

BUFFALO FISCAL STABILITY AUTHORITY
Governance Committee Meeting Minutes
September 24, 2014

The following are the minutes from the meeting of the Governance Committee (the “Committee”) of the Buffalo Fiscal Stability Authority (the “BFSA” or the “Authority”) held on Wednesday, September 24, 2014, in the first floor conference room of the Buffalo Market Arcade Complex. The meeting was called to order at 12:08 PM.

Committee Members Present

Arthur, Doherty and Olsen

Committee Member Excused

None

Additional Directors Present

Floss, Jurasek and Mesiah

Staff Present

Link, N. Miller and Mongold-Robe

Additionally Present

None

Opening Remarks

Committee Chair Olsen called the meeting to order. The agenda included:

- A report from the Authority’s Internal Controls Officer on two internal control reviews;
- A review of a revised performance measurements report and a consideration to recommend the item to the full Board for approval; and
- An executive session to compile the results from the annual Board of Directors self-evaluation.

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

Approval of Minutes

Committee Chair Olsen introduced Committee Resolution No. 14-02: “Approving Minutes and Resolution from August 4, 2014.”

Secretary Arthur offered a motion to approve Committee Resolution No. 14-02.

Vice-Chair Doherty seconded the motion.

GOVERNANCE COMMITTEE RESOLUTION NO. 14-02
APPROVING MINUTES AND RESOLUTION FROM AUGUST 4, 2014

BE IT RESOLVED that the Buffalo Fiscal Stability Authority's Governance Committee approves the minutes of its meeting on August 4, 2014.

BE IT FURTHER RESOLVED that the Buffalo Fiscal Stability Authority's Governance Committee ratifies and affirms Resolution No. 14-01 that was approved on said date.

The Committee voted 3-0 to approve the resolution.

Internal Controls Reports

Committee Chair Olsen advanced the agenda to the first item for consideration: a final annual reporting from the Internal Controls Officer, Bryce Link, regarding internal control testing and the related findings. He reminded the Committee that the Internal Controls Officer is a statutory-required appointment and deferred to Mr. Link to review the two reports.

Mr. Link began his review by outlining that BFSA's ongoing responsibilities include maintaining a system of internal controls to safeguard the Authority's assets. The focus of the review was on financial reporting and investment monitoring. BFSA has an office of five (5) staff; there is quite a bit of built in oversight and segregation of duties.

During the course of review, Mr. Link found that the appropriate controls were in place regarding BFSA operations. There were no material findings. Additional focus was placed on areas where fraud could occur and where areas of potential weakness.

The process for the review of internal controls for both financial reporting and investment monitoring included:

- The review of governing policy including BFSA resolutions, policies and procedures;
- Sampling review including a minimum of at least 25% sampling size; and
- Fraud analysis.

The financial reporting review focused on the documentation and financial reporting of the BFSA, specifically the year-end annual audit as well as a review of the BFSA's quarterly reports and preparation of the budget and financial plan. Testing included the review of resolutions authorizing the formation of the Audit, Finance and Budget Committee and the engagement of an outside auditor, along with the supporting documentation provided to the auditor. All resolutions and previous audits are available on the BFSA website. The 2013-14 audit is expected to be approved and it will also be posted online.

During the financial reporting review, Mr. Link reviewed the New York State ("NYS") Budget Manual, section B-350, stating that certain agencies are mandated to maintain an internal audit department; the BFSA was not identified as one of those agencies and it is not cost effective for the BFSA to maintain an independent internal audit department. Mr. Link did not identify any concerns with the established process and noted the primary preparer of the audit related material is the BFSA Comptroller with review by the BFSA Executive Director.

There were no material findings and all items requested for review were provided in a timely manner. In an effort to promote transparency and good governance, the BFSA posts the following operational documents online:

- Various resolutions authorizing the formation of committees;
- Year-end independent audit reports;
- Minutes and resolutions from all committee and board meetings; and
- BFSA budgets and financial plans.

Mr. Link advanced the review to investment monitoring. The primary purpose of this review was to determine that proper documentation and reporting was in place regarding BFSA investments. At the August 2014 Board meeting, the BFSA Directors approved various policies and procedures which included the Investment Policy and the Code of Ethics. Both are available on the BFSA website.

Much of the testing was performed by reviewing transactions and transmittal letters between the BFSA and the City of Buffalo (the “City”) and the Buffalo City School District (the “BCSD”). Seven (7) different sets of records were reviewed with a minimum 25% sample set and in some cases up to 100% sample set. Records reviewed for this testing included the State Aid and Incentives for Municipalities (“AIM”) transmittal letters to the City, letters to the Bank of New York for investments, sales tax distribution letters to the City and the District, the investment log and the interest transfer to the City. There were no material findings during the review. There was adequate segregation of duties as well as adequate supporting materials for all transactions reviewed.

Mr. Link completed his presentation of the internal controls reports.

BFSA’s Mission Statement and Performance Measurement Report

Committee Chair Olsen introduced the next item of business, a review of the BFSA’s Mission Statement and Performance Measurements Report and to consider sending a recommendation to the full Board to approve this item. Committee Chair Olsen deferred to Executive Director, Jeanette Mongold-Robe to review this item.

Ms. Mongold-Robe noted the Performance Measurements Report had not been reviewed by the Committee recently as it is not a required annual report. The Performance Measurements Report as presented for review has been updated due to the 2012 status change of the BFSA from a control period to an advisory period. The Performance Measurements Report summarizes performance goals of the Board of Directors and drives what the BFSA staff does day-to-day. It summarizes the focus and importance of the multi-year financial planning process as required of the City of Buffalo and its covered organizations and the review and monitoring process of its budgets and financial plans, in addition to the requirement to review and comment on significant contracts and labor agreements.

A revised Performance Measurements Report was distributed to the Committee Members at the meeting with a clarification in the wording regarding the BFSAs requirement to review contracts that in the judgment of the BFSAs may have a significant impact on the long-term financial position of the entity.

There is a requirement that all directors acknowledge that they have read and understood the performance measurements; to accomplish this it is being asked that the final report be formally approved by the full Board.

This concluded Ms. Mongold-Robe's presentation.

Committee Chair Olsen inquired as to who receives this document. Ms. Mongold-Robe replied the full document is submitted to the New York State Authorities Budget Office ("NYS ABO") and it is posted on the BFSAs website. Committee Chair Olsen directed staff to provide it to the City and the Covered Organizations as it discusses the BFSAs Board's obligations to review, approve and comment on certain items and there have been some problems with compliance. Secretary Arthur agreed.

Committee Chair Olsen requested a motion to forward the Authority Mission Statement and Performance Measurements to the full Board with a recommendation for approval.

Secretary Arthur offered a motion to approve.

Vice-Chair Doherty seconded the motion.

The Committee voted 3-0 to forward the Authority Mission Statement and Performance Measurements to the full Board with a recommendation for approval.

Annual Board of Directors Self-Evaluation

Committee Chair Olsen advanced the agenda to the final item of business: to compile the Board's self-evaluations as submitted to BFSAs staff. The Board's self-evaluation process is an annual requirement. The NYS ABO provided guidance that the process is to be conducted confidentially with the results compiled by the Governance Committee in executive session.

Secretary Arthur offered a motion to convene into executive session to compile the results of the self-evaluation.

Vice-Chair Doherty seconded the motion.

The Committee voted 3-0 to convene into executive session.

The Committee adjourned into executive session at 12:22 P.M.

BUFFALO FISCAL STABILITY AUTHORITY
Governance Committee Executive Session Meeting Minutes
September 24, 2014

The following are minutes from the Executive Session of the Buffalo Fiscal Stability Authority (the “BFSA”) Governance Committee held on Wednesday, September 24, 2014, held in the first floor conference room of the Buffalo Market Arcade Complex. The meeting was called to order at 12:23 P.M.

Committee Members Present

Arthur, Doherty, Olsen

Committee Members Excused

None

Additional Directors Present

Floss, Jurasek and Mesiah

Staff Present

Link and Mongold-Robe

Additionally Present

None

Pursuant to New York State Public Officers Law, Article 7, §105, the Committee Members entered into Executive Session for the purpose of reviewing and compiling the results of the Board Members Self-Evaluation.

Committee Chair Olsen called Executive Session to order.

The Committee discussed and compiled the results of the self-evaluation.

Adjournment – Executive Session

Committee Chair Olsen requested a motion to adjourn from Executive Session and re-enter the public portion of the Governance Committee Meeting.

Vice-Chair Doherty made the motion to adjourn from Executive Session and re-enter the public portion of the Governance Committee Meeting.

Secretary Arthur seconded the motion.

The Committee voted 3-0 to adjourn from Executive Session and re-enter the public portion of the Governance Committee Meeting.

The Governance Committee Members exited Executive Session at 12:48 P.M.

Annual Board of Directors Self-Evaluation (continued)

Committee Chair Olsen made a motion to exit the Executive Session and reconvene in a public session.

Secretary Arthur seconded the motion.

The Committee voted 3-0 to re-enter the public portion of the Governance Committee Meeting.

At 12:49 P.M., the public portion of the Governance Committee Meeting resumed. Committee Chair Olsen noted the Committee had compiled the results of the self-evaluation. The final overall summary will be provided to the full Board and submitted to the NYS ABO as required.

Adjournment

Committee Chair Olsen offered an opportunity for any new business to be addressed. Hearing none, he noted the conclusion of the Governance Committee meeting.

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

Vice-Chair Doherty seconded the motion.

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

The Committee adjourned at 12:49 PM.