

Buffalo Urban Development Corporation

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Audit & Finance Committee Meeting Monday, May 17, 2021 - Noon Via Conference Call & Live Stream Audio

Agenda

1. Minutes of March 22, 2021 Meeting *(Approval) (Enclosure)*
2. Draft 2020 BUDC 990/990-T *(Information)*
3. 683 Northland Construction Loan/Line of Credit Update *(Information)*
4. Miscellaneous Funding Source Updates *(Information)*
5. BBRP/BUDC Loan Program Update *(Information)*
6. 683 Northland Project Financial Update *(Information) (Enclosure)*
7. Adjournment *(Approval)*

**Minutes of the Meeting
of the
Audit & Finance Committee
of
Buffalo Urban Development Corporation**

Via Video Conference Call & Live Stream Audio

**March 22, 2021
12:00 p.m.**

Call to Order:

Committee Members Present:

Janique S. Curry
David J. Nasca
Dennis M. Penman (Committee Chair)

Committee Members Absent:

Trina Burruss
James Comerford

Officers Present:

Peter M. Cammarata, President
Brandye Merriweather, Vice President, Downtown Development
Rebecca Gandour, Vice President, Finance & Development
Mollie M. Profic, Treasurer
Kevin J. Zanner, Secretary
Atiqa Abidi, Assistant Treasurer

Others Present: Kathryn Barrett, Freed Maxick; Jenna Bichler, Buffalo Urban Renewal Agency; Barbara Danner, Freed Maxick; and Arthur Hall, BUDC.

Roll Call – The Secretary called the roll of the members of the Audit & Finance Committee at 12:05 p.m. A quorum of the Committee was present. Agenda items 1-7 and 13 were presented with a quorum present. Mr. Nasca left the meeting following the vote on item 13 of the agenda.

The meeting was held via video/telephone conference in accordance with the provisions of Executive Order 202, issued by Governor Andrew Cuomo on March 12, 2020, as amended. The meeting was also live-streamed to the general public and recorded. A transcript of the meeting will be made available at a later date.

- 1.0 Approval of Minutes of the October 14, 2020 Meeting** – The minutes of the October 14, 2020 meeting of the Audit & Finance Committee were presented. Mr. Nasca made a motion to approve the meeting minutes. The motion was seconded by Ms. Curry and unanimously carried (3-0-0).

- 2.0 Draft 2020 BUDC Audited Financial Statements** – Ms. Danner and Ms. Barrett presented the draft 2020 audited consolidated financial statements. Ms. Barrett began the presentation with a review of the draft Report to the Board of Directors and the management letter. She noted that no material weaknesses or control deficiencies were found during the course of the audit, and there were no auditor adjustments and no uncorrected misstatements. Ms. Barrett stated that Freed Maxick is issuing an unmodified (clean) opinion that the consolidated financial statements present fairly, in all material respects, the financial position of BUDC, as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows thereof for the years then ended in

accordance with accounting principles generally accepted in the United States of America. Ms. Danner then presented a detailed overview of the financial statements for 683 Northland LLC, including a review of the consolidating statements and notes to the financial statements. Ms. Danner completed her presentation with a review of the 2020 683 Northland Master Tenant, LLC draft audited financial statements, which were presented to the Committee for information purposes only. Ms. Danner stated that Freed Maxick is issuing an unmodified (clean) opinion that the consolidated financial statements present fairly, in all material respects, the financial position of 683 Northland Master Tenant, LLC, as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. Following the auditor's presentation, the Committee discussed the draft financial statements. The Committee inquired about cash flow projections for the 683 Northland project, and suggested that a 5-10 year cash flow model be prepared. At the conclusion of the discussion, Mr. Nasca made a motion to recommend that the Board of Directors accept the 2020 BUDC draft audited consolidated financial statements. The motion was seconded by Ms. Curry and unanimously carried (3-0-0).

- 3.0 **Draft 2020 683 Northland Master Tenant, LLC Audited Financial Statements** – This information item was presented during item 2.0 of the meeting agenda.
- 4.0 **Draft 2020 BBRF Audited Financial Statements** – Ms. Barrett reviewed the draft 2020 financial statements for the Buffalo Brownfields Redevelopment Fund (BBRF). The BBRF financial statements are presented to the Committee for information purposes only, as ECIDA is the custodian for the BBRF.
- 5.0 **2020 BBRF Reimbursement Request** – Ms. Profic presented a written summary of third party expenses that are proposed for reimbursement from the BBRF. Third party expenses for Buffalo Lakeside Commerce Park, RiverBend, the Northland Beltline and 308 Crowley are eligible for reimbursement from the BBRF. The total amount of third party expenses being requested for reimbursement is \$454,828. Ms. Curry made a motion to recommend that the Board of Directors approve the reimbursement of BUDC of \$454,828 in third party costs as set forth in the written expense summary. The motion was seconded by Mr. Nasca and unanimously carried (3-0-0).
- 6.0 **Investment & Deposit Policy** – Mr. Cammarata presented the BUDC Investment and Deposit Policy. No changes to the policy were proposed. Ms. Curry made a motion to recommend that the Board of Directors approve the Investment and Deposit Policy as presented. The motion was seconded by Mr. Nasca and unanimously carried (3-0-0).
- 7.0 **2020 BUDC Investment Report** – Ms. Profic presented the 2020 Investment Report. Mr. Nasca made a motion to recommend that the Board of Directors approve the Investment Report in the form presented to the Committee. The motion was seconded by Ms. Curry and unanimously carried (3-0-0).
- 8.0 **2020 Management's Assessment of Internal Controls** – Ms. Profic reviewed with the Committee a two-page memorandum setting forth the BUDC's assessment of its management of the effectiveness of BUDC's internal controls for 2020, including the controls in place with respect to payroll, cash disbursements, cash receipts and security of computer information and software.
- 9.0 **2020 Audit & Finance Committee Self-Evaluation Update & Review** – Mr. Cammarata presented the 2020 Audit & Finance Committee self-evaluation. The Committee reviewed the self-evaluation and the 2020 activities of the Committee. No changes to the Committee self-evaluation were suggested.
- 10.0 **Audit & Finance Committee Charter Review** — Mr. Cammarata presented the Audit & Finance Committee Charter. No changes to the charter were proposed. No changes to the Charter were suggested.

- 11.0 Audit & Finance Committee Training** – Ms. Profic referred the Committee to a February 2021 Deloitte publication included in the meeting agenda packet entitled “*On the Audit Committee’s Agenda--The Strategic Audit Committee: Navigating 2021*”.
- 12.0 2020 Property Report Review** – Mr. Cammarata presented the BUDC property report for the year ending December 31, 2020. The property report will be submitted to the Authorities Budget Office as part of the BUDC annual report.
- 13.0 President Transition & Consultant Contract** – Mr. Cammarata presented an update regarding the transitioning of his role as BUDC President. The Committee then discussed a proposal for Mr. Cammarata to continue in a consulting role with BUDC through the end of the calendar year. The proposed terms of the consulting arrangement include approximately 15 hours per week at a consulting fee rate of \$100.00 per hour. Total payments are not expected to exceed \$25,000. Mr. Nasca made a motion to approve the consulting arrangement on the terms presented. The motion was seconded by Ms. Curry and unanimously carried (3-0-0).
- 14.0 Miscellaneous Funding Source Updates** – Ms. Profic reported on the receipt of the fourth and fifth installments of historic tax credit equity and Brownfield Cleanup Program tax refunds and BUDC’s deployment of those dollars to make payments on obligations relating to the 683 Northland project. She also reported on the Restore NY program grants, noting that the BUDC received the final reimbursement for the Restore NY IV grant earlier this month, along with the first two reimbursements from the Restore NY V grant. The Restore NY funding was used to pay off the balance on the line of credit and to reimburse the BBRF.
- 15.0 BBRP/BUDC Loan Program Update** – Ms. Merriweather reported that BUDC received payment on the Phoenix Brewery Apartments loan. A small balance with interest remains outstanding but is expected to be paid very soon. Ms. Merriweather also reported on outreach efforts to several developers that are undertaking residential projects. In response to a question from Mr. Penman, Ms. Profic confirmed that there are no other loans outstanding.
- 16.0 Adjournment** – There being no further business to come before the Committee, the March 22, 2021 meeting of the Audit & Finance Committee was adjourned at 1:15 p.m.

Respectfully submitted,



Kevin J. Zanner
Secretary

Historic Tax Credit Equity Installments

2018

- February - 2nd Installment projected - \$4.9 million
- August - 2nd Installment received + \$4.9 million
- August - 3rd Installment projected - \$4.3 million
- 2018 cash flow impact (-\$4.3 million)

2019

- July - 3rd Installment received + \$4.5 million
- July - 4th Installment projected - \$3.2 million
- November - 5th Installment projected - \$5.7 million
- 2019 cash flow impact (-\$4.4 million)

2020

- April - 6th Installment projected - \$1.6 million
- November - 4th Installment received + \$3.2 million
- 2020 cash flow impact (+\$1.6 million)

2021

- February - 5th Installment received +\$5.5 million
- Early 2021 - 6th Installment potential receipt + \$1.8 million (net of priority return)
- 2021 cash flow (+\$7.3 million)

Key Bank Construction Loan & Line of Credit

2018

- Tranche A - February - November (projected draw period) \$20 million
- Tranche A - August - November (actual draw period) \$20 million
- Tranche B - November - December (actual draw period) \$5.4 million
- Increased interest cost in 2018 (\$758,500 vs \$293,000 projected = +\$465,500)

2019

- Tranche B - January - April (actual draw period) \$4.6 million
- Tranche B - April - November (projected draw period) \$10 million
- Increased interest cost in 2019 (\$1,575,000 vs \$707,000 projected = +\$868,000)

2020

- Line of credit established in April
- Draws through December 31 = \$493,583
- Interest cost of \$4,013
- Principal payment of \$900,000 in November (source = HTC 4th Installment)
- Increased interest cost in 2020 (\$802,000 vs \$361,000 projected = +\$441,000)

2021

- Principal payment of \$5.5 million in February (source = HTC 5th Installment)
- Principal payments of \$13.4 million in March (source = 2018 BTC refunds)
- Interest cost through April 30 = \$181,000

Brownfield Tax Credit Refund

2019

- 2018 Return Filed

2020

- 2018 Refund Projected
- 2019 Return Filed - Credit was lower than anticipated due to construction timing

2021

- 2018 Refund Received \$13,386,769 (\$1,037,294 less than \$14,424,063 in projections)
- 2020 Return Filed - Credit claimed will include \$998,842 of eligible costs (construction timing)
- 2019 Refund Projected - preliminary audit process has begun

2022

- 2020 Refund Projected