

BSA
EDC

Biddeford-Saco Area

Economic Development Corporation

2001 Annual Report

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Letter from the President

Dear Reader

The Biddeford-Saco Area Economic Development Corporation has continued to expand its programs and services during 2001 with much success. The corporation received \$610,000 from the US Department of the Treasury's Community Development Financial Institution (CDFI) Fund to recapitalize its Revolving loan funds. Additionally, BSAEDC was notified of a Technical Assistance Award from CDFI for an additional \$32,000.

These funds have allowed the corporation to offer positive assistance to 2 industrial, 3 commercial and 2 service businesses. Of those 7 companies, 5 received approximately \$455,000 in direct loans from BSAEDC, which resulted in the leveraging of over 1.8 million dollars in private sector investments. Our assistance and loans in these 7 companies also resulted in the creation and retention of 42 full-time equivalent jobs over the next three years.

In our current economic situation, BSAEDC is continuing to play an integral role in the delivery of assistance to local business and industry. This agency has new commitments for 2002 totaling over \$210,000 that, when completed, will expand area employment by an additional 20 positions.

BSAEDC currently has funds available to assist area businesses. However, we realize that in order to continue our level of support, we must aggressively compete regionally and nationally for an infusion of new money to lend.

I would be remiss if I did not express a resounding **THANK YOU** to the supporting partners of BSAEDC; the cities of Biddeford and Saco, and the Biddeford-Saco Chamber of Commerce & Industry. The futuristic thinking and hard work of all partners not only created this successful endeavor, but also helped greatly in maintaining that success.

Thank you to all whom helped to make the BSAEDC a valued and important part of this region's economic growth.

Sincerely,

Richard A. Hodgdon, President

Board of Directors:

Donna Dion
Mayor, City of Biddeford

Robert Dodge
City of Biddeford, Development
Director

David Gould, **Vice President**
Biddeford real estate developer

Michael Knowles
Biddeford-Saco Chamber of
Commerce

Richard Hodgdon, **President**
Saco Resident

Robert Quentin
Saco & Biddeford Savings Institution

Peg Levasseur
Biddeford Center of Technology

Andy Michaud, **Treasurer**
St. Joseph's Fed. Credit Union

James Molleur
Saco City Councilor

Peter Morelli, **Secretary**
City of Saco, Development Director

Andrea Moreshead
Precision Screw Machine Products

Loan Committee:

Phillip Fearon, **Chair**
Saco & Biddeford Savings Institution

David Gould
Biddeford real estate developer

Anthony Jendrek
Saco Manufacturing & Woodworking

Wayne Sherman
Biddeford Savings Bank

Andy Michaud
St. Joseph's Fed. Credit Union

Tim Murphy, Esq.
Prescott, Lemoine, Jamieson &
Nelson

Lisa Parker
City of Saco, Finance Director

Advisory Panel:

Lottie A. Bragdon
Maine Department of Labor

Peg Levasseur
Biddeford Center of Technology

Wendy O'Blenus
Maine Department of Human
Services

Arthur M. Stevens, III
Coastal Enterprises, Inc.

Vacant
To Be Determined

Introduction

2001 was a successful year for the Biddeford-Saco Area Economic Development Corporation. BSAEDC received \$700,000 in new funds to recapitalize the corporation's revolving loan fund programs.

These programs are designed to facilitate the flow of capital to businesses that have been unable to take advantage of conventional financial services. By providing access to capital, BSAEDC has been able to unleash the power of small business to create and retain jobs for people of Low to Moderate income thereby, empowering the low-income residents of the Biddeford-Saco area communities.

BSAEDC had a productive year assisting 7 businesses obtain financing, committing almost \$500,000 in loans, which leveraged over \$1.8 million in private investment. Most importantly, the agency received notice of its second grant award from the US Treasury Department's

Community Development Financial Institution (CDFI) Fund for technical assistance to increase the corporation's internal capacity to assist businesses in Biddeford and Saco.

BSAEDC also consolidated its banking relationship with Bangor Savings Bank to maximize its return on investments and minimize costs. The Five-Year Strategic Plan, which was started last year, was finalized to position the agency to address the future economic development financing needs of the communities of Biddeford and Saco for many years to come.

Finally, BSAEDC has continued the out-of-state marketing initiatives started in 1998 by attending several trade shows promoting Biddeford-Saco as "The Right Move".

This year was the continuation of what we expect to be a long progression of steps towards

strengthening BSAEDC's ability to serve the communities of Biddeford and Saco for many years to come. However, as we enter a time when our economy is slowing, we must continue to strive to address the economic needs of our community through collaborative programs, projects and policies with community leaders.



Main Street, Biddeford.

Economy

Trends among economic sectors have slowed during the last year, but remain positive. In the Biddeford Labor Market from 1990-1999, manufacturing jobs increased by almost 7%, while non-manufacturing jobs increased 48%. Despite the decline in manufacturing nationally, the sector remains a vital component to the regional economy as indicated by the employment increase. Manufacturing employment

accounted for 17% of all employment in 1999. Additionally, median manufacturing wages continue to exceed median non-manufacturing wages by almost \$1.00 per hour, which underscores the importance of the manufacturing sector to the local economy. However, the overall shift of employment from manufacturing to non-manufacturing sectors is indicative of national

economic trends.

The question for 2002: Where is the economy headed? Inflation has been the primary concern for the past year, but appears to be under control. Jill Thompson, Senior Economist with FleetBoston feels "the synchronized slowdown in world growth is a much bigger concern."

Overall, the employment

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“...relocation and expansion activity ... is the engine of economic growth within the Biddeford-Saco economy.”

Assisted Companies

In 2001, BSAEDC provided direct financial assistance to 5 companies and helped 2 businesses obtain additional financing. The commercial and service sectors have experienced a healthy year, which is indicative of the overall economy.

The Development Corporation provided \$455,000 in loans to local businesses, disbursing \$322,239, leaving an outstanding commitment of \$132,761, which was disbursed in July of 2001. The direct financing of \$455,000 is consistent with BSAEDC’s annual lending performance and exceeds the

year’s projected performance of \$329,000. Additionally, the average dollar value of loans continues to increase from \$44,826 in 1997 to \$64,448 in 2001.

The assistance provided to the 7 businesses helped private industry invest \$1,858,022 in machinery, equipment, inventory, real estate development, construction and building improvements. This represents a 5.8:1 investment ratio, or for every \$1.00 the Development Corporation loans, \$5.80 of private money is invested in the Biddeford-Saco economy.

The 7 businesses assisted will

create and retain 42 full-time equivalent jobs over the next three years. This equates to an approximate Cost Per Job Created of \$7,672. While this figure does represent an increase over the 1996 Cost Per Job Created (\$6,614), it is within the Federal Cost per Job Created Guideline of \$35,000.

Of the 5 companies which received direct financial assistance, two were service sector, two were commercial and one was industrial. Of these, two were expansions, and three were retention.

In the commercial sector,

(Continued on page 6)

Historical Activity

The BSAEDC has been serving people of low-income in the Biddeford-Saco area since 1991 and providing financing since 1992.

Since the inception of BSAEDC’s first loan program, the Development Corporation

as made 54 loans to area businesses. The majority of the lending activity (15 loans for \$1,326,539) has occurred in the FAME-REDRLP Loan Program.

The growth of the agency’s portfolio can be seen in the

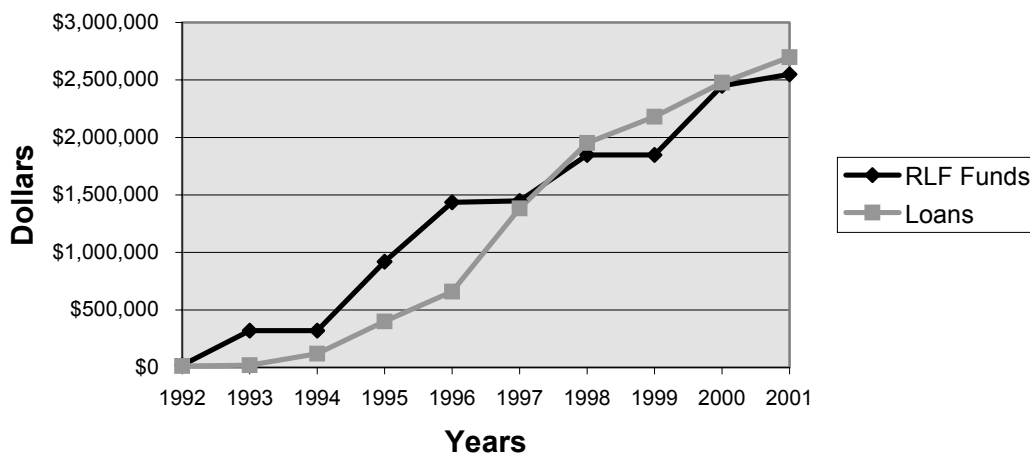
graph below, which charts the agency’s available revolving loan funds versus dollars loaned.

All totaled, BSAEDC has loaned \$2,555,742 to 54 area businesses during the past nine years. These funds have leveraged \$26,598,792 in private sector investment and supported the creation of 243 full-time equivalent jobs in the area’s economy.

This represents a 10.4:1 investment ratio, meaning for every \$1.00 the Development Corporation loans, \$10.40 of private sector dollars are invested in the Biddeford-Saco economy.

Additionally, the 243 created jobs equate to an approximate Cost Per Job of \$10,517. On average, each BSAEDC loan leverages \$492,570 in private sector investment and creates 4.5 jobs.

BSAEDC Historical Growth



Portfolio Composition and Concentration

The dramatic growth in the dollar value of the agency's portfolio rests primarily upon several larger size loans. However, BSAEDC continues to service the Microenterprise market with loans, thus maintaining a fairly diverse portfolio. This is evident by the stability of the median loan size of approximately \$30,000 from 1996 to 2001 as compared to the increase in the average loan size from \$25,358 in 1996 to \$49,060 in 2001.

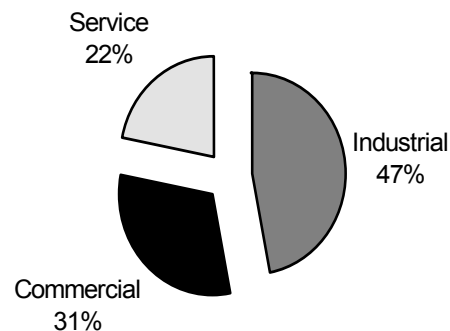
The increase in the average loan size demonstrates the impact on the portfolio of larger loan sizes. However, BSAEDC's average loan size remains below the national RLF average loan size of \$51,725.

The chart, above right, depicting the breakdown of BSAEDC's loan portfolio by sector, underscores the importance of manufacturing

to the recovery and growth of the area's economy.

The majority (79%) of funds lent by BSAEDC during the past nine years has been used to finance fixed assets. The remaining 21% of funds lent have been used for working capital. Out of this portfolio,

Portfolio Breakdown by Sector



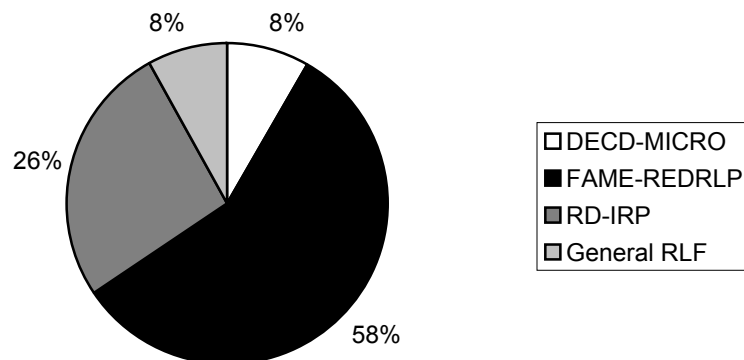
29% of BSAEDC's direct lending has assisted women and minority owned businesses. Expansion of existing firms represents 67% of BSAEDC's lending activity. Start-ups firms account for 15% of the agency's lending, while 18% retained firms in the area.

Revolving Loan Funds

Today, BSAEDC administers four revolving loan funds totaling almost \$2.6 million. As of 06/30/01, BSAEDC has approximately \$960,000 in available funds to loan to area businesses. At the historical annual average of \$400,000, available funds should fill all of the financial needs of the local economy for the next year.

Of the 54 loans made, 20 loans have been paid in full and 4 loans have been charged-off, leaving 30 active loans, of which 2 are in

Revolving Loan Funds Portfolio



(Continued on page 6)

Special Projects

The Biddeford-Saco Area Economic Development Corporation has been working during the past year on the development and implementation of a 5-Year Strategic Plan. When completed, the plan should lay the framework to strengthen the corporation's ability to address the economic needs of the community through collaborative programs, projects and policies.

The first step in the implementation of that plan occurred last fall with the hiring of a full-time Credit Analyst/Loan Administrator to provide much needed commercial underwriting and loan portfolio management services and improve the administration of BSAEDC's revolving loan programs.

The second step occurred this

past winter with the consolidation of the corporation's banking services. In an effort to maximize the return on the corporation's deposits and minimize the costs, BSAEDC consolidated all of its deposit activity with Bangor Savings Bank. This new relationship has proved fruitful not only in an increased return on our investments, but in improved management of loan repayments through ACH and wire transfer services from Bangor Savings Bank.

An example of the agency's collaborative projects was the publishing of the first ever Wage & Benefit Survey for Biddeford-Saco companies. The project, conducted in conjunction with the Biddeford-Saco Chamber of Commerce was the first attempt to gain an understanding of the local

economy. It is anticipated that this project will be conducted again next year.

Additionally, BSAEDC was awarded a second grant from the US Department of the Treasury's Community Development Financial Institution (CDFI) Fund for Technical Assistance. Through that grant, the corporation has been able to upgrade its computer equipment and establish a network for the office.

Finally, BSAEDC completed the BDMPP Marketing grant, which is a statewide program that began in 1999 to promote the State of Maine as a good place to do business. This effort has entailed the printing of some marketing material, the updating of BSAEDC's Web Site and participation in regional and national trade shows.

"This new relationship has proved fruitful not only in an increased return on our investments, but in improved management of loan repayments."

Economy

(Continued from page 2)

market has remained tight and does not appear to be easing up. Labor costs have increased while corporate profits have declined. Yet some labor cost increases appear to be attributed to stock options. The benefit of this "redistribution" of income away from businesses to consumers is that consumer spending has helped keep this economy going.

Additionally, productivity has increased even with the economic slowdown in the manufacturing sector. This is good news because firms have not needed to raise prices to

offset increased labor costs thus reducing the threat of inflation.

For approximately the last 12 months, short term interest rates have been higher than long term rates. However, the Federal Reserve rate drops during the first half of 2001 have pushed the short term rates back below long term rates. This is significant because long term rates are usually thought of as an estimation of future interest rates. Therefore, the return of short term rates below long term rates can be viewed as an indication that the markets expect interest rates to

stabilize and the economy to strengthen.

However, we should not expect the Federal Reserve's rate drops to have an immediate effect on economic conditions. As Wayne Ayers, Chief Economist for FleetBoston explains, "...the large and complex US economy does not turn on a dime, particularly since it has still been feeling the effects of the Fed's interest rate increases of 1999-2000."

Assisted Companies

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BSAEDC helped Susan Daigle, d/b/a Lads & Little Ladies expand the inventory of her new store at 203 Main Street in Biddeford. Additionally, the Pastry Gallery located at 17 Thornton Avenue in Saco received an advance of additional funds on their existing loan for working capital needs.

The service sector received the largest amount of financial assistance. Portland Shipping & Packaging, which packages and ships products

nationally, relocated from several different locations in the Greater Portland area into one facility in the Biddeford Airport Industrial Park. BSAEDC financing helped with the real estate acquisition and relocation costs. Mainely RV's was the second service sector business to receive assistance from BSAEDC to finance the sale of the business to new owners.

In the manufacturing sector one firm received financial assistance from BSAEDC for the construction of a new

building. CID Tools, formerly known as Coastal Industrial Distributors is relocating its operation from Portland to the Saco Industrial Park and should be in their new facility by fall of 2001.

This story of the business assistance continues to repeat itself. It is precisely this relocation and expansion activity that is the engine of economic growth within the Biddeford-Saco economy. This trend promises to continue in 2002 based on the current level of inquiries and loan applications.



Will Armitage meeting with borrower in Saco Industrial Park.

Revolving Loan Funds

(Continued from page 4)

default. This is comprised of one loan in each of the MICRO and General RLF programs. Agency staff are currently working with both borrowers to rectify their status and bring them current.

The pie chart below depicts the agency's portfolio performance. The portfolio continues to perform well with an overall Current Default Rate of 1.59%. This is significantly below the national average RLF Default rate of 9.26% and the median RLF Default rate of 5.68% for the nation. There is one restructured loan in the portfolio, which is performing per the terms of the restructure and allonge.

Three additional loans are delinquent. The corporation is following up with these borrowers to review their situation so that we may be brought current in as rapid a

fashion as may be possible.

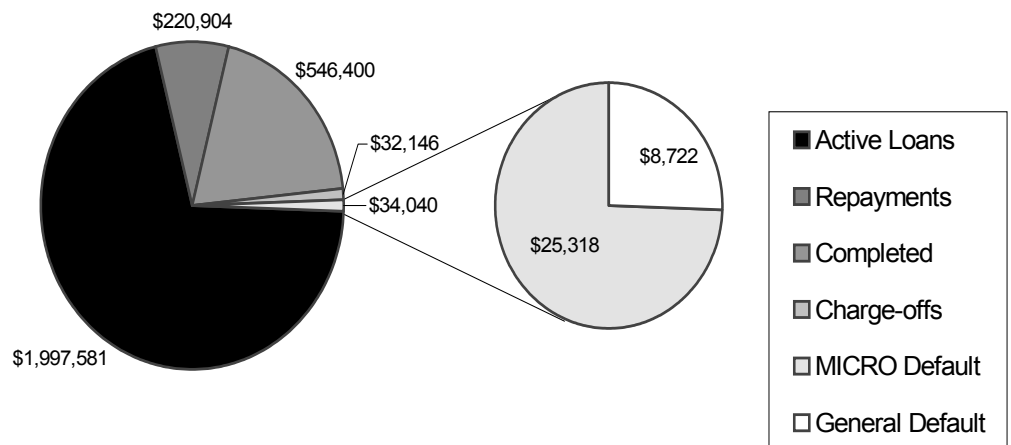
One of the key distinguishing features of BSAEDC is its careful and patient approach to workouts in its portfolio. It is the philosophy of this corporation that BSAEDC is here to assist businesses to succeed. Success does not always occur on a set schedule, after all, projections

are just that, projections.

Accordingly, BSAEDC works with its borrowers to evaluate changes in the operating trends, status of the borrower's relationship with its trade vendors, other lenders and its market prospects. This evaluation is done the same format as new loans are underwritten.

"BSAEDC is here to assist businesses to succeed but success does not always occur on a set schedule"

Portfolio Performance



**BSA
EDC**

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WE'RE ON THE WEB!
WWW.BSAEDC.ORG

The Biddeford Saco Area Economic Development Corporation [BSAEDC] is a non profit partnership between the cities of Biddeford and Saco and the Biddeford Saco Chamber of Commerce and Industry.

BSAEDC's mission is to promote the sustainable, long term economic prosperity of the Biddeford Saco Area. The corporation is a catalyst for cooperation, team work, and mutual success through the:

- *creation and retention of quality jobs for the people of Biddeford Saco targeting the low to moderate income population; and*
- *development and promotion of policies, projects and programs that will accommodate and capture new investment in Biddeford Saco.*

Established in 1992, the corporation is staffed by two employees and governed by an eleven member board of directors, a seven member loan committee and a five member advisory panel. BSAEDC is certified as a Community Development Financial Institution by the U.S. Department of the Treasury.

Summary

2001 was a productive year for BSAEDC. Lending activity and special projects continue to improve the agency's financial and administrative capacity to fulfill its mission.

The importance of program evolution cannot be overlooked when considering the changes in economic diversification and fragility of the area's economy. The evolution of the corporation will allow BSAEDC to capture new investment in the Biddeford-Saco area business community that might otherwise be lost.

The stability of the Biddeford-Saco economy continues because of the commitment of the Cities of Biddeford and Saco and the Biddeford-Saco Chamber of Commerce & Industry to provide access to alternative

sources of capital allowing the Biddeford-Saco area, the economy and people of Low-Income to benefit from BSAEDC's programs. The corporation must continue to diversify and expand its services, in order to position itself to handle future needs.

This year, BSAEDC would like to acknowledge and extend Special Thanks to the following groups and individuals for their continued commitment and support of the corporation's mission:

- A. Key bank and Fleet Bank for the use of Safe Deposit Boxes for storage of original loan documents;
- B. Fred Aiello as SBDC Counselor who retired this spring;
- C. Kennebunk Savings Bank and Saco & Biddeford

Savings Institution for the donation of office furniture;

- D. Prexar, formerly known as LaMere, for the continued hosting of BSAEDC's web site and provision of e-mail and internet access at no cost;
- E. Tracy Armitage for her web design services updating the corporation's web site;
- F. A. William Kany for his years of service who's term ended last year; and
- G. Members of the Board, Loan Committee and Advisory Panel who serve the corporation tirelessly each year...

“The stability of the Biddeford-Saco economy continues because of the commitment of the Cities of Biddeford and Saco and the Biddeford-Saco Chamber.”