



**Buffalo and Erie County Regional Development Corporation
Board of Directors Meeting
September 23, 2020**

**@ 12:00 p.m.
Via Conference Call**

- 1.0 Call to Order**

- 2.0 Approval of Minutes**
 - 2.1 Approval of the August 26, 2020 Minutes of the Board of Directors Meeting (Action Item) (Pages 2-4)

- 3.0 Reports / Action Items / Information Items:**
 - 3.1 Financial Report (Informational) (Pages 5-8)
 - 3.2 Finance & Audit Committee Update
 - a) 2021 Budget Timetable (Informational) (Page 9)
 - b) Review of 2020 Proposed Budget (Informational) (Pages 10-14)

- 4.0 RDC Lending Department Update:**
 - a) RDC Loan Status Report (Informational Item) (Page 15)
 - b) Update on Current Loan Customers (Informational)
 - c) Status of COVID-19 Emergency Relief Business Loan Program (Informational)

- 5.0 Management Team Report:**
 - 5.1 2021 Board Meeting Schedule (Informational) (Page 16)

- 6.0 Adjournment - Next Meeting – October 28, 2020**

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

- DATE AND PLACE:** August 26, 2020, held via telephone conference. Governor Cuomo's Executive Order 202.1, as amended from time to time, issued in response to the Coronavirus (COVID-19) crisis, suspended Article 7 of the Public Officers Law to the extent necessary to permit any public body to take actions without permitting in public in-person access to such meetings and authorized such meetings to be held remotely by conference call or other similar service, provided the public has the ability to view or listen to such proceedings and that the meeting is recorded and transcribed.
- LIVE STREAMED:** This Board meeting is being live-streamed and made accessible on the Erie County Industrial Development Agency website at www.ecidany.com.
- PRESENT:** Hon. Diane Benczkowski, Rev. Mark E. Blue, Dottie Gallagher, Tyra Johnson, Hon. Brian J. Kulpa, Richard Lipsitz, Jr., Brenda W. McDuffie, Hon. Glenn R. Nellis, Hon. Mark C. Poloncarz, Sister Denise Roche, Kenneth A. Schoetz and Art Wingerter
- EXCUSED:** Denise Abbott, Hon. Bryon W. Brown, James Doherty, Hon. Joseph Emminger, Hon. Howard Johnson, Hon. Darius G. Pridgen and Renee Wilson
- OTHERS PRESENT:** John Cappellino, President & CEO; Mollie Profic, Chief Financial Officer; Atiqabidi, Assistant Treasurer; Karen M. Fiala, Assistant Treasurer/Secretary; Gerald Manhard, Chief Lending Officer; Dawn Boudreau, Director of Compliance; Beth O'Keefe, Business Development Officer; Grant Lesswing, Business Development Officer; Brian Krygier, Systems Analyst; Carrie Hocieniec, Administrative Assistant, Robbie Ann McPherson, Pat Smith and Robert G. Murray, Esq., General Counsel/Harris Beach PLLC
- GUESTS:** Deputy County Executive Maria Whyte and Andrew Federick, Erie County Senior Economic Development Specialist.

There being a quorum present at 12:47 p.m., the meeting of the RDC Board of Directors was called to order by its Chair, Ms. McDuffie.

MINUTES

The minutes of the April 22, 2020 meeting of the members were presented. Mr. Lipsitz moved and Mr. Poloncarz seconded, to approve of the minutes. Ms. McDuffie called for the vote, and the minutes were then unanimously approved.

REPORTS/ACTION ITEMS/INFORMATION ITEMS

Financial Report. Ms. Profic presented the July 2020 financial report, noting that the balance sheet shows that the RDC finished the month with total assets of \$17.2 million and net assets of \$17.0 million. The monthly income statement reflects a net loss of \$98,000 in July. Total revenues were above budget by \$8,000. Loan interest income was under budget by \$5,000. Total expenses were above budget due to a mid-year catch up adjustment to the management fee. The year-to-date income statement reflects \$221,000 of revenue, including just under \$200,000 for loan interest income. Total expenses of \$305,000 are mainly management fee costs and professional services for a net loss of \$83,000 through July. Ms. McDuffie directed that the report be received and filed.

Finance and Audit Committee Update. Mr. Szukala, Chair of the Finance & Audit Committee, gave a report to the members on the most recent meeting of the committee. He advised that the Finance and Audit Committee will meet again in September to review and recommend the draft budgets. The drafts will be presented at the Board meetings on September 23. Two virtual Q&A sessions for Board members will be scheduled in early October. If there are significant adjustments to the 2021 budgets based on Board feedback, the Committee would then meet again and make an updated recommendation to the Boards. Final budgets will be presented to each Board at their October 28 meeting for approval. Budgets must then be submitted to the ABO by November 1st. Ms. Profic reviewed the 2021 budget, timetable and processes. Ms. McDuffie directed that the report be received and filed.

Approval of Resolution to Appoint Vice President. Mr. Cappellino reviewed the resolution appointing Karen M. Fiala and Mollie Profic as Vice Presidents of the RDC. Ms. Gallagher moved, and Mr. Poloncarz seconded to approve of the resolution. Ms. McDuffie called for the vote and the following resolution was then unanimously approved:

RESOLUTION OF THE BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION (THE "RDC") APPOINTING KAREN M. FIALA AND MOLLIE PROFIC EACH AS VICE PRESIDENT OF THE RDC.

Approval of Resolution re CARES Act Supplemental U.S. Department of Commerce Economic Development Administration (EDA) Award for Revolving Loan Fund Grant Sub-Recipient. Mr. Manhard reviewed the proposed Grant Award. Mr. Kulpa moved, and Mr. Nellis seconded to approve of the resolution. Ms. McDuffie called for the vote and the following resolution was then unanimously approved:

RESOLUTION OF THE BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION (THE "RDC") (i) AUTHORIZING ITS DESIGNATION AS THE SUB-RECIPIENT OF THE EDA GRANT (AS DEFINED BELOW) APPLIED FOR AND ACCEPTED BY THE ERIE

COUNTY INDUSTRIAL DEVELOPMENT AGENCY (THE “AGENCY”) UNDER THAT CERTAIN FINANCIAL ASSISTANCE AWARD AGREEMENT WITH THE U.S. DEPARTMENT OF COMMERCE ECONOMIC DEVELOPMENT ADMINISTRATION (THE “EDA”) TO FUND A NEW REVOLVING LOAN FUND TO HELP THE REGION SERVED BY THE AGENCY AND THE RDC TO RESPOND TO THE COVID-19 PANDEMIC AND (ii) ACCEPTING ALL REQUIRED AND NECESSARY OBLIGATIONS OF THE EDA GRANT IN THE RDC’S CAPACITY AS SUB-RECIPIENT.

RDC LENDING DEPARTMENT UPDATE

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

Update on Current Loan Customers. Mr. Manhard informed members that all RDC lending customers have been contacted and certain relief has been provided to some customers to help during COVID-19 challenge.

Status of COVID-19 Emergency Relief Business Loan Program. Mr. Manhard gave a status update to members. Ms. McDuffie directed that the report be received and filed.

There being no further business to discuss, Ms. McDuffie adjourned the meeting of the Agency at 1:00 p.m.

Dated: August 26, 2020

Karen M. Fiala, Secretary

Regional Development Corporation
Financial Statements
As of August 31, 2020

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Balance Sheet

August 31, 2020

	August 2020	July 2020	December 2019
ASSETS:			
Restricted Cash**	\$ 7,443,198	\$ 7,492,442	\$ 7,650,215
Direct Loans *	11,481,369	11,393,363	11,430,831
50/50 Bank Participation Loans *	153,441	157,511	184,723
Reserve for Loan losses	<u>(1,882,360)</u>	<u>(1,882,360)</u>	<u>(1,895,963)</u>
Total Loan Assets, net	<u>9,752,449</u>	<u>9,668,515</u>	<u>9,719,590</u>
TOTAL ASSETS	<u>\$ 17,195,647</u>	<u>\$ 17,160,957</u>	<u>\$ 17,369,805</u>
LIABILITIES & NET ASSETS			
Accounts Payable	\$ -	\$ -	\$ 23,723
Due to ECIDA	<u>229,912</u>	<u>201,162</u>	<u>303,021</u>
Total Liabilities	<u>229,912</u>	<u>201,162</u>	<u>326,743</u>
Restricted Fund Balance	<u>16,965,735</u>	<u>16,959,795</u>	<u>17,043,062</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 17,195,647</u>	<u>\$ 17,160,957</u>	<u>\$ 17,369,805</u>

* Loan Portfolio Summary:	August 2020	July 2020	December 2019
# of Direct Loans	35	35	39
# of 50/50 Bank Participation Loans	<u>1</u>	<u>1</u>	<u>1</u>
	<u>36</u>	<u>36</u>	<u>40</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 2020

	Actual vs. Budget		
	Actual	Budget	Variance
REVENUES:			
Interest Income - Loans	\$ 34,059	\$ 39,167	\$ (5,108)
Interest Income - Cash & Inv.	602	1,417	(815)
Administrative Fees	-	833	(833)
Other Income	194	1,250	(1,056)
Total Revenues	<u>34,855</u>	<u>42,667</u>	<u>(7,812)</u>
EXPENSES:			
Management Fee - ECIDA*	26,667	26,667	0
Rent & Facilities Expenses	2,083	2,083	(0)
Professional Services	-	2,500	(2,500)
General Office Expenses	-	200	(200)
Other Expenses	164	606	(442)
Total Expenses	<u>28,914</u>	<u>32,056</u>	<u>(3,142)</u>
NET INCOME/(LOSS):	<u>\$ 5,941</u>	<u>\$ 10,610</u>	<u>\$ (4,670)</u>

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2020 budgeted figures.

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Income Statement

Year to Date: August 31, 2020

	Actual vs. Budget			Actual vs. Prior Year		
	Actual	Budget	Variance	Actual	Prior Year	Variance
REVENUES:						
Interest Income - Loans	\$ 233,642	\$ 313,333	\$ (79,691)	\$ 233,642	\$ 348,089	\$ (114,446)
Interest Income - Cash & Inv.	12,859	11,333	1,526	12,859	27,298	(14,439)
Administrative Fees	8,000	6,667	1,333	8,000	1,825	6,175
Other Income	1,762	10,000	(8,238)	1,762	1,900	(138)
Total Revenues	256,263	341,333	(85,070)	256,263	379,112	(122,849)
EXPENSES:						
Management Fee - ECIDA*	213,333	213,333	0	213,333	233,600	(20,267)
Provision for Loan Losses	(13,603)	133,333	(146,937)	(13,603)	902,850	(916,453)
Rent & Facilities Expenses	16,667	16,667	(0)	16,667	15,200	1,467
Professional Services	110,449	35,300	75,149	110,449	35,607	74,842
General Office Expenses	111	1,600	(1,489)	111	1,113	(1,001)
Other Expenses	6,633	4,850	1,783	6,633	1,806	4,827
Total Expenses	333,590	405,083	(71,493)	333,590	1,190,175	(856,585)
NET INCOME/(LOSS):	\$ (77,327)	\$ (63,750)	\$ (13,577)	\$ (77,327)	\$ (811,064)	\$ 733,737

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2020 budgeted figures.

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

2021 Budget Review Process

Date	Description	
July-August	Review of draft 2021 budgets by ECIDA management. (a) Prioritize any proposed budget requests for initiatives. (b) Formal budget requests compiled.	✓
August 18 th	Finance & Audit Committee meeting – initial review of proposed budgets.	✓
September 16 th	Finance & Audit Committee meeting to discuss any updates/recommend proposed budgets to Boards.	✓
September 23 rd	Review of 2021 draft budgets at Board meetings.	
October 2 nd at 10:00 a.m.	Board Q&A budget session #1 (voluntary).	
October 6 th at 2:00 p.m.	Board Q&A budget session #2 (voluntary).	
October	Adjustments to budget based on Board feedback and Finance & Audit Committee approval of final budgets (<i>if necessary</i>).	
October 28 th	Board meeting – action to approve final 2021 budgets.	
November 1 st	Deadline for final approved budget to be submitted to the ABO.	

Regional Development Corporation
2021 Proposed Budget

Regional Development Corporation (RDC)

2021 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 (“RLF”) that provides loans to eligible businesses that would not otherwise be able to obtain such financing from normal commercial sources. A second RLF has been approved under the Federal Coronavirus Aid, Relief and Economic Security (“CARES”) Act and is expected to be underway by the end of 2020. As such, the budget for 2021 includes estimated figures for both RLFs.

A. Key Budget Assumptions:

In 2021, the RDC expects to fund new loans of approximately \$5.5 million. This is expected to be offset by approximately \$1.7 million in loan repayments to the RLFs. Interest income on loans is expected to be approximately \$540,000 for 2021, which represents a 15% increase from the \$470,000 budget for 2020.

B. Overview of Changes in 2021 Budget:

The following summarizes the key changes between the 2021 budget and the projected 2020 results:

- Budgeted interest income from loans is \$540,000 in 2021, compared to a projected \$331,000 in 2020. In 2020, many loans in the current portfolio deferred several months’ principal and interest due to the Covid-19 pandemic. With normal payments resuming in late 2020 and the establishment of a second RLF, interest income is expected to increase in 2021.
- 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 \$6,000 or 2% in 2021 due to increases in salaries and benefits.
- The budgeted amount for the provision for loan losses is \$250,000 for 2021. The provision represents approximately 1.9% 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 CARES Act RLF is planned to have a higher risk tolerance than our legacy RLF, which will likely result in higher loan losses. The \$250,000 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% versus a historical portfolio charge-off rate of approximately 14%.

Regional Development Corporation (RDC)
2021 Budget + 3 Year Forecast

C. Summary of Risk Factors Impacting the 2021 Budget:

The following significant risk factors may influence the 2021 budget:

1. Due to the numerous uncertainties, including the recent pandemic, value of collateral, guarantees, etc., RDC's actual loan losses may vary significantly from the loan loss amount budgeted.
2. Interest income may vary from the budgeted amount as the budget is based on an estimate of active loans. Due to economic factors and the overall business climate, loans closed could vary significantly from estimates.

REGIONAL DEVELOPMENT CORPORATION ("RDC")
Proposed Budget for 2021

	Proposed Budget 2021	Approved Budget 2020	Projected 2020	Actual 2019
REVENUES:				
Interest Income - Loans	\$ 540,000	\$ 470,000	\$ 331,093	\$ 490,376
Interest Income - Cash & Investments	2,000	17,000	23,293	38,110
Administrative Fees	15,000	10,000	8,000	8,825
Other Income	5,000	15,000	2,749	5,842
Total Revenues	562,000	\$ 512,000	365,135	543,153
EXPENSES:				
ECIDA Management Fee*	\$ 320,000	\$ 320,000	\$ 314,000	\$ 279,988
Provision for Loan Losses**	250,000	200,000	(13,603)	1,446,153
Rent & Facilities Expenses	25,000	25,000	25,000	22,344
Professional Services	90,600	30,775	137,850	69,619
General Office Expenses	30,200	16,800	10,383	2,146
Other Expenses	1,775	7,900	1,852	2,536
Total Expenses	717,575	600,475	475,482	1,822,786
NET INCOME/(LOSS):				
	\$ (155,575)	\$ (88,475)	\$ (110,347)	\$ (1,279,633)

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

** Estimated 2021 Loan Balance	\$ 13,217,000
Provision for Loan Losses	\$ 250,000
Percentage of Loans	1.9%

REGIONAL DEVELOPMENT CORPORATION ("RDC")
Proposed Three Year Forecast 2022-2024

	Proposed Budget 2021	Forecast 2022	Forecast 2023	Forecast 2024
REVENUES:				
Interest Income - Loans	\$ 540,000	\$ 545,000	\$ 550,000	\$ 555,000
Interest Income - Cash & Investments	2,000	15,000	15,000	15,000
Administrative Fees	15,000	15,000	15,000	15,000
Other Income	5,000	10,000	10,000	10,000
Total Revenues	562,000	585,000	590,000	595,000
EXPENSES:				
ECIDA Management Fee*	\$ 320,000	\$ 330,000	\$ 330,000	\$ 335,000
Provision for Loan Losses	250,000	175,000	150,000	150,000
Rent & Facilities Expenses	25,000	25,000	25,000	25,000
Professional Services	90,600	50,000	50,000	50,000
General Office Expenses	30,200	900	900	900
Marketing & Other Expenses	1,775	5,000	5,000	5,000
Total Expenses	717,575	585,900	560,900	565,900
NET INCOME/(LOSS):				
	\$ (155,575)	\$ (900)	\$ 29,100	\$ 29,100

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



Loan Status Report August 27, 2020 – September 22, 2020

<u>RDC Loans Approved Since Last Meeting</u>	<u>Municipality</u>	<u>Amount</u>
(None)		

<u>RDC Loans Closed Since Last Meeting</u>	<u>Municipality</u>	<u>Amount</u>
Upscale Imaging D/B/A Everything Elmwood	Buffalo	\$ 50,000

<u>Loans in Closing Process</u>	<u>Municipality</u>	<u>Amount</u>
(None)		

<u>Loans in the Pipeline</u>	<u>Municipality</u>	<u>Amount</u>
A. Pratt Holdings, LLC	Tonawanda	\$1,000,000
Affordable Technology Solutions, LLC	Clarence	\$ 50,000
Bhavani Group, Inc.	Cheektowaga	\$ 50,000
Biz Win Strategies, LLC	Williamsville	\$ 50,000
Flex-E-Brick Products, Inc.	Lackawanna	\$ 50,000
HRB Hotels, Inc.	Amherst	\$ 50,000
Med Lab, Inc.	Cheektowaga	\$ 50,000
Total		<u>\$1,650,000</u>

<u>2020 - Loans Closed</u>	<u>YTD Loan Total</u>	<u>Jobs to be Created</u>	<u>Retained Jobs</u>	<u>Dollars Leveraged</u>
2	\$1,650,000	0	59	\$7,400,000

Loan Portfolio Performance

Past Due Loans:

<u>Loan</u>	<u>Outstanding Balance</u>	<u>Amount Past Due</u>	<u>Days Past Due</u>	<u>Comments</u>
NONE				

Loans in Default (Legal Action):

<u>Borrower Name</u>	<u>Amt Approved</u>	<u>Outstanding Loan Balance</u>	<u>Comments</u>
Buffalo Forklift	\$1,500,000	\$1,427,975	Legal Discovery Process
Adiabatic Solutions	\$ 250,000	\$ 250,000	Legal Summary Judgment Filed
HarkerBio, LLC	\$ 500,000	\$ 105,286	Demand Letter to Guarantor
Great Lakes Concrete	\$ 500,000	\$ 43,067	Negotiating Payoff Arrangements
Totals	\$2,750,000	\$1,826,328	

Portfolio Delinquency Rate (Past Due Outstanding Loan Balance divided by Portfolio Balance):

\$1,826,328 / \$11,684,499 = 15.6%



ECIDA & RDC Board of Directors Meetings - 2021
Meetings start at 12:00 p.m.

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

Wednesday, January 27th

Wednesday, February 24th

Wednesday, March 24th

Wednesday, April 28th (Annual Meeting)

Wednesday, May 26th

Wednesday, June 23rd

Wednesday, July 28th

Wednesday, August 25th

Wednesday, September 29th

Wednesday, October 27th

Wednesday, November 24th

Wednesday, December 22nd