

**Regional Development Corporation**  
**2021 Budget**

# *Regional Development Corporation (RDC)*

## **2021 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 (“RLF”) that provides loans to eligible businesses that would not otherwise be able to obtain such financing from normal commercial sources. A second RLF has been approved under the Federal Coronavirus Aid, Relief and Economic Security (“CARES”) Act and is expected to be underway by the end of 2020. As such, the budget for 2021 includes estimated figures for both RLFs.

### **A. Key Budget Assumptions:**

In 2021, the RDC expects to fund new loans of approximately \$5.5 million. This is expected to be offset by approximately \$1.7 million in loan repayments to the RLFs. Interest income on loans is expected to be approximately \$540,000 for 2021, which represents a 15% increase from the \$470,000 budget for 2020.

### **B. Overview of Changes in 2021 Budget:**

The following summarizes the key changes between the 2021 budget and the projected 2020 results:

- Budgeted interest income from loans is \$540,000 in 2021, compared to a projected \$331,000 in 2020. In 2020, many loans in the current portfolio deferred several months’ principal and interest due to the Covid-19 pandemic. With normal payments resuming in late 2020 and the establishment of a second RLF, interest income is expected to increase in 2021.
- 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 \$6,000 or 2% in 2021 due to increases in salaries and benefits.
- The budgeted amount for the provision for loan losses is \$250,000 for 2021. The provision represents approximately 1.9% 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 CARES Act RLF is planned to have a higher risk tolerance than our legacy RLF, which will likely result in higher loan losses. The \$250,000 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% versus a historical portfolio charge-off rate of approximately 14%.

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**C. Summary of Risk Factors Impacting the 2021 Budget:**

The following significant risk factors may influence the 2021 budget:

1. Due to the numerous uncertainties, including the recent pandemic, value of collateral, guarantees, etc., RDC's actual loan losses may vary significantly from the loan loss amount budgeted.
2. Interest income may vary from the budgeted amount as the budget is based on an estimate of active loans. Due to economic factors and the overall business climate, loans closed could vary significantly from estimates.

**REGIONAL DEVELOPMENT CORPORATION ("RDC")**  
**Budget for 2021**

	<b>Budget 2021</b>	<b>Approved Budget 2020</b>	<b>Projected 2020</b>	<b>Actual 2019</b>
<b>REVENUES:</b>				
Interest Income - Loans	\$ 540,000	\$ 470,000	\$ 360,635	\$ 490,376
Interest Income - Cash & Investments	2,000	17,000	15,090	38,110
Administrative Fees	15,000	10,000	8,000	8,825
Other Income	5,000	15,000	2,608	5,842
Total Revenues	562,000	\$ 512,000	386,333	543,153
<b>EXPENSES:</b>				
ECIDA Management Fee*	\$ 320,000	\$ 320,000	\$ 314,000	\$ 279,988
Provision for Loan Losses**	250,000	200,000	(13,603)	1,446,153
Rent & Facilities Expenses	25,000	25,000	25,000	22,344
Professional Services	90,600	30,775	139,050	69,619
General Office Expenses	30,200	16,800	6,922	2,146
Other Expenses	1,775	7,900	1,972	2,536
Total Expenses	717,575	600,475	473,341	1,822,786
<b>NET INCOME/(LOSS):</b>	\$ (155,575)	\$ (88,475)	\$ (87,008)	\$ (1,279,633)

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

\*\* Estimated 2021 Loan Balance                   \$ 13,217,000  
Provision for Loan Losses                         \$ 250,000  
Percentage of Loans                                 1.9%

**REGIONAL DEVELOPMENT CORPORATION ("RDC")**  
**Three Year Forecast 2022-2024**

	<b>Budget 2021</b>	<b>Forecast 2022</b>	<b>Forecast 2023</b>	<b>Forecast 2024</b>
<b>REVENUES:</b>				
Interest Income - Loans	\$ 540,000	\$ 545,000	\$ 550,000	\$ 555,000
Interest Income - Cash & Investments	2,000	15,000	15,000	15,000
Administrative Fees	15,000	15,000	15,000	15,000
Other Income	5,000	10,000	10,000	10,000
Total Revenues	562,000	585,000	590,000	595,000
<b>EXPENSES:</b>				
ECIDA Management Fee*	\$ 320,000	\$ 330,000	\$ 330,000	\$ 335,000
Provision for Loan Losses	250,000	175,000	150,000	150,000
Rent & Facilities Expenses	25,000	25,000	25,000	25,000
Professional Services	90,600	50,000	50,000	50,000
General Office Expenses	30,200	900	900	900
Marketing & Other Expenses	1,775	5,000	5,000	5,000
Total Expenses	717,575	585,900	560,900	565,900
<b>NET INCOME/(LOSS):</b>				
	\$ (155,575)	\$ (900)	\$ 29,100	\$ 29,100

\* 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  
 Fiscal Year Ending: 12/31/2021

Run Date: 10/29/2020  
 Status: CERTIFIED  
 Certified Date: 10/28/2020

**Budget & Financial Plan** Budgeted Revenues, Expenditures, And Changes in Current Net Assets

	Last Year (Actual) 2019	Current Year (Estimated) 2020	Next Year (Adopted) 2021	Proposed 2022	Proposed 2023	Proposed 2024
<b>REVENUE &amp; FINANCIAL SOURCES</b>						
Operating Revenues						
Charges For Services	\$8,825.00	\$8,000.00	\$15,000.00	\$15,000.00	\$15,000.00	\$15,000.00
Rentals & Financing Income	\$490,376.00	\$360,635.00	\$540,000.00	\$545,000.00	\$550,000.00	\$555,000.00
Other Operating Revenues	\$5,842.00	\$2,608.00	\$5,000.00	\$10,000.00	\$10,000.00	\$10,000.00
<b>Non-Operating Revenues</b>						
Investment Earnings	\$38,110.00	\$15,090.00	\$2,000.00	\$15,000.00	\$15,000.00	\$15,000.00
State Subsidies / Grants	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
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	\$543,153.00	\$386,333.00	\$562,000.00	\$585,000.00	\$590,000.00	\$595,000.00
<b>Total Revenues &amp; Financing Sources</b>						
<b>EXPENDITURES</b>						
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	\$69,619.00	\$139,050.00	\$90,600.00	\$50,000.00	\$50,000.00	\$50,000.00
Supplies And Materials	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Operating Expenditures	\$1,753,168.00	\$334,291.00	\$626,375.00	\$535,900.00	\$510,900.00	\$515,900.00
<b>Non-Operating Expenditures</b>						
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
<b>Total Expenditures</b>	\$1,822,787.00	\$473,341.00	\$717,575.00	\$585,900.00	\$560,900.00	\$565,900.00
<b>Excess (Deficiency) Of Revenues And Capital Contributions Over Expenditures</b>	(\$1,279,634.00)	(\$87,008.00)	(\$155,575.00)	(\$900.00)	\$29,100.00	\$29,100.00



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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**