

FOR CONSIDERATION

March 24, 2022

TO: The Directors

FROM: Hope Knight

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) 2022-23 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 FY2022-23 annual operating budget (the “Budget”) of approximately \$113.5 million reflects a broader overall increase in the proposed FY2022-23 Executive Budget over the previous fiscal year, as well as the additional programs and projects Governor Hochul has tasked ESD with implementing as part of her New Era for New York agenda. The Executive Chamber recognizes that the new initiatives being led by ESD will require additional support, and the Budget, which includes significant federal funding, will allow it to more effectively administer and provide oversight of both new and existing economic development programs. New initiatives include the creation of ESD’s Office of Workforce Development and ConnectAll, as well as enhancements to existing programs, such as the Regional Economic Development Councils (“REDCs”), the Minority- and Women-Owned Business Division, and Small Business and Technology Development. Also included is operating support provided to certain ESD subsidiaries. The budget does not include programmatic New York State appropriations for specific programs that have been included in the Governor’s proposed FY2022-23 Executive Budget.

The Budget includes approximately \$68.3 million of total personal services expenses, including salaries and fringe benefits, which will allow ESD to successfully develop, launch and manage new and expanded programmatic portfolios with the staff required to do so, particularly within Workforce Development, the Minority- and Women-Owned Business Division and Small Business and Technology Development, and areas that directly support those initiatives, such as Legal, Loans & Grants and IT.

The Budget also includes approximately \$39.6 million for non-personal services expenses. In addition to supporting occupancy costs, consultants, IT enhancements and communication,

insurance, office services and staff training programs, the additional funding will enhance our efforts to provide greater transparency in the form of program evaluations requested by the Legislature and other improvements to strengthen ESD's Minority- and Women-Owned Business efforts.

Subsidiary operating support of \$5.5 million includes the operating expenses of Erie Canal Harbor Development Corporation (\$1.3 million), Harlem Community Development Corporation (\$3.4 million), Queens West Development Corporation (\$0.1 million) and USA Niagara (\$0.7 million). These and other subsidiary operating and capital budgets will be presented separately to the respective Board members.

In addition, if any changes are required to the ESD budget after the adoption of the State's FY2022-23 Budget, or any other time during the fiscal year, they will be brought to the Board for approval.

Director approval is also requested for the Corporation's FY2022-23 Non-Programmatic Capital Expense Authorization totaling approximately \$6.8 million. This authorization includes support for the entity-wide Microsoft Dynamics customer relations management system, investment in technology to improve data and assets protection, expansion and replacement of IT hardware and software to enhance business continuity and disaster recovery capabilities. Further, this funding will be used to fortify ESD's remote and virtual work options for its increased staff statewide.

The details of the proposed FY2022-23 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 FY2022-23 Annual Operating Budget, including certain Subsidiary Operating Support and the FY2022-23 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 FY2022-23 Annual Operating Budget, including certain Subsidiary Operating Support

Proposed FY2022-23 Annual Non-Programmatic Capital Expense Authorization

March 24, 2022

NEW YORK STATE URBAN DEVELOPMENT CORPORATION D/B/A EMPIRE STATE DEVELOPMENT – Annual Operating Budget - Authorization to Adopt the FY2022-23 Annual Operating Budget, Including Certain Subsidiary Operating Support and the FY2022-23 Annual Non-Programmatic Capital Expense Authorization and to Take Related Actions

RESOLVED, that the Corporation hereby adopts the Corporation’s FY2022-23 Annual Operating Budget, including certain subsidiary operating support and the FY2022-23 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 2022-23 in comparison to the Board Approved Budget for Fiscal Year 2021-22

	<u>Proposed Budget</u>		<u>Board Approved</u>
	<u>FY 2022-23</u>		<u>FY 2021-22</u>
<u>EXPENSES</u>			
<u>Personal Services (including fringe benefits)</u>	\$ 68,325,307 (a)		\$ 50,599,940
<u>Non-Personal Services</u>			
Consultant Fees	\$ 21,325,804 (b)		\$ 7,014,900
Occupancy Expenses	9,835,450 (c)		8,491,000
Computers and Equipment/Software/Telephone	2,405,472 (d)		1,419,900
Outside Services and Expenses	2,007,092 (e)		1,301,000
Accounting and Legal Fees	2,000,000 (f)		1,100,000
Travel and Meals	623,300 (g)		396,100
On-Line Services/Training/Conferences/Subscriptions	568,270		445,450
Insurance	713,000 (h)		523,000
Office Supplies and Expenses	267,600		255,400
Provision For COVID-19 Program/Other Costs	-		1,000,000
<u>Total Non-Personal Services</u>	<u>\$ 39,745,988</u>		<u>\$ 21,946,750</u>
<u>Total Personal and Non-Personal Expenses</u>	<u>\$ 108,071,295</u>		<u>\$ 72,546,690</u>
<u>Total Subsidiary Operating Support</u>	<u>\$ 5,533,664 (i)</u>		<u>\$ 3,496,537</u>
GRAND TOTAL - ALL EXPENSES	<u><u>\$ 113,604,959</u></u>		<u><u>\$ 76,043,227</u></u>
<u>FUNDING SOURCES</u>			
Commercial Revenue/Administrative and Other Fees/Investment Income/Other Revenue	\$ 78,637,667		\$ 60,596,240
Bond Financing Fees	9,200,000		9,200,000
Program specific NYS Appropriations, Federal Funding, Other Third Party	25,767,292		6,246,987
GRAND TOTAL - FUNDING SOURCES	<u><u>\$ 113,604,959</u></u>		<u><u>\$ 76,043,227</u></u>

(a) Represents staffing required to successfully develop, launch and manage new and expanded programmatic portfolios.

(b) Reflects resources to effectuate improvements to strengthen ESD's Minority- and Women-Owned Business efforts.

(c) Includes modifications to, and expansion of, existing office space at various locations.

(d) Provides for IT enhancements and increased remote and in-office technology support to staff.

(e) Contains provision for temporary staffing to assist in the implementation of new and expanded programs.

(f) Reflects an increase in outside counsel to support internal staff in the development of new and expanded programs.

(g) Anticipates increased staff travel.

(h) Provides for an expected increase in insurance premiums, predominantly cyber security.

(i) Supports the operating expenses of Erie Canal Harbor Development Corporation, Harlem Community Development Corporation, Queens West Development Corporation and USA Niagara.

New York State Urban Development Corporation d/b/a
 Empire State Development
 Subsidiary Operating Support
 for Fiscal Year 2022-23 in comparison to the Board Approved Budget for Fiscal Year 2021-22

<u>EXPENSES</u>	<u>Proposed Budget</u> <u>FY 2022-23</u>	<u>Board Approved</u> <u>FY 2021-22</u>
<u>Personal Services (including fringe benefits)</u>	<u>\$ 2,634,914</u>	<u>\$ 2,804,787</u>
<u>Non-Personal Services</u>		
Occupancy Expenses	\$ 170,300	\$ 170,300
Insurance	202,000	202,000
Other Outside Services and Expenses	67,500	102,500
Accounting and Legal Fees	66,250	66,250
Computers and Equipment/Software/Telephone	34,900	34,900
Office Supplies and Expenses	30,300	35,300
On-Line Services/Training/Conferences/Subscriptions	5,000	9,000
Travel and Meals	7,500	6,500
Consultant Fees	65,000	65,000
Renovation Costs-Harlem Office	<u>2,250,000</u>	<u>-</u>
<u>Total Non-Personal Services</u>	<u>\$ 2,898,750</u>	<u>\$ 691,750</u>
<u>Total Personal and Non-Personal Expenses</u>	<u>\$ 5,533,664</u>	<u>\$ 3,496,537</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 2022-23 in comparison to the Total Board Approved Authorization for Fiscal Year 2021-22

	<u>Proposed Budget</u>	<u>Board Approved</u>
	<u>FY 2022-23</u>	<u>Total FY 2021-22</u>
VOIP routers and telephones - ITS UniteNY Virtual Router License for Core Switch (Harlem)	\$ 15,000	
Wi-Fi Implementation for some Regional Offices/Business Continuity/Disaster Recovery	75,000	
Miscellaneous data center hardware supplies	25,000	
Miscellaneous software	25,000	
Mobile Devices - laptops, tablets, etc.	90,000	
Dell Replacement PC - Refresh outdated workstations	20,000	
Miscellaneous peripheral devices, projectors, printers, etc.	25,000	
Licenses necessary to maintain our critical application infrastructure (Database, VmWare, Windows Operating System)	70,000	
ITS Enterprise support charges	80,000	
Formrouter Professional Services - support StartupNY, NY Films and other solutions	100,000	
Replacement VDI devices for VmWare virtualization migration project	30,000	
Dell Servers - Refresh existing and outdated servers that are not virtualized	30,000	
Cybersecurity Professional Services	75,000	
Cybersecurity network vulnerability testing and mitigation	75,000	
ITS WebNY Drupal Migration from version 7 to 9	200,000	
VMWare Infrastructure Upgrade - Upgrade infrastructure to provide increased performance	150,000	
Video conferencing equipment and service	100,000	
Phase 1 of Cloud Migration	150,000	
Continuation of modifications to ESD's PeopleSoft Financial Management System	200,000	
Media Services refresh of Apple equipment	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.	300,000	
Fire Eye Security Threat Prevention Expand and Upgrade Agency Wide	50,000	
SDWAN expansion (remote office and internet connectivity redundancy)	150,000	
New Systems Implementation	200,000	
VDI Solution Engineering Services	300,000	
Support Microsoft Dynamics CRM System	990,000	
Leasehold Improvements	1,500,000	
Campbell Ewald Drupal Migration Project from version 7 to 8	211,000	
Corporate, Business and Economic Development Support Services	700,000	
Additional IT equipment to support enhanced staff throughout the State	400,000	
Peoplesoft Managed Services	200,000	
	<u>\$ 6,841,000</u>	<u>\$ 4,227,000</u>