



FOR CONSIDERATION

March 23, 2017

TO: The Directors

FROM: Howard A. Zemsky

SUBJECT: Annual Operating Budget

REQUEST FOR: Authorization to Adopt the Annual Operating Budget, Including Certain
Subsidiary Operating Support and Non-Programmatic Capital Expense
Authorization for Fiscal Year (FY) 2017-18 and to Take Related Actions

I. BACKGROUND

State Finance Law requires that prior to the commencement of each fiscal year on April 1 the Directors of Empire State Development (ESD or the Corporation) adopt an annual operating budget. This budget includes operating support provided to certain subsidiaries and for the operations of the Regional Economic Development Councils, the New NY Broadband Program, the Minority and Women Owned Business Division (MWBD) and the New York State (NYS) Innovation Venture Capital Fund. It pertains only to operating costs and not to programmatic New York State appropriations for specific programs that are included in the Governor's proposed FY 2017-18 Executive Budget. All subsidiary operating and capital budgets must also be presented separately to, and approved by, their respective Boards within the same time frame.

The attached budget document provides the personal services expenses to support several essential initiatives for the State, such as the oversight of the economic development efforts at SUNY Poly, Global NY efforts and the New NY Broadband Program, as well as other new and existing regional economic development efforts. In addition, support is included for the implementation of an entity-wide Customer Relationship Management System, a PeopleSoft financial management system upgrade and the administration of a federally funded technology transfer grant.

Certain non-personal services expenses reflect increases attributable to the new/upgrade initiatives cited above, as well as facility improvements, equipment needs and MWBD support staff.

ESD is no longer expected to incur the government assessment (cost recovery) expense. The Public Authorities Law Section 2975 directs the Division of the Budget to assess an amount to each public authority for recovery of central government services. If the NYS Division of the

Budget later charges ESD the cost recovery fee during the fiscal year, Board approval will be sought at that time.

Any ESD budget changes required after the adoption of the State's FY 2017-18 Budget will require ESD Board approval.

We also request approval of the Corporation's FY 2017-18 Non-Programmatic Capital Expense Authorization totaling \$4.8 million. The request includes the Corporation's plan to implement an entity-wide Customer Relationship Management System, the PeopleSoft financial management system upgrade, superior web services and hosting, and investment in technology to better protect data and IT assets from outside cybersecurity threats and broaden the IT infrastructure to provide network redundancy, business continuity and disaster recovery capabilities.

The details of the proposed FY 2017-18 ESD Operating Budget, including certain Subsidiary Operating Support and Annual Non-Programmatic Capital Expense Authorization are attached to these materials for your review.

II. REQUESTED ACTIONS

The Directors are requested to adopt the Corporation's proposed FY 2017-18 Annual Operating Budget, including certain Subsidiary Operating Support and to approve the FY 2017-18 Annual Non-Programmatic Capital Expense Authorization as set forth in the attachments and to delegate authority to the appropriate officers to take related actions.

ATTACHMENTS

Resolution

Proposed FY 2017-18 Annual Operating Budget, including certain Subsidiary Operating Support
Proposed FY 2017-18 Annual Non-Programmatic Capital Expense Authorization

March 23, 2017

NEW YORK STATE URBAN DEVELOPMENT CORPORATION (the "Corporation") – Annual Operating Budget - Authorization to Adopt the FY 2017-18 Annual Operating Budget, Including Certain Subsidiary Operating Support and Approve the FY 2017-18 Annual Non-Programmatic Capital Expense Authorization and to Take Related Actions

RESOLVED, that the Corporation hereby adopts the FY 2017-18 Annual Operating Budget, including certain subsidiary operating support and approves the FY 2017-18 Annual Non-Programmatic Capital Expense Authorization, based upon the materials presented to this meeting, a copy of which is hereby ordered filed with the records of the Corporation (the "Materials"); and be it further

RESOLVED, that the proper corporate officers be, and they hereby are, authorized to take related actions as he or she may, in his or her sole discretion, deem necessary or proper to effectuate the foregoing.

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New York State Urban Development Corporation d/b/a
Empire State Development
Annual Operating Budget, including certain Subsidiary Support
for Fiscal Year 2017-18 (in comparison to Fiscal Year 2016-17)

	<u>FY 2016-17</u>	<u>FY 2017-18</u>
<u>EXPENSES</u>		
<u>Personal Services (including fringe benefits)</u>	<u>\$ 42,262,289</u>	<u>\$ 43,640,342</u> (a)
<u>Other Post Employment Cost</u>	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>
<u>Non-Personal Services</u>		
Occupancy Expenses	\$ 7,885,600	\$ 7,959,900
Government Assessment (Cost Recovery)	3,736,000	- (b)
Consulting Fees	2,296,200	2,500,000 (c)
Computers and Equipment/Software/Telephone	941,700	941,693
Outside Services and Expenses/Repairs/Maintenance/Property Management	935,100	1,276,208 (d)
Accounting and Legal Fees	556,000	1,114,000 (e)
Travel and Meals	498,850	700,000 (f)
Insurance	368,720	355,467
Office Supplies and Expenses/Printing/Advertising	205,000	335,652
On-Line Services/Conferences/Seminars/Dues/Subscriptions	174,500	158,975
<u>Total Non-Personal Services</u>	<u>\$ 17,597,670</u>	<u>\$ 15,341,895</u>
<u>Total Personal and Non-Personal Expenses</u>	<u>\$ 64,359,959</u>	<u>\$ 63,482,237</u>
<u>Total Subsidiary Operating Support</u>	<u>\$ 3,511,879</u>	<u>\$ 3,333,006</u> (g)
GRAND TOTAL - ALL EXPENSES	<u>\$ 67,871,838</u>	<u>\$ 66,815,243</u>
 <u>FUNDING SOURCES</u>		
Commercial Receipts/Asset Sale Proceeds/Other Revenue	\$ 56,093,667	\$ 50,312,643
Bond Financing and Economic Development Income/Other Fees	6,000,000	10,000,000
Recovered Expenses	5,778,171	6,502,600
GRAND TOTAL - FUNDING SOURCES	<u>\$ 67,871,838</u>	<u>\$ 66,815,243</u>

(a) Increase is primarily due to the continued need to enhance staffing to support vital initiatives for the State, such as the oversight of the economic development efforts at SUNY Poly, Global NY and the New NY Broadband Program, the administration of a federally funded technology grant, the implementation of an entity-wide Customer Relationship Management System and an upgrade to the PeopleSoft financial management system.

(b) ESD is not expected to incur this fee.

(c) Increase is primarily related to the implementation of an entity-wide Customer Relationship Management System, an upgrade to the PeopleSoft financial management system and administration of a federally funded technology transfer grant.

(d) Increase supports various facility improvements, equipment needs of new employees and support staff in the MWBD division.

(e) Increase is primarily related to an increased need for outside legal counsel and the cost associated with a statutorily required audit of the Entrepreneurial Assistance Program.

(f) Increase reflects greater travel needs related to new and existing staff.

(g) Consists of the operating expenses for Erie Canal Harbor Development Corp., Harlem Community Development Corp., Queens West Development Corp. and USA Niagara. ESD does not currently provide operating support for any other subsidiaries.

New York State Urban Development Corporation d/b/a
 Empire State Development
 Subsidiary Operating Support
 for Fiscal Year 2017-18 (in comparison to Fiscal Year 2016-17)

<u>EXPENSES</u>	<u>FY 2016-17</u>	<u>FY 2017-18</u>
<u>Personal Services (including fringe benefits)</u>	<u>\$ 2,894,637</u>	<u>\$ 2,750,595</u>
<u>Non-Personal Services</u>		
Occupancy Expenses	\$ 158,300	\$ 154,300
Insurance	143,392	146,136
Office Supplies and Expenses/Printing/Advertising	37,750	38,125
Consultant Fees	9,000	5,000
Accounting and Legal Fees	73,500	64,000
Computers and Equipment/Software/Telephone	63,000	52,100
Other Outside Services and Expenses/Repairs/Maintenance/ Property Management	106,300	101,000
On-Line Services/Conferences/Seminars/Dues/Subscriptions	13,000	13,500
Travel and Meals	13,000	8,250
<u>Total Non-Personal Services</u>	<u>\$ 617,242</u>	<u>\$ 582,411</u>
<u>Total Personal and Non-Personal Expenses</u>	<u>\$ 3,511,879</u>	<u>\$ 3,333,006</u>

NOTE: Consists of operating expenses for Erie Canal Harbor Development Corporation, Harlem Community Development Corporation, Queens West Development Corporation and USA Niagara. ESD does not provide operating support for any other subsidiaries.

