



FOR CONSIDERATION

March 26, 2020

TO: The Directors

FROM: Eric J. Gertler

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) 2020-21 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 the New York State Urban Development Corporation, doing business as Empire State Development (ESD or the Corporation), adopt the Corporation's annual operating budget.

This year, ESD's proposed FY2020-21 annual budget of approximately \$89.2 million includes an unprecedented contingency amount of \$5M to allow ESD staff to be responsive in an expeditious manner to changes that are likely to be required in response to the COVID-19 virus in the coming weeks/months. The contingency proposed represents a six percent (6%) increase to the budget and is predicated on the range commonly employed by government entities when facing an unknown or uncertain circumstance outside of its "routine business". The ESD team has already been called upon to assist in formulating quick and meaningful economic relief to businesses and it is expected that such requests will continue into the new fiscal year. This supposition will require these additional resources to allow ESD to make real time business decisions necessary to provide aide and assistance to businesses where needed. It is envisioned that consultants may be required to provide guidance and assistance in building and administering economic relief programs. Other areas of need may be in providing additional phone support to businesses as they navigate their way through economic recovery, the procurement of health and wellness supplies, the addition of IT equipment to support a more robust remote workforce, and retention of staff to administer new and novel programs.

The sufficiency of this contingency will be measured over time as we commence the work assigned to ESD and begin to help businesses emerge from this crisis. As a result, it may be necessary to come back to the Board later in the fiscal year to request an amendment to the budget. In addition, if any changes are required to the ESD budget after the adoption of the State's FY2020-21 Budget they will be brought to the Board for approval.

Consistent with prior fiscal years, the budget continues to include annual operating expenditures, as well as operating support provided to certain subsidiaries, and operating costs associated with the administration and oversight of new and existing economic development programs, such as the Regional Economic Development Councils (REDCs), a Life Sciences Initiative, the development of Empire Station, the Minority- and Women-Owned Business Division and the Buffalo Regional Innovation Cluster. ESD's budget does not include programmatic New York State appropriations for specific programs that have been included in the Governor's proposed FY2020-21 Executive Budget.

ESD's FY2020-21 budget includes total personal services expenses, including salaries and fringe benefits, of approximately \$53.5 million to support the continued expansion of ESD's role in economic development through programs including, Life Sciences, Empire Station, tourism and business marketing, and the oversight of ten REDC's.

Also included is funding for non-personal services expenses of approximately \$21.6 million, which includes increased occupancy expenses, consultant costs, IT equipment, communication enhancements and improvements, insurance, and expanded staff training and intern programs.

The Corporation's budgeted Other Post Employment Cost of \$5.6 million represents the actuarial accounting and disclosure requirements of Government Accounting Standards Board, Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions".

Subsidiary operating support of \$3.6 million includes the operating expenses of Erie Canal Harbor Development Corporation (\$1.3 million), Harlem Community Development Corporation (\$1.5 million), Queens West Development Corporation (\$.1 million) and USA Niagara (\$.7 million). Other subsidiary operating and capital budgets will be presented separately.

Director approval also is requested for the Corporation's FY2020-21 Non-Programmatic Capital Expense Authorization totaling approximately \$4.7 million. This authorization includes an upgrade to the Corporation's infrastructure network wiring to enhance functionality, licenses and support for the entity-wide Microsoft Dynamics customer relations management system, investment in technology to improve data and assets protection, broaden and replace IT hardware and software to enhance business continuity and disaster recovery capabilities.

The details of the proposed FY2020-21 ESD Operating Budget, including certain Subsidiary Operating Support and the Annual Non-Programmatic Capital Expense Authorization, are attached for your review.

II. REQUESTED ACTIONS

The Directors are requested to adopt the Corporation's FY2020-21 Annual Operating Budget, including certain Subsidiary Operating Support and the FY2020-21 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 FY2020-21 Annual Operating Budget, including certain Subsidiary Operating Support
Proposed FY2020-21 Annual Non-Programmatic Capital Expense Authorization

March 26, 2020

NEW YORK STATE URBAN DEVELOPMENT CORPORATION – Annual Operating Budget -
Authorization to Adopt the FY2020-21 Annual Operating Budget, Including Certain Subsidiary
Operating Support and the FY2020-21 Annual Non-Programmatic Capital Expense Authorization
and to Take Related Actions

RESOLVED, that the Corporation hereby adopts the FY2020-21 Annual Operating Budget, including certain subsidiary operating support and the FY2020-21 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 2020-21 (in comparison to the Board Approved Budget for Fiscal Year 2019-20)

	<u>Proposed</u> <u>FY 2020-21</u>		<u>Board Approved</u> <u>FY 2019-20</u>
EXPENSES			
<u>Personal Services (including fringe benefits)</u>	\$ 53,469,290	(a)	\$ 49,923,030
<u>Other Post Employment Cost</u>	\$ 5,600,000		\$ 5,600,000
<u>Non-Personal Services</u>			
Occupancy Expenses	\$ 8,940,000	(b)	\$ 8,378,000
Consultant Fees	5,994,900	(c)	3,875,600
Outside Services and Expenses	1,657,100	(d)	1,598,872
Computers and Equipment/Software/Telephone	1,459,900		1,363,000
Accounting and Legal Fees	1,164,000		1,115,000
Travel and Meals	699,674		673,749
Insurance	950,000	(e)	447,219
On-Line Services/Training/Conferences/Subscriptions	434,950	(f)	316,375
Office Supplies and Expenses	297,541		291,241
<u>Total Non-Personal Services</u>	<u>\$ 21,598,065</u>		<u>\$ 18,059,056</u>
<u>Total Personal and Non-Personal Expenses</u>	<u>\$ 80,667,355</u>		<u>\$ 73,582,086</u>
<u>Total Subsidiary Operating Support</u>	<u>\$ 3,569,047</u>		<u>\$ 3,496,088</u>
<u>Contingency For Unknown COVID-19/Program Costs</u>	<u>\$ 5,000,000</u>	(g)	<u>\$ -</u>
GRAND TOTAL - ALL EXPENSES	<u><u>\$ 89,236,402</u></u>		<u><u>\$ 77,078,174</u></u>
FUNDING SOURCES			
Commercial Receipts/Asset Sale Proceeds/Administrative Fees/Other Revenue	\$ 67,812,293		\$ 59,050,210
Bond Financing and Economic Development Income/Other Fees	9,200,000		9,200,000
Recovered Expenses (Program specific NYS Appropriations, Federal Funding, Other)	7,224,109		8,827,964
Funding To Be Determined	5,000,000		
GRAND TOTAL - FUNDING SOURCES	<u><u>\$ 89,236,402</u></u>		<u><u>\$ 77,078,174</u></u>

(a) Increase is primarily related to support the continued expansion of ESD's role in economic development through programs including, Life Sciences, Empire Station, tourism and business marketing and the oversight of ten Regional Economic Development Councils.

(b) Increase is primarily related to the need for additional office space at 633 Third Avenue.

(c) Increase is to support new and additional Minority and Women Business Development program initiatives.

(d) Increase is primarily due to the need for a bi-annual film tax study and expansion of ESD's trade development efforts.

(e) Increase is primarily due to increased premiums as a result of current market conditions.

(f) Increase is related to an expanded employee training and development program.

(g) To allow ESD to quickly respond to the current crisis needs/directives in the immediate weeks/months.

New York State Urban Development Corporation d/b/a
 Empire State Development
 Subsidiary Operating Support
 for Fiscal Year 2020-21 (in comparison to the Board Approved Budget for Fiscal Year 2019-20)

<u>EXPENSES</u>	<u>Proposed</u> <u>FY 2020-21</u>	<u>Board Approved</u> <u>FY 2019-20</u>
<u>Personal Services (including fringe benefits)</u>	\$ 2,937,945	\$ 2,901,767
 <u>Non-Personal Services</u>		
Occupancy Expenses	\$ 170,300	\$ 164,300
Insurance	141,352	134,621
Other Outside Services and Expenses	102,500	132,200
Accounting and Legal Fees	66,250	66,250
Computers and Equipment/Software/Telephone	34,900	39,900
Office Supplies and Expenses	35,300	35,300
On-Line Services/Training/Conferences/Subscriptions	9,000	10,500
Travel and Meals	6,500	6,250
Consultant Fees	65,000	5,000
 <u>Total Non-Personal Services</u>	 \$ 631,102	 \$ 594,321
 <u>Total Personal and Non-Personal Expenses</u>	 \$ 3,569,047	 \$ 3,496,088

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.

New York State Urban Development Corporation d/b/a
 Empire State Development
 Annual Non-Programmatic Capital Expense Authorization
 for Fiscal Year 2020-21 (in comparison to the Total Board Approved Authorization for Fiscal Year 2019-20)

	<u>Proposed</u> <u>FY 2020-21</u>	<u>Board Approved</u> <u>FY 2019-20</u>
VOIP Routers and Telephones - ITS UniteNY Virtual Router License for Core Switch	15,000	
Wi-Fi Implementation For Some Regional Offices/Business Continuity/Disaster Recovery	20,000	
Miscellaneous Data Center Hardware Supplies	25,000	
Miscellaneous Software	25,000	
Mobile Devices - Laptops, Tablets, etc.	30,000	
Dell Replacement PC - Refresh Outdated Workstations	30,000	
Miscellaneous Peripheral Devices, Projectors, Printers, etc.	30,000	
License - Licenses For Critical Application Infrastructure (Database, VmWare, Windows Operating System)	35,000	
ITS Enterprise Support Changes	40,000	
Formrouter Professional Services - Support StartupNY, NY Films and Other Solutions	50,000	
Replacement VDI Devices for VmWare Virtualization Migration Project	50,000	
Dell Servers - Refresh Existing and Outdated Servers That Are Not Virtualized	60,000	
Cybersecurity Professional Services	75,000	
Cybersecurity Network Vulnerability Testing and Mitigation	75,000	
ITS WebNY Drupal Migration From Version 7 to 8 LOI	81,000	
VMWare Infrastructure Upgrade to Provide Increased Performance (required for critical application)	90,000	
Video Conferencing Equipment and Service	100,000	
Disaster Recovery Upgrade and Professional Services	100,000	
Continuation of an upgrade to ESD's PeopleSoft Financial Management System	100,000	
Media Services Refresh of Critical Enterprise System	100,000	
Managed Services Critical Infrastructure (NetApp, ESXi)	100,000	
Media Services Redundant System for NYC Location (Disaster Recovery)	105,000	
Engineering Services - Support Firewall Configuration, etc.	150,000	
Fire Eye Security Threat Prevention Expand and Upgrade Agency Wide	150,000	
SDWAN Expansion (remote office and internet connectivity redundancy)	150,000	
New Systems Implementation	200,000	
Campbell Ewald Drupal Migration from version 7 to 8 Project SOW	211,000	
VDI Solution Upgrade/ Engineering Services	300,000	
Infrastructure Network Wiring Upgrade Refresh at 633 Third Avenue Location	600,000	
Corporate, Business and Economic Development Support Services	800,000	
Support Microsoft Dynamics CRM System	825,000	
	<u>\$ 4,722,000</u>	<u>\$ 4,395,000 (a)</u>

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