BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
December 4, 2013

The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the "BFSA") held on Wednesday, December 4, 2013, in the Buffalo Market Arcade Complex. The meeting was called to order at 1:00 PM.

Board Members Present
Arthur, Brown (proxy Estrich), Doherty, Jurasek, Mesiah, Olsen, and Poloncarz (proxy Williams)

Board Member Absent
Giardino

Board Member Excused
Floss

Staff Present
Collin, Link, N. Miller, R. Miller, and Mongold-Robe

Additionally Present
Mr. James L. Magavern, BFSA Outside Legal Counsel, Magavern, Magavern, Grimm LLP

Opening Remarks
Chair Olsen called the meeting to order and reviewed the meeting's agendas as follows:

- Buffalo City School District (the "District") matters:
  - An analysis of the District's final fiscal year ("FY") 2012-13 financial results, as provided within the audited financial statements;
  - An analysis of the District's first quarter results and year-end projections.

- City of Buffalo (the "City") matters:
  - An analysis of certain historical financial information;
  - An analysis of the City's first quarter results and year-end projections;

- A review of the Mayor's Recommended fiscal year 2013-2014 Capital Budget and corresponding 2014-2018 Capital Improvement Plan.

- Buffalo Urban Renewal Agency ("BURA") matters:
  - A review of the final fiscal year 2012-13 financial statements.

- Buffalo Fiscal Stability Authority matters:
  - A recommendation from the Governance Committee to approve the fiscal year 2014-2015 Minority and Women-Owned Business Enterprise ("MWBE") goal plan and the 2014 calendar year meeting schedule for regular board meetings.

Chair Olsen noted that staff reports on the quarterly reports for BURA and the Buffalo Municipal Housing Authority ("BMHA") had not yet been prepared. There were outstanding requests for additional information. The reports will be remitted to the Directors once available. Chair Olsen noted that the "Privilege of the Floor" would be extended to any member or members of the attending audience who wished to comment for the public record on any actions taken by the BFSA at the meeting.

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, & Urban Affairs, Ms. Donna Estrich, represented Mayor Byron W. Brown, in accordance with Subdivision 1 of §3853 of the BFSA Act.

Erie County Constituent Services Assistant, Mr. Leonard Williams, represented County Executive Mark C. Poloncarz, 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 signal designee…."*

Approval of the September 23, 2013 and November 14, 2013 Minutes

Chair Olsen advanced the agenda to the first item for consideration: a review of the draft meeting minutes from September 23, 2013 and November 14, 2013. He introduced Resolution No. 13-25: "Approving Minutes from September 23, 2013," and Resolution No. 13-26: "Approving Minutes from November 14, 2013."

Director Jurasek offered a motion to consider Resolutions No. 13-25 and No. 13-26 jointly and approve both items.

Vice-Chair Doherty seconded the motion.

RESOLUTION NO. 13-25
APPROVING MINUTES FROM SEPTEMBER 23, 2013

BE IT RESOLVED that the Buffalo Fiscal Stability Authority hereby approves the minutes of its meeting on September 23, 2013.

BE IT FURTHER RESOLVED that the Buffalo Fiscal Stability Authority ratifies and affirms Resolution Nos. 13-22 through 13-24 that were approved on September 23, 2013.

RESOLUTION NO. 13-26
APPROVING MINUTES FROM NOVEMBER 13, 2013

BE IT RESOLVED that the Buffalo Fiscal Stability Authority hereby approves the minutes of its meeting on November 14, 2013.

The Board voted 6-0 to approve Resolution No. 13-25 and Resolution No. 13-26.

<u>Buffalo City School District Items</u>
FY 2012-13 Audited Financial Statements

Chair Olsen advanced the agenda to the next item for consideration: the District's FY 2012-13 Audited Financial Statements. He asked BFSA Executive Director, Ms. Jeanette Mongold-Robe, to provide a summary of the financial statements.

Ms. Mongold-Robe utilized a slideshow presentation to review the District's FY 2012-13 Audited Financial Statements. The presentation began with a review of the Fiscal Year ("FY") 2012-13 budgeted amounts versus the fiscal year end ("FYE") actual results. Total General Fund revenues and other financing sources were budgeted as amended at $759.6 million; actual revenues were $752.5 million resulting in an unfavorable budgetary variance of $7.1 million. Total General Fund expenditures and other financing uses were budgeted at $786.0 million; actual General Fund expenditures were $765.4 million resulting in a favorable budgetary variance of $20.6 million. A net favorable budgetary variance was reported; there was a net decrease in actual fund balance of $12.9 million constituting the FY 2012-13 operating deficit.

Ms. Mongold-Robe explained the budgetary variances. Total actual General Fund revenues were consistent with the budgeted amounts with a difference less than 1% of the adopted budget. Individual significant variances included:

- A net unfavorable variance of $8.1 million in all New York State Aid;
- A net favorable variance of $3.4 million in funding from Local Sources;
- A net unfavorable variance of $1.9 million in funding from Other Sources, representing Interfund Transfers In.

Director Mesiah inquired how tuition payments were transferred when a student exits a traditional public school and enrolls in a public charter school. Ms. Mongold-Robe replied that the District makes tuition payments to area charter schools based on a rate established by New York State law and the number of City resident pupils enrolled in the public charter school. The actual payment to charter school expenditure was in line with the amended budget. The FY 2012-13 Adopted Budget had assumed the closure of the Pinnacle Charter School and budget amendments were made to adjust for it remaining open for the 2012-13 school year.

Actual General Fund expenditures were 97.4% of final budget with a favorable variance of $20.6 million and noted an additional $5.9 million had been encumbered. The individual significant favorable variances include:

- General Support - $7.3 million;
- Instruction - $7.0 million;
- Employee Benefits - $3.5 million;
- Pupil Transportation - $1.5 million;
- Interfund Transfers Out - $1.3 million.

In perspective of the full budget, these variances are not significant.

Ms. Mongold-Robe compared historical fund balance from FY 2011-12 and FY 2012-13, and noted:

- The total fund balance decreased $12.9 million over FY 2012-13;
- The decrease was the second operating deficit since FY 2001-02;
- The operating deficit was the second consecutive operating deficit.

Ms. Mongold-Robe outlined the categories of fund balances: Nonspendable, Restricted Assigned, and Unassigned. Assigned fund balance is set aside for certain items that management intends for the use of such funds; however, it may be reallocated for different purposes. Assigned fund balance decreased year-to-year by $9 million.

Actual General Fund revenues from FYE 2012-13 compared to FYE 2011-12 were reviewed. Total General Fund revenue increased $31.3 million (4.3%) due to an increase in New York State Basic Formula Aid ($26.8 million), New York State Lottery Aid ($4.4 million), and Non-Property Tax Items (Sales Tax - $1.5 million).

At 1:16 PM, Ms. Donna Estrich, City of Buffalo Commissioner of Administration, Finance, Policy & Urban Affairs, entered the proceedings.

Secretary Arthur inquired how New York State Lottery aid received by the District compared with other school districts. Ms. Mongold-Robe noted that it was a formula-based aid. Further data will be provided following the meeting to expand on this item.

General Fund expenditures increased $29.8 million, or 4.0%, from FYE 2012 to FYE 2013. There are two categories of expenditures: operating expenditures and non-operating expenditures. Operating expenditures increased $7.0 million (1.1%) due to an increase in: instruction ($7.1 million), charter school tuition payments ($4.3 million), and transportation expenditures ($2.2 million). There was a decrease in operating expenditures of $4.8 million for employee benefits and $2.0 million for general support.

An increase $22.8 million in non-operating expenditures caused the majority of the total year-to-year increase. This was due to transfers out for an additional debt service payment.

Ms. Mongold-Robe provided a historical review of the District's financial operations including General Fund revenues and General Fund expenditures. For most of the past ten years, revenues exceeded expenditures; this trend changed in FYE 2012 resulting in the deficits reported over the last two fiscal years. Currently 83% of General Fund revenue to the District comes in the form of New York State Aid; the City of Buffalo is the next largest revenue source for the District.

Ms. Mongold-Robe reviewed the historical General Fund expenditures from 2004-2013.

- As expected, employee compensation and benefits was the largest single expenditure at 52% for the District; this has been increasing over time.
- 18% is spent on other expenditures; this is a catch all category and includes transportation, tuition, text books, etc… .
- 12% is spent on Charter School payments.
- 18% is spent on Debt Service.
- A historical view of fund balances shows the fund balance has diminished and is projected to continue to do so unless there is an increase in state aid or changes in collective bargaining units.

Dialogue between Vice-Chair Doherty and Ms. Mongold-Robe resolved that it costs more to educate a child within the District than an area public charter school when you take into consideration the total fixed costs and legacy costs do not follow the pupil when transferring to a public charter school. These costs include salary, pensions, post-employment benefit costs (i.e. health insurance) and capital costs associated with maintaining district facilities.
Before completing her summary of the District financial statements, Ms. Mongold-Robe reviewed Other Postemployment Benefits (OPEB) which includes health insurance for current and future retirees. Health insurance for retirees is currently made on a pay-as-you-go basis. The projected cost for all current active District employees and retirees is $1.9 billion.

Ms. Mongold-Robe completed her summary of the District financial statements. It was noted that representatives from the District were present for any questions.

Chair Olsen summarized the District information and noted the following:

- This was the second consecutive year in which the District has reported an operating deficit. The combined two year deficit was over $27 million and is a clear indicator the District is not operationally balanced as total expenditures have exceeded annual revenues;
- While there is a $208 million fund balance, it is important to note that this is not what is available to the District for operations:
  - $31.0 million is unavailable for operations as it represents funds that are legally restricted for specific purposes;

- The second category of fund balance is Assigned Fund Balance which represents funds set aside for specific purposes as intended by management. This includes:
  - $62 million set aside for the settlement of labor contracts. Both the teachers and administrators unions have been out of contracts since 2004. The District's Financial Plan includes using $15 million of these available funds over the next four years to help balance the budget. This is in addition to the $10.6 million that was budgeted for use in the current fiscal year to address the budget gap, and leaves just under $48 million remaining as set aside for contract negotiations, adding to the challenge in being able to meaningfully negotiate;
  - $24 million of Assigned Fund Balance was set aside for increases in retiree health insurance which are currently paid for on a pay-as-you-go basis. This long-term liability, called the other postemployment benefits liability ("OPEB"), has a total long-term estimated cost for all current employees through the rest of life of $1.9 billion. The District's financial plan includes using essentially all of this to balance recurring operations;
- The District's true available savings that can be used to balance the budget is the Unassigned fund balance of $44 million. There is a fund balance policy requiring this amount to be no less than 4% of total annual expenditures, which would equal $31 million for this past year and will increase each year as expenditure increase. Factoring the increase in expenditures over the financial plan as well as the 4% threshold, approximately $10 million remains available to be used to balance the budget. This equates to less than 1% of last year's expenditures.

Chair Olsen noted that using fund balance to annually balance budgets is an unsustainable practice, the results of which are to push difficult decisions off for the short-term. Without additional New York State Aid, changes in state legislation or significant labor contract changes, the District's financial position is dire. The BFSA Board should consider returning to a control status rather than advisory status given these realities.

Secretary Arthur inquired about the status of the collective bargaining units' negotiations. Chair Olsen relayed that the responsible collective bargaining position is for the employees to pay a portion of their health benefits.

District Chief Financial Officer/ Chief Operating Office, Ms. Barbara Smith, addressed the Board and noted that the District is currently in contract negotiations with both the Buffalo Teachers' Federation (the "BTF") and the Buffalo Council of Supervisors and Administrators (the "BCSA"). Fact-finding meetings had been scheduled for later in the month for the BTF and next month for the BCSA.

Discussion continued between the Directors. Attorney Jim Magavern was asked about imposing of an agreement on the District's collective bargaining units. He replied that this could not be legally done.

Secretary Arthur suggested memorializing the changes in New York State law that BFSA is advocating for the New York State legislature. He inquired how student occupancy in newly reconstructed schools compared to occupancy projections established prior to the start of the Joint Schools Construction Board ("JSCB") reconstruction project.

Chair Olsen noted that the Board and attorney Jim Magavern were working with the District to suggest reasonable legislation to help relieve the financial burden imposed on the District.

Director Mesiah requested that the Directors receive talking points outlining Chair Olsen's summary of the District, including the specific financial information.

Director Jurasek commented regarding the structural problems affecting structural deficits and inquired if school closures and consolidations of low-performing and low-attendance schools would ease some of the financial burden. The assumption is that there was a process at the creation of the Joint School Construction Board which included an examination of the population of students to be served and the physical building capacity; it is possible one of the structural problems is that there are too many buildings and closures are necessary.

Chair Olsen replied that closing schools included structural, educational and legal issues; the Board of Education has not been welcoming of the concept. There is probably more to closing a neighborhood school than what it seems on the surface. The major problem with the District is legislative, in that a significant amount of the District budget is dedicated to costs that do not have direct educational effect. However all ideas are welcome.

Director Jurasek sought insight from Ms. Smith regarding the measures which would help the Board of Education consider structural problems. Ms. Smith said there are ongoing discussions considering many variables including keeping the focus on small classes and appropriate class size.

Director Mesiah inquired if one of the variables considered the City's population; Ms. Smith affirmed this.

Secretary Arthur requested the original enrollment projections and current enrollment for all of the schools reconstructed through the Joint School Construction Board project; the information will be gathered and forwarded to Director Arthur after the meeting.

Vice-Chair Doherty conveyed that while there is concern to advocate for legislative changes and mandated programs, there are areas where changes can be made locally; there is a lot of money spent per student on education and there is a level of responsibility for repairing the District which falls to the Buffalo Board of Education, District leadership, as well as the BFSA. There are difficult, challenging decisions that need to be made sooner than later.

Chair Olsen expressed his hope to soon discuss the BFSA Board's appropriate role with the District without inhibiting the progress made within the City of Buffalo. The Board should get involved with cost-containment issues surrounding the District; the Board's legal role needs to be considered.

Analysis of the District's FY 2013-14 First Quarter Report

Chair Olsen advanced the agenda to the next item for consideration: the analysis of the District's FY 2013-14 first quarter financial results. He asked BFSA Financial Analyst/Manager of Technology, Mr. Nathan D. Miller, to provide a summary for the Board.

Mr. Miller provided the following summary of the District's FY 2013-14 first quarter financial results:

First Quarter Highlights

- As of the end of the 2013-14 first quarter, a FYE budgetary deficit of $7.1 million was projected;
    - The Adopted Budget included an operating deficit of $31.1 million;
    - The budget has only been modified to account for carryover encumbrances from the prior fiscal year, not for the newly projected budgetary deficit;
    - The modified budget included 110.7 full-time equivalent positions ("FTE") greater than the Adopted Budget. The Modified Budget does not address the additional salary and benefit costs of these newly budgeted positions;
    - The assumption is that the budget is no longer balanced.

Recent events since the Adoption of the FY 2013-14 Budget

- The New York State Department of Education ("NYSED") mandated that the District enter into a contract with BOCES to provide students at East and Lafayette High Schools Career & Technical Education;
    - FY 2013-14 additional cost = $700,000 ($7,600 is the cost per pupil tuition);
- NYSED approved School Under Registration Review ("SURR") plans for East & Lafayette High Schools. Johns Hopkins University's Talent Development Program was contracted as both schools' Educational Partnership Organization ("EPO");
    - FY 2013-14 additional cost = $1.1 million;
- NYSED enforced a non-renewal of charter edict for the Pinnacle Charter Schools;
    - District opened a new public school at the site of the former charter;
    - 42 additional teacher FTEs hired;
    - Net FY 2013-14 savings = $3.4 million.

Mr. Miller noted the District-wide staffing level has grown considerably since the budget was adopted, including an increase of 160 FTE teachers and eight non-exempt administrators.

Mr. Miller's presentation included a representation of the adopted and modified budget depicting a projected FYE $7.1 million budgetary deficit. Expenditures showed an unfavorable variance for employee compensation, employee benefits and all other expenditures. Payments to Charter Schools showed a favorable variance of $6.8 million. District-wide staffing level had increased by 123 FTE positions since the budget was adopted.

First Quarter Recommendations
Mr. Miller provided BFSA's recommendation to the District as follows: *"It is therefore recommended that the District modify its budget to reflect the additional salary and benefit costs of [the] newly added positions and to identify the funding source and/or budgetary savings in other budgeted expenditures to balance the budget."*

Chair Olsen asked the Board to affirm the recommendation included in the report to be submitted to the District for a response.

Director Mesiah offered a motion to affirm the recommendation.

Secretary Arthur seconded the motion.

The Board voted 7-0 to affirm the recommendation to the District.

City of Buffalo Items
Presentation on the Historical Financial Data

Chair Olsen advanced the agenda to the next item for consideration: an analysis of the City's historical financial information. He asked BFSA Principal Analyst/Media Liaison, Mr. Bryce E. Link, to provide a summary of the material.

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

- The analysis focused on the personal service costs for the City of Buffalo. When reviewing the personal service costs there are some areas the City is able to control such as the number of employees, and there are costs outside the control of the City such as pension costs, as determined by the Pension System, and health insurance premium increases;
- Since FY 2002-03, City employees funded from the General Fund have decreased 610 FTEs from 2,964 to 2,354;
- The areas of the 610 employee reductions are reflected as follows:
  - A reduction of 313 personnel (1,362 to 1,049) in non-protective services employees (excludes sworn police and uniform firefighters);
  - A reduction of 119 (832 to 713) sworn police officers, including uniform officers and individuals out on "injured on duty" (IOD) status and unable to be replaced;
  - A reduction of 178 (770 to 592) firefighters. They, as well as the police department, are under court order to hire a representation of the demographics of the City. The process to hire candidates is a lengthy one.

It was noted both the police and fire departments have had aggressive hiring processes and have had some challenges with the process.

City Personnel Cost (Salary & Fringe Benefits)

- Total budgeted salary and fringe benefits increased by more than $77.0 million from FY 2005-06 to FY 2013-14. This amount excludes year-end salary adjustments for unsettled labor contracts but does include retiree health insurance costs;
- During this same period, total actual salary and fringe benefits increased by $59 million, or 26%, while the City employed 600 fewer FTEs. When comparing budgeted and actual expenditures in total personnel compensation, the budgeted amount is slightly higher than the actual each year;
- The primary cost driver for Personnel Service ("PS") costs is Fringe Benefits. In FY 2006 fringe benefits represented 38% of PS costs; in FY 2012 they represented 41% of total costs. While overall this represents a 3% increase, the dollar impact is a $33 million increase over 6 years and is only a portion of the total compensation.
- When comparing the budgeted and actual expenditures for an average cost per employee the actual amount exceeds the budgeted amount, driven by vacancies and an increase in overtime.

New York State Employee Retirement System/Police & Firefighter Retirement System

- Total pension contributions have increased by $32.2 million, or 716%, since 2002. Fire and police make up a significant portion at $28 million. The City does not have control over these costs;
- Annual health insurance costs have increased by $27.9 million, or 68.0%. Retiree costs exceed active employee costs and will likely continue to grow;
- The individual and family health insurance plans 201 and 204 as offered by the City have increased at much more reasonable rates than the 901 plan, a similar plan to the others but often associated with the cosmetic surgery rider.

At 2:33 PM, Ms. Estrich exited the proceedings.

Chair Olsen noted that the City's efforts to move employees to a more affordable health insurance policy and the District's inability to do so.

Mr. Link concluded his presentation on the City's historical financial information.

Vice-Chair Doherty noted the financial issues facing Detroit and requested an up-to-date discussion at the next meeting of where Detroit is on some of the issues which also, in a lesser degree, face the City of Buffalo, (e.g., pensions, health care, etc…). Mr. Magavern was asked to be prepared to discuss the New York laws as they relate to labor unions and any comparison with Michigan State laws. Chair Olsen noted one of the differences between the City and District is the success the City has had with negotiating labor contracts.

At 2:34 PM Vice-Chair Doherty exited the proceedings.

Analysis of the City's FY 2013-14 First Quarter Report

Chair Olsen advanced the agenda to the next item for consideration: the analysis of the City's FY 2013-14 first quarter financial results. He asked Mr. Link to provide a summary for the Board.

Mr. Link reviewed the City's first quarter year-end projections as of September 30, 2013. The report showed:

- A projected General Fund operating deficit of $12.3 million at FYE;
    - Fund balance is used as a gap-closing measure;
- Projected General Fund revenue is $472.9 million, a favorable budgetary variance of approximately $2.5 million from the adopted budget;
- Projected General Fund expenditures are $485.2 million, an unfavorable budgetary variance of more than $3 million;
- Vacancies equal 320 FTEs;
    - Including a combined 140 fire and police FTEs vacancies;
- Budget considerations include expired CBAs and the potential impact of binding arbitration for Police, and the timing as it is early in the fiscal year.

Mr. Link concluded his summary of the City's FY 2013-14 first quarter financial results.

City of Buffalo FY 2013-14 Capital Budget

Chair Olsen advanced the agenda to the next item for review: the City of Buffalo's FY 2013-14 Capital Budget and 2014-2018 Recommended Five-Year Capital Improvement Plan. He asked Mr. Link to provide a summary of the material.

Mr. Link noted the Capital Plan was currently before the Buffalo Common Council and not yet approved. The City of Buffalo Comptroller's Office is planning on authorizing borrowing up to 85% of the final current year Capital Budget. This review is on the recommended plan. If the Buffalo Common Council makes any changes, they will be brought to the attention of the BFSA Board of Directors.

Mr. Link noted the funding allocation for projects to be funded under the 2014 Capital Budget totaled $22.9 million. He noted the projects from the Mayor's Recommended Capital Plan as follows:

- Citywide Infrastructure Repairs - $6.0 million;
- Demolitions - $3.25 million;
- City-owned Building Improvements - $3.17 million;
- Various Street Projects - $2.3 million;
- Citywide Park Improvements - $1.28 million;
- West Ferry Bridge Rehabilitation - $1.28 million;
- Police Department Vehicles - $1.1 million;
- Cultural Organizations including Coco-Cola Field - $1.1 million;
- Street Vehicles for Public Works - $0.9 million;
- Polar Bear Exhibit at the Buffalo Zoo - $0.65 million;
- Lovejoy & Cazenovia Pools - $0.50 million

- N. Buffalo Rails to Trails Project - $0.45 million
- Citywide Street Lighting Improvements - $0.4 million;
- Tree Removals & Planting Citywide - $0.3 million;
- Citywide Traffic Signals-$0.2 million.

Mr. Link reviewed the capital borrowing levels since FY 2003-04. It was noted:

- In 2004, the City borrowed $15.2 million;
- In FY 2012-13 and 2013-14, the capital budget did not include capital projects dollars for the District; additionally the City's capital plan reduced spending overall;
- In FY 2012-13 and as planned for 2013-14, the District utilized savings from refinancing of JSCB bonds to fund capital projects;
- In FY 2012-13 the City Comptroller issued a bond anticipation note for 85% of the total capital budget and may possibly do this again this year.

Mr. Link concluded his review of the 2014-2018 Capital Plan.

Buffalo Urban Renewal Agency

2012-13 Audited Financial Statements

Chair Olsen advanced the agenda to the next item for consideration: BURA's FY 2012-13 audited financial statements. He asked Ms. Mongold-Robe to review the material.

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

- BURA is a component entity of the City;
    - Fund balances at June 30, 2013 totaled $2.3 million in the General Fund and $3.6 million in the CDBG Fund;
    - FY 2012-13 total expenditures equaled $43.5 million of which $41.0 million (94%) were federal grant expenditures;
    - FY 2011-12 total expenditures equaled $52.2 million of which $50.1 (96%) were federal grant expenditures;
    - CDBG expenditures decreased significantly from 2012 to 2013 (from $16.4 million to $5.1 million) due to the mandate to shift the administration of the program to the City Comptroller's Office and the delays that resulted from this shift;
    - The OPEB liability totaled $39.20 million at FYE 2009. By FYE 2013, it had decreased 27% to $28.72 million.

Secretary Arthur inquired about the BURA employees being transferred to the City Comptroller's office and where that may be reflected and should it be less than this report reflects. Ms. Mongold-Robe noted the liability of BURA didn't change from FY 2012-13, and it appears that anew actuarial evaluation will need to be performed as the amount reported in the financial statements does not reflect the reduction in the number of BURA personnel. As of June 30, 2013, BURA has 36 active employees; down from 55 at June 30, 2012.

Ms. Mongold-Robe continued her summary. There were certain notable items in the current year financial statements as follows:

- There was a write-off of fair value of property for the impairment of capital assets recorded for the 2013 year related to the Market Arcade Building and the neighboring cinema in the amount of $5.3 million as these buildings were overvalued;
- There were prior period adjustments in the amount of $1.3 million reported for the purchase of a building that had not been recorded and the sale of a building that had not been recorded in the year of the transaction.

There were findings reported within the Single Audit report. These included:

<u>Federal Award Findings and Questioned Costs</u>

Finding #1: Material weakness identified over financial reporting:

- Significant journal entries noted by the auditor having a material impact on BURA's financial results;
- Monitoring controls over financial reporting were not completely effective during the year.

Management's Response -

- Begin preparing additional management reports during the year;
- Perform additional monthly reconciliations;
- Hire a permanent replacement for the Senior Grant Monitoring Supervisor position.

Finding #2: Deficiencies in overall control environment allowing for insufficient governance due to the lack of a director and also insufficient accounting staff to maintain proper oversight.

Management Response -

- Continue to search for an Executive Director;
- Identify an individual to provide accounting support;
- Hire a permanent replacement for the Senior Grant Monitoring Supervisor position.

Finding #3: Certain building and land assets were reported incorrectly.

- Certain buildings were reported at an amount exceeding fair value.
- Certain buildings were reported as being owned when they had been sold.

Management Response:

- Begin preparing additional management reports during the year;
- Hire a permanent replacement for the Senior Grant Monitoring Supervisor position;
- Have BURA certified public accountant attend regular meetings of BURA management;
- Obtain third party market values of property.

Follow up of prior-year findings:

- Significant journal entries (repeat finding)
- Accounting system issues:
    - System permits accounting for Community Development Block Grant funds but not accounting on a Generally Accepted Accounting Principal basis;

- Accounting continues to be an issue at the end of FY 2012-13 as BURA migrates to the City MUNIS system.

Ms. Mongold-Robe concluded her review.

<u>Buffalo Fiscal Stability Authority Issues</u>
2014-2015 Minority and Women Business Enterprise Goals

Chair Olsen introduced the BFSA's business portion of the agenda. The BFSA Governance Committee had met earlier in the day and recommended Board approval of the BFSA's 2014-2015 Minority and Women-Owned Business Enterprise Goal Plan and the 2014 BFSA Regular Board Meeting Schedule.

Chair Olsen called for a motion to approve the 2014-2015 Minority and Women-Owned Business Enterprise Goal Plan.

Secretary Arthur moved to approve this item.

Director Mesiah seconded this item.

RESOLUTION NO. 13-27
APPROVAL OF THE 2014-2015 MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISE GOAL PLAN

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

WHEREAS, the BFSA is a public authority of the State of New York (the "State") and as such is governed by certain State laws that specify the method for the procurement of certain goods and services; and

WHEREAS, in accordance with the 2010 Business Diversification Act, which amended Article 15-A of New York State Executive Law, state agencies are required to prepare an annual Minority and Women Business Enterprise ("MWBE") Goal Plan to submit to the New York State Empire State Development's Division of Minority and Women's Business Development; and

WHEREAS, the BFSA is required to establish annual goals for MWBE procurement and file such goals with the New York State Empire State Development's Division of Minority & Women's Business Development in accordance with New York State deadlines; and

WHEREAS, the New York State Empire State Development's Division of Minority & Women's Business Development provided state agencies a prescribed format for the completion of the Annual Goal Plan Update for Fiscal Year 2014-2015; and

WHEREAS, the Governor of New York State has issued a directive that all state agencies should establish a minimum goal of 20% participation for procurements with qualified MWBE's; and

WHEREAS, the BFSA has deemed it appropriate to adopt the Governor's directive of a 20% goal as split evenly with 10% participation by Minority Business Enterprises and 10% participation by Women Business Enterprises; and

WHEREAS, the BFSA will continue to seek procurement opportunities with qualified MWBE's; and

WHEREAS, the BFSA Governance Committee reviewed the proposed 2014-2015 Annual Goal Plan Update and approved a recommendation on December 4, 2013 for the BFSA Board of Directors to approve the proposed 2014-2015 Annual MWBE Goal Plan.

NOW THEREFORE BE IT RESOLVED that the Board of Directors of the Buffalo Fiscal Stability Authority hereby adopts the 2014-2015 Annual MWBE Goal Plan.

BE IT FURTHER RESOLVED that BFSA staff is hereby authorized to file the 2014-2015 Annual MWBE Goal Plan with the required parties.

The Board voted 5-0 to approve Resolution No. 13-27.

BFSA 2014 Meeting Calendar

Chair Olsen called for a motion to approve the BFSA's regular meeting schedule for calendar year 2014.

Secretary Arthur moved to approve this item.

Director Mesiah seconded this item.

RESOLUTION NO. 13-28
ADOPTION OF A BFSA BOARD OF DIRECTOR REGULAR MEETING SCHEDULE FOR CALENDAR YEAR 2014

WHEREAS, the Buffalo Fiscal Stability Authority ("BFSA" or the "Authority") was created by Chapter 122 of the Laws of 2003, as amended from time to time, to be 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

WHEREAS, the BFSA's Bylaws 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 during a control period and at least annually during an advisory period; and

WHEREAS, the BFSA Directors believe that the adoption of a 2014 regular meeting schedule, including committee meetings, is in the best interests of the Authority and other interested parties.

NOW THEREFORE BE IT RESOLVED, that the BFSA approves the adoption of the 2014 regular Board of Director and committee meetings schedule as attached.

The Board voted 5-0 to approve Resolution No. 13-28.

Privilege of the Floor

Chair Olsen extended the Privilege of the Floor to any attending member of the audience who wished to comment for the public record regarding any actions taken during the meeting. Marilyn Gallivan, resident of the Marine Drive Apartments addressed the Board. She asked why the BFSA Board could not be an active control board for the District and not the City of Buffalo.

Chair Olsen responded that the BFSA Board is not presently an active Control Board. Oversight of the District and the City cannot be split because they are a unified unit. Chair Olsen is looking into and desires to be more involved in the District with limited involvement over the other three entities the Board oversees. The situation is being researched.

New Business

No Director introduced any new business for discussion.

Adjournment

Chair Olsen requested a motion to adjourn.

Secretary Arthur offered a motion to adjourn.

Director Mesiah seconded the motion.

The Board voted 5-0 to adjourn.

The Board adjourned at 2:58 PM.