

## MEMORANDUM

JUNE 13, 2013

**TO:** ECONOMIC DEVELOPMENT AND INDUSTRIAL CORPORATION  
AND PETER MEADE, DIRECTOR

**FROM:** JAMES M. TIERNEY, CHIEF OF STAFF AND SPECIAL COUNSEL TO THE  
DIRECTOR  
ROBERT P. LUISI, DIRECTOR FOR ADMINISTRATION & FINANCE

**SUBJECT:** OPERATING BUDGET FOR FISCAL YEAR 2014

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**SUMMARY:** Request approval of the Economic Development and Industrial Corporation's Fiscal Year 2014 Operating Budget in the expense amount of \$28,350,000.

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### OVERVIEW

The Economic Development and Industrial Corporation (EDIC) Operating Budget includes the revenue and expenses attributable to a variety of functions, including operating the Boston Marine Industrial Park, conducting a variety of economic initiatives to benefit the City of Boston, and running the Mayor's Office of Jobs and Community Services (JCS) and its component programs. The Operating Budget is a twelve-month strategic plan that begins July 1<sup>st</sup> of each year and allocates resources to achieve program initiatives. It emphasizes the objectives of the EDIC's programs and reflects the policy goals established by the Mayor, the Board, and the community.

Accountability and financial control will continue to be at the forefront of the budget process to ensure an effective and efficient planning and economic development program.

The Operating Budget for EDIC is presented in two attached charts, the first chart presents the summary of revenues and expenses and the second chart presents the operating expense detail.

### BUDGET SUMMARY

Total operating revenue is projected at \$29,965,000 and total operating expenses at \$28,350,000 resulting in revenues over expenses of \$1,615,000. The major components of the Operating Budget are as follows:

## **Revenue**

Revenue is projected at \$29,965,000. This represents revenue generated from rental payments, lease payments, equity participation, project income, grant income, interest income and other income.

- Rental, Lease, and Long Term Agreement Income is budgeted at \$14,946,000 and represents revenue sources at the Marine Industrial Park.
- Equity Participation of \$800,000 represents percentage rent payments from tenants at the Marine Industrial Park.
- Grant Income is expected to total \$13,960,000 and represents amounts received from federal and state agencies that are subsequently distributed through the Mayor's Office of Jobs and Community Services.
- Interest and Other Income is projected at \$259,000 and reflects interest income, cost reimbursement for engineering services and loan and housing program fees.

## **Expenses**

Total Operating Expenses are budgeted at \$28,350,000. This represents the following categories: Personnel, Employee Benefits, Administrative, Contractual Service and Property Management.

- Personnel costs are budgeted at \$10,128,000. This budget will support a full time staff of 151.
- Employee Benefits are projected at \$3,450,000 and represent Social Security and retirement program payments of \$1,666,000, health insurance payments of \$1,702,000 and workers compensation insurance costs of \$82,000.
- Administrative expenses are budgeted at \$578,000 and represent the day-to-day cost of operations, including technology acquisition and upgrades, employee education, printing, telecommunications, leased copy equipment and maintenance support, office supplies, postage, travel, marketing and advertising.
- Contractual Services are budgeted at \$10,389,000 and provides funding for Administration and Finance, Legal, Planning and Economic Development initiatives totaling \$895,000 and Community Based Organizations totaling \$9,494,000.

- Administrative and Finance contractual services are budgeted at \$570,000 and represent independent audit costs totaling \$150,000 and leased space for JCS Operations totaling \$420,000.
- Legal expenses are projected at \$125,000 and include the costs of litigation and Board Members' liability insurance.
- Other professional services are budgeted at \$200,000 and include Planning and Economic Development initiatives, alternative transportation initiatives, job stimulus projects and costs associated with Municipal Harbor Plans.
- JCS contractual services are budgeted at \$9,494,000 and represent program payments for job training, education, human services, and literacy initiatives.
- Property Management/Debt Service costs are projected at \$3,805,000 and represent utility costs, insurance costs, transportation costs, land and building maintenance costs, security costs, depreciation expense and debt service. Of the total \$3,505,000 in property management costs, it is estimated that \$1,128,000 will be charged back to the tenants at the Marine Industrial Park in accordance with the lease agreements.

### **INTERAGENCY FUNDING**

In an attempt to maintain organizational continuity and financial stability, the Boston Redevelopment Authority (BRA) and EDIC historically have engaged in inter-agency fund transfers and loans (including loan forgiveness). These practices have been consistent with the operating principles of each agency that draw limited distinction between the overlapping BRA, EDIC, Boston Local Development Corporation (BLDC) and Boston Industrial Development Finance Authority (BIDFA) missions. Indeed, these transfers and loans have contributed to the seamless operation of both organizations and further key agency initiatives. As such, the BRA and EDIC Boards have approved these actions on multiple occasions.

At this time, as part of the approval of the FY 2014 budgets, there is an opportunity to afford greater flexibility and efficiency for the management of both BRA and EDIC budgets. Continued transparency is assured through the yearly audit process and the annual budget approval process before both the BRA and EDIC Boards. Therefore, staff requests that the Director be authorized to transfer funds and also to subsequently forgive Interagency Debt to or from the BRA or to or from the EDIC, BLDC or BIDFA at times and under such terms as the Director deems appropriate.

Appropriate votes follow:

**VOTED:** It is requested that the Board approve EDIC's Operating Budget for Fiscal Year 2014 in the amount of \$28,350,000; and

**FURTHER**

**VOTED:** That the Director be, and hereby is, authorized to transfer funds and to forgive interagency debt to or from EDIC or to or from the BRA, BLDC or BIDFA at a time and under such terms as the Director deems appropriate.