



October 29, 2015

Honorable John J. Mills, Erie County Legislature
c/o Karen M. McCarthy
Old Erie County Hall
92 Franklin Street, 4th Floor
Buffalo, New York 14202

Dear Ms. McCarthy,

As required under Section 2801 of the Public Authorities Law, we are enclosing a copy of a package which contains 2016 budgets for the following corporations:

- 1) Erie County Industrial Development Agency's ("ECIDA")
- 2) Buffalo and Erie County Regional Development Corporation ("RDC")
- 3) Buffalo and Erie County Industrial Land Development Corporation ("ILDC")

Please feel free to contact me if you have any questions or comments on the above. I can be reached at (716) 856-6525, ext. 123.

Regards,

Mollie Profic
Controller

Erie County Industrial Development Agency
2016 Budget

ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY ("ECIDA")

Proposed Budget for Fiscal 2016

DRAFT

	Proposed Budget 2016	Approved Budget 2015	Projected 2015	Actual 2014
REVENUES:				
Administrative Fees	\$ 1,800,000	\$ 1,700,000	\$ 3,000,000	\$ 2,057,252
Affiliate Management Fees	342,500	326,500	327,500	329,667
Management Fees - BUDC	42,000	55,000	40,000	35,856
Interest Income - Loans	7,250	9,400	8,804	10,510
Interest Income - Cash & Investments	14,500	13,000	14,288	13,254
Rental Income	254,600	253,875	137,941	91,364
Other Income	32,500	15,000	23,909	92,949
UDAG Venture Investment Income	675,000	600,000	660,000	1,161,135
Total Revenues	3,168,350	2,972,775	4,212,441	3,791,987
EXPENSES:				
Salaries & Benefits	\$ 2,060,866	\$ 1,865,911	\$ 1,890,920	\$ 1,678,665
Professional Services	306,500	211,000	209,087	209,071
General Office Expenses	197,250	183,750	231,899	142,769
Insurance Expense	107,120	104,000	95,250	98,794
Marketing Expenses	78,000	75,000	60,000	44,987
Buffalo Niagara Enterprise Membership	75,000	75,000	75,000	75,000
Public Notices	25,000	25,000	25,101	16,677
Building Operating Costs	208,200	218,742	166,329	170,806
Travel, Mileage & Meeting Expenses	78,000	53,500	64,969	69,756
Other Expenses	18,000	15,000	14,322	41,707
Total Expenses	3,153,936	2,826,903	2,832,878	2,548,233
GRANT INCOME:				
Revenues	\$ 250,000	\$ 30,000	\$ 50,000	\$ 39,084
Expenses	(250,000)	(30,000)	(8,738)	(48,649)
	-	-	41,262	(9,566)
NET INCOME/(LOSS) BEFORE NON-RECURRING ITEMS & DEPRECIATION:	14,414	145,872	1,420,825	1,234,188
NON-RECURRING ITEMS:				
External Special Projects	(750,000)	(425,000)	(100,000)	(160,000)
ECIDA Program Allocations:				
Venture Capital	(1,000,000)	(1,000,000)	(200,000)	-
High-Impact Project Expenditure Fund	(2,000,000)	(1,000,000)	-	-
Grow Erie Fund	(500,000)	(500,000)	-	-
Provision for Venture Inv. Losses	-	-	-	(24,385)
	(4,250,000)	(2,925,000)	(300,000)	(184,385)
NET INCOME/(LOSS) BEFORE DEPRECIATION:	(4,235,586)	(2,779,128)	1,120,825	1,049,803
Depreciation	(140,000)	(140,000)	(140,012)	(123,580)
NET INCOME/(LOSS):	\$ (4,375,586)	\$ (2,919,128)	\$ 820,813	\$ 926,224

ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY ("ECIDA")
Proposed 3 Year Forecast 2017-2019

	Proposed Budget 2016	Forecast 2017	Forecast 2018	Forecast 2019
REVENUES:				
Administrative Fees	\$ 1,800,000	\$ 1,800,000	\$ 1,800,000	\$ 1,850,000
Affiliate Management Fees	342,500	353,000	364,000	375,000
Management Fees - BUDC	42,000	43,000	44,000	45,000
Interest Income - Loans	7,250	6,000	6,000	6,000
Interest Income - Cash & Investments	14,500	14,500	15,000	15,500
Rental Income	254,600	255,000	255,000	255,000
Other Income	32,500	15,000	15,000	15,000
UDAG Venture Investment Income	675,000	500,000	500,000	500,000
Total Revenues	3,168,350	2,986,500	2,999,000	3,061,500
EXPENSES:				
Salaries & Benefits	\$ 2,060,866	2,123,000	2,187,000	2,253,000
Professional Services	306,500	205,000	205,000	205,000
General Office Expenses	197,250	203,000	209,000	215,000
Insurance Expense	107,120	110,000	113,000	116,000
Marketing Expenses	78,000	80,000	82,000	84,000
Buffalo Niagara Enterprise Membership	75,000	75,000	75,000	75,000
Public Notices	25,000	26,000	27,000	28,000
Building Operating Costs	208,200	214,000	220,000	227,000
Travel, Mileage & Meeting Expenses	78,000	80,000	82,000	84,000
Other Expenses	18,000	19,000	20,000	21,000
Total Expenses	3,153,936	3,135,000	3,220,000	3,308,000
GRANT INCOME:				
Revenues	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Expenses	(250,000)	(250,000)	(250,000)	(250,000)
	-	-	-	-
NET INCOME/(LOSS) BEFORE NON-RECURRING ITEMS & DEPRECIATION:				
	14,414	(148,500)	(221,000)	(246,500)
NON-RECURRING ITEMS:				
External Special Projects	(750,000)	(750,000)	(750,000)	(750,000)
ECIDA Program Allocations:				
Venture Capital	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
High-Impact Project Expenditure Fund	(2,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Grow Erie Fund	(500,000)	-	-	-
	(4,250,000)	(2,750,000)	(2,750,000)	(2,750,000)
NET INCOME/(LOSS) BEFORE DEPRECIATION:				
	(4,235,586)	(2,898,500)	(2,971,000)	(2,996,500)
Depreciation	(140,000)	(140,000)	(140,000)	(140,000)
NET INCOME/(LOSS):	\$ (4,375,586)	(3,038,500)	(3,111,000)	(3,136,500)

Erie County Industrial Development Agency
Five Year Capital Budget 2016-2020

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
Facilities:						
<u>143 Genesee Street:</u>						
Exterior						
Exterior Envelope			44,000	41,000	4,000	89,000
Landscaping	2,000	16,200	4,000			22,200
Lighting		5,000			17,000	22,000
Glazing	5,000	5,000		5,000		15,000
Entry Doors					14,000	14,000
Painting / Caulk	12,000					12,000
Signage	8,500					8,500
Interior						
Carpet						-
Bathrooms	14,000	17,000				31,000
Electrical					14,000	14,000
Painting	3,000	4,500				7,500
Misc	6,100	2,400	2,000	3,500	1,000	15,000
						<u>250,200</u>
<u>95 Perry Street:</u>						
Interior						
Misc	10,000	10,000	10,000	10,000	10,000	50,000
Total Facilities	<u>60,600</u>	<u>60,100</u>	<u>60,000</u>	<u>59,500</u>	<u>60,000</u>	<u>300,200</u>
Information Technology:						
Desktop replacement	30,000	2,500	2,500	2,500	2,500	40,000
Accounting/loan software	20,000					20,000
Servers		8,000			8,000	16,000
Misc.	2,500	2,500	2,500	2,500	2,500	12,500
Total Information Technology	<u>52,500</u>	<u>13,000</u>	<u>5,000</u>	<u>5,000</u>	<u>13,000</u>	<u>88,500</u>
GRAND TOTAL	<u>\$ 113,100</u>	<u>\$ 73,100</u>	<u>\$ 65,000</u>	<u>\$ 64,500</u>	<u>\$ 73,000</u>	<u>\$ 388,700</u>

Erie County Industrial Development Agency (ECIDA)

Proposed 2016 Budget + 3 Year Forecast

A. Overview of Changes in 2016 Budget

Presented herein is the projected operating budget for the Erie County Industrial Development Agency's (the "ECIDA") fiscal year ended December 31, 2016 and a three-year forecast for the 2017 to 2019 fiscal years.

The ECIDA is a not-for-profit, public benefit corporation that provides tax incentives, financing programs and economic development services to Buffalo and Erie County. In accomplishing its mission, the ECIDA does not receive any operational funding from Federal, State, County or local sources. Instead, the key source of revenue for the ECIDA is the administrative fees charged to those companies that utilize its various products and services. The income that the ECIDA generates is utilized to provide salaries to its professional staff for managing various economic development programs, as well as payments for professional fees, general office expenses, public notices/marketing, building costs and other miscellaneous expenses.

For the current fiscal year ended December 31, 2015, the Agency is projecting a net *operating* income of \$14,000. After deducting \$4.25 million of ECIDA program allocations & special project expenditures plus depreciation of \$140,000, the budgeted net loss for 2016 is \$4,376,000. This overall net loss will be funded from existing funds that have been accumulated over several years of profitable operations.

The following significant risk factors may impact the 2016 results:

1. The majority of the ECIDA's administrative fee income is derived from a few large tax incentive and/or tax-exempt bond projects. Depending on the timing of these projects, the Agency's fee income can fluctuate significantly from year to year.
2. Changes in the overall national and/or regional economy could result in a decrease in local investment projects that are assisted by the Agency, resulting in a corresponding decrease in administrative fee income.
3. The "UDAG Venture Investment Income" of \$675,000 is derived principally from a venture investment that operates in a cyclical industry where distributions could fluctuate significantly from the amounts recorded in the 2016 budget and/or 3 year forecasts¹.

The following information details the key changes in the 2016 budget compared to the 2015 projected revenues and expenses:

¹ The budgeted venture investment income represents approximately 40% of the investments' projected net income as this is the amount the Agency is budgeting to receive in cash distributions.

Erie County Industrial Development Agency (ECIDA)

Proposed 2016 Budget + 3 Year Forecast

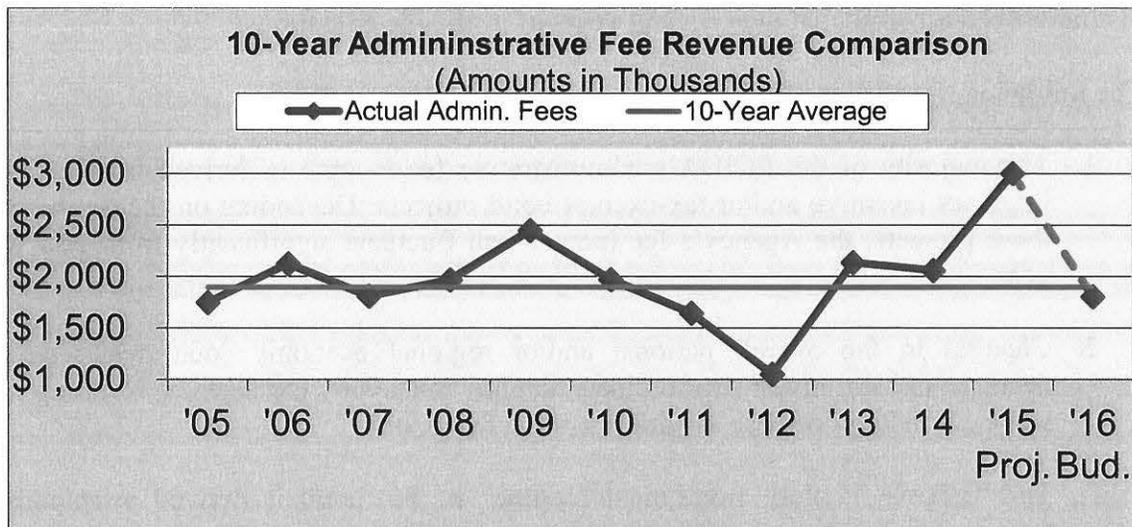
A. Overview of Changes in 2016 Budget (Continued):

Revenues:

Administrative Fees (2016 Budget - \$1.8 million):

Administrative fees primarily consist of fees earned by the ECIDA through the provision of tax abatements. During 2015, administrative fees included many significant projects such as the Catholic Health bond issuance, Harbor Center, the Richardson Complex, and Conventus. Since fees are recognized over several years in accordance with the terms of the fee agreements, the Agency is expected to recognize approximately \$1.1 million in fees in 2016 related to 2015 and 2014 approvals. Overall administrative fees are budgeted to decrease compared to 2015 since several large tax-exempt bond refinancing projects occurred in 2015. Instead, the budgeted administrative fee amount is based upon the ten-year average administrative fee revenue of \$1,893,000 as reflected below.

The following chart summarizes the actual administrative fee revenue over the past 10 years compared to the average administrative fee for the same 10 year period:



Affiliate Management Fees (increasing 5% from \$327,500 to \$342,500):

Affiliate Management Fees represent salaries, benefit and facilities costs charged to the ECIDA's affiliated companies (RDC & ILDC) for office space and services that ECIDA employees provide to these organizations, since they have no employees of their own. Affiliate management fees are expected to increase slightly in 2015 due to increases in salaries and benefits as described in the expenses section below.

Erie County Industrial Development Agency (ECIDA)
Proposed 2016 Budget + 3 Year Forecast

A. Overview of Changes in 2016 Budget (Continued):

Rental Income (increasing 85% from \$138,000 to \$254,600):

In August of 2015, the Agency began leasing its facility at 143 Genesee St. As this represented five months of lease payments, there will be an increase in rental income of approximately \$116,000 in 2016.

UDAG Venture Investment Income (increasing 3% from \$660,000 to \$675,000):

UDAG Venture Investment Income represents the ECIDA's share of net income from one of its venture investments. The amount budgeted for 2016 is based on the organization's 2016 forecasted cash distributions and may fluctuate substantially given the cyclical nature of its industry.

Expenses:

Salaries & Benefits (increasing 9% from \$1.89 million to \$2.06 million):

The increase in salaries and benefits are a combination of projected salary increases, benefit expense increases and the addition of two employees to the ECIDA staff. Salary increases of approximately 3% and a performance incentive pool that is calculated as 6% of total salaries compose the salaries portion of the increase. Compensation increases are based on an independent compensation study of ECIDA employees. The study compared agency employee salaries with other individuals in the local labor market who have similar titles and responsibilities. These adjustments, if any, will also be reviewed and approved by the ECIDA Board Compensation Committee for Executive Management and by the CEO for other staff.

The ECIDA also plans to add two staff members in 2016: a grant writer/grant administrator and a development professional. Grant writing services may be used by not only the ECIDA, but other related partner organizations to apply for grant funds that may have previously been unavailable due to staff constraints. The development professional will work under the current Facilities Site Manager and is expected to be employed in July 2016. As a result, the 2016 budget reflects 1.5 full-time equivalent positions (FTEs).

In addition, health and dental insurance costs are expected to increase by 10% in 2016, with employees contributing 10% of the total cost of health care. As an organization of specialized professionals, salaries and benefits account for approximately 67% of total operating expenses.

Erie County Industrial Development Agency (ECIDA)
Proposed 2016 Budget + 3 Year Forecast

A. Overview of Changes in 2016 Budget (Continued):

The following chart indicates the actual and projected headcount by department at December 31st of each year:

Department	2015	2016
Business Development	3	3
Finance / HR	3	3
Administrative Assistants / Reception	3	3
Lending	2	2
Tax Incentives / Compliance	2	2
Development / Property Management	1	2
Communications/Marketing	1	1
Technology	1	1
Grant Writer/Grant Administration	-	1
CEO	1	1
Total	17	19

Professional Services (increasing 47% from \$209,000 to \$306,500):

Professional Services consist of the following:

	2016 Budget	2015 Budget	2015 Projection
Legal	\$150,000	\$115,000	\$99,000
Consultants	\$120,000	\$60,000	\$75,000
Auditing	\$36,500	\$36,000	\$35,000
Total	\$306,500	\$211,000	\$209,000

Legal costs are expected to increase as a legal request for proposal will be completed in 2015 for services beginning in 2016. As a result, if a new firm is selected there will be a potential increase in costs due to additional reviews of existing policies, contracts and other legal documents as well as other transition costs. Consultant expenses are budgeted to support certain projects that may occur in 2016 including a net zero energy building feasibility study (\$80,000), CEDS update and a review of the ECIDA's adaptive reuse projects.

Marketing (increasing 30% from \$60,000 to \$78,000):

The increase in marketing costs is due to an increase in targeted advertising outreach, specifically to the business media, and anticipated future outreach efforts to the minority and urban business communities.

Erie County Industrial Development Agency (ECIDA)
Proposed 2016 Budget + 3 Year Forecast

A. Overview of Changes in 2016 Budget (Continued):

Building Operating Costs (increasing 25% from \$166,000 to \$208,200):

The increase in Building Operating Costs relates to the lease of 143 Genesee Street, ECIDA’s former location. Since the property is being leased to a for-profit enterprise, the ECIDA will begin paying an approximately \$21,000 “as-if-owned” PILOT to compensate the City of Buffalo and Erie County for the corresponding loss of property taxes. This additional payment was taken into account when the lease with the tenant was negotiated.

B. Special Projects & ECIDA Program Allocations

The ECIDA’s 2016 budget currently includes \$750,000 of external special projects and \$3.5 million allocated for internal ECIDA Programs that are consistent with the ECIDA’s strategic plan and the restrictions on the UDAG and General Funds as follows:

Project	2016 Budgeted Amount	2015 Approved Budget	2015 Projected Actual
External Special Projects	\$ 750,000	\$ 425,000	\$ 300,000
ECIDA Program Allocations:			
Venture Capital	1,000,000	1,000,000	-
High-Impact Project Exp. Fund	2,000,000	1,000,000	-
Grow Erie Fund	500,000	500,000	-
Total	\$ 4,250,000	\$ 2,925,000	\$ 300,000

The External Special Projects allocation of \$750,000 includes organizations that have received funding in the past, such as Launch NY and Buffalo Urban Development Corporation (BUDC). These funding requests would be presented to the ECIDA Board for approval prior to entering into a formal funding agreement.

The ECIDA Program allocations of \$3.5 million are detailed in the following three pages and also require Board approval prior to funding.

Erie County Industrial Development Agency (ECIDA)
Proposed 2016 Budget + 3 Year Forecast

C. ECIDA Program Allocations:

The following outlines the internal specific initiatives proposed under the draft 2016 ECIDA budget:

Venture Capital Co-Investment **Proposal \$1,000,000**

The Problem – Currently, high-growth-potential companies have difficulty attracting angel or seed capital funding when they are in the earliest of their development stages. With the significant public investment in university and college research facilities and scientists, there is a need to commercialize this research in order to provide the “pay-back” on the community’s investment in the form of new high-paying jobs. Currently, there is a lack of early-stage capital for venture companies located in Western New York. Meanwhile, other communities which face similar issues have been successful in utilizing publicly-sponsored funds to support new companies.

The Proposal – In 2015, the ECIDA began the reestablishment of its Venture Capital Fund to provide equity investments in early-stage, high-growth-potential companies. The ECIDA will partner with qualified co-investors from Erie County such as Launch NY, 43 North, Z80 Labs, and/or Rand Capital. In the past, the ECIDA has had several key economic development successes by partnering with Rand Capital, such as its equity investments in Gemcor II LLC and Synacor, Inc. (approximately 400 jobs combined). The ECIDA would rely upon the expertise of its partners to conduct the due diligence required to evaluate the business, structure the investment and develop an exit strategy.

Use of Funds – To make equity (stock) and/or debt project expenditures in selected businesses².

Partners – Launch NY, 43North, Z80 Labs, Rand Capital and other venture capital firms.

Approval – The ECIDA Board would approve all project expenditures under this program.

Consistency with Community Plans – This strategy is consistent with the County Executives’, *Initiatives for a Smart Economy*. One of the goals outlined in the plan is as follows: “*Increase access for local emerging companies to early-stage capital and strengthen the entrepreneurship ecosystem in Western New York.*”

² Note: For budget purposes the venture capital program is shown as an expense, but for financial statement purposes will be reflected as an asset.

Erie County Industrial Development Agency (ECIDA)
Proposed 2016 Budget + 3 Year Forecast

C. ECIDA Program Allocations (Continued):

High-Impact Project Expenditure Fund Proposal: \$2,000,000

Qualification – Businesses must be relocating to a HUD-defined distressed area or meet other HUD qualifications and provide a significant regional impact in terms of investment and/or job creation.

The Problem – Currently a number of communities across the nation are aggressively pursuing businesses to entice them to their region. One vehicle that communities have used to tip the relocation decision in their favor is the use of a high-impact project expenditure fund. Until 2013, the Buffalo region did not have such a program, while neighboring states were offering these programs with positive results, to Erie County’s detriment.

The Proposal – The ECIDA would continue to fund a high-impact project expenditure fund that could aid in the attraction of key new businesses that would have a regional employment or investment impact. The attraction incentive would be structured in the form of a loan, with a portion or all of it forgiven if the company establishes their business in Erie County and meets specified investment and/or job goals. The ECIDA would work with the Buffalo Niagara Enterprise to offer this incentive to those businesses that are the most promising and/or target the attraction loan to specific industries or regions (such as Southern Ontario). By providing this incentive, the Buffalo region would be perceived as demonstrating the community’s support for the business relocation and could be the tipping point that leads to the relocation of the business as well as related “follow on” investments.

Use of Funds – To make project expenditures to companies located outside of Western New York to offset a portion of their investment costs in relocating. Companies assisted would be in one of the regional targeted industry sectors and have a regional employment or investment impact. The program would have a targeted maximum incentive of \$25,000 per job created.

Partners – Buffalo Niagara Enterprise (BNE)

Approval – The ECIDA Board would approve all awards under this program.

Consistency with Community Plans – This strategy is consistent with the County Executive’s “Initiatives for a Smart Economy” which states: *“Projects assisted by the ECIDA will be those that bring outside investment and good jobs to Erie County, strengthening our economic base and leading to stabilization of the population of the area”*

Erie County Industrial Development Agency (ECIDA)
Proposed 2016 Budget + 3 Year Forecast

C. ECIDA Program Allocations (Continued):

Grow Erie Fund

Proposal: \$500,000

The Problem – The ECIDA’s current loan program, operated by the Buffalo and Erie County Regional Development Corporation, does not allow loan proceeds to be used for construction financing and the refinancing and restructuring of existing debt. Also, the funds are not eligible for the SBA guarantee program.

The Proposal – In 2012, the ECIDA provided approximately \$1 Million which was matched with \$3 million by the National Development Council’s (NDC) to establish the Grow Erie Fund, a subsidiary of the Grow America Fund program. The Grow America Fund is a SBA 7(a) guaranteed lending program that is operated and managed by the NDC. The advantages of the program are longer terms, lower down payments and interest rates. Also, the loan fund can be used for construction financing and the refinancing and restructuring of debt. NDC provides all of the loan underwriting, servicing and administration of the program. The Grow Erie Fund is targeted towards firms engaged in manufacturing, warehouse and distribution, information technology, life sciences, and agribusiness. To continue to grow the fund, the ECIDA would provide an additional capitalization of \$500,000. NDC normally provides matching funds of 3:1 to the local contributions. However, due to the success of the local program, NDC has proposed providing a \$3.5 million match (7:1) to the ECIDA’s proposed \$500,000 contribution.

Use of Funds – To make loans to companies located in Erie County to create and retain jobs through investment and growth.

Partners – National Development Council (NDC)

Consistency with Community Plans – Consistency with Community Plans – This strategy is consistent with the County Executive’s “Initiatives for a Smart Economy” which states: *“Projects assisted by the ECIDA will be those that bring outside investment and good jobs to Erie County, strengthening our economic base and leading to stabilization of the population of the area”*.

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	461,366	\$ 400,663	477,460	404,202
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	616,750	668,750	470,854	468,336
NET INCOME/(LOSS):	\$ (155,384)	\$ (268,087)	\$ 6,606	\$ (64,134)

* 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.

Industrial Land Development Corp
2016 Budget

BUFFALO & ERIE COUNTY INDUSTRIAL LAND DEVELOPMENT CORPORATION ("ILDC")
Proposed Budget for Fiscal 2016 + 3 Year Forecast

	Proposed Budget 2016	Approved Budget 2015	Projected 2015	Actual 2014
REVENUES:				
Interest Income - Loans	\$ 100	\$ 3,000	\$ 673	\$ 1,306
Interest Income - Cash & Investments	30	15	2	15
Other Income	-	-	940,650	-
Total Revenues	130	3,015	941,325	1,321
EXPENSES:				
ECIDA Management Fee*	\$ 500	\$ 2,000	\$ 939,333	\$ 940
Provision for Loan Losses	-	1,000	(2,699)	16,251
Professional Services	400	2,000	240	1,763
General Office Expenses	100	300	150	-
Total Expenses	1,000	5,300	937,025	18,953
NET INCOME/(LOSS):	\$ (870)	\$ (2,285)	\$ 4,300	\$ (17,632)

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

INDUSTRIAL LAND DEVELOPMENT CORPORATION ("ILDC")
Proposed 3-Year Forecast 2017-2019

	Proposed Budget 2016	Forecast 2017	Forecast 2018	Forecast 2019
REVENUES:				
Interest Income - Loans	\$ 100	\$ 30	\$ -	\$ -
Interest Income - Cash & Investments	30	35	40	45
Other Income	-	-	-	-
Total Revenues	130	65	40	45
EXPENSES:				
ECIDA Management Fee*	\$ 500	\$ 250	\$ 100	\$ 100
Provision for Loan Losses	-	-	-	-
Professional Services	400	250	100	100
General Office Expenses	100	100	100	100
Total Expenses	1,000	600	300	300
NET INCOME/(LOSS):	\$ (870)	\$ (535)	\$ (260)	\$ (255)

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

Industrial Land Development Corporation (“ILDC”)

Proposed 2016 Budget + 3 Year Forecast

The Industrial Land Development Corporation (“ILDC”) consists of two sub-funds (Erie County’s Business Development Fund (BDF) and a former SBA micro loan fund that is in the process of winding-down). The ILDC administers the BDF loan fund on behalf of Erie County for HUD-eligible small businesses that would not otherwise be able to obtain such financing from commercial sources. The ILDC also issues tax-exempt bonds on behalf of various not-for-profit organizations in Erie County.

A. Overview of Changes in 2016 Budget:

The following summarizes the key changes between the 2016 budget and the projected 2015 results:

- There is no provision for loan losses budgeted for 2016. The loan portfolio continues to decrease and no new loans were issued in 2015.
- The decrease in both “Other Income” & “ECIDA Management Fee” is due to the fact that in 2015, the ILDC received fee income from issuing tax-exempt debt that is paid to the ECIDA under a shared services agreement as compensation for the services ECIDA performs. No such fee income is budgeted in the ILDC for 2016 due to the infrequent nature of bond issuances.

B. Summary of Risk Factors impacting the 2016 Budget:

The following significant risk factor may influence the 2016 budget:

1. Due to numerous uncertainties, the value of collateral, guarantees, etc., ILDC’s actual loan loss experience may vary significantly from the loan loss amount budgeted.