

Buffalo & Erie County Regional Development Corporation

Proposed 2012 Budget

Presented to Board of Directors 10/17/11



Regional Development Corporation (RDC)

Proposed 2012 Budget + 3 Year Forecast

The Buffalo and Erie County Regional Development Corporation (“RDC”) presently has one activity - the operation of a federally restricted revolving loan fund that provides loans to eligible businesses that would not otherwise be able to obtain such financing from normal commercial sources.

A. Key Budget Assumptions:

In 2012, the RDC is expected to fund new loans of approximately \$3.5 million. This will be offset by approximately \$3.5 million in loan repayments into the revolving loan fund. Interest income on loans is expected to decrease 12% or \$72,000 due to the overall decrease in interest rates as a result of higher-rate loans being continuously replaced by new loans at rates as low as 4%.

B. Overview of Changes in 2012 Budget:

The following summarizes the key changes between the 2012 budget and the projected 2011 results:

- The ECIDA Management Fee represents a fee charged by the ECIDA for services that its employees provide to the revolving loan fund, since RDC has no employees of its own. The ECIDA Management Fee is expected to increase by \$21,000 or 9% in 2012 due to an expected increase in loan demand and an increase in the average fee rate due to the impact of ECIDA salary and benefit increases.
- The provision for loan losses is expected to increase by 20% from 2011 levels as a result of the impacts of the ongoing recession. The additional provision represents approximately 2.5% of the total active loan portfolio balance. Since, the mission of the RDC is to deal primarily with businesses unable to adequately finance operations through normal commercial channels, the loan fund takes on higher risks than commercial banks. The \$300,000 provision for loan losses is net of any anticipated collateral sales, and SBA and other guarantees (if applicable).
- Marketing and Other Expenses include \$25,000 to continue RDC’s marketing campaign, introduce RDC’s new loan programs and raise awareness among Erie County businesses of the availability of RDC loan funds during the current tight credit market. The marketing campaign should also aid the RDC in reducing its excess cash levels which are partially related to statutory restrictions in lending the HUD-funded portion of the RDC loan program.

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C. Summary of Risk Factors impacting the 2012 Budget:

The following significant risk factors may influence the 2012 budget:

1. In July 2011, the RDC sequestered a portion of its excess cash in accordance with Economic Development Administration (EDA) regulations and is remitting the investment interest income to the U.S. Treasury resulting in a decrease in investment interest income. The EDA may require the excess cash to be returned to the U.S. Treasury if these sequestered loan funds are not fully utilized on a timely basis.
2. Due to the numerous uncertainties, including the current recession, value of collateral, guarantees, etc, RDC's actual loan loss experience may vary significantly from the loan loss amount budgeted.

REGIONAL DEVELOPMENT CORPORATION ("RDC")
Proposed Budget for Fiscal 2012

	Proposed Budget 2012	Projected 2011	YTD - Sept Actual 2011	Actual 2010
REVENUES:				
Interest Income - Loans	\$ 513,335	\$ 585,811	\$ 439,358	\$ 607,702
Interest Income - Cash & Inv.	12,000	5,136	3,852	4,856
Administrative Fees	15,000	12,024	9,018	13,948
Other Income	7,500	4,300	3,225	5,807
Total Revenues	547,835	607,271	455,453	632,312
EXPENSES:				
ECIDA Management Fee*	\$ 265,000	\$ 243,932	\$ 168,750	\$ 219,166
Provision for Loan Losses	300,000	250,000	79,584	202,439
Rent & Facilities Expenses	4,516	5,868	3,600	13,546
Professional Services	45,000	41,894	31,421	51,962
Travel, Mileage & Meeting Expenses	-	1,667	1,250	1,250
General Office Expenses	1,000	53	40	555
Marketing & Other Expenses	26,750	26,667	23,000	15,131
Total Expenses	642,266	570,081	307,645	504,050
NET INCOME/(LOSS):	\$ (94,431)	\$ 37,190	\$ 147,808	\$ 128,262

* Represents an allocation of salary and benefit costs from the ECIDA based on staff time charged to the RDC.

REGIONAL DEVELOPMENT CORPORATION ("RDC")
Proposed 3 Year Forecast 2013-2015

	Proposed Budget 2012	Forecast 2013	Forecast 2014	Forecast 2015
REVENUES:				
Interest Income - Loans	\$ 513,335	\$ 525,000	\$ 550,000	\$ 575,000
Interest Income - Cash & Inv.	12,000	20,000	30,000	60,000
Administrative Fees	15,000	15,000	15,000	15,000
Other Income	7,500	7,500	7,500	7,500
Total Revenues	547,835	567,500	602,500	657,500
EXPENSES:				
ECIDA Management Fee*	\$ 265,000	\$ 275,000	\$ 285,000	\$ 295,000
Provision for Loan Losses	300,000	300,000	300,000	300,000
Rent & Facilities Expenses	4,516	4,800	5,000	5,200
Professional Services	45,000	47,000	49,000	51,000
General Office Expenses	1,000	1,000	1,000	1,000
Marketing & Other Expenses	26,750	25,000	25,000	25,000
Total Expenses	642,266	652,800	665,000	677,200
NET INCOME/(LOSS):	\$ (94,431)	\$ (85,300)	\$ (62,500)	\$ (19,700)

* Represents an allocation of salary and benefit costs from the ECIDA based on staff time charged to the RDC.

Budget Report for Buffalo and Erie County Regional Development Corporation

Run Date: 10/26/2011
Status: CERTIFIED

Fiscal Year Ending 12/31/2012

Budget & Financial Plan: Budgeted Revenues, Expenditures, And Changes In Current Net Assets

	Last Year (Actual) 2010	Current Year (Estimated) 2011	Next Year (Adopted) 2012	Proposed 2013	Proposed 2014	Proposed 2015
REVENUE & FINANCIAL SOURCES						
Operating Revenues						
Charges for services	\$13,948	\$12,024	\$15,000	\$15,000	\$15,000	\$15,000
Rentals & Financing Income	\$607,702	\$585,811	\$513,335	\$525,000	\$550,000	\$575,000
Other Operating Revenues	\$5,807	\$4,300	\$7,500	\$7,500	\$7,500	\$7,500
Nonoperating Revenues						
Investment earnings	\$4,856	\$5,136	\$12,000	\$20,000	\$30,000	\$60,000
State subsidies / grants	\$0	\$0	\$0	\$0	\$0	\$0
Federal subsidies / grants	\$0	\$0	\$0	\$0	\$0	\$0
Municipal subsidies / grants	\$0	\$0	\$0	\$0	\$0	\$0
Public authority subsidies	\$0	\$0	\$0	\$0	\$0	\$0
Other Non-Operating Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Proceeds from the issuance of debt	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues & Financing Sources	\$632,313	\$607,271	\$547,835	\$567,500	\$602,500	\$657,500
EXPENDITURES						
Operating Expenditures						
Salaries and Wages	\$0	\$0	\$0	\$0	\$0	\$0
Other Employee Benefits	\$0	\$0	\$0	\$0	\$0	\$0
Professional Services Contracts	\$51,962	\$41,894	\$45,000	\$47,000	\$49,000	\$51,000
Supplies and Materials	\$0	\$0	\$0	\$0	\$0	\$0
Other Operating Expenditures	\$452,089	\$528,187	\$597,266	\$605,800	\$616,000	\$626,200
Nonoperating Expenditures						
Payment of principal on bonds and financing arrangements	\$0	\$0	\$0	\$0	\$0	\$0
Interest and other financing charges	\$0	\$0	\$0	\$0	\$0	\$0
Subsidies to other public authorities	\$0	\$0	\$0	\$0	\$0	\$0
Capital asset outlay	\$0	\$0	\$0	\$0	\$0	\$0
Grants and Donations	\$0	\$0	\$0	\$0	\$0	\$0
Other Non-Operating Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenditures	\$504,051	\$570,081	\$642,266	\$652,800	\$665,000	\$677,200
Capital Contributions	\$0	\$0	\$0	\$0	\$0	\$0
Excess (deficiency) of revenues and capital contributions over expenditures	\$128,262	\$37,190	(\$94,431)	(\$85,300)	(\$62,500)	(\$19,700)

The authority's budget, as presented to the Board of Directors, is posted on the following website: <http://www.ecidany.com/about-us-corporate-reports>