

FOUR YEAR FINANCIAL PLAN
JULY 1, 2010 – JUNE 30, 2014
SUMMARY NARRATIVE OF BUDGET AND FINANCIAL PLAN

BUDGETARY ASSUMPTIONS

Grant Revenues

Grant revenues administered by BURA are based primarily on funding allocations from the federal government. Several significant factors affect the grants BURA receives:

1. Population is one of the factors used in the allocation formulas established by federal law for distributing grant funds. Population changes will become an issue in the period covered by the four-year plan as numbers are based on the national census that will occur in the year 2010. Those effects cannot be forecasted as population is only one factor.
2. We received a final authorization from HUD for 2010-2011. In the 2010-11 funding authorization, funds allocated to the grant programs remained essentially at the same level except CDBG grant:
 - Community Development Block Grant (CDBG) program was allocated \$17,409,073 – an increase of \$1,317,551;
 - \$5,073,088 for the HOME program – a decrease of \$8,788;
 - \$705,483 for Emergency Shelter Grant (ESG) - a \$1,427 decrease;
 - Housing for Persons with Aids (HOPWA) – an increase of \$43,367 to the new level of \$565,329, and
3. BURA received several one-time grants in the last year and keep spending:
 - \$6,594,081 for the Emergency Shelter Grant for Homeless Prevention and Rapid Re-Housing Program was awarded. The grant should be spent within 3 years. The grant and related expenses are included in our four-year budget.
 - BURA applied for and was awarded \$1,552,000 of Block-by-Block Grant funds from the NYS Affordable Housing Corp. (AHC). This grant consists of \$400,000 of AHC Subsidy funds for Acquisition Rehab and \$1,152,000 for Home Improvement. The funds should be spent within 2 years. The grant and related expenses are included in our four-year budget.
 - BURA applied for and was awarded a Neighborhood Stabilization Grant of \$2,635,019. This is a fixed 45-month grant that was a joint application with the Town of Cheektowaga. Funding is provided for demolition, housing rehabilitation and a pilot land bank. The grant and related expenses are included in our four-year budget.

We continue to look for other sources of grant revenues to further the economic development and housing objectives of BURA.

Program Income

Program income for the CDBG and HOME grants is budgeted at expected amounts. At this time we have budgeted amounts at prior year level. The program income budget includes amounts earned by our subrecipients. HUD regulations require that BURA report and monitor the use of program income generated by subrecipients. Should that income not be used by the subrecipient for allowable grant activities, BURA has the right, and the responsibility to recover that income and use it for additional grant activities. We will however conduct fiscal monitoring of the subrecipients to determine the sources and uses of the reported funds and to ensure compliance with grant requirements.

Budgetary Considerations Derived from Grant Regulations

1. Grant dollars and related program income are restricted for use in conducting eligible activities as specified under the applicable grant regulations.
2. Grant revenues recognized under BURA's grant programs are forecast at an amount equal to allowable grant expenditures, subject to the limit of the grant award and any program income generated through grant activities.
3. Administrative Cost Caps
 - a. A regulatory cost cap for planning and administrative costs under the CDBG program is established at 20% of the total of the grant amount plus any program income generated by grant activities.
 - b. The HOME administrative cost cap is established at 10% of the total of the grant amount and grant program income. Similar caps of 9.3%, 5% and 3% exist for the CDBG-R Grant, Emergency Shelter Grant and HOPWA Grant programs, respectively.
 - c. Administrative salaries, fringes and other such costs included in this forecast are limited to the levels established under these cap requirements.
4. The regulatory public service cost cap for the CDBG program is established at 15% of the total of the grant plus the prior year's program income.

CITY OF BUFFALO URBAN RENEWAL AGENCY

Staffing

The City's Office of Strategic Planning (OSP) is responsible for the administration of BURA's grant funds. OSP employees consist of employees from 4 separate entities, as follows:

	<u>Staff Count 2007-08</u>	<u>Staff Count 2008-09</u>	<u>Staff Count 2009-10</u>	<u>Staff Count 2010-11</u>
1. BURA – entirely funded with grant funds	59	60	55	54
2. Buffalo Economic Renaissance Corp. (BERC) – funded with grant funds and program income. - funded with city grants/funds	27 3	24 3	26 2	25 3
3. Buffalo Neighborhood Development Corporation (BNRC) –staff moved to BERC and BNRC has no employees at this time; no funds were included in the proposed budget for any BNRC positions.	-0-	-0-	-0-	-0-
4. City of Buffalo				
• OSP employees fully funded with grant funds	6	-0-	4	5
• OSP employees partially funded with grant funds	3	-0-	-0-	-0-
• Non-OSP employees who work on one of our grant programs	1	-0-	-0-	-0-
• Inspectors and related support staff & costs	-0-	-0-	-0-	-0-
• OSP employees fully funded by city	9	20	20	18

Personnel

The 4-year plan budget provides for 54 paid BURA positions with salaries totaling \$2.92 million. This includes salaries for 5 vacant positions that we expect to fill in the near future.

While we would hope that staff levels remain consistent over the four-year budgetary period, settlement of the collective bargaining contract, future wage and fringe benefit cost increases accompanied by any further reduction in grant revenues, may result in staff layoffs. The current collective bargaining agreement expired June 30, 2004. Negotiations have been under way.

Collective Bargaining Agreement

BURA's collective bargaining agreement expired June 30, 2004. We have begun contract negotiation with Union representatives. We will consult with BFSA staff as this process unfolds.

Pension

The submitted plan includes pension costs for the 2010-11 budget period calculated in accordance with the NYS Comptroller's final rates for the NYS Employees' Retirement System for the year of 2010.

Health Insurance

Health insurance costs include an expected increase of 7.2% per year to coincide with the growth rate informed by a health insurance carrier.

Taxes and Other Fringe Benefit Costs

Taxes and other fringe benefit costs for BURA employees are based on average historical rates.

Budgeted Expenditures

Expenditures shown in the 2010-2011 budgets are based on grant amounts in our Annual Action Plan for the period May 1, 2010 – April 30, 2011 except few changes made per actual Grant amounts awarded. The changes in Grant amounts were discussed in the section of Grant Revenues in the above. This document was prepared by the Office of Strategic Planning and submitted to the City's Common Council by the Mayor. On March 16, 2010 the Council voted to accept the budget. The budget and related supporting documents will be submitted to HUD on April 23, 2010. HUD has the right to disapprove any portion of the budget that it feels is not in accordance with grant regulations. In addition, HUD may approve a budget with reservations for further action

by the City and BURA staff. A copy of the Annual Action Plan was previously submitted to BFSA staff.

BURA Operating Budget

The BURA operating budget consists primarily of employee salaries, taxes and fringe benefit costs including non-salary costs, insurance, supplies, and other overhead costs for the operation of BURA.

Other Significant Spending – Section 108 Loans

Section 108 loan repayments have been a significant expenditure for the CDBG program for some time.

1. Amounts budgeted for Section 108 loan repayments are based on loan amortization schedules which detail payments due during each fiscal year for the upcoming budget period.
2. Certain loans were issued to private developers who have defaulted on their loan. Any defaulted loans are payable by BURA as they are guaranteed by the annual allocation of CDBG grant funds. HUD has the right to reduce the CDBG grant amount for any unpaid loans, however, BURA has properly elected to fully fund and pay these costs directly from available CDBG funds. Approximately \$6.02 million of outstanding principal remains on these defaulted loans. All principal and interest amounts due for these loans are included as BURA costs over the four-year budget period. While deemed an allowable expense under the CDBG program, debt payments will reduce the amount of grant funds available for other eligible projects. BEREC has debt security on these properties in the form of mortgages and personal guarantees and will be pursuing the collateral, as required.
3. BURA itself has borrowed funds under the Section 108 loan program. These loans generated funds to purchase fire trucks, develop infrastructure at a new housing development in the City of Buffalo and to help finance the costs of a new housing project in the City's Homeownership Zone. BURA continues to pay on these loans.

Capital Construction Spending

The only capital spending expected during the budget period would arise from proposed grant activities and would be fully funded as such. The annual action plan submitted to HUD for the upcoming grant year provided \$2,047,610 for capital spending for public improvement. We anticipate that the City will also use capital bond funds for these activities.

Federal and State Mandates

Other governmental mandates that affect BURA currently arise solely in connection with our grant programs. BURA operates within the constraints of grant regulations applicable to the grants administered by the agency.

Provisions for Reserves and the BURA Deficit

The CDBG, HOME, ESG and HOPWA grants administered by BURA are restricted grant programs. Under generally accepted accounting principles for such grants, BURA recognizes revenue only upon expenditure of allowable grant expenditures. Grant regulations prohibit using grant funds for reserves. Accordingly, BURA does not budget reserves in the forecasts provided to the BFSA.

However, BURA has utilized grant funds to alleviate portions of the BURA deficit that exists from prior years. BURA's deficit is the result of expending more dollars on grant programs than were allocated to, or budgeted by, the agency in prior years. The expenditures generally represent valid grant costs; there were just insufficient resources identified to pay for these costs. BURA was able to disburse the amounts for these costs by drawing from future grant funds.

In prior periods we were able to reprogram dollars from projects that had expired without fully utilizing amounts previously set aside. Under this method, we reduced the BURA deficit to less than \$250,000 at March 31, 2009. That process has slowed because all contracts are current; it will resume as the grant year ends and many contracts terminate. We will determine unexpended contract amounts and reprogram those dollars to alleviate the BURA deficit. It is expected that this will occur before this fiscal year ends.

We hope to identify additional dollars in the succeeding budget year to fully eliminate the deficit.

Despite the deficit described above, we do not anticipate any cash shortfalls in the near future. We continue to have sufficient unexpended grant dollars available that can be used for allowable expenses until such time as we alleviate the deficit.

We feel confident in our ability to meet future cash needs at this time.

Unreserved Fund Balance

BURA's audited financial statements at June 30, 2009 identify an Unreserved Fund Balance of \$3,429,037. This amount is displayed in the Balance Sheet for Governmental Entities and relates solely to the BURA General Fund. This fund is used to account for any unrestricted funds held by BURA. The amount disclosed in the audit report is not available for current use for the following reasons.

1. The Governmental Fund Balance Sheet is presented under the spending measurement focus of government accounting. Under this basis, long-term liabilities are not included in the reporting of fund assets and liabilities, as they are not expected to be paid using currently available assets.
2. \$673,874 of cash shown on the Governmental Fund Balance is reserved as an escrow account for a loan and is not available for current expenses.
3. Advances for payroll and related expenses for \$349,040 which will be reimbursed by other programs.
4. Program Note Receivables include a mortgage for \$580,000 & \$759,041. The terms of these loans indicate they may not be paid for 20 years into the future. Thus these components of the unreserved fund balance amount are not available for current expenditure.
5. A \$317,158 receivable from a subrecipient (BERC) remains unpaid after several years and may not be collected in the near future.
6. The fund balance includes \$91,876 advanced to the City of Buffalo a number of years ago and the City does not anticipate repayment from its grant source for some time which precludes its use for current needs.
7. This fund balance also offsets approximately \$2 million in cash and \$1.2 million of construction in progress for the Sycamore Village construction being funded by a loan with Fannie Mae.

Facilities Inventory

BURA holds title to the Market Arcade Building on Main Street in Buffalo and also owns the William Street Industrial Park, both of which are currently rented. Income generated from the rental of these properties is included in General Funds. Acquisition costs totaled over \$14.7 million with undepreciated values at June 30, 2009 of \$10.7 million.

BURA also owns about 82 parcels of land that were acquired using grant funds. These parcels are held for redevelopment purposes in accordance with grant regulations. However, these properties are no longer maintained with CDBG Grant Program per HUD direction. All the activities related to Land are reported under General Funds.

Program to Eliminate the GAP

BURA continues to process old budgetary accounts to alleviate our funding deficit that was discussed more fully above. We have made progress in alleviating the deficit and expect to continue this process in the near future. We expect to continue the de-funding of old CDBG projects. Under this mechanism, the dollars are recovered through a

reduction in future grant expenditures, not as a cash outlay. We believe that this method will not adversely impact our ability to meet annual budget balancing requirements.

Certification

Byron W. Brown, Chairman of the Buffalo Urban Renewal Agency, certifies that the proposed budget -

- is in balance;
- is prepared in accordance with generally accepted accounting principles;
- is prepared in accordance with the submitted financial plan, and
- is feasible for successful operation over the next four years.

**CITY OF BUFFALO URBAN RENEWAL AGENCY
OPERATING BUDGET & FOUR YEAR PLAN**

FOR THE FISCAL YEARS ENDING	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>
ENTITLEMENT & FORMULA GRANT BUDGETS					
Grant Revenues and Related Income					
CDBG	\$ 16,091,522	\$ 17,409,073	\$ 17,409,073	\$ 17,409,073	\$ 17,409,073
CDBG-R	1,200,000	1,400,000	1,400,000	311,494	-
HOME	5,081,876	5,073,088	5,073,088	5,073,088	5,073,088
ESG	706,910	705,483	705,483	705,483	705,483
ESG for Homeless Prevention	1,800,000	2,596,054	2,198,027	-	-
HOPWA	521,962	565,329	565,329	565,329	565,329
NYS Block by Block Grant	776,000	776,000	-	-	-
Neighborhood Stabilization Program	658,755	658,755	658,755	658,755	-
CDBG program income	1,900,000	1,650,000	1,650,000	1,650,000	1,650,000
Sales of assets	250,000	-	-	-	-
HOME program income	250,000	250,000	250,000	250,000	250,000
Total Grant and Program Income	<u>29,237,025</u>	<u>31,083,782</u>	<u>29,909,755</u>	<u>26,623,222</u>	<u>25,652,973</u>
Grant Expenditures					
CDBG public service costs @ 15%	2,409,096	2,563,728	2,563,728	2,563,728	2,563,728
Section 108 loan repayments	2,856,000	1,427,530	1,378,652	1,342,964	2,182,862
CDBG program costs	9,170,993	11,699,511	11,304,878	11,340,567	10,500,669
CDBG-R program costs	1,088,669	1,270,113	1,270,113	282,599	-
HOME CHDO set aside @ 15%	762,281	762,281	762,281	762,281	762,281
HOME program costs	4,036,407	4,028,499	4,028,499	4,028,499	4,028,499
Emergency Shelter program costs	671,564	674,370	674,370	674,370	674,370
ESG for Homeless Prevention	1,800,000	2,596,054	2,198,027	-	-
HOPWA program costs	506,303	549,670	549,670	549,670	549,670
NYS Block by Block Grant program costs	776,000	776,000	-	-	-
Neighborhood Stabilization Program costs	658,755	658,755	658,755	658,755	-
Non-Federal Grant Expenditures	250,000	-	-	-	-
Total Program Costs	<u>24,986,068</u>	<u>27,006,511</u>	<u>25,388,973</u>	<u>22,203,432</u>	<u>21,262,078</u>
Admin & Planning Costs					
CDBG admin costs @ 20% grant + PI	\$ 3,555,433	\$ 3,368,304	\$ 3,811,815	\$ 3,811,815	\$ 3,811,815
CDBG-R admin costs @ 9.3% grant	111,331	129,887	129,887	28,895	-
HOME admin costs @ 10%	533,188	532,308	532,308	532,308	532,308
Emergency Shelter admin @ 5%	35,346	31,113	31,113	31,113	31,113
HOPWA admin costs @ 3%	15,659	15,659	15,659	15,659	15,659
Total Admin & Planning Costs	<u>4,250,957</u>	<u>4,077,271</u>	<u>4,520,782</u>	<u>4,419,790</u>	<u>4,390,895</u>
Total Expenditures	<u>29,237,025</u>	<u>31,083,782</u>	<u>29,909,755</u>	<u>26,623,222</u>	<u>25,652,973</u>
GRANT REVENUES OVER/ (UNDER) GRANT EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>