

**BUFFALO FISCAL STABILITY  
AUTHORITY**

**BFSA**

**Review of Revised  
Four Year Financial Plan**

October 21, 2003

# BUFFALO FISCAL STABILITY AUTHORITY

## **DIRECTORS**

Thomas E. Baker  
*Chairman*

Alair Townsend  
*Vice-Chair*

John J. Faso  
H. Carl McCall  
Ronald M. Pirtle  
Richard Tobe  
Robert G. Wilmers

Joel A. Giambra  
*Erie County Executive*

Anthony M. Masiello  
*Mayor, City of Buffalo*

## **STAFF**

Dorothy A. Johnson, M.S.  
*Executive Director*

Joseph V. Stefko, Ph.D.  
*Principal Analyst*

Robert M. Tocker, M.A.  
*Associate Analyst*

Bertha H. Mitchell, M.B.A  
*Chief Financial Officer*

Heidi Santos  
*Administrative Assistant*

## EXECUTIVE SUMMARY

### ***Background***

In its review of the City of Buffalo's budget modification and four-year Financial Plan dated September 16, 2003, the Buffalo Fiscal Stability Authority (BFSA) noted that:

- ❖ Information provided at that time was insufficient to allow for a thorough, fair and accurate assessment of the implications of the proposals;
- ❖ Reliance on additional County sales tax revenues, which had not yet been provided for through State or County action, was unreasonable;
- ❖ Attrition assumptions in the police contract were uncertain, and the contract would drive up pension costs beyond the City's ability to pay;
- ❖ Proposals relating to firefighter responsibilities were too costly and involved adding responsibilities to firefighter duties that were already adequately covered by other parties more cost-effectively;
- ❖ The City must address wages, fringe benefits and head count in order to bring about structural budgetary balance;
- ❖ The City had not presented a Financial Plan in which the major operating funds were balanced, or a Declaration of Need necessary to enable BFSA financial assistance;
- ❖ The City's optimistic assumptions regarding additional financial assistance from other parties, even if provided, would be insufficient to bring about structural budgetary balance; and
- ❖ Changes in State and/or local law and regulations are critical to the long-term fiscal stability of the City of Buffalo.

### ***Financial Plan Revision***

The City's Financial Plan revision, submitted on October 1, 2003 and amended on October 16, reflects a marked improvement from that submitted on September 2, 2003. Specifically:

- ❖ The City, School District, BURA and BMHA each made a significant effort to provide the information requested by the Authority. In addition, the valuation of the Program to Eliminate the Gap (PEG) actions by the City and School District facilitated the evaluation necessary for the BFSA to make available the financing assistance assumed in each year of the Plan;

- ❖ The City's Plan utilizes reserves from the \$20 million spin-up in 2002-03 (after the \$8.1 million required pursuant to recent court action for implementation of the police contract) and a portion of a \$4.1 million tax lien securitization. These have been made available to cover the additional cost of the police contract in the out-years of the Financial Plan, should retirements not occur as anticipated. Portions of these reserves are also set aside for the 2006-07 fiscal year, should the anticipated waiver of police retention requirements not be granted for the COPS Universal Hiring Grant;
- ❖ The City amended its Plan relating to the Fire Department to obtain net savings of \$1.3 million in 03-04 through closure of 3 fire companies and a reduction in the number of firefighters. Plans for additional departmental savings provide significant savings in the out-years of the Financial Plan as well;
- ❖ The City, School District and Buffalo Urban Renewal Agency (BURA) have each taken steps to address wages and head count in the current year. These steps will have a positive impact on fringe benefits, although it is likely additional action will be necessary to address these benefits in the future;
- ❖ The City presented a Declaration of Need for \$7.8 million in BFSA borrowing in the current fiscal year and additional borrowing in each of the out-years of the Plan (\$13.9 million in 04-05; \$11.8 million in 05-06; and \$4.0 million in 06-07 – or an aggregate of \$37.6 million for the life of the Plan). The School District Plan assumed BFSA borrowing of \$9.6 million in 2004-05; \$4.2 million in 2005-06; and \$6.3 million in 2006-07 – or an aggregate \$20.1 million to balance its Financial Plan. Total BFSA assistance over the life of the Plan is \$57.7 million – well within BFSA's \$175 million bond cap;
- ❖ The Mayor submitted a certificate to the BFSA stating that the budget is consistent with the Financial Plan and that operation within the budget is feasible, complying with Section 3857, 2 (a) of the BFSA Act;
- ❖ It is clear that the structural imbalance continues throughout the Plan, even though significant steps have been taken to close gaps in accordance with the BFSA Act. While the City, School District, BURA and the Buffalo Municipal Housing Authority (BMHA) plans eliminate their deficits, the problems remain significant, as indicated below:
  - The City's Plan includes (over the four-year period) multiple initiatives, including: wage freezes; head count reductions; changes in health benefits; closure of fire companies and restructuring of Fire Department services; cooperative actions with municipalities statewide (through the Municipal Bond Bank Agency's Tax Lien Securitization Program); and local mergers of services with the County. Even with all these actions, the City's Plan relies on a potential sharing of the additional cent of sales tax from Erie County as a primary action

necessary to close deficits of \$30.3 million and \$20.5 million, respectively, in years three and four of the Plan.

- The School District utilizes a series of aggressive recurring actions including: reductions in head count; a wage freeze (except for step and longevity increases); and school closings in each year of the Plan. Nonetheless, the School District's deficit grows to \$31.3 million by 2006-07.
  - BURA's Plan totally eliminates a current year deficit of \$2.4 million through a reduction of 51 positions, an \$885,000 (plus fringe costs) cut in City reimbursements and a reduction in Community Development Block Grant program funding. However, this Agency has also identified a prior years' accumulated deficit of \$5.4 million, which it intends to eliminate over the final 3 years of the Plan.
  - BMHA intends to reduce its imbalance through a transfer of housing from the State to the federal program. While this action could reduce, and eventually eliminate, the Housing Authority's costs to the City, it is fair to say the Plan has not been finalized at this point and will bear careful monitoring.
- ❖ While the City's Financial Plan, including that of the three covered organizations, achieves balance, changes in State and/or local law and regulations continue to be critical to the long-term fiscal stability of the City.

### ***Authority Approval and Certification***

The Buffalo Fiscal Stability Authority hereby approves the Financial Plan submitted by the Mayor on October 16, 2003. The Authority has determined that the Plan is complete and complies with the standards set forth in section 3857, 2 (b) of the Act. BFSA also hereby certifies that it has agreed to and accepted the City's revenue estimates as required in section 3857, 2 (d) of the Act. These revenue estimates are understood and accepted to be as follows:

	2003-04	2004-05	2005-06	2006-07
(in \$ million)				
City	\$280.111	\$285.853	\$296.037	\$299.546
School District	\$616.783	\$615.728	\$626.687	\$622.102
BURA	\$28.915	\$29.315	\$29.335	\$29.355
BMHA	\$29.410	\$29.970	\$30.541	\$31.129
<b>TOTAL</b>	<b>\$955.219</b>	<b>\$960.866</b>	<b>\$982.600</b>	<b>\$982.132</b>

### ***Quarterly Monitoring***

While the BFSA has approved the 2003-04 Financial Plan, the work for the City for the current year is far from over. The City, School District and other covered organizations reviewed for this report will have to employ rigorous oversight in the implementation of the Plan. The Authority expects each entity's independent auditor to submit a comprehensive management letter as part of their regular financial review. Further, BFSA will be looking forward to reviewing the first quarterly report of the City, School District and other covered organizations on November 3, 2003.

The quarterly report must include updated cash flows to reflect actual receipts and disbursements for the first quarter and projections for the remainder of the fiscal year. It must also include a summary of budget data, by major category within funds. Actual receipts and disbursements should be compared to those anticipated at the time the budget was adopted, with an explanation of any variances therefrom. The Act requires that these reports be sent to BFSA, the Common Council, the State Director of the Budget and the State Comptroller. The City may also wish to send copies to the Chairs of the State Senate Finance Committee and the Assembly Ways and Means Committee.

### ***Additional Steps to Fiscal Stability***

While the City of Buffalo, School District and other covered organizations have adopted a balanced Financial Plan, BFSA finds that each of the entities addressed in its initial review must take additional steps immediately, to prepare for adoption of the subsequent Financial Plan in May 2004. That Financial Plan must remain balanced through the 2007-08 fiscal year, the final year for which no bonded assistance will be available from BFSA. Therefore, BFSA will expect action in the following areas:

- ❖ **The City** must immediately begin to implement the Plan, including the head count reduction and closure of fire companies required in the current year budget in order to achieve the full amount of anticipated savings. In addition, it must commence active discussions with Erie County to bring about the initiatives included in the Financial Plan, including the potential additional sales tax sharing proposal, that account for the majority of the PEG actions in the out-years of the Plan.
- ❖ **The School District** must immediately identify and hire a finance professional as Chief Financial Officer (CFO) acceptable to the BFSA and the New York State Education Department, and grant that individual strong power to implement such changes as may be necessary to update and enhance School District financial operations and management. This individual should have expertise in: long-range financial planning; implementing actions to bring about efficiencies; and setting up processes relating to maximizing and claiming State and federal aid, as well as the recovery of underpayments.

- ❖ **BURA** must continue to work with the Dennison Group and immediately begin to implement the changes recommended by this consultant hired by the federal Housing and Urban Development Agency (HUD) to oversee the City's urban renewal plan. Active BURA cooperation with the federal agency represents the City's best hope for restoration of recently held-up housing monies.
- ❖ **BMHA** must continue to work cooperatively with BFSA to develop reliable quarterly reports and realistic projections, and to share additional information on its contractual arrangements with the State and federal governments.

### ***Recommendation***

**After careful review of each of the proposals included in the City, School District, Buffalo Urban Renewal Agency and Buffalo Municipal Housing Authority's programs to eliminate their current- and out-year gaps, the Authority hereby approves the revised Financial Plans.**

This approval is subject to each organization's continued attention to the structural factors driving their budget gaps, as well as a strict timetable for the implementation of the PEG actions presented in the Financial Plan. Aggressive management of each program – through regular monitoring of cash flows and close scrutiny of quarterly financial reports, as required by the BFSA Act – will provide the City, School District and other covered organizations with the discipline needed to ensure that these financial plans become a reality over the next four fiscal years. Actions that contribute to deviations from the Plan (e.g. revenue reductions, cost increases or missed deadlines for implementing recurring PEG actions) will be closely scrutinized, and could force revisions of the financial plans as the City, School District and other covered organizations move through the current and out-years.

The BFSA would remind each of the organizations that these financial plans are roadmaps to long-term fiscal stability. The reasonableness of the proposals contained therein will be aggressively monitored, and revisited annually through a financial planning process that the BFSA Act requires occur each year. Only through this degree of strict fiscal discipline and ongoing attention to detail can these proposals contribute to the community's long-term health. The Authority considers this Plan an acceptable starting point from which to commence this process.

## TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	3
Background .....	3
Financial Plan Revision .....	3
Authority Approval and Certification.....	5
Quarterly Monitoring .....	6
Additional Steps to Fiscal Stability .....	6
Recommendation.....	7
TABLE OF CONTENTS.....	8
OVERVIEW.....	9
Authority Approval and Certification.....	9
City of Buffalo.....	9
School District .....	10
Buffalo Urban Renewal Agency .....	11
Buffalo Municipal Housing Authority.....	11
Summary.....	11
REVISED FOUR-YEAR FINANCIAL PLANS .....	12
City of Buffalo .....	12
Proposed PEG Actions .....	12
BFSA Reaction to Revised Plan.....	16
Declaration of Need .....	17
Police Costs and Reserves .....	17
City School District.....	18
Proposed PEG Actions .....	18
BFSA Reaction to Revised Financial Plan .....	21
Buffalo Urban Renewal Agency .....	22
Deficiencies in September 2, 2003 Submission .....	23
Proposed PEG Actions .....	23
BFSA Response to Revised Plan.....	24
Buffalo Municipal Housing Authority .....	24
Deficiencies in September 2, 2003 Submission .....	24
Proposed Actions .....	25
BFSA Response to Revised Plan.....	25
CONCLUSION .....	25



## OVERVIEW

This report details the Buffalo Fiscal Stability Authority's (BFSA) response to the revised four-year Financial Plans developed by the City of Buffalo, Buffalo City School District, Buffalo Urban Renewal Agency and Buffalo Municipal Housing Authority. The revised plans are a product of the process laid out by New York State in the Buffalo Fiscal Stability Authority Act (the "Act"). That process commenced on September 2, 2003, when each entity submitted a four-year Financial Plan to the BFSA.

The Mayor submitted the City's revised budget on October 1, 2003. BFSA met on October 7 to review the City's submission and question City, School District, Buffalo Urban Renewal Agency (BURA) and Buffalo Municipal Housing Authority (BMHA) officials about the elements of the Plan. During that meeting, suggestions were made for revisions to the Plan, and on October 16, 2003, the final revised Financial Plan was delivered to BFSA for action. Included in the Plan was the Mayor's certification that the revised budget submitted to the Authority is consistent with the Financial Plan and that operation within the revised budget is feasible. The Mayor also submitted a "declaration of need" for BFSA assistance of \$7.8 million.

### ***Authority Approval and Certification***

The Buffalo Fiscal Stability Authority hereby approves the Financial Plan submitted by the Mayor on October 16, 2003. The Authority has determined that the Plan is complete and complies with the standards set forth in section 3857, 2 (b) of the Act. BFSA also hereby certifies that it has agreed to and accepted the City's revenue estimates as required in section 3857, 2 (d) of the Act. These revenue estimates are understood and accepted to be as follows:

	2003-04	2004-05	2005-06	2006-07
(in \$ million)				
City	\$280.111	\$285.853	\$296.037	\$299.546
School District	\$616.783	\$615.728	\$626.687	\$622.102
BURA	\$28.915	\$29.315	\$29.335	\$29.355
BMHA	\$29.410	\$29.970	\$30.541	\$31.129
TOTAL	\$955.219	\$960.866	\$982.600	\$982.132

### **City of Buffalo**

The City's revised Plan takes a more aggressive approach to closing revised gaps of \$12.0 million in the current-year; \$26.3 million in 2004-05; \$30.3 million in 2005-06; and \$20.5 million in 2006-07. Recurring actions proposed would close the current-year gap to \$7.8 million, with BFSA bonding assistance employed to bridge the remainder of the shortfall. Proposed PEG (program to eliminate the gap) actions would close 35 percent of the current-year gap, 47 percent in 2004-05, 61 percent in 2005-06

and 80 percent in 2006-07, meeting or exceeding the State-mandated requirement in each fiscal year.

While BFSA has approved the City's Plan, action must immediately begin to implement the Plan, including the head count reduction and closure of fire companies required in the current year budget. Any delay in Plan implementation could result in loss of savings that would require further Plan modification. If the Plan falls out of compliance, and is not modified in a way acceptable to BFSA within the time period required by the Authority, BFSA will formulate and adopt a Plan to be effective until it approves a revision submitted by the City. The budget, as implemented, must be in compliance with the Financial Plan then in effect. According to Section 3857 2(h) of the BFSA Act, "In no event shall the city operate under a budget that is inconsistent with the Financial Plan." Noncompliance with a Financial Plan could nullify BFSA's willingness to provide the requested \$7.8 million in BFSA assistance in the current year.

The City must also commence active discussions with Erie County to bring about the initiatives included in the Financial Plan that (including the potential additional sales tax sharing proposal) account for the majority of the PEG actions in the out-years of the Plan. The BFSA strongly encourages discussions on additional City-County sharing efforts as a way to further enhance cost effective operations, possible service enhancement and efficiency.

### **School District**

The School District's Plan is improved over its September 2, 2003 submission. The revised four-year strategy includes more realistic revenue and expenditure projections, and reduces out-year budget gaps. The 2003-04 budget remains balanced (as in the initial Plan), but shortfalls in subsequent years have been reduced through an aggressive combination of personnel reductions, limited pay increases and facility closings. Proposed PEG actions would close \$18.1 million of the \$27.7 million gap (65 percent) in 2004-05; \$12.6 million of the \$16.7 million gap (75 percent) in 2005-06; and \$25.1 million of the \$31.3 million shortfall (80 percent) in 2006-07, exceeding the level required by the BFSA Act in each year.

To ensure compliance with the adopted and approved Plan, the School District must immediately identify and hire a finance professional as Chief Financial Officer (CFO) acceptable to the BFSA and New York State Education Department, and grant that individual strong power to implement such changes as may be necessary to update and enhance School District financial operations and management. This individual should have expertise in: long-range financial planning; implementing actions to bring about efficiencies; and setting up processes relating to maximizing and claiming State and federal aid, as well as the recovery of underpayments. While having an adopted plan is an important step toward fiscal stability, implementation is equally as critical. Hiring an appropriate CFO is crucial to ensure optimum financial management and operations.

The BFSA encourages the District to continue its work with consultants to pursue management efficiencies and to maximize State and federal aid. The School District and any and all consultants should keep the BFSA updated as this process moves forward.

### **Buffalo Urban Renewal Agency**

The Buffalo Urban Renewal Agency's revised Plan is more developed than its initial submission, and includes eliminating 51 staff positions; reducing City reimbursements; and implementing a one-year cut in CDBG program costs. These PEG actions would close a \$2.4 million current-year deficit and enable the elimination of past-year accumulated shortfalls of \$5.4 million by 2008. BURA staff has indicated that this Plan, coupled with a consultant's study to reform inept and ineffective financial and programmatic processes within BURA, should enable the Agency to regain its eligibility for federal HOME (Housing Opportunities Made Equal) funds, which were recently held up as a result of management deficiencies.

BURA has taken significant steps toward both fiscal stability and meeting federal Housing and Urban Development (HUD) requirements needed to maximize funding for the City. The Agency must act quickly to implement the Plan it has developed, in all respects. In addition, BURA must continue to work with HUD consultant Dennison Group to ensure that any further changes recommended by this consultant are implemented. Active BURA cooperation with the federal agency represents the City's best hope for restoration of the much-needed housing monies.

### **Buffalo Municipal Housing Authority**

The Buffalo Municipal Housing Authority's revised Plan charts a strategy to reduce its long-term reliance on City subsidies. BMHA proposes to continue moving units from its State to its federal portfolio, and thereby eliminate the City's \$535,000 annual subsidy over the next fiscal year.

BMHA has made a positive start in working cooperatively with BFSA staff. It must continue to provide the documentation necessary for BFSA to track BMHA's progress in achieving its Plan, including development of reliable quarterly reports. Consistent with its authority to review and approve contracts, and to review the operation, management, efficiency and productivity of the City, School District and other covered organizations, BFSA will be reviewing BMHA's contractual arrangements with the State and federal governments.

### **Summary**

The BFSA would remind each of the organizations that these financial plans are simply roadmaps to long-term fiscal stability. The reasonableness of the proposals contained therein will be monitored at least quarterly, and will also be revisited annually

through a financial planning process that the BFSA Act requires each year. Only through this degree of strict fiscal discipline and ongoing attention to detail can these proposals contribute to the City's long-term health. The Authority considers this Plan an acceptable starting point from which to commence this process.

## **REVISED FOUR-YEAR FINANCIAL PLANS**

### ***City of Buffalo***

The City's Plan seeks to close revised annual gaps of \$12.0 million in the current year; \$26.3 million in 2004-05; \$30.3 million in 2005-06; and \$20.5 million in 2006-07. Recurring actions proposed by the City would reduce the current-year gap to \$7.8 million, and rely on BFSA bonded assistance to bridge the remainder. Over the four year Plan, \$37.6 million in BFSA bonds would be used to cover the City's annual shortfalls.

Proposed PEG (Program to Eliminate the Gap) actions would account for \$4.2 million in current-year savings, and \$51.4 million over the period covered by the Plan. New PEG actions as required by the BFSA Act would close 35 percent of the gap in 2003-04; 47 percent in 2004-05; 61 percent in 2005-06; and 80 percent in 2006-07, meeting or exceeding the required level in each year.

The annual shortfalls through 2006-07 have been revised downward since the September 2, 2003 submission to reflect, in part, freezes in all wage increases the City is not contractually obligated to pay; the inclusion of State spin-up aid as part of the pre-PEG budget modification; and increases in some City revenues. The revised Financial Plan relies on a host of PEG actions to meet gap-closure requirements in each fiscal year.

### **Proposed PEG Actions**

The City's revised Plan eliminates 512 staff over four years (not counting BURA cuts), going from a total current head count of 2,894 to 2,699 in the current-year; 2,536 in 2004-05; and 2,382 in 2005-06 and 2006-07. A new "Mayor's initiative" to cut departmental spending across the board would generate \$2.9 million in current-year savings, with recurring values of \$5.4 million in 2004-05, \$5.5 million in 2005-06 and \$5.6 million in 2006-07. The County sales tax revenues that were assumed to produce significant revenues in the initial Plan (\$16.6 million in 2003-04; \$31.1 million in 2004-05; \$43.8 in 2005-06; and \$52.7 in 2006-07) have been postponed until 2006, and a more conservative sharing assumption (i.e., sharing the last cent at a rate equal to the 17 percent distribution of the first 3 cents) has been used. Further, the City's revised Plan reworks the fire reengineering initiative that was summarily described in the September 2<sup>nd</sup> submission. The new proposal assumes neither pay raises for firefighters nor enhanced emergency response services, and calls for fire company

closings, salary freezes and a smaller workforce, collectively generating \$1.3 million in current-year savings.

Mayor's Initiative			
2003-04	2004-05	2005-06	2006-07
\$2.947 m	\$5.375 m	\$5.464 m	\$5.559 m

**Mayor's Initiative:** As a result of the Mayor's request for additional departmental cuts following the BFSAs rejection of the September 2, 2003 Plan, the Administration approved a series of additional reductions totaling \$2.9 million in the current year, \$5.4 million in 2004-05, \$5.5 million in 2005-06 and \$5.6 million 2006-07. A total of 83 positions are eliminated under this initiative, 75 of which are currently filled positions. Assuming departmental budgets at their 2003-04 adopted budget level, savings through 2006-07 through this initiative are greatest in permits (24 percent of the total permit/inspection budget); information systems and administration and finance (14 percent); human resources (9 percent); the Mayor's executive office (8 percent); and community services (7 percent).

MBBA Tax Lien Securitization			
2003-04	2004-05	2005-06	2006-07
\$0	\$2.000 m	\$0.250 m	\$1.500 m

**MBBA Tax Lien Securitization:** The City's revised Plan uses as a new revenue source some of the \$4.1 million it generated through the sale of approximately \$9 million in outstanding property tax receivables to the Municipal Bond Bank Agency. Of the sale price, \$1.1 million has been reserved for receivables not previously written off by the City's Accounting Division. The remaining \$3.0 million is split by the City for use in 2004-05 (\$1.75 million) and 2006-07 (\$1.25 million). In addition, the City projects new recurring revenues each year beginning in 2004-05 as part of a regular sale of delinquent tax liens to MBBA. When proceeds from the recent sale are added to new sales in 2004-05 and beyond, the City projects \$2 million in revenues in 2004-05 (\$1.75 million recent sale, \$250,000 new sale); \$250,000 in 2005-06 (all new sale); and \$1.5 million in 2006-07 (\$1.25 million recent sale, \$250,000 new sale).

Fire Initiative			
2003-04	2004-05	2005-06	2006-07
\$1.258 m	\$4.216 m	\$9.610 m	\$11.174 m

**Fire Initiative:** The revised Plan proposes a fire initiative considerably different from the initial submission. The new proposal would close two fire companies in November 2003 as well as eliminate 22 firefighter positions. A third company would be closed in March 2004, eliminating 21 positions and generating total current-year savings of \$1.3 million. Downsizing would continue in 2004-05, with 24 more positions being eliminated (through natural attrition, layoffs or both). The 2004-05 cuts would save \$4.2 million in new and recurring monies. 72 positions would be cut in 2005-06 producing a

combined \$9.6 million in new and recurring savings. New and recurring savings in 2006-07 would total \$11.2 million.

DMV Initiative			
2003-04	2004-05	2005-06	2006-07
\$0	\$0.500 m	\$0.500 m	\$0.500 m

**DMV Initiative:** The City's Plan calls for a takeover of the adjudication of moving violations from the Department of Motor Vehicles, an initiative that would produce \$500,000 in revenues beginning in 2004-05. The legislative proposal, slated to take effect in 2004-05, would have the City adjudicate moving violations in a fashion similar to other NYS municipalities.

Assessment Merger with County			
2003-04	2004-05	2005-06	2006-07
\$0	\$0.411 m	\$0.482 m	\$0.489 m

Audit Merger with County			
2003-04	2004-05	2005-06	2006-07
\$0	\$0	\$0.267 m	\$0.271 m

Collections Merger with County			
2003-04	2004-05	2005-06	2006-07
\$0	\$0.023 m	\$0.028 m	\$0.029 m

Parks and Recreation Merger with County			
2003-04	2004-05	2005-06	2006-07
\$0	\$1.930 m	\$2.234 m	\$2.297 m

Purchasing Merger with County			
2003-04	2004-05	2005-06	2006-07
\$0	\$0.059 m	\$0.072 m	\$0.073 m

**Functional Mergers with Erie County:** The City's Plan continues to call for a host of functional consolidations with Erie County. The Plan indicates that negotiations would be completed to merge assessment, audit, collections, purchasing and parks/recreation services with the County *in advance of* the 2004-05 fiscal year, such that savings could be realized in that FY. Under the City's Plan, it would pay 75 percent of its savings to the County to cover increased County costs, and realize the remaining 25 percent as savings toward closing the gap. The merger of assessment services would yield savings of \$411,000 in 2004-05; \$482,000 in 2005-06; and \$489,000 in 2006-07. The audit merger would generate cost savings of roughly \$270,000 in both 2005-06 and 2006-07. Consolidating collection services with the County would yield total savings of \$23,000 in 2004-05; \$28,000 in 2005-06; and \$29,000 in 2006-07. The

City projects savings from a purchasing merger to total \$59,000 in 2004-05; \$72,000 in 2005-06; and \$73,000 in 2006-07. Finally, the consolidation of City and County parks and recreation functions would yield \$1.9 million in City-side savings in 2004-05; \$2.2 million in 2005-06; and \$2.3 million in 2006-07.

Solid Waste Enterprise Fund			
2003-04	2004-05	2005-06	2006-07
\$0	\$1.202 m	\$1.206 m	\$1.206 m

**Solid Waste Enterprise Fund:** The City proposes to eliminate transfers from the General Fund to the Solid Waste Enterprise Fund, saving \$1.2 million to the General Fund beginning in 2004-05. By raising the trash collection user fee 9.2 percent, the Solid Waste Enterprise Fund would be made self-sustaining, eliminating the need for the General Fund subsidy.

Privatization of Towing and Storage			
2003-04	2004-05	2005-06	2006-07
\$0	\$0.031 m	\$0.102 m	\$0.114 m

**Privatization of Towing and Storage:** The Plan includes savings from a privatized towing/storage function, where private towing operators would assume work currently performed by City personnel. In addition to one-time revenue from sale of its impound facility (\$1.4 to \$1.7 million), the City's revised Plan projects recurring savings of \$31,000 in 2004-05; \$102,000 in 2005-06; and \$114,000 in 2006-07.

Copy Cost Reductions			
2003-04	2004-05	2005-06	2006-07
\$0	\$0.095 m	\$0.125 m	\$0.125 m

**Copy Cost Reductions:** The City recently renegotiated the final year of its current contract with Xerox for a savings of \$95,000 in 2004-05. A contract with a new vendor beginning in 2005-06 will generate an additional \$125,000 in savings.

Landlord Licensing Fee			
2003-04	2004-05	2005-06	2006-07
\$0	\$0.455 m	\$0.455 m	\$0.455 m

**Landlord Licensing Fee:** Beginning in 2004-05, the City plans to establish a fee to require a certificate of occupancy beyond just multiple dwellings. Applying this \$75-per-three-years fee to single dwellings would generate \$455,000 in new recurring revenue.

Sales Tax Sharing			
2003-04	2004-05	2005-06	2006-07
\$0	\$0	\$10.425 m	\$21.111 m

**Sales Tax Sharing:** The City's revised Plan assumes a more conservative County sales tax sharing arrangement than the September 2, 2003 Plan. Under the revised approach, the City would begin sharing in the eighth cent that Erie County retains totally in 2005-06. That sharing arrangement would mirror what the City already receives of the first three cents of County sales tax – nearly 17 percent. The new revenues would total \$10.4 million in 2005-06 (since it is assumed to begin at the mid-point of that fiscal year) and \$21.1 million in 2006-07 (a full year of sharing). In both years, this “share the penny” initiative is assumed to be the single-largest gap closing action.

Encompass C Health Cost Sharing			
2003-04	2004-05	2005-06	2006-07
\$0	\$0	\$1.150 m	\$3.772 m

**Encompass C Health Cost Sharing:** The City's Plan proposes that all bargaining units accept a health care cost sharing arrangement that exempt employees and new hires currently receive. By that plan, the City pays 100 percent of the lowest cost plan (Independent Health's “Encompass C”), and employees contribute 100 percent of the difference between this lowest-cost plan and any higher-cost plan they opt into. The revised Plan projects savings of \$1.2 million in 2005-06 and \$3.8 million in 2006-07. Should the City not obtain consent from its various bargaining units on this cost sharing arrangement, it indicates that 25 additional employees would be laid off in 2005-06 and 82 in 2006-07.

Elimination of BMHA Subsidy			
2003-04	2004-05	2005-06	2006-07
\$0	\$0.250 m	\$0.500 m	\$0.500 m

**Elimination of BMHA Subsidy:** The City's revised Plan integrates the elimination of this subsidy to the Buffalo Municipal Housing Authority for Frederick Douglass Towers. The savings will be enabled as part of BMHA's Plan to transfer the facility from its State portfolio to its federal portfolio. The subsidy of \$500,000 per year is assumed to be eliminated halfway through FYE 2004, and fully annualized as recurring savings in the years that follow.

### **BFSA Reaction to Revised Plan**

<p><b>The BFSA agrees to the implementation of the City's proposed PEG actions in the revised budget modification and four-year Financial plan.</b></p>
---

In order to facilitate timely and effective implementation of these proposals, the BFSA recommends that the City continue its work with partners on those proposals that



are out of the exclusive purview of the City. In particular, the City must commence active discussions with Erie County to bring about the initiatives included in the Financial Plan that (including the potential additional sales tax sharing proposal) account for the majority of PEG actions in the out-years of the Plan.

In order that revenue and savings projections can be fully realized in a manner consistent with the Mayor's Financial Plan, the BFSA requests that all proposals requiring negotiation with outside parties be completed, and agreements in place, no later than May 1<sup>st</sup> of the fiscal year preceding their appearance in the Mayor's proposed budget. In other words, for PEG initiatives to appear in the Mayor's budget for a given fiscal year (per the revised Financial Plan), all requisite negotiations must be completed, and agreements received, no later than the May 1<sup>st</sup> presentation of the Mayor's proposed budget for that FY.

### **Declaration of Need**

While BFSA is empowered to provide bonded assistance to help the City close its gaps during the period covered by the Plan, the Buffalo Fiscal Stability Act requires that the City prepare a "declaration of need" requesting such assistance:

"The City shall determine and declare whether it requests the Authority to undertake a financing of costs. Any such request shall be made by and through the Mayor after approval by the Council. Any such financing shall be consistent with the adopted budget and Financial Plan of the City..." (§3861)

In submitting a formal declaration of need for \$7.8 million with the revised budget modification and Financial Plan, the City enables BFSA to use its borrowing powers to help the City bridge its current-year gap. The BFSA will continue discussions with the City, both through the quarterly reporting process and regular monitoring of cash statements, as well as an evaluation of all budgeted revenues and expenditures, to determine the amount of bonded assistance it will require. Should the City need less than \$7.8 million in bonded assistance to assure budget balance in accordance with generally accepted accounting principles (GAAP), BFSA will assist in determining and borrowing the appropriate amount. With submission of this declaration, preparation of a balanced budget and meeting of the minimum gap closure percentage (35 percent) required by the Act, it is the BFSA's conclusion that the City is now eligible to receive bonded assistance to balance its 2003-04 budget.

### **Police Costs and Reserves**

Two additional areas with potential cost implications for the City during the period covered by the Financial Plan are the police contract and the COPS Universal Hiring grant. First, the police contract provides the City with a means to reduce its force from 877 officers to 675 by 2005-06. The contract contains a no-layoff clause, however, meaning that this attrition will have to occur naturally through retirements and leaves.

Should attrition projections not be met in any year(s) of the contract (to 817 by end of FY 2003-04; to 757 by end of FY 2004-05; and to 675 by end of FY 2005-06), the City would bear the cost of the difference between the projection and the number of officers that actually remain. On the other hand, a pro-active approach to accelerate attrition beyond the benchmarks in the contract could have a significant benefit, relieving some of the cost-cutting pressure on the Fire Department and other City functions.

The COPS Universal Hiring grant represents another potential out-year cost to the City. In accepting the \$5.4 million grant over three years, the City agrees to fund 32 officer positions through grant monies and retain them all for an additional year beyond the grant period (2006-07). The cost to the City of this retention year would be roughly \$2.5 million, though the City anticipates being eligible for a waiver of this retention requirement.

The City will have reserves from the \$20 million spin-up in 2002-03 (\$11.9 million after reserving the \$8.1 million required by a court judgment) and a portion of a \$4.1 million tax lien securitization which may be used to cover the additional cost of the police contract in the out years of the Financial Plan, should retirements not occur as anticipated. Portions of these reserves are also set aside for the 2006-07 fiscal year, should the anticipated waiver of police retention requirements not be granted for the COPS Universal Hiring grant.

### ***City School District***

The School District's Plan is balanced in the current year, as a result of actions that bridged a \$37.4 million shortfall. The District's out-year Financial Plan includes additional PEG actions to close revised budget gaps of \$27.7 million in 2004-05; \$16.7 million in 2005-06; and \$31.3 million in 2006-07. The Plan provides for recurring savings of \$55.7 million over the entire period, through the closing of schools, increased class sizes, program consolidation, limited wage increases and personal service reductions. The Plan assumes a reliance on BFSA bonded assistance totaling \$20.1 million over the period 2004-05 to 2006-07.

The revised Plan presents budget gap projections that are substantially lower than those presented in the September 2, 2003 submission. District officials attribute this discrepancy to more reasonable revenue and expenditure assumptions and the removal of wage increases the School District is not already contractually-obligated to pay.

### **Proposed PEG Actions**

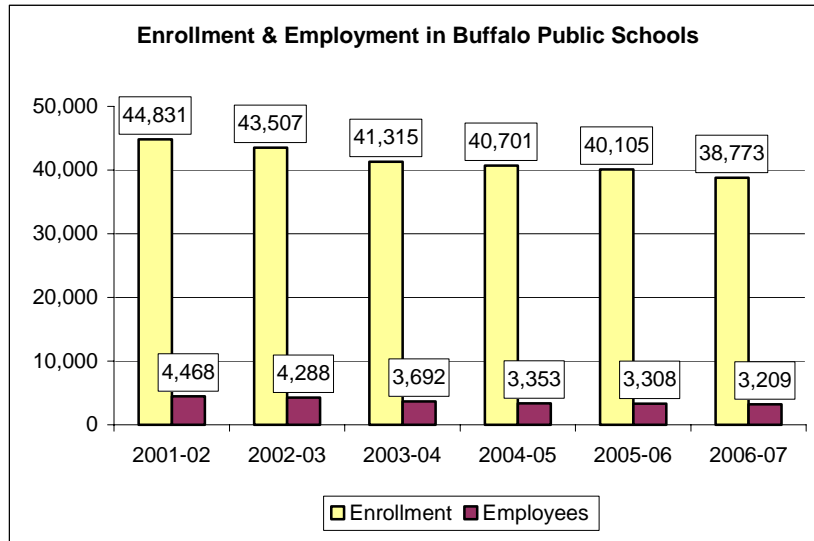
The District's Plan calls for school closings and staff reductions as the centerpieces of its gap closing program. The Plan would close at least 10 schools by 2006-07 along with 483 staff cuts, generating \$36.7 million in aggregate savings. By removing all wage increases it is not contractually-obligated to pay, the District's revised

Plan saves \$7.8 million next year; \$14.8 million in 2005-06; and \$22.2 million in 2006-07.

School Closings, Attrition and Layoffs			
2003-04	2004-05	2005-06	2006-07
\$0	\$18.099 m	\$26.152 m	\$36.711 m

**School Closings, Attrition and Layoffs:** The District's Plan calls for closing four schools – plus one partial shutdown – in 2004-05. In addition to \$1.3 million in saved facility and transportation costs, this proposal would enable the elimination of 339 staff positions. This figure would include 218 teaching staff, 62 teacher aides, 20 white collar clerical staff, and 17 administrative personnel, in addition to blue collar, trades and engineer cuts. Recurring savings from these 2004-05 facility and staff reductions are projected at \$18.1 million. In 2005-06, the closing of 3 schools and attrition of 45 staff would increase recurring savings to \$26.2 million. In 2006-07, 3 more school closings and 99 staff reductions would create \$36.7 million in recurring savings.

As the following graph illustrates, proposed personal service cuts through 2006-07 would bring the total reduction in staff to 28 percent since 2001-02. This is compared with a 13.5 percent decrease in student enrollment over the same period.



Sales Tax Sharing			
2003-04	2004-05	2005-06	2006-07
\$0	\$0	\$2.500 m	\$9.000 m

**Sales Tax Sharing:** Compared to its initial submission, the District's revised Plan calls for a more conservative sharing arrangement for the eighth cent of County sales tax. The new arrangement would begin halfway through the 2005-06 fiscal year,

generating \$2.5 million in new revenues in 2005-06 (only a portion of the year) and \$9.0 million in 2006-07 (for a full year).

Substitute Teacher Automation System			
2003-04	2004-05	2005-06	2006-07
\$0	\$0	\$0.600 m	\$0.600 m

**Substitute Teacher Automation System:** As part of a multi-year initiative to implement an integrated staff data management system, the District proposes to adopt the E-School Solutions substitute teacher calling system by 2005-06. The initiative is projected to generate \$600,000 in recurring savings to the District through better tracking of: employment trends; certification status; unemployment; workers compensation; and sick leave abuse. The new system will also: provide monitoring capabilities to: ensure that substitutes are called only for approved absences; assist in determining whether the substitute budget is exceeded; and assist in determining whether substitutes are appropriately funded through applicable grant lines.

ATLAS System			
2003-04	2004-05	2005-06	2006-07
\$0	\$0	\$1.400 m	\$1.400 m

**ATLAS System:** Project ATLAS (Actualizing Technologies for Local Academic Support) is a support service authorized by the Board of Education in June 2003 to train District educators on the use of electronically stored and managed data. The objective of the program is to target inefficiencies created through obsolete systems of data management and recording, such as pencil and paper-based systems. By 2005-06, the District expects the use of a student information system and decision support system to replace its \$1.4 million annual service contract for data storage through the Board of Cooperative Educational Services.

Move to Maximum Class Sizes			
2003-04	2004-05	2005-06	2006-07
\$0	\$0	\$0	\$2.500 m

**Move to Maximum Class Sizes:** The District anticipates that a move to larger class sizes (an average of 26 students) will enable it to reduce teaching staff (beyond attrition caused by school closings) by 2006-07, generating \$2.5 million in additional recurring savings.

Surplus from 2004-05			
2003-04	2004-05	2005-06	2006-07
\$0	\$0	\$0	\$3.000 m

**Surplus from 2004-05:** The District's Plan proposes to use \$3.0 million in reserved surplus funds from 2004-05 as a one-shot gap closer in 2006-07.

## **BFSA Reaction to Revised Financial Plan**

**The BFSA agrees to the implementation of the School District's proposed PEG actions proposed in the revised budget modification and four-year Financial plan.**

However, the School District must immediately identify and hire a finance professional as Chief Financial Officer (CFO) acceptable to the BFSA and New York State Education Department, and grant that individual strong power to implement such changes as may be necessary to update and enhance School District financial operations and management. This individual should have expertise in: long-range financial planning; implementing actions to bring about efficiencies; and in setting up processes relating to maximizing and claiming State and federal aid, as well as the recovery of underpayments.

The BFSA also urges the District to immediately attend to the following cost centers not addressed in its Plan, to ensure that the Financial Plan remains balanced through the 2007-08 fiscal year, when BFSA bonded assistance will no longer be available:

### ❖ Facility Contract Process

BFSA questions and requires the District to evaluate the current practice of giving salaried operating engineers at each building a lump sum allowance to cover expenses related to cleaning, grounds work and related tasks. By placing an average lump sum allowance of \$225,000 in the exclusive control of the operating engineer at each facility, the District forfeits the right to administer the selection of contractors and to monitor the completion of jobs for which it is (through its engineers) contracting. Recent experience bears this point out, with one of the District's chief engineers pleading guilty to fraud just last month. Furthermore, the current arrangement makes building engineers "independent contractors" for the purpose of hiring, firing or purchasing equipment – a significant obstacle to enhancing the District's fiscal discipline, particularly given the fact that the District does not maintain (nor can it obtain from the engineers) records on these disbursements. The Public Employment Relations Board recently ruled that operating engineers must present records to the District on contractors, payments and the amount of the allowances that go unused. The District should seize this opportunity to evaluate its current process.

### ❖ Termination Pay

A costly provision in the existing School District's bargaining agreement with teachers and administrators is "termination pay." Termination pay enables eligible retirees within the union to collect a significant lump sum payout upon retirement, in

addition to pension benefits and payment for unused sick and personal leave time. According to the current contract, “eligible teachers who notify the Board of Education in writing on or before August 15<sup>th</sup> of their intention to retire before September 1 of the same calendar year shall receive an Early Retirement Incentive within sixty (60) days following the effective date of their retirement. The Early Retirement Incentive shall be a percentage of the difference between the final salary of the retiree and the minimum annual beginning salary for the retiree’s position at the time of retirement.”

The amount of the payout is calculated as 70 percent of the difference between the retiree’s final salary and the minimum annual beginning salary for a Master’s degree/step 1 teacher. For example, a teacher with a Master’s degree and 25 years of experience would retire at a current salary of \$70,318. The starting salary for a Master’s degree/step 1 today is \$36,997. The calculation of the payout amount would be:

$$\begin{array}{r} \$70,318 \text{ (salary at time of retirement)} \\ \$36,997 \text{ (starting salary of Master's degree, step 1 teacher)} \\ \hline \$33,321 \text{ (difference)} \times 70\% = \mathbf{\$23,325 \text{ (payout amount)}} \end{array}$$

According to the District, the adopted 2003-04 budget provides for \$6.2 million in termination pay. That figure increases to \$8 million in 2004-05 due to an expected higher rate of retirement. In addition to the cost that termination pay levies on the District each year, it also represents a potential financial pitfall in that the District could face budget shortfalls if retirements exceed projections. While special, periodic uses of retirement incentives could prove helpful in managing head counts, including such a provision as a regular benefit in union contracts will cost the District money even where incentivizing retirement is unnecessary.

BFSA urges the District to reconsider retaining this as a regular benefit in future contracts.

### ***Buffalo Urban Renewal Agency***

The Buffalo Urban Renewal Agency’s revised Plan includes actions to close a \$2.4 million current-year budget gap, as well as incrementally reduce a multi-year accumulated shortfall of approximately \$5.4 million. BURA’s Financial Plan would close the current-year deficit through a combination of staff reductions, lower reimbursements to the City, and one-time cuts in costs of Community Development Block Grant (CDBG) programming. The Agency would begin paying down its accumulated deficit in 2004-05 through annual “surpluses,” and would completely retire it by 2007-08.

### Deficiencies in September 2, 2003 Submission

The BFSA rejected the first Financial Plan submitted by BURA on a number of grounds. First, the Authority considered the Financial Plan to be incomplete. It lacked information on current and projected staffing levels; actions related to employee costs; and, most importantly, a sound, reasonable and comprehensive financial strategy to eliminate the current-year gap and accumulated deficit. BURA's original Plan proposed to target its current-year deficit through the use of CDBG funds, a proposal that the Agency itself noted would "be a difficult plan to sell (to HUD)."

### Proposed PEG Actions

BURA's revised Plan is considerably more developed than its initial submission, with actions including eliminating staff positions; reducing City reimbursements; and implementing a one-year cut in CDBG program costs. These PEG actions would close a \$2.4 million current-year deficit and enable the elimination of a past-year accumulated shortfall of \$5.4 million by 2008. BURA staff have indicated this aggressive Plan, coupled with a HUD consultant's study to reform inept and ineffective financial and programmatic processes within BURA, should enable the Agency to regain its eligibility for federal HOME (Housing opportunities Made Equal) funds, which were recently withheld as a result of management deficiencies.

The centerpiece of BURA's Plan to eliminate the current-year gap is \$1.2 million in salary costs savings, generated through the reduction of 51 salaried positions. The \$5.4 million accumulated deficit will be closed by 2007-08 through a combination of: increased program income (i.e., enhanced collection of outstanding loans); sale of assets (i.e. approximately 100 parcels of land and two buildings); and reductions in other grant program costs.

Staff, Reimbursement and Program Reductions			
2003-04	2004-05	2005-06	2006-07
\$2.354 m	\$0	\$0	\$0

**Staff, Reimbursement and Program Reductions:** BURA proposes to cut 51 salaries positions, generating \$1.2 million in recurring savings beginning in the current budget year. Fourteen positions would be eliminated from the Office of Strategic Planning (City officials paid through BURA grant funds), 31 would be cut from BURA itself, 4 would be shed by the Buffalo Economic Renaissance Corporation and 2 would be dropped from the Buffalo Neighborhood Redevelopment Corporation. The personal service reductions would reduce total BURA staff by 34 percent. BURA will also reduce the amount it reimburses the City for inspectors and select administrative positions, producing \$885,000 in recurring savings beginning in the current year. Finally, BURA will close the remainder of the \$2.4 million current-year deficit through reductions in the amounts and number of its programs, specifically those underwritten by Community Development Block Grant funds.

## **BFSA Response to Revised Plan**

**The BFSA agrees to the implementation of the PEG actions proposed in BURA's revised budget modification and four-year Financial plan.**

The BFSA is encouraged by the aggressive Plan submitted by BURA to close its current-year gap, as well as the strategy to completely cover its substantial accumulated deficit by 2007-08. The Authority hereby approves BURA's four-year Financial Plan, and urges it to begin implementation of the proposals as quickly as possible. The BFSA also urges BURA to aggressively implement recommendations from the ongoing Dennison Group consulting study, once available, where they can contribute additional efficiencies. Only when BURA has put its fiscal house in order will the federal government through HUD be prepared to once again fully invest in Buffalo. The Authority considers this Plan a strong strategy to that end.

### ***Buffalo Municipal Housing Authority***

BMHA's revised Financial Plan is not dramatically different from its first report, though it does provide additional detail on its financial relationship to the City of Buffalo. Historic trends, prospective cash flows and detailed narratives from both the State and federal program were included in the revised Plan. BMHA also provided current and projected staffing levels, audits, labor contracts, and explanations of the assumptions underpinning their budget and Financial Plan.

BMHA projects deficits (which it indicates would be fully covered by HUD-mandated reserves) of \$1.1 million in the current year; \$419,000 in 2004-05; \$234,000 in 2005-06; and \$152,000 in 2006-07. The operating fund of its federal portfolio would be \$49,000 in surplus by 2008, according to its projections.

### **Deficiencies in September 2, 2003 Submission**

The BFSA rejected BMHA's first Financial Plan for a number of reasons. Most importantly, the Authority considered the Financial Plan incomplete. It lacked information on current and projected staffing levels; actions related to employee costs; and, most critically, a sound, reasonable and comprehensive financial strategy to eliminate the current- and out-year gaps. In addition, BMHA had provided no justification or historical trends to convince the BFSA of the reasonableness of assumptions relating to revenue and expenditure changes over the course of the plan. Financial information was not provided in such form, or at such a level of detail, to permit BFSA to complete a thorough, fair and accurate assessment of the Plan.



## **Proposed Actions**

Through a strategy of using New York State reserves to offset annual operating deficits of the 515 Clinton complex and the continued maintenance of Kensington Heights, BHMA has significantly reduced its reliance on new State and City revenues over the past several years. By the close of this calendar year BMHA expects to transfer the 515 Clinton complex into its federal portfolio, further reducing dependence on State and City subsidies. BMHA has eliminated its dependence on an annual City program subsidy. The City's cost has been reduced from \$2.5 million in 2001 to \$535,000 in the current year.

BMHA intends to continue transferring units from its State holdings to its federal portfolio through December 2007, in an effort to completely eliminate the City liability in its State portfolio. Additionally, in preparation for the Authority's disposal of Kensington Heights (anticipated by December 2004), BMHA is lobbying the State to transfer approximately \$1 million in unused reserve balance to the City.

The deficits shown in BMHA's initial Plan were not, according to BMHA, true operating deficits. HUD requires housing authorities of BMHA's size to maintain reserves of \$3 million, and BMHA regularly uses these funds to bridge yearly budget gaps. This was not evident in their September 2, 2003 submission to the BFSA.

## **BFSA Response to Revised Plan**

<p><b>The BFSA agrees to the implementation of the actions proposed in BMHA's revised budget modification and four-year Financial Plan.</b></p>
---

While BFSA is willing to approve the revised BMHA Plan as presented, additional effort is being made to identify and analyze the issues associated with the contracts BMHA has entered into, and any possible financial implications for the City, as well as its ability to make affordable housing available to residents. Therefore, BFSA has filed a Freedom of Information Act request to obtain copies of all contracts between HUD and the Housing Authority. BMHA must continue to work cooperatively with BFSA to develop reliable quarterly reports and share additional information on its contractual arrangements with the State and federal governments.

## **CONCLUSION**

After careful review of each of the proposals included in the City, School District and other covered organizations' programs to eliminate their current- and out-year gaps, the Authority hereby accepts the City-wide revised Financial Plan. This acceptance is conditioned upon each organization's continued attention to the structural factors driving

their budget gaps, as well as adherence to a strict timetable for the implementation of the PEG actions presented in the Financial Plan and agreed to by the BFSA. Aggressive management of each program – through regular monitoring of cash flows and close scrutiny of quarterly financial reports, as required by the BFSA Act – will provide the City, School District and other covered organizations with the discipline needed to ensure that these Financial Plans become a reality over the next four fiscal years. Actions that contribute to deviations from the Plan (e.g. revenue reductions, cost increases or missed deadlines for implementing recurring PEG actions) will be carefully evaluated, and could force revisions of the Financial Plans as the City, School District and other covered organizations move through the current and out-years.

As the following summaries and roll-up analysis show, the City, School District and other covered organizations have met (or exceeded) gap closure percentages required by the BFSA Act. Further, the Financial Plan makes use of BFSA bonded assistance that the City is eligible for, having met all required conditions of the Act. The amount of bonded assistance used to balance the budget is \$7.8 million in 2003-04; \$23.5 million in 2004-05; \$16.0 million in 2005-06; and \$10.3 million in 2006-07.

\* Note: The values that appear for PEG actions in the following tables reflect only the values of new PEG actions introduced in each year, as opposed to the preceding tables which reflect new and recurring values. The BFSA Act requires that only the value of new PEG actions be considered as part of the gap closing percentage in each year. The recurring value of previously-adopted and implemented actions is integrated in the above-the-line calculation of the gap.

## CITY NEW PEG ACTIONS AND VALUE (BY YEAR)

<b>Mayor's Initiative</b>			
<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
\$2.947 m	\$2.428 m	\$0.089 m	\$0.095 m
<b>MBBA Tax Lien Securitization</b>			
<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
\$0	\$2.000 m	\$0.250 m	\$0.250 m
<b>Fire Initiative</b>			
<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
\$1.258 m	\$2.958 m	\$5.394 m	\$1.564 m
<b>DMV Initiative</b>			
<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
\$0	\$0.500 m	\$0	\$0
<b>Assessment Merger with County</b>			
<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
\$0	\$0.411 m	\$0.071 m	\$0.007 m
<b>Audit Merger with County</b>			
<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
\$0	\$0	\$0.267 m	\$0.004 m
<b>Collections Merger with County</b>			
<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
\$0	\$0.023 m	\$0.005 m	\$0.001 m
<b>Parks and Recreation Merger with County</b>			
<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
\$0	\$1.930 m	\$0.304 m	\$0.063 m
<b>Purchasing Merger with County</b>			
<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
\$0	\$0.059 m	\$0.013 m	\$0.001 m
<b>Solid Waste Enterprise Fund</b>			
<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
\$0	\$1.202 m	\$0.004 m	\$0
<b>Privatization of Towing and Storage</b>			
<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
\$0	\$0.031 m	\$0.071 m	\$0.012 m
<b>Copy Cost Reductions</b>			
<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
\$0	\$0.095 m	\$0.125 m	\$0
<b>Landlord Licensing Fee</b>			
<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
\$0	\$0.455 m	\$0	\$0
<b>Sales Tax Sharing</b>			
<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
\$0	\$0	\$10.425 m	\$10.686 m
<b>Encompass C Health Cost Sharing</b>			
<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
\$0	\$0	\$1.150 m	\$3.772 m
<b>Elimination of BMHA Subsidy</b>			
<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
\$0	\$0.250 m	\$0.250 m	\$0

## SCHOOL DISTRICT NEW PEG ACTIONS AND VALUE (BY YEAR)

School Closings, Attrition and Layoffs			
2003-04	2004-05	2005-06	2006-07
\$0	\$18.099 m	\$8.053 m	\$10.559 m
Sales Tax Sharing			
2003-04	2004-05	2005-06	2006-07
\$0	\$0	\$2.500 m	\$9.000 m
Substitute Teacher Automation System			
2003-04	2004-05	2005-06	2006-07
\$0	\$0	\$0.600 m	\$0
ATLAS System			
2003-04	2004-05	2005-06	2006-07
\$0	\$0	\$1.400 m	\$0
Move to Maximum Class Sizes			
2003-04	2004-05	2005-06	2006-07
\$0	\$0	\$0	\$2.500 m
Surplus from 2004-05			
2003-04	2004-05	2005-06	2006-07
\$0	\$0	\$0	\$3.000 m

## BURA NEW PEG ACTIONS AND VALUE (BY YEAR)

Staff, Reimbursement and Program Reductions			
2003-04	2004-05	2005-06	2006-07
\$2.354 m	\$0	\$0	\$0

## REVISED GAP AND PEG ACTION SUMMARIES

CITY: Revised Gaps			
2003-04	2004-05	2005-06	2006-07
\$12.016 m	\$26.253 m	\$30.258 m	\$20.492 m
CITY: Value of New PEG Actions			
2003-04	2004-05	2005-06	2006-07
\$4.205 m	\$12.341 m	\$18.418 m	\$16.455 m
CITY: Percentage of Revised Gap Closed			
2003-04	2004-05	2005-06	2006-07
35%	47%	61%	80%
CITY: Remaining Gap (Amount of BFSA Bonding)			
2003-04	2004-05	2005-06	2006-07
\$7.811 m	\$13.912 m	\$11.840 m	\$4.037 m

SCHOOL DISTRICT: Revised Gaps			
2003-04	2004-05	2005-06	2006-07
\$0	\$27.736 m	\$16.737 m	\$31.324 m
SCHOOL DISTRICT: Value of New PEG Actions			
2003-04	2004-05	2005-06	2006-07
\$0	\$18.099 m	\$12.553 m	\$25.059 m
SCHOOL DISTRICT: Percentage of Revised Gap Closed			
2003-04	2004-05	2005-06	2006-07
–	65%	75%	80%
SCHOOL DISTRICT: Remaining Gap (Amount of BFSA Bonding)			
2003-04	2004-05	2005-06	2006-07
\$0	\$9.637 m	\$4.184 m	\$6.265 m

BURA: Revised Gaps			
2003-04	2004-05	2005-06	2006-07
\$2.354 m	\$0	\$0	\$0
BURA: Value of New PEG Actions			
2003-04	2004-05	2005-06	2006-07
\$2.354 m	\$0	\$0	\$0
BURA: Percentage of Revised Gap Closed			
2003-04	2004-05	2005-06	2006-07
100%	–	–	–
BURA: Remaining Gap (Amount of BFSA Bonding)			
2003-04	2004-05	2005-06	2006-07
\$0	\$0	\$0	\$0

## ROLL-UP GAP AND PEG ACTION SUMMARIES

FINAL ROLL-UP: Revised Gaps			
<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
\$14.370 m	\$53.989 m	\$46.995 m	\$51.816 m
FINAL ROLL-UP: Value of New PEG Actions			
<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
\$6.559 m	\$30.440 m	\$30.971 m	\$41.514 m
FINAL ROLL-UP: Percentage of Revised Gap Closed			
<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
46%	56%	66%	80%
FINAL ROLL-UP: Remaining Gap (Amount of BFSA Bonding)			
<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
\$7.811 m	\$23.549 m	\$16.024 m	\$10.302 m