFSA reviewed the mirror bond transactions and the efficiency grants reimbursement to the City of Buffalo.

There was no concern with the established process; all transactions require multiple authorized signatures for any item over \$25,000. There was adequate segregation of duties and oversight on all transactions.

There were no material findings. With respect to the transfer of interest earnings to the City, a policy has been put in place to transfer the interest earnings to the City on a quarterly basis.

- Payroll Recording and Processing

Payroll recording and processing testing focused on the segregation of various payroll duties, timely reporting, and recording of transactions.

A sample review of the payroll transactions was conducted, as was a trend analysis of payroll disbursements. There were no concerns with the current process as it is well documented and executed biweekly.

An adequate segregation of duties exists. The Comptroller is the catalyst for the payroll process. The payroll bank account is reconciled by the Comptroller on a monthly basis and is reviewed by the Executive Director. Due to the size of the staff and the appropriate segregation of duties, the opportunity to committ fraud through payroll is very low as it would require the collusion of three senior staff members. It would be readily apparent during the annual audit.

- Material Findings

There were no material findings noted.

It was noted that there was a delay in the recording of some transactions. These transactions were recognized and recorded by December 2011 as part of a clean up exercise conducted by the Comptroller. Since the addition of the Comptroller to the staff,

there have been no delays in reporting or recording of these transactions and completing payroll reconciliations.

It is recommended that the Treasurer conduct spot reviews of payroll transactions throughout the course of the year by conducting a simple trends analysis of the transactions.

- Employee hiring and training

A final write-up involving the employee hiring and training internal control policies will be provided at the next Governance Committee. The review is substantially completed and based on procedures performed to date; there are no preliminary findings.

Committee Chair Olsen requested a motion to accept and file the Internal Controls Report.

Secretary Arthur offered a motion to accept and file the Internal Controls Report.

Director Doherty seconded the motion.

The Committee voted 3-0 to accept and file the Internal Controls Report.

Annual Board of Director's Evaluation

Committee Chair Olsen advanced the agenda to the final item for consideration: to compile the Board's self-evaluations, as confidentially submitted by the individual Directors. The formal evaluation process is an annual requirement. The New York State Authorities Budget Office has provided guidance that this process is to be conducted confidentially with the results compiled by the Committee in Executive Session.

Committee Chair Olsen requested a motion to exit into Executive Session.

Secretary Arthur offered a motion to exit into Executive Session for the sole purpose of compiling the Board's self-evaluation.

Director Doherty seconded the motion.

The Committee voted 3-0 to exit into Executive Session for the sole purpose of compiling the Board's self-evaluations.

At 12:55 PM the Committee exited the public session to convene in Executive Session.

BUFFALO FISCAL STABILITY AUTHORITY
Governance Committee Executive Session Meeting Minutes
August 1, 2012

The following are the minutes from the Governance Committee's Executive Session of the held on Wednesday, August 1, 2012, in the Buffalo Market Arcade Complex. The meeting was called to order at 1:02 PM.

Committee Members Present: Arthur, Doherty, and Olsen

Additional Directors Present: Floss and Mesiah

Staff Present: Link and Mongold

Annual Board of Directors Evaluation

The Governance Committee convened in Executive Session. The Committee reviewed the individual Board of Director evaluations and summarized their findings.

Committee Chair Olsen requested a motion to adjourn from the Executive Session.

Secretary Arthur offered a motion to adjourn.

Director Doherty seconded the motion.

The Committee voted 3-0 to adjourn from the Executive Session.

The Board exited the Executive Session at 1:25 PM

Return from Executive Session

To correct a procedural matter involving the proper closing of the Governance Committee, Committee Chair Olsen reconvened the Governance Committee at 2:18 PM.

Secretary Olsen offered a motion to return from Executive Session and reconvene the public portion of the Committee meeting.

Committee Chair Olsen seconded the motion.

The Committee voted 3-0 to reconvene from Executive Session.

Board of Director Self-Evaluations

Committee Chair Olsen noted that the Committee has compiled the results of the self-evaluation.

Secretary Arthur directed Ms. Mongold to submit the annual Board of Directors evaluation to the New York State Authorities Budget Office with an inquiry as to what will be done with the results of the evaluation.

The Committee voted 3-0 to submit the annual Board of Directors evaluations to the New York State Authorities Budget Office.

Adjournment

Committee Chair Olsen asked for a motion to adjourn the Governance Committee.

Secretary Arthur offered a motion to adjourn the Governance Committee meeting.

Committee Chair Olsen seconded the motion.

The Committee voted 3-0 to adjourn the Governance Committee meeting.

The Committee adjourned at 2:19 PM.