



MEMORANDUM

TO: Members of the Authority

FROM: Bruce Steadman
Executive Director

RE: 2015 Consolidated Budget

DATE: December 17, 2014

The draft 2015 Consolidated Budget, consisting of the draft 2015 Non-Economic Development Conveyance Budget and the draft 2015 Economic Development Conveyance (EDC) Budget, is enclosed for your review and consideration. FMERA staff has collaborated in the development of a Consolidated Budget which supports and enhances FMERA's Mission to *create an atmosphere in which employers will employ and investors will invest, to maximize the jobs created and the value of the property*. The Consolidated Budget is also intended to expand the Authority's availability of funds while continuing to control costs and direct spending to advance the Authority on the path toward financial self-sufficiency.

2015 Budget Highlights

- Net Proceeds from projected Parcel Sales are approximately \$2.4 million
- Consolidated Net Operating Earnings projected to exceed \$1 million
- Favorable budget variances for 2014

The 2015 Consolidated Budget illustrates the Authority's progress in implementing the approved Phase 1 EDC Agreement and embarking on the economic redevelopment of the former Fort property. This year's budget includes: the EDC Budget, representing the projected 2015 financial activity under the approved Phase 1 EDC Agreement and the Phase 2 EDC Agreement which is projected to be executed by the 2nd quarter of the year; and the Non-EDC Budget representing the funding of qualified expenses received through the Office of Economic Adjustment (OEA), the local match and FMERA's obligation. During the fiscal year OEA's support will decrease to 75% of the current level, the local match will remain at 10%, and the remaining amount will be FMERA's obligation. FMERA will fund its obligation from EDC funds as the implementation of the EDC agreements moves forward.

The draft 2015 Budget Summary illustrates the Budget based on the 2015 projected parcel sales. Eight parcels are projected to be sold during 2015 for \$19,496,462. The projected Net Earnings from the parcel sales are \$2,408,068. The Land Costs for the parcel sales total \$14,036,120 and consist of \$12,787,936 in Payments to the Army and \$1,248,184 to the Homeless Accommodation under the terms of the EDC Agreement. Sales Commissions payable on the 2015 projected parcel sales amount to \$1,049,629.

The 2015 FMERA draft Non-EDC Budget's total expenses and costs of \$2,102,854 will be funded by federal grants of \$1,725,579 through OEA, the local match requirement of \$210,285 and FMERA's obligation of \$166,990 and are lower than 2014's level of \$2,603,668. This is mainly due to the decrease in 2015 Program Costs. The decrease in the 2015 Non-EDC's Budget's Program Costs to \$618,500 reflects the Authority's transition to implementation of the EDC Agreements upon completion of the Phase 2 EDC negotiations with the Army.

Operating Income of \$144,500 represents \$62,500 received under the Golf Course Operating Agreement and \$82,000 from income for the use of the Authority's cell tower.

FMERA's 2015 proposed EDC Budget's Direct Office and General and Administrative expenses of \$143,071 and \$67,000 respectively, represent amounts which do not qualify for funding under the terms of the federal grant. Miscellaneous Revenue of \$100,000 represents projected proceeds from the auctions of personal property transferred from the Army to the Authority. Interest Expense on Bonds Payable of \$58,650 represents the 3rd and 4th quarter interest payments on the bonds used to purchase the Phase 2 property from the Army. Closing with the Army is anticipated to take place in June 2015.

The 2015 Consolidated Program Costs of \$4,801,629 are higher than the 2014 Budget. This is due to the expected purchase of the Phase 2 parcels in the 2nd quarter of 2015 which will increase property carrying costs. In addition to higher property maintenance and utility costs, the 2015 EDC Budget's cost of carrying insurance on the Phase 2 property also increases. In addition, the Authority will begin reimbursing the Attorney General's Office for their legal services in 2015.

The Authority's 2015 proposed Capital Budget calls for outlays totaling \$1,903,000, comprised of: Short Term Capital Projects that include Infrastructure and Other improvement costs on properties transferred to the Authority which are funded out of this Consolidated Budget; and Long Term Capital Projects that include Infrastructure and Demolition & Renovations. The Long Term Capital Projects will be financed out of the Authority's cash reserve per the EDC Agreement; however no more than 25% of the total cash reserves will be used in 2015 for these projects.

The Authority's Audit Committee has reviewed the 2015 consolidated budget and recommends it to the Members of the Board for final review and approval.

Recommendation

Based on the above, the Members of the Board are asked to approve the attached draft 2015 Consolidated Budget.

The Members are also requested to approve authorizing the Executive Director to submit grant requests and any other necessary documentation to the Office of Economic Adjustment for federal funds in an amount not to exceed \$1,725,579.

A handwritten signature in black ink, appearing to read 'B. Steadman', is written over a solid horizontal line.

Bruce Steadman
Executive Director

ATTACHMENTS

Prepared by: Jennifer Lepore

**Fort Monmouth Economic Revitalization Authority
2015 Consolidated Budget**

Operational Budget

	2015		
	Non-EDC Budget	EDC Budget	Consolidated Budget
Operating Revenue			
Federal Grants	\$ 1,725,579	\$ -	\$ 1,725,579
Property Sales	-	19,496,462	19,496,462
Operating Income	-	144,500	144,500
Total Operating Revenue	1,725,579	19,640,962	21,366,541
Non Operating Revenue			
Local Match Requirement	210,285	-	210,285
FMERA Obligation	166,990	-	166,990
Interest from Cash	-	2,000	2,000
Miscellaneous Revenue	-	100,000	100,000
Total Non Operating Revenue	377,275	102,000	479,275
Total Revenue	2,102,854	19,742,962	21,845,816
Administrative Expenses			
Direct Office Support	1,296,354	143,071	1,439,425
General and Administrative	188,000	67,000	255,000
Total Administrative Expenses	1,484,354	210,071	1,694,425
Costs			
Land Costs (payments to Army and Homeless Accommodation Fund)	-	14,036,120	14,036,120
Program Costs	618,500	4,183,129	4,801,629
Interest on Bonds Payable	-	58,650	58,650
Total Costs	618,500	18,277,899	18,896,399
Total Expenses & Costs	2,102,854	18,487,970	20,590,824
Net Earnings Before Contribution to Cash Reserves	-	1,254,992	1,254,992
Contribution to Cash Reserves	-	100,000	100,000
Total Net Earnings	\$ -	\$ 1,154,992	\$ 1,154,992

Short Term Capital Budget*

	2015		
	Non-EDC Budget	EDC Budget	Consolidated Budget
Short-Term Capital Projects			
Infrastructure	-	1,053,000	\$ 1,053,000
Other	-	100,000	100,000
Total Short Term Capital Budget	-	\$ 1,153,000	\$ 1,153,000

* Long term Capital Projects financed out of cash reserves of \$3 million.

No more than 25% of the total cash reserves will be used for Long Term Capital Projects per year.