

BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
March 9, 2016

The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the “BFSA”) held on Wednesday, March 9, 2016, in the first floor conference room of the Buffalo Market Arcade Complex. The meeting was called to order at 1:07 PM.

Board Members Present

Chair R. Nils Olsen
Mayor Byron W. Brown (proxy Estrich)
Director Frederick G. Floss
Director Dorothy Gallagher-Cohen
Director Frank B. Mesiah
County Executive Mark C. Poloncarz (proxy Federick)

Board Member(s) Excused

Interim Vice Chair Richard T. Jurasek
Secretary George K. Arthur

Staff Present

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

Additionally Present

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

Opening Remarks

Chair Olsen welcomed and thanked everyone for attending. He announced the meeting’s agenda.

Executive Director Jeanette Robe noted that the previously scheduled Governance Committee for March 9, 2016 had been canceled.

Chair Olsen advised that the Audit, Finance and Budget Committee met earlier in the day and authorized the posting of BFSA’s fiscal year (“FY”) 2016-2017 preliminary budget and four-year financial plan as prepared by BFSA staff, commencing the public comment period. Any additional comments by Directors should be forwarded to Ms. Robe who will circulate updated versions of the budget as necessary. Approval of the budget will be required at the June Board meeting.

Roll Call of Directors

Chair Olsen deferred to Director Floss to call the roll of the members. Finding a quorum present, the meeting commenced.

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

Erie County Senior Economic Development Specialist, Mr. Andrew Federick, 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 Authority and to vote or otherwise act in his or her behalf. Such designees shall be residents of the City of Buffalo. Written notice of such designation shall be furnished prior to any participation by the signal designee...."

Approval of Minutes

Chair Olsen introduced Resolution 16-01, "Approving the Minutes and Resolutions from December 9, 2015."

Director Mesiah made a motion to approve Resolution No. 16-01.

Director Floss seconded the motion.

The Board voted 6-0 to approve Resolution No. 16-01.

City of Buffalo

Review of 2015 Audited Financial Statements

Chair Olsen advanced the agenda to the next item for consideration: a review of the City of Buffalo's (the "City's") fiscal year ("FY") 2014-15 audited financial statements to be presented by Principal Analyst Bryce E. Link.

Mr. Link addressed the Board and provided the following information. The adopted budget had projected a deficit of \$27.5M with a planned use of fund balance to fund the deficit. The deficit was increased to \$32.2M in the Modified Budget. A portion of the increase was due to the Fire Department labor agreement which was finalized during the summer of 2015. There were increases in the cost of overtime for the City due to the 2014 winter storm. The City received full Federal Emergency Management Agency and New York State Emergency Management Association reimbursement for the expenditures associated with the storm.

Actual revenues were \$485.2 M while expenditures were \$480.3M, leaving a positive operating surplus of \$4.9M. Therefore, revenues were \$8.2M over the adopted budget and expenditures were under budget by \$28.9M.

Between FY 2014 and FY 2015, there was an operating revenue increase of \$18.4M and a decrease in other financing sources of \$1.0M; total revenues increased \$17.4M.

Director Gallagher-Cohen asked for clarification on the driving force of the \$18.4M revenue increase. Mr. Link explained that \$24.7M in miscellaneous receipts were accrued in past years

as an estimate for the Buffalo Professional Firefighters' Association collective bargaining agreement. Once the contract was settled, the remaining amount was returned to the City as excess resources. It is not a recurring revenue source.

The year-to-year \$5.4M decrease in expenditures is being driven by a reduction of the pension costs; the contribution rate is established by the New York State Comptroller's Office.

The \$18.4M increase in revenues was explained as follows:

- Miscellaneous revenue was recorded in the amount of \$27.5M
 - Return of funds accrued in prior years for collective bargaining in the amount of \$24.7M. This was a one-time accounting adjustment and does not represent an increase in dollars but did return the funds to fund balance (Unassigned)
 - Increase in sale of property/land \$1.7M
 - Increase in various miscellaneous revenues \$1.1M

Director Floss questioned if the property/land revenue increase was due to an increase in the number of sales or the value of the properties. Mr. Link stated there was an increase in the number of parcels sold. Ms. Estrich stated there was an increase in the number of In Rem properties struck to the City at the conclusion of the auction.

Mr. Link continued his presentation as follows:

- Property taxes increased \$1.8M
 - Increase in the collection rate of the property tax levy
 - Increase in PILOT payments which were budgeted lower than expected

Chair Olsen stated the Medical Campus should be making a PILOT payment to the City.

Mr. Link continued his presentation as follows:

- Restricted State Aid and Incentives to Municipalities ("AIM") decreased by \$9.8M
 - Monies held by the BFSA
 - Increase use in 2014 of \$9.8M
 - Revenue has been exhausted and is unavailable in future years
- Non-property tax decreased by \$1.8M
 - In 2014 the City received several years' worth of foreign fire tax
- All other revenue actions net increase of \$700,000

Annual New York State Aid and Incentives to Municipalities is the single largest revenue source that the City receives and is used for general operations. This amount has remained flat, at \$161,285,233, since FY 2011-12 and is reflected at this same level in the Governor's Executive Budget and New York State's Financial Plan as well.

Over the last eleven years sales tax has increased by \$20.0M. There was a 5% increase last year due to a BFSA bond having been paid off during the 2013-14 FY.

Director Gallagher-Cohen questioned the forecast for sales tax during FY 2015-16. Ms. Estrich responded that the expectation is for collections to be held flat. Director Gallagher-Cohen replied that was an aggressively optimistic forecast.

The total tax levy was split between the City and the District, with the City receiving \$66.9M and the District receiving \$70.3M. The amount remitted to the District has been held flat by the City Administration since FY 2007-08, whereas the portion remitted to the City has decreased over the years in order to decrease the City-wide property tax levy. There has been a decrease of 6%, or \$9.1M, over the past ten years.

Director Gallagher-Cohen indicated her desire to view the data adjusted in net present value. Mr. Link stated that BFSAs staff will incorporate the requested information into future presentations.

Total expenditures have increased over the past eleven years by \$100.2M. However, there was a \$6.9M decrease from FY 2013-14 to FY 2014-15 which breakdown as follows:

- Operational expenditures decrease \$5.4M
 - Fringe benefits decrease \$6.9M
 - Miscellaneous/other decreased by \$3.4M
 - Fire and Police salary increased \$3.7M
 - Increased capital outlay for City Court upgrades \$1.1M
 - Net all other increases \$0.1M
- Interfund transfers out, which were debt service related, decreased \$1.5M

Chair Olsen questioned if the health insurance included payments made for retirees. Mr. Link confirmed this. Chair Olsen underscored the importance of the City's most recent contracts including employee contributions.

Mr. Link continued his presentation as follows:

Health insurance costs continue to grow but at a slower rate than previously seen. Total health insurance payments for FY 2015 were \$42.1M for retiree payments and \$28.8M for active employees, an increase of \$1.1M over the previous year.

Chair Olsen questioned if the City was self-funded. Ms. Estrich stated the City was self-funded effective January 1, 2016 for all employees and savings are expected.

Director Floss requested the BFSAs staff begin to use forecasting reports for future board meetings in order for the Board to have a clearer picture of future possibilities. Director Mesiah and Chair Olsen agreed with the request.

Director Gallagher-Cohen added that the administrative costs of the self-insurance should also be noted in addition to the net savings.

Pension costs over the past eight years have increased \$11.8M for Police and Fire, and the New York State Employee Retirement System expenditure has increased \$6.2M over the same time period. Total pension payments were \$39.7M; there was a decrease of \$6.9M over the past year driven by the decrease in the Police and Fire retirement system contribution.

In FY 2011, FY 2012 and FY 2014 expenditures exceeded revenues. There were one-time miscellaneous receipts in FY 2013 and FY 2015 from nonrecurring resources. Director Floss questioned if the receipts received were based on a timing issue. Mr. Link explained the City settled a labor agreement and once the prior years' outstanding retroactive pay was paid, the difference was returned to fund balance as miscellaneous revenue. Director Floss stated during the recession of 2008 through 2010 it was expected that government agencies would spend more in order to "jump start" the economy.

Chair Olsen commended the City and Ms. Estrich for doing such a good job on the budget. Ms. Robe stated the BFSAs staff generally looks at a four-year snapshot because the amounts justifiably vary from year-to-year.

Ms. Estrich reminded attendees that the City settled the Buffalo Police Benevolent Association's labor agreement in FY 2014-15. A large savings will be seen going forward.

Total fund balance increased \$4.8M over FY 2013-14. The increase in fund balance is attributed to the excess resources from prior year accrual for police labor settlement.

Total Assigned and Unassigned fund balance totaled \$78.4M, or 16.3%, of total expenditures. The recommendation for a government the size of Buffalo is Unassigned fund balance of 5-10% of expenditures in order to maintain a healthy reserve. Unassigned fund balance of \$43.4M is available for future budgeting. Total fund balance increased by \$115.2M from FY 2002-03 to FY 2014-15. The Rainy Day Fund was \$37.2M. The Rainy Day Fund sets aside monies for thirty days' worth of expenditures for emergencies. The fund has not been used since it was created and it is viewed favorably by rating agencies as another layer of insurance for the City.

Other Postemployment Benefits ("OPEB") as of June 30, 2015 was estimated at \$1.4B, a 51% increase since FY 2006-07. The assumed mortality rate was adjusted downward and certain labor contracts beginning in FY 2008-09 have required employees to contribute to health insurance at retirement. The out-year OPEB costs will begin to decrease with more contracts requiring employees to pay for their health insurance after they retire. The accrued liability per city household is \$12,749.

Director Mesiah asked how the average liability for the City household was determined. Mr. Link stated he used the number of households provided by the City Comptroller's Office as obtained from the statistical section of the annual financial report. Director Mesiah questioned how the number of households without income are factored into the equation. It was noted the calculation did not take affordability into consideration; the amount was provided for discussion purposes.

Director Mesiah stated that research has shown black and latino unemployment is double the rate of their white counterparts. He questioned how the average could be spread evenly across the City.

Director Gallagher-Cohen emphasized that the figures are to show the average of the liability not the reality of how it will be paid and noted that the OPEB liability is decreasing.

Chair Olsen stated the higher income earners and property owners are paying higher than the average cost per household. Ms. Robe stated this information underscores the importance of the City continuing to pursue collective bargaining agreements which address the insurance costs. Director Floss stated the BFSA is not attempting to establish an affordability per household.

Mr. Link presented information about the historical legal tax margin. When the BFSA was created, the margin was at a low \$12.4M at the end of FY 2003-04 and has since increased to \$43M at the end of FY 2015, a 247% increase.

Director Gallagher-Cohen asked for an explanation of legal tax margin. Mr. Link gave an overview of the mathematics. Ms. Estrich advised there is a state maximum tax that could be charged. Chair Olsen stated the City was virtually at their limit in FY 2003-04 and has turned around the margin due to the remarkable budgeting as well as keeping the tax rate constant.

The annual taxable assessed valuation has increased by 20.3% since FY 2004 ended. The Solid Waste Fund continues to operate at a loss.

Chair Olsen commended the City's Administration on lowering the deficit without raising fees or the tax rate. Ms. Estrich stated a new contract was recently negotiated for the City's Transfer Station and savings of over \$1M are projected. In addition to the subsidy from the City, the general fund is held legally responsible for the payment of the cash deficit as it accumulates. The City has \$17.4M in fund balance set aside for the Solid Waste and Recycling Fund's debt. The revenue generated by this fund is from the user fee and 'pick and pay' costs.

Director Gallagher-Cohen asked what the successful number would look like with respect to this fund. Ms. Estrich stated success would be for the Enterprise Fund to equal zero at the end of the fiscal year. The rates charged by other cities are much higher and Buffalo has not raised their rates for a number of years.

Chair Olsen indicated support for the subsidy of this fund in order to keep the user fee low. Director Mesiah asked if a non-profit has to pay the user fee as well. Ms. Estrich stated everyone is required to pay unless they can prove they use a private contractor for recycling and trash. Transfers from the General Fund for 2014-15 were \$3.1M; the final 2014-15 deficit totaled \$2.5M.

Unsettled Labor Agreements

The City has the following unsettled labor agreements:

- Blue Collar – 522 fulltime equivalent employees (“FTEs”), expired June 30, 2011
- Building Inspectors – 54 FTEs, expired June 30, 2012
- Crossing Guards – 115 FTEs, expired August 31, 2015
- Operating Engineers – 20 FTEs, expired June 30, 2013

Chair Olsen stated the number of settled contracts has helped to stabilize the budget and shows that it possible to negotiate appropriately structured contracts.

Review of 2016 Final Capital Budget and Proposed Financing

Chair Olsen advanced the agenda to review the Adopted 2016 Capital Budget. Ms. Robe presented this item.

Ms. Robe stated Common Council approved the Adopted 2016 Capital Budget for \$28.6M. This reflects a \$1.8M decrease from what the Mayor requested and the BFSA reviewed at the December 9, 2015 Board meeting. The decrease was a result of the capital budgets for the past few years exceeding the amount that the bonds could be issued for. The amount has accumulated and therefore the final budget was decreased to finance some projects that were approved in past years. Of the \$1.8M decrease, \$1.3M was deducted from street vehicles leaving that budget line at \$0; \$500,000 was taken from the general category of City-wide infrastructure. There is still \$6.6M remaining in the budget for City-wide infrastructure.

Ms. Robe stated the City borrowing is in process and staff are unable to report on the details at this time. However, once information is received from the City, the document will be received and filed. The City bond sale is scheduled to close at the end of April to coincide with the construction season. There are two proposed components to the borrowings consisting of a refunding bond in the approximate amount of \$24.9 million and a proposed new money bond of approximately \$27.8M which includes projects approved in 2014 for \$400k, projects approved in 2015 for \$6.7M, and \$16.3M of the 2016 approved projects. In total \$20.6 million will be borrowed for 2016 projects including \$4.3 million for projects through the Parking Enterprise fund which will use parking revenue to pay for the bonds. Due to the inclusion of a refunding bond for a portion of the City's outstanding debt of \$24.9M, it will be a negotiated sale as opposed to a competitive sale.

Chair Olsen questioned if the BFSA will look at the difference in cost if the BFSA borrowed on behalf of the City. Ms. Robe advised that a cost analysis will be performed by the financial advisors as soon as enough information is obtained from the City. Financing is being performed in compliance with the City Comptroller's annual debt limitations. The City will pay off more debt than what they issue annually. After bonds are sold, there will be \$18.3M in projects that are approved but not financed; said projects may be financed in the future or the Common Council may vote to cancel the projects.

The Buffalo City School District (the "BCSD" or the "District") will not be issuing debt as they still have refunding savings from the Joint Schools Construction Board project debt that they use for their project needs.

BFSA's ratings are inherently higher. Since the Board went into an advisory status on July 1, 2012, there have been two bond issues in FY 2013-14 and FY 2014-15. An analysis was completed by BFSA's financial advisors and the potential savings at actual value were:

- 2014 estimated at \$503,850 (\$55,983 annual)
- 2015 estimated at \$431,375 (\$39,485 annual)
- Cumulative (before 2016) \$935,225 (\$95,468 annual)

Present value calculations would reduce the amounts by \$20K-\$30K.

Chair Olsen questioned if there are ongoing talks with the City Comptroller about the potential savings of BFSA issuing debt on behalf of the City. Ms. Robe responded in the negative.

Director Floss suggested that the debt may be split into different pots so the City can realize some savings. Ms. Robe stated that the analysis will be completed by the next BFSA Board meeting in May.

Governor's Proposed Budget

City of Buffalo

Hearing no other comments, Chair Olsen advanced to the next item on the agenda: the Governor's proposed budget for FY 2016-17. He asked for Mr. Link to explain the impact on the City and Senior Analyst/Manager of Technology Nathan D. Miller to present on the impact to the BCSD.

Mr. Link stated the proposed Executive Budget is similar to last year's budget in that it incentivizes local governments to share and consolidate services by offering competitive grants. For the fifth year in a row, there is no additional operating aid provided to the City.

Ms. Estrich advised that the City is considering other items for additional funding as opposed to the shared services grants. The other grants include the Downtown Revitalization Initiative: \$100M to fund "transformative" housing, economic development, transportation, and community projects designed to attract and retain residents, visitors and business.

Chair Olsen stated the importance of retention as opposed to the gentrification of the different parts of the City.

Mr. Link continued his presentation as follows:

- Municipal Consolidation Competition: \$20M consolidation competition designed to empower counties and other local governments to pursue opportunities for consolidations, shared services and other changes that permanently reduce the property tax burden.

Mr. Link stated municipalities will receive these funds when they hit the benchmarks for the competitions.

- Empire Poverty Initiative: \$25M in new funding to expand the anti-poverty initiative that started in 2015. Planning grants up to \$5M will be available to targeted communities, Buffalo was identified as one of the ten, with high concentrations of poverty. An additional \$20M will be available for grants to match private sector and foundation funding.

Chair Olsen asked if this option is available for the BCSD as well as the City. Mr. Link stated this initiative would have to be applied for through the City.

Director Mesiah stated the Buffalo/Niagara region is the sixth most segregated area in the United States. African-Americans and Latinos have the highest unemployment rate which is in direct

correlation with the limited transportation system and the number of available area employment opportunities.

Director Gallagher-Cohen agreed with Director Mesiah that there is a major disconnect with transportation and the education level required for employment. There are two efforts underway to fix the system, one by The Buffalo-Niagara Partnership called The Regional Workforce Coalition, and The Community Foundation's Economic Roundtable which focuses on racial equity. The two initiatives are working hand-in-hand to help eradicate the high rate of poverty and achieve the economic potential that is possible in Western New York. This may be the most significant issue for the community at this time. Since 1950, the amount of developed land has doubled but the population has remained the same. Therefore, the infrastructure expense has doubled which is being carried by the same tax base.

Chair Olsen stated that the heart of the problem has been the failure of the educational system, the lack of access to technology, affordable housing as opposed to more lofts, condos and medical buildings and those issues are like a weight holding back real progress. Director Gallagher-Cohen agreed with Chair Olsen and commended Say Yes for their efforts and systemic approach to lasting change within the school system.

Chair Olsen stated that Buffalo has a generation of African Americans that have been failed by the public school system. Enough isn't being done to address the deficit that the failure of the public school system has caused. There is a huge segregation problem in the City and the hopes that were present with school desegregation and magnet schools helped to gentrify the City by providing excellent education for some and failing education for others.

Director Mesiah stated there is no system in place to address all of the moving parts that overlap and affect each other in improving the system.

Director Gallagher-Cohen mentioned she respects the work Dr. Cash is doing to bring the Buffalo Board of Education together and focus on the children. She feels more optimistic about the schools than she has in a long time.

Chair Olsen added that until there is a collective bargaining agreement with the teachers all the planning is for naught. If the teachers are not integrated into the plan it will not succeed. There has to be more mutual respect on the School Board which has been an impediment to resolving the real issues. Until the School Board can act harmoniously for a longer period of time it will be very difficult to move forward and even then, it will be extremely difficult to come to an agreement with the teachers and administrators because the prospective costs of the agreement may be greater than any benefit that is obtained from minimal wage increases.

Director Gallagher-Cohen highlighted Dr. Cash's nine-point plan was approved by the School Board 9-0 and views that as a success. Director Floss stated an invitation should be extended to Dr. Cash to meet with the BFSA Board soon.

Mr. Link proceeded with his presentation on another possible financial gain for the City.

- Real Property Tax Credit: available to all STAR eligible homeowners with incomes below \$275,000 who live in school districts that comply with the property tax cap. Beginning in 2017 the program will provide property tax relief based on a percentage of a homeowner's STAR benefit, with lower incomes receiving a higher percentage.

Director Floss stated this would help Buffalo in that taxes have not been raised and therefore we are under the property tax cap.

Mr. Link stated State AIM is held flat at \$161.3M through the proposed five-year financial plan. Ms. Estrich stated the City's budget is based on the assumption that State AIM will not increase.

Chair Olsen thanked Mr. Link for his presentation and advanced to the next agenda item: a presentation by Mr. Nathan Miller on the impact of the New York State proposed budget on the BCSD.

Buffalo City School District

Mr. Miller addressed the Board and provided the following summary of the Governor's FY 2016-17 Executive Budget.

All formula-based aids are proposed at their legislative minimums with the exception of the Gap Elimination Adjustment which is proposed to be reduced as year one of a two-year phase-out. An additional State-wide \$100M has been proposed by the Governor for a community school initiative, of which \$75M is for high-needs districts such as the BCSD. The District would receive \$12.5M under this proposal. The purpose would be to provide community school coordinators, before and after-school mentoring services, summer learning activities, and other strategies to maximize student achievement. Overall, state aid would increase 4.3%, or \$991M, over the current fiscal year ("CFY") projection. Buffalo would receive an increase of \$20M, or close to 3.0%.

The new initiatives would provide an additional \$28M in competitive grants as follows:

- Empire State Prekindergarten Program for 3 year olds: \$22.0M which would expand half day and full day pre-k in high-needs districts;
- Early College High Schools: \$4.0M to expand early college high schools & CTE programs;
- QUALITYstarsNY: \$2.0M for a software program to rate the public school programs.

Payments to Charter Schools would increase by \$150 per pupil State-wide. The payment increases are entirely reimbursed in the next FY via Supplemental Charter School Tuition Reimbursement Aid. The current financial plan projects the payment to be \$108.6M.

Chair Olsen thanked Mr. Miller for his presentation.

BMHA
2nd Quarter Report

Chair Olsen advanced to the next item on the agenda, the Buffalo Municipal Housing Authority (“BMHA”) second quarter report.

Ms. Robe presented on BMHA’s 2nd Quarter Report. The BMHA reported a net income of \$1.8M on a modified cash basis as of December 31, 2015, with a net income after Debt Service of \$1.2M as compared to a net loss last year of \$826,500 for the same time period.

Revenues:

- In total revenues are exceeding the budget by approximate \$500,000. This is due to the HUD subsidy (41% of budgeted revenue) which exceeded the budget by \$529,300 (6.0%), which is an increase of \$583,800 over the same period last year. The HUD subsidy is calendar year based and the 2016 rate had not been released.

Expenses:

- In total expenses are under budget by \$366,000; of that, \$88,000 are ordinary and routine expenses, \$278,000 outside of normal operating expenses.
 - Administrative Expenses – exceeded budget by \$378,600 (16.8%)
 - Salaries have exceeded the budget by \$316,600
 - Decrease compared to prior year of \$365,800

Ms. Robe stated BFSAs staff anticipated the salaries could be a budgetary issue. Director Gallagher-Cohen asked for clarification as she was not a member of the BFSAs Board when the budget had been reviewed. Ms. Robe explained the BMHA budget was examined in May 2015 and a disconnect was noted between the number of positions with respect to the salaries indicated. The projected budgetary positions were reduced and, after meeting with BMHA management, the BFSAs Board ultimately approved the plan even though the salary line exceed the plan by 20%. Chair Olsen stated the salary line has been a continual problem.

Director Gallagher-Cohen asked for clarification on what the driving factors are for that line, by either hiring more people or paying people more. Ms. Robe responded that the staffing plan was based on anticipated retirement rates for civil service positions which were not realized.

Ms. Robe continued her presentation as follows:

- Housing assistance payments which are remitted to BMHA and BMHA remits the payments directly to landlords are under budget by \$239,000.
- Maintenance Expenses – exceeded budget by \$670,700 (19.3%)
 - Salaries have exceeded budget by \$416,900 (30.05)
 - Unit turnaround costs have exceeded budget by \$145,000 (58.1%)

Although these two buckets have exceeded the budgeted amount, they are decreasing on a year-to-year basis while working with a fewer number of people.

- Utility Expenses are below budget by \$1.23M (34.3%)
 - As a result of a mild winter
 - Lower than prior year by \$752,000 (24.1%)

- Manpower Status – filled positions of 171 compare favorable to budgeted positions of 182.
 - As of December 31, 2015 there was a vacancy pf 11, or 6.0%
 - Lower than Second Quarter 2015 by 29 positions or 14.5%
- Independent Audit is still in progress. The deadline is March 31, 2016.

Conclusion:

- BMHA successful in reducing overall costs
- At the time the Q2 report was submitted BMHA was considering a 2016 budget modification
 - Since then a budget modification has been provided
- Salary costs are exceeding budget

BMHA Budget Modification

The budget modification calls for an almost \$1.0M increase to revenue and \$2.0M increase to expenses and therefore a net negative impact to BMHA. Administration is projected to be under budget by the end of the fiscal year by \$60,000 due to the salaries becoming more manageable and the offset of the asset management fee. Budgetary positive position of \$85,000 for resident services is estimated. Utilities are expected to have a budgetary positive of \$173,000 and maintenance is being increased by 25% or \$1.8M. Total general expenses will be increased 5% or \$622M.

Director Gallagher-Cohen noted the garbage and workers' compensation projected a \$500k unfavorable budgetary variance. Ms. Robe stated the BMHA recently negotiated a new garbage contract and was not as beneficial as expected. Ms. Robe deferred to BMHA Deputy Director Modesto Candelario to provide further detail. Mr. Candelario explained that the workers' compensation has been affected by the large number of claims and therefore had doubled. Director Gallagher-Cohen stated New York has the fourth highest workers' compensation costs in the country. Mr. Candelario stated the garbage was put out for bid so there is a combination of BMHA workforce and the contract for removal which will have a positive impact in the long run as it will reduce overtime on garbage collection.

Chair Olsen asked if the BMHA vacancy rate was decreasing. Mr. Candelario advised that the number of available units is improving. Progress is being made for New York State to make resources available for federal public housing authorities.

Chair Olsen asked about progress with tenants at Marine Drive apartments. Mr. Candelario stated Marine Drive is a challenged development in that it is old and requires many improvements. It is one of the developments that will be focused on if additional monies are received from New York State. Chair Olsen commended Mr. Candelario for the improved work and increase monies being spent on the units.

BFSA Issues

Service-Disabled Veteran-Owned Business Goals Master Plan

Due to quorum concerns, the agenda was reordered to take a vote on two items: the Service-Disabled Veteran-Owned Business (“SDVOB”) Master Goal Plan and revised procurement guidelines.

Ms. Robe advised the SDVOB Master Goal Plan is a new legal requirement which requires a minimum goal procurement of 6% of discretionary funds and advised there is a Statewide list which is manually intensive to search. The BFSA’s available budget for goals is 6% of \$21,000. These procurements will be in addition to BFSA’s traditionally met MWBE goals.

Ms. Robe stated there is a significant change added to the BFSA procurement guidelines in addition to adding Article 17B for SDVOB, which is Article 8 discretionary buying thresholds which went into effect in 2014. The allowable provision provides for any public authority to enter into a contract up to \$200,000 without requiring competitive bidding if the monies are being spent with a qualified MWBE or SDVOB; the purpose is to allow public authorities more flexibility to meet the goals.

Hearing no questions or further discussion Chair Olsen asked for a motion to approve Resolution No. 16-02: “Approval of the 2016-17 Service-Disabled Veteran-Owned Business Enterprise Goal Plan,” and Resolution No. 16-03: “Approval of Procurement Guidelines.”

Director Gallagher-Cohen made the motion to approve.

Director Mesiah seconded the motion.

The Board voted 6-0 to approve Resolution No. 16-02 and 16-03.

Lack of Quorum

At this time, Director Floss departed at 2:30 and the County Executive’s proxy exited the proceedings at 3:05. The remaining members of the Board continued to publicly review the remaining agenda items.

City of Buffalo Second Quarter

Chair Olsen advanced to the next item on the agenda, City of Buffalo’s Second Quarter report to be presented by Ms. Robe.

The City has projected revenues of \$463.8M, projected expenditures of \$476.8M and a projected deficit use of fund balance of \$13.0M. Ms. Estrich stated \$15.0 of fund balance was previously budgeted. Sales tax is not looking good state-wide. Ms. Estrich reported that the fines for moving violations collected in February was at \$220,000 and the amount steadily increases every month.

The projected revenues of the adopted budget were \$476.5M and the total revised projected revenue is now \$463.8M.

The projected expenditures of the adopted budget were \$491.5M and the total revised projected revenue is now \$476.8M with fringe benefits being the driving factor of the projected decrease.

Chair Olsen asked for the projected overtime for the police and fire departments. Ms. Estrich stated the fire department was hugely over budget due to training of the most recent class. The overage is attributed to additional Emergency Medical Technician training (EMT) still occurring for the recent hires. This training is being conducted outside the normal academy process to accelerate the deployment of the new fire personnel to the field. Police was budgeted at \$9M but it may be closer to \$10M or \$11M but there are also personnel saving expected due to the vacancies which is offset by the recently negotiated salary increases. There will also be a new test for the police exam to be offered in June 2016.

BURA Second Quarter Report

Ms. Robe presented on BURA stating there has been no change in the entitlement funds awarded for program year 2015-16.

Tracey Cooley has been working closely with Mr. Link to provide a clearer idea of what has been spent to date and it appears that the agency is in compliance with the grants. Mr. Link noted that for the first time BURA was able to prepay the pension costs in December as opposed to February and in turn received a discount.

BCSD Second Quarter Report

Mr. Nathan Miller presented the District's FY 2015-16 second quarter update. The Adopted Budget included a \$8.4M operating deficit. When including the carryover encumbrances, the projected budgeted deficit is now \$11.1M.

Twenty-five District schools were designated as Receivership Schools. The Superintendent, Dr. Kriner Cash, is empowered to make operational changes including:

- Length of school day/year
- Reduce class size
- Require professional development
- Make changes to programs, assignments, teaching positions

Dr. Cash submitted a collective bargaining agreement for the five schools identified as Persistently Struggling by the New York State Education Department. Chair Olsen stated for the record that this is currently being litigated.

Revenues are projected to be unfavorable by \$3.4M at FYE due to fluctuations in varying state aids.

Expenditures are projected to be favorable by \$3.8 M at FYE as follows:

- Employee Compensation – projected to be unfavorable by \$0.8 million;
- Payments to Charter Schools – projected to be unfavorable by \$0.2 million;
- Employee Benefits – projected to be favorable by \$1.3 million;

- Transportation - – projected to be favorable by \$0.8 million; and
- All Other Expenditures - – projected to be favorable by \$2.7 million.

The District reached out to retired teachers and offered an incentive to forego their district health insurance for Medicare Advantage plans. As of January 31, 2016, 200 retired teachers were enrolled in Medicare Advantage that were not previously enrolled. This switch has allowed the District to project favorable budgetary variances within this expenditure.

Employee compensation showing an unfavorable variance in juxtaposition with employee benefits as teacher positions were added during the fiscal year.

Charter school payments are unfavorable due to actual enrollment versus projected enrollment. All other expenditures are showing a favorable variance of \$3.8M.

Chair Olsen thanked Mr. Miller for his presentation and stated an imposed collective bargaining agreement with teachers is disappointing and teachers should be able to provide their professional input.

Privilege of the Floor

Chair Olsen extended the Privilege of the Floor to any attending member of the audience who wished to publicly comment on the record on any actions that the BFSA had taken during the meeting.

Adjournment

Chair Olsen asked if there was any additional new business for discussion. Hearing none, he requested a motion to adjourn the meeting.

Director Mesiah offered a motion to adjourn the meeting.

Director Gallagher-Cohen seconded the motion. The Board voted 4-0 to adjourn the meeting. The meeting adjourned at 3:10pm.