

ORANGE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

AUDIT COMMITTEE MINUTES

June 11, 2020

Via Zoom / Conference 12:35pm- 12:45pm

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, Kelly Reilly, Dean Brady, Edward Januszkiewicz

Ms. Villasuso stated that Mr. DiSalvo will be joining the meeting shortly.

Merlin (Legoland)

Ms. Villasuso stated that Merlin Entertainment has asked if they can shift their PILOT one year due to COVID as the construction was shut down resulting in Legoland not being able to open up in 2020. They will be requesting an extension. Loewke Brill contacted the IDA and stated that there have been some document issues recently. Due to the pandemic and shutdown Loewke Brill has been patient and understanding but while the construction was starting up again and entertaining the request for the extension, we wanted to be sure we got the document matter closed. Stephanie from Merlin has been working with Kevin from Loewke Brill and Merlin has provided most of the documents that are necessary for Merlin to be back in compliance. Most of these documents are insurance and certificate issues and are not Local Labor issues. Merlin has provided a lot of documents with a few outstanding. Merlin has committed to providing all the documents by the end of June and we will work with them to ensure that all documentation is received by the end of June beginning of July and will report back next month on their compliance. Ms. Villasuso stated that on the Local Labor report Merlin is technically at a 59% compliance rate which she is not concerned about at all since the compliance is on a sliding scale. She stated that Merlin is well aware of their requirements and have been very cooperative. Ms. Villasuso also stated that Merlin has a PLA and the trades are watching as well. As of now things are back on track and Merlin is starting their construction up and they are anticipating their opening in 2021. Ms. Villasuso asked if the Committee has any questions and Mr. Gaydos stated that if Loewke Brill needs anything he can help.

Kraftify

Ms. Villasuso stated that before COVID we had a compliance issue with Kraftify and JB Installation which was a sheet rocker. At that point there was a request submitted for a waiver for JB Installation due to them not being local and the waiver request was denied. JB Installation came in at 63% compliance rate rather than being 85% or above. Our policy and procedure have been if there is a compliance issue the project will incur a penalty. She reminded the Committee that we just recently extended their sale tax exemption and continued their PILOT for a year, but this denied waiver was outstanding. Ms. Villasuso went over the policy penalty equation with the Committee. The value of the JB Installation contract was \$12,850.00, the local labor was supposed to be at least 85% so the amount of the contract multiplied by the actual local labor percentage (63%) and the difference between the two was \$2,827.00. Ms. Villasuso stated that the fee is a sliding scale depending on the penalty score which is 1 – 5. She said that she would suggest they get a 2 due to the fact that all other contractors were 100% in compliance except for one which was at 88%. She stated that they have done a good job being compliant on the project, but also wanted to mention that there have been issues before about compliance and they have come to the Audit Committee in the past with the failure of getting documents to us on time. Ms. Villasuso stated that with all that said she will let the Audit Committee talk it over and decide what penalty if any they want to change. Mr. Dowd asked if the project is done and the answer was yes, Kraftify is waiting on a C of O. Mr. DiSalvo joined the meeting. Ms. Villasuso reviewed what was being discussed for Kraftify and whether the Committee wants to charge a penalty for the out of compliance contractor. Mr. Gaydos stated that he thought the penalty is fair, Mr. DiSalvo stated he thought it was more than fair and Mr. Diana agreed. The Committee approved the penalty. Ms. Villasuso restated that the Committee is in agreement that the penalty will be \$1,413.50 which you take the \$2,827.00 and divide by penalty score of 2. She said that a document will be put together for this penalty fee and she will report back to the Audit Committee. Mr. Kleiman stated that Kraftify had given us \$5,000.00 initially for the Labor Escrow, then they gave the IDA an additional \$2,000.00. Since the projects has proceeded Kraftify is short again. There will be a close out fee that Loewke Brill will charge. Mr. Kleiman suggest that once we receive a final bill from Loewke Brill we then bill Kraftify for the balance they will owe us. Mr. Diana asked how much the balance will be and Mr. Kleiman responded stating that Kraftify owes us \$550.00 now and about another \$500.00 for close out.

Audit Committee Meeting ended at 12:45pm.

