

**BUFFALO FISCAL STABILITY AUTHORITY**  
**Meeting Minutes**  
**June 18, 2014**

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The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the “BFSA”) held on Wednesday, June 18, 2014, in the first floor conference room of the Buffalo Market Arcade Complex. The meeting was called to order at 1:03 PM.

**Board Members Present**

Arthur, Brown (proxy Estrich), Doherty, Floss, Jurasek, Messiah, Olsen, Poloncarz (proxy Williams)

**Board Member(s) Excused**

None

**Staff Present**

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

**Additionally Present**

Mr. James L. Magavern, Esq., Magavern Magavern & Grimm LLP

**Opening Remarks**

Chair Olsen called the meeting to order and reviewed the meeting protocol.

Chair Olsen reviewed the agenda for the meeting as follows:

- Review the final fiscal year (“FY”) 2015-2018 financial plans of:
  - The City of Buffalo (the “City”);
  - The Buffalo City School District (the “District”);
  - The Buffalo Urban Renewal Agency (“BURA”).
  
- Review of the financial plan of the Buffalo Municipal Housing Authority (“BMHA”), which the Board was unable to review in May.
  
- Review of the final BFSA 2014-15 budget and related four-year financial plan, which was reviewed and recommended for approval by the Audit, Finance and Budget Committee at their meeting.
  
- An Executive Session for the purpose of receiving advice from legal counsel which was deferred at the March and May Board meetings.

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

City of Buffalo Commissioner of Administration and Finance, Ms. Donna Estrich, represented Mayor Byron W. Brown, in accordance with Subdivision 1 of §3853 of the BFSFA Act.

Erie County Constituent Services Assistant, Mr. Leonard Williams, represented County Executive Mark C. Poloncarz, in accordance with Subdivision 1 of §3853 of the BFSFA Act.

Subdivision 1 of §3853 of the BFSFA 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 Minutes of the Meetings held on May 14, 2014, and June 5, 2014**

Chair Olsen advanced the agenda to the first item for consideration: a review of the draft meeting minutes from the May 14, 2014, and the June 5, 2014, meetings. He introduced Resolution No. 14-05: “Approving Minutes and Resolutions from May 14, 2014,” and Resolution No. 14-06: “Approving Minutes from June 5, 2014,” and requested a motion to approve both items.

Director Floss offered a motion to approve Resolution No. 14-05 and Resolution No. 14-06.

Director Mesiah seconded the motion.

**RESOLUTION NO. 14-05  
APPROVING MINUTES AND RESOLUTIONS FROM MAY 14, 2014**

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BE IT RESOLVED that the Buffalo Fiscal Stability Authority hereby approves the minutes of its meeting on May 14, 2014.

BE IT FURTHER RESOLVED that the Buffalo Fiscal Stability Authority ratifies and affirms Resolutions Nos. 14-03 through 14-04 that were approved on May 14, 2014.

The Board voted 8-0 to approve Resolution No. 14-05.

**RESOLUTION NO. 14-06  
APPROVING MINUTES FROM JUNE 5, 2014**

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BE IT RESOLVED that the Buffalo Fiscal Stability Authority hereby approves the minutes of its meeting on June 5, 2014.

The Board voted 8-0 to approve Resolution No. 14-06.

## **Review of the Final Financial Plans**

### **City of Buffalo**

Chair Olsen noted at the May meeting the Board discussed at length the preliminary financial plans of the City, the District and BURA. The financial plan of the BMHA was not discussed at the May meeting, as its receipt was late and incomplete. As a result of the review of the preliminary financial plans, the Board found the plans of BURA and the BMHA to be incomplete requiring additional information. BURA submitted a revised financial plan; BMHA also submitted the additional information required.

There were no changes to either the City's or the District's financial plans, although there have been minor changes in the adopted budgets. Board members have received copies of these reports and have had an opportunity to review them prior to the meeting. A draft resolution regarding the certification of the financial plan as a whole will be considered after the review of the final financial plans.

### ***Adopted FY 2014-15 Budget and 2015-2018 Financial Plan***

Chair Olsen deferred to Principal Analyst, Mr. Bryce Link, to review the City of Buffalo's final Adopted FY 2014-15 Budget and the high level summary of the final FY 2015-2018 Financial Plan.

Mr. Link began his presentation with an overview of the City of Buffalo Common Council's changes to the FY 2014-15 Recommended Budget. The City of Buffalo Common Council ("Common Council") modified the budget by \$205,700 with no impact on the total budget; the changes represent 0.05% when compared to the total budget of \$505 million. The Common Council modifications included increases in the amounts and areas as follows:

- \$100,000 for neighborhood initiatives including funding to programs to address the feral cats issue and to hire a consultant to assist community groups in assessing and applying for federal grants;
- \$55,700 for Common Council initiatives including \$50,000 for the King Urban Life Center, \$4,900 for staff salaries and \$800 for other Common Council initiatives;
- \$40,000 for Engineering - Design and Construction including \$25,000 for a parking study for the Hertel Avenue and Elmwood Avenue corridor and \$15,000 for additional street lighting around the Kingsley Street firehouse;
- \$10,000 for Youth Services including additional dollars for the Police Athletic League's basketball program.

The Common Council modifications also included decreases, to fund the above increases, in the amounts and areas as follows:

- (\$5,700) reduced from the Common Council expenditure line;
- (\$200,000) reduced from the Natural Gas and Gasoline expenditure line.

The FY 2014-15 budget was adopted on June 6, 2014.

Mr. Link continued the review with an overview of the City's FY 2014-15 adopted budget and the FY 2015-2018 financial plan and reminded the Board that the City is faced with an annual structural deficit in which expenditures exceed revenues in each year of the financial plan.

Compared to the data discussed at the May 2014 meeting, there are no changes in the total dollars or in the risks identified in regards to the revenues or expenditures. Total revenues are projected to increase from \$477 million to \$517.6 million over the term of the financial plan, an increase of \$41 million, or 8.5%. Expenditures over the same period are projected to increase from \$504.5 million to \$526.1 million, an increase of \$21.6 million, or 4.3%.

Prior to the utilization of fund balance and programs to eliminate the gap (“PEG”) actions, the City has an annual deficit ranging from \$8.5 million to \$27.5 million per year for a total projected deficit of \$79 million. The City budget and financial plan proposes to use \$68 million of unassigned fund balance to balance the budget in FY 2014-15 and FY 2015-16; the use of the fund balance is insufficient to close the budget gaps in out-years FY 2016-17 and FY 2017-18. To close the remaining budget gap in FY 2016-17 and FY 2017-18, the City plans to implement \$21 million in various PEG initiatives, including the closure of City facilities, the sale of assets, and the installation of Light Emitting Diodes (“LED”) lighting to reduce electricity consumption costs.

In addition to the structural deficit Mr. Link outlined, there is approximately \$62 million in uncertain New York State assistance over the term of the financial plan. If the State assistance fails to materialize, the City will need to address the shortfall. The value of the uncertain aid increases from \$5.5 million in FY 2014-15 and increases to \$28.6 million in FY 2018-19. Over the course of the financial plan, the City is projecting additional State Aid in the following amounts and categories:

- \$34.7 million in additional State Aid to Municipalities (“AIM”) beginning in FY 2015-16. Mr. Link noted per the New York State financial plan, this amount is being held flat annually at \$161.3 million;
- \$15 million in revenue from local traffic adjudication, which requires an act of the State Legislature. Currently the Senate bill is “on the floor” for potential action; the Assembly version of the bill is in committee. The State legislative session ends this week. If this initiative does not pass, the City may need to modify their budget;
- \$12 million in Restricted Capital Aid; this is additional State Aid that would only be available for capital purposes.

Mr. Link provided an overview of the City’s workforce over the term of the financial plan and for comparison included the FY 2013-14 adopted positions and the employee count as of March 31, 2014. The staffing models for the FY 2013-14 and out-years compared to the FY 2013-14 budget reflect a new reduction of thirteen (13) budgeted positions. Actual full time equivalent (“FTE”) positions as of March 31, 2014, reflect three-hundred and fifteen (315) fewer positions when compared to adopted budget, a vacancy rate of 12%.

Mr. Link outlined the results of the BFSAs high-level review of the City's budget and four year financial plan and noted the following:

1. The total four-year budget deficit is \$79.3 million before use of \$67.7 million of fund balance;
2. Available fund balance is depleted over the financial plan while the Rainy Day Fund is maintained;
3. There is no formal deficit reduction plan for the Refuse Fund. There is currently a Refuse Fund liability of \$16.1 million to the General Fund;
4. There are outstanding labor contracts with the Police, Blue-Collar, and White-Collar unions;
5. There is an inclusion of \$21 million from PEG actions to balance the financial plan in the out-years;
6. There is \$61.7 million in uncertain State assistance included in the financial plan.

Mr. Link concluded his presentation.

Chair Olsen commended Ms. Estrich and Mayor Brown; it was a very difficult budget year for the City. Due to very conservative budgeting in the past, fund balance is available to balance the budget. The City has reduced its workforce significantly, it has raised property values in the City and it has programs to encourage resettlement in the City which will grow the tax roll. The budget is a very honest depiction of the challenges that confront the City even during times of successful business development in the City.

Chair Olsen conveyed his support of the budget and commended Ms. Estrich and Mayor Brown in grappling with and coming up with a responsible solution to a rather endemic problem. He stated that more State Aid is necessary. The City has done a great deal and has come a long way from the time the BFSAs was created. The costs, particularly due to State mandates, are significant; if the mandates are going to continue, the State has an obligation to fund the City at a higher level to maintain progress. The only concern is that the City does not get too "blinded" by growth of the medical district; they need to remember the significant number of underserved City-wide and continue, as this budget does, seek affordable housing for people.

Ms. Estrich replied the City Administration had tried very hard to be conservative this year as well as in past years. Each year without additional State Aid it is more difficult to balance the budget.

Director Jurasek asked Ms. Estrich in regards to the City's staffing level to provide a historical baseline FTE at FY 2009 or an earlier time period. Ms. Estrich replied that before the BFSAs was created, the City FTE count was approximately 3,500; the City FTE count has decreased nearly by nearly 1,000.

Chair Olsen added that he felt that the City has done more than most realize to create a workable budget.

This concluded the review of the City's final Adopted FY 2014-15 Budget and the final 2015-2018 Financial Plan.

## **Buffalo City School District**

### ***Final Adopted 2014-15 Budget and Summary of the Final 2015-2018 Financial Plan***

Chair Olsen advanced the agenda to the next item for consideration: a review of the District's FY 2014-15 Adopted Budget and a high level summary of the final 2015-2018 Financial Plan. He deferred to Financial Analyst/Manager of Technology, Mr. Nathan Miller, to review this item.

Mr. Miller began the presentation with a summary of the changes of the District's proposed budget from May 1, 2014, to the adopted version on May 14, 2014 and noted that the changes were minimal. Items worthy of mention included:

- The General Fund revenues and expenditures are virtually identical.
  - Revenues line items are identical and totaled \$796.4 million,
  - Expenditure line items are consistent with the exception of minor changes within individual employee compensation lines; the total remains the same at \$806.6 million.
- The FY 2014-15 adopted deficit remained unchanged at \$10.2 million.

Mr. Miller noted that the May 1, 2014 proposed budget for FY 2014-15 included many estimates as approximately half of the school-based budgets were outstanding and had not yet been codified into the document. The May 14, 2014 adopted budget is more complete. Staffing needs are largely reflected in the May 14<sup>th</sup> adopted budget. Six (6) schools were not incorporated in the adopted budget; the District had conveyed that a final version incorporating all final school-based budgets would not be produced. Staffing is anticipated to fluctuate, though not significantly.

Mr. Miller advanced to the Financial Plan summary and noted:

- The financial plan was unchanged from the proposed plan presented at the May meeting.
  - There is a projected increase in General Fund revenues of approximately \$55 million, or 7%, over the four-years of the financial plan, driven primarily by estimated increases in New York State Aid and Erie County Sales Tax revenues.
- The increases in General Fund expenditures mirror those of General Fund revenues.
  - In past years, the out-year budgetary gaps increased over the financial plan; they are now flat;
  - The two chief cost drivers for the District are expenditures for employee benefits and payments to the charter schools;
  - Employee compensation increases are relatively flat at \$5.5 million. Most unions with the District are out of contract and the increase in employee compensation is projected solely from step increases.

Mr. Miller noted that there is an existing \$53 million cumulative deficit projected in the financial plan. After the appropriation of \$25 million in assigned fund balance over the four-year period, the remaining budgetary gap is \$28 million. Different from previous years, there are various PEG actions provided for in the financial plan that exceed the budgetary gaps. These PEG actions total \$64.4 million and include staffing reductions, program reductions, site closures, new revenues, certain one-time savings (e.g., equalization of bell-times and a transfer of net assets

from closed charter schools) and other notable areas (e.g., reduce/eliminate a reserve contingency account, appropriate a portion of the unassigned fund balance, budget work-out in partnership with Say Yes and additional state aid via lobbying efforts).

2015-2018 Financial Plan conclusions:

- Includes an appropriation of \$25 million from the assigned fund balance over the four-years, fund balance previously assigned for other postemployment benefits (“OPEB”) and settlements of labor contracts;
- The potential usage of unassigned fund balance that currently exceeds the Board of Education’s minimum threshold;
  - Fund balance is not a revenue and continued reliance to fund operational deficits is unsustainable;
- Most labor contracts are expired or will be as of June 30, 2014, and the current financial plan does not estimate increased costs associated with settling any contracts over the four (4) year period of the financial plan;
- In FY 2014-15 there will be a substantial increase of approximately \$30 million in State Aid over last year’s budget;
  - The assumption in the financial plan is the increase in State Aid will be carried through all four (4) years of the plan.
- The total amounts of budgetary savings from PEG actions relies on the reduction of 77.5 FTEs in FY 2015-16 and are maintained in 2016-17 and 2017-18, providing a compounding effect.

After review of the financial plan, it is recommended the PEG action plan should be prioritized and evaluated with respect to student achievement by District management. It should then be presented to the Board of Education for review, finalization and approval.

Mr. Miller pointed out several major cost drivers the District has little to no control over. These costs increase at a more rapid pace than other expenditures funded in the General Fund. They include:

- Employee compensation
  - Step increases – mandated by State law though the contracts have expired
  - Health insurance – both for active and retired employees
  - Pension contributions
- Tuition payments to charter schools which continue to rise as enrollment to charter schools increases and the tuition rate increases.

This concluded the review of the Buffalo City School District’s final Adopted 2014-15 Budget and the final 2015-2018 Financial Plan.

Chair Olsen thanked the Western New York Delegation who took a dire financial situation and provided a base which the District could continue with conservative assumptions and reach a balanced budget. There are still obvious problems. The Board and the District should collectively look into the ever growing costs of charter school education; the costs are compounding and unsustainable if they continue. The City has maintained a steady payment to the District that with steady State funding, the District has been able to balance their budget. The

District should not rely on the assumption of additional City aid. Chair Olsen commended the City for its contributions to music and art in the District, beyond their initial payment.

Chair Olsen remained troubled by the special education program reductions and the trouble the District has in providing adequate services even with federal judicial oversight of the program. The latest statistics are troubling and indicate that graduation rates for District student with disabilities is less than thirty (30) percent; the state-wide average is fifty-three (53) percent. Additionally he commented that the fundamental problem remains that it continues to be difficult to reach contractual agreements with the unions, particularly the unions for the teachers and the administrators. It is difficult to reach contract agreements without a significant amount of funds set aside, which the District does not have. He feels this is as good of budget that could have been created but significant problems do remain.

Director Floss feels the recent contract negotiations in New York City do show ways for a school district to come up with innovative ideas to move negotiations forward; possibly this board should review that and make recommendations to the District. He noted that New York City did use a substantial amount of money from their labor fund, a reserve fund for labor contracts, which is something the District does not have. He commented that New York City did find a way to work together to lower costs for health benefits, something every community, including ours, could benefit from.

Director Floss, in regards to the City dollars to the District, voiced concern about the difficult position the City is in. If the City were to increase funding to the District they would need to sustain it annually. In the future there may be one-time contribution option available from the City to the District.

Chair Olsen added the City's current contribution to the District is more than half of the property tax levy and the City did struggle to balance their budget, something they would be unable to do if there were an increase in the annual appropriation to the District. He and Ms. Estrich both mentioned Mayor Brown has tried to help out the District when he can, in ways which do not require maintenance of effort. The Mayor recognized the important link between the City and the District for the growth of the City.

Chair Olsen reiterated his feeling that legislative change is imperative. He feels three things are greatly needed: the fair settlement of contracts, the growth of charter schools issue needs to be addressed and changes to the legislative mandates.

Director Jurasek asked for clarity in regards to the BFSAs authority, in an advisory status, with respect to recommendations. Chair Olsen responded that if the entity's response is not congruent with the BFSAs recommendation, the leadership in Albany can be notified, especially if there is a budgetary problem.

Vice-Chair Doherty inquired about the impending change in District superintendent leadership and what the role between the interim superintendent, the District, and the existing adopted budget was. District Chief Financial and Operating Officer Ms. Barb Smith, responded that

budget transfers could be made without Board of Education approval. Increases in the overall budget would require a budget modification approved by the Board of Education.

Chair Olsen and Secretary Arthur concurred that the adopted budget could be easily amended under the leadership of the interim superintendent or the new Board.

Director Floss mentioned there are some constraints from the State Education Law that could interrupt certain changes. He suggested a legal opinion as to how much a budget can be changed may be necessary.

Chair Olsen responded there are any number of changes that could be made and due to the results of the recent Board of Education election, a significant change in philosophy could take place. We have to continue in our role of approving the budget to require there is public discussion at the financial level, so there is not just a change in policy but an understanding of how it would affect the budget. He hopes the new leadership would come and join the BFSA and establish a constructive relationship and dialogue.

Director Jurasek thanked Chair Olsen for his response and clarification of the role of the BFSA Board. In an advisory state, the BFSA recommends to approve or not to approve a budget. Non-approval requires notification to the State that there is a problem with the budget.

This concluded the review of the Buffalo City School District's final Adopted 2014-15 Budget and the final 2015-2018 Financial Plan.

### **Buffalo Urban Renewal Agency**

#### ***Final Adopted 2014-15 Budget and Summary of the Final 2015-2018 Financial Plan***

Chair Olsen advanced the agenda to the next item for consideration: a review of BURA's final 2015-2018 financial plan. He deferred to Ms. Jeanette Mongold-Robe to review this item.

Ms. Mongold-Robe began the presentation with a reminder that the primary basis of the financial plan was reviewed at the May meeting last month. At that time, it was recommended that the financial plan be revised. Revisions have seen occurred. It now includes:

- A break-out of administrative personnel costs;
- A four-year plan as opposed to the five-year plan originally provided;
- Section 108 loan repayments were overstated initially and have been adjusted by \$377,000.

Ms. Mongold-Robe reviewed the final financial plan and noted all funding from the U.S. Department of Housing and Urban Development ("HUD") is projected to decrease by \$17 million over the next four-years due to less funding to the City of Buffalo resulting from the U.S. census findings of a decrease in the area population and Federal level decrease in funding.

Administrative costs are broken down by administrative costs and program delivery costs. Total personnel expenditures remain flat at \$4.2 million annually over the four years of the financial plan; as a percentage of HUD grant revenue personnel expenditures range between twenty-one

(21) and twenty-five (25) percent. The program delivery budget is not subject to the administrative cost maximums in the individual grants.

Administrative costs are limited to certain maximum percentage of the grant award, as follows:

- Community Development Block Grant (“CDBG”) = 20%
- Housing Opportunities Made Equal (“HOME”) = 10%
- Emergency Shelter Gran (“ESG”) = 7.5%
- Housing Opportunities for Persons with AIDS (“HOPWA”) = 3%

Ms. Mongold-Robe noted the HUD dollars received did not cover the administrative expenses. BURA management relayed there are additional grants outside of the HUD grants that are received by BURA but not reflected in the financial plan. The amount available annually for administrative costs is \$620,000. Based on the additional grant revenues, there is adequate funding for administrative costs.

In regard to staffing, there are a total of forty-six (46) budgeted positions; forty-three (43) are BURA employees and three (3) employees are in the City’s Division of Audit and Control. This remains constant over the four-year plan.

This concluded the review of the Buffalo Urban Renewal Agency’s Final Adopted 2014-15 Budget and Summary of the Final 2015-2018 Financial Plan.

Chair Olsen noted that the review of BURA highlights one of the problems the City faces financially. The cuts in funding make it difficult for the City to maintain services.

### **Buffalo Municipal Housing Authority**

#### ***Final Adopted 2014-15 Budget and Summary of the Final 2015-2018 Financial Plan***

Chair Olsen advanced the agenda to the next item for consideration: a review of BMHA’s final financial plan. He deferred to Ms. Jeanette Mongold-Robe to review this item.

Ms. Mongold-Robe noted the financial plan was received on May 1, 2014. Staff had questions regarding the Section 8 voucher program and the Marine Drive Apartments: this is the first year they are reflected in the financial plan. Previous plans included the Central Office Cost Center (“COCC”) and Asset Management Projects (“AMPs”) only, also referred to as the BMHA stand-alone budget. The budget was approved by BMHA’s Board of Commissioners on April 3, 2014. There is no requirement the Board of Commissioners approve the financial plan; this is included as a recommendation in our report.

Ms. Mongold-Robe provided a historical review and noted the prior year (the year ending June 30, 2013) net losses of:

- \$5.5 million for the BMHA COCC and AMPs
- \$545,000 for the Marine Drive Apartments (this loss is funded through BMHA’s COCC)
- \$914,200 for the HUD Section 8 voucher program (this loss is funded through BMHA’s COCC)

Secretary Arthur inquired about the cause of the Section 8 program losses. Mr. Modesto Candelario, Deputy Executive Director for the BMHA, was present and responded that HUD funds a certain dollar amount annually, which remains flat. Rent receipts and subsidies totaled less than the costs, creating a deficit.

Chair Olsen inquired if Mr. Candelario expects the Federal grant to be increased. Mr. Candelario responded the recommended budget from the President is calling for an increase in the voucher program; BMHA is hopeful for this additional grant funding. Alternative options are to terminate the vouchers or reduce landlord payment standards, though neither are ideal options.

Ms. Mongold-Robe continued the review of the financial plan with discussion of the reserves. She noted:

- HUD recommends maintaining a minimum of four (4) months of operating expenses. This applies to the AMPs reserves. \$10.3 million would be needed to be held in reserves to maintain a minimum of four (4) months operating expenses at the year 2015 budget.
- As of July 1, 2013, the actual amount in reserves for AMPs was \$5.5 million.
  - The 2013-14 Adopted Budget included \$2.6 million of reserve dollars to be used.
  - The most recent projections for the year ending June 30, 2014, show \$4.9 million of reserve dollars will be used.
  - The remaining reserve balance range is \$600,000 to \$2.9 million. \$600,000 is dangerously low – less than one week of operating expenses and the \$2.9 million is just over two (2) months of operating expenses.
  - The BMHA has partially addressed this and the financial plan does not use any reserves.

Ms. Mongold-Robe advanced the review to address key assumptions:

- The HUD operating subsidy is assumed at eighty-five (85) percent. This has ranged between eighty-two (82) to ninety-five (95) percent over the last few years.
  - There is an inflation factor of two (2) percent throughout the rest of the financial plan; this is a direct correlation to the inflation factor for expenses.
- Capital Grants – Ten (10) percent of administrative costs are allowed to be captured by BMHA and twenty (20) percent for operations and management improvements.
- Occupancy Rate – assumed to be ninety-five (95) percent

Concerning budget and financial plan expenses:

- There are forty-four (44) budgeted positions being eliminated from 2013-14 to 2014-15. Most will be unfilled vacant positions. This is equivalent to a sixteen (16) percent reduction in budgeted positions and reduces budget year to budget year dollars by \$4.1 million.

Chair Olsen inquired if there will be position cuts in the areas of security and maintenance. Ms. Mongold-Robe replied there will be cuts primarily to budgeted positions in maintenance and not in security, as security has been outsourced to the City.

Ms. Mongold-Robe continued her presentation.

- There will be no increases to salaries or fringe benefits over the term of the financial plan. All the labor contracts are expired and any additional labor costs associated with any new labor agreements would not fit within the context of this financial plan. Fringe benefits are budgeted at fifty-five (55) percent of salaries.

Chair Olsen inquired if the lack of funds set aside for potential labor agreements was a realistic assumption. Ms. Mongold-Robe replied it is the same budgetary approach used by the City and the District, however ideally BMHA would reserve funds in anticipation of settled collective bargaining agreements.

Chair Olsen and Secretary Arthur inquired about the large percent budgeted for fringe benefits. Ms. Mongold-Robe noted that historically this has not been a sufficient amount. These costs include Social Security payments, health insurance expenses, pension expenses and importantly the annual accrual for OPEB. BMHA is the only BFSAs covered agency which accrues its OPEB liabilities at the budget level.

Director Floss asked for clarity if part of the fifty-five (55) percent is to make up for past OPEB costs. Ms. Mongold-Robe confirmed this.

Ms. Mongold-Robe continued her presentation.

- There is a flat inflation factor of two (2) percent applied to all other expenses.

The BMHA budget is very different than the other BFSAs covered organizations because so many of their other expenses are reimbursed by HUD, regardless of the inflation factor applied.

There is an annual budgeted surplus for Marine Drive of \$262,800; and a small surplus for Section 8 of \$166,000. Any deficits are funded from BMHA's Central Office Cost Center reserves.

Director Floss inquired if the budget surplus for Marine Drive or Section 8 exists at the end of the fiscal year, is there a central location surplus dollars are held. Mr. Candelario confirmed this for Section 8. Marine Drive has not reported a surplus for the past few years.

Ms. Mongold-Robe noted that revenues are projected to increase \$1.2 million over the financial plan. Expenses decrease by \$4.1 million in year one due to the elimination of the budgeted positions and increase slowly again by \$1.3 million over the length of the financial plan. There is an excess or net income projected of \$1.4 to \$1.5 million annually; from this there is a cash need which is a principal payment on debt of \$1.2 million annually, leaving \$200,000 to \$300,000 of excess cash annually.

Looking more closely at revenues in the 2015 budget, it is noted the rental income and operating subsidy make up the majority of revenue totaling 73%. Over the length of the financial plan, the operating subsidy is budgeted at \$16.9 million for year 2014-15 and increases 2% each year. All

other revenues for the financial plan are conservatively budgeted to remain flat. Dwelling rental income is budgeted at \$13 million (\$10 million for BMHA, \$3 million for Marine Drive).

Maintenance is the largest budgeted expense at 25% of the budget followed closely by administrative costs of 22%. Over the course of the financial plan, administrative expenses decrease each year from \$10.4 million in 2013-14 to \$8.9 million in 2017-18, due to the reduction in budgeted positions. The next significant decrease over the financial plan is in the area of ordinary maintenance, from \$12.6 million in 2013-14 to \$10.1 million in 2017-18. There is a budgeted decrease in the area of utilities. BMHA has seen benefits from energy management programs; however, BFSAs staff feels this is an area to be monitored.

Regarding staffing over the course of the financial plan the Executive line will increase staff by one position (an executive-level staff position); there is a staffing decrease in all the other areas. The most significant decrease, twenty-five (25) positions, is in asset management. Eighteen (18) Marine Drive positions are reflected in the total staffing numbers. Most eliminated positions are vacant positions; however it is possible layoffs will occur as the plan is finalized. Secretary Arthur noted that while services (maintenance and security) are decreasing, rents continue to increase.

Chair Olsen stressed security is an issue. Marine Drive is moving from a dedicated force to reliance on the City, at a cost of \$600,000.

Ms. Mongold-Robe offered the following conclusions:

- The financial plan is balanced and does not include the use of reserves. There are adequate cash flows to pay for principal on the outstanding debt.
- For the last four (4) fiscal years the annual budget has been exceeded. It is recommended that the BMHA does not exceed the authorized level of spending and that the budget be modified throughout the year.
- With respect to revenues and expenses within the financial plan:
  - Revenues appear reasonable,
  - Salaries/wages are not projected to increase; however, any new labor agreements would add additional financial pressure to the BMHA,
  - Fringe benefits are budgeted at 55% of total salaries, which was inadequate in 2013-14,
  - Retiree health insurance in the financial plan is projected to increase at 2% annually which is likely insufficient,
  - Utility funding may not be adequate.

The key recommendations are:

- Year-end projections should be made at least quarterly by the BMHA;
- The budget and financial plan should be modified accordingly; and
- The BMHA Board of Commissioners should annually review and approve the four-year financial plan.

Secretary Arthur inquired if a response, in writing, has been received from the BMHA Commissioners in regards to the correspondence and resolution sent to them after the May meeting. He also noted that the letter to the BMHA Board Chair should have come from the BFSA Chair as opposed to the Executive Director. Ms. Mongold-Robe replied the BMHA Chair has been in contact with her via telephone. Chair Olsen agreed that a written response is necessary and needs to include the assurance of timely materials from the BMHA going forward.

Director Jurasek inquired as to how the BMHA Board of Commissioners is comprised. Ms. Mongold-Robe and Secretary Arthur responded the BMHA Board of Commissioners is largely comprised of City of Buffalo Mayor appointments and two (2) elected tenant commissioners.

This concluded the review of the Buffalo Municipal Housing Authority's Final 2015-2018 Financial Plan.

***Approval of the Budgets and Financial Plan***

Chair Olsen introduced Resolution No. 14-07, "Determination with Respect to the City of Buffalo 2015-2018 Four-Year Financial Plan," and requested a motion to approve the item.

Director Jurasek offered a motion to approve Resolution No. 14-07.

Secretary Arthur seconded the motion.

**RESOLUTION NO. 14-07  
DETERMINATION WITH RESPECT TO THE CITY OF BUFFALO 2015-2018  
FOUR-YEAR FINANCIAL PLAN**

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WHEREAS, Article 10-D Title 2 of the New York State Public Authorities Law (the "BFSa Act"), requires the City of Buffalo (the "City") to submit a four-year financial plan that includes the City of Buffalo, the Buffalo Public School District (the "District"), the Buffalo Municipal Housing Authority (the "BMHA") and the Buffalo Urban Renewal Agency (the "BURA") (collectively the "Financial Plan") along with the Mayor's proposed City budget to the Buffalo Fiscal Stability Authority (the "BFSa"); and

WHEREAS, the City of Buffalo submitted the proposed City budget and related Four-Year Financial Plan to the BFSa on May 1, 2014; and

WHEREAS, the BFSa determined on May 14, 2014 that the Financial Plan was incomplete; and

WHEREAS, the BFSa determined that additional information was required to be submitted by BMHA in order for the BFSa to determine whether BMHA's Financial Plan was complete and complied with certain provisions of the BFSa Act; and

WHEREAS, the BFSa determined that BURA was to modify its Financial Plan to include detailed summaries of projected salaries and fringe benefits in order for the BFSa to determine whether BURA's Financial Plan was complete and complied with certain provisions of the BFSa Act; and

WHEREAS, BMHA has submitted additional information as requested; and

WHEREAS, BURA submitted a revised Four-Year Financial Plan on June 12, 2014; and

WHEREAS, the BFSA has reviewed these submissions.

NOW THEREFORE BE IT RESOLVED, that the BFSA hereby determines that the Four-Year Financial Plan for fiscal years 2014-15 through 2017-18 is complete and complies with the standards set forth in BFSA Act §3857, subd. 2.

The Board voted 8-0 to approve Resolution No. 14-07.

**Buffalo Fiscal Stability Authority**

***Adoption of the BFSA FY 2014-15 Budget and FY 2015-2018 Financial Plan***

Chair Olsen returned to the agenda and introduced the BFSA FY 2014-15 Budget and FY 2015-2018 Financial Plan. He noted the Audit, Finance and Budget Committee had met earlier and had recommended the Board approve the BFSA's 2014-15 preliminary budget and related four-year financial plan.

The draft budget and financial plan has previously been disseminated to the Board for their review. Chair Olsen noted the following:

- There has been an adjustment to the amount to be distributed to the City of Buffalo;
- There is no change in operating expenses since the initial submission to this Board at the March 2014 meeting;
- No public comments concerning the financial plan had been received.

Chair Olsen called for a motion to approve the BFSA's 2014-15 preliminary budget and related four-year financial plan.

Secretary Arthur offered a motion to approve this item

Director Jurasek seconded the motion.

**RESOLUTION NO. 14-08**

**ADOPTION OF 2014-15 BUFFALO FISCAL STABILITY AUTHORITY BUDGET AND 2015-2018 FOUR YEAR FINANCIAL PLAN**

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

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

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

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

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

WHEREAS, the BFSFA has carefully reviewed and projected the revenues expected to be received and expenses expected to be incurred over the four-year period of the Financial Plan for fiscal years 2014-15 through 2017-18.

NOW THEREFORE BE IT RESOLVED, that the Directors of the Buffalo Fiscal Stability Authority do hereby approve the 2014-15 BFSFA Budget and 2015-2018 Financial Plan.

The Board voted 8-0 to approve Resolution No. 14-08.

#### **Privilege of the Floor**

Before advancing to the final agenda item, the Executive Session, Chair Olsen extended the Privilege of the Floor to any attending member of the audience who wished to comment on any items on today's agenda. There were no comments.

#### **Executive Session**

Chair Olsen advanced to the final agenda item being the receipt of legal advice. He requested a motion to exit the public session and to reconvene into an executive session to receive legal advice from Legal Counsel, Mr. James Magavern, Esq.

Secretary Arthur made a motion to reconvene into executive session.

Director Floss seconded the motion.

The Board voted 8-0 to reconvene into an executive session.

The Board adjourned into executive session at 2:31 P.M.

BUFFALO FISCAL STABILITY AUTHORITY  
Executive Session Meeting Minutes  
June 18, 2014

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The following are minutes from the Executive Session of the Buffalo Fiscal Stability Authority (the "BFSA") held on Wednesday, June 18, 2014, in the first floor conference room of the Buffalo Market Arcade Complex. The meeting was called to order at 2:31 PM.

**Board Members Present:** Arthur, Brown (proxy Estrich), Doherty, Floss, Jurasek, Mesiah, Olsen, Poloncarz (proxy Williams)  
Director Floss exited the proceedings at 2:45 PM.

**Board Members Excused:** none

**Staff Present:** Mongold-Robe and Link

**Additionally Present:** James L. Magavern, Esq., Magavern Magavern and Grimm, LLP

Pursuant to New York State Public Officers Law, Article 7, §105(d), the Board entered into Executive Session for the purposes of receiving legal advice from counsel.

Chair Olsen called Executive Session to order.

The Board received legal advice from Mr. James Magavern.

**Adjournment – Executive Session**

Chair Olsen called for a motion to adjourn the Executive Session and to reenter the public portion of the Board Meeting.

Secretary Arthur offered a motion to adjourn from Executive Session and reenter the public portion of the Board Meeting.

Director Mesiah seconded the motion.

The Board voted 7-0 to adjourn from Executive Session and reenter the public portion of the Board Meeting.

The Board exited Executive Session at 2:57PM.

At 2:58 PM, the public portion of the Board Meeting resumed. Chair Olsen noted no action is necessary on matters discussed during executive session with legal counsel. During executive session, the Board discussed a brief assessment of the implications of the Detroit bankruptcy for the City of Buffalo.

**Adjournment**

Chair Olsen announced the meeting of the Buffalo Fiscal Stability Authority has concluded and requested a motion to adjourn.

Secretary Arthur offered a motion to adjourn.

Director Mesiah seconded the motion.

The Board voted 7-0 to adjourn.

The Board adjourned at 2:58 PM.