



MEMORANDUM

TO: Members of the Board
FROM: Bruce Steadman
Executive Director
DATE: December 18, 2013
SUBJECT: 2014 Consolidated Budget

The draft 2014 Consolidated Budget, consisting of the draft 2014 Non-Economic Development Conveyance Budget, draft 2014 Economic Development Conveyance (EDC) Budget, and the 2014 Capital Budget is enclosed for your review and consideration. The FMERA staff has collaborated in the development of a Consolidated Budget which supports and enhances 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*. The Consolidated Budget is also intended to expand the Authority's sources of funding while continuing to control costs and direct spending to maximize the benefits derived and advance the Authority on the path towards financial self-sufficiency.

2014 Budget Highlights

- Net Earnings from projected Parcel Sales exceeds \$2.2 million
- Favorable budget variances for 2013
- Measured increases in Non-EDC and EDC Budgets in 2014

The 2014 Consolidated Budget illustrates the Authority's progress in transitioning from the negotiation of the Phase 1 EDC to the implementation of 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 2014 financial activity under the approved Phase 1 EDC Agreement and the Phase 2 EDC Agreement which is projected to be approved during the 2nd quarter of the year; the Non-EDC Budget representing the funding of qualified expenses received through the Office of Economic Adjustment (OEA) and the requisite local match, which increases to 25% during the fiscal year as OEA support is phased out and the implementation of the EDC agreement(s) proceeds; and the Capital Budget, initiating the Authority's investment in the implementation of the Reuse Plan.

The 2014 Operating Budget depicts the 2014 Budget based on the 2014 projected Parcel Sales. Eleven parcels are projected to be sold during 2014 for \$19,169,319. The projected Net Earnings from the parcel sales is \$2,203,865. The Land Costs for the sales parcels totals \$14,232,544 and consists of \$12,615,507 in Payments to the Army and \$1,617,037 to the Homeless Accommodation. Sales Commissions payable on the 2014 projected parcel sales amounts to \$1,090,160.

Operator Income of \$25,000 represents amounts received under the Golf Course Operating Agreement. The new Request for Proposals (RFP) for solicitation of a golf course operator to run the golf course was issued November 22; proposals are due on January 3, 2014. The 2014 Budget projects income payments received from the Golf Course Operator to be lower than the 2013 amount of \$85,000, as the terms in the RFP call for the operator to make certain prescribed repairs to the golf course and equipment upgrades. The Golf Course is projected to be transferred to the Authority during the 1st quarter of 2014. It is the Authority's intention to issue a Request for Offers to Purchase the Golf Course, including the Megill housing area, late in the 1st quarter of 2014.

The 2014 FMERA draft Non-EDC Budget's total expenses and costs of \$2,603,668 will be funded by federal grants of \$2,150,062 through the OEA, and the local match requirement of \$453,606, and are higher than 2013's level of \$2,410,842. The proposed Non-EDC Budget's total expenses and costs reflect an increase of 8% over FY2013. This is due to the increases in the 2014 General and Administrative Expenses and Direct Office Support (for FMERA dedicated staff), being greater than the decrease in the 2014 Program Costs. The increase in 2014 General and Administrative Expenses to \$179,000, is attributable to occupancy costs, such as utilities, repairs and maintenance expense, associated with the FMERA offices in the former Library building.

The 2013 Budget called for a staffing level of 9. Actual 2013 staffing level fell below that level for 2 months of the year. As a result, the Projected Actual Direct Office Support is under the 2013 Budget. The 2014 Budget's staffing level is projected at 11. The addition to staff is required due to Army's planned transfer of the balance of the Phase 1 property to the Authority in 2014. Transfer of the additional property will lead to an increase in FMERA's marketing, development and project management activity. Funding the addition to staff will expedite FMERA's sale and redevelopment of the property and will be more cost effective than utilizing consultants to manage the work, and advance FMERA's goal of reaching financial self-sufficiency.

FMERA's 2014 proposed EDC Budget's Direct Office and General and Administrative expenses of \$18,750 and \$43,000 respectively, represent amounts which do not qualify for funding under the terms of the federal grant.

The 2014 Consolidated Program Costs of \$3,657,160 are higher than the 2013 Budget. This is due to the expected transfer of the balance of the Phase 1 parcels in the 1st quarter of 2014 which will increase property carrying costs. The 2014 decrease in the Non-EDC's Budget's Program Costs to \$958,500 reflects the Authority's transition to implementation of the EDC Agreements upon completion of the Phase 2 EDC negotiations with the Army. Accordingly, in 2014 Non-EDC legal expenses are projected to decrease while the environmental consulting costs are projected to increase as the Authority continues its ongoing assessment of the environmental conditions on the former Fort prior to the parcel transfer. In addition to higher property maintenance and utility costs, the 2014 EDC Budget's Program Costs increase to \$2,698,660 from 2013's \$1,395,066 due to broker commissions being assessed on the 2014 property sales, as sales transactions, other than the sale of the Clinic parcel to AcuteCare, do not predate the engagement of the Broker.

The 2014 Capital Budget represents the Authority's initial Capital Budget for the former Fort. The Authority's proposed Capital Budget calls for outlays totaling \$2,195,000, comprised of: purchase of a vehicle for use in conducting tours of the Fort; Infrastructure, Demolition and Renovations, and Other improvement costs on properties transferred to the Authority by Army in 2014.

The Authority's Audit Committee has reviewed the 2014 consolidated operating 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 2014 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 \$2,150,062.



Bruce Steadman

ATTACHMENT

Prepared by: Beverlee Akerblom

**Fort Monmouth Economic Revitalization Authority
2014 Consolidated Budget**

Operational Budget

2014			
	Non-EDC Budget	EDC Budget	Consolidated Budget
Operating Revenue			
Federal Grants	\$ 2,150,062	\$ -	\$ 2,150,062
Property Sales	-	19,169,319	19,169,319
Operator Income	-	25,000	25,000
Total Operating Revenue	2,150,062	19,194,319	21,344,381
Non Operating Revenue			
Local Match Requirement	453,606	-	453,606
Interest from Cash Investments	-	2,500	2,500
Total Non Operating Revenue	453,606	2,500	456,106
Total Revenue	2,603,668	19,196,819	21,800,487
Administrative Expenses			
Direct Office Support	1,466,168	18,750	1,484,918
General and Administrative	179,000	43,000	222,000
Total Administrative Expenses	1,645,168	61,750	1,706,918
Costs			
Land Costs (payments to Army and Homeless Accommodation Fund)	-	14,232,544	14,232,544
Program Costs	958,500	2,698,660	3,657,160
Total Costs	958,500	16,931,204	17,889,704
Total Expenses & Costs	2,603,668	16,992,954	19,596,622
Net Earnings	\$ -	\$ 2,203,865	\$ 2,203,865

Capital Budget

2014			
	Non-EDC Budget	EDC Budget	Consolidated Budget
Equipment	-	\$ 35,000	\$ 35,000
Infrastructure	-	1,460,000	1,460,000
Demolition & Renovations	-	500,000	500,000
Other	-	200,000	200,000
Total Capital Budget	-	\$ 2,195,000	\$ 2,195,000