

Management's Discussion and Analysis (unaudited)

December 31, 2022

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.

In 2022, NCIDA adopted GASB Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and that recognized income or expenditures, based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease as a liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

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, 2022 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, 2022. 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, 2022 and 2021:

	2022	2021 (As Restated)	Change	
			\$	%
Current assets	\$ 9,395,000	\$ 8,756,000	\$ 639,000	7.3%
Capital assets, net	2,886,000	3,030,000	(144,000)	-4.8%
Other noncurrent assets	1,899,000	2,556,000	(657,000)	-25.7%
Deferred outflows of resources	163,000	240,000	(77,000)	-32.1%
Total assets and deferred outflows of resources	\$ 14,343,000	\$ 14,582,000	\$ (239,000)	-1.6%
Current liabilities	\$ 3,996,000	\$ 4,259,000	\$ (263,000)	-6.2%
Noncurrent liabilities	-	1,000	(1,000)	-100.0%
Deferred inflows of resources	826,000	900,000	(74,000)	-8.2%
Total liabilities and deferred inflows of resources	4,822,000	5,160,000	(338,000)	-6.6%
Total net position	9,521,000	9,422,000	99,000	1.1%
Total liabilities, deferred inflows of resources, and net position	\$ 14,343,000	\$ 14,582,000	\$ (239,000)	-1.6%

- Current assets increased by \$639,000 primarily due to an increase in cash of \$712,000. This increase is due to funds received from grantors expected to be disbursed in 2023 as well as continued repayments on loans receivable.
- Other noncurrent assets decreased by \$657,000 as a result of current year repayments on loans receivable of \$608,000 and a decrease in leases receivable of \$95,000.
- Deferred outflows of resources, deferred inflows of resources related to pensions, the net pension asset, and noncurrent liabilities represent amounts required to be reported for NCIDA's participation in the New York State and Local Employees' Retirement System. The net change was an increase of \$26,000.
- With the implementation of GASB 87 and restatement of prior year balances, leases receivable and deferred inflows of resources related to leases decreased \$18,000. This decrease was due to current year lease payments, offset by new leases.
- 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, 2022 and 2021:

	2022	2021	Change	
			\$	%
Operating revenues:				
Fees, program income, and lease revenue	\$ 1,090,000	\$ 1,250,000	\$ (160,000)	-12.8%
Grant revenue	2,636,000	743,000	1,893,000	254.8%
Other income	12,000	9,000	3,000	33.3%
Total operating revenues	3,738,000	2,002,000	1,736,000	86.7%
Operating expenses:				
Salaries, benefits, contractual, and occupancy	1,034,000	913,000	121,000	13.3%
Grant expense	2,316,000	553,000	1,763,000	318.8%
Depreciation	208,000	205,000	3,000	1.5%
Total operating expenses	3,558,000	1,671,000	1,887,000	112.9%
Operating income	180,000	331,000	(151,000)	-45.6%
Nonoperating revenues (expenses):				
Interest income	42,000	46,000	(4,000)	3.4%
Transfers to NFTA	(123,000)	(119,000)	(4,000)	11.0%
Total nonoperating revenues (expenses)	(81,000)	(73,000)	(8,000)	11.0%
Change in net position	99,000	258,000	(159,000)	-61.6%
Net position – beginning	9,422,000	9,164,000	258,000	2.8%
Net position – ending	\$ 9,521,000	\$ 9,422,000	\$ 99,000	1.1%

- Operating revenues increased \$1,736,000 (\$249,000 increase in 2021) due to an increase in grant revenue received in the current year offset by a decrease in project administrative fees received.
- Grant revenues increased due to multiple grantors. NCIDA provided grants to subrecipients for \$585,000 from the Downtown Niagara Falls Tourism Target Fund Program and recognized corresponding revenue (\$434,000 in 2021). NCDC received \$248,000 of Community Development Block Grant funds, of which \$212,000 was provided to subrecipients in 2022. NCDC also received \$1,767,000 of Community Development Block Grant funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act in 2022 (\$737,000 in 2021) of which \$1,519,000 was provided to subrecipients. The balance of the NCDC grants was used for administrative and program delivery costs.
- Operating expenses increased \$1,887,000 (\$65,000 decrease in 2021) primarily due to \$2,316,000 in grant funds disbursed during 2022, as detailed above, compared to \$553,000 disbursed during 2021 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 2022, which represent \$95,739,000 in new capital investments in the County. In comparison, fourteen projects were closed in the prior year, which represented \$68,118,000 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 2022 revolving loan activities included no new loans for 2022. There were two new loans made during 2021.

CAPITAL ASSETS

	2022	2021
Land improvements	\$ 104,000	\$ 104,000
Buildings and improvements	7,359,000	7,327,000
Furniture and equipment	272,000	240,000
Infrastructure	110,000	110,000
	<u>7,845,000</u>	<u>7,781,000</u>
Accumulated depreciation	(4,959,000)	(4,751,000)
	<u>\$ 2,886,000</u>	<u>\$ 3,030,000</u>

The decrease in capital assets is attributed to \$208,000 of depreciation expense, offset by \$64,000 of building improvements and furniture.

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