





April 11, 2024

**MEMORANDUM**

TO: Thomas E. Dernoga, Chair  
 Planning, Housing and Economic Development (PHED) Committee

THRU: Joseph R. Hamlin   
 Director of Budget and Policy Analysis

FROM: Shalene Miller-Whye   
 Budget & Policy Analyst

RE: Financial Services Corporation  
 Fiscal Year 2024 Budget Review (Non-Departmental Grants & Transfer Payments)

**Budget Overview**

- The FY 2025 Proposed Budget for the Financial Services Corporation (FSC FIRST) is 2,380,000, a decrease of \$1,028,100 or -30.2% below the FY 2024 approved budget.
- The Financial Services Corporation (FSC First) is partially funded through an annual County grant in the non-departmental section of the budget.
- FSC First’s proposed FY 2025 budget reflects County grant funding in the amount of \$1,177,100, which has no changes from FY 2024.

Revenue							
Fund	FY 2023 Actual	FY 2024 Approved	FY 2024 Estimated	FY 2025 Proposed	\$ Change	% Change	
County Grant	\$ 1,137,300	\$ 1,177,100	\$ 1,177,100	\$ 1,177,100	\$ -	0.0%	
Other Sources	2,043,292	2,231,000	2,275,900	1,202,900	(1,028,100)	-46.1%	
<b>Total</b>	<b>\$ 3,180,592</b>	<b>\$ 3,408,100</b>	<b>\$ 3,453,000</b>	<b>\$ 2,380,000</b>	<b>\$ (1,028,100)</b>	<b>-30.2%</b>	

**Budget Comparison - Consolidated Budget**

- FY 2025 proposed revenues for the Financial Services Corporation total \$2,380,000, a decrease of \$1,028,000, or -30.2%, below the FY 2024 Approved Budget
- This net change is attributed mainly to the elimination of the American Rescue Plan Act (ARPA) Grant (\$1,156,3000), anticipated decreases in Net Loan Program Income (\$111,600), and anticipated increases in Management/Service Fees (\$148,600) and Net Fundraising Revenue (\$55,000).

Category	FY 2023 Actual	FY 2024 Approved	FY 2024 Estimated	FY 2025 Proposed	\$ Change	% Change
<b>REVENUES</b>						
Prince George's County Grant	1,137,300	1,177,100	1,177,100	1,177,100	0	0.0%
Net Grant Revenue	293,937	50,000	51,000	105,000	55,000	110.0%
Management/Service Fees	639,692	662,800	731,000	811,400	148,600	22.4%
Bank & Investment Interest (Other)	14,064	3,800	3,800	5,000	1,200	31.6%
Marketing Grant - MD Dept of Commerce	300,000	-	-	-	-	-
Small Business Administration (SBA) Portfolio related interest income	283,824	343,100	275,000	231,500		
American Rescue Plan Act Grant	500,000	1,156,300	1,200,000	0	-1,156,300	-100.0%
Other Income	11,775	15,000	15,100	50,000	35,000	233.3%
<b>Total</b>	<b>3,180,592</b>	<b>3,408,100</b>	<b>3,453,000</b>	<b>2,380,000</b>	<b>-1,028,100</b>	<b>-30.2%</b>
<b>OPERATING</b>						
<b>Personnel Costs</b>						
Compensation	1,382,921	1,692,400	1,692,400	1,285,100	-407,300	-24.1%
Fringe Benefits	335,490	431,700	424,500	431,700	0	0.0%
<b>Contractual</b>						
IT Maintenance & Service	60,059	65,000	65,000	65,000	0	0.0%
Accounting, Compliance & Auditing Services	48,000	45,000	45,000	45,000	0	0.0%
ARPA - Accounting, Compliance & Auditing Services	12,500	17,500	17,500		-17,500	-100.0%
ARPA - Education & Training	157,236	266,700	266,700		-266,700	-100.0%
ARPA - Professional Services - Support to Businesses	154,487	226,300	226,300		-226,300	-100.0%
Payroll & Administrative Costs	28,006	20,000	20,000	20,000	0	0.0%
Marketing & Communications Support	30,000	20,000	20,000	20,000	0	0.0%
<b>Indirect Costs/General Administrative Costs</b>						
Interest Expenses	123,118	90,000	85,000	82,700	-7,300	-8.1%
Legal Fees	7,500	2,500	25,000	7,500	5,000	200.0%
Travel (Mileage, Hotel Airfare, Meals)	4,521	5,000	5,000	5,000	0	0.0%
Office Supplies & Expenses	21,049	14,000	14,000	14,000	0	0.0%
ARPA - Office Supplies & Expenses	3,038	7,600	7,600	0	-7,600	-100.0%
Office Equipment Lease	7,115	15,000	15,000	15,000	0	0.0%
Marketing, Supplies & Public Relations	397,520	30,000	30,000	30,000	0	0.0%
Depreciation	10,704	10,500	10,500	10,500	0	0.0%
Insurance Premium/ Renewal	23,014	22,000	22,000	22,000	0	0.0%
Portfolio Services	91,353	40,000	60,000	60,000	20,000	50.0%
Software Licenses & Maintenance Fees	50,531	43,000	47,000	47,000	4,000	9.3%
ARPA - Software Licenses & Maintenance Fees	18,112	31,900	32,000	0	-31,900	-100.0%
Copying / Printing	3,500	4,000	4,000	4,000	0	0.0%
Telephone & Teleconferences	8,864	10,000	10,000	10,000	0	0.0%
Board & Committee Meeting Exp	15,000	8,500	8,500	8,500	-	0.0%
Loan Loss Reserves	(186,014)	100,000	100,000	80,000	(20,000)	-20.0%
Staff Development/Training Conferences	34,253	20,000	30,000	30,000	10,000	50.0%
Subscriptions, Dues, & Misc.	45,291	35,000	35,000	35,000	-	0.0%
Special Program Expenses	187,152	125,000	125,000	50,000	(75,000)	-60.0%
ARPA - Equipment & Related	3,141	7,500	8,000	-	(7,500)	-100.0%
Miscellaneous / Other Expenses	12,234	2,000	2,000	2,000	-	0.0%
Sub-Total	\$ 3,089,695	\$ 3,408,100	\$ 3,453,000	\$ 2,380,000	\$ (1,028,100)	-30.2%
<b>Total</b>	<b>\$ 4,808,106</b>	<b>\$ 5,532,200</b>	<b>\$ 5,569,900</b>	<b>\$ 4,096,800</b>	<b>\$ (1,435,400)</b>	<b>-25.9%</b>

**Staffing Changes and Compensation**

- In FY 2025, compensation is proposed at \$1,285,100, a decrease of \$407,300, or -24.1% below the FY 2024 Approved Budget. The decrease is due to the reduction in ARPA funding and right sizing of compensation adjustments.

- The Level Up Program, funded by ARPA, has five (5) funded positions that will go unfunded on June 30, 2024. Currently those positions support various technical assistance programming.

**Authorized Staffing Count**

	<b>FY 2024 Approved</b>	<b>FY 2025 Proposed</b>	<b>Change Amount</b>	<b>Percentage Change</b>
Full-Time (Funded)	14	14	0	0.0%
Full-Time (Unfunded)	0	5	5	0.0%
<b>Total</b>	<b>14</b>	<b>19</b>	<b>0</b>	<b>0.0%</b>

**Fringe Benefits**

- Fringe benefit expenditures are proposed at 431,700 in FY 2025, with no changes from the FY 2024 approved budget.

**Revenue**

- For FY 2025, the County’s grant is proposed at \$1,177,100, with no changes from FY 2024. Other major revenue items include:
- Small Business Administration (SBA) portfolio-related interest income is projected at \$231,500, which is a \$111,600 decrease, or -32.5% below the FY 2024 Approved Budget amount of \$343,100. This is due to the sunset of the program and its current reduced portfolio.
- Management/Servicing Fees, which are projected at \$811,400, a \$148,600 or 22.4% increase which reflects the growth of the non-SBA portfolio, including revenue from the Maryland Video Lottery Terminal (VLT), Bowie Loan Program, EDI Fund Loan Program, and the University of Maryland Medical System Loan Program
- Net Grant Revenue is projected at \$105,000, a \$55,000 or 110% increase over the FY 2024 Approved Budget. This is due to the need to provide some level of technical assistance to County Businesses. Net fundraising income and non-county grants are also included.
- Other Income, which includes expected gala fundraising efforts in FY 2025, is projected at \$50,000, an increase of \$35,000 or 233%. This may also include any one-time sponsorships or grant administration revenue.
- ARPA funding, which will be fully used in FY 2024, will decrease revenue by \$1,156,300, or 100%, due to its sunset and no communication that a replacement program will be funded.

**Operating Expenditures**

- For FY 2025, operating expenditures are proposed at \$663,200, a decrease of \$620,800 or -48.3%. Operating expenditures for the Financial Services Corporation are comprised of the following major items:
  - Contractual: \$150,000, which is anticipated to decrease by \$510,500 or -77.3% due to ARPA funding ending in FY 2024.

- Indirect Costs: \$513,200, which is anticipated to decrease by \$110,300 or -17.7% due to ARPA funding ending in FY 2024.
- The most significant decrease in operating expenses includes costs associated with ARPA, such as education and training, with a decrease of \$266,700, and support to businesses, with a decrease of \$226,300.

**Economic Development Incentive (EDI) Fund**

- Prince George’s County has dedicated \$50 million to provide for the retention, expansion, and attraction of businesses that will broaden the County’s commercial tax base, retain, and attract jobs, support small and local enterprises, and promote development and development opportunities, transit-oriented development, and the growth of key industry sectors. The Economic Development Incentive (EDI) Fund is administered by FSC First and the Prince George’s County Economic Development Corporation (EDC). The project must demonstrate that “but for” the County offering public incentives, the project would not proceed, and that this investment is leveraged with additional private and public dollars.
- Since its inception and as of November 2023, the EDI Fund has closed 21 conventional loans totaling \$24,207,500, created 1,183 jobs, and retained 1,346 jobs for a total of 2,119 jobs. During the same time frame, the EDI Fund closed 28 conditional loans for a total of \$15,761,000 while creating 2,264 and retaining 4,424 jobs for a total of 6,328 jobs. County residents obtained 51% of the jobs.

Below is the calculation for the FSC First’s EDI Fund balance and activity as of January 31, 2023:

<b>FY 2024 Commitments @2/29/2024</b>	
<b>Starting Balance</b>	<b>\$50,000,000</b>
<b>Less Loans Committed</b>	<b>(44,388,500)</b>
Nash Finch	\$200,000
Euro Restaurants	\$455,000
Amara Realty	\$750,000
Aquilent	\$250,000
A.M Briggs	\$85,000
Beltsville Land	\$200,000
Kane Company	\$150,000
UPS	\$100,000
Safeway	\$500,000
Kolytic, Inc.	\$200,000
Giant Food	\$250,000
Capital Lighting & Supply LLC	\$250,000
Genesis Engineering Solutions, Inc.	\$350,000
First Priority Group, LLC	\$150,000
<b>Sub-Total – Adjusted Total Commitments</b>	<b>\$45,998,500</b>
<b>Sub-Total to Spend (\$50MM – Adj. Total Commitments)</b>	<b>\$4,001,500</b>
Plus Principal Repayments	\$13,661,874
Minus EDIF COVID-19 Relief Contribution	\$2,500,000
<b>Projected Total to Spend in Loan Fund @ 1/31/2023</b>	<b>\$15,163,374</b>

**Note:** The \$50 million starting balance is based upon the initial assigned amount. Each year \$9 million is estimated to be appropriated for the EDI Fund with each loan amount to be approved by County Council legislation.

<b>FY 2024 Additional Expenditures by 6/30/24</b>	
Speigner Holdings, LLC	\$150,000
RIZE Zone Rental Assistance	\$150,000
V&B Ventures Inc.	\$480,000
Adventist Healthcare Surgery Center at National Harbor LLC (\$700,000 Conventional/\$300,000 Conditional)	\$1,000,000
Nobody Properties	\$750,000
ION Storage Systems, Inc	\$200,000
<b>Total Additional Expenditures</b>	<b>\$2,730,000</b>
<b>FY 2024 Pipeline @ 02/29/24</b>	<b>\$4,850,000</b>
<b>FY 2024 Total Estimated Expenditures</b>	<b>\$7,580,000</b>

**Other Loan Programs**

- The Video Lottery Terminal Flex Fund: Nine (9) loans totaling \$1,930,000 were closed/funded in FY 2024. Two (2) loans totaling \$350,000 are in the closing and pending but approved process as of February 29, 2024. Nine (9) loans totaling \$1,270,000 are in the pipeline.
- SBA 504: One (1) loan totaling \$720,000 was closed/funded in FY 2024. Two (2) loans totaling \$1,475,000 are in the closing and pending but approved process as of February 29, 2024. Eight (8) loans totaling \$12,772,000 are in the pipeline.
- UMMS: One (1) loan, totaling \$50,000, was closed/funded in FY 2024. No loans are currently pending approval. Three (3) loans, totaling \$150,000, are in the pipeline.
- City of Bowie Loan Fund: One (1) totaling \$50,000 was closed/funded in FY 2024. There are no loans currently pending.

	<b>FY 2021 Actual</b>	<b>FY 2022 Actual</b>	<b>FY 2023 Actual</b>	<b>FY 2024 Estimate</b>	<b>FY 2025 Projected</b>
<b>Loans Closed</b>	27	13	23	31	34
<b>Jobs Created/Supported</b>	494	111	607	280	404
<b>Total Approved Loan Amounts (Millions)</b>	\$5.1	\$3.6	\$6.1	\$10.8	\$10.0

- The loan balance for the entire portfolio is \$39,095,863 as of February 29, 2024.

- The amount of unfunded loans in closing process is \$3,925,000 as of February 29, 2024.
- The amount of loans in the pipeline is \$15,442,000 as of February 29, 2024.

### **2024 Key Accomplishments and Highlights**

In FY 2024, FSC has:

- Counseled 175 businesses, funded \$10.8 Million in loans, created, and retained 280 jobs. Funded \$793,400 in grants to 155 businesses through the County's Purple Line Business Assistance grant program.
- Served 563 businesses in the 1<sup>st</sup> quarter of FY 2024 and 2,036 businesses in FY 2023 through the Level Up Program. The Level Up Program provided various educational and networking opportunities that included informational tools and technical assistance to small businesses to support growth and development within the County:
  - Collaborative Ecosystem
  - Increased Access and Engagement
  - Strategic Branding and Marketing
  - Successful Business Launch and Scaling
  - Improved Financial Management
  - Networking and Collaboration
  - Access to Funding and Resources
- Through the Level Up Program, based on County Districts, participation levels of County Small Businesses from July 2022 to December 2023 were the following:
  - District 1: 14%
  - District 2: 8%
  - District 3: 6%
  - District 4: 15%
  - District 5: 5%
  - District 6: 25%
  - District 7: 3%
  - District 8: 13%
  - District 9: 8%
- Increased pipeline of participation in technical assistance program to funding access.
- Successfully launched and scaled businesses through programs such as SEED SPOT Launch Camp and the Scaling 1 to 1 Million Program.
- Strengthened networking and collaboration among local, regional, and state organizations,
- Improved the overall access to resources and funding opportunities to small businesses.
- Launched the M&T Accelerator Program, an eight-week initiative to support small businesses through comprehensive training, mentorship, and networking opportunities.

- Achieved growth through marketing and leveraging social media platforms to expand the community's knowledge and outreach efforts.
- Expanded the number of loan level programs with favorable costs of funds and instituted more management fees for certain programs.
- Improved the loan turnaround time from 75 days in 2022 to 67 days in 2023.

#### **Strategic Focus and Initiatives for FY 2025**

- Lend \$10 Million in new loans to local businesses through various federal, State, and local programs.
- Launching additional loan programs in FY 2025.

#### **Challenges and Opportunities for FY 2025**

- Rising interest levels lead to hesitancy for small business owners to engage in debt financing, further limiting the growth of FSC First's loan portfolio. Through this, FSC First has increased levels of technical assistance and business development efforts, especially through the Level Up Program.
- The tremendous decrease in the number of programs FSC First can offer due to the loss of the ARPA grant, which funded Level Up Programming and any other technical assistance programming. FSC First cannot reach the desired results related to small businesses' success, but some can be done through volunteers.