

Erie County Industrial Development Agency
2023 Budget

Erie County Industrial Development Agency (ECIDA)

2023 Budget + 3 Year Forecast

A. Overview of Changes in 2023 Budget

Presented herein is the projected operating budget for the Erie County Industrial Development Agency's ("ECIDA") year ending December 31, 2023 and a three-year forecast for 2024–2026.

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, 2023, the Agency is projecting a net loss from operations of \$31,195. Depreciation, a noncash item, is estimated at \$120,000 and brings the budgeted operating loss to \$151,195. There is also \$796,000 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 2023 is \$2,947,500. 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 2023 results:

1. A significant portion of the ECIDA's administrative fee income is derived from a few large tax incentives 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 2023 budget compared to the 2022 projected revenues and expenses:

Erie County Industrial Development Agency (ECIDA) 2023 Budget + 3 Year Forecast

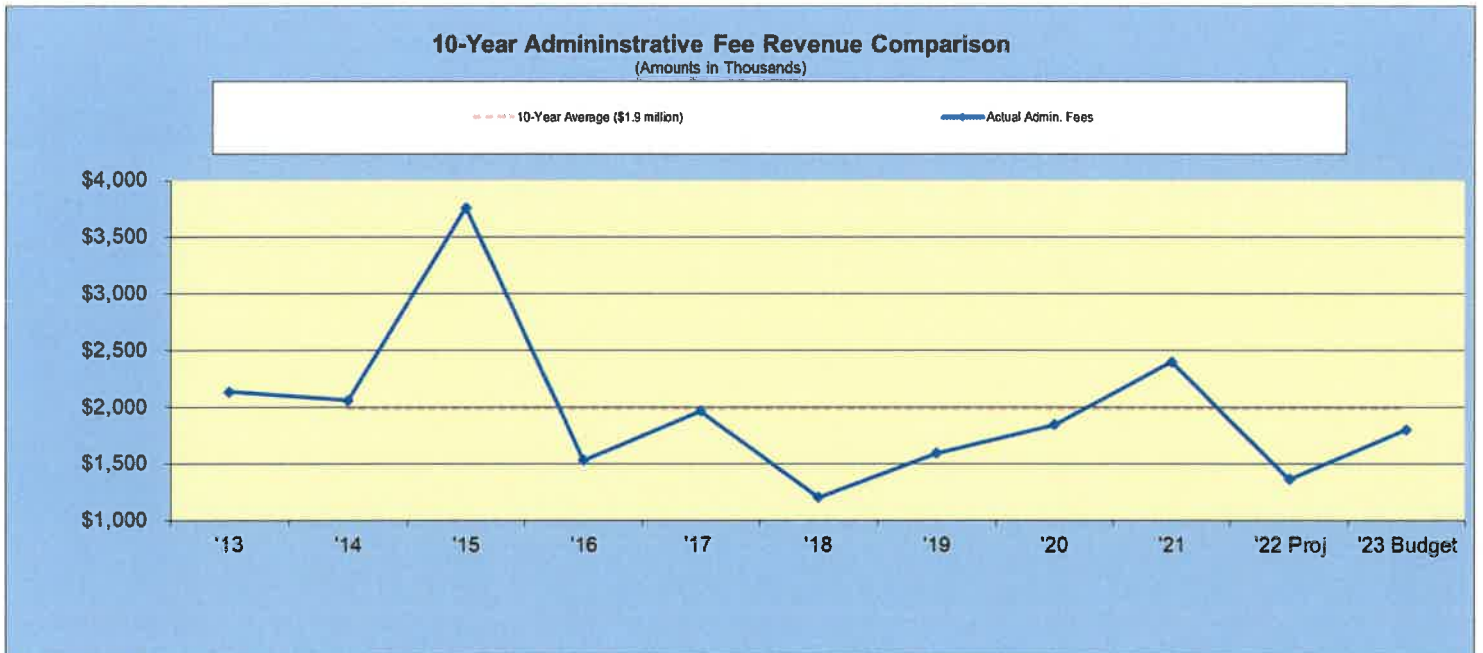
A. Overview of Changes in 2023 Budget (continued)

Revenues:

Administrative Fees (2023 Budget - \$1.8 million):

Administrative fees primarily consist of fees earned by the ECIDA through the provision of tax abatements. During 2022, administrative fees included projects such as Life Technologies in Grand Island and 791 Washington Street, LLC (Trico). Additionally, the Agency closed on two bond issuances in 2022, which resulted in fees collected of \$150,000. Since some fees are recognized over multiple years (in accordance with the terms of the related fee agreements), the Agency expects to recognize approximately \$722,000 of fees in 2023 related to prior year project approvals. The budgeted figure of \$1.8 million was derived using the 2012-2021 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 2013-2022:



Erie County Industrial Development Agency (ECIDA)

2023 Budget + 3 Year Forecast

A. Overview of Changes in 2023 Budget (continued)

Affiliate Management Fees (increasing 2.9% from \$485,500 to \$499,700):

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 increase in 2023 due to increases in employee salaries and benefit costs.

Management Fees – BUDC (increasing 1.9% from \$103,000 to \$105,000):

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 increase slightly in 2023 due to increased salaries and benefits costs for employees who charge hours to BUDC and its affiliates.

Rental Income (increasing 4.0% from \$350,970 to \$365,100):

Rental Income represents rent received by ECIDA from BUDC for office space, two facilities owned by ECIDA and other smaller agreements. Budgeted rent revenue for leased space at 143 Genesee Street is \$231,700, with the lease agreement placed through July 2027. Rent received from the Port Terminal management agreement of \$107,585 in 2022 is budgeted at \$107,500 in 2023 based on projections from the management company.

Expenses:

Salaries & Benefits (increasing 3.6% from \$2.02 million to \$2.1 million):

The increase in the 2023 budgeted salaries and benefits compared to the projected 2022 figures is due to several factors. Salary increases and a potential performance incentive pool calculated at 4% 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.

Building Operating Costs (increasing 10.6% from \$230,000 to \$254,000):

The increase in 2023 budgeted building operating costs compared to the projected 2022 figures is due mainly to a budgeted increase in rent expense. Rent expense for 2022 is projected to be \$190,700, while we are budgeting \$214,800 for 2023. This is due to the expiration of ECIDA's current office sublease during 2022, and management's assumption that a new lease will be at a higher cost per square foot.

Erie County Industrial Development Agency (ECIDA)
2023 Budget + 3 Year Forecast

A. Overview of Changes in 2023 Budget (continued)

Professional Services (decreasing 41.0% from \$167,700 to \$99,000):

Professional Services consist of the following:

	2023 Budget	2022 Budget	2022 Projection
Legal	\$45,000	\$45,000	\$29,000
Consultants	\$25,000	\$22,000	\$108,000
Auditing	\$29,000	\$28,100	\$30,500
Total	\$99,000	\$95,100	\$167,500

In 2023, legal expenses are budgeted at \$45,000, consistent with the 2022 budget. Consultant expenses are budgeted at \$25,000. 2022 consultant costs are projected higher than budget due to the required Comprehensive Economic Development Strategy (CEDS) update (not included in original budget) and recruiting costs to fill open positions. Audit costs are in accordance with current proposals.

Erie County Industrial Development Agency (ECIDA)
2023 Budget + 3 Year Forecast

B. External Special Projects & Reserves for Future Projects

The ECIDA’s 2023 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	2023 Budget	2022 Budget	2022 Projected Actual
External Special Projects	\$ 225,000	\$ 225,000	\$ 175,000
Industrial Land Park Grant	-	100,000	100,000
Angola Ag Park Grant	100,000	100,000	100,000
Z7+ Expense Reserve	621,319	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	\$ 2,946,319	\$ 3,046,319	\$ 380,000

External Special Project allocations of \$225,000 include organizations that have received funding in the past, such as Buffalo’s Race for Place spearheaded by BUDC (\$100,000) and the Agency’s annual membership expenditure with Invest Buffalo Niagara (\$75,000). These items will not require specific Board action. Agency staff also hopes to work with community partners to establish a Minority Business Enterprise Assistance Program. A new request such as this would be presented to the ECIDA Board for approval before funding. The Z7+ Expense Reserve represents the remaining funds from the Board’s \$1.5 million allocation in 2016. The balance of those funds is included in the 2023 budget.

\$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)
2023 Budget + 3 Year Forecast

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)
2023 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 2023**

	Budget 2023	Approved Budget 2022	Projected 2022	Actual 2021
REVENUES:				
Administrative Fees	\$ 1,800,000	\$ 1,855,000	\$ 1,361,000	\$ 2,419,283
Affiliate Management Fees	499,700	433,500	485,500	421,600
Management Fees - BUDC	105,000	108,000	103,000	92,601
Rental Income	365,100	345,400	350,970	332,727
Other Income	34,000	41,000	21,299	31,060
Interest Income - Cash & Investments	6,000	12,500	7,770	7,032
UDAG Venture Investment Reflow	-	-	-	2,425
Total Revenues	2,809,800	2,795,400	2,329,539	3,306,727
EXPENSES:				
Salaries & Benefits	2,095,500	2,091,500	2,022,079	1,905,311
General Office Expenses	179,200	186,560	174,854	157,507
Insurance Expense	100,000	100,000	96,611	98,739
Building Operating Costs	254,045	243,740	229,785	225,128
Professional Services	99,000	95,100	167,658	151,982
Public Hearing & Marketing Costs	65,000	60,000	60,335	85,811
Travel, Mileage & Meeting Expenses	37,000	35,000	17,903	18,820
Other Expenses	8,750	7,500	9,054	4,152
Total Expenses	2,838,495	2,819,400	2,778,279	2,647,450
GRANT INCOME:				
Revenues	831,893	1,094,159	749,267	5,379,784
Expenses	(823,693)	(1,085,959)	(717,690)	(5,940,551)
	8,200	8,200	31,577	(560,767)
NET INCOME (LOSS) BEFORE DEPRECIATION, EXTERNAL SPECIAL PROJECTS AND OTHER RESERVES:	(20,495)	(15,800)	(417,162)	98,510
Depreciation	(120,000)	(120,000)	(120,000)	(116,449)
NET INCOME (LOSS) BEFORE EXTERNAL SPECIAL PROJECTS AND OTHER RESERVES:	(140,495)	(135,800)	(537,162)	(17,939)
External Special Projects:				
Buffalo Building Reuse Project (BUDC)	100,000	100,000	100,000	-
Annual Membership (IBN)	75,000	75,000	75,000	75,000
MBE Assistance Program	50,000	50,000	-	-
Z7+ consultants/expense reserve	621,319	621,319	5,000	-
Industrial Land Park grant paid	-	100,000	100,000	163,091
ILDC Land Sale Proceeds (reimbursement)	(150,000)	(250,000)	(103,625)	(104,500)
Angola Ag Park grant paid	100,000	100,000	100,000	49,860
Total Special Projects	796,319	796,319	276,375	183,451
NET INCOME (LOSS) BEFORE OTHER RESERVES:	(936,814)	(932,119)	(813,537)	(201,390)
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):	\$ (2,936,814)	\$ (2,932,119)	\$ (813,537)	\$ (201,390)

ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY ("ECIDA")
Budget and Three Year Forecast 2024-2026

	Budget 2023	Forecast 2024	Forecast 2025	Forecast 2026
REVENUES:				
Administrative Fees	\$ 1,800,000	\$ 1,800,000	\$ 1,800,000	\$ 1,800,000
Affiliate Management Fees	499,700	515,000	530,000	546,000
Management Fees - BUDC	105,000	108,000	111,000	114,000
Rental Income	365,100	365,100	365,100	365,100
Other Income	34,000	40,000	40,000	40,000
Interest Income - Cash & Investments	6,000	6,000	6,000	6,000
Total Revenues	2,809,800	2,834,100	2,852,100	2,871,100
EXPENSES:				
Salaries & Benefits	2,095,500	2,137,000	2,180,000	2,245,000
Professional Services	99,000	110,000	140,000	140,000
General Office Expenses	179,200	185,000	191,000	197,000
Insurance Expense	100,000	103,000	106,000	109,000
Public Hearing & Marketing Costs	65,000	67,000	69,000	71,000
Building Operating Costs	254,045	262,000	270,000	278,000
Travel, Mileage & Meeting Expenses	37,000	38,000	39,000	40,000
Other Expenses	8,750	9,000	9,000	9,000
Total Expenses	2,838,495	2,911,000	3,004,000	3,089,000
GRANT INCOME:				
Revenues	831,893	250,000	250,000	250,000
Expenses	(823,693)	(250,000)	(250,000)	(250,000)
	8,200	-	-	-
NET INCOME (LOSS) BEFORE DEPRECIATION, EXTERNAL SPECIAL PROJECTS AND OTHER RESERVES:				
	(20,495)	(76,900)	(151,900)	(217,900)
Depreciation	(120,000)	(120,000)	(120,000)	(120,000)
NET INCOME (LOSS) BEFORE EXTERNAL SPECIAL PROJECTS AND OTHER RESERVES:				
	(140,495)	(196,900)	(271,900)	(337,900)
<u>External Special Projects and Strategic Initiatives:</u>				
Buffalo Building Reuse Project (BUDC)	100,000	100,000	100,000	100,000
Annual Membership (IBN)	75,000	50,000	-	-
MBE Assistance Program	50,000	50,000	50,000	50,000
Z7+ consultants/expense reserve	621,319	-	-	-
ILDC Land Sale Proceeds (reimbursement)	(150,000)	(150,000)	(150,000)	(150,000)
Angola Ag Park grant paid	100,000	100,000	-	-
Total Special Projects and Other Strategic Investments	796,319	150,000	-	-
NET INCOME (LOSS) BEFORE OTHER RESERVES:				
	(936,814)	(346,900)	(271,900)	(337,900)
<u>Reserves for Future Projects:</u>				
Venture Capital Co-Investment	1,000,000	-	-	-
Forgivable Attraction Loan(s)	1,000,000	-	-	-
Total Other Reserves	2,000,000	-	-	-
NET INCOME (LOSS):				
	\$ (2,936,814)	\$ (346,900)	\$ (271,900)	\$ (337,900)

Erie County Industrial Development Agency
Five Year Capital Budget 2023-2027

	2023	2024	2025	2026	2027	Total
Facilities:						
143 Genesee Street	\$ 20,000	\$ 20,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 85,000
95 Perry Street	180,000	10,000	5,000	5,000	5,000	205,000
Total Facilities	200,000	30,000	20,000	20,000	20,000	290,000
Information Technology:						
Firewall Hardware and License	5,500	-	-	-	-	5,500
Servers	-	12,000	-	12,000	-	24,000
Infrastructure Upgrade	-	4,500	-	-	-	4,500
Misc.	3,000	3,000	3,000	3,000	3,000	15,000
Total Information Technology	8,500	19,500	3,000	15,000	3,000	49,000
GRAND TOTAL	\$ 208,500	\$ 49,500	\$ 23,000	\$ 35,000	\$ 23,000	\$ 339,000



Budget Report for Erie County Industrial Development Agency

Fiscal Year Ending: 12/31/2023

Run Date: 10/28/2022
 Status: CERTIFIED
 Certified Date: 10/28/2022

Budget & Financial Plan **Budgeted Revenues, Expenditures, And Changes in Current Net Assets.**

	Last Year (Actual) 2021	Current Year (Estimated) 2022	Next Year (Adopted) 2023	Proposed 2024	Proposed 2025	Proposed 2026
REVENUE & FINANCIAL SOURCES						
Operating Revenues						
Charges For Services	\$2,419,283.00	\$1,361,000.00	\$1,800,000.00	\$1,800,000.00	\$1,800,000.00	\$1,800,000.00
Rental And Financing Income	\$358,803.00	\$375,970.00	\$392,300.00	\$365,100.00	\$365,100.00	\$365,100.00
Other Operating Revenues	\$672,447.00	\$730,086.00	\$799,700.00	\$663,000.00	\$681,000.00	\$700,000.00
Non-Operating Revenues						
Investment Earnings	\$7,032.00	\$7,770.00	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00
State Subsidies/Grants	\$452.00	\$8,988.00	\$113,385.00	\$0.00	\$0.00	\$0.00
Federal Subsidies/Grants	\$5,206,190.00	\$553,676.00	\$140,000.00	\$0.00	\$0.00	\$0.00
Municipal Subsidies/Grants	\$124,379.00	\$19,941.00	\$540,308.00	\$0.00	\$0.00	\$0.00
Public Authority Subsidies	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Nonoperating Revenues	\$2,425.00	\$125,000.00	\$0.00	\$400,000.00	\$400,000.00	\$400,000.00
Proceeds From The Issuance Of Debt	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total revenues and financing sources	\$8,791,011.00	\$3,182,431.00	\$3,791,693.00	\$3,234,100.00	\$3,252,100.00	\$3,271,100.00
EXPENDITURES						
Operating Expenditures						
Salaries And Wages	\$1,417,403.00	\$1,563,732.00	\$1,619,170.00	\$1,651,237.00	\$1,684,463.00	\$1,734,687.00
Other Employee Benefits	\$487,910.00	\$458,346.00	\$476,330.00	\$485,763.00	\$495,537.00	\$510,313.00
Professional Services Contracts	\$151,982.00	\$167,658.00	\$99,000.00	\$110,000.00	\$140,000.00	\$140,000.00
Supplies And Materials	\$567,185.00	\$561,585.00	\$588,245.00	\$519,944.00	\$535,602.00	\$551,260.00
Other Operating Expenses	\$139,417.00	\$146,958.00	\$165,750.00	\$264,056.00	\$268,398.00	\$272,740.00
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	\$5,765,402.00	\$531,988.00	\$140,000.00	\$0.00	\$0.00	\$0.00
Other Nonoperating Expenses	\$463,100.00	\$565,701.00	\$3,630,012.00	\$550,000.00	\$400,000.00	\$400,000.00
Total expenses	\$8,992,399.00	\$3,995,968.00	\$6,728,507.00	\$3,581,000.00	\$3,524,000.00	\$3,609,000.00
Excess (Deficiency) Of Revenues And Capital Contributions Over Expenses	(\$201,388.00)	(\$813,537.00)	(\$2,936,814.00)	(\$346,900.00)	(\$271,900.00)	(\$337,900.00)



Budget Report for Erie County Industrial Development Agency

Fiscal Year Ending: 12/31/2023

Run Date: 10/28/2022
Status: CERTIFIED
Certified Date: 10/28/2022

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