



**Buffalo and Erie County Regional Development Corporation
Board of Directors Meeting
December 21, 2016
@ 11:00 a.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 October 26, 2016 Meeting of the Board of Directors **(Pages 2-3)**
- 3.0 Reports / Action Items / Information Items:
 - 3.1 Financial Report **(Pages 4-7)**
 - 3.2 Board Annual Certification of the RDC Revolving Loan Fund (RLF) **(Pages 8-18)**
 - 3.3 2016 Loan Status Report/Closing Schedule **(Pages 19-20)**
- 4.0 Next Meeting – January 25, 2017 at 9:00 am. **(Please Note New Time of 9:00 a.m.)**

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

- DATE AND PLACE:** October 26, 2016, at the Erie County Industrial Development Agency, 95 Perry Street, 5th Floor ESD Conference Room, Buffalo, New York 14203
- PRESENT:** Hon. Diane Benczkowski, Hon. Joseph H. Emminger, Dottie Gallagher-Cohen, Richard Lipsitz, Jr., David L. Lowrey, Brenda W. McDuffie, Frank B. Mesiah, Hon. Glenn R. Nellis, Hon. Mark C. Poloncarz, Hon. Edward A. Rath, III, Sister Denise Roche, Paul V. Vukelic and Hon. Barry A. Weinstein
- EXCUSED:** Hon. Byron W. Brown, James F. Doherty, John J. Mudie, Louis Panzica, and Hon. Darius G. Pridgen
- OTHERS PRESENT:** Steve Weathers, Chief Executive Officer; John Cappellino, Executive Vice President, Mollie Profic, Treasurer; Karen M. Fiala, Assistant Treasurer; Bradley Bach, Assistant Treasurer; Gerald Manhard, Chief Lending Officer; and Robert G. Murray, Secretary
- GUESTS:** Andrew Federick, Erie County Senior Economic Development Specialist

There being a quorum present at 11:00 a.m., the meeting of the Buffalo and Erie County Regional Development Corporation Board of Directors was called to order by its Chair, Ms. McDuffie.

MINUTES

Upon motion made by Mr. Nellis and seconded by Mr. Rath, the minutes of the September 28, 2016 Meeting of the Board of Directors of the RDC were unanimously approved.

REPORTS/ACTION ITEMS/INFORMATION ITEMS:

Financial Report. Ms. Profic presented the September 2016 financial report noting the balance sheet reflects total assets of approximately \$22.9 million and net assets of approximately \$20.8 million. The monthly income statement shows a loss of \$117,000. Operating revenue was below budget by about \$2,000. Operating expenses were over budget by about \$70,000 due to the quarterly adjustment to the provision for loan losses. The year-to-date income statement shows total operating revenue of \$334,000 and total operating expenses of \$376,000. Year-to-date operating expenses are below budget by approximately \$87,000 due to lower than

anticipated professional services expenses and provision for loan losses. There is a year-to-date net loss of approximately \$42,000. There being no further questions, Ms. McDuffie directed that the report be received and filed.

2016 Loan State Report/Closing Schedule. Mr. Manhard reviewed the 2016 closing schedule. Ms. McDuffie directed that the report be received and filed.

EDA Amendment for RDC Loan Funds. Mr. Weathers introduced this item noting that there has been an approximately 20-30 year problem with the RDC Revolving Loan Fund due to issues related to the local match that leveraged receipt of EDA grant funds, and specifically recognized the good work of the ECIDA staff, County DEP staff, and particularly the work of County Executive Poloncarz and Senator Chuck Schumer to resolve this issue and free up additional lending funds. Mr. Poloncarz then spoke, thanking ECIDA staff, and County DEP staff, as well as former ECIDA Chairman, Congressman LaFalce for his efforts as well. Mr. Poloncarz noted that the ILDC, in its meeting held prior to this meeting, approved certain actions allowing the RDC to obtain certain funds to make this change to the local match to the RLF possible. Mr. Poloncarz recalled that Senator Schumer provided great leadership in this effort particularly at a meeting that Mr. Weathers, Andrew Schoeppich and Mr. Poloncarz attended in Washington, DC with Senator Schumer and the head of the Federal EDA and Housing and Urban Development all in an effort to resolve this issue. Mr. Poloncarz then walked members through the solution allowing the RDC to return approximately 2.7 million dollars to the County of Erie for county uses, return certain amounts to the Department of Treasury, and ultimately using certain funds as the new local match to therefore allow EDA funds to be used for lending purposes going forward.

Ms. McDuffie then thanked Congressman Higgins for his efforts in assisting to resolve this issue.

Mr. Poloncarz moved and Ms. Gallagher-Cohen seconded, to approve of the following resolution:

RESOLUTION OF THE BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION (THE "RDC") TO UTILIZE FUNDS PROVIDED FROM THE BUFFALO AND ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION (THE "ILDC") AS LOCAL SHARE FOR THE RDC REVOLVING LOAN FUND (THE "RLF") AND TO TAKE OTHER ACTIONS RELATED THERETO

Ms. McDuffie called for the vote and the aforementioned resolution was then unanimously approved.

There being no further business to discuss, Ms. McDuffie adjourned the meeting at 11:13 a.m.

Dated: October 26, 2016

Robert G. Murray, Secretary

Regional Development Corporation
Financial Statements
As of November 30, 2016

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Balance Sheet
November 30, 2016

	November 2016	October 2016	December 2015
ASSETS:			
Restricted Cash**	\$ 2,269,658	\$ 2,096,577	\$ 6,734,596
Sequestered Cash**	6,481,737	6,481,149	6,504,876
Direct Loans *	9,863,681	9,999,414	9,212,171
50/50 Bank Participation Loans *	399,864	401,570	424,801
Loan Interest Receivable	1,000	1,000	-
Reserve for Loan losses	(292,932)	(292,932)	(178,247)
Total Loan Assets, net	<u>9,971,613</u>	<u>10,109,052</u>	<u>9,458,725</u>
TOTAL ASSETS	<u>\$ 18,723,008</u>	<u>\$ 18,686,777</u>	<u>\$ 22,698,197</u>
LIABILITIES & NET ASSETS			
Accounts Payable	\$ 3,000	\$ 3,000	\$ 2,338
Due to ECIDA	313,574	574,289	313,327
Other Liabilities	4,579	4,579	1,546,422
Total Liabilities	<u>321,152</u>	<u>581,868</u>	<u>1,862,087</u>
Restricted Fund Balance	18,401,856	18,104,909	20,836,110
TOTAL LIABILITIES & NET ASSETS	<u>\$ 18,723,008</u>	<u>\$ 18,686,777</u>	<u>\$ 22,698,197</u>

<i>* Loan Portfolio Summary:</i>	November 2016	October 2016	December 2015
# of Direct Loans	49	49	54
# of 50/50 Bank Participation Loans	7	7	7
	<u>56</u>	<u>56</u>	<u>61</u>

** Cash is invested in interest bearing accounts at KeyBank. 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 November 2016

	Actual vs. Budget		
	Actual	Budget	Variance
REVENUES:			
Interest Income - Loans	\$ 36,027	\$ 36,000	\$ 27
Interest Income - Cash & Inv.	835	572	263
Administrative Fees	-	1,250	(1,250)
Other Income	1,386	625	761
Total Revenues	38,248	38,447	(199)
EXPENSES:			
Management Fee - ECIDA*	\$ 27,083	\$ 27,083	\$ (0)
Provision for Loan Losses	-	-	0
Rent & Facilities Expenses	1,417	1,417	0
Professional Services	158	4,167	(4,009)
Other Expenses	75	271	(195)
Total Expenses	28,733	32,938	(4,205)
NET INCOME/(LOSS) BEFORE NON-RECURRING ITEMS:	9,515	5,510	4,006
NON-RECURRING ITEMS:			
Addition to capital	287,432	-	287,432
Reduction of capital	(2,667,590)	-	(2,667,590)
NET INCOME/(LOSS):	\$ (2,370,643)	\$ 5,510	\$ (2,376,153)

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2016 budgeted figures.

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Income Statement

Year to Date: November 30, 2016

	Actual vs. Budget			Actual vs. Prior Year		
	Actual	Budget	Variance	Actual	Prior Year	Variance
REVENUES:						
Interest Income - Loans	\$ 375,193	\$ 396,000	\$ (20,807)	\$ 375,193	\$ 348,988	\$ 26,205
Interest Income - Cash & Inv.	2,535	6,294	(3,759)	2,535	4,280	(1,745)
Administrative Fees	16,313	13,750	2,563	16,313	17,531	(1,219)
Other Income	14,848.49	6,875	7,973	14,848	440,622	(425,774)
Total Revenues	408,889	422,919	(14,030)	408,889	811,421	(402,532)
EXPENSES:						
Management Fee - ECIDA*	\$ 297,917	\$ 297,917	\$ (0)	\$ 297,917	\$ 270,417	\$ 27,500
Provision for Loan Losses	114,685	150,000	(35,315)	114,685	18,434	96,251
Rent & Facilities Expenses	15,583	15,583	0	15,583	12,833	2,750
Professional Services	33,247	62,583	(29,336)	33,247	29,845	3,402
General Office Expenses	-	-	-	-	-	-
Other Expenses	1,552	2,979	(1,427)	1,552	1,428	124
Total Expenses	462,985	529,063	(66,078)	462,985	332,957	130,028
NET INCOME/(LOSS) BEFORE NON	(54,095)	(106,143)	52,048	(54,095)	478,464	(532,559)
NON-RECURRING ITEMS:						
Addition to capital	287,432	-	287,432	-	-	-
Reduction of capital	(2,667,590)	-	(2,667,590)	-	-	-
NET INCOME/(LOSS):	\$ (2,434,254)	\$ (106,143)	\$ (2,328,111)	\$ (54,095)	\$ 478,464	\$ (532,559)

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2016 budgeted figures.



MEMORANDUM

TO: Board of Directors

FROM: Mollie Profic

RE: Board Annual Certification of the RDC Revolving Loan Fund (RLF)

DATE: December 21, 2016

As part of our annual report to the U.S. Department of Commerce, Economic Development Administration (EDA), in connection with the operation of the Revolving Loan Fund administered by the Buffalo and Erie County Regional Development Corporation (RDC), the ECIDA must certify that the RLF is being operated in accordance with the policies and procedures contained in the RLF plan and that the loan portfolio meets the standards contained therein.

Attached for your consideration is a certifying resolution which would be included with our annual report to EDA on the operation of the RLF.

BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION
REVOLVING LOAN FUND ANNUAL RESOLUTION

The meeting of the Buffalo and Erie County Regional Development Corporation was convened on December 21, 2016 at _____ a.m.

The following resolution was duly offered and seconded, to wit:

RESOLUTION OF THE BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION (THE "RLF LOAN BOARD" OR "RDC") IN CONNECTION WITH AN ANNUAL CERTIFICATION TO BE MADE UNDER THE STANDARD TERMS AND CONDITIONS AND ADMINISTRATIVE MANUAL REQUIREMENTS OF THE ECONOMIC DEVELOPMENT ADMINISTRATION (THE "EDA")

WHEREAS, the RDC was incorporated as an affiliate of the Erie County Industrial Development Agency (the "RLF Board" or "Agency") for the purpose of encouraging the retention and expansion of existing companies as well as the attraction of new companies to target areas of Erie County using the resources from various Revolving Loan Funds (the "RLF") to make direct loans to individual companies; and

WHEREAS, the RDC was originally established with grants from the EDA of \$7,000,000, the County of Erie Community Development Block Grant funds of \$2,316,000 and the City of Buffalo Community Development Block Grant funds of \$1,800,000, and has received no other further grant funding since it was started; and

WHEREAS, through the efforts of the RDC, the RLF has grown to total net assets now in excess of \$20,900,000 that includes the original grant funding as described above, principal repayments, and interest; and

WHEREAS, initially, the loan fund was treated as a single, combined financial resource on the basis that the U.S. Department of Housing and Urban Development ("HUD") funds lost their HUD character when pledged as local match; however, a 1998 HUD audit (done nearly ten years after the loan fund was started) took the position that HUD rules had always applied, causing the HUD funds to remain unused, creating a large cash excess requiring sequestration, a non-compliant capital utilization rate and an irreconcilable conflict that necessitated remedial action; and

WHEREAS, in October, 2016, this long-time dispute between HUD and EDA to obtain direction and clarification of the underlying programmatic issues related to the characterization of the HUD funds that directly affected excess funds was settled; and

WHEREAS, a review of the RLF portfolio is conducted every two years to determine adherence to the terms and conditions of the original grant, compliance with

EDA regulations (and other regulations as required for the sub-funds), completeness of supporting loan files/documentation and conformity with miscellaneous operational procedures; and

WHEREAS, a random sampling review of twelve (12) loans from the RDC RLF portfolio was conducted by Harris Beach, PLLC during the summer and fall, 2016; and

WHEREAS, the Standard Terms and Conditions and Administrative Manual Requirements of the U.S. Department of Commerce, Economic Development Administration, require that the RLF Board provide certification annually that the RLF Loan Board (the RDC) and the Grant Recipient's governing body (the Agency) have reviewed the RLF and have determined that the RLF is being operated in accordance with the policies and procedures contained in the RLF Plan and the loan portfolio meets the standards contained therein.

NOW, THEREFORE, BE IT RESOLVED BY THE BUFFALO AND ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION AS FOLLOWS:

Section 1. To the best knowledge and belief of the members of the members of the board of directors of the RDC and with the disclosures provided above, the RLF is being operated in accordance with the policies and procedures contained in the RLF Loan Administration Plan ("LAP"), and the loan portfolio meets the standards contained therein, subject to the following notations:

- (i) Certain operational requirements of the LAP such as updating/maintenance of certain collateral documents (particularly insurance policies, collection of tax returns/financials, etc.) are of continuing concern. A random sampling of twelve (12) loans was conducted in the summer and fall 2016 and a list of items requiring attention as required by the LAP was provided to staff for remedial action.
- (ii) The RDC is currently not in compliance with the EDA capital utilization standard requiring a minimum of 75% of the Revolving Loan Fund be loaned or committed at all times (un-loaned/uncommitted funds in excess of 25% are called "excess funds").

EDA regulations had previously required that that the RDC maintain a capital utilization standard of 85% (due to the Capital Base being in excess of \$4 million); however, in 2012, the RDC had successfully appealed to the EDA to reduce the capital utilization percentage (for a two year period expiring January 2014) from 85% to 75% based on the assumption that large loans were expected to be made during that time relative to the size of the RLF Capital Base. Despite staff's best efforts, the loans never materialized. Since the EDA did not provide any further direction as to reversion back to the 85% utilization rate, the RDC continues to operate under the assumption that the 75% utilization rate is still in effect.

13 CFR 301.16(c)(2)(ii) stipulates that a reasonable amount of time will be allowed to lend excess funds and achieve the required capital utilization standard; however, if the standards are not reached after a reasonable period of time, as determined by the EDA, it may be subject to sanctions such as suspension or termination. No further communications from the EDA addressing the utilization rate have been received since the 2012 letter.

As required by Federal regulation, excess funds above the 75% assumed capital utilization standard have been rightly deposited into interest-bearing accounts and the portion of the interest attributable to the Federal Share of the RLF grant has been remitted to the U.S. Treasury, as required.

- (iii) As previously stated in (ii) above, the Semi Annual Report covering the period of 04/01/16 through 09/30/16 was calculated based on a 75% capital utilization standard; however, that rate technically expired on January 19, 2014.

On November 15, 2016, staff formally requested a temporary, two-year waiver of the 75% utilization requirement to allow adequate time to lend the newly unrestricted loan funds freed up as a result of the dispute resolution between HUD and the EDA. A response is expected back shortly from the EDA.

- (iv) The Semi Annual Report covering the period of 10/1/15 through 03/31/16 (as well as at least one prior semi-annual report), did not include the balance of one delinquent loan due to a clerical error. This resulted in an understatement of the total of delinquent loans in the report; and overstated the current balance available as a percentage of capital base. This error has since been corrected on the 04/01/16 – 09/30/16 Semi-Annual report.
- (v) An appeal over a disputed cost allocation (in the amount of \$352,000) resulting from an audit performed by the U.S. Department of Commerce Office of the Inspector General during late 2003 and early 2004 has not yet been resolved or formally acknowledged as being no longer an issue with the OIG and therefore remains an open item. Despite the fact that OIG and the EDA stated in October, 2006 that they were willing to reconsider the request to allow a portion of the administrative costs initially disallowed by the audit, no formal decision to the RDC's detailed reply from the EDA has been received and the appeal remains an unresolved item (without a reserve set-aside allocated) more than ten years later, awaiting direction from the OIG.
- (vi) The U.S. Department of Commerce Office of Inspector General ("OIG") has initiated an audit of EDA's controls and processes associated with the

management of its Revolving Loan Fund program, with the objective of the audit to determine the adequacy of controls EDA has in place specifically for the areas of capital utilization, default rates, reporting and audit oversight. Although the RDC is not the only entity included in the EDA review on a national level, the results of this review are still unknown as to how (if at all) the RDC will be affected.

- (vii) Section 307.9 of the EDA Regulations require that the LAP be updated every five (5) years. The last time the plan was updated was in May, 2012. Staff has begun work on the Comprehensive Economic Development Strategy ("CEDS") required as part of the LAP update, with the objective of having the required policy document completed before the May, 2017 expiration date.

Section 2. The Chair or Vice Chair, the Chief Executive Officer, the Executive Vice President, and/or the Chief Financial Officer/Treasurer or Assistant Treasurer, are hereby authorized to execute all necessary documents to make the required annual certification to the EDA including the notations as listed above.

Section 3. This resolution shall take effect immediately.

**SUMMARY OF REVOLVING LOAN FUND
PORTFOLIO COMPLIANCE REVIEW
2016**

During the summer/fall of 2016, Roberta Jordans, Manager of Economic Development for Harris Beach, performed a review of twelve (12) loans randomly selected from the Regional Development Corporation's ("RDC") Portfolio Status Report to verify appropriate file documentation and closing paperwork and to ensure compliance with administrative procedures of the Loan Administration Plan ("LAP") and with the reporting requirements as required by the U.S. Economic Development Administration ("EDA"). Of the twelve (12) loans reviewed, five (5) of the loans (42%) were closed in 2012 or earlier. Additionally, seven (7) were Standard loans and 5 were Microloans.

Office paper files, electronic documents, closing binders and office reports were checked for such items as required approvals, properly signed/executed loan documents, UCC filings, completed applications, insurance documents, financial statements and other required collateral items. Since most of the paper files have now been scanned into the RDC computer system, most of the documents were available from there or from the electronic closing binders.

The Standard Terms and Conditions and Administrative Manual of the U.S. Department of Commerce, Economic Development Administration, requires that the RLF board provide certification annually that the RDC and the ECIDA have reviewed the RLF in order to determine if the RLF is being operated in accordance with the policies and procedures contained in the RLF Plan and that the loan portfolio meets the standards contained therein. Accordingly, the purpose of this review was not financial in nature such as the typical accountant's annual financial audit would include, but to look at those programmatic compliance issues, i.e., to verify that the loans reviewed met the minimum standards of the LAP and the EDA regulations.

It is this reviewer's opinion that the categories of items (as described below) represent typical areas of deficiencies for either public (municipal) or private (bank) loan portfolios. Of continuing concern, however, are a few general areas or concern that have appeared in all of the semi-annual reviews completed since 2010 that constantly require ongoing efforts and attention -- namely in the areas of post-closing collection of financial documents and insurance compliance documents.

A meeting was held with staff and management on November 29, 2016, where a detailed report of individual findings and recommendations was presented, a summary of which is provided below:

Collection of Financial Statements/Tax Returns (both personal and corporate)

Of the twelve (12) loans reviewed, five (5) of them (or 42% of those loans reviewed) did not have all the required current/complete personal and or corporate financial information, tax returns and/or interim financial statements as required by the loan commitment letter and/or the Security Agreement.

Financial statement information is now being tracked in the Loan Document Tracking Spreadsheet and staff is recording their attempts to collect the required documents, short of calling a loan that may be current and paying as agreed.

Stiff financial penalties (for example, \$100 per document per month for each late statement) were added to the loan closing documents in order to encourage full compliance with post-closing documentation; in spite of this, still 42% of the Borrowers reviewed have not complied in a timely manner, if at all, for year-end 2015. Staff has not typically assessed these late charges so as to not cause any additional burden on the Borrower (especially if the Borrower is current with their payments). During the November 29, 2016 staff meeting, the addition of collection letters signed by the Executive Director (instead of the loan officer or compliance officer) and/or sent by Certified mail was/were discussed as two possible options to emphasize the importance of returning the documents in a timely manner. No matter what upgrade is ultimately chosen, care should be given to equitable assessment of late charges.

It is also recommended that staff should add new Borrowers to the Loan Document Tracking Spreadsheet as soon as possible after loan closing (rather than waiting until calendar year end as is now done) so as to catch the correct cycle of financial statements and to ensure that no loan is overlooked.

Required Insurance Certificates

Nine (9) of the loans reviewed (75%) did not have up-to-date copies of insurance policies (either liability/life/property) or other insurance issues.

Generally, the Loan Document Tracking Spreadsheet indicates that staff is aware of the deficiencies and is attempting to collect the documentation. However, further differentiation between the types of insurance required (liability/life insurance/property) need to be better recorded when a new loan is closed so as to ensure that all required policies are received. During the November 29, 2016 staff meeting, staff reported that additional columns have been added to the Loan Document Tracking Spreadsheet to allow for multiple policy types to be recorded separately in the future.

It is recommended that the insurance information (type of policy, expiration date, etc.) should be added to the Tracking Report ASAP after loan closing (rather than waiting until year end as is currently the practice) since the policy potentially could come up for renewal before the next annually scheduled update of the report.

Additional training was also discussed as a means to help staff better understand and recognize the different types of insurance policies and policy assignment levels.

Underwriting Issues

Five (5) total discrepancies found. In all five of these cases, the findings were related to the requirement of the Loan Administration Plan to obtain a Phase I on properties taken as collateral, with no differentiation between residential and commercial properties.

Staff had been requiring Phase I's on commercial property only (not residential) taken as collateral. Since there is no differentiation clarified in the current Loan Administration Plan, the lack of a Phase I for residential properties taken as collateral contradicts the existing wording in the Loan Administration Plan. Since staff will be updating the LAP in 2017, this detail is intended to be further clarified for the future.

Adherence to Federal Regulations

There were no instances of lack of evidence of the Borrower's agreement to adhere to required federal regulations.

In 2012, as a result of the findings of the Semi-annual review, a procedural improvement was made where the adherence to federal regulations was

incorporated as part of the actual closing documentation rather than as a separate document.

Of the twelve loans reviewed in 2016, even though five of them were closed prior to 2012, there were no missing acknowledgements of some type, evidencing that (at least for those loans as a representative sampling of the portfolio) the procedural improvements were effective and have been since successfully and fully implemented.

UPDATES/COMMENTS:

- (1) Even after taking into consideration that different loans were reviewed in 2016 than in 2014, a quick comparison of general finding categories between 2014 and 2016 (and going back even further) shows that the items requiring attention still fall in the same categories regardless of the year of review. For example, the majority of findings in any given review year involved either (1) missing financial documents or (2) insurance policy compliance issues.

The tracking of the missing documents, which are all now recorded on either the Loan Document Tracking Spreadsheet (for the financials) or on the Insurance Tracking List (for expiring/delinquent insurance) has proven to be generally effective in tracking missing documents; however, new loans booked should be added immediately to the respective list(s) in case the documents expire before the next regularly scheduled update of each list. Additionally, insurances required should be better differentiated on the list and listed separately (for example, property insurance, life insurance, flood insurance, etc.). Staff has already added additional categories to the tracking reports to allow for this.

Staff does appear to adequately record their efforts to attempt to collect the needed documents; however, the repetitive, "form-letter" type of collections effort has not helped to increase the collection rate -- even with the inclusion of serious late fees. Stepped-up collections (a certified letter from the Executive Director or from counsel citing loan default if documents are not provided, for example) might bring about a quicker response for these documents than has been realized in the past. For those loans that are participated with a bank, another option might be to approach the bank directly for the documents (assuming that they have current copies

themselves). Going forward, standardization of required documents might make it easier for staff to track and collect the necessary statements/policies.

The continued assessment/collection of late fees should be discussed internally as to how this process can be improved and/or enforced, or if it should be continued.

- (2) As noted above, the Loan Document Tracking Spreadsheet created by staff as a result of the 2012 RLF Loan Review seems to have helped formalize the recording of missing documents. However, staff should compare the Spreadsheet against the Portfolio Status Report to ensure that new loans booked are not left off the Tracking Spreadsheet.

Additionally, the report needs to be reformatted to be able to reflect multiple years' data – (rather than just one year - as it now does) for those Borrowers who have multiple year's documents still owing.

Finally, the report should include an “as of” date in the corner of the document, so that everyone knows the date it was last reviewed/updated.

- (3) Staff is in the process of completing a major file scanning project (expected completion date 2017) that will allow them to organize and retrieve records electronically and to organize them chronologically. This project's goal is to improve tracking of the outstanding documents and easier retrieval of documents by the staff, auditors and counsel alike. This reviewer successfully accessed many of the documents from that file for this year's review. The only remaining suggestion would be that bank-participated loan documents, which are now held at the bank, would also get scanned into the system so that staff is not reliant on bank lending officers for documentation in the case of a collection or enforcement action.
- (4) The Delinquent Insurance Tracking Checklist allows for formalized tracking of outdated/expired property and liability insurance policies, but should be expanded to include an area for comments in order to be able to record the status of corrective action(s) taken.

Also, as mentioned in (1) above, separate types of policies (for example, liability, property, life) should be listed separately so that it is clear which policy has been received and/or is still outstanding.

This report should also include an “as of” date so that everyone knows the date it was last updated. Staff is working to address these issues.

- (5) Since the 2012 review, only recorded UCC’s are included in RLF closing binders. This small, but important improvement ensures that the UCC’s are properly filed and that the RDC has closing binders with all executed documents. A UCC tracking spreadsheet also was created with the ability to track expirations so that counsel/staff know when continuations are needed ahead of time to ensure continued coverage. This has been working well and no discrepancies were found this year.
- (6) As previously mentioned, loans closed since 2012 now include specific reference to the adherence to federal regulations as part of the normal closing paperwork – even for micro-loans (which were previously closed by RDC staff, but which are now done in conjunction with counsel). The loans reviewed in 2014 that were closed since this procedural change and all the loans reviewed in 2016 had adequate reference to the federal requirements, evidencing that the improvement was effective.

Thank you very much for the opportunity to work with the Erie County Industrial Development Agency on this review project. Resolutions for the loan compliance review have been prepared for board review, as required.

Roberta A. Jordans
Manager of Economic Development Assistance
Harris Beach PLLC
December 12, 2016



Loan Status Report October 26, 2016 – December 21, 2016

<u>RDC Loans Approved Since Last Meeting</u>	<u>Municipality</u>	<u>Amount</u>
WTF Chef (Meal prep service)	Cheektowaga	\$ 50,000
		<u>\$ 85,000</u>

<u>RDC Loans Closed Since Last Meeting</u>	<u>Municipality</u>	<u>Amount</u>
Cedars Bakery (Bakery)	Buffalo	\$ 35,000

<u>Loans in Closing Process</u>	<u>Municipality</u>	<u>Amount</u>
Mr. Albert Dawson d.b.a. Daw, Inc. (Auto Repair Store)	Grand Island	\$ 50,000

<u>Loans in the Pipeline</u>	<u>Municipality</u>	<u>Amount</u>
Clearview Social (Tech start-up)	Buffalo	\$ 300,000
Heal Thy Biz Online (Consulting)	Glenwood	\$ 6,000
HLM Landscaping (Landscaping/snow removal)	Buffalo	\$ 30,000
Interactive X (Tech start-up)	Amherst	\$ 200,000
Port O'Cell Brewing (Brewery)	Buffalo	\$ 215,000
Pulp 716 (Bookstore)	Tonawanda	\$ 40,000
Sherex Fastening (Manufacturer)	Tonawanda	<u>\$ 750,000</u>
		<u>\$1,541,000</u>

<u>Delinquency</u>	<u>Loan Balance Outstanding</u>	<u>Delinquency Rate</u>
2 Accounts	\$59,870	0.59%

<u>Loans Closed YTD</u>	<u>Loan Total YTD</u>	<u>Total New Jobs Projected</u>	<u>Retained Jobs</u>	<u>Private Investment</u>
11	\$3,962,000	64	359	\$13,018,500

RDC Loan Closings 2016

Project Name	Loan Amount	Jobs at App	Projected Year 3 Jobs	Project City	Closing Date	Project Product
Robinson Home Products	\$ 1,600,000	110	113	Williamsville	4/1/2016	RDC Loan
Big Ditch Brrewing Co.	\$ 500,000	65	75	Buffalo	7/1/2016	RDC Loan
S.J. McCullagh	\$ 500,000	38	38	Buffalo	9/30/2016	RDC Loan
Genreal Welding and Fabricating	\$ 500,000	68	78	Elma	6/23/2016	RDC Loan
492 Elmwood/The Thin Man Brewery	\$ 337,500	0	10	Buffalo	4/15/2016	RDC Loan
Disc Lock, LLC	\$ 325,000	45	52	Tonawanda	5/12/2016	RDC Loan
51 Chippewa Street	\$ 50,000	0	20	Buffalo	3/25/2016	Micro Loan
Elite Dance Studio	\$ 50,000	2	3	Bowmansville	4/14/2016	Micro Loan
Azariah's Innocence, LLC	\$ 40,000	3	4	Buffalo	9/1/2016	Micro Loan
Cedars Bakery and Deli	\$ 35,000	2	4	Buffalo	12/1/2016	Micro Loan
Alpine Made, LLC./Beiter and Sons Farm, LLC	\$ 24,500	2	3	South Whales	8/5/2016	Micro Loan

11 Projects Closed
64 Jobs Projected

Total: **\$ 3,962,000** **335** **400**