

New York State Urban Development Corporation
Fiscal Year End Date: 03/31/2021
BUDGET & FINANCIAL PLAN

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

	Last Year (Actual) 2018-19	Current Year (Estimated) 2019-20	Next Year (Adopted) 2020-21	Proposed 2021-22	Proposed 2022-23	Proposed 2023-24
REVENUE & FINANCIAL SOURCES						
Operating Revenues						
Charges for services	4,162	5,858	3,450	3,427	2,274	2,274
Rental & financing income	-	-	-	-	-	-
Other operating revenues	4,636	4,641	5,347	5,555	5,561	5,561
Nonoperating Revenues						
Investment earnings	8,800	10,800	9,700	9,700	9,700	9,700
State subsidies/grants	25,800	25,407	25,125	24,926	24,770	24,770
Federal subsidies/grants	1,035	2,683	1,300	1,104	1,004	1,004
Municipal subsidies/grants	-	-	-	-	-	-
Public authority subsidies	295	295	295	295	295	295
Other nonoperating revenues	17,121	21,296	20,386	20,386	20,386	20,386
Proceeds from the issuance of debt	5,200	5,200	5,200	5,200	5,200	5,200
Total Revenues & Financing Sources	67,049	76,180	70,803	70,593	69,190	69,190
EXPENDITURES						
Operating Expenditures						
Salaries and wages	29,309	32,225	35,598	35,182	35,182	35,182
Other employee benefits	11,382	12,245	13,527	13,369	13,369	13,369
Professional services contracts	-	-	-	-	-	-
Supplies and materials	-	-	-	-	-	-
Other operating expenditures	22,476	24,325	25,685	25,843	25,950	25,950
Nonoperating Expenditures						
Pay't of principal on bonds and financing arrangements	-	-	-	-	-	-
Interest and other financing charges	-	-	-	-	-	-
Subsidies to other public authorities	-	-	-	-	-	-
Capital asset outlay	2,735	2,915	2,402	2,305	2,195	2,195
Grants and donations	-	-	-	-	-	-
Other nonoperating expenditures	-	-	-	-	-	-
Total Expenditures	65,902	71,710	77,212	76,699	76,696	76,696
Capital Contributions	-	-	-	-	-	-
Excess (deficiency) of revenue and capital contributions over expenditures	1,147	4,470	(6,409)	(6,106)	(7,506)	(7,506)

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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, its 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.

ESD’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, ESD invests strategically in infrastructure, innovation, place-making and revitalization, tradable sectors and workforce development; is transparent and responsive to the needs of diverse communities across the state through the active participation of ten Regional Economic Development Councils; supports the retention and health of existing businesses, the retention of populations, and the development of new businesses and industries that will contribute to the development of the 21st century economy; promotes equality of economic opportunities for minority- and women-owned businesses; provides early-stage support for new ventures, including the research and development of new technologies; and strengthens New York State’s innovation-based economy through partnerships with acclaimed universities, promoting entrepreneurialism through the development of incubators and next generation manufacturing and technology hubs across the state. In addition, 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

Generally, in October of each year, the Division of the Budget (“DOB”) issues a letter (the “call letter”) to the Chief Executive Officer of ESD requesting the Corporation’s budget submission for the upcoming fiscal year. The call letter specifies budget directives and the filing due date. As a public benefit corporation of the State, the Corporation’s fiscal year aligns with the State and the data presented is in accordance with guidelines provided by the DOB.

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

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In addition, ESD senior management provides the DOB with its requested capital programs and initiatives prior to the release of the Governor's 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 Executive Budget.

After the submission of the State budget request 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. A timeline is established indicating key dates in the budget process. Meetings, when necessary or requested, are held with department and subsidiary heads to discuss their initiatives and funding requirements.

The subsidiary budgets are not included in the submission to the DOB because 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 corporation and subsidiaries operating budgets, including expense projections for personal and non-personal services, as well as the subsidiaries capital budgets, including sources of revenue, are jointly reviewed by the Chief Financial Officer and Controller. 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. A final draft of all budgets is reviewed with the Chief Operating Officer and Chief Executive Officer before presentation to the ESD and Subsidiary Boards.

The Corporation's operating budget is presented to ESD's Board of Directors in March, 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 commercial projects, interest and finance income, fees generated from bond sales, administration of grants and loans, reimbursement from other entities or authorities, proceeds from the sale of certain real estate assets, other miscellaneous income sources and appropriations, if any, as provided in the State's budget.

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

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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:

The Debt Service budget is fully funded by the State and comprised of requisite debt service based on existing bonds and a review by the DOB of projected debt service on bonds anticipated to be issued.

After discussions with the DOB and senior management of the Corporation, a final recommended Capital Budget is prepared, 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.

- The Corporation is continuously seeking alternative funding sources. During fiscal year 2017-18, the Corporation received fee income through certain capital state appropriations. Discussions continue regarding the provision of fees or other forms of income in the ongoing administration of economic development and special programs and in executing various mandates and commitments.

To mitigate this risk, the Corporation continues discussions regarding the provision of fees or other forms of income related to the ongoing administration of economic development and special programs and 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.

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

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- Unforeseen circumstances resulting in unexpected expenses for the Corporation’s commercial portfolio or other major capital projects undertaken by the Corporation and its subsidiaries on behalf of the State.

To mitigate against these potential occurrences, the Corporation may require advanced funding from a designated developer, establish a capital reserve against unforeseen commercial portfolio expenses or provide a contingency in its forecast regarding 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.

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 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.

To mitigate this risk, the Corporation may provide a contingency against the calculated sum.

- There are no specific appropriations provided in the FY 2019-20 Enacted New York State Budget for the operating expenses of the Corporation and it is uncertain if any will be provided in FY 2020-21.

To mitigate this risk, the Corporation continues to work with the DOB to identify sustainable 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, 2020.

§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)

§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)

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§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 to offset the administrative costs associated with such tasks.
- The Corporation participates in the issuance of bonds with DOB and other entities 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 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 appropriate to reduce expenses.

§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.
- 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.

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§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 FY 2018-19 And Change In Estimates FY 2019-20
 Amounts in thousands (000's)

	Actual Performance FY 2018-19	Approved Budget FY 2019-20	Revised Budget FY 2019-20	Difference Between Approved and Revised Budget FY 2019-20
<u>Revenue Financial/Sources</u>				
Commercial Receipts/Administrative and Other Fees	41,283	48,250	47,154	(1,096)
Bond Financing and Investment Income	14,000	20,000	16,000	(4,000)
Recovered Expenses (Program Specific NYS Appropriations, Federal Funding, Subsidiary and Other Revenue)	11,766	8,828	13,026	4,198
Total Revenue Financial/Sources	67,049	77,078	76,180	(898)
<u>Expenditures</u>				
Personal Services				
Salaries and Wages	29,309	36,176	32,225	(3,951)
Other Employee Benefits -	11,382	13,747	12,245	(1,502)
	40,691	49,923	44,470	(5,453)
Non-Personal Expenses				
Occupancy Expenses	8,148	8,378	8,363	(15)
Travel and Meals	394	674	673	(1)
Professional Fees	3,689	4,991	3,970	(1,021)
Computers, Software & Telephone	1,072	1,363	1,328	(35)
On-Line Services, Seminars, Dues and Subscriptions	119	316	157	(159)
Insurance	376	447	430	(17)
Office Supplies and Expense/Printing/Advertising	198	292	265	(27)
Other Outside Services/Expenses	1,258	1,598	1,454	(144)
Total Non-Personal Expenses	15,254	18,059	16,640	(1,419)
Total Personal and Non-Personal Expenses	55,945	67,982	61,110	(6,872)
Total Subsidiary Operating Support	7,222	3,496	7,685	4,189
Total Capital Asset Outlay	2,735	4,395	2,915	(1,480)
Total Expenditures	65,902	75,873	71,710	(4,163)

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 Employee Headcount Projection
 As of April 1, 2020

Functional Classification	<u>Full</u>	<u>Operating Budget</u>	<u>Funding Sources</u>	
	<u>Time</u>		<u>Federal</u>	<u>Other</u>
Administrative Services	35.0	35.0		
Small Business & Technology Development/MWBE Division/Small Business Division	24.0	14.0	5.0	5.0
Finance	67.0	67.0		
Internal Audit	3.0	3.0		
Legal	26.0	26.0		
Real Estate Development	10.0	10.0		
Regional Offices	48.5	36.5		12.0
Statewide Executive	17.0	17.0		
Strategic Business Development	8.0	8.0		
Strategy, Policy, Intergovernmental, and Public Affairs	62.0	50.0		12.0
Tourism and Film	27.0	19.0		8.0
Total ESD Corporate	327.5	285.5	5.0	37.0
Subsidiaries	49.0	35.0	14.0	
Total ESD	376.5	320.5	19.0	37.0

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 Statement of Annual Projected Capital Cost
 2019-2020

Attachment #3

<u>Subsidiary/Project</u>	<u>Category</u>	<u>Amount</u>	<u>Funding Source</u>
Convention Center Development Corp.	Consultant (Design & Other Soft Costs)	\$6,000,000	CCDC Bond Proceeds & NYS Appropriation
	Legal	2,000,000	CCDC Bond Proceeds & NYS Appropriation
	Insurance	0	CCDC Bond Proceeds & NYS Appropriation
	Construction (Including Design/Build)	430,000,000	CCDC Bond Proceeds & NYS Appropriation
	Demolition	0	CCDC Bond Proceeds & NYS Appropriation
	Property Services	14,000,000	CCDC Bond Proceeds & NYS Appropriation
	Other Capital	10,000,000	CCDC Bond Proceeds & NYS Appropriation
		<u>\$462,000,000</u>	
	Estimated Total Project Costs	\$1,659,860,196	
	Estimated Completion Date	2021	
Erie Canal Harbor Development Corp.	Acquisition Costs	\$100,000	NYPA
	Legal	550,000	NYPA
	Consultant (Design & Other Soft Costs)	7,308,777	NYPA/NYS/BB
	Construction	30,114,920	NYPA/NYS/BB
	Insurance	120,000	NYPA
	Property Services	2,260,500	NYPA
	Other Capital	300,000	NYPA
		<u>\$40,754,197</u>	
Estimated Total Project Costs	\$147,869,199		
Estimated Completion Date	2031		
Harlem Community Development Corporation	Legal	\$250,000	Developer
		<u>\$250,000</u>	
	Estimated Total Project Costs	\$163,094,943	
Estimated Completion Date	2020		
Moynihan Station Development Corporation	Legal	\$250,000	Federal
	Consultant (Design & Other Soft Costs)	4,961,880	Federal
	Construction	474,665,400	Federal/MTA/PANYNJ
	Property Services	0	Federal
	Insurance	1,500,000	MTA/PANYNJ
	Other Capital	500,000	MTA/PANYNJ
		<u>\$481,877,280</u>	
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
		<u>\$9,644,000</u>	
MSDC/Farley Combined	Estimated Total Project Costs	\$ 1,600,000,000	
	Estimated Completion Date	2021	
Queens West Development Corporation	Legal	\$40,000	Developer/PANYNJ
	Construction	1,350,000	Developer
	Property services	120,000	Developer/PANYNJ
		<u>\$1,510,000</u>	
	Estimated Total Project Costs	\$290,000,000	
Estimated Completion Date	2020		
USA Niagara Development Corporation	Acquisition Costs	\$14,605,000	BB
	Consultant (Design & Other Soft Costs)	\$2,125,657	City of Niagara Falls/NYPA/BB
	Legal	108,464	City of Niagara Falls/ BB
	Insurance	600,000	BB
	Construction	7,244,302	City of Niagara Falls/NYPA/BB
	Demolition	6,000,000	BB
	Property Services	1,400,000	BB
	Other Capital	8,856,269	City of Niagara Falls/BB
		<u>\$40,939,692</u>	
	Estimated Total Project Costs	\$93,121,203	
Estimated Completion Date	2023		