

EMERALD CORPORATE CENTER ECONOMIC DEVELOPMENT CORPORATION

Management's Discussion and Analysis

December 31, 2022

The management of Emerald Corporate Center Economic Development Corporation (ECCEDC or the Corporation) offers the readers of these statements a narrative overview and analysis of the financial activities of ECCEDC for the year ended December 31, 2022. This management's discussion and analysis (MD&A) should be read in conjunction with the audited financial statements and the related notes that follow.

Management Objective and Organization

The ECCEDC was established on May 18, 2000 by an act of the Sullivan County Legislature (County Resolution 270), and incorporated as a not for profit corporation on June 15, 2000, with the mission of operating and selling shovel-ready lots within the Emerald Corporate Park (the Park) for commercial office uses. The ECCEDC is located in the hamlet of Rock Hill, New York within the Town of Thompson (the Town). The Park is strategically located next to State Route 17 (future I-86) and Exit 109 placing the facility within 25 - 30 minutes of Interstates I-84 and I-87 and one hour from New York City.

The Park is physically located along Rock Hill Drive consisting of 52.55 acres. The acreage is subdivided into six lots ranging in size and topography. Two lots were purchased by Crystal Run Healthcare in 2002, and two lots were purchased by ABC XYA LLC in August of 2005. One lot contains the Emerald Springs Water Company that services the Park and one lot is currently owned by Sullivan County (the County), which is working with Verizon to have a cellular communications tower erected at the site. This lot is located in the back of the Park and consists of approximately 23 acres. It is the intent of the County to subdivide it to separate the tower site and return the remaining lot to ECCEDC for marketing and development.

Consistent with its mission, the ECCEDC has three primary objectives: (1) manage and maintain park assets and common areas in the park while lots are being sold; (2) market and sell all lots in the Park; (3) upon the sale of all lots, divest itself of all park assets and transfer ownership and management of the park to an association of owners.

The ECCEDC is governed by a nine member Board appointed by the County Legislative Chair and confirmed by the County Legislature. The Board meets quarterly on policy and budget matters regarding operation of the Park. The chairman of the Board is responsible for the day-to-day operational affairs of the park in meeting the aforementioned objectives.

The appointment practice of the Chairperson has been to nominate and confirm a senior executive officer of the County so that County staff and resources can be mobilized when necessary to address management issues of the Park. In the past, the County Manager has served as Chairperson. Since February of 2005, the Commissioner of Planning has been serving as Chairperson.

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Since its formation, the ECCEDC has had the County's business recruiting entity, the Partnership for Economic Development (the Partnership), assist with the marketing of the available lots in the park. Specifically, the Partnership has marketed the Park at trade shows and interfaced with developers and commercial realty firms in identifying potential buyers of the lots in the corporate park. While the Partnership continues to promote the Park on its website and to inquiries for the development sites, marketing has been supplemented by the use of commercial realtors. See Major Milestones and Park Development below for more details.

Changing Board Policy to Fit the Changing Market

The Park was planned and constructed during the late 1990's in the midst of a major downturn in the County's economy. The philosophy behind developing the Park was to stimulate economic activity by offering the region a shovel ready site to attract commercial space, ideally Class-A offices, to Sullivan County in an effort to stimulate and diversify the economy. In 2019, the ECCEDC Board entered into an agreement with a commercial real estate broker to market the property.

The post-911 era appeared to underscore this rationale since the thinking after September 11, 2001 was that back office operations would look to relocate outside the New York City Metropolitan Area. Given these circumstances, the ECCEDC Board prohibited spec building in the Park and required a build to suit provision.

Between 2001 and late 2003 this management approach worked well in that Crystal Run Health Care Industries purchased three lots in July of 2002 and broke ground in June of 2003 constructing an 84,000 square foot medical center to meet their business needs. Brookside Homes (ABC XYZ, LLC), a major modular home corporation, purchased two lots in 2005 to construct a 26,000 square foot office building to house financial, governmental, and professional services. This proposed development never took place and the lots were sold in 2009 and again in 2015.

Between 2003 and 2005 a number of development firms took an interest in the Park but declined submitting offers on the remaining lots because of the prohibition on spec buildings.

In reference to regional commercial office space, a market analysis conducted by the Commissioner of Planning and the President and CEO of the Partnership in the winter of 2006 revealed a strong demand for commercial and corporate office space in Orange, Westchester, Putnam, and Rockland counties. Furthermore, these areas offered more flexible options for development while offering a closer location to the New York Metropolitan Area making it appealing for developers. In effect, this reality refuted the Post-911 assumption noted earlier. The new Board Chairman's position was that the ECCEDC should allow spec building in order to attract buyers given the competition in the Hudson-Delaware region.

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In the Spring of 2006, the Board approved the Chairman's recommendation on a case-by-case basis. Over the ensuing years, the Partnership received interest from several light manufacturing companies in the site, including a major cosmetic brand, but Town zoning limited permitted uses at the site to office development. In 2015, the ECCEDC Chair worked with the Town and the host community, represented by the Rock Hill Business and Community Association, to develop and enact amended zoning for the Park to expand the allowable uses. Among those added were light industrial, flex space and retail uses on those lots with frontage on the hamlet's main street of Rock Hill Drive. Subsequent to the change in zoning, the Board received one offer to purchase the site. Since the offer was substantially below the parcel's appraised value, and also appeared speculative, the offer was not accepted.

Description of Operations

The ECCEDC has no direct employees. Operations on-site are conducted via contract employees and other management functions of the Park are handled in-kind by members of Sullivan County staff.

The on-site contract employees include a water operations manager to oversee the corporate park water company and a local landscaping and snow plowing company to maintain the common areas of the Park.

Management functions of the Park are handled by the Planning Commissioner to oversee the contract employees and conduct site visits to the Park, and the Division of Planning to monitor the day-to-day expenses and prepare payments for Board member signatures. In 2022 and 2021, as a result of staff cutbacks, assistance on fiscal matters has been provided by staff on loan from the County Office of Management and Budget. Planning staff also prepares the agenda packets, including budget updates and expense reports, and minutes for ECCEDC Board meeting and of Board committees required by the New York State Authorities Budget Office (ABO). They address parcel marketing and response to maintenance issues as needed.

The Board is no longer responsible for the road and electrical infrastructure of the Park. The former was dedicated to the Town in 2004 and the latter was dedicated to New York State Electric and Gas (NYSEG) in 2005. The only remaining infrastructure is the water company.

Overview of Financial Statements

These financial statements are designed to provide readers with a broad overview of the Corporation. These statements have been prepared in accordance with accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The Corporation's basic financial statements comprise two components: the financial statements (a statement of net position, a statement of revenue, expenses and changes in net position and a statement of cash flows) and the notes to financial statements.

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The Statement of Net Position presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net position. Overtime, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The Statement of Revenue, Expenses and Changes in Net Position present information showing how the Corporation's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. the accrual for accounts payable is expensed in a current year and recorded as a liability on the statement of net position for payout at a future date).

The Statement of Cash Flows is reported on the direct method. The direct method of cash flow reporting portrays net cash provided or used from operating, investing, capital and non-capital financing activities.

The Corporation reports its activity as a business type activity using the full accrual measurement focus and basis of accounting. The Corporation is a component unit of the County of Sullivan. Therefore, the results of the Corporation's operations, its net assets, and cash flows are also summarized in the County's government wide financial statements.

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Highlights

Statement of Net Position

The statement of net position presents the financial position of the Corporation at the end of the fiscal year, December 31, 2022, 2021 and 2020. During the year December 31, 2022, the Corporation's total assets decreased \$14,388. During the year December 31, 2021, the Corporation's total assets decreased \$7,632. During the year December 31, 2020, the Corporation's total assets decreased \$14,826. Liabilities decreased \$620 at December 31, 2022 and decreased \$2,789 during the year ended December 31, 2021. The table below reflects the financial position at December 31, 2022, 2021 and 2020.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current assets	\$ 33,671	48,059	55,691
Capital assets	<u>1,442,461</u>	<u>1,442,461</u>	<u>1,442,461</u>
Total assets	1,476,132	1,490,520	1,498,152
Current liabilities	<u>58</u>	<u>678</u>	<u>3,467</u>
Net position	\$ <u>1,476,074</u>	<u>1,489,842</u>	<u>1,494,685</u>

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At December 31, 2022, the Corporation's total assets were \$1,476,132 and total liabilities were \$58. Net position, which represent the equity of the Corporation, was \$1,476,074. At December 31, 2021, the Corporation's total assets were \$1,490,520 and total liabilities were \$678. Net position, which represent the equity of the Corporation, was \$1,489,842.

The decrease in net position of \$13,768 during the year ended December 31, 2022 was due to a number of factors which include an increase in prepaid insurance \$586 and due from County of Sullivan (\$17,062) and offset by a decrease in accounts payable (\$620). The decrease in net position of \$4,843 during the year ended December 31, 2021 was due to a number of factors which include a decrease in prepaid insurance (\$4,762) and due from County of Sullivan (\$23,667) and offset by a decrease in accounts payable (\$2,789).

Current Assets

At December 31, 2022, current assets decreased \$14,388, or 29.9%, compared to the previous year. The reason for this was due to a decrease in the amount Due from County of Sullivan. At December 31, 2021, current assets decreased \$7,632, or 13.70%, compared to the previous year. The reason for this was due to a decrease in the amount Due from County of Sullivan. Current assets consists of cash, accounts receivable and amounts Due from County of Sullivan.

Current Liabilities

At December 31, 2022, current liabilities decreased \$620, or 91.4%, compared to previous year. This was due to a decrease in accounts payable. At December 31, 2021, current liabilities decreased \$2,789, or 80.44%, compared to previous year. This was due to a decrease in accounts payable.

Statement of Revenue, Expenses and Changes in Net Position

The statement of revenue, expenses and changes in net position presents the Corporation's results of operation.

- Total operating revenue for 2022 and 2021 were \$65,000 and \$55,369, respectively, which consist of support from the County.
- Operating expenses for 2022 and 2021 were \$78,768 and \$60,212, respectively, which includes water company operating expenses, insurance, professional fees, repairs and maintenance and miscellaneous expenses.

The following table reflects the changes in net position for 2022, 2021 and 2020.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenue	\$ 65,000	55,369	55,677
Operating expenses	<u>78,768</u>	<u>60,212</u>	<u>61,802</u>
Change in net position	\$ <u>(13,768)</u>	<u>(4,843)</u>	<u>(6,125)</u>

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Revenue Overview

	<u>2022</u>	<u>2021</u>	<u>2020</u>
County of Sullivan	\$ <u>65,000</u>	<u>55,369</u>	<u>55,677</u>

At December 31, 2022, total revenue decreased \$9,631, or 17.4%, compared to previous year. At December 31, 2021, total revenue decreased \$308, or 0.55%, compared to previous year. This was due to a decrease in revenue from the County of Sullivan.

Expense Overview

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Water company	\$ 68,372	44,935	40,269
Insurance	1,040	5,802	6,678
Professional fees	4,300	4,500	10,250
Repairs and maintenance	4,781	4,700	4,330
Miscellaneous	<u>275</u>	<u>275</u>	<u>275</u>
Total expenses	\$ <u>78,768</u>	<u>60,212</u>	<u>61,802</u>

At December 31, 2022, expenses increased \$18,556, or 30.8%, compared to previous year. At December 31, 2021, expenses decreased \$1,590, or 2.57%, compared to previous year.

Major Milestones and Park Development

In previous MD&A assessments, we have made note of the restrictive zoning imposed by the Town which has created a challenge because it has mitigated flexibility of potential developers. However, in the winter of 2008, with the assistance of our County Legislator from District 9, the Town revised the zoning to allow a specific percentage of retail space of total development in the Park. In 2015, the Town zoning was further updated to broaden the allowable use mix for light manufacturing and flex space. In 2018, the Board commissioned an engineering firm to quantify and illustrate the building capacity on the remaining land and secured preliminary approval from the Town of Thompson Planning Board to subdivide the property at the fire road if desired. In 2019, the board entered into an agreement with Keller Williams Realty for exclusive marketing rights to the remaining owned acreage. Keller Williams has proceeded to present the property at commercial real estate events. It has requested a market feasibility study; Planning Division staff has provided general market data.

Keller Williams generated one lead which conducted due diligence on the property over a several month period, including reviewing the original DEIS, stormwater management plan, maps of water and sewer lines, and other documents, as well as - and speaking with the engineer who drafted the original site plan drawings. The party concluded that costs of development at the site were beyond the means of their project. The contract with Keller Williams expired in March of 2020 and was not renewed.

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Major Milestones and Park Development, Continued

In 2020, the remaining developable acreage owned by the ECCEDC, not including the parcel that houses the water tower, was transferred to Sullivan County in order to facilitate construction of a new telecommunications tower to improve cellular communications in the area. There remains the potential to subdivide the property to sell that portion not used for the tower, should there be interest.

Factors That Will Impact The Future

As noted earlier, the ECCEDC currently owns the parcel that houses the water tower. The back lot was transferred to the County on December 2, 2020. It is expected that the County will subdivide the land required for the cellular communications tower and return the remaining acreage to the ECCEDC for marketing and development. In anticipation of this, and to support efforts for Park build out, the ECCEDC will continue to work with a commercial broker to aggressively market the property.

The costs of operating the water company have been an ongoing concern given that it has had only one commercial customer. In 2019, the ECCEDC Board, in conjunction with the Emerald Springs Water Company, intended to sell to the Town under a draft agreement that would provide an initial subsidy for a certain number of years. This arrangement would have resulted in immediate cost savings. In early 2020, the agreement had not yet been finalized and several changes had occurred. One was a change in County elected officials which resulted in a change of Board members. More significantly, the development by the Center for Discovery of a major children's hospital and autism research center nearby on the southern side of Route 17 increased residential development pressures in the area. A proposed 300 - unit residential development on property adjacent to the ECCEDC could potentially generate revenue for the water company. The ECCEDC Board elected to not conclude an agreement with the Town at that time, in order to allow the County to explore the creation of a water district that would allow it to benefit from those residential connections.

After due diligence, the County concluded that the burdens of creating and operating the new water district outweighed its anticipated benefits. The ECCEDC Board, in conjunction with the Emerald Springs Water Company, intend to sell to the Town. In 2021, the adjacent hotel and event center property changed hands and is now the Hamaspik Resort, a retreat for families with special needs children of the Satmar religious sect. Management of the resort left word with the water company operator inquiring about potential use of Emerald Springs Water as there had been an agreement with the previous owner to provide water in case of an emergency. However, the resort has been unresponsive to follow up attempts at communications.

Request for Information

This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the management of the Corporation.