

BUDGET MESSAGE

NEOEDD's budget for 2020-2021 is based on historic costs with adjustments for known and potential changes in expected revenues and expenses.

The total fund balance for the District is expected to have increased by about \$70,000 from June 2019 to June 2020. We had projected an increase of about \$16,000 in the budget for the year, so our net revenues have exceeded our anticipated net revenues. The proposed budget projects an increase of about \$650,190 in total fund balances from June 2020 to June 2021. This projected fund balance increase reflects both an increase in loan balances and cash balances which may not actually show up as fund balances at the end of the year.

Revenues

We have identified specific funding sources for the revenue streams identified in the proposed budget. The sources are identified below.

In the NOBD fund, we are under contract with Northeast Oregon Business Development to reimburse us for our costs of delivering services associated with the Intermediary Relending Program. We also receive an annual payment for services previously rendered which was formalized in a loan agreement with a thirteen-year repayment period.

In the Revolving Loan Fund, we are anticipating limited activity and somewhat reduced interest income. We are budgeting for no new activity in the RBEG RLF. The reason for these limited activities are because we expect to be awarded new COVID-related funding from the Economic Development Administration to establish a COVID RLF. We will be applying for a two-part, competitive grant from EDA, the first part is an \$850,000 grant to loan out over a two-year period of which we are estimating a little less than half will be loaned this year. The second part is an \$85,000 grant to be used to deploy the new funding. The NEOEDD board will be providing some guidelines on loan terms. The budget includes loan fees, but no interest payments. We have latitude in the terms for the first two years of deployment.

We are currently preparing applications for local governments to apply for \$150,000 of grant funding through Business Oregon's Community Development Block Grant emergency funding program to provide grants to qualifying businesses. The local governments will sub-grant the funds to NEOEDD to deploy to the businesses in their county. We anticipate receiving \$450,000 to deploy for businesses impacted by COVID-19 operating restrictions. Some of these funds may be disbursed to businesses before the end of June.

The City of La Grande has contracted with NEOEDD to provide loan review and collection/servicing assistance. They have additional funding to lend out and we will

start collecting interest payments for them in the fall. The funds received on the city's behalf are not included in the budget.

NEOEDD applied for \$300,000 from Business Oregon's Emergency Business Assistance Fund to regrant to businesses impacted by COVID-19 operating restrictions. This funding is supposed to be deployed within 45 days of receipt and we don't expect to get all the funding requested, so the amount budgeted for next year is just \$200,000.

NEOEDD applied for and was awarded \$30,000 of matching funds from Business Oregon for a Wallowa County Grant fund. We expect that at least \$15,000 will be disbursed before the start of the new fiscal year.

NEOEDD has been invited to apply for \$400,000 of non-competitive funding from the Economic Development Administration to assist with Economic Recovery & Resiliency efforts over the next two years. We budgeted half of the funds to be received each year.

The Food Initiatives Fund includes a three-year grant (\$5,000/year) from the federal government through Oregon State University Extension to support the Oregon Community Food System Network (OCFSN).

In the Contract Services fund, we are currently under contract with Baker County to perform Certified Payroll review services associated with the construction of a new rural fire station in Richland. We are under contract with Community Connections of NE Oregon to monitor certified payroll records for the construction of an addition to the building they occupy in Enterprise. We are also under contract with the City of Richland to perform grant administration services for a water system engineering project. We will be submitting an application to perform CDBG-related work for the City of Halfway on a fire station construction project starting this summer. We've estimated revenues from these projects totaling \$40,000.

We received a grant from Meyer Memorial Trust as part of their Service to Systems initiative.

We received a three-year grant from Meyer Memorial Trust to build non-profit organization capacity in understanding, adopting policies and implementing practices to advance diversity, equity and inclusion (DEI) within their organizations. We received the balance of the grant in year two and will be entering year three during the 2020-2021 fiscal year. In addition, we partnered with the Oregon Native American Chamber of Commerce to apply for a grant from the Collins Foundation to bolster our DEI work. The grant was awarded by the Collins Foundation and we expect to receive up to \$50,000 through that partnership.

ROI LG reflects activity at the IGNITE Center for Entrepreneurship in La Grande. This is a joint project with the City of La Grande Urban Renewal District. NEOEDD serves as the fiscal sponsor for the project and was awarded funding from Business Oregon to support the partnership that has been enhanced by Eastern Oregon University's desire

to collaborate in serving rural entrepreneurs and develop a certificate and degree program in entrepreneurship for college students as well as initiate youth summer entrepreneurship programming.

We were awarded a three-year Planning Grant from the Economic Development Administration last year and will receive \$75,000 of that \$225,000 award during the fiscal year.

In the Micro CDBG fund, we are planning to deliver classes and complete services related to a \$75,000 grant awarded to the City of La Grande late in 2019. NEOEDD is required to deliver classroom training to low-moderate income entrepreneurs under our contract with the city. We may have trouble filling classes if they need to be delivered remotely.

NEOEDD was included as a local partner in a grant Rural Development Initiatives received from the Kauffman Foundation to support rural entrepreneurship.

NEOEDD's Executive Director was invited to participate in a design team to influence The Ford Family Foundation's direction for supporting rural entrepreneurship. They offered a \$2,500 stipend to pay for district costs associated with participation on the design team.

In the IDA fund, we are under contract to receive funding based the number of new individuals who are enrolled in the program, among other performance factors. For the first time, Casa of Oregon is not allocating any funds to our region, so the income is estimated based on enrolling four new clients in the program. We have also budgeted \$7,500 of Foundation/Corporate grant revenue which is expected from banking institutions based on past Community Reinvestment Act donations for the IDA program.

In a number of funds, we have estimated the fund balance at year end and then accounted for the net balance as deferred revenue. As a result of this action, the fund balance is reduced to zero. We anticipate recognizing this deferred revenue as grant revenue in the upcoming year.

Expenses

NEOEDD has a staff of one full-time employee, one 90% of full-time equivalent (FTE), one 75% FTE and one 50% FTE. The budget includes a cost-of-living adjustment, calculated per board-adopted policy and raises for most staff members who are under the targeted minimum or median pay level within comparable organizations. These targets were established by the Executive Committee based on a salary survey conducted by the Local Government Personnel Institute. In addition, the budget includes the addition of a disaster recovery specialist and transitioning two employees to newly defined positions.

Health insurance costs are budgeted based on new rates provided by CIS. The costs are significantly higher than last year because an assumption was made that the potential new hire would have a family.

Travel costs are budgeted about \$3,000 higher than the current year budget. Budgeted costs associated with EDA Recovery and COVID RLF funds total \$6,000. If social distancing measures remain in place, the actual travel costs are likely to be substantially lower than budgeted.

Advertising costs are significantly higher than they have been previously. Most of the increase can be attributed to a \$4,000 advertising budget for the COVID RLF. Traditionally, most of our advertising costs are associated with legal notices for our budget committee meeting and hearing, which happens at the end of our fiscal year.

Contractual Services costs are expected to increase significantly with funds budgeted for part of the fee for two RARE participants (one in the EDA Recovery fund and one in the ROI LG fund). Additional contractor costs are anticipated in the EDA Recovery and Service to Systems funds. About two-thirds of our loan officer contractual costs have been moved from our traditional loan funds to the new COVID RLF.

Indirect costs are expected to decrease by about \$17,000 from last year. The decrease budget for indirect is related to anticipated work by staff members on program specific activities.

Internet/Website costs are expected to remain fairly steady.

Phone costs are budgeted higher than last year as we expect to continue to provide mobile phone allowances for staff using their personal devices to conduct business and as we add staff.

Rent costs are expected to remain fairly steady.

Seminars/conferences are budgeted at an increased cost. However, it is possible that due to travel restrictions, that costs will actually decrease.

Services are budgeted higher than last year. Part of the reason for the increase is the fact that we contracted with Wallowa ESD to provide computer technical services during the past year, which increased our service costs significantly.

Special Projects are budgeted at a significantly higher level than last year. Part of the budgeted increase is the cost of the services funded through OSU Extension, the other part is services that were included as part of the ROI LG budget to be spent on entrepreneurial programming at EOU.

Supply costs are significantly higher as we anticipate purchasing some furniture and equipment with the EDA Recovery grant.

Capital Expenditures are budgeted to purchase office equipment or furniture for the District if costs exceed \$500 per item.

Fund Explanations

The General Fund of the District is not the same type of fund as the general fund of governments that receive tax dollars to support operations. Our general fund is primarily used to account for fixed assets, miscellaneous income, and for contract revenues earned in excess of costs. The General Fund is also the “bank” of the District which can be used as a source of funds to transfer to other accounts/activities such as the Planning Grant or for loans to other funds when earned income has not yet been received. District operating costs are generally not charged to the General Fund.

The Planning Grant fund is used to provide project development and management assistance to projects that have been invited to apply for or awarded funds from the Economic Development Administration, as well as planning and general economic development assistance to counties and communities. The planning grant provides the revenue to support our overall mission and goals. The grant must be matched on a 1:1 basis with other funds.

Changes in Funds Included in the Budget

There are nine new funds in the budget this year. Most of these funds are the result of government initiatives to recover from COVID-19 restrictions that have severely impacted the economy.

If you have any questions about the budget, please contact Lisa Dawson, Budget Officer, at 541-426-3598 x1 or lisadawson@neoedd.org.