



FOR CONSIDERATION

March 29, 2018

TO: The Directors

FROM: Howard A. 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) 2018-19 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 Empire State Development (ESD or the Corporation) adopt an annual operating budget. The \$72.4 million budget includes operating support provided to certain subsidiaries and operating costs associated with the administration of the Regional Economic Development Councils, a Life Sciences Initiative, the Minority and Women Owned Business Division (MWBD) and the Buffalo Regional Innovation Cluster. It pertains only to ESD's operating costs and not to programmatic New York State appropriations for specific programs that are included in the Governor's proposed FY2018-19 Executive Budget.

The budget includes personal services expenses (salaries and fringe benefits) of \$47.9 million to support several essential initiatives for the State, such as Global NY, Life Sciences, tourism, business marketing and the oversight of the economic development efforts of the ten Regional Councils, as well as other new and existing economic development efforts. In addition, support is included for increased IT capabilities and the administration of several federally funded technology grants.

Non-personal services expenses of \$16.6 million reflect increases in office occupancy expenses at 633 Third Avenue, professional fees, IT equipment for various departments, insurance, required studies and analyses and MWBD temporary support staff.

Other Post Employment Cost of \$4.6 million represents the 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 \$3.3 million includes the operating expenses of Erie Canal Harbor Development Corporation, Harlem Community Development Corporation, Queens West Development Corporation and USA Niagara.

If any ESD budget changes are required after the adoption of the State's FY2018-19 Budget they will be brought to the Board for approval.

Approval is also requested of the Corporation's FY2018-19 Non-Programmatic Capital Expense Authorization totaling \$3.915 million. This request includes the Corporation's continued implementation of an upgrade of the PeopleSoft financial management system, support related to the Microsoft Dynamics customer relations management system, web, business and economic development support services and investment in technology to better protect data and IT assets from outside cybersecurity threats and broaden the infrastructure to provide network redundancy, business continuity and disaster recovery capabilities.

The details of the proposed FY2018-19 ESD Operating Budget, including certain Subsidiary Operating Support and the Annual Non-Programmatic Capital Expense Authorization are attached to these materials for your review.

All subsidiary operating and capital budgets must also be presented separately to and approved by their respective Boards within the same timeframe as ESD.

II. REQUESTED ACTIONS

The Directors are requested to adopt the Corporation's FY2018-19 Annual Operating Budget, including certain Subsidiary Operating Support and the FY2018-19 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 FY2018-19 Annual Operating Budget, including certain Subsidiary Operating Support
Proposed FY2018-19 Annual Non-Programmatic Capital Expense Authorization

March 29, 2018

NEW YORK STATE URBAN DEVELOPMENT CORPORATION (the "Corporation") – Annual Operating Budget - Authorization to Adopt the FY2018-19 Annual Operating Budget, Including Certain Subsidiary Operating Support and the FY2018-19 Annual Non-Programmatic Capital Expense Authorization and to Take Related Actions

RESOLVED, that the Corporation hereby adopts the FY2018-19 Annual Operating Budget, including certain subsidiary operating support and the FY2018-19 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 2018-19 (in comparison to Fiscal Year 2017-18)

	<u>FY 2017-18</u>	<u>FY 2018-19</u>
<u>EXPENSES</u>		
<u>Personal Services (including fringe benefits)</u>	<u>\$ 43,640,342</u>	<u>\$ 47,859,287</u> (a)
<u>Other Post Employment Cost</u>	<u>\$ 4,500,000</u>	<u>\$ 4,600,000</u>
<u>Non-Personal Services</u>		
Occupancy Expenses	\$ 7,959,900	\$ 8,247,400 (b)
Consulting Fees	2,500,000	2,606,100
Outside Services and Expenses/Repairs/Maintenance/Property Management	1,276,208	1,805,150 (c)
Computers and Equipment/Software/Telephone	941,693	1,171,385 (d)
Accounting and Legal Fees	1,114,000	1,135,000
Travel and Meals	700,000	758,320
Insurance	355,467	408,505 (e)
Office Supplies and Expenses/Printing/Advertising	335,652	300,068
On-Line Services/Conferences/Seminars/Dues/Subscriptions	158,975	161,825
<u>Total Non-Personal Services</u>	<u>\$ 15,341,895</u>	<u>\$ 16,593,753</u>
<u>Total Personal and Non-Personal Expenses</u>	<u>\$ 63,482,237</u>	<u>\$ 69,053,040</u>
<u>Total Subsidiary Operating Support</u>	<u>\$ 3,333,006</u>	<u>\$ 3,348,161</u>
GRAND TOTAL - ALL EXPENSES	<u>\$ 66,815,243</u>	<u>\$ 72,401,201</u>
<u>FUNDING SOURCES</u>		
Commercial Receipts/Asset Sale Proceeds/Administrative Fees/Other Revenue	\$ 50,312,643	\$ 55,020,101
Bond Financing and Economic Development Income/Other Fees	10,000,000	9,200,000
Recovered Expenses (Program specific NYS Appropriations, Federal Funding, Other)	6,502,600	8,181,100
GRAND TOTAL - FUNDING SOURCES	<u>\$ 66,815,243</u>	<u>\$ 72,401,201</u>

- (a) Increase is primarily due to the continued need to enhance staffing to support vital initiatives for the State, such as a Life Sciences initiative, Tourism, the Market New York Program, High Technology Innovation and Economic Development Program, administration of Federally funded innovation technology grants, the New Markets Tax Credit program and support for new and continuing economic development efforts.
- (b) Increase related to rent, real estate taxes and escalation pursuant to the lease agreement for 633 Third Avenue.
- (c) Increase related to MWBD temporary staffing, required independent semi-annual Film Tax Study, expenses for the BMNY program and property maintenance expenses.
- (d) Increase is due to services provided by the Office of Information Technology Services, software maintenance for PeopleSoft 9.2 and computer needs of new staff.
- (e) Increase is based on the addition of cyber insurance, the expectation of slightly higher premiums and the retention of an insurance consultant.

New York State Urban Development Corporation d/b/a
 Empire State Development
 Subsidiary Operating Support
 for Fiscal Year 2018-19 (in comparison to Fiscal Year 2017-18)

<u>EXPENSES</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>
<u>Personal Services (including fringe benefits)</u>	<u>\$ 2,750,595</u>	<u>\$ 2,775,009</u>
<u>Non-Personal Services</u>		
Occupancy Expenses	\$ 154,300	\$ 159,800
Insurance	146,136	149,652
Office Supplies and Expenses/Printing/Advertising	38,125	38,300
Consultant Fees	5,000	5,000
Accounting and Legal Fees	64,000	66,500
Computers and Equipment/Software/Telephone	52,100	43,400
Other Outside Services and Expenses/Repairs/Maintenance/ Property Management	101,000	94,500
On-Line Services/Conferences/Seminars/Dues/Subscriptions	13,500	9,500
Travel and Meals	<u>8,250</u>	<u>6,500</u>
<u>Total Non-Personal Services</u>	<u>\$ 582,411</u>	<u>\$ 573,152</u>
<u>Total Personal and Non-Personal Expenses</u>	<u>\$ 3,333,006</u>	<u>\$ 3,348,161</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.

New York State Urban Development Corporation d/b/a
Empire State Development
Annual Non-Programmatic Capital Expense Authorization
for Fiscal Year 2018-19 (in comparison to Fiscal Year 2017-18)

	<u>FY 2017-18</u>	<u>FY 2018-19</u>
UPS Power Supplies - refresh old outdated power supplies in our Servers Racks; accommodate increased power needs		\$ 15,000
Wi-Fi Implementation for some Regional Offices/Business Continuity/Disaster Recovery		20,000
Miscellaneous Software		25,000
Upgrade Bandwidth Management Solution - enhance user experience for internet based applications (Office 365)		25,000
Mobile Devices - laptops, tablets, etc.		30,000
Dell Servers - refresh existing and outdated servers		30,000
Upgrade Sensitive Data Encryption Solution - enhance data encryption services to protect sensitive personal Identifying data		30,000
Dell Replacement PC - refresh outdated workstations		30,000
Network Equipment Infrastructure refresh/upgrade		30,000
License - Licenses necessary to maintain the critical application infrastructure (Database, VMware, Windows OS)		35,000
Internet Redundancy Solution		35,000
Engineering Services - Support Firewall configuration, etc.		45,000
UniteNY charges for ESD staff - OITS		60,000
VMware Infrastructure Upgrade - upgrade infrastructure to provide increased performance (required for critical application)		60,000
Office 365 charges for ESD staff - Office of Information Technology (OITS)		70,000
Formrouter Professional Services - support Startup NY, NY Films & other solutions		75,000
VOIP routers & telephones - ITS UniteNY Virtual Router License for Core Switch (633 3rd Ave)		75,000
Video Conferencing Equipment and Service		100,000
Fire Eye Security Threat Prevention Expand and Upgrade Agency Wide		150,000
Support Microsoft Dynamics CRM System		175,000
Croci Searchable Database		200,000
Radware Alb & NYC Upgrade & implementation		200,000
Migrate ESD from ITS enterprise application platforms		200,000
VDI Solution Upgrade/ Engineering Services		300,000
Web Services, Business Services, OITS, Economic Development Support Services		800,000
Continuation of an upgrade to ESD's PeopleSoft Financial Management System (complete Phase 1 and begin Phase 2)		<u>1,100,000</u>
	<u>\$ 4,800,000</u>	<u>\$ 3,915,000</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.