

BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
December 3, 2014

The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the “BFSA” or the “Authority”) held on Wednesday, December 3, 2014, in the conference room of the Buffalo Fiscal Stability Authority. The meeting was called to order at 1:00 PM.

Board Members Present

Chair R. Nils Olsen
Vice-Chair Brigid Doherty
Secretary George K. Arthur
Mayor Byron W. Brown (proxy Estrich)
Director Fredrick G. Floss
Director Richard T. Jurasek
Director Frank B. Mesiah
County Executive Poloncarz (proxy Williams)

Board Member(s) Excused

None

Staff Present

Executive Director Jeanette M. Mongold-Robe
Principal Analyst/Media Liaison Bryce E. Link
Financial Analyst/Manager of Technology Nathan D. Miller

Additionally Present

Mr. James Magavern, Esq., Magavern Magavern & Grimm LLP
Mr. James Sampson, President, Buffalo City School District (“BCSD”)
Mr. Donald Ogilvie, Interim Superintendent, BCSD
Ms. Barbara Smith, Chief Financial & Operating Officer, BCSD
Ms. Linda Cimusz, Chief Academic Officer, BCSD

Opening Remarks

Chair Olsen called the meeting to order and noted that the agenda would be reordered. The first item of business was a review of the proposed collective bargaining agreement (“CBA”) between the BCSD and the Local 264 Food Service Workers. He reminded Directors that their statutory obligation was to review and comment, but not approve the labor agreement.

Roll Call of Directors

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

City of Buffalo Commissioner of Administration, Finance, Policy, and 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...."

Reorder Meeting Agenda

Secretary Arthur offered a motion to reorder the meeting's agenda and review the proposed CBA for Local 264 prior to other Board actions.

Director Floss seconded the motion.

The Board voted 8-0 to reorder the meeting's agenda.

Buffalo City School District

Proposed Collective Bargaining Agreement ("CBA") with Local 264 Food Service Workers and Summer Food Service Workers

Chair Olsen advanced the agenda to the first item for consideration: a review of the proposed CBA between the BCSD and the Local 264 Food Service Workers (the "Food Service Workers") and the proposed Memorandum of Understanding ("MOU") with the Local 264 Summer Food Service Workers (the "Summer Food Service Workers"). He asked Executive Director Jeanette Mongold-Robe and Financial Analyst/Manager of Technology Nathan D. Miller to provide a summary of the proposed agreements.

Ms. Mongold-Robe commented that the CBA was for hourly employees who receive no health insurance paid for by BCSD. There is some concern about potential implications that the U.S. Affordable Care Act ("ACA") may have on BCSD with respect to this proposed labor agreement.

Mr. Nathan Miller presented the analysis on the CBA and MOU. The two labor agreements were presented together because they are interrelated.

Mr. Miller stated that the current CBA was in effect September 19, 2011, until the end of the 2013-14 school year and was now expired. The tentative agreement would be in effect until June 2017. The Board of Education was anticipated to consider the item at their meeting later in the day.

As noted, there are potential implications with the ACA. District administrators are currently evaluating this issue.

There is no General Fund impact from either of these contracts as they are funded exclusively through the Food Service Fund.

The Buffalo Board of Education approved a Living Wage Policy in 2009 to mirror the City's Living Wage Ordinance. There is specific language in the contracts that state the policy was adhered to and a compensation package was developed to be compliant with the policy.

Director Floss noted that several of the wage steps in the proposed labor agreement were lower than the current Living Wage. Mr. Miller concurred and noted that there are additional forms of compensation that workers may receive. The union and District concur that the proposed labor agreements are compliant with the District's Living Wage Policy.

Mr. Miller stated that both contracts included wage increases for each year of the contract. Wage increases for the current year will be addressed through a budget modification. The District will modify the FY 2015-2018 Financial Plan to account for the prospective costs of the agreements.

Mr. Miller noted that the sole cost-saving measure of the CBA was a reduction in the amount of time that individuals may receive worker's compensation: reduced from one year of pay to six months. This provision affords the District approximately \$30,000 per year in savings. Other provisions include: additional uniform shirts for Food Service Workers, an enhancement of direct deposit and management rights have been reaffirmed.

Food Service Helpers and Cooks have four wage steps each and will receive up to a 5% raise annually.

Summer Food Service workers work for two months. This MOU would become effective during the 2015 summer program. Members of this bargaining unit receive few additional benefits; there is no attendance incentive, however, there is one paid holiday, July 4th. There are set wages per year instead of steps; the average annual wage increase over the life of the MOU is 2.9%.

Ms. Estrich requested an explanation of how the food service program was funded. Mr. Miller explained that the program was funded exclusively through federal and state grants received for the Food Service Fund. There are no General Fund implications with approval of the labor agreements.

Mr. Ogilvie stated that food service is separate and outside from the BCSD's budget. Food service is considered its own business.

Secretary Arthur made a motion to approve of the report.

Director Floss seconded the motion.

The Board voted 8-0 to approve the motion.

Approval of the Minutes of the Meeting Held on September 24, 2014

Chair Olsen called for a motion to approve the Board minutes from September 24, 2014.

Secretary Arthur made a motion to approve the minutes.

Director Mesiah seconded the motion.

The Board voted 8-0 to approve the motion.

Buffalo City School District (continued)

Discussion with District Interim Superintendent Donald Ogilvie

Chair Olsen stated a meeting was requested with the Buffalo City School District ("BCSD" or "District") to address two areas of concern. He cited the BFSA's past discussions involving District budgetary matters along with the effectiveness of the overall program, in particular the extremely low graduation rates at some schools. He cited that the BFSA's role is both in overseeing the fiscal stability authority of the District in addition to the effective use of the dollars, as the District provides a public service. The BFSA has been asking the District to finalize its Programs to Eliminate the Gap ("PEG") plan to address possible deficits. The BFSA wants to understand the prioritization process, what cuts would be made first and what effect the cuts would have on the operation of the District. The second area of concern involves the plans for the four "out-of-time" schools, including Lafayette, East, and Bennett high schools and the Dr. Martin Luther King, Jr. elementary school, and how the plans would impact the District's finances. The concerns are primarily financial but finances cannot be separated from the product. As a public entity, BFSA provides an access point for the public to get a better understanding of budgetary complexities. Success of the public schools are critical for the financial success of the City.

Interim Superintendent Ogilvie stated there is a duality in their dilemma to make cuts in order to remain efficient while not losing sight of the big picture of how the students are doing. Currently, the BCSD is undergoing a budget analysis project called the Educational Resource Study ("ERS") funded by the New York State Department of Education ("NYSED") to look at their budget documents and identify what the real priorities are. The report should be completed by May 1, 2015.

The District has contracted with Decision Incite to forecast population variables and their impact on the District schools and their surrounding neighborhoods.

Mr. Ogilvie stated that a vision statement has not been approved by the Board of Education. However, the Board acknowledges that a vision statement is needed to guide their work over the next several years and it will support the recruitment of a permanent superintendent. The District operates (56) buildings, (43) are focus or priority schools and (13) are in good standing. The schools in good standing are recent additions due to the strength of principals and the commitment of their staff or the schools are criteria-based schools, where the student population has earned a seat in that school. There is a resolution agreement with the U.S. Office of Civil Rights (“OCR”). A group from UCLA will analyze and investigate the criteria-based schools’ admission processes. This is very important because criteria schools are in high demand. This study will also assist with how schools will be profiled in the future.

The four phase-out/phase-in schools were the recipients of school improvement grant money or other grants. When the grant money was exhausted and a school’s performance had not shown improvement, the school was then deemed an out-of-time school. The Board adopted a phase-out/phase-in process for the four out-of-time schools in order to slow down the closure of the four schools. Over a period of three years the schools could close completely. The phase-in portion is to solicit requests for proposals (“RFPs”) seeking interest from a SUNY institution, conversion charter schools, educational partner organizations (“EPO”), or a locally developed school plan. By the end of December 2014 the board will know if there are proposals for each of the four schools. The RFPs will be reviewed by objective observers and use the required rubric for scoring.

It is unknown if there are new charter school applications pending at this time; this will be known by the end of the month. The granting of a charter is independent of the school board as they are granted by the State. A recent resolution by the Board of Education allows for the leasing of space in any of the four out-of-time schools to charter schools.

Vice-Chair Doherty asked for an update on union negotiations with teachers.

Mr. Ogilvie responded that the anticipated fact-finder’s report has not yet arrived and the District has been awaiting this report. The District knows the areas of greatest disagreements being work rules, employee benefits, and the belief by the teachers union that Buffalo teachers are at a financial disadvantage compared to other teachers at other districts over the course of their career due to the salary schedule capping off. As the BCSD is waiting for the fact-finder’s report, there subsequently has been no progress made in negotiations.

Chair Olsen stated a concern is that the District has no authority to impose contractual terms for an expired teacher contract, and that under the Triborough Amendment the terms and step increases within the contract continue until a new contract is settled. The contract has been expired for ten years, which includes the period of the wage freeze, and the District has limited funds available to pay for retroactive costs for a new contract. It may be advantageous to both sides to not settle on a new contract; the District may benefit due to its inability to make retroactive payments and teachers may benefit by not losing any health insurance coverage they have retained over the last ten years without a contract. This labor-management gridlock will affect education reform changes because most of the suggested changes are work rule related

changes that must be agreed to by the union. The union is not likely to negotiate new provisions piecemeal and instead would want to negotiate the contract in its entirety.

BCSD President James Sampson stated that in order to have educational reforms there will need to be changes in work rules, i.e. extended school days, extended school years, and principals having the managerial authority to hire the school's staff. The union has already been engaged in those discussions on a school-by-school basis.

Chair Olsen questioned the financial ramifications on other schools with respect to pouring money into the out-of-time schools. He emphasized that the BFSA wants to understand the fiscal impact of the various options for the four schools and the effect on other schools. This is a period of great uncertainty and planning. The BFSA tries not to interfere with educational policy but it's impossible not to consider it when discussing these changes because the shifting of resources causes a ripple effect on the remainder of the system.

Mr. Sampson replied the financial implications are unclear at this time.

Mr. Ogilvie stated the goal is to move people off the status quo. Some individuals can be incentivized while others have to be brought along. There is no intent by the BCSD to leave the BFSA out of any important decisions.

Chair Olsen stated the Board is interested in the details and the need to discuss them publicly. BFSA wants to be a positive part of the planning process. The time is coming for choices to be made.

Director Jurasek emphasized the BFSA's interest in the details, which he said were "calendar-related." If the ERS study is not available until spring of 2015 then it will be entirely too late to enact anything for 2015-2016 school year. The findings will not be able to be enacted until fiscal year ("FY") 2016-17.

Mr. Ogilvie stated a forward looking trajectory is needed.

Director Mesiah noted that a well-rounded education was essential. The City of Buffalo has a diverse student population. An education that is inclusive of the contributions of both men and women of all ethnic backgrounds is essential. He asked if the budget and financial plan included provisions to provide such an education.

Mr. Ogilvie stated the Board of Education formed a taskforce to expand the successful program at Emerson high school which serves every subgroup of students. The program connects students to jobs and higher education and also helps to develop self-direction in young people that cannot be obtained through a new English Language Arts curriculum. The future direction is for schools to prepare pupils for multiple futures. Emerson will prove to be the success story of the next three-to-five years. It can then be used as a model for curriculum and school management and what to prioritize.

Director Floss stated that BFSA has been concerned with the fact that there has been a spending down of reserves over the past few years which greatly reduces the ability for contract negotiations. BFSA seeks to achieve its mission by having everyone under contract and balanced budgets. Reserves are an important part of any solution and using them up early will only detract from a solution. He also cited the importance of rubrics and the need for them to be discussed ahead of time before implementation. Schools that do not become criteria-based schools will disproportionately affect students of color, students with disabilities and English language learners. Scoring must be looked at in a holistic fashion.

Mr. Ogilvie stated the intent was not to create more criteria-based schools but to ensure that any child who meets the criteria would have access to the schools. The District does not want to inadvertently create warehouses for children who do not attend a criteria-based school. Every school in New York State must provide a program at the aspirational level that children must achieve. Instruction must be upgraded so students learn in the way that is best for them. Quality does not drop, however, the delivery will need to change. In order for this to happen there will be necessary changes to workforce and perhaps changes to the budget.

Chair Olsen noted BFSA's concern over the timing of implemented changes. Planning takes money to implement improvements, additional spending to improve the out-of-time schools will inevitably affect the other schools and a significant increase in New York State aid is highly unlikely. There is also an increasing obligation to retirees. He asked what the costs of the turnaround plans of the four schools would be and about the children in the schools without turnaround plans that are focus and priority schools.

Chair Olsen noted that the questions outstanding were where the funding the District needs to implement improvements will come from, how the District will achieve the changes in work rules needed to implement the improvements without settled labor agreements in place and whether improvements can be made District-wide rather than in individual schools.

BCSD Chief Financial and Operating Officer, Ms. Barbara Smith, addressed the Board and emphasized that the four schools are being phased out if there isn't a new plan implemented for these schools in FY 2015-16. Therefore, the District becomes more efficient if those students are filling in vacant seats in other schools and which may cause a financial savings. Phase out schools need additional support which could be obtained via grants. Two of the schools could be eligible for School Improvement Grants. During the budget process, the District looks for other ways to save money. Many of the questions being asked are premature as the RFPs are not due and an evaluation process needs to be done. There are overstatements in the Financial Plan and therefore savings are built in, in addition to things that we didn't foresee like changes for English Language Learners ("ELL") students and additional regulations that the District will have to meet. The District is planning to have the information available with related costs attached. The Board of Education is aware of the financials as well as the academics.

With respect to the reserves projected to be used, Ms. Smith stated they are not to impact the negotiation pot set aside for expired contracts. The only adjustment that has been made every year is for the cost of the cosmetic surgery rider. If the unions give up this contractually-provided provision, the money wouldn't be transferred from this assigned reserve any further.

Resources for negotiations continue to be set aside minus the costs associated with the cosmetic surgery rider. After last year \$56 million remained assigned for contract settlements.

Chair Olsen stated that BFSA is aware that significant educational improvements cost money. There also needs to be a change in culture and labor management issues. BFSA requests to be kept abreast of all the complex planning decisions. There is concern about the dependence on grants and what happens when the grants are exhausted.

Secretary Arthur stated his concerns about the lack of a collective bargaining agreement between the District and the teachers' union. He asked what was being done to expedite the release of the fact finder's report. Mr. Ogilvie stated contracts require earnest participation of both parties and no one wants to make a move before the report is received. Secretary Arthur responded that someone needs to make the first move.

Chair Olsen mentioned that the dynamics were not favorable and having no contract favors both sides because the District will not have to pay for raises, only incremental annual salary steps, and the teachers will not have to negotiate benefits. He asked how the changes within the District were going to be completed with the current budgetary constraints in place. BFSA would like to be informed as the planning takes place as oppose to being informed after the planning has been completed.

Mr. Ogilvie acknowledged the importance of keeping BFSA aware of planning changes in a timely manner.

Chair Olsen thanked Mr. Ogilvie and District staff for attending the Board meeting.

Privilege of the Floor

Director Floss requested that Privilege of the Floor be extended to any member of the attending public who wished to comment for the record on actions taken at the meeting.

Ms. Marilyn Galivan addressed the Board and expressed her appreciation in that the BFSA was actively working with the District to resolve many important issues.

Secretary Arthur acknowledged her support.

Chair Olsen stated BFSA is available to help and can offer their legal and budgetary expertise to the District. BFSA's interest is to work with the City and covered organizations and be as effective as possible.

Director Jurasek stated it is the mandate of BFSA to monitor the fiscal health.

Chair Olsen stated the Board cares deeply about the results and are greatly disturbed by the enormous number of children this is failing and whatever we can do to help BCSD address that problem within the confines of their budget.

FY 2013-14 Audited Financial Statements
Buffalo City School District

Chair Olsen advanced the agenda to the next item for consideration: a review of the BCSD's FY 2013-14 audited financial statements. He asked Mr. Mongold-Robe to provide a summary of the material.

Ms. Mongold-Robe began her summary by noting that the District ended FY 2013-14 with an operating deficit of \$14.6 million. Chair Olsen questioned if the fund balance was used to cover the deficit but also to pay recurring expenses. Ms. Mongold-Robe confirmed his observation.

The final 2013-14 financial results were compared to the budget. Total actual revenues were consistent with the budget, with the difference representing less than 0.1% of the adopted budget. Actual expenditures were 97.3% of the actual budget. There was a favorable variance of \$22.5 million with an additional \$2.9 million having been encumbered. Significant variances included general support of \$5.4 million, instruction for regular schools of \$9.0 million, instruction for charter schools of \$1.1 million, and employee benefits of \$5.4 million. Underlying reasons for the budgetary variances were discussed.

Total fund balance decreased \$14.6 million year-to-year with this representing the third annual consecutive operating deficit since 2001-02; the three year combined total deficit is \$42 million, representing the use of fund balance over the past three years. For the current budget year the District is projecting to use up to \$10.2 million of fund balance. Assigned fund balance has been reduced by \$20.5 million, largely due to the reduction in the amount used to balance the subsequent year's budget. It is further noted that the amount in Assigned Fund Balance for the settlement of labor contracts is \$58.5 million at June 30, 2014, representing a decrease of \$4.2 million from the prior year.

Financial results for 2013-14 were compared to prior year results. Total revenues increased \$11.5 million (1.5%) due to the increase in NYS Aid of \$11.8 million. Total expenditures increased \$13.2 million (1.7%). Importantly, operating expenditures increased \$27.0 million (4.3%) due to increased costs for instruction of \$13.0 million and an increase in employee benefits of \$10.4 million due to an increase in teachers' pension payments; non-operating expenditures decreased \$13.8 million (11.1%) due to a decrease in required debt service payments.

Historical revenues and expenditures were reviewed. Since fiscal year 2004-05, revenues have increased \$268 million, or 54%, while expenditures have increased \$285 million, or 58%. With respect to revenues, the primary driver in the increase is in New York State Aid, which constitutes 83% of all revenues. With respect to expenditures, payments to charter schools has increased \$54 million, or 135%, and employee benefits have increased \$64 million, or 60%.

Historical fund balance was reviewed, noting significant increases in all components of fund balance since 2004-05, and steady decreases to overall fund balance over the last three years as the District has reported deficits.

Historical other postemployment benefits was reviewed, noting the total current actuarial accrued liability is \$1.9 billion, and payments are budgeted annually without accrual and paid on a “pay-as-you-go” basis.

Vice-Chair Doherty directed staff to analyze the net cost of a hypothetical settled teacher’s labor agreement based on recently settled City of Buffalo (the “City”) labor agreements. She asked for clarification on a lawsuit against the District with respect to transportation with a charter school. Ms. Mongold-Robe replied that staff would perform cost/benefit analyses of a settled labor agreement between the District and the teachers’ union. With respect to the lawsuit, she clarified that the Buffalo Board of Education had directed Mr. Ogilvie to negotiate a settlement with the Charter School for Applied Technology. The settlement would allow both parties to exit the litigation process and resolve the outstanding transportation issues. The New York State Supreme Court had estimated that the District would be liable for \$6.7 million to the charter school following the completion of the litigation process.

City of Buffalo

2015 Capital Budget and 2015-2019 Capital Improvements Program

Chair Olsen stated the Capital Budget was approved by the Common Council on December 2, 2014. He asked Mr. Link to provide a summary of the material.

Mr. Link addressed the Board and provided a summary of the 2015 Capital Budget and 2015-2019 Capital Improvements Program. The Mayor identified \$26 million in projects to the Buffalo Common Council (the “Council”) on October 31, 2014. The breakdown is as follows:

- \$6 million for Citywide infrastructure repairs,
- \$4.8 million for City owned buildings,
- \$2.5 million for demolitions,
- \$2.1 for fire apparatus,
- \$1.9 million for Kenmore & Niagara St improvements,
- \$1.2 million for Highland Park improvements,
- \$1.2 million for Citywide park improvements,
- \$1.1 million for Buffalo Niagara Medical Campus Phase III,
- \$0.8 million for Citywide bridge rehab,
- \$0.8 million for various cultural organizations,
- \$0.6 million for Museum of Science roof reconstruction,
- \$0.5 million for Erie Basin Marina rehab,
- \$0.5 million for street vehicles for public works,
- \$0.5 million for Coca-Cola field improvements,
- \$0.4 million for Shoreline Trail rehabilitation, and
- \$0.3 million for reptile house roof reconstruction.

The following is a roll-up or a consolidated view of the previously reported projects, up by project type, and as a percent of the requested budget:

- Engineering and streets is 49% (\$12.8 million) of the proposed budget,
- City buildings is 19% (\$4.8 million),
- demolitions is 9% (\$2.5 million),
- vehicles is 10% (\$2.6 million),
- economic development and cultural organizations is 8% (\$2.1 million), and
- parks is 5% (\$1.2 million) of the budget.

The City Comptroller's limit for financing for the current year is \$22.2 million. The Mayor requested to fund \$19.9 million in projects.

Comptroller Schroeder reduced the borrowing capacity by 15% in 2013 and 2014 and has recommended reducing borrowing capacity by 10% in regards to the 2015 borrowing.

The City has \$24.1 million in outstanding capital borrowing proceeds from FY 2006-07 to 2013-14. Two years ago the outstanding capital proceeds were close to \$48 million. The City has been able to spend down the bond proceeds significantly.

The final adopted changes will be available for the next board meeting.

Director Floss asked if the Comptroller would allow the spend down of monies for other projects that have been completed. Ms. Estrich explained that remaining monies from projects that come in under budget are used to repay the debt service.

Ms. Estrich further explained that an RFP for fire trucks cannot be made until the authorization is given. However fire trucks take 18 months to build and therefore aren't invoiced and paid for until the following year.

Director Doherty excused herself from the meeting at 2:00pm.

Financial Audit of the Buffalo Urban Renewal Agency ("BURA")

Ms. Mongold-Robe provided a presentation on BURA's year-end financial operations. BURA is a component unit of the City. Fund balance as of June 30, 2014 consisted of General Fund of \$2.4 million and the Community Development Block Grant ("CDBG") Fund of \$1.6 million. The CDBG fund balance is broken down as \$820,000 non-spendable (i.e. land, buildings) and \$787,000 committed to community development.

2014 total expenditures were \$50.2 million. Federal grant expenditures were \$49.1 million (98%), of which, \$31.4 million (64%) was for Section 8 housing and \$9.0 million (18%) was for CDBG expenditures.

2013 total expenditures were \$43.5 million. Federal grant expenditures were \$41.0 million (94%), of which, \$30.8 million (75%) was for Section 8 housing and \$5.1 million (12%) was for CDBG expenditures.

There has been a substantial decrease to the other postemployment benefits liability from \$28.72 million reported at June 30, 2013 to \$12.01 million reported at June 30, 2014. BFSA has not received a copy of this report to determine why there has been such a significant decrease.

Other notable items were discussed. Encumbrances were incorrectly reported on the Statement of Net Assets as long-term liabilities. The total prior period adjustment increased net assets by \$7.2 million; the previously reported deficit of \$12.6 million has been restated to a \$5.4 million deficit.

Single audit findings were discussed.

Finding # 1: Material weakness was identified over financial reporting, significant journal entries were noted by the auditor causing material impact to BURA's financial results, and monitoring controls over financial reporting were not completely effective during the year.

Management's Response: Management will begin preparing additional management reports during year, perform monthly reconciliations and account analysis throughout the year, and will hire a permanent accountant.

Director Floss asked if more oversight is needed for this department.

Ms. Estrich explained that the department was in the process of changing systems and hired a CPA during the second half of this year. These changes contributed to the department being overtaxed and explained the deficiencies in the findings.

Finding #2: The improper reporting of encumbrances as long-term liabilities (encumbrances do not yet represent incurred liabilities). The expectation is that this will not continue in the future as the accounting supervisor position has been filled.

Management's Response: Acknowledgment of lack of qualified staff in previous years, which led to BURA's reliance on the advice of outside auditors.

Finding #3: Deficiencies cited in overall control environment related to financial reporting:

- Insufficient internal controls,
- Insufficient segregation of duties amongst employees,
- One employee dedicated to majority of recordkeeping who doesn't have the required expertise, and
- Recommendation to add an appropriate number of accounting staff.

Management's Response: Hire additional permanent accounting staff to provide for sufficient segregation of duties, and provide training to BURA staff to stay current on reporting requirements and treatment of governmental accounting items.

Finding #4: Deficiencies in overall control environment related to grant compliance:

- Insufficient governance, oversight and the implementation of formal policies over grants.
- Recommendation to add an appropriate number of staff to aid in the internal audit function, specifically grant compliance.
- Per Ms. Mongold-Robe two people have been hired that now handle the referenced duties; this is not anticipated to be a problem going forward.

Follow-up on prior year findings:

1. Numerous adjusting entries which were material to the financial statements were identified:
 - Status: similar finding was reported for 2014; progress was noted through the hiring of a Senior Grants Monitor/Accounting Supervisor
2. Deficiencies in overall control environment:
 - Insufficient governance due to lack of a director.
 - Insufficient accounting staff – one individual
 - Status: similar finding reported in 2014; progress noted with the hiring of a qualified director of financial control agencies. BURA continues to lack the necessary level of operational accounting staff.
3. Land and buildings which had been sold were continued to be reported as owned by BURA, in addition, other buildings were reported at values which exceeded their fair market values by amounts significant to the financial statements, requiring adjusting entries to record impairment charges.
 - Status: BURA has addressed this issue for the year ended June 30, 2014.
4. 2009 Finding: Accounting system issues noted, the system permits accounting for CDBG funds but not accounting on a GAAP basis.
 - Status: BURA has transitioned to the City's general ledger system (MUNIS). The historical loan information will remain in the old program; future loans to be recorded in a new system effective 1/1/2015.

Director Jurasek questioned if the findings in the federal audit are exceptional.

Ms. Mongold-Robe advised it is not exceptional but will be monitored.

Buffalo Municipal Housing Authority (“BMHA”)
Meeting with BMHA Management

Chair Olsen reported on the meeting with BMHA’s senior management. Attendees were BFSAs outside legal consultant, Mr. James Magavern, BFSAs Executive Director Ms. Mongold-Robe, BFSAs Principal Analyst Bryce Link, BFSAs Chair Nils Olsen, BMHAs Chair Michael Seaman, BMHAs Executive Director Dawn Sanders-Garrett, BMHAs Deputy Executive Director Modesto Candelario, BMHAs Counsel David Rodriguez, and Accountant John Walters. They understood the basis of the BFSAs’s frustration. They acknowledged that they had not made accurate timely submissions in the past and will try to improve. A good rapport has been established. They are having problems with all reporting. The implementation of new software and turnover in personnel has led to reporting difficulties. Problems may be helped by reorganizing the department.

Director Floss questioned if the agency is having problems with all reporting.

Both Chair Olsen and Ms. Mongold-Robe confirmed that BMHA acknowledged problems with all reporting as stated by the Executive Director and the Chairman of the Board during the meeting.

Secretary Arthur questioned the cause of the problem with getting the reports completed.

Ms. Mongold-Robe replied that the agency has started using a new software system.

BFSAs Principal Analyst, Mr. Bryce Link stated the amount of competing reporting requirements makes reporting difficult for the agency.

Chair Olsen stated that the staff was not qualified to compile the data required for reporting in a timely fashion. However, they are working to rectify this.

Ms. Mongold-Robe stated BMHA needs a comptroller or director of finance position. Chair Olsen stated that employees had been there a long time coupled with the changing reporting requirements and the advancements in technology all contributed to the problems of late filing of inaccurate reporting. It is thought that these problems may be solved by reorganizing.

Director Floss questioned if the BFSAs should make a recommendation in regards to what type of position would be appropriate. Ms. Mongold-Robe stated BMHA is undergoing a reorganization study that will be sent to BFSAs once it’s completed which should be completed by January.

Secretary Arthur asked who was conducting the study.

Director Floss asked if the U.S. Housing and Urban Development agency (“HUD”) had sent in a consultant organization to complete the study on BMHA. If so, the study may have been recently completed.

Chair Olsen suggested that Secretary Arthur and Director Floss become points of contact on this subject as they understand the process.

2013-14 1st Quarter Summary Reports

Chair Olsen noted that the Board had been provided with first quarter analyses reports of the City, the District, and BMHA. He offered a motion that the presentations on the reports be preempted unless there were any outstanding questions by any of the Directors due to the time constraints.

Director Floss made the motion

Secretary Arthur seconded the motion.

The Board voted 7-0 to forgo the presentations on the first quarter report summaries.

Buffalo Fiscal Stability Authority

2015-16 Minority and Women Business Enterprise Goals

2015 BFSA Meeting Calendar

Chair Olsen stated the Governance Committee met prior to the Board meeting and had approved motions to send the proposed FY 2015-16 Minority and Women Business Enterprise (“MWBE”) goals and the 2015 BFSA meeting calendar to the full Board with recommendations for approval of both items.

Director Mesiah offer a motion to consider and approve both items jointly.

Secretary Arthur seconded the motion.

The Board voted 7-0 to approve the resolution.

BUFFALO FISCAL STABILITY AUTHORITY

RESOLUTION NO. 14-27

APPROVAL OF THE 2015-2016 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; and

WHEREAS, the Governor of New York State has issued a directive that all state agencies should establish a minimum goal of 30% participation for procurements with qualified MWBE’s; and

WHEREAS, the BFSA has deemed it appropriate to adopt the Governor’s directive of a 30% goal as split evenly with 15% participation by Minority Business Enterprises and 15% 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 2015-2016 Annual Goal Plan Update and approved a recommendation on December 3, 2014, for the BFSA Board of Directors to approve the proposed 2015-2016 Annual MWBE Goal Plan.

NOW THEREFORE BE IT RESOLVED that the Board of Directors of the Buffalo Fiscal Stability Authority hereby adopts the 2015-2016 Annual MWBE Goal Plan.

BE IT FURTHER RESOLVED that BFSA staff is hereby authorized to file the 2015-2016 Annual MWBE Goal Plan with the required parties.

**BUFFALO FISCAL STABILITY AUTHORITY
RESOLUTION NO. 14-28
ADOPTION OF A BFSA BOARD OF DIRECTOR REGULAR MEETING
SCHEDULE FOR CALENDAR YEAR 2015**

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 BFSAs 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 BFSAs Directors believe that the adoption of a 2015 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 BFSAs approves the adoption of the 2015 regular Board of Director and committee meetings schedule as attached.

This resolution shall take effect immediately.

Chair Olsen stated that the MWBE goals for FY 2014-2015 were surpassed. The effectiveness of MWBE participation given the current construction boom taking place in the City was discussed during the Governance Committee meeting. The Governance Committee suggested a meeting with key players, including unions, to talk about ways to make MWBE programs more effective. It is clear that the building boom that is going on does not dispense its benefits equally across the community. The employment benefits, construction benefits and purchasing benefits are frequently limited. There is a large portion of the community that we should be concerned about.

Secretary Arthur offered a motion to approve the recommendation from the Governance Committee.

Director Floss seconded the motion.

The Board voted 7-0 to approve the motion.

Ms. Estrich stated that the Mayor is very concerned about this issue and requires that any contracts through his office include at a minimum a 10% goal. We are asking for contractors to achieve these goals, but we cannot force them to. The City is trying to track their MWBE spending better and develop training programs.

Director Mesiah stated the importance of schools with respect to the new construction of expensive housing. Buyers want decent schools for their children. If there aren't any decent schools they will buy housing outside of the City. An effective transportation system is also an issue in order to bring those that live outside of the City into the City for work. All of the agencies are interrelated.

Director Jurasek questioned what authority BFSAs has with respect to the City's MWBE goals.

Chair Olsen replied it was important to understand and promote the equitable distribution of public funds. If there are problems that can be identified we can assist in rectifying them because it does impact the fiscal stability of the City.

Recognition of A. Vince Buzard

Secretary Arthur asked about an agenda item regarding legal advice and Harris Beach.

Chair Olsen replied the individual was unable to make the meeting.

Secretary Arthur moved that the item be tabled until the next board meeting

Adjournment

Secretary Arthur moved to adjourn.

Director Mesiah seconded the motion.

The Board voted 7-0 to adjourn.

The meeting adjourned at 2:26 pm.