



Tuesday, January 20, 2015
21 Lodge Street 8:30 a.m.

CAPITALIZE ALBANY
CORPORATION

Capitalize Albany Corporation
Finance and Investment Committee Meeting
Agenda

1. Review of the minutes from the Finance & Investment Committee meeting of November 18 , 2014
2. 4th Quarter Investment Update
3. 2014 Loan Allowances
4. Quarterly Financial Reports
5. Other Business

**Capitalize Albany Corporation Finance & Investment Committee Meeting
MINUTES
November 18, 2014**

The meeting of the Capitalize Albany Corporation Finance & Investment Committee was held at 8:30 a.m., Tuesday, November 18, 2014 at 21 Lodge Street.

The following were in attendance:

Committee Members:

Anders Tomson
Jeff Sperry
John Harris

Other:

Tom Owens

Staff:

Sarah Reginelli, Brad Chevalier, Mark Opalka and Amy Gardner.

The regular meeting of the Capitalize Albany Corporation Finance & Investment Committee was called to order at 8:30 a.m.

Approval of Minutes for October 23, 2014 Finance & Investment Committee Meeting

The Committee reviewed the minutes of the October 23, 2014 meeting. Jeff Sperry made a motion for approval. Anders Tomson seconded. The Committee agreed unanimously to approve the minutes.

Draft Downtown BID Professional Service Agreement

Staff reviewed the draft agreement with the Committee. Schedule A of the agreement outlined the services Capitalize Albany Corporation would provide to the Downtown BID. The Committee advised staff to have further discussions with the BID regarding the agreement.

Draft Downtown BID Lease Agreement

Staff reviewed the draft agreement with the Committee including the terms on the lease. Exhibit A of the agreement provided the schematic of the building. The lease would be a three year term with a three year renewal for 860 square feet of demised space and 743 square feet of shared space with janitorial services included. The Committee advised staff to amend the agreement and decrease the escalator.

A motion to accept the Draft Downtown BID Lease Agreement and move it to the full Board was made by Jeff Sperry and seconded by Anders Tomson. A vote being taken the motion passed unanimously.

Draft City of Albany and Capitalize Albany Corporation MOU

Staff reviewed the draft agreement with the Committee. The agreement will formalize the relationship including the exchange of services between the Corporation and the City. The agreement would be a five year term with automatic extension unless a party desires to renegotiate.

A motion to accept the Draft City of Albany and Capitalize Albany Corporation MOU and move it to the full Board was made by Anders Tomson and seconded by Jeff Sperry. A vote being taken the motion passed unanimously.

Other Business

Staff provided an update on 526 Central Avenue.

There being no further business the Capitalize Albany Corporation Finance & Investment Committee meeting was adjourned at 9:40 a.m.

Capitalize Albany Corporation
21 Lodge Street
Albany, New York 12207

MEMORANDUM

TO: CAC Finance & Investment Committee
FROM: Mark Opalka
RE: Capitalize Albany Corporation 4th Quarter Financial Reports
DATE: January 20, 2015

BUDGET PERFORMANCE

On a pre-audit basis, through December 31, 2014, the Capitalize Albany Corporation (CAC) had a net income of approximately \$1,461,000. This position compares favorably to the year-to-date (YTD) budgeted net loss of approximately \$55,700. CAC had a net loss of approximately \$102,000 during the fourth quarter of 2013.

The significant variances between total budgeted revenue and expense activity through December 31, 2014 and total actual revenue and expense activity is being driven primary by activity related to the sale of the ground lease at 677 Broadway and the sale of 245 Lark Street. These two transactions resulted in a gain of approximately \$1,450,000.

My comments below address those remaining categories that deviate in excess of 5% from the YTD budget.

- **YTD 2014 revenue is \$2,939,439 which is \$1,354,420 above the 2014 budget.**
 - **Interest and Investment Income.** YTD 2014 income derived from interest and investments is approximately \$70,450 or \$28,650 under budget. The negative variance to the budget is primary due to lower than anticipated interest income on new bond holdings.
 - **Fee Income.** Fee Income is approximately \$46,450 which is 20% over budget. This positive variance is a result of closing on two real estate loans in 2014 when the Corporation only budgeted for one.
 - **Membership and Event Support.** Membership and Event support is \$27,690 which is 21% under budget. Membership fees collected thru September are \$22,150. Year to date this is \$9,810 under budget. This budget shortfall is direct result of lower sponsorship and membership revenue being received in 2014.

- **YTD 2014 expenses are \$1,095,932 which is \$260,771 under the 2014 budget.**
 - **Salaries & Fringe Benefits Expense.** This category is under budget by approximately \$57,500 or 8%. The variance in this category is attributable to position vacancies.
 - **Professional Fee Expense.** This category is over budget by \$39,400 or 12%. The variance is primary attributable to higher legal and IT related expenses offset by lower accounting fees.
 - **Administrative Expense.** This category is under budget by approximately \$11,400 or 10%. This is mainly attributable to the Board opt-outs for the Impact Downtown Albany Plan.
 - **Real Estate Expense.** This category is under budget by approximately \$8,800 or 17%. This is attributable to lower than anticipated maintenance expenses that was incurred on CAC owned properties.
 - **Marketing & Promotional Expenses.** This category is under budget by approximately \$9,600. This variance is attributable to lower than anticipated costs for the Albany Reinvests event in June and lower levels of event sponsorships.

LOANS

- In May of 2014, CAC received a recovery of \$5,000 in bad debt expense related to the Historic Albany loan.
- In June, CAC received a recovery of \$500 related to the ACE Holding, LLC loan.
- In June, CAC received notice that Richard Dobush's primary lender was beginning foreclosure proceedings on his property located on 16 Tivoli Street. CAC currently has a 2nd lien position on the building and the borrower currently owes \$41,660.40. The last payment received from the borrower was on 12/10 for \$1,000. Staff is currently working with counsel as to the status of the foreclosure proceedings.

BALANCE SHEET

The balance sheet contracted from \$15.5 million as of December 31, 2013 to \$15.4 million as of December 31, 2014. This is primarily attributable to the following:

- Impact Downtown Albany cash outlay of approximately \$149,640.
- Depreciation of approximately \$210,000.
- Reduction of bond indebtedness by approximately \$1,070,000 in principal payments. The majority of this reduction, approximately \$928,000, is attributable to Port Warehouse bonds maturing in November. CAC was the conduit issuer of these bonds.
- Gain on Sale of 677 Broadway Ground Lease and 245 Lark Street of \$1,400,000 offset these decreases.

CASH FLOW STATEMENT

- CAC's cash and cash equivalents increased by \$445,000 in 2014 to \$4.1 million. This is primarily attributable cash proceeds received from the sale of the ground lease at 677 Broadway and the building at 245 Lark Street offset by loan portfolio activity and Impact Downtown Albany activity.
- Cash used in capital and financing activities reflects scheduled debt service payments and equipment purchases made during 2014.
- Cash flow from investing activities reflects projected loan disbursement and repayment activity, direct finance lease payments, and investment activity.

CAPITALIZE ALBANY CORPORATION

Comparative Balance Sheets

Pre-Audited Draft

	Projected December 31, 2014	December 31, 2013
Assets		
Current Assets:		
Cash and cash equivalents	\$ 4,096,736	\$ 3,651,644
Investments	3,411,362	2,857,394
Restricted cash	515,529	448,983
Mortgage notes receivable, net	2,822,105	2,117,776
Net investment in direct financing leases	672,177	1,738,881
Accrued interest receivable	55,875	63,326
Grants receivable	-	-
Receivables from the City of Albany and City agencies	101,013	100,000
Other receivables, net	99,836	93,584
Property held for investment and lease, net	2,571,690	3,358,703
Property and equipment, net	402,024	428,063
Other assets	651,389	655,751
Total assets	\$ 15,399,736	\$ 15,514,105
Deferred Outflows of Resources		
	\$ -	\$ -
Liabilities		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 275,375	\$ 192,740
Due to the City of Albany	99,507	99,507
Unearned grant and other income	480,860	921,170
Bonds payable, current portion	2,650,000	3,868,591
Revolving loan fund liability	702,825	702,248
Unearned program support	81,447	81,447
Total liabilities	\$ 4,290,014	\$ 5,865,703
Deferred Inflows of Resources		
	\$ -	\$ -
Net Position		
Net invested in capital assets	\$ 913,715	\$ 1,586,766
Restricted for:		
Debt service	171,446	171,401
CDBG eligible activities	116,682	118,822
Other program specific activities	10,612	9,035
Impact Downtown Albany	-	11,253
Unrestricted	9,897,267	7,751,126
Total net position	\$ 11,109,722	\$ 9,648,403

	January 1, 2014 - December 31, 2014								
	3rd Quarter	YTD Actual	YTD Budget	Variance - \$	Variance - %	December 2014 Forecast	2014 Projection	Original Budget	Projected Variance from Budget
REVENUE									
General Economic & Community Development Support Income	\$ 193,413	\$ 502,613	\$ 527,800	\$ (25,187)	0%	\$ -	\$ 502,613	\$ 527,800	\$ (25,187)
Real Estate Income	178,099	1,799,013	381,120	1,417,893	372%	-	1,799,013	381,120	1,417,893
Professional Service Agreement Income	75,000	300,000	300,000	-	0%	-	300,000	300,000	-
Loan Interest Income	34,759	88,563	85,239	3,324	4%	-	88,563	85,239	3,324
Fee Income	14,927	46,446	38,767	7,679	20%	-	46,446	38,767	7,679
Direct Finance Lease Income	7,576	104,666	115,488	(10,822)	-9%	-	104,666	115,488	(10,822)
Investment & Interest Income	17,291	69,788	99,104	(29,316)	-30%	-	69,788	99,104	(29,316)
FMV Adj on Fidelity Inv	12,537	6,595	-	6,595	100%	-	6,595	-	6,595
G/L on Sale/Redemption	(7,155)	(5,935)	-	(5,935)	100%	-	(5,935)	-	(5,935)
Membership & Event Support	1,000	27,690	37,500	(9,810)	-26%	-	27,690	37,500	(9,810)
TOTAL REVENUE	\$ 527,447	\$ 2,939,439	\$ 1,585,019	\$ 1,354,420	85%	\$ -	\$ 2,939,439	\$ 1,585,019	\$ 1,354,420
EXPENSE									
Salaries Expense	\$ 226,400	\$ 669,365	\$ 726,855	\$ (57,490)	-8%	\$ -	\$ 669,365	\$ 726,855	\$ (57,490)
Professional Fees	88,304	373,211	333,748	39,463	12%	-	373,211	333,748	39,463
Administrative Expenses	17,071	97,860	109,144	(11,284)	-10%	-	97,860	109,144	(11,284)
Interest Expense	8,718	69,994	76,255	(6,261)	-8%	-	69,994	76,255	(6,261)
Real Estate Expenses	8,822	42,297	51,065	(8,769)	-17%	-	42,297	51,065	(8,769)
Occupancy Expense	13,873	39,916	40,760	(844)	-2%	-	39,916	40,760	(844)
Bad Debt Expense (recovery)	(200,450)	(205,950)	-	(205,950)	0%	-	(205,950)	-	(205,950)
Membership & Event Expense	-	9,239	18,875	(9,636)	-51%	-	9,239	18,875	(9,636)
TOTAL EXPENSES BEFORE DEPRECIATION	\$ 162,739	\$ 1,095,932	\$ 1,356,703	\$ (260,771)	-19%	\$ -	\$ 1,095,932	\$ 1,356,703	\$ (260,771)
NET INCOME BEFORE DEPRECIATION & PROGRAM ACTIVITY	\$ 364,708	\$ 1,843,507	\$ 228,316	\$ 1,615,191	707%	\$ -	\$ 1,843,507	\$ 228,316	\$ 1,615,191
DEPRECIATION	\$ 208,849	\$ 211,821	\$ 212,714	\$ (893)	0%	\$ -	\$ 211,821	\$ 212,714	\$ (893)
NET INCOME (LOSS) AFTER DEPRECIATION	\$ 155,859	\$ 1,631,686	\$ 15,602	\$ 1,616,084	10358%	\$ -	\$ 1,631,686	\$ 15,602	\$ 1,616,084
PROJECT & PROGRAM REVENUE									
Blight to Betterment	\$ 7,400	\$ 46,784	\$ 200,000	\$ (153,216)	-77%	\$ -	46,784	\$ 200,000	\$ (153,216)
Downtown Tactical Plan	60,000	149,000	255,428	(106,428)	-42%	-	149,000	255,428	(106,428)
New York Main Street	-	-	-	-	0%	-	-	-	-
Total Program Income	\$ 67,400	\$ 195,784	\$ 455,428	\$ (259,644)	-57%	\$ -	\$ 195,784	\$ 455,428	\$ (259,644)
PROJECT & PROGRAM EXPENSE									
Blight to Betterment	\$ 1,400	\$ 42,184	\$ 200,000	\$ (157,816)	-79%	\$ -	42,184	\$ 200,000	\$ (157,816)
Downtown Tactical Plan	212,800	323,966	326,747	(2,781)	-1%	-	323,966	326,747	(2,781)
New York Main Street	-	-	-	-	0%	-	-	-	-
Total Program Expense	\$ 214,200	\$ 366,150	\$ 526,747	\$ (160,597)	0%	\$ -	\$ 366,150	\$ 526,747	\$ (160,597)
NET INCOME (LOSS) FROM PROGRAM ACTIVITY	\$ (146,800)	\$ (170,366)	\$ (71,319)	\$ (99,047)	139%	\$ -	\$ (170,366)	\$ (71,319)	\$ (99,047)
NET INCOME (LOSS) AFTER DEPRECIATION & PROGRAM ACTIVITY	\$ 9,059	\$ 1,461,319	\$ (55,717)	\$ 1,517,036	-2723%	\$ -	\$ 1,461,319	\$ (55,717)	\$ 1,517,036

Capitalize Albany Corporation**STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS**

Pre Audited Draft

	<u>Projected</u> <u>December 31, 2014</u>	<u>Year Ended</u> <u>December 31, 2013</u>
Revenues		
Grant income and Contribution Income	\$ 698,397	\$ 812,372
Rental income	345,252	378,408
Other interest and investment income	171,051	254,484
Interest income on mortgage notes	88,563	82,775
Gain on sale of properties	1,457,824	-
Fees and other income	374,136	340,478
Total revenues	<u>3,135,223</u>	<u>1,868,517</u>
Expenses		
Salaries and fringe benefits	669,365	644,284
Program and project costs	589,639	544,248
Interest expense	69,994	86,666
Bad debt expenses (recovery)	(205,950)	(25,490)
Administrative Expenses	550,856	537,504
Total expenses	<u>1,673,904</u>	<u>1,787,212</u>
Excess of (expenses over revenues) revenues over expenses	1,461,319	81,305
Net Position, Beginning of Year	<u>9,648,403</u>	<u>9,567,098</u>
Net Position, End of Month	<u>\$ 11,109,722</u>	<u>\$ 9,648,403</u>

CAPITALIZE ALBANY CORPORATION
STATEMENTS OF CASH FLOWS
Pre-Audited Draft

	Projected December 31, 2014	December 31, 2013
Cash Flows From Operating Activities		
Cash received from customers	\$ 546,274	\$ 582,948
Cash received from grantors	663,664	840,042
Other operating cash receipts	374,136	340,478
Cash payments to suppliers and grantees	(845,991)	(777,838)
Cash payments to employees	(669,365)	(644,284)
Net cash provided by operating activities	<u>68,718</u>	<u>341,346</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds from sale of property held for sale	1,661,382	-
Purchase of property held for investment and lease	-	-
Purchase of property and equipment	(7,327)	(5,461)
Purchase of other assets including purchase options	-	-
Principal payments on bonds payable	(1,218,591)	(339,846)
Interest paid on bonds payable	(77,392)	(88,966)
Net cash used in capital and related financing activities	<u>358,072</u>	<u>(434,273)</u>
Cash Flows From Investing Activities		
Interest on cash and cash equivalents and investments	69,832	84,434
Net decrease (increase) in restricted cash	(66,546)	(61,264)
Proceeds from sales and maturities of investments	2,669,405	1,716,988
Purchase of investments	(3,222,713)	(1,785,829)
Issuance of mortgage notes receivable	(900,000)	-
Repayments received on mortgage notes receivable	401,621	759,142
Principal payments received under direct financing leases	1,066,704	188,751
Net cash used in investing activities	<u>18,304</u>	<u>902,222</u>
Change in cash and cash equivalents	<u>445,093</u>	<u>809,295</u>
Cash and cash equivalents:		
Beginning of year	<u>3,651,643</u>	<u>2,842,349</u>
End of year	<u>\$ 4,096,736</u>	<u>\$ 3,651,644</u>
	Projected	December 31, 2013
	December 31, 2014	December 31, 2013
Reconciliation of Excess of (Expenses Over Revenues) Revenues Over Expenses to Net Cash Provided by Operating Activities		
Excess of (expenses over revenues) revenues over expenses	\$ 1,461,319	\$ 81,305
Adjustments to reconcile excess of (expenses over revenues) revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization	211,821	211,756
Adjustment for losses on mortgage notes and other receivables	(205,950)	(25,490)
Gain on sale of property	(1,457,824)	-
Net realized and unrealized losses (gains) on investments	(660)	(43,389)
Interest income on cash and cash equivalents and investments	(69,833)	(80,285)
Interest expense on bonds payable	77,392	86,666
Changes in:		
Grants receivable	-	(37,500)
Other receivables, accrued interest receivable and other assets	4,547	(9,045)
Accounts payable and accrued expenses	82,635	92,099
Due to the City of Albany	0	59
Unearned grant and other income	(35,310)	64,797
Revolving loan fund liability	577	373
Net cash provided by operating activities	<u>\$ 68,716</u>	<u>\$ 341,346</u>