

Erie County Industrial Development Agency
2021 Budget

Erie County Industrial Development Agency (ECIDA)

2021 Budget + 3 Year Forecast

A. Overview of Changes in 2021 Budget

Presented herein is the projected operating budget for the Erie County Industrial Development Agency's ("ECIDA") year ending December 31, 2021 and a three-year forecast for 2022–2024.

The ECIDA is a not-for-profit, public benefit corporation that provides tax incentives, financing programs and economic development services to Buffalo and Erie County. In accomplishing its mission, the ECIDA does not receive any operational funding from Federal, State, County or local sources. Instead, the key source of revenue for the ECIDA is the administrative fees charged to those companies that utilize its various products and services. The income that the ECIDA generates is utilized to provide salaries to its professional staff for managing various economic development programs, as well as payments for professional fees, general office expenses, public notices/marketing, building costs and other miscellaneous expenses.

For the year ending December 31, 2021, the Agency is projecting net income from operations of \$71,000. Depreciation, a noncash item, is estimated at \$120,000 and brings the budgeted operating loss to \$49,000. There is also \$896,000 budgeted for external projects, most of which will be funded with existing UDAG funds, rather than operating cash. After reserving \$2,000,000 for future projects the potential net loss for 2021 is \$2,945,000. Most of the budgeted loss would be from existing UDAG funds that have accumulated over several years.

The following significant risk factors may impact the 2021 results:

1. The majority of the ECIDA's administrative fee income is derived from a few large tax incentive and/or tax-exempt bond projects. The Agency does not collect a fee until the project (usually construction) is started, since many factors affect project timing. Depending on the timing of these projects, the Agency's fee income can fluctuate significantly from year to year.
2. Changes in the overall national and/or regional economy could result in a decrease in local investment projects that are assisted by the Agency, resulting in a corresponding decrease in administrative fee income.

The following information details the key changes in the 2021 budget compared to the 2020 projected revenues and expenses:

Erie County Industrial Development Agency (ECIDA) 2021 Budget + 3 Year Forecast

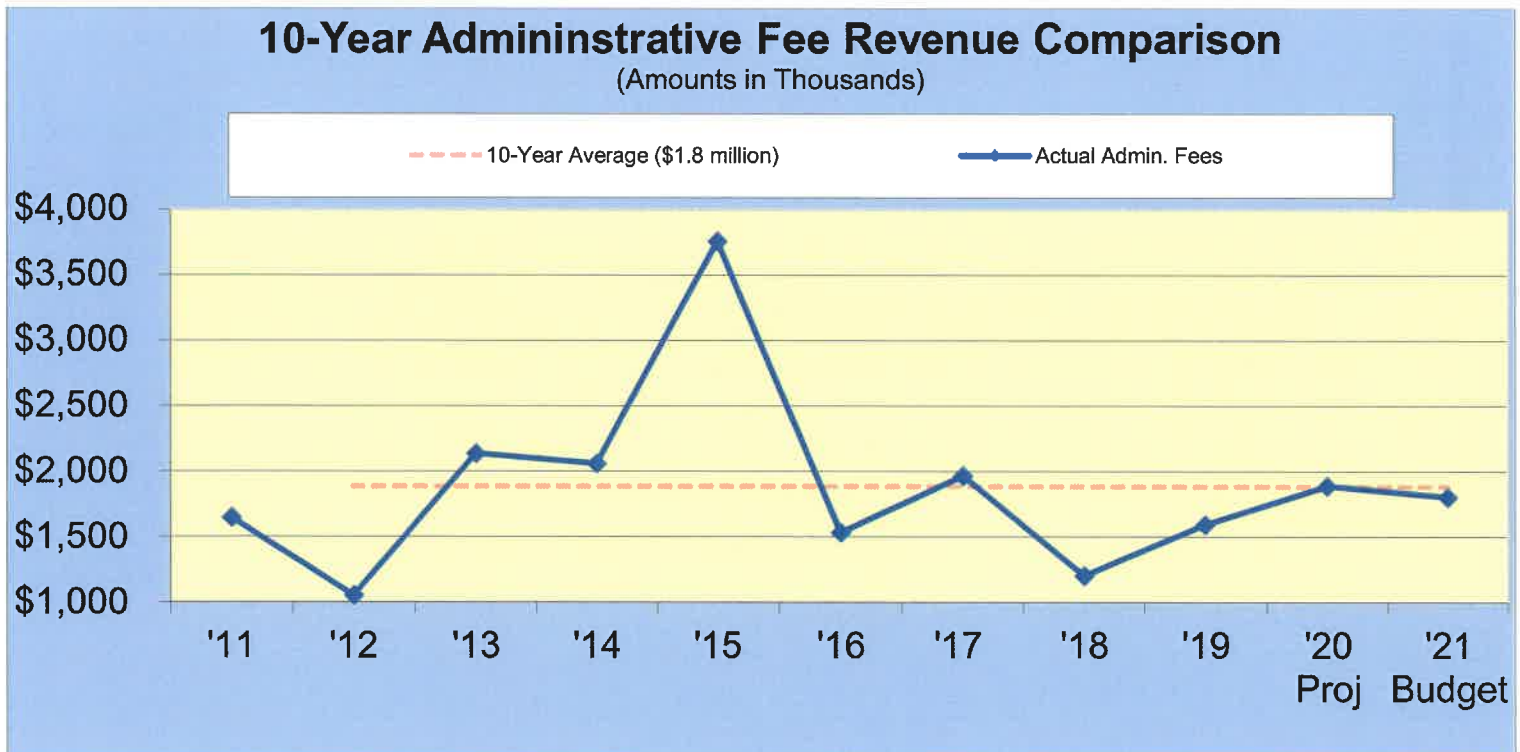
A. Overview of Changes in 2021 Budget (continued)

Revenues:

Administrative Fees (2021 Budget - \$1.80 million):

Administrative fees primarily consist of fees earned by the ECIDA through the provision of tax abatements. During 2020, administrative fees included projects such as the Seneca One Tower in downtown Buffalo, Moog in Elma, and Time Release Sciences in Lackawanna. Additionally, the Agency expects to close on two bond issuances prior to the end of 2020, which would result in fees collected upwards of \$500,000. Since some fees are recognized over multiple years (in accordance with the terms of the related fee agreements), the Agency expects to recognize roughly \$750,000 of fees in 2021 related to prior year project approvals. The budgeted figure of \$1.8 million was derived using the 2011-2020 10-year average.

The following chart summarizes the actual administrative fee revenue over the past 10 years compared to the average administrative fee for the 10-year period from 2011-2020:



Erie County Industrial Development Agency (ECIDA)

2021 Budget + 3 Year Forecast

A. Overview of Changes in 2021 Budget (continued)

Affiliate Management Fees (decreasing 1.7% from \$414,000 to \$407,000):

Affiliate Management Fees represent salary, benefit, and facilities costs charged to ECIDA's affiliated companies (RDC & ILDC) for office space and services that ECIDA employees provide to these organizations, since they have no employees of their own. Affiliate management fees are expected to decrease in 2021 due to fewer projected hours spent on affiliates' business, coupled with increased salary and benefit costs.

Management Fees – BUDC (decreasing 2.5% from \$119,000 to \$116,000):

Management Fees – BUDC are salaries and benefit costs charged to Buffalo Urban Development Corporation ("BUDC") and its affiliates for services that ECIDA employees provide. ECIDA provides financial reporting, facilities management, and administrative services to BUDC as part of a shared services agreement. Management fees are expected to decrease slightly in 2021 due to a projected decrease in hours charged to BUDC's affiliates.

Rental Income (increasing 16% from \$288,400 to \$333,500):

Rental Income represents rent received by ECIDA from BUDC for office space, two facilities owned by ECIDA and other smaller agreements. Rent revenue for leased space at 143 Genesee Street is expected to remain steady at \$213,500. Rent received from the Port Terminal management agreement of \$50,000 in 2020 is budgeted at \$95,500 in 2021 based on projections from the management company. This revenue was budgeted at \$14,500 in 2020.

Expenses:

Salaries & Benefits (decreasing 4.2% from \$2.04 million to \$1.96 million):

The decrease in the 2021 budgeted salaries and benefits compared to the projected 2020 figures is due to employee turnover in 2020, which lead to a decrease in employee head count. We expect to maintain the vacancy until the post-pandemic economic landscape emerges. Salary increases of approximately 3% and a potential performance incentive pool calculated as 5% of total salaries are included in the budget. Compensation increases are based on an independent compensation study of ECIDA employees, comparing Agency employee salaries with other individuals in the local labor market who have similar titles and responsibilities. These adjustments, if any, will also be reviewed and approved by the ECIDA Board Compensation Committee for Executive Management and by the CEO for other staff. Annual rate increases for health care also contributes to higher employee benefit costs. As an organization of specialized professionals, salaries and benefits account for 74% of total budgeted operating expenses.

Erie County Industrial Development Agency (ECIDA)
2021 Budget + 3 Year Forecast

A. Overview of Changes in 2021 Budget (continued)

Professional Services (increasing 105% from \$57,000 to \$117,300):

Professional Services consist of the following:

	2021 Budget	2020 Budget	2020 Projection
Legal	\$50,000	\$50,000	\$30,000
Consultants	\$40,000	\$20,000	\$1,000
Auditing	\$27,300	\$26,500	\$26,500
Total	\$117,300	\$96,500	\$57,500

In 2021 legal expenses are budgeted at \$50,000 to reflect typical levels, as 2020 saw a decrease in overall expenses. Consultant expenses are budgeted at \$40,000, the Comprehensive Economic Development Strategy (“CEDS”) must be updated in 2021. Audit costs are set to increase in accordance with the proposal approved in 2017.

Erie County Industrial Development Agency (ECIDA)
2021 Budget + 3 Year Forecast

B. External Special Projects & Reserves for Future Projects

The ECIDA's 2021 budget currently includes \$225,000 for external projects and \$2 million allocated for potential future projects that are consistent with the ECIDA's strategic plan and the restrictions on the UDAG and/or General Funds as follows:

Project	2021 Budget	2020 Budget	2020 Projected Actual
External Special Projects	\$ 225,000	\$ 332,000	\$ 222,000
Industrial Land Park Grant	200,000	200,000	200,000
Angola Ag Park Grant	100,000	100,000	864,296
Z7+ Expense Reserve	621,319	-	5,000
Reserves for Future Projects:			
Venture Capital Co-Investment	1,000,000	1,000,000	-
Forgivable Attraction Loan	1,000,000	1,000,000	-
Total	\$ 3,146,319	\$ 2,632,000	\$ 1,291,296

External Special Project allocations of \$225,000 include organizations that have received funding in the past, such as BUDC's Buffalo Building Reuse Project (\$100,000). Agency staff also plans to continue working with community partners to establish a Minority Business Enterprise Assistance Program. These requests will be presented to the ECIDA Board for approval before funding. The Agency's annual membership expenditure with Invest Buffalo Niagara (\$75,000) will not require specific Board action. The Z7+ Expense Reserve represents the remaining funds from the Board's \$1.5 million allocation in 2016. The balance of those funds is budgeted to be spent in 2021.

\$200,000 is budgeted for Industrial Land Park, representing one-fifth of the \$1 million grant that the Board approved to ILDC for Bethlehem Steel site carrying costs. \$100,000 is budgeted for Angola Ag Park, representing one-third of the estimated carrying costs approved by the Board. The Reserves for Future Projects of \$2 million are discussed on the following pages and would also require Board approval prior to funding.

Erie County Industrial Development Agency (ECIDA)
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B. External Special Projects & Reserves for Future Projects (continued)

Venture Capital Co-Investment

Proposal: \$1,000,000

The Issue – Currently, high-growth-potential companies have difficulty attracting angel or seed capital funding when they are in the earliest of their development stages. With the significant public investment in university and college research facilities and scientists, there is a need to commercialize this research in order to provide the “pay-back” on the community’s investment in the form of new high-paying jobs. Currently, there is a lack of early-stage capital for venture companies located in Western New York. Meanwhile, other communities which face similar issues have been successful in utilizing publicly-sponsored funds to support new companies.

Current New York State law does not explicitly allow IDAs to make equity venture investments in private companies. In order to achieve a change in New York State law, ECIDA is working with NYSEDC and the local New York State legislative delegation to pass legislation to codify the powers and duties of an IDA to operate an equity venture program and to provide venture investment to startup entrepreneurs and private companies.

The Proposal – In 2015, the ECIDA began the reestablishment of its Venture Capital Fund to provide equity investments in early-stage, high-growth-potential companies. The ECIDA will partner with qualified co-investors from Erie County such as Launch NY, 43 North, Z80 Labs, and/or Rand Capital. In the past, the ECIDA has had several key economic development successes by partnering with Rand Capital, such as its equity investments in GEMCOR II, LLC and Synacor, Inc. (approximately 400 jobs combined). The ECIDA would rely upon the expertise of its partners to conduct the due diligence required to evaluate the business, structure the investment and develop an exit strategy.

Use of Funds – To make equity (stock) and/or debt project expenditures in selected businesses.

Partners – Launch NY, 43North, Z80 Labs, Rand Capital and other venture capital firms.

Approval – The ECIDA Board would approve all project expenditures under this program.

Consistency with Community Plans – This strategy is consistent with the County Executive’s, *Initiatives for a Smart Economy 2.0*. One of the goals outlined in the plan is as follows: “*Erie County will create Venture Fund programs and provide venture equity to local entrepreneurs through the ECIDA*”.

Erie County Industrial Development Agency (ECIDA)
2021 Budget + 3 Year Forecast

B. Special Projects & ECIDA Program Allocations (continued)

Forgivable Attraction Loan(s)

Proposal: \$1,000,000

Qualification – Businesses must be relocating to a HUD-defined distressed area or meet other HUD qualifications and provide a significant regional impact in terms of investment and/or job creation.

The Issue – Currently a number of communities across the nation are aggressively pursuing businesses to entice them to their region. One vehicle that communities have used to tip the relocation decision in their favor is the use of a high-impact project expenditure fund. Until 2013, the Buffalo region did not have such a program, while neighboring states were offering these programs with positive results, to Erie County’s detriment.

The Proposal – The ECIDA would continue to fund a forgivable attraction loan fund that could aid in the attraction of key new businesses that would have a regional employment or investment impact. The attraction incentive would be structured in the form of a loan, with a portion or all of it forgiven if the company establishes their business in Erie County and meets specified investment and/or job goals. The ECIDA would work with Invest Buffalo Niagara to offer this incentive to those businesses that are the most promising and/or target the attraction loan to specific industries or regions (such as Southern Ontario). By providing this incentive, the Buffalo region would be perceived as demonstrating the community’s support for the business relocation and could be the tipping point that leads to the relocation of the business as well as related “follow on” investments.

Use of Funds – To make project expenditures to companies located outside of Western New York to offset a portion of their investment costs in relocating. Companies assisted would be in one of the regional targeted industry sectors and have a regional employment or investment impact. The program would have a targeted maximum incentive of \$25,000 per job created.

Partners – Invest Buffalo Niagara

Approval – The ECIDA Board would approve all awards under this program.

Consistency with Community Plans – This strategy is consistent with the County Executive’s “Initiatives for a Smart Economy 2.0” which states: *“Projects assisted by the ECIDA will be those that bring outside investment and self-sustaining jobs to Erie County while strengthening the regional economic base, helping to create a more inclusive economy and leading to population stabilization throughout the area”*.

ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY ("ECIDA")
Budget for 2021

	Budget 2021	Approved Budget 2020	Projected 2020	Actual 2019
REVENUES:				
Administrative Fees	\$ 1,800,000	\$ 1,900,000	\$ 1,885,000	\$ 1,590,700
Affiliate Management Fees	407,000	404,500	414,000	365,803
Management Fees - BUDC	116,000	116,000	119,000	104,414
Interest Income - Cash & Investments	40,000	105,000	39,999	107,000
Rental Income	334,000	288,200	288,372	246,216
Other Income	36,000	36,000	32,954	35,442
Interest Income - Loans	-	-	-	21
Total Revenues	2,733,000	2,849,700	2,779,325	2,449,596
EXPENSES:				
Salaries & Benefits	1,953,352	2,114,140	1,997,031	1,982,020
Professional Services	117,300	96,500	65,294	91,232
General Office Expenses	170,400	176,500	151,824	167,411
Insurance Expense	85,000	82,000	64,307	74,796
Public Hearing & Marketing Costs	55,000	75,000	70,214	60,645
Building Operating Costs	244,300	232,560	241,183	232,734
Travel, Mileage & Meeting Expenses	33,000	63,000	23,140	53,451
Other Expenses	10,000	10,000	5,075	6,116
Total Expenses	2,668,352	2,849,700	2,618,068	2,668,405
GRANT INCOME:				
Revenues	2,660,200	125,000	9,937	471,240
Expenses	(2,655,000)	(125,000)	(500,152)	(440,772)
	5,200	-	(490,214)	30,469
NET INCOME (LOSS) BEFORE DEPRECIATION, EXTERNAL SPECIAL PROJECTS AND OTHER RESERVES:	69,848	(0)	(328,957)	(188,340)
Depreciation	(120,000)	(130,000)	(130,000)	(118,826)
NET INCOME (LOSS) BEFORE EXTERNAL SPECIAL PROJECTS AND OTHER RESERVES:	(50,152)	(130,000)	(458,957)	(307,166)
External Special Projects:				
Buffalo Building Reuse Project (BUDC)	100,000	100,000	100,000	100,000
Annual Membership (IBN)	75,000	50,000	50,000	50,000
Canadian Lead Generation (IBN)	-	72,000	72,000	72,000
NDC Technical Assistance	-	60,000	-	40,000
MBE Assistance Program	50,000	50,000	-	-
Z7+ consultants/expense reserve	621,319	-	5,000	535
Industrial Land Park grant paid	200,000	200,000	200,000	720,000
Industrial Land Park grant (rec'd)	-	-	-	(1,390,000)
ILDC Land Sale Proceeds (reimbursement)	(250,000)	-	-	(375,000)
Angola Ag Park grant paid	100,000	100,000	864,296	-
(Gain)/Loss on Venture Investments	-	-	24,050	(31,915)
Total Special Projects	896,319	632,000	1,315,346	(814,380)
NET INCOME (LOSS) BEFORE OTHER RESERVES:	(946,471)	(762,000)	(1,774,303)	507,214
Reserves for Future Projects:				
Venture Capital Co-Investment	1,000,000	1,000,000	-	-
Forgivable Attraction Loan(s)	1,000,000	1,000,000	-	-
Total Other Reserves	2,000,000	2,000,000	-	-
NET INCOME (LOSS):	\$ (2,946,471)	\$ (2,762,000)	\$ (1,774,303)	\$ 507,214

ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY ("ECIDA")
Three Year Forecast 2022-2024

	Budget 2021	Forecast 2022	Forecast 2023	Forecast 2024
REVENUES:				
Administrative Fees	\$ 1,800,000	\$ 1,850,000	\$ 1,850,000	\$ 1,850,000
Affiliate Management Fees	407,000	419,000	432,000	445,000
Management Fees - BUDC	116,000	119,000	123,000	127,000
Interest Income - Cash & Investments	40,000	41,000	42,000	43,000
Rental Income	334,000	300,000	300,000	300,000
Other Income	36,000	40,000	40,000	40,000
Total Revenues	2,733,000	2,769,000	2,787,000	2,805,000
EXPENSES:				
Salaries & Benefits	1,953,352	2,012,000	2,072,000	2,134,000
Professional Services	117,300	140,000	140,000	140,000
General Office Expenses	170,400	176,000	181,000	186,000
Insurance Expense	85,000	88,000	91,000	94,000
Public Hearing & Marketing Costs	55,000	57,000	59,000	61,000
Building Operating Costs	244,300	252,000	260,000	268,000
Travel, Mileage & Meeting Expenses	33,000	34,000	35,000	36,000
Other Expenses	10,000	10,000	10,000	10,000
Total Expenses	2,668,352	2,769,000	2,848,000	2,929,000
GRANT INCOME:				
Revenues	2,660,200	250,000	250,000	250,000
Expenses	(2,655,000)	(250,000)	(250,000)	(250,000)
	5,200	-	-	-
NET INCOME (LOSS) BEFORE DEPRECIATION, EXTERNAL SPECIAL PROJECTS AND OTHER RESERVES:				
	69,848	-	(61,000)	(124,000)
Depreciation	(120,000)	(120,000)	(120,000)	(120,000)
NET INCOME (LOSS) BEFORE EXTERNAL SPECIAL PROJECTS AND OTHER RESERVES:				
	(50,152)	(120,000)	(181,000)	(244,000)
External Special Projects and Strategic Initiatives:				
Buffalo Building Reuse Project (BUDC)	100,000	100,000	100,000	100,000
Annual Membership (IBN)	75,000	50,000	-	-
Canadian Lead Generation (IBN)	-	-	-	-
MBE Assistance Program	50,000	50,000	50,000	50,000
Industrial Land Park grant paid	200,000	200,000	-	-
ILDC Land Sale Proceeds (reimbursement)	(250,000)	(250,000)	(250,000)	(200,000)
Angola Ag Park grant paid	100,000	100,000	-	-
Total Special Projects and Other Strategic Investments	896,319	250,000	(100,000)	(50,000)
NET INCOME (LOSS) BEFORE OTHER RESERVES:				
	(946,471)	(370,000)	(81,000)	(194,000)
Reserves for Future Projects:				
Venture Capital Co-Investment	1,000,000	-	-	-
Forgivable Attraction Loan(s)	1,000,000	-	-	-
Total Other Reserves	2,000,000	-	-	-
NET INCOME (LOSS):				
	\$ (2,946,471)	\$ (370,000)	\$ (81,000)	\$ (194,000)

Erie County Industrial Development Agency
Five Year Capital Budget 2021-2025

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total</u>
Facilities:						
143 Genesee Street	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 100,000
95 Perry Street	10,000	10,000	10,000	5,000	5,000	40,000
Total Facilities	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>25,000</u>	<u>25,000</u>	<u>140,000</u>
Information Technology:						
New Laptops	25,000	-	-	-	-	25,000
Servers	-	-	-	8,000	-	8,000
Misc.	3,000	3,000	3,000	3,000	3,000	15,000
Total Information Technology	<u>28,000</u>	<u>3,000</u>	<u>3,000</u>	<u>11,000</u>	<u>3,000</u>	<u>48,000</u>
GRAND TOTAL	<u>\$ 58,000</u>	<u>\$ 33,000</u>	<u>\$ 33,000</u>	<u>\$ 36,000</u>	<u>\$ 28,000</u>	<u>\$ 188,000</u>

Budget Report for Erie County Industrial Development Agency
 Fiscal Year Ending: 12/31/2021

Run Date: 10/29/2020
 Status: CERTIFIED
 Certified Date: 10/29/2020

Budget & Financial Plan

Budgeted Revenues, Expenditures, and Changes in Current Net Assets

	Last Year (Actual) 2019	Current Year (Estimated) 2020	Next Year (Adopted) 2021	Proposed 2022	Proposed 2023	Proposed 2024
REVENUE & FINANCIAL SOURCES						
Operating Revenues						
Charges For Services	\$1,590,700.00	\$1,885,000.00	\$1,800,000.00	\$1,850,000.00	\$1,850,000.00	\$1,850,000.00
Rentals & Financing Income	\$288,582.00	\$313,372.00	\$359,000.00	\$300,000.00	\$300,000.00	\$300,000.00
Other Operating Revenues	\$541,584.00	\$581,616.00	\$569,200.00	\$578,000.00	\$595,000.00	\$612,000.00
Non-Operating Revenues						
Investment Earnings	\$106,996.00	\$39,999.00	\$40,000.00	\$41,000.00	\$42,000.00	\$43,000.00
State Subsidies / Grants	\$93,126.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Federal Subsidies / Grants	\$0.00	\$0.00	\$2,500,000.00	\$0.00	\$0.00	\$0.00
Municipal Subsidies / Grants	\$287,064.00	(\$30,725.00)	\$0.00	\$0.00	\$0.00	\$0.00
Public Authority Subsidies	\$1,765,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Non-Operating Revenues	\$31,915.00	(\$24,050.00)	\$375,000.00	\$500,000.00	\$500,000.00	\$450,000.00
Proceeds From The Issuance Of Debt	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Revenues & Financing Sources	\$4,684,969.00	\$2,765,212.00	\$5,643,200.00	\$3,269,000.00	\$3,287,000.00	\$3,255,000.00
EXPENDITURES						
Operating Expenditures						
Salaries And Wages	\$1,562,163.00	\$1,548,977.00	\$1,531,569.00	\$1,583,634.00	\$1,630,860.00	\$1,679,660.00
Other Employee Benefits	\$412,473.00	\$439,958.00	\$414,283.00	\$428,366.00	\$441,140.00	\$454,340.00
Professional Services Contracts	\$91,768.00	\$65,294.00	\$117,300.00	\$140,000.00	\$140,000.00	\$140,000.00
Supplies And Materials	\$575,588.00	\$527,527.00	\$554,700.00	\$471,940.00	\$486,470.00	\$501,000.00
Other Operating Expenditures	\$185,775.00	\$166,310.00	\$170,500.00	\$265,060.00	\$269,530.00	\$274,000.00
Non-Operating Expenditures						
Payment Of Principal On Bonds And Financing Arrangements	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Interest And Other Financing Charges	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Subsidies To Other Public Authorities	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Capital Asset Outlay	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Grants And Donations	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Non-Operating Expenditures	\$1,349,986.00	\$1,791,449.00	\$5,801,319.00	\$750,000.00	\$400,000.00	\$400,000.00
Total Expenditures	\$4,177,755.00	\$4,539,515.00	\$8,589,671.00	\$3,639,000.00	\$3,368,000.00	\$3,449,000.00
Capital Contributions	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Excess (Deficiency) Of Revenues And Capital Contributions Over Expenditures	\$507,214.00	(\$1,774,303.00)	(\$2,946,471.00)	(\$370,000.00)	(\$81,000.00)	(\$194,000.00)

Budget Report for Erie County Industrial Development Agency
Fiscal Year Ending: 12/31/2021

Run Date: 10/29/2020
Status: CERTIFIED
Certified Date: 10/29/2020

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

Additional Comments