

FOR CONSIDERATION

March 28, 2019

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) 2019-20 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. ESD's proposed FY2019-20 annual budget of approximately \$77.1 million includes annual operating expenditures, as well as operating support provided to certain subsidiaries, and operating costs associated with the continued administration of the Regional Economic Development Councils (REDCs), the Life Sciences Initiative, 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 are included in the Governor's proposed FY2019-20 Executive Budget.

ESD's FY2019-20 budget includes total personal services expenses, including salaries and fringe benefits, of approximately \$49.9 million to support the growth of several ESD programs, including Life Sciences, Global NY, tourism, and the oversight of the ten REDC's economic development efforts. The budget also includes funding for increased IT capabilities and the administration of several new and existing federally funded innovation technology grants through ESD's NYSTAR Division.

ESD's FY2019-20 budget non-personal services expenses total approximately \$18.1 million, which includes higher consultant expenses, IT equipment and communication enhancements and improvements, and additional program-related software needs.

The Corporation's budgeted Other Post Employment Cost of \$5.6 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". The \$1.0 million increase over last year's budget is related to changes in the required actuarial valuations.

Subsidiary operating support of \$3.5 million includes the operating expenses of Erie Canal Harbor Development Corporation (\$1.3 million), Harlem Community Development Corporation (\$1.4 million), Queens West Development Corporation (\$.08 million) and USA Niagara (.7 million).

If any changes are required to the ESD budget after the adoption of the State's FY2019-20 Budget they will be brought to the Board for approval.

Director approval also is requested for the Corporation's FY2019-20 Non-Programmatic Capital Expense Authorization totaling \$4.4 million. This capital expense budget includes the Corporation's continued PeopleSoft financial management system upgrade, the Microsoft Dynamics customer relations management system support and licenses, web, business and economic development support services and investment in infrastructure and technology to better protect data and IT assets from external cybersecurity threats and to provide network redundancy; business continuity and disaster recovery capabilities.

The details of the proposed FY2019-20 ESD Operating Budget, including certain Subsidiary Operating Support and the Annual Non-Programmatic Capital Expense Authorization, are attached 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 FY2019-20 Annual Operating Budget, including certain Subsidiary Operating Support and the FY2019-20 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 FY2019-20 Annual Operating Budget, including certain Subsidiary Operating Support
- Proposed FY2019-20 Annual Non-Programmatic Capital Expense Authorization

March 28, 2019

NEW YORK STATE URBAN DEVELOPMENT CORPORATION – Annual Operating Budget -
Authorization to Adopt the FY2019-20 Annual Operating Budget, Including Certain Subsidiary
Operating Support and the FY2019-20 Annual Non-Programmatic Capital Expense Authorization
and to Take Related Actions

RESOLVED, that the Corporation hereby adopts the FY2019-20 Annual Operating Budget, including certain subsidiary operating support and the FY2019-20 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 2019-20 (in comparison to the Board Approved Budget for Fiscal Year 2018-19)

	<u>Board Approved</u> <u>FY 2018-19</u>	<u>Proposed</u> <u>FY 2019-20</u>
<u>EXPENSES</u>		
<u>Personal Services (including fringe benefits)</u>	\$ 47,859,287	\$ 49,923,030 (a)
<u>Other Post Employment Cost</u>	\$ 4,600,000	\$ 5,600,000
<u>Non-Personal Services</u>		
Occupancy Expenses	\$ 8,247,400	\$ 8,378,000
Consultant Fees	2,606,100	3,875,600 (b)
Outside Services and Expenses/Repairs/Maintenance/Property Management	1,805,150	1,598,872 (c)
Computers and Equipment/Software/Telephone	1,171,385	1,363,000 (d)
Accounting and Legal Fees	1,135,000	1,115,000
Travel and Meals	758,320	673,749
Insurance	408,505	447,219 (e)
On-Line Services/Conferences/Seminars/Dues/Subscriptions	161,825	316,375 (f)
Office Supplies and Expenses/Printing/Advertising	300,068	291,241
<u>Total Non-Personal Services</u>	<u>\$ 16,593,753</u>	<u>\$ 18,059,056</u>
<u>Total Personal and Non-Personal Expenses</u>	<u>\$ 69,053,040</u>	<u>\$ 73,582,086</u>
<u>Total Subsidiary Operating Support</u>	<u>\$ 3,348,161</u>	<u>\$ 3,496,088</u>
GRAND TOTAL - ALL EXPENSES	<u>\$ 72,401,201</u>	<u>\$ 77,078,174</u>
<u>FUNDING SOURCES</u>		
Commercial Receipts/Asset Sale Proceeds/Administrative Fees/Other Revenue	\$ 55,020,101	\$ 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)	8,181,100	8,827,964
GRAND TOTAL - FUNDING SOURCES	<u>\$ 72,401,201</u>	<u>\$ 77,078,174</u>

(a) Increase is primarily related to support growth in several ESD programs, such as the Life Sciences initiative and the administration of new federally funded innovation technology grants awarded to ESD's NYSTAR division.

(b) Increase is related to costs associated with the administration of new federally funded innovation technology grants awarded through ESD's NYSTAR division.

(c) Decrease is primarily due to a reduction in facility related and services needs.

(d) Increase is primarily due to increased IT needs and improvements required for business continuity and disaster recovery.

(e) Increase is included in the event of slightly higher premiums.

(f) Increase is due to new program-related software needs.

New York State Urban Development Corporation d/b/a
 Empire State Development
 Subsidiary Operating Support
 for Fiscal Year 2019-20 (in comparison to the Board Approved Budget for Fiscal Year 2018-19)

<u>EXPENSES</u>	<u>Board Approved</u> <u>FY 2018-19</u>	<u>Proposed</u> <u>FY 2019-20</u>
<u>Personal Services (including fringe benefits)</u>	<u>\$ 2,775,009</u>	<u>\$ 2,901,767</u>
<u>Non-Personal Services</u>		
Occupancy Expenses	\$ 159,800	\$ 164,300
Insurance	149,652	134,621
Other Outside Services and Expenses/Repairs/Maintenance/ Property Management	94,500	132,200
Accounting and Legal Fees	66,500	66,250
Computers and Equipment/Software/Telephone	43,400	39,900
Office Supplies and Expenses/Printing/Advertising	38,300	35,300
On-Line Services/Conferences/Seminars/Dues/Subscriptions	9,500	10,500
Travel and Meals	6,500	6,250
Consultant Fees	5,000	5,000
<u>Total Non-Personal Services</u>	<u>\$ 573,152</u>	<u>\$ 594,321</u>
<u>Total Personal and Non-Personal Expenses</u>	<u>\$ 3,348,161</u>	<u>\$ 3,496,088</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 2019-20 (in comparison to the Total Board Approved Authorization for Fiscal Year 2018-19)

	<u>Board Approved</u> <u>FY 2018-19</u>	<u>Proposed</u> <u>FY 2019-20</u>
UPS Power Supplies - refresh old outdated power supplies in our Servers Racks; accommodate increased power needs		\$ 15,000
VOIP routers and telephones - ITS UniteNY Virtual Router License for Core Switch (Harlem)		15,000
WiFi Implementation for some Regional Offices/Business Continuity/Disaster Recovery		20,000
Systems Management Appliance Solution		20,000
Miscellaneous Software		25,000
Mobile Devices - laptops, tablets, etc.		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
Upgrade Bandwidth Management Solution - enhance user experience for internet based applications (Office 365)		35,000
License - Licenses necessary to maintain our critical application infrastructure (Database, VmWare, Windows Operating System)		35,000
Internet Redundancy Solution		35,000
Video Conferencing Equipment and Service		45,000
Formrouter Professional Services - support StartupNY, NY Films and other solutions		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
VMWare Infrastructure Upgrade - upgrade infrastructure to provide increased performance (required for critical application)		90,000
Disaster Recovery upgrade and professional services		100,000
Migrate ESD from ITS enterprise application platforms		120,000
Replacement VDI devices for VmWare virtualization migration project		150,000
Engineering Services - Support Firewall configuration, etc.		150,000
Fire Eye Security Threat Prevention Expand and Upgrade Agency Wide		150,000
Radware Albany and NYC Upgrade and implementation		200,000
New Systems Implementation		200,000
NetApp Cloud Services and Data Management		240,000
Network Equipment Infrastructure Refresh/ Upgrade		300,000
VDI Solution Upgrade/ Engineering Services		300,000
Support Microsoft Dynamics CRM System		500,000
Continuation of an upgrade to ESD's PeopleSoft Financial Management System		500,000
Corporate, Business and Economic Development Support Services		800,000
	<u>\$ 3,915,000</u>	<u>(a) 4,395,000</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.