

**Minutes of the regular meeting of the  
Upstate New York Regional Advisory Board**  
10:30 a.m. – 2:00 p.m., Tuesday, March 26, 2019  
Federal Reserve Bank of New York

**Board Members**

Lynne Marie Finn, President & CEO, Broadleaf Results, Inc.  
Kenneth M. Franasiak, Chairman, Calamar  
Bridget-Ann Hart, President & CEO, KPH Healthcare Services, Inc.  
James Laurito, President, Fortis, Inc.  
Linda MacFarlane, President & CEO, Community Loan Fund of the Capital Region

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

John Williams, President  
Michael Strine, First Vice President  
Jack Gutt, Executive Vice President, Communications & Outreach  
Tom Klitgard, Vice President, Research & Statistics  
Matthew Higgins, Vice President, International Research, Research & Statistics  
Jaison Abel, Assistant Vice President, Research & Statistics  
Rosanne Notaro, Vice President, Legal  
Tony Davis, Officer and Director, Communications & Outreach  
Chelsea Cruz, Associate, Communications & Outreach  
Scott Liberman, Associate, Communications & Outreach  
Alexandra Rosen, Associate, Corporate Secretary Office

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

**1. Welcome**

Tony Davis called the meeting to order. A copy of the updated charter was provided to board members. Board members approved the updated charter without any objections or edits. The approved charter is now available on the public website.

**2. The National Economy**

Mr. Klitgaard provided an overview of economic conditions in the United States. Real GDP grew 3.1% in 2018, which was well above the economy's potential growth rate. He also noted that labor market have tightened while the rate of increases of wages and core inflation has moved higher.

### **3. International Update**

Mr. Higgins provided an update on the global economic and industrial cycle, as well as China's recent growth performance and long-term prospects.

### **4. Regional Update**

Mr. Abel discussed recent economic trends in the Second Federal Reserve District, noting that business activity in the New York-Northern New Jersey region had slowed in late 2018 and has remained subdued for the early part of 2019. He also shared findings that show modest job growth in the majority of the region and some wage growth.

### **5. Luncheon Discussion**

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

Members were asked to comment on changes in business activity, prices, employment and their outlook for 2019. The majority of board members reported positive business trends for the early part of 2019 but also noted some current barriers to continued growth or expansion. One board member whose organization provides capital to small businesses and start-ups reported an increase in loan volume but no marked change in loan size from 2018. This is a shift from the end of last year where the same board member had noted a decrease in loan demand. The board member also shared that many communities in Upstate New York are contending with specific barriers to economic and small business development such as lack of necessary population density and no established commercial corridors. Another board member whose company provides Small Business Administration loans noted a significant decrease in loan volume. While this may be interpreted as a negative indicator, he mentioned that this could also be a sign of strong confidence in the economy and the current job market which can dampen motivation for new business starts. The same board member also noted observing an increase in short-term loans by pawn shops to small businesses, which he said may speak to such business' needs for quicker access to funds and more flexible loan requirements. Other board members also noted positive business growth but shared that specific changes in federal or local policy in relation to healthcare and energy infrastructure, respectively, were posing some challenges. Multiple board members also shared plans to increase investment internally in technology in either cybersecurity or Artificial Intelligence applications.

Regarding pricing, one board member observed a decrease in pricing for certain goods which is a stark contrast to the prior year in which there was double digit inflation for those same goods. A few board members also noted changes in the cost of doing business. One board member for example, shared that federal policy changes had increased associated fees for an areas of their business by several million dollars from 2018 to 2019. Another board member who operates a staffing agency noted more positive changes, sharing that steadily increasing wages had resulted in their ability to increase their prices for services.

Board members shared mixed experiences with the labor market. One board member reported that the company had sold off a portion of the business which focused on materials and distribution due to a significant and continual lack of needed labor- particularly truck drivers. Another board member reported no hiring challenges stating that the company benefits from strong partnerships with local educational institutions and have strong ties to Veteran groups. The company has experience notable success creating a pipeline utilizing these relationships particularly for skilled field labor.

Board members reported generally positive outlooks for 2019.

## **6. Fed Listens Session Discussion**

After the moderated discussion with board members, Mr. Williams facilitated a Fed Listens Session with members of the Board to listen to their perspectives on the Fed's monetary policy strategy, tools and communications. Members shared their views on the Fed's two statutory mandates of maximum employment and price stability, discussed the impact of inflation, and the importance of increasing the public's understanding of the Federal Reserve's role. Regarding maximum employment, board members shared concerns that families living in poverty were being left behind and could not obtain jobs currently available because of a lack of skills and/or education. Board members stated that there was an obvious vocational gap or "skills gap" that has persisted for 10 years and noted that roughly 41% of college graduates are currently in field unrelated to their major. Board members also stated that inflation was a real concern, as it could critically impact low-income families and small businesses. The majority of board members were comfortable with the current level of growth in the economy. Board members also shared that they believed the Federal Reserve was viewed as a trusted and consistent institution and that it was critical that the Federal Reserve remain objective and apolitical. They did express concerns that the general public was still unaware of the Federal Reserve's role and responsibilities and suggested a need for general education on the topic. Mr. Williams concluded the session by thanking members for their insight and informing them that the Bank will be hosting additional Fed Listens sessions, as well as a Capstone Roundtable on May 20, 2019. A synthesis of these discussions will then be collected into a report and distributed to all Federal Open Market Committee members to help inform their discussions at a future date.

The meeting adjourned at approximately 2:00pm.