BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
May 16, 2018

The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the "BFSA" or the "Authority") held on Wednesday, May 16, 2018 in the first-floor conference room of the Buffalo Market Arcade Complex. The meeting was called to order at 1:06 PM.

Board Members Present

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

Board Member(s) Excused

Chair R. Nils Olsen, Jr.
Director Dottie Gallagher-Cohen

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
Mr. William Ferguson, Accountant, City of Buffalo
Mr. Geoffrey Pritchard, Chief Financial Officer, Buffalo City School District
Mr. 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 the 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…."

<u>Honoring Director Frank B. Mesiah</u>
Interim Vice-Chair Jurasek advanced the agenda to recognize the exemplary work of Director Frank B. Mesiah until his passing on April 27, 2018. Secretary Arthur read the resolution in its entirety and presented the resolution to Director Mesiah's daughters.

The Board voted unanimously to approve Resolution No. 18-04, "Honoring BFSA Director Frank B. Mesiah."

Secretary Arthur requested the Board adjourn with a moment of silent prayer at the conclusion of the meeting in honor of Director Mesiah. Interim Vice-Chair Jurasek agreed to the request.

<u>Approval of the Minutes</u>
Interim Vice-Chair Jurasek introduced Resolution No. 18-03, "Approving Minutes and Resolutions from April 4, 2018."

Director Floss made a motion to approve.

Ms. Estrich seconded the motion.

The Board voted 5-0 to approve Resolution No. 18-03.

<u>City of Buffalo ("City")</u>
Fiscal Year ("FY") 2017-18 Third Quarter Report Analysis

Interim Vice-Chair Jurasek advanced the agenda to the City of Buffalo's FY 2017-18 third quarter report, the City's FY 2017-18 budget modification, and the FY 2019-2022 Financial Plan to be presented by BFSA Principal Analyst Bryce Link.

Mr. Link addressed the Board and provided the following information:
- The FY 2017-18 Adopted Budget included estimated revenues at $487.5 million, $499.7 million of budgeted appropriations and an operating deficit of $12.2 million.
- At the end of the third quarter, projected year-end revenues totaled $469.9 million while projected expenditures were $501.8 million. A resulting total operating deficit of $31.9 million is projected. The City planned to use $12.2 million in fund balance to close the original deficit.
- The City had a legal settlement which will be funded by assigned fund balanced from judgements and claims of $3.0 million.

Major highlights of the budgetary revenue variance totaling $17.6 million under the adopted budget include:

- $8.0 million unfavorable variance in intergovernmental revenue due to casino revenue not being received
- $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 2018-19 FY
- $2.3 million unfavorable variance in fines dues to parking tickets and traffic violations being overestimated

Total departmental expenditures are expected to be over budget by $1.2 million as compared to the adopted budget. General Charges are projected to be unfavorable by $400,000 and transfers out are unfavorable by $0.5 million for a total unfavorable budgetary variance of $2.2 million between year-end projections and the adopted budget.

Vacant positions continue to remain unfilled with 2,691 budgeted full-time equivalent ("FTE") positions and 2,475 positions filled leaving 216 unfilled, or an 8.0% vacancy rate. The police department has 15 vacant positions, or a 1.9% vacancy rate and the fire department has 45 vacant positions or a 6.3% vacancy rate. The filled FTE's include new hires in training in both departments.

Recommendations and Considerations:

- A total year-end unfunded deficit of $16.7 million
    - A plan has been developed to address the deficit and has been submitted to the BFSA. If the plan is insufficient to close the deficit, the City will draw upon remaining reserves, which will further weaken its financial position
    - Revenues below estimates have resulted in the projected deficit
        - Casino revenue of $7.0 million not to be received
        - Sale of capital assets of $5.5 million not occurring in 2017-18
        - Fines were overestimated by $2.3 million

<u>*FY 2017-18 Budget Modification*</u>

Ms. Robe stated the budget modification was submitted by the City as a result of the resolution passed at the BFSA board meeting on April 4, 2018 which recognized that certain revenue estimates would not materialize. The budget modification increases transfers in from the Parking Fund by $5.0 million. Furthermore, the City provided a gap closing plan, which includes various actions and revised projections to adjust the projected budget gap to $1.35 million, such actions include:

- A reduction to expenditures as various departmental line items were frozen and are expected to generate savings ($5.2 million)
- An additional transfer from the Parking Fund ($5.0 million)
- The anticipated settlement of two legal disputes ($1.2 million)

In addition to the actions, certain adjustments to the third quarter projections were provided:

- Police overtime estimated to be favorable compared to current projections ($2.0 million)
- Additional savings from vacancies ($1.5 million)
- Revised projections in traffic enforcement revenue ($0.5 million)

Interim Vice-Chair Jurasek asked for clarification on the delayed casino revenue payments and noted that there was a revenue shortfall in FY 2016-17 of $3.5 million and $7.0 million FY 2017-18 for a total of $10.5 million. She asked how the payment would be captured. Ms. Estrich stated if the payment is received after the close of the FY it would be captured as a receipt for 2018-19 as general operating revenue and does not replenish fund balance.

Secretary Arthur asked for the amount of unassigned fund balance available. Ms. Robe replied it was $6.5 million at June 30, 2017.

Director Floss asked for the balance of the Rainy Day Fund. Mr. Link stated the Rainy Day fund is $38.8 million.

Hearing no further questions, the presentation advanced to the City's 2019-2022 Financial Plan.

Four Year 2019-2022 Financial Plan

Executive Director Jeanette Robe began the presentation of the City's 2018-19 Proposed Budget and 2019-2022 Financial Plan by reviewing historical COB data. From 2009 to 2017 there has been a total cumulative reduction in fund balance of $18.4 million. It was noted a deficit of $34.5 million was reported in 2017. Revenues have remained consistent since 2009.

The City's property tax levy has decreased from $143.6 million in 2009 to $139.6 million in 2017.

Director Floss stated the levy could have been increased by 2% per year since 2012 but instead has only seen an increase in 2016. He asked if there was a mechanism available to "catch up." In addition, many development projects were taken off the tax rolls and it should be noted when the developments will come back on the rolls. Ms. Estrich responded the current calculation was based on 2% growth and a 1% look-back. Exemptions of approximately $5.5 million will roll off in five to six years.

Interim Vice-Chair Jurasek asked if most entities will reapply once they lose their tax-exempt status. Ms. Estrich stated it would be more beneficial to the City if said entities moved to payment-in-lieu-of-taxes ("PILOT") status instead of reapplying for tax-exempt status. Ms. Estrich stated she will share the projections of properties converting to tax revenue in the future.

Ms. Robe stated State Aid and Incentives to Municipalities ("AIM") has been held flat at $161.3 million since 2012. In addition, New York State ("NYS") Property Tax Cap legislation was passed in 2011 and was effective in FY 2012-2013. Fluctuations in total State Aid were discussed.

There have been gradual increases in sales tax received totaling 17% over a nine-year period. Western New York continues to lag behind downstate and certain other upstate regions with respect to sales tax. Ms. Robe stated property tax, state aid, and sales tax revenues combined account for 80% of all budgeted and actual revenue for the City.

Ms. Estrich stated Erie County has seen an increase in sales tax. Ms. Robe agreed there has been a year-to-year increase; however, the increase is still lower than the increase the State has received overall. Mr. Mark Cornell stated that Erie County has seen an increase of 4.25% in 2018.

Ms. Robe stated total fund balance at fiscal year-end ("FYE") June 30, 2017 was $114.9 million, as compared to $149.4 million at FYE June 30, 2016 and leaving the unassigned category with $6.5 million for FYE June 30, 2017. The reduction of fund balance puts additional pressure on the City to develop an operational budget as fund balance is no longer available. The Rainy Day fund remains intact over the financial plan to protect the City against an unforeseen economic downturn.

Director Floss noted outstanding contracts over several years contributed to the padding of the fund balance and that information should be taken into consideration when comparing fund balance on a year-to-year basis.

Ms. Robe thanked BFSA staff and the City and its covered organizations for assisting with the reporting on the various financial plans.

City of Buffalo's 2018-19 Budget 2019-2022 Financial Plan
Mr. Link stated revenues total $2.073 billion over the life of the Financial Plan and expenditures totaled $2.077 billion, creating a $4.0 million deficit as reported in 2018-19. The deficit is to be addressed through the use of fund balance reserved for capital projects. Over the Financial Plan revenues are projected to increase by $21.0 million and expenditures are expected to increase $17.0 million.

Interim Vice-Chair Jurasek asked if the revenue increase of $21.0 million over three years will be explained in detail, specifically regarding capital asset sales and gaming revenue. Ms. Robe advised the details will be discussed.

The 2017-18 to 2018-19 budget-to-budget change shows an estimated revenue increase of $22.1 million and $13.9 million increase in budgeted appropriations. When the proposed 2018-19 Proposed Budget is compared to 2017-18 current year-end projections (which is reflective of the budget modification adjustment), that is a revenue increase of $33.0 million and expenditures, which are reflective of various actions the City is undertaking to reduce expenditures as part of their submitted budget modification, are increasing by $20.6 million.

In the 2018-19 Proposed Budget total General Fund operating revenue is budgeted at $509.6 million and is comprised of the following:

- State Aid is $202.4 million, or 39.7% of the total
- City-based revenue is $198.7 million, or 39% of the total
- County revenue is $84.5 million, or 16.6% of the total
- Transfers In are $15.4 million, or 3% of the total
- Federal and other total $8.6 million, or 1.7% of the total

There is a projected use of capital reserve fund balance of $4.0 million.

General Fund revenue is budgeted at an increase from $487.5 million to $509.6 million on a year-to-year basis. Revenue is projected to increase by $22.1 million, or 4.5 percent. The available tax margin for FY 2018-19 is $67.1 million, which is equivalent to 40% of the City's taxing capacity. The property tax levy, including STAR is $157.1 million.

- Taxes are increasing by $6.3 million to $157.1 million
    - Property tax levy is increasing by $5.7 million
- Intergovernmental is increasing by $10.1 million to $268.9 million
    - Includes $17.1 million in Tribal State Compact casino revenue
        - $10 million from prior-year allotments and $7.0 million budgeted for FY 2018-19
    - State AIM is flat at $161.3 million
    - Sales tax is flat at $84.4 million

Mr. Link continued his presentation with the next slide, which was a break out of the 2018-19 Tax Levy Summary, including homestead and non-homestead rates. The total levy is $145.3 million, with $74.5 million supporting City operations and $70.8 million supporting District operations. The total amount used for the general fund is $107 million, between the City and District and debt service totals $145.3 million. The homestead rate is $18.49/$1,000 for a total of $79.5 million and non-homestead is $28.22/$1,000 for a total of $65.8 million.

Miscellaneous revenue is budgeted at $18.3 million and is an increase of $3.9 million

- Increase in sale of Capital assets and land $2.9 million
    - Total sale of property budgeted at $8.0 million
- New revenue for the entertainment ticket surcharge budgeted at $2.0 million
- New revenue for gifts and donations budgeted at $2.0 million
    - Pursuant to State's response to the federal limitation imposed for SALT taxable deduction
- Decrease of In Rem sales of $2.1 million

Service charges are increasing by $1.1 million

- Increase in public utility inspection fee of $1.0 million
- Increase over 2017 actual is budgeted at $2.7 million or 20.5% increase

Fines are increasing by $1.0 million to $15.2 million

- Increase in parking tickets $1.0 million
- Includes $2.0 million for ticket amnesty program
- Traffic violations revenue adjusted downward by $1.2 million to reflect prior-year overestimate

Licenses and permits are increasing by $0.8 million to $6.1 million

- Net increase for various permits and increased assumption in number of applications
- $1.1 million increase over 2017 actuals

Non-property taxes are budgeted at $12.1 million and Interest revenue is budgeted at $0.6 million both are consistent with prior-year.

Transfers in are decreasing by $0.8 million

- Decrease from Parking Enterprise Fund of $1.1 million
- Increase from Water Board of $0.3 million

Financial Plan revenue highlights are as follows:

- Revenue is projected to increase $21.0 million, or 4.1% over the Financial Plan;
- Taxes are increasing $11.6 million, or 7.4%
  - Average increase of 2.5% annually in the three out-years
  - Consistent with the real property tax cap
  - City-wide reassessment began in 2017-18
  - Reassessment to be effective in 2019-20
- Intergovernmental revenue is increasing by $6.2 million, or 2.3%:
  - State AIM includes annual increase of 2% in years 2019-20, 2020-21, and 2021-22 for a total increase of $9.9 million
    - State financial plan does not include any increase for State AIM in the out-years
  - Sales Tax is flat at $84.4 million in 2018-19 and increases by 2% per year over the three remaining years of the plan for a total increase of $5.2 million
  - Tribal State Compact casino revenue is budgeted at $17.0 million, includes $10 million in prior-year allotments, as well as $7.0 million for 2018-19
    - Budgeted at $8.0 million over the three out-years
- Fines are increasing by $4.2 million or 27.6 percent, largely driven by an increase in various tickets both parking and as part of the ticket amnesty program
  - Estimated increase for traffic violations $3.2 million
  - School camera fines (new revenue) of $0.5 million
  - Parking fines estimated to increase $0.3 million
- Miscellaneous revenue is decreasing by $2.6 million or 14.0 percent:
  - The decrease is attributed to sale of capital assets
    - $8.0 million in 2018-19 adjusted downward in the out-years
  - Increase in revenue for gifts and donations $2.0 million in FY 2019 increasing to $3.0 million annually over the life of the Financial Plan
  - Increase in revenue for entertainment ticket surcharge $2.0 million in FY 2019 to $5.0 million in FY 2020 and remaining years of the Financial Plan
- All other revenue sources are remaining flat or include minimal growth over the Financial Plan, including
  - Service charges, licenses and permits, interest and non-property taxes

Secretary Arthur questioned the new school camera fines revenue. Mr. Link stated the cameras are similar to red-light cameras and will be set up around schools as a safety measure. Ms. Estrich stated the City can provide a list of other areas in the country that also use this technology and there would be no additional cost to the City. Secretary Arthur asked if the crossing guards would be replaced. Ms. Estrich stated the cameras will not replace crossing guards.

- Transfers in are decreasing by $0.8 million on a year-to-year basis:
  - Parking Enterprise Fund decrease of $1.1 million in FY 2018-19
  - Water Board increase of $300,000
  - Increasing by $1.1 million or 7.1 percent over the Financial Plan
    - Increase from Water Fund $1.1 million
    - Transfer from Parking Fund is held flat at $7.8 million
- 2018-19 uses $4.0 million of restricted fund balance
  - No unassigned fund balance available; unassigned fund balance totaled $6.5 million at June 30, 2017
- Remaining years are balanced with no reliance on fund balance
- Rainy Day Fund remains intact

Total General Fund expenditures are budgeted at $513.6 million. Total departmental spending is $236.7 million, or 46.1%, of total expenditures:
  - Police department at $91.2 million, or 17.8% of total expenditures;
  - Fire department at $60.0 million, or 11.7% of total expenditures;
  - Public Works department at $31.4 million, or 6.1% of total expenditures;
  - Remaining twelve departments at $54.1 million, or 10.5%
- Total general charges total $177.8 million, or 34.6%, of total expenditures. The largest portion is fringe benefits at $148.8 million, or 29% of total expenditures, which includes the injured-on-duty service line. All other general charges total $29.0 million, or 5.6% of total expenditures.
- Interfund Transfers Out total $99.1 million, or 19.3% of total expenditures

Ms. Robe stated the firefighter contract expired on June 30, 2017 and there are resources built into the budget for contract settlements.

Mr. Link continued his presentation by stating General Fund expenditures are expected to increase from $499.7 million in FY 2017-18 to $513.6 million in FY 2018-19, an increase of $13.9 million, or 2.8%. The total departmental expenditures of $236.7 million includes projected amounts for step and wage increases.
- Departmental increases total $6.2 million and include:
    - Fire department increasing by $2.8 million
    - Police department increasing by $1.7 million
    - Public Works increasing by $1.3 million
    - All other departments net increase of $0.4 million
- General Charges increase by $7.7 million and total $177.8 million:
    - The City will continue to benefit from self-insured health insurance which is budgeted to increase by $4.5 million.
    - Pension rates are budgeted to decrease by $0.3 million based on overall lower contribution rates and the lower rate for Tier 6 employees for new hires
    - Salary adjustment line, representing funding for labor negotiations, is maintained at $2.4 million over the course of the Financial Plan
    - Debt Service increase of $1.5 million for a revenue anticipation note ("RAN"). The City is planning to borrow between $70-$100 million

        - Transfers Out are decreasing by $0.2 million.
            - Increase of $3.0 million for principal and interest on outstanding debt
            - Decrease of $3.2 million for elimination of the Solid Waste and Recycling Fund transfer

Financial Plan expenditure highlights are as follows:

- Expenditures are projected to increase $17.0 million, or 3.3%
    - Departmental expenditures are projected to increase by $8.3 million, or 3.5%
        - Police Department is increasing by $3.7 million, or 4.0%
        - Fire Department is increasing $3.1 million, or 5.2%
        - Public Works is increasing $1.1 million, or 3.4%
        - All other departments net decrease of $0.4 million
        - Includes estimates for increased costs for expired labor contracts
    - General charges are projected to increase by $3.9 million, or 2.2%
        - Fringe benefits are increasing $4.7 million, or 3.2%
            - Employee health insurance increasing by $2.4 million, or 3.0%
            - Pension payments are increasing by $1.3 million, or 2.9%
        - Utilities are increasing $0.4 million, or 2.1%
- Interfund transfers out increase by $4.9 million over the Financial Plan
    - Interfund transfers out total $99.3 million in 2018-19 and increase to $104.0 million in 2021-22:
        - Transfer to the School District is flat at $70.8 million
        - Transfer to Capital Debt Service Fund of $27.9 million increasing to $32.8 million in FY 2022
        - Transfer to Capital Projects Fund is flat at $400,000
- Elimination of the annual interfund transfer out to Solid Waste and Recycling Fund of $3.2 million
    - Currently $18.4 million due to the General Fund

Mr. Link provided a historical snapshot of healthcare costs for the past nine years noting costs continue to rise with $79.0 million budgeted for FY 2018-19 for active and retiree health insurance. Fringe benefits average 30% of the annual total budget over the life of the financial plan. Employee costs are 84.4% of the 2018-19 Proposed Budget, excluding transfers out; salaries & fringe benefits total $349.6 million.

The staffing plan for the City will have a net decrease of 75 FTEs effective for 2018-19. Mr. Link noted that the 2018-19 Proposed Budget is an increase of almost $14.0 million, yet it reduces total budgeted positions by 75 FTE's.

Recommendations and Conclusions:

- Monitor specific revenues due to the difficulty in estimating:
    - State Aim increases beginning in 2019-20 of 2% for cumulative $9.9 million
    - Miscellaneous revenues including:
        - $2.0 million entertainment ticket surcharge in 2018-19 increasing to $5.0 million over the Financial Plan

        - $2.0 million gifts and donations in 2018-19 increasing to $3.0 million over the Financial Plan
        - $8.0 million in capital assets/property sales in 2018-19 decreasing to $3.2 million in 2019-20 and $1.2 million in FY's 2021 and 2022
    - Fines and service charges revenue categories to be monitored
    - Casino revenue $17.0 million in 2018-19 and $8.0 million annually thereafter
- Certain expenditures may be under-projected:
    - Overtime costs may be under-budgeted specifically due to attrition.
        - Police is budgeting a decrease of $1.8 million
        - Fire is budgeting a decrease of $0.7 million

Director Floss asked how the decrease in overtime was calculated with respect to new classes being hired. Ms. Estrich stated the overtime in the police department has been reduced in the current year and as they are almost fully staffed with officers currently in the police academy; their overtime will continue to be reduced going forward as officers are deployed to their respective districts.

- Overtime is held relatively flat over the Financial Plan
- Overtime has been an ongoing issue for the City; historically the City has been able to use vacancies to fund overages in overtime. An increase in the number of filled positions due to additional recruit classes eliminates the vacancies that are being used to pay for the excess overtime
- Health insurance costs may be underestimated over the course of the Financial Plan, as such costs are projected to increase by 3.0% over the life of the Financial Plan which may be insufficient

Ms. Estrich stated the City is in the process of issuing an RFP for healthcare and healthcare administrative services, therefore, a reduction is anticipated.

- Unassigned fund balance as of June 30, 2017 was $6.5 million.
    - No impact on the "Rainy Day" Fund.
    - No provision over Financial Plan to replenish reserves
    - Total committed, assigned and unassigned fund balance totaled $80.5 million at June 30, 2017, which is 15.7% of budgeted expenditures.
- Operating Transfers Out:
    - Transfer to the District will be held at $70.8 million over the financial plan
    - $3.2 million transfer to Solid Waste and Recycling fund is eliminated.
        - City has raised refuse user fees
        - Currently, $18.4 million is due to the General Fund and there is no formal plan in place to address this outstanding receivable.
- Operating Transfers In:
    - Transfer from the Parking Fund flat at $7.8 across the Financial Plan

Interim Vice-Chair Jurasek opened the floor for questions or comments on Mr. Link's report. Director Floss questioned the service reductions that would be needed in order to reign in expenses.

Ms. Estrich stated the City made attempts to generate new revenue streams such as charitable donations and the implementation of the safety fee for entertainment events at City-owned locations.

Interim Vice-Chair Jurasek asked for clarification on the reduction of staffing positions budgeted for 2018-19 and what is the tool being used to balance 2018-19 should the casino money not be received. Ms. Estrich began by stating 75 vacant positions have been eliminated from the budget. Ms. Estrich stated the Administration is confident an agreement will be reached between the Seneca Nation and NYS and subsequent payment to the City will be forthcoming. However, if the casino money is not received accounts would be frozen and new revenue sources would need to be identified.

Secretary Arthur asked how many positions would remain unfilled in the budget. Ms. Estrich stated most of the positions would be filled and there would be less than one hundred vacancies.

Mr. William Ferguson, City Accountant from the City Comptroller's Office, clarified that in the past 2% cumulative increases were accrued and set-aside for labor settlements. Once a collective bargaining agreement was ratified and prior-year amounts were paid out to the employees, the balance of the set-aside would move to miscellaneous receipts and at year-end would increase the amount of unassigned fund balance. The amounts that were set-aside were not co-mingled with fund balance prior to any labor agreements.

Hearing no additional questions or comments Interim Vice-Chair Jurasek advanced the agenda to review the Buffalo City School District ("BCSD") third quarter report and four-year financial plan.

Buffalo City School District ("BCSD" or "District")

Fiscal Year ("FY") 2017-18 Third Quarter Report Analysis

Mr. Miller began his presentation stating the FY 2017-18 budget was adopted with a $22.0 million deficit. The District is projecting a $5.8 million budgetary surplus at FYE, therefore the projected year-end deficit is $16.2 million. Mr. Miller stated two contracts were settled:

- Ratified CBA with the Buffalo City School Administrators ("BCSA") on September 20, 2017 with an estimated impact on the Financial Plan of $4.4 million for the CFY and $19.5 million over the life of the plan
- Ratified CBA with Substitutes United/Buffalo on February 14, 2018 with an estimated impact on the Financial Plan of $0.9 million for the CFY and $3.9 million over the life of the plan

The budget was not modified to address the new contract costs; the costs were absorbed through budget transfers resulting in the CFY budget being more restrictive.

The District's FY 2017-18 General Fund revenues are projected to be $3.5 million less than budgeted. Expenditures are projecting a surplus at FYE of $9.3 million.

NYS Aid is the largest revenue source for BCSD and there have been minor fluctuations in formula-based aid which is the major contributor to the deficit.

Of general fund expenditures, total employee compensation is projected to have a positive variance of $4.5 million, while total employee benefits are expected to exceed budget by $2.0 million. Payments to charter schools are projected to have a favorable variance of $2.0 million. All other expenditures are expected to have a favorable variance of $4.8 million.

Conclusion
The District's FY 2017-18 budget is balanced with the appropriation of $22.0 million of fund balance. The District approved two separate CBAs in FY 2017-18 without appropriating additional fund balance which caused the overall budget to tighten.

Hearing no comments or questions from the Board, Mr. Miller continued to the next report.

BCSD 2018-19 Recommended Budget and 2019-2022 Adopted Financial Plan
Mr. Miller stated the budget was on the agenda for approval at BCSD Board meeting scheduled for May 16, 2018 while the Financial Plan was approved on May 1, 2018.

Deficits were reported or projected in six of the last seven fiscal years with the exception being FYE 2015-16 with a surplus of $12.2 million. The Financial Plan includes deficits in each year for a cumulative deficit of $86.7 million. Use of fund balance is planned to close or reduce the gap for the first two years of the Financial Plan. The two out-years will be balanced through other measures.

Key Observations

- The District has a structural imbalance in that starting expenditures exceed starting revenues and expenditures increase at a slightly higher rate than revenues.

- All collective bargaining units have labor agreements that are either expired or scheduled to expire in the next several years. A few methods are available to fund future CBAs:
  - 1.5% annual increases included to reflect the estimated net cost to settle labor contracts
  - $9.0 million of fund balance assigned for contract settlements
  - Contract contingency includes $1.5 million to $3.0 million annually and $9.5 million cumulatively
- Use of fund balance in addition to proposed gap-closing measures appear to be sufficient to address out-year budgetary gaps

Mr. Miller reviewed the FY 2018-19 budgeted revenues totaling $897.4 million:

- Real Property Tax: $70.8 million
- NYS Aid (less building Aid): $645.2 million
  - Increase of $3.7 million from FY 2017-18
  - Projected to increase $53.9 million, or 8.4% over Financial Plan
- NYS Building Aid: $119.5 million
  - Increase of $3.7 million form FY 2017-18
- Erie County Sales Tax: $44.5 million
  - Increase of $2.1 million from FY 2017-18
- All other revenue: $17.4 million
  - Increase of $0.5 million from FY 2017-18

Mr. Miller reviewed the 2018-19 budgeted appropriations totaling $916.4 million:

- Employee Compensation: $312.3 million
  - Increase of $12.3 million from FY 2017-18
- Employee Benefits: $198.3 million
  - Increase of $6.3 million from FY 2017-18
- Charter School Payments: $129.6 million
  - Increase of $5.8 million from FY 2017-18

Charter School payments are the fastest growing single expenditure for the District. This is driven by more students enrolling in charter schools while District enrollment is decreasing. There are a few charter schools which are expanding and two new charter schools scheduled to open for the next school year.

- Debt Service: $113.6 million
  - Decrease of $0.1 million from FY 2017-18
- Transportation: $51.4 million
  - Increase of $2.9 million from FY 2017-18
- All Other Expenditures: $111.2 million
  - Decrease of $4.9 million from FY 2017-18

Total assigned and unassigned fund balance projected to be significantly reduced to $111.9 million estimated at June 30, 2022:

- $53.4 million assigned consisting of:
  - Capital needs $3.9 million
  - Prior year's claims $ 3.0 million
  - Encumbrances $3.4 million
  - Other post-employment benefits $43.1 million
- $58.5 million unassigned ($19.3 million above minimum retention)

Total fund balance at June 30, 2017 was $182.6 million.

Budgeted district-wide staffing for FY 2018-19 is 4,701 FTE, a decrease of twenty FTEs from the prior year. The FTE count is decreased in each out-year based on the anticipated decrease in District enrollment.

Mr. Miller provided an update on the general fund quantified gap-closing actions for FY 2017-18 which totaled $10.9 million and totals $43.0 million FY 2019-2022 as some of the methods have been reworked. The first two priority measures focus on revenue enhancement through better data collection and unassigned fund balance. The next group of priorities focus on fifteen efficiency and savings options. The last group of priorities focus on six additional cost reductions including the elimination or reduction of contingency accounts including amounts budgeted for contract negotiations, eliminating or reducing non-mandated programs and the reduction of central office positions and instructional and support positions.

Secretary Arthur asked how much the District has been awarded in foundation grants since their last budget. Mr. Miller stated no foundation grant funding has been awarded to date. He noted $9.0 million of foundation grant revenue was included in the gap closing plan in the 2018-2021 Financial Plan.

Ms. Robe stated the District recognized foundation grant revenue as speculative and it is no longer reflected as a potential gap closing plan; it is an item the District is still actively working on.

Conclusions & Recommendations

- The Financial Plan is developed using consistent underlying key assumptions as used in development of the Recommended Budget, adjusted for known or estimated increases or decreases. This approach differs from submissions in past years.
- The District's Financial Plan includes $3,703.0 million in estimated revenues and $3,789.7 million in estimated expenditures, leaving an initial budgetary gap of $86.7 million
    - The ability to balance the Financial Plan continues to be reliant on the District's results and actions occurring during FY 2018-19
    - Additional fund balance of $19.3 million is available
    - In the event additional revenues and savings are not received/achieved, cost reduction measures will need to be implemented. This includes a reduction or elimination of certain programs as well as a number of instructional positions.
- Over the Financial Plan, $11.7 million of assigned fund balance and $17.3 million of unassigned fund balance is allocated towards closing the proposed budgetary gaps for a total of $29.0 million
- The District has included in its deficit-closing measures the elimination of the contract settlement contingency which would affect the District's ability to negotiate
    - All collective bargaining units have expired or will expire within the out-years

Interim Vice-Chair Jurasek stated most of focus of the budget deals with operating deficits although a structural deficit was cited at the beginning and asked if the structural deficit is due in part to overstaffing. Mr. Miller stated that the structural deficit exists as current expenditures exceed current revenues and are projected to increase at a comparable rate. He deferred to District management to address the issue of staffing. Mr. Geoff Pritchard, CFO, BCSD responded that although the BCSD student population continues to shrink while charter schools continue to grow, the BCSD composition has increased special education needs and more English learners which account for an increase in staffing. Therefore, staffing is projected to remain flat, however, the gap-closing measures will take those reductions into account upon implementation.

Secretary Arthur asked how many charter schools are projected to open. Mr. Pritchard stated one charter school is closing, two new charter schools are opening and eight existing charter schools are growing. Two additional charter school applications have been submitted to the State and therefore a total of four new charter schools may open over the Financial Plan. Mr. Pritchard stated the competition among charter schools between the City and the suburbs has increased. He also noted that more charter schools are also requesting bussing in an attempt to continue their growth, which in turn has increased operational costs for the District.

Interim Vice-Chair Jurasek asked for clarification on staffing reductions of $6.2 million in each out year of the Financial Plan. Mr. Pritchard responded that the positions would be eliminated from the budget completely.

Director Floss questioned the District's approach on the out-years and their special education population. Mr. Pritchard stated this is an area of concern for Superintendent Cash and reports suggest that the special education teacher population is growing at the same rate as the special education student population.

Hearing no additional comments or questions Interim Vice-Chair Jurasek advanced the agenda to the Buffalo Municipal Housing Authority ("BMHA").

The Buffalo Municipal Housing Authority

FY 2017-18 Third Quarter Report Analysis

Mr. Miller began his presentation stating that BMHA's FY 2017-18 adopted budget revenues were $42.8 million and the actual as of March 31, 2018 was $33.3 million or 77.8% of budget. Adopted budget expenses were $44.6 million and the actual as of March 31, 2018 was $33.3 million, or 74.7% of budget. There is a $200,000 favorable budgetary variance at the end of the third quarter. Mr. Miller briefly reviewed fluctuations in various revenue and expense categories.

Recommendations and Conclusions:

- BMHA has budgeted a net loss of $1.8 million in FY 2017-18
  - The BFSA is projecting favorable budgetary results and currently does not anticipate a loss in excess of the budget
- BFSA will continues to recommend year-end projections be made at least quarterly and the budget and financial plan be modified as necessary

Hearing no questions or comments from the Board Mr. Miller advanced to the BMHA FY 2019-2022 Financial Plan.

FY 2019-2022 Four Year Financial Plan

Mr. Miller stated the BMHA Board of Commissioners approved the Adopted Budget and Financial Plan on April 19, 2018. The 2018-19 adopted budget is balanced and the 2019-2022 Financial Plan is balanced. There is an expected deficit of $0.8 million for FY 2018-19 and an appropriation of $1.2 million net cash outflow. There is a cumulative net loss of $2.2 million and $3.8 million four-year cash outflow projected. $3.8 million of operating reserves are budgeted to be used. Operating reserves are projected to be $0.9 million at June 30, 2022. HUD requires reserves to be equal to at least four months of operating expenses.

Changes between the 2018-19 adopted budget and 2017-18 adopted budget include:

- Total operating revenues increase by $1.8 million to $44.6 million as compared to 2017-18 adopted budget.
- HUD subsidy increases by $1.0 million to $16.8 million. A proration of 95% of eligible expenses with an occupancy rate of 95% (excluding A.D. Price Courts and Commodore Perry Homes) is assumed.
- Totaling operating expenses increases by $0.8 million to $45.4 million. An increase in total salaries of $736,000 or 8.5% and a decrease in benefits of $332,000 or 6.0% over the Financial Plan based on the assumption that labor contracts will be settled in the near future.

The operating revenue budgeted for FY 2018-19 consists of:

- HUD subsidy: $16.8 million, or 37.7% of the total
- Dwelling income: $13.9 million, or 31.1% of the total
- HUD PHA grants: $5.4 million, or 12.1% of the total
- Transfers from Capital Grants: $3.1 million, or 7% of the total
- All other revenues: $5.4 million, or 12.1% of the total

The budgeted appropriations for FY 2018-19 are categorized as follows:

- General expenses: $14.2 million, or 31.3% of the total
- Maintenance: $10.0 million, or 22% of the total
- Administrative: $8.4 million, or 18.5% of the total
- Utilities: $5.7 million, or 12.6% of the total
- Protective Services: $1.7 million, or 3.7% of the total
- Other expenses: $5.4 million, or 11.9% of the total

Recommendations and Conclusions:

- Deficits are projected in all four years of the Financial Plan
    - Operating reserves of $3.8 million are appropriated to fund the deficits
        - Use of this amount would leave $0.9 million in reserves at June 30, 2022
    - Recommends BMHA to examine areas of savings and cost reductions as operating reserves are finite resource
- Expenses could be understated as total expenses for employee benefits decrease over the four-year plan
- BMHA has budgeted the Operating Subsidy based on a 95% proration with a 95% occupancy rate
    - Could be aggressive based on historical occupancy rates and subsidy rates
- BMHA's executive summary in the Financial Plan provides revenue and expense assumptions that are not consistent with the actual revenues and expenses depicted within the Financial Plan
- BFSA recommends that the Financial Plan be corrected and re-released so the public will have access to a final document and summary of BMHA finances.

Hearing no questions or comments Interim Vice-Chair Jurasek advanced the agenda.

Buffalo Urban Renewal Authority ("BURA")

Interim Vice-Chair Jurasek advanced the agenda to review the FY 2017-18 third quarter and the Board agreed to receive and file the document

Resolution No. 18-05: Determination with Respect to the City of Buffalo 2018-2021 Four-Year Financial Plan

Interim Vice-Chair Jurasek introduced BFSA Resolution No. 18-05: "Determination with Respect to the City of Buffalo 2018-2021 Four-Year Financial Plan," stating the Financial Plan is complete with the exception of BURA's 2019-2022 Financial Plan which is to be submitted to the BFSA in time for the June 18, 2018 Board meeting.

Director Floss made a motion to approve resolution.

Secretary Arthur seconded the motion.

The Board voted 5-0 to approve Resolution 18-05.

Privilege of the Floor
No comments.

Adjournment
Director Floss moved to adjourn.

Secretary Arthur seconded the motion to adjourn with a moment of silent prayer in remembrance of Director Frank B. Mesiah.

The Board voted 5-0 to adjourn.

Meeting adjourned at 3:36 PM.