



**CAPITALIZE ALBANY**  
CORPORATION

**Monday, October 15, 2018**  
21 Lodge Street, 11:00 a.m.

**Capitalize Albany Corporation**  
**Finance and Investment Committee Meeting**  
**Agenda**

1. Review of the minutes from the Finance & Investment Committee meeting of September, 2018
2. Morris Place, LLC Loan Request
3. Quarterly Financial Report
4. Quarterly Investment Update
5. Other Business

**Capitalize Albany Corporation Finance & Investment Committee Meeting  
MINUTES  
September 17, 2018**

The meeting of the Capitalize Albany Corporation Finance & Investment Committee was held at 11:00 a.m., Monday, September 17, 2018 at 21 Lodge Street.

The following were in attendance:

**Committee Members:**

Anders Tomson, Jeff Sperry, Bob Curley, and John Vero.

**Other:**

Thomas M. Owens, Esq.

**Staff:**

Sarah Reginelli, Mark Opalka, Joe Landy, and Genevieve Zurowski.

**Excused:**

John Harris

The regular meeting of the Capitalize Albany Corporation Finance & Investment Committee was called to order at 11:00 a.m.

**Review of the minutes from the Finance & Investment Committee meeting of  
June 18, 2018**

The Committee reviewed the minutes of the meeting. Jeff Sperry made a motion for approval, and Bob Curley seconded. The Committee agreed unanimously to approve the minutes from the Finance & Investment Committee meeting of June 18, 2018.

**Review 2019 Draft Proposed Annual Budget**

Staff reviewed with the Committee the 2019 Draft Proposed Annual Budget for Capitalize Albany Corporation. Staff stated the net income for 2019, before depreciation expense and program activity, is budgeted to be approximately \$33,850 with a deficit of approximately \$265,690. Staff outlined the Salary and Benefit Expense to be \$938,965, and Professional Fees budgeted to be \$237,850; stated expenses are higher than the 2018 approved budget.

Staff reviewed significant variables related to the Liberty Park transaction that could require major amendments to the budget after approval. The Committee discussed the variables and their potential impacts at length. The Committee recommended Staff continue to monitor the potential transaction, but, due to its uncertainty, to present the base case scenario budget to the Board for approval.

After discussions, the Committee accepted the 2019 Draft Proposed Annual Budget with all small additions, and this will move to the full Board for approval in October. The motion was made by Bob Curley, seconded by John Vero. A vote being taken, the motion passed unanimously.

### **99 Pine Street of Albany, LLC Loan Update/ 420 Broadway Albany, LLC Loan Request**

Due to a potential conflict of interest, John Vero and Bob Curley both recused themselves from this discussion and left the room. Staff provided the Committee with additional financial updates regarding the existing 99 Pine Street of Albany, LLC loan.

As discussed at the June 18, 2018 Finance Committee meeting, the borrower is refinancing their current primary loan. They are requesting that Capitalize Albany re-subordinate to the new loan.

Currently, all 35 of the existing units have been leased. The borrower lost their largest commercial tenant in 2017 and is using a portion of the new loan to renovate the vacant office into six additional apartments.

There are currently Tax Credit funds being held in escrow. Under the current agreement, disbursement of the Tax Credit funds would be used to repay the Capitalize Albany loan. The borrower (and the lender) are requesting that Capitalize Albany allow \$300,000 of the Tax Credit funds be used to complete the residential conversion (\$866k cost) and the remaining \$1,000,000 in Tax Credit funds be re-escrowed as collateral for the Capitalize Albany loan until stabilization.

The Committee stressed that no additional funds should be disbursed to the borrower prior to repayment of the current CAC loan. The Committee also requested an analysis regarding the likelihood on additional residential conversion based on commercial tenant losses.

As a quorum of the Committee was not present, the Chair suggested moving the 99 Pine Street of Albany, LLC Loan Request to the full Board without recommendation. The remaining Committee member agreed.

### **Other Business**

Committee inquired on the Steuben property. Staff reviewed the findings of the third-party analysis of the loan pay-off. The developer anticipates the property to close in October. The company's plan is to begin development on the property that will have the quickest turnaround in the portfolio first.

Subsequently, there being no further business the Capitalize Albany Corporation Finance & Investment Committee meeting was adjourned at 12:20 p.m.

Capitalize Albany Corporation  
21 Lodge Street  
Albany, New York 12207

MEMORANDUM

TO: Capitalize Albany Finance & Investment Committee  
FROM: Mark Opalka  
RE: Capitalize Albany Corporation 3<sup>rd</sup> Quarter Financial Reports  
DATE: October 15, 2018

**BUDGET PERFORMANCE**

On a pre-audit basis, through September 30, 2018, the Capitalize Albany Corporation had net income of \$10,207. This position compares favorably to the year-to-date (YTD) budgeted net loss of \$63,883. Capitalize Albany Corporation had net income of \$123,160 at June 30, 2018.

My comments below address those categories that deviate in excess of 5% and greater than \$5,000 from the YTD budget.

- ***YTD 2018 revenue is \$1,054,777 which is \$194,077 (23%) above the 2018 budget.***
  - ***Loan Interest Income.*** Loan Interest Income is \$78,618 which is 19,123 (24%) under budget. This variance is a direct result of loan payoffs that occurred during the 4<sup>th</sup> quarter 2017 as well as a budgeted loan disbursement that did not occur in 2017.
  - ***Fee Income.*** Fee income is \$19,835 which is \$6,618 (33%) under budget. This variance is a direct result of a budgeted loan disbursement that has not occurred. The corporation is expecting a loan totaling \$100,000 to close in the 4<sup>th</sup> quarter.
  - ***Investment and Interest Income.*** Investment and interest income is \$91,597 which is \$34,689 (61%) over budget. This positive variance is a direct result of market performance, primarily in the equity portion, of the Corporation's investment portfolio that occurred during the first three quarters of 2018.
  - ***Project & Program Revenue.*** Project and Program revenue is \$182,163. This revenue is from grant monies realized for the Amplify Albany, Downtown Retail and Facade grant programs. These revenues have offsetting project and program expenses. This revenue was not budgeted for in the 2018 budget.

- **YTD 2018 expenses are \$1,044,570 which is \$119,987 (13%) above the 2018 budget.**
  - **Salary & Fringe Expense.** Salary and Fringe expense are \$631,040 which is \$102,221 (16%) under budget. The variance is attributable due to the Corporation budgeting for increase in staff.
  - **Project & Program Expense.** Project and Program Expenses are \$227,400. These expenses were for the grant disbursements for the Amplify Albany, Downtown Retail and Façade grant programs as well as due diligence expenses incurred for the Liberty Park project. These expenses were not budgeted for in the 2018 budget.

## **LOANS**

- 99 Pine Street of Albany repaid their loan in the amount of \$400,000 in the 3<sup>rd</sup> quarter.

## **BALANCE SHEET**

- At September 30, 2018, compared to December 31, 2017, unrestricted cash has increased by \$586,843.
- Restricted cash has decreased \$121,498 due to the final payment for the 200 Henry Johnson Blvd bonds being paid out of escrow funds.
- Mortgage notes receivable has decreased by \$502,033. This is a result of scheduled loan payment activity as well as a loan payoff which occurred during the 3<sup>rd</sup> Quarter.
- Net investment in direct financing leases has been reduced by \$188,248. This is due to the final scheduled lease payments being made by ACDA and the City of Albany for 200 Henry Johnson Blvd (ACDA) and 174 Henry Johnson Blvd (North Station).
- Liabilities have been reduced by \$280,039. This is due to reduced accounts payable and principal payments applied against CAC's bond indebtedness.

## **CASH FLOW STATEMENT**

- Currently, CAC's December 31, 2018 cash and cash equivalents are anticipated to increase by approximately \$205,768 to \$5.1 million. This increase is primarily attributable to a loan repayment of \$400,000 that occurred during the 3<sup>rd</sup> quarter being offset by planned Corporate expenditures.
- Projected 2018 cash flow provided by operational activities reflect 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 during 2018.

- Cash flow from investing activities reflects projected loan disbursement and repayment activity, direct finance lease payments, and investment activity.

	January 1, 2018 - December 31, 2018					Oct -Dec 2018 Forecast	2018 Projection	Original Budget	Projected Variance from Budget
	Q3	YTD Actual	YTD Budget	Variance - \$	Variance - %				
<b>REVENUE</b>									
General Economic & Community Development Support Income	\$ 62,500	\$ 305,043	\$ 305,043	\$ -	0%	\$ 192,400	\$ 497,443	\$ 497,443	\$ -
Real Estate Income	35,746	107,062	112,098	(5,036)	-4%	190,184	297,246	302,963	(5,717)
Professional Service Agreement Income	87,146	261,437	261,437	-	0%	87,146	348,582	348,582	-
Loan Interest Income	20,830	59,495	78,618	(19,123)	-24%	26,206	85,701	104,824	(19,123)
Fee Income	4,961	13,217	19,835	(6,618)	-33%	5,195	18,412	24,030	(5,618)
Direct Finance Lease Income	-	1,762	1,762	0	0%	-	1,762	1,762	0
Investment & Interest Income	19,178	66,479	56,908	9,572	17%	20,162	86,642	75,877	10,765
FMV Adj on Fidelity Inv	(10,800)	(29,473)	-	(29,473)	100%	-	(29,473)	-	(29,473)
G/L on Sale/Redemption	44,430	54,591	-	54,591	100%	-	54,591	-	54,591
Membership & Event Support	9,225	33,000	25,000	8,000	32%	1,500	34,500	33,500	1,000
<b>TOTAL REVENUE</b>	<b>\$ 273,215</b>	<b>\$ 872,613</b>	<b>\$ 860,700</b>	<b>\$ 11,913</b>	<b>1%</b>	<b>\$ 522,793</b>	<b>\$ 1,395,406</b>	<b>\$ 1,388,981</b>	<b>\$ 6,425</b>
<b>EXPENSE</b>									
Salaries & Fringe Expense	\$ 174,046	\$ 528,819	\$ 631,040	\$ (102,221)	-16%	\$ 223,855	\$ 752,674	\$ 869,263	\$ (116,589)
Professional Fees	50,008	185,534	189,718	(4,184)	-2%	51,207	236,740	235,790	950
Administrative Expenses	18,350	51,202	49,080	2,122	4%	11,878	63,081	67,986	(4,905)
Interest Expense	-	1,533	1,533	-	0%	21,904	23,437	15,742	7,695
Real Estate Expenses	8,957	27,001	27,233	(231)	-1%	12,191	39,192	38,924	268
Occupancy Expense	6,394	22,579	23,954	(1,375)	-6%	20,884	43,464	44,837	(1,373)
Bad Debt Expense (recovery)	-	-	-	-	0%	-	-	-	-
Membership & Event Expense	-	500	2,025	(1,525)	-75%	10,425	10,925	12,450	(1,525)
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	<b>\$ 257,755</b>	<b>\$ 817,169</b>	<b>\$ 924,583</b>	<b>\$ (107,414)</b>	<b>-12%</b>	<b>\$ 352,344</b>	<b>\$ 1,169,513</b>	<b>\$ 1,284,992</b>	<b>\$ (115,479)</b>
<b>NET INCOME BEFORE DEPRECIATION &amp; PROGRAM ACTIVITY</b>	<b>\$ 15,460</b>	<b>\$ 55,444</b>	<b>\$ (63,883)</b>	<b>\$ 119,327</b>	<b>-187%</b>	<b>\$ 170,449</b>	<b>\$ 225,893</b>	<b>\$ 103,989</b>	<b>\$ 121,904</b>
<b>DEPRECIATION</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>#DIV/0!</b>	<b>\$ 201,299</b>	<b>\$ 201,299</b>	<b>\$ 201,299</b>	<b>\$ -</b>
<b>NET INCOME (LOSS) AFTER DEPRECIATION</b>	<b>\$ 15,460</b>	<b>\$ 55,444</b>	<b>\$ (63,883)</b>	<b>\$ 119,327</b>	<b>187%</b>	<b>\$ (30,850)</b>	<b>\$ 24,594</b>	<b>\$ (97,310)</b>	<b>\$ 121,904</b>
<b>PROJECT &amp; PROGRAM REVENUE</b>									
Blight to Betterment	\$ -	\$ -	\$ -	\$ -	0%	\$ -	\$ -	\$ -	\$ -
CACRC Grant	117,759	182,163	-	182,163	100%	72,000	254,163	-	254,163
New York Parks (Skyway Project)	-	-	-	-	100%	375,000	375,000	375,000	-
<b>Total Program Income</b>	<b>\$ 117,759</b>	<b>\$ 182,163</b>	<b>\$ -</b>	<b>\$ 182,163</b>	<b>100%</b>	<b>\$ 447,000</b>	<b>\$ 629,163</b>	<b>\$ 375,000</b>	<b>\$ 254,163</b>
<b>PROJECT &amp; PROGRAM EXPENSE</b>									
Liberty Park Expenses	\$ 5,569	\$ 44,966	\$ -	\$ 44,966	100%	\$ 15,034	60,000	\$ -	\$ 60,000
Capitalize Albany Amplify and Retail Grants	117,489	182,165	-	182,165	100%	72,270	254,435	-	254,435
Impact Downtown Albany (Skyway Project)	270	270	-	270	-100%	474,730	475,000	475,000	-
<b>Total Program Expense</b>	<b>\$ 123,329</b>	<b>\$ 227,402</b>	<b>\$ -</b>	<b>\$ 227,402</b>	<b>#DIV/0!</b>	<b>\$ 562,034</b>	<b>\$ 789,435</b>	<b>\$ 475,000</b>	<b>\$ 314,435</b>
<b>NET INCOME (LOSS) FROM PROGRAM ACTIVITY</b>	<b>\$ (5,569)</b>	<b>\$ (45,238)</b>	<b>\$ -</b>	<b>\$ (45,238)</b>	<b>#DIV/0!</b>	<b>\$ (115,034)</b>	<b>\$ (160,272)</b>	<b>\$ (100,000)</b>	<b>\$ (60,272)</b>
<b>NET INCOME (LOSS) AFTER DEPRECIATION &amp; PROGRAM ACTIVITY</b>	<b>\$ 9,892</b>	<b>\$ 10,207</b>	<b>\$ (63,883)</b>	<b>\$ 74,090</b>	<b>116%</b>	<b>\$ (145,884)</b>	<b>\$ (135,678)</b>	<b>\$ (197,310)</b>	<b>\$ 61,632</b>

**CAPITALIZE ALBANY CORPORATION**  
**Comparative Balance Sheets**  
**Pre-Audited Draft**

**Assets**

Current Assets:

	September 30, 2018	Projected December 31, 2018	December 31, 2017
Cash and cash equivalents	\$ 5,503,894	\$ 5,122,819	\$ 4,917,051
Investments	3,686,329	3,701,329	3,626,381
Restricted cash	605,567	624,519	727,065
Mortgage notes receivable, net	1,392,342	1,455,331	1,894,375
Net investment in direct financing leases	-	-	188,248
Accrued interest receivable	21,225	21,122	26,603
Grants receivable	-	-	-
Receivables from the City of Albany and City agencies	-	-	100,280
Other receivables, net	93,229	93,229	95,876
Property held for investment and lease, net	2,045,243	1,869,760	2,045,243
Property and equipment, net	333,169	357,352	330,301
Other assets	661,725	661,129	661,133

**Total assets**

\$ 14,342,723	\$ 13,906,590	\$ 14,612,556
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**Deferred Outflows of Resources**

\$ -	\$ -	\$ -
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**Liabilities**

Current Liabilities:

Accounts payable and accrued expenses	\$ 58,706	\$ 43,831	\$ 98,072
Due to the City of Albany	72,892	59,521	72,892
Unearned grant and other income	800,948	728,948	883,112
Bonds payable	1,540,000	1,350,000	1,700,000
Revolving loan fund liability	672,431	672,431	670,944
Unearned program support	20,388	20,384	20,384

**Total liabilities**

\$ 3,165,365	\$ 2,875,115	\$ 3,445,404
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**Deferred Inflows of Resources**

\$ -	\$ -	\$ -
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**Net Position**

Net invested in capital assets	\$ 835,543	\$ 835,543	\$ 835,543
Restricted for:			
Debt service	171,466	171,466	171,466
CDBG eligible activities	114,287	114,287	114,287
Other program specific activities	6,761	6,761	6,761
Impact Downtown Albany	-	-	-
Unrestricted	10,049,300	9,903,419	10,039,095
Total net position	\$ 11,177,358	\$ 11,031,475	\$ 11,167,153



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

Pre Audited Draft

	Year to Date September 30, 2018	Projected December 31, 2018	Year Ended December 31, 2017
Revenues			
Grant income and Contribution Income	\$ 487,206	\$ 1,126,606	\$ 548,417
Rental income	107,161	297,346	300,844
Other interest and investment income	93,260	113,422	161,236
Interest income on mortgage notes	59,495	85,701	82,002
Gain on sale of properties	-	-	-
Fees and other income	307,653	401,494	425,369
Total revenues	1,054,775	2,024,569	1,517,868
Expenses			
Salaries and fringe benefits	528,819	752,674	704,341
Program and project costs	254,901	1,006,534	317,891
Interest expense	1,533	23,437	25,255
Bad debt expenses (recovery)	-	-	1,017
Administrative Expenses	259,315	377,601	338,757
Total expenses	1,044,568	2,160,246	1,387,261
Excess of (expenses over revenues) revenues over expenses	10,207	(135,678)	130,607
Net Position, Beginning of Year	11,167,153	11,167,153	11,036,546
Net Position, End of Month	\$ 11,177,358	\$ 11,031,475	\$ 11,167,153

**CAPITALIZE ALBANY CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**Pre-Audited Draft**

**Cash Flows From Operating Activities**

	September 30, 2018	Projected December 31, 2018	December 31, 2017
Cash received from customers	\$ 191,519	\$ 405,708	\$ 433,262
Cash received from grantors	406,530	973,929	540,401
Other operating cash receipts	307,653	401,494	409,583
Cash payments to suppliers and grantees	(453,303)	(1,150,165)	(446,061)
Cash payments to employees	(528,819)	(752,673)	(704,341)
Net cash provided by operating activities	<u>(76,420)</u>	<u>(121,708)</u>	<u>232,844</u>

**Cash Flows From Capital and Related Financing Activities**

Proceeds from sale of property held for sale	-	-	-
Purchase of property held for investment and lease	-	-	-
Purchase of property and equipment	(2,868)	(52,868)	-
Purchase of other assets including purchase options	-	-	-
Principal payments on bonds payable	(159,999)	(350,000)	(330,000)
Interest paid on bonds payable	(7,475)	(26,312)	(28,130)
Net cash used in capital and related financing activities	<u>(170,342)</u>	<u>(429,180)</u>	<u>(358,130)</u>

**Cash Flows From Investing Activities**

Interest on cash and cash equivalents and investments	66,480	86,474	59,200
Net decrease (increase) in restricted cash	121,498	102,546	(87,287)
Proceeds from sales and maturities of investments	3,426,972	3,426,972	2,968,537
Purchase of investments	(3,471,631)	(3,486,631)	(3,013,338)
Issuance of mortgage notes receivable	-	100,000	-
Repayments received on mortgage notes receivable	502,033	339,044	572,301
Principal payments received under direct financing leases	188,253	188,251	172,660
Net cash used in investing activities	<u>833,605</u>	<u>756,656</u>	<u>672,073</u>

**Change in cash and cash equivalents**

586,843      205,768      546,787

**Cash and cash equivalents:**

<b>Beginning of year</b>	<u>4,917,051</u>	<u>4,917,051</u>	<u>4,370,264</u>
<b>End of year</b>	<u>\$ 5,503,894</u>	<u>\$ 5,122,819</u>	<u>\$ 4,917,051</u>

**Reconciliation of Excess of (Expenses Over Revenues)**

**Revenues Over Expenses to Net Cash Provided by Operating Activities**

	September 30, 2018	Projected December 31, 2018	December 31, 2017
Excess of (expenses over revenues) revenues over expenses	\$ 10,207	\$ (135,678)	\$ 130,607
Adjustments to reconcile excess of (expenses over revenues) revenues over expenses to net cash provided by operating activities:			
Depreciation and amortization	-	201,300	199,428
Adjustment for losses on mortgage notes and other receivables	-	-	67,304
Gain on sale of property	-	-	-
Net realized and unrealized losses (gains) on investments	(15,290)	(15,290)	(54,917)
Interest income on cash and cash equivalents and investments	(66,480)	(86,475)	(60,434)
Interest expense on bonds payable	7,475	26,312	25,255
Changes in:			
Grants receivable	-	-	-
Other receivables, accrued interest receivable and other assets	7,432	8,127	4,531
Accounts payable and accrued expenses	(39,368)	(54,237)	11,159
Due to the City of Albany	100,280	86,909	12,331
Unearned grant, program support and other income	(82,163)	(154,164)	(68,750)
Revolving loan fund liability	1,487	1,487	(33,670)
Net cash provided by operating activities	<u>\$ (76,420)</u>	<u>\$ (121,708)</u>	<u>\$ 232,844</u>

Capitalize Albany Corporation  
21 Lodge Street  
Albany, New York 12207

MEMORANDUM

TO: CAC Finance & Investment Committee  
FROM: Capitalize Albany Staff  
RE: Review of the 3rd Quarter Hugh Johnson Investment Portfolio  
DATE: October 15, 2018

Staff has reviewed the Hugh Johnson portfolio to ensure that it is compliance with the guidelines of the Capitalize Albany investment policy. After reviewing the investment policy Capitalize Albany is in compliance with all aspects of this policy.

**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>	<i>85%</i>	<i>100%</i>	S&P 500
<i>International*</i>	<i>0%</i>	<i>15%</i>	MSCI EAFE
Fixed Income	80%	95%	BCS Int. Govt./Credit**
Cash or Equivalents	3%	25%	Treasury Bill

Currently CAC's portfolio composition for the second quarter consists of 11% Equities, 83% Fixed Income, and 6% cash.