BUFFALO FISCAL STABILITY AUTHORITY
Special Meeting Minutes
March 23, 2020

The following are the minutes from the Buffalo Fiscal Stability Authority (the "BFSA") March 23, 2020 Board meeting. The Board met via teleconference in compliance with New York State Executive Order 202.1. As required by such Executive Order, a transcript of the meeting has been prepared. The meeting was called to order at 1:03PM.

Board Members Present
Chair R. Nils Olsen, Jr.
Secretary George K. Arthur
Mayor Byron W. Brown (proxy Estrich)
Director Frederick G. Floss
County Executive Mark C. Poloncarz (proxy Swanekamp)

Board Member(s) 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
Comptroller Claire A. Waldron

Opening Remarks
Chair Olsen (00:00:00): Welcome to the March meeting of the Buffalo Fiscal Stability Authority. Thank you for attending. I'll briefly review the logistics for the meeting. All Directors and staff have muted lines in order to reduce background noise. Please mute your lines while you are listening. All BFSA staff is in attendance. When speaking please begin by stating your name for votes on the actions. I will call out each Director individually to record his or her vote. For members of the public and representatives of the City and covered organizations, your lines are muted and we should be able to unmute individual lines for any questions directed to entity officials in attendance as we proceed with the meeting. Due to the circumstances of holding this meeting by conference call, we will not be holding the usual public comment session at the end of the meeting. Any comments can be submitted to the Buffalo Fiscal Stability Authority either by phone at (716) 853-0907 or by e-mail at info@bfsa.ny.gov. This contact information is available at the BFSA website as well. At this time, I ask Nikita to indicate who from the City and covered organizations are on the call.

Nikita Fortune (00:01:25): We have the Comptroller's office and Tracy Cooley from the Buffalo Urban Renewal Agency ("BURA").

Chair Olsen (00:02:40): Before proceeding, it's important to note that the information to be reviewed today was prepared prior to the pandemic impacting us as it has. Information related to the fiscal impact from this matter will be discussed in future meetings, although it's anticipated that it will be substantial on municipal budgets. Earlier today, the Audit, Finance and Budget Committee met and authorized the posting of BFSA's 2020-21 preliminary budget and related four-year financial plan in accordance with legal requirements. A copy of this document is included under tab one of your Board book. This preliminary budget and financial plan is prepared by BFSA staff and commences the public commentary period. If any Director has any comments at this time, we will now record these comments. Hearing none, if there are any comments over the next few weeks, please submit them to Jeanette.

An updated version will be circulated by email as necessary. Approval of the final budget will be required at the June Board meeting prior to the start of the next fiscal year. There is no Board action required today on this item. The revised agenda for today's meeting was emailed to you and outlines what we will discuss today. Please note the slides had been emailed to you and are posted on our website for public viewing. We'll begin as always with Secretary Arthur taking the roll of the Directors.

Roll Call of Directors

City of Buffalo Commissioner of Administration, Finance Policy and Urban Affairs, Ms. Donna Estrich, represented Mayor Byron W. Brown in accordance with Subdivision 1 of §3853 of the BFSA Act.

Erie County Deputy Budget Director, Benjamin Swanekamp 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 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…."

Secretary Arthur (00:04:17): [Called roll]

Secretary Arthur (00:04:40): Mr. Chairman, I am happy to announce that you have a quorum.

Approval of Minutes

Chair Olsen (00:04:45): Since there is a quorum present, our first order of business is to approve the minutes from BFSA's December 12, 2019 and February 25, 2020 Board meetings.

Secretary Arthur (00:05:04): Chairman I move both items.

Chair Olsen (00:05:04): Are there any additions, deletions for the minutes? Hearing none. All in favor? Aye.

Director Floss (00:05:21): Aye.

Mayor Brown (Proxy) (00:05:21): Aye.

County Executive Poloncarz (Proxy) (00:05:21): Aye.

Secretary Arthur (00:05:21): Aye.

Chair Olsen (00:05:21): Opposed?

Recognition of James L. Magavern, Esq.

Chair Olsen (00:05:34): The next item of business is an honor for me to present and it is truly an honor. We have a resolution honoring the enormous contributions made by Jim Magavern to the BFSA and to Western New York Community. Jeanette, could you read the resolution?

Jeanette Robe (00:05:52): WHEREAS, on July 3, 2003, the New York State Governor signed into law Chapter 122 of the Laws of 2003, known as the Buffalo Fiscal Stability Authority Act, which created the Buffalo Fiscal Stability Authority ("BFSA") to assist in the restoration of fiscal stability in the City of Buffalo and within its covered organizations; and

WHEREAS, on September 24, 2012, and pursuant to Resolution No. 12-31, the BFSA Board of Directors unanimously voted to engage the law firm of Magavern, Magavern, Grimm LLP to provide legal services, noting specifically the ability of Mr. James L. Magavern, Esq., to meet the unique needs of the BFSA; and

WHEREAS, Mr. Magavern brought an extensive amount of legal expertise in various municipal areas, both financial and operational, having served in the past as counsel to the Comptroller of the State of New York, County Attorney, and Assistant Attorney General of the State of New York, among others; and

WHEREAS, Mr. Magavern has been honored by various organizations including being selected by a Business First survey as best lawyer in Western New York in Government Negotiation, Lawyer of the Year by the Bar Association of Erie County, and was the recipient in 2001 of the Edwin F. Jaeckle Award, the highest honor bestowed by the University at Buffalo Law School; and

WHEREAS, Mr. Magavern's contributions to the community have been innumerable including serving as President of the Bar Association of Erie County, Chair of the Charter Revision Commission of the City of Buffalo, Vice-Chair of the Erie County Charter Revision Committee, Member of the New York State Commission on Government Integrity, Chair of the Buffalo State College President's Blue Ribbon Committee on Equity and Diversity, Chairman of the Buffalo Baseball Stadium Design Advisory Committee, Chair of the Panel to Revise the Code of Ethics of the City of Buffalo, among other roles as member, director and officer of other professional and civic organizations; and

WHEREAS, Mr. Magavern's contributions to the community, the City of Buffalo, and the Buffalo Fiscal Stability Authority will endure and have a positive effect for future generations of the City of Buffalo.

NOW THEREFORE LET IT BE RESOLVED, that the Buffalo Fiscal Stability Authority does hereby honor and appreciate Mr. James L. Magavern, Esq., for his outstanding contributions to the Buffalo Fiscal Stability Authority, the Buffalo City School District, the Buffalo Municipal Housing Authority, the Buffalo Urban Renewal Agency, and the entire Western New York Community.

Chair Olsen (00:09:05): I am sorry to say that Jim can't be here today, he has another engagement. I would like to add a few comments if I could. I've known Jim virtually since the day that I moved to Buffalo. When I began to teach in the clinical education program, he was incredibly generous with his support, both logistical, he provided me with an office at his firm so that I could work downtown. He also, along with the late and greatly missed Milton Kaplan, provided enormous expertise that I lack on municipal law and environmental law. He is quite simply the finest attorney that I've ever met. I've tried to model myself after his professional ethics and approach to the practice of law. For me, it's not saying too much to say that he is my Atticus Finch, I can't imagine I've ever met a better lawyer or a finer person and I have greatly appreciated the time of my working with him, which has extended through teaching classes together, including providing legal support to George and the City Charter Commission over the years. He is absolutely unique and an extraordinarily special person and attorney and I couldn't begin to describe the admiration that I hold for him.

Secretary Arthur (00:10:55): Mr. Chairman, I'd like to follow up on what you're saying and ask a couple of things. First that they used to be, when I was on the council, we used to have what we call a special resolution memorializing and a resolution of felicitation such as we're doing for Jim Magavern. We used to ask the Franciscan nuns on Pine Ridge to do up a special resolution for us. It was handwritten and it was really first class. What I'd like to see if they are still in the business of doing such a thing. The City Clerk should be able to tell us that. If so, that we would ask them to purchase the services to do this this resolution in the ways that they've done for the Council in the past, number one. Number two, that all the members of the authority would be signers on that resolution.

When you talk about Jim Magavern, I go back not only with him, but I had the pleasure and the honor of serving with his father on the board of directors at the Albright Knox.

I've had his son as one of my interns and when I was chairman of the County Charter Revision Commission, Jim was my vice chairman. I made sure I had him there for the things that I didn't know. When he was chairman of the City Charter Revision Committee, I was a member of that committee along with him. We've had a lot of contacts and everything that you've said about him being first-class is true. He's a man beyond reproach, man of integrity and really a very, very valuable asset has been a very, very valuable asset to not only the City but all of Western New York and you could really say the State of New York. We're lucky to have him here in our forest here in Buffalo he is one of the tall timbers in our forest. It's too bad that we can't do more than just giving this felicitation. But it does express our feelings and I think he is truly a great person.

Chair Olsen (00:13:43): I think that's a wonderful suggestion. I had the pleasure of teaching his son and daughter-in-law who have continued in his extraordinary public service. Also, I had the great pleasure of hiring his son, Sam, to teach in the clinical education program at UB. The entire family, as you said has had, an extraordinary effect through the continued commitment and engagement of his immediate family. It's really a unique, absolutely unique situation. I can't imagine another lawyer who was so devoted to the public good of the community. I certainly agree with you that it's fully appropriate to, to do this up right.

Secretary Arthur (00:14:41): Do it right. It's not only him, it's when you really take a look at it, it's his entire family. The Magavern family has truly been great citizens here and Jim has carried on. His father was really outstanding, and Jim has carried on that tradition along wtih his brother. I think that I will call if it's okay, I'll call the city clerk in them and see if the nuns are still in business. If not, we need to get someone to do something special with this resolution.

Chair Olsen (00:15:15): I think that's right. I'm sure we can find someone to do it. I think it's an excellent idea.

Secretary Arthur (00:15:21): With that I would move the approval.

Director Floss (00:15:22): Second.

Chair Olsen (00:15:25): Any further discussion? I'm hearing none. All in favor? Aye.

Director Floss (00:15:36): Aye.

Mayor Brown (Proxy) (00:15:36): Aye.

Secretary Arthur (00:15:36): Aye.

County Executive Poloncarz (Proxy) (00:15:36): Aye.

City of Buffalo Items

Chair Olsen (00:15:38): He’s an excellent piece of work, but we couldn't begin to fully describe his contributions. We will now move into the City of Buffalo items, which includes the review of the second quarter report and a brief overview of the New York State Executive Budget. This report related to the second quarter review and has been included under tab three of your board book. Jeanette and Bryce will discuss these items with us.

Bryce Link (00:16:38): Thank you and good afternoon. Thank you for giving me the opportunity to address the board this afternoon. I'll begin my presentation by reviewing the City’s second quarter report as of December 31, 2019. Now, please keep in mind this presentation does not take into consideration the impact of the recent COVID-19 pandemic or the impact that it will have on revenues specifically sales tax, fines and licenses. The adopted budget consisted of $508.7 million in revenues and expenditures. At the end of the second quarter, the city's projecting a year-end favorable variance of $1 million. Revenue at year-end is estimated at

$510.5 million, which is a favorable variance of $1.8 million when compared to the adopted budget amount of $508.7 million. Expenditures are projected be $509.5 million and unfavorable variance of $800,000 when compared to the adopted budget amount of $508.7 million.

Bryce Link (00:18:00): The fiscal year at December 31st had a favorable variance of $1.9 million. There was an unfavorable $1.7 million in service charges, with $1.4 million of that amount related to the new mortgage default fee which was instituted as part of the 2019-20 Adopted Budget, and an additional $200,000 for the rental registration fee. Miscellaneous revenue is projected to have a favorable budget variance of $1 million. The favorable variance in miscellaneous revenue consists of $1.2 million for an award from the federal government for staffing in the fire department, for the staffing for adequate fire and emergency response program or the SAFER grant. There is a corresponding increase expenditure in the fire department in regards to that additional revenue, for the City to bring on an additional firefighter recruit class. There is a favorable variance of $900,000 in fines; at the time $800,000 was in relation to the school zone cameras and the enforcement of speed limits around City schools and $100,000 in relation to all other fines. Under intergovernmental revenues, there is a positive variance of $600,000 attributed to sales tax. A combined $1.1 million is over budget for interest, license or permits and taxes. There was a positive variance of $500,000 for interest income, $300,000 positive variance under building permits and at that time a positive variance attributed to STAR payments in the amount of $300,000.

Bryce Link (00:20:18): Fiscal year end, total expenditure projection is $800,000 above the adopted budget amount of $508.7 million. This is an unfavorable variance. $3.1 million of the total unfavorable budgetary variance is under departmental expenditures, of which $6.2 million is attributed to the fire department. This was combination of the overtime of approximately $4.0 million, also bringing on the additional fire recruit class approximately $1.2 million and then other payouts for retiring firefighters to make up that difference. The remaining departments are projected to be favorable by $3.1 million and include public works of a $1.0 million positive variance, human resources $0.6 million and all other departments for a net $1.5 million positive variance.

Bryce Link (00:21:25): There is a $2.3 million favorable budgetary variance in general charges. $6.6 million of the favorable variance is under fringe benefits and that includes $4 million for pension payments which consists of $2.2 million attributed to the employee retirement system contributions and $1.8 million for the police and fire retirement system. There's a positive variance of $1.6 million for retiree and active employee health insurance and all other fringe benefits have a net positive variance of $1 million dollars. Now there is an unfavorable variance in judgments and claims under other general charges and that's approximately $4.5 million and that's attributed to a settlement of a lawsuit this year.

Bryce Link (00:22:31): The City budgeted 2,682 full time equivalent employees. As of December 31st they had 2,427 filled, which was a vacancy of 255 or approximately 9.5% of the budgeted workforce. Under the police department there were 798 positions budgeted, 727 were filled for a vacancy rate of 71 or 8.9%. I'd like to note that a portion of that filled rate, approximately 26 of the 727 were actually recruits who are now in the field with a senior patrol officer working on their second component of their field training. Under the fire department, they had budgeted 742 position as of December 31st 696 were filled with a vacancy rate of 46 or 6.2%. Something that you don't see in that number also is the fact that the City had over 35 individuals that were listed as injured-on-duty, long-term disability. So those individuals count towards the fill rate yet, they're non deployable to a firehouse.

Jeanette Robe (00:24:15): Thank you Bryce. To summarize the key points of our analysis and our recommendations at the end of the second quarter, the City was estimating a year-end surplus of $1.1 million. Since then there was substantial uncertainty regarding quarter three and quarter four due to the coronavirus pandemic and the related economic impact which as Chair Olsen indicated previously is expected to be pretty significant unfavorable results. That would clearly what would result in reductions to the unrestricted fund balance. Another item to consider which could make things more problematic is that there still has not been the receipt of the casino revenue. The projected revenues that Bryce discussed does include the receipt of that money by year end and it was budgeted at $11.0 million. As a reminder, the City conservatively excluded the past due amount from the budget in total. The past due amount at $9.5 million is not included.

Jeanette Robe (00:25:40): That issue is somewhat mitigated by the fact that $9.5 million was excluded from the budget. Unrestricted fund balance in total at the beginning of our fiscal year was $51.5 million and as we discussed, the unassigned fund balance is zero. The emergency stabilization fund, which we commonly refer to as the Rainy Day Fund, has been consistently maintained at 30 days of expenditures and is currently $38.5 million. The BFSA has made this recommendation over the last several quarterly reports and we continue to make the recommendation that revenues be closely monitored. There's an expectation that there will be unusual or large fluctuations and that the financial plan be modified as necessary. With respect to expenditures, as of December 31, 2019, the city was projecting an unfavorable variance in expenditures of $0.8 million, but that was a very conservative projection. The City is very conservative in their projections under normal circumstances. Considering the current environment with closures of services and workers, vacancies, it could be higher than what we have seen in prior years. So, while when we do our analysis, we recognize the conservative nature of the expenditure projections because it does include the underlying assumption, that all positions are filled for the remaining six months. The most significant budget variance as Bryce indicated is in the fire department and our past analysis when we evaluated the collective bargaining agreement showed costs escalating over the life of the contract. That is something to consider. We recommend the City assess projected expenditures in the current financial plan and adjust the upcoming May 2020 Financial Plan as appropriate. Also is a broad recommendation for the City to take immediate steps to manage those fiscal impact, from the coronavirus pandemic.

Director Floss (00:28:33): Is this where we want to point out that we made a recommendation for a resolution on looking a whole line of credit or other financial ways of ensuring liquidity to the City?

Jeanette Robe (00:28:55): And the District, yes. If I remember correctly, that was a recommendation for the full board.

Director Floss (00:29:07): Correct.

Jeanette Robe (00:29:09): The resolution that was passed by the finance committee was to direct the executive director, myself, to forward our concerns and recommendations to the City and to the District to establish communications with their financial institutions to obtain some level of liquidity, whether it's through a line of credit or some other type of short term financing vehicle, and to get that employed considering the pandemic that we are currently in. Did I phrase that appropriate?

Director Floss (00:30:21): I think so. I'm not sure whether or not we need to make that as a motion or just to accept the recommendation of the finance committee.

Chair Olsen (00:30:35): I think the latter.

Jeanette Robe (00:30:39): I believe the latter. The board can approve the recommendation.

Director Floss (00:30:48): So I would move we do that.

Secretary Arthur (00:30:54): Second.

Chair Olsen (00:30:54): Any discussion? Fred?

Director Floss (00:31:08): I was just going to say that I think it's important for us to back up what I suspect the City's already doing. So that as this becomes more of an issue that we're as supportive as we can be given the difficulties that everybody's going to be facing.

Chair Olsen (00:31:30): I'm certainly going to say the same thing. I would add that I have enormous confidence in the City and their ability to react and aggressively but conservatively go forward. Certainly any assistance we can provide, and I think the bond situation that we discussed would be one, we certainly will. But as Jeanette pointed out through conservative budgeting and conservative staffing the city's done very well with uncertainty and I think they're situated well to deal with it. We're certainly available to help to the degree that we can.

Mayor Brown (Proxy) (00:32:27): This is Donna Estrich. We have started looking at what we anticipate losing for the rest of the year. Plus, we are looking at a budget and areas that we can freeze accounts or discontinue spending from, so we have started the process and I'm sure I'll be in contact with Jeanette.

Chair Olsen (00:32:51): Certainly anything we can do to help, we will. This is unprecedented.

Mayor Brown (Proxy) (00:33:00): We spent the last week setting up employees at home with laptops and so that's been our focus the last week and over the weekend.

Chair Olsen (00:33:08): Right.

Secretary Arthur (00:33:10): Donna may I ask a question? Did you have to buy a lot of the laptops or did you have laptops?

Mayor Brown (Proxy) (00:33:24): We had to buy laptops. We bought 60 laptops. We have been sending employees home with their desktop computers also.

Secretary Arthur (00:33:29): Okay.

Chair Olsen (00:33:38): Any other questions or comments? I certainly don't envy the City's challenge. I'm quite sure that they will meet it expeditiously.

Mayor Brown (Proxy) (00:33:55): Thank you.

Director Floss (00:33:59): I think I just add that I want to say that I really appreciate the leadership of the Mayor on all of this. I think he along with the County Executive and the Governor have shown the rest of the country how to be forceful leaders that are protecting their community. We really do appreciate all the work that they've done.

Chair Olsen (00:34:30): For sure. I think it is an example that hopefully can be followed by others, particularly the federal government.

Buffalo City School District ("District") Items

Chair Olsen (00:34:46): We will now move to District items. We previously requested from District leadership routine updates on the progress towards achieving financial goals of the deficit closing initiatives as included in the financial plan. This process is critical as the District intends to be operationally balanced by 2020-21 and has projected a significant budget gap over the financial plan. This process is obviously even more critical with the uncertainty regarding future state funding due to the pandemic. Our staff have prepared a report on the review on the progress towards these deficit closing plans prepared as of last December, which is included under tab four. We will also review the second quarter analysis at this time and the New York executive budget. These items have also been provided under tab four Nathan and Jeanette will discuss these items with us.

Jeanette Robe (00:36:03): I have just one comment before we pass on. There are a couple of slides in the presentation that addressed the New York State Executive Budget. They're probably not terribly relevant right now considering they'll change a lot. I wanted to point out that they were included in the board books and at that time the State was not intending to increase State AIM. That's where we were at at that point. So, before we move on to the Buffalo City School District, I just wanted to have those comments for you and then the second quarter report, I will have Nathan review his analysis and I will wrap up with the final conclusions again.

Chair Olsen (00:37:03): Okay, Nathan.

Nathan Miller (00:37:04): Thank you. Good afternoon.

Chair Olsen (00:37:09): The virtual floor is yours.

Nathan Miller (00:37:13): Thank you. Good afternoon. The following is a review of the Buffalo City School District's 2019-20 second quarter financial results at December 31, 2019. This presentation begins on slide 17. This slide is an overview of the adopted and projected revenues and expenditures. The 2019-20 adopted budget included a $10.0 million deficit. At the end of December 31, 2019 revenues were projected to be unfavorable by $3.1million at fiscal year-end. While expenditures are projecting to be favorable by $10.5 million at fiscal year end, this would reduce the deficit from the $10 million in the adopted budget to $2.6 million.

Nathan Miller (00:38:12): There is a $3.1 million unfavorable revenue projection at fiscal year. That is the net of New York State aid projected to be unfavorable by $5.2 million, as well as favorable projections within Erie County sales tax and the federal Medicaid reimbursement. State aid is projecting to be unfavorable based on actual prior fiscal year expenditures as well as the current fiscal year complement of the student population. Erie County sales tax revenue had been very conservatively budgeted. The projection of $48.5 million and fiscal year end would actually be lower than the prior fiscal years actual by about $300,000, of course with all the uncertainty going forward, it's much more difficult to project, but we had believed that this number would be a little bit conservative as well. Federal Medicaid reimbursement is favorable at fiscal year-end by $600,000 that ties into the later presentation of the gap closing measures. The District has been working on getting better reimbursement for federal and state dollars and that that is presumably a portion of those efforts.

Nathan Miller (00:39:36): Expenditures are projected to be $10.5 million favorable at fiscal year-end, and a big part of that is both total employee compensation and employee benefits, which are projected to be about $10.2 million favorable at fiscal year-end. This is directly the result of vacancies. They're not at a hundred percent filled. The budget is based on 100% fill of all positions. There are have been vacancies throughout the year that have been filled, but they're still not at 100% and therefore at fiscal year-end you could project a variance.

Nathan Miller (00:40:19): Payments to charter schools are additionally projected to be favorable by $1.1 million and that's based solely on the actual number of Buffalo area pupils within the charter schools. Finally, all other expenditures are projected to be unfavorable by $800,000. This is directly result of custodial health insurance costs, which are projected to be unfavorable by that amount at fiscal year-end.

The General Fund has 162 vacancies. This includes 41 teachers, 48 white collar employees and 51 mix of teacher aide’s teacher and assistants.

Jeanette Robe (00:41:40): Thank you, Nathan. To summarize the key takeaways consistent with what we were saying for the City of Buffalo, there was a favorable budget surplus projected as of December 31, 2019 but again due to the negative impact from the pandemic, quarter three and quarter four is unknown.

Unrestricted fund balance at the beginning of the fiscal year was $198 million is equivalent to approximately 2.5 months of budgeted expenditures and the unassigned fund balance was $86.1 million, which is equivalent to approximately one month. The amount that would be available for operations is somewhere in the middle. Assigned fund balance includes set-aside for encumbrances and legal expenses.

Jeanette Robe (00:43:00): As Nathan just discussed, there's a substantial vacancy rate at December 31st and consistent with how the City of Buffalo projects their remaining six months of the year, they assume that there's a 0% vacancy rate for the remaining six months. Their projections are very conservative as well and probably consistent with my comments for the City of Buffalo, with everything shut down I would imagine those vacancies will be retained possibly through the rest of the fiscal year. The recommendation as discussed and addressed by the Board would apply here as well as it relates to obtaining liquidity. We recommend appropriate steps be taken to manage the potential financial impact from the current crisis.

Jeanette Robe (00:43:59): At that point I will pause and ask if there's any questions from any of the Directors as it relate to the District second quarter report. Okay. Nathan, I will pass it back to you. We have similar slides for the Governor’s Executive Budget. I think there's probably a couple of points in here that are still relevant to discuss. I'm going to ask Nathan to address some of the formula changes that have been recommended with the understanding that the total amount of funding to school districts is yet-to-be determined.

Nathan Miller (00:44:56): Moving along to slide number 24, this table shows what the state fiscal year 18-19 actual aid received by the Buffalo City School District was a total of $772.3 million and that's broken out by foundation aid, which is the main aid used for operations, building aid, other foundation formula aid, other formula aid, transportation aid and then the universal pre-K. In this table it shows where the current fiscal year is projected to end at $785.3 million, and includes the executive budget proposal, which of course will be likely impacted by the current crisis. And then finally in this blue category, what the impact would be on a year-to-year basis. What I wanted to point out was what Jeanette just mentioned that there is a proposal to make a significant change in the way that some of the expense-based aids are allotted. The first amount here of foundation aid would increase $46.4 million. That's an actual increase of foundation aid along with a lot of the expenses-based aids which will be rolled up into the foundation aid. That's the reason why there's such a large drop in the other formula-based aids of $29.3 million, so it is just being accounted for into that main foundation aid formula.

Nathan Miller (00:46:32): Moving along to slide 25. Here are the main recommendations that were included in the executive budget. The aforementioned consolidation of 10 expense-based aids into foundation aid. Essentially the idea is that there's all these smaller expense-based aids and the intent of putting them all into foundation aid is to assist the high needs districts which are not receiving a proportional amount of aid money due to them. By rolling it up into foundation aid, it will be more likely that high needs Districts will receive aids that they could receive. It's a way of being more equitable in the aid distribution.

The second recommendation would be to cap transportation aid to either the greater of inflation or inflation plus some measure with District enrollment so it could go up based on inflation. The transportation aid is reimbursed to all school Districts based on the wealth of that area. It can be anywhere as low as 10% all the way up to 90%. By having such a large amount reimbursed from the state, there was a need to see if there was a way to cap it at some measure, either the inflation or an adjustment with inflation. It would control school districts' spending by capping the growth. And then the final recommendation is for building aid. There wasn't a lot of specifics given on this, but the recommendation was to create a new tier for building aid for projects beginning in the 2020-21 school year.

If you take the actual enrollment from 2019-20 and divided up into the projected state aids for each of the big four, you can see how much per pupil would be received by the big four school Districts. Buffalo had received $18,850 per pupil. Rochester would be the highest at $19,500, whereas Yonkers, which is a more affluent school District, would receive a $12,600 pupil. That summarizes the overview of the executive budget impact on the school District.

Chair Olsen (00:49:03): Which as you indicated is likely to change significantly.

Nathan Miller (00:49:06): Jeanette, for the slides, we need to skip from slide 27 up to 44 for the portion of the presentation.

Jeanette Robe (00:49:32): I'll preface it by saying our Board in previous meetings has requested regular updates from District officials as to the gap closing measures that were provided in the financial plan and the ability to achieve those plans. We did receive a report from the Buffalo School District in January. This report that they provided to us is as of December. We have some slides to review those with you as they remain relevant, even potentially more relevant now, to review where they're at in the process of addressing their gap. The District's intent as conveyed for a number of years is to be operationally balanced beginning next year with 2021. They've been moving in the right direction towards that with some gaps remaining to be addressed. Nathan, I will pass it to you if you wanted to please provide your analysis on the update to the 2020-23 financial plan.

Nathan Miller (00:51:16): The first slide there is the analysis of the update to the 2020-2023 financial plan. On slide number 44, this is a table that shows an evolving chart. It shows what the District's gap closing and cost saving initiatives are quantified. As Jeanette mentioned, the District's intent is to be operationally balanced beginning in 2021. Outyear one is the first year where fund balance would not be utilized. The revised baseline gap beginning next year is projected at $18.7 million. The three out-years have a combined projected gap of $47.5. Now this is different from what was presented back in May in that it includes the forecast from the second quarter's end of a reduced deficit.

Nathan Miller (00:52:25): I'll go through each individual area of the gap plan. The financial plan provides a description of each individual deficit closing and cost saving initiative and quantifies the potential financial impact. There are five main categories of this gap closing plan. The first three potential actions are separated into three categories: other revenue, fund balance items and savings to be achieved through efficiencies. That area is the main area of focus of this report.

And then other costs reductions which are considered and quantified but are not planned. I'll speak to that largely later on in the presentation. Additionally, listed are various initiatives which includes savings that have since been realized and or other initiatives that the District has identified as providing additional opportunities to enhance revenue or reduce expenditures but are unable to be quantified at this time.

Nathan Miller (00:53:31): The first item is revenue enhancement. It's $100,000 annually for a cumulative $300,000 impact on the financial plan. This is revenue enhancements through better data collection and understanding of the New York state and federal regulations. I alluded to this earlier that the federal Medicaid reimbursement was higher than budget in the current fiscal year. It's partly because of their efforts with this gap action here. It's not just for federal Medicaid it's for many other items. That's a concrete example of where those efforts have been realized. The District has increased revenues from aid maximization programs which includes enhanced procedures in data collection. This was quantified in the current fiscal year over at $7 million. It's reflected largely within New York State aid. Then the cumulative impact in the following fiscal year would be over $7.3 million in new aid.

Nathan Miller (00:54:55): Item number two, the District does not currently plan to utilize fund balance to reduce or eliminate deficits in the three out-years. They do list the availability of $10 million annually, or $30 million cumulatively, over the three out years. They do have the ability to utilize fund balance to close or reduce out-year budget gaps. At June 30, 2019, total fund balance was $223.7 million. It's projected to be slightly different based on adjustments and is forecasted at $221.1 million at June 30, 2023. This includes $83.6 million in unassigned fund balance. Of this, $51.1 million exceeds the District's retainage policy for 4% of expenditures and would be available to adjust budgetary gaps.

Nathan Miller (00:55:55): Moving along to priorities three through seven, these are savings to be achieved through the various efficiency efforts. Priority three is vacancies. This is listed as $2 million annually, or $6 million cumulatively over the three out-years of the financial plan. Basically, this is an acknowledgement as Jeanette mentioned earlier, that they budget conservatively at 100% fill. Realistically, there will be some level of vacancies and so there should be vacancy-related savings within compensation and benefits that would be available to transfer to other areas. This doesn't represent a specific action, but an area where budgetary savings are likely to occur.

Nathan Miller (00:56:52): Priority number four is to reduce substitute teacher costs. This is listed at $100,000 annually and $300,000 cumulatively. This gap action was listed as achievable through better management of teacher absences. We mentioned that at December 31, 2019 the District had forecast a fiscal year-end unfavorable budgetary variance of $800,000 related to substitute teacher expenditures. There is a subsequent successor agreement that would have a net current year cost of $249,000 and a cumulative $1.9 million over the following three fiscal years. This is the agreement that we previously reviewed, and it would be pending District approval. At this time, this gap action has not been achieved.

Nathan Miller (00:57:47): Priority number five is related to nursing costs. It's $1.2 million annually or $3.6 million cumulatively. This is a reoccurring grant that the District receives every year. It would be presumptuous to include it in the budget because it's a reauthorization of a previous award. However, it has been received in the current year. It is included in the gap plan to show that it likely will be available as long as it continues to be reauthorized.

Nathan Miller (00:58:31): Priority number six, analysis of the top 150 vendors-best practices. This is a pretty large category here. It's half a million dollars in fiscal year 2021 increasing $200,000 annually. The cumulative impact would be $2.1 million. The District is looking at how it's spending money on contracts with vendors and service providers. The District intends to perform a full analysis of the top 150 vendors in the current fiscal year to ensure that costs are appropriate for the services that they're receiving, that they're getting all of the discounts that are available to them, that there's proper bidding, that they're getting the right costs for District spending, getting government pricing. At the end of the second quarter, this analysis had continued and so that the only update is that it's ongoing in the current fiscal year.

Nathan Miller (00:59:31): Priority number seven. The school District listed closing a facility, public school number 87. The impact would be $150,000 annually, cumulatively $450,000. It was still in use at December 31st and at this point no cost savings had not been achieved. Priority number eight would be a reduction in overtime. It's quantified at $100,000 annual or cumulatively at $300,000. This is a tightening of controls of the use of overtime. At December 31st overtime expenditures were forecasted to exceed budget by $300,000 at current fiscal year-end, the cost savings from this initiative have not yet materialized.

Nathan Miller (01:00:23): Priority number nine reduced compensation leave time quantified at $500,000 annually and cumulatively at $1.5 million. The District implemented some procedural controls over the staff's utilization of paid leave. This was put into place back in 2016-17. Effective July 1, 2019 the District added a new third-party administrator for all workers' compensation administrative services. They do anticipate that there'll be savings from this initiative. However, at December 31st there were quite a few people on paid leave. Seven fewer than the entire prior fiscal year and 26 greater than the 2017-18 fiscal year, so at this point we could say that the initiative has not generated savings to date.

Nathan Miller (01:01:15): Priority number ten is savings to be achieved related to the administration of special education listed at $200,000 annually and cumulatively at $600,000. Back in 2018-19 the District made programmatic changes to the summer handicap program and reduced expenditures associated with it by $200,000. They're examining the whole program and anticipate that they can continue to get additional savings of at least $200,000 annually through different cost savings initiatives related to that program.

Chair Olsen (01:01:58): This would be without an impact on the quality of services?

Nathan Miller (01:02:02): Presumably, yes. It's efficiency efforts with administering the program but not a cut in services.

Chair Olsen (01:02:11): Okay.

Nathan Miller (01:02:17): Slide number 55 is where the third section comes in. This is the cost reductions priorities number 11 through 15. These are the items that are not planned but have been quantified as available if necessary. If new revenues aren't received, fund balance is not used and efficiencies savings are not achieved, there is the ability to cut expenses. I'll roll through the five items here: reduce or eliminate the general contingency account, eliminate or reduce the contract settlement contingency account, reduce non-mandated programs and reduce central office positions. And then the final one would be very substantial, $5.5 million annually, for $16.5 million cumulatively of reduction of instructional and support positions. This is another method that if needed, the District would have available to them to balance.

With respect to other opportunities within the gap plan, the District lists a lot of other options that are available to them that they're pursuing or will pursue, but that really can't be quantified to reduce a gap. This includes new awards from national foundations, continued savings within employee health care. They did issue an RFP for health insurance for administrative services early this year with an implementation date of January 1, 2021. They had cited that closing public school 187 would also result in savings. This has been done and those savings have been achieved. Appointing a master scheduler; this is an individual tasked with making sure that high school schedules are built efficiently and there could be savings associated with that. It's been posted since April of 2018, they have not filled that position so savings have not materialized.

Nathan Miller (01:04:51): Next it to discuss results reflected already within the financial plan. The first one was to renegotiate occupational and physical therapy contracts. This option was listed back in the 2017-18 gap plan. The District opted to extend the existing contract with their current provider based on the RFP process. They determined who they were going with based on the best value available. The estimated savings of $1.0 million have already been reflected within the budgeted and projected expenditures. They also listed savings available through textbook purchases by going through a bid process rather than directly from the publisher. It does appear that those savings have been achieved.

Nathan Miller (01:05:53): The District does receive its transportation services from both the NFTA as well as from Student First Transportation. The District entered into a two-year contract with the NFTA. It does cost more; there's no savings associated with it. The additional cost is $582,000. However, there was a significant level of increased service with a new contract. These new costs are included in the adopted budget and financial plan. The big update was that within the last couple of months the District signed a new contract with First Student, Inc. The contract was set to expire at the current fiscal years and First Student replied again to the RFP. They were successful in it. They have a new five-year contract worth $244.3 million including $46.9 million in 2021.

That concludes the overview of all the individual gap closing actions.

Jeanette Robe (01:07:12): We can pause for questions. Nathan, thank you, that's a tremendous amount of information and you did a great job bringing it down into a few slides for us.

Last year ended June 30, 2019, the books were closed for the District with a surplus of $28.9 million, and this is compared to an original budgeted deficit of $19 million. What's important to note here is that the surplus is due to one-time revenues and reductions in expenditures all related to how the District has rolled out their self-insured health insurance program last year. There is availability of fund balance to balance future budgets in the event the budget gap cannot be closed through additional revenues or savings through efficiencies. The District has broadly identified cost reduction actions, these are quantified at $30.9 million. But that amount is deemed subjective. It's based on various reductions in personnel or potential programs that are not mandated; as the priorities of the Board of Education change, those also shift around. It provides a broad overview of what potentially could be reduced. The District is projecting $34.1 million of fund balance in excess of the minimum amount to be retained. Their fund balance policy calls for 4% of budgeted expenditures to be maintained within fund balance. The original intent was for the District to be operationally balanced next year. Several of the cost savings initiatives have been implemented resulting in budgetary savings as Nathan indicated.

Beginning in 2017-18, when the plan was originally put together, the District implemented certain efficiency actions to increase revenues, whether it was through enhanced collection of data or reporting of data or various mechanisms. Beginning in 2018 due to these actions, they are able to provide a schedule that indicated an additional amount of revenue of $4.8 million in 2018. This increased $2 million to $6.8 million in 2018-19. Furthermore, it's projected to increase another $200,000 to $7 million in 2019-20. When you're looking at this bullet point and you're reflecting on the $7.1 million in 2019-20, that's a cumulative impact. The year-to-year impact is less and is between $200,000 to $300,000.

Overall, they've been quite successful in their endeavors to increase revenues through these particular actions. With other actions there hasn't been a lot of progress in achievement or the District has outright eliminated them from the gap closing plan from a quantified standpoint because they just weren't able to provide enough comfort that the actions would occur and could be relied on as a gap closing action.

Jeanette Robe (01:11:43) On a combined basis, the deficit closing and cost savings initiatives sum up to $73.2 million. There is no intent nor is there an ability to implement all the initiatives to the extent provided in the plan. It provides, as I indicated, a kind of a roadmap that they could go back to and reflect on as the priorities of the Board of Education shifts over time. The items as listed in the plan are intended to demonstrate the multitude of factors that the District could put into place. And as we have stated in prior years and continues to be an important note is the ability of the District to balance its financial plan is heavily reliant on the District's ability to leverage off of these past actions as well as current actions to result in efficiency savings both over the past several years as well as on a go forward basis. Included is our blanket warning about the uncertain revenue stream as it exists in the financial plan; there's a lot of unknown impact on state aid and sales tax. The District isn't as reliant on sales tax as the City would be for example, but extraordinarily reliant on state aid. That is an area we will certainly be closely monitoring and as we receive information on that we will disseminate it to the Board. So with that I will pause again to see if there's any questions before we move on to the next agenda item. Okay. Thank you. Chair Olsen, I think we are ready to move on to the Buffalo Urban Renewal Agency.

Chair Olsen (01:14:02): I just have one question. Is there any indication of progress in bargaining with the teacher's union, which is obviously a major budgetary provision?

Jeanette Robe (01:14:18): The last we spoke to Nate Kuzma, the general counsel who is also the chief negotiator on behalf of the District, there wasn't a lot of progress towards that. In fact, I thought there possibly was a filing by the BTF about an impasse or some type of filing but there had not been a proposal made that was moving forward. We haven't received any proposal from what the District was considering.

Chair Olsen (01:15:09): That's obviously a big question.

Jeanette Robe (01:15:18): Absolutely, that's a tremendous outlier that could have sweeping effects on the financial stability of the District. Absolutely.

Chair Olsen (01:15:29): Yes. As would a return to the unfortunate past practice of just letting it linger unaddressed.

Jeanette Robe (01:15:44): Yes, absolutely.

Buffalo Urban Renewal Agency ("BURA")

Chair Olsen (01:15:57): Our next agenda items relates to the Buffalo Urban Renewal Agency. We have two items including a brief review of the 2019 financial statements and a review of the second quarter report. The BFSA report on the quarterly report is included under tab five, along with a copy of the management letter issued by the auditors. Bryce will review these items.

Bryce Link (01:16:27): Yes, good afternoon. Thank you all for turning it back over to me. We will first begin with a review of the Buffalo Urban Renewal Agency's 2019 financial statements. This material was originally prepared for the December board meeting and subsequently tabled at that time. BURA had met all their timeliness and had no problem turning them around. As you're aware, BURA is a component unit of the City. At June 30, 2019 total fund balance was $6.3 million. $5.9 million of that was in the general fund and that can be further broken down by $3.6 million, non-spendable, $620,000 restricted, $2 million unassigned. This is an increase a $1.3 million compared to the prior year and this was attributed to the increase in property sales.

Bryce Link (01:17:41): Another category of the fund balance is the CDBG fund and there's approximately a $369,000 non-spendable reserve there that is flat year-to-year and represents the real estate that's been acquired for resale. Total expenditures were $46.5 million of which federal grants made up the largest component. Of that, roughly 97%, for $45.2 million. The majority of that was in section 8 housing for a total of $35.5 million or 76%. CDBG expenditures made up 17% of these expenditures at $6.8 million. And the HOME program was $2.9 million, or 8%.

Compared to the prior year, you can see it was a slight decrease. The 2018 total expenditures of $47.3 million included $45.8 million of federal grants, and decreased slightly by $600,000, but still made up 97% of that total. There was actually an increase of approximately $800,000 in section 8 housing, and a decrease of CDBG expenditures and the HOME program. And that's really attributed to projects winding down in 2018 with a new slate of projects beginning in 2019.

Some of those data points I just discussed increase total revenues by approximately $650,000 year-to-year as well as a decrease in expenditures on a total governmental fund basis from $47.3 million down to $46.5 million. And as was noted at the beginning of the presentation, that includes an increase of $1.3 million for total fund balance.

Bryce Link (01:20:32): There was a year-to-year decrease of $1.9 million in rehabilitation and preservation activities, consisting of an increase of $1.0 million in HOME funding, and CDBG and general fund expenditures decreased by $800,000. All other non-major funds decreased by $0.1 million. There was an increase of $300,000 for planning management, administrative functions, under economic development on a year-to-year basis.

Slide 69 is a breakout of OPEB. Going back to June 30, 2013 up through the most recent estimate completed on June 30, 2019, the low point we'd like to point out was $12 million at June 30, 2013 and that's increased by approximately $13 million since that time. The last time the full analysis was completed was June 30, 2017. That's increased 3.3% or approximately $800,000. And a component of that change was the new GASB Statement 75, "Accounting and Financial Reporting". So, it was more technical changes then new liabilities being taken on by BURA.

All prior year findings have been addressed. There are no current year findings. This is the fourth consecutive year for BURA. The financial statements reflect the implementation of GASB 83 and 88. And, in addition, there was a recommendation for BURA for formalized loan write-off procedures, federal cost allowability determination management, human resources as well as financial accounting system capabilities and sub-recipient monitoring. I know I went through that rather quickly. Any questions at this time?

Mayor Brown (Proxy) (01:23:29): Bryce?

Bryce Link (01:23:31): Yes.

Mayor Brown (Proxy) (01:23:31): I would like to clarify that the recommendations are for written policies for all those items.

Bryce Link (01:23:39): Thank you.

Bryce Link (01:24:22): We'll move on to slide 71, which is the beginning of BURA second quarter report. Page 72 is a breakout of the HUD allocation. It breaks out the total of the $18.7 million between the City and BURA. Of that amount BURA keeps approximately $9.3 million and the remaining balance of $9.5 million is overseen and managed by the City of Buffalo. Moving onto the next slides, as of December 31, 2019 there was no significant variance to expenditures through the second quarter. $5.3 million was expended at that time. And just for reference, BURA draws down and can utilize past year funding, since their fiscal year of July 1st is staggered compared to the federal fiscal year of October 1st. BURA comes in with the understanding that they're drawing down prior year funding to fund a good four to five months of operations before they even get a chance to draw down the current year allocation.

Bryce Link (01:25:40): As of December 31st, 31 of 39 positions were filled. Salaries and fringe benefits totaled $1.7 million. And as we noted BURA's operations are very dependent on HUD funding. Whenever there's a reduction in funding it places additional constraints on BURA's operations.

In the past when we've discussed BURA's quarterly reports, we've noted that timing of the draw down of funds will have an impact. Jefferson Ave apartments are a $31.1 million project of mixed income apartments with an estimated completion date of July 2020. The Purdy Street was an infill project of two homes, consisting of two single family homes. Those had been issued a certificate of occupancy and the residents are now in there. Elim townhomes, that project is moving forward with occupancies expected by the end of April 2020.

Bryce Link (01:27:01): Hope House is a project converting public school 57 to supportive housing units. Westminster Commons is a $22.6 million redevelopment project to build eighty-four units of affordable housing. That's expected to be completed in April 2021. Then we also have the Trinity One apartments with an expected completion date of November 2021. There are a couple projects in the pipeline for BURA moving forward now. They are constantly in contact with groups looking at other viable projects to move forward.

We'd like to note that BURA continues to look for additional revenue sources. BURA was awarded a grant of $80,000 from the Enterprise New York's Cities for Responsible Investment and Strategic Enforcement (the RISE program). Subsequent to the December second quarter report being issued, they were awarded an additional $1.0 million dollars from this group. There was, as you're aware, back in November a raid on the BURA offices conducted by federal branches including the FBI, and two other agencies. Currently there is no restriction placed on BURA's operations and they could still draw down and spend funds as needed. That's an open matter by the federal government this time. That's all I have on the second quarter report.

Chair Olsen (01:29:00): Okay any questions? Hearing none, we'll now move to review of the BMHA second quarter report and the 2019-20 Capital Plan.

Buffalo Municipal Housing Authoirty ("BMHA")

Nathan Miller (01:29:13):
Good afternoon. The following is a review of the BMHA second quarter financial results. The adopted budget includes total revenues of $46.7 million, expenses of $46.2 million, and net operating income of $0.5 million. The cash impact after factoring in debt service and backing out the non-cash OPEB accrual was a minus $200,000. Subsequent to the end of the second quarter the BMHA amended their 19-20 adopted budget and the 20-23 financial plan.

This included increased revenues of $0.9 million in the current fiscal year, $800,000 of that was attributed to the HUD operating subsidy and then also the HUD housing choice voucher income received an additional $100,000. Of the $900,000, all the increase was due to HUD activity, most of it for the operating subsidy. They also increased their budget and expenses by about a

$100,000. They added in one additional executive level white-collar employee. This is an architect; both revenues and expenses were adjusted for 19-20.

Nathan Miller (01:31:07): Slide number 81 shows a breakout of the revenues based on the budget to date and the actual at December 31st revenues. As I mentioned, they were projected to be over budget for the HUD subsidy and so the variance at that at that date was $800,000. That is expected to be received by current fiscal year-end. Net dwelling/non-dwelling income was unfavorable by $200,000. That is not expected by fiscal year-end. They did receive approval to raise rents at the Marine Drive complex that was implemented in December and so a 10% increase in revenues was not budgeted but will be received and is expected to offset losses in other asset management properties. All other revenues and transfers from capital grants are projected to be unfavorable by $400,000 combined. The total revenue variance was $200,000.

Nathan Miller (01:32:24): Total expenses were favorable by a $500,000. BMHA has some employee vacancies and so there's now forecasted favorable budgetary variances within maintenance positions for compensation and employee benefits. Utilities are the largest portion. With $500,000 less than budget-to-date. That's largely attributed to less of a need for natural gas during the winter; winter was less severe than it could have been so there was less usage of natural gas and expenses were favorable.

Nathan Miller (01:33:21): Moving along to slide number 83. This is an update on opportunities that BMHA listed in its budget and financial plan. They noted that the capital fund financing program was an opportunity for BMHA to borrow against future capital fund program allocations. The update with this is that the Board of Commissioners has authorized the executive staff to apply for the program. BMHA contracted with Dominion Due Diligence to perform a physical needs assessment. The cost was not to exceed $380,000. When we last discussed this with management, the physical needs assessment had been planned to be done at the end of the current month. Now, I don't know if that's actually going to happen given recent events, but that was the last update. They're nearing completion with that work. Moving along to slide number 84, this slide depicts budgeted versus actual employees. This is the staffing plan that was included in the adopted budget, not the modified one from January which would include one additional employee that has now been filled. Taking a look at this slide, you can see that all but 10 positions have now been filled at December 31st and nine of these ten are within capital improvements and asset management. The vacancy is one finance position that is budgeted but unfilled at the moment. This concludes my brief overview of the BMHA's second quarter financial results. I'll defer to the executive director.

Jeanette Robe (01:35:25): Thank you. The adopted budget included net income of $500,000. After taking into effect the payments of principal there's a cash reduction of $0.2 million reflected within their financial plan and the budget for the current year. The financial results as of December 31, 2019 were slightly favorable and largely consistent with the budget overall. Most of the favorable variance in expenses is due to seasonality and the timing of payments. Some level of fiscal year-end favorable variance is anticipated due to the vacancies in the first six months of the fiscal year. BMHA does not forecast expected year-end operating results and BFSA recommends that the BMHA include year-end projections on a go-forward basis in order to allow for closer monitoring of the budget.

As discussed, and as we know, the Housing Authority is heavily funded with federal dollars. It is unknown what the future impact will be from the pandemic and BFSA recommends immediate steps be taken as appropriate to manage the potential financial impact from the current crisis.

Jeanette Robe (01:37:18): I will pause at this point before we go into our last item, which is the review of the capital plan. Any questions?

Director Floss (01:37:28): I would just add that I think they're going to have the same kinds of liquidity issues that we talked about for the City and that they need to think about those types of plans, if they haven't already.

Jeanette Robe (01:37:46): Thank you.

Chair Olsen (01:37:49): I just would like to acknowledge the improvement and collaboration between the Authority and BFSA and to commend Gillian and his staff for that improvement. Anything further?

Jeanette Robe (01:38:27): There's one last item which actually speaks to your point about the collaboration with BMHA and BFSA. We did receive the current capital plan which Nathan has a few comments on and it's a few because the current capital plan is being developed. This is this is the most current information that we have. And I think that's the last item on the agenda and that'll wrap up what we were asked to bring to this meeting for the BMHA.

Chair Olsen (01:39:07): Okay.

Director Floss (01:39:08): Is it possible for the control board to borrow for BMHA and therefore maybe reduce their debt service or is that not appropriate given the new capital plans that they're going to be proposing?

Jeanette Robe (01:39:47): That is a very good question. BMHA has never issued that before themselves, so we've never looked into that. I will certainly do my research on that and get back to you.

Director Floss (01:40:07): Thank you.

Jeanette Robe (01:40:08): You're welcome. Okay, Nathan, if you want to move into the capital plan, we can get through our last item.

Nathan Miller (01:40:21): Very good. I'll summarize this briefly. The full report gives a breakdown of all of the individual asset management programs and how the capital funds would be allocated for each one over a five-year period. I'm going to focus primarily on the overall program in 2019-20 but just note that the report provides all that backup material for the individual AMPs. The capital plan includes BMHA planned commitments for infrastructure improvements, modernization and other systemic upgrades and repairs 2020-2024, it's a five-year plan. It demonstrates to HUD how BMHA can utilize the capital fund allocation that they received.

Nathan Miller (01:41:23): The capital plan includes three main HUD budget line items, development and physical work, soft costs and other costs. I won't go through each individual line, but just a couple of the main ones for development and physical work. This includes things like site acquisition, site improvement that is not being utilized now and is the financing program that likely will change if they borrow for and participate into that program. It includes demolition as well. Soft costs include transfers to operations, funds utilized by general public housing operations management improvements. To give a good example of this, the BMHA is installing an authority wide fiber optic network. That is an example of a management improvement that they would be using these funds to improve operations. Other costs include contingency fees, legal services, physical, energy audits for facilities, and the RAD program, the rental assistance demonstration program.

Nathan Miller (01:42:44): Slide 93 gives the five-year breakout of how the current fiscal year end allotment would be spent in each of those five years. It obviously changes every year, but this is the way that BMHA demonstrated to HUD how they would use similar funds, includes transfer to operations, management improvement, et cetera. The fiscal year 2020 allotment from HUD was $11.6 million. The full plan breaks it out by AMP for each usage. To summarize, the capital plan included an estimate of $11.6 million in each year. The total over the five-year life of the plan was $58.1 million. The plan depicts how BMHA demonstrates to HUD how the program grant could be utilized. It estimates how funding at the same level would be utilized in the next four years. The plan itself will change based on the HUD allotment. As I noted, BMHA does intend to utilize the CFP program in 2021. The physical needs assessment, facility wide is being conducted. The 2021-25 capital planning will be amended based on BMHA's estimated needs and the available funding. This concludes my brief overview of BMHA's five-year capital plan.

Chair Olsen (01:44:41): Any questions?

Chair Olsen (01:45:02): Any new business to bring before us? Any general comments? The only general comment I would make is that obviously in addition to being prepared to borrow at a better rate and to backstop the City we're available as needed and we should be flexible with respect to special meetings as those things develop.

Adjournment

Secretary Arthur (01:45:45): Move to adjourn.

Director Floss (01:45:45): Second.

The meeting adjourned at 2:48 PM.