

Management's Discussion and Analysis (unaudited)

December 31, 2023

BACKGROUND

Niagara County Industrial Development Agency (NCIDA) is a not-for-profit public benefit corporation established in 1972 by the Niagara County (the County) Legislature. Under the provisions of the New York Industrial Development Agency Act, NCIDA is empowered to actively attract and develop economically sound commerce and industry, thereby fostering job opportunities, general prosperity, and economic welfare for all residents of the County. As a public benefit corporation, NCIDA is required to comply with accounting standards issued by the Governmental Accounting Standards Board (GASB). Under GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, NCIDA is required to present management's discussion and analysis (MD&A) to assist readers in understanding NCIDA's financial performance.

At the time of its creation, the primary economic development tool of NCIDA was the industrial revenue bond. Throughout the years, NCIDA received various grants from the U.S. Department of Housing and Urban Development (HUD) to establish revolving loan funds. The loan funds grew as additional grants from the U.S. Economic Development Administration and other sources helped to further capitalize it in ensuing years. NCIDA utilizes its resources to plan, implement, and support economic development within the County by promoting the stability and growth of the County's present business base, supporting the retention and creation of jobs, establishing regional and international collaborations, and attracting capital investment and new business ventures.

Niagara County Development Corporation (NCDC), a non-profit organization, was organized as a local development corporation to promote economic growth and business prosperity in the County. NCDC's function is to make loans at favorable interest rates to businesses located within the County, thus encouraging startup of new businesses and relocation and expansion of existing businesses within the County. In accordance with accounting standards, NCDC is considered a blended component unit of NCIDA. NCDC also has separate audited financial statements for the year ended December 31, 2023 that express an unmodified opinion.

Niagara Area Development Corporation (NADC) was organized to undertake and promote economic development initiatives in the County. The Legislature appointed the NCIDA Board as the NADC Board. NADC is empowered to issue industrial revenue bonds for the benefit of not-for-profit organizations. The bonds are not obligations of NADC, NCIDA, nor New York State. Neither NADC nor NCIDA record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange financing between the borrowing companies and the bondholders. Funds arising from these agreements are controlled by trustees or banks acting as fiscal agents. For providing this service, NADC receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds. NADC has entered into an administrative agreement with NCIDA which requires that all fees generated by NADC be remitted to NCIDA. In accordance with accounting standards, NADC is considered a blended component unit of NCIDA.

As management of NCIDA and its component units, NCDC and NADC, we offer the readers of NCIDA's financial statements this narrative overview and analysis of the financial activities of NCIDA for the year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with NCIDA's audited financial statements.

FINANCIAL ANALYSIS OF NCIDA

Overview of the Financial Statements

The financial statements in this annual report are those of a special-purpose government and its component units. The following statements are included:

- Balance Sheets – report NCIDA’s current and long-term financial resources, including capital assets and long-term obligations.
- Statements of Revenues, Expenses, and Changes in Net Position – report NCIDA’s operating and nonoperating revenues by major source, along with operating and nonoperating expenses.
- Statements of Cash Flows – reports NCIDA’s cash flows from operating, capital and related financing, and investing activities.

The following table summarizes NCIDA’s balance sheets at December 31, 2023 and 2022:

	2023	2022	Change \$	%
Current assets	\$ 9,755,000	\$ 9,395,000	\$ 360,000	3.8%
Capital assets, net	2,684,000	2,886,000	(202,000)	(7.0%)
Other noncurrent assets	1,011,000	1,899,000	(888,000)	(46.8%)
Deferred outflows of resources	181,000	163,000	18,000	11.0%
Total assets and deferred outflows of resources	\$ 13,631,000	\$ 14,343,000	\$ (712,000)	(5.0%)
Current liabilities	\$ 3,342,000	\$ 3,996,000	\$ (654,000)	(16.4%)
Noncurrent liabilities	139,000	-	139,000	-
Deferred inflows of resources	323,000	826,000	(503,000)	(60.9%)
Total liabilities and deferred inflows of resources	3,804,000	4,822,000	(1,018,000)	(21.1%)
Total net position	9,827,000	9,521,000	306,000	3.2%
Total liabilities, deferred inflows of resources, and net position	\$ 13,631,000	\$ 14,343,000	\$ (712,000)	(5.0%)

- Current assets increased by \$360,000 primarily due to an increase in cash of \$599,000. Cash increased due to continued repayments on loans receivable.
- Other noncurrent assets decreased by \$888,000 as a result of current year repayments on loans receivable of \$828,000.
- Amounts reported related to NCIDA’s participation in the New York State and Local Employees’ Retirement System include the net pension asset (liability) included with other noncurrent assets (liabilities), deferred outflows of resources, and deferred inflows of resources related to pensions. The net change was a decrease of \$10,000.
- Leases receivable, included with current and other noncurrent assets, and deferred inflows of resources related to leases decreased \$346,000. This decrease was due to current year lease payments.
- Current liabilities decreased \$654,000 primarily due to NCIDA’s recognition of grant revenue previously received for the Downtown Niagara Falls Tourism Target Zone Program.
- See page 4 of this MD&A for an analysis of capital assets.

The following table summarizes NCIDA's changes in net position for the years ended December 31, 2023 and 2022:

	2023	2022	Change	
			\$	%
Operating revenues:				
Fees, program income, and lease revenue	\$ 1,485,000	\$ 1,090,000	\$ 395,000	36.2%
Grant revenue	903,000	2,636,000	(1,733,000)	(65.7%)
Other income	49,000	12,000	37,000	308.3%
Total operating revenues	2,437,000	3,738,000	(1,301,000)	(34.8%)
Operating expenses:				
Salaries, benefits, contractual, and occupancy	1,114,000	1,034,000	80,000	7.7%
Grant expense	696,000	2,316,000	(1,620,000)	(69.9%)
Depreciation and bad debts	295,000	208,000	87,000	41.8%
Total operating expenses	2,105,000	3,558,000	(1,453,000)	(40.8%)
Operating income	332,000	180,000	152,000	84.4%
Nonoperating revenues (expenses):				
Interest income	93,000	42,000	51,000	121.4%
Transfers to NFTA	(119,000)	(123,000)	4,000	(3.3%)
Total nonoperating revenues (expenses)	(26,000)	(81,000)	55,000	(67.9%)
Change in net position	306,000	99,000	207,000	209.1%
Net position – beginning	9,521,000	9,422,000	99,000	1.1%
Net position – ending	\$ 9,827,000	\$ 9,521,000	\$ 306,000	3.2%

- Operating revenues decreased \$1,301,000 (\$1,736,000 increase in 2022) due to a one-time HUD grant of \$1,767,000 received in 2022, partially offset by an increase in project administrative fees received.
- NCIDA provided grants to subrecipients for \$442,000 from the Downtown Niagara Falls Tourism Target Fund Program and recognized corresponding revenue (\$585,000 in 2022). NCDC received \$274,000 of Community Development Block grant funds, of which \$254,000 was provided to subrecipients in 2023 (\$212,000 in 2022). NCDC also received Community Development Block Grant funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act in 2022 totaling \$1,767,000 that was provided to subrecipients.
- Operating expenses decreased \$1,453,000 (\$1,887,000 increase in 2022) primarily due to \$696,000 in grant funds disbursed during 2023 compared to \$2,316,000 disbursed during 2022 as discussed above.
- Transfers to the Niagara Frontier Transportation Authority (NFTA) are based on the results of operations of Niagara Industrial Suites (NIS). Annual transfers are required based on the lease agreement between NFTA and NCIDA.

LEASEBACK, IRB PROJECTS, AND LOAN PORTFOLIO TRANSACTIONS

NCIDA's and NADC's leaseback projects and industrial revenue bond (IRB) programs closed on eleven new projects in 2023, which represent \$101,016,000 in new capital investments in the County. In comparison, eleven projects were closed in the prior year, which represented \$95,739,000 in capital investments.

NCDC has three Revolving Loan Funds (RLFs); separate revolving loan fund accounts were established to segregate the initial funding sources. The three accounts were established through federal grants from the Economic Development Administration and the Department of Housing and Urban Development.

NCDC's revolving loan activities included one new loan for 2023. There were no new loans made during 2022.

CAPITAL ASSETS

	<u>2023</u>	<u>2022</u>
Land improvements	\$ 104,000	\$ 104,000
Buildings and improvements	7,379,000	7,358,000
Furniture and equipment	272,000	272,000
Infrastructure	110,000	110,000
	<u>7,865,000</u>	<u>7,844,000</u>
Accumulated depreciation	(5,181,000)	(4,958,000)
	<u>\$ 2,684,000</u>	<u>\$ 2,886,000</u>

The decrease in capital assets is attributed to \$223,000 of depreciation expense, offset by \$21,000 of building improvements.

FUTURE EVENTS AND OTHER CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

NCIDA aggressively markets its services and available industrial sites throughout the County. These activities are intended to stimulate new construction, increase the local tax base, and create employment opportunities for area residents.

Target industries include computer and electronic products manufacturing; electrical equipment, appliances, and component manufacturing; food and beverage manufacturing and processing; warehouse/distribution; and logistics and defense-related industries. These sectors were chosen to complement and not duplicate the efforts of Invest Buffalo Niagara, whose main Canadian target sectors include life sciences, medical devices, and pharmaceuticals.

NIAGARA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Mark A. Onesi, Chairperson

Susan Langdon, Executive Director/Treasurer