



CAPITALIZE ALBANY
CORPORATION

Wednesday, January 20, 2016
21 Lodge Street, 8:30 a.m.

Capitalize Albany Corporation
Finance and Investment Committee Meeting
Agenda

1. Review of the minutes from the Finance & Investment Committee meeting of December 8, 2015
2. Quarterly Financial Report
3. Quarterly Investment Update
4. Review Finance Committee Charter
5. Loan Allowances 2016
6. Riverfront Barge Lease Request Update
7. Other Business

**Capitalize Albany Corporation Finance & Investment Committee Meeting
MINUTES
December 8, 2015**

The meeting of the Capitalize Albany Corporation Finance & Investment Committee was held at 8:30 a.m., Tuesday, December 8, 2015 at 21 Lodge Street.

The following were in attendance:

Committee Members:

Jeff Sperry, John Harris, and John Vero

Other:

Thomas M. Owens, Esq.

Anders Tomson and Bob Curley (participated via teleconference but not counted for quorum purposes)

Staff:

Sarah Reginelli, Brad Chevalier, Mark Opalka, and Chantel Burnash

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 20, 2015 Finance & Investment Committee Meeting

The Committee reviewed the minutes of the October 20, 2015 meeting. Jeff Sperry made a motion for approval. John Vero seconded. The Committee agreed unanimously to approve the minutes.

Riverfront Barge Lease Request

The Committee discussed the existing and proposed renewal lease for the Riverfront Bar and Grill.

Historic Albany Foundation Request

The Committee discussed the letter the Corporation received from the Historic Albany Foundation asking for forgiveness of their remaining loan interest charges. Following discussion, the Committee agreed unanimously not to waive the interest charges and to move it to the full Board for discussion.

National Grid Easement Request

Staff advised the Committee that the Corporation received a letter from National Grid requesting the Corporation grant an easement on two parcels of land owned by the Corporation, behind the Pump Station. The Committee instructed staff to proceed with an appraisal, which National Grid is willing to pay for; follow-up with the City engineer; discuss it with the developer and bring back to the Committee.

Foreclosure Notices

Chair Anders Tomson recused himself from discussions regarding recommendations for the property at 147 South Pearl Street, due to a potential conflict of interest. After discussion regarding the three properties in which delinquent tax lien foreclosure proceedings have commenced, the Committee advised staff to notify the landbank that the properties are going into foreclosure.

Palace Theatre Update

The Committee discussed options for the Corporation's properties near the Palace Theatre.

526 Central Avenue Update

Staff updated the Committee on the sale of 526 Central Avenue.

Other Business

None.

There being no further business the Capitalize Albany Corporation Finance & Investment Committee meeting was adjourned at 9:35 a.m.

Capitalize Albany Corporation
21 Lodge Street
Albany, New York 12207

MEMORANDUM

TO: Capitalize Albany Corporation Finance & Investment Committee
FROM: Mark Opalka
RE: Capitalize Albany Corporation 4th Quarter Financial Reports
DATE: January 20, 2016

BUDGET PERFORMANCE

On a pre-audit basis, through December 31, 2015, the Capitalize Albany Corporation had a net loss of approximately \$162,570 which compares favorably to the year-to-date (YTD) budgeted net loss of approximately \$272,340. Capitalize Albany had a net income of approximately \$1,462,160 at December 31, 2014. This large net income was mainly attributable to the Corporation selling off real estate assets in the 3rd Quarter of 2014.

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

- ***YTD 2015 revenue is \$1,529,760 which is \$123,182 (9%) above the 2015 budget.***
 - ***Real Estate Income.*** Real Estate income is approximately \$292,050 which is 5% over budget. This positive variance is a direct result of the DBID leasing office space at 21 Lodge Street. This transaction was not budgeted for in the 2015 budget.
 - ***Loan Interest Income.*** Loan interest income is approximately \$94,920 or 15% under budget. This negative variance is a direct result of two early loan repayments.
 - ***Investment & Interest Income.*** Interest and Investment Income is approximately \$38,870 which is 54% under budget. This negative variance is a direct result of market performance that occurred during the last half of 2015.
 - ***Membership & Event Support.*** Membership and Event Support is approximately \$38,400 or 15% over budget. This positive variance is direct result of increased membership for 2015.
 - ***Project & Program Revenue.*** Project and Program revenue is \$173,900. This revenue is from grant monies received for the Blight to Betterment program as well as a Main Street technical assistance grant for the Impact Downtown Albany study. This revenue was not budgeted for in the 2015.

- **YTD 2015 expenses are \$1,685,440 which is \$6,523 above the 2015 budget.**
 - **Salaries & Fringe Benefits Expense.** This category is under budget by approximately \$161,760 or 18%. The variance in this category is attributable to position vacancies during the first quarter as well as the financial consultant position being budgeted to salaries and benefits in the 2015 budget. This expense, which is approximately \$60,560, is currently being expensed in the professional fees category.
 - **Professional Fees.** This category is over budget by approximately \$43,170 or 20%. As noted above the variance in the category is attributable to the financial consultant expenses being budgeted to salary & fringe benefits in 2015. This variance has been offset by lower legal fees incurred in 2015.
 - **Administrative Expense.** This category is under budget by approximately \$37,960 or 30%. This variance is mainly attributable to the Board opt-outs for the Impact Downtown Albany Plan totaling \$21,400 as well as lower insurance and meeting expenses.
 - **Real Estate Expense.** This category is under budget by approximately \$2,000 or 5%. This variance is mainly attributable to lower maintenance costs incurred on the Corporation's rental property at 1 Quackenbush Square.
 - **Occupancy Expenses.** This category is under budget by approximately \$9,600 or 20%. This is mainly attributable to lower maintenance costs which were incurred in 2015 as well as lower utility costs due to the DBID sharing a percentage of utility costs for 21 Lodge Street.
 - **Project & Program Expense.** Project and Program over budget by approximately \$186,223 or 186%. This is attributable to unbudgeted expenses for the Blight to Betterment program as well as final payment to the consultant for the Impact Albany Plan. These expenses were not budgeted for in the 2015 budget.

LOANS

- In December 2015, Capitalize Albany received a recovery of \$500 related to the ACE Holding, LLC loan.

BALANCE SHEET

- At December 31, 2015, compared to December 31, 2014, unrestricted cash has increased by approximately \$61,100. This is primarily attributable to program income received as well early principal payments received on mortgage receivables.
- Restricted cash has increased approximately \$68,860 due to loan repayments.
- Mortgage notes receivable has decreased by approximately \$416,470. This is a result of scheduled loan payment activity and two early loan repayments.
- Net investment in direct financing leases has been reduced by approximately \$151,540. This is due to scheduled lease payments, the largest of which are the payments from ACDA. Additionally, ACDA payments are applied to the principal amount of bonds outstanding for 200 Henry Johnson Boulevard.
- Liabilities have been reduced by approximately \$435,250. This is due to reduced accounts payable, principal payments applied against Capitalize Albany's bond indebtedness, and reduced professional service fees due to the City of Albany due to new structure of direct employment of all Corporation staff.

CASH FLOW STATEMENT

- Capitalize Albany's December 31, 2015 cash and cash equivalents increased by approximately \$61,100 to \$4.15 million.
- Projected 2015 cash flow provided by operational activities reflected scheduled project grants activity, receipt of payment under the CAIDA Professional Service Agreement, scheduled lease and rental receipts, and payment of various administrative expenses
- Cash used in capital and financing activities reflects scheduled debt service payments and renovations made at 21 Lodge Street during 2015.
- 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

	December 31, 2015	December 31, 2014	\$ Change
Assets			
Current Assets:			
Cash and cash equivalents	\$ 4,149,834	\$ 4,088,737	\$ 61,097
Investments	3,437,044	3,411,362	25,682
Restricted cash	584,389	515,529	68,860
Mortgage notes receivable, net	2,405,637	2,822,105	(416,468)
Net investment in direct financing leases	519,983	671,521	(151,538)
Accrued interest receivable	39,643	58,671	(19,028)
Grants receivable	-	-	-
Receivables from the City of Albany and City agencies	100,000	101,013	(1,013)
Other receivables, net	121,991	97,086	24,906
Property held for investment and lease, net	2,396,208	2,571,690	(175,482)
Property and equipment, net	378,070	403,263	(25,193)
Other assets	658,891	648,532	10,359
Total assets	\$ 14,791,690	\$ 15,389,509	\$ (597,819)
Deferred Outflows of Resources	\$ -	\$ -	\$ -
Liabilities			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 133,663	\$ 264,848	\$ (131,185)
Due to the City of Albany	72,892	99,521	(26,629)
Unearned grant and other income	500,330	480,860	19,470
Bonds payable	2,350,000	2,650,000	(300,000)
Revolving loan fund liability	703,612	702,825	788
Unearned program support	83,307	80,997	2,310
Total liabilities	\$ 3,843,804	\$ 4,279,051	\$ (435,247)
Deferred Inflows of Resources	\$ -	\$ -	\$ -
Net Position			
Net invested in capital assets	\$ 914,953	\$ 914,953	\$ -
Restricted for:			
Debt service	171,446	171,446	-
CDBG eligible activities	124,519	124,519	-
Other program specific activities	13,269	13,269	-
Impact Downtown Albany	-	-	-
Unrestricted	9,723,699	9,886,271	(162,572)
Total net position	\$ 10,947,886	\$ 11,110,458	\$ (162,572)

January 1, 2015 - December 31, 2015

	4th Quarter	YTD Actual	YTD Budget	Variance - \$	Variance - %	2015 Projection	Original Budget	Projected Variance from Budget
REVENUE								
General Economic & Community Development Support Income	\$ 192,400	\$ 500,587	\$ 501,600	\$ (1,013)	0%	\$ 500,587	\$ 501,600	\$ (1,013)
Real Estate Income	182,962	292,051	277,397	14,654	5%	292,051	277,397	14,654
Professional Service Agreement Income	75,000	300,000	300,000	-	0%	300,000	300,000	-
Loan Interest Income	23,279	94,920	111,457	(16,537)	-15%	94,920	111,457	(16,537)
Fee Income	6,607	33,390	34,170	(780)	-2%	33,390	34,170	(780)
Direct Finance Lease Income	443	57,648	63,632	(5,984)	-9%	57,648	63,632	(5,984)
Investment & Interest Income	14,967	59,623	84,823	(25,200)	-30%	59,623	84,823	(25,200)
FMV Adj on Fidelity Inv	13,615	(58,053)	-	(58,053)	100%	(58,053)	-	(58,053)
G/L on Sale/Redemption	(5,943)	37,301	-	37,301	100%	37,301	-	37,301
Membership & Event Support	8,725	38,395	33,500	4,895	15%	38,395	33,500	4,895
TOTAL REVENUE	\$ 512,054	\$ 1,355,860	\$ 1,406,578	\$ (50,718)	-4%	\$ 1,355,860	\$ 1,406,578	\$ (50,718)
EXPENSE								
Salaries Expense	\$ 227,177	\$ 733,920	\$ 895,676	\$ (161,756)	-18%	\$ 733,920	\$ 895,676	\$ (161,756)
Professional Fees	50,169	258,443	215,275	43,168	20%	258,443	215,275	43,168
Administrative Expenses	19,182	90,494	128,450	(37,956)	-30%	90,494	128,450	(37,956)
Interest Expense	2,369	29,826	32,665	(2,839)	-9%	29,826	32,665	(2,839)
Real Estate Expenses	9,090	37,364	39,300	(1,936)	-5%	37,364	39,300	(1,936)
Occupancy Expense	12,753	37,544	47,157	(9,613)	-20%	37,544	47,157	(9,613)
Bad Debt Expense (recovery)	(500)	(500)	-	(500)	100%	(500)	-	(500)
Membership & Event Expense	7,799	11,466	11,875	(409)	-3%	11,466	11,875	(409)
TOTAL EXPENSES BEFORE DEPRECIATION	\$ 328,040	\$ 1,198,556	\$ 1,370,398	\$ (171,841)	-13%	\$ 1,198,556	\$ 1,370,398	\$ (171,841)
NET INCOME BEFORE DEPRECIATION & PROGRAM ACTIVITY	\$ 184,015	\$ 157,304	\$ 36,181	\$ 121,123	335%	\$ 157,304	\$ 36,181	\$ 121,123
DEPRECIATION	\$ 207,553	\$ 207,553	\$ 208,519	\$ (967)	0%	\$ 207,553	\$ 208,519	\$ (967)
NET INCOME (LOSS) AFTER DEPRECIATION	\$ (23,538)	\$ (50,249)	\$ (172,338)	\$ 122,090	71%	\$ (50,249)	\$ (172,338)	\$ 122,090
PROJECT & PROGRAM REVENUE								
Blight to Betterment	\$ -	\$ 152,400	\$ -	\$ 152,400	100%	\$ 152,400	\$ -	\$ 152,400
Downtown Tactical Plan	-	21,500	-	21,500	100%	21,500	-	21,500
New York Main Street	-	-	-	-	0%	-	-	-
Total Program Income	\$ -	\$ 173,900	\$ -	\$ 173,900	100%	\$ 173,900	\$ -	\$ 173,900
PROJECT & PROGRAM EXPENSE								
Blight to Betterment	\$ -	\$ 142,110	\$ -	\$ 142,110	100%	\$ 142,110	\$ -	\$ 142,110
Downtown Tactical Plan	143,645	144,113	100,000	44,113	44%	144,113	100,000	44,113
New York Main Street	-	-	-	-	0%	-	-	-
Total Program Expense	\$ 143,645	\$ 286,223	\$ 100,000	\$ 186,223	186%	\$ 286,223	\$ 100,000	\$ 186,223
NET INCOME (LOSS) FROM PROGRAM ACTIVITY	\$ (143,645)	\$ (112,323)	\$ (100,000)	\$ (12,323)	0%	\$ (112,323)	\$ (100,000)	\$ (12,323)
NET INCOME (LOSS) AFTER DEPRECIATION & PROGRAM ACTIVITY	\$ (167,182)	\$ (162,572)	\$ (272,338)	\$ 109,767	40%	\$ (162,572)	\$ (272,338)	\$ 109,767

Capitalize Albany Corporation
STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS
Pre Audited Draft

	Projected December 31, 2015	Year Ended December 31, 2014
Revenues		
Grant income and Contribution Income	\$ 674,487	\$ 698,397
Rental income	294,267	344,500
Other interest and investment income	94,302	170,426
Interest income on mortgage notes	94,920	88,737
Gain on sale of properties	-	1,457,824
Fees and other income	371,785	375,036
Total revenues	<u>1,529,761</u>	<u>3,134,920</u>
Expenses		
Salaries and fringe benefits	733,920	668,159
Program and project costs	502,369	592,458
Interest expense	29,826	68,262
Bad debt expenses (recovery)	(500)	(202,751)
Administrative Expenses	426,718	546,737
Total expenses	<u>1,692,333</u>	<u>1,672,865</u>
Excess of (expenses over revenues) revenues over expenses	<u>(162,572)</u>	<u>1,462,055</u>
Net Position, Beginning of Year	<u>11,110,458</u>	<u>9,648,403</u>
Net Position, End of Month	<u>\$ 10,947,886</u>	<u>\$ 11,110,458</u>

CAPITALIZE ALBANY CORPORATION
STATEMENTS OF CASH FLOWS
Pre-Audited Draft

	Projected December 31, 2015	December 31, 2014
Cash Flows From Operating Activities		
Cash received from customers	\$ 431,657	\$ 545,091
Cash received from grantors	694,745	668,165
Other operating cash receipts	371,785	374,136
Cash payments to suppliers and grantees	(879,347)	(859,974)
Cash payments to employees	(733,918)	(658,159)
	<u>(115,078)</u>	<u>59,259</u>
Net cash provided by operating activities		
Cash Flows From Capital and Related Financing Activities		
Proceeds from sale of property held for sale	-	1,661,383
Purchase of property held for investment and lease	(6,877)	(8,928)
Purchase of property and equipment	-	-
Purchase of other assets including purchase options	(300,000)	(1,218,590)
Principal payments on bonds payable	(29,826)	(74,452)
Interest paid on bonds payable	-	-
	<u>(336,703)</u>	<u>359,413</u>
Net cash used in capital and related financing activities		
Cash Flows From Investing Activities		
Interest on cash and cash equivalents and investments	59,668	69,295
Net decrease (increase) in restricted cash	(66,860)	(66,545)
Proceeds from sales and maturities of investments	1,703,918	2,668,552
Purchase of investments	(1,750,351)	(3,221,860)
Issuance of mortgage notes receivable	(275,000)	(900,000)
Repayments received on mortgage notes receivable	691,969	401,621
Principal payments received under direct financing leases	151,533	1,067,359
	<u>512,876</u>	<u>18,422</u>
Net cash used in investing activities		
Change in cash and cash equivalents	61,095	437,094
Cash and cash equivalents:		
Beginning of year	4,088,738	3,651,644
End of year	<u>\$ 4,149,833</u>	<u>\$ 4,088,738</u>
	Projected December 31, 2015	December 31, 2014
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	\$ (162,574)	\$ 1,462,055
Adjustments to reconcile excess of (expenses over revenues) revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization	207,553	212,181
Adjustment for losses on mortgage notes and other receivables	(500)	(203,201)
Gain on sale of property	-	(1,457,824)
Net realized and unrealized losses (gains) on investments	20,752	(660)
Interest income on cash and cash equivalents and investments	(59,669)	(69,831)
Interest expense on bonds payable	25,826	68,262
Changes in:		
Grants receivable	-	-
Other receivables, accrued interest receivable and other assets	(12,916)	10,456
Accounts payable and accrued expenses	(131,179)	67,026
Due to the City of Albany	14	14
Unearned grant and other income	19,470	(29,796)
Revolving loan fund liability	788	577
	<u>(115,078)</u>	<u>59,259</u>
Net cash provided by operating activities		

Capitalize Albany Corporation
21 Lodge Street
Albany, New York 12207

MEMORANDUM

TO: Capitalize Albany Corporation Finance & Investment Committee
FROM: Mark Opalka
RE: Capitalize Albany Corporation 4th Quarter Investment Report
DATE: January 20, 2016

In the 4th Quarter of 2015 the value of the investment portfolio of Capitalize Albany increased by \$20,093 to \$3,436,948.

Asset Allocation

<i>Asset Class</i>	<i>Min. Wt.</i>	<i>Max. Wt.</i>	<i>Representative Index</i>
Equities	0%	15%	S&P 500 and MSCI EAFE
<i>Domestic</i>	85%	100%	S&P 500
<i>International*</i>	0%	15%	MSCI EAFE
Fixed Income	80%	95%	BCS Int. Govt./Credit**
Cash or Equivalents	5%	25%	Treasury Bill

Portfolio Composition

- **Cash and Cash Equivalents** – Currently cash and cash equivalents are approximately \$101,460 or 3% of the portfolio. Capitalize Albany's investment policy states that cash and cash equivalents should have a minimum weight of 5% and a maximum weight of 25% of the investment portfolio. Although the cash and cash equivalent balance is approximately \$70,387 short of meeting the minimum weight of 5%. Staff feels that this is an acceptable variance given the current interest rate on cash balances is .07%.
- **Fixed Income** – Currently fixed income investments are approximately \$2,935,525 or 85% of the portfolio. Fixed income investments in Capitalize Albany's portfolio consist of corporate notes, bonds, and certificate of deposits. Certificate of deposits make up the largest portion of the fixed income investments at 60% or approximately \$2,051,000. Capitalize Albany's investment policy contains many conditions and restrictions that apply to fixed income investments. At December 31, 2015 Capitalize Albany's fixed income investments are in compliance with all conditions and restrictions set forth in the investment policy.
- **Equities** – Currently equities are approximately \$399,970 or 12% of the portfolio. Capitalize Albany's investment policy states that no more than 30% of the market value of the equity portion should be in any one industry and no more than 10% in any one security. Additionally all equities in this portfolio are to be chosen from the NYSE, AMEX,

the regional exchanges, or the national otc markets. Currently all of the equity holdings in Capitalize Albany's portfolio meet these requirements.

DRAFT

Comment [O1]:

ALDCCAC FINANCE & INVESTMENT COMMITTEE CHARTER

The Finance & Investment Committee Charter was adopted by the Board of Directors of the ~~Albany Local Development~~ Capitalize Albany Corporation ("ALDCCAC") on March 31, 2009.

Purpose

The purpose of the Finance & Investment Committee shall be to (1) ensure the financial health of ALDCCAC (2) ensure that ALDCCAC assets are protected and resources are used appropriately and (3) assist the Board in understanding ALDCCAC's financial condition.

Scope of Responsibilities

The ALDCCAC Finance & Investment Committee shall be responsible for the following:

- Project review
 - ~~As necessary, r~~Review projects and recommend action for Board approval.
 - Review proposals for the issuance of debt.
- Involvement with ALDCCAC finance department management.
 - Work with management to ensure timely and accurate financial data is presented to the Board.
 - ~~In conjunction with the ALDC Audit Committee, r~~Review and recommend new or revised financial policies to the Board for approval.
- Budget Oversight
 - Provide guidelines for the development of the annual operating budget.
 - Review and recommend an annual operating budget for Board approval.
 - Review the financial performance of ALDCCAC against budget projections for the period to-date.
- Investment Oversight
 - Develop the investment policy for ALDCCAC and review this policy annually.
 - As necessary, recommend investment policy changes to the Board for approval.
 - Meet with the investment manager (if any) at least annually to review the performance. As appropriate, conduct a search for and select a new investment manager.
 - Coordinate with Audit Committee to deliver annual investment report to ALDCCAC Board of Directors.
- Meet with ALDCCAC staff or outside counsel, as necessary.

DRAFT

- Retaining, at the ALDCCAC's expense, such outside counsel, experts and other advisors as the Finance & Investment Committee may deem appropriate, upon approval of said expenditure(s) by the ALDCCAC Board of Directors.
- ~~Conducting an annual self-evaluation of its performance, including its effectiveness and compliance with the charter, effectiveness of the~~ Recommend any recommend changes to its Committee charter/Charter, and requesting board approval for proposed changes to the Board.
- ~~Reviewing and providing guidance to the full Board and management about all of the above.~~

The ALDCCAC board/Board will ensure that the Finance & Investment Committee has sufficient resources to carry out its duties.

Composition of Committee and Selection of Members

The membership of the Committee shall be as set forth in accordance with and pursuant to Article IV, Section 9 of the Corporation's bylaws. The Finance and Investment Committee shall be comprised of not less than three (3) independent members. The members shall serve until their resignation, retirement, removal by the Board or until their successors shall be appointed and qualified. When feasible, the immediate past Finance and Investment Committee Chair will continue serving as a member of the Committee for at least one year to ensure an orderly transition.~~The ALDC Governance/Nominating Committee will recommend and the ALDC Board will approve the Finance & Investment Committee members and the Committee's Chair.~~

~~Ideally, all members on the~~ Finance & Investment Committee members shall possess or obtain a basic understanding of financial reporting, accounting, and auditing.

Meetings

The Committee will meet a minimum of four times per year, with the expectation that additional meetings may be required to adequately fulfill all the obligations and duties outlined in the charter. Meeting agendas will be prepared for every meeting and provided to Committee members at least three days in advance of the scheduled meeting, along with the appropriate materials needed to make informed decisions. The Committee shall act only on the affirmative vote of a majority of the members at a meeting or by unanimous consent. Minutes of these meetings are to be recorded.

Members of the Committee, as well as the ~~CFO, President~~appropriate senior staff or their respective designees, are expected to attend each committee meeting, in person or via telephone or videoconference.

The Committee may invite other individuals to attend meetings and provide pertinent information, as necessary.