



**Buffalo and Erie County Regional Development Corporation  
Board of Directors Meeting  
October 24, 2018  
@ 9:00 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 September 26, 2018 Minutes of the Board of Directors Meeting (Pages 2-3)

**3.0 Reports / Action Items / Information Items:**

- 3.1 Financial Report (Pages 4-7)
- 3.2 Budget Timetable (Page 8)
- 3.3 Approval of 2019 Operating Budget (Pages 9-12)
- 3.4 2018 - RDC Loan Status Report/RDC Closing Schedule (Pages 13-14)

**4.0 Adjournment - Next Meeting November 28, 2018**

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

- DATE AND PLACE:** September 26, 2018, at the Erie County Industrial Development Agency, 95 Perry Street, 5<sup>th</sup> Floor ESD Conference Room, Buffalo, New York 14203
- PRESENT:** Rev. Mark E. Blue, Hon. Patrick B. Burke, Dottie Gallagher, Tyra Johnson, Richard Lipsitz, Jr., Brenda W. McDuffie, John J. Mudie, Hon. Glenn R. Nellis, Sister Denise Roche, Kenneth A. Schoetz, Charles F. Specht and Art Wingerter
- EXCUSED:** Hon. Diane Benczkowski, Hon. Bryon W. Brown, James F. Doherty, Hon. Joseph H. Emminger, Hon. Brian J. Kulpa, Hon. Darius G. Pridgen, and Hon. Mark C. Poloncarz
- OTHERS PRESENT:** Steve Weathers, Chief Executive Officer; John Cappellino, Executive Vice President; Karen M. Fiala, Assistant Treasurer; Mollie Profic, Chief Financial Officer; Gerald Manhard, Chief Lending Officer; and Robert G. Murray, Secretary

There being a quorum present at 9:01 a.m., the meeting of the RDC Board of Directors was called to order by its Chair, Ms. McDuffie.

**MINUTES**

The Minutes of the July 25, 2018, meeting of the Board of Directors of the RDC were presented. Mr. Lipsitz moved, and Sister Denise 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 financial statements, noting that the RDC finished the month of August with total assets of \$18.5 million and net assets of \$18.3 million. The monthly income statement reports net income of \$23,000 for August. Operating revenue of \$55,000 was ahead of budget by \$8,500. Total expenses were under budget by \$3,500. The year to date income statement shows revenue of \$324,000, being \$50,000 behind budget for the year, along with expenses of \$301,000, being \$115,000 under budget. The result is a net income of

\$23,000 through August. Ms. Gallagher queried as to the allocation of the management fee expense to the ECIDA. Ms. Profic responded the expense is almost 100% of Jerry Manhard and Michael Alexander's time, and allocated by hours worked to other employees, such as administrative support services. There being no further discussion, Ms. McDuffie directed that the report be received and filed.

Proposed Budget Timetable. Ms. McDuffie and Ms. Profic reviewed the 2019 budget approval schedule, noting that a final budget must be submitted to the New York Authority Budget Office by November 1, 2018. Ms. McDuffie directed that the report be received and filed.

Review of 2019 Budget. Ms. Profic reviewed the RDC's 2019 Budget plus Three-Year Forecast, noting that budgeted revenues consist mainly of interest income from loans, at \$520,000 based on anticipated loan closings by the end of 2018 in the amount of \$5.3 million. Budgeted expenses are made up mainly of ECIDA management fees consisting of salary and benefit costs of ECIDA staff and a provision for loan losses, estimated at 1.4% of projected outstanding loans, being \$170,000 estimated on the conservative side. The budgeted figures result in a budgeted net loss of \$62,000. Ms. McDuffie encouraged members to reach out to Agency staff with any questions or concerns about the proposed budget.

2018 Loan Status Report/ 2018 Closing Report. Mr. Manhard presented this report. Ms. McDuffie directed that the report be received and filed.

There being no further business to discuss, the meeting was adjourned at 9:10 a.m.

Dated: September 26, 2018

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Robert G. Murray, Secretary

**Regional Development Corporation**  
**Financial Statements**  
As of September 30, 2018

**REGIONAL DEVELOPMENT CORPORATION ("RDC")**

**Balance Sheet**  
September 30, 2018

	<b>September 2018</b>	<b>August 2018</b>	<b>December 2017</b>
<b>ASSETS:</b>			
Restricted Cash**	\$ 5,894,901	\$ 5,821,300	\$ 9,712,269
Direct Loans *	12,851,687	12,879,102	9,029,313
50/50 Bank Participation Loans *	248,648	252,824	285,811
Reserve for Loan losses	(524,358)	(463,648)	(409,298)
Total Loan Assets, net	<u>12,575,978</u>	<u>12,668,278</u>	<u>8,905,826</u>
<b>TOTAL ASSETS</b>	<u>\$ 18,470,879</u>	<u>\$ 18,489,578</u>	<u>\$ 18,618,095</u>
<b>LIABILITIES &amp; NET ASSETS</b>			
Accounts Payable	\$ 200	\$ 200	\$ 250
Due to ECIDA	252,150	220,899	372,440
Total Liabilities	<u>252,350</u>	<u>221,099</u>	<u>372,690</u>
Restricted Fund Balance	<u>18,218,529</u>	<u>18,268,479</u>	<u>18,245,405</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u>\$ 18,470,879</u>	<u>\$ 18,489,578</u>	<u>\$ 18,618,095</u>

<b>* Loan Portfolio Summary:</b>	<b>September 2018</b>	<b>August 2018</b>	<b>December 2017</b>
# of Direct Loans	45	44	44
# of 50/50 Bank Participation Loans	3	3	3
	<u>48</u>	<u>47</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 2018

	Actual vs. Budget		
	Actual	Budget	Variance
<b>REVENUES:</b>			
Interest Income - Loans	\$ 42,189	\$ 44,167	\$ (1,978)
Interest Income - Cash & Inv.	2,276	333	1,942
Administrative Fees	-	833	(833)
Other Income	213	1,417	(1,204)
Total Revenues	<u>44,677</u>	<u>46,750</u>	<u>(2,073)</u>
<b>EXPENSES:</b>			
Management Fee - ECIDA*	\$ 29,750	\$ 29,750	\$ -
Provision for Loan Losses	60,710	43,750	16,960
Rent & Facilities Expenses	1,500	1,500	-
Professional Services	2,320	3,000	(680)
General Office Expenses	-	292	(292)
Other Expenses	347	1,075	(728)
Total Expenses	<u>94,627</u>	<u>79,367</u>	<u>15,260</u>
<b>NET INCOME/(LOSS):</b>	<u>\$ (49,950)</u>	<u>\$ (32,617)</u>	<u>\$ (17,333)</u>

\* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2018 budgeted figures.

**REGIONAL DEVELOPMENT CORPORATION ("RDC")**

**Income Statement**

Year to Date: September 30, 2018

	Actual vs. Budget			Actual vs. Prior Year		
	Actual	Budget	Variance	Actual	Prior Year	Variance
<b>REVENUES:</b>						
Interest Income - Loans	\$ 322,120	\$ 397,500	\$ (75,380)	\$ 322,120	\$ 316,444	\$ 5,676
Interest Income - Cash & Inv.	18,608	3,000	15,608	18,608	5,003	13,605
Administrative Fees	24,768	7,500	17,268	24,768	8,688	16,080
Other Income	3,088	12,750	(9,662)	3,088	28,242	(25,154)
<b>Total Revenues</b>	<b>368,583</b>	<b>420,750</b>	<b>(52,167)</b>	<b>368,583</b>	<b>358,376</b>	<b>10,207</b>
<b>EXPENSES:</b>						
Management Fee - ECIDA*	\$ 237,750	\$ 267,750	\$ (30,000)	\$ 237,750	\$ 221,251	\$ 16,499
Provision for Loan Losses	115,060	131,250	(16,190)	115,060	51,090	63,970
Rent & Facilities Expenses	13,500	13,500	-	13,500	13,501	(1)
Professional Services	23,156	42,000	(18,844)	23,156	28,823	(5,667)
General Office Expenses	907	2,625	(1,718)	907	2,242	(1,335)
Other Expenses	5,556	9,675	(4,119)	5,556	16,109	(10,553)
<b>Total Expenses</b>	<b>395,930</b>	<b>466,800</b>	<b>(70,870)</b>	<b>395,930</b>	<b>333,016</b>	<b>62,914</b>
<b>NET INCOME/(LOSS):</b>	<b>\$ (27,347)</b>	<b>\$ (46,050)</b>	<b>\$ 18,703</b>	<b>\$ (27,347)</b>	<b>\$ 25,361</b>	<b>\$ (52,707)</b>

\* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2018 budgeted figures.

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

**2019 Budget Review**

<b>Date</b>	<b>Description</b>	
July-August	Review of draft 2019 budgets by ECIDA management. (a) Prioritize any proposed budget requests for initiatives. (b) Formal budget requests compiled.	✓
September 10 <sup>th</sup>	Finance & Audit Committee review/approval of proposed budgets.	✓
September 26 <sup>th</sup>	Formal review of 2019 draft budgets at Board meetings.	✓
October 9 <sup>th</sup> (10:00 am)	Board Q&A budget session #1 (voluntary).	✓
October 15 <sup>th</sup> (2:00 pm)	Board Q&A budget session #2 (voluntary).	✓
October 17 <sup>th</sup>	Adjustments to budget based on Board feedback and Finance & Audit Committee approval of final budgets ( <i>if necessary</i> ).	N/A
October 24 <sup>th</sup>	Board meeting – action to approve final 2019 budgets.	
November 1 <sup>st</sup>	Deadline for final approved budget to be submitted to the ABO.	



**Regional Development Corporation**  
**Proposed 2019 Budget**

## ***Regional Development Corporation (RDC)*** **2019 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 2019, the RDC expects to fund new loans of approximately \$2 million. This will be offset by approximately \$850,000 in loan repayments into the revolving loan fund. Interest income on loans is expected to be approximately \$520,000 for 2019, which represents a 2% decrease from the \$530,000 budget for 2018.

### **B. Overview of Changes in 2019 Budget:**

The following summarizes the key changes between the 2019 budget and the projected 2018 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 \$7,000 or 2% in 2019 due increases in salaries and benefits.
- The budgeted amount for the provision for loan losses is \$175,000 for 2019. 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 \$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 3.4% versus a historical portfolio charge-off rate of approximately 18%.

### **C. Summary of Risk Factors Impacting the 2019 Budget:**

The following significant risk factor may influence the 2019 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 2019**

	<b>Proposed Budget 2019</b>	<b>Approved Budget 2018</b>	<b>Projected 2018</b>	<b>Actual 2017</b>
<b>REVENUES:</b>				
Interest Income - Loans	\$ 520,000	\$ 530,000	\$ 411,272	\$ 409,782
Interest Income - Cash & Investments	10,000	4,000	23,411	7,403
Administrative Fees	10,000	10,000	20,884	24,688
Other Income	10,000	17,000	4,929	28,767
Total Revenues	550,000	\$ 561,000	460,497	470,638
<b>EXPENSES:</b>				
ECIDA Management Fee*	\$ 350,000	\$ 357,000	\$ 343,000	\$ 350,968
Provision for Loan Losses**	175,000	175,000	100,000	130,024
Rent & Facilities Expenses	23,000	18,000	18,000	17,659
Professional Services	45,000	51,000	37,500	37,477
Travel, Mileage & Meeting Expenses	2,500	2,500	1,000	-
General Office Expenses	900	1,000	284	3,197
Marketing & Other Expenses	16,075	12,900	22,500	17,341
Total Expenses	612,475	617,400	522,284	556,665
<b>NET INCOME/(LOSS):</b>				
	\$ (62,475)	\$ (56,400)	\$ (61,787)	\$ (86,027)

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

** Estimated 2019 Loan Balance	\$ 12,916,000
Provision for Loan Losses	\$ 175,000
Percentage of Loans	1.4%

**REGIONAL DEVELOPMENT CORPORATION ("RDC")**  
**Proposed Three Year Forecast 2020-2022**

	<b>Proposed Budget 2019</b>	<b>Forecast 2020</b>	<b>Forecast 2021</b>	<b>Forecast 2022</b>
<b>REVENUES:</b>				
Interest Income - Loans	\$ 520,000	\$ 525,000	\$ 530,000	\$ 535,000
Interest Income - Cash & Investments	10,000	10,000	10,000	10,000
Administrative Fees	10,000	15,000	15,000	15,000
Other Income	10,000	10,000	10,000	10,000
Total Revenues	550,000	560,000	565,000	570,000
<b>EXPENSES:</b>				
ECIDA Management Fee*	\$ 350,000	\$ 360,000	\$ 360,000	\$ 360,000
Provision for Loan Losses	175,000	125,000	100,000	100,000
Rent & Facilities Expenses	23,000	23,000	24,000	24,000
Professional Services	45,000	50,000	50,000	50,000
General Office Expenses	900	900	900	900
Marketing & Other Expenses	16,075	5,000	5,000	5,000
Total Expenses	612,475	563,900	539,900	539,900
<b>NET INCOME/(LOSS):</b>	\$ (62,475)	\$ (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, 2018 – October 24, 2018**

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

<b><u>RDC Loans Closed Since Last Meeting</u></b>	<b><u>Municipality</u></b>	<b><u>Amount</u></b>
Tomric Systems, Inc (Manufacturer)	Buffalo	\$1,117,000

<b><u>Loans in Closing Process</u></b>	<b><u>Municipality</u></b>	<b><u>Amount</u></b>
GiGi's Restaurant (Restaurant)	Buffalo	\$ 25,000
Herb 'N Garden (Agriculture)	Grand Island	\$ 140,000
		<u>\$ 165,000</u>

<b><u>Loans in the Pipeline</u></b>	<b><u>Municipality</u></b>	<b><u>Amount</u></b>
Dive Pool Systems (tech/Manufacturer)	Buffalo	\$ 250,000

<b><u>2018 Delinquency</u></b>	<b><u>Loan Balance Outstanding</u></b>	<b><u>Delinquency Rate</u></b>
2 Accounts	\$297,414	2.24%

<b><u>2018 - Loans Closed</u></b>	<b><u>YTD Loan Total YTD</u></b>	<b><u>Total New Jobs Projected</u></b>	<b><u>Retained Jobs</u></b>	<b><u>Private Investment</u></b>
6	\$5,133,500	51	68	\$10,544,450

**RDC Loan Closings 2018**

Project Name	Loan Amount	Jobs at App	Projected Year 3 Jobs	Project City	Closing Date	Project Product
Harker Bio	\$ 500,000	14	28	Buffalo	3/7/2018	RDC Loan
EcoVerde Organics, LLC	\$ 180,000	0	4	Buffalo	3/8/2018	RDC Loan
USTraffic Controls	\$ 236,500	17	21	Tonawanda	3/23/2018	RDC Loan
Buffalo Brewery Leasing	\$ 1,700,000	2	7	Buffalo	6/22/2018	RDC Loan
Viridi Parente, Inc.	\$ 1,400,000	10	28	Buffalo	8/15/2018	RDC Loan
Tomric Systems, Inc.	\$ 1,117,000	25	31	Buffalo	9/11/2018	RDC Loan

6 Projects Closed  
 51 Jobs Projected      \$ 5,133,500      68      119

**Total:**