

BUFFALO FISCAL STABILITY AUTHORITY
Audit, Finance and Budget Committee Meeting Minutes
September 23, 2019

The following are the minutes from the meeting of the Audit, Finance and Budget Committee (the “Committee”) of the Buffalo Fiscal Stability Authority (the “BFSA”) held on Monday, September 23, 2019, in the first-floor conference room of the Buffalo Market Arcade Complex. The meeting was called to order at 12:48 P.M.

Committee Members Present

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

Additional Directors Present

Secretary George K. Arthur
Director Dottie E. Gallagher
Mayor Byron Brown (Estrich)

Committee Member Excused

Interim Vice-Chair Jeanette T. Jurasek

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

Additionally Present

Sara M. Dayton, CPA Partner, Lumsden & McCormick, LLP
Richard A. Grimm, III, Esq., Magavern Magavern & Grimm LLP

Opening Remarks

Committee Chair Olsen opened the meeting, welcomed the attendees, and reviewed the agenda.

Roll Call

Chair Olsen called a roll of the members, and finding a quorum present, the meeting commenced.

Approval of Minutes

Committee Chair Olsen introduced AFB Resolution No. 19-05: “Approval of June 17, 2019 Meeting Minutes,” and requested a motion to approve.

Director Floss made a motion to approve AFB Resolution No. 19-05.

Committee Chair Olsen seconded the motion.

The Committee voted 2-0 to approve AFB Resolution No. 19-05.

Presentation of BFSA's Fiscal Year 2019 Independent Auditors' Report by Lumsden McCormick, LLP

Committee Chair Olsen noted the receipt of the independent audit of the BFSA for the fiscal year ended June 30, 2019 and stated the draft financial statements had been provided in the Board books for review. Upon full Board approval, they will be issued in "final form." Ms. Sara Dayton, a partner of Lumsden McCormick, LLP, was then given the floor to present the audit findings.

Ms. Dayton stated the audit went very well and there were no surprises or issues to be reported. BFSA was granted an unmodified opinion, which is a clean opinion on the financial statements.

Ms. Dayton explained the financial statements are required to be reported on both a government-wide basis and a fund basis. The government-wide basis reflects all debt including long-term debt, long-term liabilities, receivables and capital assets. BFSA's net position for 2019 totaled a slight deficit of \$132,000 with a restricted portion of \$5.8M which mainly represents cash and investments at June 30, 2019 less interest payable in the debt service fund. The real net impact is approximately zero based on timing. There was a change in net position of \$526,000 from 2018.

Ms. Dayton stated reported revenue reflects continued improvement in sales tax which increased 3.9%, or \$5.1M, over the prior year. New York State Aid and Incentives for Municipalities ("State AIM") remained the same as in the prior year. Distributions to the City of Buffalo ("City") and Buffalo City School District ("District") increased as the payments reflect the transmittal of remaining sales tax proceeds, which increased over last year. General and administrative expenses increased by \$89,000 due to salary increases of \$14,000, increases in health insurance premiums, the composition of single vs. family plans provided to employees and the increase in the OPEB liability, which is a non-cash actuarial adjustment. The change in net position year to year on a government-wide basis was a decrease of \$526,000.

Ms. Dayton advised that Governmental Accounting Standards Board Statement No. 88 ("GASB 88") was implemented and affected the debt disclosures; specifically, a disclosure was added that debt is secured by future sales tax and state aid.

Ms. Dayton stated there were no difficulties performing the audit. Any suggested adjustments were posted by BFSA's management. No material weaknesses were found.

Ms. Dayton advised GASB Statement No. 87 will be implemented in 2021 which will recognize all leases as capital leases and therefore will be reflected on the balance sheet as a right of use asset, a lease liability and amortized over the life of the lease term.

Director Floss asked if GASB Statement No. 87 will cause a significant impact. Ms. Dayton responded the impact should be minimal unless there are significant accelerators within the lease agreement.

Committee Chair Olsen thanked Ms. Dayton for her presentation. He requested a motion to accept the audit's findings and to send the audit to the full Board with a recommendation for approval.

Director Floss made the requested motion.

Committee Chair Olsen seconded the motion.

The Committee voted 2-0 to accept the audit's findings and to send the audit to the full Board with a recommendation for approval.

BFSA Annual Report

Committee Chair Olsen advanced the agenda to the review of the BFSA Annual Report to be presented by BFSA Executive Director Ms. Jeanette M. Robe.

Director Gallagher entered the meeting at 1:02 P.M.

Ms. Robe gave an overview of the components of the BFSA Annual Report which aligns with the requirements of New York State Public Authorities Law and summarizes the accomplishments of the most recent fiscal year ended June 30, 2019. The three main sections of the report are:

- I. Organizational:
 - Information on Board members and staff
 - Background information on BFSA
 - Mission Statement, general governance and administration information

- II. Accomplishments:
 - Discussion on progress towards fiscal stability by the City of Buffalo and the covered organizations:
 - the Buffalo City School District (the "BCSD")
 - the Buffalo Municipal Housing Authority (the "BMHA")
 - the Buffalo Urban Renewal Agency ("BURA")
 - Discussion on the significance of the multi-year financial planning process as representing the core of BFSA's financial oversight by the City of Buffalo (the "City") and the covered organizations.
 - A description of each report issued by BFSA over the last year is provided along with recommendations and comments
 - Other areas of fiscal monitoring conducted by BFSA, such as the monitoring of workforce trends, are included
 - Cumulative financial impact schedule which indicates the total impact of the BFSA as of June 30, 2019 of \$458.5M. The City and District's estimated cumulative financial impact from the wage freeze is \$240.4M

- III. The four individual reports on the review and analysis of the final budgets and four-year financial plans for each entity.

Ms. Robe stated the annual report will be filed with the New York State (“NYS”) Comptroller, other NYS officials as required by law, as well as posted on the BFSA website. Ms. Robe thanked Mr. Bryce Link for his extensive work on compiling the annual report.

Committee Chair Olsen highlighted BFSA’s continuing impact as an advisory board on the City’s improved bond rating.

Director Floss stated the advisory status of the Board has also had a positive impact on the covered organizations and asked if the covered organization will receive copies of the BFSA annual report. Ms. Robe stated she would ensure each entity receives a copy.

BFSA Investment Report

Ms. Robe stated there have been no changes to the investment guidelines which were last reviewed at the July 29, 2019 board meeting. The summary of the investment activity has also been reported in the audited financial statements. Total cash and investments were \$6.4M at cost and \$6.5M at fair market value at June 30, 2019. All investments mature no later than August 30, 2019 with the exception of one investment in State and Local Government treasury securities of \$135,000 which matures September 1, 2021. This investment was structured to avoid any yield restrictions associated with the BFSA 2015A refunding bond. Total investment earnings for the year were \$199,555; interest earnings are remitted to the City periodically. The majority was earned on forward delivery agreements, providing guaranteed interest rates ranging between 4.48% and 5.13%, which continues to exceed the market and assists in reducing overall debt costs. The funds are remitted biannually to the City.

There were no investment fees or commission paid with respect to the investment portfolio for 2018-19.

Trustee fees were reported as \$8,790. No fees were paid on operating accounts as the fees were covered by the compensating balances.

Hearing no questions or comments, Committee Chair Olsen requested a motion to approve both the BFSA Annual Report and the BFSA Annual Investment Report.

Director Floss made a motion to approve both the 2019 BFSA Annual Report and Annual Investment Report.

Committee Chair Olsen seconded the motion.

The Committee voted 2-0 to accept both the annual report and the investment report.

PFM Financial Advisors

Committee Chair Olsen introduced AFB Resolution No. 19-06: “Approve Engagement of Public Financial Management as Financial Advisors.”

Public Financial Management (“PFM”) served as the financial advisor for the BFSA’s period of issuing debt on behalf of the City and retains the historical knowledge related to these complex transactions. The engagement serves for October 1, 2019 through September 30, 2020 and would extend the terms of the original contract from 2018.

Director Floss made a motion to approve AFB Resolution No. 19-06.

Committee Chair Olsen seconded the motion.

The Committee voted 2-0 to approve AFB Resolution No. 19-06.

Adjournment

Committee Chair Olsen asked if there was additional business to be considered by the Committee.

Director Floss offered a motion to adjourn.

Committee Chair Olsen seconded the motion.

The Committee voted 2-0 to adjourn the meeting.

The Committee adjourned 1:10 P.M.