



**Buffalo and Erie County Regional Development Corporation
Board of Directors Meeting
September 26, 2018**

**95 Perry Street
5th Floor - ESD Conference Room
Buffalo, New York 14203**

- 1.0 Call to Order**
- 2.0 Approval of Minutes**
 - 2.1 Approval of the July 25, 2018 Minutes of the Meeting of the Board of Directors (Pages 2-4)
- 3.0 Reports / Action Items / Information Items:**
 - 3.1 Financial Report (Pages 5-8)
 - 3.2 Proposed Budget Timetable (Page 9)
 - 3.3 Review of the 2018 Budget (Pages 10-13)
 - 3.4 2018 Loan Status Report and 2018 Closing Report (Pages 14-15)
- 4.0 Management Team Report:**
 - 4.1
- 5.0 Adjournment - Next Meeting October 24, 2018**

**MINUTES OF THE
BOARD OF DIRECTORS
OF THE
BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION
(RDC)**

DATE AND PLACE: July 25, 2018, at the Erie County Industrial Development Agency, 95 Perry Street, 5th Floor ESD Conference Room, Buffalo, New York 14203

PRESENT: Rev. Mark E. Blue, Hon. Joseph H. Emminger, Dottie Gallagher, Richard Lipsitz, Jr., Brenda W. McDuffie, John J. Mudie, Hon. Glenn R. Nellis, Hon. Mark C. Poloncarz, Hon. Darius G. Pridgen, Sister Denise Roche, Kenneth A. Schoetz, Charles F. Specht and Art Wingerter

EXCUSED: Hon. Diane Benczkowski, Hon. Byron W. Brown, Hon. Patrick B. Burke, James F. Doherty, Hon. Brian J. Kulpa, Tyra Johnson

OTHERS PRESENT: Steve Weathers, Chief Executive Officer; John Cappellino, Executive Vice President; Mollie Profic, Chief Financial Officer; Karen M. Fiala, Assistant Treasurer; Gerald Manhard, Chief Lending Officer, Michael Alexander, Loan Manager and Robert G. Murray, Secretary

GUESTS: Michael Szukala, Chair, Audit & Finance Committee; Maria Whyte, Deputy County Executive; Andrew Federick, Erie County Senior Economic Development Specialist; Rebecca Gandour, City of Buffalo Office of Strategic Planning; and Christopher Pawenski, Coordinator, Industrial Assistance Program, of the Erie County Environment & Planning Department

There being a quorum present at 9:04 a.m., the meeting of the RDC Board of Directors was called to order by its Chair, Ms. McDuffie.

MINUTES

The Minutes of the June 27, 2018, meeting of the Board of Directors of the RDC were presented. Mr. Poloncarz moved, and Mr. Emminger seconded, to approve of the minutes. Ms. McDuffie called for the vote and the minutes were unanimously approved.

REPORTS/ACTION ITEMS/INFORMATION ITEMS

Financial Report. Ms. Profic reviewed the financial statements, noting that the RDC finished the month of June with total assets of \$18.4 million and net assets of \$18.2 million. The monthly income statement shows a net loss of \$45,000. Revenue for the month was \$8,500, and expenses were \$93,000 which included a \$60,000 increase to the provision for loan losses. The year to date income statement reflects \$230,000 of revenue and \$236,000 of expenses. The RDC has a net loss of \$6,500 through June 30, 2018. Ms. McDuffie directed that the report be received and filed.

2018 Loan Status Report/ 2018 Closing Report. Mr. Manhard presented this report. Ms. McDuffie directed that the report be received and filed.

APPROVAL OF LOAN CASE

Tomric Systems, Inc., 85 River Rock Drive, Buffalo, New York, \$1,117,000.00, 90 month Term Loan, Secured and Guaranteed. Mr. Manhard reviewed this \$1,117,000 loan request, proceeds of which will assist in the expansion of the company's showroom and equipment purchases, warehouse production equipment purchases, instructional kitchen equipment and permanent working capital needed to purchase raw materials and support the anticipated growth of the company. Mr. Manhard advised that the RDC Loan Committee approved the project at their last meeting.

Ms. Gallagher asked if it is unusual for the RDC to be the only lender. Mr. Manhard stated that the RDC is rarely the single lender but noted that Key Bank, the company's primary lender, has already loaned the company certain money for prior projects and cannot lend any more funds to the company per bank policies. Under this situation, Mr. Manhard explained, the RDC can be sole lender.

Mr. Poloncarz queried as to whether the 90 month term of the loan was longer than normal. Mr. Manhard stated that the RDC can lend for up to ten years, but in this case, staff has determined that a 90 month term with the related balloon payment should position the company for success and enable the RDC to be taken out.

Mr. Emminger noted that the RDC Loan Committee discussed that the RDC was funding 100% of the company's lending needs and resolved to approve of the loan as presented.

Mr. Emminger moved and Mr. Blue seconded to approve of the loan as proposed. Ms. McDuffie called for the vote and the requested loan was thereafter unanimously approved.

MANAGEMENT TEAM REPORT

Revolving Loan Fund Update. Mr. Manhard provided members with an update on the RDC revolving loan fund and updated members on the recent EDA review of the RDC's Loan Administrative Plan.

Ms. McDuffie thanked Mr. Manhard and Mr. Alexander for their great efforts and thanked the RDC Loan Committee for their efforts as well.

There being no further business to discuss, Ms. McDuffie adjourned the meeting at 9:27 a.m.

Dated: July 25, 2018

Robert G. Murray, Secretary

Regional Development Corporation
Financial Statements
As of August 31, 2018

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Balance Sheet

August 31, 2018

	August 2018	July 2018	December 2017
ASSETS:			
Restricted Cash**	\$ 5,821,300	\$ 8,094,146	\$ 9,712,269
Direct Loans *	12,879,102	10,546,853	9,029,313
50/50 Bank Participation Loans *	252,824	257,020	285,811
Reserve for Loan losses	(463,648)	(463,648)	(409,298)
Total Loan Assets, net	<u>12,668,278</u>	<u>10,340,225</u>	<u>8,905,826</u>
TOTAL ASSETS	<u>\$ 18,489,578</u>	<u>\$ 18,434,371</u>	<u>\$ 18,618,095</u>
LIABILITIES & NET ASSETS			
Accounts Payable	\$ 200	\$ 200	\$ 250
Due to ECIDA	220,899	188,909	372,440
Total Liabilities	<u>221,099</u>	<u>189,109</u>	<u>372,690</u>
Restricted Fund Balance	<u>18,268,479</u>	<u>18,245,262</u>	<u>18,245,405</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 18,489,578</u>	<u>\$ 18,434,371</u>	<u>\$ 18,618,095</u>

* Loan Portfolio Summary:	August 2018	July 2018	December 2017
# of Direct Loans	44	43	44
# of 50/50 Bank Participation Loans	3	3	3
	<u>47</u>	<u>46</u>	<u>47</u>

Cash is invested in interest bearing accounts at M&T Bank. The maximum FDIC insured amount is \$250,000, with the remainder collateralized with government obligations by the financial institution.

REGIONAL DEVELOPMENT CORPORATION ("RDC")
Income Statement
 Month of August 2018

	Actual vs. Budget		
	Actual	Budget	Variance
REVENUES:			
Interest Income - Loans	\$ 40,022	\$ 44,167	\$ (4,145)
Interest Income - Cash & Inv.	2,676	333	2,342
Administrative Fees	12,585	833	11,752
Other Income	-	1,417	(1,417)
Total Revenues	<u>55,283</u>	<u>46,750</u>	<u>8,533</u>
EXPENSES:			
Management Fee - ECIDA*	\$ 29,750	\$ 29,750	\$ -
Rent & Facilities Expenses	1,500	1,500	-
Professional Services	-	3,000	(3,000)
General Office Expenses	741	292	450
Other Expenses	75	1,075	(1,000)
Total Expenses	<u>32,066</u>	<u>35,617</u>	<u>(3,550)</u>
NET INCOME/(LOSS):	<u>\$ 23,216</u>	<u>\$ 11,133</u>	<u>\$ 12,083</u>

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2018 budgeted figures.

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Income Statement

Year to Date: August 31, 2018

	Actual vs. Budget			Actual vs. Prior Year		
	Actual	Budget	Variance	Actual	Prior Year	Variance
REVENUES:						
Interest Income - Loans	\$ 279,930	\$ 353,333	\$ (73,403)	\$ 279,930	\$ 281,988	\$ (2,057)
Interest Income - Cash & Inv.	16,332	2,667	13,666	16,332	4,336	11,996
Administrative Fees	24,768	6,667	18,101	24,768	6,188	18,580
Other Income	2,875	11,333	(8,458)	2,875	19,316	(16,441)
Total Revenues	323,906	374,000	(50,094)	323,906	311,828	12,078
EXPENSES:						
Management Fee - ECIDA*	\$ 208,000	\$ 238,000	\$ (30,000)	\$ 208,000	\$ 184,334	\$ 23,666
Provision for Loan Losses	54,350	116,667	(62,317)	54,350	52,299	2,051
Rent & Facilities Expenses	12,000	12,000	-	12,000	12,001	(1)
Professional Services	20,837	39,000	(18,163)	20,837	28,343	(7,507)
General Office Expenses	907	2,333	(1,426)	907	954	(47)
Other Expenses	5,209	8,600	(3,391)	5,209	15,969	(10,760)
Total Expenses	301,303	416,600	(115,297)	301,303	293,900	7,403
NET INCOME/(LOSS):	\$ 22,603	\$ (42,600)	\$ 65,203	\$ 22,603	\$ 17,928	\$ 4,675

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2018 budgeted figures.

**ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY (ECIDA)
 BUFFALO & ERIE COUNTY REGIONAL DEVELOPMENT CORP (RDC)
 BUFFALO & ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORP (ILDC)**

2019 Budget Review

<u>Date</u>	<u>Description</u>	
July-August	Review of draft 2019 budgets by ECIDA management. (a) Prioritize any proposed budget requests for initiatives. (b) Formal budget requests compiled.	✓
September 10 th	Finance & Audit Committee review/approval of proposed budgets.	✓
September 26 th	Formal review of 2019 draft budgets at Board meetings.	
October 9 th (10:00 am)	Board Q&A budget session #1 (voluntary).	
October 15 th (2:00 pm)	Board Q&A budget session #2 (voluntary).	
October 17 th	Adjustments to budget based on Board feedback and Finance & Audit Committee approval of final budgets <i>(if necessary)</i> .	
October 24 th	Board meeting – action to approve final 2019 budgets.	
November 1 st	Deadline for final approved budget to be submitted to the ABO.	

Regional Development Corporation
Proposed 2019 Budget

Regional Development Corporation (RDC)

2019 Budget + 3 Year Forecast

The Buffalo and Erie County Regional Development Corporation (“RDC”) presently has one activity – the operation of a federally restricted revolving loan fund that provides loans to eligible businesses that would not otherwise be able to obtain such financing from normal commercial sources.

A. Key Budget Assumptions:

In 2019, the RDC expects to fund new loans of approximately \$2 million. This will be offset by approximately \$850,000 in loan repayments into the revolving loan fund. Interest income on loans is expected to be approximately \$520,000 for 2019, which represents a 2% decrease from the \$530,000 budget for 2018.

B. Overview of Changes in 2019 Budget:

The following summarizes the key changes between the 2019 budget and the projected 2018 results:

- The ECIDA Management Fee represents a fee charged by the ECIDA for services that its employees provide to the revolving loan fund, since RDC has no employees of its own. The fee is expected to increase by approximately \$7,000 or 2% in 2019 due increases in salaries and benefits.
- The budgeted amount for the provision for loan losses is \$175,000 for 2019. The provision represents approximately 1.4% of the estimated active loan portfolio balance. The mission of the RDC is to deal primarily with businesses unable to adequately finance operations through normal commercial banking channels. Historically, the loan fund has been a working capital lender, rather than a fixed asset lender, taking junior collateral positions. The \$175,000 provision for loan losses is net of any anticipated collateral sales and SBA and other guarantees (if applicable). Currently, the charge-off rate for loans issued over the past 10 years is approximately 3.4% versus a historical portfolio charge-off rate of approximately 18%.

C. Summary of Risk Factors Impacting the 2019 Budget:

The following significant risk factor may influence the 2019 budget:

1. Due to the numerous uncertainties, including the recent recession, value of collateral, guarantees, etc., RDC’s actual loan losses may vary significantly from the loan loss amount budgeted.

REGIONAL DEVELOPMENT CORPORATION ("RDC")
Proposed Budget for 2019

	Proposed Budget 2019	Approved Budget 2018	Projected 2018	Actual 2017
REVENUES:				
Interest Income - Loans	\$ 520,000	\$ 530,000	\$ 411,272	\$ 409,782
Interest Income - Cash & Investments	10,000	4,000	23,411	7,403
Administrative Fees	10,000	10,000	20,884	24,688
Other Income	10,000	17,000	4,929	28,767
Total Revenues	550,000	\$ 561,000	460,497	470,638
EXPENSES:				
ECIDA Management Fee*	\$ 350,000	\$ 357,000	\$ 343,000	\$ 350,968
Provision for Loan Losses**	175,000	175,000	100,000	130,024
Rent & Facilities Expenses	23,000	18,000	18,000	17,659
Professional Services	45,000	51,000	37,500	37,477
Travel, Mileage & Meeting Expenses	2,500	2,500	1,000	-
General Office Expenses	900	1,000	284	3,197
Marketing & Other Expenses	16,075	12,900	22,500	17,341
Total Expenses	612,475	617,400	522,284	556,665
NET INCOME/(LOSS):	\$ (62,475)	\$ (56,400)	\$ (61,787)	\$ (86,027)

* Represents an allocation of salary and benefit costs from the ECIDA based on staff time charged to the RDC.

** Estimated 2019 Loan Balance	\$ 12,916,000
Provision for Loan Losses	\$ 175,000
Percentage of Loans	1.4%

REGIONAL DEVELOPMENT CORPORATION ("RDC")
Proposed Three Year Forecast 2020-2022

	Proposed Budget 2019	Forecast 2020	Forecast 2021	Forecast 2022
REVENUES:				
Interest Income - Loans	\$ 520,000	\$ 525,000	\$ 530,000	\$ 535,000
Interest Income - Cash & Investments	10,000	10,000	10,000	10,000
Administrative Fees	10,000	15,000	15,000	15,000
Other Income	10,000	10,000	10,000	10,000
Total Revenues	550,000	560,000	565,000	570,000
EXPENSES:				
ECIDA Management Fee*	\$ 350,000	\$ 360,000	\$ 360,000	\$ 360,000
Provision for Loan Losses	175,000	125,000	100,000	100,000
Rent & Facilities Expenses	23,000	23,000	24,000	24,000
Professional Services	45,000	50,000	50,000	50,000
General Office Expenses	900	900	900	900
Marketing & Other Expenses	16,075	5,000	5,000	5,000
Total Expenses	612,475	563,900	539,900	539,900
NET INCOME/(LOSS):	\$ (62,475)	\$ (3,900)	\$ 25,100	\$ 30,100

* Represents an allocation of salary and benefit costs from the ECIDA based on staff time charged to the RDC.



Loan Status Report July 24, 2018 – September 26, 2018

<u>RDC Loans Approved Since Last Meeting</u>	<u>Municipality</u>	<u>Amount</u>
GiGi's Restaurant (Restaurant)	Buffalo	\$ 25,000
Herb 'N Garden (Agriculture)	Grand Island	\$ 140,000
		<u>\$ 165,000</u>

<u>RDC Loans Closed Since Last Meeting</u>	<u>Municipality</u>	<u>Amount</u>
Viridi Parenete, Inc (Manufacturer)	Buffalo	\$1,400,00

<u>Loans in Closing Process</u>	<u>Municipality</u>	<u>Amount</u>
Tomric Systems, Inc (Manufacturer)	Buffalo	\$1,117,000

<u>Loans in the Pipeline</u>	<u>Municipality</u>	<u>Amount</u>
Dive Pool Systems (tech/Manufacturer)	Buffalo	\$ 250,000
Park Edge Chocolates (Manufacturer)	Buffalo	\$ 50,000
		<u>\$ 300,000</u>

<u>2018 Delinquency</u>	<u>Loan Balance Outstanding</u>	<u>Delinquency Rate</u>
2 Accounts	\$297,414	<u>2.3%</u>

<u>2018 - Loans Closed</u>	<u>YTD Loan Total YTD</u>	<u>Total New Jobs Projected</u>	<u>Retained Jobs</u>	<u>Private Investment</u>
5	\$4,016,500	55	33	\$10,432,750

RDC Loan Closings 2018

Project Name	Loan Amount	Jobs at App	Projected Year 3 Jobs	Project City	Closing Date	Project Product
Harker Bio	\$ 500,000	14	28	Buffalo	3/7/2018	RDC Loan
EcoVerde Organics, LLC	\$ 180,000	0	4	Buffalo	3/8/2018	RDC Loan
USTraffic Controls	\$ 236,500	17	21	Tonawanda	3/23/2018	RDC Loan
Buffalo Brewery Leasing	\$ 1,700,000	2	7	Buffalo	6/22/2018	RDC Loan
Viridi Parente, Inc.	\$ 1,400,000	10	28	Buffalo	8/15/2018	RDC Loan

5 Projects Closed
 45 Jobs Projected \$ 4,016,500 43 88

Total: