

**BUFFALO FISCAL STABILITY AUTHORITY**  
**Meeting Minutes**  
**May 20, 2019**

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The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the “BFSA” or the “Authority”) held on Monday, May 20, 2019 in the first-floor community room of the Marine Drive Apartments. The meeting was called to order at 11:18 AM.

**Board Members Present**

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

**Board Member(s) Excused**

Chair R. Nils Olsen, Jr.  
Director Frederick G. Floss

**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. Richard A. Grimm, III, Esq., Magavern Magavern & Grimm LLP  
Mr. Gillian Brown, Executive Director, Buffalo Municipal Housing Authority  
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**

Ms. Robe called the roll noting that Secretary Arthur was in transit.

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....”

Interim Vice-Chair Jurasek noted for the record that no action would be taken by the Board until Secretary Arthur arrived and a quorum was present.

**City of Buffalo (“City”)**

*Fiscal Year (“FY”) 2018-19 Third Quarter Report Analysis*

Interim Vice-Chair Jurasek advanced the agenda to the review of the City of Buffalo’s FY 2018-19 third quarter report and the proposed 2019-20 Budget and related 2020-2023 Financial Plan to be presented by BFSA Executive Director Jeanette Robe and BFSA Principal Analyst Bryce Link.

Ms. Robe began the presentation by thanking the Buffalo Municipal Housing Authority (“BMHA”) and Marine Drive Tenant Council President Toni Guercio for hosting the meeting.

The following year-end projections as of March 31, 2019 were provided:

- The FY 2018-19 Adopted Budget included estimated revenues at \$509.6M, \$513.6M of budgeted appropriations and an operating deficit of \$4.0M.
- At the end of the third quarter, projected year-end revenues totaled \$501.2M while projected expenditures were \$502.6M, resulting in a projected operating deficit of \$1.4M. The City originally estimated to use \$4.0M in restricted fund balance for capital outlay and has revised this estimate to \$3.8M. There is an estimated increase to unrestricted fund balance of \$2.4M.
- Year-end revenues are projected to have an \$8.4M negative variance when compared to the adopted budget.
- Year-end expenditures are projected to be favorable to the budget by \$11.0M.

Major highlights of the \$8.4M unfavorable budgetary revenue variance include:

- \$4.0M favorable variance in intergovernmental revenue:
  - Intergovernmental revenue reflects a positive variance of \$4.0M due to sales tax collections
  - \$0.5M represents a reclassification of PILOT from taxes category
  - The City continues to report an estimated \$17.0M in casino revenue before the end of the fiscal year, the receipt of which is uncertain
- \$7.0M unfavorable variance in miscellaneous revenues:
  - \$4.2M is due to budgeted sales of capital assets which are no longer projected to occur before fiscal year-end (“FYE”)
  - \$2.0M is due to the proposed entertainment surcharge which was not assessed during 2018-19
  - \$1.0M shortfall anticipated for gifts and donations

- \$3.7M unfavorable variance in fines:
  - \$3.0M attributed to overestimated traffic violations
  - \$0.4M attributed to parking penalties lower than budgeted
  - \$0.3M attributed to all remaining fines and fees
  - \$2.0M is anticipated to be captured in June and July from the ticket amnesty program

The projected budgetary expenditure variance for the year ending June 30, 2019 is favorable by \$11.0M and includes:

- \$3.9M positive variance in departmental costs:
  - This variance is primarily due to vacancies maintained throughout the year
  - Fire Department expected to exceed adopted budget by \$1.1M
  - All other departments are projected to have favorable budgetary variances of \$5.0M
- General charges are expected to be favorable by \$7.1M:
  - \$4.4M favorable variance in fringe benefits
    - \$1.8M set aside for collective bargaining
    - \$1.5M favorable variance for pension costs
    - \$1.4M favorable variance for health insurance costs
  - \$1.3M projected budgetary savings is due to the use of the freeze account
  - \$0.9M projected savings in utilities
  - \$0.5M projected savings in debt service as the City did not issue a RAN during the fiscal year
  - No projected variance for transfers out

Interim Vice-Chair Jurasek asked for clarification on the fire department exceeding the adopted budget. Ms. Robe stated the amount reflects overtime incurred while the new cohort of firefighters were in training. Ms. Estrich advised the cost also reflects the new fire contract salary adjustments.

Secretary Arthur entered the meeting at 11:24 AM.

Vacant positions continue to remain unfilled with 2,651 budgeted full-time equivalent (“FTE”) positions and 2,485 positions filled leaving 166 unfilled, or a 6.3% vacancy rate. The police department has 46 vacant positions, or a 5.7% vacancy rate and the fire department has 23 vacant positions or a 3.1% vacancy rate.

Interim Vice-Chair Jurasek asked if the City’s vacancy rate of 6.3% was comparable to prior years. Ms. Estrich stated the vacancy rate has reached 10.0% in prior years. Ms. Robe noted the vacancy rate was 8.0% for the third quarter of FY 2017-18.

*Recommendations and Considerations:*

- Timing – assumptions/events could change that could have a significant impact on current estimates

- The City is estimating a year-end deficit of \$1.4M:
  - Estimated decrease to restricted fund balance for capital outlay of \$3.8M;
  - Increase to unrestricted fund balance of \$2.4M;
  - No unassigned fund balance remains as of July 1, 2018;
  - Unfavorable results to what have been projected by year-end could result in further reductions to unrestricted fund balance.
  - Tribal State Compact revenue of \$17.0M is estimated; however, no estimate or date has been provided by New York State (“NYS”) of when the revenue will be provided. Ms. Robe stated if this amount is not received, and using the year-end projections as provided by the City, all assigned fund balance would be utilized which totals \$13.5M at July 1, 2019, and approximately \$1.1M of the \$38.7M Rainy-Day Fund would also be used.
  - BFSA continues to recommend revenues be closely monitored including specifically the miscellaneous category and fines in addition to casino revenues
  - Outside of positive budget variances, there are no fund balance replenishment programs built into the budget or the financial plan.
  - Projected year-end expenditures appear reasonable:
    - Overtime for both police and the fire departments remains an area of focus

Director Gallagher asked if the Tribal State Compact revenue is secure although a date for disbursement had not been set. Ms. Robe stated the matter is currently being reviewed by the U.S. Department of the Interior. Secretary Arthur asked for a timetable on the matter and suggested it may be up to two years before the matter was resolved. Ms. Robe responded a timetable is unknown. Ms. Estrich stated up to \$17.0M of the Rainy-Day Fund could be appropriated in the current fiscal year if the revenue is not recognized by FYE. Interim Vice-Chair Jurasek clarified that a reduction in personnel or services is not anticipated by June 30, 2019 if the revenue is not received by then. Ms. Estrich stated the hiring process will be closely monitored going forward. Mr. Richard Grimm, III, advised the matter already went to arbitration. The arbitrator ruled in favor of the State and by extension the host communities that are waiting on the revenue. The next step is to reduce the arbitration to judgement which can then be collected. Secretary Arthur requested a written opinion from Mr. Grimm on the matter. Interim Vice-Chair Jurasek acknowledged the Board’s consensus on Secretary Arthur’s request for a written legal opinion and advanced the agenda to the 2019-20 Proposed Budget and the 2020-2023 Financial Plan analysis.

2019-20 Proposed Budget and 2020-2023 Four Year Financial Plan

Ms. Robe began the presentation of the City’s 2019-20 Proposed Budget and 2020-2023 Financial Plan by reviewing historical data for the last ten fiscal years showing stable revenues with an increase of \$6.6M, or 1.5%, over the last 10 years. Expenditures have increased 12.8%, or \$52.7M. Fund balance has declined by \$46.6M or \$33.6M over this period.

Fund balance at June 30, 2018 was \$92.0M of which \$8.9M is restricted and \$52.1M is unrestricted.

If revenues had risen with the rate of inflation over the last ten years, total revenue for FYE 2018 would have been \$523M as opposed to \$453M. Expenditures have increased 12.8% over the same time period; if adjusted for inflation, expenditures have increased less than the rate of inflation. Ms. Robe noted the operating deficit of \$16.2M in FY 2017 and \$11.5M in FY 2018; recurring revenues have not supported recurring expenditures over the last two years. It was noted the use of fund balance was partially planned to cover the deficits. Over the last five years \$54.4M of fund balance has been utilized.

Ms. Robe reviewed budget to actual revenue results since 2010-11 noting that over the last three years, actual revenue has been less than budgeted. This has caused the City's recent budgetary pressure.

The City's property tax levy remained stable over the last ten years. The 2018-19 budget was passed with a tax increase of \$5.7M. The FY 2019-20 budget includes a tax increase of \$2.6M, which is less than the 2% tax cap and leaves \$2.3M available to be rolled into the following year if necessary.

Annual NYS AIM has been flat at \$161.3M since FY 2011-12 and it has been budgeted to remain flat for the next five years according to NYS's five-year financial plan.

In total, sales tax revenue has increased over the last ten years by \$13.2M, or 18.4%. When adjusted it is slightly higher than inflation.

The City has continued to budget expenditures conservatively and has remained below budgeted allocations for the last ten years. The City Administration's efforts are to be commended.

Ms. Robe provided the following summary of the total \$92.0M fund balance as of June 30, 2018:

- Nonspendable/Restricted Fund Balance totals \$39.9M of which \$19M is due to the General Fund from the Solid Waste and Recycling Fund
- Committed Fund Balance totals \$38.7M and represents the Rainy-Day Fund
- Assigned Fund Balance totals \$13.4M and includes amounts for encumbrances and for judgements and claims
- Unassigned Fund Balance totals \$0

Mr. Bryce Link began his presentation on the 2019-20 budget and 2020-2023 Financial Plan by stating revenues and expenditures are budgeted to total \$2,064.8M over the four-year financial plan, therefore, no surplus or deficit is anticipated.

The \$508.7M operating revenue categorically consists of the following sources:

- City: \$204.9M, or 40.3%, and includes fines, fees, service charges and any other revenue the City can generate
- NYS: \$191.7M, or 37.7%, and includes NYS AIM and tribal-state compact revenue
- County: \$89.9M, or 17.7%, and includes primarily sales tax
- Federal: \$4.0M, or 0.8%
- Transfers In: \$13.3M, or 2.6%
- Other: \$4.9M, or 1.0%

Interim Vice-Chair Jurasek asked what portion of the City's \$ 204.9M revenue is from residential and commercial property taxes. Mr. Link responded residential tax levy for 2019-20 will be \$79.6M and non-residential will be \$68.3M.

Mr. Link stated taxes are increasing by \$1.6M to \$158.7M. The City-wide reassessment program began in FY 2017-18 with new assessments to be applicable in the 2020-21 FY .

On a year-to-year basis, total estimated general fund revenue is decreasing by \$0.9M, from \$509.6M to \$508.7M:

- Miscellaneous revenues of \$15.0M are decreasing by \$3.3M
  - Decrease in sale of Capital Assets and Land: \$1.1M
  - Total sale of property budgeted at \$6.9M
  - Recognition of venue fees to service charges at \$2.0M
  - Revenue for gifts and donations: \$0.6M
  - Decrease of court facility aid: \$0.2M
- Service charges of \$20M are increasing by \$4.1M
  - Increase in rental registration fee: \$2.8M
  - Increase in parking meter fees: \$1.6M
  - Revenue for entertainment ticket surcharge: \$0.8M
- Fines of \$13.7M are decreasing by \$1.5M
  - Traffic violations reduced by \$2.7M
  - Court fines increasing by \$0.6M
  - School zone cameras budgeted at \$0.4M
  - All other fines net increase of \$0.2M
- Licenses and permits are increasing by \$0.1M to \$6.2M
  - Net increase for various permits and increased assumption in number of applications
  - Increase of \$0.9M over 2018 actual of \$5.3M
- Non-property taxes budgeted at \$11.6M a decrease of \$0.5M
  - Due to decreased use of landlines
- Interest revenue budgeted at \$1.2M an increase of \$0.6M
- Transfers In decreasing by \$2.1M to \$13.3M

Mr. Link reviewed several new revenue sources including:

- \$4.8M budgeted for sale of properties at auction
- \$2.9M budgeted for rental registration fee
  - \$2.4M foreclosure fee
  - \$0.3M Airbnb fee, and
  - \$0.2M for rental registration fee on duplexes
- \$1.8M budgeted for internet sales tax collection
- \$0.4M increase for school zone cameras

Interim Vice-Chair Jurasek requested for an explanation on recognizing the sale of City assets. There have been shortfalls with this revenue over the last few years. Ms. Estrich explained the City will take ownership of all properties prior to the October in rem auction and therefore assume the risk of the properties. Once all outstanding taxes and liens are paid from the auction sales the remaining amount held by the City will be retained by the City as opposed to being remitted to New York State. Ms. Robe stated the sale of large City assets are not recognized as a revenue stream in this budget except for the sale of 201 Ellicott St. per Ms. Estrich.

Mr. Link continued with the following revenue highlights over the Four-Year Financial Plan:

- Revenue is projected to increase \$16.7M, or 3.3%
  - Taxes are increasing \$8.5M, or 5.4%
    - Average increase of 2.0% annually in the out-years
    - Consistent with the real property tax cap
    - City-wide reassessment will be completed and reflected in the 2020-21 FY
  - Intergovernmental revenues are increasing \$7.6M, or 2.8%
    - State AIM is held flat over the first three years of the financial plan and increases by \$1.6M, or 1% in FY 2022-23
    - Sales tax is budgeted to increase \$5.4M in FY 2020
      - \$1.8M is attributed to the new internet sales tax collection effort
  - Fines are increasing \$0.3M, or 2.1 percent
    - School camera fines (new revenue in 2020) = \$0.4M and held flat over the financial plan
    - Parking fines estimated to increase \$0.2M over financial plan
  - Miscellaneous revenue is decreasing by \$1.6M, or 10.4 percent
    - The decrease is attributed to sale of capital assets
      - \$6.9M budgeted for 2019-20, adjusted down to \$5.0M in out-years
    - Gifts and donations held flat at \$1.4M over Financial Plan
  - All other revenue sources remain flat, or minimal growth for a total of \$0.9 million over the Financial Plan including:
    - Service charges, licenses and permits, interest, and non-property taxes
  - Transfers In
    - Increasing by \$0.3M in FY 2020
      - Parking Fund held flat at \$7.8M
      - Increase from Water Fund: \$0.3M
    - Increasing by \$1.2M, or 8.8 percent, over Financial Plan:
      - Increase from Water Fund: \$1.2M
      - Transfer from Parking Fund is held flat at \$7.8M

Interim Vice-Chair Jurasek asked if the growth rate mirrored Erie County's (the "County"). Mr. Cornell, proxy for County Executive Mark Poloncarz, responded the County budgeted 1.75% growth for the out-years. Mr. Cornell expressed the County's concern with the new internet sales tax collection budgeted at \$1.8M.

Director Gallagher stated her concern that a recession may be on the horizon and a decrease in consumer spending is the first indicator which would subsequently affect the amount of internet sales tax collected. She suggested reviewing the trends of the recession of 2008 in order to more accurately project the growth of the out years of the financial plan.

Mr. Cornell stated the county anticipates sales tax growth at 1.5%. Mr. Cornell also commented growth was flat during the most recent recession.

Ms. Robe referred to the slide that showed historical City sales tax, noting a slight decrease in sales tax revenue during the last recession and further noted that due to its magnitude, it may not be realistic to apply the same terms to what will presumably be a softer recession. Director Gallagher stated the economic growth has been exponential, however, an expectation of 1% growth is reasonable.

Mr. Link continued his presentation.

- No planned use of fund balance in 2019-20
  - No unassigned fund balance remaining
- Remaining years are balanced with no reliance on fund balance
- “Rainy-Day” Fund of \$38.7M remains intact

Mr. Link gave the following summary regarding expenditures:

- Total General Fund expenditures are budgeted at \$508.7M and are budgeted to decrease from \$513.6M to \$508.7M
- Total departmental spending of \$233.5M, or 45.9% of total expenditures
  - Police department at \$89.3M, or 18%, and decreases \$2.1M compared to prior year
  - Fire department at \$58.5M, or 11.0%, and is decreasing by \$2.1M
  - Public Works department at \$31.0M, or 6.1%, and is decreasing \$0.2M
  - Remaining twelve departments at \$54.8M, or 10.8%; in total increases \$0.9M.
- Total general charges are budgeted at \$175.0M, or 34.4% of total expenditures:
  - Fringe benefits comprise \$152.3M, or 29.9%
  - All other general charges are \$22.7M, or 4.5%
  - The City expects to continue to benefit from self-insured health insurance and are currently waiting on responses from a Request for Proposal that was issued for pharmaceutical coverage
    - Budgeted decrease for active employee health insurance of \$0.8M and retiree health insurance of \$0.2M
  - Pension contributions are budgeted to decrease by \$3.2M of which PFRS is \$1.5M and ERS is \$1.7
    - This impact is due to new hires at lower starting salaries and entering the pension system in Tier 6
  - Salary adjustment line is included at \$3.4M
  - Utilities decrease by \$0.2M year-to-year
  - Debt Service decrease of \$0.2M
    - \$0.3M is budgeted for short-term cash borrowing if needed
  - Transfers Out are increasing by \$1.1M
    - Increase is for debt service
    - No planned transfer to the Solid Waste and Recycling Enterprise Fund
- Interfund transfers out total \$100.2M, or 19.7%
  - School District transfer is held flat at \$70.8M
- Employee costs (salaries and fringe benefits) equate to \$346.6M, or 84.8% of the budget



## Expenditures Review for the Financial Plan

- Expenditures are projected to increase \$16.7M, or 3.3%, over the Financial Plan
- Departmental expenditures are projected to increase by \$8.6M, or 3.7 percent:
  - Fire Department is the majority of the projected increase and is estimated to increase by \$3.9M, or 6.6 percent
  - Police Department is increasing \$1.8M, or 2.0 percent
  - Public Works is increasing \$1.2M, or 4.0 percent
  - All other departments net increase of \$1.7M
  - Includes estimate of increased costs for expired labor contracts
- General charges are projected to increase by \$9.2M, or 5.3%, over the Financial Plan:
  - Fringe benefits are increasing \$8.6M, or 5.9 percent
    - Employee health insurance increasing by \$3.6M, or 9.2 percent
    - Pension payments are increasing by \$2.4M, or 5.8 percent
  - Utilities are increasing \$0.5M, or 3.0 percent
- Interfund transfers out increase by \$1.1M over the Financial Plan
  - Interfund transfers out total \$100.2M in 2019-20 and decreases to \$99.1M in 2022-23:
    - Transfer to the School District is flat at \$70.8M
    - Transfer to Capital Debt Service Fund at \$27.9M decreasing to \$27.9M in FY 2023
    - Transfer to Capital Projects Fund is flat at \$400,000
  - Second year that an interfund transfer out to Solid Waste and Recycling Fund is not included
    - Transfer averaged between \$3.2-\$3.5M annually
  - Currently \$19.5M due to the General Fund

## Staffing over the course of the financial plan:

- Police held flat at 798 uniform FTE; decrease in six positions from prior year
- Fire held flat at 742 uniform FTE
- Other positions held flat at 1,135
- Citywide net increase of 24 positions between 2018-19 Adopted Budget and the 2020-2023 Financial Plan

## Conclusions and Recommendations

Ms. Robe thanked Mr. Link for his presentation and provided the following conclusions:

- The City's financial plan is operationally balanced without the use of fund balance, with a more disciplined approach and resulting reduction in reliance on one-time revenues and uncertain revenues

- BFSA notes the Financial Plan will require close monitoring as unfavorable budgetary results will result in a decrease to unrestricted fund balance.
  - Total unrestricted fund balance of \$51.2M is less than the Government Finance Officers' Association recommendation of two months of regular operating expenditures which would be \$68.1M . Unfavorable budgetary results would diminish the reserves. A replenishment component has not been built into the budget; the City should consider implementing a fund balance replenishment program
- BFSA recommends the continued monitoring of specific revenues due to the difficulty in estimating or uncertainty including:
  - Miscellaneous revenues including \$1.4M in gifts and donations held flat over the Financial Plan, \$6.9M in capital assets/property sales in 2019-20 decreasing to \$5.0M in the outyears, of which \$4.8M is attributed to the new program to retain auction proceeds
  - Fines and service charges, including new revenue from the proposed foreclosure filing fee, AIRBNB fee and school zone camera fines; additionally increases in court fines
  - Casino revenue of \$11.0M in 2019-20 increasing to \$11.2M in 2022-23
  - Sales tax is budgeted at \$89.8M and projected at a cumulative \$371.5M over the Financial Plan; \$7.2M is attributed to the new internet sales tax
- Various revenues would be detrimentally affected by a recession and certain expenditures rise as a result of recessionary impact; the financial plan was developed with the assumption the overall economy continues to grow
- Overtime is held relatively flat over the Financial Plan and may be under-projected
- Casino revenue may be disputed at a federal level and if the funds are not received in a timely manner, or advanced by the state, a deficit would be reported in 2018-19. The deficit would deplete assigned fund balance. The Financial Plan is balanced with \$44.3M of casino revenue.
- Fines were adjusted downward in 2019-20 to reflect revised estimates based on experience; recommend continued monitoring due to difficulty in estimating
- Due to the uncertainty of various revenues that could have a material impact on the operations of the City, it is recommended the City Administration develop a secondary operational plan to be able to sustain operations under the revised revenue estimates at a designated point of time
- Continued reliance from transfers from the Parking Fund to fund the general operations of the City which totals \$21.5M over the Financial Plan
- Transfer to District held flat at \$70.8M over the Financial Plan; there are requests to increase the annual contribution
- Transfer to Solid Waste and Recycling has been eliminated
  - Currently \$19.5M due to the General Fund; no formal plan to address the outstanding receivable has been developed
- Health insurance costs may be underestimated. The self-insurance program created savings at implementation. The projected increase of 9.3% as included over the Financial Plan may be insufficient.

Secretary Arthur asked if sports betting revenue was included in the financial plan. Ms. Robe stated that this revenue source was not included.

Interim Vice-Chair Jurasek referenced the Executive Director's comments regarding the need to strategically replenish reserves and also referenced the City's most recent bond rating report which included statements on the need for the City to replenish reserves. She asked for comments from the Mayor's proxy on the Administration's outlook with respect to replenishing funds. Ms. Estrich noted budget surpluses would replenish fund balance, as projected for the current year, and other initiatives such as what occurred this last year with eliminating the subsidy to the Refuse Fund. Interim Vice-Chair Jurasek thanked Ms. Estrich for the explanation and advanced the agenda to the Buffalo City School District ("BCSD" or "District") items.

### **Buffalo City School District**

#### *2018-19 Third Quarter Review*

Mr. Nathan Miller began his presentation stating the District had an adopted 2018-19 budget with a \$19.0M deficit. The District is projecting a FYE \$14.0M budgetary surplus. The revised projected deficit is \$5.0M, due to a favorable variance in expenditures of \$15.6M and an unfavorable variance of \$1.6M in revenues. The projection in revenue is due to a positive variance in Erie County sales tax and a negative variance in NYS Aid. Total revenues are projected at \$895.8M, a negative variance of \$1.6M from the modified budget of \$897.4M.

Total expenditures are projected at \$900.8M, a positive variance of \$15.6M from the modified budget of \$916.4M. Employee compensation is projected to be \$313.8M, or \$0.6M under budget. Employee benefits are projected to be favorable by \$13.5M with respect to health insurance and is largely due to one-time rebates for moving from a premium equivalent model to actual costs:

- Active employees: \$4.0M favorable
- Retirees: \$9.0M favorable

Director Gallagher asked if the net positive variance is captured within the one-time health insurance rebate. Mr. Miller responded in the affirmative.

#### *2019-20 Recommended Budget and 2020-2023 Financial Plan*

##### *Introduction*

Mr. Miller gave the following introductory highlights and analysis:

- Deficits reported or projected in 3 of the last 5 fiscal years
- Financial Plan includes deficits in each year:
  - Cumulative deficit of \$57.5M over the Financial Plan, including a \$10.0M deficit in the FY 2019-20 Recommended Budget

##### *Key Observations*

- General Fund revenues are budgeted at \$917.4M, an increase of \$20.0M, or 2.2% over the FY 2018-19 adopted budget
- General Fund expenditures are budgeted at \$927.4M, an increase of \$11.0M, or 1.2% over the FY 2018-19 adopted budget
- General Fund revenues and expenditures each increase at a compound annual growth factor of 1.9% over the Financial Plan

- The District has budgeted the appropriation of \$10.0M of fund balance in FY 2019-20. The total four-year deficit is reduced from \$57.5M to \$47.5M
- The Gap Closing Plan provides the District's plan to improve and address outyear deficits
- All collective bargaining units have labor agreements that are either expired or scheduled to expire over the Financial Plan
  - \$3.0M of fund balance assigned for contract settlements at June 30, 2019
  - Contract contingency budgeted at \$1.5M annually and \$6.0M cumulatively

Director Gallagher expressed concern that the District may not be budgeting appropriately for the settlement of contracts. Ms. Robe stated broad discussions have been held with the District's CFO regarding contract settlements and it's understood that a component of the 1.5% of salary increases as included over the financial plan is available for contract negotiations although no fixed dollar amount has been provided. Additionally, a contract contingency account is built into the Financial Plan to allow for some negotiation. Secretary Arthur asked the specific account once set aside for the settlement of teachers' contracts is still being funded. Ms. Robe stated that account has a balance of \$3.0M after the previous settlement of contracts. Secretary Arthur requested an update on the expired contracts. Ms. Robe stated approximately \$11.0M is available in various buckets for contract settlements.

Interim Vice-Chair Jurasek acknowledged monies set aside for contract contingency has been an ongoing concern and requested follow-up.

Mr. Miller continued his presentation stating the following:

- The main cost drivers have reduced rates of increase over the Financial Plan including NYS pensions and health insurance for both active employees and retirees
- The implementation of various efficiency initiatives along with available fund balance appear to be sufficient to address outyear budgetary gaps
- The District continues its commitment to be operationally balanced by FY 2020-21 and has not included the use of fund balance beyond year one of the Financial Plan

Ms. Estrich asked for clarification on the District being deemed operationally balanced with a projected deficit. Mr. Miller stated many of the actions in the gap plan will be realized and the fund balance has not yet been budgeted. Ms. Robe explained the District has provided actions and plans to increase revenues and/or reduce expenditures to address the \$47.5M shortfall. The District's gap plan included the appropriation of fund balance only in the FY 2019-20 budget.

*FY 2020-2023 Financial Plan Summary*

Mr. Miller provided the main buckets of revenue for FY 2019-20 totaling \$917.4M:

- Real property tax \$70.8M
- NYS Aid (less building aid) \$664.3M
- NYS Building Aid \$120.1M
- Erie County Sales Tax \$47.0M
- All other revenue \$12.6M

The main buckets of FY 2019-20 expenditures of \$927.4M were reported as follows:

- Employee compensation \$318.2M
- Employee benefits \$194.6M
- Charter school payments \$133.7M
- Debt service \$113.0M
- Transportation \$51.3M
- All other expenditures \$116.6M

Mr. Miller reported the number of full-time equivalent (“FTE”) employees budgeted in the District’s General Fund is the highest it has been since the inception of the BFSA at 4,824 FTEs for FY 2019-20. It was also noted that student enrollment in BCSD is projected at the lowest level since BFSA’s inception and is projected to remain flat over the Financial Plan.

The presentation continued with a review of several General Fund deficit-closing and cost-saving initiatives to address the following corresponding baseline gaps:

- FY 2019-20: \$10.0M fully closed by use of fund balance
- FY 2020-21: \$18.7M partially closed by additional revenues and savings through efficiencies
- FY 2021-22: \$17.5M partially closed by additional revenues and savings through efficiencies
- FY 2022-23: \$11.3M partially closed by additional revenues and savings through efficiencies

The three outyears also includes \$9.3M per year in various cost reductions for a cumulative \$27.9M. These items aren’t planned initiatives but could be implemented if needed to address outyear budgetary gaps.

Mr. Miller provided an update on the progress of the various gap-closing measures. These measures include: other revenues and fund balance items, efficiencies and savings, other cost reductions as well as other opportunities, and previous gap-closing and cost-savings initiatives which have been actualized and incorporated within the Financial Plan.

### Conclusions & Recommendations

Ms. Robe provided the following review:

- The Financial Plan is developed using consistent underlying assumptions over each year, adjusted for known changes.
  - There is a built-in assumption that for every 100 pupils that leave the District school to attend a charter school, the District will eliminate 6.5 teaching positions which is consistent with last year’s Financial Plan.
- Several programs intended to create efficiency savings listed previously in the gap closing plan have been actualized in the last two fiscal years and reflected in the 2019-20 Recommended Budget
- The District’s staffing plan increases the number of budgeted positions in FY 2019-20 by 116 FTE positions on a General Fund basis which is the highest FTE count since the BFSA was created in 2003
- Unassigned fund balance in excess of the Board of Education’s 4% retainage policy is projected to be \$51.0M at June 30, 2023

- The District’s contract with its largest union, the BTF, expires on June 30, 2019; as contracts are settled a determination needs to be made on the funding source to support the contracts.

Interim Vice-Chair Jurasek stated a quarterly update was to be provided by the District on the gap closing measures and the reports have not been made available in a timely manner, therefore, an updated reasonable report schedule needs to be determined. She noted that the District’s descriptor for the plan to address the budget gaps was not entirely appropriate; the BFSA’s usage of the term “Gap-Closing Plan” was more apt and accurate. Director Gallagher added a request to illustrate the District’s contract settlement funding plan.

Hearing no additional comments, Mr. Grimm revisited the previous Gaming Contract discussion and said the contract states “the arbitrator’s decision is final, binding and non-appealable.” Ms. Robe stated her conversation with NYS indicated the decision is being appealed with the Department of the Interior.

Interim Vice-Chair Jurasek advanced the Buffalo Municipal Housing Authority.

**The Buffalo Municipal Housing Authority**

*Proposed Memorandum of Agreement (“MOA”) between the BMHA and International Union of Operating Engineers, Local 17-17s, AFL-CIO (“Local 17” and the “Operating Engineers”)*

Mr. Link began his presentation with the following general overview:

- Previous labor agreement expired on 6/30/13
- Proposed MOA will be effective 7/1/13 through 6/30/23
- Covers Local 17 which consists of seven budgeted employees
- Tentative agreement terms agreed upon on November 14, 2018
  - BMHA Board of Commissioners expected to consider on 5/21/19
  - Buffalo Common Council expected to consider on 5/28/19

The salary increases are scheduled as follows:

- July 1, 2011 through June 30, 2017 0%
- July 1, 2017 10%
- July 1, 2018 2%
- June 2019 \$1,500 one-time bonus
- July 1, 2019 2%
- July 1, 2020 2%
- July 1, 2021 2%
- July 1, 2022 2%

The one-time bonus does not impact the base salary.

*Health Insurance (Active)*

- All employees regardless of date of hire receive BCBS POS 204
  - Employees contribute 15% for single or 10% for family premium’s cost
  - In-lieu of payment of \$1,200
  - BMHA may self-fund its medical coverage and shall not be required to submit a cost-sharing proposal

- 105(h) contribution now defined at \$750/year for family coverage and \$270/year for single coverage

#### *Health Insurance (Retirees)*

- Employees hired prior to May 19, 2013 keep the same health insurance they had as employees:
  - 0-10 years of BMHA service = ineligible
  - 11-14 years of BMHA service 20% of premium
  - 15-19 years of BMHA service 15% of premium
  - 20+ years of BMHA service 0% of premium
- Employees hired on or after May 19, 2013 keep the same health insurance they had as employees:
  - 0-14 years of BMHA service = ineligible
  - 15-19 years of BMHA service 25% of premium
  - 20-24 years of BMHA service 20% of premium
  - 25+ years of BMHA service 15% of premium
- Current employees: employees who retire from BMHA service who were hired prior to final ratification of MOA will be placed into a Medicare Advantage Plan when they become eligible, such a plan would be paid by BMHA
- New hires after ratification of the agreement shall not be eligible for medical benefits upon retirement

#### *Vacation Leave*

- Employees hired prior to March 19, 2013
  - Years 1-4 = 10 days
  - Years 5-15 = 15 days + 1 additional day each year
  - Years 16+ = 25 days
- Employees hired after March 19, 2013 and before ratification
  - Years 1-5 = 10 days
  - Years 6-15 = 15 days
  - Years 16+ = 20 days
- New hires after ratification
  - Prorated monthly and granted as follows:
    - Years 1-5 = 10 days (6.667 hours accrued monthly)
    - Years 6-15 = 12 days (8.0 hours accrued monthly)
    - Years 16+ = 15 days (10.0 hours accrued monthly)

#### *Personal Leave*

- Employees hired prior to March 19, 2013
  - Years 1 = 2 days of personal leave
  - Years 2 = 3 days of personal leave
  - Years 3 = 5 days of personal leave
- Employees hired after March 19, 2013 and before ratification
  - Years 1 = 2 days of personal leave
  - Years 2 = 3 days of personal leave
  - Years 3 = 4 days of personal leave

- MOA Proposal would provide all employees with one additional personal leave day per year between July 1, 2019 and July 1, 2022

*Residency*

- Employees hired prior to March 19, 2013 are required to reside within City of Buffalo until they have 20 years of service. Those living outside of the City must pay the City’s average real estate tax fee of ranging from \$800 - \$1,300 annually
- All employees hired after March 19, 2013 must have a City of Buffalo residency and domicile for the full duration of their BMHA employment

*Longevity Payments*

- Lump sum on an employee’s anniversary

<u>Number of years</u>	<u>Current Payment</u>	<u>New Payment</u>	<u>Increase</u>
5 years	\$260	\$350	\$90
10 years	\$585	\$780	\$195
15 years	\$910	\$1,210	\$300
20 years	\$1,235	\$1,640	\$405
25 years	\$1,560	\$2,070	\$510

*Summary of other contract provisions:*

- \$75 (\$300 annually) increase for work boots and uniform allowance
- The proposed MOA eliminates the 15-minute clean up period at the end of an employee’s shift
- Employees who work overtime will have the option of receiving either a payment or compensatory time, both would be calculated at time and one-half
- Establishment of an International Union of Operating Engineers Training Fund

*Financial Impact:*

- Retroactive compensation for 2017-18 will be \$46,700
- July 1, 2018-19 will be \$72,800
  - Resources have been identified in the current year budget to fund these increases approximately \$120,000
- Impact over the 2020-2023 Financial Plan is \$355,000
  - Resources have been budgeted adequately in BMHA’s 2020-2023 Financial Plan to afford the increased costs

*Conclusions & Recommendations*

- The MOA expires at the end of the 2020-2023 Financial Plan and provides BMHA with a known cost model over that time period.
- There are no short-term savings as savings are from provisions impacting new hires and will be realized in future years.

Hearing no comments Interim Vice-Chair Jurasek advanced the agenda to the next item.



BMHA 2019-20 Adopted Budget and 2020-2023 Financial Plan

Mr. Miller began his presentation stating that BMHA's 2020-2023 Financial Plan has a cumulative net operating income of \$2.2M. The cumulative net cash impact over the plan is a net cash outlay of \$1.2M.

Mr. Miller stated the BMHA Board of Commissioners approved the Adopted Budget and Financial Plan on April 25, 2019. The 2019-20 Adopted Budget is balanced with a net income of \$0.5M and projected net cash outflow of \$0.2M. The 2020-2023 Financial Plan is balanced with a projected cumulative net income of \$2.2M. HUD requires reserves to be equal to 4 months of operating expenses.

Changes between the 2019-20 adopted budget and 2018-19 adopted budget include:

- Total operating revenues increase by \$1.6M to \$46.7M
- HUD subsidy increases by \$0.3M to \$17.0M. 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 \$0.4M to \$46.2M. FY 2018-19 expenses projecting to be favorable by \$1.4M. All employees under contract through FY 2022-2023 (pending approval of the Local 17 MOA)

The operating revenue for the modified budget for FY 2018-19 totaled \$45.1M and the adopted budget for 2019-20 totals \$46.7M, a \$1.6M increase.

The budgeted appropriations for the modified budget for FY 2018-19 total \$45.8M and the adopted budget for 2019-20 total \$46.2M, an increase of \$0.4M.

BMHA personnel under the 2018-19 adopted budget was 166 and the modified 2018-19 budget the number was reduced to 157. The actual number of employees as of March 31, 2019 was 132, a variance of 25 FTEs.

Identified 2020-23 Financial Plan Opportunities which will allow BMHA to access new resources:

- Capital Fund Financing Program ("CFFP")
  - Allows BMHA to borrow the net present value of up to 30% of the twenty-year future Capital Fund Program allocation
- Rental Assistance Demonstration Program ("RAD")
  - Allows BMHA to leverage private equity and financial resources to redevelop and reposition more properties
- Low Income Housing Tax Credit Program ("LIHTC")
  - Provides a tax incentive to construct or rehabilitate affordable rental housing for low-income households

Secretary Arthur asked for more information on the RAD program. Mr. Miller stated the most recent example is 60 units in Frederick Douglass Apartments were converted into RAD units. Mr. Modesto Candelario, Assistant Executive Director of BMHA, explained the RAD program allows BMHA to raise private equity and enter into a project-based Section 8 program with HUD instead of a public housing program.

The plan change would allow BMHA to raise capital and leverage assets for renovations and improvements without impacting the rental portion for the tenants. Interim Vice-Chair Jurasek stated this program provides relief to the capital budget.

Mr. Candelario explained the LIHTC program is NYS-granted and allows private investors to buy into BMHA property renovations. The investors receive a tax credit from the Internal Revenue Service (“IRS”) for ten years. This program was used with the A.D. Price Phase I, II, and III renovations and explained that the transactions are extremely time consuming to put together. Director Gallagher asked what the challenges are for getting the projects completed as it is difficult to determine an acceptable timeline especially when subpar conditions are being reported on a more consistent basis in the news. Director Gallagher suggested meeting with BMHA at a later date to discuss topic further.

Mr. Gillian Brown, Executive Director, BMHA, stated there were many challenges to address when he was first named permanent executive director and many strides have been made thus far. He is open to meeting with the BFSB Board as requested. Mr. Brown also shared that a HUD assessment team recently visited with BMHA and they are waiting to receive and review their findings.

Secretary Arthur asked for an update on Commodore Perry Housing project as there has been recent discussion about a National Football League stadium replacing the development. Mr. Brown stated that most of the buildings need to be demolished. BMHA does not have the funds to do it. There is some trepidation on what other stakeholders in the area, primarily NYS, has planned for the area once the buildings are razed.

Interim Vice-Chair Jurasek asked for more detail, in the near future, on the strategic opportunities BMHA is pursuing and how the residents will benefit. The BFSB looks forward to further discussion with management.

Hearing no additional comments Interim Vice-Chair Jurasek advanced the agenda to the next item.

### **Buffalo Urban Renewal Agency**

#### *2020-2023 Financial Plan Overview*

Mr. Link began his presentation with the following overview:

- BURA received the Year 45 Entitlement Funds award notice from HUD on April 15, 2019
  - Decrease of \$103,340 in Entitlement Funds when compared to 2018-19
- Out-year revenues are budgeted conservatively with reductions of:
  - 3.4% in 2020-21
  - 0.5% in 2021-22
  - 0.0% in 2022-23
- Subrecipients receive approximately \$700,000 a year from BURA
- BURA will resubmit a revised budget reflecting the decrease in Entitlement Funds, that provides budgetary impact to revenues and expenditures

HUD allocations for entitlement funds are as follows:

- Community Development Block Grants (“CDBG”): \$13.8M (BURA receives \$6.3M with remaining amount of \$7.5M remitted to the City)
- Housing Opportunities Made Equal (“HOME”): \$3.0M which BURA retains in full
- Emergency Shelter Grant (“ESG”): \$1.2M which the City will receive in full
- Housing Opportunities for Persons With Aids (“HOPWA”): \$0.8M which the City will receive in full

Total funding is \$18.8M, of which BURA will retain \$9.3M and the City will receive \$9.5M. BURA has a year-to-year decrease of \$103,341, or -0.6% between 2018-19 and 2019-20. This is mainly due to a near \$250,000 reduction, or -7.6% decrease in HOME funds.

BURA highlights:

- As of June 30, 2018, BURA had prior year allotments of entitlement funds of:
  - \$20.2 million of PY CDBG funds
  - \$13.8 million of PY HOME funds
- At the end of the 2020-2023 Financial Plan remaining prior year funding is projected to be:
  - \$4.0 million in CDBG funds
  - \$0.3 million in HOME funds

The proposed Financial Plan is reflective of:

- All known and estimated revenues including entitlement funds, program income and additional grants (Evans Fund, LISC, and restricted funds)
  - Balance of Evans Fund and LISC funds budgeted in 2019-20
- Includes increase in 2019-20 reflective of current labor agreement between BURA and Local CSEA 815
  - Current CBA expires June 30, 2020
- Includes separate projections for salaries and fringe benefits

BURA revenue is primarily received from CDBG and HOME funds.

CDBG has been budgeted in the amount of \$7.3 million

- \$4.3 million for program delivery
  - \$2.8 million for emergency loan program
  - \$1.3 million for program delivery costs
  - \$0.2 million for crime prevention program delivery
- \$3.0 million for administrative costs

HOME has been budgeted in the amount of \$3.7 million

- \$3.4 million for HOME program delivery
  - \$2.8 million for rehabilitation and new construction
  - \$0.5 million for community housing development organizations
  - \$0.1 million for HOME program delivery
- \$0.3 million for administrative costs

Administrative costs:

- Limited to certain maximum % of grant award
  - CDBG = 20% + program income
  - HOME = 10%
  - Program delivery personal service costs are not included in these limits

Mr. Link noted an entitlement letter was received after the budget was prepared therefore a revised budget will be submitted by BURA to the BFSA.

Other Notable Items

- Additional grants were received by BURA and are now reflected in the Budget and Financial Plan
  - Final balance of grants will be disbursed in 2019-20
  - BURA continues to look for new revenues
- BURA is including prior year allocations as a current year resource-CDBG and HOME funds
- Revenue forecast is conservative in the out-years
  - A reduction of 3.4% in 2020-21, 0.5% in 2021-22 and 0.0% in 2022-23
- There is adequate funding for administrative costs
- BURA does not participate in the City of Buffalo's self-funding of health insurance and continues to maintain coverage through Blue Cross/Blue Shield
- Annual increases of 5.5% are included in the Financial Plan
- BURA is holding 59 properties valued at \$2.3 million
  - Intent is to continue to strategically assess portfolio and sell properties
- Neighborhood framework plan is ongoing
  - Allows multiple stakeholders the ability to coordinate with each other on agreed-upon housing goals and objectives

BURA staffing schedule is 38 FTEs for 2019 and a projected 39 FTEs for the remaining outyears of the Financial Plan.

Interim Vice-Chair Jurasek stated the BURA FY 2018-19 third quarter report will be received and filed.

**BUFFALO FISCAL STABILITY AUTHORITY RESOLUTION 19-04**  
**DETERMINATION WITH RESPECT TO THE CITY OF BUFFALO 2019-20 FOUR-YEAR FINANCIAL PLAN**

Interim Vice-Chair Jurasek presented BFSA Resolution No. 19-04, "Declaration of Incomplete Financial Plan", stating the Financial Plan review is complete with the exception of the BURA's Financial Plan which is to be revised and submitted to the BFSA and reviewed at the next BFSA board meeting.

Secretary Arthur made a motion to approve resolution.

Director Gallagher seconded the motion.

The Board voted 5-0 to approve Resolution 19-04.

**Approval of the Minutes**

Interim Vice-Chair Jurasek introduced Resolution No. 19-03, “Approving Minutes and Resolutions from March 13, 2019 and April 2, 2019.”

Director Gallagher made a motion to approve.

Secretary Arthur seconded the motion.

The Board voted 5-0 to approve Resolution No. 19-03.

Director Gallagher exited the meeting at 2:31 P.M.

**Privilege of the Floor**

Interim Vice-Chair Jurasek opened the floor for public comment to address items reviewed at the meeting. Speakers were advised to identify themselves and limit their comments to two minutes.

Mr. Renato Graham, Chairman of BMHA Advisory Board and a resident of Lakeview Homes, addressed the Board. Mr. Graham explained the function of the Advisory Board is to assist BMHA by making recommendations and assist in drafting plans and any significant modifications. The Board has not been provided with a budget nor a meeting location which is to be provided by BMHA. The Board advocates for tenant participation in BMHA policy planning. Mr. Graham stated many tenants want to become self-sufficient and desire to work closely with management to do so, although management has not met with the tenant council as required.

Mr. John Williams, Tenant Council President of Commodore Perry Development commented that tenants in his development are willing and ready to work by rehabilitating the buildings in their development with a training program. Mr. Williams also mentioned consolidating school buildings to house adult learning classes.

Ms. Antoinette Guercio, Marine Dr. Council President, thanked the BFSA for holding the meeting at the complex. Ms. Guercio spoke of the tenants’ complaints regarding the lack of heat and security in their building.

Mr. Gerhardt Yaskow, Fillmore District Council candidate, spoke on improvements needed for Marine Drive and the budgeting constraints facing BMHA.

Several other tenants spoke about their frustration with BMHA management regarding lack of completion of work orders.

**Adjournment**

Meeting adjourned by acclamation at 2:51 PM.