

New York State Urban Development Corporation
Fiscal Year End Date: 03/31/2016
BUDGET & FINANCIAL PLAN

BUDGETED REVENUES, EXPENDITURES, AND CHANGES IN CURRENT NET ASSETS
(in thousands)

	Last Year (Actual) 2013-14	Current Year (Estimated) 2014-15	Next Year (Adopted) 2015-16	Proposed 2016-17	Proposed 2017-18	Proposed 2018-19
REVENUE & FINANCIAL SOURCES						
Operating Revenues						
Charges for services	1,663	6,407	2,940	2,940	2,940	2,940
Rental & financing income	-	-	-	-	-	-
Other operating revenues	10,336	9,948	9,748	11,438	13,608	13,794
Nonoperating Revenues						
Investment earnings	415	400	375	375	375	375
State subsidies/grants	2,000	2,000	2,000	2,000	2,000	2,000
Federal subsidies/grants	289	1,229	1,229	-	-	-
Municipal subsidies/grants	-	-	-	-	-	-
Public authority subsidies	295	295	295	295	295	295
Other nonoperating revenues	41,701	38,230	21,557	22,375	24,956	25,156
Proceeds from the issuance of debt	5,275	11,200	8,777	5,277	5,277	5,277
Total Revenues & Financing Sources	61,974	69,709	46,921	44,700	49,451	49,837
EXPENDITURES						
Operating Expenditures						
Salaries and wages	18,450	26,067	26,067	25,929	25,929	25,929
Other employee benefits	9,965	11,075	11,075	11,022	11,022	11,022
Professional services contracts	-	-	-	-	-	-
Supplies and materials	-	-	-	-	-	-
Other operating expenditures	29,980	32,500	32,660	32,104	32,104	32,104
Nonoperating Expenditures						
Pay't of principal on bonds and financing arrangements	-	-	-	-	-	-
Interest and other financing charges	-	-	-	-	-	-
Subsidies to other public authorities	-	-	-	-	-	-
Capital asset outlay	206	1,637	637	637	637	637
Grants and donations	-	-	-	-	-	-
Other nonoperating expenditures	1,070	1,200	1,100	925	925	925
Total Expenditures	59,671	72,479	71,539	70,617	70,617	70,617
Capital Contributions	-	-	-	-	-	-
Excess(deficiency) of rev. and cap. contributions over expend.	2,303	(2,770)	(24,618)	(25,917)	(21,166)	(20,780)

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§203.6 (a) – Relationship with the unit or units of government, if any, on whose behalf or benefit the authority was established

The New York State Urban Development Corporation (“UDC” or the “Corporation”), which together with its subsidiaries does business as Empire State Development (“ESD” or the “Corporation”), is a corporate governmental agency of the State of New York (the “State”), constituting a political subdivision and a public benefit corporation. Accordingly, for financial reporting purposes, the audited consolidated financial statements are combined as a component unit enterprise in the State’s annual financial report. Created by legislation in 1968, UDC has broad powers, which can be utilized for civil, industrial, commercial or residential development purposes.

UDC is engaged in three principal activities: economic development and job creation, State special project financing and the marketing of New York State. UDC’s mission is to promote a vigorous and growing economy, encourage the creation of new jobs and economic opportunities, increase revenues to the State and its municipalities, and achieve stable and diversified local economies. Through the use of loans, grants, tax credits and other forms of financial assistance ESD strives to enhance private business investment and growth to spur job creation and support prosperous communities across the State.

To assist the Corporation in carrying out its mission, the State Legislature has provided the Corporation with various statutory powers. Among these are the power to issue bonds, offer tax benefits to developers, condemn real property and waive compliance, where appropriate, with certain local codes and laws. In addition to the use of these extraordinary powers, the Corporation provides financial assistance through grants, low cost project financing, including loans and interest subsidy grants, and technical assistance in management, finance and project design.

The Corporation was originally created to facilitate the development of affordable housing for low, moderate and middle income persons and families. The UDC Act establishing the Corporation provides that the Corporation’s existence shall continue until terminated by law, but that no such law may take effect so long as the Corporation has bonds, notes or other obligations outstanding unless adequate provision is made for the payment thereof in the documents securing the same.

The assets of the Corporation are managed internally by the finance departments, which include accounting, contract administration, loans/grants management, portfolio management, real estate and project finance and treasury.

§203.6 (b) – Description of the budget process, including the dates of key budget decisions

Each year, typically in early fall, the Division of the Budget (“DOB”) issues a letter (the “call letter”) to the Chief Executive Officer of ESD requesting the budget for the upcoming fiscal year. The call letter specifies the budget filing due date as well as budget directives for the coming year. Since the Corporation is a public benefit corporation of the State, the data to be presented is in accordance with the guidelines provided by the DOB. The Corporation’s fiscal year end is aligned with the State at March 31st.

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Immediately following receipt of the call letter from the DOB, similar correspondence summarizing the State's budget directive(s) is sent to each corporate department and subsidiary head requesting their budget submission. A timeline is established indicating key dates in the budget process leading up to the submission to the DOB. The budget and subsidiary finance units, together with the Deputy Chief Financial Officer and Controller, coordinate the compilation of the Corporation's operating and subsidiary operating and capital budgets. Meetings, when necessary or requested, are held with department and subsidiary heads to discuss their initiatives and funding requirements.

Although the subsidiary budgets are not included in their entirety in the submission to the DOB, they are part of the process and may impact certain numbers provided in ESD's submission. This is due to the fact that certain subsidiaries' operations are funded by the Corporation, while some are funded by other sources. If any subsidiary should require funding from the State and the State budget fails to provide the planned appropriation for a subsidiary, it may be necessary to revise the proposed operating plan.

The draft operating budget, including expense projections for personal and non-personal services, as well as sources of revenue, is reviewed by the Chief Financial Officer and Controller before it is submitted to senior management. Upon receiving approval of the draft budget, it is submitted to the DOB for use in drafting the State Executive Budget. This generally takes place by mid-October.

The budget request submitted to the DOB contains the following items:

- 1) Non-State Funded Operating Budget Request (excluding subsidiaries)
- 2) Program Funding (Aid to Localities) Budget Request
- 3) Debt Service Schedules for the upcoming budget year
- 4) Audited Consolidated Financial Statements of the previous fiscal year

During this same time period, the subsidiaries also submit their capital budget requests. Certain subsidiaries' capital support is dependent, in part, on State funding. If the State's budget fails to provide the planned appropriation for a subsidiary, the proposed capital plan may be revised or abandoned.

In addition, ESD senior management provides the DOB with its requested capital programs and initiatives prior to the release of the State Executive Budget in January. Discussions take place about those capital initiatives that the Corporation believes to be important to economic development and believe should be included in the Budget.

The submitted draft operating budget request is also used as a basis for further discussion with senior management and all department and subsidiary heads. This usually takes place in late September/early October and is reevaluated in February for final approval by the Chief Financial Officer and senior management. The approved budgets are presented to ESD's Board of Directors and the individual subsidiary Boards in March, in compliance with State Finance Law. The budgets for subsidiaries for which the Corporation provides operating support are also presented together with the Corporation's operating budget to the ESD Board of Directors. Upon Board approval, the budgets are posted to the ESD website in compliance with State Finance Law.

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Budget variance reports are prepared quarterly and disseminated to all department and subsidiary heads for review and comment. In addition, as required by State Finance Law, they are provided to the ESD Board of Directors and material variances, if any, are fully explained.

§203.6 (c) – Description of principal budget assumptions, including sources of revenues, staffing and programmatic goals

Non-State Funded Operating Budget:

ESD's funding sources include net revenue generated from the non-residential and commercial projects, interest and finance income earned from economic development cash and investments, fees generated from bond sales and other sources, reimbursement from other entities or authorities, proceeds from sale of certain real estate assets and other miscellaneous income sources and appropriations, if any, as provided in the State's budget.

The projected staffing level is determined by evaluating the employee headcount during the current fiscal year and forecasting future headcount based upon anticipated programmatic and organizational needs in the coming fiscal year remaining cognizant of budget limitations. Discussions with senior management may result in the addition of new positions, reinstatement of open, unfilled positions or the elimination of positions. An allowance for fringe benefits based on the current year's actual percentage is also added.

Program Funding (Aid to Localities) Budget:

The budget request consists of core budget programs, which include the Empire State Economic Development Fund, JOBS Now, Urban and Community Development Program, Minority and Women-Owned Business Development and Lending Program, Community Development Financial Institutions Program, Entrepreneurial Assistance Program Centers and services and expenses of contractual payments related to the retention of professional football in Western New York. Each requested program within the budget submission is subject to review, edit and/or deletion by the DOB. The State's economic climate continues to necessitate the reevaluation of funding for these economic development programs.

Debt Service/Capital Budget:

This budget is comprised primarily of debt service, based on debt service on existing bonds and a review of the DOB's projections of debt service on bonds anticipated to be issued.

After discussions with the DOB and senior management of the Corporation, a final recommended budget is submitted, elements of which may or may not become a part of the Executive Budget.

Basis of Budget:

The budget is presented on an accrual basis.

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§203.6 (d) – Self-assessment of budgetary risks

Potential budgetary risks may arise from various sources.

- With the transfer of ESD’s housing portfolio to New York State Home and Community Renewal, the Corporation lost its major revenue stream for operations and remains without a definitive alternative recurring funding source.

In order to mitigate this risk, the Corporation is continuously seeking alternative funding sources in discussions with the DOB. In addition, senior management is constantly advocating for the ability to charge fees or receive other forms of income when the Corporation is directed to provide funding associated with various mandates and commitments.

- Unforeseen circumstances resulting in unexpected expenses for the Corporation’s commercial portfolio or other major capital projects undertaken by the Corporation and its subsidiaries.

In order to mitigate against these potential occurrences, the Corporation may establish a capital reserve against unforeseen commercial portfolio expenses or provide a contingency in its forecast with regard to capital projects.

- ESDC and its subsidiaries engage in a wide variety of activities, many of which involve capital initiatives and improvements that could result in litigation. The likelihood and magnitude of such litigation is not often predictable or measurable.

In order to mitigate against potential litigation, the Corporation retains insurance coverage at a level commensurate with the risk and may also provide for a contingency in its forecast.

- Income generated from bond fees is subject to fluctuation. The Corporation’s timing and issuance of bonds for state programs is directed by the DOB, thereby restricting its control of one of its own revenue sources.

In order to mitigate this risk, the Corporation works with the DOB to advocate for additional bond issuances and accurately forecast designated issuances of bonds.

- The Corporation provides certain healthcare benefits for retired employees and substantially all of its employees may become eligible for these benefits if they reach the normal retirement age of the respective tier of the New York State Employees’ Retirement System. In accordance with the accounting and disclosure requirements of Government Accounting Standards Board Statement No. 45, the Corporation accrues, on an annual basis, the cost which represents the present value of these benefits to be paid over the estimated lives of the retirees. Annual increases in health insurance costs could impact the accrual resulting in greater expense.

In order to mitigate this risk, the Corporation sets aside the calculated sum annually.

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- There are no appropriations provided in the FY 2014-2015 Enacted New York State Budget for the operating expenses of the Corporation.

Due to the fact that no appropriation is provided, the Corporation will continue to work with DOB to identify sustainable alternative revenue sources.

§203.6 (e) – Revised forecast of the current year’s budget

See Accompanying Budget and Financial Plan for Fiscal Year End Date March 31, 2015.

§203.6 (f) – Reconciliation that identifies all changes in estimates from the projections in the previously approved budget or plan

See Accompanying Statement (Attachment #1)

§203.6 (g) – Statement of the last completed fiscal year’s actual financial performance in categories consistent with the proposed budget or financial plan

See Accompanying Statement (Attachment #1)

§203.6 (h) – Projection of the number of employees, including sources of funding, the numbers of full-time and full-time equivalents, and functional classifications

See Accompanying Statement (Attachment #2)

§203.6 (i) – Statement of each revenue-enhancement and cost-reduction initiative that represents a component of any gap-closing program and the annual impact on revenues, expenses and staffing

Revenue:

- The Corporation continues to seek fees for programs and initiatives that it is asked to implement in an attempt to offset the administrative costs associated with such tasks.
- The Corporation aggressively pursues the issuance of bonds with the DOB in order to increase the receipt of bond fees.

Expense:

- In an effort to reduce total operating expenditures, the Corporation has renegotiated its lease for its New York City location at 633 Third Avenue and, in doing so, has reduced its rent expense by nearly 30%.
- The Corporation continues to implement spending reduction measures forecasted to lessen costs wherever possible. Examples include the retention of an audit firm to analyze utility and telecommunication services charges to secure refunds and reductions in billing as possible, implementing stricter controls on discretionary travel, limiting travel to only that which is critical to ESD’s core mission.
- Every effort is made to hold down the discretionary headcount.

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§203.6 (j) – Statement of the source and amount of any material non-recurring resource for use in any given fiscal year

- Payments on any one of the projects within the Corporation’s portfolio, which are not readily forecasted, are reflected as revenue when received.
- The current projected budget forecasts future deficits that may require the identification of “one time” revenue sources that would not recur in future periods.
- Recovery of corporate advances from a given subsidiary, which are measurable, but are often difficult to forecast when they will be received or in what manner (i.e. lump sum vs. payments over time). As a result, these recoveries are recorded when received.

§203.6 (k) – Statement of any transactions that shift material resources from one year to another and the amount of any reserves

The Corporation is often the administrator of legislatively sponsored major projects and programs or the first respondent when crisis or disaster strikes the State. The imposition of such programs or projects may accelerate the expenditure of resources that may have been planned for future fiscal periods as limited resources exist.

§203.6 (l) – Statement of borrowed debt projected to be outstanding at the end of each fiscal year covered by the budget or financial plan; the planned use or purpose of debt issuances; scheduled debt service payments for both issued and proposed debt; the principal amount of proposed debt and assumed interest rate(s); debt service for each issuance as a percentage of total pledged revenues, listed by type or category of pledged revenues; cumulative debt service as a percentage of available revenues; and amount of debt that can be issued until legal limits are met

The Corporation fully redeemed its outstanding Corporate Purpose Bonds on July 2, 2014.

§203.6 (m) – Statement of the annual projected capital cost broken down by category and sources of funding, and for each capital project, estimates of the annual commitment, total project cost, expected date of completion and the annual cost for operating and maintaining those capital projects or capital categories that, when placed into service, are expected to have a material impact on the operating budget

See Accompanying Statement (Attachment #3)

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 Budget and Financial Plan Report 2014 - 2019
 Revenues And Expenditures
 Actual Financial Performance 2014 And Change In Estimates 2015

	Actual Performance FY 2013-14	Approved Budget FY 2014-2015	Revised Budget FY 2014-2015	Difference Between Approved and Revised Budget FY 2014-2015
<u>Revenue Financial/Sources</u>				
Housing Transfer Proceeds/Commercial Receipts/Asset Sale Proceeds/Other Revenue	42,883	48,153	45,768	(2,385)
Bond Financing & Other Fees/Income	7,487	7,487	5,000	(2,487)
Recovered Expenses	2,897	5,577	5,577	-
Total Revenue Financial/Sources	53,267	61,217	56,345	(4,872)
<u>Expenditures</u>				
Personal Services				
Salaries and Wages	18,450	26,067	23,346	(2,721)
Other Employee Benefits	9,965	11,075	10,352	(723)
	28,414	37,142	33,698	(3,444)
Non-Personal Expenses				
Occupancy Expenses	7,801	7,376	7,376	-
Travel & Meals	204	367	329	(38)
Professional Fees	338	2,824	1,831	(993)
Computers, Software & Telephone	807	811	776	(35)
On-Line Services, Seminars, Dues & Subscriptions	108	218	134	(84)
Insurance	232	323	249	(75)
Office Supplies & Expense/Printing/Advertising	175	306	202	(104)
Other Outside Services/Expenses	524	608	509	(99)
Post Employment Cost	4,078	4,300	4,300	-
Government Assessment Fee	3,736	3,736	3,736	-
Total Non-Personal Expenses	18,004	20,871	19,442	(1,429)
Total Personal & Non-Personal Expenses	46,419	58,012	53,140	(4,873)
Total Subsidiary Operating Support	2,905	3,205	3,205	-
Total Expenditures	49,324	61,217	56,345	(4,873)

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 Employee Headcount Projection
 As of April 1, 2015

Functional Classification	Full Time	Operating	Funding Sources	
			Federal	Other
Administrative Services	32	32		
Design and Construction	11.5	11.5		
Community Economic Development	27	24.5	1.0	1.5
Finance and Administration	68	68		
Internal Audit	3	3		
Legal	20	20		
Real Estate Development	6.5	6.5		
Regional Offices	40	40		
Statewide Executive	8	8		
Strategic Business Development	7	7		
Strategy, Policy, Intergovernmental, and Public Affairs	24.5	24.5		
Tourism and Film	21	21		
Total ESDC Corporate	<u>268.5</u>	<u>266.0</u>	<u>1.0</u>	<u>1.5</u>
Subsidiaries	46.0	23.0	16.0	7.0
Total ESDC	<u><u>314.5</u></u>	<u><u>289.0</u></u>	<u><u>17.0</u></u>	<u><u>8.5</u></u>

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 Statement of Annual Projected Capital Cost
 2015-2016

<u>Subsidiary/Project</u>	<u>Category</u>	<u>Amount</u>	<u>Funding Source</u>
Erie Canal Harbor Development Corp.	Acquisition Costs	100,000	NYPA
	Legal	1,000,000	NYPA
	Consultant (Design & Other Soft Costs)	4,000,000	NYPA/ NYS
	Demolition	0	NYPA
	Construction	32,000,000	NYPA/ NYS
	Insurance	70,000	NYPA
	Property Services	3,500,000	NYPA
	Other Capital	1,100,000	NYPA
		<u>41,770,000</u>	
		Estimated Total Project Costs	\$459,726,457
	Estimated Completion Date	2031	
Harlem Community Development Corporation	Legal	150,000	Developer
		<u>150,000</u>	
	Estimated Total Project Costs	\$160,000,000	
	Estimated Completion Date	2017	
Moynihan Station Development Corporation	Consultant	14,032,535	FRA/ Citi
	Construction	78,248,200	FRA/ Citi
	Insurance	600,000	FRA
	Legal	105,000	FRA
		<u>92,985,735</u>	
Farley Building	Acquisition Cost	500,000	TBD
	Consultant (Design & Other Soft Costs)	0	TBD
	Legal	350,000	TBD
	Construction	100,000	TBD
	Insurance	795,000	TBD
	Property Services	4,950,000	TBD
	Other Capital	0	TBD
		<u>6,695,000</u>	
MSDC/Farley Combined	Estimated Total Project Costs	\$1.1 Billion	
	Estimated Completion Date	2018	
Queens West Development Corporation	Legal	50,000	Developer
	Consultant (Design & Other Soft Costs)	74,801	Developer
	Demolition	75,000	Developer
	Construction	123,476	Developer
	Property Services	120,000	
	Other Capital	6,089,229	
		<u>6,532,506</u>	
	Estimated Total Project Costs	\$290,000,000	
Estimated Completion Date	2015		
USA Niagara Development Corporation	Consultant (Design & Other Soft Costs)	1,900,000	City of Niagara Falls
	Legal	100,000	City of Niagara Falls
	Construction	8,230,000	City of Niagara Falls
	Property Services	1,500,000	City of Niagara Falls
	Other Capital	3,900,000	City of Niagara Falls
		<u>15,630,000</u>	
	Estimated Total Project Costs	\$70,000,000	
Estimated Completion Date	2018		