

Otsego Now Business Plan

Introduction: A Catalyst for Economic Transformation

In March of 2016, the boards of the IDA and CRC adopted the strategic plan for Otsego Now, which calls Otsego Now “a catalyst for economic transformation” and states at its outset:

“...Otsego Now is uniquely positioned to act as a catalyst for economic transformation of the Otsego County economy by concentrating its efforts on projects that have the potential to substantially increase employment, wage levels and overall prosperity in the County economy.”

Otsego Now can fill this role because “it has the expertise to navigate the economic development process, develop sites, provide financial support, prepare workforce and communicate with and mobilize the stakeholders needed for economic development.”

To accomplish this long-term vision of catalyzing the Otsego County economy, Otsego Now needs to continue to evolve, not only to meet this broad challenge, but also to rise effectively to more immediate challenges, to wit:

- *Oneonta’s DRI win: Otsego Now played a large part in this dramatic success, seeding projects and providing the time and investment to bring Oneonta to a credible “tipping point” that merits \$10 million in investment. Oneonta, the largest and only city in the County, currently has critical roles unfilled (Community Developer, City Manager) and will need all hands on deck in order to accomplish what the **DRI mandates**.*
- *Gaps in Service: In order for Otsego Now to truly be transformational for the County and region, it must step forward to actively fill current gaps in service: **small business support, entrepreneurial support**, and the revitalization of the County’s largely languishing **Main Streets**. Without including the “grass roots” of economic development in our overall plan, an important engine of change will continue to be neglected.*
- *Infrastructure: Without appropriate infrastructure, existing companies can’t grow, and prospective companies will rule Otsego County out without our ever knowing we were a contender. Otsego County faces significant problems in three critical areas of infrastructure: **electric, natural gas, and broadband**. Further, **workforce availability and housing** are two additional crises that no organization is currently comprehensively addressing. It is imperative that Otsego Now take the lead in addressing and solving these problems.*

In order to accomplish any of this important work, Otsego Now must establish a sustainable business model that will enable it to operate in the black within the next three years.

Ultimately, Otsego Now will serve as the umbrella under which multiple types of economic development will take place.

1.1 Executive Summary

Otsego Now will transition to a **public-private partnership** funded not only by the IDA's and CRC's traditional revenue streams (PILOT administrative and annual fees, bond administrative and annual fees, rental income, income from notes receivable and grant funding) but by membership dues, fee-for-service revenues, PIFs, the sale of shovel-ready sites and solar-array land leases, thereby making the organization **financially self-sustaining**. Importantly, Otsego Now will require buy in from all primary stakeholders.

Otsego Now will be **governed by a mix of contributing members** representing the County's largest public and private sector companies, as well as representatives from both the IDA and CRC boards of directors. The intent is that government will not serve on this board, but that a structure of communication and information-sharing will be established. Otsego Now will then operate or contract with other entities, including COIDA, OCCRC, the Workforce Training Center, and the future LDCs including but not limited to the broadband partnership, the food hub entity, etc.

The long-term vision, based on revenues and overall financial capabilities, would be for Otsego Now to **assume all economic development roles and demands**. This would include a small business and entrepreneurial focus with a special emphasis on the revitalization of Main Streets. The "one-stop" goal and vision continues to be of significant importance to provide a singular vision, coordinated and effective delivery of services, and a holistic response to business development opportunities. Vital partnerships will be developed with other local and regional entities to deliver business support in an efficient and cost-effective manner.

Lastly, the implementation of this public/private strategy will require an enhancement of staff, attraction of talent, strategic partnerships and an overall coordination with common goals and objectives.

1.2 Recent History and Near-Term Plans

Otsego Now began as the d/b/a for the County of Otsego IDA, but in reality serves as the umbrella brand under which the IDA, the OCCRC and the Regional Workforce Development Center function. Prior to 2014, the Otsego IDA functioned as a partially staffed, largely reactive organization that responded to the occasional company's request for real property tax abatement and bond facilitation. In 2014, the IDA radically reformed its business model: it changed structurally, adding staff, office space, and a suite of brand/name/logo/website enhancements, and it changed strategically, shifting its focus outwards, towards proactive economic development. Activities from 2014 to mid-2016 have included the creation of shovel-ready sites, active pursuit of options on real property for further site development, successful pursuit of grant funding for feasibility studies and capital, and the inception of major projects, such as the Oneonta Rail Yard Redevelopment and the Food Innovation District project, that promise to ignite economic growth in the County.

Now economic development in Otsego County is at a strategic turning point, with an opportunity to fulfill its longer-term vision of catalyzing true economic change in our region. This business plan seeks to transform the organization into an independent EDO that **is financially self-sustaining** and that contains several silos with different functions and toolkits to maximize economic growth in Otsego County. Otsego Now will at last become the **one-stop shop** for economic development, with staff to serve large businesses, small business, Main Streets, and with specialized units to direct workforce development, growth in agribusiness and tourism, entrepreneurship and grant-writing. It will move from our prior revenue model, which involved hoping for large projects to come along, to a dynamic and self-sustaining revenue model built on a number of much more predictable revenue streams.

To implement its strategy and achieve its ultimate vision of a prosperous region with high-quality jobs, Otsego Now plans to grow staff strategically, take on additional complementary functions, and add diverse income streams to enable stability and sustainability. With the initial investment of time and money into this new model, Otsego Now can build an organization that will catalyze positive change in our region.

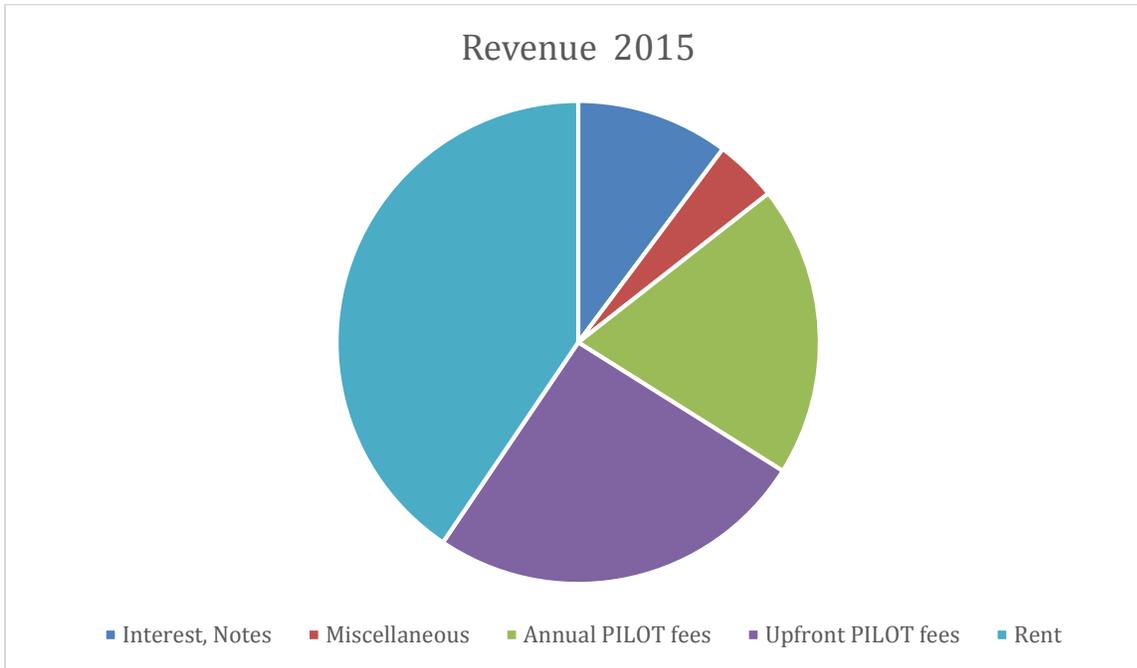
2. Overview of Current State of Economic Development in Otsego County

Thanks to the notable efforts of **Senator James Seward** and other committed citizens, Otsego County's economic development efforts have made some important improvement. However, much work remains. Overall, the coordination and delivery of these services continue to be fragmented and, with the exception of Otsego Now, not highly successful. No staff, at the County or City level, currently exist to support small businesses, entrepreneurs, or villages' and towns' Main Streets; further, the City of Oneonta just lost both its Community Development Director and its Director of Housing. Many small groups, though well-meaning, attempt to take on the challenge of economic development, but lack the skills, experience, staff or funding to achieve any result. Further, Otsego Now has an increasing burden on its time: it is the only entity working to improve electric, natural gas and broadband infrastructure in the County, and it is increasingly asked to take on the challenges of the housing crisis and the workforce crisis within the county.

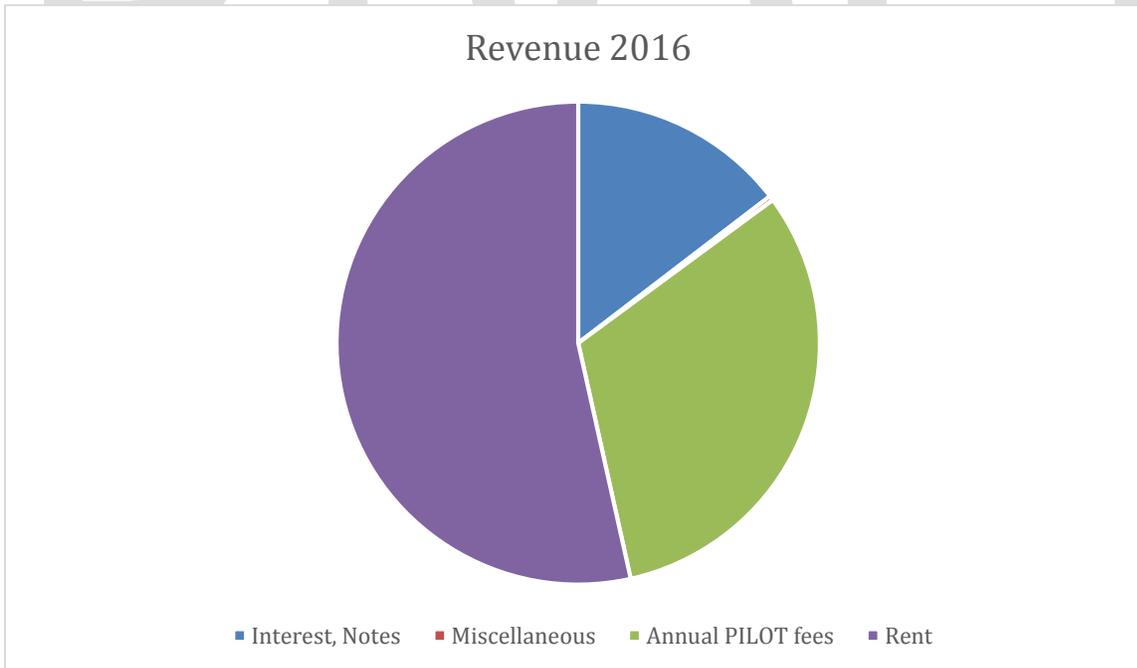
While Otsego Now is currently tasked with focusing solely on large transformational projects, much of the grass-roots development that should be taking place is not. Having Otsego Now act as the holding company, so to speak, for the different activities currently languishing in our County will ensure positive economic change and will enable better region-wide collaboration, with all oars pulling in the same direction. Otsego Now will continue its work preparing shovel-ready sites, connecting the County through broadband, workforce development and community transformation, while adding arrows to its quiver: business retention and expansion, community development, entrepreneurship support and Main Street revitalization.

3. Current Revenue Model

The precursor, if you will, of Otsego Now is the Otsego IDA, which currently has a set of somewhat-predictable revenue streams that are not organization-sustaining, and relies upon project-related income that typically is beyond its control. Setting aside grant income received in 2015, revenues are:



Similarly, revenue from OCCRC is exclusively unpredictable, and the Training Center is currently a cost center. Projecting forward through end of 2016, IDA revenues are:



"Miscellaneous" includes items like PILOT application fees, and accounts for less than 0.5% of revenues

4. Future Revenue Model

Looking forward to 2017, as Otsego Now becomes the holding company for various economic-development silos, the revenue model will shift to a more sustainable, private-sector model with less uncertainty and a greater level of partnership with the community. Predictable revenue streams will include:

- An increasingly robust stream of annual PILOT and annual bond fees from clients – bond fees increase slightly over time, but annual PILOT fees are set to rise from \$65,000 in 2017 to \$107,000 by 2019. (Otsego Now will share in PILOT and bond fees, see section 9.0)
- A private-sector membership model, similar to what MVEdge and other EDOs have: In our case, with current companies/contributors identified, we expect annual revenues beginning in 2017 of \$160,000 and escalating to \$312,000 over time, with the help of Senator Seward and with expected successes.
- Fee for Service: We anticipate, based on favorable conversations, that municipalities like the City of Oneonta will contract with us to provide Community Development and small business/Main Street development, funding a portion of our staff, and that the County will provide funds for infrastructure development. Projected revenues would begin at \$275,000 for 2017 and could build to \$560,000 by 2019.
- With investment in shovel-ready sites, Otsego Now is poised to reap revenues from the sale of real property (detail below).
- Solar: entering into 20-year leases for our properties at the Oneonta Business Park and in Richfield Springs will add another predictable stream of \$30,000 annually.
- PIF income (**projected**): Expect \$50,000 for 2017, dedicated to infrastructure, environmental mitigation and business development; growing to \$500,000 by 2019.
- Rent: Our current lease of real property contributes \$120,000/year.

Predicting revenues from the sale of land or from PILOT projects is hazardous at best, but our model currently predicts significant income from a predicted sale of shovel-ready sites to companies who would seek PILOT agreements in return for the jobs they create and the investment they make in Otsego County. The model predicts:

- **Projected** \$500,000 in 2017, increasing to \$1mm in 2019, from the sale of real property.
- **Projected** \$200,000, \$400,000 and \$500,000 from upfront PILOT administrative fees for that same set of years.

The expectation would be that interest income from bank accounts and CDs would continue to be minimal, and that the loan portfolio will dwindle over time, causing interest income to become an even smaller part of the revenue stack.

5. Organizational Structure

Otsego Now's planned growth and new avenues of business will require a new structure, one akin to a holding company model:



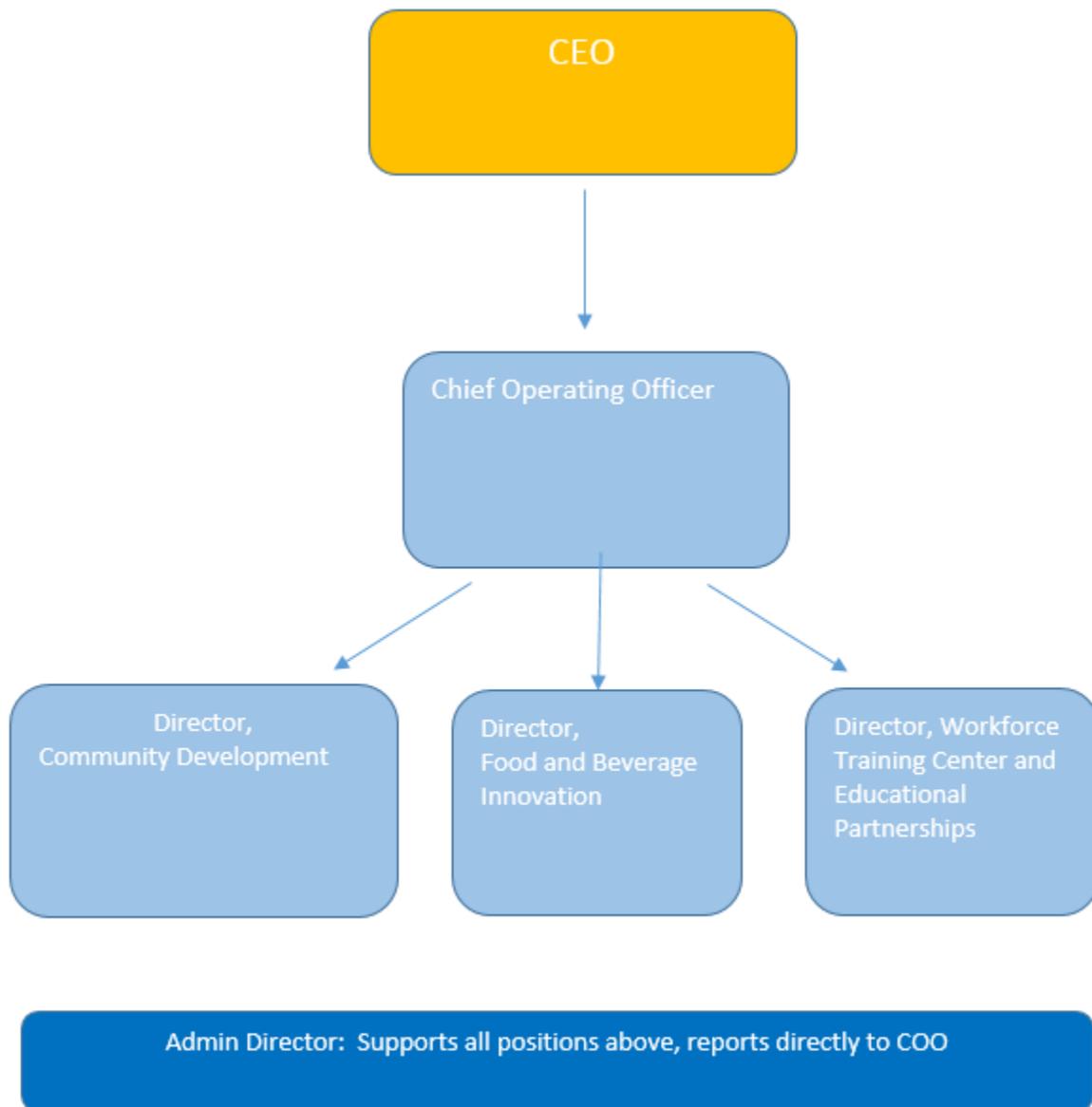
6. Strategy and Implementation Summary

Expected timeline includes:

- September 2016: Debate/Discussion/Briefing of strategic partners on overall economic development vision
- Fall 2016 presentation of the business plan to IDA and CRC Boards
- Fall 2016: Establish structure and finalize budget
- Winter 2016: Structure in place, enhance staff to support plan, and raise identified not-for-profit and private funding, and funding from municipalities

7. Organization & Management

Otsego Now Board of Directors: composed of 15 individuals (see 5. Organizational Structure), directly oversees CEO and indirectly oversees staff.



** Additional Staff (Community Development, Food & Beverage Innovation) contingent upon multi-year commitment from stakeholders **

CEO: Project management, site development, executive functions including organizational oversight

COO: Staff management, HR, finance, compliance and reporting, project management, relationship management, marketing/social media/PR, grant writing/management/administration, real estate

Director, Community Development: Housing, Main Streets, small business and entrepreneurial development

Director, Workforce Development: Partnering with current and new businesses, developing demand-driven workforce development programs, overseeing relationships with partnering secondary and post-secondary ed partners

Director, Food & Beverage Innovation: Oversees Food Hub, food and beverage incubation activities, agricultural production strategies and ag support

Admin Director: Provides support to all layers of staff, all clerical and office management functions, and some small-business retention and expansion work in concert with the Director of Community Development

8. Operational plan

General: Otsego Now will continue to occupy 189 Main Street through 2018, at which point its offices will move to the third floor of the Food Hub building. Facilities and equipment will remain static through 2018, with a possible small addition to inventory of furniture and equipment specific to the Training Center. Employees are described above.

Deliverables: Annually, towards the end of the year, the CEO will develop a one-page Tactical Action Plan concerning the upcoming year's priorities and agenda. Focus of the Action Plan will be on meaningful, attainable, feasible and self-sustaining projects. Details will be submitted to Board for review and reaction at each January's Board meeting. Likewise, towards the end of the year, the Board or a subcommittee thereof will review the year's activities, evaluate successes and areas for improvement, and review at Board level. At the beginning of each year, staff will continue to create the Annual Report, highlighting successes, partnerships and multi-year initiatives, including job and tax revenue growth, grant awards, and public and private investment. On a supporting level, staff will create and maintain concise and informative dashboards for activities and projects, including levels of job growth and private investment, to be reviewed quarterly by the Board.

Communications: Otsego Now will maintain and build upon current communications channels to share information with key stakeholder audiences: updated website including finances, projects, meetings, reports; Facebook to build community, LinkedIn to target site selectors, companies and commercial real estate; marketing through the annual report, the monthly e-newsletter, and specialized publications; for larger initiatives, press releases, events and summits.

9.0 Financial Projections, OTSEGO NOW

	2017	2018	2019
Revenue			
Membership	\$160,000	\$240,000	\$312,500
Contractual Services (City, County, other)	\$275,000	\$405,000	\$560,000
½ PILOT and Bond	\$145,500	\$302,500	\$368,000
½ Land Contribution IDA	\$250,000	\$375,000	\$500,000
Contractual IDA (admin)	\$400,000	\$200,000	\$200,000
Contractual CRC (admin)	\$100,000	\$100,000	\$100,000
TOTAL	\$1,330,500	\$1,622,500	\$2,040,500
Expenses			
Employee Salaries	\$181,000	\$189,000	\$198,000
M and NM Benefits	\$67,750	\$70,800	\$74,250
Professional Fees	\$266,000	\$300,000	\$306,000
Leased office space	\$50,000	\$50,000	
Office equity/debt service			\$100,000
All other Admin	\$225,000	\$229,500	\$234,090
Development	\$500,000	\$500,000	\$500,000
TOTAL	\$1,289,750	\$1,339,300	\$1,412,340
Net Income	\$40,750	\$283,200	\$628,160

Assumptions, Otsego Now finances

Revenue

Membership: Senator Seward and others will help Otsego Now introduce a public/private partnership model in which large employers/stakeholders become contributing members to Otsego Now, with three-year financial commitments (to begin), to fund the organization a la MV EDGE. Assume:

9 Tier One members @ \$25,000/year
5 Tier Two members @ \$12,500/year
5 Tier Three members @ \$5,000/year

At total participation, this = \$312,500/year. **Assume we get 1/2way there Year One (2017)** and ramp up to full participation by 2019.

Contractual Services: Various towns/villages/municipalities contract with Otsego Now to provide various types of assistance: Community Development, Main St Revitalization, Small Business Support, Entrepreneurship Support. Assumptions: City of Oneonta outsources its community and small business development to ON, with \$100,000 in 2017 rising to \$210,000 in 2019; other municipalities see results and contract with ON, assume \$25,000 in 2017 rising to \$100,000 in 2019; finally, assume that County leadership makes good on its early indication of willingness to provide funds for infrastructure improvement throughout the County, beginning at \$150,000 in 2017 and rising to \$350,000 by 2019.

PILOT, Bond, Land Sales, Contractual: The Otsego IDA and the CRC will contract with ON to provide all staffing and related expenses and all development and related expenses. The IDA will contribute ½ of what it earns in PILOT-related fees each year, ½ of what it earns from sales of real property, and an administrative stipend (as detailed on the previous page) which should decrease over time. The CRC will contribute ½ of bond-related earnings as well as an administrative stipend. For additional detail, see Assumptions following the IDA/CRC Revenues/Expenses table that follows.

Expenses

Employee Salaries: Assumptions = COO @ \$75,000, Director of Community Development @ \$75,000, Admin Director @ \$31,000. Minor scale-ups expected due to good performance in '18 and '19.

Mandatory and Non-Mandatory Benefits: Mandatory = FICA, etc; non-mandatory = things like health care and 401(k), NOT state retirement system. Consultation with Dan Crowell about County benchmarks indicated that County's fringe-rate multiplier is essentially 1.7, due to (1) high cost of state retirement and (2) high cost of health care, based on the way they fund it; our number should be much lower. Consultation with an area HR specialist indicates that more realistic multipliers are 1.25 to 1.4, so I applied 1.4 to the two managers and 1.25 to the Admin to get these numbers.

Professional Fees: Mathes now at ¾ time, 30 plus hours per week, \$180,000 for each of the three years. Director, Food & Beverage Innovation, also a contractual employee, \$30,000 (1/2 time) for 2017 and \$60,000 and \$62,000 following. Director, Workforce Development, goes to \$3,000/month, or \$36,000 for 2017, then up to \$40,000 and then \$44,000. **All increases contingent upon achievement of measures of performance approved in advance by Board.** Assume no other staff or contractors, but add \$10,000/year for Legal fees and \$10,000 for accounting (audit is in IDA expense line not Otsego Now).

Office Space: Assume we stay in 189 for 2017 at \$50,000; assume by end of 2018 we move into newly constructed office space and overall cost is \$100,000, whether that be rent, debt service, etc.

All Other: based on current rate of expenditures and including advertising, marketing, publishing, signage, sponsorships and events, office supplies, computers, phones, copier, T&E, conferences, staff training, memberships, dues, subscriptions, interns, utilities and maintenance of all real property, plus miscellaneous. Increasing by 2%, 3% per annum.

Development: Impossible to predict. That said, each project will need to stand on its own, and expenditures will require Board approvals and assessments. Catch-all for development-related expenses per CEO's experience and best guess.

9.1 Revenues and Expenses IDA and CRC ONLY

Revenue	2015	2016	2017	2018	2019
Annual PILOT	\$65,000	\$65,000	\$65,000	\$79,000	\$107,000
Annual Bond	\$0	\$19,000	\$26,000	\$26,000	\$29,000
Initial PILOT	\$55,000	\$0	\$200,000	\$400,000	\$500,000
Initial Bond	Hartwick, Bassett	\$100,000	\$0	\$100,000	\$100,000
Broadband	\$0	\$0	\$0	\$0	\$100,000
Solar	\$0	\$0	\$0	\$30,000	\$30,000
Sale of Land	\$0	\$0	\$500,000	\$750,000	\$1,000,000
Real Property rental	\$120,000	\$120,000	\$60,000	\$60,000	\$75,000
Loan interest			\$14,000	\$10,000	\$8,000
PIFs	\$0	\$0	\$50,000	\$250,000	\$500,000
TOTAL			\$915,000	\$1,705,000	\$2,449,000
Expenses					
½ PILOT and Bond	\$0	\$0	\$145,500	\$302,500	\$368,000
½ Land Sales	\$0	\$0	\$250,000	\$375,000	\$500,000
Contractual Services IDA	\$0	\$0	\$400,000	\$200,000	\$200,000
Contractual Services CRC	\$0	\$0	\$100,000	\$100,000	\$100,000
Annual Audit	\$6,800	\$7,200	\$10,000	\$10,000	\$10,000
TOTAL			\$905,500	\$987,500	\$1,178,000
NET			\$9,500	\$717,500	\$1,271,000

Assumptions, IDA and CRC finances

Revenues

Annual PILOT: Will remain at current annual rate for 2016 and 2017, increasing slightly with anticipated PILOTs (remember that upfront administrative fee is 1% of total project cost, and trailing annual fee is 7% of the upfront administrative cost). Current annual fees =(\$50,000), (\$3,430), (\$9,887) and (\$1,500).

Annual Bond: Same idea as Annual PILOT fee, but 3.5% vs 7%. Increases slowly over time and depends upon new bond issues for any increases.

Initial PILOT fee: 1% of total project cost. Here, 2015 = Northern Eagle; 2016 = nothing; 2017 **assumes** a \$20mm project, etc. **Assumptions** based on sale of shovel-ready land (current = 30 acres in Oneonta Business Park; future = rail yards) and anticipated projects (examples: Food Hub building, Transit Center, boutique hotel, Rail Yards, etc.), plus IDA's history of PILOTs past several years.

Initial Bond fee: 1% of total bond issue. Estimates conservative based on historic activity.

Broadband: Round II grant funding for Connect NY recently announced. We anticipate putting forward a successful grant application and receiving notification of award at end of 2016. Buildout anticipated for 2017, 2018. Expect revenue, whether fee for service or equity, of \$100,000 beginning in 2019 and increasing thereafter.

Solar: Anticipate buildout of solar farms on IDA-owned property by developer across 2017, annual lease payments conservatively at \$30,000 for 25 years.

Sale of Land: **Anticipate** sale of 10 acres in Oneonta Business Park in 2017, \$50,000/acre, and additional parcels in OBP and Rail Yards going forward (**projected**).

Real Property Rental: Expect rent to total \$120,000 by end of 2016, then (**to be conservative**) cut in half, not knowing the future.

Loan Interest: 2017 taken from EAH's draft 2017 budget, through Portfol; expect lending activity to halt, interest payments will wane in subsequent years.

PIF: IDA creates an LDC to manage City of Oneonta PILOT increment financing, prenegotiated PILOT payments to be split between City and LDC and funds dedicated to financing infrastructure, development costs and environmental mitigation.

Expenses

Expenses more or less described previously. IDA and CRC will contract with Otsego Now for all staffing, office space and equipment, etc, so those expenses flow up to Otsego Now, with the exception of the IDA's and CRC's annual financial audit.

10.0 Stressed Financial Projections, Otsego Now

	2017	2018	2019
Revenue			
Membership	\$120,000	\$180,000	\$234,375
Contractual Services (City, County, other)	\$206,250	\$303,750	\$420,000
½ PILOT and Bond	\$109,125	\$226,875	\$276,000
½ Land Contribution IDA	\$187,500	\$281,250	\$375,000
Contractual IDA (admin)	\$300,000	\$200,000	\$200,000
Contractual CRC (admin)	\$100,000	\$100,000	\$100,000
TOTAL	\$1,022,875	\$1,291,875	\$1,605,375
Expenses			
Employee Salaries	\$181,000	\$189,000	\$198,000
M and NM Benefits	\$67,750	\$70,800	\$74,250
Professional Fees	\$292,600	\$330,000	\$336,600
Leased office space	\$50,000	\$50,000	
Office equity/debt service			\$100,000
All other Admin	\$247,500	\$252,450	\$257,500
Development	\$550,000	\$550,000	\$550,000
TOTAL	\$1,388,850	\$1,442,250	\$1,516,350
Net Income	(\$365,975)	(\$150,375)	\$89,025

Assumptions:

* Revenues reduced by 25%

* Cost of Professional Fees, Other Admin and Development increased by 10%

10.1 Stressed Revenue and Expenses, IDA and CRC ONLY

Revenue	2015	2016	2017	2018	2019
Annual PILOT	\$65,000	\$65,000	\$65,000	\$75,500	\$96,500
Annual Bond	\$0	\$19,000	\$26,000	\$26,000	\$29,000
Initial PILOT	\$55,000	\$0	\$150,000	\$300,000	\$375,000
Initial Bond	Hartwick, Bassett	\$100,000	\$0	\$100,000	\$100,000
Broadband	\$0	\$0	\$0	\$0	\$100,000
Solar	\$0	\$0	\$0	\$30,000	\$30,000
Sale of Land	\$0	\$0	\$375,000	\$562,500	\$750,000
Real property rental	\$120,000	\$120,000	\$60,000	\$60,000	\$75,000
Loan interest			\$14,000	\$10,000	\$8,000
PIFs	\$0	\$0	\$50,000	\$187,500	\$375,000
TOTAL			\$740,000	\$1,351,500	\$1,938,500
EXPENSES					
½ PILOT and Bond	\$0	\$0	\$120,500	\$250,750	\$300,250
½ Land Sales	\$0	\$0	\$187,500	\$281,250	\$375,000
Contractual Services IDA	\$0	\$0	\$300,000	\$200,000	\$200,000
Contractual Services CRC	\$0	\$0	\$100,000	\$100,000	\$100,000
Annual Audit	\$6,800	\$7,200	\$10,000	\$10,000	\$10,000
TOTAL			\$718,000	\$842,000	\$985,250
NET			\$22,000	\$509,500	\$953,250

* Initial PILOT fees decreased by 25%, annual PILOT fees feel the ripple effect

* Sale of land decreased by 25%

* Expenses increase in contribution of PILOT and Land sales, contractual services for IDA decrease by 25%

11. "Status Quo" Scenario, based on Draft 2017 Budget

Revenue	2015	2016	2017
Annual PILOT	\$65,000	\$65,000	\$65,018
Annual Bond	\$0	\$19,000	\$26,000
Initial PILOT	\$55,000	\$0	\$10,000
Initial Bond	Hartwick, Bassett	\$100,000	\$0
Broadband	\$0	\$0	\$0
Solar	\$0	\$0	\$0
Sale of Land	\$0	\$0	\$250,000
IOXUS rental	\$120,000	\$120,000	\$127,500
Loan interest			\$14,840
PIFs	\$0	\$0	\$0
TOTAL			\$467,358*
Expenses			
Professional Fees			\$385,000
Salaries and Benefits			\$132,000
Administrative Costs **			\$339,936
Annual Audit	\$6,800	\$7,200	\$10,000
TOTAL			\$866,936
NET			(\$399,578)
NET including Grant Income			\$5,922

* Please note that 2017 Budget includes an additional \$405,500 expected in grant income from grants received in 2014 and 2015 that will be completed 2016/2017 and reimbursed in 2017. See NET including Grant Income line.

** This includes advertising, marketing, publications, T&E, insurance, office supplies and office expenses including tech, interns, training, rent, maintenance of real property, etc.