



Buffalo and Erie County Regional Development Corporation
Board of Directors Meeting
October 27, 2021 @ 12:00 p.m.

Via Conference Call & Livestreaming

1.0 Call to Order

2.0 Approval of Minutes

2.1 Approval of the September 22, 2021 Minutes of the Meeting of the Membership (Action Item) (Pages 2-4)

3.0 Reports / Action Items / Information Items:

3.1 Financial Report (Informational) (Pages 5-8)

3.2 Approval of 2022 Budget (Action Item) (Pages 9-12)

3.3 Loan Status Report (Page 13)

4.0 Management Team Reports:

4.1 EDA Release of Federal Interest

4.2 2022 Meeting Schedule (Page 14)

5.0 Adjournment- Next Meeting November 17, 2021 @ 12:00 p.m. (New Date)

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

- DATE:** September 22, 2021
- 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:** Denise Abbott, Hon. Diane Benczkowski, Rev. Mark E. Blue, Hon. Joseph Emminger, Dottie Gallagher, Tyra Johnson, Hon. Brian Kulpa, Richard Lipsitz, Brenda W. McDuffie, Hon. Glenn R. Nellis, Paul Vukelic and Renee Wilson
- EXCUSED:** Hon. Bryon W. Brown, James Doherty, Hon. Howard Johnson, Hon. Mark C. Poloncarz, Hon. Darius G. Pridgen, Sister Denise Roche and Kenneth A. Schoetz
- OTHERS PRESENT:** John Cappellino, President & CEO; Mollie Profic, Chief Financial Officer; Karen M. Fiala, Vice President/Secretary; Atiqah Abidi, Assistant Treasurer; Gerald Manhard, Chief Lending Officer; Jamee Lanthier, Compliance Officer; Beth O'Keefe, Business Development Officer; Grant Lesswing, Business Development Officer; Brian Krygier, Systems Analyst; Carrie Hocienec, Operations Assistant; Robbie Ann McPherson, Director, Marketing & Communications, Pat Smith, Bookkeeper; and Robert G. Murray, Esq., General Counsel/Harris Beach PLLC
- GUESTS:** Deputy County Executive Maria Whyte; Andrew Federick, Erie County Senior Economic Development Specialist; Barry Carrigan on behalf of Nixon Peabody; Thomas Rybicki on behalf of PM Plastics; and Alex Carducci on behalf of the City of Buffalo

There being a quorum present at 1:11 p.m., the Meeting of the Board of Directors of the Buffalo and Erie County Regional Development Corporation was called to order by Chairwoman McDuffie.

MINUTES

The minutes of the July 28, 2021 meeting of the members were presented. Mr. Lipsitz moved and Ms. Abbott 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 August 2021 financial report, noting that the balance sheet shows that the RDC ended the month with total assets of \$21.8M and net assets of \$21.6M. The increase in assets from July is due mainly to increases in loans receivable, as two loans closed in August. The year-to-date income statement shows revenues of \$4.9M and \$290,000 of expenses, for net income of \$4.6M through August. Important to note is that CARES Act grant income for loans is not shown as an expense, which leads to this higher income figure.

Finance & Audit Committee Update. Ms. Profic advised that the Committee met on September 14 to review and recommend draft budgets to the Boards, subject to changes of \$100,000 or more to be reapproved by the Committee.

Budget Timetable. Ms. Profic presented a visual representation of the status of the 2022 budget process. The budgets have been reviewed and discussed in detail twice by the Finance & Audit Committee. After today's presentation of the draft budgets to the Board, there will be two budget Q&A sessions on October 5 and October 7. These optional sessions are for Board or Committee members and will be held virtually.

Review of Proposed 2022 Budget. The RDC's 2022 budget was presented. Ms. Profic gave an overview of the budget and any changes, along with risk factors impacting the budget. Budget revenue consist mainly of interest income from loans, at \$565,000 based on loans already closed and additional loans of \$3.75M of loans closed in 2022. Budgeted expenses are made up mainly of the ECIDA Management Fee (salary and benefit costs of ECIDA staff based on time spend on RDC business) and a provision for loan losses, estimated at 1.5% of projecting outstanding loans, \$250,000 to be conservative. The budgeted figures result in budgeted net income of \$23,000 for 2022.

Resolution to Appoint Vice President. Ms. Profic noted the request to appoint Elizabeth A. O'Keefe as Vice President due to Karen Fiala's impending retirement. Upon motion made by Mr. Nellis and seconded by Ms. Abbott to approve of Elizabeth A. O'Keefe as Vice President. Ms. McDuffie called for the vote and the following resolution was unanimously approved:

RESOLUTION OF THE BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION (THE "RDC") APPOINTING
ELIZABETH A. O'KEEFE AS VICE PRESIDENT OF THE RDC

Banking Resolution. Ms. Profic requested the addition of Elizabeth A. O'Keefe as a signer for the bank accounts. Upon motion made by Mr. Nellis and seconded by Ms. Abbott to

approve of Elizabeth A. O’Keefe as additional M&T signor and to have Ms. Profic execute the M&T resolution, Ms. McDuffie called for the vote and the motion was then unanimously approved.

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

Approval of the Following Loan Cases: PM Plastics, Inc., 1 & 2 Bank Street, Orchard Park, New York. \$1,500,000 84-months Term Loan, Secured and Guaranteed. Mr. Manhard reviewed this \$1,500,000 loan request, proceeds of which will assist with business acquisition. Mr. Emminger advised that the RDC Loan Committee approved the loan request. General discussion approved.

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

There being no further business to discuss, Ms. McDuffie adjourned the meeting of the Agency at 1:26 p.m.

Dated: September 22, 2021

Gerald Manhard, Assistant Secretary

Regional Development Corporation

Financial Statements

As of September 30, 2021

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Balance Sheet
September 30, 2021

	September 2021	August 2021	December 2020
ASSETS:			
Restricted Cash**	\$ 7,667,597	\$ 7,113,464	\$ 6,542,914
Accounts Receivable	-	-	11,015
Direct Loans *	14,733,378	14,710,106	10,789,595
50/50 Bank Participation Loans *	125,303	129,454	149,514
Reserve for Loan losses	(140,077)	(142,828)	(181,412)
Total Loan Assets, net	<u>14,718,604</u>	<u>14,696,732</u>	<u>10,757,697</u>
TOTAL ASSETS	<u>\$ 22,386,201</u>	<u>\$ 21,810,195</u>	<u>\$ 17,311,626</u>
LIABILITIES & NET ASSETS			
Accounts Payable	\$ -	\$ -	\$ 2,659
Due to ECIDA	261,652	232,852	293,638
Total Liabilities	<u>261,652</u>	<u>232,852</u>	<u>296,298</u>
Restricted Fund Balance	22,124,548	21,577,343	17,015,328
TOTAL LIABILITIES & NET ASSETS	<u>\$ 22,386,201</u>	<u>\$ 21,810,195</u>	<u>\$ 17,311,626</u>

* Loan Portfolio Summary:	September 2021	August 2021	December 2020
# of Legacy RLF Loans	34	34	33
# of CARES Act RLF Loans	29	27	2
# of 50/50 Bank Participation Loans	1	1	1
	<u>64</u>	<u>62</u>	<u>36</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 2021

	Actual vs. Budget		
	Actual	Budget	Variance
REVENUES:			
Interest Income - Loans	\$ 37,211	\$ 45,000	\$ (7,789)
Interest Income - Cash & Inv.	114	167	(53)
Administrative Fees	-	1,250	(1,250)
Grant Income - CARES Act RLF	541,294	-	541,294
Other Income	295	417	(122)
Total Revenues	<u>578,914</u>	<u>46,833</u>	<u>532,081</u>
EXPENSES:			
Management Fee - ECIDA*	26,700	26,667	33
Provision for Loan Losses	(2,751)	62,500	(65,251)
Rent & Facilities Expenses	2,100	2,083	17
Professional Services	1,220	6,250	(5,030)
General Office Expenses	-	142	(142)
Other Expenses	4,440	2,481	1,959
Total Expenses	<u>31,709</u>	<u>100,123</u>	<u>(68,414)</u>
NET INCOME/(LOSS):	<u>\$ 547,205</u>	<u>\$ (53,290)</u>	<u>\$ 600,495</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: September 30, 2021

	Actual vs. Budget			Actual vs. Prior Year		
	Actual	Budget	Variance	Actual	Prior Year	Variance
REVENUES:						
Interest Income - Loans	\$ 338,078	\$ 405,000	\$ (66,923)	\$ 338,078	\$ 270,476	\$ 67,601
Interest Income - Cash & Inv.	2,246	1,500	746	2,246	13,440	(11,195)
Administrative Fees	-	11,250	(11,250)	-	8,000	(8,000)
Grant Income - CARES Act RLF	5,179,241	-	5,179,241	5,179,241	-	5,179,241
Other Income	11,149	3,750	7,399	11,149	1,956	9,194
Total Revenues	5,530,714	421,500	5,109,214	5,530,714	293,872	5,236,841
EXPENSES:						
Management Fee - ECIDA*	240,300	240,000	300	240,300	240,000	300
Provision for Loan Losses	(41,335)	187,500	(228,835)	(41,335)	(13,603)	(27,732)
Rent & Facilities Expenses	18,900	18,750	150	18,900	18,750	150
Professional Services	42,230	71,850	(29,620)	42,230	120,863	(78,634)
General Office Expenses	2,602	1,275	1,327	2,602	111	2,491
Other Expenses	58,797	22,331	36,465	58,797	6,753	52,044
Total Expenses	321,494	541,706	(220,213)	321,494	372,874	(51,380)
NET INCOME/(LOSS):	\$ 5,209,220	\$ (120,206)	\$ 5,329,426	\$ 5,209,220	\$ (79,002)	\$ 5,288,222

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

**Buffalo & Erie County
Regional Development Corporation
Proposed 2022 Budget**

Regional Development Corporation (RDC)

2022 Budget + 3 Year Forecast

The Buffalo and Erie County Regional Development Corporation (“RDC”) operates two federally restricted revolving loan funds (“RLF”) that provide loans to eligible businesses under each RLF’s lending parameters.

A. Key Budget Assumptions:

In 2022, the RDC expects to fund new loans of around \$3.75 million. This is expected to be offset by approximately \$960,000 in loan repayments to the RLFs. Interest income on loans is expected to be around \$565,000 for 2022, which represents a 25% increase from the \$451,000 projected for 2021. The main driver of this increase is the expiration of a one-year period of no payments for many of the loans funded with Coronavirus Aid, Release, and Economic Security (CARES) Act grant funds in 2021.

B. Overview of Changes in 2022 Budget:

The following summarizes the key changes between the 2022 budget and the projected 2021 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 decrease by approximately \$2,000 or 0.7% in 2022 due to an anticipated decrease in time charged to RDC.
- The budgeted amount for the provision for loan losses is \$250,000 for 2022. The provision represents approximately 1.5% 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 operates with a higher risk tolerance than our legacy RLF, which will likely result in higher loan losses. 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%.

C. Summary of Risk Factors Impacting the 2022 Budget:

The following significant risk factors may influence the 2022 budget:

1. Due to the numerous uncertainties, including the COVID-19 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 2022

	Proposed Budget 2022	Approved Budget 2021	Projected 2021	Actual 2020
REVENUES:				
Interest Income - Loans	\$ 565,000	\$ 540,000	\$ 450,837	\$ 374,669
Interest Income - Cash & Investments	500	2,000	2,994	15,013
Administrative Fees	15,000	15,000	-	13,000
Grant Income	103,093	-	5,201,586	111,015
Other Income	5,000	5,000	14,866	20,561
Total Revenues	<u>688,593</u>	<u>\$ 562,000</u>	<u>5,670,283</u>	<u>534,259</u>
EXPENSES:				
ECIDA Management Fee*	\$ 286,000	\$ 320,000	\$ 288,000	\$ 269,830
Provision for Loan Losses**	250,000	250,000	100,000	111,778
Rent & Facilities Expenses	25,000	25,000	25,000	22,277
Professional Services	60,050	90,600	37,428	150,285
General Office Expenses	22,000	30,200	2,866	306
Other Expenses	22,275	1,775	64,242	7,516
Total Expenses	<u>665,325</u>	<u>717,575</u>	<u>517,537</u>	<u>561,992</u>
NET INCOME/(LOSS):	<u>\$ 23,268</u>	<u>\$ (155,575)</u>	<u>\$ 5,152,746</u>	<u>\$ (27,733)</u>

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

** Estimated 2022 Loan Balance	\$ 17,108,000
Provision for Loan Losses	\$ 250,000
Percentage of Loans	1.5%

REGIONAL DEVELOPMENT CORPORATION ("RDC")
Proposed Budget and Three Year Forecast 2023-2025

	Proposed Budget 2022	Forecast 2023	Forecast 2024	Forecast 2025
REVENUES:				
Interest Income - Loans	\$ 565,000	\$ 570,000	\$ 575,000	\$ 580,000
Interest Income - Cash & Investments	500	10,000	10,000	10,000
Administrative Fees	15,000	10,000	15,000	15,000
Grant Income	103,093	-	-	-
Other Income	5,000	10,000	10,000	10,000
Total Revenues	688,593	600,000	610,000	615,000
EXPENSES:				
ECIDA Management Fee*	\$ 286,000	\$ 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	60,050	50,000	50,000	50,000
General Office Expenses	22,000	900	900	900
Marketing & Other Expenses	22,275	5,000	5,000	5,000
Total Expenses	665,325	585,900	560,900	565,900
NET INCOME/(LOSS):				
	\$ 23,268	\$ 14,100	\$ 49,100	\$ 49,100

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



**Loan Status Report
September 22, 2021 – October 27, 2021**

<u>RDC Loans Approved Since Last Meeting</u>	<u>Municipality</u>	<u>Amount</u>
PM Plastics (manufacturer)	Orchard Park	\$1,500,000

<u>RDC Loans Closed Since Last Meeting</u>	<u>Municipality</u>	<u>Amount</u>
Buffalo Fermentation (manufacturer)	Buffalo	\$250,000

<u>Loans in Closing Process</u>	<u>Municipality</u>	<u>Amount</u>
Total – 2	Buffalo/Amherst	\$2,000,000

<u>Loans in the Pipeline</u>	<u>Municipality</u>	<u>Amount</u>
Total – 1	Buffalo	\$500,000

<u>2021 - Loans Closed</u>	<u>YTD Loan Total</u>	<u>Jobs to be Created</u>	<u>Retained Jobs</u>	<u>Dollars Leveraged</u>
RDC Loans – 32	\$6,630,000	125	422	\$2,765,070
MWBE Loans – 13	\$1,460,000	30	88	\$650,000

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				

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

\$0 / \$14,863,221 0% Delinquency Rate (65 Loans)

RDC Funds Available to Lend: \$4,090,869



**ECIDA & RDC Board of Directors
Monthly Meeting Schedule - 2022
Meetings are held on Wednesday's and start at 12:00 p.m.**

January 26

February 23

March 23

April 27 (Annual Meeting)

May 25

June 22

July 27

August 24

September 28

October 26

November 30

December 21