



**Buffalo and Erie County Regional Development Corporation
Board of Director Meeting
October 23, 2019
@ 12:00 p.m.
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 September 25, 2019 Minutes of the Board of Directors Meeting (Pages 2-3)

3.0 Reports / Action Items / Information Items:

3.1 Financial Report – (Informational) (Pages 4-7)

3.2 Finance & Audit Committee Update (Informational)

3.3 Approval of 2020 Budget (Action Item) (Pages 8-11)

3.4 2020 Board Meeting Schedule (Informational) (Page 12)

4.0 Adjournment - Next Meeting November 20, 2019 @ 12:00 p.m.

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

- DATE AND PLACE:** September 25, 2019, 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, Hon. Howard Johnson, Tyra Johnson, Brenda W. McDuffie, John J. Mudie, Hon. Glenn R. Nellis, Hon. Mark C. Poloncarz, Sister Denise Roche, Kenneth A. Schoetz and Art Wingerter
- EXCUSED:** Hon. Diane Benczkowski, Hon. Bryon W. Brown, James F. Doherty, Hon. Brian J. Kulpa, Richard Lipsitz, Jr., Hon. Darius G. Pridgen and Charles F. Specht
- OTHERS PRESENT:** Steve Weathers, Chief Executive Officer; John Cappellino, Executive Vice President; Mollie Profic, Chief Financial Officer; Dawn Boudreau, Compliance Officer; and Karen M. Fiala, Assistant Treasurer/Secretary
- GUESTS:** Robert G. Murray, Esq., General Counsel/Harris Beach PLLC; Michael Szukala, Chair of the Finance & Audit Committee

There being a quorum present at 1:00 p.m., the meeting of the RDC Board of Directors was called to order by its Chair, Ms. McDuffie.

MINUTES

The Minutes of the August 28, 2019, meeting of the Board of Directors of the RDC were presented. Mr. Poloncarz moved, and Ms. Gallagher 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 provided a report on the August 2019 financial statements noting that the RDC finished the month of August with total assets of \$17.8 million and net assets of \$17.5 million. The monthly income statement shows net income of \$62,000 for August, with revenues on target with the monthly budget. Total expenses ended up as a negative figure due to an adjustment to the provision for loan losses resulting from collections on a loan that had been fully reserved. The year to date income statement reflects \$379,000 of revenue and

\$1.2 million of expenses, for a net loss of \$811,000 through August. Ms. Profic noted that the provision for loan losses consists primarily of three large loans, and staff is hopeful that attempts to work out the loans will be successful. Any necessary write-offs at year end will be reviewed by the Loan Write-Off Committee. Ms. McDuffie directed that the report be received and filed.

Finance and Audit Committee Update. Mr. Szukala, Chair of the Finance & Audit Committee provided an update on the Finance & Audit Committee meeting held on September 16, 2019. The Committee reviewed the 2020 budget process and reviewed the proposed budgets of the ECIDA, RDC and ILDC. The Committee voted to recommend the proposed 2020 budgets of all three entities, subject to changes of greater than \$100,000 on any one budget line or in total. If there are any additional adjustments to the budgets that need to be reviewed, the Committee will convene in October. Ultimately, the Board will be asked to take action on the budgets in October for submission to the ABO by the November 1st deadline. The Committee also approved the retention of Freed Maxick as independent auditors for the ECIDA, RDC and ILDC for the 2019 audit year. Ms. McDuffie directed that the report be received and filed.

RDC Loan Status Report/Closing Report. Mr. Manhard presented this report. Discussion ensued regarding four delinquent accounts, including whether the names of the delinquent borrowers should be publicly disclosed in consideration of whether such disclosure could further threaten repayment, and/or as to whether public disclosure should be made upon a delinquent and/or just a default determination. Ms. McDuffie further discussed the differences between delinquency and default and the role of public disclosure in consideration of a plan to cure a delinquency.

Mr. Weathers stated he will ask the RDC Loan Committee to consider this issue and report back to the RDC board members thereafter.

Ms. McDuffie directed that the report be received and filed.

Review of 2020 Proposed Budget. Ms. Profic reviewed the proposed 2020 budget report and gave a short explanation of changes to the budget for 2020. Budgeted revenues consist mainly of interest income from loans at \$470,000 based on an anticipated \$2.1 million of loans closed by the end of 2019. Budgeted expenses are made up mainly of an ECIDA Management Fee (salary and benefit costs of ECIDA staff based on time spent on RDC) and a Provision for Loan Losses, estimated at 1.4% of projected outstanding loans, established at \$200,000 to be conservative. The budgeted figures result in a budgeted net loss of \$88,000. Ms. McDuffie directed that the report be received and filed.

There being no further business to discuss, Ms. McDuffie then adjourned the meeting at 1:16 p.m.

Dated: September 25, 2019

Karen M. Fiala, Secretary

Regional Development Corporation

Financial Statements

As of September 30, 2019

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Balance Sheet
September 30, 2019

	September 2019	August 2019	December 2018
ASSETS:			
Restricted Cash**	\$ 6,821,398	\$ 6,505,635	\$ 5,963,260
Direct Loans *	12,140,314	12,408,122	12,927,117
50/50 Bank Participation Loans *	196,289	200,084	235,971
Reserve for Loan losses	<u>(1,956,213)</u>	<u>(1,352,660)</u>	<u>(449,810)</u>
Total Loan Assets, net	<u>10,380,391</u>	<u>11,255,546</u>	<u>12,713,278</u>
TOTAL ASSETS	<u>\$ 17,201,789</u>	<u>\$ 17,761,181</u>	<u>\$ 18,676,538</u>
 LIABILITIES & NET ASSETS			
Accounts Payable	\$ -	\$ -	\$ 315
Due to ECIDA	<u>280,649</u>	<u>249,549</u>	<u>352,232</u>
Total Liabilities	<u>280,649</u>	<u>249,549</u>	<u>352,547</u>
Restricted Fund Balance	<u>16,921,140</u>	<u>17,511,632</u>	<u>18,323,991</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 17,201,789</u>	<u>\$ 17,761,181</u>	<u>\$ 18,676,538</u>

* Loan Portfolio Summary:	September 2019	August 2019	December 2018
# of Direct Loans	38	40	44
# of 50/50 Bank Participation Loans	<u>1</u>	<u>1</u>	<u>3</u>
	<u>39</u>	<u>41</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 September 2019

	Actual vs. Budget		
	Actual	Budget	Variance
REVENUES:			
Interest Income - Loans	\$ 41,575	\$ 43,333	\$ (1,758)
Interest Income - Cash & Inv.	2,739	833	1,906
Administrative Fees	-	833	(833)
Other Income	187	1,667	(1,479)
Total Revenues	44,502	46,667	(2,165)
EXPENSES:			
Management Fee - ECIDA*	29,200	29,167	33
Provision for Loan Losses	603,553	-	603,553
Rent & Facilities Expenses	1,900	1,917	(17)
Professional Services	147	2,250	(2,103)
General Office Expenses	-	283	(283)
Other Expenses	194	1,340	(1,146)
Total Expenses	634,994	34,956	600,037
NET INCOME/(LOSS):	\$ (590,492)	\$ 11,710	\$ (602,202)

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2019 budgeted figures.

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Income Statement

Year to Date: September 30, 2019

	Actual vs. Budget			Actual vs. Prior Year		
	Actual	Budget	Variance	Actual	Prior Year	Variance
REVENUES:						
Interest Income - Loans	\$ 389,664	\$ 390,000	\$ (336)	\$ 389,664	\$ 322,120	\$ 67,544
Interest Income - Cash & Inv.	30,037	7,500	22,537	30,037	18,608	11,429
Administrative Fees	1,825	7,500	(5,675)	1,825	24,768	(22,943)
Other Income	2,088	15,000	(12,912)	2,088	3,088	(1,000)
Total Revenues	423,613	420,000	3,613	423,613	368,583	55,030
EXPENSES:						
Management Fee - ECIDA*	262,800	262,500	300	262,800	237,750	25,050
Provision for Loan Losses	1,506,403	131,250	1,375,153	1,506,403	115,060	1,391,343
Rent & Facilities Expenses	17,100	17,250	(150)	17,100	13,500	3,600
Professional Services	35,754	35,250	504	35,754	23,156	12,598
General Office Expenses	1,113	2,550	(1,437)	1,113	907	206
Other Expenses	2,000	12,056	(10,057)	2,000	5,556	(3,557)
Total Expenses	1,825,169	460,856	1,364,313	1,825,169	395,930	1,429,239
NET INCOME/(LOSS):	\$ (1,401,556)	\$ (40,856)	\$ (1,360,699)	\$ (1,401,556)	\$ (27,347)	\$ (1,374,209)

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2019 budgeted figures.

Regional Development Corporation
2020 Proposed Budget

Regional Development Corporation (RDC)

2020 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 2020, the RDC expects to fund new loans of approximately \$2 million. This will be offset by approximately \$780,000 in loan repayments into the revolving loan fund. Interest income on loans is expected to be approximately \$470,000 for 2019, which represents a 10% decrease from the \$520,000 budget for 2019.

B. Overview of Changes in 2020 Budget:

The following summarizes the key changes between the 2020 budget and the projected 2019 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 \$59,000 or 23% in 2020 due to employee turnover in 2019, coupled with increases in salaries and benefits.
- The budgeted amount for the provision for loan losses is \$200,000 for 2020. 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 \$200,000 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 2.2% versus a historical portfolio charge-off rate of approximately 18%.

C. Summary of Risk Factors Impacting the 2020 Budget:

The following significant risk factor may influence the 2020 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 2020

	Proposed Budget 2020	Approved Budget 2019	Projected 2019	Actual 2018
REVENUES:				
Interest Income - Loans	\$ 470,000	\$ 520,000	\$ 523,338	\$ 449,706
Interest Income - Cash & Investments	17,000	10,000	41,484	28,000
Administrative Fees	10,000	10,000	3,129	24,768
Other Income	15,000	20,000	2,657	3,650
Total Revenues	<u>512,000</u>	<u>\$ 560,000</u>	<u>570,608</u>	<u>506,124</u>
EXPENSES:				
ECIDA Management Fee*	\$ 320,000	\$ 350,000	\$ 261,000	\$ 333,912
Provision for Loan Losses**	200,000	175,000	750,000	40,512
Rent & Facilities Expenses	5,900	23,000	22,800	18,802
Professional Services	30,775	42,000	37,500	27,962
Travel, Mileage & Meeting Expenses	-	2,500	800	-
General Office Expenses	16,800	900	25,714	2,539
Other Expenses	27,000	16,075	25,565	5,577
Total Expenses	<u>600,475</u>	<u>609,475</u>	<u>1,123,379</u>	<u>429,304</u>
NET INCOME/(LOSS):	<u>\$ (88,475)</u>	<u>\$ (49,475)</u>	<u>\$ (552,772)</u>	<u>\$ 76,820</u>

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

** Estimated 2020 Loan Balance	\$ 14,435,000
Provision for Loan Losses	\$ 200,000
Percentage of Loans	1.4%

REGIONAL DEVELOPMENT CORPORATION ("RDC")
Proposed Three Year Forecast 2021-2023

	Proposed Budget 2020	Forecast 2021	Forecast 2022	Forecast 2023
REVENUES:				
Interest Income - Loans	\$ 470,000	\$ 475,000	\$ 480,000	\$ 485,000
Interest Income - Cash & Investments	17,000	15,000	15,000	15,000
Administrative Fees	10,000	15,000	15,000	15,000
Other Income	15,000	10,000	10,000	10,000
Total Revenues	<u>512,000</u>	<u>515,000</u>	<u>520,000</u>	<u>525,000</u>
EXPENSES:				
ECIDA Management Fee*	\$ 320,000	\$ 330,000	\$ 330,000	\$ 335,000
Provision for Loan Losses	200,000	175,000	150,000	150,000
Rent & Facilities Expenses	5,900	25,000	25,000	25,000
Professional Services	30,775	50,000	50,000	50,000
General Office Expenses	16,800	900	900	900
Marketing & Other Expenses	27,000	5,000	5,000	5,000
Total Expenses	<u>600,475</u>	<u>585,900</u>	<u>560,900</u>	<u>565,900</u>
NET INCOME/(LOSS):	<u>\$ (88,475)</u>	<u>\$ (70,900)</u>	<u>\$ (40,900)</u>	<u>\$ (40,900)</u>

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



ECIDA & RDC Board of Directors Meetings - 2020
Meetings start at 12:00 p.m.

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

Wednesday, January 22

Wednesday, February 26

Wednesday, March 25

Wednesday, April 22 (Annual Meeting)

Wednesday, May 27

Wednesday, June 24

Wednesday, July 22

Wednesday, August 26

Wednesday, September 23

Wednesday, October 28

Wednesday, November 18

Wednesday, December 16