BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
May 20, 2020

The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the "BFSA") held on May 20, 2020. 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 1:03 PM.

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

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
Comptroller Claire A. Waldron

Additionally Present
Mr. Richard A. Grimm, III, Esq., Magavern Magavern & Grimm LLP
Mr. James Magavern, Esq., Magavern Magavern & Grimm LLP
Mr. William Ferguson, City Accountant, City of Buffalo
Mr. Delano Dowell, Deputy Comptroller, City of Buffalo
Mr. Geoff Pritchard, Chief Financial Officer, Buffalo City School District

Opening Remarks
Chair Olsen welcomed everyone to the May Board meeting, thanked all that were in attendance, reviewed the logistics of the meeting and the agenda. Chair Olsen asked Ms. Nikita Fortune, BFSA Administrative Assistant to announce who was on the call. Ms. Fortune announced all callers.

Roll Call of Directors
Secretary Arthur called the roll.

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

Erie County 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 [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 (the "City"). Written notice of such designation shall be furnished prior to any participation by the signal designee…."

With a quorum present the meeting commenced.

Approval of the Minutes

Chair Olsen introduced Resolution No. 20-03: "Approving Minutes and Resolutions from March 23, 2020 and April 14, 2020."

Director Floss made a motion to approve.

Secretary Arthur seconded the motion.

The Board voted 5-0 to approve Resolution No. 20-03.

Buffalo City School District ("District" "BCSD")

Fiscal Year ("FY") 2019-20 Third Quarter Report Analysis

Chair Olsen advanced the agenda to review the BCSD FY 2019-20 third quarter report. Mr. Nathan Miller began his presentation stating all District schools closed on March 13, 2020 as a result of the Covid-19 Pandemic. On May 1, 2020, the Governor extended the order for school to stay closed for the remainder of the academic year. All employee groups except for Substitute Teachers are currently receiving regular compensation and benefits. Substitute Teachers are currently receiving unemployment insurance. All other employee groups are currently working remotely, as applicable. Bus aides are not working but receive weekly salary based on an average workday's pay.

Revenues and expenditures have been deeply impacted by the pandemic; revenues are expected to be unfavorable by $4.3M at fiscal year-end ("FYE") while expenditures are expected to be favorable by $44.3M. Overall, the District is projecting a FYE $40.0M budgetary surplus. The projection in revenue is due to a negative variance in Erie County sales tax of $1.5M and a negative variance in NYS Aid of $3.3M. Total revenues are projected at $913.1M, a negative variance of $4.3M from the modified budget of $917.4M.

Total expenditures are projected to be significantly lower at $883.1M, a positive variance of $44.3M from the modified budget of $927.4M. Employee compensation is projected to be $313.8M, or $10.7M under budget. Employee benefits are projected to be favorable by $14.0M. Payments to charter schools are projected to be $131.4M, or under budget by $1.4M. Due to the lack of transportation required due to the pandemic, transportation expenses are projected to be favorable by $15.2M at $35.7M.

At March 31, 2020, the General Fund employee vacancy rate was 2.2%, or 105 full time equivalent employees ("FTE").

Summary

The projected results for the 2019-20 FY vary substantially from the original budgeted appropriation of $10.0M of fund balance due to the implications of the Coronavirus Pandemic.

- The District is projecting a $30.0M surplus at FYE which will roll forward into next year's budget
- The pandemic has had a substantive impact on the District:
  - Erie County Sales Tax receipts are forecast at a $1.5M unfavorable budgetary variance
  - Transportation expenditures are forecast to be favorable by $15.2M
  - Total healthcare expenditures are forecast to be significantly less than budget by $12.5M, with a significant portion of these expenditures anticipated to be deferred into FY 2020-21 and FY 2021-22
- The District had a vacancy rate of 2.2% at March 31, 2020
  - The District is now forecasting significant, favorable budgetary variances within various Employee Compensation and Employee Benefit lines
- Overall fiscal year-end projections are conservative

Hearing no questions or comments, Chair Olsen requested that Mr. Miller proceed with his presentation on the BCSD FY 2020-21 Budget and Four-Year Financial Plan.

BCSD 2020-21 Recommended Budget and 2021-2024 Financial Plan

Mr. Miller gave the following introductory highlights and analysis:

- The 2019-20 Recommended Budget and 2020-2024 Financial Plan was submitted to the BFSA on May 1, 2020. The District plans to review the Recommended Budget and Financial Plan at a special meeting to be scheduled next week
- A deficit of $50.0M is reflected in the Recommended Budget which will be closed using fund balance. A budget gap has been projected for each year of the Financial Plan with a cumulative four-year budget gap of $219.9M

Secretary Arthur asked what the Buffalo Common Council (the "Common Council") recommended for the District budget. Mr. Miller responded that the District's Recommended Budget and Financial Plan did not specify any recommendations received from the Common Council. Ms. Estrich stated the Common Council has not adopted a budget to date and that according to the Law Department the Council has until June 6, 2020 due to the NYS PAUSE Order.

Mr. Miller continued with his presentation:

- New York State's finances have been deeply impacted by the COVID-19 pandemic and the resulting Coronavirus Recession
- The New York State ("NYS") 2020-21 Enacted Budget included a "Pandemic Adjustment"
  - Reduction in NYS aid payments to each school district equivalent to the federal stimulus provided under the U.S. Coronavirus Aid, Relief, and Economic Security ("CARES") Act which was $29.6M for the District

- The total level of NYS aid included in the SFY 2020-21 Enacted Budget is $26.27B, slightly less than the SFY 2019-20 appropriation of $27.3B
- A cumulative federal CARES Act Restoration of $1.13B brings the total New York State aid to $27.4B, slightly higher than the Prior Fiscal Year's ("PFY's") authorized appropriation
- The level of NYS aid may be reduced further from that already provided for within the NYS Enacted Budget
    - The NYS Director of the Budget is authorized to determine whether the NYS Enacted Budget is balanced during three "measurement periods:" April 1 through April 30, May 1 through June 30, and July 1 through December 31. If a general fund imbalance has occurred during any measurement period, the Director of the Budget is empowered to "adjust or reduce any general fund and/or NYS special revenue fund appropriation and related cash disbursement by any amount needed to maintain a balanced budget
        - Revised spending plan expected to include $8.2B in reductions to aid to localities
        - The District has quantified an additional, potential reduction in NYS aid of $110.0M (equivalent to a 20% reduction)
- The Financial Plan includes deficit closing and cost savings initiatives (Gap Closing Plan) to address the budgetary gaps projected over the outyears. Many of the initiatives were reviewed at the March 23, 2020 BFSA Board meeting and includes various areas for savings through efficiencies, increased revenues, and increased reliance on fund balance. It demonstrates potential methods available to close the projected out-year budgetary gaps in the event additional revenues and/or savings from efficiencies are inadequate to address the budget gaps. Several actions have been implemented or are slated to be implemented in FY 2020-21 and such savings have been integrated in the Financial Plan.

Key Observations

- General Fund revenues increase at a compound annual growth rate ("CAGR") of 0.8% over the Financial Plan
- General Fund expenditures increase at a CAGR of 0.6%; expenditures start at a higher level than revenues and therefore serves as the driver of the budgetary gaps in each of the out-years
- General Fund revenues includes a NYS Pandemic Adjustment of $29.6 M in FY 2020-21
    - This decrease is offset with $29.6 M in Federal CARES Restoration in FY 2020-21
- Each outyear includes an annual Pandemic Adjustment. The assumption is based on past experience as NYS aid was reduced through a Gap Elimination Adjustment from FY 2008-09 through FY 2015-16 as a result of the 2007-2009 Great Recession
- The District has budgeted the appropriation of $50.0M of fund balance in FY 2020-21
    - The total four-year deficit of $219.9M is reduced to $169.9M following the appropriation of fund balance
    - The Gap Closing Plan included within the Financial Plan demonstrates the District's strategic plan to address these outyear deficits through various deficit closing and cost savings initiatives

- All collective bargaining units have labor agreements that either are expired or are scheduled to expire in the next several years
- Several of the main cost drivers for the District have reduced rates of increase over the Financial Plan including health insurance for both active employees and retirees and pension payments
- The implementation and continuation of various efficiency initiatives along with additionally available fund balance will begin to address projected out-year budget gaps but will be insufficient to fully close the gap
    - Various cost reduction actions including program and staffing cuts are reflected to close the remaining budget gaps
- The District had intended to be operationally balanced by FY 2020-21; this is no longer planned due to the impact of the Coronavirus Recession. Each FY of the Financial Plan has a projected deficit between $45.3M to $64.8M.

Mr. Miller stated the cumulative four-year deficit totals $219.9M with FY 2020-21 being the only year of the Financial Plan that utilizes fund balance, making the remaining deficit $169.9M.

FY 2021-2024 Financial Plan Summary
Mr. Miller identified the main revenue categories for FY 2020-21 totaling $904.7M:

- Real property tax $70.8M; expected to remain at this level throughout the outyears
- Erie County Sales Tax $44.0M; which is a decrease of $3.0M from the PFY. While this revenue increases 5.7% over the outyears it is not expected to return to PFY levels over the Financial Plan
- NYS Aid (less building aid) $651.1M
- Federal CARES restoration $29.6M for FY 2020-21
- NYS Building Aid $116.5M

Total General Fund revenues increase $22.9M, or 2.5% over the life of the Financial Plan.

The main FY 2020-21 expenditure categories total $954.7M and were reported as follows:

- Employee compensation $326.0M
- Employee benefits $201.1M
- Charter school payments $138.1M
- Debt service $112.3M
- Transportation $60.3M
- All other expenditures $116.9M

The General Fund expenditures increase $18.2M, or 1.9% over the Financial Plan.

Mr. Miller reported the number of full-time equivalent ("FTE") employees budgeted for the District for FY 2020-21 at 4,901 which is an increase of 68 positions as compared to FY 2019-20 and highest since the inception of BFSA in 2003. The number of FTEs decreases by 77 over the Financial Plan based solely on the budgeted number of teachers with respect to pupil counts.

Contract Settlement Scenario
Mr. Miller provided a following table to estimate contract settlements over the life of the Financial Plan. BFSA calculated a labor agreement settlement scenario to estimate the base impact that settling all agreements would have on the Financial Plan. The scenario includes projections based on past precedent and other reasonable assumptions.:

General Fund Expenditures	2020-21 Recommended Budget	2021-22 Outyear 1	2022-23 Outyear 2	2023-24 Outyear 3	Additional Compensation FY 2021-24
Estimated Increase from Settled CBAs (Salary & Wages)	$7.2	$7.7	$7.7	$8.5	$31.1
Estimated Increase from Settled CBAs (Fringe Benefits)	0.5	0.6	0.6	0.6	9.3
Gross Cost of Settling CBAs	$7.7	$8.3	$8.3	$9.1	$33.4
less hypothetical savings from various concessions	0.8	0.8	0.8	0.9	3.3
Estimated Net Cost of Settled CBAs	$6.9	$7.5	$7.5	$8.2	$30.1

Projected Enrollment
The District is projecting a declining enrollment within District schools while projecting an increase of 1,191 (12%) charter school students over the Financial Plan. The sizable increase in expected area charter school enrollment has been projected based on the expansion plans of existing charter schools as they add grade levels to meet their chartered plan including the two new schools, the Persistence Preparatory Charter School and the Buffalo Collegiate Charter School, which opened in FY 2018-19, and the opening of three new schools in FY 2020-21: the Buffalo Academy of Science Charter School II, the Citizenship and Science Academy of Buffalo Charter School, and the Primary Hall Preparatory Charter School.

Director Floss asked if social distancing, a change in class size or a change in teaching time due to the pandemic is reflected in the Financial Plan. Mr. Miller stated the pupil counts are based on the District's demographic study. The District has not finalized its reopening procedures and is awaiting guidance from the New York State Education Department, expected in early-to-mid July. Director Floss stated his concern regarding the financial impact or the changes in terms and conditions in addition to said changes being negotiated with the unions. Ms. Robe stated the Financial Plan was developed with the idea of business going back to normal. As plans unfold, the District would be required to submit a revised Financial Plan to the BFSA for review. Director Floss stated BFSA recommendations should be tempered and tentative due to the pandemic to allow the necessary room for changes.

Chair Olsen stated the BFSA will consider future submissions as things become clearer with respect to the effects of the pandemic. The uncertainty of federal and state funding, as well as sales tax revenue is one of the biggest hurdles.

The presentation continued with a review of several General Fund deficit-closing and cost-saving initiatives to address the following corresponding baseline gaps. The deficit closing and cost saving initiatives include potential actions separated into four categories including other revenue, fund balance items, savings to be achieved through efficiencies, and other cost reductions. There are fifteen (15) initiatives currently listed. Additionally, listed are various initiatives which include 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.

These initiatives were introduced in the FY 2017-18 Financial Plan.

The following chart summarizes the Gap Closing Plan's deficit closing and cost savings initiatives:

General Fund Deficit Closing and Cost Saving Initiatives

	FY 2020-21 Draft Budget	FY 2021-22 Outyear 1	FY 2022-23 Outyear 2	FY 2023-24 Outyear 3	4-Year Totals
	$ in Millions				
Revenues	$904.7	$901.2	$917.0	$927.6	$3,650.5
Expenditures	$954.7	$966.0	$976.8	$972.9	$3,870.4
Baseline Gap	($50.0)	($64.8)	($59.8)	($45.3)	($219.9)
Use of Fund Balance	50.0	0.0	0.0	0.0	50.0
Revised Baseline Gap	($0.0)	($64.8)	($59.8)	($45.3)	($169.9)
Fund Balance	0.0	38.0	32.0	15.0	85.0
Other Revenue	0.0	0.3	0.3	0.3	0.9
Efficiencies and Savings	0.0	6.4	6.9	7.3	20.6
*Other Cost Reductions	0.0	40.5	41.0	41.5	123.0
Excess/(Shortfall)	$0.0	$20.4	$20.4	$18.8	$229.5

*** Includes potential staffing reductions of $38.8 million in each out-year of the Financial Plan**

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

- The additional use of Fund Balance over the life of the Financial Plan could total $85.0M
  - Fund balance is currently projected to total $203.6M at June 30, 2024
    - If this deficit closing action were implemented at the full extent provided within the Gap Closing Plan, total fund balance would total $118.6M at June 30, 2024
    - Unrestricted estimated at $93.8M
    - 4% of expenditures = $38.9M in 2023-24
  - The Financial Plan includes the ability to use additional fund balance
    - FY 2021-22 - $38.0M
    - FY 2022-23 - $32.0M
    - FY 2023-24 - $15.0M

- Other Revenue - $0.9M
    - The Financial Plan includes revenue enhancement ($0.3M annually/$0.9M cumulatively)
    - Revenue enhancement represents an aid maximization program to yield greater revenues though better data collection and understanding of the various NYS and federal regulations
    - The cumulative increase is estimated at $7,047,000 through FY 2019-20
- Savings to be Achieved through Efficiencies - $20.7M
    - The Financial Plan includes 7 individual actions for cost reductions and savings to be achieved through greater efficiencies
    - Provides a cumulative $20.7M of cost reductions:
        - Vacancies ($2.0M annually/$6.0M cumulatively): Potential additional budgetary savings resulting from vacancies based on historical experience
        - Employee healthcare ($1.5M annually/$4.5M cumulatively): Potential budgetary savings from various employee healthcare initiatives
        - Reduce Substitute Teacher Costs ($0.1M annually/$0.3M cumulatively): Potential budgetary savings from better management of teacher absences
    - Negotiations/Analysis of Top 150 Vendors/Best Practices ($0.5M in FY 2021-22/ increases of $0.2M annually/cumulative $2.1M):
        - Implemented an electronic bid/RFP process where bids/RFPs are submitted online to the District and evaluations are completed in the system to improve the efficiency/accuracy of the evaluation process
        - Undertaking a project to improve the MWBE process which will bring more competition to District offerings
        - Analyzed several best practices through work with the Council of Great City Schools and other organizations and is anticipated that some of the best practices identified during this process will yield more cost-efficient procurement
    - Reduction in overtime ($0.1M annually/$0.3M cumulatively): Potential annual savings from this continued initiative
    - Public Transportation ($2.0M in FY 2021-22/increases of $0.3M annually/cumulatively $6.9M): Potential annual savings from possibility of splitting bussing services into zones
    - Reduced compensated leave time ($0.2M annually/$0.6M cumulatively): Procedural controls over staff's utilization of workers' compensation, medical leave and administrative leave
- Other Cost Reductions - $123.0M
    - The District has included three (3) gap-closing measures to provide cost reductions in the event such actions are necessary. These actions have an estimated cumulative $123.0M impact over the Financial Plan and include more severe measures and include:
        - The reduction of the general contingency account ($1.5M annually for a cumulative total of $6.0M)
        - The reduction and/or elimination of non-mandated programs ($0.25M annually for a cumulative $0.75M)
        - The reduction of central office, instructional and support positions ($38.75M annually for a cumulative $116.25M)

Conclusions & Recommendations

Ms. Robe thanked Mr. Miller for his analysis of the District's complex Financial Plan and provided the following comments:

- The Financial Plan was developed using consistent underlying key assumptions used in development of the Recommended Budget, adjusted for known or estimated increases or decreases
    - A variable exists in teaching positions: there is an assumed reduction in positions due to a shift in students from District schools to charter schools
        - Estimated reduction of 6.5 teachers for every 100 students that enroll in charter schools
        - Equivalent to $20M over the Financial Plan
    - Nursing revenue of $1.2M annually is now included in the Recommended Budget. In previous years this item was listed as a gap closing measure
- NYS's finances have been deeply impacted by the COVID-19 pandemic and the resulting Coronavirus Recession
    - The NYS Enacted Budget included a Pandemic Adjustment offset by the Federal CARES stimulus funding
        - The District's Pandemic Adjustment was $29.6M for 2020-21, equivalent to the Federal CARES Restoration. The District has included Pandemic Adjustments at declining levels over the life of the Financial Plan with a cumulative amount of $46.0M
- The Financial Plan's outyears include the assumption of additional annual NYS Pandemic Adjustments to NYS aid
    - No assumption of additional federal stimulus funding
- Risk identified: NYS aid could be further reduced
    - NYS Enacted Budget: $8.2B gap expected to be closed with cuts to localities
    - District estimate = potentially $110.0M, or a 20% reduction
- The District's Financial Plan includes an initial budget gap of $219.9 M
    - The District has closed the 2020-21 budget gap with $50.0 M in fund balance
    - The remaining out-years of the Financial Plan contain budget gaps to be closed solely through the various gap-closing measures
        - $85.0M in additional fund balance
        - $0.9M in additional revenue
        - $20.7M in various efficiency savings
        - $123.0M in various cost reductions including $116.4M in staffing cuts
            - The Gap Closing Plan demonstrates necessity for staffing cuts which is a significant shift from prior Financial Plans
- The District has included a staffing plan which increases the number of budgeted positions in FY 2020-21 by 69 FTE positions on a General Fund basis as compared to last FY
    - Budgeted staffing at 4,901 FTEs represents the highest level of budgeted FTEs since BFSA's inception on a General Fund basis
    - On an All Funds basis, 5,638 FTEs are budgeted, a decrease of 6 FTEs compare to the FY 2019-20 Adopted Budget

- The District has budgeted the appropriation of $50.0M of fund balance in FY 2020-21
- Projected unassigned fund balance will exceed the Board of Education's 4% retainage policy by an estimated $41.2M at June 30, 2024
    - This amount is projected without factoring in the use of fund balance to balance the outyears of the Financial Plan
- Fund balance may be significantly depleted over the Financial Plan
- Due to the difficult financial circumstances anticipated over this Financial Plan, there is no replenishment of fund balance provided over this four-year period and would need to be considered by the District in future years
- The Financial Plan does not include any increases for expired labor agreements
    - Teachers contract expired June 30, 2019
- $9.0M has been set-aside in assigned fund balance for settling labor agreements and a $3.5M available in the budget; however, the total falls short of BFSA estimates by $17.6M
- Financial Plan generally provides for 1.5% annual compensation increases
    - A portion is anticipated to be used for annual step increases and a portion available for contract negotiations
    - BFSA estimates that $3.5M has been built into the budget and is available for settling expired labor agreement
    - Estimated cumulative increase for settling all contracts is $30.1M over the Financial Plan

Mr. Swanekamp asked for clarification on the projected loss of sales tax of $1.5M for the current FY. Ms. Robe stated sales tax was budgeted conservatively within the FY 2019-20 Adopted Budget therefore this is more of a correction.

Interim Vice Chair Jurasek asked if there should be a hiring freeze on the 69 additional FTEs that are recognized in the Financial Plan for FY 2020-21. Mr. Geoff Pritchard, CFO, Buffalo City School District, stated the increases in FTEs in 2020-21 FY are positions that were added during the 2019-20 FY; therefore, the FTE counts are flat for the four-year plan.
The FY 2020-21 Proposed Budget assumes a decrease of 57 FTEs and a Central Office hiring freeze. Mr. Pritchard also stated Erie County sales tax is anticipated at almost $6.0M reduction.

Interim Vice-Chair Jurasek stated the reduction in classroom positions should be calculated irrespective of the recession as it has been based on 1,800 fewer students equates to a 6.5% teacher reduction. Mr. Pritchard stated as more students enroll in charter schools there has been a flat student population in the District for the past twelve years and it is a complex formula based on the proposed budget and not the recommended budget.

Mr. Miller clarified that the presentation was based on the Recommended Budget released May 1, 2020. Mr. Pritchard was referring to a more refined staffing plan that will be submitted to the BFSA as part of the forthcoming Adopted Budget.

Chair Olsen stated the uncertainty in funding in addition to possible cuts could be catastrophic given the gap in learning that has occurred this year due to the pandemic. Hearing no additional comments or questions the agenda was advanced to Buffalo Urban Renewal Agency ("BURA").

Buffalo Urban Renewal Agency
Fiscal Year 2019-20 Third Quarter Report Analysis

Mr. Bryce Link began his presentation with the following overview of the entitlement funds as awarded for program year 45, FY 2019-20:

- Community Development Block Grant ("CDBG") received $13.8M, with $6.3M to BURA and $7.5M to the City
- Housing Opportunities Made Equal ("HOME") received $3.0M, with the full amount going through BURA
- Emergency Shelter Grant ("ESG") ESG received $1.5M, with the full amount distributed by the City
- Housing Opportunities for People with AIDS ("HOPWA") HOPWA received $798,764, the full amount was distributed by the City

As of March 30, 2020, BURA revenues were budgeted at $10.8M and actual revenues totaled $9.6M. There was an unfavorable variance of $1.2M, or 11.5%. For the same time period, expenditures were budgeted at $8.9M, actual expenditures were $8.8M. There was a positive variance of $45,280, or 0.5%.

Mr. Link presented the following highlights:

- BURA is dependent on U.S. Department of Housing and Urban Development ("HUD") funding
  - Future decreases would place additional stress on operations
  - Current year HUD award consistent with prior-year
- Additional grants awarded outside of HUD entitlement funds
  - Evans Bank = $475,000
    - $30,000 in current year
  - Local Initiatives Support Corporation = $350,000
    - $87,500 in current year
  - Enterprise New York Cities RISE = $1.0M
    - $80,000 in current year
- Collective bargaining agreement with the Civil Service Employees' Association expires June 30, 2020
- No restrictions placed on operations resulting from FBI and IRS raid
- BURA received notice that 2020-21 entitlement grants will be consistent with current year
- BURA has continued to operate during pandemic
  - Affordable housing is deemed essential and construction has continued with proper safety equipment and procedures in place
  - Staff working remotely
  - Minor expenses of approximately $3,000 incurred for personal protective equipment for employees, and technology to allow employees to work remotely
    - Possible FEMA reimbursement
  - Subrecipient awards and payment requests being processed
- BURA is working with the City Administration to implement a return-to-work program and will follow the City's recommendation of reducing their office footprint by 40%

Hearing no comments or questions Mr. Link began his review of the BURA 2021-2024 Financial Plan.

BURA 2021-2024 Financial Plan

Mr. Link provided the following overview:

- BURA operations are expected to continue with no planned stoppage of work. Affordable housing is deemed essential and construction work has continued.
- BURA received the Year 46 Entitlement Funds award notice from HUD on March 30, 2020
  - Increase of $735,650 in Entitlement Funds when compared to 2019-20
- Out-year revenues are budgeted conservatively with increases attributed to outside grants:
  - 1.9% increase in 2021-22
  - 4.3% decrease in 2022-23
  - 0.0% in 2023-24
- Subrecipients receive approximately $700,000 a year from BURA as a direct passthrough

Year 46 entitlement funds awarded for FY 2020-21 total $19.4M of which $10.0M will be distributed by BURA and the remaining $9.4M will be distributed by the City.

Year-to-year entitlement funds are expected to increase by $735,646, or 3.9% with the following disbursement:

- Community Development Block Grant ("CDBG") allocation is expected to increase by $336,223, or 2.5%
- Housing Opportunities Made Equal ("HOME") allocation is expected to increase by $335,237, or 11.1%
- Emergency Shelter Grants ("ESG") allocation is expected to decrease by $ 341,394, or 29.4%
- Housing Opportunities for Persons with AIDS ("HOPWA") budgeted to increase by $405,580, or 50.8%

The Financial Plan is reflective of all known and estimated revenues including entitlement funds, program income and additional grants (Evans Fund, LISC, Cities RISE and restricted funds). It includes resources in the first three years of Financial Plan for negotiating a labor agreement between BURA and Local CSEA 815 that expires on June 30, 2020. Separate projections for salaries and fringe benefits have also been included. The revenues and expenditures are equal over the life of the Financial Plan. Any revenue in excess of expenditures is rolled forward into future years. BURA begins the fiscal year by drawing down prior year entitlement grant funds before receiving current year funds.

2020-21 CDBG and HOME expenditures were outlined as follows:

- CDBG has been budgeted in the amount of $7.6M.
  - $4.6M for program delivery
    - $3.1M for emergency loan program
    - $1.3M for program delivery costs
    - $0.2M for crime prevention program delivery
  - $3.0M for administrative costs

- HOME has been budgeted in the amount of $3.9M
    - $3.6M for HOME program delivery
        - $3.0M for rehabilitation and new construction
        - $0.5M for community housing development organizations
        - $0.1M for HOME program delivery
    - $0.3M for administrative costs

Administrative costs are limited to a maximum percentage of the grant award and program deliver costs are not included in the following limits:

- CDBG = 20% + program income
- HOME = 10%

Additional items of note:

- Additional grants were received by BURA and are now reflected in the Budget and Financial Plan
    - BURA continues to look for new revenues
- BURA is including prior year allocations as a current year resource for CDBG and HOME Funds
- Revenue forecast is conservative in the out-years
- There is adequate funding for administrative costs
- BURA does not participate in the City of Buffalo's self-funding of health insurance and continues to maintain coverage through Blue Cross Blue Shield
    - Annual increases of 7.0% for health insurance costs are included in the Financial Plan
- BURA is holding 36 properties valued at $3.2 million
    - Intent is to continue to strategically assess portfolio and sell properties
- Neighborhood framework plan is ongoing, which allows multiple stakeholders the ability to coordinate with each other on agreed-upon housing goals and objectives
- The staffing plan is held flat at 39 FTEs over the Financial Plan. There are currently 30 FTEs

Conclusions

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

- 2021-2024 Financial Plan is balanced
    - Key underlying assumption is Entitlement Funds will increase 2% annually
    - Future entitlement awards will need to be monitored
        - Recommendation to plan for potential funding reductions by prioritizing projects and projecting staffing needs. The 2020 census is being conducted and a decrease in funding resulted from past census.
- Unknown how the 2020 US census will impact funding
- Larger social and city-wide issues are challenging and driven by policy as implemented by BURA's Board of Directors
- Federal stimulus dollars as provided under the CARES Act excluded from the Financial Plan. It is unknown how any additional CARES Act CDBG funding will be allocated according to the subrecipient agreement
- Business activities have not been greatly impacted as BURA is considered as essential services under NYS Pause Order, construction is ongoing

- Circumstances could impact timetable/plans for projects as time progresses

Mr. Swanekamp advised information regarding HUD funding for the City was made available as follows:

- CDBG $8.2M
- ESG $4.1M
- HOWPA $119,000

Ms. Robe thanked Mr. Swanekamp for sharing the HUD funding information as the BFSA was unable to access that information.

Hearing no additional comments or concerns Chair Olsen advanced the agenda to the next item.

Buffalo Municipal Housing Authority ("BMHA")
Fiscal Year ("FY") 2019-20 Third Quarter Report Analysis

Mr. Nathan Miller began his presentation stating BMHA issued its FY 2019-20 third quarter report covering July 1, 2019 through March 31, 2020 with year-to-date revenues of $36.4M, or 76.5% of budget and year-to-date expenses of $35.0M, or 75.6% of budget. BMHA noted a favorable revenue budgetary variance of $0.6M and an unfavorable budgetary variance for expenses of $0.1M as of March 31, 2020, as compared to the Modified Budget.

Several significant events impacted FY 2019-20:

- On January 30, 2020, the BMHA amended its FY 2019-20 Adopted Budget and FY 2020-2023 Financial Plan
    - The FY 2019-20 Adopted Budget as amended (Modified Budget) includes increased revenues from $46.7M to $47.6M
        - $0.8M in operating subsidy
        - $0.1M in housing choice voucher income
    - Budgeted expenses were increased from $46.2M to $46.3M to reflect one additional executive-level white-collar budgeted and filled position
    - The adopted staffing plan was increased by one position from 157 FTE employees to 158 FTEs employees
- On March 7, 2020, Governor Cuomo issued Executive Order No. 202, "Declaring a Disaster Emergency in the State of New York," as a response to the COVID-19 pandemic
- At April 30, 2020, 25% of BMHA residents, authority-wide, had not paid rent for the month of April
    - The monthly unpaid rent amount associated with April 2020 is over $0.3M. BMHA estimates that, if a trend emerges, the impact could be over $1.0M in the FY 2019-20 fourth quarter
- On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law
    - CARES Act increased HUD Public Housing Operating Fund by an additional $685.0M
    - BMHA's additional Operating Subsidy was quantified at $2.8 M

Mr. Miller reported the consolidated Q3 revenues exceeded the Modified Budget by $0.6M mainly due to the following factors:

- HUD subsidy received as of March 31, 2020 totaled $14.3M while the budgeted amount was $ 13.4M, a positive variance of $0.9M
- Transfers from Capital Grants received as of March 31, 2020 totaled $1.8M while the budgeted amount was $2.3M, a negative variance of $0.5M

Mr. Miller reported the consolidated Q3 expenditures were $0.1M more than the Modified Budget mainly due to a negative variance of $0.5M for Other Expenses and a positive variance of $0.3M for Utilities.

The 2019-20 Adopted Budget included 158 FTEs, the actual fill was 148 FTEs as of March 31, 2020. The FTE count has decreased over the CFY. The current vacancy rate is approximately 6.7% which is historically low.

<u>Conclusion</u>

- All BMHA's Net Dwelling revenue was unfavorable by $0.2M at March 31, 2020
    - Subsequent to the third quarter's end, 25% of April's rental receipts were not received, directly correlated with the Coronavirus pandemic
    - BMHA estimated that the fourth quarter reduction in Net Dwelling income would be $1.0M if May and June receipts are similarly delinquent
- Most of the favorable budgetary variance in expenses at March 31, 2020 is due to seasonality and the timing of payments
    - Some level of FYE favorable variances is anticipated due to the vacancies of the first nine months of the fiscal year

<u>Review of BMHA 2021-24 Adopted Budget and Financial Plan</u>

Hearing no questions or comments Mr. Miller continued with review of the BMHA Financial Plan.

- The FY 2020-21 Consolidated Adopted Budget and FY 2021-2024 Consolidated Financial Plan was submitted to the BFSA on May 1, 2020
- The Financial Plan includes the individual budgets and financial plans for the combined twenty-two AMPS, the Central Office ("COCC"), the Marine Drive Apartments, and the HUD Housing Choice Voucher Program
- The Financial Plan includes the individual financial plans and a consolidated financial plan

The following economic factors impacting BMHA's Adopted Budget and Financial Plan were reviewed:

- The Congressional approval of HUD funding levels for the BMHA
- Local, inflationary, recessionary and unemployment trends that affect resident incomes and the number of eligible recipients
- The uncertainty regarding the impact from the COVID-19 pandemic on BMHA's operations and financial performance as well as upon its tenants, employees and vendors
- The U.S. Coronavirus Aid, Relief, and Economic Security (CARES) Act's impact on BMHA revenues which increased the operation subsidy and Section 8 funding

The Adopted Budget for 2020-21 identified $48.8M in revenues and $47.0M in expenses for a net income of $1.8M prior to the payment of debt service. After debt service the net income is zero. Including the out-years, the net operating income before debt service totals $11.2M; after debt service and the removal of non-cash OPEB accrual the net income will total $9.1M. It was noted that an additional $0.8M debt service payment is included in each out-year.

The consolidated FY 2021-24 revenues increase by $3.3M, or 6.8% over the life of the Financial Plan from $48.8M to $52.1M. The HUD Subsidy is budgeted to increase by $1.7M, or 9.3% between 2020-21 and 2023-24.

Financial Plan revenues as budgeted by unit were identified as follows:

Consolidated FY 2021-24 Financial Plan Revenues (by Unit)

Description	2019-20 Adopted Budget	2020-21 Adopted Budget	2021-22 Outyear 1	2022-23 Outyear 2	2023-24 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
Revenues							
AMP	$32.0	$33.3	$34.0	$34.8	$35.7	$2.4	7.2%
COCC	4.6	4.8	4.8	4.8	4.8	$0.0	0.0%
Marine Drive	2.9	3.4	3.5	3.6	3.6	$0.2	5.9%
Section 8	7.2	7.3	7.6	7.8	8.0	$0.7	9.6%
Total Revenues	$46.7	$48.8	$49.9	$51.0	$52.1	$3.3	6.8%

Mr. Miller reported consolidated 2020-21 expenses are budgeted at $47.0M and are expected to increase to $48.3M, or 2.8% over the out-years of the plan. A 2% employee increase has been included in the plan based on current contracts which are in effect through June 30, 2023.

Financial Plan expenses as budgeted by unit were identified as follows:

Consolidated FY 2021-24 Financial Plan Expenses (by Unit)

Description	2019-20 Adopted Budget	2020-21 Adopted Budget	2021-22 Outyear 1	2022-23 Outyear 2	2023-24 Outyear 3	$ Change from Year 1-4	% Change from Year 1-4
	$ in Millions						
Expenses							
AMP	$31.6	$31.4	$31.5	$31.9	$32.2	$0.8	2.5%
COCC	4.6	4.9	5.1	5.2	5.2	0.3	6.1%
Marine Drive	3.1	3.4	3.4	3.4	3.4	0.0	0.0%
Section 8	6.9	7.3	7.4	7.4	7.5	0.2	2.7%
Total Expenses	$46.2	$47.0	$47.4	$47.9	$48.3	$1.3	2.8%

The staffing count as of March 31, 2020 was 149 while there were 157 budgeted FTEs. The 2020-21 Adopted Budget includes 159 FTEs which is held flat across the three out-years. Total employee salaries and benefits are budgeted at $13.7M in FY 2020-21 and are projected to increase $0.5M to $14.2M over the Financial Plan based on the contractual and estimated increases in employees' labor agreements as well as two additional executive full-time employees.

Mr. Miller provided a more detailed look at the Financial Plans of the individual units as follows:

AMP
The FY 2020-21 AMP Adopted Budget includes $1.9M in net operating income. The cash impact after a $1.5M debt service principal reduction and removing the non-cash $0.7M OPEB accrual is budgeted at $1.1M.

COCC
The COCC is the business unit of the BMHA and operates as a property management company. It is financially supported through fees earned by overseeing business activities. The BMHA has budgeted a FY 2020-21 net operating loss of $0.1M, a net loss is projected in each fiscal year at a cumulative $1.2M. The cash impact is $0.4M in FY 2020-21 after removing the $0.5M non-cash OPEB accrual.

Marine Drive
In February 2011, BMHA took over management of Marine Drive. A cash impact loss of $0.2M after paying $0.3M in debt service and removing the $0.1M non-cash OPEB accrual is expected for FY 2020-21. If losses incur, cashflow assistance from the current year operations of the COCC or through COCC reserves as available for Marine Drive. Reductions in non-fixed expenses at the Marine Drive Apartments would need to be considered to balance.

Section 8
Revenues are budgeted at $7.4 M, or 15.2% of total FY 2020-21 revenues.
Expenses = $7.3 M, or 15.6% of total FY 2020-21 expenses.
The CARES Act has provided the Section 8 program with an additional $1.25B in overall funding; however, BMHA's additional funding has not yet been quantified and therefore any reported surplus or deficit is temporary in nature due to timing.

Conclusion
Ms. Robe thanked Mr. Miller for his presentation and stated the submitted Financial Plan included some assumptions that had not been included in past years.

- The BMHA 2021-2024 Financial Plan appears to be reasonably developed
  - Expenses are increased based on estimated inflationary rates or other known increases
  - All collective bargaining units and non-represented employees will be under contract for the first three years of the Financial Plan with labor agreements with Local 264 and Local 409 expiring June 30, 2023
  - BMHA has projected a reasonable increase in salaries for collective bargaining in the final year of the Financial Plan, which is a more conservative and reasonable approach compared to that in prior years

- The revenues are reasonable as projected over the Financial Plan, although the budgeted and projected increase of rental income may be overly optimistic given the current recession
  - Rental receipts are nearly the sole form of operating revenue for the Marine Drive Apartments
  - Any cash shortfall in the operations of Marine Drive would require cost reduction actions and possibly a loan from COCC as Marine Drive does not have adequate cash reserves available
- Additional HUD Subsidy and Section 8 Voucher Grant funds will be received in FY 2020-21
  - The additional HUD Subsidy expected pursuant to funding under the CARES Act of $2.8M has been incorporated within the Adopted Budget and Financial Plan
- On a consolidated basis, net income is projected annually
  - Cumulatively, net income is projected at $11.2M with a revised positive four-year cash flow of $8.3M
  - The cash flow projection includes $5.1M of non-cash OPEB accruals. BMHA is the only entity required to report the OPEB accrual basis to the BFSA. All other entities report on a pay-as-you-go basis based on different accounting rules
  - BMHA has projected net income for Section 8, which represents pass-through funding for which BMHA receives a small administration fee.
    - The combined financial plan includes a cumulative total of $1.1M of Section 8 program income which also is factored into the positive cash flow. The recommendation is for this segment to be balanced to zero.
- Individually, the Central Office Cost Center has budgeted annual losses with a cumulative loss of $1.2M projected over the next four years
  - The cash impact after removing the non-cash OPEB accrual is a positive $0.6M
- BMHA has budgeted the HUD Operating Subsidy based on a 97% proration and a 95% occupancy rate
  - As of March 31, 2020, the occupancy rate for units classified as HUD-rentable units was 80.7%
    - A.D. Price Courts and Commodore Perry Homes have 444 units listed as HUD-rentable units which are uninhabitable
    - When excluding these units, BMHA's occupancy rate approaches 95% at 91.7%
  - BMHA's assumption of a 95% occupancy rate assumes HUD will allow these 444 units to be removed from the occupancy calculation
    - The units will be removed from the calculation once revitalization plans are approved for the properties
- BMHA has historically conservatively budgeted the HUD Operating Subsidy

Chair Olsen stated the Financial Plans as submitted to the BFSA on May 1, 2020 have been reviewed with the exception of the City's Financial Plan. A revised Financial Plan has been requested from the Mayor to provide an alternative plan in the event federal stimulus assistance is not provided to the City. The BFSA must understand the financial impact as well as the impact to services if revenues are insufficient to meet expenditures. Chair Olsen stated a draft resolution was distributed to the Directors that declared the budgets and financial plans of the BCSD, BURA and BMHA compliant with the BFSA Act. However, the overall plan is deemed incomplete due to the planned submission of a revised Financial Plan as expected to be received by May 22, 2020 from the City.

Interim Vice Chair Jurasek made a motion to approve the stated resolution.

Secretary Arthur seconded the motion.

There were no noted objections.

Ms. Estrich stated the resubmission will likely include deficit bonding and make departmental adjustments as necessary to close the gap.

Chair Olsen called the roll for the vote as follows:
Chair Olsen – Yes
Interim Vice-Chair Jurasek – Yes
Secretary Arthur – Yes
Mayor- Yes
County Executive – Yes
It was noted Director Floss left the meeting and was not available for the vote. The vote passed 5-0.

Chair Olsen stated for the record discussions with bond counsel and financial advisors have been ongoing in an effort to assist the City in meeting its financial obligations.

City of Buffalo ("City")
Fiscal Year ("FY") 2019-20 Third Quarter Report Analysis

Chair Olsen advanced the agenda to the review of the City of Buffalo's FY 2019-20 third quarter report by Principal Analyst Bryce Link. Mr. Link began his presentation and stated the Adopted Budget was balanced at $508.7M. The third quarter year-end projection revenues showed an unfavorable variance of $29.9M, or 5.9%. Third quarter year-end projected expenditures showed a favorable at variance at $14.3, or 2.8%. There was a projected deficit of $15.7M.

Apart from Interest income, all revenue sources were projected to contribute to a total unfavorable variance of $29.9M, or 6.0% and were illustrated as follows:

- FYE total revenues projection is $29.9M under adopted budget:
  - $18.6M projected to be under budget in intergovernmental revenue
    - $11.0M is attributed to Tribal State Compact Casino Revenue
    - $8.3M is attributed to sales tax
  - $6.0M under budget in service charges
    - $2.4M is attributed to default mortgage fees
    - $1.1M is attributed to parking meter fees
    - $0.6M is attributed to utility inspection fees
    - $0.4M is attributed to casino police service fees
    - $1.5M is attributed to all remaining service fees

    - $2.9M under budget in fines
        - $0.8M is attributed to parking fines
        - $0.5M is attributed to permit fines
        - $0.5M is attributed to moving violation tickets
        - $0.5M is attributed to court fines
        - $0.4M is attributed to school zone camera fines
        - $0.2M is attributed to all other fines
    - $1.3M projected to be under budget in miscellaneous revenue
        - $1.1M is due to sale of capital assets due to the new process used to sell properties which was implemented this FY
        - $0.9M in relation to gifts and donations
        - $1.2M positive variance attributed to the Staffing for Adequate Fire and Emergency Response (SAFER) grant. It was noted that there is a corresponding increase in expenditures
    - All other revenues net unfavorable variance of $1.2M
        - Taxes unfavorable by $0.8M, Licenses & Permits $0.8M, and a favorable variance in Interest of $0.5M

In total, within Departmental Costs the City is expecting a favorable variance of $7.8M. It was noted the Fire Department is expected to be overbudget by almost $3.4M, or 5.8%, due to additional fire recruits and an overage in overtime.

In total, within General Charges the City is expecting a favorable variance of $6.5M mainly due to a favorable variance in fringe benefits of $7.7M, utilities at $1.5M and offset by a negative variance of $4.3M in Other General Charges to cover prior-year litigation costs.

A favorable variance of $14.3M is anticipated at the end of the third quarter due to the following:

- FYE total expenditure projection is $14.3M below adopted budget:
    - $7.8M total budgetary favorable variance in Departmental expenditures largely due to vacancies
        - Fire Department exceeds adopted budget by $3.4M
        - Remaining departments projected to have favorable budget variances of $11.2M:
            - Police department - $4.8M
            - Public Works - $1.8M
            - Human Resources - $1.2M
            - Administration & Finance - $0.8M
            - All other departments - $2.6M
    - $6.5M total budgetary projected favorable variance in General Charges
        - $8.2M favorable variance in fringe benefits & personal services
            - Pension $3.2M favorable variance
            - Health insurance $2.7M favorable variance
            - $0.5M favorable variance for duty disability salaries
            - $0.4M favorable variance for employer payroll taxes
            - $0.4M favorable variance for workers' compensation
        - $4.3M unfavorable variance in Other category
            - Settlement of litigation
        - $1.5M favorable variance in Utilities

        - $0.7M favorable variance in Grants In Aid
        - $0.3M favorable variance in Debt Service
            - The City did not need to issue a RAN during the current fiscal year; however, it was budgeted
    - Transfers Out – no projected variance

As of March 31, 2020, there were 2,682 budgeted FTEs and 2,512 filled FTEs; a vacancy rate of 170, or 6.3%. The Police Department had 798 budgeted FTEs and 762 filled FTEs, or a vacancy rate of 36, or 4.5%. The Fire Department had 742 budgeted FTEs and 741 filled FTEs, or a vacancy rate of 1, or 0.0%. Both filled rates include new hires in the respective academies which are not available for deployment.

Conclusions and Recommendations

- Considering the pandemic and resulting fiscal uncertainties, the BFSA recommends the financial impact be monitored
    - Steps to be taken as appropriate to manage financial impact
- The Tribal State Compact revenue was budgeted at $11.0M
    - Not included in the year-end projection as revenue
        - Arbitration panel found in favor of NYS, release of funds to City is expected
        - Timing of release of funds is unknown
        - Estimated $20.5M is due to the City of Buffalo. $7.5M was advanced to the City at the end of FY 2018-19
- Total Fund Balance at July 1, 2019 was $92.9M consisting of:
    - $29.6M Nonspendable
    - $11.8M Restricted
    - $38.6M Committed/Rainy Day Fund
    - $13.0M Assigned
    - With a projected year end deficit of $15.6M the City could draw $2.6M in Committed funds and $13.0M in Assigned funds which would leave total Fund Balance at $77.3M.
- Favorable variance projected for expenditures of $14.3M
    - Most significant variance is in fire department
    - BFSA recommends the City assess the projected expenditures in the current financial plan and adjust the new financial plan as appropriate

Hearing no questions or comments Chair Olsen asked the directors to remain flexible in their schedules due to the significant uncertainties regarding the City and BCSD budgets.

New Business

Chair Olsen asked if there was any new business for the Board to consider. Hearing no he asked for a motion to adjourn.

Adjournment

Mr. Swanekamp made a motion to adjourn. Ms. Estrich seconded the motion. The meeting was adjourned by consensus.

The meeting ended at 3:22.