

BUFFALO FISCAL STABILITY AUTHORITY
Meeting Minutes
August 3, 2020

The following are the minutes from the meeting of the Buffalo Fiscal Stability Authority (the “BFSA” or the “Authority”) held on Monday, August 3, 2020. The Board met via teleconference in compliance with New York State Executive Order 202.1 as amended. A transcript of the meeting has been prepared as required. The meeting was called to order at 1:04 PM.

Board Members Present

Chair R. Nils Olsen, Jr.
Interim Vice-Chair Jeanette T. Jurasek
Director Frederick G. Floss
Honorable Byron W. Brown, City of Buffalo Mayor (proxy Estrich)
Honorable Mark C. Poloncarz, Erie County Executive (proxy Swanekamp)

Board Member(s) Excused

Secretary George K. Arthur

Staff Present

Executive Director Jeanette M. Robe
Principal Analyst/Media Contact Bryce E. Link
Senior 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. Gillian Brown, Esq., Executive Director, Buffalo Municipal Housing Authority
Mr. Robert Solomon, Managing Director, Beekman Securities Inc.

Opening Remarks

Chair Olsen welcomed everyone to the August Board meeting, thanked all that were in attendance, and 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.

Chair Olsen stated that the meeting included a review of the Buffalo Municipal Housing Authority’s (the “BMHAs”) proposed Capital Fund Financing Program bond transaction. Additionally, he advised the Directors that the Governance Committee met earlier and approved a recommendation that the full Board approve various BFSA policies, procedures and annual reports. BFSA staff will provide a brief organizational overview.

Chair Olsen stated that the annual Board of Directors self-evaluation form has been approved by the Governance Committee and provided to each Director. This evaluation should be completed and submitted confidentially to staff. The results will be compiled and reviewed at the next Governance Committee meeting scheduled for September 23, 2020. The annual Code of Ethics compliance certification was provided to the Directors for signature and submission to BFSA staff. Chair Olsen noted the self-evaluation and signed Code of Ethics page are to be returned to the BFSA staff using the two separate self-addressed stamped envelopes provided.

Roll Call of the Directors

Secretary Pro Tempore Floss called a roll of Directors. He verified that a quorum was present. The meeting commenced.

City of Buffalo Commissioner of Finance, Administration, 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.

The BFSA Act, §3853, subdivision 1 states: "...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 single designee...."

Approval of the Minutes

Chair Olsen introduced Resolution No. 20-10: "Approving Minutes and Resolutions from June 16, 2020 and June 24, 2020."

Secretary Pro Tem Floss made a motion to approve the minutes.

Interim Vice-Chair Jurasek seconded the motion.

The Board voted 5-0 to approve Resolution No. 20-10.

Buffalo Municipal Housing Authority

Review of Proposed Capital Fund Financing Program Bond Transaction

Chair Olsen advanced the agenda to review the proposed Capital Fund Financing Program transaction. BMHA electronically submitted the review packet to the BFSA on June 25, 2020. Also included is a letter providing additional information dated July 14, 2020 along with a draft of the preliminary placement memo. Chair Olsen stated BMHA Executive Director Gillian Brown, Esq., and Mr. Robert Solomon of Beekman Securities were available to discuss the transaction with the Board after BFSA staff provides a brief summary. He asked BFSA Analyst II Nathan Miller to summarize the transaction.

Mr. Miller stated the following:

Background

On June 20, 2020 the BMHA Board of Commissioners adopted a resolution which authorized its Executive Director to undertake a transaction in an amount not to exceed \$15.0M. The bonds shall be secured on a first priority basis with a pledge of the Department of Housing and Urban Development (“HUD”) Capital Funds to the trustee for the bondholders. The Capital Fund Financing Program (“CFFP”) allows public housing authorities (“PHAs”) to borrow the net present value of up to 33% of the future 20-year HUD Capital Fund Program allocations. The funds allow housing authorities to perform additional capital improvement work and is the first step in a comprehensive revitalization strategy for all BMHA developments. Local PHAs that have utilized this program include Lackawanna (2 projects), Syracuse (2 projects), and Elmira.

The BMHA contracted with the Dominion Due Diligence Group to perform a physical needs assessment (“PNA”) of all BMHA federal properties. The PNA was completed in March 2020 and identified BMHA’s long-term capital needs in excess of \$440.0M. The BMHA submitted the findings to HUD and is awaiting HUD’s final program approval. The PNA will be used as a guide to determine priorities as well as what asset repositioning strategy is best. HUD’s Physical Assessment Sub-System (“PASS”) scores will be a determining factor as to which type of work is ultimately done and which will be addressed in the long-term.

BMHA’s CFFP program currently includes five developments: LBJ Apartments, Frank A. Sedita Apartments, Msgr. Geary Apartments, Stuyvesant Apartments, and the Frederick Douglass Towers at 515 Clinton Street. Total construction costs are estimated at \$13.9M.

Total soft costs including the cost of issuance and the debt service reserve fund are estimated at \$1.1M. The total program is currently proposed at \$15M.

Anticipated Bond Structure

BMHA is planning to issue tax-exempt Capital Fund Housing Revenue Bonds, Series 2020 in the aggregate principal amount not to exceed \$15.0M. The bonds will have a 20-year fixed rate with semi-annual interest payments and annual principal payments. The bonds will be revenue bonds and will not entail a general credit of BMHA or the City of Buffalo (the “City”). The transaction neither causes a change in title nor will a mortgage be granted as security for the bonds. The expected close date will be between January 1 and March 31, 2021. The repayment will be secured by HUD’s annual Capital Fund allocation which is estimated at \$11.6M annually. The transaction will be a private placement sale with Beekman Securities, Inc., listed as the placing agent. The anticipated rating is AA- from Standard & Poor’s.

Secretary Pro Tem Floss asked how the net present value interest rate was determined. Mr. Robert Solomon, Managing Director of Beekman Securities, Inc., replied an interest rate of 2.57% was used to determine the \$15.0M bond limit which is 8% of BMHA’s annual capital funds. HUD permits PHAs to use up to 33% of future 20-year HUD capital fund allocations. If rates decline, the borrowed amount will not change but it will allow for BMHA to use a smaller percentage of their capital funds which will provide more money available for other projects.

Secretary Pro Tem Floss then asked for clarification on the \$750,000 cost of issuance and if the contract was subject to a bidding process. Mr. Solomon stated 5% was used to calculate the cost of issuance and any overage would be remitted back to BMHA.

Chair Olsen gave Mr. Brown and Mr. Solomon the opportunity to provide a summary of the transaction which may address any additional questions the Board may have. Mr. Solomon stated the physical needs analysis took approximately nine months to complete and title searches were completed on all 26 federal properties. All properties were secured with new declarations of trust as required by HUD. BMHA is currently awaiting approval from the local HUD office. Mr. Solomon stated he has worked on more than twenty similar transactions throughout the country and reiterated that the City would be under no obligation for payment as payment is subject to annual HUD appropriation as determined by Congress.

Interim Vice-Chair Jurasek asked for clarification on how HUD will dispense the \$15.0M to BMHA and how repayments will be processed. Mr. Solomon replied HUD will make debt service payments every six months directly to the bond trustee through its Line of Credit Control System (“the LOCCS”). BMHA is not directly involved in the repayment process. The \$15.0M would be reflected in next year’s Capital Fund Budget and HUD will deduct the bond trustee payment of \$970,000 from the annual appropriation BMHA will receive.

Interim Vice-Chair Jurasek asked if any of the properties are beyond their federally determined usable lifespan. Mr. Brown replied that all five of the selected properties are standalone, elderly and disabled developments and were selected because they are not past their useful life but are in desperate need of capital improvements as determined by the PNA. Mr. Brown stated a request for proposal (“RFP”) to conduct the PNA for all 26 BMHA properties was distributed and awarded to Dominion Due Diligence Group. The renovations are expected to increase tenant retention and decrease the vacancy rate.

Secretary Pro Tem Floss asked if RFPs were distributed for all aspects of the transaction. Mr. Brown replied that only the PNA was procured after an RFP process. Bond placement is exempt from that requirement. HUD regulations consider this to be a financing transaction with the underwriter responsible for assembling a financing team and therefore hired professionals that have experience with this type of transaction.

Secretary Pro Tem Floss asked what factors determined the \$15.0M bond and if additional bonding was anticipated for other projects. Mr. Brown replied he decided to keep the transaction as a limited borrowing to insure the BMHA has the capacity to execute the program successfully and then repeat it with additional properties. Procurement and design will begin within the next six months as the funds are required to be obligated and expended within three years from the time of financing.

Secretary Pro Tem Floss questioned if BMHA has a debt service target. Mr. Brown replied there is not a debt service target at this time due to the possibility that capital fund allocations may fluctuate and even decrease which would mean less funding available for additional projects. Regularly scheduled modernization work will continue as outlined in the capital plan.

Ms. Donna Estrich, proxy for Mayor Brown asked if certain costs are deducted from the bond proceeds or the capital improvement budget. Mr. Brown replied all costs associated with the program will be deducted from the capital budget.

Chair Olsen thanked Mr. Brown for the presentation and advanced the agenda.

BFSA Business

Chair Olsen advanced the agenda to BFSA business beginning with the organizational overview given by Ms. Robe.

Ms. Robe stated there are two standing committees: Audit, Finance and Budget and the Governance committees. In the event the Authority were to issue debt on behalf of the City, the Audit Committee would split and there would then be three separate standing committees.

The Audit, Finance and Budget Committee assists the Directors in meeting the BFSA's responsibilities relating to budgeting, financial reporting, internal control review, and the sufficiency of audit procedures. Members of the committee are Chair Olsen, Interim Vice-Chair Jurasek and Director Floss. Additional Directors participate at the request of the Chair; all Directors are invited to attend any committee meeting. The committee meets three to four times per year to review annual BFSA budgets and four-year financial plans, the independent audit, and other material as necessary. Additional meetings will be called as necessary.

The Governance Committee keeps the Board informed of matters involving corporate governance, policies, and procedures. The required annual Board self-evaluation is reviewed by this committee. Members include Chair Olsen, Interim Vice-Chair Jurasek, and Secretary Arthur. Additional Directors participate at the request of the Chair. The committee meets two to three times per year or as necessary to review, renew and/or modify existing operational policies and address other matters as necessary.

Ms. Robe stated a change was recently made to the BFSA bylaws in instances a quorum is unable to be secured for a vote on an action; in such circumstances the Chair may convene an ad hoc committee to conduct business and make recommendations to the full board to affirm at the next full board meeting.

Ms. Robe continued with the overview of the BFSA and reviewed the organizational structure including staff names and primary job responsibilities.

Ms. Robe provided a summary of all negotiating units for all covered organizations including the number of full-time equivalent employees for each unit as well as the expiration date for each collective bargaining agreement ("CBA") as of June 30, 2020.

City of Buffalo:

- PBA (Police) – 748 FTEs, CBA expired 6/30/19;
- Local 282 (Fire) – 738 FTEs, CBA expires on 6/30/24;
- Local 264 (Blue-Collar) – 545 FTEs, CBA expired 6/30/19;
- Local 650 (White-Collar including exempt employees) – 553 FTEs, CBA expires 6/30/24;
- Crossing Guards – 111 employees; CBA in effect through 8/31/19;
- AFSCME 2651 (Building Inspectors) – 56 FTEs, CBA expired 6/30/20;
- Local 264T (Water Caulkers) – 33 FTEs, CBA in effect through 6/30/22; and
- Operating Engineers – 26 FTEs, CBA expired 6/30/20

Buffalo City School District ("BCSD"):

- BTF (teachers) – 3,654 FTEs & 138 PTEs (CBA expired 6/30/19);

- BEST (teacher aids/assistants) – 893 FTEs, 1 PTEs (CBA expired on 6/30/12);
- Su/B (substitutes) – 41 PTEs (CBA expires 6/30/21);
- TAB (bus aides) – 264 PTEs (CBA in effect through 6/30/21);
- PCTEA (white-collar) – 445 FTEs (CBA in effect through 6/30/22);
- Local 264 (blue-collar) – 61 FTEs (CBA expired on 6/30/13);
- Local 264 (Food Service workers):
 - 25 FTEs cook managers (CBA in effect through 6/30/22);
 - 381 PTEs (CBA expires 6/30/22);
 - Varies for summer food service (CBA expired Summer 2019)
- BCSA (administrators) – 257 FTEs (CBA in effect through 9/1/20); and
- Local 409 (engineers) – 46 FTEs (CBA expired on 6/30/10)

Buffalo Municipal Housing Authority (“BMHA”):

- Local 264 (white-collar) – 55 FTEs, CBA in effect through 6/30/23;
- Local 264 (blue-collar) – 70 FTEs, CBA in effect through 6/30/23;
- Local 264 (managers) – 131 FTEs, CBA in effect through 6/30/23;
- Local 17 (operating engineers) – 6 FTEs, CBA in effect through 6/30/23;
- Exempts – 3 FTEs, each with individual contracts; and
- Non-Represented Civil Service – 10 FTEs, at-will with certain New York State civil service protections.

Buffalo Urban Renewal Agency (“BURA”):

- CSEA Local 1000 – 22 FTEs, CBA expired 6/30/20; and
- Exempts – 7 FTEs, employed at-will.

Chair Olsen expressed concern with the expired status of the Buffalo City School District union contracts, and stated it appears unlikely to improve in the near future due to the amount of change required due to the pandemic. Secretary Pro Tem Floss recommended a close monitoring of the spenddown of the District’s reserves because of the number of expired contracts which makes the reserves appear to be overstated.

Chair Olsen stated the Governance Committee met earlier and voted to recommend full Board approval of various procedures and reports and requested a motion to consider these items in one action and approve the following resolutions:

Code of Ethics Res No. 20-11	Whistleblower Policy Res No. 20-16
Mission Statement Res No. 20-12	Lobbying Policy Res No. 20-17
Investment Guidelines Res No. 20-13	Procurement Guidelines No. 20-18
Property Disposal Guidelines Res No. 20-14	Annual Procurement Report Res No. 20-19
Use of Discretionary Funds Policy Res No. 20-15	Prompt Payment Policy Res No. 20-20
	Prompt Payment Report Res No. 20-21

Secretary Pro Tem Floss made a motion to approve the items as recommended by the Governance Committee.

Interim Vice-Chair Jurasek seconded the motion.

The Board voted 5-0 to approve Resolution Nos. 20-11 through 20-21.

New Business

None

Privilege of the Floor

Chair Olsen stated public comments can be submitted to the BFSA via the BFSA website or by calling the office at 715-853-0907 and requested a motion to adjourn.

Secretary Pro Tem Floss made a motion to adjourn.
Interim Vice-Chair Jurasek seconded the motion.

The Board voted 5-0 to adjourn.

The Board adjourned at 1:53 PM.