BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
May 15, 2017

The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the "BFSA" or the "Authority") held on Monday, May 15, 2017 in the first-floor conference room of the Buffalo Market Arcade Complex. The meeting was called to order at 1:12 PM.

Board Members Present
Interim Vice-Chair Jeanette Jurasek
Secretary George K. Arthur
Director Dottie Gallagher-Cohen
Mayor Byron W. Brown (proxy Estrich)
County Executive Mark C. Poloncarz (proxy Cornell)

Board Member(s) Excused
Chair R. Nils Olsen, Jr.
Director Frederick G. Floss
Director Frank B. Mesiah

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

Additionally Present
Mr. James L. Magavern, Esq., Magavern Magavern & Grimm LLP
Dawn Sanders-Garrett, Executive Director, Buffalo Municipal Housing Authority
Modesto Candelario, Deputy Executive Director, Buffalo Municipal Housing Authority

Opening Remarks
Interim Vice-Chair Jurasek welcomed everyone to the May Board meeting, thanked all that were in attendance, reviewed the logistics of the meeting, and reviewed the meeting's agenda.

Roll Call of the Directors
Secretary Arthur called the roll. A quorum being 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 Budget Analyst, Mr. Mark Cornell, 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 [of Buffalo] or County [of Erie], 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 the Minutes
Interim Vice-Chair Jurasek introduced Resolution No. 17-04, "Approving Minutes and Resolutions from March 8, 2017".

Secretary Arthur made a motion to approve.

Director Gallagher-Cohen seconded the motion.

The Board voted 5-0 to approve Resolution No. 17-04.

Buffalo Municipal Housing Authority ("BMHA")
Impact Negotiations Review

Interim Vice-Chair Jurasek advanced the agenda to review the modified labor contract between BMHA and Local 264, representing Managerial, White-Collar and Blue-Collar Unions and Local 17-17s representing the International Union of Operating Engineers which was tabled at the BFSA's March 8, 2017 meeting.

Executive Director Jeanette M. Robe began the presentation by stating the modification between BMHA and Local 264 and Local 17-17s is the result of negotiations to be able to outsource property management duties for A.D. Price Phases I, II, III and Frederick Douglass Phases I, II, III. Each phase is independently owned by a low-income tax credit investor and a general partner. The management agreement designating BMHA to manage the properties was authorized to be terminated in January 2017. BMHA has conveyed there are cash flow issues with the two stated properties and has loaned funds to these two properties with approximately $1.3 M outstanding. The nonpayment of management fees and the increasing loans to properties was the basis for the planned termination of the management agreement. Ms. Robe turned the remainder of the presentation over to Mr. Nathan Miller.

Mr. Miller began his presentation stating the Memorandum of Agreements ("MOAs") were required for the transfer of management of the properties with the following terms for Local 264:

- Each member of Local 264 receives a one-time $800 stipend
- Employees receive a guarantee against layoff for the next two years
- Employee residency requirement is reduced from 20 years to 15 years
- Personal time off is amended to allow vacation time to be taken in four hour increments and personal/sick time to be taken in one hour increments
- BMHA agrees not to outsource property management of any other facility for at least four years

The terms for Local 17-17s were very similar to the terms of Local 264 with the variants as follows:

- Employees would be given the ability to take vacation leave year-round. Previously there was prohibition during peak seasons
- Employees would receive an additional $50 per year uniform allowance
- Residency would be reduced from 20 years to 15 years for employees hired prior to March 19, 2013
- The $800 stipend would be deposited into a 105(h) account rather than as a cash payment

BFSA's analysis has determined that approval of the MOAs would have a net cost of up to $200,000 over the FY 2017-20 Financial Plan. This estimate is conservative in that it assumes 100% of the properties' management fees will go to the new managing partner; a yet-to-be determined percentage of these fees will be retained by the BMHA.

Secretary Arthur questioned the purpose of the change in the City of Buffalo residency requirement from 20 years to 15 years.

Ms. Dawn Sanders-Garrett, Executive Director BMHA and Mr. Modesto Candelario, Deputy Executive Director BMHA came forward to address the BFSA Board's questions.

Mr. Candelario stated there is an agreement with all bargaining units that employees hired prior to 2009 were subject to a 20 year residency requirement that has been in place since Lakeview was revitalized approximately 15 years ago.

Ms. Estrich asked if employees are required to pay a fee if they live outside of the City. Mr. Candelario responded in the affirmative stating employees that choose to reside outside of the City of Buffalo are required to pay the City's average real estate tax fee. Mr. Candelario also stated changing the residency requirement did not cost the BMHA any monies and in fact assists in generating a fee of approximately $1,200 and it affects only a small pool of employees.

Director Gallagher-Cohen questioned the high vacancy rate when there is an extremely high demand in the area for affordable housing, in addition to the need for more BMHA staff. Mr. Candelario stated the need for staff is partly due to civil service job title restrictions which requires more employees to address the vacancies. In turn, the properties do not provide cash flow, which does not allow for the increase in staff and therefore the vacancies are high.

Director Gallagher-Cohen stated the model is "upside down" because there needs to be less vacancies to generate any income.

Mr. Candelario gave the example that hiring another staffer to process applications with a salary and benefits package equal to $60,000 will not generate $60,000 in revenue for the agency. This is why BMHA has pursued a private management model that will have more flexibility than BMHA has.

Director Gallagher-Cohen questioned if the current employees at the sites in question would be relocated to other properties within BMHA. Ms. Sanders-Garrett stated the employees would be moved to other BMHA developments which will assist in addressing subsidy cuts the BMHA has received.

Secretary Arthur asked who the private sector company will employ and if residents of the BMHA properties will receive any priority status for the positions. Ms. Sanders-Garrett stated the company will hire their own staff and there will be some preference allowed for BMHA residents.

Secretary Arthur asked who the potential management company will be. Mr. Candelario stated that information is unavailable at this time because the Request For Proposals ("RFPs") are still outstanding. He also stated the US Department of Housing and Urban Development ("HUD") Section 3 requirements of hiring development residents are not eliminated by the MOAs.

Interim Vice-Chair Jurasek asked for clarification on how the loans to the developments are reflected in the BMHA financials. Mr. Candelario stated the loans are recognized as cash-flow loans to be paid after property expenses, although it is unclear as to how long it will take for the loans to be repaid.

Director Gallagher-Cohen stated the BMHA business model does not work because the cost structure is too high once a certain vacancy rate is reached. She suggested that the vacancy rate should be a negotiation tool for future contracts as high vacancy rate is counterintuitive to other provisions which may be negotiated.

Ms. Sanders-Garrett stated the overall BMHA goal is a 95% occupancy rate and the hope is a private management company will be able to accomplish this. In turn, the transfer of BMHA employees from the soon to be privately managed properties to other BMHA holdings will help to raise the occupancy rates there as well.

Ms. Estrich asked if there is a vacancy rate clause in the contract. Ms. Sanders-Garrett stated the impact negotiations do not included vacancy rate language but the plan is to include it in future negotiations. Ms. Sanders-Garrett also state the private agency is driven to decrease the vacancy rate to meet their resource needs.

Interim Vice-Chair Jurasek asked for clarification on the BMHA termination agreement as well as the loan payback schedule. Mr. Candelario stated the BMHA Board of Commissioners authorized a termination of agreement with respect to BMHA managing the properties of the A.D. Price and Frederick Douglass. The termination will go into effect when the private agency is selected to manage the developments.

Ms. Sanders-Garrett stated a payback schedule will not be established until the MOAs are approved.

Mr. Candelario stated the loans are listed with BMHA as an account receivable and therefore will not be reflected in the operating budget.

Mr. Magavern asked if the account receivable loan will be amortized over time with interest. Mr. Candelario stated the loan would be amortized with interest over seven to ten years and the monies have not been accounted for in the four-year plan.

Director Gallagher-Cohen asked where the debt is listed in the financial statements. Mr. Candelario stated it would be listed in the BMHA balance sheet.

Interim Vice-Chair Jurasek asked if the BFSA Board had any other questions for BMHA's executive staff.

Director Gallagher-Cohen asked what the estimate timeframe is to reach 95% occupancy for the privately managed properties. Mr. Candelario stated a three-month turnaround time is anticipated since Frederick Douglass Phase II has the lowest occupancy rate at 88% and the other properties involved in the RFP are closer to a 90% occupancy rate. He also clarified that the contract will be between the general partnership and the property management company that is awarded the RFP, not the BMHA.

Interim Vice-Chair Jurasek asked for clarification on the timeline for the RFP and clarified that new management is expected to be in place by the next fiscal year beginning July 1st. The 3-month window to reach the occupancy will start at that point.

Ms. Estrich emphasized that the City's Administration is pushing unions for full residency and expressed disappointment that the BMHA is moving in the opposite direction.

In response, Ms. Sanders-Garrett stated their analysis revealed that this residency clause would apply to approximately ten employees. She also stated the goal is never to encourage employees to live outside of the City but instead for BMHA administration to stop feeding a bleeding property and expedite turnaround times for vacant units to provide the desperately needed affordable housing while at the same time minimizing the impact on BMHA and its residents.

Director Gallagher-Cohen acknowledged the efforts of BMHA management in attempting to address in a creative manner and only time will tell if this change will solve the problems so pervasive within BMHA.

Interim Vice-Chair Jurasek clarified that the financial impact of the negotiation shows that the gross costs and gross savings are essentially equal and verified that BMHA will save $200,000 in snow removal.

Mr. Candelario clarified the snow removal savings stating the BMHA does not currently have mandatory overtime for its employees; therefore, employees are not required to report to work for snow removal in the event of a heavy snowfall. Subsequently, under the MOA, the removal of the snow will be the responsibility of the new on-call team thereby eliminating the need for a snow removal contract.

Hearing no additional comments Interim Vice-Chair Jurasek thanked the BMHA executives for their time and advanced the agenda to the next item.

<u>City of Buffalo</u>
Fiscal Year ("FY") 2016-17 Third Quarter Report Analysis

Interim Vice-Chair Jurasek advanced the agenda to the City of Buffalo's FY 2016-17 third quarter report as well as the FY 2018-2021 Financial Plan to be presented by BFSA Principal Analyst Bryce Link.

Mr. Link addressed the Board and provided the following information. The FY 2016-17 Adopted Budget included estimated revenues at $483.3 million, $493.9 million of budgeted appropriations and a projected deficit of $10.7 million. At the end of the third quarter, projected year-end revenues total $473.8 million while projected expenditures are $487.5 million. A resulting deficit of $13.8 million is projected, representing a decrease of $6.4 million as compared to the FY 2016-17 Adopted Budget amount. The City is using fund balance to close out the deficit. The City has a legal settlement which will be funded by assigned fund balanced from judgements and claims.

Major highlights of the budgetary revenue variances include:

- $5.5 million unfavorable variance in miscellaneous revenues resulting from the sale of capital assets which were intended to be sold during the current FY and instead will close during the 2017-18 FY.
- $800,000 unfavorable variance in intergovernmental revenues related to Medicare Part D reimbursements. This is more of a timing issue with a new City vendor
- $1.3 million unfavorable variance in service charges attributed to towing and storage fees, foreclosure fees and multi-dwelling rental fees
- $0.4 million unfavorable variance in licenses and permits due to fewer number of permits being issued
- $1 million unfavorable variance in non-property taxes attributed to the Class 1 utility tax levied on land lines and there is not a corresponding tax for cellular phone usage
- $700,000 unfavorable variance for fines due to lower than anticipated revenue from traffic adjudication
- $263,000 positive variance for property taxes

Total departmental expenditures are expected to be under budget by $6.9 million as compared to the adopted budget. General Charges are projected to exceeded by $500,000 for a total favorable budgetary variance of $6.4 million between year-end projections and the adopted budget. The favorable variances include:

- $6.9 million net budgetary favorable variance in departmental expenditures. The police and fire departments are expected to exceed the adopted budget by $1.8M. This cost is being driven by overtime. While the departments have been aggressively hiring, experienced personnel are being used for overtime as new hires are undergoing training. As the new fiscal year begins there should be a change in this line item due to increased retirement. The remaining thirteen departments provide $8.7 million in projected favorable budgetary variances which are primarily attributed to vacancies.

- Vacant positions continue to remain unfilled with 2,681 budgeted full-time equivalent ("FTE") positions and 2,491 filled FTEs leaving 190 unfilled, or an 7.1% vacancy rate. Compared to last year's third quarter there is a decrease of 100 vacant positions, specifically for fire and police. Over the past several years, the City has carried a 10% vacancy rate.

Significant factors and conclusions include:

- Revenue
    - Tribal State Compact: there is a dispute between NYS and the Seneca Nation regarding the remaining $3.5M balance of the revenue sharing

    - Miscellaneous revenue is currently expected to be under budget by $5.5M due to the timing of the sale of capital assets

    - Continued monitoring of traffic fines is necessary since it is a newer revenue stream for the City and projected to be under budget by $700,000

    - Any additional shortfalls would place additional pressure in the City.

- Expenditures
    - Overtime for fire department is over budget by $4.6 million; total department overage expected to be $1.7M

    - Overtime for the police department is over budget by $2.3 million; total department overage is expected to be $39,000

Interim Vice-Chair Jurasek asked for clarification on the City's average 10% vacancy rate. Mr. Link replied the City historically maintains a 10% vacancy rate, mainly based on the timing/ability to fill vacant police and fire positions.

Hearing no further questions the presentation advanced to the City's 2018-21 financial plan.

Four Year 2018-2021 Financial Plan

Executive Director Jeanette Robe began the presentation of the City's FY 2018-2021 Financial Plan. From 2009 to 2016, an eight-year period, revenues have increased $5.7 million, or 1.3%. Over this same period expenditures have increased $25 million. On a time-adjusted basis, since 2003-04 when the BFSA was created, revenues have declined by $26 million and expenditures have decreased by $18.7 million. This decrease was driven by the number of positions the City has managed to cut since 2003-04 since 85% of the operating budget is personnel driven. Director Gallagher-Cohen noted the steady reduction of property tax rates and fees that the City can collect.

Ms. Estrich stated the property tax levy was $149 million in 2004.

Ms. Robe stated that there are three "buckets" of revenue that comprises 85% of total revenue which include: New York State Aid and Incentives for Municipalities ("State AIM"), sales tax, and real property taxes. State AIM has been held flat for several years and has directly contributed to the time-adjusted decrease in revenue and provides approximately 36% of the revenues for the current FY. The sales tax revenue has increased on a time-adjusted basis by approximately 9% or $5 million and comprises 36% of total revenue. The property tax levy has declined and continues to remain flat and comprises approximately 31% of total revenues.

Interim Vice-Chair Jurasek thanked Ms. Robe for the historical overview.

Mr. Link continued with the City's 2018-2021 financial plan. Over the next four years the City projects slightly more than $2 billion in revenues and even higher expenditures. The resulting deficit of $32.4 million is expected to be covered by fund balance. As of June 30, 2016, unassigned fund balance was $41.9 million which would leave approximately $9.5 million after the anticipated $32.4 million deficit has been reconciled, and does not reflect any additional contributions to the Rainy Day Fund. If the City's expenditures increased annually as they are projected to over the 2018-21 Financial Plan, the City would have to set aside an additional $7.1 million over the Financial Plan, reducing the total amount of unassigned Fund Balance to $2.4 million.

The 2016-17 to 2017-18 budget-to-budget change shows an estimated revenue increase of $4.2 million and $5.8 million increase in budgeted appropriations. Based on current year projections, the proposed budget reflects an increase of $13.7 million in revenues and $12.2 million in appropriations.

Total General Fund revenue is budgeted at $487.5 million and is comprised of the following:

- State aid is $194.5 million, or 40% of the total;
- City based revenue is $184.4 million, or 38% of the total;
- County revenue is $84.5 million, or 17% of the total;
- Transfers In is $16.2 million, or 3% of the total;
- Federal and other total $7.9 million, or 2% of the total.

There is a projected use of fund balance of $12.2 million.

There is a $4.2 million increase in General Fund revenue from the 2016-17 Adopted Budget of $483.3 million to the 2017-18 Proposed Budget of $487.5 million.

The available tax margin for FY 2017-18 is $61.5 million, an increase of $12.6 million, which is equivalent to 61% of the City's taxing capacity.

The property tax levy is $139.6 million. The real property tax levy is projected to increase beginning in FY 2018-19 with an average increase of 1.9% annually.

Mr. Link stated the City is still in the beginning stages of the City-wide tax reassessment process and expects it to begin in FY 2017-18 and to take twelve to fifteen months to complete. It is expected that reassessments will be in full effect in 2019-2020.

Financial Plan revenue highlights are as follows:

- Revenue is projected to increase $32.6 million, or 6.7%;
- Intergovernmental revenue is increasing by $27.0 million, or 10.7%;
    - State AIM is increasing 2% in FY 2019, and 5% in FY's 2020 and 2021, which is equivalent to $20.1 million;
    - Use of remaining Restricted AIM of $242,000 which is state aid that has been held by BFSA and this is the final draw down available to the City
- Sales Tax is estimated to be flat in FY 2018 and increases 2% annually for FY 2018, 2.5% in FY 2019 and 3% over the two-remaining out-years. Over the four-year plan there is a projected increase of $7.4 million;
- Taxes are increasing $7.8 million, or 5.2%;
- Fines are increasing $3.6 million, or 25%, largely driven by traffic adjudication fines and fees;
- Miscellaneous revenue is decreasing by $3.8 million, or 26.5%, due to the decrease in the projected sale of capital assets and property which are one-time revenue sources as once they are sold the revenue cannot be earned again;
- All other revenue sources remain flat, or have minimal growth
- Transfers in:
    - Parking Enterprise Fund increase of $2.7 million in FY 2017-18
    - Water Board increase of $400,000
    - Decreasing by $2.9 million, or 18% over the Financial Plan
        - Decrease from Parking Enterprise Fund of $3.9 million which is directly related to the potential sale of a parking ramp
        - Increase from Water Board of $1.0 million
- Continued dependency and use of available fund balance
    - Rainy Day Fund remains intact.
    - Unassigned Fund Balance will be used to close the $32.4 million deficit over the life of the plan as follows:
        - FY 2018: $12.2 million
        - FY 2019: $12.3 million
        - FY 2020: $7.9 million
        - FY 2021: $0.0 million

Total General Fund expenditures are budgeted at $499.7 million, representing an increase of $5.8 million over the prior year and consists of the following:

- Total departmental spending of $230.3 million, or 46%, of total expenditures,
    - Police department at $89.5 million, or 18% of total expenditures;
    - Fire department at $57.2 million, or 11% of total expenditures;
    - Public Works department at $30.1 million, or 6% of total expenditures;
    - Remaining twelve departments at $53.6 million, or 10.7%
- Total general charges total $170.1 million, or 34.0%, of total expenditures. The largest portion is fringe benefits at $142.6 million, or 29% of total expenditures, which includes the injured-on duty service line. All other general charges total $27.5 million, or 5.5% of total expenditures.
- Interfund Transfers Out total $99.3 million, or 20% of total expenditures
- General Charges assumptions:

        - The City will continue to benefit from self-insured health insurance which is budgeted to increase by $6 million.
        - Pension rates are budgeted to decrease by $0.9 million based on the following:
            - New hires are largely brought into Tier 6, and the lowering of rates
            - Decrease for the Police & Fire Retirement System ("PFRS") is $0.5 million.
            - Decrease for Employee Retirement System ("ERS") is $0.4 million.
        - Salary adjustment line, representing funding for labor negotiations, has been added of $1.4 million

Financial Plan expenditure highlights are as follows:

- MIS is increasing by $1.5 million to address upgrades in equipment and network security, cooling and the corresponding service contracts
- Police Department is increasing by $1.2 million for annual salaries
- Fire Department is decreasing by $2 million due to the change in the step schedule which will take employees longer to attain the top step
- Transfers Out are increasing by $1.1 million due to $.6 million for capital debt service and $.5 million increase for the school district
- All other expenditures net decrease of $3 million
- Expenditures are projected to increase $20.4 million, or 4.1% of the total
    - Departmental expenditures are projected to increase by $5.7 million, or 2.5% of the total
    - General charges are projected to increase by $14.8 million, or 5.5% of the total
- Interfund transfers out are held flat after increasing during the first year of the financial plan
- Interfund Transfers Out total $99.3 million

Mr. Link stated additional savings may materialize for the City due to being self-insured for health insurance. The City has included additional resources in the budget and over the course of the financial plan to address collective bargaining agreements. It should be noted that the contracts of several unions will expire under the proposed financial plan. Employee costs (salaries and fringe benefits) are 84% of the budget. Including retiree healthcare costs the average cost of salary and benefits per active employee will be $125,046 for FY 2017-18 which has increased by approximately $12,000 when adjusted for inflation over the past eleven years.

The staffing plan for the City will have a net increase of 10 FTEs for FY 2016-17 to 2017-18 without any changes to police or fire for the duration of the financial plan. Additional staff will be hired for the traffic adjudication division.

Director Gallagher-Cohen asked for clarification on the increase of 29 FTE positions for FY 2016-17 and if the positions were added to the police and/or fire departments.

Mr. Link stated the uniform FTE positions were not affected, however, some of the additional positions were added to media and MIS offices. Mr. Link stated he was provided a list and will forward the detailed staffing changes to the directors.

Recommendations and Conclusions:

- Monitor specific revenues due to the difficulty in estimating:
    - Sales tax, fines, service charges and miscellaneous revenue.
    - Class I Utility taxes.
    - Parking fines and fees, which are dependent on timing of collections with the traffic adjudication division.
- Uncertain revenue:
    - NYS AIM $20.1 million
    - Sales Tax $7.4 million
- Modest annual departmental spending (1.0% annually).

- Certain expenditures may be under-projected:
    - Overtime costs may be under-budgeted specifically due to attrition.
    - Police is budgeting a decrease of $1.5 million.
    - Fire is budgeting an increase in $0.2 million.

Director Gallagher-Cohen stated the change in the Canadian dollar had a direct correlation with decreased tourism numbers for the area and therefore sales tax revenue dipped sharply.

Overtime has been an ongoing issue for the City; historically, the City has used vacancies to fund overages in overtime.

- Available fund balance used over the Financial Plan:
    - Operating deficit of $32.4 million.
    - Unassigned fund balance as of June 30, 2016 of $41.9 million.
    - No impact on the "Rainy Day" Fund.
- Operating Transfers Out:
    - Transfer to the District increased by $0.5 million and will be held at $70.8 million over the financial plan
    - $3.2 million transfer to Solid Waste and Recycling fund is maintained at that level over the financial plan.
        - Currently $16.8 million due to the General Fund and there is not a plan in place to address this outstanding receivable.
- Operating Transfers In:
    - Transfer from the Parking Fund increases to $8.9 million in FY 2018, and then decreases to $6.0 million in FY's 2019 and 2020, and then $5.0 million in fiscal year 2021.
- Solid Waste and Recycling Fund:
    - Currently operates with an annual deficit, subsidized by the City's General Fund ($3.2 million). The subsidy is held flat for the duration of the financial plan.

Interim Vice-Chair Jurasek asked for clarification on the expiration on the fire and police department contracts. Mr. Link stated the contracts are set to expire during the third year of the Financial Plan in FY 2019-20 and expects the City to be able to settle the contracts with the use of some fund balance and increased attrition. Ms. Robe added firefighters is a larger uniformed bargaining unit and their contract is set to expire on June 30, 2017. The police contract is set to expire June 30, 2019.

Ms. Estrich stated the first three years of the financial plan include 2% salary increases.

Hearing no additional questions or comments Interim Vice-Chair Jurasek advanced the agenda to review BHMA third quarter report and four-year financial plan.

<u>Buffalo Municipal Housing Authority</u>
FY 2016-2017 Third Quarter Report Analysis

Mr. Nathan Miller, began his presentation stating that BMHA's FY 2016-17 adopted budget revenues were $45.7 million and the actual as of March 31, 2017 was $32 million or 70% of budget. An unfavorable budgetary variance of $2.3 million is expected at FYE. Appropriations were under budget at 72% of the budget to date. Therefore, a favorable budgetary variance of $1.2 million is projected at FYE. Administrative costs are $0.7 million less than budgeted due to a high number of vacancies. There are 173 budgeted positions and 155 filled positions as of March 31, 2017.

Recommendations and Conclusions:

- A budgetary variance of $1.1 million is projected at FYE
    - Net income had been budgeted at $1.3 million; as of March 31, 2017 the actual net income was $200,000
    - BMHA budgeted $2.8 million in capital grant revenue
        - These funds represent funds that may be used to reimburse BMHA for administrative work performed on grants as well as general operations
        - BMHA has opted not to draw down the full budgeted amount at this time
- The current vacancy rate is 10.4%. Retiree healthcare expenses are projected to be unfavorable due to a higher number of retirees than estimated
- BFSA will continue to closely monitor BMHA's operating results

FY 2017-2018 Four Year Financial Plan

Hearing no questions or comments from the Board Interim Vice-Chair Jurasek advanced the agenda to the BMHA FY 2018-21 Financial Plan.

Mr. Miller began the presentation stating the BMHA Board of Commissioners approved the Adopted Budget and Financial Plan on April 27, 2017. There is an expected deficit of $1.8 million for FY 2017-18 and an appropriation of $2.2 million in operating reserves. The operating revenues are budgeted to be lower through all four years of the plan as compared to the current FY 2016-17. FY 2017-18 is the only year of the Financial Plan that reflects an operating loss prior to debt service.

There has been a \$6.2 million, or 13.2%, decrease in the overall gross discretionary funding from HUD for FY 2017-18 which results in the following changes for FY 2017-2018 as compared to FY 2016-2017:

- HUD subsidy reduced by \$1.8 million to \$15.8 million
- HUD Public Housing Authority ("PHA") grants reduced by \$0.9 million to \$4.9 million
- Total operating revenues reduced by \$2.9 million to \$42.8 million
- Total operating expenses increased by \$0.6 million to \$44.6 million

The HUD operating subsidy increases over Financial Plan but is projected to be less than FYE 2015-16 and FYE 2016-17.

The cost-drivers for expenses are employee benefits and utilities, as all other expenses are expected to remain flat or decrease. Staffing is projected to remain flat for the duration of the Financial Plan, however there will be several re-designated positions as related to the BMHA impact negotiations.

Director Gallagher-Cohen asked how many of the guaranteed reallocated positions qualify as FTE positions. Mr. Candelario responded there are five or six positions.

The operating revenue for FY 2017-18 breakdown as follows:

- HUD subsidy \$15.8 million, or 37% of the total
- Dwelling income: \$14.0 million, or 33% of the total
- HUD PHA grants: \$4.9 million, or 11% of the total
- Transfers from Capital Grants: \$2.7 million, or 6% of the total
- All other revenues: \$5.4 million, or 13% of the total

The budgeted appropriations for FY 2017-18 breakdown as follows:

- General expenses: \$14 million, or 31% of the total
- Maintenance: \$9.9 million, or 22% of the total
- Administrative: \$8.4 million, or 19% of the total
- Utilities: \$5.4 million, or 12% of the total
- Protective Services: \$2 million, or 5% of the total
- Other expenses: \$4.9 million, or 11% of the total

Recommendations and Conclusions:

- Financial Plan is deemed to be in compliance with the BFSA Act's requirements
- The reduction of the HUD Operating Subsidy in FY 2017-18 represents a threat to the financial health of the BMHA
- BMHA has budgeted a net loss of \$1.8 million in FY 2017-18
- Salaries/wages not projected to increase as all labor contracts have expired
- Recommend year-end projections be made at least quarterly and the budget and/or Financial Plan be modified as necessary

Interim Vice Chair Jurasek asked for clarification on the assumption that the HUD Operating Subsidy will increase in FY 2018-19 from the FY 2017-18 level and be maintained at the new rate over the three out-years of the Financial Plan. Mr. Miller replied that assumption is correct and if the anticipated 10% increase does not occur, operating revenues would be negatively impacted in future fiscal years.

Mr. Candelario addressed the Board to clarify BMHA's view with respect to an impending operating loss. The utilities are funded by HUD based on a three-year rolling average. Since utility costs were lower for the past two years, the utility subsidy was decreased. It is expected the utility costs will increase and therefore the subsidy will increase as well.

Interim Vice-Chair Jurasek thanked Mr. Candelario for the clarification.

Buffalo Urban Renewal Authority ("BURA")

Interim Vice-Chair Jurasek advanced the agenda to review the third quarter and 2018-2021 Financial Plan to be presented by Mr. Link.

Third Quarter 2016-2017

Mr. Link stated the 2016-17 HUD allocation of entitlement funds for program year 42 was $16.6 million, of which $7.2 million is received by BURA and the remainder is administered by the City. Revenue is drawn down as needed as projects move forward; as of March 31, 2017, $13.3 million of the budget had been drawn down which exceeded the budgeted amount for the quarter by $224,500 partly due to receiving a new grant from Local Initiatives Supporting Corporation ("LISC"). BURA's actual expenses, excluding the administrative component through March 31, 2017 were $10.4 million which was lower than the budgeted amount of $10.7 million. BURA earns income through repayment of the Community Development Block Grant ("CDBG") loans they extend and the money is passed back to the City. BURA also generated additional income by selling three properties.

Summation of BURA third quarter:

- Expenditures are expected to equal revenues at year-end
- New grant from LISC was awarded
- No significant variance through third quarter
- Prior year funds utilized to fund current year expenditures to-date
- 39 of 43 positions are filled
- Salaries and benefits total $2.9 million
- All prior year findings from 2015 audit have been addressed

2018-2021 Financial Plan

The Financial Plan is reflective of:

- BURA has yet to receive the Year 43 Entitlement Funds award notice from HUD
- Without direction from HUD, BURA has been conservative in the budget by reducing FY 2018 revenues by 20% and the three out-years by 5% annually
- Subrecipients receive approximately $711,000 a year from BURA
    - Based on current assumptions the amount would be reduced to $568,800 in FY 2018 and further reduced to $487,675 in FY 2021
- At the end of the 2018-2021 Financial Plan remaining prior year funding is projected to equal $4 million in CDBG funds and $0.5 million in HOME funds
- All known and estimated revenues
- Includes minimal out-year increases for future labor agreements between with the Local Civil Servants' Employee Association ("CSEA") 815, as the current Collective Bargaining Agreement ("CBA") expires June 30, 2017
- Includes separate projections for salaries and benefits

BURA is financially balanced over the four years of the Financial Plan. FY 2017-18 is budgeted at $23.5 million and the budget steadily decreases over the three out-years to $13.1 million for FY 2020-2021. The decrease over the Financial Plan is due to the anticipated cuts in CDBG and HOME grant funding.

Administrative costs are limited to a certain maximum percentage of a grant award as follows; program delivery personal service costs are not included in these limits:

- CDBG: 20% plus program income
- Housing Opportunities Made Equal ("HOME"): 10%

With respect to the funding of administrative costs the following items were discussed:

- 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 significant decrease in revenues over the Financial Plan reflects spend-down of prior year entitlement funds and conservative estimates without direction from HUD
- Based on the additional grant revenues outside of HUD awards, there is adequate funding for administrative costs

Findings in the review of the BURA Financial Plan were discussed:

- BURA is not participating in self-funding health insurance with the City; they are looking at other health insurance options
- BURA is looking to maximize potential revenue
    - BURA currently hold 84 properties valued at $3.8 million and intends to continue to strategically assess their portfolio and sell properties

BURA staffing will decrease its budgeted positions to 41 from the 43 it currently has over the duration of the Financial Plan.

Director Gallagher-Cohen noted if the budget is expected to lose half of its funding there should be a correlating reduction in the staffing level.

Mr. Link stated BURA is mindful of that fact and they are discussing the options.

Ms. Estrich stated monitoring is required for many HOME and CDBG projects that is often required for up to twenty years and scaling back the staff may not be feasible.

Interim Vice-Chair Jurasek advanced the agenda to the next item.

Buffalo City School District ("BCSD") Third Quarter

Mr. Miller began his presentation stating the budget changed significantly over the year due to the settled CBA with the Buffalo Teachers' Federation. The original budget deficit was budgeted at $4.9 million. The modified budget deficit is $54.5 million because of the settlement. The deficit is balanced with $44.9 million of assigned fund balance and $9.6 million of unassigned fund balance. Revenues are expected to be unfavorable by $1.2 million due to fluctuations with New York State formula-based aids. There is a positive variance for expenditures that is driven by a high enrollment for retiree healthcare incentive to forego their traditional health insurance for a Medicare Advantage plan.

The District's FY 2016-17 budget is balanced with the use of $54.5 million of fund balance. An $11.5 million favorable budgetary variance is currently projected at FYE. The FYE deficit is projected at $43 million.

The District has been afforded additional time to develop and submit a four-year financial plan. Mr. Miller provided a summary of the District's FY 2017-18 New York State revenues as approved in the State Fiscal Year 2017-18 Enacted Budget. Total New York State aid is budgeted to increase $21.8 million, or 3.1%, over the FY 2016-17 Adopted Budget.

Hearing no comments or questions from the Board, Interim Vice-Chair Jurasek thanked Mr. Miller for his presentation.

BUFFALO FISCAL STABILITY AUTHORITY RESOLUTION 17-05
DETERMINATION WITH RESPECT TO THE CITY OF BUFFALO 2018-2021 FOUR-YEAR FINANCIAL PLAN

Interim Vice Chair Jurasek presented the resolution stating the Financial Plan is complete with the exception of the District's 2018-2021 Financial Plan which is to be submitted to the BFSA no later than June 30, 2017.

Secretary Arthur made a motion to approve resolution.

Director Gallagher-Cohen seconded the motion.

The Board voted 5-0 to approve Resolution 17-05.

BUFFALO FISCAL STABILITY AUTHORITY RESOLUTION 17-06
EFFICIENCY GRANTS REDESIGNATION REQUEST

Mr. Link advised the City submitted a request to the BFSA to redesignate a portion of their efficiency grants and their final reimbursement. The State provided the City with $20.1 million in grants that the City was to use to invest in various technologies and improvements. The majority of the remaining monies of approximately $128,000 are being redesignated to aid building inspectors to relay information to the City in real time while out in the field.

Secretary Arthur made a motion to approve the resolution.

Director Gallagher-Cohen seconded the motion.

The Board voted 5-0 to approve Resolution No. 17-06.

Privilege of the Floor

No comments.

Adjournment
Secretary Arthur moved to adjourn.

Director Gallagher-Cohen seconded the motion.

The Board voted 5-0 to adjourn.

Meeting adjourned at 3:47 PM.