

BUFFALO FISCAL STABILITY AUTHORITY
Audit, Finance and Budget Committee Meeting Minutes
May 20, 2015

The following are the minutes from the meeting of the Audit, Finance and Budget Committee (the “Committee”) of the Buffalo Fiscal Stability Authority (the “BFSA”) held on May 20, 2015 in the first floor conference room of the Buffalo Market Arcade Complex. The meeting was called to order at 12:35 PM.

Committee Members Present

Floss and Mesiah

Additional Directors Present

Jurasek

Committee Member Excused

Olsen

Staff Present

Fortune, N. Miller, R. Miller, and Mongold-Robe

Opening Remarks

Executive Director Jeanette Mongold-Robe welcomed everyone to the meeting, took the roll call, and advised that a committee chair would need to be elected as Committee Chair Olsen was excused from attending the meeting.

Director Mesiah made a motion that Director Floss serve as Committee Chair Pro Tem for the proceedings.

Director Floss seconded the motion.

The Committee voted 2-0 to appoint Director Floss as Committee Chair Pro Tem for the meeting.

Approval of Minutes

Committee Chair Pro Tem Floss introduced Committee Resolution No. AFB 15-04: “Approval of March 11, 2015 Meeting Minutes,” and asked for a motion to approve the minutes.

Director Mesiah offered a motion and moved to approve the resolution.

Committee Chair Pro Tem Floss seconded the motion.

**AUDIT, FINANCE & BUDGET COMMITTEE RESOLUTION NO. AFB 15-04
APPROVING MINUTES AND RESOLUTIONS FROM MARCH 11, 2015**

BE IT RESOLVED that the Buffalo Fiscal Stability Authority's Audit, Finance and Budget Committee approves the minutes of its meeting on March 11, 2015.

BE IT FURTHER RESOLVED that the Buffalo Fiscal Stability Authority's Audit, Finance and Budget Committee ratifies and affirms Resolution Nos. 15-01 thru 15-03 were approved on said date.

The Committee voted 2-0 to approve the resolution.

Series 2005A and 2006A Refunding Analysis

Committee Chair Pro Tem Floss stated that a memo from The PFM Group ("PFM"), the financial advisors of the BFSA, had been submitted for review by the Committee as well as a copy of the proposed resolution approving bond counsel on the transaction and the approval to issue a request for proposal ("RFP") for underwriting services. This Committee is asked to recommend that the full Board approve this resolution.

Mr. Charles Carey of the law firm of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. ("Mintz Levin") was present to answer any legal questions for the Committee regarding the refunding.

Ms. Mongold-Robe stated that she had asked PFM to look at the BFSA's outstanding bonds in March 2015 and determine if a refunding opportunity was available. As the bonds get closer to the call date, a refunding becomes more viable. PFM determined that the 2005A and 2006A series of bonds collectively provided a refunding opportunity. The analysis provided a range between \$1.0 to \$1.1 million of present value savings. The market is very volatile and interest rates have increased 0.5% since the original analysis.

There are two issues of note:

1. BFSA has forward delivery agreements ("FDAs") established with all bonds. The money that is withheld from the City to pay for the bonds is invested with investment firms which earn guaranteed interest rate. The PFM analysis assumes that the forward delivery agreements can be applied to the refunding. BFSA is currently getting 4-5% interest rate on the money, a rate which was established well before the 2009 recession. This needs to be further vetted; if it is found that the forward delivery agreements cannot be applied there may not be a viable refunding opportunity.
2. Mr. Carey has been working on establishing a bona-fide debt service account so that interest earnings would not have to be paid directly to the IRS and could be retained by BFSA and furthermore retained by the City. This was vetted out in the fall of last year.

Ms. Mongold-Robe recommended that the Committee send Resolution No. 15-05, "Resolution Concerning the Authorization of Sales Tax and State Aid Secured Bonds," to the full Board for review with a recommendation for approval. She noted that passage of the resolution would

approve Mintz Levin as bond counsel and noted that Mr. Carey was in attendance on behalf of the firm, had represented BFSA on all bond issues in the past and therefore has the historical institutional knowledge. The resolution also would approve staff to work with the BFSA financial advisors to issue a RFP for underwriter services.

Committee Chair Pro Tem Floss questioned how the BFSA would know when refunding was no longer a viable option. He suggested that a break-even analysis be performed to examine the worthiness of the potential refunding.

Mr. Carey stated the financial advisors should be able to provide the BFSA with that information in real-time. As the agency moves closer to the call date of the 2006 bonds the costs of those bonds are reduced as well.

Director Jurasek asked whether a determination with respect to the Forward Delivery Agreements could be made in the near future separate and prior to the determination of whether or not a refunding was ultimately viable. Ms. Mongold-Robe confirmed this.

Ms. Mongold-Robe stated she had asked for a new analysis to be run based on the interest rate fluctuations and to revisit some of the other outstanding series to ensure that they are still not viable options for refunding. In addition, she will ask for a range for the break-even analysis as requested by Committee Chair Pro Tem Floss.

Committee Chair Pro Tem Floss stated the volatility of the market will cause the BFSA to move quicker than normal.

Mr. Carey stated that the debt service carryover requirement is changing from a fourteen month to thirteen month basis which adds a complexity to the potential refunding.

Director Mesiah made a motion to send the resolution to the full Board with a recommendation for approval.

Committee Chair Pro Tem Floss seconded the motion.

The Committee voted 2-0 to send the resolution to the full Board with a recommendation for approval.

Adjournment

Committee Chair Pro Tem Floss asked if there was additional business to be considered by the Committee. Hearing none, he asked for a motion to adjourn.

Director Mesiah offered a motion to adjourn. Committee Chair Pro Tem Floss seconded the motion.

The Committee voted 2-0 to adjourn the meeting.

The Committee adjourned at 12:45 PM.