

BUFFALO FISCAL STABILITY AUTHORITY
Audit, Finance and Budget Committee Meeting Minutes
September 25, 2017

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 Monday, September 25, 2017, in the first-floor conference room of the Buffalo Market Arcade Complex. The meeting was called to order at 12:49 PM.

Committee Members Present

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

Additional Directors Present

Secretary George K. Arthur
Director Frederick G. Floss
Interim Vice-Chair Jeanette T. Jurasek
Director Dottie Gallagher-Cohen

Committee Member Excused

Chair R. Nils Olsen

Staff Present

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

Additionally Present

Sara M. Dayton, Lumsden & McCormick, LLP

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.

Roll Call

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

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 2017 Annual Report and Investment Report: the Committee will consider sending both items to the full Board with recommendations for approval;
- A one-year contract extension with Public Financial Management (“PFM”), BFSA’s financial advisors.

Approval of Minutes

Committee Chair Pro Tem Frederick G. Floss introduced Committee Resolution No. 17-05: “Approval of June 16, 2017 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. 17-05.

Presentation of BFSA’s Fiscal Year 2017 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, 2017 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. Sara 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. BFSA net position for 2017 totaled \$1.38M. There was a change in net position of \$2.9M due to bond refunding in 2016.

Interim Vice-Chair Jurasek asked how costs of issuance are categorized. Ms. Dayton advised they are categorized as a general expense.

Ms. Dayton noted there were no material weaknesses identified during the audit.

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, 2017 of \$312.9M. Of this amount, the estimated impact from the wage freeze is \$58 million to the City and \$168M to the District. Additionally, savings related to the issuance of debt have been approximately \$8.6M.

III. A summary of the 33 BFSA reports issued during the fiscal year (“FY”) 2016-17, and final BFSA reports on the FY 2018-2021 financial plans 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.

Chair Pro Tem asked for a motion 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.

Motion by Director Mesiah.

Second by Chair Pro Tem Floss.

Motion carried 2-0.

BFSA Investment Report

Ms. Robe stated there have been no changes to the investment guidelines. The summary of the investment activity has also been included in the financial statements. The summary indicates \$153,000 of interest earnings; interest earnings are remitted to the City annually. The majority was earned on bond funds. In connection with prior bond issuances, the BFSA entered into forward delivery agreements, providing guaranteed interest rates ranging between 4.48% and 5.13%, which exceeds the market and assists in reducing overall debt costs.

Trustee fees were reported as \$2,200 for each bond transaction, a dissemination fee of \$250 annually and a \$1,600 annually custodial fee for total 2016-17 fees of \$10,583. No fees are paid on operating accounts as the fees are covered by the compensating balances.

Director Mesiah made a motion to accept the investment report in its entirety.

Committee Chair Pro Tem Floss seconded the motion.

The Committee voted 2-0 to accept the investment report.

PFM Financial Advisors

Chair Pro Tem Floss introduced Committee Resolution No. 17-06, "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, 2017 through September 30, 2018, and would extend the terms of the original contract from 2004.

Director Mesiah made a motion to approve Committee Resolution No. 17-06.

Chair Pro Tem Floss seconded the motion.

The Committee voted 2-0 to approve Committee Resolution No. 17-06.

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 1:00 P.M.