

## **UNITED NATIONS DEVELOPMENT CORPORATION**

### **2018 Budget and 2019 – 2021 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 Chairman 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 made available to the public at least thirty days prior to consideration and approval by the Board. After Board approval, the Budget and Financial Plans become publicly available and are submitted to the State and other required recipients.

## **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 provides an annual estimate of 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 primarily 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 primarily based upon 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 2018 - 2021**

<b>BUDGET OF PROJECTED REVENUES AND EXPENDITURES</b>
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(\$ in thousands)

<u>REVENUES</u>	<u>Budget 2018</u>	<u>Projected Budget 2019</u>	<u>Projected Budget 2020</u>	<u>Projected Budget 2021</u>
<u>Revenues From Building Operations</u>	45,170	45,960	46,650	47,057
<u>Non-operating Revenues - Interest Income</u>	150	150	150	150
<b>Total Revenues</b>	<b><u>\$45,320</u></b>	<b><u>\$46,110</u></b>	<b><u>\$46,800</u></b>	<b><u>\$47,207</u></b>
 <u>EXPENDITURES</u>				
<u>Expenditures - Building Operations</u> (See Page 2 of 6)	\$17,521	\$17,281	\$17,845	\$18,432
<u>Expenditures on Ground Rent and Real Estate Taxes</u>	3,598	3,654	3,710	3,768
<u>Administrative Expenses</u> (See Page 3 of 6)	2,707	2,601	2,683	2,769
<u>Non-operating Expenditures</u>				
Payment of principal on bonds (See Page 4 of 6)	6,260	6,565	6,890	7,200
Interest expense (See Page 4 of 6)	3,442	3,137	2,812	2,503
<b>Total Expenditures</b>	<b><u>\$33,528</u></b>	<b><u>\$33,238</u></b>	<b><u>\$33,940</u></b>	<b><u>\$34,672</u></b>
 <u>NET REVENUES</u>	 11,792	 12,872	 12,860	 12,535
<u>PROVISION FOR RENEWAL &amp; REPLACEMENTS</u>	8,000	9,000	6,000	5,000
 <b>EXCESS OF REVENUES OVER EXPENDITURES AND PROVISION FOR RENEWAL &amp; REPLACEMENTS</b>	 <b><u>\$3,792</u></b>	 <b><u>\$3,872</u></b>	 <b><u>\$6,860</u></b>	 <b><u>\$7,535</u></b>

**United Nations Development Corporation  
Projected Budgets - 2018 - 2021**

**Expenditures - Building Operations**

(\$ in thousands)

	<u>Budget 2018</u>	<u>Projected Budget 2019</u>	<u>Projected Budget 2020</u>	<u>Projected Budget 2021</u>
Managing agent reimbursable salaries and employee benefits	\$3,065	\$3,156	\$3,250	\$3,347
Contract Security	3,052	3,144	3,239	3,337
Electric	2,753	2,835	2,920	3,008
Office / Windows / General Cleaning	4,148	4,273	4,401	4,533
Steam	831	881	934	991
Water / Sewer	189	198	207	218
Elevator Maintenance	615	634	653	673
Management Fee	148	152	157	162
Rubbish Removal	83	88	93	99
Other Expenses	2,023	1,275	1,313	1,352
Insurance	<u>614</u>	<u>645</u>	<u>678</u>	<u>712</u>
<b>Total Expenditures Building Operations</b>	<b><u><u>\$17,521</u></u></b>	<b><u><u>\$17,281</u></u></b>	<b><u><u>\$17,845</u></u></b>	<b><u><u>\$18,432</u></u></b>

**United Nations Development Corporation  
Projected Budgets - 2018 - 2021**

**Administrative Expenses**

(\$ in thousands)

	<u>Budget 2018</u>	<u>Projected Budget 2019</u>	<u>Projected Budget 2020</u>	<u>Projected Budget 2021</u>
Administrative salaries and employee benefits	\$1,928	\$1,986	\$2,045	\$2,107
Professional Fees	397	221	232	244
NYS Administrative Cost Assessment	62	64	66	68
Insurance	197	203	209	215
Miscellaneous expenses	123	127	131	135
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<b>Total Administrative Expenses</b>	<u><u>\$2,707</u></u>	<u><u>\$2,601</u></u>	<u><u>\$2,683</u></u>	<u><u>\$2,769</u></u>

**United Nations Development Corporation**

**SCHEDULE OF LONG-TERM DEBT**

(\$ in thousands)

<b><u>DESCRIPTION OF DEBT</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>
BONDS OF 2009, SERIES A - SENIOR DUE 2026	\$70,652	\$64,007	\$57,091	\$49,875	\$42,378
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>\$72,190</u>	<u>\$65,545</u>	<u>\$58,629</u>	<u>\$51,413</u>	<u>\$43,916</u>
<b><u>DEBT SERVICE REQUIREMENTS</u></b>					
PRINCIPAL	\$5,960	\$6,260	\$6,565	\$6,890	\$7,200
INTEREST	\$3,740	\$3,442	\$3,137	\$2,812	\$2,503
	<u>\$9,700</u>	<u>\$9,702</u>	<u>\$9,702</u>	<u>\$9,702</u>	<u>\$9,703</u>
<b><u>DEBT SERVICE COVERAGE FOR BONDS OF 2009</u></b>					
PROJECTED NET REVENUE COVERAGE	<u>237%</u>	<u>241%</u>	<u>253%</u>	<u>253%</u>	<u>250%</u>
PROJECTED REVENUE COVENANT INCOME COVERAGE	<u>126%</u>	<u>140%</u>	<u>140%</u>	<u>172%</u>	<u>179%</u>

**United Nations Development Corporation**

**STATEMENT OF PROJECTED CAPITAL COSTS**

	(\$ in thousands)				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b><u>ONE, TWO &amp; THREE U.N. PLAZA</u></b>					
GENERAL IMPROVEMENTS (INTERIOR)	\$5,000	\$2,600	-	-	\$200
GENERAL IMPROVEMENTS (EXTERIOR)	2,100	600	\$3,200	\$2,300	1,900
BUILDING SYSTEMS AND OTHER PROJECTS	2,123	4,400	6,000	4,000	2,600
TOTAL PROJECTED CAPITAL COSTS - ONE, TWO & THREE U.N. PLAZA *	<u>\$9,223</u>	<u>\$7,600</u>	<u>\$9,200</u>	<u>\$6,300</u>	<u>\$4,700</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 2009. THE CORPORATION PERIODICALLY REPLENISHES THE RENEWAL AND REPLACEMENT FUND FROM NET OPERATING REVENUES.



**United Nations Development Corporation  
Calendar Year 2017**

**REVISED FORECAST OF REVENUES AND EXPENDITURES**

(\$ in thousands)

<b><u>REVENUES</u></b>	<b><u>Actual 2016</u></b>	<b><u>Approved Budget 2017</u></b>	<b><u>Revised Forecast of 2017 Budget (1)</u></b>	<b><u>% Change vs. Approved Budget</u></b>
<b><u>Revenues From Building Operations</u></b>	\$43,776	\$44,146	\$44,097	-0.1%
<b><u>Non-operating Revenues - Interest Income</u></b>	156	100	150	50.0%
<b>Total Revenues</b>	<b><u>\$43,932</u></b>	<b><u>\$44,246</u></b>	<b><u>\$44,247</u></b>	<b><u>0.0%</u></b>
 <b><u>EXPENDITURES</u></b>				
<b><u>Expenditures - Building Operations</u></b>	\$15,186	\$16,279	\$16,702	2.6%
<b><u>Expenditures on Ground Rent and Real Estate Taxes</u></b>	3,435	3,517	3,529	0.3%
<b><u>Administrative Expenses</u></b>	2,528	2,704	2,678	-1.0%
<b><u>Non-operating Expenditures</u></b>				
Payment of principal on bonds	5,685	5,960	5,960	0.0%
Interest expense	4,019	3,740	3,740	0.0%
<b>Total Expenditures</b>	<b><u>\$30,853</u></b>	<b><u>\$32,200</u></b>	<b><u>\$32,609</u></b>	<b><u>1.3%</u></b>
<b><u>NET REVENUES</u></b>	13,079	12,046	11,638	-3.4%
<b><u>PROVISION FOR RENEWAL &amp; REPLACEMENTS</u></b>	11,000	9,000	9,000	0.0%
<b><u>EXCESS OF REVENUES OVER EXPENDITURES AND PROVISION FOR RENEWAL &amp; REPLACEMENTS</u></b>	<b><u>\$2,079</u></b>	<b><u>\$3,046</u></b>	<b><u>\$2,638</u></b>	<b><u>-13.4%</u></b>

(1) Amounts based upon actual results for the first six months of 2017 and currently anticipated results for the last six months of the year.