

Regional Development Corporation
2016 Budget

REGIONAL DEVELOPMENT CORPORATION ("RDC")
Proposed Budget for Fiscal 2016

| | Proposed Budget 2016 | Approved Budget 2015 | Projected 2015 | Actual 2014 |
|------------------------------------|-------------------------------------|-------------------------------------|---------------------------|------------------------|
| REVENUES: | | | | |
| Interest Income - Loans | \$ 432,000 | \$ 372,219 | \$ 406,657 | \$ 381,280 |
| Interest Income - Cash & Inv. | 6,866 | 5,944 | 5,150 | 4,395 |
| Administrative Fees | 15,000 | 15,000 | 14,797 | 7,378 |
| Other Income | 7,500 | 7,500 | 50,857 | 11,149 |
| Total Revenues | <u>461,366</u> | <u>\$ 400,663</u> | <u>477,460</u> | <u>404,202</u> |
| EXPENSES: | | | | |
| ECIDA Management Fee* | \$ 325,000 | \$ 295,000 | \$ 315,000 | \$ 311,557 |
| Provision for Loan Losses** | 200,000 | 300,000 | 75,000 | 70,376 |
| Rent & Facilities Expenses | 17,000 | 14,000 | 14,000 | 17,171 |
| Professional Services | 71,500 | 41,250 | 65,000 | 67,228 |
| Travel, Mileage & Meeting Expenses | - | - | - | - |
| General Office Expenses | - | 250 | - | - |
| Marketing & Other Expenses | 3,250 | 18,250 | 1,854 | 2,004 |
| Total Expenses | <u>616,750</u> | <u>668,750</u> | <u>470,854</u> | <u>468,336</u> |
| NET INCOME/(LOSS): | <u>\$ (155,384)</u> | <u>\$ (268,087)</u> | <u>\$ 6,606</u> | <u>\$ (64,134)</u> |

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

| | |
|----------------------------|---------------|
| ** Est'd 2016 Loan Balance | \$ 10,800,000 |
| Provision for Loan Losses | (200,000) |
| Percentage of Loans | 1.9% |

REGIONAL DEVELOPMENT CORPORATION ("RDC")
Proposed 3 Year Forecast 2017-2019

| | Proposed Budget 2016 | Forecast 2017 | Forecast 2018 | Forecast 2019 |
|-------------------------------|-------------------------------------|--------------------------|--------------------------|--------------------------|
| REVENUES: | | | | |
| Interest Income - Loans | \$ 432,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 |
| Interest Income - Cash & Inv. | 6,866 | 10,000 | 20,000 | 30,000 |
| Administrative Fees | 15,000 | 15,000 | 15,000 | 15,000 |
| Other Income | 7,500 | 7,500 | 7,500 | 7,500 |
| Total Revenues | 461,366 | 532,500 | 542,500 | 552,500 |
| EXPENSES: | | | | |
| ECIDA Management Fee* | \$ 325,000 | \$ 315,000 | \$ 317,500 | \$ 320,000 |
| Provision for Loan Losses | 200,000 | 200,000 | 200,000 | 200,000 |
| Rent & Facilities Expenses | 17,000 | 17,000 | 18,000 | 18,000 |
| Professional Services | 71,500 | 75,000 | 75,000 | 75,000 |
| General Office Expenses | - | 1,000 | 1,000 | 1,000 |
| Marketing & Other Expenses | 3,250 | 5,000 | 5,000 | 5,000 |
| Total Expenses | 616,750 | 613,000 | 616,500 | 619,000 |
| NET INCOME/(LOSS): | \$ (155,384) | \$ (80,500) | \$ (74,000) | \$ (66,500) |

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

Regional Development Corporation (RDC)

Proposed 2016 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 2016, the RDC is expected to fund new loans of approximately \$2 million. This will be offset by approximately \$3 million in loan repayments into the revolving loan fund. Interest income on loans is expected to increase 6% or \$25,000 due to the amount of loans outstanding and the increased loan balance in 2015.

B. Overview of Changes in 2016 Budget:

The following summarizes the key changes between the 2016 budget and the projected 2015 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 \$10,000 or 3% in 2016 due to yearly increases for salaries and benefits.
- The budgeted amount for the provision for loan losses is \$200,000 for 2016. The provision represents approximately 2% of the total 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 6% versus a historical portfolio charge-off rate of approximately 12%.

Regional Development Corporation (RDC)
Proposed 2016 Budget + 3 Year Forecast

C. Summary of Risk Factors impacting the 2016 Budget:

The following significant risk factors may influence the 2016 budget:

1. In July 2011, the RDC sequestered a portion of its excess cash in accordance with Economic Development Administration (EDA) regulations and remits the investment interest income to the U.S. Treasury which results 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. We are currently in ongoing talks with the EDA & HUD to resolve some long-standing structural issues with the loan fund that have led to the sequestration of these funds and hope to reach a resolution in 2016.
2. 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.

Budget Report for Buffalo and Erie County Regional Development Corporation

Fiscal Year Ending **12/31/2016**

Run Date: 10/29/2015
Status: UNSUBMITTED

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

| | Last Year (Actual) 2014 | Current Year (Estimated) 2015 | Next Year (Adopted) 2016 | Proposed 2017 | Proposed 2018 | Proposed 2019 |
|--|-------------------------------|-------------------------------------|-----------------------------|-------------------|-------------------|-------------------|
| REVENUE & FINANCIAL SOURCES | | | | | | |
| Operating Revenues | | | | | | |
| Charges for services | \$7,378 | \$14,797 | \$15,000 | \$15,000 | \$15,000 | \$15,000 |
| Rentals & Financing Income | \$381,280 | \$406,657 | \$432,000 | \$500,000 | \$500,000 | \$500,000 |
| Other Operating Revenues | \$1,149 | \$50,857 | \$7,500 | \$7,500 | \$7,500 | \$7,500 |
| Nonoperating Revenues | | | | | | |
| Investment earnings | \$4,395 | \$5,150 | \$6,866 | \$10,000 | \$20,000 | \$30,000 |
| 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 | \$404,202 | \$477,461 | \$461,366 | \$532,500 | \$542,500 | \$552,500 |
| EXPENDITURES | | | | | | |
| Operating Expenditures | | | | | | |
| Salaries and Wages | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Other Employee Benefits | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Professional Services Contracts | \$67,228 | \$65,000 | \$71,500 | \$75,000 | \$75,000 | \$75,000 |
| Supplies and Materials | \$330,732 | \$330,854 | \$345,250 | \$338,000 | \$341,500 | \$344,000 |
| Other Operating Expenditures | \$70,376 | \$75,000 | \$200,000 | \$200,000 | \$200,000 | \$200,000 |
| 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 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Expenditures | \$468,336 | \$470,854 | \$616,750 | \$613,000 | \$616,500 | \$619,000 |
| Capital Contributions | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Excess (deficiency) of revenues and capital contributions over expenditures | (\$64,134) | \$6,607 | (\$155,384) | (\$80,500) | (\$74,000) | (\$66,500) |

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>