

UNITED NATIONS DEVELOPMENT CORPORATION

2020 Budget and 2021 – 2023 Financial Plans

Relationship with the State of New York

The United Nations Development Corporation (the "Corporation") is a public benefit corporation existing under Section 4 of Chapter 345 of the Laws of New York, 1968, as amended. The Corporation was established to develop office space and other facilities for the United Nations (the "UN") and UN-related organizations within its development district located in the vicinity of the UN headquarters in New York City. The Corporation receives no funding from the City or State of New York.

The Corporation is governed by a fifteen member Board of Directors (the "Board"). Eight Board members are appointed by the Governor, five Board members (including the Chairman) are appointed by the Mayor of the City of New York, and two Board members are City officials that serve ex-officio by virtue of their offices as Commissioner of the New York City Department of Housing Preservation and Development and as Chair of the New York City Planning Commission.

Budget Process

Each year the Corporation prepares a proposed budget for the next fiscal year, financial plans for the three following years (together, the "Budget and Financial Plans"), information on revenues and expenditures for the last completed fiscal year, and a revised forecast of the current year's budget. The proposed Budget and Financial Plans are available to the public at least thirty days prior to consideration and approval by the Board. The approved Budget and Financial Plans

are available to the public and are submitted to the State and other required recipients. following Board approval.

Principal Budget Assumptions

The Corporation contracts with a property management company (the "Property Manager") as its agent to manage its properties. The Property Manager receives a management fee for its services and is reimbursed for the cost of salaries and benefits of its on-site administrative and building operations staff. As part of the budget process, the Property Manager estimates annual expenditures and labor costs to maintain the Corporation's properties at the Class A office standard.

The Corporation's revenues consist primarily of rent payments under leases of office space to the UN and missions to the UN at One and Two UN Plaza and rent payments under a lease to UNICEF at Three UN Plaza. The Corporation's revenues are predictable because base rent amounts are fixed under long-term leases with tenants.

The Corporation's expenses consist of: reimbursable salaries and benefits of administrative and building staff of the Property Manager; other operating costs to maintain One, Two and Three UN Plaza; administrative office expenses; ground rents and real estate taxes; and debt service payments.

Self-Assessment of Budgetary Risks

The Corporation's revenue estimates are based upon future rent payments due under long-term leases with the UN, missions to the UN, and UNICEF. Budget estimates for building operating expenses are based on the Property Manager's estimates of expenditures and labor costs, the Corporation's historical operating experience, and existing contractual obligations and

collective bargaining agreements. The Corporation's debt service payments are fixed under its bond obligations. Based on the foregoing, management believes that the Corporation's budgetary risks are low.

Employees

The Corporation currently has ten employees. The functional classifications of the Corporation's employees are as follows: two executive, three managerial, four operational and one administrative.

United Nations Development Corporation
Calendar Years 2020 - 2023

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| BUDGET OF PROJECTED REVENUES AND EXPENDITURES |
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(\$ in thousands)

| <u>REVENUES</u> | <u>Budget 2020</u> | <u>Projected Budget 2021</u> | <u>Projected Budget 2022</u> | <u>Projected Budget 2023</u> |
|--|----------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <u>Revenues From Building Operations</u> | 47,214 | 47,416 | 47,643 | 47,877 |
| <u>Non-operating Revenues - Interest Income</u> | 400 | 400 | 400 | 400 |
| Total Revenues | <u>\$47,614</u> | <u>\$47,816</u> | <u>\$48,043</u> | <u>\$48,277</u> |
| <u>EXPENDITURES</u> | | | | |
| <u>Expenditures - Building Operations</u> (See Page 2 of 6) | \$17,618 | \$18,196 | \$19,283 | \$19,423 |
| <u>Expenditures on Ground Rent and Real Estate Taxes</u> | 3,673 | 3,730 | 3,789 | 3,850 |
| <u>Administrative Expenses</u> (See Page 3 of 6) | 3,062 | 2,899 | 2,993 | 3,090 |
| <u>Non-operating Expenditures</u> | | | | |
| Payment of principal on bonds (See Page 4 of 6) | 5,170 | 5,425 | 5,705 | 5,985 |
| Interest expense (See Page 4 of 6) | 2,227 | 1,969 | 1,698 | 1,412 |
| Total Expenditures | <u>\$31,750</u> | <u>\$32,219</u> | <u>\$33,468</u> | <u>\$33,760</u> |
| <u>NET REVENUES</u> | 15,864 | 15,597 | 14,575 | 14,517 |
| <u>PROVISION FOR RENEWAL & REPLACEMENTS</u> | 2,000 | 7,300 | 6,400 | 5,800 |
| <u>EXCESS OF REVENUES OVER EXPENDITURES AND PROVISION FOR RENEWAL & REPLACEMENTS</u> | <u>\$13,864</u> | <u>\$8,297</u> | <u>\$8,175</u> | <u>\$8,717</u> |

**United Nations Development Corporation
Projected Budgets - 2020 - 2023**

Expenditures - Building Operations

(\$ in thousands)

| | <u>Budget 2020</u> | <u>Projected Budget 2021</u> | <u>Projected Budget 2022</u> | <u>Projected Budget 2023</u> |
|--|------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Managing agent reimbursable salaries and employee benefits | \$3,315 | \$3,414 | \$3,516 | \$3,621 |
| Contract Security | 3,046 | 3,138 | 3,233 | 3,330 |
| Electric | 2,757 | 2,840 | 2,925 | 3,013 |
| Office / Windows / General Cleaning | 4,452 | 4,586 | 4,724 | 4,865 |
| Steam | 918 | 973 | 1,031 | 1,092 |
| Water / Sewer | 224 | 236 | 248 | 260 |
| Elevator Maintenance | 643 | 662 | 682 | 702 |
| Management Fee | 156 | 161 | 166 | 172 |
| Rubbish Removal | 100 | 106 | 113 | 120 |
| Other Expenses | 1,397 | 1,439 | 1,972 | 1,541 |
| Insurance | <u>610</u> | <u>641</u> | <u>673</u> | <u>707</u> |
| Total Expenditures Building Operations | <u><u>\$17,618</u></u> | <u><u>\$18,196</u></u> | <u><u>\$19,283</u></u> | <u><u>\$19,423</u></u> |

United Nations Development Corporation
Projected Budgets - 2020 - 2023

Administrative Expenses

(\$ in thousands)

| | Budget 2020 | Projected Budget 2021 | Projected Budget 2022 | Projected Budget 2023 |
|---|-----------------------|-----------------------------|-----------------------------|-----------------------------|
| Administrative salaries and employee benefits | \$2,072 | \$2,134 | \$2,198 | \$2,264 |
| Professional Fees | 605 | 368 | 386 | 405 |
| NYS Administrative Cost Assessment | 62 | 64 | 66 | 68 |
| Insurance | 197 | 203 | 209 | 215 |
| Miscellaneous expenses | 126 | 130 | 134 | 138 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Administrative Expenses | <u><u>\$3,062</u></u> | <u><u>\$2,899</u></u> | <u><u>\$2,993</u></u> | <u><u>\$3,090</u></u> |

United Nations Development Corporation

SCHEDULE OF LONG-TERM DEBT

(\$ in thousands)

| <u>DESCRIPTION OF DEBT</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| BONDS OF 2019, SERIES A - SENIOR DUE 2026 | \$47,056 | \$40,632 | \$34,117 | \$27,496 | \$20,780 |
| BOND OF 1980, DUE AUGUST 1, 2025 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 |
| BOND OF 1978, DUE JULY 1, 2028 | 288 | 288 | 288 | 288 | 288 |
| OUTSTANDING BALANCE AS OF DECEMBER 31 | <u>\$48,594</u> | <u>\$42,170</u> | <u>\$35,655</u> | <u>\$29,034</u> | <u>\$22,318</u> |
| <u>DEBT SERVICE REQUIREMENTS</u> | | | | | |
| PRINCIPAL | \$6,565 | \$5,170 | \$5,425 | \$5,705 | \$5,985 |
| INTEREST | \$2,098 | \$2,227 | \$1,969 | \$1,698 | \$1,412 |
| | <u>\$8,663</u> | <u>\$7,397</u> | <u>\$7,394</u> | <u>\$7,403</u> | <u>\$7,397</u> |
| <u>DEBT SERVICE COVERAGE FOR BONDS OF 2019</u> | | | | | |
| PROJECTED NET REVENUE COVERAGE | <u>300%</u> | <u>343%</u> | <u>340%</u> | <u>326%</u> | <u>326%</u> |
| PROJECTED REVENUE COVENANT INCOME COVERAGE | <u>232%</u> | <u>291%</u> | <u>214%</u> | <u>212%</u> | <u>220%</u> |

United Nations Development Corporation

STATEMENT OF PROJECTED CAPITAL COSTS

| | (\$ in thousands) | | | | |
|---|-------------------|----------------|----------------|----------------|----------------|
| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
| <u>ONE, TWO & THREE U.N. PLAZA</u> | | | | | |
| GENERAL IMPROVEMENTS (INTERIOR) | \$300 | \$600 | \$300 | \$600 | \$1,000 |
| GENERAL IMPROVEMENTS (EXTERIOR) | 1,000 | 1,000 | 200 | 3,200 | 2,300 |
| BUILDING SYSTEMS AND OTHER PROJECTS | 3,100 | 400 | 6,800 | 2,600 | 2,500 |
| TOTAL PROJECTED CAPITAL COSTS - ONE, TWO & THREE U.N. PLAZA * | <u>\$4,400</u> | <u>\$2,000</u> | <u>\$7,300</u> | <u>\$6,400</u> | <u>\$5,800</u> |

* CAPITAL PROJECTS ARE FUNDED BY AMOUNTS DEPOSITED IN THE RENEWAL AND REPLACEMENT FUND MAINTAINED PURSUANT TO THE INDENTURE OF TRUST (THE "INDENTURE") FOR THE CORPORATION'S BONDS OF 2019. THE CORPORATION PERIODICALLY REPLENISHES THE RENEWAL AND REPLACEMENT FUND FROM NET OPERATING REVENUES.

United Nations Development Corporation
Calendar Year 2019

REVISED FORECAST OF REVENUES AND EXPENDITURES

(\$ in thousands)

| <u>REVENUES</u> | <u>Actual 2018</u> | <u>Approved Budget 2019</u> | <u>Revised Forecast of 2019 Budget (1)</u> | <u>% Change vs. Approved Budget</u> |
|--|-------------------------------|--|---|--|
| <u>Revenues From Building Operations</u> | \$47,366 | \$46,612 | \$47,898 | 2.8% |
| <u>Non-operating Revenues - Interest Income</u> | 889 | 300 | 600 | 100.0% |
| Total Revenues | <u>\$48,255</u> | <u>\$46,912</u> | <u>\$48,498</u> | <u>3.4%</u> |
| <u>EXPENDITURES</u> | | | | |
| <u>Expenditures - Building Operations</u> | \$17,039 | \$17,169 | \$18,392 | 7.1% |
| <u>Expenditures on Ground Rent and Real Estate Taxes</u> | 3,539 | 3,596 | 3,603 | 0.2% |
| <u>Administrative Expenses</u> | 2,279 | 2,749 | 2,526 | -8.1% |
| <u>Non-operating Expenditures</u> | | | | |
| Payment of principal on bonds | 6,260 | 6,565 | 6,565 | 0.0% |
| Interest expense | 3,442 | 3,137 | 2,098 | -33.1% |
| Total Expenditures | <u>\$32,559</u> | <u>\$33,216</u> | <u>\$33,184</u> | <u>-0.1%</u> |
| <u>NET REVENUES</u> | 15,696 | 13,696 | 15,314 | 11.8% |
| <u>PROVISION FOR RENEWAL & REPLACEMENTS</u> | 8,000 | 4,000 | 4,000 | 0.0% |
| EXCESS OF REVENUES OVER EXPENDITURES AND PROVISION FOR RENEWAL & REPLACEMENTS | <u>\$7,696</u> | <u>\$9,696</u> | <u>\$11,314</u> | <u>16.7%</u> |

(1) Amounts based upon actual results for the first six months of 2019 and currently anticipated results for the last six months of the year.