

New York State Urban Development Corporation
Fiscal Year End Date: 03/31/2019
BUDGET & FINANCIAL PLAN

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

	Last Year (Actual) 2016-17	Current Year (Estimated) 2017-18	Next Year (Adopted) 2018-19	Proposed 2019-20	Proposed 2020-21	Proposed 2021-22
REVENUE & FINANCIAL SOURCES						
Operating Revenues						
Charges for services (commitment/applic. fees & recaptures)	5,121	2,027	1,540	1,571	1,571	1,571
Rental & financing income	-	-	-	-	-	-
Other operating revenues (sub recoveries, OFB, SBTIF, SSBCI)	5,326	5,905	6,817	6,980	6,980	6,980
Nonoperating Revenues						
Investment earnings	1,722	3,585	3,250	3,250	3,250	3,250
State subsidies/grants (REDC, Broadband, Venture)	4,000	4,000	4,000	4,000	1,500	1,500
Federal subsidies/grants (NYSTAR)	-	1,950	1,950	-	-	-
Municipal subsidies/grants	-	-	-	-	-	-
Public authority subsidies (PA for TEDIR oversight)	295	295	295	295	295	295
Other nonoperating revenues (mtg. & commercial receipts)	18,341	16,274	22,419	23,529	26,423	27,407
Proceeds from the issuance of debt	7,300	5,200	5,200	5,200	5,200	5,200
Total Revenues & Financing Sources	42,105	39,236	45,471	44,825	45,219	46,203
EXPENDITURES						
Operating Expenditures						
Salaries and wages	25,241	30,815	33,222	32,692	32,692	32,692
Other employee benefits	10,912	10,830	12,624	12,423	12,423	12,423
Professional services contracts	-	-	-	-	-	-
Supplies and materials	-	-	-	-	-	-
Other operating expenditures (sub support, NPS-oper budget)	22,198	21,852	24,203	24,249	24,249	24,249
Nonoperating Expenditures						
Pay't of principal on bonds and financing arrangements	-	-	-	-	-	-
Interest and other financing charges	-	-	-	-	-	-
Subsidies to other public authorities	-	-	-	-	-	-
Capital asset outlay (non-programmatic-IT, MS Dynamics, PS)	743	4,003	3,636	2,100	2,100	2,100
Grants and donations	-	-	-	-	-	-
Other nonoperating expenditures	-	-	-	-	-	-
Total Expenditures	59,094	67,500	73,685	71,464	71,464	71,464
Capital Contributions	-	-	-	-	-	-
Excess(deficiency) of rev. and cap. contributions over expend.	(16,989)	(28,264)	(28,214)	(26,639)	(26,245)	(25,261)

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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.

Three of the principal activities in which UDC is engaged are: 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 state economy, encourage business and job creation, and support diverse, prosperous local economies across New York through the efficient use of loans, grants, tax credits, real estate development, marketing and other forms of assistance. To support the Corporation in carrying out its mission, the State Legislature has provided the Corporation with various statutory powers, including the power to issue bonds, offer tax benefits to developers, condemn real property and waive compliance, where appropriate, with certain local codes and laws.

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.

§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.

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 & 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

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fact that certain subsidiaries' operations are funded by the Corporation, while some are funded by other sources. If, in any fiscal year, a subsidiary should require funding from the State and the State budget fails to provide the required appropriation, 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 jointly 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 merit inclusion 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 the fall and is reevaluated in February for final approval by the Chief Financial Officer and senior management. The final version of the operating budget, including the subsidiaries for which funding is provided, is presented in March to ESD's Board of Directors, in compliance with State Finance Law. The subsidiaries' operating and capital budgets are presented to the individual subsidiary Boards at that same time. Upon Board approval, the budgets are posted to the ESD website in compliance with State Finance Law.

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, administration of grants and loans and other sources, reimbursement from other entities or authorities, proceeds from sale of certain real estate assets, other miscellaneous income sources and appropriations, if any, as provided in the State's budget.

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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 projected headcount is also included.

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, Executive and Legislature. 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.

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

Potential budgetary risks may arise from various sources.

- Several fiscal years ago the Corporation lost its major revenue stream for operations with the transfer of the housing portfolio to New York State Home and Community Renewal . To date, no definitive alternative recurring funding source has been identified.

In order to mitigate this risk, the Corporation is continuously seeking alternative funding sources. Discussions continue regarding the provision of fees or other forms of income in the administration of economic development and special programs and in executing various mandates and commitments.

- 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.

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In order to mitigate this risk, the Corporation continues to work with the DOB and private transportation and other entities to advocate for additional bond issuances in order to accurately forecast designated issuances of bonds.

- 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.

- ESD 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.

- 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 makes every effort to set aside the calculated sum annually.

- There are no specific appropriations provided in the FY 2017-2018 Enacted New York State Budget for the operating expenses of the Corporation.

The Corporation continues 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, 2017.

§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)

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§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 DOB and other entities in order to increase the receipt of bond fees.
- The Corporation actively works with the State on the disposition and repurposing of State owned properties with a particular focus on both one-time fees and recurring revenue streams to ESD.

Expense:

- The Corporation continues to implement spending reduction measures and operating efficiencies wherever possible to reduce expenses.
- Every effort is made to hold down the discretionary headcount.

§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 remaining commercial 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 likely 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.

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- Fees in conjunction with the disposition of State assets or other real estate transactions the Corporation is required to administer.

§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 affects 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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 Revenues And Expenditures
 Actual Financial Performance 2017 And Change In Estimates 2022
 Amounts in thousands (000's)

	Actual Performance FY 2016-17	Approved Budget FY 2017-2018	Revised Budget FY 2017-2018	Difference Between Approved and Revised Budget FY 2017-2018
<u>Revenue Financial/Sources</u>				
Housing Transfer Proceeds/Commercial Receipts/Asset Sale Proceeds/Other Revenue	-	-	-	-
Bond Financing & Other Fees/Income	-	-	-	-
Recovered Expenses	-	-	-	-
Total Revenue Financial/Sources	-	-	-	-
<u>Expenditures</u>				
<u>Personal Services</u>				
Salaries and Wages	25,241	31,623	30,815	808
Other Employee Benefits	10,912	12,017	10,830	1,187
	36,152	43,640	41,645	1,995
<u>Non-Personal Expenses</u>				
Occupancy Expenses	7,543	7,960	7,887	73
Travel & Meals	449	700	544	156
Professional Fees	4,409	3,614	3,152	462
Computers, Software & Telephone	988	942	929	13
On-Line Services, Seminars, Dues & Subscriptions	133	159	127	32
Insurance	310	355	344	11
Office Supplies & Expense/Printing/Advertising	185	336	280	56
Other Outside Services/Expenses	1,122	1,276	1,041	235
Post Employment Cost	4,566	4,500	4,566	(66)
Total Non-Personal Expenses	19,705	19,842	18,870	972
Total Personal & Non-Personal Expenses	55,857	63,482	60,515	2,967
Total Subsidiary Operating Support	-	-	-	-
Total Expenditures	55,857	63,482	60,515	2,967

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 Employee Headcount Projection
 As of April 1, 2018

Functional Classification	Full	Funding Sources		
	Time	Operating	Federal	Other
Administrative Services	36.0	36.0		
Community Economic Development	20.0	15.0	5.0	
Finance	63.0	63.0		
Internal Audit	3.0	3.0		
Legal	26.0	26.0		
Real Estate Development	12.5	12.0		0.5
Regional Offices	49.0	49.0		
Statewide Executive	19.0	19.0		
Strategic Business Development	8.0	8.0		
Strategy, Policy, Intergovernmental, and Public Affairs	77.0	54.0		23.0
Tourism and Film	29.0	29.0		
Total ESDC Corporate	<u>342.5</u>	<u>314.0</u>	<u>5.0</u>	<u>23.5</u>
Subsidiaries	52.5	22.5	15.5	14.5
Total ESDC	<u><u>395.0</u></u>	<u><u>336.5</u></u>	<u><u>20.5</u></u>	<u><u>38.0</u></u>

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Statement of Annual Projected Capital Cost
2017-2018

Subsidiary/Project	Category	Amount	Funding Source
Convention Center Development Corp.	Consultant (Design & Other Soft Costs)	\$11,500,000	CCDC Bond Proceeds
	Legal	1,350,000	CCDC Bond Proceeds
	Insurance	1,000,000	CCDC Bond Proceeds
	Construction (Including Design/Build)	389,000,000	CCDC Bond Proceeds
	Demolition	500,000	CCDC Bond Proceeds
	Property Services	4,500,000	CCDC Bond Proceeds
	Other Capital	2,500,000	CCDC Bond Proceeds
			\$410,350,000
	Estimated Total Project Costs	\$1,342,761,000	
	Estimated Completion Date	2021	
Erie Canal Harbor Development Corp.	Acquisition Costs	\$40,000	NYPA
	Legal	336,000	NYPA
	Consultant (Design & Other Soft Costs)	3,270,000	NYPA/NYS
	Construction	10,668,000	NYPA/ NYS
	Insurance	143,000	NYPA
	Property Services	1,941,000	NYPA
	Other Capital	295,000	NYPA
			\$16,693,000
	Estimated Total Project Costs	\$459,726,457	
	Estimated Completion Date	2031	
Harlem Community Development Corporation	Legal	\$75,000	Developer
		\$75,000	
	Estimated Total Project Costs	\$163,094,943	
	Estimated Completion Date	2019	
Moynihan Station Development Corporation	Legal	\$2,350,000	Federal
	Consultant (Design & Other Soft Costs)	8,115,000	Federal
	Construction	319,635,000	Federal/MTA/PANYNJ
	Property Services	1,500,000	Federal
	Insurance	2,100,000	
		\$333,700,000	
Farley Building	Consultant (Design & Other Soft Costs)	2,844,000	NYS/Events Income
	Legal	1,050,000	PANYNJ
	Property Services	2,500,000	Events Income
	Insurance	350,000	NYS/Events Income
	Other Capital	2,900,000	NYS/Events Income
		\$9,644,000	
MSDC/Farley Combined	Estimated Total Project Costs	\$ 1,600,000,000	
	Estimated Completion Date	2020	
Queens West Development Corporation	Legal	\$14,000	Developer/PANYNJ
	Property services	190,000	Developer/PANYNJ
		\$204,000	
	Estimated Total Project Costs	\$290,000,000	
	Estimated Completion Date	2018	
USA Niagara Development Corporation	Consultant (Design & Other Soft Costs)	\$166,000	City of Niagara Falls
	Legal	34,000	City of Niagara Falls
	Construction	1,774,000	City of Niagara Falls/NYPA
	Property Services	1,010,000	City of Niagara Falls
	Other Capital	1,307,000	City of Niagara Falls
			\$4,291,000
	Estimated Total Project Costs	\$70,000,000	
	Estimated Completion Date	2018	