

BUDGET MESSAGE

NEOEDD's budget for 2021-2022 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 decreased by about \$81,200 from June 2020 to June 2021. We had projected an increase of about \$442,240 in the budget for the year. The main difference between our budget and actual fund balance is due to activity, or the absence of activity in our revolving loan funds. We suffered a large bad debt during the year which resulted in our decreased fund balance and we were not able to make new loans from grant funds we were awarded, so the expected increase in fund balances did not materialize. The proposed budget projects an increase of about \$829,000 in total fund balances from June 2021 to June 2022. This projected fund balance increase primarily reflects an increase in loan balances and a decrease in operating fund balances as we utilize some of the funds received this year in excess of expenses.

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 is because we need to loan out the entire new COVID-related Revolving Loan Fund by the end of the year. The new loan fund comes with administrative revenue to offset our cost of administering and marketing the fund.

We have funding from the Community Development Block Grant program to make grants to low-moderate businesses in Baker, Union and Wallowa counties. The amount of funding remaining varies by county and we need to get it all out by August.

The City of La Grande has contracted with NEOEDD to provide loan review and collection/servicing assistance. The funds that we collect and then expend repaying the loans to the city are reflected in this year's budget.

NEOEDD received a \$400,000 of non-competitive grant from the Economic Development Administration to assist with Economic Recovery & Resiliency efforts. We only spent about \$120,000 of these funds this year, so need to increase our spending

next year. We will be adding a staff person and a University of Oregon RARE AmeriCorps participant to help with action planning and implementation. We also have some funds to use for contracted services if we identify a project that requires specialized knowledge such as a broadband planning consultant.

In the Contract Services fund, we are currently under contract with Maxville Heritage Interpretive Center to provide a variety of services. We are also under contract with the City of Richland to perform grant administration services for a water system engineering project. We are also performing CDBG-related work for the City of Halfway on a fire station construction project that will go out to bid in June. We've estimated revenues from these projects totaling \$42,000.

We received a grant from Meyer Memorial Trust as part of their Service to Systems initiative. We will be implementing a database management system with a majority of the remaining funding in the grant as well as taking steps to make more connections with entrepreneurs in the region and learning from them about their needs so that we can deliver the types of services that they need.

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. We received additional funding from the Oregon Community Foundation to continue the work. 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 additional funding through that partnership.

The Entrepreneurial Development fund includes activity at the IGNITE Center for Entrepreneurship in La Grande. This is a joint project with the City of La Grande. NEOEDD serves as the fiscal sponsor for the project and was previously 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. We will be applying for additional funding to support this effort. We have budgeted for additional part-time staff in this fund.

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

In the Micro CDBG fund, we are planning to deliver classroom training to low-moderate income entrepreneurs in the region. We hope that the City of La Grande will be willing to apply for additional funding for these classes in the coming year.

In 2020-2021, NEOEDD received Business Oregon Technical Assistance funding through the High Desert Partnership to provide technical assistance services to entrepreneurs and business owners in Union and Wallowa counties. Baker County was primarily served by Launch Pad Baker. We anticipate that there will be an additional opportunity to access these funds in the coming year if the Business Oregon budget is funded as requested by the Legislature. This fund includes some of the costs of hiring a new part-time staff member.

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. We have a contract to enroll about 6 people in the program next year. We are hopeful that additional funding will be allocated by the Legislature to support enrollments this year and we will be able to serve more savers. 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) and one 75% FTE. The budget includes the addition of one full-time FTE and one .75% FTE. The budget includes a cost-of-living adjustment, calculated per board-adopted policy and raises for 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.

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 similar to the current year budget. Budgeted costs associated with EDA Recovery and COVID RLF funds total \$7,500. During the current year, travel costs were substantially curtailed by COVID-related regulations.

Advertising costs are budgeted at significantly higher levels than they have been previously. Most of the increase can be attributed to a \$4,000 advertising budget for the COVID RLF and a \$2,000 advertising budget in the EDA CARES fund. 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 a RARE participant. Additional contractor costs are anticipated in the EDA Recovery, Service to Systems, MMT Equity and BO/Entrepreneurial TA 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 again. The decrease budget for Indirect is related to anticipated work by staff members on program specific activities.

We've budgeted \$9,500 of additional costs in the Internet/Website line item to reflect a refresh of our website.

Phone costs are budgeted at the same level as last year.

Rent costs are expected to remain fairly steady.

Seminars/conferences/training are budgeted at an increased cost. We expect to incur additional costs for training as we hire new employees and we have the funding to support increased capacity-building for our staff.

Services are budgeted slightly higher than last year.

Special Projects are budgeted at a significantly lower level than last year. Last year we had funding for some specific projects that are not repeating in the coming year.

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 four 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. We have eliminated three funds.

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