BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
April 4, 2018

The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the "BFSA") held on Wednesday, April 4, 2018, in the first-floor conference room of the Buffalo Market Arcade Complex. The meeting was called to order at 1:03 PM.

Board Members Present

Chair R. Nils Olsen
Interim Vice-Chair Jeanette T. Jurasek
Secretary George K. Arthur
Mayor Byron W. Brown (proxy Estrich)
Director Frederick G. Floss
County Executive Mark C. Poloncarz (proxy Cornell)

Board Member(s) Excused

Director Dorothy Gallagher-Cohen
Director Frank B. Mesiah

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

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

Opening Remarks

Chair Olsen welcomed and thanked everyone for attending and announced the meeting's logistics and agenda.

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") 2018-19 Preliminary Budget and FY 2019-2022 Financial Plan as prepared by BFSA staff, commencing the public comment period. Any additional comments by Directors should be forwarded to Executive Director Jeanette M. Robe who will circulate updated versions of the budget by email as necessary. Approval of the budget will be required at the June Board meeting; no Board action is required at today's meeting.

Roll Call of Directors

Chair Olsen deferred to Secretary Arthur to call the roll of the members. Secretary Arthur called the roll noting the excused absences of Directors Dottie Gallagher-Cohen and Frank B. Mesiah. Finding a quorum present, the meeting commenced.

City of Buffalo Commissioner of Finance, Administration, Policy and Urban Affairs, 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 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 No. 18-01: "Approving the Minutes and Resolutions from December 6, 2017 and February 13, 2018."

Director Floss made a motion to approve the resolution.

Secretary Arthur seconded the motion.

The Board voted 6-0 to approve Resolution No. 18-01.

City of Buffalo

Chair Olsen advanced the agenda to the next items for consideration: a review of the City of Buffalo's adopted 2018 Capital Budget and related borrowing, 2017-18 budget modification submission, a review of the 2017 audited financial statements, a review of the City's 2017-18 second quarter report, and a review of the impact of the New York State ("NYS") Adopted Budget on the City of Buffalo ("City") which was passed on March 30, 2018. Chair Olsen turned the floor over to Ms. Jeanette M. Robe, Executive Director, and Mr. Bryce Link, Principal Analyst, to present the aforementioned items.

Review of 2017 Audited Financial Statements

Mr. Link stated there was a negative budgetary variance of $21.3M when the actual budget was compared to the final budget. Major contributors to the variance include the following:

- Miscellaneous revenue of $10.8M
- NYS aid totaling $4.5M, most of which was tied to the Tribal/NYS Compact revenue not being received
- Charges for services of $2.4M
- Utility taxes of $1.5M
- Fines of $1.1M

The final budget totaled $510.1M and the actual operating budgetary results totaled $505.8M, resulting in positive variance of $4.3M. The actual budgetary results exceeded the original adopted budget of $493.9M by $11.9M. The overage was mainly caused by $9M in departmental expenditures with police and fire being the costliest due to overtime.

Ms. Robe noted expenditures include encumbrances as if they have been spent against the budget. It is a way to earmark the funds and carry them forward. The funds are reserved as part of the Assigned fund balance.

Mr. Link gave a detailed explanation of the $34.5M decrease in fund balance for the year ended June 30, 2017. Total revenues were $448.8M and total expenditures were $465.0M, with a deficiency of expenditures over revenues of $16.2M. When other financing sources are included, representing Transfers In/Out of ($18.3M), the total net decrease in fund balance of $34.5M. The beginning fund balance on July 1, 2016 was $149.4M and it was reduced to $114.9M on June 30, 2017.

A year-to-year comparison of general fund revenues showed a decrease of $3.6M from 2016 to 2017 which is attributed to Tribal/NYS Compact funds not being received by the City. Although NYS and the Seneca Nation are currently in arbitration regarding this matter, the City has budgeted $7.0M for 2017-18. An increase of $2.8M from the Parking Enterprise Fund and an increase of $0.3M from the Water Fund resulted in increased transfers in of $3.1M for the same time period. The result was a net decrease in revenues of $0.5M.

Interim Vice-Chair Jurasek asked for clarification on how the City identifies the $7.0M Tribal/NYS Compact money in the budget. Ms. Donna Estrich advised the money is contained within the intergovernmental revenue category.

Mr. Link continued his presentation by stating the property tax levy, sales tax and NYS Aid and Incentives for Municipalities ("NYS AIM") comprise 80% of the City's total operating revenue and gave a detailed historical breakdown of each revenue stream.

Director Floss asked for clarification on the decrease in the property tax levy. Ms. Estrich stated the decline was due to the Mayor's desire to keep taxes low and thus increase investment in the City. Chair Olsen stated the City was near it's taxing limit and therefore wouldn't have been able to generate additional revenue by raising taxes and commended the Mayor's record for holding taxes steady for such a long period of time. There is much more room for potential tax increases at this time. Mr. Link stated that the NYS AIM increases that the City had received in the past was used to maintain or reduce property taxes.

Interim Vice-Chair Jurasek asked what the City's bond rating was prior to the formation of the BFSA. Ms. Robe stated the information would be researched and distributed to the directors.

Mr. Link continued with his presentation, with a slide reviewing the historic sales tax revenue between 2007-08, $71.7M, to 2016-17, $81.8M, a total increase of $10.1M or 14.1 percent, Mr. Link note that the sales tax has kept pace with inflation.

Mr. Link stated that total NYS aid has fluctuated between 2007-08 and 2016-17, with variances being attributed to various factors including spin-up of NYS AIM, and reimbursements from NYS to the City for court facility related costs, and roadway maintenance costs as some examples. The NYS AIM component has been held flat at $161.3M since FY 2012. Director Floss and Chair Olsen commented on how impressive it has been for the City to keep taxes flat during the same period of time that NYS AIM has been held flat.

Expenditures
City expenditures increased year-to-year by $29.2M and other financing uses increased by $3.0M, with total expenditures and other financing uses increasing $32.2M.

Current expenditures increased year-to-year by $29.2M with the departmental breakdown as follows:

- Police department increased by $7.2M, or 8.5%
- Fire department increased by $3.0M, or 4.9%
- A net increase of all remaining departments was $5.3M, or 7.5%

General charges increased by $13.9M. Miscellaneous increased $8.6M, or 50.1%, due to an increase in utilities of $3.7M and judgments and claims of $4.9M. Fringe benefits increased by $5.3M, or 4.1%.

Chair Olsen noted the miscellaneous charges which include utilities and judgments and claims can vary dramatically from year-to-year and therefore be difficult to predict. It was also noted that the increase for emergency services is unpredictable as it is dependent upon the number of emergencies that need to be handled during a given year. Ms. Estrich stated a new 66-member fire class has been hired but the amount of required training resulted in increases to overtime in order to meet the mandatory minimum staffing. Even though new firefighters have been hired there is a lag of approximately four months between the time they are hired and begin their training to the time they are assigned to a firehouse as an active firefighter.

Mr. Link continued his presentation, identifying the remaining $3M increase in interfund transfers out, which included $3.2M for the Dillon Courthouse renovations, $0.4M to the refuse and recycling fund, and a decrease of $0.5M in debt service related costs.

Mr. Link then reviewed a slide looking at Final Budget to Actual revenue amounts for the period of 2010-11 through 2016-17. He identified several significant outliers over the time period.

Final Budget vs. Actual Budget Significant Revenue Variance Points
Mr. Link advanced his presentation to address the negative budget revenue variance of $21.3M for FY 2016-17. This includes a $10.8M negative variance for miscellaneous revenue including real property sales. A $4.5M negative variance in NYS resources is attributed to the decrease in the Tribal/NYS Compact and STAR reimbursement. A combined $5.0M negative variance is reported for charges for services, utility taxes and fines, and a $1.3M positive variance is reported for real property taxes, assessments and other tax items.

Director Floss asked if the properties for sale were still on the market. Ms. Estrich stated that those properties were, however several factors are in play such as a moratorium on sales in the Fruit Belt, timing lag of several properties and there was an assumption the police headquarters would be sold this past year. Ms. Estrich agreed with Interim Vice-Chair Jurasek that some of the assets for sale were prematurely assumed as revenue and this will not be the case in the upcoming budget for FY 2018-19.

Final Budget vs. Actual Budget Expenditures Significant Variance Points
Mr. Link continued his presentation stating there was a positive variance of $4.1M between the final budget, $510M, and actual operating results of $505.9M. Variances include a negative variance of $6.2M in fire and police departments due to overtime and purchase of patrol cars that weren't budgeted in the fiscal year, $4.4M positive variance in fringe benefits, including health insurance and pension payments, and a $3.0M positive variance in administration and finance due to vacancies and decreased cost of supplies and fuel.

Chair Olsen noted the collective bargaining agreements have shown a shift in sharing responsibility for healthcare with the employees as opposed to the City carrying the entire burden.

Tax Levy
Mr. Link stated the total tax levy for the City for FY 2016-17 was $139.6M and turned the floor over to Ms. Robe for her portion of the presentation.

Fund Balance
Ms. Robe stated the fund balance decreased by $34.5M over FY 2016-17 which primarily effects the Unassigned fund balance. Nonspendable/Restricted fund balance totaled $34.4M. Those funds are not spendable or are required to be maintained intact or constrained to specific purposes through constitutional provisions or enabling legislation.

Committed fund balance, or the Emergency Stabilization Fund ("Rainy Day Fund"), totaled $38.8M as of June 30, 2017, which equals 30-days of prior fiscal year's operating expenditures. The monies can be used for extraordinary operating or capital needs that could not be anticipated and cannot be funded with current budget resources.

Interim Vice-Chair Jurasek asked for clarification on the use of Rainy Day Funds, asking if the monies could be used to close a revenue gap. Ms. Robe replied a formal policy has not been adopted as to how the Rainy Day fund can be used. Chair Olsen asked if the use is based on historical usage as opposed to a formal plan by the Common Council that would limit its use. Mr. William Ferguson, City Accountant, stated use of the Rainy Day fund was discussed with the Finance Committee in 2012 or 2013 and it was agreed that the use of the fund would be severely restricted to cover cuts in NYS aid and not for budget gaps. The agreement has not been formally ratified. Interim Vice-Chair Jurasek clarified that the use of the fund is a local decision and not NYS mandated.

Ms. Robe continued with her portion of the presentation regarding Assigned fund balance, which are monies segregated for a specific purpose. A historical overview of fund balance was discussed. Ms. Robe noted that while fund balance has been volatile at times it was due to revenue fluctuations and was not driven by expenses. Director Floss stated substantial progress had been made since the wage freeze was lifted in 2009.

Ms. Robe stated the current other postemployment benefit liability is $1.5B as of June 30, 2017. There is no funding mechanism available in NYS, and it is funded on a pay-as-you-go method. Last year $38.4M was paid for retiree health insurance.

Regarding the solid waste and recycling fund, Ms. Robe stated the annual operating loss for 2016-17 was $3.1M. The net change in position for 2016-17 was $200,000. The solid waste fund has an outstanding debt to the General Fund of $18.4M and the ability to repay is questionable. The fund has a total net deficit of $35.0M. The recommendations for the solid waste and recycling fund in the audit report were as follows:

- City to establish appropriate residential and commercial rates per City Charter Section 216.58
- Develop a formal plan to repay General Fund

Interim Vice-Chair Jurasek asked if rates would need to increase considerably. Ms. Estrich stated the City has made several changes regarding tipping fees and encouraging more City residents to recycle because it saves the City money. Secretary Arthur asked if recycling collections have increased. Ms. Estrich stated there has been an increase with the 34 and More recycling campaign.

Interim Vice-Chair Jurasek asked how the $18.4M loan from the General Fund to the solid waste fund is reflected in the City's budget. Ms. Estrich stated it is recognized in fund balance as unavailable. Ms. Robe stated if the debt is written off it would be an additional expense of $18.4M to the City and reflected in the profit/loss statement.

Director Floss asked what the rate increase would be needed to have the fund balanced. Ms. Estrich stated the City has been trying to right-size a per gallon price for every container as well as properly adjust the rate for commercial pick-ups. Ms. Robe stated the fund would have needed $3.1M to balance their budget last year but a percentage increase is not known. Interim Vice-Chair Jurasek stated customizing the rate system would be one way to adjust the system.

Ms. Robe stated the only outstanding unsettled labor contract is for firefighters, which expired June 30, 2017 and turned the floor over to Mr. Link to continue his presentation.

Second Quarter Review

Mr. Link began by stating the adopted budgeted appropriations for 2017-18 were $499.7M and the second quarter year-end projection was $506.3M, resulting in an unfavorable variance of $6.6M, or 1.3%.

Director Floss asked if there were any other adjustments made to lower projections. Ms. Estrich stated the projection is the worst-case scenario considering:

- Lack of $7.0M received from Tribal/NYS Compact;
- Lack of sale of assets; and
- Decrease in parking revenue.

Mr. Link continued his presentation by stating the adopted budget included estimated revenue of $487.5M. Due to decreases across several categories totaling $17.1M, the revised projected revenue decreased to $470.4M.

The adopted budget included appropriations of $499.7M. Due to cost increases in the fire and police departments along with a budget modification approved in January 2018 for $3.0M for prior year judgments and claims, the revised projected actual expenditures are $506.3M.

The fire and police increases were due to new classes being hired that are not yet fully trained and therefore unable to be assigned to a firehouse or police district.

BFSA Considerations

- The City is estimating a year-end deficit of the $35.8M, an increase of $23.6M when compared to the adopted budget deficit of $12.2M:
  - $15.2M in Assigned fund balance is allocated to address the deficit
  - Remaining unfunded deficit of $20.6M
  - Available Unassigned fund balance at June 30, 2017 is $6.5M and is insufficient to address the current projected deficit
- The BFSA recommends the development and implementation of a plan as soon as possible to address the deficit and has been advised that the City is in the process of developing such a plan
- Shortfall in casino revenue is considered temporary
- General risk that assumption or events could change could have a significant impact on current estimates
- NYS Aid to Municipalities ("AIM") has been held flat at $161.3M since 2012 and is maintained at that rate throughout the NYS's financial plan.

Chair Olsen introduced a draft resolution regarding the City's Unassigned fund balance in addition to the release of the 2017 audited financial statements indicating such Unassigned Fund Balance is insufficient to cover planned operating deficits in the out-years of the Financial Plan. Resolution No. 18-02, "Requirements for 2017-18 Budget and Related Financial Plan", was discussed. The resolution also acknowledges the current year expected budget variances with respect to revenues. The resolution requires the Mayor to submit a modified current year budget on or before April 30, 2018. BFSA is not requiring a modification for the out years of the current 2018-2021 financial plan, since the City will be providing an updated 2019-2022 Financial Plan on May 1st. Chair Olsen stated the resolution was a statutory requirement.

Director Floss made a motion to approve the resolution.

Secretary Arthur seconded the motion.

Chair Olsen stated the tremendous constraints on the budget have made it difficult to keep the budget in balance.

Director Floss asked if any additional parameters need to be added to the resolution regarding the state of the City's reserves. Ms. Robe stated the auditors released recommendations to that effect. There are guidelines that the City should maintain 15% of expenditures in fund balance – consisting of Committed, Assigned, and Unassigned fund balance. It is not known what effect if any, it will have on bond ratings if the fund balance is not properly maintained. However, an expedited use of fund balance can affect bond ratings. New bond ratings for the City are expected by the end of the week. Director Floss stated the change in macro level economy changes may dramatically increase debt service. Chair Olsen stated although the BFSA has not been in the bond market lately but the possibility of a shift would be considered on behalf of the City once it passes the point of administrative savings.

Interim Vice-Chair Jurasek commended the Administration for its management of expenditures; however, the revenue shortfall has been a surprise and asked if any of the other Big 5 have had a property tax rate as flat as Buffalo. Ms. Estrich stated the Administration looked at Rochester and Syracuse and their rates have increased. Chair Olsen stated the advantages of a flat tax show up in non-quantifiable ways such as quality of life and the appeal to do business in the City.

Secretary Arthur asked how much the City receives in payments in lieu of taxes ("PILOTs"). Ms. Estrich stated the City receives approximately $4.0M. Secretary Arthur also asked if 45% of the assessed valuation is off the market. Ms. Estrich stated the percentage off the market is closer to 43%. Chair Olsen stated there are more building being built that are not subjected to any form of payment that still have public service demands that need to be met by the City.

Director Floss stated it would be beneficial to be able to forecast the change in the number of exemptions and PILOTs with respect to the City's cash flow.

At the conclusion of the discussion, the Board voted 6 to 0 to approve Resolution No. 18-02.

Capital Budget and Proposed 2018 Bond Sale

Ms. Robe stated the Common Council approved the final 2018 Capital Budget in the amount of $32.0M. There was $2.7M reallocated from City-wide infrastructure to improvements for:

- Old First Ward Community Center $200,000
- Fillmore District $100,000
- All other Districts $300,000 each, totaling $2.4M

After the 2018 bond sale, the total authorized but unissued will total $25.3M which will roll into future financing. The five-year Capital Plan provided an excess capacity of $8.3M before the debt limit is reached. As there is sufficient capacity, recommendations were made.

Recommendations:

- Development of a plan to finance projects on a prioritized basis
- Identify additional financing or funding sources
- Rescind certain authorized projects

Ms. Robe provided a historical overview of annual capital borrowing and noted the BFSA is currently rated three notches higher on the bond rating scale. Therefore, the BFSA would have lower interest rates for bond sales.

The cumulative potential savings that could have been achieved by BFSA issuing debt from 2014-2017 was estimated at $1.85M. In January a preliminary analysis for 2018 provided a savings range of $122,138 to $157,787. Due to the relatively small amount of savings, BFSA did not take a position on the debt issuance. The bond sale is timed for April 2018. Ms. Robe provided a detailed proposed structure of the bond sale as follows:

- The bond sale is timed for April 2018
- The Comptroller's 2018 debt limit is $21.6M, and the proposed amount is $20.8M
- There will again be no District portion included in the sale as the District continues to use refunding savings from the Joint Schools Construction Board bonds
- Tax-exempt

- Level debt service amortization
- Average life of 6.68 years
- Final maturity in 2031
- Estimated costs of issuance is $100,000
- Interest rate (estimated on 3/15/18) 2.58%
- Interest costs total $3.6M over the life of the bond
- Total principal and interest will be $24.4M

Hearing no questions regarding the bond sale Chair Olsen advanced the agenda.

<u>Buffalo City School District (“District”)</u>
Analysis of the Update to the 2018-2021 Financial Plan

Chair Olsen proceeded to the analysis of the update to FY 2018-2021 Financial Plan of the BCSD to be presented by Mr. Nathan Miller.

Mr. Miller began by stating his analysis reviewed the gap-closing measures presented by the District in December 2017 in addition to several reports received from the District. The District has reported deficits in five of the last six years. Deficits are projected over the life of the financial plan with a cumulative baseline gap of $100.1M. The District submitted their plan with a revised baseline gap of $54.1M after the use of $46.0M in Fund Balance. Mr. Miller reviewed BFSA adjustments and subsequent changes to the District’s December update.

Mr. Miller reviewed the District’s prioritized list of 23 gap-closing measures in four categories which would provide savings as indicated over the remainder of the 2018-2021 Financial Plan for a surplus of $67.3M:

- Additional revenues and use of fund balance: $5.0M
- Savings to be achieved through efficiencies: $34.1M
- Other cost reductions: $55.3M
- New grant revenue: $27.0M

Mr. Miller stated the BFSA made the following adjustments and removed them as gap-closing measures due to either the speculative nature or for facts occurring since submission of the plan:

- New grant revenue: $27.0M
- City contribution increase: $3.0M
- Savings from retiree cosmetic surgery: $3.9M

Additional adjustments were made by BFSA to the gap-closing measures for facts occurring since submission of the plan as follows:

- Use of additional Fund Balance: $13.3M. Subsequent to the adoption of the final Financial Plan, the District reported a FY 2016-17 deficit of $20.7M. The 2016-17 final budget included a deficit of $53.2M. As such, a budgetary surplus of $32.5M was realized in FY 2016-17. The District has indicated $15.0M of fund balance is available going forward.
- Administrators Labor Contract Settlement: $15.1M. In October 2017, the District ratified a collective bargaining agreement with the BCSA. The settlement reduced the amount of funds budgeted for future contract settlements from $18.0M over the three out-years of

the Financial Plan to $2.9M, as the incremental costs of $15.1M for the labor contract were reallocated to salaries.

- Emerson Commons II expansion delayed or eliminated: $1.8M The District has delayed the opening of the facility, which will produce budgetary savings of $0.9M in FY 2018-19 as this expansion has been delayed to FY 2019-20.
- Substitutes Labor Contract Settlement: $3.0M. In February 2017, the District settled a labor contract with the substitute teachers with an estimated impact of $3.0M over the three out-years of the Financial Plan which further reduced the contract settlement contingency.

The BFSA adjustments and subsequent changes reduces the gap closing plan by $40.5M; the revised plan surplus is $26.8M.

Chair Olsen questioned the status of District contracts. Mr. Miller stated the Buffalo Teachers Federation (the "BTF") contract is settled until June 30, 2019; however, one of the gap-closing measures is a reduction or elimination of the contract contingency settlement fund. This gap-closing measure has been removed by the BFSA as labor contracts have been settled and this funding re-allocated.

The Directors discussed the problem with doing away with the contingency fund with respect to the likelihood that tensions will increase between labor and management when it is time for contract negotiations and compromises the ability to negotiate in good faith. Mr. Miller stated there are five bargaining units that are unsettled:

- Professional, Clerical, and Technical Employee Association (white-collar)
- Local 264 (blue-collar)
- Local 409 (operating engineers)
- Buffalo Educational Support Team (teacher aides/teaching assistants)
- Transportation Aides of Buffalo (bus aides)

Interim Vice-Chair Jurasek stated this recommendation should be viewed as a false savings. Chair Olsen stated it is not a valid means to balance the budget.

Ms. Robe stated a revised BCSD Financial Plan will be submitted on May 1, 2018, and reviewed by BFSA Board at the May 16, 2018 meeting.

Director Floss made a motion for Ms. Robe to address concerns with the possibility of the reduction or elimination of the BCSD contract contingency fund and its effect on future bargaining

Secretary Arthur seconded the motion.

The Board voted 6 to 0 to approve.

Chair Olsen asked if there is talk about expanding bus aides to every bus due to the enormous effect in terms of the safety and liability for the District. Mr. Miller responded he is not aware of such talks.

Mr. Miller continued his report stating the Emerson II project was delayed and is scheduled to open in 2019-20. The District is currently taking steps to proceed with the program's expansion. Secretary Arthur stated the cost of the Emerson II project has almost doubled.

Mr. Miller stated one of the most controversial options to reduce the deficit would be to reduce 110 full-time instructional and support positions for a cumulative savings of $25.4M over the life of the Financial Plan. The District does not foresee a need to implement this option for the current fiscal year but will reassess the need to implement this item in the forthcoming 2019-2022 Financial Plan.

Chair Olsen and Interim Vice-Chair Jurasek expressed their disdain for this option and underscored the need for the BCSD to improve in order for the City to improve as a whole.

Director Floss stated the implementation of this option appears to be escalated as a primary option for the District even though it was presented as option 22 of 23. It appears more reactionary as opposed to proactive in the District's attempt to balance the budget.

Interim Vice-Chair Jurasek stated the prioritized list loses its effectiveness if the District is planning to revisit the reduction of positions.

Chair Olsen stated the BFSA is able to serve as a reliable source of information for the public regarding the City and its related agencies, especially the BCSD when the agency is in a control period.

Ms. Robe stated the District struggles with providing BFSA with a defined action plan because the Board of Education hasn't made the necessary concrete decisions.

Chair Olsen stated the BFSA has to be cognizant that it is an oversight and accountability board and not a policy-making board. He stated dialogue between the District and the BFSA needs to continue without encroaching on their responsibility to establish policy. He acknowledged Ms. Robe's efforts to foster a working relationship with the District. Further discussion must be had regarding the gap-closing considerations because they are so fundamental. Part of the success with the City and their labor-management relations was the City was able to set aside contingencies for realistic negotiations which resulted in significant savings and the District has not been in a position to do that in the past.

Mr. Jim Magavern stated the District's budgetary issue highlights a need for public pressure for increased NYS aid for education. Chair Olsen agreed.

Mr. Miller continued with his presentation by addressing the last option of grant aid. The District has engaged with fifty national foundations for funding New Education initiatives and is awaiting decisions and such additional revenue is considered speculative at this time. Chair Olsen stated the difficulty with relying on grants as they are usually not reoccurring and the costs would need to be absorbed by the District after the initial award has been used.

Conclusions

- The District is projecting substantial deficits in each fiscal year of the Financial Plan for a cumulative four-year deficit of $100.1M. The Financial Plan which includes a significant appropriation of $46.0M in fund balance to reduce the four-year deficit to $54.1M.
- After considering the impact of BFSA's adjustments to the gap-closing plan, the District has demonstrated the ability to close the projected budgetary deficits in each year of the Financial Plan.
- The District appears to be taking the necessary steps to effectuate efficiencies as provided in the gap-closing plan.
- The total projected savings to be achieved through efficiencies will not fully address the revised baseline gap and will require other cost reductions in the event additional revenues are not obtained. These necessary cost reductions include the reduction or elimination of programs intended to address the educational reform issues the District has faced over many years.

Chair Olsen thanked Mr. Miller for his presentation and advanced the agenda to review BURA's labor agreement.

Buffalo Urban Renewal Agency ("BURA")

Review of Labor Agreement between BURA and CSEA Local 1000
AFSCME, AFL-CIO, Local 815

Mr. Link began his presentation by providing a background on BURA including the number of budgeted positions, average salary and the vacancy rate. The agreement was ratified on August 17, 2017, with a vote of 20 to 4 and covers the period of July 1, 2017 through June 30, 2020, one-year prior to the end of the current 2018-2021 Financial Plan. The collective bargaining agreement ("CBA") will be presented to BURA's Board of Directors on April 26, 2018. The previous CBA expired on June 30, 2017. Similar health insurance benefits are extended to exempt employees and salary increases and step increase are effective back to July 1, 2017, for both covered and exempt employees. Exempt employees do not receive step increases.

Covered employees wage agreement:

- Annual 2.0% salary increases on 7/1/17, 7/1/18 and 7/1/19
- Automatic step increase on 7/1/17 and 7/1/18
- Payment of the 7/1/18 incremental step increase is dependent upon the federal entitlement funds not being reduced by greater than 20%
- Effective 7/1/19, step increase is no longer automatic and will only be awarded if approved by BURA board of directors on a per employee basis
- Total increase over three years is 7.5%

Exempt employees wage agreement:

- Not to exceed annual 5.0% salary increase on 7/1/17 and 7/1/18
- Annual 2.0% salary increase on 7/1/19
- No step increase provided to exempt employees
- Total increase over three years is 12.5%

Chair Olsen asked if the increase for exempt employees is also dependent on the reduction of federal aid. Mr. Link stated it is not.

Director Floss asked how many members are at the highest step for their pay grade. Mr. Link responded two people.

Mr. Link reviewed the healthcare changes in detail which codified healthcare changes made via a previous Memorandum of Agreement ("MOA") dated June 23, 2016, and stated employees do contribute to healthcare premiums.

Mr. Link also reviewed the changes regarding vacation leave, overtime, work gear, auto allowance, licensure/certifications and the implementation of a drug and alcohol policy for all BURA employees.

Director Floss noted his standard objection that the percentage covered for family coverage should be higher than the percentage for single coverage.

Recommendations and Conclusions:

- Current and out-year increases are provided in the 2018-2021 Financial Plan;
- MOA provides predictability of Local 815 employee costs through the third year of the current Financial Plan to June 30, 2020
- No new savings associated with retiree health insurance as Medicare Part B is not required to be primary insurance
- Terms previously negotiated exceed other labor agreements with regards to employee and retiree health insurance, BURA has been used as the standard when reviewing other labor agreements
- BURA will continue to not participate in the City's self-insured medical insurance program
- The federal 2018 Omnibus Budget Bill was passed on March 23, 2018, and includes increases for HUD supported programs:
    - CDBG 7.8%
    - HOME 43.3%
    - The impact to BURA is unknown

Hearing no additional questions or comments Chair Olsen asked for a motion to receive and file the analysis of the BURA MOA.

Director Floss made a motion to approve.
Secretary Arthur seconded the motion.

Chair Olsen asked if it is the policy of the City for Medicare not to be primary health insurance for retirees. Ms. Estrich replied the City is moving in that direction.

Hearing no other discussion, the Board voted 6 to 0 to approve.

Other Business

In light of the lengthiness of the meeting, Chair Olsen followed Ms. Robe's recommendation to receive and file BMHA's second quarter report.

Interim Vice-Chair Jurasek asked if the BMHA federal audit has been concluded. Mr. Miller stated the audit is ongoing and no additional details have been made available.

Chair Olsen asked if the BMHA Interim Executive Director Gillian Brown should be invited to address the board to apprise him of the BFSA concerns and to find out how the BFSA Board can assist BMHA. Board members agreed.

Secretary Arthur asked for clarification regarding JCOPE Ethics refresher course for public authorities. Ms. Robe advised she will reach out to BFSA Board members within the next few weeks regarding scheduling.

Privilege of the Floor & Adjournment

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. Hearing none, he requested a motion to adjourn the meeting.

Director Floss offered a motion to adjourn the meeting.

Secretary Arthur seconded the motion. The Board voted 6-0 to adjourn the meeting. The meeting adjourned at 3:29 p.m.