

MEMORANDUM

TO: Members of the Board
FROM: Bruce Steadman, Executive Director
DATE: December 16, 2015
RE: 2016 Consolidated Budget

The draft 2016 Consolidated Budget, consisting of the draft 2016 Non-Economic Development Conveyance Budget and the draft 2016 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 sources of funding while continuing to control costs and direct spending to advance the Authority on the path toward financial self-sufficiency.

The 2016 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 2016 financial activity under the approved Phase 1 EDC Agreement and the Phase 2 EDC Agreement which is projected to be executed by the 1st quarter of the year; and the Non-EDC Budget representing the funding of qualified expenses received through the Office of Economic Adjustment (OEA) and the local match.

The 2016 FMERA draft Non-EDC Budget's total expenses and costs of \$1,753,155 will be funded by federal grants of \$1,577,840 through OEA and the local match requirement of \$175,315 and are lower than 2015's level of \$2,102,854. This is mainly due to the step down of funding by OEA. As a result, certain budget categories were transferred to the EDC Budget which include operational items and certain salaries.

The draft 2016 EDC Budget illustrates the Budget based on the 2016 projected parcel sales. Thirteen parcels are projected to be sold during 2016 for \$21,939,999. The projected Net Earnings from the parcel sales are \$5,345,452. The Land Costs for the parcel sales total \$16,594,547 and consists of \$13,530,036 in payments to the Army, \$1,790,111 to the Homeless Accommodation under the terms of the EDC Agreement and Sales Commissions of \$1,274,400.

FMERA's 2016 proposed EDC Budget's Direct Office and General and Administrative expenses of \$272,710 and \$213,500 respectively, represent amounts which do not qualify for funding under the terms of the federal grant such as advertising, communication, equipment, utilities, supplies, meetings/seminars and travel. EDC operating income of \$62,500 represents the amount to be received under the Golf Course Operating Agreement and Miscellaneous Revenue of \$200,000 represents projected proceeds from the

auctions of personal property transferred from the Army to the Authority. Interest expense on Bonds Payable of \$87,975 represents the 2nd, 3rd and 4th quarter interest payments on the bonds expected to purchase the Phase 2 property from the Army.

The 2016 EDC Program Costs of \$3,639,800 are higher than the 2015 Budget. The 2015 Budget projected the purchase of the Phase 2 parcels in the 2nd quarter of 2015 which would have consisted of 6 months in carrying costs. The 2016 Budget is projecting 9 months of carrying costs which caused an increase in Program Costs from 2015 to 2016. Carrying costs mainly consist of property maintenance, utilities and insurance.


The Authority's 2016 proposed Capital Budget calls for outlays totaling \$1,650,000, comprised of: \$1,150,000 in Short Term Capital Projects that include Infrastructure and Other improvement costs on properties transferred to the Authority; and \$500,000 in Long Term Capital Projects that include Infrastructure and Demolition & Renovations. Projects to be funded from the Capital Budget include a new water main extension and sanitary sewer system on the Main Post. The Long Term Capital Projects will be financed out of the Authority's cash reserves per the EDC Agreement, however, no more than 25% of the total cash reserve will be used in 2016 for these projects.


The draft 2016 Consolidated Budget is projecting net earnings for the year in excess of \$1.2 million compared to the net loss in 2015 as a result of the delay in closing with the Army on the Phase 2 property. This loss was covered by the Authority's EDC cash reserves, and on a cumulative basis since inception, the Authority is cash flow positive.

Recommendation

Based on the above, the Members of the Board are asked to approve the attached draft 2016 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 \$1,577,840.



Bruce Steadman 

ATTACHMENT

Prepared by: Jennifer Lepore

Fort Monmouth Economic Revitalization Authority
2016 Consolidated Budget

Operational Budget

	2016		
	Non-EDC Budget	EDC Budget	Consolidated Budget
Operating Revenue			
Federal Grants	\$ 1,577,840	\$ -	\$ 1,577,840
Property Sales	-	21,939,999	21,939,999
Operating Income	-	62,500	62,500
Total Operating Revenue	1,577,840	22,002,499	23,580,339
Non Operating Revenue			
Local Match Requirement	175,315	-	175,315
Interest from Cash	-	2,000	2,000
Miscellaneous Revenue	-	200,000	200,000
Total Non Operating Revenue	175,315	202,000	377,315
Total Revenue	1,753,155	22,204,499	23,957,654
Administrative Expenses			
Direct Office Support	1,147,155	272,710	1,419,865
General and Administrative	26,500	213,500	240,000
Total Administrative Expenses	1,173,655	486,210	1,659,865
Costs			
Land Costs (payments to Army, Homeless Fund & Broker Commissions)	-	16,594,547	16,594,547
Program Costs	579,500	3,639,800	4,219,300
Interest on Bonds Payable	-	87,975	87,975
Total Costs	579,500	20,322,322	20,901,822
Total Expenses & Costs	1,753,155	20,808,532	22,561,687
Net Earnings Before Contribution to Cash Reserves	-	1,395,967	1,395,967
Contribution to Cash Reserves	-	100,000	100,000
Total Net Earnings	\$ -	\$ 1,295,967	\$ 1,295,967

Short Term Capital Budget*

	2016		
	Non-EDC Budget	EDC Budget	Consolidated Budget
Short-Term Capital Projects			
Infrastructure	-	1,050,000	\$ 1,050,000
Other	-	100,000	100,000
Total Short Term Capital Budget	-	\$ 1,150,000	\$ 1,150,000

* Long term Capital Projects financed out of cash reserves of \$2 million.

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