



MEMORANDUM

TO: Members of the Board of Directors
FROM: Beverlee Akerblom
Director of Finance and Administration
DATE: December 21, 2011
SUBJECT: Draft 2012 Consolidated Fiscal Plan

The draft 2012 Consolidated Fiscal Plan, consisting of the draft 2012 Operating Plan, and draft 2012 Economic Development Conveyance (EDC) Plan is enclosed for your review and approval.

2012 Plan Highlights

- Consolidated Net Operating Earnings projected to exceed \$12 million dollars
- Operating Plan expenses lower than 2011's Operating Plan and the Projected Actual
- Favorable Operating Plan budget variance for 2011

The 2012 Consolidated Fiscal Plan financially depicts the change in the Authority's operations as it transitions from the negotiation of an EDC to the implementation of the approved EDC Agreement. This year's plan includes: an EDC Plan, representing the projected 2012 financial activity under the EDC Agreement; and, an Operating Plan which represents the ninety percent (90%) funding of qualified expenses received through the Office of Economic Adjustment (OEA) and funding from the State of New Jersey through the appropriation process, which includes the requisite 10% local match.

The Consolidated Fiscal Plan supports the FMERA 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*, expanding the Authority's sources of funding while continuing controlling costs and directing spending to maximize the benefits derived.

The draft Consolidated Plan's Net Operating Earnings of \$12,320,563 result from the sale of five and the lease of two Phase 1 parcels during 2012. The draft EDC Plan's activity level is predicated on input from the Department of the Army that FMERA's EDC application should be approved in the 1st Quarter of 2012. Staff anticipates that the subject parcels will receive timely Findings Of Suitability to Transfer (FOSTs), and Findings Of Suitability to Lease (FOSLs) as Army, New Jersey Department of Environmental Protection, FMERA staff and consultants will be working concurrently on these. Sale and lease prices for the parcels are estimated, based on data provided by FMERA consultants, real-time market information acquired by the FMERA staff, and are subject to the competitive bid process. Projected reinvestment of the EDC's initial year's proceeds during will be fluid; based on the actual parcel sales and lease proceeds.

The 2012 draft FMERA Operating Plan's total expenses and costs of \$2,686,379 will be partially funded by federal grants of \$2,180,084 through the OEA, with a local match requirement of \$241,997. The Back Office Support Services, payable to New Jersey Economic Development Authority (NJEDA) for services performed under the Memorandum of Understanding between FMERA and NJEDA does not qualify for funding under the terms of the federal grant, and payment is deferred at 3% annual interest, accruing quarterly, subject to the approval from both authorities' Boards. The Back Office Support Services include human resources, IT, fiscal, marketing and administrative. The 2012 Operating Plan's Interest charges on the Back Office Support Services deferral is \$14,063 which with the unfunded \$250,000 in Back Office Support Services account for the Authority's 2012 Net Operating Loss of \$264,063. FMERA staff is developing a reporting system, consistent with EDC protocol, which will track and quantify the Back Office Support Services for payment under the terms of the Economic Development Conveyance Agreement.

The FMERA 2012 draft Operating Plan's total expenses and costs of \$2,686,379 are under 2011's Planned and Projected Actual levels due to lower 2012 General and Administrative and Program Costs in relation to the increase in the 2012 Plan's Direct Office Support (for FMERA dedicated staff), payable to NJEDA. The decrease in 2012 General and Administrative Expenses is due to the relocation of the FMERA office to a rent free office on the Fort planned for the 1st half of 2012. Back Office Support Services remain at \$250,000 for 2012. In 2011, legal notices are projected to be over budget due to the placement of more Request for Proposals advertising than projected in the budget.

The 2011 Plan called for a staff of 10 to be augmented by the staggered hiring of 3 additional staff members during the course of the fiscal year. Actual 2011 staffing level was 7 with the addition of 2 staff members during the 2nd half of the year for a total of 9 at the end of 2011. As a result, the Projected Actual Direct Office Support is substantially under the 2011 Plan. The increase in the 2012 Direct Office Support as compared to the Projected Actual is due to the addition of two staff members planned for early in 2012, bringing the staffing level to 11, and the effect of the full year of the salaries and benefits of the 2 additions to staff in 2011.

The decrease in Program Costs to \$670,400 in 2012 reflects the Authority's transition to implementation of the EDC Agreement. With the approval of the EDC application in 2012 the Authority's Program Costs will shift from the Operating Plan to the EDC Plan. The 2011 Projected Actual Program Costs exceed the 2011 Operating Plan's Program Costs primarily to timing differences. The Planning, Architectural and Engineering, Business and Operations Plan and Economic Development Conveyance Application, and the Environmental Consulting Services engagements were projected to begin in 2010, as a result costs expended in 2011 were budgeted for in 2010 thus accounting in large part for the budget variances. The Planning, Architectural and Engineering, and Business and Operations Plan and Economic Development Conveyance Application consultants have advised staff that due to reported Army document and data deficiencies in materials supplied to the Consultants, they have incurred additional costs. FMERA staff has requested back-up data from the consultants to justify their costs which will be reconciled with the OEA if, and as needed. BRAC Legal Counsel Fees are also projected to be over budget due to negotiations with the Department of the Army beginning earlier in the 2011 than projected.

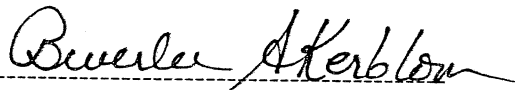
The Consolidated Plan includes zero value line items for Environmental Services Program Income and Costs to reference an "Environmental Services Cooperative Agreement" or "ESCA". An ESCA is a form of grant agreement between a military service and a local redevelopment authority (LRA). Grant funding provided by the military under an ESCA may be utilized by an LRA for the completion of environmental investigation or cleanup obligations of the military service at closing bases. Specific tasks typically funded through ESCAs include the preparation of documents required by regulatory agencies, investigation costs, remediation costs, regulatory oversight costs, LRA administrative costs and, if applicable, the purchase of environmental insurance. The LRA's performance under an ESCA does not diminish the military's ultimate responsibility for contamination caused by the military. In discussions with the Army, FMERA staff has received indication the Army would favor entering into an ESCA with the Authority for environmental investigation of landfills, underground storage tanks, and the lime pit at the Myer Center. FMERA staff does not have adequate information on the scope of a potential environmental services cooperative agreement with the Army to prepare an ESCA budget at this time. Discussions with the Army on the environmental conditions are ongoing.

The Authority's Audit Committee has reviewed the 2012 consolidated financial plan and recommends it to the Board of Directors for final review and approval.

Recommendation

Based on the above, the Board is asked to approve the attached draft 2012 Consolidated Plan.

The Board is 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 \$2,180,084.



Beverlee Akerblom

ATTACHMENT

Prepared by: Beverlee Akerblom

Fort Monmouth Economic Revitalization Authority
 2012 Summary Consolidated Fiscal Plan

	2012		
	Operating Plan	EDC Plan	Consolidated Plan
Operating Revenue			
Federal Grant	\$ 2,180,084		\$ 2,180,084
Property Sales		\$ 31,559,735	31,559,735
Lease Income		202,657	202,657
Environmental Services Program Income			-
Total Operating Revenue	\$ 2,180,084	\$ 31,762,392	\$ 33,942,476
Non Operating Revenue			
Local Match Requirement	241,997		241,997
Interest from Cash Investments	235	19,000	19,235
Total Non Operating Revenue	242,232	19,000	261,232
Total Revenue	2,422,316	31,781,392	34,203,708
Administrative Expenses			
Direct Office Support	1,549,600		1,549,600
General and Administrative	452,316		452,316
Total Administrative Expenses	2,001,916		2,001,916
Costs			
Interest	14,063		14,063
Land Costs (payments to Army)		14,450,000	14,450,000
Program Costs	670,400	4,746,766	5,417,166
Environmental Services Program Costs			-
Total Costs	684,463	19,196,766	19,881,229
Total Expenses & Costs	2,686,379	19,196,766	21,883,145
Net Operating Earnings (Loss)	\$ (264,063)	\$ 12,584,626	\$ 12,320,563