

BUFFALO FISCAL STABILITY AUTHORITY
Audit, Finance and Budget Committee Meeting Minutes
September 21, 2016

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 Wednesday, September 21, 2016, in the first floor conference room of the Buffalo Market Arcade Complex. The meeting was called to order at 12:36 PM.

Committee Members Present

Committee Chair Pro Tem Frederick G. Floss
Director Frank B. Mesiah

Additional Directors Present

Secretary George K. Arthur
Interim Vice-Chair Richard T. Jurasek
Director Dottie Gallagher-Cohen

Committee Member Excused

Chair R. Nils Olsen

Staff Present

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

Additionally Present

Sarah Dayton, Lumsden & McCormick

Opening Remarks

Committee Chair Pro Tem Fredrick G. Floss acted as the meeting’s proctor in the excused absence of Committee Chair Olsen. He welcomed the attendees to the Audit, Finance and Budget Committee meeting.

Committee Chair Pro Tem Floss conveyed that the meeting’s agenda included the following:

- A review of BFSA’s audited financial statements to be presented by the independent auditors from Lumsden & McCormick;
- A review of the BFSA’s 2016 Annual Report and Investment Report: the Committee will consider sending both items to the full Board with recommendations for approval;
- A review of the Internal Controls Report as presented by Mr. Bryce Link, BFSA Internal Controls Officer;
- A one-year contract extension with Public Financial Management (“PFM”), BFSA’s financial advisors.

Roll Call

Chair Pro Tem Floss called a roll of the members, and finding a quorum present, the meeting commenced.

Approval of Minutes

Committee Chair Pro Tem Frederick G. Floss introduced Committee Resolution No. 16-05: "Approval of June 21, 2016, Meeting Minutes," and asked for a motion to approve the minutes.

Director Mesiah offered a motion to approve the resolution.

Committee Chair Pro Tem Floss seconded the motion.

The Committee voted 2-0 to approve Committee Resolution No. 16-05.

Presentation of BFSA's Fiscal Year 2016 Independent Auditors' Report by Lumsden McCormick, LLP

Committee Chair Pro Tem Floss noted the receipt of the independent audit of the BFSA for the fiscal year ended June 30, 2016 and stated the draft financial statements had been provided to the Committee members for review. Upon full Board approval they will be issued in "final form". Ms. Sarah Dayton was then given the floor to present the audit findings.

Ms. Dayton stated the audit went very well and there were no surprises or issues to be reported. BFSA was granted an unmodified opinion, which is a clean opinion on the financial statements.

Ms. Dayton explained all fluctuations in the financial statements with respect to changes in reporting requirements for pension contributions for retirement as well as the BFSA 2016 bond refunding. The net present value savings in regards to the refunding was \$1.35 million.

Director Floss inquired about sales tax collections and what has BFSA seen in regards to collections for the past year. Executive Director Robe commented that BFSA does track it closely, and is quite familiar with the nuances that would impact sales tax collection in Erie County, including decrease in price of gas/fuel and the fluctuation in the Canadian exchange rate. Buffalo and Erie County as a whole are not seeing as dramatic of a decrease as the rest of the State, since they area did not experience a surge in sales tax collections like other areas of New York State, but more a steady, gradual increase.

Committee Chair Pro Tem Floss thanked Ms. Dayton for her presentation and requested a motion to accept the audit and its findings and recommended that it be accepted and approved by the full Board.

Director Mesiah made the motion.

Committee Chair Pro Tem Floss seconded the motion.

The Committee voted 2-0 to accept the audit and its findings and recommended that it be accepted and approved by the full Board.

BFSA Annual Report

Committee Chair Pro Tem advanced the agenda to the review of the BFSA Annual Report to be presented by BFSA Executive Director Ms. Jeanette M. Robe.

Ms. Robe gave an overview of the components of the BFSA Annual Report which aligns with the requirements of New York State Public Authorities Law. The Annual Report is required to be submitted to New York State by September 30th. The three main sections of the report are:

- I. Organizational:
 - Information on Board members and staff;
 - Background information on BFSA;
 - Mission Statement, general governance and administration information.

- II. Accomplishments:
 - Discussion on progress towards fiscal stability;
 - Discussion on the significance of the multi-year financial plans by the City of Buffalo (the “City”) and the covered organizations with focus on the Buffalo City School District (the “BCSD”) and the Buffalo Municipal Housing Authority (the “BMHA”);
 - Monitoring of workforce trends;
 - Cumulative financial impact schedule which indicates the total impact of the BFSA as of June 30, 2016 of \$455.2 million. Of this amount, the estimated impact from the wage freeze is \$72 million to the City and \$166.5 million to the District. Additionally, savings related to the issuance of debt have been approximately \$10 million.

- III. A compilation of BFSA reports on the fiscal year (“FY”) 2016-17 and FY 2017-2020 financial plan of the City and covered organizations.

Ms. Robe stated the annual report will be filed with the New York State (“NYS”) Comptroller, other NYS officials as required by law, as well as posted on the BFSA website.

Interim Vice-Chair Jurasek asked if the BFSA reports are made available to all Council Members and if that is something required by the BFSA statute. Ms. Robe advised that copies are provided as a courtesy.

BFSA Investment Report

Ms. Robe stated the investment report is not required to be reviewed by the full board but it is required to be filed with the Audit, Finance and Budget Committee.

Ms. Robe reported one change in the past year with respect to the review of collateral. Collateral review is now done on a monthly basis as opposed to a weekly basis with First Niagara Bank.

First Niagara is in the process of being transferred to Key Bank and BFSA staff will monitor the conversion.

Committee Chair Pro Tem Floss advised that a motion would be requested to allow the Chair, Executive Director and Comptroller to make any necessary changes to the annual report subsequent to the discussion with BMHA later.

Ms. Robe stated that as of June 6, 2016, investments were \$8.75 million and all investments matured no later than September 1, 2016. Total investment earnings for the year were \$331,000 resulting from the forward delivery agreements.

Trustee fees were reported as \$5,000 one-time fee to set up the accounts for the 2015 refunding through Bank of New York. Total trustee fees paid to the trustee for 2016 were \$10,716.

Director Gallagher-Cohen entered the meeting at 12:50PM.

Director Mesiah made a motion to accept the annual report in its entirety and delegate authority to the BFSA Chair, Interim Vice-Chair, Executive Director, and Comptroller to make any necessary changes that may be required for its accurate completion.

Committee Chair Pro Tem Floss seconded the motion.

The Committee voted 2-0 to accept the annual report in its entirety and delegate authority to the Chair, Interim Vice-Chair, Executive Director, and Comptroller to make any necessary changes that may be required for its accurate completion.

Internal Controls Report

Chair Pro Tem Floss advanced the agenda to receive the internal controls report by Mr. Bryce Link.

Mr. Link thanked the Board for the opportunity to present the results of the internal controls testing. The area of focus was revenue recognition, recording and transfers process which is the process in place for the BFSA to receive aid/revenue for the City which include three Aid and Incentives to Municipalities (“AIM”) payments, sales tax transfers that occur twice per month, review of interest earned from AIM funds and debt service set-asides. There is sufficient oversight occurring on all transactions and an adequate segregation of duties. The Comptroller is the initiator of the transactions and prepared the required letters, emails and schedules for the Executive Director and Treasurer.

Mr. Link also ensured the following BFSA materials are available to the public on the BFSA website.

- Code of Ethics
- BFSA Investment Guidelines
- BFSA Mission Statement

There were no material findings.

Ms. Donna Estrich entered the meeting at 12:55PM.

Chair Pro Tem Floss thanked Mr. Link for his presentation and hearing no questions advanced the agenda.

PFM Financial Advisors

Chair Pro Tem Floss introduced Committee Resolution No. 16-06, “Approve Engagement of Public Financial Management as Financial Advisors.”

Public Financial Management (“PFM”) served as the financial advisor for the BFSA’s period of issuing debt on behalf of the City and retains the historical knowledge related to these complex transactions. PFM also served as the BFSA financial advisor with respect to the 2015 bond refunding. This engagement would serve for one year, October 1, 2016 through September 30, 2017 and would extend the terms of the original contract from 2004.

Director Mesiah made a motion to approve Committee Resolution No. 16-06.

Chair Pro Tem Floss seconded the motion.

The Committee voted 2-0 to approve Committee Resolution No. 16-06.

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 12:57 PM.