Erie County Industrial Development Agency

Proposed 2012 Budget

Presented to Board of Directors 10/17/11

ECIDA

THE ECONOMIC DEVELOPMENT CORPORATION FOR ERIE COUNTY

Erie County Industrial Development Agency (ECIDA)
Proposed 2012 Budget + 3 Year Forecast

Presented herein is the operating budget for the Erie County Industrial Development Agency's fiscal year ended December 31, 2012 and a three-year forecast for the 2013 to 2015 fiscal years.

A. Overview of Changes in 2012 Budget:

The following details the key changes in the 2012 budget compared to the 2011 projections:

Revenues:

Administrative Fees (remaining flat at $1.85 million):
Administrative fees primarily consist of fees earned by the ECIDA through the provision of tax abatements. Administrative fees are conservatively budgeted to remain approximately flat for 2012 and consistent with the previous ten-year average ($1,826,000). Continuing uncertainty regarding the overall economy is likely to be a drag on the Erie County IDA's administrative fee revenues in 2012 as companies may reconsider capital investments.

Affiliate Management Fees (increasing 8% from $255,000 to $275,000):
Affiliate Management Fees represent salaries and benefit costs charged to the ECIDA's affiliated companies (RDC & ILDC) for services that ECIDA employees provide to these organizations, since they have no employees of their own. Affiliate management fees are expected to increase in 2012 as a result of additional time required to handle an expected increase in loan demand and an increase in the average fee rate due to the impact of staff salary and benefit increases.

Management Fees – BUDC/BLCP Park Assoc. (increasing 13% from $40,000 to $45,000):
Management Fees – BUDC/BLCP represent a fee charged by the ECIDA for financial, administrative and property management services that ECIDA employees provide to Buffalo Urban Development Corporation. The fee is expected to increase by $5,000 in 2012 as a result of additional services provided to BUDC's newly created affiliate, the Buffalo Lakeside Commerce Park Property Owners Association, Inc.

Other Income (increasing 17% from $57,000 to $67,000):
Other Income primarily consists of income earned by the ECIDA's International Division for international credit report services. Offsetting this income, the cost of purchasing these international credit reports is included in Other Expenses together with other miscellaneous expenses.

A. Overview of Changes in 2012 Budget (Continued):

Expenses:

Salaries & Benefits (increasing 8% from $1.6 million to $1.8 million):
Salaries & benefits are budgeted to increase 8% in 2012 as a result of the full-year impact of replacing the ECIDA's part-time Senior Bookkeeper who retired in 2012 with a full-time Controller and hiring a replacement for the International Programs Officer, plus the impact of salary and benefit increases.

The ECIDA has budgeted for a total salary adjustment "pool" totaling 5% of salaries for 2012 (or approximately $53,000). This pool is available to adjust salaries based on the results of a compensation study that is scheduled to be completed in November 2011. These salary adjustments, if any, will be reviewed and approved by the ECIDA Board Compensation Committee.

In addition, a performance incentive pool that is calculated as 4% of total salaries (or approximately $45,000 in total) is budgeted for 2012. These performance incentives, if any, will also be reviewed and approved by the ECIDA Board Compensation Committee for Executive Management and by the acting CEO for other staff. Health and dental costs are expected to increase by 8.3% and 12% respectively in 2012 with employees contributing 10% of the total cost of health care.

The following chart indicates the actual and projected headcount by department at December 31st of each year:

Department	2008	2009	2010	2011	2012
Finance / HR	2.5	2.5	2.5	3	3
Business Development & Outreach	3	3	3	3	3
Administrative Assistants / Reception	3	3	3	3	3
International / Export	1	1	2	2	2
Tax Incentives / Compliance	1	1	2	2	2
Development / Property Mgmt	1	1	1	1	1
Lending	1	1	1	1	1
Technology	1	1	1	1	1
Chief Operating Officer	1	1	1	1	1
CEO	-	-	-	-	-
Total*	**14.5**	**14.5**	**16.5**	**17**	**17**

* Excludes three employees working directly for other economic development organizations.

A. Overview of Changes in 2012 Budget (Continued):

Expenses:

Professional Services (remaining flat at 215,000):
Professional Services includes legal ($150,000 budget), audit ($35,000 budget) and consulting services ($30,000 budget). In 2012, legal costs are expected to continue to decrease as a result of the completion of various one-time projects; however this decrease is partially offset by legal costs associated with the continued growth of regulatory and reporting requirements placed upon the Erie County IDA.

Building Operating Costs (decreasing 22% from $58,000 to $45,000):
Building Operating Costs are budgeted to decrease as a result of an affiliated corporation, ATC, granting the ECIDA title to the ECIDA-occupied building in February 2011[1]. Total costs will decrease as the ECIDA will not have to bear any mortgage interest costs while the costs of the facility manager will be classified in salaries and benefits (previously these costs were included in building operating costs as part of the rent charged by the ATC).

Public Notices & Marketing (increasing 29% from $89,000 to $115,000):
Marketing Expense is scheduled to increase by $25,000 in order to promote the ECIDA's various economic development programs and provide various accountability reports to the community. Public Hearing Notices, which are required under General Municipal Law, are budgeted to cost $30,000 and are included in the Public Notices & Marketing budget.

Special Project Grants (increasing to $3 million revenue/expense):
Special Project Grants represent grants given to the ECIDA for various infrastructure projects. Under these grants, the ECIDA provides construction oversight, bid management and procurement services. In 2012, the ECIDA is expected to receive $3 million from Erie County for the relocation of railway infrastructure at the former Bethlehem Steel site in the City of Lackawanna. This project is part of a comprehensive redevelopment plan that includes environmental remediation on the 1,000 acre site.

Use of Unrestricted Net Assets:

Use of Unrestricted Net Assets
Due to the uncertain economy and the impact on the Agency's revenues, ECIDA has included a conservative administrative fee income budget of $1.85 million. As a result, the 2012 budget anticipates the ECIDA utilizing approximately $211,000 or 3.5% of its unrestricted net assets to fund the anticipated net operating deficit in 2012. For future years however, it is anticipated that total revenues will increase as part of the economic recovery and will be sufficient to cover operating expenses.

---

[1]Also in February 2011, the ATC sold the remainder of the property at Oak Street & Genesee Street to the Enterprise Charter School. ATC is in the process of being dissolved.

B. Summary of Risk Factors impacting the 2012 Budget:

The following significant risk factors may impact the 2012 results:

1. The New York State Legislature continues to introduce new bills that, if passed, could either reduce the number of projects that the ECIDA assists and/or increase the cost of compliance and reporting.

2. The uncertainty regarding a second 'double dip' recession could result in a decrease in local investment projects that are assisted by the ECIDA, resulting in a corresponding decrease in Administrative Fee Income.

ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY ("ECIDA")
Proposed Budget for Fiscal 2012

	Proposed Budget 2012	Projected 2011	YTD - Sept Actual 2011	Actual 2010	Actual 2009
REVENUES:					
Administrative Fees	$ 1,850,000	$ 1,850,000	$ 1,500,020	$ 1,966,193	$ 2,442,687
Affiliate Management Fees	274,516	254,800	176,100	300,206	239,703
Management Fees - BUDC/BLCP Park Assoc.	45,000	40,000	30,000	38,095	1,699
Interest Income - Loans	30,000	35,658	26,743	61,051	64,641
Interest Income - Cash & Investments	22,125	10,184	7,638	57,234	9,620
Rental Income	27,500	27,131	1,598	54,583	314,061
Other Income	66,750	57,224	43,543	80,846	80,382
Total Revenues	2,315,891	2,274,996	1,785,642	2,558,208	3,152,792
EXPENSES:					
Salaries & Benefits	$ 1,768,365	$ 1,643,072	$ 1,211,723	$ 1,630,119	$ 1,553,188
Professional Services	215,000	221,850	175,138	300,501	386,867
General Office Expenses	179,750	180,921	131,190	204,669	197,139
Public Notices & Marketing	115,000	89,181	62,386	111,156	136,828
Building Operating Costs	45,160	58,680	48,617	140,177	203,930
Travel, Mileage & Meeting Expenses	44,500	39,147	29,360	45,910	32,434
Other Expenses	75,000	61,760	46,320	76,889	111,921
Total Expenses	2,442,775	2,294,611	1,704,734	2,509,421	2,622,306
SPECIAL PROJECT GRANTS:					
Revenues	$ 3,000,000	$ 1,000,000	$ 729,906	$ 3,347,938	$ 850,889
Expenses	(3,000,000)	(1,000,000)	(695,163)	(3,409,497)	(874,668)
	-	-	34,743	(61,559)	(23,779)
NET INCOME/(LOSS) BEFORE NON-RECURRING ITEMS & DEPRECIATION:	(126,884)	(19,615)	115,651	(12,772)	506,707
NON-RECURRING / NON-OPERATING ITEMS					
Mandated NYS Issuance Tax	-	158,254	158,254	67,986	(226,240)
Interest Recovery on IGC Mortgage	-	-	-	-	31,743
	-	158,254	158,254	67,986	(194,497)
NET INCOME/(LOSS) BEFORE DEPRECIATION:	**(126,884)**	**138,639**	**273,905**	**55,214**	**312,210**
Depreciation	(84,000)	(84,000)	(58,000)	(1,581)	(3,597)
Use of Unrestricted Net Assets (see below)	210,884	-	-	-	-
NET INCOME/(LOSS):	$ 0	$ 54,639	$ 215,905	$ 53,633	$ 308,613
Transfer of ATC Net Assets		$ 1,736,803	$ 1,736,803		
Transfer of ILDC/BNRDC Net Assets					$ 4,676,953

Proj. Unrestricted Net Assets - start of year	$ 6,050,000	
Use of Unrestricted Net Assets - 2012	(210,884)	(3.5%)
Proj. Unrestricted Net Assets - end of year	$ 5,839,116	

ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY ("ECIDA")
Proposed 3 Year Forecast 2013-2015

	Proposed Budget 2012	Forecast 2013	Forecast 2014	Forecast 2015
REVENUES:				
Administrative Fees	$ 1,850,000	$ 2,049,900	$ 2,110,014	$ 2,156,536
Affiliate Management Fees	274,516	325,000	335,000	345,000
Management Fees - BUDC/BLCP Park Assoc.	45,000	46,000	47,000	48,000
Interest Income - Loans	30,000	20,000	10,000	6,000
Interest Income - Cash & Investments	22,125	40,000	60,000	90,000
Rental Income	27,500	30,000	30,000	30,000
Other Income	66,750	70,000	75,000	80,000
Total Revenues	2,315,891	2,580,900	2,667,014	2,755,536
EXPENSES:				
Salaries & Benefits	$ 1,768,365	$ 1,830,258	$ 1,894,317	$ 1,960,618
Professional Services	215,000	180,000	180,000	180,000
General Office Expenses	179,750	185,143	190,697	196,418
Public Notices & Marketing	115,000	125,000	130,000	135,000
Building Operating Costs	45,160	50,000	55,000	60,000
Travel, Mileage & Meeting Expenses	44,500	46,500	48,000	49,500
Other Expenses	75,000	80,000	85,000	90,000
Total Expenses	2,442,775	2,496,900	2,583,014	2,671,536
SPECIAL PROJECT GRANTS:				
Revenues	$ 3,000,000	$ 1,000,000	$ 1,000,000	$ 1,000,000
Expenses	(3,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
	-	-	-	-
NET INCOME/(LOSS) BEFORE DEPRECIATION:	**(126,884)**	**84,000**	**84,000**	**84,000**
Depreciation	(84,000)	(84,000)	(84,000)	(84,000)
Use of Unrestricted Net Assets	210,884	-	-	-
NET INCOME/(LOSS):	0	0	0	0

Erie County Industrial Development Agency

Five Year Capital Budget 2012-2016

	2012	2013	2014	2015	2016	Total
Roof & Rooftop Units						
Rooftop Unit Replacement	8,500					8,500
						8,500
Exterior						
Phase 1 Construction					81,000	81,000
Exterior Signage	5,400		50,000			55,400
Painting / Caulk		4,000	22,500	1,800		28,300
Doors / Glass			15,000	10,000		25,000
Lighting					12,000	12,000
Landscaping				3,000		3,000
Bollards/Rails				1,800		1,800
						206,500
Interior						
Space Changes	38,000			68,000		106,000
Carpet	23,000	23,000				46,000
Bathrooms		42,000				42,000
Design	3,500			12,000		15,500
Painting	9,500				4,500	14,000
Wall Coverings	10,000					10,000
Misc	4,000	2,000	14,000	4,000	5,000	29,000
						262,500
IT Hardware:						
PCs - replacement	15,000	15,000	2,500	2,500		35,000
Computer Servers	7,500		7,500			15,000
Tablets	8,000					8,000
Misc.	2,500	2,500	2,500	2,500		10,000
						68,000
TOTAL	**$ 134,900**	**$ 88,500**	**$ 114,000**	**$ 105,600**	**$ 102,500**	**$ 545,500**

Restricted UDAG Budget Items:

Note: The ECIDA "UDAG Fund" is restricted for specific economic development activities in accordance with Title 1 of the Housing & Urban Development Act of 1974, as amended.

UDAG Venture Investment reflow (Increasing 51% from $396,000 to $598,000):
UDAG Venture Investment reflow represents the ECIDA's share of net income from a venture investment that was transferred from ILDC, an ECIDA-affiliated corporation, in 2009. The amount budgeted for 2012 is based on the organization's two-year forecast and may fluctuate substantially given the cyclical nature of its industry.

UDAG Tax Recovery/(Provision) (Decreasing to $62,000):
The UDAG Tax Recovery/(Provision) represents the recovery of certain income taxes paid related to the 2009 fiscal year. These taxes are being refunded as a result of the restructuring of the ECIDA and its affiliates which led to the transfer of the UDAG Fund and its related venture investments to the ECIDA.

UDAG Strategic Initiatives ($622,500):
The UDAG Strategic Initiatives amount of $622,500 is anticipated to be spent on certain strategic initiatives that are consistent with the ECIDA's 3-year strategic plan and the HUD Title 1 requirements as follows:

1) $300,000 Attraction loans/grants to attract companies to Erie County.
2) $50,000 in funding for the UB Nexus/WNY Enterprise Transformation Initiative/Re-Innovate Program (working with UB and Buffalo Niagara Partnership to assist established businesses to innovate). These funds will support 50% of the cost of up to ten company assessments at $10,000 each.
3) $50,000 Buffalo Niagara Enterprise membership contribution.
4) $200,000 for environmental remediation and demolition of abandoned buildings at the former Polymer Applications site (previously approved in August 2011).
5) $10,000 to support the World Trade Center Buffalo Niagara.
6) $12,500 in funds to match a $445,000 Federal Economic Development Administration (EDA) grant for the Jump-Start seed capital planning initiative (carried forward from 2010).

Summary of Risk Factors impacting the 2012 UDAG Budget:

The following significant risk factors may impact the 2012 results:

1. The UDAG Venture Investment reflow is derived principally from a cyclical industry which could impact the profitability of the Erie County IDA's venture investment and therefore impact the amounts recorded in the 2012 UDAG budget.

ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY ("ECIDA")
Proposed UDAG Budget for Fiscal 2012

Note: The ECIDA "UDAG Fund" is restricted for specific economic development activities in accordance with Title 1 of the Housing & Urban Development Act of 1974, as amended.

	Proposed Budget 2012	Projected 2011	YTD - Sept. Actual 2011	Actual 2010	Actual 2009
UDAG FUND RECEIPTS:					
UDAG Venture Investment Reflow	$ 598,394	$ 395,820	$ -	$ 460,712	$ 1,673,280
UDAG Tax Recovery / (Provision)**	61,907	2,124,294	-	870,269	(61,907)
Total Revenues	660,301	2,520,114	-	1,330,981	1,611,373
UDAG FUND EXPENDITURES:					
UDAG Strategic Initiatives*	(622,500)	(191,000)	(50,000)	(50,000)	-
UDAG Provision for Venture Inv. Losses	(100,000)	(250,000)	-	(902,601)	(466,492)
UDAG Provision for Loan Losses	(25,000)	(112,500)	(112,500)	(101,950)	(344,860)
Total Expenses	(747,500)	(553,500)	(162,500)	(1,054,551)	(811,352)
NET UDAG INCOME/(LOSS)	(87,199)	1,966,614	(162,500)	276,430	800,021

* Consists of:	
Attraction loans/grants	300,000
UB Nexus Program	50,000
BNE Contribution	50,000
Polymer brownfield redevelopment (c/f from 2011)	200,000
Jumpstart (c/f from 2011)	12,500
World Trade Center	10,000
	622,500

** Represents a refund of taxes previously paid by the ECIDA or its affiliated entities on income generated from a Venture Investment

PARIS
Public Authorities Reporting Information System

Budget Report for Erie County Industrial Development Agency

Fiscal Year Ending **12/31/2012**

Run Date: 10/26/2011
Status: CERTIFIED

Budget & Financial Plan: **Budgeted Revenues, Expenditures, And Changes In Current Net Assets**

	Last Year (Actual) 2010	Current Year (Estimated) 2011	Next Year (Adopted) 2012	Proposed 2013	Proposed 2014	Proposed 2015
REVENUE & FINANCIAL SOURCES						
Operating Revenues						
Charges for services	$1,966,193	$1,850,000	$1,850,000	$2,049,900	$2,110,014	$2,156,536
Rentals & Financing Income	$115,634	$62,789	$57,500	$50,000	$40,000	$36,000
Other Operating Revenues	$419,147	$352,024	$386,266	$441,000	$457,000	$473,000
Nonoperating Revenues						
Investment earnings	$57,234	$10,184	$22,125	$40,000	$60,000	$90,000
State subsidies / grants	$3,023,968	$850,000	$0	$1,000,000	$1,000,000	$1,000,000
Federal subsidies / grants	$262,700	$150,000	$0	$0	$0	$0
Municipal subsidies / grants	$0	$0	$3,000,000	$0	$0	$0
Public authority subsidies	$61,270	$1,736,803	$0	$0	$0	$0
Other Non-Operating Revenues	$67,986	$158,254	$0	$0	$0	$0
Proceeds from the issuance of debt	$0	$0	$0	$0	$0	$0
Total Revenues & Financing Sources	**$5,974,132**	**$5,170,054**	**$5,315,891**	**$3,580,900**	**$3,667,014**	**$3,755,536**
EXPENDITURES						
Operating Expenditures						
Salaries and Wages	$1,295,431	$1,305,724	$1,405,293	$1,454,478	$1,505,385	$1,558,073
Other Employee Benefits	$334,689	$337,348	$363,073	$375,780	$388,932	$402,545
Professional Services Contracts	$300,501	$221,850	$215,000	$180,000	$180,000	$180,000
Supplies and Materials	$0	$0	$0	$0	$0	$0
Other Operating Expenditures	$578,800	$429,690	$459,409	$486,642	$508,697	$530,918
Nonoperating Expenditures						
Payment of principal on bonds and financing arrangements	$0	$0	$0	$0	$0	$0
Interest and other financing charges	$0	$0	$0	$0	$0	$0
Subsidies to other public authorities	$0	$0	$0	$0	$0	$0
Capital asset outlay	$0	$0	$0	$0	$0	$0
Grants and Donations	$3,409,497	$1,000,000	$3,000,000	$1,000,000	$1,000,000	$1,000,000
Other Non-Operating Expenditures	$1,581	$84,000	$84,000	$84,000	$84,000	$84,000
Total Expenditures	**$5,920,499**	**$3,378,612**	**$5,526,775**	**$3,580,900**	**$3,667,014**	**$3,755,536**
Capital Contributions	$0	$0	$0	$0	$0	$0
Excess (deficiency) of revenues and capital contributions over expenditures	**$53,633**	**$1,791,442**	**($210,884)**	**$0**	**$0**	**$0**

The authority's budget, as presented to the Board of Directors, is posted on the following website: **http://www.ecidany.com/about-us-corporate-reports**