



**Buffalo and Erie County Regional Development Corporation
Board of Directors Meeting
October 25, 2017
@ 4:00 p.m. (New Time)
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 27, 2017 Minutes of the Board of Directors Meeting (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 Approval of 2018 Operating Budget (Pages 10-13)
- 3.4 2017 - RDC Loan Status Report/RDC Closing Schedule (Pages 14-15)

4.0 Adjournment - Next Meeting November 28, 2017

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

- DATE AND PLACE:** September 27, 2017, at the Erie County Industrial Development Agency, 95 Perry Street, 5th Floor ESD Conference Room, Buffalo, New York 14203
- PRESENT:** Hon. Diane Benczkowski, Rev. Mark E. Blue, Hon. Joseph H. Emminger, Tyra Johnson, Richard Lipsitz, Jr., Hon. Joseph C. Lorigo, Brenda W. McDuffie, Hon. Glenn R. Nellis, Louis Panzica, Hon. Mark C. Poloncarz, Hon. Darius G. Pridgen, Sister Denise Roche and Hon. Barry A. Weinstein
- EXCUSED:** Hon. Byron W. Brown, James F. Doherty, Dottie Gallagher-Cohen, David L. Lowrey, John J. Mudie and Paul V. Vukelic
- OTHERS PRESENT:** Steve Weathers, Chief Executive Officer; John Cappellino, Executive Vice President; Mollie Profic, Treasurer; Karen M. Fiala, Assistant Treasurer and Robert G. Murray, Secretary
- GUESTS:** Andrew Federick, Erie County Senior Economic Development Specialist

There being a quorum present at 9:56 a.m., Ms. McDuffie called the meeting to order.

MINUTES

The Minutes of the August 23, 2017, meeting of the Board of Directors of the RDC were presented. Mr. Weinstein moved, and Mr. Lorigo 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 August, 2017 Financial Statements, noting the balance sheet shows that the RDC finished August with total assets of \$18,500,000 and net assets of \$18,300,000. Operating revenue of \$46,000 was ahead of budget by \$8,500. Total expenses were under budget by \$2,800. The year-to-date income statement shows revenue of \$312,000, being \$11,000 ahead of budget for the year, along with expenses of about \$294,000, being \$92,000 under budget. The result is a net income of \$18,000 through August, 2017. Ms. McDuffie directed that the report be received and filed.

Finance & Audit Committee Update. Ms. Profic noted that at the most recently completed joint meeting of the ECIDA, RDC and ILDC Finance and Audit Committee, that the professional auditing services request for proposals was reviewed, and the draft 2018 budgets and three-year forecasts for the ECIDA, RDC and ILDC were also reviewed. Ms. McDuffie directed that the report be received and filed.

Proposed Budget Timetable. Ms. Profic reviewed the 2018 budget timetable including upcoming events and due dates. Ms. McDuffie directed that the report be received and filed.

Review of 2018 Budget. Ms. Profic noted that the proposed 2018 budget has revenues consisting mainly of interest income from loans, at \$530,000 based on anticipated \$3,600,000 of loans to close by the end of 2017. Budgeted expenses are made up mainly of an ECIDA management fee and a provision for loan losses, estimated at 1.3% of projected outstanding loans, or approximately \$175,000. The budgeted figures result in a budgeted net loss of \$56,000. Ms. McDuffie directed that the report be received and filed.

Auditing Services Procurement Memo. Ms. Profic outlined the auditing services procurement process undertaken for the recent auditing services request for proposals. Ms. Profic noted that proposals were solicited in July, 2017, and five responses were received. Three staff members reviewed the proposals and scored them based on criteria contained within the materials presented to you today. As previously mentioned, the Finance and Audit Committee met on September 12, 2017 and concurred with the staff committee recommendation selecting Freed Maxick to provide professional auditing services to the RDC for the 2017 and 2018 audits, with an option of contracting with the firm for 2019, 2020, and 2021. Mr. Emminger moved, and Mr. Lorigo seconded, to select Freed Maxick to provide professional auditing services for the 2017 and 2018 fiscal years and to continue to allow Freed Maxick to be retained to provide auditing services for 2019, 2020 and 2021 based on satisfactory review and approval of the RDC's Finance and Audit Committee of Freed Maxick's prior performance. Ms. McDuffie called for the vote, and the motion was unanimously approved.

Banking Resolution Approval. Ms. Profic reminded Board members that on August 23, 2017, the RDC approved designation of M&T Bank as the official depository of funds. Related thereto, M&T Bank has a standard form of a public funds certified resolution which they require be approved by this Board. Mr. Nellis moved, and Sister Denise seconded, to approve of this M&T Bank public funds certified resolution. Ms. McDuffie called for the vote, and the aforementioned motion was unanimously approved.

2018 - RDC Board Meeting Schedule. Ms. McDuffie reviewed the 2018 RDC proposed meeting schedule.

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

APPROVAL OF LOAN CASE:

Buffalo Brewery Leasing, LLC/Thin Man Brewery of Buffalo, LLC/492 Elmwood Avenue, LLC, 166 Chandler Street, Buffalo, New York - \$1,700,000, 7.5 term loan, secured and guaranteed for purchase of new equipment related to expansion of brewery operations. Mr. Manhard presented the loan case. General discuss ensued. Mr. Weinstein moved, and Mr. Emminger seconded, to approve of the loan. Ms. McDuffie called for the vote, and the loan as proposed was then unanimously approved.

There being no further business to discuss, Ms. McDuffie adjourned the meeting at 10:10 a.m.

Dated: September 27, 2017

Robert G. Murray, Secretary

Regional Development Corporation
Financial Statements
As of September 30, 2017

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Balance Sheet September 30, 2017

| | September 2017 | August 2017 | December 2016 |
|---|-----------------------------|-----------------------------|-----------------------------|
| ASSETS: | | | |
| Restricted Cash** | \$ 9,593,546 | \$ 8,640,892 | \$ 2,414,368 |
| Sequestered Cash** | - | - | 6,482,286 |
| Direct Loans * | 9,031,155 | 9,941,840 | 9,757,152 |
| 50/50 Bank Participation Loans * | 308,978 | 313,769 | 355,227 |
| Reserve for Loan losses | (335,953) | (345,912) | (299,083) |
| Total Loan Assets, net | <u>9,004,180</u> | <u>9,909,697</u> | <u>9,813,296</u> |
| TOTAL ASSETS | <u>\$ 18,597,726</u> | <u>\$ 18,550,589</u> | <u>\$ 18,709,950</u> |
| LIABILITIES & NET ASSETS | | | |
| Accounts Payable | \$ 3,755 | \$ 3,755 | \$ 16,757 |
| Due to ECIDA | 236,708 | 197,004 | 361,291 |
| Total Liabilities | <u>240,463</u> | <u>200,759</u> | <u>378,048</u> |
| Restricted Fund Balance | <u>18,357,263</u> | <u>18,349,830</u> | <u>18,331,902</u> |
| TOTAL LIABILITIES & NET ASSETS | <u>\$ 18,597,726</u> | <u>\$ 18,550,589</u> | <u>\$ 18,709,950</u> |

| * Loan Portfolio Summary: | September 2017 | August 2017 | December 2016 |
|-------------------------------------|-----------------------|--------------------|----------------------|
| # of Direct Loans | 46 | 47 | 48 |
| # of 50/50 Bank Participation Loans | 4 | 4 | 6 |
| | <u>50</u> | <u>51</u> | <u>54</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 September 2017

| | Actual vs. Budget | | |
|-------------------------------|-------------------|-----------|----------|
| | Actual | Budget | Variance |
| REVENUES: | | | |
| Interest Income - Loans | \$ 34,456 | \$ 35,000 | \$ (544) |
| Interest Income - Cash & Inv. | 667 | 687 | (20) |
| Administrative Fees | 2,500 | 1,250 | 1,250 |
| Other Income | 8,926 | 625 | 8,301 |
| Total Revenues | 46,549 | 37,562 | 8,987 |
| EXPENSES: | | | |
| Management Fee - ECIDA* | \$ 36,917 | \$ 27,917 | \$ 9,000 |
| Rent & Facilities Expenses | 1,500 | 1,500 | 0 |
| Professional Services | 480 | 4,167 | (3,687) |
| General Office Expenses | 1,287 | - | 1,287 |
| Other Expenses | 140 | 271 | (131) |
| Total Expenses | 39,116 | 33,854 | 5,262 |
| NET INCOME/(LOSS): | \$ 7,433 | \$ 3,708 | \$ 3,725 |

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2017 budgeted figures.

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Income Statement

Year to Date: September 30, 2017

| | Actual vs. Budget | | | Actual vs. Prior Year | | |
|-------------------------------|-------------------|---------------------|-------------------|-----------------------|--------------------|------------------|
| | Actual | Budget | Variance | Actual | Prior Year | Variance |
| REVENUES: | | | | | | |
| Interest Income - Loans | \$ 316,444 | \$ 315,000 | \$ 1,444 | \$ 316,444 | \$ 304,271 | \$ 12,173 |
| Interest Income - Cash & Inv. | 5,003 | 6,182 | (1,178) | 5,003 | 2,201 | 2,802 |
| Administrative Fees | 8,688 | 11,250 | (2,563) | 8,688 | 16,313 | (7,626) |
| Other Income | 28,242 | 5,625 | 22,617 | 28,242 | 11,750 | 16,492 |
| Total Revenues | 358,376 | 338,057 | 20,320 | 358,376 | 334,535 | 23,841 |
| EXPENSES: | | | | | | |
| Management Fee - ECIDA* | \$ 221,251 | \$ 251,250 | \$ (29,999) | \$ 221,251 | \$ 216,750 | \$ 4,501 |
| Provision for Loan Losses | 51,090 | 150,000 | (98,910) | 51,090 | 114,685 | (63,595) |
| Rent & Facilities Expenses | 13,501 | 13,500 | 1 | 13,501 | 12,750 | 751 |
| Professional Services | 28,823 | 52,900 | (24,077) | 28,823 | 30,738 | (1,915) |
| General Office Expenses | 2,242 | - | 2,242 | 2,242 | - | 2,242 |
| Other Expenses | 16,109 | 2,438 | 13,672 | 16,109 | 1,401 | 14,708 |
| Total Expenses | 333,016 | 470,088 | (137,072) | 333,016 | 376,324 | (43,308) |
| NET INCOME/(LOSS): | \$ 25,361 | \$ (132,031) | \$ 157,392 | \$ 25,361 | \$ (41,789) | \$ 67,150 |

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2017 budgeted figures.



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

2018 Budget Review

| Date | Description | |
|--|--|-----|
| July-August | Review of proposed 2018 budgets by ECIDA management. (a) Prioritize any proposed budget requests for initiatives. (b) Formal budget requests compiled. | ✓ |
| September 12 th | Finance & Audit Committee review/approval of proposed budgets. | ✓ |
| September 27 th | Formal review of 2018 draft budgets at Board meetings. | ✓ |
| October 5 th (12:00 pm) | Board Q&A budget session #1 (voluntary). | ✓ |
| October 12 th (10:00 am) | 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> . | N/A |
| October 25 th | Board meeting – action to approve final 2018 budgets. | |
| November 1 st | Deadline for final approved budget to be submitted to the ABO. | |



Regional Development Corporation
2018 Budget

Regional Development Corporation (RDC)

Proposed 2018 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 2018, the RDC is expected to fund new loans of approximately \$2 million. This will be offset by approximately \$2.6 million in loan repayments into the revolving loan fund. Interest income on loans is expected to be approximately \$530,000 for 2018, which represents a 26% increase from the \$420,000 budget for 2017.

B. Overview of Changes in 2018 Budget:

The following summarizes the key changes between the 2018 budget and the projected 2017 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 \$9,000 or 2.5% in 2018 due to yearly increases for salaries and benefits.
- The budgeted amount for the provision for loan losses is \$175,000 for 2018. The provision represents approximately 1.3% 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 3.5% versus a historical portfolio charge-off rate of approximately 19%.

C. Summary of Risk Factors Impacting the 2018 Budget:

The following significant risk factor may influence the 2018 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 2018

| | Proposed Budget 2018 | Approved Budget 2017 | Projected 2017 | Actual 2016 |
|--|-------------------------------------|-------------------------------------|---------------------------|------------------------|
| REVENUES: | | | | |
| Interest Income - Loans | \$ 530,000 | \$ 420,000 | \$ 422,982 | \$ 409,715 |
| Interest Income - Cash & Inv. | 4,000 | 8,664 | 6,504 | 7,856 |
| Administrative Fees | 10,000 | 15,000 | 9,281 | 16,313 |
| Other Income | 17,000 | 7,500 | 28,974 | 19,816 |
| Total Revenues | 561,000 | \$ 451,164 | 467,742 | 453,700 |
| EXPENSES: | | | | |
| ECIDA Management Fee* | \$ 357,000 | \$ 335,000 | \$ 348,000 | \$ 343,089 |
| Provision for Loan Losses** | 175,000 | 200,000 | 100,000 | 164,991 |
| Rent & Facilities Expenses | 18,000 | 18,000 | 18,000 | 18,082 |
| Professional Services | 51,000 | 70,500 | 37,500 | 49,882 |
| Travel, Mileage & Meeting Expenses | 2,500 | - | 1,863 | - |
| General Office Expenses | 1,000 | - | 569 | - |
| Marketing & Other Expenses | 12,900 | 3,250 | 22,500 | 1,703 |
| Total Expenses | 617,400 | 626,750 | 528,431 | 577,747 |
| NET INCREASE (DECREASE) IN ASSETS BEFORE NON-RECURRING ITEMS: | (56,400) | \$ (175,586) | (60,690) | (124,047) |
| NON-RECURRING ITEMS: | | | | |
| Addition to capital | - | - | - | 287,431 |
| Reduction of capital | - | - | - | (2,667,590) |
| | - | - | - | (2,380,159) |
| NET INCOME/(LOSS): | \$ (56,400) | \$ (175,586) | \$ (60,690) | \$ (2,504,206) |

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

| | |
|----------------------------|---------------|
| ** Est'd 2017 Loan Balance | \$ 13,380,000 |
| Provision for Loan Losses | \$ 175,000 |
| Percentage of Loans | 1.3% |

REGIONAL DEVELOPMENT CORPORATION ("RDC")
Proposed 3 Year Forecast 2019-2021

| | Proposed Budget 2018 | Forecast 2019 | Forecast 2020 | Forecast 2021 |
|-------------------------------|-------------------------------------|--------------------------|--------------------------|--------------------------|
| REVENUES: | | | | |
| Interest Income - Loans | \$ 530,000 | \$ 535,000 | \$ 540,000 | \$ 545,000 |
| Interest Income - Cash & Inv. | 4,000 | 5,000 | 5,000 | 5,000 |
| Administrative Fees | 10,000 | 15,000 | 15,000 | 15,000 |
| Other Income | 17,000 | 10,000 | 10,000 | 10,000 |
| Total Revenues | 561,000 | 565,000 | 570,000 | 575,000 |
| EXPENSES: | | | | |
| ECIDA Management Fee* | \$ 357,000 | \$ 360,000 | \$ 360,000 | \$ 360,000 |
| Provision for Loan Losses | 175,000 | 125,000 | 100,000 | 100,000 |
| Rent & Facilities Expenses | 18,000 | 18,000 | 19,000 | 19,000 |
| Professional Services | 51,000 | 60,000 | 60,000 | 60,000 |
| General Office Expenses | 1,000 | 900 | 900 | 900 |
| Marketing & Other Expenses | 12,900 | 5,000 | 5,000 | 5,000 |
| Total Expenses | 617,400 | 568,900 | 544,900 | 544,900 |
| NET INCOME/(LOSS): | \$ (56,400) | \$ (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 September 26, 2017 – October 24, 2017

| <u>RDC Loans Approved Since Last Meeting</u> | <u>Municipality</u> | <u>Amount</u> |
|--|---------------------|---------------|
| Thin Man (Brewery) | Buffalo | \$1,700,000 |

| <u>RDC Loans Closed Since Last Meeting</u> | <u>Municipality</u> | <u>Amount</u> |
|--|---------------------|-------------------|
| Dobutsu, LLC (Restaurant) | Buffalo | \$ 285,000 |
| 65 Vandalia, LLC (Brewery) | Buffalo | <u>\$ 215,000</u> |
| | | <u>\$ 500,000</u> |

| <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> |
|--|---------------------|--------------------|
| 467 Richmond Avenue, LLC (REVPAC) (Retail) | Buffalo | \$1,000,000 |
| 773 North, LLC (Restaurant) | Grand Island | \$ 50,000 |
| Buff Forklift (Repair/Wholesale) | Clarence | \$1,500,000 |
| Harker Bio (Bio-Medical) | Buffalo | \$ 500,000 |
| Renew Bath & Body (Retail) | Buffalo | \$ 50,000 |
| Rus Pierogi (Food Manufacturer) | Buffalo | <u>\$ 400,000</u> |
| | | <u>\$3,500,000</u> |

| 2017 <u>Delinquency</u> | <u>Loan Balance</u> <u>Outstanding</u> | <u>Delinquency</u> <u>Rate</u> |
|----------------------------|---|-----------------------------------|
| 0 Accounts | \$0 | <u>0</u> |

| <u>Loans Closed YTD</u> | <u>Loan Total YTD</u> | <u>Total New Jobs Projected</u> | <u>Retained Jobs</u> | <u>Private Investment</u> |
|-------------------------|-----------------------|---------------------------------|----------------------|---------------------------|
| 6 | \$1,767,500 | 37 | 501 | \$8,318,000 |

RDC Loan Closings 2017

| Project Name | Loan Amount | Jobs at App | Projected Year 3 Jobs | Project City | Closing Date | Project Product |
|------------------------|-------------|-------------|-----------------------|--------------|--------------|-----------------|
| HLM Contracting | \$ 30,000 | 1 | 1 | Buffalo | 1/19/2017 | Micro Loan |
| Sherex Fastening | \$ 750,000 | 43 | 50 | Tonawanda | 3/24/2017 | RDC Loan |
| Clearview Social | \$ 300,000 | 7 | 10 | Buffalo | 3/31/2017 | RDC Loan |
| Radio One Buffalo, LLC | \$ 187,500 | 0 | 4 | Cheektowaga | 3/24/2017 | RDC Loan |
| Dobutsu, LLC | \$ 285,000 | 0 | 19 | Buffalo | 9/18/2017 | RDC Loan |
| 65 Vandalia, LLC | \$ 215,000 | 0 | 4 | Buffalo | 9/18/2017 | RDC Loan |

6 Projects Closed
 37 Jobs Projected \$ 1,767,500 51 88

Total: