

**Minutes of the regular meeting of the  
Upstate New York Regional Advisory Board**  
10:30 a.m. – 2:00 p.m., Wednesday, July 18, 2018  
Federal Reserve Bank of New York

**Present:**

Scott Bieler, President & CEO, West Herr Automotive Group  
Lynne Marie Finn, President and CEO, Broadleaf Results, Inc.  
Kenneth M. Fransiak, Chairman, Calamar  
Bridget-Ann Hart, President and CEO, KPH Healthcare Services, Inc.  
Jordan Levy, New York Partner, Softbank Capital  
Melanie Littlejohn, Vice President and Regional Director, National Grid  
Linda MacFarlane, Executive Director, Community Loan Fund of the Capital Region  
Martin Mucci, President and CEO, Paychex, Inc.  
Robert Stevenson, President and CEO, Eastman Machine Companies  
Carlos Unanue, President, Goya de Puerto Rico, Inc.

**Federal Reserve Bank of New York attendees:**

John Williams, President  
Michael Strine, First Vice President  
Jack Gutt, Executive Vice President, Communications & Outreach  
Gerard Dages, Senior Vice President & Senior Advisor, Executive Office  
Richard Peach, Senior Vice President, Research & Statistics  
Matthew Higgins, Vice President, International Research, Research & Statistics  
Julia Gouny, Deputy Chief of Staff, Executive Office  
Anand Marri, Vice President, Outreach & Education  
Jaison Abel, Assistant Vice President, Research & Statistics  
Rosanne Notaro, Assistant Vice President, Legal  
Tony Davis, Officer and Director, Communications & Outreach  
Chelsea Cruz, Associate, Communications & Outreach

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Mr. Davis called the meeting to order at approximately 10:30 a.m.

**1. The National Economy**

Mr. Peach provided an overview of economic conditions in the United States. Growth in the US has firmed in recent quarters following shocks to the economy in mid-2014 characterized by dollar appreciation and falling commodity prices. The economy is at or near full employment. Inflation slowed in 2017 but recent indicators suggest that an upturn in inflation is underway.

**2. International Update**

Mr. Higgins provided an update on the global economic and industrial cycle, as well as inflation and labor market trends in advanced economies. He also discussed the impact of recent U.S. tariff measures and the economic implications of Mexico's recent general election.

### **3. Regional Update**

Mr. Abel discussed recent economic trends in the Second Federal Reserve District, noting that business activity has remained fairly robust, particularly in manufacturing. However, many businesses are reporting widespread price pressures. While housing market continues to be firm, there is also a backlog of foreclosures in the region. New York City is still the main driver of job growth, while growth in Upstate New York remains sluggish.

### **4. Luncheon Discussion**

Mr. Williams, Mr. Strine, Mr. Gutt, and Ms. Gouny joined members for the luncheon discussion.

Members were asked to describe their firms' outlook for the second half of 2018 and to comment on changes in business activity, workforce, and ability to access capital.

The majority of board members reported positive outlooks for the second half of 2018. Multiple board members reported shifts in their business activities in response to the current labor market and other recent events. One board member reported that as the gig economy grows the company had begun considering offering services directly to the worker rather than just offering services to businesses. A third board member reported that changing demographics, changes to immigration policy, and increasing automation was impacting their approach to business. The board member also added that the company had recently rebranded in an effort to better attract younger talent. Two board members reported plans to continue expanding operations in international markets. One board member shared that there is increased demand for their services in emerging market economies, as those countries begin to increase automation. The second board member reported that changes to existing policy and regulation had increased demand from customers and compliance was their fastest growing department. Finally, a board member reported that the company had continued investing in a new line of business in an effort to increase sufficiency and better control supply of necessary materials, particularly, in light of recent changes in tariffs which were expected to increase costs. The board member reported that the company was working on solutions to manage the increases but expected that rising costs of materials would eventually be reflected in increased in the cost of the good for consumers.

Multiple board members again expressed difficulty finding and attracting talent, particularly in highly specialized fields. One board member reported that by 2020 the company expects to have a talent gap of 17,000, the majority of which is being driven by a nationwide shortage of truck drivers. A second board member also reported difficulty finding drivers and noted that it could be an impediment to expanding business in the U.S. Another board member reported that while hiring has been relatively stable in most fields, the company was having some difficulty retaining talent in their Information Technology department and was

particularly experiencing some difficulty finding cybersecurity experts. Another board member reported that due to hiring challenges, the company had to move people from their headquarters to a regional office so they could benefit from tapping into a larger talent pool in the immediate area. Similarly, a board member who had recently moved their company to Buffalo reported that there was a brain-drain in many areas of Upstate New York. The company is planning to expand their workforce significantly over the next year and is developing targeted relationships with smaller, private colleges in an effort to create a talent pipeline.

The majority of board members reported no difficulty accessing capital, with the exception of one board member who reported that banks were continuing to increase their requirements and limit capital available for loans. Multiple board members reported a lack of access to capital for small business owners and start-ups. One board member stated that the company had changed their investment strategy in response to gaps they were identifying in the credit market. The board member reported that there was a significant demand for more small business loans and more traditional lenders had decreased direct lending to small businesses. Another board member also stated that the company had increased lending to small businesses significantly from last year and were continuing to fill gaps created by banks. Another board member reported that there was a lack of capital available for businesses in Upstate New York, including from venture capitalists and high-net worth individuals, who were more comfortable investing in real estate. One board member shared that a recent report from the company had shown a slow-down in growth from the small business sector. The report showed that while wages had generally increased by 2%, it was a modest increase considering the tightness of the labor market. Small businesses have stated that they do not have the revenue growth to support further wage increases.

The meeting adjourned at approximately 2:00pm.