

**MEMORANDUM**

**TO:** Members of the Board  
**FROM:** Bruce Steadman, Executive Director  
**DATE:** December 14, 2016  
**RE:** 2017 Consolidated Budget

The draft 2017 Consolidated Budget, consisting of the draft 2017 Non-Economic Development Conveyance Budget and the draft 2017 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 draft 2017 Consolidated Budget illustrates the Authority's progress in implementing the approved Phase 1 and Phase 2 EDC Agreements and embarking on the economic redevelopment of the former Fort property. This year's budget includes: the EDC Budget, representing the projected 2017 financial activity under the approved Phase 1 and Phase 2 EDC Agreements; and the Non-EDC Budget representing the funding of qualified expenses received through the Office of Economic Adjustment (OEA) and the local match.

The draft 2017 Consolidated Budget illustrates the Budget based on the 2017 projected parcel sales. Seventeen parcels are projected to be sold during 2017 for \$37,069,230. The projected Net Earnings from the parcel sales are \$8,711,028. The Land Costs for the parcel sales total \$28,358,202 and consist of \$10,000,000 in payments on Notes Payable due to Monmouth County, \$12,954,467 in payments to the Army, \$3,322,695 to the Homeless Accommodation under the terms of the EDC Agreement and Sales Commissions of \$2,081,040.

The 2017 FMERA draft Non-EDC Budget's total expenses and costs of \$1,011,000 will be funded by federal grants of \$909,900 through OEA and the local match requirement of \$101,100 and are lower than 2016's level of \$1,753,155. The decrease is due to the Non-EDC Budget only representing the first six months of the year. On June 30, 2017, OEA funding will end (and the State match) and the remainder of the year will be funded by the EDC Budget.

FMERA's 2017 proposed EDC Budget's General and Administrative expenses of \$272,000 represent costs which do not qualify for funding under the terms of the federal grant. EDC Direct Office expenses of \$919,565 represents the salary and fringe of 2 employees that do not qualify for funding under the terms of the federal grant and then the salary and fringe of all 10 employees starting July 1, 2017 when OEA funding

ends. EDC operating income of \$62,500 represents the amount to be received under the Golf Course Operating Agreement and Miscellaneous Revenue of \$400,000 represents projected proceeds from the auctions of personal property transferred from the Army to the Authority. Interest expense on Notes Payable of \$500,000 represents the estimated interest expense on the bonds used to purchase the Phase 2 property from the Army.

The 2017 Consolidated Program Costs of \$4,562,300 are slightly higher than the 2016 Budget. The 2016 Budget projected the purchase of the Phase 2 parcels in the 1<sup>st</sup> quarter of 2016 which would have consisted of 9 months in carrying costs. With the transfer of the Phase 2 property in the 4<sup>th</sup> quarter of 2016, the 2017 Budget represents 12 months of carrying costs which caused an increase in Program Costs from 2016 to 2017. Carrying costs mainly consist of property maintenance, utilities and insurance.

The Authority's 2017 proposed Capital Budget calls for outlays totaling \$1,725,000, comprised of: \$1,125,000 in Short-Term Capital Projects that include Infrastructure and Other improvement costs on properties transferred to the Authority; and \$600,000 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 2017 for these projects.

The draft 2017 Consolidated Budget is projecting an excess of revenue over expenses (after contribution to cash reserves) of \$1.7 million compared to the net loss in 2016 that was due to delays in property sales. This loss was covered by the Authority's EDC cash reserves, and on a cumulative basis since inception, the Authority is cash flow positive.

The Audit Committee has reviewed the budget and recommends Board approval of the draft 2017 Consolidated Budget.

### **Recommendation**

Based on the above, the Members of the Board are asked to approve the attached draft 2017 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 \$1,011,000.



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Bruce Steadman

ATTACHMENT

Prepared by: Jennifer Lepore

**Fort Monmouth Economic Revitalization Authority  
2017 Consolidated Budget**

**Operational Budget**

	2017		
	Non-EDC Budget	EDC Budget	Consolidated Budget
<b>Operating Revenue</b>			
Federal Grants	\$ 909,900	\$ -	\$ 909,900
Property Sales	-	37,069,230	37,069,230
Less Land Costs (payments to Army, Notes Payable, Homeless Fund & Broker Commissions)		(28,358,202)	(28,358,202)
Operating Income	-	62,500	62,500
<b>Total Operating Revenue</b>	<b>909,900</b>	<b>8,773,528</b>	<b>9,683,428</b>
<b>Non Operating Revenue</b>			
Local Match Requirement	101,100	-	101,100
Interest from Cash	-	2,000	2,000
Miscellaneous Revenue	-	400,000	400,000
<b>Total Non Operating Revenue</b>	<b>101,100</b>	<b>402,000</b>	<b>503,100</b>
<b>Total Revenue</b>	<b>1,011,000</b>	<b>9,175,528</b>	<b>10,186,528</b>
<b>Administrative Expenses</b>			
Direct Office Support	601,000	919,565	1,520,565
General and Administrative	-	272,000	272,000
<b>Total Administrative Expenses</b>	<b>601,000</b>	<b>1,191,565</b>	<b>1,792,565</b>
<b>Costs</b>			
Program Costs	410,000	4,152,300	4,562,300
Interest Expense on Notes Payable	-	500,000	500,000
<b>Total Costs</b>	<b>410,000</b>	<b>4,652,300</b>	<b>5,062,300</b>
<b>Total Expenses &amp; Costs</b>	<b>1,011,000</b>	<b>5,843,865</b>	<b>6,854,865</b>
<b>Excess of Revenue Over Expenses Before Before Short-Term Capital Projects</b>	<b>\$ -</b>	<b>\$ 3,331,663</b>	<b>\$ 3,331,663</b>
<b>Short-Term Capital Projects</b>			
Infrastructure	-	1,025,000	\$ 1,025,000
Other	-	100,000	100,000
<b>Total Short Term Capital Projects</b>	<b>\$ -</b>	<b>\$ 1,125,000</b>	<b>\$ 1,125,000</b>
<b>Excess of Revenue Over Expenses</b>	<b>\$ -</b>	<b>\$ 2,206,663</b>	<b>\$ 2,206,663</b>
<b>Contribution to Cash Reserves</b>	<b>\$ -</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>
<b>Excess of Revenue Over Expenses After Contribution to Cash Reserves</b>	<b>\$ -</b>	<b>\$ 1,706,663</b>	<b>\$ 1,706,663</b>

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