

BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
June 18, 2018

The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the “BFSA” or the “Authority”) held on Monday, June 18, 2018 in the first-floor conference room of the Buffalo Market Arcade Complex. The meeting was called to order at 1:05 P.M.

Board Members Present

Chair R. Nils Olsen
Interim Vice-Chair Jeanette T. Jurasek
Director Frederick G. Floss
Director Dottie Gallagher-Cohen
Mayor Byron W. Brown (proxy Estrich)
County Executive Mark C. Poloncarz

Board Member(s) Excused

Secretary George K. Arthur

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. Gillian Brown, Interim Executive Director, Buffalo Municipal Housing Authority
Mr. Geoffrey Pritchard, Chief Financial Officer, Buffalo Public School District

Opening Remarks

Chair Olsen welcomed everyone to the June Board meeting, thanked all who were in attendance, reviewed the logistics of the meeting, and reviewed the agenda.

Roll Call of the Directors

Director Floss called the roll. A quorum being present, the meeting commenced. Director Floss noted there are two vacancies on the Board.

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

Subdivision 1 of §3853 of the BFS 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

Chair Olsen introduced Resolution No. 18-06: “Approving Minutes and Resolutions from May 16, 2018.”

Director Floss made a motion to approve.

Ms. Estrich seconded the motion.

The Board voted 5-0 to approve Resolution No. 18-06.

Buffalo Municipal Housing Authority (“BMHA”)

Discussion with Interim Executive Director Gillian Brown

Chair Olsen advanced the agenda to the discussion with BMHA management and welcomed Mr. Gillian Brown to discuss financial and operational matters at the BMHA. Chair Olsen opened the floor for questions from the Board. Ms. Estrich asked for an update on the status of apartments being brought up to code and made available for rent. Mr. Brown stated a majority of the Perry development is vacant due to it being uninhabitable which negatively affects the overall BMHA vacancy rate. In addition, contract negotiations are taking place with a bargaining unit that has been without a contract since 2011. The hope is to have a contract finalized this summer which would include a pilot program to have mobile vacancy teams travel throughout the BMHA footprint to address housing remediation and improve unit turn-around time with a focus on decreasing the amount a time a unit remains vacant.

Chair Olsen asked what the plan is for the Perry development. Mr. Brown stated the vacated units in Perry and the way they were vacated pre-date his time as the Interim Executive Director and indicated these units are viewed as unsalvageable. Mr. Brown stated he was previously employed by BMHA between 1995 and 2007 and the Perry units were difficult to rent during that time due to the small size of the bedrooms, little closet space and many units being located on the third floor. In the early 1990’s, BMHA received a HOPE VI grant from the department of Housing and Urban Development (“HUD”) for density reduction and as a result many units were removed. The Perry neighborhood has become a hotspot of activity and therefore input is needed from all stakeholders as to how to best move the area forward. Mr. Brown stated although BMHA did not receive funding for their initial application for the Perry Choice Neighborhood Plan, HUD recently issued a Notice of Funding Availability for an additional round of Choice Neighborhoods but the narrow window of application made it impossible for BMHA to apply; however, BMHA is in the process of amending their Perry Choice Neighborhood Plan to minimize the footprint of the plan while maximizing the benefits for the development by working with various entities.

Chair Olsen stressed the increased need for affordable public housing and Mr. Brown agreed with his observation and stated the federal government has systematically underfunded public housing for several years. BMHA is in the process of developing their 2018-19 Capital Plan as they received an unexpected increase in federal funding this year.

Chair Olsen asked if there is a plan in place to work with the City to build affordable housing using newly available tax credits. Mr. Brown stated BMHA completed a project through Bridges Development, the non-profit arm of BMHA and the implementation of the Rental Assistance

Demonstration (“RAD”) program. BMHA is in a difficult position with having such a high inventory of older housing stock which requires a lot of work in addition to providing newer, higher quality housing.

County Executive Poloncarz asked if there is an estimate of the number of units needed to satisfy the demand for public housing. Mr. Brown stated the BMHA waiting list fluctuates due to various housing preferences i.e. homelessness, violence against women, etcetera that take precedence. However, the actual citywide need is unknown. There are site-based lists and some developments have very little turnover and therefore the time on the waiting list can be extensive. Ms. Estrich stated the Office of Strategic Planning recently completed research regarding the need for housing in the City and is willing to forward that information. County Executive Poloncarz stated BMHA must anticipate the future needs of housing as it appears the demand for affordable housing continues to increase while an increasing number of units are being taken offline. Mr. Brown stated BMHA is aware of the increased need for public housing and the agency is working closely with the City regarding redevelopment strategies for particular neighborhoods and groups.

Director Floss asked what the strategic priorities are for BMHA. Mr. Brown stated the Board of Commissioners is in the process of conducting a search for a permanent Executive Director and once that has been finalized he expects to return to his main role as BMHA general counsel. While acting as Interim Executive Director it is his hope to:

1. Settle the outstanding labor contract that has been expired since 2011;
2. Complete much needed paving projects with the additional monies received from HUD for capital projects;
3. Replacement of on-site playgrounds;
4. Replacement of LBJ development elevators;
5. Rehabilitation of 19 scattered units throughout the City built in the 1970’s;
6. Improvements to the Perry development high-rises and rowhouses stoops and sidewalks

Chair Olsen asked if there has been repair or replacement of the inoperable heating units that were reported in the news over the past winter. Mr. Brown stressed that heating failure was limited to Frederick Douglas Apartments, Phase I and is currently undergoing rehabilitation. Any air conditioning issues reported thus far have also been addressed.

Interim Vice Chair Jurasek asked how BMHA plans to address the issue of their aging housing stock against a continued flat capital budget. Mr. Brown replied it appears the federal government wants the housing authorities to address its capital needs through the privatization and the utilization of the Rental Assistance Demonstration (“RAD”) program. BMHA will continue to apply for development specific grants and RAD projects. Some developments need to be rebuilt in a different form and some can be rehabilitated. Mr. Brown stated BMHA employs approximately 25% of the staff that it did in 1996; however, the housing stock has not decreased by the same percentage and vacancies will be filled to meet the demands.

Director Dottie Gallagher-Cohen entered the meeting at 1:18 P.M.

Chair Olsen stated the continued gentrification of the City highlights the increased need for BURA and BMHA and that a collaborative effort is required as is bringing in additional institutions such as the University of Buffalo which may need to be called upon for assistance. Mr. Brown stated BMHA is improving their approach toward preventive maintenance and anticipated recurring expenses by filling employee vacancies.

Director Floss stressed the importance of increasing unit turnover in an attempt to generate needed income for the agency and Mr. Brown agreed.

Chair Olsen stressed the need for the number of available affordable housing units to increase as relatively stable neighborhoods are being affected by the increased cost in housing. Director Gallagher-Cohen stated 50% of permanent housing in the City is classified as affordable housing. Ms. Estrich stated affordable housing is a main focal point for the Mayor.

Interim Vice Chair Jurasek asked if BMHA's HUD audit included an assessment of the quality of the housing stock. Mr. Brown stated the HUD findings have not been issued to date as it is still in process but noted the audit does not appear to focus on the quality of housing stock.

Director Floss stated it is important to keep the development of a broader housing policy and there are probably students available for internships to assist BMHA with that.

Hearing no additional comments, Chair Olsen thanked Mr. Brown for addressing the Board and advanced the agenda to the next item.

Buffalo City School District ("BCSD")

Food Workers Contract

Chair Olsen welcomed Mr. Nathan Miller to present the labor contract between BCSD and the Food Service Workers AFSCME Local 264. The collective bargaining agreement ("CBA") expired on 6/30/17 and the proposed CBA will be effective 7/1/17 through 6/30/22. The agreement covers 10-month food service workers and extends the memorandum of understanding ("MOU") for summer food service workers for one additional year. There is no additional cost associated with this extension of the MOU. The tentative agreement terms were agreed upon on 5/3/18 and the BCSD Board of Education will consider this item at their 6/20/18 Board meeting.

Terms of the CBA:

- A wage increase of 3.5% will be effective on the Monday following ratification and is not retroactive;
- From 7/1/18 through 6/30/22 there will be an annual increase of 3.0% effective each July 1st;
- Pre-pack leader stipends increase annually by \$0.25 to \$0.50 per hour to \$2.00 per hour on 7/1/21.

Mr. Miller stated the NYS Minimum Wage for 2018 is \$10.40 per hour and the City of Buffalo Living Wage for 2018 is \$11.79 per hour with healthcare benefits and \$13.24 per hour without healthcare benefits. The BCSD does not have a living wage policy. County Executive Poloncarz asked what percentage of food service workers are on step one. Mr. Miller stated the number of workers classified on step one is fairly small although he does not have the exact number. New hires that do not qualify for prior year District service would be hired at step one which is below the City of Buffalo's Living Wage minimum. The District is not subject to the City's Living Wage Policy. Chair Olsen stated the District should be encouraged to comply with said City Policy.

Director Floss questioned what was negotiated in the contract to address the new NYS requirement of Paid Family Leave. Mr. Miller stated the Paid Family Leave Act was not specifically addressed in this contract. County Executive Poloncarz stated the Paid Family Leave law was not mandated for governmental entities as it is deemed a collective bargaining issue. Chair Olsen stated Living Wage and Family Leave are especially critical with respect to low wage positions.

Mr. Miller continued with the terms of the CBA:

- Employees will receive 1.5 pay for hours worked in excess of 8 hours a day and/or 40 hours per week
- Assignments for afterschool and Saturday work will be offered on a seniority basis
- The attendance incentive increased from \$50/period to \$75/period and there are four periods within a year
- Current and active employees will receive a one-time \$100 payment
- Labor Day is added to the list of paid holidays provided the employee works the day before and the day after a holiday
- An additional \$100 for a total of \$350/year for employees to purchase compliant footwear at the beginning of the season
- The probationary period is increased from 18-months to 24-months
- Food service workers shall have the right to have a representative present at the end of hiring and orientation meetings not to exceed five minutes
- Paid Days Off
 - Permanent employees with less than 5 years of District service receive a total of 5 days off
 - Permanent employees with more than 5 years of District service receive a total of six days off
- Food Service Workers agree to withdraw all pending grievances within 10 days of ratification
- Employees are eligible for District health insurance with the worker paying 100% of the premium:
 - Base Plan: \$6,955 (single); \$19,169 (family)
 - Enhanced Plan: \$9,329 (single); \$20,557 (family)

Chair Olsen asked if there are any other bargaining units within the District that pay 100% of healthcare premium. Mr. Pritchard stated bus aides pay 100% of their healthcare premiums. Chair Olsen stated his disappointment that the least paid workers carry the largest burden for their healthcare.

Mr. Miller stated the costs associated with the current 2017-18 school year budget is the one-time payment of \$100 to 450 eligible employees and because the impact is minimal a budget modification is not required. However, the contract cost does not include any savings and the total CBA impact for the life of the contract is \$3.7M and will require a modification to the 2019-2022 Financial Plan which includes:

- Recognizing new revenues: new revenues are conservatively projected based on the District's decision to seek meal reimbursements from the Child and Adult Care Food Program (CACFP) at \$3.23/meal instead of the current NYS Education Department Afterschool Snack Program which reimburses \$.88/meal
- Recognizing new expenditures associated with approving the tentative CBA: the CBA is funded through the appropriation of fund balance. The net use of fund balance is decreased as a result of new revenues

Initially the 2019-2022 Financial Plan was balanced by the use of fund balance; however, the net impact of the CBA reduces the use of fund balance each year.

Conclusions:

- Food Service Workers are different from other collective bargaining units in that they are part-time employees who do not receive compensation other than wages and employee contribution into the NYS Retirement System.
- The CBA does not contain and cost-saving measures. The annual increases in employee compensation and benefits are more than offset by the recognition of new, unrelated revenues.

Director Gallagher-Cohen asked if there was any impact of cost of predictive scheduling on the labor expense due to the higher cost of calling in unscheduled workers. Mr. Miller stated the impact has been built into the contract as the CBA is based on 100% position fulfillment.

Chair Olsen asked what bargaining units have expired contracts within the BCSD. Mr. Miller advised the following are out of contract:

- White & Blue Collar expired June 30, 2013
- Operating engineers expired in 2010
- Transportation aides

The teacher's contract is effective for one more year and the administrator's contract is in effect until 2020.

Chair Olsen stated his concern of the contractual posture of the BCSD with an increasing number of contracts yet to be settled in the very near future.

Ms. Estrich stated her hope that the District would seek to provide a living wage as opposed to minimum wage for its employees to mirror the City of Buffalo Living Wage. Chair Olsen agreed.

Director Floss made a motion that the Board accept the CBA with the recommendation that the District look to adopt a living wage policy for all of their employees and that the District considers alternative ways to deal with healthcare other than 100% premium payments by the employees.

The Board voted 5-0, with one abstention by Director Gallagher-Cohen.

Chair Olsen thanked Mr. Miller for his presentation and advanced the agenda to the next item.

Review Final Adopted 2018-19 Budgets and 2019-2022 Financial Plans

City of Buffalo

Chair Olsen stated the City adopted its final 2018-19 Budget and 2019-2022 Financial Plan on June 1, 2018 and was submitted to BFSA on June 8, 2018. Mr. Bryce Link was asked to review the submission with the Board.

Mr. Link thanked the Board for the opportunity to present the staff's analysis on the City's Financial Plan. The Common Council made no modifications to the estimated revenues and no changes made to the total budgeted amount of expenditures from the City's Proposed Budget; however, individual expenditures were modified by \$2.2M and carried forward for all four years of the City's Financial Plan. There was a correction for the City's four-year staffing schedule beginning with the 2018-19 Adopted Budget, the correction did not change total expenditures but was to correctly adjust the actual final number of budgeted positions:

- The final number of 2,649 positions are budgeted for 2018-19 – a reduction of 42 positions from 2017-18
- As of the third quarter there were 2,475 positions filled, a difference of 174 positions
- The elimination of vacant positions in Engineering, Fire, Police (civilian positions) and Streets and Sanitation were made in order to target departments that carry substantial vacancies
- Increase of 25 firefighters is noted bringing the total to 742 full-time equivalent (FTE) positions in order to address pending retirements
- Staffing is flat over the Financial Plan
- MOU between the Mayor's Administration and Common Council to monitor the City's monthly cash flow as compared to the prior year cash balance

Common Council changes resulting in a net decrease of \$621,548 in budgeted departmental costs were made in the following areas:

- Fire Department – decrease of \$299,878 for the reduction of 8 firefighter positions compared to the proposed budget and minor adjustment to attrition
- Permits and Inspections – decrease of \$190,000; reduction of \$175,000 in land improvements and \$15,000 in personnel costs
- Assessments and Taxation – reduction of \$169,850 for technical and engineering services
- Public Works – reduction of \$140,000 from multiple auto repair and maintenance lines
- City Clerk – net decrease of \$60,000 consisting of \$90,000 reduction for Common Council neighborhood initiatives offset by an increase of \$30,000 for rental of land and buildings
- Common Council – multiple lines were adjusted; however, the net impact was \$0
- Police Department – net increase of \$169,347 for the addition of five civilian positions
- All Other Departments – net increase of \$68,833

In addition, Common Council made the following modifications to budgeted general charges:

- Debt service reduced by \$1.0M
- Freeze account established in the amount of \$1.6M:
 - To be used for original budgeted intentions
 - Requires joint request of a transfer from Mayor and Comptroller and approval of the Common Council for utilization of funds

The cumulative estimated revenues for the City's Financial Plan are \$2,073.0B and the budgeted appropriations are \$2,077.0B, which leaves a budgeted deficit of \$4.0M in the first year of the Financial Plan which is addressed using restricted capital fund balance.

Director Gallagher-Cohen asked if the \$4.0M budgeted deficit for the first year for the 2019-2022 Financial Plan mirrors what was submitted by the City for their 2018-2021 Financial Plan. Ms. Robe stated there was a shift noted as last year's Financial Plan relied on fund balance to fill some out-year gaps. The release of the 2017 Financial Statements indicated more fund balance was utilized for the year-ended June 30, 2018 than anticipated and therefore additional fund balance is no longer available as there is now only \$6.5M of unassigned fund balance available.

Interim Vice Chair Jurasek asked for clarification regarding the aforementioned 42 positions that were eliminated in contrast to the 75 positions listed in the City budget book. Mr. Link stated the change in the number of positions was due to the incorrect number of firefighters reflected on the original schedule. There was no change to total expenditures since the City did budget for 750 firefighter positions, but had only included 717 on their initial staffing schedule.

Director Floss asked if the new 60-member firefighter class will replace the number of anticipated retirees. Ms. Estrich stated that this was the intention. The increase in number of positions is intended to offset expected retirees and noted that people generally retire at the end of June or the beginning of January. A carryover arises while waiting for the retirees to close out and actually vacate their positions.

County Executive Poloncarz asked for clarification on revenue sources of sales tax and the Tribal State Compact casino revenue from the Seneca Nation. Sales tax has been projected at \$88,000 less as compared to FY 2017-18, whereas Erie County sales tax is increasing at a rate of 5%. Ms. Estrich stated the City is anticipating recovering closer to \$83M as opposed to \$84M. Ms. Robe stated the sales tax was overestimated last year and this year is a more accurate reflection of what is expected and 2% increases applied thereafter. Ms. Estrich stated the City received approximately a 2% increase in May as compared to the same time last year. It was noted that the County fiscal year is on a calendar year basis and therefore overlaps the City's fiscal year of July to June. With respect to Seneca payments Ms. Estrich stated the City is confident an agreement will be reached and monies recovered via arbitration.

Director Gallagher-Cohen asked for clarification on the budgeted grants for 2018-19 as it appears to be an increase over last year. Ms. Estrich stated the anticipated grants are the same as they were in last year's budget; however, at the end of the fiscal year, the audit department reconciles all of the fees and exhausts the balances. Therefore, an increase is not reflected as additional revenue in the budget, but as a reduction in general fund expenditures.

Director Gallagher-Cohen asked what the \$2M entertainment surcharge fee is based on and if the City has the authority to impose said fee. Ms. Estrich stated the fee is based on the cost of a ticket sold through the five City-owned properties. Ms. Estrich stated the City imposed an entertainment ticket fee in past years whereas the new fee is more safety and maintenance based. The City is attempting to negotiate with each individual entity as opposed to imposing the City's wholesale right to add the surcharge and anticipates generating \$2.0M based on all entities agreeing to assess the additional surcharge.

Director Gallagher-Cohen expressed her concern about the low level of the fund balance and commends the City for attempting to generate a new stream of revenue.

County Executive Poloncarz asked if Common Council has approved the requisite laws to impose the new ticket fee. Ms. Estrich stated the item was filed for the next Council meeting on June 26, 2018.

Chair Olsen stated the City has increased property taxes and refuse fees. Ms. Estrich confirmed the City is in the process of performing property reassessments.

County Executive Poloncarz requested clarification as to whether the current property tax levy is based on current assessment and if City revenue is expected to increase once the reassessments are completed. Ms. Estrich stated the reassessment will not increase revenue.

Director Gallagher-Cohen asked which capital assets are projected for sale. Mr. Link stated he has a full list of capital assets and the majority are buildings.

Overview of Financial Plan Revenues:

- On a year-to-year basis revenue is increasing by \$22.1M and is projected to increase \$21.0M, or 4.1% over the course of the Financial Plan;
- Taxes are projected to increase \$11.6M or 7.4% over the Financial Plan;
 - An increase of \$6.3 M in 2018-19
 - Average increase of 2.5% annually in the three out-years
 - Consistent with the real property tax cap
 - Reassessment effective July 1, 2019
- Intergovernmental revenue is increasing \$6.2M, or 2.3% over the Financial Plan:
 - A total of \$17.0M budgeted for casino revenue in 2018-19, consisting of \$10.0M for prior year balances due to the City and \$7.0M for the current year
 - \$8.0M is projected annually for the remaining three out-years
- State Aid and Incentive to Municipalities (“AIM”) is projected flat in 2018-19 and is increased annually by 2% in the out-years for a total increase of \$9.9M
- Sales tax is budgeted flat in 2018-19 and is projected to increase 2% annually over the three remaining years of the Financial Plan for a total increase of \$5.2M
- Fines are projected to increase \$4.2M, or 27.6% over the Financial Plan:
 - Fines are increasing by a net \$1.0M in 2018-19, includes \$2.0M for amnesty program consisting of an estimate of \$1.2M for parking tickets and \$0.8M for quality of life summons.
 - Reduction of \$0.2 M for traffic tickets, and a reduction of \$1.0 M in parking tickets.

- New revenue projected of \$0.5M annually with the use of school traffic cameras beginning in 2019-2020; however, this requires an act of NYS legislature to expand to WNY
- Miscellaneous revenue is projected to decrease by \$2.6M, or 14% over the Financial Plan;
 - New entertainment surcharge fee is estimated at \$2.0M in 2018-19 and projected to be \$5.0M in 2019-20 and then held flat for the remaining two out-years
 - Increase of \$2.0 M for gifts and donations from 2017-18 to 2018-19, then an increase to \$3.0 M over remaining years of the Financial Plan
 - Adjustments to projected sale of capital assets budgeted at \$8.0 M for 2018-19 and adjusted down in the out-years as they are one-time revenues
- All other revenue sources remain flat or include an estimated minimal growth;
- 2018-19 uses \$4.0 M of restricted fund balance
 - Does not include the use unassigned fund balance, balance of \$6.5M at June 30, 2017
 - Remaining years are balanced with no reliance on fund balance
- Rainy Day Fund remains intact and fully funded (\$38.8M available as of June 30, 2017)
 - May be used for unforeseen circumstances
 - Use would require replenishment causing further budget constraints

Director Gallagher-Cohen asked if Rainy Day funds can be used if the casino revenues are not realized from the Tribal State Compact. Ms. Estrich stated the City would be able to use the Rainy Day funds to cover the gap but the City is anticipating that New York State and the Seneca Nation will reach an agreement in the near term, so the resources will not need to be called on. Ms. Estrich stated the City has adopted a self-imposed discipline of not using Rainy Day funds, as legal limitations regarding such matters have been filed with Council but not acted upon. Chair Olsen stated when the BFSA entered into an advisory period, one-time funds were viewed as applicable to the budget and the BFSA should continue to do so as it contributes to a more holistic view of the City budget.

County Executive Poloncarz clarified that the Rainy Day fund is not restricted revenue and should be viewed as unassigned fund balance and considered as potential revenue.

Ms. Robe stated the \$4.0 M restricted fund balance that will be used for 2018-19 is legally restricted and can only be used for specific capital purposes.

Overview of Financial Plan Expenditures:

- On a year-to-year basis expenditures are projected to increase \$13.9 M and increase \$17.0 M, or 3.3% over the Financial Plan;
- Departmental expenditures are projected to increase by \$6.2 M, or 2.5% in 2018-19 and \$8.5 M, or 3.6% over the Financial Plan. Majority of the projected increase is due to the Police Department which is budgeted to increase \$3.7 M, or 4.0% and the Fire Department estimated to increase \$3.1 M, or 3.7%;
- Public works is increasing by \$1.1 M, or 3.7 percent and all other departments are decreasing by \$0.4 M on a net basis;
- Departmental expenditures do include costs for expired labor contracts, as well as the inclusion of a salary adjustment line budgeted under fringe benefits;

- General charges are projected to increase by \$7.7 M in 2018-19, and \$3.7 M, or 2.1 %, over the Financial Plan. The largest increase is due to fringe benefits which are increasing \$4.7 M, or 3.2% over the Financial Plan;
 - Health insurance for both active employees and retirees is increasing by \$4.5 M in 2018-19;
 - Health insurance is increasing by \$2.4 M or 3.0 percent over the out-years of the Financial Plan;
 - Salary adjustment line for unsettled labor contracts is budgeted at \$2.4 M in each year of the Financial Plan;
 - Pension payments are increasing by \$1.3 M or 2.9% over the Financial Plan
- Utilities are increasing by \$0.4 M, or 2.1%.
- Interfund Transfers Out increase by \$4.9 M over the Financial Plan. Interfund transfers out total \$99.3 M in 2018-19 and increase to \$104.0 M in 2021-2022:
 - Transfer to BCSD held flat at \$70.8M
 - Transfer to Capital Debt Service Fund at \$27.9 M, increasing to \$32.8 M in 2021-22
 - Transfer to Capital Projects Fund held flat at \$400,000
- Elimination of the annual interfund transfer out to the Solid Waste and Recycling Fund of \$3.2 M. Currently the fund owes \$18.4 M to the General Fund. The City has yet to put a comprehensive plan in place to address the debt.

Certain expenditures may be under-projected:

- Overtime costs may be under-budgeted on a year-to-year basis:
 - Decrease of \$1.8 M budgeted in 2018-19 for Police Department,
 - Decrease \$0.7 M budgeted in 2018-19 for Fire Department,
 - Overtime is held flat over the Financial Plan
 - No increase for the Police Department-held flat at \$9.1 M a year
 - Increase of \$0.3 M for the Fire Department, going from \$4.7 M in 2018-19 to \$5.0 M in 2021-22
 - Overtime has been an ongoing issue for the City
 - Historically the City has been able to use vacancies to fund overages in overtime; however, there has been an increase in the number of filled positions due to additional recruit classes eliminating the vacancies. Subsequently, due to minimal manning requirements overtime must be utilized to provide the appropriate number of officers in the field until the new recruits have completed their training.

Chair Olsen stated hiring more police officers and firefighters is the most accessible manner in which to address overtime in the uniformed services and will improve the City's budgetary situation in the long run. Ms. Estrich agreed and stated the police department has been extremely diligent in their use of overtime.

- Police Department is projected to be \$0.1 M over budget in current year;
- Fire Department is projected to be \$6.6 M over budget in current year
- Health insurance costs may be underestimated over the course of the Financial Plan
 - The City is self-insured for both healthcare and prescription drug coverage. Health insurance is projected to increase by 3.0% over the Financial Plan which may be insufficient

Ms. Estrich stated the City is beginning the RFP process for the administration of health insurance coverage.

Mr. Link provided a listing of the City's employee unions, the number of FTEs and their CBA expiration dates:

- PBA (Police Officers) 778 employees, present agreement expires on 6/30/19
- Local 282 (Firefighters) 670 employees, present agreement expired on 6/30/17
- Local 264 (Blue Collar) 382 employees, present agreement expires on 6/30/19
- Local 650 (White Collar) 421 employees, present agreement expires on 6/30/19
- Local 2651 (Building Inspectors) 52 employees, present agreement expires on 6/30/20
- Local 17 (Operating Engineers) 15 employees, present agreement expires on 6/30/20
- Local 264T (Pipe Caulkers) 31 employees, present agreement expires on 6/30/22
- CGA (Crossing Guards) 100 employees, present agreement expires 8/31/19

Chair Olsen asked if funds have been set aside for contract negotiations with the four unions that will be out of contract by 8/31/19. Ms. Estrich stated the City included increases within the 2019-2022 Financial Plan to account for the contracts.

Mr. Link continued his review of the Financial Plan with respect to the Solid Waste and Recycling Fund:

- Proposed rate increases to eliminate the annual deficit
- Subsidy of \$3.2 M previously provided by the City eliminated in the 2019-2022 Financial Plan
- No formal plan has been developed to address the outstanding receivable of \$18.4M in the General Fund

Chair Olsen asked if homes will be foreclosed if people are unable to pay the increased fees. Ms. Estrich stated the City does not foreclose on properties owing less than \$200.00 for taxes or user fees; however, payment plans are made available.

Interim Vice Chair Jurasek asked if the City will still have one of the lowest tax rates in the state taking the planned property tax increases into account over the Financial Plan. Ms. Estrich stated the City's taxes will still be lower.

Chair Olsen stated the increased development in the City assisted in keeping the tax rate low and the Administration has shown appropriate management regarding the tax rate and user fees. Historically the tax rate and user fee increases have been moderately increased.

Director Gallagher-Cohen commented that City taxes were very high for many years without providing comparable services and therefore, many people moved out of the City. The Administration made strategic investments to improve City services and now is the time to raise taxes.

Director Floss asked if the Administration has factored in the property exemptions that will expire during the out-years of the Financial Plan. Ms. Estrich stated the exemptions will simply lower the tax rate which could prevent taxes from increasing further.

Director Gallagher-Cohen stated the adaptive reuse projects are providing revenue as they are at least making a payment in-lieu of taxes (“PILOTs”).

Chair Olsen stated his continued concern that the City obtain PILOTs from other large not-for-profit projects; as the massive redevelopment occurs, the increased cost of the maintenance for the new developments increase for the City. Ms. Estrich agreed a private conversation should begin. Director Floss stated the County Executive should seek the same for the services the county is providing for the new untaxable developments. Director Floss stressed the importance of the collaborative conversations between City, County and untaxable developments would ultimately help the state because the cities would stop being in financial distress

Hearing no further questions or comments, Chair Olsen thanked Mr. Link for his presentation and advanced the agenda.

Buffalo City School District (“BCSD”)

2018-19 Adopted Budget Changes

Chair Olsen stated the BCSD 2018-19 budget was adopted on May 16, 2018 and the minor changes will be presented by Mr. Nathan Miller.

County Executive Poloncarz exited the meeting at 2:58 P.M. His departure did not affect quorum and therefore he did not invoke his right to a proxy.

Mr. Miller stated overall revenue projections and expenditures remained unchanged from the proposed 2018-19 budget. The budget deficit of \$19.0 M remained unchanged as well. The deficit will be filled with the use of fund balance:

- \$3.2 M Assigned Fund Balance
- \$15.8 M unassigned Fund Balance

One minor change was Erie County sales tax which is expected to increase by \$0.1 M, whereas, all other revenue decreased by \$0.1 M resulting in a net change of zero.

Mr. Miller stated the seventy-one-individual school based budgets have been finalized resulting in the following changes to budgeted appropriations:

- Employee compensation increased by \$0.5 M
 - 2 additional administrators
 - 7.25 additional teacher aides/teaching assistants
- Employee benefits decreased by \$0.2 M
 - Other fringe benefits reduced based on historical outcomes
- All other expenditures decreased by \$0.3 M

Conclusions

- The Adopted Budget has been finalized and is not anticipated to be modified until the July 1st recognition of carry-forward encumbrances.
- The 2019-2022 Financial Plan as reviewed by the BFSA on May 16, 2018 is consistent with the 2018-19 Adopted Budget.

Chair Olsen stated not enough money is being set aside for upcoming contract negotiations with the major BCSD labor unions as it threatens good labor relations with the District.

Director Floss asked if the BCSD has considered federal cuts in their budget. Mr. Miller offered to follow-up with the District.

Ms. Robe stated requests of the District to report to the BFSA on a quarterly basis are still being addressed informally. There has been a struggle to receive certain information in a timely manner since the BFSA entered an advisory period.

Interim Vice Chair Jurasek asked if a formal reminder is sent to the District. Ms. Robe stated a good working relationship has been established with the District and prefers to keep requests informal.

Ms. Estrich stated it would be helpful for the BFSA to send out an updated required document letter to the City and its covered organizations.

Hearing no additional comments Chair Olsen advanced the agenda.

Buffalo Urban Renewal Agency (“BURA”)

2019-2022 Financial Plan

Chair Olsen stated the BURA 2019-2022 Financial Plan was found to be incomplete by the BFSA at the May 16, 2018 Board meeting; therefore, BURA subsequently submitted a revised plan to the BFSA on June 8, 2018 to be presented by Mr. Link.

Mr. Link provided the following overview:

- BURA received the Year 44 Entitlement Funds award notice from HUD on May 1, 2018. The award included a \$2.2 M increase in entitlement funds as compared to 2017-18. This was the first increase of Entitlement Funds since 2010-11
- Out-year revenues are budgeted conservatively with reductions of:
 - 2% in 2019-20
 - 3% in 2020-22
 - 4% in 2021-22
- Subrecipients receive approximately \$720,000 a year from BURA
- BURA Board of Directors approved the budget on May 24, 2018
 - The BURA labor contract was approved during their board’s April 2018 meeting.
 - Salary increases for both union and non-represented employees was included in the 2018-19 Budget and the 2019-2022 Financial Plan.

HUD allocations for Entitlement Funds are as follows:

- CDBG: \$13.6 M, an increase of \$1.2 M, or 8.8% as compared to 2017-18 award (BURA retains \$6.3 M, the City retains \$7.3 M)
- HOME: \$3.3 M, an increase of \$.950 M, or 29.1% as compared to 2017-18 award (BURA retains \$3.3 M, the City retains \$0)
- Emergency Shelter Grants (“ESG”): \$1.1 M, a decrease of \$6,000, or -0.5% as compared to 2017-18 award (BURA retains \$0, the City retains \$1.1 M)

- Housing Opportunities for People with Aids (“HOPWA”): \$720,000, an increase of \$84,000, or 11.7% as compared to 2017-18 award (BURA retains \$0, the City retains \$720,000)

As of June 30, 2017, BURA had prior year allotments of Entitlement Funds of:

- \$22.3 M of CDBG funds
- \$15.6 M of HOME funds

At the end of the 2019-2022 Financial Plan remaining prior year funding is projected to be:

- \$4.4 M in CDBG funds
- \$0.9 M in HOME funds

Mr. Link stated the unused entitlement fund revenues are rolled forward to future years.

The Financial Plan is reflective of:

- All known and estimated revenues including entitlement funds, program income and additional grants that are budgeted for 2018-19 and not carried forward through the out-years.
- Includes out-year increase reflective of current labor agreement between BURA and Local CSEA 815. The current CBA expires June 30, 2020.
- Includes separate projections for salaries and fringe benefits.

Mr. Link acknowledged BURA’s attempt to adjust the out-years on a more consistent basis, and the submission of a four-year financial plan that is more reflective of actual BURA expenditures.

Mr. Link stated BURA stays within their administrative caps with respect to the CDBG and HOME limits. Program delivery personal costs are not included in these limits. However, BURA does factor in the three BURA positions in the Comptroller’s Office to stay within their administrative cap although the positions do not count towards BURA’s staffing count. There is adequate funding for administrative costs.

BURA does not participate in the City’s self-funding of health insurance and continues to maintain coverage through BCBS; annual increases of 5% are included in the Financial Plan. BURA is holding 73 properties values at \$3.6 M with the intent to strategically assess the portfolio and sell properties to generate revenue.

A neighborhood framework plan will be implemented which allows stakeholders the ability to coordinate with each other on agreed-upon housing goals and objectives.

BURA has 41 positions budgeted for 2018 and 38 positions budgeted for the reaming out-years.

Hearing no comments or questions Chair Olsen asked for a motion for Res. No. 18-07 to accept the Financial Plans of the City and all covered organizations as complete.

Director Floss made the motion.

Director Gallagher-Cohen seconded the motion.

Resolution 18-07 passed with a vote of 5 to 0.

BFSA Business

2019-2022 Financial Plan

Chair Olsen advanced the agenda to approve Resolution No. 18-08: “Adoption of 2018-19 Buffalo Fiscal Stability Authority Budget and 2019-2022 Four Year Financial Plan” as recommended to the full Board by the Audit Finance & Budget Committee. It was noted that no changes have been made since the proposed budget was presented to the Board in March.

Director Floss made a motion to approve Resolution No. 18-08.

Director Gallagher-Cohen seconded the motion.

The Board voted 5-0 to approve Resolution 18-08.

Reconstitution of the Audit, Finance and Budget Committee

Chair Olsen advanced the agenda to the final item of the meeting, the reconstitution of the Audit, Finance and Budget Committee in order to fill the vacancy created by the passing of Director Frank B. Mesiah with Interim Vice-Chair Jeanette Jurasek, Resolution No. 18-09: Reconstitute Audit, Finance and Budget Committee.

Director Floss made a motion to approve.

Director Gallagher-Cohen seconded the motion.

The Board voted 5-0 to approve Resolution 18-09.

Privilege of the Floor

Chair Olsen extended the Privilege of the Floor to any member of the audience who wished to comment on any actions taken during the meeting for the public record. Hearing no comments, the agenda was concluded.

Adjournment

Director Gallagher-Cohen moved to adjourn.

Director Floss seconded the motion.

The Board voted 5-0 to adjourn the meeting.

Meeting adjourned at 3:25 P.M.