

**FOR CONSIDERATION**

March 28, 2014

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Annual Budget

REQUEST FOR: Authorization to Adopt Annual Operating Budget including Subsidiary Operating Support for Fiscal Year (FY) 2014-15 and to Take Related Actions

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**BACKGROUND**

State Finance Law requires that prior to the commencement of each fiscal year the Directors of Empire State Development (ESD or the Corporation) adopt an annual operating budget. This budget includes certain support provided to subsidiaries and for the operations of the Regional Economic Development Councils and New York Works Task Force. It pertains only to operating costs and not to programmatic appropriations included in the Governor's proposed FY 2014-15 Executive Budget. All subsidiary operating budgets and capital expense authorizations must also be presented separately to, and approved by, their respective Boards within the same time frame.

As indicated in the attached budget document, reflected in the funding source, "Proceeds of the Housing Transfer/Asset Sale Proceeds/Commercial Receipts/Other Revenue" is the full utilization of the funding received from the New York State Housing Finance Agency relative to the transfer of ESD's housing portfolio on June 5, 2013.

In the FY 2014-15 budget, the expense for personal services includes the costs of enhanced staffing to support both new and future initiatives, such as START-UP NY and other statewide marketing efforts. In addition, it is inclusive of the cost of fringe benefits that are forecasted to remain at a higher level in FY 2014-15 primarily due to the continued growth in the Corporation's annual contribution to the New York State Retirement System. The amount of contribution has continued to increase as a result of losses sustained on the fund balance in prior fiscal years.

Public Authorities Law Section 2975 directs the Division of the Budget to assess an amount to each public authority for recovery of central governmental services. The budgeted government assessment (cost recovery) for FY 2014-15 is approximately \$3.74 million.

If changes are required following the adoption of the State's FY 2014-15 Budget, a modified annual operating budget will be presented to the Directors at a later date.

In addition to the operating budget, we are also seeking approval of the Corporation's FY 2014-15 annual non-programmatic capital expense authorization of \$1,636,500.00. The request reflects our plan to invest in new technologies that support our strategic goals and are focused on increasing server and storage capacity in our virtual environment, as well as the continued adoption of desktop virtualization to meet our business continuity efforts. Also included is funding for upgrading the financial management and telecommunication systems.

The details of the proposed FY 2014-15 ESD operating budget and annual non-programmatic capital expense authorization are attached to these materials for your review.

### **REQUESTED ACTION**

The Directors are requested to adopt the Corporation's FY 2014-15 proposed Annual Operating Budget and approve the Annual Non-Programmatic Capital Expense Authorization for FY 2014-15 as set forth in the attachments and to delegate authority to the appropriate officers to take related actions.

### **ATTACHMENTS**

Proposed Annual Operating Budget for FY 2014-15 including subsidiary operating support

Proposed Annual Non-Programmatic Capital Expense Authorization for FY 2014-15

March 28, 2014

NEW YORK STATE URBAN DEVELOPMENT CORPORATION – (the “Corporation”) Authorization to Adopt Annual Operating Budget

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**RESOLVED**, that the Corporation hereby adopts the Annual Operating Budget for FY 2014-15 including subsidiary operating support and approves the Annual Non-Programmatic Capital Expense Authorization for FY 2014-15 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.

New York State Urban Development Corporation d/b/a  
Empire State Development  
Annual Operating Budget including Subsidiary Support  
for Fiscal Year 2014-15 (in comparison to Fiscal Year 2013-14)

<u>EXPENSES</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>
<u>Personal Services (including fringe benefits)</u>	\$ 31,161,000	\$ 37,076,607 (a)
<u>Other Post Employment Cost</u>	\$ 4,100,000	\$ 4,300,000
<u>Non-Personal Services</u>		
Occupancy Expenses	\$ 7,746,000	\$ 7,376,300
Government Assessment (Cost Recovery)	3,735,645	3,736,000
Consulting Fees	678,500	2,294,000 (b)
Computers and Equipment/Software/Telephone	841,635	811,390
Office Supplies and Expenses/Printing/Advertising	500,944	555,625
Accounting/Legal Fees	452,000	505,000
Repairs/Maintenance/Property Management/Other Outside Services/Expenses	424,399	449,077
Travel and Meals	306,697	366,938
Insurance	279,500	323,400
On-Line Services/Conferences/Seminars/Dues/Subscriptions	135,372	218,125 (c)
<u>Total Non-Personal Services</u>	<u>\$ 15,100,692</u>	<u>\$ 16,635,855</u>
<u>Total Personal and Non-Personal Expenses</u>	<u>\$ 50,361,692</u>	<u>\$ 58,012,462</u>
<u>Total Subsidiary Operating Support</u>	<u>\$ 2,904,772</u>	<u>\$ 3,204,883 (d)</u>
GRAND TOTAL - ALL EXPENSES	<u>\$ 53,266,464</u>	<u>\$ 61,217,345</u>
 <u>FUNDING SOURCES</u>		
Proceeds of the Housing Transfer/Asset Sale Proceeds/ Commercial Receipts/Other Revenue	\$ 42,882,603	\$ 48,152,855 (e)
Bond Financing and Economic Development Income/Other Fees	7,487,000	7,487,000
Recovered Expenses	2,896,861	5,577,490
GRAND TOTAL - FUNDING SOURCES	<u>\$ 53,266,464</u>	<u>\$ 61,217,345</u>

- (a) Increase is primarily due to enhanced staffing to support several new initiatives, such as START-UP NY and other NYS marketing efforts, as well as future initiatives.
- (b) Increase is primarily related to costs associated with administering federally funded Hurricane Sandy Small Business Mentoring and Consulting Program and expenses to produce market driven reuse plans for de-commissioned state properties.
- (c) Increase is primarily related to costs from federally funded Hurricane Sandy Small Business Mentoring and Consulting Program and expenses within the Strategic Business division.
- (d) Consists of operating expenses for Erie Canal Harbor Development Corp., Harlem Community Development Corp., Queens West Development Corp. and USA Niagara. ESD does not provide operating support for any other subsidiaries.
- (e) Assumes the full utilization in both fiscal years of the funding received from the NYS Housing Finance Agency related to the transfer of ESD's housing portfolio.

New York State Urban Development Corporation d/b/a  
 Empire State Development  
 Subsidiary Operating Support  
 for Fiscal Year 2014-15 (in comparison to Fiscal Year 2013-14)

<u>EXPENSES</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>
<u>Personal Services (including fringe benefits)</u>	<u>\$ 2,307,057</u>	<u>\$ 2,614,952</u>
 <u>Non-Personal Services</u>		
Occupancy Expenses	\$ 134,895	\$ 150,495
Insurance	123,667	143,136
Office Supplies & Expenses/Printing/ Advertising	57,675	108,200
Professional Fees	80,500	80,500
Computers, Software & Telephone	55,060	59,350
Repairs/Maintenance/Property Management/Other		
Outside Services/Expenses	119,368	26,050
On-Line Services, Seminars, Dues & Subscriptions	15,350	13,200
Travel & Meals	<u>11,200</u>	<u>9,000</u>
 <u>Total Non-Personal Services</u>	 <u>\$ 597,715</u>	 <u>\$ 589,931</u>
 <u>Total Personal and Non-Personal Expenses</u>	 <u>\$ 2,904,772</u>	 <u>\$ 3,204,883</u>

**NOTE:**

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

New York State Urban Development Corporation d/b/a  
 Empire State Development  
 Annual Non-Programmatic Capital Expense Authorization  
 for Fiscal Year 2014-15 (in comparison to Fiscal Year 2013-14)

	<b>FY 2013-14</b>	<b>FY 2014-15</b>
Microsoft VDA Licensing		\$ 8,700
New Help Desk Application		10,000
UPS Power Supplies in Network Servers Racks		12,000
Virtual Desktop Infrastructure Engineering Services		15,000
Engineering Services - Network configuration, etc.		15,000
SQL Server Licenses, SQL Cals, Window OS Licenses		15,000
VDI Citrix Licensing		20,000
Mobile Devices (laptops, tablets, etc.)		20,000
Dell Server Replacement (replace those not virtualized)		25,000
Thin Clients (100)		27,000
Dell ESX Server for VM Environment at Disaster Recovery Site		30,000
Vsphere Server for Development Application/database environment		30,000
Radware Threat Prevention Network Upgrade		30,000
Miscellaneous Office Equipment (digital senders, printers, scanners, etc.)		50,000
Microsoft Enterprise Agreement (continued licensing for desktop and office software)		65,000
Telecommunications Upgrade - UniteNY (including video conferencing equipment)		263,800
Upgrade/Modifications to ESD's PeopleSoft Financial Management System		<u>1,000,000</u>
Grand Total All Expenses	<u>\$ 1,017,000</u> (a)	<u>\$ 1,636,500</u>

(a) Only the total of the annual non-programmatic capital expense authorization is presented for the prior fiscal year due to the fact that the Corporation's specific needs change from year to year.