

BSA
EDC

Biddeford-Saco Area

Economic Development Corporation

2003 Annual Report



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Letter from the President

Dear Reader

The Biddeford-Saco Area Economic Development Corporation has focused this past year on marketing and program development. The corporation received notice of an award of \$600,000 in new grant funding from the Finance Authority of Maine.

The corporation's primary mission continues to be the provision of direct financial assistance to area businesses. During the past year, 9 businesses received assistance from BSAEDC in the form of direct loans totaling almost \$725,000. This lending activity leveraged over \$5.5 million in private sector investment and resulted in the creation and retention of 124 full-time equivalent jobs in the Biddeford-Saco area economy.

The corporation coordinated two events during the past year to inform participants of economic factors and policies impacting the economic wellbeing of Biddeford-Saco as well as increase awareness of BSAEDC's programs.

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 the infusion of additional new money to lend. The new FAME funding will be for revolving loans to businesses in York County. This marks a new chapter in the growth and development of BSAEDC as a regional financing entity. However, 85% of loans and 90% of dollars disbursed continue to benefit the two communities of Biddeford and Saco.

I need to express a heart felt **THANK YOU** to the supporting partners of BSAEDC; the cities of Biddeford and Saco, and the Biddeford-Saco Chamber of Commerce & Industry. Their vision and dedication has not only created this successful endeavor, but has also helped greatly in maintaining that success.

Thank you to all who have made BSAEDC a valued and important part of this region's economic growth.

Sincerely,

David Gould, President

Board of Directors:David Gould, **President***Biddeford real estate developer*Donald Ballute, **Vice President***Biddeford-Saco Chamber of Commerce*Robert Quentin, **Treasurer***Saco & Biddeford Savings Institution*Peter Morelli, **Secretary***City of Saco, Development Director*

Maryanna Arsenault

Visiting Nurse Service

Donna Dion

Mayor, City of Biddeford

Robert Dodge

City of Biddeford, Development Director

Ward Grossman

Saco City Councilor

Peg Levasseur

Biddeford Center of Technology

Andrea Moreshead

Precision Screw Machine Products

David O'Connor

*University of New England***Loan Committee:**Phillip Fearon, **Chair***Saco & Biddeford Savings Institution*

Donald Ballute

Pacquin & Carroll Insurance

David Gould

Biddeford real estate developer

Anthony Jendrek

Saco Manufacturing & Woodworking

Tim Murphy, Esq.

Prescott, Lemoine, Jamieson & Nelson

Lisa Parker

City of Saco, Finance Director

Wayne Sherman

*Biddeford Savings Bank***Advisory Panel:**

Lottie A. Bragdon

Maine Department of Labor

Peg Levasseur

Biddeford Center of Technology

Wendy O'Blenuis

Maine Department of Human Services

Arthur M. Stevens, III

Coastal Enterprises, Inc.

Vacant

*To Be Determined***Introduction**

2003 was a successful year for the Biddeford-Saco Area Economic Development Corporation. BSAEDC attracted \$600,000 in new funding 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 9 businesses obtain financing, committing almost \$725,000 in loans, which leveraged over \$5 million in private investment.

Most importantly, the agency received notice of a second grant award of \$600,000 from the Finance Authority of

Maine's (FAME) Regional Economic Development Revolving Loan Program (REDRLP) Fund to recapitalize the corporation's revolving loan funds to assist businesses in York County.

The Five-Year Strategic Plan, which was started in 2001, continues to be updated to position the agency to address the future economic development financing needs of the Biddeford-Saco area communities for many years to come.

Finally, BSAEDC sponsored two events during the past year on the economy that were well attended. Speakers discussed the status of the economy and gave their insight into future trends. The Marketing Committee is developing a plan to hold these semi-annual events on a regular basis to promote BSAEDC and educate the citizens on our activities and issues that effect the Biddeford-Saco area.

This year was the

continuation of what we expect to be a long progression of steps towards strengthening BSAEDC's ability to serve the Biddeford-Saco area community for many years to come.

However, as we enter a time when questions about our economic welfare persist, we must continue to strive to address the economic needs of our community through collaborative programs, projects and policies with community leaders.



New Comfort Suites Hotel, Thatcher Brook Business Park, Biddeford.

Economy

Trends among economic sectors, while slow during the last year, have begun to improve. In fact, economic indicators are painting a positive picture for 2004, forgoing any unforeseen shocks to the economy.

The Institute for Supply Management's (ISM) manufacturing index has returned to over 50, which generally indicates an expansion in manufacturing. This was supported by a much

stronger than expected GDP growth of 8.2% in the third quarter of 2003.

At the same time, US financial markets have posted positive gains and regained some of their lost value from their peaks in 2000! Clearly, investor confidence is rebounding.

The "irrational exuberance" of the late 1990's, as Alan Greenspan described it, has been replaced by fears of

more corporate corruption, scandal and bankruptcies, lack of confidence in audit reports, and the "jobless" economic growth.

However, there are reasons to be optimistic about the status of the US economy. The Federal tax cuts appear to have had the intended stimulative impact on consumer and capital spending; business

(Continued on page 5)

“This level of direct financing was the second largest loan volume in the history of the agency...”

Assisted Companies

In 2003, BSAEDC provided direct financial assistance to 9 companies. The industrial and service sectors represented the largest percentage of activity this year.

The Development Corporation provided \$724,930 in loans to local businesses. This level of direct financing was the second largest loan volume in the history of the agency and exceeds BSAEDC’s projected lending performance of \$470,000. Additionally, the average dollar value of loans continues to increase from \$44,826 in 1997 to \$57,743 in 2003.

The assistance provided to the 9 businesses helped private industry invest approximately \$5,495,930 in machinery, equipment, inventory, real estate development, construction and building improvements. This represents a 7.6:1 investment ratio, or for every \$1.00 the Development Corporation loans, \$7.58 of private money is invested in the local economy.

The 9 businesses assisted created and retained 124 full-time equivalent jobs. This equates to an approximate Cost Per Job Created of \$5,846. This figure remains consistent with the historical

annual Cost Per Job Created of \$6,614 and is within the Federal Cost per Job Created Guideline of \$35,000.

Of the 9 companies that received direct financial assistance, four were industrial, three were service sector and two were commercial. Of these, five were start-ups, and four were retention.

In the industrial sector, BSAEDC helped TF Plastics acquire a new thermoform machine to increase the productivity and viability of the company in Biddeford. Additionally, Marine

(Continued on page 6)

Historical Activity

This year marks BSAEDC’s 11th Anniversary for providing access to capital in the Biddeford-Saco area.

Since the inception of BSAEDC’s first loan program in 1992, the Development Corporation has made 71 loans to 60 area businesses. The

majority of the lending activity (20 loans for over \$1.9 million) or almost half of BSAEDC funds lent, 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

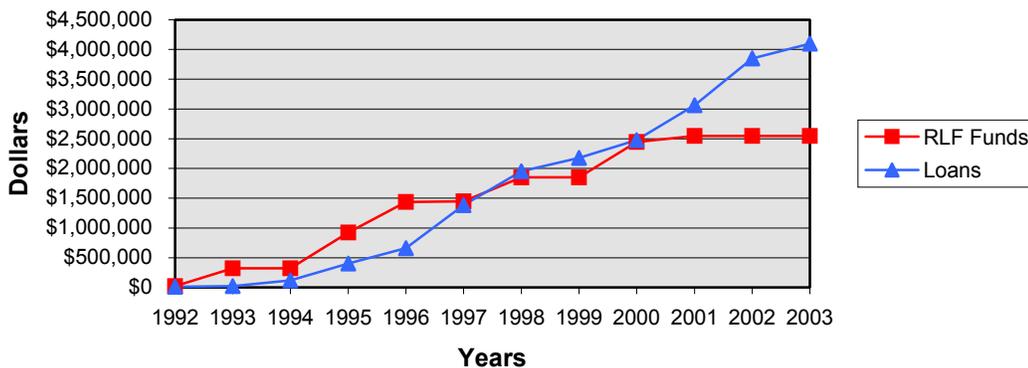
agency’s available revolving loan funds versus dollars loaned.

All totaled, BSAEDC has loaned almost \$4.1 million to 60 area businesses during the past ten years. These funds have leveraged over \$36 million in private sector investment and created and retained approximately 1,300 full-time equivalent jobs in the local economy.

The leveraged investment represents an 8.9:1 investment ratio, meaning for every \$1.00 the Development Corporation loans, \$8.90 of private sector dollars are invested in the local economy. Additionally, the 1,300 jobs equate to an approximate Portfolio Cost Per Job of \$3,161.

On average, each BSAEDC loan leverages \$511,000 in private sector investment and creates and retains 5 jobs.

BSAEDC Historical Growth



Portfolio Composition and Concentration

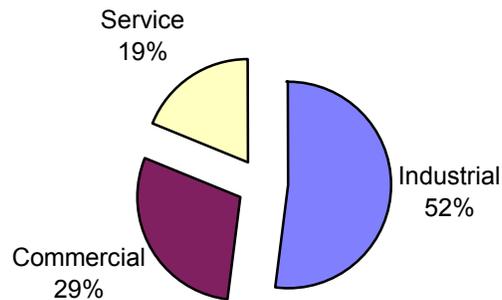
The dramatic growth in the dollar value of the agency's portfolio rests primarily upon several large dollar loans.

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 2003 as compared to the increase in the average loan size from \$25,000 in 1996 to \$58,000 in 2003.

The increase in the average loan size demonstrates the impact on the portfolio of larger loan amounts.

However, BSAEDC's median and average loan size are at or below the national median and average loan level of \$29,900 and \$71,900 for Community Development Financial Institutions, according to a 2003 report published by the Corporation for Enterprise Development.

Portfolio Breakdown by Sector



The chart, above right, depicting the breakdown of BSAEDC's loan portfolio by sector, underscores the importance of manufacturing to the continued growth and stability of the local economy.

The majority (68%) of funds

lent by BSAEDC during the past eleven years has been used to finance fixed assets. Additionally, 29% of BSAEDC's direct lending has assisted women and minority owned businesses in the local economy.

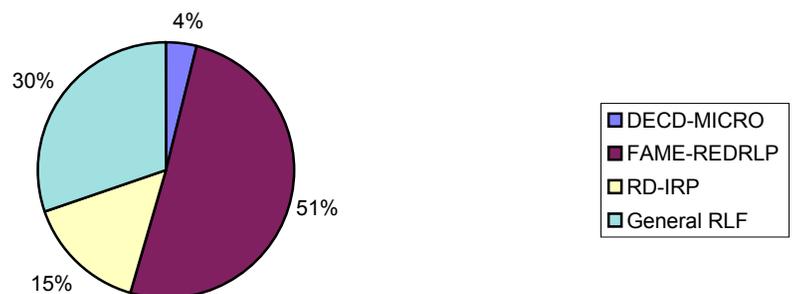
Revolving Loan Funds

Today, BSAEDC administers four revolving loan funds totaling almost \$2.6 million. As of 06/30/03, BSAEDC has approximately \$650,000 in available funds to loan to area businesses, as well as an additional \$800,000 committed to the Development Corporation for future lending. 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 71 loans made, 38

(Continued on page 6)

Revolving Loan Funds Portfolio



Special Projects

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

The most recent phase in the implementation of the 5-Year Strategic Plan was the creation of a Marketing Committee to: increase constituent awareness and support of the agency and its programs, projects, and policies; and, promote Biddeford-Saco as a viable business location. To that end, BSAEDC hosted two speaker events during the fiscal year to educate our constituents on economic factors impacting the local

“Charles Crane (’s)... comments proved timely and accurate as he was recently recognized by Business Week Magazine as the most accurate predictor of the 2003 equity markets.”

Economy

(Continued from page 2)

inventories have declined, as measured by the Inventory to Sales Ratio, to an all time low of 1.35:1; and housing markets have experienced little decline during 2003 (with housing starts exceeding 1.5 million and home sales above 6 million).

Federal Reserve monetary policy is accommodative with the Federal Funds Rate at 1%. This appears to be keeping inflation under control and holding the threat of deflation at bay.

Furthermore, the capital and technology expansion of the

economy.

On October 8, 2002, BSAEDC hosted its first “Annual Economic Development Breakfast” at the University of New England. Charles Crane, Managing Partner and Chief Investment Officer for Victory SBSF Capital Management spoke about the financial markets and the economy that underlies them. His comments proved timely and accurate as he was recently recognized by **Business Week Magazine** as the most accurate predictor of the 2003 equity markets.

On April 30, 2003, BSAEDC hosted its second “Economic Development Luncheon” at the University of New England. Laurie Lachance, Maine State Economist, on identifying where Maine’s economy needs shoring-up

and what it will take to do it successfully.

Additionally, BSAEDC was awarded a second grant from the Finance Authority of Maine’s Regional Economic Development Revolving Loan Program (REDRLP) to recapitalize loan funds. This recapitalization was made possible through Bond Question #2, which was approved by Maine voters on June 11, 2002.

Finally, BSAEDC is working with Saco Spirit on several collaborative projects to promote Saco and Biddeford as a good place to do business. These efforts are being developed and should be implemented during the next 6 to 12 months. Additionally, BSAEDC’s Web Site will be reviewed for updates and improvements in the next year.

1990’s has contributed to excess capacity in the manufacturing sector of 24%, while generating productivity gains without an increase in labor costs.

How does all this relate to our current economic situation? During the last century (excluding the 1930’s), the frequency and severity of recessions has diminished. As Alan Greenspan explained, “shocks seem to be more readily absorbed than in decades past.”

What does this mean for the future? Because of strong consumer spending and

excess capacity in the economy, many are projecting that the Federal Reserve Board will maintain a “steady hand” on the Federal Funds Rate and may begin to raise rates in the second or third quarter of 2004.

Two big concerns going forward in 2004 that may effect the US economy are: the threat of an exogenous shock to the economy from a significant terrorist attack in the US or a deterioration in Iraq or North Korea; and the US Trade deficit with China and the valuation of the US dollar.

Assisted Companies

(Continued from page 3)
 Environments, a start-up manufacturer of acrylic aquarium tanks for commercial, hobbyist and educational markets in Biddeford, received a loan to purchase equipment and expand production capacity.

The largest amount of financial assistance went to fill the working capital needs of several major manufacturers including Prescott Metal and Saco Brick Company. Spinney Creek Shellfish, Inc., in Eliot represents the first loan

BSAEDC has made outside of its traditional lending territory.

Several Service sector businesses received funding from BSAEDC, the largest of which was RIYA Hospitality, LLC, the holding company for the new Comfort Suites Hotel, located in the Thatcher Brook Business Park in Biddeford.

Other businesses receiving assistance included Home Companions, Inc., a Saco firm specializing in the provision of non-medical, in-home services to elderly residents in

York County; and, Kennebunk Candle Company, a manufacturer and retailer of candles located in Kennebunk.

This story of the business assistance continues to repeat itself. It is precisely this start-up and expansion activity that is the engine of economic growth in the local economy. This trend promises to continue in 2004 based on the current level of inquiries and loan applications.

Borrowers BSAEDC worked with in fiscal year 2003...



Revolving Loan Funds

(Continued from page 4)
 loans have been paid in full and 5 loans have been charged-off, leaving 28 active loans. The Net Charge-off of the 5 loans amounts to 2.1% of BSAEDC's Total Lending Assets.

The pie chart below depicts the agency's portfolio performance. The portfolio continues to perform well with an overall Current Default Rate of less than 0.5%. 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.

Like the Default Rate, BSAEDC's Delinquency Rate is below the CDFI National Average Delinquency Ratio of 4.3%. The use of ACH services has effectively reduced BSAEDC's delinquencies to 2.1%. This is comprised of 4 loans, that are past due less than 60 days,

totaling just over \$38,000.

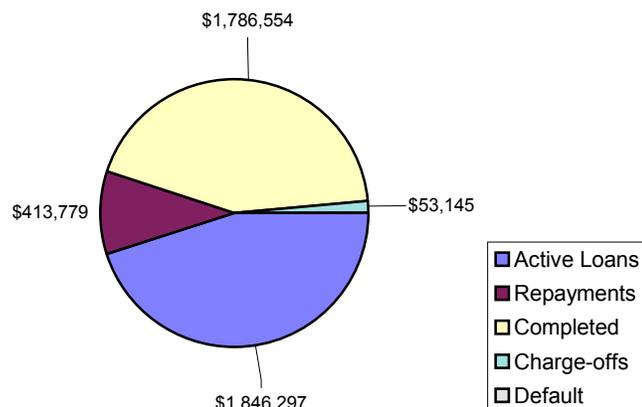
There are two restructured loans in the portfolio, which are both performing under the terms of the restructure and allonge. This represents a notable improvement in the corporation's portfolio management and workout efforts with borrowers and exemplifies a key

distinguishing feature of BSAEDC and its careful and patient approach to problem loans.

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.

"BSAEDC works to support businesses that will contribute to the long-term economic prosperity of the Biddeford-Saco Area."

Portfolio Performance



BSA EDC

Biddeford-Saco Area
Economic Development Corporation

110 Main Street
Suite 1202
Saco, Maine 04072

Phone: 207-282-1748
Fax: 207-282-3149
Email: info@bsaedc.org

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

2003 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 the fragility of the local 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 to moderate 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. Key Bank of Maine, N.A. for their sponsorship of BSAEDC's Annual Economic Development Breakfast, 10/08/02;
- C. Bangor Savings Bank for their sponsorship of

BSAEDC's Annual Economic Development Luncheon, 04/30/03;

- D. The University of New England for their sponsorship of both Economic Development events during the last fiscal year;
- E. Gordon Platt as SBDC Counselor who worked at the Chamber this year;
- F. Prexar for the continued hosting of BSAEDC's web site and provision of e-mail services at no cost;
- G. James F. Molleur for his service as a Board Member who retired last December; and
- H. Members of the Board, Loan Committee, Advisory Panel and Marketing Committee 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 of Commerce.”