



**Buffalo and Erie County Regional Development Corporation  
Board of Director Meeting  
September 25, 2019  
@ 12:00 p.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 August 28, 2019 Minutes of the Board of Directors Meeting (Pages 2 - 3)

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

3.1 Financial Report – (Informational) (Pages 4 - 7)

3.2 Finance & Audit Committee Update (Informational) (Page 8)

3.3 RDC Loan Status Report/Closing Report (Informational) (Pages 9 - 10)

3.4 Review of 2020 Proposed Budget (Informational) (Pages 11 - 15)

**4.0 Adjournment - Next Meeting October 23, 2019 @ 12:00 p.m.**

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

**DATE AND PLACE:** August 28, 2019, at the Erie County Industrial Development Agency, 95 Perry Street, 5<sup>th</sup> Floor ESD Conference Room, Buffalo, New York 14203

**PRESENT:** Hon. Bryon W. Brown, Hon. Joseph H. Emminger, Dottie Gallagher, Hon. Howard Johnson, Tyra Johnson, Hon. Brian J. Kulpa, Richard Lipsitz, Jr., Brenda W. McDuffie, Hon. Glenn R. Nellis, Hon. Mark C. Poloncarz, Kenneth A. Schoetz, Charles F. Specht and Art Wingerter

**EXCUSED:** Hon. Diane Benczkowski, Rev. Mark E. Blue, James F. Doherty, John J. Mudie, Sister Denise Roche and Hon. Darius G. Pridgen

**OTHERS PRESENT:** Steve Weathers, Chief Executive Officer; John Cappellino, Executive Vice President; Mollie Profic, Chief Financial Officer; Gerald Manhard, Chief Lending Officer; and Karen M. Fiala, Assistant Treasurer/Secretary

**GUESTS:** Robert G. Murray, Esq., General Counsel/Harris Beach PLLC; Christopher Pawenski, Coordinator, Industrial Assistance Program, of the Erie County Environment & Planning Department

There being a quorum present at 1:02 p.m., the meeting of the RDC Board of Directors was called to order by its Chair, Ms. McDuffie.

**MINUTES**

The Minutes of the May 22, 2019, meeting of the Board of Directors of the RDC were presented. Ms. Gallagher moved, and Mr. Schoetz 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 provided a report on the July, 2019 financial statements noting that the RDC finished the month of July with total assets of \$17.7 million and net assets of \$17.4 million. The monthly income statement shows net income of \$8,000 for July, with revenues exceeding budget by \$2,000. The year to date income statement reflects \$333,000 of revenue and \$1.2 million of expenses, for a net loss of \$873,000 through July. Ms. Profic noted that the provision for loan losses consists primarily of three large loans, and staff is hopeful that

attempts to work out the loans will be successful. Ms. McDuffie directed that the report be received and filed.

Finance & Audit Committee Update. Ms. Profic provided members with a brief summary of the most current Finance & Audit Committee meeting. The Committee was briefed on the 2020 budget process and reviewed the proposed budgets for the ECIDA, RDC and ILDC. The Finance & Audit Committee will meet again in September to discuss any updates and recommend proposed budgets to their respective Boards, followed by optional Board Q&A sessions in October. Any final adjustments to the proposed budgets will be reviewed in October and the Boards will take action on the budgets in October for submission to the ABO by the November 1 deadline. Ms. McDuffie directed that the report be received and filed.

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

WNY Medical Management, LLC, 3112 Sheridan Drive, Amherst, New York, \$1,400,000.00, 84 month Term Loan, Secured and Guaranteed. Mr. Manhard reviewed this \$1,400,000 loan request, proceeds of which will assist in the renovations of a former ambulatory surgery site such as air conditioning and air handling as well as humidity control critical for the operating room environment which will be brought up to current code. The surgical gases and the nurse call systems will also be substantially updated considering current life safety and quality care standards under ASC code requirements. Mr. Manhard advised that the RDC Loan Committee approved the loan request at its most recent meeting. General discussion ensued.

Mr. Kulpa moved and Mr. Emminger seconded to approve of the loan as proposed. Ms. McDuffie called for the vote and the requested loan was thereafter approved with Mr. Schoetz abstaining.

There being no further business to discuss, Ms. McDuffie then adjourned the meeting at 1:14 p.m.

Dated: August 28, 2019

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Karen M. Fiala, Secretary

**Regional Development Corporation**

**Financial Statements**

As of August 31, 2019

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

**Balance Sheet**

August 31, 2019

	August 2019	July 2019	December 2018
<b>ASSETS:</b>			
Restricted Cash**	\$ 6,505,635	\$ 6,383,344	\$ 5,963,260
Direct Loans *	12,408,122	12,491,326	12,927,117
50/50 Bank Participation Loans *	200,084	203,866	235,971
Reserve for Loan losses	(1,352,660)	(1,410,349)	(449,810)
Total Loan Assets, net	<u>11,255,546</u>	<u>11,284,844</u>	<u>12,713,278</u>
<b>TOTAL ASSETS</b>	<u>\$ 17,761,181</u>	<u>\$ 17,668,188</u>	<u>\$ 18,676,538</u>

<b>LIABILITIES &amp; NET ASSETS</b>			
Accounts Payable	\$ -	\$ 200	\$ 315
Due to ECIDA	249,549	218,449	352,232
Total Liabilities	<u>249,549</u>	<u>218,649</u>	<u>352,547</u>
Restricted Fund Balance	<u>17,511,632</u>	<u>17,449,540</u>	<u>18,323,991</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u>\$ 17,761,181</u>	<u>\$ 17,668,188</u>	<u>\$ 18,676,538</u>

<b>* Loan Portfolio Summary:</b>	August 2019	July 2019	December 2018
# of Direct Loans	40	42	44
# of 50/50 Bank Participation Loans	1	1	3
	<u>41</u>	<u>43</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 August 2019

	<b>Actual vs. Budget</b>		
	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>
<b>REVENUES:</b>			
Interest Income - Loans	\$ 42,808	\$ 43,333	\$ (525)
Interest Income - Cash & Inv.	3,099	833	2,266
Administrative Fees	-	833	(833)
Other Income	350	1,667	(1,317)
Total Revenues	<u>46,257</u>	<u>46,667</u>	<u>(409)</u>
<b>EXPENSES:</b>			
Management Fee - ECIDA*	29,200	29,167	33
Provision for Loan Losses	(57,689)	-	(57,689)
Rent & Facilities Expenses	1,900	1,917	(17)
Professional Services	10,658	2,250	8,408
General Office Expenses	-	283	(283)
Other Expenses	95	1,340	(1,244)
Total Expenses	<u>(15,835)</u>	<u>34,956</u>	<u>(50,792)</u>
<b>NET INCOME/(LOSS):</b>	<u>\$ 62,093</u>	<u>\$ 11,710</u>	<u>\$ 50,382</u>

\* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2019 budgeted figures.

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

**Income Statement**

Year to Date: August 31, 2019

	Actual vs. Budget			Actual vs. Prior Year		
	Actual	Budget	Variance	Actual	Prior Year	Variance
<b>REVENUES:</b>						
Interest Income - Loans	\$ 348,089	\$ 346,667	\$ 1,422	\$ 348,089	\$ 279,930	\$ 68,158
Interest Income - Cash & Inv.	27,298	6,667	20,631	27,298	16,332	10,965
Administrative Fees	1,825	6,667	(4,842)	1,825	24,768	(22,943)
Other Income	1,900	13,333	(11,433)	1,900	2,875	(975)
<b>Total Revenues</b>	<b>379,112</b>	<b>373,333</b>	<b>5,778</b>	<b>379,112</b>	<b>323,906</b>	<b>55,206</b>
<b>EXPENSES:</b>						
Management Fee - ECIDA*	233,600	233,333	267	233,600	208,000	25,600
Provision for Loan Losses	902,850	116,667	786,183	902,850	54,350	848,500
Rent & Facilities Expenses	15,200	15,333	(133)	15,200	12,000	3,200
Professional Services	35,607	33,000	2,607	35,607	20,837	14,770
General Office Expenses	1,113	2,267	(1,154)	1,113	907	206
Other Expenses	1,806	10,717	(8,911)	1,806	5,209	(3,404)
<b>Total Expenses</b>	<b>1,190,175</b>	<b>411,317</b>	<b>778,859</b>	<b>1,190,175</b>	<b>301,303</b>	<b>888,873</b>
<b>NET INCOME/(LOSS):</b>	<b>\$ (811,064)</b>	<b>\$ (37,983)</b>	<b>\$ (773,080)</b>	<b>\$ (811,064)</b>	<b>\$ 22,603</b>	<b>\$ (833,667)</b>

\* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2019 budgeted figures.



### Item 3.2

To: ECIDA, RDC, ILDC Boards of Directors  
From: Michael Szukala, Chair  
Date: September 25, 2019  
Re: Finance & Audit Committee Report

In accordance with its Committee Charter, the Finance & Audit Committee is required to “report its actions and recommendations to the Board at each regular meeting of the Board following a meeting of the Finance and Audit Committee and when otherwise requested by the Board”. This report is prepared to satisfy this requirement.

A joint meeting of the ECIDA, RDC & ILDC Finance & Audit Committee was held on September 16, 2019. Committee members present were Michael Szukala, Chair, Glenn Nellis, Charles Specht, Art Wingerter, and William Witzleben.

The Committee reviewed the 2020 budget process, including pertinent dates and deadlines. See the “2020 Budget Review Process” on the following page for the timeline. The Committee then reviewed the 2020 proposed operating budgets of the ECIDA, RDC and ILDC, the 2020 proposed capital budget of the ECIDA, and the three-year forecasts of ECIDA, RDC and ILDC. The Committee unanimously recommends all the 2020 proposed budgets to their respective Boards.

The Committee also discussed and approved the retention of Freed Maxick as independent auditors for ECIDA, RDC and ILDC for the 2019 year end financial statement audits. The Committee plans to meet next in October to discuss the upcoming audits with Freed Maxick.





## Loan Status Report August 27, 2019 – September 24, 2019

<u>RDC Loans Approved Since Last Meeting</u>	<u>Municipality</u>	<u>Amount</u>
Alan Butzer d/b/a Creekside Market (Agriculture - ILDC)	Collins	\$35,000
WNY Medical Management, LLC (Healthcare)	Amherst/Buffalo	\$1,400,000

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

<u>Loans in Closing Process</u>	<u>Municipality</u>	<u>Amount</u>
Alan Butzer d/b/a Creekside Market (Agriculture - ILDC)	Collins	\$35,000
Buffalo Material Handling (Distributor/Repair)	Depew	\$225,000
WNY Medical Management, LLC (Healthcare)	Amherst/Buffalo	<u>\$1,400,000</u>
		<u>\$1,660,000</u>

<u>Loans in the Pipeline</u>	<u>Municipality</u>	<u>Amount</u>
(None)		

<u>2019 Delinquency</u>	<u>Loan Balance Outstanding</u>	<u>Delinquency Rate</u>
4 Accounts	\$1,760,689	14.0%

<u>2019 - Loans Closed</u>	<u>YTD Loan Total YTD</u>	<u>Total New Jobs Projected</u>	<u>Retained Jobs</u>	<u>Private Investment</u>
2	\$188,000	17	0	\$235,000

**RDC Loan Closings 2019**

Project Name	Loan Amount	Jobs at App	Projected Year 3 Jobs	Project City	Closing Date	Project Product
Herb'N Garden	\$ 140,000	4	20	Buffalo	1/14/2019	RDC Loan
Horace Miller dba HML Landscaping	\$ 48,000	1	2	Buffalo	6/6/2019	Micro Loan
<b>Totals</b>	<b><u>\$ 188,000</u></b>	<b>5</b>	<b>22</b>			

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

**2020 Budget Review Process**

<b>Date</b>	<b>Description</b>	
July-August	Review of proposed 2020 budgets by ECIDA management. (a) Prioritize any proposed budget requests for initiatives. (b) Formal budget requests compiled.	✓
August 22 <sup>nd</sup>	Finance & Audit Committee meeting – initial review of proposed budgets.	✓
September 16 <sup>th</sup>	Finance & Audit Committee meeting to discuss any updates/recommend proposed budgets to Boards.	✓
September 25 <sup>th</sup>	Formal review of 2020 proposed budgets at Board meetings.	
October 2 <sup>nd</sup> 9:00 a.m.	Board Q&A budget session #1 (voluntary).	
October 9 <sup>th</sup> 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 23 <sup>rd</sup>	Board meeting – action to approve final 2020 budgets.	
November 1 <sup>st</sup>	Deadline for final approved budget to be submitted to the ABO.	

**Regional Development Corporation**

**2020 Proposed Budget**

# ***Regional Development Corporation (RDC)***

## **2020 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 2020, the RDC expects to fund new loans of approximately \$2 million. This will be offset by approximately \$780,000 in loan repayments into the revolving loan fund. Interest income on loans is expected to be approximately \$470,000 for 2019, which represents a 10% decrease from the \$520,000 budget for 2019.

### **B. Overview of Changes in 2020 Budget:**

The following summarizes the key changes between the 2020 budget and the projected 2019 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 \$59,000 or 23% in 2020 due to employee turnover in 2019, coupled with increases in salaries and benefits.
- The budgeted amount for the provision for loan losses is \$200,000 for 2020. 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 \$200,000 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 2.2% versus a historical portfolio charge-off rate of approximately 18%.

### **C. Summary of Risk Factors Impacting the 2020 Budget:**

The following significant risk factor may influence the 2020 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 2020**

	<b>Proposed Budget 2020</b>	<b>Approved Budget 2019</b>	<b>Projected 2019</b>	<b>Actual 2018</b>
<b>REVENUES:</b>				
Interest Income - Loans	\$ 470,000	\$ 520,000	\$ 523,338	\$ 449,706
Interest Income - Cash & Investments	17,000	10,000	41,484	28,000
Administrative Fees	10,000	10,000	3,129	24,768
Other Income	15,000	20,000	2,657	3,650
Total Revenues	512,000	\$ 560,000	570,608	506,124
<b>EXPENSES:</b>				
ECIDA Management Fee*	\$ 320,000	\$ 350,000	\$ 261,000	\$ 333,912
Provision for Loan Losses**	200,000	175,000	750,000	40,512
Rent & Facilities Expenses	25,000	23,000	22,800	18,802
Professional Services	45,300	42,000	37,500	27,962
Travel, Mileage & Meeting Expenses	1,500	2,500	800	-
General Office Expenses	900	900	211	2,539
Other Expenses	7,775	16,075	4,094	5,577
Total Expenses	600,475	609,475	1,076,405	429,304
<b>NET INCOME/(LOSS):</b>	\$ (88,475)	\$ (49,475)	\$ (505,797)	\$ 76,820

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

** Estimated 2020 Loan Balance	\$ 14,435,000
Provision for Loan Losses	\$ 200,000
Percentage of Loans	1.4%

**REGIONAL DEVELOPMENT CORPORATION ("RDC")**  
**Proposed Three Year Forecast 2021-2023**

	<b>Proposed Budget 2020</b>	<b>Forecast 2021</b>	<b>Forecast 2022</b>	<b>Forecast 2023</b>
<b>REVENUES:</b>				
Interest Income - Loans	\$ 470,000	\$ 475,000	\$ 480,000	\$ 485,000
Interest Income - Cash & Investments	17,000	15,000	15,000	15,000
Administrative Fees	10,000	15,000	15,000	15,000
Other Income	15,000	10,000	10,000	10,000
Total Revenues	512,000	515,000	520,000	525,000
<b>EXPENSES:</b>				
ECIDA Management Fee*	\$ 320,000	\$ 330,000	\$ 330,000	\$ 335,000
Provision for Loan Losses	200,000	175,000	150,000	150,000
Rent & Facilities Expenses	25,000	25,000	25,000	25,000
Professional Services	45,300	50,000	50,000	50,000
General Office Expenses	900	900	900	900
Marketing & Other Expenses	7,775	5,000	5,000	5,000
Total Expenses	600,475	585,900	560,900	565,900
<b>NET INCOME/(LOSS):</b>	\$ (88,475)	\$ (70,900)	\$ (40,900)	\$ (40,900)

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