

Regional Development Corporation
2018 Budget

Regional Development Corporation (RDC)

2018 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 2018, the RDC is expected to fund new loans of approximately \$2 million. This will be offset by approximately \$2.6 million in loan repayments into the revolving loan fund. Interest income on loans is expected to be approximately \$530,000 for 2018, which represents a 26% increase from the \$420,000 budget for 2017.

B. Overview of Changes in 2018 Budget:

The following summarizes the key changes between the 2018 budget and the projected 2017 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 fee is expected to increase by approximately \$9,000 or 2.5% in 2018 due to yearly increases for salaries and benefits.
- The budgeted amount for the provision for loan losses is \$175,000 for 2018. The provision represents approximately 1.3% of the estimated active loan portfolio balance. The mission of the RDC is to deal primarily with businesses unable to adequately finance operations through normal commercial banking channels. Historically, the loan fund has been a working capital lender, rather than a fixed asset lender, taking junior collateral positions. The \$175,000 provision for loan losses is net of any anticipated collateral sales and SBA and other guarantees (if applicable). Currently, the charge-off rate for loans issued over the past 10 years is approximately 3.5% versus a historical portfolio charge-off rate of approximately 19%.

C. Summary of Risk Factors Impacting the 2018 Budget:

The following significant risk factor may influence the 2018 budget:

1. Due to the numerous uncertainties, including the recent recession, value of collateral, guarantees, etc., RDC’s actual loan losses may vary significantly from the loan loss amount budgeted.

REGIONAL DEVELOPMENT CORPORATION ("RDC")
Budget for 2018

	Budget 2018	Approved Budget 2017	Projected 2017	Actual 2016
REVENUES:				
Interest Income - Loans	\$ 530,000	\$ 420,000	\$ 422,982	\$ 409,715
Interest Income - Cash & Inv.	4,000	8,664	6,504	7,856
Administrative Fees	10,000	15,000	9,281	16,313
Other Income	17,000	7,500	28,974	19,816
Total Revenues	<u>561,000</u>	<u>\$ 451,164</u>	<u>467,742</u>	<u>453,700</u>
EXPENSES:				
ECIDA Management Fee*	\$ 357,000	\$ 335,000	\$ 348,000	\$ 343,089
Provision for Loan Losses**	175,000	200,000	100,000	164,991
Rent & Facilities Expenses	18,000	18,000	18,000	18,082
Professional Services	51,000	70,500	37,500	49,882
Travel, Mileage & Meeting Expenses	2,500	-	1,863	-
General Office Expenses	1,000	-	569	-
Marketing & Other Expenses	12,900	3,250	22,500	1,703
Total Expenses	<u>617,400</u>	<u>626,750</u>	<u>528,431</u>	<u>577,747</u>
NET INCREASE (DECREASE) IN ASSETS BEFORE NON-RECURRING ITEMS:	<u>(56,400)</u>	<u>\$ (175,586)</u>	<u>(60,690)</u>	<u>(124,047)</u>
NON-RECURRING ITEMS:				
Addition to capital	-	-	-	287,431
Reduction of capital	-	-	-	(2,667,590)
	-	-	-	(2,380,159)
NET INCOME/(LOSS):	<u>\$ (56,400)</u>	<u>\$ (175,586)</u>	<u>\$ (60,690)</u>	<u>\$ (2,504,206)</u>

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

** Est'd 2017 Loan Balance	\$ 13,380,000
Provision for Loan Losses	\$ 175,000
Percentage of Loans	1.3%

REGIONAL DEVELOPMENT CORPORATION ("RDC")
Three Year Forecast 2019-2021

	Budget 2018	Forecast 2019	Forecast 2020	Forecast 2021
REVENUES:				
Interest Income - Loans	\$ 530,000	\$ 535,000	\$ 540,000	\$ 545,000
Interest Income - Cash & Inv.	4,000	5,000	5,000	5,000
Administrative Fees	10,000	15,000	15,000	15,000
Other Income	17,000	10,000	10,000	10,000
Total Revenues	561,000	565,000	570,000	575,000
EXPENSES:				
ECIDA Management Fee*	\$ 357,000	\$ 360,000	\$ 360,000	\$ 360,000
Provision for Loan Losses	175,000	125,000	100,000	100,000
Rent & Facilities Expenses	18,000	18,000	19,000	19,000
Professional Services	51,000	60,000	60,000	60,000
General Office Expenses	1,000	900	900	900
Marketing & Other Expenses	12,900	5,000	5,000	5,000
Total Expenses	617,400	568,900	544,900	544,900
NET INCOME/(LOSS):	\$ (56,400)	\$ (3,900)	\$ 25,100	\$ 30,100

* 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: 10/27/2017
Status: UNSUBMITTED

Fiscal Year Ending 12/31/2018

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

	Last Year (Actual) 2016	Current Year (Estimated) 2017	Next Year (Adopted) 2018	Proposed 2019	Proposed 2020	Proposed 2021
REVENUE & FINANCIAL SOURCES						
Operating Revenues						
Charges for services	\$16,313	\$9,281	\$10,000	\$15,000	\$15,000	\$15,000
Rentals & Financing Income	\$409,715	\$422,982	\$530,000	\$535,000	\$540,000	\$545,000
Other Operating Revenues	\$307,247	\$28,974	\$17,000	\$10,000	\$10,000	\$10,000
Nonoperating Revenues						
Investment earnings	\$7,856	\$6,504	\$4,000	\$5,000	\$5,000	\$5,000
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	\$741,131	\$467,741	\$561,000	\$565,000	\$570,000	\$575,000
EXPENDITURES						
Operating Expenditures						
Salaries and Wages	\$0	\$0	\$0	\$0	\$0	\$0
Other Employee Benefits	\$0	\$0	\$0	\$0	\$0	\$0
Professional Services Contracts	\$49,882	\$37,500	\$51,000	\$60,000	\$60,000	\$60,000
Supplies and Materials	\$362,874	\$390,931	\$391,400	\$383,900	\$384,900	\$384,900
Other Operating Expenditures	\$164,991	\$100,000	\$175,000	\$125,000	\$100,000	\$100,000
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	\$2,667,590	\$0	\$0	\$0	\$0	\$0
Total Expenditures	\$3,245,337	\$528,431	\$617,400	\$568,900	\$544,900	\$544,900
Capital Contributions	\$0	\$0	\$0	\$0	\$0	\$0
Excess (deficiency) of revenues and capital contributions over expenditures	(\$2,504,206)	(\$60,690)	(\$56,400)	(\$3,900)	\$25,100	\$30,100

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>

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Additional Comments: