

BUFFALO FISCAL STABILITY AUTHORITY
Audit, Finance and Budget Committee Meeting Minutes
September 23, 2020

The following are the minutes from the meeting of the Audit, Finance and Budget Committee (the “Committee”) of the Buffalo Fiscal Stability Authority (the “BFSA”) held on Wednesday, September 23, 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 12:35 P.M.

Committee Members Present

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

Additional Directors Present

Mayor Byron W. Brown (Estrich)

Committee Member Excused

Interim Vice-Chair Jeanette T. Jurasek

Staff Present

Executive Director Jeanette M. Robe
Principal Analyst/Media Liaison Bryce E. Link
Senior Analyst II/Manager of Technology Nathan D. Miller
Administrative Assistant Nikita M. Fortune
Comptroller Claire A. Waldron

Additionally Present

Donna M. Gonser, CPA, Partner, Lumsden & McCormick, LLP
Sara M. Dayton, CPA, Partner, Lumsden & McCormick, LLP

Opening Remarks

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

Roll Call

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

Approval of Minutes

Committee Chair Olsen introduced AFB Resolution No. 20-07: “Approval of June 24, 2020 Meeting Minutes,” and requested a motion to approve.

Director Floss made a motion to approve AFB Resolution No. 20-07.

Committee Chair Olsen seconded the motion.

The Committee voted 2-0 to approve AFB Resolution No. 20-07.

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

Committee Chair Olsen noted the receipt of the independent audit of the BFSAs for the fiscal year ended June 30, 2020 and stated the draft financial statements had been provided in the board books for review. Upon full Board approval, they will be issued in "final form." Donna Gonser Partner, from Lumsden & McCormick, LLP, was given the floor to present the audit findings.

Ms. Gonser stated she was charged with the audit due to partner rotation as required by New York State Public Authority Law and announced that Ms. Sara Dayton was also on the call as the previous partner in charge. Ms. Gonser stated the audit was performed remotely due to the pandemic. The BFSAs was granted an unmodified opinion, which is a clean opinion on the financial statements.

Ms. Gonser explained that assets as reported on the Statement of Financial Position decreased by \$8.0M from 2019 primarily due to repayments on notes receivable from the City of Buffalo ("City"), or mirror bonds; \$4.8M was paid in principal and was offset by \$30,000 in amortization of bond premium. Therefore, receivables decreased by almost \$5.0M. Cash also decreased by almost \$1.0M which includes cash equivalents and investments, of which \$5.2M is earmarked for debt service. Total debt declined; therefore, the amount withheld for debt service also declined by \$1.0M. Due from other governments, consisting mainly of sales tax receivable, declined by \$2.0M due to a decrease in revenue because of the recession. Deferred outflows of resources, primarily related to the New York State Employees' Retirement System, changed due to underlying assumptions and is amortized over several years. Liabilities decreased by \$7.7M due to repayments on bonds. The series 2005 bonds were paid off in fiscal year 2020. The remaining bonds are series 2007 and 2015 and total approximately \$12.0M. Deferred inflows of resources are required to be reported on only a government-wide basis only. BFSAs's net position for 2020 totaled a slight deficit of \$228,000 with a restricted portion of \$5.1M at June 30, 2020 less interest payable in the debt service fund. The real net impact is approximately zero based on timing. There was a change in net position of \$96,000 from 2019.

Ms. Gonser reported general revenue decreased by \$21.0M mainly due to the 20% decrease in New York State Aid and Incentives for Municipalities ("State AIM") of \$19.6M for the final AIM payment; however, the funds may be received in the future. Sales tax also declined in the last four months of the fiscal year due to the recession although it has been trending higher than the prior year; the net effect was recognized as a year-to-year \$1.2M decrease. Distributions to the City and Buffalo City School District ("District") decreased by \$20.1M and \$248,000, respectively, as the payments reflect the decrease in general revenues. General and administrative expenses decreased on an accrual basis by \$559,000 due to a change in personnel, a slight increase in salaries offset by a decrease in the Other Post-Employment Benefits ("OPEB") liability, which is a non-cash actuarial adjustment. The change in the total OPEB liability year-to-year was favorable at \$430,000.

Ms. Dayton continued the presentation by reviewing the Communication of Those Charged with Governance and stated the COVID-19 Pandemic (the “Pandemic”) delayed implementation of all accounting standards. Accounting estimates remained the same except for the collectability of State AIM. If it is received it will increase revenue. OPEB was calculated using the alternative measurement method and since no one has received any benefit from it the assumptions were adjusted. The uncertain impact of the Pandemic was also noted.

Ms. Dayton stated there were no difficulties performing the audit. Any suggested adjustments were posted by BFSA’s management. No material weaknesses were found. An informational point regarding GASB Statement No. 87 being implemented in 2022 to recognize all leases as capital leases was disclosed.

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

Director Floss made the requested motion.

Committee Chair Olsen seconded the motion.

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

BFSA Annual Report

Committee Chair Olsen advanced the agenda to the review of the BFSA Annual Report and to delegate authority to the Executive Director, Chair, Interim Vice-Chair and Comptroller to make any necessary changes for its accurate completion. BFSA Executive Director Ms. Jeanette M. Robe began her presentation.

Ms. Robe gave an overview of the components of the BFSA Annual Report. The Annual Report aligns with the requirements of New York State Public Authorities Law, summarizes the accomplishments of the most recent fiscal year ended June 30, 2020, and is usually required to be filed with the New York Authorities Budget Office within ninety days of fiscal year end. Due to the Pandemic, a sixty-day extension for all required filings was issued. The Annual Report will be filed after approval at the next full board meeting. The report is filed with the Office of the State Comptroller and other state officials as required by Public Authorities Law, and is provided to other interested parties who are not required to receive a copy. The three main sections of the report are:

- I. Organizational:
 - A general discussion is provided explaining the purpose, its mission and how the BFSA operated under the statute
 - Governance and administration functions are discussed
 - Enhanced to provide a broad discussion over the financial impact and uncertainty related to COVID-19

II. Summary of Accomplishments:

- Discussion on progress towards fiscal stability by the City of Buffalo and the Covered Organizations since BFSAs inception, along with challenges currently being faced
- Discussion on the significance of the multi-year financial planning process as representing the core of BFSAs financial oversight of the City and the Covered Organizations along with a review of what was conducted by BFSAs over the last year
- A description of each report issued by BFSAs over the last year is provided along with recommendations and comments; thirty-one reports were issued by BFSAs over the past year
- Other areas of fiscal monitoring conducted by BFSAs, such as the monitoring of workforce trends
- Cumulative financial impact schedule which indicates the total impact of the BFSAs as of June 30, 2020 of \$458.6M. The City and Districts estimated cumulative financial impact from the wage freeze is \$240.4M from 2004-2007

III. The four individual reports on the review and analysis of the final budgets and four-year financial plans for each entity. Careful consideration was taken to ensure the Board's actions related to the review of the final financial plan of the City were documented.

Hearing no questions on the Annual Report Ms. Robe proceeded to review the Investment Report.

BFSAs Investment Report

Ms. Robe stated the Annual Report will be filed with the New York State ("NYS") officials and will be posted to the BFSAs website.

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

Director Floss stated the advisory status of the Board has also had a positive impact on the Covered Organizations and asked if the Covered Organization will receive copies of the BFSAs Annual Report. Ms. Robe stated she would ensure each entity receives a copy.

Ms. Robe stated there have been no changes to the Investment Guidelines which were last approved at the August 3, 2020 board meeting. The summary of the investment activity has also been reported in the audited financial statements. Total cash and investments were \$5.5M at cost and \$5.6M at fair market value at June 30, 2020. All investments mature no later than September 1, 2020 except for one investment in State and Local Government treasury securities of \$135,000 which matures September 1, 2021. This investment was structured to avoid any yield restrictions associated with the BFSAs 2015A refunding bond. Total investment earnings for the year were \$154,450; interest earnings are remitted to the City periodically.

The majority was earned from forward delivery agreements, providing guaranteed interest rates ranging between 4.48% and 5.13%, which continues to exceed the market and assists in reducing overall debt costs. The funds are remitted biannually to the City.

There were of investment earnings no investment fees or commission paid with respect to the investment portfolio for 2019-20.

Trustee fees were reported as \$8,663. No fees were paid on operating accounts as the fees were covered by the compensating balances.

Director Floss asked if the of short-term rates are being monitored with respect to the recession. Ms. Robe stated Comptroller Waldron is monitoring investments with our Trustee to maximize the return. The Forward Delivery Agreement rate is locked until those bonds mature.

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

Director Floss made a motion to approve both the 2020 BFSA Annual Report and Annual Investment Report.

Committee Chair Olsen seconded the motion.

The Committee voted 2-0 to accept both Annual Report and Annual Investment Report.

PFM Financial Advisors

Committee Chair Olsen introduced AFB Resolution No. 20-08: “Approve Engagement of Public Financial Management as Financial Advisors.”

Public Financial Management (“PFM”) served as the financial advisor for the BFSA’s period of issuing debt on behalf of the City and retains the historical knowledge related to these complex transactions. The engagement period would be from October 1, 2020 through September 30, 2021 and would extend the terms of the original contract.

Director Floss made a motion to approve AFB Resolution No. 20-08.

Committee Chair Olsen seconded the motion.

The Committee voted 2-0 to approve AFB Resolution No. 20-08.

Adjournment

Committee Chair Olsen asked if there was additional business to be considered by the Committee and commended BFSA staff for its effective collaboration with auditors and obtaining a clean audit. Director Floss also thanked BFSA staff, the City Administration, and Lumsden & McCormick for all the hard work performed during such an unprecedented time.

Director Floss offered a motion to adjourn.
Committee Chair Olsen seconded the motion.

The Committee voted 2-0 to adjourn the meeting.

The Committee adjourned 1:12 P.M.