

ORANGE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MINUTES

March 11, 2021

A regular meeting of the Orange County Industrial Development Agency was convened via Zoom video conference March 11, 2021 at 2:11p.m.

Chairman Bloomer calls to order the regular meeting of the Orange County IDA, March 11, 2021. (Pledge of Allegiance is recited). Board consists of seven members. There is a quorum. Upon roll call, the following were:

PRESENT: Daniel Bloomer, Paul Ruskiewicz, John Douthit, Michael Torelli, Vincent Odock, Tyler Etzel, Lesley Pierri

ABSENT: NONE

ALSO PRESENT: Laurie Villasuso – Chief Executive Officer
Vincent Cozzolino – Managing Director
Melanie Schouten – Chief Operating Officer
Edward Januszkiewicz – Chief Financial Officer
Kevin Dowd – IDA Attorney
Russell Gaenzle – Harris Beach
Dean Brady – Tech Management
RJ Martucci – Judelson, Giordano and Siegel, CPA, PC
Rob Unger – Judelson, Giordano and Siegel, CPA, PC

Minutes

Review of the February 11, 2021 Board Meeting, February 18, 2021 Special Board Meeting, February 23, 2021 Special Board Meeting, March 2, 2021 Special Board Meeting, March 5, 2021 Special Board Meeting minutes. No motion is made as no current Board members were present for these meetings.

Financial Reports and/or Requests for Payment

Mr. Martucci, lead auditor for Judelson, Giordano and Siegel, CPA, PC (JGS), presents the OCIDA 2020 Financial Audit. He is joined by Mr. Unger of Judelson, Giordano and Siegel, CPA, PC.

In the Auditors Report JGS has issued an unmodified audit opinion, also known as a "clean audit". No material issues were noted. Management's Discussion & Analysis provides a high-level year-to-year comparison of revenues, expenses, and net asset changes.

Page 6, Statements of Net Assets. Cash and Cash Equivalents equals a combined \$3,710,325 for the OCIDA and Business Accelerator. Cash and Cash Equivalents equals \$962,383 for the OCFC. \$4,672,708 in bank statements and money markets. There is approximately \$3M in maturing CDS for the OCIDA and just over half a million in maturing CDs for the OCFC. There is just over \$8.1M in cash and short-term investments. Accounts Receivable - Current Portion shows an amount of \$2,798,352 expected for collection in the next 12 months. \$2M of the amount is from the Warwick Valley LDC. The OCIDA lent money to the Warwick Valley LDC for the build out of a Warwick based hemp facility. The LDC is receiving a \$3M grant of which they will use \$2M to repay the OCIDA once the funds are received.

Ms. Villasuso states the OCIDA paid expenses directly to the vendors working on the Warwick Valley LDC hemp project directly. No funds were given to the LDC. The grant money from New York States will be used to repay the OCIDA for their contribution.

Mr. Martucci states that you could consider it a draw down on a line of credit. Vendors were paid directly so that expenses could be monitored.

Mr. Martucci continues to review the Accounts Receivable. Approximately \$500,000-\$600,000 is expected from Merlin Entertainments. That is the last payment of their project closing fees. The fees had been broken down over a five year period of time. The Loan Receivable for OCFC reflects the COVID-19 Resiliency Loan program that was enacted as a way to assist local small businesses during the pandemic. Up to \$10,000 was available for 50 loan approved businesses. A total of \$476K was loaned to small businesses. To date, about \$100,000 was collected in repayment. A reserve of \$70,000 was set aside for those unanticipated to pay back due to the financial solvency of those companies that received a loan. Accrued Interest Receivable is based on the certificates of deposit, whether 6 months or a year, at the end of the year a receivable is booked for the interest that would have been recognized if it had been paid as of December 31st. That equates to \$14,292 for the OCIDA and \$213 for the OCFC. Prepaid expenses cover insurance policies, rent payments, etc. Capital Assets net of accumulated depreciation total \$640,680. The amount covers equipment, leases hold Accelerator improvements, furniture, fixtures, etc. Other Assets the Accounts Receivable – Long Term Portion reflects the repayment amount from a loan given to SUNY Orange. Security Deposits are those from Accelerator facility tenants. Total Assets are \$10,289,080 for the OCIDA and Accelerator and \$1,781,075 for the OCFC. A combined amount of 12,070,155 for the two organizations, which reflects a \$3.3M decrease from 2019.

Chairman Bloomer asks how old the grant is issued to SUNY Orange.

Mr. Martucci states that it was a 10yr grant repayment the final 2 payments are expected in 2021 and 2022.

Mr. Ruszkiewicz asks if it was a grant, or a loan issued to SUNY Orange.

Mr. Villasuso states that they called it a regranting. The OCIDA lent out the \$555,000 in 2005 and SUNY Orange was paying those funds back. It was supposed to be repaid a few years ago but, due to financial trouble the College was experiencing, an extension was granted in 2014. It was for a Business Training and Development Center.

Chairman Bloomer states that it was fairly common around 2006-2012 for the College to go to the OCIDA to fund programs with an intention of repayment. He's glad to see that the College has repaid all but the small remaining portion.

Mr. Martucci reviews the Current Liabilities. Current Accounts Payable and Accrued Expenses are \$472,199 for the OCIDA and \$8,428 for the OCFC. These are year-end outstanding expenses. Some years back the OCIDA had tasked JGS with auditing an agreement it had with IBM. IBM had been paying fees to the OCIDA in exchange for a reduction in Sale Tax. During the audit it had been determined that IBM had overpaid and as a result a credit had been applied instead of refunding the overhead. Tenant Security Deposits is what would be owed upon the departure of current Accelerator tenants. There is a total of \$485,630 in Current Liabilities as opposed to \$1,197,551 in 2019. Unrestricted Net Assets – Designated \$951,700 for the OCIDA and \$150,000 for the OCFC. These are funds designated for the 2021 budgeted year for projects and the loan program. Unrestricted Net Assets – Undesignated \$8,219,498 for the OCIDA and \$1,622,647 for the OCFC. These funds are available for use as directed by the Board. Total Net Assets \$11,584,525 down from \$14,118,625 in 2019.

Page 7, Statements of Activities. Total Revenues \$719,473 for the OCIDA and Business Accelerator. Fee Income, Net is \$406,091 comprised of fees from IBM. \$71,727 in OCIDA project closing fees. Rental Income \$80,600 in payments received from Accelerator tenants. Grant Income of \$40,000 these funds came from New York States grants. Administrative Fees of \$10,000 is comprised of the \$5,000 project application fee collected per projects. Half of the \$5,000 is passed along to Harris Beach for their contribution to the application process. Other Income of \$3,748 for the OCIDA and \$500 for the OCFC. Total Revenues combined of \$735,639 compared to \$392,785 in 2019.

Chairman Bloomer asks how many application fees are reflected in the \$10,000 Administrative Fee line.

Mr. Martucci states that it reflects 2 projects. The \$2,500 that is passed along to Harris Beach is categorized as an expense.

Mr. Martucci reviews the Expenses. Projects and Special Initiatives in the amount of \$194,069 in 2020 compared to \$891,856 in 2019. Payroll in the amount of \$566,000 with the additional of taxes and administrative fees. Rent in the amount of \$469,465 for all OCIDA/ Accelerator facilities. Management Fees in the amount of \$821,798. Professional Fees in the amount of \$418,952 for the OCIDA and \$22,647 for the OCFC. Advertising in the amount of \$178,553. Repairs and Maintenance in the amount of \$105,695. These fees include cleaning and maintenance of all Accelerator

facilities. Depreciation Expense in the amount of \$89,860. Total Expenses in the amount of \$ 3,067,325 for the OCIDA/Accelerator and \$202,414 for the OCFC with a combined total of \$3,269,739. Change in Net Assets in the amount of \$2,534,100 compared to \$2,919,321 in 2019.

Mr. Ruszkiewicz asks why the increase in repairs and maintenance in 2020.

Mr. Martucci states that additional Accelerator began operation in 2020 which would lead to the increase in repair need. He can provide additional information on that increase.

Mr. Cozzolino states that some of the increase is due to the heating system work done at 603 Broadway.

Mr. Januszkiewicz states that he will get the detail for this line item.

Mr. Etzel asks why the Projects and Special Initiatives decreased from \$891,856 in 2019 to \$194,069 in 2020 and why Management Fees increased from \$575,899 in 2019 to \$821,798 in 2020.

Mr. Martucci states that in 2019 there was a lot of activity in the Highland Falls, Florida, and Goshen area that led to the increase in Projects and Special Initiatives.

Mr. Unger adds that new Accelerator locations were being opened.

Mr. Martucci states that the management fees increased with the opening of new facilities. Additional management agreements were executed for the new facilities.

Mr. Martucci reviews the Statement of Cash Flows, Page 8. This section covers the change in Net Assets. Items that did a spending or receipt of cash are added back in such as depreciation and the allowance that was added as a reserve for the resiliency loans. More was collected on receivables \$213,888 and the benefit of expenses paid for previously were realized as cash was not spent in the current year. A security deposit of \$20,000 was put down for the new Highland Falls Accelerator. Cash Flows from Investing Activities which includes the Purchase of Fixed Assets, Redemption of Certificates of Deposit, Purchase of Certificates of Deposit which equals \$3,526,678. Cash Flows from Financing Activities covers the \$476,500 Resiliency Loan Disbursements with repayments of \$129,988. \$1,083,733 of cash was used for 2020. Cash and Cash Equivalents, beginning with a combined \$5,756,441 and Cash and Cash Equivalents, Ending with a combined \$4,672,708.

Financial Statement notes are reviewed. Page 12, Notes Receivable. In the past, a note receivable was set up for an Accelerator company, Breonics, Inc., of \$233,083. Full repayment was never received. In recent years a full reserve was put against this amount deeming it a loss that would not be recovered. After extensive discussion involving Counsel, it was agreed that amount would be written off negating the receivable and allowance for this note.

Mr. Douthit departs the meeting.

Mr. Dowd states that this is an issue that predates the current staff members. A loan was given to Breonics, Inc a company that was creating a device to assist with kidney transplants. The initial investment was provided by the OCIDA and an expectation of repayment. A few payments were received but a majority of the loan was never repaid. After several time of attempted repayment, the issue went to a judgement against the company. There was a decision that instead of keeping the judgement in place the repayment was transformed into stock options with the idea that the company would become lucrative, and the share would be worth more than what was owed. The company was originally based in Orange County but has since relocated to Albany. The company has received multiple State and Federal grants for the device. There have been many failed attempts at requested repayment. The last discussion took place 3 years ago with the Board and there was no semblance of agreement. Last year the Board decided to write off the note.

Ms. Villasuso states the engagement with Breonics started in 2001 and predates the Accelerator program.

Mr. Martucci states that notes 8 and 9 address development costs for land the OCIDA was looking to build a facility on. The development costs of \$161,750 represent expenditures incurred during 2007 and 2008 relating to the potential acquisition of a 58-acre parcel and a 283-acre parcel located on Drury Lane, Newburgh, New York. The Agency has set up an impairment reserve for the full amount of \$161,750 of the development costs. As of December 31, 2020, there have been no changes in the status of the Agency's investment in the development costs and management elected to complete the write-off of the costs and the reserve.

Page 16, Note 11 – Unrestricted Net Assets – Designated breaks down the \$1,101,700 listed on the balance sheet as designated funds. Page 18, Note 15 – Project Expenses covers the \$2M due from the Warwick Valley LDC via the State grant. The supplementary schedules cover bonds outstanding as well as annual reporting for the OCIDA projects.

The packet provided by JGS included a Governance, Internal Control, and Management Letter for the OCIDA. The Governance Letter highlights items of interest regarding the financials. It is noted that there were no issues with the OCIDA Management. Management was professional, forthcoming, and shared documents upon request. The Internal Control letter states that JGS had an unmodified audit opinion, also known as a "clean audit". No issues were detected of weaknesses and deficiencies via the JGS testing of internal control. The Management Letter holds no comments for the current year. An update was provided regarding the comment provided in 2019 by JGS. The 2019 stated that the Warwick Valley LDC expenditure payments should be properly monitored and not just by an auditor.

Ms. Villasuso states that this was a first of its kind project for the OCIDA being managed under a different CFO. The CFO at that time was monitoring the project he didn't initially think to contextualize it as recommended by JGS. The current CFO, Mr. Januszkiewicz, has a lot of experience monitoring grants and loan and will ensure proper monitoring going forward.

Mr. Martucci asks if the Board would like to cover the OCFC stand alone financials.

It is decided that the OCFC financials will be reviewed during the OCFC meeting.

Ms. Villasuso explains that the Board will have time to review and digest the financial audit and it can be approved at the next Board meeting.

Mr. Januszkiewicz covers the 2021 Investment Policies and Practices Review. It is required by the Authorities Budget Office and the Office of the State Comptroller to annually review the investment policies and practices. A copy of the current policy was provided in the Board packet. No policy edits are currently required as the OCIDA is in compliance. A report breaking down the 2020 certificate of deposits and treasury bond was provided for Board review. No new policies are on the horizon, but the State is looking on expanding the scope of investment options. Currently credit unions and savings and loans are not available for authority investments. That may change in the future.

Mr. Januszkiewicz reviews the financial reports and requests for payments.

The summary of IDA bank accounts, certificate of deposits, and money market accounts reflect a total of \$5,128,274 as of February 28, 2021.

On the income and expense summary, YTD income is \$5,273 and YTD expenses are \$56,896, with expenses exceeding revenues by \$51,624.

On the income and expense summary for the Business Accelerator, revenues YTD are \$15,542, and expenses are \$370,345. Expenses, as anticipated, exceed revenues by \$354,803.

The Statement of Net Assets is reviewed. Long term receivables are current.

Ms. Villasuso asks for a motion to approve the vouchers and payments in the amount of \$61,850.80 for March. Motion made by Chairman Bloomer, seconded by Mr. Ruszkiewicz, that the board accept the financial reports and authorize IDA payments and vouchers. Open for discussion. Mr. Torelli votes no. Affirmative votes of five members present results in motion carried.

Chairman's Report

Chairman Bloomer thanks the Board Members for their willingness to serve on the OCIDA Board. The IDA is a very important piece of the economic landscape in Orange County that assists in attracting valuable entities and increasing economic outcome. It is known that the Board of Directors has received a subpoena from the District Attorney. The previous Board engaged an Attorney Michael Koenig that was to provide assistance in complying with the subpoena. He would like the Board to rescind Mr. Koenig's letter of engagement. He is in contact with Counsel at Barclay Damon to assist both the Board and Staff with assistance in complying with the subpoena.

Mr. Gaenzle inquires which attorney Chairman Bloomer has been in contact with at Barclay Damon.

Chairman Bloomer states that he has been in contact with Kevin McAuliffe.

Mr. Dowd reads aloud the resolution. Resolution terminating the engagement of the law firm of Hinckley Allen in Albany, NY to represent the IDA on certain matters. Motion is made by Chairman Bloomer, seconded Mr. Ruszkiewicz. Roll call is taken. All present vote in favor.

Other Board Business

Chairman Bloomer states that he wants to table the Fiorello Pharmaceuticals, Inc Final Resolution and move the acceptance of the Audit to the next meeting.

Chairman Bloomer stated that the Board will come up with dates and times for the IDA Meetings. He also stated that there will be a re-organization at the next meeting and have the resolutions. Mr. Dowd asked if all members signed the Oath of Office Book, Chairman Bloomer stated yes, they have all been sworn in. Mr. Dowd asked if all Board Members had OCNYIDA emails, Ms. Schouten confirmed they do. Mr. Dowd reminded the Board Members not to share the Zoom information they are given.

Mr. Ruszkiewicz thanked the Board Members for serving. He stated that a letter was sent in December from the Legislature requesting information from the IDA. Although the subpoena is priority, he would like to get back to the Legislature that the information will be forthcoming. Chairman Bloomer stated that the staff is working on compiling the information, and said when the Board meets next, we can address it with the new attorney.

Ms. Villasuso wanted to let the Board know that we are still able to meet via zoom is because remote public meetings order was signed and authorized through March 24th. She stated that if the Audit gets approved next week, we will be in the position to submit through PARIS to the Office of the State Comptroller our 2020 audit. With that information we will have some reporting to do about the companies that responded to us. On an annual basis we send out to each Active Open Projects an audit confirmation requesting information that will be inputted the JGS report and PARIS. In the April meeting we will let the Board know if there were any Active Open Projects that did not comply and seek direction.

A public hearing is scheduled for Wallkill Owner LLC project for March 16th. This project is in the Town of Wallkill that seeks to bond and finance an affordable living center. They are seeking a PILOT, Mortgage Recording Tax, Sales Tax Exemption and Bonds.

Every year the IDA gets FOILED by The American Transparency Group requesting copies of all checks that have been paid for that year. We will be responding to them in the time frame, and we are currently working on it to satisfy the request.

She stated that the State Compliance is high, we are working on our annual compliance, but on-going regular compliance is always working on. Ms. Schouten sent a note stating what is needed to meet compliance with our new Board Members.

We received a resolution from the Legislature looking for further disclosure on the website about staff salaries. As we move forward to getting the website compliant, we will incorporate the changes.

Chairman Bloomer stated that all Board Members have the documentation for the Fiorello Project to review and you can also go on the website to review the presentation, so we are ready to vote next week. He also reminded the Board to send him their addresses so he can give it to the Ethics Board.

Adjournment

With no further business, meeting called for adjournment by motion made by Chairman Bloomer, seconded by Ms. Pierri. Affirmative votes of all members present to adjourn at 3:11 p.m.