

BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
December 12, 2019

The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the “BFSA” or the “Authority”) held on Thursday, December 12, 2019 in the first-floor conference room of the Buffalo Market Arcade Complex. The meeting was called to order at 1:04 PM.

Board Members Present

Chair R. Nils Olsen, Jr. (via video)
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)

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
Comptroller Claire Waldron

Additionally Present

Mr. James L. Magavern, Esq., Magavern Magavern & Grimm LLP
Mr. Jason Shell, Commissioner of Assessment and Taxation, City of Buffalo

Opening Remarks

Interim Vice Chair Jurasek served as Chair Pro Tem, welcomed everyone to the December Board meeting, thanked all who were in attendance, reviewed the logistics and agenda of the meeting and advised that the Governance Committee met earlier, and recommended that the full Board approve several items.

Roll Call of the Directors

Secretary Arthur called the roll, a quorum being present, the meeting commenced.

Erie County Budget Analyst, Mr. Mark Cornell, represented County Executive Mark C. Poloncarz, while 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.

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....”

Chair Pro Tem Jurasek introduced Resolution No. 19-25, “Approving Minutes and Resolutions from September 23, 2019 and October 29, 2019.”

Director Floss made a motion to approve.

Chair Olsen seconded the motion.

The Board voted 6-0 to approve Resolution No. 19-25.

BFSA Items

Chair Pro Tem Jurasek advanced the agenda and stated that the Governance Committee met earlier in the day and recommended the approval of the following items:

1. 2020 BFSA Board Meeting Calendar
2. 2020-21 Minority and Women-Owned Business Enterprise (“MWBE”) Goal Plan
3. 2020-21 Service-Disabled Veteran-Owned Business Development (“SDVOB”) Goal Plan

Secretary Arthur made a motion to approve Resolution No. 19-26, “Adoption of a BFSA Board of Director Regular Meeting Schedule for Calendar Year 2020.”

Chair Olsen seconded the motion.

The Board voted 6 to 0 to approve.

Chair Pro Tem Jurasek requested a motion to approve Resolution No. 19-27, “Approval of 2020-21 MWBE Master Goal Plan.”

Director Floss made the motion as requested.

Secretary Arthur seconded the motion.

The Board voted 6 to 0 to approve.

Chair Pro Tem Jurasek requested a motion to approve Resolution No. 19-28, “Approval of the 2020-1 SDVOB Enterprise Master Goal Plan.”

Director Floss made the motion as requested.

Secretary Arthur seconded the motion.

The Board voted 6 to 0 to approve.

Director Floss asked Executive Director Robe to provide an overview of the MWBE and SDVOB plans and achievements from the last fiscal year. Ms. Robe stated the goals of both programs remain consistent with prior years. The SDVOB goal is 6% of qualified expenditures, while the MWBE goal is 30% (Minority-owned Business Enterprises 15% and Woman-owned Business Enterprises 15%). The majority of the BFSA budget is not subject to the goals, therefore the total available budget for goals is \$9,200 and the MWBE goal is \$2,760 and

SDVOB goal is \$522. Ms. Robe stated the goals were exceeded for both programs for fiscal year (“FY”) 2018-19 as follows:

- MBE expenditure 23.6%
- WBE expenditures 20.2%
- SDVOB expenditures 6.24%

Director Floss expressed his appreciation for staff exceeding the established goals.

City of Buffalo (“City”)

Real Property Tax Assessment Review and Discussion

Chair Pro Tem Jurasek advanced the agenda to review the City’s recent property tax reassessment and welcomed Mr. Jason Shell, Commissioner of Assessment and Taxation, to present the findings to the Board.

Mr. Shell stated a total reassessment had not been completed in over twenty years. He stated New York State Real Property Tax Law requires every property be assessed uniformly, fairly and accurately which was the primary goal of the project for the City’s 94,000 properties that were valued for reassessment. Outreach was conducted across the City for interested parties in a myriad of community spaces via hand outs and power point presentations. On average, all of the 93 tax districts in the City increased in value. Mr. Shell stated all property owners were assessed and paying taxes at a uniform level of assessment. Prior to the reassessment project properties were assessed at 64% of full market value; it is expected the equalization rate will be at 90% value of the full market value after the reassessment goes into effect on July 1, 2020. Since 2014, the City saw dramatic increases in real estate transactions. Mr. Shell stated an inequity was created within the tax roll when assessments weren’t conducted regularly, which resulted in some properties being subsidized by others. Reassessment redistributed the tax base in a more equitable manner. Reassessment itself does not raise the tax levy, as that is based on the tax rates that result from the budget. Mr. Shell explained the difference between budget and levy in that a budget is determined by City Administration and Common Council, and the levy amount is determined as the funds needed to fully cover the expenses after all other revenues and fees have been accounted for and that the levy is then distributed amongst the taxpayers. The tax cap prevents the amount of the levy from going up more than 2% annually without certain override procedures. The tax cap has been in place since 2011.

There was an increase of 63% in total assessed value for the City of Buffalo and an increase of 84% in the value of the taxable properties of the City. The formal review process, which was the first phase to challenge new assessments, has been completed. The second opportunity to challenge assessments is the board of assessment review process. The third process is small claims assessment reviews (“SCARs”) for residential and commercial challenges. There is an expectation that some projects will decrease in value once all challenge processes have been completed.

Secretary Arthur asked Mr. Shell what stage of the challenge process his office participates in. Mr. Shell responded that while the second phase of challenge is taking place, the board of assessment review, and his office offers support by providing information from tax rolls, real property services database and any supporting documentation that may be requested, in addition

to scheduling the appointments.

Mr. Shell stated the large increase in taxable assessed value would cause a large decrease in the tax rate and property owners were notified by disclosure notices of their assessment change based on the market value of their home.

Director Floss asked what steps are in place to assist seniors on fixed incomes regarding a higher reassessment. Mr. Shell replied four or five of the twelve available exemptions are specifically for seniors, including Enhanced Star, Low-Income Seniors and Long-Time Resident exemptions. There are also payment plans available to assist homeowners

Secretary Arthur expressed his concern that Fruit Belt residents, specifically senior property owners, may not be aware of their options to challenge their assessments in a timely manner.

Mr. Shell stated specific exemptions were made available for the Fruit Belt and other census tracks which were passed by local law in early November 2019 and several meetings were held across the City, as established by individual council offices, to disseminate information regarding reassessment and exemptions. Mr. Shell stated Assemblymember Crystal Peoples-Stokes and Council President Darius Pridgen worked for the past year on distributing information throughout the Fruit Belt Community. Secretary Arthur stated the timing of the passing of the law was inadequate as grievances are only able to be filed December 1st thru December 31st and hearings begin in January.

Director Floss asked how the Board can assist the City with disseminating information regarding the reassessment and grievance process. Mr. Shell stated standard media notifications were sent out, and public information sessions were held. Additionally, notifications were included in the property tax bill were sent to each property owner within the targeted census tracks. Secretary Arthur emphasized there are less than 14 business days remaining for grievances to be filed. Chair Olsen asked what percentage of Fruit Belt property owners took advantage of the assistance navigating the process as the renaissance is geographic and there are neighborhoods being left behind. Secretary Arthur highlighted the fact that absentee landlords with tax increases will then pass the increase on to their renters.

Chair Pro Tem Jurasek asked if there is a way BFA could assist to maximize the Assessment Department's efforts for educational outreach and if Ms. Robe would work with Mr. Shell to identify such ways to ensure there are no residents negatively impacted by the reassessments and penalized due to the timing of the grievance process. Mr. James Magavern stated that the Partnership for the Public Good has a coalition that focuses on educational efforts and encouraged contacting them for possible collaboration.

Secretary Arthur requested statistics in the Fruit Belt regarding absentee ownership and residential ownership. Mr. Shell replied he will work to provide that information.

Mr. Cornell expressed his personal experience and dissatisfaction with the reassessment grievance process as he found it difficult and confusing. Mr. Shell acknowledged there were a few errors with the process and advised problems would be rectified if they haven't been already. Mr. Shell also stated over 3300 people took advantage of the informal review process and

approximately 1900 obtained changes.

Ms. Estrich, Commissioner of Audit of Finance, stated the City made multiple attempts through Councilmembers and other agencies to distribute information in as timely a manner as possible.

Chair Olsen emphasized the concern to monitor the effective use of exemptions especially in neighborhoods that might be adversely affected in terms of long-term residents, so people are not being taken advantage of. Chair Pro Tem Jurasek agreed and directed Ms. Robe to work with Mr. Shell to capture data required to ensure equity and fairness are not encumbered.

Chair Pro Tem asked for clarification on Assemblymember Crystal Peoples-Stokes' and Council President Darius Pridgen's involvement in the reassessment process, specifically the new exemption for long-term residents residing in certain census tracts. Mr. Shell stated the two of them were the driving force behind legislation to include the new long-term resident exemption passed at the New York State legislature. Secretary Arthur explained the Common Council had to pass a Home Rule message before the New York State Legislature could pass the exemption; therefore, the two worked together to get the process finalized.

Director Floss offered his services to assist with any needed analysis as it is something he is familiar with.

Chair Pro Tem Jurasek thanked Mr. Shell for his presentation and advanced the agenda.

Audited City of Buffalo Financial Statements FY ended June 30, 2019

Ms. Robe reviewed the City's audited financial statements as submitted by the Comptroller's Office in early November.

Ms. Robe gave the following overview:

- Total revenues reported were \$491.6M, or 96.5% of the total budget of \$509.6M
- Total expenditures were \$490.7M, or 95.4% of the adopted budget. In addition there are \$7.3M of encumbrances reported at year-end
- The result is a surplus of \$0.9M and total fund balance of \$92.9M
- The difference between the adopted budget and the final budget of \$8.4M is for encumbrances which were carried over from the previous year
- On a year-to-year basis, total revenues increased 5.4% or \$24.3M. Other financing sources declined by \$4.0M for a total increase of \$20.3M, or 4.3% due to the following:
 - Intergovernmental revenue increase of \$8.9M
 - \$7.5M in Tribal State Compact revenue advance by NYS, which leaves \$9.5M outstanding. The outstanding receivable is not included as a revenue in the 2019-20 budget.
 - \$2.6M in increased sales tax collections year-to-year
 - All other net decrease of \$1.2M
 - Property taxes, assessments, and other taxes increased \$6.3M due to the increase in the property tax levy which was offset by a decrease in STAR by \$1.0M
 - Miscellaneous increased \$4.7M, due mainly to real estate sales and \$0.8M in donations
 - Licenses, permits, fines and service charges increased \$1.6M; street metered parking increased \$0.5M

- All other revenue sources provided a net increase of \$2.8M
- Transfers in decreased \$4.0M
 - \$4.3M decrease from Parking Enterprise Fund
 - \$0.3M increase from Water Enterprise Fund
 - Transfers had increased by \$4.4M in the prior year

Ms. Robe stated final real property tax revenue totaled \$137.5M which represents 29% of total revenue; 82% of the City's total revenue is comprised of three buckets:

- Property tax levy (increased \$5.7M year-to-year)
- Sales tax (increased \$2.6M, or 3.1% year-to-year)
- State AIM (held flat since FY 2012)
- General Fund expenditures were overall consistent year-to-year and decreased by \$3.5M, which was less than 1% of the budget
 - Departmental expenditures increased year-to-year by \$2.2M; no significant fluctuations
 - General Charges decreased \$4.7M primarily due to judgements and claims
- Interfund transfers out decreased \$1.0M
 - \$3.6M decrease to Solid Waste & Recycling Enterprise Fund
 - \$0.5M decrease to Capital Projects Fund
 - \$3.1M increase for debt service

Historically, over the last four years, the City has recognized 96-97% of total budgeted revenues.

There was an unfavorable budgeted revenue variance of \$18.0M compared to the Adopted Budget:

- \$7.0M unfavorable variance in miscellaneous revenue:
 - \$4.0M due to real property sales and capital assets sales
 - \$2.0M due to City-owned venue surcharge
 - \$1.2M lower in gifts & donations - \$0.8M was received

Secretary Arthur asked for clarification on the City's venue surcharge. Ms. Estrich stated negotiations are ongoing to capture monies with a method other than through a ticket surcharge.

- \$7.0M unfavorable variance in intergovernmental revenue:
 - Casino revenue under budget by \$9.5M
 - Sales tax positive variance of \$2.8M
- \$4.1M unfavorable variance in fines
 - \$3.1M unfavorable variance for traffic violation fines
 - \$0.7M unfavorable variance for parking fines
 - \$0.3M net unfavorable variance for all other fines
- \$1.5M unfavorable variance from transfers in from the parking enterprise fund

Ms. Robe explained the City's total expenditures, including encumbrances, has been between 95% -99% of budget over the past four fiscal years.

There was a FY 2018-19 favorable variance for budgeted appropriations of \$24.0M:

- \$14.2M favorable variance in fringe benefits
 - Health insurance – active = \$(0.4M)
 - Health insurance – retiree = \$2.8M
 - NYSERS = \$4.2M
 - NYSPFRS = \$4.5M
 - Salary Adjustment Line = \$2.4M
- Combined \$0.4M unfavorable variance in the fire and police departments due to overtime. While this category usually has a significant impact on the budget it was noted that expenses were well maintained for both fire and police.
- \$9.7M favorable variance in all other departments due to vacancies and decrease in expenditures for supplies and services.

The fund balance summary demonstrated a \$22.9M decrease in fund balance from FYE 2017 to FYE 2019. The individual fund balance categorizes were discussed.

It was noted fund balance was \$36.0M when BFSAs oversight began in FY 2002-03 whereas at the end of FY 2018-19 the City had a fund balance of \$92.9M.

Ms. Robe shared the present value of the Other Postemployment Benefits (“OPEB”) liability was \$1.128B as of June 30, 2019 on an all funds basis, \$54.0M represented the liability of the Enterprise Funds. The year-to-year reduction from \$1.255B was largely due to the change in the assumed increase in the healthcare costs from 7.6% to 5.3%. It was noted this category is expensed on a pay-as-you go basis and therefore is not captured on the general fund financial statements except as a payment for retiree health insurance.

Solid Waste and Recycling Fund

Charges for services were enhanced this last year for refuse fees which resulted in operating income of \$6.0M being reported after many years of operating at a loss. There was a \$2.9M reduction in fringe benefits related to a decrease in the OPEB liability. For the first time in a number of years there was a reduction to the cash advances made to the solid waste and recycling fund from the general fund. While there isn’t a formal repayment policy in place, there is an informal one in which the liability will be repaid from surpluses.

Mr. Cornell asked for clarification on the State’s advance of casino monies and the potential of the State re-capturing the advance. Ms. Estrich responded the State is confident the funds will be received since the arbitration has been finalized.

Director Floss exited the meeting at 2:17pm.

Chair Olsen commended the City on presenting a balanced budget with ample constitutional taxing authority and noted the BFSAs is appropriately in an advisory status.

City of Buffalo (“City”)

First Quarter Report

Chair Pro Tem Jurasek advanced the agenda to the review of the City’s first quarter. Ms. Robe began the presentation stating adopted budget revenues were \$508.7M; the City is projecting year-end revenues of \$508.6M which is consistent with the budget. The City is also projecting \$507.2M for actual year-end expenditures resulting in a total projected surplus of \$1.4M. Ms. Robe gave the following overview of FYE total revenue projection:

- \$121,000 total unfavorable variance consisting of:
 - \$0.6M projected to be under budget in Service Charges
 - \$0.4M due to easement fees with National Fuel Gas
 - \$0.2M in relation to the mortgage default fee
 - \$0.5M over budget in Miscellaneous revenue
 - \$0.6M variance is attributed to an awarded SAFR Grant
 - \$0.2M variance is attributed to estimated parking fees from parking surcharge at public City facilities

Ms. Robe noted miscellaneous revenue for sale of property and assets for the first quarter has already exceeded the total year-end budget largely due to the sale of the former police headquarters.

The total expenditure projection for FYE 2020 is \$1.5M below the adopted budget and explained as follows:

- \$1.2M total favorable budgetary variance projected for Departmental expenditures
 - Fire Department expected to exceed the budget by \$1.0M
 - Police Department expected to be favorable by \$1.2M
 - Remaining departments projected to be favorable by \$1.0M
- \$0.3M total projected favorable budgetary variance in General Charges for debt service
 - The City does not expect to issue a RAN during the current fiscal year

As of September 30, 2019, the vacancy rate for positions funded through the General Fund was 9.4%. The police department had an 8.3% vacancy rate and the fire department had a vacancy rate of 5.4%. Ms. Estrich confirmed the vacancy rate usually trends about 10%.

Recommendations and Considerations

Ms. Robe noted casino revenue was included as a projection for year-end and does not include the past due amount of \$9.5M which would increase the surplus at year-end if received before June 30. BFSA continues to recommend the monitoring of revenues and expenditures, especially overtime in the fire department, in order determine how the collective bargaining agreements have changed overtime.

Three unions are out of contract which are expected to be settled during the current fiscal year:

- Police Benevolent Association
- Local 264 – Blue Collar
- Crossing Guards

Ms. Robe stated the City’s finances are trending well and Chair Pro Tem Jurasek advanced the agenda.

Capital Budget

Review of 2020 Capital Budget and related 2020-2024 Capital Improvement Program

Mr. Bryce Link began his presentation stating the Common Council passed the Capital Budget on December 10, 2019 with minor amendments. The proposed capital budget is in the amount of \$37.2M, of which \$19.9M is requested for financing and \$17.3M will be for projects that are authorized but unissued. The Comptroller's debt limit for the current year is \$25.3M.

Requested financing of \$25.3M is categorized as follows:

- City buildings \$7.1M, or 28%;
- Infrastructure \$9.4M, or 37%;
- Vehicles \$3.3M, or 13%;
- Economic development and cultural \$2.4M, or 9%;
- Demolition and tree management \$1.7M, or 7%;
- Parks \$1.4M, or 6%.

Additionally, the requested financing of \$25.3M consists of the following:

- \$19.9M – from the Capital Plan
- \$4.0M – previously authorized but unissued
- \$1.4M – previously budgeted but unauthorized

Secretary Arthur asked if the Hurd decision is still in effect regarding the sale of bonds. Mr. Magavern responded that the Hurd decision was an attempt to capitalize on an investment in vocational education and human services, and that the Hurd decision is no longer in effect.

Mr. Link stated the City has not borrowed on behalf of the Buffalo City School District ("BCSD") since 2012. Since then the District has been utilizing refunding savings from the Joint School Construction Board ("JSCB") debt and has approximately \$8.2M available for projects.

As of June 30, 2019, the City has \$23.3M of unspent capital bond proceeds outstanding.

Conclusion

Mr. Link provided the following summary:

- No projects again included for the District
 - District is currently using savings from refundings of JSCB debt; \$8.2M is remaining for capital projects
- BFSA has recommended to minimize long-term financing for ongoing general operating expenses (i.e., demolitions and tree removal)
 - Uses limit bonding capacity
 - \$1.7 M included in proposed 2020 borrowing, or 7% of total
 - \$8.4 M over the five-year Capital Improvements Program (6.2% of total)
 - Recognition of fiscal pressure if such projects were funded on a pay-as-you-go basis
- There is \$24.0M in total authorized and unissued projects
 - Approximately \$15.6M are provided for in the out-years of the Capital Improvements Program

- Remaining balance of \$8.4M to be provided for beyond the current plan
- There remains \$6.3M in budgeted and unauthorized projects

Once the minor amendments that were approved by Common Council on December 10, 2019 are submitted to the BFSA the analysis will be updated. Ms. Estrich commented that the amendments do not change the dollar amount of the budget, only the allocation of funds within their respective council districts.

Chair Pro Tem Jurasek thanked staff for the presentation and advanced the agenda to the next item.

Buffalo City School District (“BCSD” or “District”)

Hearing no additional comments Chair Pro Tem Jurasek advanced the agenda to review several District items as presented by Mr. Nathan Miller.

Audited Financial Statement FY ended June 30, 2019

Mr. Miller provided the following overview of the 2018-19 final budget as compared to the fiscal year-end (“FYE”) actual:

- The 2018-19 original budget included \$897.4M in revenue and expenditures of \$916.4M. There was a planned deficit of \$19.0M. The actual revenue totaled \$911.5M with expenditures of \$882.6M resulting in a surplus of \$28.9M.
- Actual revenues exceeded budgeted revenues by \$14.1M, or 101.6% of final budget, due to a one-time \$15.0M reimbursement for the overpayment of healthcare premium-equivalent payments. Other contributing factors were:
 - Erie County sales tax receipts were favorable by \$1.9M
 - NYS Aid was favorable by \$4.1M

Chair Pro Tem Jurasek asked if there were other revenue enhancements which were being monitored as gap closing measures. Mr. Miller replied that health insurance savings was an indentified gap closing measure. The District is focusing on efficiencies and enhancements in order to provide health insurance more effectively and at at reduced rate of increase.

- Total actual expenditures were \$36.3M under the final budget, or 96.6% of final budget. Significant variances included employee benefits of \$17.2M due to the District converting to a traditional method of self-insurance for employee and retiree healthcare costs effective July 1, 2018. In addition, New York State Employee Retirement System/Teachers’ Retirement System pension payments were favorable by \$1.1M. Positive variances were also noted for the following expenditures:
 - Regular school instruction \$9.1M
 - General support \$5.0M
 - Pupil transportation \$3.9M

Mr. Miller provided the following fund balance summary:

- FYE 2019 had total fund balance of \$223.7M:
 - Nonspendable/restricted \$25.7M
 - Assigned \$111.9M
 - Unassigned \$86.1M

- FYE 2018 had total fund balance of \$194.8M
 - Nonspendable/restricted \$25.6M
 - Assigned \$91.4M
 - Unassigned \$77.8M
- The net change to total fund balance was a favorable \$28.9M

The total assigned fund balance increased by \$20.5M from year-to-year. Two new categories were added for FY 2019:

- Designated for health insurance: this funding helps to support the new self-insured model, and equal to \$15.1M
- Designated for school budget equity: this funding is provided as a resource to address issues identified with respect to inequitable individual school funding and is equal to \$5.0M

Mr. Miller reviewed significant fluctuations in general fund revenue over the prior fiscal year of \$32.7M, or 3.7%:

- NYS Aid increased \$13.9M, or 1.9%
- City contribution increased \$0.0M, or 0%
- Erie County sales tax increased \$2.3M, or 5.3%
- Miscellaneous increased \$16.0M or 151.0% (one-timed recognition for reimbursement of prior year overpayments for health insurance)

Significant fluctuations in general fund expenditures over the prior year of \$15.9M, or 1.8% were:

- Operating expenditures decreased \$1.7M, or 0.2%
 - Instruction regular schools increased \$18.9M, or 5.9%
 - Instruction charter schools increased \$7.0M, or 5.9%
 - General support decreased \$4.6M, or 6.4%
 - Employee benefits decreased \$11.1M, or 6.0%

Mr. Miller stated the actuarial accrued liability of other postemployment benefits (“OPEB”) increased to almost \$2.4B as compared to almost \$2.3B in FY 2018 in part due to changed assumptions as well as from District efforts to curtail retiree health insurance expenditures.

Mr. Magavern noted that the Annual Required Contribution (“ARC”) includes both the cost of OPEB benefits attributable to the current year of services as well as an amortization of past service costs to fund the Actuarial Accrued Liability. The ARC is significantly greater than the actual retiree benefits paid in any given year in that it includes the accrued liability. Mr. Magavern noted that there have been efforts to establish a formal process for governmental entities to set funds aside for the full ARC. Mr. Miller responded that there was no current, formal legal mechanism for entities such as the District to set aside funds for the full ARC. The District is on a pay-as-you-go system for actual post-employment benefits. District management had designated \$52.1 million for OPEB at July 1, 2019 to address this accrued liability.

BCSD First Quarter

Mr. Miller stated the 2019-20 budget was adopted with a \$10.0M deficit; however, a favorable variance of \$0.6M is currently projected for FYE. District management has every intention to fill vacancies, if they are not filled, additional savings can be recognized at mid-year within all employee compensation benefit categories. Two revenue items expected to have a positive variance are Erie County sales tax of \$0.4M and Federal Medicaid reimbursement of \$0.2M.

Expenditures are not anticipated to differ from revenues as of September 30, 2019.

As of September 30, 2019, there were 237.5 vacancies on an All Funds basis and 162.1 vacancies on a General Funds basis. The majority of which were teachers and white-collar employees. The vacancy rate of 4.1% is substantial.

Summary

The District's FY 2019-20 budget is currently balanced with the appropriation of \$10.0M in Fund Balance with a minor \$0.6 M favorable budgetary surplus currently projected.

BFSA notes that the District had a substantial vacancy rate of 4.1% at September 30, 2019 and recognizes if a significant vacancy level continues, various Employee Compensation and Employee Benefit lines will be less-than-budget. The District has conveyed its intent to fill the vacant positions and that the FY 2019-20 Second Quarter Report will provide adjustments to various Employee Compensation and Employee Benefit expenditure lines as appropriate.

Chair Pro Tem Jurasek thanked Mr. Miller for his presentation and asked for the student numbers for the District as compared to Charter schools. Mr. Miller replied that staff would provide the requested materials.

Hearing no additional comments or questions Chair Pro Tem Jurasek asked for a motion that BMHA reports scheduled to be reviewed today be tabled until the next Board meeting.

Secretary Arthur made the motion as requested.

Ms. Estrich seconded the motion.

The Board voted 5 to 0 to approve.

Chair Pro Tem Jurasek asked that BURA reports scheduled to be presented today be tabled until the next Board meeting.

Secretary Arthur made the motion as requested.

Chair Olsen seconded the motion.

The Board voted 5 to 0 to approve.

BFSA Business

Due to recent opinions and critiques regarding BFSA duties Chair Pro Temp Jurasek asked Ms. Robe to read a statement as drafted by staff to succinctly explain the budget process of the City and the role of the BFSA in the process. Ms. Robe read the following statement for the record:

The intent behind the creation of the BFSA in a control period was to provide budgetary relief and correct the financial course of the City. After the City was able to reset and make significant structural changes to labor contracts, the BFSA transitioned into an advisory board. During either a control or advisory period the financial planning process and quarterly monitoring is the BFSA's primary charge and most effective tool.

The BFSA continues to monitor the financial position of the City and advises the City on such matters. BFSA is not in a position to restrain the City's budget; budget development is a political decision made by the Mayor and the Common Council during the annual budget deliberation and through-out the year as the budget is modified. The role of the BFSA during an advisory period is to monitor, advise and assist when requested, for example through borrowings or lobbying on behalf of the City with the State. The financial impact from BFSA's actions to date is \$458 million of which \$240 million is attributed alone to savings from the wage freeze. The BFSA has been, and continues to be, open in its deliberation process concerning the City and covered entities and provides copies of all meeting materials including agendas and reports in advance of BFSA meetings.

The BFSA is charged with reviewing the four-year financial plans annually and has submitted comments to the Administration and Common Council and issued thorough reports analyzing the financial plan including budget assumptions and areas of concern. The reports are detailed and provide insight to the City's financial operations and should be used as a resource by those charged with affecting financial decisions on behalf of the City. The lack of carryover and spend down of fund balance was addressed by the BFSA. The BFSA has recommended that the City continue to diversify revenues and to begin replenishing its undesignated fund balance to be better prepared for future uncertainties. All three major credit rating agencies continuously cite BFSA as a prominent factor in their ratings of the City and the City enjoys a healthier bond rating due to the continued oversight of the BFSA, which in turn provides substantial savings to the City.

The BFSA received a very clear external opinion that as long as the budget is balanced, the City is not in a deficit, and furthermore the use of fund balance is an appropriate source to balance the budget. Such a financial tool, being the use of fund balance to balance a budget, is a normal and routine budgeting mechanism used by many municipalities and school districts. If fund balance had not been used to balance the budget as an available resource, the City would have been faced with increasing taxes or reducing services to City residents. The City has been successful in balancing the services provided to its residents and not overtaxing them; this was accomplished by utilizing fund balance as opposed to raising the property tax rates.

We continue to assert our opinion that the City's financial position remains stable under the leadership of Mayor Brown and have no immediate concerns regarding the overall financial position. A control period may be reimposed as a last resort and only if it is absolutely necessary. A determination to move back to a control period should never be casually determined or flippantly discussed. The BFSAs should be viewed as an ally that has collaborated with the City to assist in strengthening the City's financial position, as it continues to do, and not viewed as a blemish to or a hinderance against the City.

Chair Pro Tem Jurasek thanked Ms. Robe and asked for consensus on the statement. Secretary Arthur stated any statements regarding BFSAs should be made from the Chair of the Board and Chair Olsen concurred and no further action needs to be taken at this time.

Privilege of the Floor

Chair Pro Tem Jurasek noted no members of the public were present for comment and asked for a motion to adjourn.

Adjournment

Secretary Arthur made a motion to adjourn.

The Board adjourned by consensus.

The Board adjourned at 3:09 PM.