

FOR CONSIDERATION

March 24, 2016

TO: The Directors

FROM: Howard 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) 2016-17 and to Take Related Actions

BACKGROUND

State Finance Law requires that prior to the commencement of each fiscal year the Directors of the 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 Upstate Revitalization Fund, and the New York State (NYS) Innovation Venture Capital Fund. It pertains only to operating costs and not to programmatic appropriations included in the Governor's proposed FY 2016-17 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, the expense for personal services includes the continued need for staffing to support several essential initiatives for the State, such as the New NY Broadband Program, Global NY and the New York State Innovation Venture Capital Fund and sustain both existing and new regional economic development efforts.

Certain non-personal services expenses reflect increases attributable to lease or contractual obligations, facilities maintenance and market place pricing. The most significant decrease is in consulting expenses which is related to the cessation of certain federal funding.

The budgeted government assessment (cost recovery) expense for FY 2016-17 is approximately \$3.74 million. This expense is the result of Public Authorities Law Section 2975 that directs the Division of the Budget to assess an amount to each public authority for recovery of central government services.

Should changes to the budget provided be required following the adoption of the State's FY 2016-17 Budget, any modifications 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 2016-17 Non-Programmatic Capital Expense Authorization of \$3.02 million. The request reflects the Corporation's plan to invest in cost effective new technology that aligns and supports ESD's strategic goals, enhances the ability to protect data and IT assets from outside cybersecurity threats and broadens the IT infrastructure to provide network redundancy, business continuity and disaster recovery capabilities.

The details of the proposed FY 2016-17 ESD Operating Budget, including certain Subsidiary Operating Support 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 proposed Annual Operating Budget, including certain Subsidiary Operating Support for FY 2016-17 and approve the Annual Non-Programmatic Capital Expense Authorization for FY 2016-17 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 2016-17, including certain Subsidiary Operating Support
Proposed Annual Non-Programmatic Capital Expense Authorization for FY 2016-17

March 24, 2016

NEW YORK STATE URBAN DEVELOPMENT CORPORATION – (the “Corporation”) Authorization to Adopt the Annual Operating Budget, including Certain Subsidiary Operating Support and Approve the Non-Programmatic Capital Expense Authorization for FY 2016-17

RESOLVED, that the Corporation hereby adopts the Annual Operating Budget for FY 2016-17, including certain subsidiary operating support and approves the Non-Programmatic Capital Expense Authorization for FY 2016-17, 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 certain Subsidiary Support
 for Fiscal Year 2016-17 (in comparison to Fiscal Year 2015-16)

<u>EXPENSES</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>
<u>Personal Services (including fringe benefits)</u>	\$ 39,849,555	\$ 42,262,289 (a)
<u>Other Post Employment Cost</u>	\$ 4,600,000	\$ 4,500,000
<u>Non-Personal Services</u>		
Occupancy Expenses	\$ 7,403,000	\$ 7,885,600 (b)
Government Assessment (Cost Recovery)	3,736,000	3,736,000
Consulting Fees	3,799,000	2,296,200 (c)
Computers and Equipment/Software/Telephone	811,390	941,700 (d)
Outside Services and Expenses/Repairs/Maintenance/Property Management	801,324	935,100 (e)
Accounting and Legal Fees	505,000	556,000
Travel and Meals	495,291	498,850
Insurance	322,638	368,720
Office Supplies and Expenses/Printing/Advertising	314,052	205,000
On-Line Services/Conferences/Seminars/Dues/Subscriptions	229,730	174,500
<u>Total Non-Personal Services</u>	<u>\$ 18,417,425</u>	<u>\$ 17,597,670</u>
<u>Total Personal and Non-Personal Expenses</u>	<u>\$ 62,866,980</u>	<u>\$ 64,359,959</u>
<u>Total Subsidiary Operating Support</u>	<u>\$ 3,564,439</u>	<u>\$ 3,511,879 (f)</u>
GRAND TOTAL - ALL EXPENSES	<u>\$ 66,431,419</u>	<u>\$ 67,871,838</u>
 <u>FUNDING SOURCES</u>		
Commercial Receipts/Asset Sale Proceeds/Other Revenue	\$ 52,100,908	\$ 56,093,667
Bond Financing and Economic Development Income/Other Fees	6,386,000	6,000,000
Recovered Expenses	7,944,511	5,778,171
GRAND TOTAL - FUNDING SOURCES	<u>\$ 66,431,419</u>	<u>\$ 67,871,838</u>

(a) Increase is primarily due to the continued need to enhance staffing to support several vital initiatives for the State, such as the New NY Broadband Program, Global NY, the NYS Innovation Venture Capital Fund and other regional economic development efforts, as well as future initiatives.

(b) Increase is primarily related to increased monthly rent and projected real estate tax escalation at 633 Third Avenue.

(c) Decrease is related to the cessation of expenses covered by federal funding for a program related to Superstorm Sandy relief.

(d) Increase is primarily related to compliance costs associated with the Corporation's financial management system.

(e) Increase is primarily related to building maintenance and repairs related to 633 Third Avenue.

(f) 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
 Subsidiary Operating Support
 for Fiscal Year 2016-17 (in comparison to Fiscal Year 2015-16)

<u>EXPENSES</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>
<u>Personal Services (including fringe benefits)</u>	<u>\$ 2,909,425</u>	<u>\$ 2,894,637</u>
 <u>Non-Personal Services</u>		
Occupancy Expenses	\$ 168,900	\$ 158,300
Insurance	175,564	143,392
Office Supplies and Expenses/Printing/Advertising	39,750	37,750
Consulting Fees	10,500	9,000
Accounting and Legal Fees	70,000	73,500
Computers and Equipment/Software/Telephone	63,400	63,000
Other Outside Services and Expenses/Repairs/Maintenance/ Property Management	105,900	106,300
On-Line Services/Conferences/Seminars/Dues/Subscriptions	13,000	13,000
Travel and Meals	<u>8,000</u>	<u>13,000</u>
 <u>Total Non-Personal Services</u>	 <u>\$ 655,014</u>	 <u>\$ 617,242</u>
 <u>Total Personal and Non-Personal Expenses</u>	 <u>\$ 3,564,439</u>	 <u>\$ 3,511,879</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.

