

Regional Development Corporation
2020 Budget

Regional Development Corporation (RDC)

2020 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 2020, the RDC expects to fund new loans of approximately \$2 million. This will be offset by approximately \$780,000 in loan repayments into the revolving loan fund. Interest income on loans is expected to be approximately \$470,000 for 2019, which represents a 10% decrease from the \$520,000 budget for 2019.

B. Overview of Changes in 2020 Budget:

The following summarizes the key changes between the 2020 budget and the projected 2019 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 \$59,000 or 23% in 2020 due to employee turnover in 2019, coupled with increases in salaries and benefits.
- The budgeted amount for the provision for loan losses is \$200,000 for 2020. The provision represents approximately 1.4% 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 \$200,000 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 2.2% versus a historical portfolio charge-off rate of approximately 18%.

C. Summary of Risk Factors Impacting the 2020 Budget:

The following significant risk factor may influence the 2020 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 2020

	Budget 2020	Approved Budget 2019	Projected 2019	Actual 2018
REVENUES:				
Interest Income - Loans	\$ 470,000	\$ 520,000	\$ 523,338	\$ 449,706
Interest Income - Cash & Investments	17,000	10,000	41,484	28,000
Administrative Fees	10,000	10,000	3,129	24,768
Other Income	15,000	20,000	2,657	3,650
Total Revenues	512,000	\$ 560,000	570,608	506,124
EXPENSES:				
ECIDA Management Fee*	\$ 320,000	\$ 350,000	\$ 261,000	\$ 333,912
Provision for Loan Losses**	200,000	175,000	750,000	40,512
Rent & Facilities Expenses	5,900	23,000	22,800	18,802
Professional Services	30,775	42,000	37,500	27,962
Travel, Mileage & Meeting Expenses	-	2,500	800	-
General Office Expenses	16,800	900	1,372	2,539
Other Expenses	27,000	16,075	1,604	5,577
Total Expenses	600,475	609,475	1,075,076	429,304
NET INCOME/(LOSS):	\$ (88,475)	\$ (49,475)	\$ (504,468)	\$ 76,820

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

** Estimated 2020 Loan Balance	\$ 14,435,000
Provision for Loan Losses	\$ 200,000
Percentage of Loans	1.4%

REGIONAL DEVELOPMENT CORPORATION ("RDC")
Three Year Forecast 2021-2023

	Budget 2020	Forecast 2021	Forecast 2022	Forecast 2023
REVENUES:				
Interest Income - Loans	\$ 470,000	\$ 475,000	\$ 480,000	\$ 485,000
Interest Income - Cash & Investments	17,000	15,000	15,000	15,000
Administrative Fees	10,000	15,000	15,000	15,000
Other Income	15,000	10,000	10,000	10,000
Total Revenues	512,000	515,000	520,000	525,000
EXPENSES:				
ECIDA Management Fee*	\$ 320,000	\$ 330,000	\$ 330,000	\$ 335,000
Provision for Loan Losses	200,000	175,000	150,000	150,000
Rent & Facilities Expenses	5,900	25,000	25,000	25,000
Professional Services	30,775	50,000	50,000	50,000
General Office Expenses	16,800	900	900	900
Marketing & Other Expenses	27,000	5,000	5,000	5,000
Total Expenses	600,475	585,900	560,900	565,900
NET INCOME/(LOSS):	\$ (88,475)	\$ (70,900)	\$ (40,900)	\$ (40,900)

* 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
Fiscal Year Ending: 12/31/2020

Run Date: 10/28/2019
Status: CERTIFIED
Certified Date: 10/28/2019

Budget & Financial Plan

Budgeted Revenues, Expenditures, And Changes in Current Net Assets

	Last Year (Actual) 2018	Current Year (Estimated) 2019	Next Year (Adopted) 2020	Proposed 2021	Proposed 2022	Proposed 2023
REVENUE & FINANCIAL SOURCES						
Operating Revenues						
Charges For Services	\$26,150.00	\$3,129.00	\$10,000.00	\$15,000.00	\$15,000.00	\$15,000.00
Rentals & Financing Income	\$449,706.00	\$523,338.00	\$470,000.00	\$475,000.00	\$480,000.00	\$485,000.00
Other Operating Revenues	\$2,269.00	\$2,657.00	\$15,000.00	\$10,000.00	\$10,000.00	\$10,000.00
Non-Operating Revenues						
Investment Earnings						
State Subsidies / Grants	\$28,000.00	\$41,484.00	\$17,000.00	\$15,000.00	\$15,000.00	\$15,000.00
Federal Subsidies / Grants	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Municipal Subsidies / Grants	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Public Authority Subsidies	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Non-Operating Revenues	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Proceeds From The Issuance Of Debt	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Revenues & Financing Sources	\$506,125.00	\$570,608.00	\$512,000.00	\$515,000.00	\$520,000.00	\$525,000.00
EXPENDITURES						
Operating Expenditures						
Salaries And Wages	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Employee Benefits	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Professional Services Contracts	\$27,962.00	\$37,500.00	\$30,775.00	\$50,000.00	\$50,000.00	\$50,000.00
Supplies And Materials	\$6,484.00	\$2,976.00	\$9,400.00	\$5,900.00	\$5,900.00	\$5,900.00
Other Operating Expenditures	\$394,857.00	\$1,034,600.00	\$560,300.00	\$530,000.00	\$505,000.00	\$510,000.00
Non-Operating Expenditures						
Payment Of Principal On Bonds And Financing Arrangements	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Interest And Other Financing Charges	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Subsidies To Other Public Authorities	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Capital Asset Outlay	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Grants And Donations	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Non-Operating Expenditures	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Expenditures	\$429,303.00	\$1,075,076.00	\$600,475.00	\$585,900.00	\$560,900.00	\$565,900.00
Excess (Deficiency) Of Revenues And Capital Contributions Over Expenditures	\$76,822.00	(\$504,468.00)	(\$88,475.00)	(\$70,900.00)	(\$40,900.00)	(\$40,900.00)

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

Additional Comments