

BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
June 17, 2019

The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the “BFSA” or the “Authority”) held on Monday, June 17, 2019 in the first-floor conference room of the Buffalo Market Arcade Complex. The meeting was called to order at 1:11 P.M.

Board Members Present

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

Board Member(s) Excused

Chair R. Nils Olsen
Director Dottie Gallagher

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. Geoffrey Pritchard, Chief Financial Officer, Buffalo Public School District
Ms. Jessica Boeckel, Director Commercial Property Management/Leasing, Sinatra & Company Real Estate, LLC

Opening Remarks

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

Roll Call of the Directors

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

City of Buffalo (“City”) 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 BFSAs 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

Interim Vice-Chair Jurasek introduced Resolution No. 19-05: "Approving Minutes and Resolutions from May 20, 2019."

Director Floss made a motion to approve.

Secretary Arthur seconded the motion.

The Board voted 5-0 to approve Resolution No. 19-05.

City of Buffalo

2019-20 Adopted Budget and 2020-2023 Financial Plan

Interim Vice-Chair Jurasek stated the City submitted its final 2019-20 Budget and revised 2020-2023 Financial Plan to BFSAs on June 10, 2019. Mr. Bryce Link, BFSAs Principal Analyst was asked to review the submission with the Board.

Mr. Link provided the following summary.

No modifications were made to estimated revenues from the proposed budget. Overall there was no change to total budgeted appropriations from the City's proposed budget; however, individual expenditures were modified by \$1.1M and carried-forward for all four years of the City's Financial Plan.

There was a correction in the City's four-year staffing plan beginning with the 2019-20 Adopted Budget of an increase of two positions. The correction did not change total budgeted appropriations but adjusted the actual final number of budgeted positions.

- The final number of 2,682 positions are budgeted for 2019-20
 - Increase of 31 positions compared to prior year
- As of the third quarter there were 2,459 positions filled, a difference of 223 positions compared to the 2019-20 Adopted Budget
- The elimination of vacant positions in Police (sworn officers) and Community Service were made in order to target departments that carry vacancies
- Continue to budget for 742 full-time equivalent (FTE) firefighter positions in order to address pending retirements
- Staffing is flat over the Financial Plan

Common Council changes resulting in a net increase of \$1.1M in budgeted departmental costs were made in the following areas:

- Police Department – increase of \$417,000 for the procurement of tasers
- Community Services – increase of \$187,520 for the Summer Youth Program
- City Clerk – net increase of \$168,939 consisting of an increase of \$145,000 for art initiatives and \$30,000 for office supplies, which is offset by a reduction of \$6,601 for hourly staff
- Public Works – increase of \$106,418 for the addition of two positions
- Mayor and Executive—increase of \$72,943 for the addition of 1 position and increase of salary for director of real estate
- Audit and Control—net increase of \$42,023 for the addition of 1 position, multiple personnel service lines and supplies adjusted
- All other departments—net decrease of \$25,740
- Elected officials’ salary—increase of \$145,800 per the recommendation of the Citizen’s Salary Review Commission

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

- Health insurance is reduced by \$969,103
 - \$600,000 from retiree health insurance
 - \$369,103 from active employee health insurance
- Reduction of salary adjustment line to fund elected salary increases
 - \$145,800

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

Buffalo City School District (“BCSD”)

2019-20 Adopted Budget and 2020-2023 Financial Plan

BFSA Senior Analyst II Mr. Nathan Miller began his presentation comparing the proposed budget to the adopted budget by noting the following:

- General Fund revenues were unchanged and total \$917.4M
- General Fund appropriations were unchanged in total
 - Total \$927.4M
 - Adjustments made within the budget
- Adopted Budget deficit unchanged at \$10.0M. The deficit will be filled with the use of fund balance:
 - \$5.5M Assigned fund balance
 - \$4.5M Unassigned fund balance

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 \$2.3M
 - Nine (9) additional Teachers
 - Two (2) additional Administrators
 - One (1) additional Exempt employee
 - Three (3) fewer White-Collar/Trades employees
 - PCTEA increased \$0.2M/ Trades unchanged

- Additional overtime of \$0.1M
- Employee benefits decreased by \$1.3M
 - NYSERS increased \$0.1M
 - Increase in white-collar and exempt compensation
 - NYSTRS decreased \$0.2M
 - Teacher and administrator compensation increased \$1.7M
 - Teacher compensation potentially overstated
 - Social Security increased \$0.1M
 - Health Insurance and Other Benefits decreased \$1.4M
- Downward adjustment in health insurance made based on actual claims to date at May 15, 2019
- All other expenditures decreased by \$1.0M
 - Reserve for Contingency decreased \$1.4 M to increase budgeted compensation
 - Remaining \$1.9 M redesignated as the Superintendent’s Equity Contingency which allows the Superintendent to add staff at specific schools to insure favorable teacher/student ratios
 - Adopted Budget does not include the \$1.5 M contract settlement contingency
 - Textbook expenditures increased significantly from \$1.6 M to \$2.0 M despite no adjustment to the number of pupils projected to be enrolled in FY 2019-20

Director Floss asked for clarification on the \$400,000 textbook increase and whether the actual procurement costs for textbooks was expected to be higher. Mr. Miller stated the initial amount of \$1.6M was a decrease from the prior year; however, the decrease was too great and therefore the amount was adjusted to \$2.0M.

Interim Vice-Chair Jurasek asked if the Reserve for Contingency line is the same as the Contract Settlement Contingency line. Mr. Miller stated the Contract Settlement Contingency line is a subcategory of the general Reserve Contingency line. The general Reserve for Contingency expenditure line was redesignated as the Superintendent’s Equity Contingency for FY 2019-20.

Conclusions

- The Adopted Budget has been finalized and is not anticipated to be modified until July 1 with the recognition of carry-forward encumbrances from the current fiscal year
 - The District’s FY 2020-2023 Financial Plan has not been adjusted to reflect the adjustments in budgeted appropriations
- The changes made between the Recommended Budget and the Adopted Budget are not significant to the overall budget
 - Represent 0.2% of the total budgeted appropriations
- The Board of Education reallocated \$1.5 M in the budget from amounts set-aside and available for contract negotiations during 2019-20 to a discretionary fund for the Superintendent to hire additional staff

Ms. Donna Estrich, City of Buffalo Commissioner of Finance, asked when the contract for the teachers expires. Mr. Miller stated the contract expires June 30, 2019.

Hearing no additional comments, Interim Vice-Chair Jurasek advanced the agenda to a special report.

Estimated Impact for the Settlement of Outstanding Labor Agreements on the 2020-2023 Financial Plan

Mr. Miller stated that BFSA had performed an analysis to determine what the estimated fiscal impact would be to the Financial Plan for the District to settle all expired and expiring labor agreements. He provided a summary of the number of employees as of March 31, 2019 and the collective bargaining agreement (“CBA”) expiration date of the eight units funded through the general fund:

- Buffalo Teachers’ Federation (teachers) 3,151 FTEs General Fund/ 3,629 FTEs All Funds, expires 6/30/19
- Buffalo Educational Support Team (teacher aids/teaching assistants) 776 FTEs General Fund/ 919 FTEs All Funds, expired 6/30/12
- Substitutes United of Buffalo (substitutes) 626 part-time employees General Fund, expires 6/30/19
- Transportation Aides of Buffalo (bus aides) 314 part-time employees General Fund, expires 6/30/19
- Professional, Clerical, Technical Employees’ Association (white-collar employees) 348 FTEs General Fund/ 449 FTEs All Funds, expired 6/30/13
- Local 264 (blue-collar employees) 62 FTEs General Fund/ 88 FTEs All Funds, expired 6/30/13
- Buffalo Council of Supervisors and Administrators (administrators) 227 FTEs General Fund/ 264 FTEs All Funds, expires 9/1/20
- Local 409 (custodial engineers) 50 FTEs General Fund/ 51 FTEs All Funds, expired 6/30/10

Director Floss asked if an update has been provided by the District on the expired contracts in order to have a better handle on forecasting. Mr. Miller stated no update has been provided to date. He asked if the Directors wanted a request to be issued to the District or if they wanted the question at hand to be directed to a representative of the District in attendance.

Director Floss requested that a representative of the District in attendance address the Board.

Buffalo City School District Chief Financial Officer Mr. Geoffrey Pritchard addressed the board and stated he would respond in writing after conferring with Superintendent Cash and District Legal Counsel. Secretary Arthur requested Mr. Pritchard be available for follow up questions after the written response has been submitted.

Mr. Miller continued his presentation. BFSA calculated three settlement scenarios based on the following:

- Assumes all labor agreements are settled currently through the four years of the financial plan
- Projections based on past precedent and other reasonable assumptions
- Built in savings of 10% assumed

Based on these assumptions and varying compensation increases, total cumulative four-year costs are estimated as follows:

- 2.0% wage increase = \$33.4 M
- 2.5% wage increase = \$40.2 M
- 3.0% wage increase = \$47.5 M

Funding provided in the Financial Plan:

- \$5.0 M in Assigned fund balance at June 30, 2019
 - Amount at July 1, 2018 (FY 2018-19) = \$9.0 M
 - Could be reassigned to this level
 - Provides \$4.0 M more in resources
 - Decreases to \$3.0 M at June 30, 2020
- \$1.5 M annually/\$4.5 M cumulatively for contract settlement contingency
 - \$1.5 M listed in the FY 2019-20 Recommended Budget redefined as the Superintendent Equity Contingency

The Financial Plan generally provides for 1.5% compensation increases annually based on budgeted and projected positions:

- Anticipated to be used for annual step increases in addition to contract negotiations
- The District was unable to provide a dollar amount of what would approximately be available for labor negotiations
- BFSA estimates that of the cumulative \$22.4M in employee compensation increases over the Financial Plan, approximately \$17.2M is for contractual step increases and the remaining \$5.2M is available for settling expired labor agreements
- BFSA estimated the total cumulative increase in labor costs in the General Fund for settling all expired labor agreements over the Financial Plan would be in the range of \$33.4M to \$47.5M
- The Financial Plan includes an estimated \$14.7M cumulatively for settling expiring and expired labor agreements
 - \$5.0 M - Assigned fund balance is estimated to be \$5.0M at July 1, 2019
 - \$4.5 M – cumulative contract settlement contingency
 - \$5.2 M – BFSA’s estimate of additionally budgeted employee compensation based on historical actual increases

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

- The estimated cumulative incremental impact to the Financial Plan is an increase to expenditures of \$18.7M to \$32.9M. The range results from the difference in the assumed annual wage increase.
- The Financial Plan cites additional available unrestricted fund balance (\$51.0M) as a potential funding source for future cost increases
- The District has further identified the potential appropriation of \$10.0M of Unassigned fund balance in each outyear of the Financial Plan to reduce projected outyear budgetary gaps which total a cumulative \$47.5M over the Financial Plan

BFSA recommends that future financial plans address the costs for negotiating current contracts by including a reasonable estimate within the framework of the financial plan along with clearly identified funding sources. Ms. Robe recognized the need for discretion and asked to work with the District's Chief Financial Officer to obtain the necessary information.

Director Floss also acknowledged the need of the District to not disclose its negotiating strategy in its financial plan and instead recommended potentially discussing in an Executive Session.

Secretary Arthur requested a timetable on the expired CBAs.

Ms. Estrich asked if the estimated settlements included any retroactive payments. Mr. Miller responded retroactive payments are included for the custodial engineers. Both the white-collar and blue-collar employees were assumed to have 5% increases in FY 2019-20 based on the protracted period that the collective bargaining units had been out-of-contract.

Director Floss made a motion to send a letter advising the District Superintendent and CFO of the BFSA's concerns. Secretary Arthur seconded the motion.

Interim Vice-Chair Jurasek asked that it be made clear the BFSA is mindful of the closed nature of contract negotiations and a reasonable framework is expected.

The board voted 5 to 0 to approve.

Interim Vice-Chair Jurasek suggested the City and other covered entities should also provide a reasonable framework with reference to their settling of labor contracts.

Hearing no additional comments the agenda was advanced to the next item.

Buffalo Urban Renewal Agency ("BURA")

2020-2023 Financial Plan

Interim Vice-Chair Jurasek stated the BURA 2020-2023 Financial Plan was found to be incomplete by the BFSA at the May 20, 2019 Board meeting as the estimated revenues and expenditures exceeded the annual reward from U.S. Department of Housing and Urban Development ("HUD"). BURA subsequently submitted a revised plan to the BFSA on June 13, 2019, which will be discussed by Mr. Link.

Mr. Link provided the following overview:

- BURA received the year 45 Entitlement Funds award notice from HUD with the following allocations:
 - Community Development Block Grant: \$13.8M (BURA retains \$6.3 M, the City retains \$7.5M)
 - Housing Opportunities Made Equal ("HOME"): \$3.0M, a reduction of approximately \$250,000 from FY 2018-19 (BURA retains \$3.0M, the City retains \$0). The anticipated amount was \$3.3M, the reduction was carried forward through the revised Financial Plan

- Emergency Shelter Grants (“ESG”): \$1.2M (BURA retains \$0, the City retains \$1.2M)
- Housing Opportunities for People with Aids (“HOPWA”): \$798,764 (BURA retains \$0, the City retains \$798,764)

Mr. Link stated the unused entitlement fund revenues are rolled forward to future years. Additionally the projections indicate BURA will remain under the administrative cap for administrative-related costs.

BURA has 39 positions budgeted for 2019; 35 positions are filled. BURA is evaluating if and/or when the vacancies will be filled.

Mr. Link provided the following breakdown of CDBG and HOME expenditures for FY 2019-20:

- 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 \$3.4 million
 - \$3.1 million for HOME program delivery
 - \$2.5 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

Hearing no comments or questions, Interim Vice-Chair Jurasek thanked Mr. Link for his presentation.

Interim Vice-Chair Jurasek requested a motion to adjourn from the public portion of the meeting and reconvene into an executive session for the purpose of receiving legal advice, pursuant to the Laws of New York, Public Officers Law, Article 7.

Secretary Arthur made the requested motion and Director Floss seconded the motion.

The motion passed with a vote of 5 to 0.

BUFFALO FISCAL STABILITY AUTHORITY
Executive Session Meeting Minutes
June 17, 2019

The following are the minutes from the Executive Session of the Buffalo Fiscal Stability Authority (the “BFSA” or the “Authority”) held on Monday, June 17, 2019 in the first-floor conference room of the Buffalo Market Arcade Complex. The meeting was called to order at 1:49 PM.

Board Members Present: Arthur, Brown (proxy Estrich), Floss, Jurasek, Poloncarz (proxy Cornell)

Board Members Excused: Gallagher-Cohen, Olsen

Staff Present: Robe, Link

Additionally Present: James L. Magavern, Esq., Magavern Magavern and Grimm, LLP

Pursuant to New York State Public Officers Law, Article 7, §105(f), the Board entered into Executive Session for the purposes of receiving legal advice from counsel.

Secretary Arthur called Executive Session to order.

The Board received legal advice from Mr. Magavern.

Adjournment – Executive Session

Interim Vice-Chair Jurasek called for a motion to adjourn the Executive Session and to reenter the public portion of the Board Meeting.

Secretary Arthur offered a motion to adjourn from Executive Session and reenter the public portion of the Board Meeting.

Director Floss seconded the motion.

The Board exited Executive Session at 2:30 PM.

BFSA Business

Leasing Matters

Interim Vice-Chair Jurasek reconvened the meeting after executive session which was for the purpose of receiving legal advice on a budget matter and issues with the facility leased by the BFSA.

Interim Vice-Chair Jurasek welcomed Ms. Jessica Boeckel, a representative from Sinatra & Company Real Estate regarding an unaddressed window maintenance issue. Ms. Boeckel stated the windows cost \$120,000 to replace and Sinatra Real Estate applied for grants to cover the cost; however, the grants were denied and the company is seeking an alternate funding source. In the interim, some patchwork will be performed on the windows until they can be replaced.

Director Floss asked what the timeframe is for secondary funding. Ms. Boeckel stated she is unable to provide a concrete timeline as there are approximately twenty windows that need replacement. She hopes to have the work completed before winter 2019. Secretary Arthur asked for details on the temporary repairs. Ms. Boeckel replied repairs would be made to the wood frames and contractors will be brought in for recommendations regarding windows that are beyond repair. Ms. Boeckel estimated it will take sixty days from the time funding is secured until the window is installed. Therefore, the funding will need to be identified by the end of summer, September at the latest, for completion before winter 2019. Director Floss asked when someone would be able to complete the patchwork. Ms. Boeckel replied someone will be in to look at the window within the next two weeks and Ms. Robe will be kept up to date on the progress via email.

Ms. Robe stated the repair of the window was a deciding factor when the lease was renewed in 2015. The other items (i.e. painting and carpeting) have already been addressed.

Interim Vice-Chair Jurasek asked for an assurance that the windows will be taken care of before winter 2019 even if no external funding source is secured. Ms. Boeckel will confer with her superiors and send a response to Ms. Robe.

Secretary Arthur noted that BFSA rent payments have been prompt and the window should be a top priority as it should not have taken four years to address. Further, the funding source for the repair is not a consideration for BFSA.

Mr. Jim Magavern, Esq. stated the commitment should come from the decision maker, Mr. Sinatra himself, not just Ms. Boeckel.

Secretary Arthur stated the Board should not wait until September for a determination from Sinatra Realty and instead authorize Ms. Robe and Mr. Magavern to execute what was discussed in Executive Session if no commitment has been made by August as the funding source is not a deciding factor for the BFSA Board. Ms. Robe will circulate a final resolution and vote if needed.

Secretary Arthur stated the above as motion.
Director Floss seconded the motion.

The Board voted 5 to 0 to approve.

Determination with Respect to the City of Buffalo 2020-2023 Financial Plan

Interim Vice-Chair Jurasek asked for a motion to approve Res. No. 19-06 to accept the Financial Plans of the City and all covered organizations as complete.

Director Floss made the motion.

Secretary Arthur seconded the motion.

Resolution 19-06 passed with a vote of 5 to 0.

Approval of BFSA 2019-20 Budget and 2020-2023 Financial Plan

Interim Vice-Chair Jurasek advanced the agenda to approve Resolution No. 19-07: “Adoption of 2019-20 Buffalo Fiscal Stability Authority Budget and 2020-2023 Four Year Financial Plan,” as recommended to the full Board by the Audit Finance & Budget Committee.

Director Floss made a motion to approve Resolution No. 19-07.

Secretary Arthur seconded the motion.

The Board voted 5-0 to approve Resolution 19-07.

Privilege of the Floor

Interim Vice-Chair Jurasek 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, she requested a motion to adjourn.

Adjournment

Secretary Arthur moved to adjourn.

Director Floss seconded the motion.

The Board voted 5-0 to adjourn the meeting.

Meeting adjourned at 2:49 P.M.