BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
May 20, 2015

The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the "BFSA" or the "Authority") held on Wednesday, May 20, 2015, in the first floor conference room of the Buffalo Market Arcade Complex. The meeting was called to order at 1:06 PM.

Board Members Present
Mayor Byron W. Brown (proxy Estrich)
Director Fredrick G. Floss
Director Richard T. Jurasek
Director Frank B. Mesiah
County Executive Mark C. Poloncarz (proxy Williams)

Board Member(s) Excused
Chair R. Nils Olsen
Vice Chair Brigid Doherty
Secretary George K. Arthur

Staff Present
Executive Director Jeanette M. Mongold-Robe
Comptroller Robert L. Miller
Principal Analyst/Media Liaison Bryce E. Link
Senior Financial Analyst/Manager of Technology Nathan D. Miller
Administrative Assistant Nikita Fortune

Additionally Present
Mr. James L. Magavern, Esq., BFSA Legal Counsel, Magavern Magavern & Grimm LLP
Mr. Charles Carey, BFSA Bond Counsel, Mintz, Levin, Cohn, Ferris, Glovsky, and Popeo

Opening Remarks
Executive Director Jeanette Mongold-Robe welcomed and thanked everyone for attending. She deferred taking roll call until a quorum of Directors was present. The agenda was reordered to address the Buffalo Municipal Housing Association ("BMHA") budget modification review prior to other items.

Buffalo Municipal Housing Authority
FY 2014-15 Budget Modification
Ms. Mongold-Robe addressed the Board and provided the following overview of BMHA's proposed budget modification. The original revenue budget of $41.3 million is being increased by this modification of $5.2 million to $46.5 million. Expenses are being increased by $5.9 million resulting in the budgeted net income being adjusted downward by approximately $710,000. Debt service payments are not reported as an expense in the budget or financial plan; however, they represent cash drawdowns and are reported accordingly. There is a negative cash outflow of $400,000 reflected for the current year. These projections were based on actual amounts as of December 31, 2014, and have been reviewed against the third quarter results by BMHA officials. The modification is to be presented before the BMHA Board of Commissioners on May 21, 2015, for approval.

Management fees reflect approximately $3.1 million of both the increase in budgeted revenues and expenses; therefore, the remaining increase is $2.1 million, of which $1.9 million represents additional administrative allowances being drawn down from capital grants awarded in prior years. Every revenue and expense has been adjusted. These modifications bring the budget into proper alignment with a newer accounting system and experience.

Budgeted expenses are increasing by $2.8 million, which after excluding management fees are summarized as follows:

- Maintenance costs for low income housing tax credit programs ("LIHTC") - $1.4 million;
- Other Postemployment Benefits ("OPEB") accrual (non-cash) - $1.2 million;
- Utilities (increased due to the harsh winter) - $579,000;
- Housing and Urban Development Public Housing Agency - $448,000; and
- A combination of changes to essentially all remaining expenditure lines.

Ms. Mongold–Robe stated that the BFSA is to comment and review on all budget modifications of the Covered Organizations before they are presented to their authorizing bodies for approval.

Director Jurasek questioned if Board action was required in order for BMHA to dedicate capital grants for expenses. Ms. Mongold-Robe stated no board action is required. The BMHA receives between $7 million and $9 million annually in capital grants and each grant provides an allowance for administrative fees. In the past, BMHA has not used all of the available funding for such costs and is capturing those available funds in the current budget modification.

Director Floss questioned if the new accounting software will allow the organization to better forecast the future by reviewing past budgeted entries. Ms. Mongold-Robe responded that this was the intent.

Roll Call of Directors

At 1:10PM Mayor Bryon W. Brown entered the proceedings.

Ms. Mongold-Robe took a roll call of the directors. Finding a quorum present, the meeting commenced.

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 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…."

The first action taken by the Board was to elect a Chair Pro Tem and a Secretary Pro Tem for the meeting in the absence of Chair Olsen and Secretary Arthur. Director Jurasek has offered to serve as Chair Pro Tem and Director Floss offered to serve as Secretary Pro Tem for the meeting.

Mayor Brown offered a motion to appoint Director Jurasek as Chair Pro Tem and Director Floss as Secretary Pro Tem.

Director Mesiah seconded the motion.

The Board voted 5-0 to appoint Director Jurasek as Chair Pro Tem and Director Floss as Secretary Pro Tem.

<u>Opening Remarks</u>

Chair Pro Tem Jurasek reviewed the logistics of the meeting. The primary focus of the meeting is to review the FY 2016-2019 financial plans of the City of Buffalo ("City") and the Covered Organizations which include: the Buffalo City School District ("BCSD"), the Buffalo Urban Renewal Agency ("BURA"), and BMHA. The Joint Schools Construction Board ("JSCB") is reported in conjunction with the BCSD. The third quarter reports of the City and the Covered Organizations will also be reviewed during this meeting. The Board will then review a proposed labor agreement between BURA and its single union, the Civil Service Employees' Association ("CSEA"), Local 815. The final items for review will be BFSA items including the resolution reviewed earlier by Audit, Finance and Budget Committee regarding a refunding opportunity.

<u>Approval of Minutes</u>

Chair Pro Tem Jurasek stated the first order of business was to approve the Board minutes from the March 11, 2015 meeting.

Secretary Pro Tem Floss made a motion to approve the minutes.

Director Mesiah seconded the motion.

<u>BUFFALO FISCAL STABILITY AUTHORITY RESOLUTION NO. 15-04</u>
APPROVING MINUTES AND RESOLUTIONS FROM MARCH 11, 2015

BE IT RESOLVED that the Buffalo Fiscal Stability Authority hereby approves the minutes of its meeting on March 11, 2015.

BE IT FURTHER RESOLVED that the Buffalo Fiscal Stability Authority ratifies and affirms Resolution Nos. 15-01 through 15-03 that were approved on said date.

The Board voted 5-0 to approve Resolution No. 15-04.

<u>BUFFALO FISCAL STABILITY AUTHORITY ITEMS</u>

Approval of Bond Counsel and to Issue underwriter RFP

Out of courtesy for Mr. Charles Carey of Mintz Levin, Chair Pro Tem Jurasek reordered the agenda to take the approval of bond counsel and issue a request for proposal ("RFP") for underwriting services out-of-order. The item was reviewed prior to the full Board meeting by the Audit, Finance and Budget Committee which recommended approval for said item.

Secretary Pro Tem Floss made a motion to approve BFSA Resolution No. 15-05.

Director Mesiah seconded the motion.

<u>BUFFALO FISCAL STABILITY AUTHORITY RESOLUTION NO.15-05</u>

RESOLUTION CONCERNING THE AUTHORIZATION OF SALES TAX AND STATE AID SECURED BONDS

WHEREAS, the Buffalo Fiscal Stability Authority Act, incorporated in chapter 122 of the laws of 2003, as amended from time to time (the "Act") authorizes the Buffalo Fiscal Stability Authority (the "Authority") to issue bonds and notes for the purpose of financing Financeable Costs, as defined in the Act and to make the proceeds thereof available to the City of Buffalo (the "City"); and

WHEREAS, the Authority is authorized by the Act, upon submission by the City to the Authority of an approved declaration of need in accordance with the Act, to enter into agreements, in the Authority's discretion, providing for the financing of Financeable Costs by the Authority and to issue its bonds, notes, or other obligations therefor; and

WHEREAS, the Act authorizes the Authority to enter into appropriate and necessary contracts with its bondholders and others to provide for the issuance thereof, and the Directors of the Authority hereby intend to provide for the authorization, issuance and sale of additional series of its sales tax and state aid secured bonds (the "Bonds") through the approval of appropriate documentation, including, without limitation, the approval of the Supplemental Indenture (as such term is defined below), the issuance, sale and delivery of such series of Bonds, and the preparation, negotiation and approval of appropriate documents in connection therewith; and

WHEREAS, the proceeds of such series of Bonds will be used to finance Financeable Costs under the Act, which may include but are not limited to (i) refunding, repayment or restructuring of certain outstanding indebtedness of the City; (ii) cash flow needs of the City; (iii) capital projects; (iv) operating costs of the City; (v) the costs of issuance of such series of Bonds; (iii) funding, to the extent necessary under the Indenture, the Debt Service Reserve Account; and (iv) capitalized interest on such series of Bonds; and

WHEREAS, the Authority is required to obtain the written approval of the State Comptroller for the sale of the Bonds and the terms thereof if such sale be a private sale to other than the State Comptroller; and

WHEREAS, the Authority will obtain the required approval of the State Comptroller prior to the delivery of the Bonds; and

WHEREAS, the Authority has previously caused to be executed and delivered an indenture entitled "Indenture between Buffalo Fiscal Stability Authority and The Bank of New York, as Trustee, dated as of June 1, 2004" (the "General Indenture"), authorizing the issuance of one or more series of Bonds or notes, including bond anticipation notes, for the purposes set forth therein and containing certain other terms, restrictions and covenants with respect to such Bonds or notes and the security pledged to the payment thereof; and

WHEREAS, the Authority shall cause to be prepared a form of supplemental indenture entitled "Eleventh Supplemental Indenture between Buffalo Fiscal Stability Authority and The Bank of New York, as Trustee Authorizing Up To $30,000,000 Buffalo Fiscal Stability Authority Sales Tax and State Aid Secured Bonds, Series 2015A" (the "Eleventh Supplemental Indenture") or the "Supplemental Indenture"), pursuant to which the Authority will authorize the issuance of the Sales Tax and State Aid Secured Bonds, Series 2015A (the "Series 2015 Refunding Bonds") (the General Indenture, as amended and supplemented, including by the Supplemental Indenture, being hereinafter collectively referred to as the "Indenture"); and

WHEREAS, the Authority has previously caused to be executed and delivered a financing agreement dated as of June 1, 2004 (the "Financing Agreement"), by and between the Authority and the City, pursuant to which the City has made certain agreements and covenants relating to the issuance of bonds or notes by the Authority, and has agreed to the pledge of said covenants to the Trustee on behalf of the Bondholders; and

WHEREAS, pursuant to the Act and the Financing Agreement, the City has requested (and is expected to submit an approved Declaration of Need in accordance with the Financing Agreement in form satisfactory to the Authority) that the Authority undertake this financing through the issuance of the Series 2015 Refunding Bonds, to be issued as fixed rate bonds; and

WHEREAS, the Authority shall cause to be prepared a Preliminary Offering Circular (the "Preliminary Offering Circular"), relating to the offering of the Series 2015 Refunding Bonds; and

WHEREAS, officers and employees of the Authority will participate in revisions to the Preliminary Offering Circular and the preparation of a final Offering Circular to be used in connection with the issuance and sale of the Series 2015 Refunding Bonds (the "Offering Circular") and will negotiate the Contract of Purchase therefor (the "Purchase Contract"); and

WHEREAS, the Authority will negotiated a form of contract of purchase between the Authority and the City relating to the purchase by the Authority of the bonds from the City (the "City Bond Purchase Contract"); and

WHEREAS, the Authority will caused to be prepared a Buffalo Fiscal Stability Authority Bonds, Series 2015 Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") between the Authority and the Trustee in order to assist the Underwriter (as defined below) in complying with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended; and
WHEREAS, the Executive Director will, with the assistance of Public Financial Management ("PFM"), conduct a request for proposals for underwriter(s) for the Series 2015

Refunding Bonds; and

WHEREAS, prior to the sale and issuance of the Series 2015 Refunding Bonds, the Authority shall designated the underwriter(s) for the Series 2015 Refunding Bonds and approve the form of the documents, including the Supplemental Indenture, the Preliminary Offering Circular, the Offering Circular, the Purchase Contract, and the Continuing Disclosure Agreement, required with respect to the Series 2015 Refunding Bonds and the terms of the Series 2015 Refunding Bonds.

NOW, THEREFORE, the Authority, hereby adopts the following resolutions:

I. Declaration of Need
RESOLVED, that pursuant to the Act and the Financing Agreement, the City has requested the Authority to undertake this financing and is expected to submit a Declaration of Need in substantially the form set forth in the Financing Agreement and any Authorized Officer is hereby authorized to execute and deliver an acceptance of such Declaration of Need consistent with this resolution; and further

II. City Bond Purchase Contract
RESOLVED, that the City Bond Purchase Contract by and among the Authority and the City, in substantially the form previously used by the Authority and the City, is hereby approved with such changes as an Authorized Officer may approve, and any Authorized Officer is hereby authorized and directed to execute the same on behalf of the Authority; and further

III. Authorized Officers
RESOLVED, that each of the Chairperson, the Vice Chairperson, the Executive Director, the Comptroller, the Treasurer and the Corporate Secretary of the Authority, and any person duly authorized to act in such capacity, is designated an “Authorized Officer” for the purposes of the foregoing resolutions; and further

IV. Re-Appointment of Bond Counsel
RESOLVED, that the law firm of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. is hereby re-appointed bond counsel for the Authority; and further

V. Further Action
RESOLVED, that the Authorized Officers or their designee(s) are each hereby authorized and directed to approve and execute such documents or certifications (including certifications as to the federal tax status of interest on the Series 2015 Refunding Bonds), make such payments and take such other actions, in the name of the Authority and on its behalf, as he or she may reasonably deem necessary or appropriate to carry out the foregoing resolutions, and that all such actions heretofore taken in connection with the Series 2015 Refunding Bonds by any Authorized Officer, or his or her designee, are hereby ratified and approved.

The Board voted 5-0 to approve the resolution.

<u>City of Buffalo</u>

FY 2014-15 Third Quarter Report

Chair Pro Tem Jurasek advanced the meeting to review the City of Buffalo third quarter report as well as the 2015-16 budget and 2016-2019 financial plan.

Principal Analyst Bryce E. Link began the presentation by comparing the FY 2014-15 adopted budget to the FY 2014-15 fiscal year end projections. Due to a decrease in the estimated revenues of $10.7 million and a decrease in budgeted appropriations of $13.1 million, the projected use of fund balance has decreased by $2.4 million.

Total departmental revenues are expected to decrease by $11.7 million, $3.2 million of which is directly attributed to fines associated with the delayed implementation of the traffic adjudication program. The revenue shortfall is offset with a favorable variance from operating transfers in of $1.0 million.

Intergovernmental revenues' projections have decreased by $3.0 million. Restricted capital aid of $3.0 million will not be received during the current fiscal year ("CFY"). There was also a decrease in the projection for the sale of capital assets as some sales of properties will not close in the CFY. Licenses and permits are expected to have a negative variance of $1.2 million due to an unfavorable variance with the building permits. There have been various fee increases for permits but the volume has not met expectations thus far. A decrease in non-property taxes is directly attributed to the class 1 utility tax, or the tax on landlines. As more people move to cellular phone use and voice over internet protocol ("VOIP") this will continue to decrease as neither cellular nor VOIP is taxed as a class 1 utility. The City Administration has had talks with lawmakers in Albany to try to include these alternate forms of communication in the class 1 utility tax. Services charges are projected to be under by $900,000 largely due to the towing and storage fees being lower as well as the services to the Buffalo Sewer Authority coming in below expectations. There is also a $400,000 decrease in taxes.

Departmental expenditures are projecting a favorable variance of $5.6 million. Total general charges are projected to be favorable by $9.6 million; largely due to a reduction in fringe benefits. Transfers out are projected to be favorable by $2.1 million.

The departments of Fire, Public Works, and Permits and Inspections are projected to exceed the adopted budget by $1.3 million. The overage in the Fire Department is mainly due to overtime costs. The overage in Public Works is mainly due to costs associated with the November 2014 snow storm. Permits and Inspections overage is due to an increase in demolition costs. The remaining twelve departments provide $6.9 million of projected budgetary savings, and largely represents budgetary savings from vacancies.

The most significant variance of $9.7 million is in fringe benefits and the breakdown is as follows:

- $3.8 million for active employee health insurance;
- $3.1 million for the Police Fire Retirement System pension payment;
- $2.4 million for the Employee Retirement System pension payment;
- $1.1 million for retiree health insurance; and
- $696,000 unfavorable variance in payroll taxes.

Vacant positions continue to remain unfilled. The budgeted number of fulltime equivalent employees ("FTEs") is 2,628; there are 2,277 filled FTEs, which equates to a 13.4% vacancy rate. There will be an increase in FTEs during the next fiscal year as there are new classes of firefighters and police officers enrolled in their respective academies.

Significant risk factors include:

- Unsettled labor contracts:
  - $9.0 million budgeted to settle labor contracts,
  - Unions out-of-contract include the Police, the Blue Collar Union, Building Inspectors and Operating Engineers,
  - The Police union has the option of pursuing binding arbitration as opposed to negotiating a new collective bargaining agreement ("CBA").
- Revenue:
  - Seven out of eight revenue sources are projecting to be under budget by $11.8 million;
  - Additional shortfalls identified would place additional pressure on the City.
- Overtime:
  - As of March 31, 2015, the Fire Department spent $8.5 million with a year-end projection of $11.7 million,
  - As of March 31, 2015, the Police Department spent $9.7 million with a year-end projection of $12.8 million,
  - Both departments have exceeded the budgeted amount as of March 31, 2015.
- November Snowstorm:
  - The City is currently waiting on reimbursement from the State Emergency Management Association ("SEMA") and the Federal Emergency Management Association ("FEMA").

Ms. Mongold-Robe distributed a final revised resolution on the City's financial plan. The Mayor recently submitted a revised financial plan to address a clerical error in the original financial plan submission. The changes adjusted the sales tax revenue and active employee health insurance expenditures projections downward. The provisions of the resolution will be discussed throughout the financial plan presentations.

Ms. Mongold-Robe gave a historical presentation on total revenues and total expenditures from FY 2007-08 through FY 2013-14. Total revenues between FY 2007-08 and FY 2013-14 increased $26 million, or 6%, while expenditures increased $83 million, or 21%. In FY 2007-08, total expenditures were less than revenues; this gap closed in subsequent years and in 2013-14 expenditures exceeded revenues by $20 million. There has been a net increase in fund balance of $3.6 million from FY 2010-11 to FY 2013-14. From 2008 to 2014 total fund balance increased $13 million, or 9%.

Ms. Mongold-Robe stated FY 2007-08 was the first year the recession started to affect municipalities; revenues have remained fairly flat since then. Since the BFSA was first created in 2003, revenues have increased $83 million.

Historical New York State Aid and Incentives to Municipalities ("State AIM"), both recurring and restricted, were reviewed. It was noted that recurring State Aid has not increased for several years. Restricted State AIM represents excess State AIM that is required to be captured by the BFSA and held until the restriction requirements are met. The monies may then be released to the City. BFSA has released these funds to the City with approximately $200,000 remaining.

Historical sales tax revenue from 2003-04 to 2013-14 was reviewed. Sales tax declined in 2008-09 and 2009-10 as a result of the impact of the recession. The amount of sales tax in FY 2010-11 was adjusted downward based on the results of the 2010 census findings and the decrease in City population. Over the past three years sales tax has increased by $5.2 million, or 7.5%. This increase is due to the overall economic recovery.

The historical property tax levy from 2005-06 to 2013-14 was reviewed. From 2004-05 through 2011-12, the property tax levy remained fairly flat, ranging between $143.3 million and $146.3 million. This amount decreased in FY 2011-12 by $4.7 million, or 3.3%, and has remained flat since then.

Historical General Fund total expenditures from 2003-04 to 2013-14 were reviewed. Total expenditures have increased $40 million, or 9%, since 2007-08; the increases have been largely outside of the control of the City as they pertain to increases in pension and healthcare costs. Since FY 2002-03, the increase has been $107 million, or 28%, compared to revenue increasing $83 million, or 21.5% during the same time period.

FY 2016-19 Financial Plan

Mr. Link began his presentation of the City's FY 2016-19 Financial Plan. Revenues are projected to increase from $478.2 million in FY 2015-16 to $499.1 million in FY 2018-19. Total projected revenues of $1.95 billion are projected over the life of the financial plan. Expenditures are expected to increase over the same time period from $493.2 million to $499.6 million in fiscal year 2018-19. The difference in expenditures over revenues represents a cumulative four-year deficit of $30.0 million. The City is planning on using the available Unassigned fund balance to address the deficit. As of June 30, 2014, the amount of Unassigned fund balance available was $30.7 million.

The Total General Fund revenue in the 2015-16 proposed budget is estimated at $478.2 million and consists of the following:

- State aid of $191.8 million, or 40.1%;
- City-based revenue of $182.0 million, or 38.1%;
- County revenue of $84.5, or 17.7%; and
- Federal and All Other revenue total $19.9 million, or 4.1%.

The projected deficit of $15.0 million will be funded with the use of $15.0 million in fund balance.

It is projected that fines from traffic adjudication will contribute $4.5 million to the proposed budget.

General Fund revenue is budgeted to increase from $477.0 million (FY 2014-15) to $478.2 million (FY 2015-16), which represents an increase of $1.2 million, or .25%. The increase from the increase is due to the following:

- Fines are estimated to increase by $2.4 million to $12.3 million:
    - Increase for traffic adjudication $1.8 million;
    - Increase for parking tags, fines & penalties $0.6 million.

- Intergovernmental line is estimated to increase by $1.0 million:
    - Increase in estimated sales tax $2.0 million;
    - Decrease in NYS restricted capital AIM $3.0 million.
- Miscellaneous revenue is estimated to increase by $0.8 million:
    - Increase for sale of capital assets $3.0 million;
    - Decrease for prior year cash refund $2.1 million.
- Transfers In are decreasing by $2.0 million to $13.1 million:
    - Decrease from Parking Enterprise fund $1.0 million,
    - Decrease from Capital Projects fund $1.3 million.
- All other revenues are estimated to decrease on a net basis by $1.0 million. The total revenue growth is modest at $1.2 million year-to-year.
- The available tax margin for FY 2015-16 is $41.9 million which is a decrease from the previous year by $1.1 million, or 2.6%; this is equivalent to having used 68.8% of taxing capacity. The decrease is related to the variables used in the formula of the calculations; the City had more exemptions last year and not as many this year.
- The property tax levy is $137.0 million;
    - Property taxes are decreasing in FY 2015-2016 by $200,000, or 0.2%.
- Real property tax levy projected to increase beginning in FY 2016-17:
    - 1.8% annually;
    - Consistent with the real property tax cap;
    - City-wide reassessment beginning FY 2015-16;
    - Revised tax levy associated with the reassessment will be effective in FY 2017-18.

Financial Plan revenue highlights:

- Revenue is projected to increase $21.0 million:
    - Intergovernmental revenues are increasing $16.5 million, or 6.4%;
        - State AIM annual increases of 2% are projected over the out-years, which is equivalent to $19.6 million
        - Restricted State AIM is no longer an available funding source,
    - Sales tax is estimated to increase 2.5% annually over the financial plan,
    - Taxes are increasing $7.6 million driven by property tax increases,
    - Fines are increasing $1.6 million, or 12.7 %, driven by traffic adjudication fees,
    - Miscellaneous revenue is decreasing by $4.8 million, or 33.1%, attributed to the projected reduction in the sale of capital assets,
    - All other revenue sources remain flat, including:
        - Service charges, licenses and permits, interest, non-property taxes and transfers on.
    - Transfers In from Parking Enterprise Fund:
        - $6.5 million in FY 2015-16;
        - Decreasing to $5.5 million in the remaining out-years.
    - Depletion of available fund balance;
        - Rainy Day Fund remains intact.

The four year operational deficit is projected to total $30.0 million and Unassigned fund balance will be used to cover the deficit as follows:

- FY 2015-16 - $15.0 million;

- FY 2016-17 - $10.0 million;
- FY 2017-18 - $4.5 million;
- FY 2018-19 - $0.5 million.

Total General Fund 2015-16 expenditures are budgeted at $493.2 million and consist of the following:

- Total departmental spending of $219.9 million, or 44.6%, of total expenditures:
  - Police department at $80.3 million, or 16.3%;
  - Fire department at $58.9 million, or 12.0%;
  - Public Works department at $28.3 million, or 5.7%; and
  - Remaining twelve departments at $52.4 million, or 35.4%.
- Total General Charges total $174.6 million, or 35.4%, of total expenditures:
  - Fringe benefits at $146.7 million, or 29.7% (including injured on duty);
  - All other general charges at $27.9 million, or 5.7%.
- Interfund Transfers Out total $98.7 million, or 20%.

Most departments are held relatively flat as compared to the prior year budget; however, there are projected increases for wages firefighters and white collar/exempt employees.

Key assumptions related to General Charges include:

- The City intends to self-insure health insurance for all City employees effective September 1, 2015; this expenditures is budgeted to decrease by $2.1 million and reflects a conservative budgeted amount;
- Pension rates are decreasing and related costs are projected to decrease significantly by $8.7 million; and
- The salary adjustment line is held flat at $9.0 million.

General Fund expenditures are decreasing from $504.5 million as budgeted in the prior year to $493.2 million which is a decrease of $11.3 million, or 2.3%.

- Pension payments are projected to decrease by $8.7 million to $44.2 million:
  - Decrease for PFRS of $8.0 million; and
  - Decrease for ERS of $0.7 million.
- Transfers out are decreasing by $3.2 million;
- Assessments and taxation is increasing by $0.7 million;
- Law department is increasing by $0.6 million due to the addition of eight traffic adjudication staff members;
- All other expenditures are budgeted to decrease by $1.3 million;

Over the financial plan, expenditures are projected to increase $6.4 million, or 1.3%:

- Departmental expenditures are increasing modestly at $4.0 million, or 1.8%:
  - Fire department is increasing $2.4 million, or 4.1%;
  - Public Works department is increasing $1.3 million, or 4.7%;
  - Assessments department is reduced by $1.5 million, or 38%;
  - All other departments net increase of $1.7 million, or 1.0%.
- General Charges are increasing by $5.7 million, or 3.2%:
  - Fringe benefits is increasing $4.9 million, or 3.4%, for a projected increase in the accrued salary adjustment line;

- Active employee and retiree health insurance are not increasing;
- Pension payments are held relatively flat;
- Utilities are increasing $0.5 million, or 3.0%; and
- Injured-on-duty salary is increasing $0.2 million, or 4.0%.

Interfund Transfers Out are reduced by $3.2 million, or 3.2%. The City's General Fund currently subsidizes the City's Refuse and Recycling Fund through an annual Transfer Out; this amount does not cover the full operational deficit of the Refuse and Recycling Fund. The City intends to issue a Request for Proposal ("RFP") for the privatization of this service. It is noted that the Refuse and Recycling Fund currently owes the General Fund $17.0 million for the accumulated operating deficit that has not been funded annually.

With respect to healthcare, the costs for active employees increased $3.0 million from FY 2007-08 through FY 2013-14; the costs for retirees increased by $11.2 million over this same time period. This represents a total increase of $14.2 million, or 24%, over that time period. The budgeted amount for active health insurance is decreasing by $2.0 million from the prior year and there will be an additional reduction of $1.7 million for the revised financial plan as submitted by the Mayor, for a total budgeted reduction of $3.8 million. The budgeted amount for retiree health insurance remains flat.

Ms. Mongold-Robe emphasized the significance of the budgeted decrease in pension expenditures of $8.0 million which is primarily for the contribution to the Police and Firefighter Retirement System ("PFRS"). This expenditure has seen increases over the last several years that were well above the rate of inflation.

Employee costs constitute 84.2% of the budget, or $332.2 million. All other expenditures total $62.3 million, or 15.8%, of the total budget.

Chair Pro Tem Jurasek confirmed that the $8.0 million pension relief in reflected as the difference between the FY 2014-15 and the FY 2015-16 budgets.

A historical review was made of the average cost per active employee including salary and benefits (also including retiree health insurance) noting these costs have increased from $90,296 in 2005-06 to $125,264 as budgeted for the 2015-16 fiscal year.

Secretary Pro Tem Floss asked if the median average cost per employee can be looked at as well as the mean average cost of employee and questioned if that new number would assist with better forecasting. Mr. Link advised that the BFSA monitors the number of employees by pension tier and years of service, which provides additional data points to more accurately project changes in staffing. He will pursue calculating a mean average cost as recommended.

The staffing plan over the course of the financial plan calls includes an additional 24 FTEs, the majority of which is attributed to the anticipated needs related to traffic adjudication staff.

Director Mesiah questioned the average income for City employees versus the cost of the housing stock in the City. Mayor Brown stated that since FY 2011-12, over $5 billion in development has taken place in the City which is expected to create over 12,000 new jobs. There are projections as to what the salaries of those jobs will be. Part of the City's plan is to capture as many jobholders in the City as possible. For example, residency was negotiated into the new firefighter contract and it is the hope that residency requirements will be included in the police contract.

Mr. Link continued with his presentation by stating the key assumptions of the financial plan:

- Increased State AIM - $19.6 million;
    - Annual increases have not been included in State's financial plan,
    - NYS economic climate is a risk to revenues as no projected increase of State AIM, no appetite for increased taxes,
    - State AIM is projected to increase annually in the City's financial plan at 2% beginning in FY 2016-17.
- Increase in the property tax levy in FY 2016-17;
- Parking fines – traffic adjudication projected to provide $21.3 million of revenue;
    - Delayed implementation to July 1, 2015,
    - Projecting $4.5 million to $5.7 million annually,
- Depletion of available Unassigned fund balance;
- Privatization of Solid Refuse fund;
    - Elimination of transfer over financial plan,
- Substantial projected savings from health insurance by being fully self-insured;
- Uncertain revenue projections over the financial plan:
    - Current fiscal year revenue is projected to be under budget by $10.7 million,
    - FY 2015-16 estimated revenue is moderately increased over FY 2014-15 projections. Potential shortfalls over the financial plan include:
        - Service charges may be overestimated by $1.0 million annually,
        - Class 1 utility taxes may be overestimated by $900,000 annually,
        - Licenses and permits may be overstated by $500,000 annually,
        - Parking fines and fees may be overestimated, dependent on implementation of traffic adjudication division.

Secretary Pro Tem Floss questioned how the determination of overestimation was founded. Mr. Link responded that the budget was reviewed in a historical context.

Ms. Mongold-Robe clarified that staff is not concerned that revenues are drastically understated. The current fiscal year is expected to be under budget by $10.7 million, and is largely attributed to the traffic adjudication division implementation being delayed as well as the sale some capital assets not being completed until after the fiscal year end ("FYE") on June 30, 2015. The impact of these items is not expected to affect FY 2015-16. Secretary Pro Tem Floss thanked Ms. Mongold-Robe for her clarification in noting that the City had submitted a sound budget.

Mr. Link continued with his presentation on the key assumptions of the budget:

- Modest increase in annual departmental spending of 1.8% annually;
- Fringe benefits has modest growth of $4.9 million based on:
    - Flat health insurance over the financial plan,
    - Decreasing pension payments over the financial plan,
    - Salary adjustment increases by $4.0 million, from $9.0 million to $13.0 million. The City recognizes that more union negotiations are pending and therefore more funds need

to be set aside for this purpose. For example, the fire contract is in effect until FY 2017-18 and the white collar contract is in effect until FY 2017-18.

- Certain expenditures may be under-projected:
    - Police is projecting a modest increase of $300,000,
    - Fire is projecting a decrease of $3.0 million in overtime costs due to onboarding a class of over 100 new recruits.
- Restricted State AIM has been depleted and is no longer available;
- Available fund balance is depleted over the financial plan;
    - Operating deficit of $30.0 million,
    - Unassigned fund balance as of June 30, 2014 of $30.7 million,
    - No impact on the Rainy Day Fund.
- Unsettled labor contracts, including:
    - Police Benevolent Association, which has the option of binding arbitration;
    - Blue Collar, Building Inspectors, and Operating Engineers are all out-of-contract.
- OPEB liability may be reduced in future years due to the City self-funding health insurance and the fact that new hires (white collar and exempt employees) are not eligible for retiree health insurance;
- Operating Transfers Out:
    - Transfer to District is maintained flat at $70.3 million;
    - $3.2 million transfer to Solid Waste and Recycling Fund is eliminated due to planned privatization of the services;
    - The General Fund currently reserves $17.0 million as Nonspendable fund balance due from the Refuse and Recycling Fund.
- Operating Transfers In;
    - Transfer from the Parking Fund of $6.5 million in FY 2015-16;
    - Reduced to $5.5 million annually between FY 2016-17 and FY 2018-19.

Mr. Link concluded his presentation.

Chair Pro Tem Jurasek opened the floor to questions for the Mayor. Hearing none he proceeded to ask the Mayor when the bond rating agencies last scrutinized the City. Mayor Brown advised that the bond rating agencies reviewed the City within the last month and reaffirmed the bond ratings.

Chair Pro Tem Jurasek commended the City's Administration on its ability to reduce the workforce after the BFSA completed a study showing overstaffing. He confirmed that the number of positions (2,652) will remain flat throughout the FY 2016-19 financial plan. Mayor Brown stated some positions will change but that there would be no measurable increase in staffing levels. There will be an influx of new firefighters. The new class will provide a savings in salaries, provide an offset to the increase in the number of retirees, and a decrease in overtime costs.

Ms. Mongold-Robe thanked City Commissioner of Administration, Finance, Policy & Urban Affairs, Ms. Donna Estrich, and her staff for their assistance in obtaining information regarding the budget.

Mayor Brown thanked Ms. Estrich, the Comptroller, the various department heads, the members of the fiscal subcabinet, as well as the BFSA Directors and staff. Due to changes made by the New York State legislature, the traffic adjudication department is projected to begin in September 1, 2015, instead of July 1, 2015. There is a projection of $2.0 to $4.0 million in revenue expected from this department.

Chair Pro Tem Jurasek thanked the Mayor for his attendance and moved the agenda forward to BCSD matters.

Buffalo City School District

Chair Jurasek acknowledged the attendance of Ms. Barbara Smith, Chief Financial/Operating Officer for the BCSD.

Ms. Mongold-Robe acknowledged the attendance of Mr. Geoff Pritchard, Deputy Chief Financial Officer for the BCSD. She began opening comments by reviewing the resolution that the Board passed at the March 11, 2015, meeting requesting that the BFSA have immediate access to all cross-district comparative research data as provided by Education Resource Strategies ("ERS"). The components of the resolution have been met by the submission of the District's financial plan. In FY 2012-13 there were significant budgetary deficits projected when the District's financial plan was reviewed by the BFSA. There were Programs to Eliminate the Gap actions ("PEGs") listed to eliminate out-year budgetary gaps which the BFSA Board requested prioritized and the educational impact on the students be evaluated. It was noted as one of the mechanisms of the Authority is to ensure that services continue to be provided in a manner consistent to City residents. The Board subsequently required a report to be submitted which was received in early 2014. The BFSA obtained some of the information requested and issued a new resolution requiring that the PEG plan be more defined with the submission of the 2014-15 budget and 2015-18 financial plan. At that time, the then superintendent, Dr. Brown, requested a deferral since she was leaving the District and there was an upcoming significant change in the make-up of the District's Board of Education. The BFSA Board agreed to Dr. Brown's request. The Authority did not receive a modified financial plan as requested.

The current financial plan has changed significantly from what has been provided over the last several years, with budget gaps closing largely due to an expected increase in NYS aid. There has been a PEG plan submitted with this financial plan; the PEG plan is not a plan to close the projected budgetary gaps but includes financial projections for either future expected actions or unusual transactions.

The financial plan has been approved by the Board of Education prior to the review of the plan by BFSA. The provisions of the March 2015 resolution have been met through the submission of this financial plan.

FY 2014-15 Third Quarter Report

Senior Financial Analyst/Manager of Technology, Mr. Nathan D. Miller, began his presentation on the analysis of the District's FY 2014-15 third quarter report. The District is projecting a $2.5 million favorable budgetary variance which brings the projected deficit to $10.4 million when including the carryover encumbrances of $2.8 million from the prior year. This is fully funded through appropriated fund balance. The current fiscal year revenues are projected to be approximately $30.0 million, or 3.9%, higher than the prior fiscal year. Expenditures are expected to increase at a lesser rate, $25.6 million, or $3.3 million less than the prior fiscal year. The gap between revenues and expenditures is narrowing.

New York State aid is approximately 83% of total General Fund revenues. Transportation aid is a reimbursement aid based on the prior year's expenditures. The modified budget includes a large number of budget transfers to address the evolving needs of the District.

FY 2015-16 Budget and FY 2016-19 Financial Plan

The District has been facing a structural imbalance. General Fund expenditures exceeded and are projected to exceed General Fund revenues in:

- FY 2011-12, 2012-13, and 2013-14 ($42.0 million);
- FYE 2014-15 (projected $10.4 million); and
- FY 2015-16, FY 2016-17 (projected $8.4 million and $500,000 respectively).

Mayor Brown exited the meeting at 2:33 PM. Ms. Donna Estrich served as the Mayor's proxy for the remaining duration of the proceedings.

Mr. Nathan Miller continued with his presentation. Revenues are projected to exceed expenditures in out-years of the Financial Plan as follows:

- FY 2017-18 $4.9 million; and
- FY 2018-19 $5.8 million.

The Financial Plan is based on the following assumptions:

- Revenues increase at an average annual rate of 1.4%;
- Expenditures increase at an average annual rate of 1.0%; and
- Long expired CBAs remain unsettled;
    - Buffalo Teachers Federation (the "BTF") & Buffalo Council of Supervisors and Administrators (the "BCSA") expired 06/30/2004.

The FY 2015-16 budget is balanced. There is a projected $8.4 million deficit which is fully funded by Assigned fund balance. FY 2015-16 General Fund budgeted revenues exceed the current fiscal year ("CFY") General Fund revenues by $23.5 million, or 3.0%. In addition, FY 2015-16 expenditures will exceed current year expenditures by $21.5 million, or 2.7%.

There are some significant changes between the FY 2014-15 adopted budget and the FY 2015-16 proposed budget, as follows:

- Over the course of the CFY, the budget was modified to include additional special education positions. Next year's budget includes the newly added positions: 163 FTEs related to special education are included. Therefore this is not a jump from the current year but merely a continuation of the existing staffing.
- A Newcomer Academy is to be housed in Lafayette High School to assist immigrants with acclimating to the City of Buffalo. This has a budgetary cost of $1.6 million and an additional 20.9 FTEs;
- Emerson Commons School of Hospitality will open an annex. This expansion will allow for 150 pupils in FY 2015-16 and an additional 125 pupils in the out-years of the plan. This has a $1.4 million impact on the budget.

Director Mesiah questioned the staffing for the Newcomer Academy and if they will be able to manage the vast number of languages spoken. Mr. Miller advised that a District-wide program for English language learners has expanded to include additional 24 FTEs and has a $1.1 million budgetary impact. Director Mesiah again questioned the staffing ability and if the program is correctly budgeted to be effective. Chair Pro Tem Jurasek stated that he believed the teachers assigned to Lafayette and the other English language support teachers will float across the District, although they may not be able to cover the entirety of the languages spoken within the District. He deferred to Ms. Smith for additional clarification on the matter. Ms. Smith advised that often times the District was unable to hire people that speak all languages needed due to a limited local labor pool but instead contract out for interpreters for those languages as available. The multilingual department designed the plan for the Newcomer Academy to address the specific educational needs of English Language Learners.

Director Mesiah stated that he attended a conference a few weeks ago with some school principals. Principals spoke to that fact that they are concerned there are large numbers of students speaking multiple languages and only a handful of interpreters available. He relayed his concern with the lack of being able to find the proper resources to educate all students, particularly those emigrating from war-torn regions of the world.

Chair Pro Tem Jurasek stated that he saw a new effort and resources being directed toward education. The Board of Education will need to wait and see the effects of the new programming within a year and by that time a new superintendent will be in place.

Director Mesiah agreed with to revisit the topic in a year's time.

Mr. Miller resumed his presentation on the significant changes in the FY 2015-16 proposed budget:

- Physical Education is receiving an additional 11 FTEs with a budgetary impact of $1.0 million in an effort to be compliant with NYSED regulations;
- Instruction Music is receiving an additional 4.9 FTEs with a budgetary impact of $400,000. This replaces an expired City of Buffalo grant.

The FY 2015-16 projected revenue of $817.4 million breaks down as follows:

- NYS Aid (less building Aid) - $570.4 million, or 69.8%;
- NYS Building Aid - $115.2 million, 14.5%;
- Real Property Tax - 70.3 million, or 8.6%;
- Erie County Sales Tax - $42.0 million, or 5.1%; and
- All other revenue $19.5 million, or 2.0%.

Three of the five revenues remain flat over the life of the financial plan:

- Real Property Tax;
- NYS Building Aid; and
- All other revenue.

There is expected growth in the following revenues:

- Erie County Sales Tax: increase of $3.2 million, or 7.7%, over the life of the financial plan; and
- NYS Aid (less Building Aid): increase of $42.2 million, or 7.4%, over the life of the plan.

The District's FY 2015-16 budgeted $825.8 million in expenditures consists of:

- Employee costs (benefits and compensation) of $448.6 million, or 54.3%, of total expenditures; and
- Non-employee costs (debt service, charter school payments, transportation and all other expenditures) of $377.2 million, or 45.7%, of total expenditures.

The 2016-19 Financial Plan includes the following:

- Employee compensation increases $6.8 million, or 2.7%, over the life of the financial plan which represents salary step increases and not increased staffing;
- Employee benefits increase $8.4 million, or 4.4%, over the Financial Plan. This rate of increase is much less severe than what was projected in PFY's financial plans. Payments to the State pension systems are projected to decrease significantly over the Financial Plan, which is inhibiting the overall growth of this expenditure subcategory. Charter school payments are expected to increase $14.7 million, or 14%; and
- An overall projected expenditure increase of $31.2 million, or 3.8%, over the FY 2014-15 adopted budget.

Budgeted full time positions were reviewed including FTE count, average salary, average total compensation including benefits, and contract expiration date. .

Projected enrollment was reviewed; Buffalo resident enrollment in area public charter schools is expected to increase by 625 FTE students, or 1.5%, over the financial plan. District enrollment is estimated to decrease by 700 FTE students over the life of the financial plan while charter school enrollment increases. Payments to charter schools are projected to increase $20.2 million, or 20.6%, over the course of the financial plan.

Chair Pro Tem Jurasek asked if the 625 student increase is based on historical patterns. Mr. Miller stated the number is based on current enrollment and demographics. There is one charter school set to open next year and potentially two between 2016 and 2019. In addition, certain area charter schools are expanding. However, charter schools are open to students outside of the district so it is difficult to project the number of Buffalo resident pupils that will attend area charter schools.

Secretary Pro Tem Floss questioned if the assumption was that charter schools enrollment will increase to 100% and therefore more focus will be put into underperforming schools. Mr. Miller replied that the charter school enrollment projected in the financial plan is based on NYSED approved capacities within charter schools. Request for space proposals from charter schools for occupancy within District facilities have not been approved and are therefore excluded from the projections.

Secretary Pro Tem Floss stated that charter schools in other cities have overestimated their enrollments and is concerned about the effect of charter school enrollment on the District enrollment and subsequence finances. Chair Pro Tem Jurasek shared this concern and wondered if the projections could be problematic for the District in the out-years of the financial plan.

Director Mesiah questioned when the "head count" of students is completed for charter school enrollees. He expressed his concern that charter schools are removing underperforming students before exam time in an effort for the school to obtain a higher achievement rates. Mr. Miller advised that the counts are taken several times a year and reported to the New State Education Department. Ms. Smith confirmed this and added that counts are taken every two months with annual enrollment audits performed by the District.

Chair Pro Tem Jurasek advised that it is not for the BFSA to judge the effectiveness of area charter schools but to consider the impact that the funding of these entities have on the District's finances.

Mr. Miller continued with his presentation.

The second major cost driver for the District is healthcare for active employees and retirees. Through the life of the financial plan the cost of health insurance increases by $27.8 million, or 24.4%, which is caused by an increase in premium rates as well as the increasing size of the membership pool.

Pension expenditures are projected to decline by $17.8 million, or 43.2%, over the course of the financial plan for both the New York State Teachers' Retirement System and the New York State Employees' Retirement System. This decrease in payments helps to free up available funding for general operations.

There are no budgetary gap closing measures included in this financial plan. Assigned fund balance that had been set aside for prior year claims, specifically for the settling of contracts, is decreased in each year. If projected budgetary surpluses materialize in the last two out-years of the financial plan, these reserves will be reassigned.

The BFSA had requested that the District include areas where it could continue to advocate on behalf of the BCSD. Mr. Nathan Miller provided the following summary of the District's proposals:

Reliable Funding Sources:

- New York State Aid;
    - Foundation Aid has not increased as envisioned when created in FY 2007-08. The State aid formula is a point of contention across the State as critics assert that the current aid formula does not adequately distribute funds proportionately based on needs,
    - Gap Elimination Adjustment as introduced in FY 2010-11 still exists and remains a component of New York State law. The District's FY 2015-16 Gap Elimination Adjustment is very minor at only $87,000.
- City of Buffalo contribution;
    - Remains flat at $70.3 million since FY 2007-08. The BCSD does receive a sizable portion of the County's sales tax, dissimilar to the other Big 4 school districts. The Syracuse City School District is the other district of the Big 4 that receives a portion of sales tax and it is less than $1 million;
    - The District has no independent taxing authority.
- Unfunded mandates;
    - Often issued after budget is adopted and diverts funds otherwise used for general operations,
    - Requests BFSA examine and collaborate with District to determine how best to advocate.

- Triborough Amendment;
    - Rich employee and retiree benefits continue in perpetuity after contracts expire. All District employees were out of contract on June 30, 2014. The step increases total $5.0 million annually outside of contractual increases;
    - District requests BFSA's collaboration in working to reform the Triborough Amendment in a manner that is fair to public employees and taxpayers.

Ms. Estrich questioned why the PEG plan depicted a drawdown of fund balance assigned for prior years' claims when surpluses were projected in the two out-years of the financial plan. Secretary Pro Tem Floss questioned if the monies would be unassigned or reassigned. Mr. Miller advised that it has been the District's practice to annually reassign fund balance previously assigned to settle expired CBAs in an amount proportionate to the District's annual expenditures to provide cosmetic surgery to members of collective bargaining units with this benefit. The funds would be reassigned to another fund balance designation at the discretion of District management. Ms. Mongold-Robe affirmed Mr. Miller's response.

Mr. Miller continued with his presentation and stated that the 2015-16 budget is balanced. Assigned fund balance is appropriated in the amount of $8.4 million to close the excess of expenditures over revenues as follows:

- $2.0 million previously reserved for Charter School for Applied Technologies settlement;
- $1.6 million previously reserved for capital improvements; and
- $4.8 million previously reserved for settlement of CBAs.

Unassigned fund balance is maintained at $51.9 million which exceeds the District's policy of a minimum of 4% of total expenditures. It is noted that $16.0 million of Assigned fund balance is redesignated in FY 2017-18 and FY 2018-19.

The financial plan does not include any increases associated with settled CBAs. All District CBAs will be expired at the end of the CFY.

The financial plan assumes that the New York State aid increases are carried across the four years of the financial plan which will have a positive impact on proposed operational results. It is noted the PEG plan depicts total net budgetary impact related to "out-of-time" schools if the schools are continued to be phased out. Plans to phase-in new schools in those facilities will be developed but they cannot be quantified as of yet because they have not been finalized.

Chair Pro Tem Jurasek questioned if the plan was to keep all of the phase-out school buildings in use. Ms. Smith stated the phase-out schools will close; however, the plan is that their facilities will be maintained and used.

Secretary Pro Tem Floss asked for clarity on the large swing in the finances of the District from large PEG actions last year to having a balanced budget presented this year. Ms. Smith stated the main drivers for the positive financial swing was the increase in State aid and the decrease in pension payments.

Mr. Miller continued with his presentation and provided the following information:

- The Financial Plan balances without reliance on a PEG plan, which is dissimilar to the last several financial plans;
- District has little to no control over major cost drivers:
    - Employee compensation – step increases continue to be provided per New York State Law;
    - Health insurance for active employees:
        - Many do not contribute to health insurance coverage,
        - New terms need to be negotiated in future labor agreements;
    - Health insurance for retirees:
        - Many do not contribute to health insurance coverage;
        - New terms need to be negotiated in future labor agreements.

- Payments to Charter Schools continue to increase as enrollment and tuition rates continue to rise:
    - Tuition rate increases are reimbursed via NYS Supplemental Charter School Tuition Aid.

Mr. Miller concluded his presentation.

Chair Pro Tem Jurasek questioned if the decline of the student population of BCSD is taken into consideration in any years past the FY 2016-19 financial plan. Ms. Smith advised that the District has been experiencing an increase in the student population due to the increase in the number of English Language Learners and kindergarteners and a significant decrease is not expected in the near future.

Secretary Pro Tem Floss thanked Ms. Smith for her work and professionalism while with the BCSD. Chair Pro Tem Jurasek agreed with Secretary Pro Tem Floss and thanked her for her service.

Buffalo Urban Renewal Agency
FY 2015-16 Budget and FY 2016-19 Financial Plan
Chair Pro Tem Jurasek advanced the agenda to the next item for review: the Buffalo Urban Renewal Agency's FY 2015-16 Budget and FY 2016-19 Financial Plan. He asked Mr. Link to provide an overview of the staff's analysis.

Mr. Link began his presentation by highlighting the following key points included in the financial plan:

- The financial plan is reflective of additional revenues including program income and additional grants such as the Brownfield Opportunity Grant ("BOA") and Justice Assistance Grant ("JAG");
- Cost increases associated with the recently proposed labor agreement between BURA and Local CSEA 815 are reflected;
- Section 108 loan repayments are included of $1.3 million in FY 2015-16 decreasing to $750,000 in FY 2018-19.

Most BURA revenue is received from entitlement funding from the United States Housing and Urban Development Agency ("HUD"). Revenue in the financial plan includes:

- Community Development Block Grant funds ("CDBG"), including prior year allocations is $14.5 million for FY 2015-16, 2016-17 and 2017-18, decreasing to $13.9 million in FY 2018-19;
- Housing Opportunities Made Equal ("HOME"), including prior year allocations, is held flat at $2.8 over the course of the financial plan;
- Emergency Service Grant ("ESG")/ Homeless Rehousing grants held flat over the course of the plan at $1.2 million;
- CDBG & HOME program income, which is generated by payments on the loans that BURA holds, is projected at $1.8 million for the life of the plan;
- Other income (JAG, BOA, and City) is $200,000 for FY 2015-16, 2016-17, 2017-18, and reduces to $100,000 in FY 2018-19.

BURA has projected revenues of $21.0 million for the first three years of the financial plan, which decreases to $20.3 million projected for FY 2018-19.

The two main designations of expenditures are:

- Program costs: $17.1 million for the first three years of the plan and decreasing to $16.5 million in year four;
- Administration and planning costs: $3.9 million for the first three years of the plan and decreasing to $3.8 million in year four.

Total expenditures are $21.0 million for the first three years of the plan and $20.3 million for the fourth year of the plan.

Administrative Costs:

- The administrative costs are approximately 18% to 19% of total grant revenue. BURA is constantly looking for ways to maximize its workforce. One method is to have employees work on City of Buffalo projects and the City would then pay for those employee costs. BURA will also look for new revenue sources.

The allowable administrative costs per grant is as follows:

- CDBG: 20% plus program income;
- HOME: 10%;
- ESG: 7.5%;
- Housing Opportunities for Persons with Aids ("HOPWA"): 3%.

Program delivery personal service costs are not included in these limits. With respect to the funding of administrative costs, the following are noted:

- Additional grants are received by BURA and are now reflected in the Financial Plan;
- BURA is including prior year allocations as a current year resource for CDBG and HOME funds.
- The financial plan is optimistic with regards to forecasting revenues, with minimum reductions over the Financial Plan;
- ;

- Based on the additional grant revenues outside of HUD awards, there is adequate funding for administrative costs.

Other notable findings over the financial plan include:

- The FY 2014-15 allotment was not received until March 2015. Monies that are not exhausted by the deadline can be rolled over and used the following year for the same programming
- BURA will not be participating in self-funding health insurance along with the City;
    - BURA may be underestimating the out-year impact of health insurance costs over the Financial Plan;
- BURA continues to pay down the Section 108 Loan Guarantees;
- BURA is looking to maximize potential revenue;
    - Increasing program revenue through property sales,
    - Identifying additional grants similar to BOA and JAG.

There are 43 budgeted positions in BURA and 3 budgeted in the City Comptroller's Department of Audit and Control. There is a total budgeted staff is 46. Currently, there are 41 employees in BURA.

Chair Pro Tem Jurasek questioned if BMHA was a self-insured agency. BMHA Executive Director, Ms. Dawn Sanders-Garrett, responded that BMHA is not self-insured and is using Blue Cross Blue Shield.

Buffalo Municipal Housing Authority

FY 2014-15 Third Quarter Review

Chair Pro Tem Jurasek advanced the agenda to the next item for review: the Buffalo Municipal Housing Authority's FY 2014-15 third quarter financial results. He asked Ms. Mongold-Robe to provide an overview of the staff's analysis.

Ms. Mongold-Robe began her presentation stating the net loss of the agency as of March 31, 2015, was $122,500. Projected net income for the 2014-15 year is $765,000 as compared to $1.5 million was originally budgeted. She reviewed revenues as of March 31, 2015, noting the following: HUD operating subsidy was consistent with the budget; tenant rents are below budget by $375,500 (3.8%) and BMHA will be modifying the 2014-15 budget downward for this revenue as discussed previously; the HUD Voucher grant program is below budgeted by $362,000 representing timing differences and has no impact on overall operations; and all other revenues exceed the budget in total by $720,000 largely due to the BMHA's drawdown of funds available from prior year capital grants for administrative expenses.

Ms. Mongold-Robe reviewed expenses through March 31, 2015 noting the following: administrative expenses are under budget by $414,000 (8.9%) due to BMHA's concerted effort to reduce expenses; utilities expenses are over budget by $517,000 (10.9%) due to the unusually cold winter; maintenance expense have exceeded budget by $670,000 (11.7%) partially due to unbudgeted costs associated with participation in projects involving the low income housing tax credit program and further noting that unbudgeted revenues will offset the increase; and protective services expenses are under budget by $533,000 due to timing. With respect to general expenses, in total the budget has been exceeded by $1.7

million (19.0%) and is due to: $1.0 of unbudgeted non-cash expenses for the annual other postemployment benefits accrual; employee benefits which have exceeded the budget by $302,000 and were underbudgeted for the year; and health insurance for retirees which has also exceeded the budget by $370,000 and was underbudgeted for the year.

Secretary Pro Tem Floss questioned if BMHA was seeing a reduction in health insurance premium rates and pension contribution rates. Ms. Mongold-Robe responded that BMHA is not seeing the same amount of savings as seen in other Covered Organizations because its employees are enrolled in the NYSERS which did not have as pronounced of a reduction in required employer contribution rates. BMHA will not be participating with the City with respect to self-insuring health insurance.

Other items of note include:

- Filled positions at March 31, 2015, were 185 FTEs compared to budgeted positions of 226 FTEs, a vacancy rate of 41 FTEs, or 18.1%. This highlights the difficulty of the budget when there are 41 positions vacant and the surplus remains less than what was projected;
- Audited financial statements for FYE 2013-14 were received on April 28, 2015;
- The 2014-15 budget modification provided sweeping changes,
    - BMHA Board of Commissioners will review and approve the discussed budget modification on May 21, 2015.

BMHA 2015-16 Budget and 2016-19 Financial Plan

Ms. Mongold-Robe provided the following background information on the BMHA's 2016-19 Financial Plan:

- The Financial Plan includes Marine Drive Apartments and the HUD Section 8 voucher program; this change in reporting began with the 2015-18 Financial Plan;
- The FY 2015-16 budget was approved by BMHA's Board of Commissioners on April 23, 2015;
- The BMHA Board will review the Financial Plan at its public meeting on May 21, 2015;
- With respect to prior year results for the year ended June 30, 2014:
    - BMHA Central Office Cost Center ("COCC") and Asset Management Properties ("AMPs") reported a net loss of $3.8 million; this was a planned net loss in order to use reserves,
    - Marine Drive Apartments reported net income of $3.2 million; this figure reflects the write-off of an old payable to the City in the amount of $3.5 million; s.

With respect to reserves, it is noted that HUD recommends maintaining four months of operating expenses for the AMPs only; this represents $9.2 million for FY 2015-16. Actual reserves for AMPs at July 1, 2014, totaled $3.6 million which is well below the recommended amount and furthermore represents a decrease of $2.0 million from July 1, 2013.

Key assumptions for revenues in the Financial Plan were summarized:

- BMHA has applied a HUD operating subsidy proration of 82% throughout Financial Plan with an inflation factor of 2% in the three out-years.
- Capital Fund revenues represent a total of $7.7 million into operations over the financial plan.

- Dwelling rental income utilizes an average occupancy rate of 95%.
- The Financial Plan reduces budgeted positions by 11 FTEs, or 5%. There are no increases in salaries over the course of the plan. All labor contracts have expired. Fringe benefit costs are increased 4% each year for active employees.
- Inflation factors used include 5% for utilities, 1% for all other insurance excluding health insurance, and all other costs are not increased.
- Salaries are being reduced by $3.2 million, or 32%, compared to the prior year budget. The staffing plan has been reduced by 11 positions. The reduction in dollars is not supported by the number of positions included.
- Active employee health insurance includes a 4% increase. There is no increase for retiree health insurance.
- The OPEB accrual is included in Financial Plan as a noncash expense of $1.2 million annually. This is the first year this has been discretely budgeted.
- Marine Drive Apartments have a budgeted surplus of $210,000 annually.
- HUD Section 8 Voucher Program has a budgeted surplus of $132,700 annually.

In total, budgeted and projected revenues range from $43.0 million to $45.0 million, expenses range between $40.0 million to $43.0 million and net income is projected at $1.9 million annually. After the effects of the payment of debt service, a positive cash flow of $700,000 is projected annually.

With respect to 2015-16 budgeted revenues:

- Operating Subsidy is 41% of the budget,
- Dwelling Rental Income is 30% of the budget,
- HUD Section 8 is 12% of the budget,
- Transfer from Capital Grant (allowable administrative expenses) is 4% of the budget,
- Other (interest income, administrative fees for development) is 13% of the budget,

With respect to 2015-16 budgeted expenses:

- Administration is the largest expense at 18%;
- Maintenance 17%;
- Utilities 17%;
- Section 8 Vouchers 12%; and
- Other/General 34%.

Chair Pro Tem Jurasek questioned the dissonance between the staffing plan and the Financial Plan and if a correction will significantly alter the budget lines. Ms. Mongold-Robe advised that BMHA management has communicated a commitment to the dollar amounts as provided for in the financial plan and would therefore adjust the staffing plan instead of the expense lines in the financial plan.

Secretary Pro Tem Floss questioned if the significant level of staffing cuts would compromise services for BMHA's neediest residents. Mr. Williams thanked Secretary Pro Tem Floss for his concerns for the residents as he himself is a resident of BMHA housing.

Chair Pro Tem Jurasek stated that there has to be a reconciliation between the staffing plan and the Financial Plan and 11 positions are probably too few.

Ms. Mongold-Robe concluded her presentation with the following:

- The financial plan is deemed out-of-balance as the staffing plan is not supported by projected personnel costs,
  - The FY 2013-14 average salary per employee was $48,200,
  - The FY 2016-19 Financial Plan average salary per employee is $32,200, which is not supportable by the staffing plan. The Financial Plan represents a significant decrease in average annual salaries per employees of $15,800, or 33%.
- BMHA management has indicated that the personnel services expenses as projected will not be exceeded;
- Staffing plan is estimated to be overstated by 61-70 FTE positions. BMHA is currently at 185 filled positions so an additional 31-40 bodies coming off of payroll based on the average salary from FY 2013-14.

Secretary Pro Tem Floss questioned the effect on services of a 40% staff reduction and asked Ms. Sanders-Garrett, to address these concerns.

Ms. Sanders-Garrett advised that the federal cuts over the past four years and sequestration in 2012 affected the amount of reserves that BMHA was able to maintain. The BMHA currently has two months of reserves on hand. A budget amendment was proposed to the Board of Commissioners in March. In April a new budget was proposed using only monies received from funding sources and not using reserves. Additionally, new projects like the rental assistance demonstration program is being introduced with 172 BMHA units. This new program is similar to the Section 8 program and the rent stays stable, however, the fees paid to administration are reduced.

BMHA Assistant Executive Director, Mr. Modesto Candelario, stated that 62% of the BMHA's budget consists of fixed costs such as utilities, insurance and health insurance for active employees and retirees which leaves very little to work with. BMHA is unable to raise revenues by raising rent, nor can the federal government be charged more. Therefore, staffing will be adjusted and trying to provide services to the residents more efficiently. Fortunately there have been a number of retirees on the higher end of the salary scale, two or three directors, so the BMHA is looking to reallocate those monies. The budget is difficult because the authority doesn't have the reserves it once had to be able to balance the budget. Chair Pro Tem Jurasek asked if the Board of Commissioners approved the Financial Plan "as is." Ms. Sanders-Garrett confirmed that the Board approved the budget on April 23, 2015. She also indicated new resources need to be identified.

Mr. Williams asked if BMHA was planning to follow HUD's directive and contract out more services. Mr. Candelario advised that BMHA is looking to contract out services to make the operations more efficient wherever possible within the work rule constraints of current CBAs.

Secretary Pro Tem Floss expressed his concern about ensuring that BMHA residents are aware of the impending changes by having meetings to keep lines of communication open. Mr. Candelario advised that the BMHA is planning on keeping residents abreast of the upcoming changes. He stated there has been a concerted effort to reduce maintenance costs and 85% of stimulus monies were used for that purpose. Ms. Sanders-Garrett advised that meetings with resident groups are held prior to the implementation of any change and there have already been ten town hall meetings to date. Meetings will continue with their resident advisory boards.

Chair Pro Tem Jurasek and Secretary Pro Tem Floss thanked Ms. Sanders-Garrett and Mr. Candelario for their assistance.

Ms. Mongold-Robe advised the Board that Resolution No. 15-06 requests that the BMHA submit a revised Financial Plan to address the staffing plan by June 5, 2015. Alternatively, BMHA may provide support for the staffing plan as it currently exists. The financial plans of the City, BCSD, and BURA are deemed complete. However, the Financial Plan of BMHA is deemed incomplete.

Secretary Pro Tem Floss made a motion to approve Resolution No. 15-06.

Director Mesiah seconded the motion.

RESOLUTION 15-06
DECLARATION OF INCOMPLETE FINANCIAL PLAN AND FUTURE MODIFICATIONS TO THE FINANCIAL PLAN

WHEREAS, Article 10-D Title 2 of the 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 City School District (the "District"), the Buffalo Municipal Housing Authority ("BMHA") and the Buffalo Urban Renewal Agency ("BURA") (collectively the "Financial Plan") along with the Mayor's proposed City budget to the Buffalo Fiscal Stability Authority (the "BFSA") not later than the date required for submission of the budget to the Common Council as set by the City Charter; and

WHEREAS, the City of Buffalo submitted the proposed City budget and related Financial Plan to the BFSA on May 1, 2015; and

WHEREAS, in order to correct a clerical error, the City submitted, with a covering letter dated May 19, 2015, a revision to its proposed Financial Plan, which revision reduces its projection of sales tax revenue over the course of the Financial Plan by $7.1 million, and reduces the amount projected for costs associated with health insurance for active employees by $7.1 million; and

WHEREAS, pursuant to §3857 of the BFSA Act, the BFSA is required to determine within twenty days after submission of a Financial Plan whether the Financial Plan is complete and complies with certain provisions of the BFSA Act, and to submit its recommendations with respect to the Financial Plan; and

WHEREAS, pursuant to §3857.3 of the BFSA Act, the Financial Plan shall be in such form and shall contain such information for each year during which the Financial Plan is in effect as the BFSA may specify; and

WHEREAS, pursuant to §3857.4 of the BFSA Act, the Financial Plan shall include any information which the BFSA may request to satisfy itself that projected employment levels, collective bargaining agreements and other actions relating to employee costs, capital construction and other such matters as the BFSA may specify are consistent with the financial plan; and

WHEREAS, BFSA Staff has fully evaluated the proposed revision to both projected sales tax revenues and active employees' health insurance expenditures and has found the proposal to be reasonable with respect to the remaining amount of projected active employees' health insurance costs being reasonable; and

WHEREAS, the BFSA has determined that a modified Financial Plan be submitted by the BMHA that provides projected employment levels consistent with the projected costs for personal services, or alternatively that BMHA provide evidence to support the employment levels and corresponding projected personal service costs as provided within the Financial Plan dated May 1, 2015.

NOW THEREFORE BE IT RESOLVED that the BFSA hereby determines that the City's stand-alone financial plan, as submitted on May 1 and revised on May 19, 2015, is complete and complies with the provisions of the BFSA Act; and

BE IT RESOLVED FURTHER that the BMHA is to submit a revised financial plan that provides projected employment levels consistent with the projected costs for personal services, or alternatively provide evidence to support the employment levels and corresponding projected personal service costs as provided within the financial plan dated May 1, 2015; and

BE IT RESOLVED FURTHER that such modified Financial Plans or supporting documentation be submitted to the BFSA no later than June 5, 2015.

The Board voted 5-0 to approve the motion.

Buffalo Urban Renewal Agency
Proposed Memorandum of Agreement between the Buffalo Urban Renewal Agency and the CSEA, Local 1000, AFSCME, AFL-CIO, Local 815
Chair Pro Tem Jurasek advanced the agenda to the next item for consideration: a review of an MOA between BURA and AFSCME Local 815. He asked Mr. Link to provide a summary of the staff's analysis.

Mr. Link began his presentation of the MOA and provided the following information:

- The previous labor agreement expired June 30, 2013;
- The current proposed labor agreement covers July 1, 2013 through June 30, 2017;
- There are 34 budgeted FTEs covering over 20 titles. The current average salary is $47,300. There are 31 filled and 3 vacant positions as of March 31, 2015.
- Employees are funded through BURA's Operating Fund;
  - Revenue includes: Federal entitlement grants, local program income, and other local revenue/grants;
- Ratified by membership on February 23, 2015;
- On BURA's board meeting agenda for May 28, 2015;
- MOA terms are also extended to appointed exempt employees per BURA Board of Directors;
  - 9 positions budgeted and 8 of them are filled,
  - Currently the Director of Finance, Control & Administration is vacant,
  - Current average salary is $60,450,

- No retroactive payment, however, a one-time bonus is provided;
- Salary increase effective July 1, 2014;
- Individuals who retired post July 1, 2013, will not receive an increase;
- No annual increase on July 1, 2013,
    - One-time bonus of $1,500 which is not added to the base salary. As of March 31, 2015, there were 39 employees eligible to receive the bonus;
- Average annual increase between July 1, 2013 and June 30, 2017 is 1.4%;
    - Total increase over four years is 5.50%,
    - 2% salary increase as of July 1, 2014,
    - Annual 1.75% salary increases on July 1, 2016 and 2017;
- Significant changes:
    - Those hired after May 21, 2015, are required to be employed for a minimum of 15 years to be eligible for retiree health insurance. The previous requirement was 10 years;
    - New hires are required to contribute at a higher rate during retirement – active rate plus an additional 70% at 15 years of service and 50% at 20 years of service;
    - New hires are not eligible to receive 105(h) plan;
    - New hires have a new prescription co-pay plan rate of $10/$20/$50;
    - Eligible employees will be reimbursed up to $260/annually for the purchase of protective and foul weather gear;
    - Auto allowance rate is adjusted to a flat $18/day for those employees that are requires to use their personal vehicle for BURA business.
- Health Insurance – Active employees:
    - All employees have a choice between POS 204 or POS 204 Plus plans offered through Blue Cross/Blue Shield. All employees are required to contribute towards the premium,
- Employees hired prior to January 1, 2011:
    - 105(h) plan is available and is calculated as 50% of the difference between the POS 201 and POS 204 plans,
    - Current employees contribute towards the cost of health insurance: 15% for family and 20% for single coverage,
- Employees hired on or after January 1, 2011, but before May 28, 2015:
    - 105(h) plan is available and is calculated as 50% of the difference between the POS 201 and POS 204 plans,
    - All employees contribute 25% of the premium's cost for single coverage and 20% for family coverage,
- Employees hired on or after May 28, 2015:
    - All employees contribute 25% of the premium's cost for single coverage and 20% for family coverage,
    - Increase in pharmacy co-pays,
    - 105(h) plan is not offered,
- Health insurance for retirees:
    - Contribution rates of active employees at retirement hired prior to January 1, 2011:
        - 20 years of service or more: contribute 15% for family coverage or 20% for single,
        - 15 to 20 years of service: 25% for family and 30% for single,
        - 10 to 15 years of service: 35% for family and 40% for single,
        - No coverage at retirement with less than 10 years of service,

    - Contribution rates of active employees at retirement hired between January 1, 2011 and May 28, 2015:
        - 20 years of service of more: 40% for family and 45% for single,
        - 15 to 20 years of service: 55% for family and 60% for single,
        - 10 to 15 years of service: 75% for family and 80% for single,
        - No coverage at retirement with less than 10 years of service,
    - Contribution rates of active employees hired after May 28, 2015:
        - 20 years of service: 70% for family and 75% for single,
        - 15 to 20 years of service: 90% for family and 95% for single,
        - No coverage at retirement with less than 15 years of service.

The financial impact is a total increased net cost of $738,000; total costs increase by $745,853 and are offset by estimated savings of $7,416.

Secretary Pro Tem Floss stated that it appeared that the family and single coverages are backwards. Family coverage should be the higher percentage of insurance premiums.

- Recommendations and Conclusions:
    - The one-time payment will be paid from various prior year entitlement grants,
    - Cost increases for the current fiscal year will be funded through available entitlement grants, program income, and the JAG and BOA grants,
    - Out-year costs will be funded through entitlement grants, program income, and other grants,
    - The estimated increases are within the established administrative cap restrictions,
    - This MOA places additional pressure on BURA's already stressed budget over the course of the Financial Plan due to the decreasing federal revenue estimates and increasing health insurance costs,
    - BURA will not participate in the City's self-insured medical insurance program,
    - No retiree healthcare for new hires for those with less than 15 years of services. However, the savings will not materialize for many years.

Ms. Mongold-Robe stated that BURA obtains grant funding and is limited to spending that funding during that particular grant year.

Mr. Link advised that BURA monitors and tracks their spending monthly to ensure they are staying within their administrative cap.

Director Mesiah asked if BURA is able to join in health insurance pools with other organizations their size to try to negotiate fees in order to keep the costs of health insurance down. Ms. Mongold-Robe advised that BURA was included with the City's plan but were scoped out a few years ago. Recently their health insurance consultant ran the numbers to determine if BURA would benefit from self-insurance. Due to several high cost members, it was deemed self-insurance would not be financially beneficial for BURA.

Chair Pro Tem Jurasek advised that self-insurance works when everyone is healthy within the pool but when there are catastrophic claims inside of a small pool the costs can be too much.

Secretary Pro Tem Floss stated his concern for the new hires having such a heavy lift with this new contract and to ensure that people are taken care of.

Chair Pro Tem Jurasek asked Ms. Mongold-Robe if this contract was currently binding. Ms. Mongold-Robe advised that the union has already ratified the contract, and that it is on the agenda of the BURA Board of Directors on May 28, 2015. The contract will not come back before the BFSA unless there are significant changes made to it.

Privilege of the Floor

Chair Pro Tem Jurasek extended the Privilege of the Floor to any attending member of the public who wished to comment on any of the actions taken by the BFSA Board at the meeting. Hearing none, he requested a motion to adjourn.

Adjournment

Director Mesiah made the motion to adjourn the meeting.

Secretary Pro Tem Floss seconded the motion.

The Board voted 5-0 to adjourn the meeting. The meeting adjourned at 4:14 PM.