



**Buffalo and Erie County Regional Development Corporation
Meeting of the Board of Directors**

October 26, 2022 @ 12:00 p.m.

**701 Ellicott Street, Center of Excellence in Bioinformatics and Life Sciences (CBLIS)
The Event Space/Conference Room B2-205, located on the 2nd floor, Buffalo, New York 14203**

- 1.0 Call to Order**
- 2.0 Approval of Minutes**
 - 2.1 Minutes of the September 28, 2022 Meeting of the Board of Directors (Action Item) (Pages 2-4)
- 3.0 Reports / Action Items / Information Item(s):**
 - 3.1 Financial Report (Informational) (Pages 5-8)
 - 3.2 Finance & Audit Committee Update
 - a) 2023 Budget Timetable (Informational) (Page 9)
 - b) 2023 Proposed Budget (Action Item) (Pages 10-13)
 - 3.3 Loan Status Report (Informational) (Page 14)
- 4.0 Management Team Report:**
 - 4.1 2023 Board Meeting Schedule (Informational) (Page 15)
- 5.0 Adjournment- Next Meeting November 30, 2022**

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

DATE AND PLACE: September 28, 2022, at 701 Ellicott Street, Center of Excellence in Bioinformatics and Life Sciences (CBLS), in the Event Space/Conference Room B2-205 on the second floor, Buffalo, New York 14203.

PRESENT: Denise Abbott, Rev. Mark E. Blue, Hon. Joseph Emminger, Hon. Howard Johnson, Tyra Johnson, Richard Lipsitz, Jr., Denise McCowan, Brenda W. McDuffie, Hon. Mark C. Poloncarz, Hon. Darius G. Pridgen and Kenneth A. Schoetz

EXCUSED: Hon. Diane Benczkowski, Hon. Bryon W. Brown, James Doherty, Dottie Gallagher, Michael P. Hughes, Hon. Brian Kulpa, Hon. Glenn R. Nellis and Paul Vukelic

OTHERS PRESENT: John Cappellino, President & CEO; Beth O’Keefe, Vice President of Operations; Mollie Profic, Chief Financial Officer; Atiqah Abidi, Assistant Treasurer; Gerald Manhard; Chief Lending Officer/Secretary; Grant Lesswing; Director of Business Development; Andrew Federick, Business Development Officer; Soma Hawramee, Compliance Portfolio Manager, Brian Krygier, Director of Information Technology; Carrie Hocieniec, Operations Assistant/Assistant Secretary; Robbie Ann McPherson, Director of Marketing & Communications; Laurie Hendrix, Administrative Coordinator and Robert G. Murray, Esq., General Counsel/Harris Beach PLLC

GUESTS: Zachary Evans, Thomas Baines and Maria Whyte, Erie County; Alex Carducci on behalf of the City of Buffalo; Brandye Merriweather on behalf of BUDC; James Fink on behalf of Business First and J. Dale Shoemaker on behalf of Investigative Post

There being a quorum present at 1:01 p.m., the meeting of the Buffalo and Erie County Regional Development Corporation (the “RDC”), was called to order by Chair McDuffie.

MINUTES

The minutes of the July 27, 2022 meeting of the members were presented. Mr. Blue 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 2022 financial report. The balance sheet shows the RDC finished the month with total assets just under \$22.3M, consisting mainly of cash and loans receivable. Liabilities reflect amounts due to ECIDA for 2022 costs and net assets are \$22.0M. The August income statement shows \$48,000 of revenue, mainly loan interest income, and \$27,000 of expenses, resulting in net income of \$21,000 for the month. The year-to-date income statement shows revenues of \$555,000 and \$259,000 of expenses, for net income of \$295,000 through August. Of this revenue, \$194,000 is the last of the CARES Act grant income, which will be used for the ongoing administrative costs of that loan portfolio. Ms. McDuffie directed that the report be received and filed.

Finance and Audit Committee Update: Ms. Profic advised that the Committee meeting scheduled for September 23 did not have a quorum present. The members that were present reviewed the process and memo regarding the RFP for Independent Audit Services. A meeting has been scheduled for October 17 so the Committee may formally recommend the draft budgets.

At this point in time, Mr. Schoetz left the meeting.

A. 2023 Budget Timetable and 2023 Proposed Budget. Ms. Profic reviewed the 2023 proposed RDC budget review process. She advised that the Finance and Audit Committee will meet again in October for a final review and recommendation of the draft budgets. Two educational Q&A sessions for Board meetings have been scheduled for October 6 and October 7. The budget will be presented for formal approval at the next meeting. Budgets must be submitted to the ABO by November 1.

B. Professional Auditing Services Recommendation. Ms. Profic summarized the recent Professional Auditing Services RFP process. The ECIDA's professional services RFP process requires proposals for this service to be solicited at least every five years. In July, the ECIDA issued a joint RFP for the Agency and its affiliates (RDC, ILDC) and Western Region Corporation. The RFP requested services for three years plus two additional one year extensions, however the engagement may be terminated at any time. Four proposals were received and evaluated by an internal review committee. After evaluation and follow-up, Lumsden McCormick is recommended as the top-rated firm. They have vast experience auditing similar clients (and RDC from 2012-2016) and a robust government services practice. They are located in the historic Cyclorama building in downtown Buffalo and are involved in a program whose goal is to expose minority students to accounting careers. Ms. Profic reviewed their proposed fees. On September 23, members of the Finance & Audit Committee that were present reviewed and concurred with the staff recommendation. Ms. Profic is requesting that the Board approve Lumsden McCormick to provide professional auditing services for the 2022-2024 audits, with an option of contracting for the 2025-2026 audits.

Mr. Poloncarz moved and Mr. Blue seconded to approve Lumsden McCormick to provide professional auditing services for the 2022-2024 audits, with an option of contracting for the 2025-2026 audits. Ms. McDuffie then called for the vote and the following resolution was unanimously approved:

RESOLUTION OF THE BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION (“RDC”) TO ENTER INTO A CONTRACT
WITH LUMSDEN MCCORMICK, LLP TO PROVIDE PROFESSIONAL
AUDITING SERVICES TO THE RDC

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

There being no further business to discuss, Ms. McDuffie adjourned the meeting at 1:11 p.m.

Dated: September 28, 2022

Elizabeth A. O’Keefe, Secretary

Regional Development Corporation

Financial Statements

As of September 30, 2022

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Balance Sheet
September 30, 2022

	September 2022	August 2022	December 2021
ASSETS:			
Restricted Cash**	\$ 5,595,174	\$ 5,937,321	\$ 7,790,415
Accounts Receivable	189,614	189,522	10,168
Direct Loans *	17,085,074	16,691,119	14,748,199
50/50 Bank Participation Loans *	74,242	78,681	112,852
Reserve for Loan losses	(594,805)	(640,252)	(610,903)
Total Loan Assets, net	<u>16,564,511</u>	<u>16,129,548</u>	<u>14,250,149</u>
TOTAL ASSETS	<u>\$ 22,349,298</u>	<u>\$ 22,256,390</u>	<u>\$ 22,050,732</u>
 LIABILITIES & NET ASSETS			
Accounts Payable	\$ -	\$ -	\$ 133
Due to ECIDA	233,617	207,717	297,384
Total Liabilities	<u>233,617</u>	<u>207,717</u>	<u>297,518</u>
Restricted Fund Balance	<u>22,115,681</u>	<u>22,048,674</u>	<u>21,753,214</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 22,349,298</u>	<u>\$ 22,256,390</u>	<u>\$ 22,050,732</u>

* Loan Portfolio Summary:	September 2022	August 2022	December 2021
# of Legacy RLF Loans	33	33	32
# of CARES Act RLF Loans	30	30	30
# of 50/50 Bank Participation Loans	1	1	1
	<u>64</u>	<u>64</u>	<u>63</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 2022

	Actual vs. Budget		
	Actual	Budget	Variance
REVENUES:			
Interest Income - Loans	\$ 43,501	\$ 47,083	\$ (3,583)
Interest Income - Cash & Inv.	658	42	617
Administrative Fees	3,750	1,250	2,500
Grant Income - CARES Act RLF	-	8,591	(8,591)
Other Income	194	417	(223)
Total Revenues	<u>48,103</u>	<u>57,383</u>	<u>(9,280)</u>
EXPENSES:			
Management Fee - ECIDA*	23,800	23,800	-
Provision for Loan Losses	(45,447)	62,500	(107,947)
Rent & Facilities Expenses	2,100	2,083	17
Professional Services	600	3,333	(2,733)
General Office Expenses	-	142	(142)
Other Expenses	42	1,815	(1,772)
Total Expenses	<u>(18,905)</u>	<u>93,673</u>	<u>(112,578)</u>
NET INCOME/(LOSS):	<u>\$ 67,007</u>	<u>\$ (36,290)</u>	<u>\$ 103,298</u>

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2022 budgeted figures.

REGIONAL DEVELOPMENT CORPORATION ("RDC")

Income Statement

Year to Date: September 30, 2022

	Actual vs. Budget			Actual vs. Prior Year		
	Actual	Budget	Variance	Actual	Prior Year	Variance
REVENUES:						
Interest Income - Loans	\$ 392,038	\$ 423,750	\$ (31,712)	\$ 392,038	\$ 338,078	\$ 53,961
Interest Income - Cash & Inv.	2,242	375	1,867	2,242	2,246	(3)
Administrative Fees	13,250	11,250	2,000	13,250	-	13,250
Grant Income - CARES Act RLF	193,650	77,320	116,330	193,650	5,179,241	(4,985,591)
Other Income	1,850	3,750	(1,900)	1,850	11,149	(9,299)
Total Revenues	603,031	516,445	86,586	603,031	5,530,714	(4,927,683)
EXPENSES:						
Management Fee - ECIDA*	214,200	214,500	(300)	214,200	240,300	(26,100)
Provision for Loan Losses	(16,098)	187,500	(203,598)	(16,098)	(41,335)	25,237
Rent & Facilities Expenses	18,900	18,750	150	18,900	18,900	-
Professional Services	20,086	38,667	(18,581)	20,086	42,230	(22,144)
General Office Expenses	2,071	1,275	796	2,071	2,602	(532)
Other Expenses	1,404	16,331	(14,927)	1,404	58,797	(57,392)
Total Expenses	240,563	477,023	(236,460)	240,563	321,494	(80,930)
NET INCOME/(LOSS):	\$ 362,467	\$ 39,422	\$ 323,046	\$ 362,467	\$ 5,209,220	\$(4,846,753)

* Represents an allocation of salary and benefit costs from the ECIDA based on time charged to RDC. The amount booked reflects 2022 budgeted figures.



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

2023 Budget Review Process

<u>Date</u>	<u>Description</u>	
July-August	Review of draft 2023 budgets by ECIDA management. (a) Prioritize any proposed budget requests for initiatives. (b) Formal budget requests compiled.	✓
August 19	Finance & Audit Committee meeting – initial review of proposed budgets.	✓
September 23	Finance & Audit Committee meeting to discuss any updates/recommend proposed budgets to Boards. (No quorum.)	✓
September 28	Review of 2023 draft budgets at Board meetings.	✓
October 6 1:00 pm	Board Q&A budget session #1 <u>via Zoom</u> (voluntary).	✓
October 7 10:00 am	Board Q&A budget session #2 <u>in person</u> (voluntary).	✓
October 17	Adjustments to budget based on Board feedback (if any) and Finance & Audit Committee recommendation of final budgets.	✓
October 26	Board meetings – action to approve final 2023 budgets.	
November 1	Deadline for final approved budgets to be submitted to the ABO.	

**Buffalo & Erie County
Regional Development Corporation
Proposed 2023 Budget**

Regional Development Corporation (RDC)

2023 Budget + 3 Year Forecast

The Buffalo and Erie County Regional Development Corporation (“RDC”) operates two revolving loan funds (“RLF”) that provide loans to eligible businesses under each RLF’s lending parameters. One, the Coronavirus Aid, Release, and Economic Security (CARES) Act RLF, has federal restrictions.

A. Key Budget Assumptions:

In 2023, the RDC expects to fund new loans of around \$2 million. This is expected to be offset by approximately \$870,000 in loan repayments to the RLFs. Interest income on loans is expected to be around \$630,000 for 2023, which represents a 20% increase from the \$523,000 projected for 2022. The main driver of this increase is the expiration of a one-year period of no payments for many of the loans funded with CARES Act grant funds and some larger loans closed from the RDC’s legacy RLF.

B. Overview of Changes in 2023 Budget:

The following summarizes the key changes between the 2023 budget and the projected 2022 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 \$14,000 or 5% in 2023 due to anticipated increases in ECIDA staff salaries and benefits.
- The budgeted amount for the provision for loan losses is \$450,000 for 2023. The provision represents approximately 2.4% 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 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 5.6% versus a historical portfolio charge-off rate of approximately 6%.

C. Summary of Risk Factors Impacting the 2023 Budget:

The following significant risk factors may influence the 2023 budget:

1. Due to the numerous uncertainties, 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.

BUFFALO & ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION ("RDC")
Proposed Budget for 2023

	Proposed Budget 2023	Approved Budget 2022	Projected 2022	Actual 2021
REVENUES:				
Interest Income - Loans	\$ 630,000	\$ 565,000	\$ 522,806	\$ 447,255
Interest Income - Cash & Investments	700	500	2,376	2,585
Administrative Fees	15,000	15,000	9,500	0
Grant Income	-	103,093	193,650	5,211,029
Other Income	5,000	5,000	2,485	11,864
Total Revenues	650,700	\$ 688,593	730,817	5,672,733
EXPENSES:				
ECIDA Management Fee*	\$ 286,000	\$ 286,000	\$ 272,000	\$ 268,489
Provision for Loan Losses	450,000	250,000	100,000	429,490
Rent & Facilities Expenses	25,000	25,000	25,000	26,077
Professional Services	56,000	60,050	21,192	43,991
General Office Expenses	3,500	22,000	2,308	3,026
Other Expenses	27,475	22,275	1,656	63,774
Total Expenses	847,975	665,325	422,155	834,847
NET INCOME/(LOSS):	\$ (197,275)	\$ 23,268	\$ 308,661	\$ 4,837,886

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

	<u>2023 Budget</u>	<u>2022 Budget</u>
Provision for Loan Losses		
Estimated Loan Balance	\$ 18,650,000	\$ 17,108,000
Provision for Loan Losses	\$ 450,000	\$ 250,000
Percentage of Loans	2.4%	1.5%

BUFFALO & ERIE COUNTY REGIONAL DEVELOPMENT CORPORATION ("RDC")
Proposed Budget and Three Year Forecast 2024-2026

	Proposed Budget 2023	Forecast 2024	Forecast 2025	Forecast 2026
REVENUES:				
Interest Income - Loans	\$ 630,000	\$ 635,000	\$ 640,000	\$ 645,000
Interest Income - Cash & Investments	700	1,000	1,000	1,000
Administrative Fees	15,000	15,000	15,000	15,000
Other Income	5,000	5,000	5,000	5,000
Total Revenues	<u>650,700</u>	<u>656,000</u>	<u>661,000</u>	<u>666,000</u>
EXPENSES:				
ECIDA Management Fee*	\$ 286,000	\$ 330,000	\$ 330,000	\$ 335,000
Provision for Loan Losses	450,000	400,000	400,000	400,000
Rent & Facilities Expenses	25,000	25,000	25,000	25,000
Professional Services	56,000	60,000	60,000	60,000
General Office Expenses	3,500	3,500	3,500	3,500
Marketing & Other Expenses	27,475	5,000	5,000	5,000
Total Expenses	<u>847,975</u>	<u>823,500</u>	<u>823,500</u>	<u>828,500</u>
NET INCOME/(LOSS):	<u>\$ (197,275)</u>	<u>\$ (167,500)</u>	<u>\$ (162,500)</u>	<u>\$ (162,500)</u>

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



**Loan Status Report
September 2022 – October 2022**

<u>RDC Loans Approved Since Last Meeting</u>	<u>Municipality</u>	<u>Amount</u>
None		
<u>RDC Loans Closed Since Last Meeting</u>	<u>Municipality</u>	<u>Amount</u>
Upstate Steel Supply (construction materials)	Lancaster	\$ 750,000
<u>Loans in Closing Process</u>	<u>Municipality</u>	<u>Amount</u>
Johnson’s Taphouse (brewery)	Hamburg	\$ 600,000
ABM Holdings 1 LLC dba Midland Machinery (Mfg.)	Tonawanda	\$ 475,000
Total: 2 loans		\$1,075,000
<u>Loans in the Pipeline</u>	<u>Municipality</u>	<u>Amount</u>
2 - Loans	Various	\$2,238,000

<u>2022 - Loans Closed</u>	<u>YTD Loan Total</u>	<u>Jobs to be Created</u>	<u>Retained Jobs</u>	<u>Dollars Leveraged</u>
4	\$3,050,000	19	74	\$16,120,000
MWBE Loans – 1				

Loan Portfolio Performance

Past Due Loans:

<u>Loan</u>	<u>Balance</u>	<u>Amount Past Due</u>	<u>Days Past Due</u>	<u>Comments</u>
Peterson Heating & Cooling, Inc.	\$100,000	\$100,000	116	Commenced Legal Action

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

\$100,000 / \$17,020,160 0.6% Delinquency Rate (65 Loans)

RDC Funds Available to Lend: \$4,514,312



**ECIDA & RDC Board of Directors
Monthly Meeting Schedule - 2023
Meetings are held on Wednesday's and start at 12:00 p.m.**

January 25

February 22

March 22

April 26 (Annual Meeting)

May 24

June 28

July 26

August 23

September 27

October 25

November 29

December 20