

ORANGE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

AUDIT COMMITTEE MINUTES

April 09, 2020

Via Zoom / Conference CALL

12:35pm- 1:45pm

PRESENT: Michael Gaydos, Edward Diana, James DiSalvo

ALSO PRESENT: Laurie Villasuso - Chief Executive Officer, Joel Kleiman – CFO, Melanie Schouten – Chief Operating Officer, Vincent Cozzolino – Managing Director, Kevin Dowd – Attorney, Cathie Hunter, Kelly Reilly, RJ Martucci – JGS, Kevin Loewke – Loewke Brill, Alan Standish – Satin Fine Foods, Inc., Mike Kraai – Kraftify, LLC., Dean Brady

Discuss of 2020 Audit

Ms. Villasuso stated the Audit Committee met the last week of March to approve and recommend the approval of the 2019 Audit for PARIS submission and adopt it at the full Board Meeting. She stated that one item came up and that is we have been carrying the Breonics and Roadlock items year after year and it was discussed to write it down once and for all. Ms. Villasuso asked Mr. Dowd to give the Committee the last conversations that he had with each company. Mr. Dowd stated the last time he had any contact with Breonics was when they came to a Board Meeting. He had a number of emails and telephone conversations with Ernie Green, got them to come to the Board Meeting with his partner, made a presentation to the Board in Executive Session and that was the last contact he had with them. Mr. Dowd had a conversation with Mr. Kleiman last week, sent them an email and has not received a response. He said as to the other company New Hampton Tech / Roadlock he has never had contact with them at all, doesn't have a file or a contact. The DOT / Port Authority last contact was at a Board Meeting, the Board asked Mr. Dowd to write another letter to Port Authority Officials Ed Harrison or Mike Torelli, the Board at that time said no they will contact them. He was not sure if it was Mr. Armistead or Ms. Villasuso who contacted them. Ms. Villasuso stated that was when Mr. Petro was here, they had a conversation and it was stated there is no money. Ms. Villasuso asked Mr. Kleiman to explain to the Committee what to do with these items for the 2020 Audit. Mr. Kleiman read figures from Note 5 of the Financial Statements which refers to Breonics, he stated the IDA has a note receivable for \$248,083.00 which was offset in the financials years ago by the Auditors. What it means is if we remove the note it has no impact on our financials because they don't reflect, we are receiving the money. He went on to the development cost for Drury Lane the amount of \$161,750.00 and New Hampton Tech / Roadlock in the amount of \$177,692.00. All three was set up with an offset reserve. Mr. Kleiman stated if we don't receive the money there will be no impact. He said if the Board takes an action to remove these three, for fiscal year 2020 the notes will be removed and changed to say they have been written off totally. It does not preclude us if we ever receive the money in the future, the IDA can accept the funds. Mr. Diana stated he thought the numbers were reversed and thought the state was \$250k and from Mr. Green was \$150k. Mr. Kleiman stated he was reading the numbers from the Audit Report. Mr. Diana asked to go back and verify the numbers. Ms. Villasuso stated that once the numbers are verified is the Committee comfortable with writing these down for future audits. The Audit Committee all agreed but want to continue to try and get the funds. Mr. Dowd stated that the \$233k noted in Note 5 is the correct number and he will look it up. He stated on the Airport and Drury Lane and the numbers are noted at \$250k. After a bit of discussion the Committee will motion to write down these projects for the future with the understanding of getting the correct number amounts.

Mr. DiSalvo motioned to accept writing down the numbers for Breonics and Roadlock on future Audits with the understanding of confirming the numbers, Mr. Diana seconded the motion. All were in favor. Motion carried.

Satin Fine Foods, Inc.

Ms. Villasuso stated that last year Satin Fine Foods had failed to comply with the Annual Compliance Documentation Request. The Board took an action to recapture and terminate the final year of their PILOT. Mr. Standish reached out to Ms. Villasuso and Mr. Cozzolino and spoke to him a number of times. Mr. Standish asked that before the paperwork is filed to complete the action could he speak to the Board since

there was confusion with address changes and a history of compliance. Mr. Standish told the Board about Satin Fine Foods and how the company has grown. He said that the company makes cake icing. He stated that with the help from the IDA they

were able to grow the company. Mr. Standish went on to explain what events occurred. He stated that he found out about the recapture from a radio station interview and tried several times to contact the IDA with no response back. Then an article in the TH Record about "Companies Not Cooperating" came out. He stated that SFF had no idea what was happening. He then said they figured out what was going on, they had to file paperwork with the IDA which they have done for 7 years without any issues. Once SFF realized the IDA did not get the paperwork they filed it right away on April 17th. Mr. Standish wanted to let the Committee know why SFF did not submit the paperwork. He stated there was no intent, no motive, it was simply a pattern that happened the last 7 years that was broken. Mr. Standish stated both the IDA and SFF use the same accountant and in the past the accountant would send them the paperwork, it would get filled out and sent back to the accountant. SFF contacted the accountant they told him they have the paperwork that was marked "Sent Back to Sender" due to an old mailing address from 2001. He stated that these documents were being sent the last 7 years from the accountants and not the IDA. SFF found out that there was a change in personnel at the accountant's office, and the new person did not know to send the paperwork to the new address. Mr. Standish stated that they were never able to send the paperwork back by the March deadline due to the fact that SFF never received it. After SFF found out what happened they got the paperwork done quickly. He stated that SFF is a small company, a very good company and donates to many organizations. Mr. Standish asks the Board to understand that there was no malice or intent that the paperwork never got to SFF, it was just an administration error due to an old address. He said that SFF really hopes the Board will reconsider terminating the final year of their PILOT. He said that back in 2012 SFF had 25 employees and now they have 63 and a few thousand dollars helps them grow, support the business and takes care of their employees. Mr. Standish brought up one other point. He said that in the IDA legal documents there is a period where it states, "period to cure". He stated that SFF never were notified of a period to cure or default. He then stated that he hopes the board will reverse their decision and that would be appreciated. He thanked everyone for their time. Ms. Villasuso asked if anyone had any questions. Mr. Gaydos stated that he is sure Ms. Villasuso was communicating well at what she thought was right but said we could look at this. Ms. Villasuso stated that there is a process in place to update and fix an address, that information was not given to us by SFF, but the issue has been resolved and SFF responded timely this year. She said this is a board decision. Mr. Dowd stated that Ms. Hunter tried to contact SFF, left a message and never received a phone call back. Mr. Standish stated that they don't have any record that they were contacted by the IDA, but said it most likely happened since they got a new treasurer. He stated that no one from SFF had been contacted. Ms. Villasuso asked if the Committee had any other questions, Mr. Gaydos stated that the Board will get back to SFF. Ms. Villasuso thanked Mr. Standish and stated that the Board will discuss this, and they will get back to SFF.

Kraftify, LLC

Ms. Villasuso stated the Mr. Mike Kraai and Mr. Kevin Loewke are on the phone. The Audit Committee along with Mr. Loewke audits our projects and one of them is Kraftify which is located in Warwick next to our Accelerators Manor House. She said a number of issues have come along with labor compliance issues. The IDA was notified last month that the Sales and Use Tax had expired 12/31/19 and it was still being used. She said that the escrow fund for labor auditing had been depleted. Mr. Dowd sent out a letter to Mr. Kraai and we received today a check for \$2k which we can now continue labor policy audits. Mr. Kraai is requesting an extension of the STE. Mr., Loewke was asked to bring everyone up to date on the Labor Policy and concerns about denying a waiver. He stated the waiver was submitted for a drywall company JB Installation; the value of the contract was \$12,850.00. The exemption was submitted December 12, 2019. Mr., Loewke stated that they reviewed the 4 physical bids along with a total of 11 companies. Based on what Loewke Brill received from the local bids they determined the waiver to be approved on their end. He let Mr. Kraai know that the waiver would be going for final verification to the Committee for the January 9, 2020 meeting. Mr. Loewke stated that it looked like JB Installation was on site and they were alerted to that. There was material dropped off at the site, so the issue was the company was on site prior to the waiver being approved. Ms. Villasuso asked if any of the Committee members had any questions. Mr. DeSalvo asked Mr. Gaydos if he had any input on this. Mr. Gaydos stated that he spoke to Mr. Loewke and know the material was on site and they were working prior to the waiver being approved. Mr. Loewke stated that photos were sent to Mr. Gaydos that JB Installation was dropping materials off on site prior to the waiver being approved. He stated that this was not the first waiver for this project and the process is clear. Mr. Gaydos stated that the IDA goes out of their way to give funds to people that need them and the least they could do is try and hire local people. Mr. DiSalvo asked Ms. Villasuso what the options are and Ms. Villasuso responded and said that the waiver has already been denied. She said there are two things, Mr. Kraai is on the call, he would like to request an extension of his STE which Ms. Villasuso thinks they should do and then go into Executive Session. Mr. Kraai asked to respond to what Mr. Loewke stated about the drywall company. Mr. Kraai stated that they reached out to companies and builders about finding a sheet rocker. He said that they found 11 companies which took a lot of time. He reached out to Mr. Loewke to get names of local sheet rockers due to many of them not interested in doing the project, he provided 3 names. Based on noninterest and prices being too high, Mr. Kraai stated that Mr. Loewke approved the waiver request, and he did not realize that it did not go to the board. Ms. Villasuso stated that it is always the IDA's decision to approve or deny a waiver. We have worked for several years with Loewke Brill and it has never been expressed to us or anyone else that Loewke Brill was the ultimate decision maker when granting exemptions. She said that the IDA is aware of construction timeline challenges and that the IDA is very aware of the give and take to the Labor Policy and that it is followed. Ms. Villasuso said that this should not be such a surprise since this conversation has been spoken about in the past.

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Mr. Kraai stated that he received a letter from the attorney on February 24, 2020 that the STE had expired on 12/31/19. He said that this is the first correspondence he received. Mr. Kraai is requesting that the STE gets extended and has claimed about \$50k out of the \$100k STE. Without the extension of the STE it will make a massive financial burden on his company. He apologized about missing the date on the STE but ask if the Committee can support him for the extension due to his

project being a brewery and they are all shut down and sales are down by 90% due to the COVID19. He stated that this is a very crucial and important benefit that he received from the IDA and hopes that the Board understands the severity of not having that benefit. He stated that whatever paperwork needs to be filled out he would do it immediately. Ms. Villasuso asked if any Committee Members had any questions and they did not.

Mr. DiSalvo motioned to go into Executive Session to discuss Financial / Credit History of Clients of the IDA Mr. Diana seconded the motion. All were in favor. Motion carried.

Mr. Gaydos motioned to exit the Executive Session Mr. Diana seconded to motion. All were in Favor. Motion carried.

IBM Corp. Audit

Ms. Villasuso asked Mr. Martucci to refresh the Audit Committee members about the IBM Audit, the years we audited them, and the amount that we owe them. Mr. Martucci stated that in November 2019 the Committee and JGS met for the final report which covered 4 years (01-2013 – 05-2017). He stated that there was one year that had a major issue and that was 05-2017 which was the final year. He gave a brief history and stated that in the final year there was an over statement of purchases which tied into the exemption amount and they were still paying fees on top of those purchases. It was determined that they had overpaid by approximately \$570k. Mr. Martucci stated that the IDA is looking into payback structure and it was entered into the books on 12-31-19. Ms. Villasuso stated she spoke to Wayne Spinei at IBM into the different payback structures and IBM is fine with having the \$570k as a credit for future payments.

Mr. DiSalvo motioned to formally recommend and approve the Full Audit to the board and a consensus that the board is ok with the terms of the \$570k, Mr. Gaydos seconded the motion, all were in favor. Motion carried.

Audit Committee Meeting ended