

FY 20 BUDGET PRESENTATION to County Council PHED

May 2, 2019

**Shelly M. Gross-Wade
President & CEO**



www.fscfirst.com

Mission and Vision

- **Vision Statement**

FSC First envisions a community where all small businesses have the financial tools they need to thrive.

- **Mission Statement**

FSC First is a flexible, risk-tolerant alternative funding source that provides innovative and creative financing solutions and loan administration services that benefit small and emerging businesses.



Our Dynamic Team



Shelly Gross-Wade
President & CEO



Dawn Medley
Vice President Business Finance
Programs



Brad Novack
Senior Accountant



Wilma Pearson
Executive Assistant



Kathy Morant
Portfolio Manager



Sue Ann Scafone
Commercial Loan Assistant



James Steward Smith
Business Development Manager



Ron Warrick
Commercial Loan Underwriter



Daisy Namukwaya
Economic Impact
Analyst



20 Year Legacy Impact

Business Development/Technical Assistance

1,826 Businesses received financial counseling services
91 Average number of businesses assisted annually

Loans Approved

\$131,717,703 Dollar Amount of Loans Approved

Loans Closed & Funded

\$81,427,830 Dollar Amount of Loans Closed & Funded

Jobs Supported

11,089 Over 20 Year period

Commercial Tax Base Contribution

\$153,144,971 Increase in Tax Assessment Value (32 properties)

Additional Public/Private Funds Attracted

\$1,306,515,133 Dollar Amount Leveraged (in Billions)
6:1 Leverage Ratio over 20 year period



FY19 Strategic Goals

Primary Goal: By 6/30/2019, FSC First has closed **\$8.4MM** in Loans to generate \$446,259 in revenue (40% of County allocation).

Strategic Objective: Approve \$10.5MM in Loans by 6/30/2019.

Action Strategy: New Loan Commitments:

\$4.3MM for Small Business Growth Fund, SBA 504 Loan Funds, VLT Small Business FLEX Fund, Microenterprise Loans (Cap One & DHCD), and City of Bowie Loan Fund
\$6.2MM for EDI Fund loans



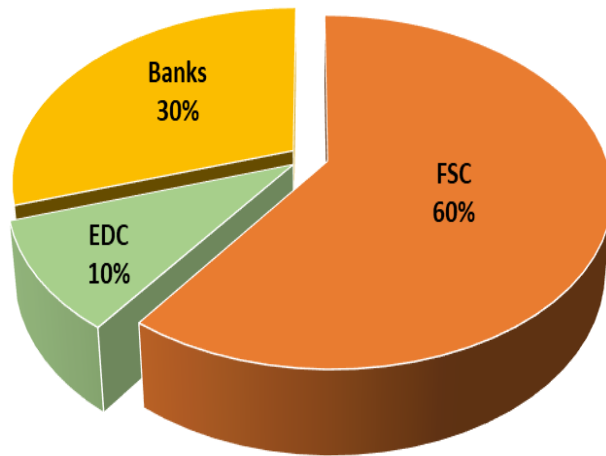
Addressing the Need

| | <u>FY19 Proj.</u> | <u>FY20 Proj.</u> |
|---|-------------------|-------------------|
| Businesses Counseled/Serviced | 129 | 135 |
| Number of Loan Approvals | 22 | 21 |
| Amount of Loan Commitments (Millions) | \$10.5 | \$10.5 |
| Amount of Loan Closed/Funded (Millions) | \$8.4 | \$8.2 |
| Total Project Costs/Investments (Millions) | \$232.7 | \$179.5 |
| Jobs Created/Retained | 1,643 | 2,541 |

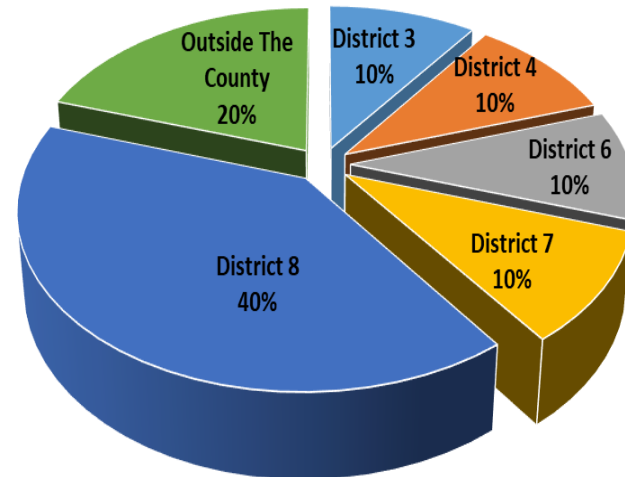


Referral Sources & Geographic Impact

Referral Sources

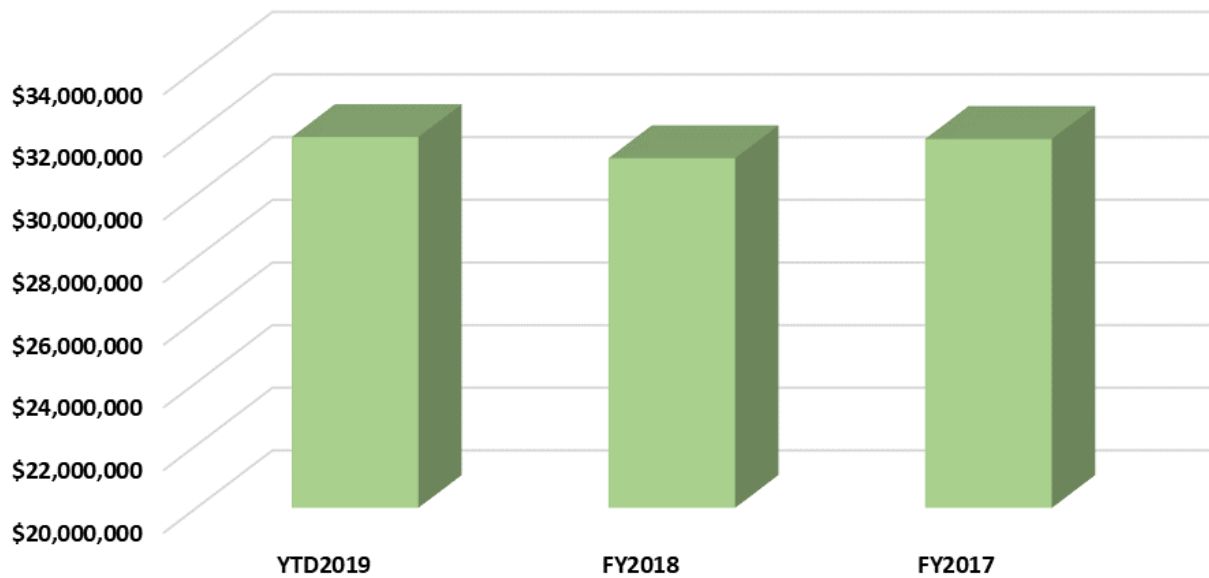


Geographical Impact

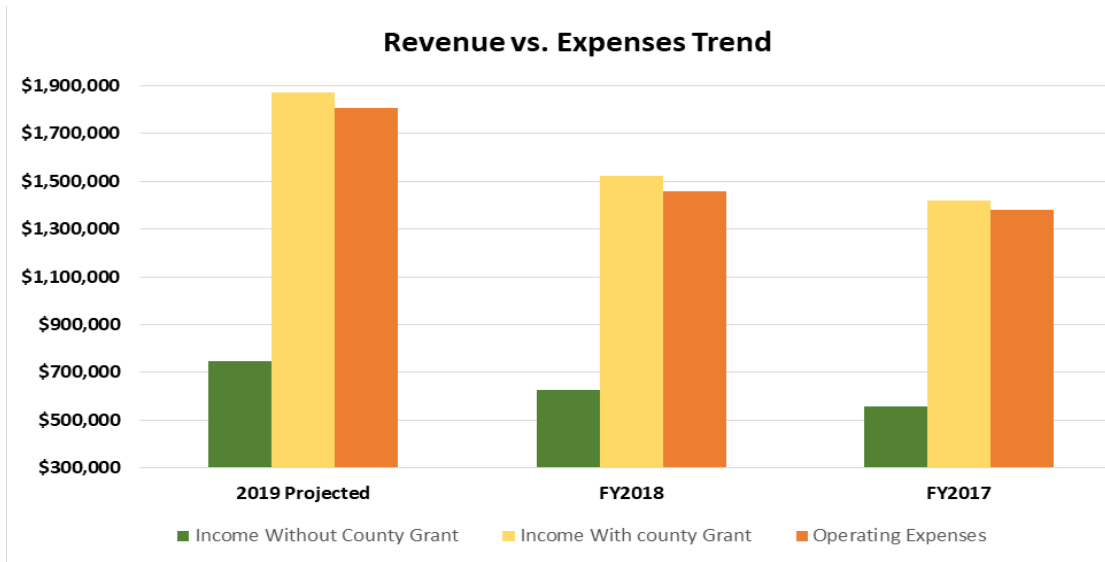


By The Numbers

Loan Funds at Work



By The Numbers

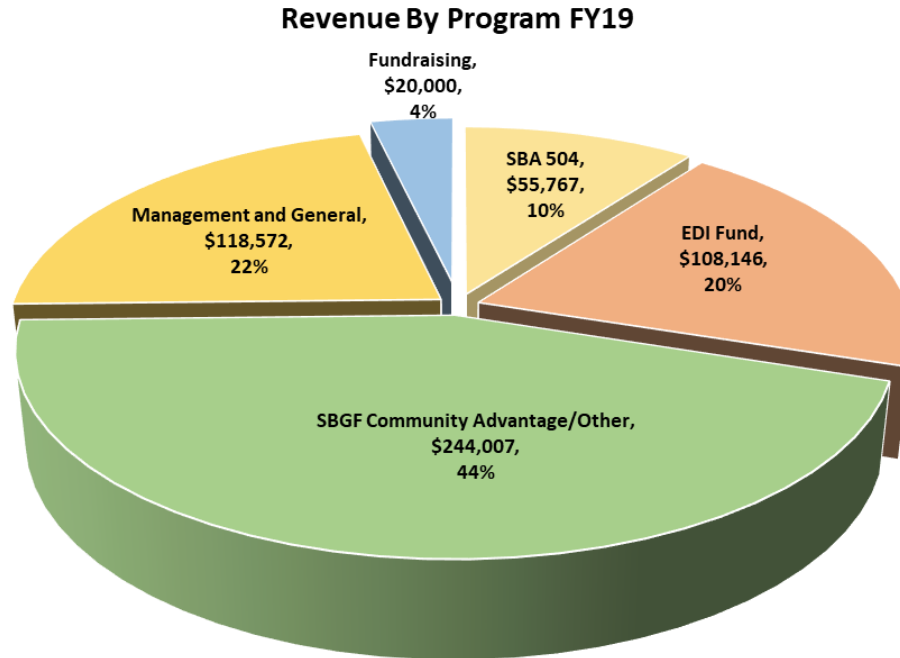


Increase in overall budget driven by internal capacity building and business development of FSC, including:

- Addition of Specialized Commercial Loan Underwriter position
- Purchase of new software to expedite and streamline the underwriting of SBA 504 loans
- Increased costs in contracted services (Marketing and Accounting/Audit services)
- Increase in Loan Loss Reserve expense experienced due to attempted collections on bad debt
- Expenses related to onboarding of new loan products and services
- Revenue includes recognition of In-Kind Rent of \$143K (offset in Expenses)



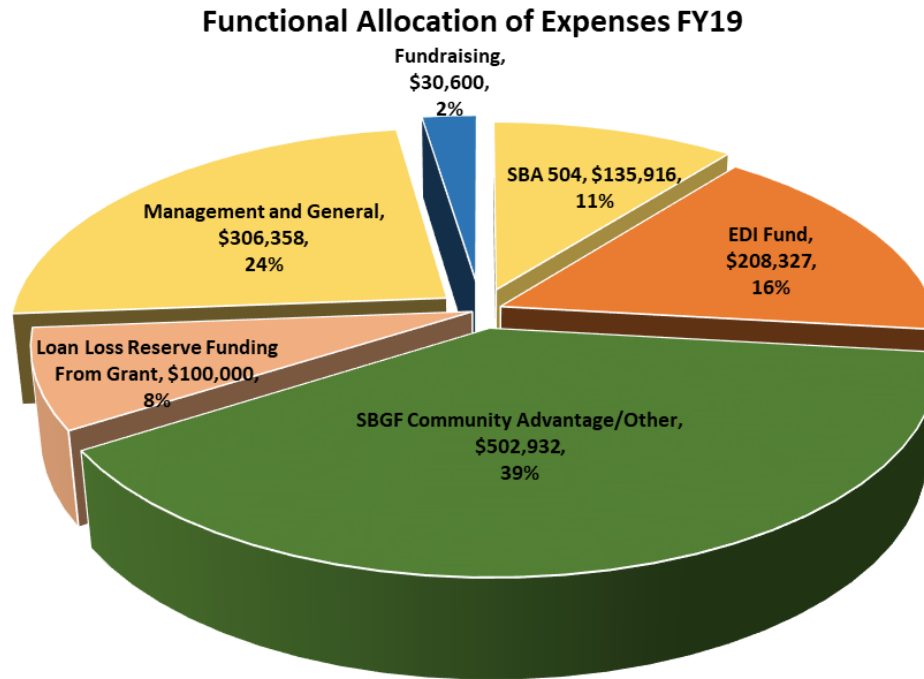
By The Numbers



Revenues do not include the County grant funding



By The Numbers



Meeting the Demand for Capital

- ❑ Current offerings – **innovative and creative approaches**
 - **SBA 504** – supports 2nd trust loans for acquisition of owner/occupied real estate, long-term leasehold improvements, and machinery & equipment purchases. Loan Amount: \$250,000 - \$5.5 Million
 - **Small Business Growth Fund** (SBA Community Advantage) – supports the day-to-day operations, smaller real estate transactions & equipment. This is a partnership between the Bank pool, Prince George's County, SBA, and FSC First. Typical Loan Amount: \$25,000 - \$250,000
 - **Microenterprise Loan Program** – direct lending for working capital and equipment. Loan amount \$25,000 - \$50,000
 - **VLT Small Business FLEX Fund** – intermediary lender for the State Department of Commerce -- supports working capital needs, without requiring a government guarantee or the funding of loan loss reserves. Loan Amount: \$25,000 to \$250,000
 - **City of Bowie Loan Fund** – supports the day-to-day operations, equipment & working capital for businesses located in the City of Bowie. Loan Amount: \$25,000 - \$50,000



Remaining relevant to the evolving needs

- Current offerings (continued)
 - **EDI Fund** – supports job creation & commercial tax base, longer repayment term and flexible interest rate. Loan Amount: Varies
 - **EDI Fund/Contractors Advantage Program (CAP)** – A public-private partnership that supports local banks that approve/fund contract financing for local contractors with up to a 25% guarantee from the County. Lines of credit term up to 24 months. Participating Banks: Revere Bank, SonaBank and Industrial Bank
 - **EDI Fund/Special Assistance For Local Entrepreneurs** -- Direct Loans and guarantees to support start-ups and expansion companies in Prince George's County who are at least 51% owned by County residents



Remaining relevant to the evolving need

Prince George's County Green Bank

- **Commercial Property Assessment for Clean Energy (C-PACE)** — provides for the financing of energy efficiency, renewable energy, and water conservation upgrades to commercial buildings. Upgrades are financed, up to 20% of appraised value, through an energy lender and then repaid via an annual assessment on the property tax bill over a long term. Implementation Plan recently submitted to the County Council.
- **Green Energy Loan Fund** — a Pepco/Exelon sponsored program in partnership with OCS that supports an emerging industry in the County with loan guarantees up to \$250,000 to back local banks that fund direct loans for commercial building energy efficiency improvements, energy conservation & renewable energy measures.



Remaining relevant to the evolving need



Prince George's County Purple Line Business Assistance Program



On the Right Track – Stop 1:

Make an appointment with SBDC for a business assessment consultation.

On the Fast Track – Stop 2:

SBDC will make a recommendation for services needed that are supported by a grant that is administered by FSC First

Back on Track & Full Steam Ahead – Stop 3:

Be placed with a representative from local agencies to assist with services

The Purple Line Business Assistance Program is designed to provide assistance to businesses in the **Purple Line Construction Corridor** that need consultation for:

- Interruption/disruption of business operations as a result of Purple Line Construction
- Formalizing business State and local registrations (e.g. legal documentation, organizational filings, personal property tax filings, vendor registration, etc.)
- Signage, branding, marketing strategy or social media advertising
- Building business credit history
- Improving business financial literacy & documentation (e.g. accounting, financial statements, CPA or bookkeeping)
- Proper insurance coverage (e.g. business interruption, liability, worker's compensation, etc.)
- Retail and restaurant businesses
- Creative financing solutions

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Remaining relevant to the evolving need

Collaboration and leveraging through diversification in services:

- Lender Service Provider
- Capital provider partnerships for the Prince George's County Green Bank



Challenges & Opportunities

Challenge: New Program Traction – Takes 1 - 2 years to achieve revenue for new programs from concept to first loan disbursement. Unable to correlate new programs with revenue impact or properly forecast.

Opportunity: Provides more resources for small business capital needs & new revenue potential for FSC.

Challenge: *No viable source to cover the cost for increased marketing efforts.*

External Challenge: Defunding for the Video Lottery Terminal (VLT) Fund by the State

External Challenge: Increased regulatory and compliance requirements

External Challenge: **Declining revenues** – unable to forecast “green” loan fund product deal flow. Forfeiting EDI Fund revenue from conditional loan volume in exchange for long-term economic impact & community benefit. SBGF is a service to the County & County businesses – costs are equal to or beyond revenue.



Challenges & Opportunities (cont'd)

External Challenge: New White House Administration elimination of programs; PRIME rate rapid increases, delinquencies & defaults resulting in reduction of revenue; stock market instability reduces eagerness to borrow; limited Loan Loss Reserves reduces funding availability from the SBGF loan pool.

Opportunity: CDFI/Financial Assistance – up to \$2.0 Million (requires match)
Eligible Uses – lending capital, loan loss reserves, capital reserves, operations and development services.

CDFI/Technical Assistance – up to \$125,000 supports organization
Eligible Uses – equipment, hire consulting or contracting services, train staff and board of directors, needed software.

SBA MicroEnterprise Loan Fund – up to \$750,000 (requires match)
Eligible Uses – small business loans less than \$50,000



Vision for FY2020

- Primary Goal – increase direct lending activities
- Further diversify revenue stream
- Renegotiate loan pool funding - \$4.8 Million



- Acquire Multi-Year Funding commitment from Prince George's County



Vision for FY 2020 (cont'd)

- Support the county's adopted economic development strategy – public policy goals and initiatives
- Increase collaboration with the EDC
 - Leverage cross-marketing and promotion efforts
 - Joint Grant writing initiative
 - Holistic approach to business development
 - Technical Assistance – Counseling (MD SBDC)
 - Training – Capacity Building (SBA)

THANK YOU!!!

- County Executive Angela Alsobrooks and this Administration
- Continued support for a thriving economy
- Our esteemed pleasure to provide essential and diverse business financing service to support local jobs and the commercial tax base
- Thank you for your continued support!

301.883.6900

