Economic Development Committee (EDC)
MINUTES
Tuesday, March 1, 2016

Committee Members Present: Martin Donnelly, James Eisel; Tina Mole; Michael Triolo; Richard Parete; Jeff Graf, Innes Kasanof, Thomas Snow, Jr and Alan Rosa

Committee Member(s) or Staff Absent: Ursula Basch

Committee Member(s) Calling In:

Staff Present: Barbara Puglisi; Timothy Cox; Jason Merwin, Phil Sireci

Guest(s) Present:

The meeting was called to order at 11:35 a.m.

Minutes from the EDC meeting of January 5, 2016 were moved and passed without comment; *all in favor.*

NEW BUSINESS

Loan Update

Barbara presented an update of loan activity, which showed the following:

CFF Loan Activity through 12/31/2015 indicated there is $0 committed so far of the $5,000,000 budget for 2016. There is $722,100 in process.

Regarding the *Hospital Health-Care Fund,* staff indicated a current balance of $4,077,955 from our original balance of $5,000,000, with no loans in process.

The *Colchester Flood-Repair Program* showed a loan balance of $499,761.41 with $2,000,238.59 remaining in the budget.

The *Municipal Sewer Flood Business Retention Program,* has $155,137 committed with a balance of $94,863 left in the budget.

Barbara presented a chart showing CWC's collateral position of defaulted and delinquent loans as of 2/17/16. She indicated the Default and Delinquent rate is currently at 9%.

Barbara presented a chart showing a breakdown of CWC Loans that have been "written-off" as of 12/31/15. The total dollar amount of the write-offs is $2,215,671.48. The chart showed that 66.62% of the total amount written off were loans located in Delaware County. Additionally, 27.93% of the write offs occurred in Ulster County and the remaining 5.45% were located in Sullivan County. There have been no write offs in Greene or Schoharie County.

Barbara presented an updated CFF County Fund Allocation chart showing where and how the CFF has been spent. The chart included how much each county has left to spend.

<u>Rule Review: 1:05:05 Interest Rates</u>

Barbara explained to the committee that banks have been getting more competitive lately. She explained that we are losing clients to banks due to lower interest rates. She detailed our interest rate formula and that we have a floor of 4%, which is higher than what some banks are offering. She wanted the committee to be aware of the situation and see if they had any thoughts or opinions about whether we should do anything about it.

Mike asked Barbara to make a suggestion. He said that the rate would have to be variable still going forward.

Barbara replied that we do have a variable rate every 5 years with anything over 7 years. She added that she thinks we should consider lowering it or have it be something that is tied to the business. She said that this would be for existing businesses not new businesses that do not have a financial history to go off of. She also said that it could be something tied to net income. Barbara said that she wasn't really prepared to make a suggestion.

Innes asked what the default rate is with banks usually. She asked if they are also around 9%.

Alan said that Mike could speak to this, but he thinks it is about 3.5% - 4%.

Innes said maybe the 4% interest rate is the way we make up for the extra defaults.

Jeff said we had a higher default rate because often times these are individuals who couldn't get financing elsewhere.

Mike asked what we based the 4% floor on originally.

Alan said that it was from when interest rates were falling, based on our formula of ½ of prime plus 1%, our rate would have been very low, so we set a floor of 4%.

Barbara added that at that time, banks weren't lending that much. Now, they are lending again.

Rich told the committee that he had recently spoke to someone who got a better rate from a bank. He asked if maybe we could come up with something like the banks do based on a scale of credit score or other factors. He said that the clients we lose through the banks are probably good loans that won't default.

Mike said that these are usually existing businesses with a good history.

Alan offered leaving the rate at 4% but for businesses that are considered strong, based on collateral and credit rating, staff have the ability to offer lower rates in order to keep clients that are thinking about refinancing with a bank. The final authority on the loan would still sit with the board.

Tom asked if we knew what banks were offering the lower rates. Barbara replied the Bank of Greene County and NBT were two specific ones.

Alan emphasized that he didn’t want to just lower the rate for everyone to come to us and refinance. He wanted it to be on a limited basis based on healthy businesses that we may want to keep.

Jeff suggested that something should be written so we don’t get accused of cherry picking certain businesses and loans. Alan said that there should be a measurement of some sort that would qualify these businesses for the lower rate.

Mike said that it makes sense with the right loans. He said that we could set it at prime minus .25% and it is still higher than the bond market.

Alan asked if the committee wanted staff to write something up and come back. Mike said yes he would like something written.

Jeff made a motion, Seconded by Innes to have staff come up with guidelines for lowering the existing 4% floor rate and bring back to the committee for review. All in favor.

Other

The committee went into executive session.

Upon return from executive session:

Innes made a motion, Seconded by Jim to have staff look into options to help utility services in the watershed. All in favor

There being no other business, the meeting was adjourned at 12:15.