

# FINANCIAL SERVICES CORPORATION

## MISSION AND SERVICES

**Mission** - Financial Services Corporation (FSC First) is a non-profit organization whose mission is to provide small and minority-owned businesses access to creative, flexible and innovative financing solutions for their operations including direct loans, accounts receivable financing and contract financing (e.g., commercial real estate and equipment loans).

**Core Services** -

- Provide financing solutions to businesses located in or interested in moving to Prince George's County

**Strategic Focus in FY 2019**

The corporation's top priorities in FY 2019 are:

- Increase the number of jobs created and/or supported by increasing outreach efforts that promote the financial solutions offered by FSC First
- Achieve various funding targets:
  - \$4.3 million in new Small Business Administration (SBA) 504 Real Estate, Small Business Growth Fund (SBA Community Advantage), VLT Flex Fund and Microenterprise loans
  - \$6.2 million in new Economic Development Incentive (EDI) Fund loans that are available to businesses that retain or add jobs in targeted communities in the County

## FY 2019 BUDGET SUMMARY

The FY 2019 approved budget for the Financial Services Corporation is \$1,709,100, an increase of \$266,400 or 18.5% over the FY 2018 approved budget. The organization's grant from the County totals \$1,122,500, an increase of \$225,500 or 25.1% over the FY 2018 County grant.

**Budgetary Changes** -

<b>FY 2018 APPROVED BUDGET</b>	<b>\$1,442,700</b>
<b>Add: Compensation</b> - Creation of new specialized commercial loan underwriter position	\$90,000
<b>Increase Cost: Operating</b> - Increase in operating expenses primarily due to interest expenses, marketing supplies and printing to support daily operations	\$73,500
<b>Increase Cost: Compensation - Mandatory Salary Requirements</b>	\$43,900
<b>Increase Cost: Fringe Benefits</b> - Increase in fringe benefit costs resulting from mandated salary requirements and new position	\$30,500
<b>Increase Cost: Operating</b> - Increase in contracts for auditing, accounting and payroll processing costs	\$18,500
<b>Add: Operating</b> - Funding for the purchase of loan management software to support technology integration	\$10,000
<b>FY 2019 APPROVED BUDGET</b>	<b>\$1,709,100</b>

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## SERVICE DELIVERY PLAN AND PERFORMANCE

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**GOAL 1** - To strengthen the County's thriving economy by providing small and minority-owned businesses with access to creative, flexible and innovative financing solutions for their operations.

<b>Objective 1.1</b> - Increase the amount of capital (in millions) made available to businesses.					
<b>FY 2023 Target</b>	<b>FY 2016 Actual</b>	<b>FY 2017 Actual</b>	<b>FY 2018 Estimated</b>	<b>FY 2019 Projected</b>	<b>Trend</b>
\$11.5	\$11.2	\$10.7	\$10.1	\$10.6	↔

### Trend and Analysis

The outlook to increase the amount of capital available to businesses and the number of businesses that are approved for loans remains a priority for FSC First. FSC First will continue to serve business owners and new entrepreneurs in the County seeking sources of capital from core and sub-core lending products. FSC First continues to see a substantial need in assisting emerging and start-up businesses seeking financing with financial statement preparation and understanding when to introduce debt financing to capitalize their business.

In FY 2018 and continuing into FY 2019, FSC First is utilizing trends and analysis of empirical data to provide performance measures projections. FSC First also uses new projected earnings software to calculate revenue projections by analyzing the current trial balances and loan terms. FSC First experienced a modest increase in revenue of 15.7% from FY 2016 to FY 2017 due to the EDI Fund and the VLT Small Business FLEX Fund. FSC anticipates a 33.6% increase in revenue from FY 2017 to FY 2018 due to an uptick in SBA 504 loan approvals and the implementation of Green Sustainability and Conservation Loan Funds. The latter is critical to achieving the projected revenue increase. Additionally, we are noticing stricter loan underwriting requirements from the U.S Small Business Administration making SBA 504 loan approvals more difficult. Last year, FSC achieved an outstanding 119% of goal for loan approvals and 149% of goal for loan closings.

FSC First's loan closing ratio has increased from 67% in FY 2016 to 81% in FY 2017 and anticipates that trend will continue in the current fiscal year (FY 2018) and into FY 2019.



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## Performance Measures

Measure Name	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Projected
<b>Resources (input)</b>					
Loan administration staff	4	3	5	6	6
Number of core lending programs	5	2	2	2	2
Number of sub-core lending programs	6	4	5	5	8
<b>Workload, Demand and Production (output)</b>					
Operating Budget	\$1,384,900	\$1,019,300	\$1,444,880	\$1,533,450	\$1,652,459
County Grant	\$879,300	\$739,814	\$860,000	\$897,000	\$1,122,500
Number of businesses counseled/serviced	107	112	169	106	129
Number of applications (intake) - All	94	76	88	106	86
Number of applications underwritten - All	17	27	19	28	21
Number of applications approved - All	18	27	21	25	22
Amount of new commitments - All	\$9,827,000	\$11,177,000	\$10,676,000	\$10,140,000	\$10,560,000
Approved and unfunded Loans - All	\$6,610,000	\$8,038,000	\$7,490,000	\$8,311,800	\$7,379,333
Other debt and equity attracted (\$ millions)	\$448,289,732	\$129,678,024	\$45,990,154	\$116,007,564	\$207,985,970
Total project costs supported	\$450,816,732	\$139,643,024	\$106,653,146	\$125,689,880	\$232,370,967
<b>Efficiency</b>					
Number of approved loans per loan administration staff	5	7	4	4	4
Loans closed and funded	\$12,824,500	\$8,387,000	\$10,122,000	\$6,706,188	\$8,405,063
Total portfolio revenues	\$365,901	\$337,239	\$390,124	\$521,128	\$446,259
<b>Quality</b>					
Number of funded loans	19	18	17	13	18
Percentage of loans funded of those approved (closing ratio)	33%	67%	81%	70%	82%
Revenue as a percentage of budget	26%	33%	27%	34%	27%
Revenue as a percentage of County Grant	42%	46%	45%	58%	40%
Current ratio of loan portfolio that is less than 45 days delinquent	99%	99%	85%	85%	85%
<b>Impact (outcome)</b>					
Number of jobs created and/or supported	816	2,182	1,932	1,643	1,643
Approved - All	\$9,827,000	\$11,177,000	\$10,676,000	\$10,140,000	\$10,560,000

## FY 2018 KEY ACCOMPLISHMENTS

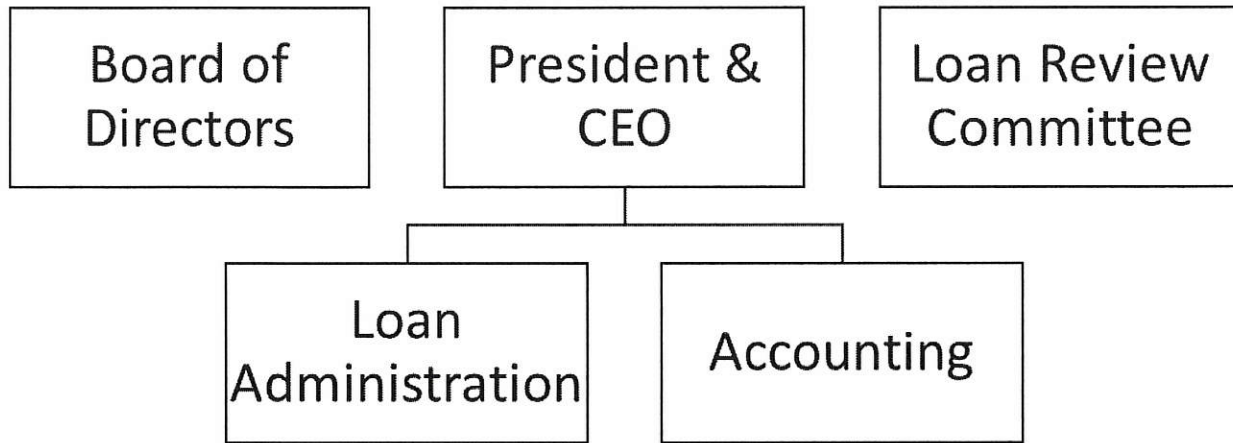
- 106 businesses counseled/serviced.
- 25 loan applications approved.
- \$10.1 million in new loan commitments.
- \$6.7 million loans closed/funded.
- 1,643 jobs created/retained.

**FINANCIAL SERVICES  
CORPORATION**

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**ORGANIZATION CHART**

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**FY 2019 OPERATING BUDGET**

REVENUES					
	FY 2017 ACTUAL	FY 2018 BUDGET	FY 2018 ESTIMATED	FY 2019 APPROVED	CHANGE FY18 - FY19
County Grant	\$ 860,000	\$ 897,000	\$ 897,000	\$ 1,122,500	25.1%
Net Loan Program Income	111,404	264,000	180,100	227,700	-13.8%
EDI Fund Loan Processing Fees	-	106,600	-	-	-100.0%
Net Fundraising Revenue	20,000	70,000	20,000	20,000	-71.4%
Management/Servicing Fees	261,453	100,900	183,000	334,700	231.7%
Other Income	26,395	4,200	44,700	4,200	0.0%
<b>TOTAL</b>	<b>\$ 1,279,252</b>	<b>\$ 1,442,700</b>	<b>\$ 1,324,800</b>	<b>\$ 1,709,100</b>	<b>18.5%</b>
EXPENDITURES					
	FY 2017 ACTUAL	FY 2018 BUDGET	FY 2018 ESTIMATED	FY 2019 APPROVED	CHANGE FY18 - FY19
Compensation	\$ 621,303	\$ 830,000	\$ 784,400	\$ 963,900	16.1%
Fringe Benefits	156,524	249,000	227,500	279,500	12.2%
Operating	465,897	363,700	312,900	465,700	28.0%
<b>TOTAL</b>	<b>\$ 1,243,724</b>	<b>\$ 1,442,700</b>	<b>\$ 1,324,800</b>	<b>\$ 1,709,100</b>	<b>18.5%</b>