

ORANGE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

AUDIT COMMITTEE MINUTES

September 10, 2020

Via Zoom / Conference 1:00pm- 1:31pm

PRESENT: Michael Gaydos, Edward Diana, Mary Ellen Rogulski

ALSO PRESENT: Laurie Villasuso - Chief Executive Officer, Ed Januszkiewicz – CFO,
Melanie Schouten – Chief Operating Officer, Vincent Cozzolino – Managing
Director, Kevin Dowd – Attorney, Kelly Reilly, Dean Brady

IDA

2021 Proposed Budget

Ms. Villasuso started the meeting by stating that the 2021 Proposed Budget will be discussed which is due to the State by the end of October. She stated that they would like to discuss the proposed budget in September and if any changes are needed, we will have a month to go back and revise if necessary and come back in the October meeting to approve the 2021 Budget. She stated that if the Audit Committee approves the 2021 Budget, it can be recommended to the full Board today for approval and then we can submit it to the state well in advance of the deadline. Ms. Villasuso pointed out that Ms. Schouten sent out a copy of The Accelerator, IDA and OCFC proposed budgets. The IDA and The Accelerator proposed budgets will be talked about first. On The Accelerator side the expenditures have been reduced by a little over \$200k that includes the new \$250k Highland Falls Lease which in the budget is \$300k. For 2021 revenues she stated that we had to tighten up and that lead to some Staff reductions, Contracted Services, Federal Lobbyist, Marketing & PR Companies, and reduced a lot of our expenses to make sure we were operating methodically and within tighter restrictions. She said that the budget looks great and that this is Mr. Januszkiewicz first year.

Mr. Januszkiewicz started with the Proposed IDA Budget. Under Revenue he stated that we will get back \$2 Million from the Warwick Valley Local Development Corp. and the closing fees from Legoland. Ms. Rogulski asked if the \$700,000.00 is Legoland and Mr. Januszkiewicz stated that Legoland is \$500,000.00, and the other \$200,000.00 is the hotel. He went to Administrative cost and \$52,000 was taken out for consultants, the auditors are the going rate, and the same with the Insurance. He stated the bill came in higher than what was budgeted for 2020. He went to Agency Support Costs and stated that PTAC is now in the Research and Support item. Under Projects / Programs he stated that the \$1,000,000.00 difference was the Heritage Trail. In 2020 it was in the IDA budget and not in the OCFC budget, and the \$500,000.00 that is still listed is for Amy's Kitchen. Mr. Januszkiewicz stated there are no changes in the Legal section. Ms. Rogulski asked if they are working at Amy's Kitchen, Ms. Villasuso stated no not yet but should be shortly. She also reminded the Committee that there is no Labor Policy for Amy's Kitchen, but we could reserve the right to audit them if we hear of any anything happening. Ms. Villasuso stated that we will be touch and Mr. Gaydos will let us know if anything happens with Amy's Kitchen. Mr. Gaydos stated that they have had minimal communication with Amy's so far. Ms. Villasuso also brought up PTAC (Procurement Technical Assistance Center) and stated that they use to be part of Rockland Economic Development Council which closed so PTAC is run through SUNY Rockland. SUNY Rockland is waiting to get their designation from the Federal Government as a Procurement Technical Assistance Center. This has been ongoing on for 2020 and some of 2019 and not sure how much longer it will be so that is the reason for moving it out of Agency Support Cost and into Projects / Programs if they were to come back on line we will still be able to contract with them and not make changes to the budget.

Mr. Januszkiewicz went on the Business Accelerator Proposed 2021 Budget. He stated that the Receipts are unchanged except a bit more on rent. Then went on to Expenditures and stated that with the Administrative Salaries there is a reduction due to staffing changes, Benefits is up slightly due to healthcare and the reimbursement of cell phone and mileage. Payroll taxes and fees follows the trend with salaries. Management Expenses which is part of the Galileo Technology Group contract and Accelerator Without Walls has a reduction. Professional Fees has a reduction due to ending the Kivvit contract, Marketing, PR, Website & Membership has a reduction due to Focus Media contract, Orange County Chamber of Commerce memberships for The Accelerator clients were taken out, and a few other media items were taken out. Special Initiatives stays about the same since we have to have money for Capital Projects. Building Expenses is driven by the addition of Highland Falls, and any of the Building Expenses that are down is driven by the going rate and not spending as much money on Repairs and Maintenance. He went on to Office Cleaning and stated the big driver was COVID cleaning which will go into effect next year and Highland Falls. Information Technology is internet, phone and cable and with Highland Falls he feels that location will be Technology Driven we will need a higher level of service other than basic WIFI. He stated that the Renovations were reduced. Equipment Maintenance was reduced based on what was spent in 2020. Office Supplies and Travel, Lodging and Meals is basically what we spent in 2020. Training & Education and Conference Expenses are up. He stated that the Conferences will start up again. Mr. Januszkiewicz stated that the difference in spending from 2020 to 2021 is reduced by a little over \$200,000.00. The loss is what we will need from the IDA would be \$2,500,000.00. Ms. Villasuso stated to have a budget reduced by \$200,000.00 with the addition of \$250,000.00 in real estate is a testament how much the team, board and

staff have come together to make sure we are being very thoughtful about every expenditure and making sure it has been addressed and that we continue to operate as lean as possible. Ms. Villasuso stated that the combined budget will be put on the website and put into PARIS.

Motion is made by Mr. Gaydos seconded by Ms. Rogulski to present the 2021 Proposed IDA Budget to the board. All voted in favor. Motion is carried.

Drury Lane & Breonics

Ms. Villasuso brought up the Audit of 2019 and how we wanted to close out the New Hampton Tech Breonics Inc. and Port Authority/DOT line items in our Audits. She stated that Mr. Diana had asked to confirm the exact amounts that were outstanding, Ms. Schouten sent a memo out to the Audit Committee to affirm that \$161,750 was Drury Lane and \$248,083.00 was for Breonics. Mr. Diana stated that the numbers were reversed, and Mr. Januszkiewicz stated that the numbers were correct and those have been the numbers for 10 years. After a bit of discussion on the amounts Ms. Rogulski asked if these amounts will be charged off for 2020 and Mr. Januszkiewicz responded with yes it will come off. Ms. Villasuso stated that she will close on this at the Board Meeting.

Sentinel Realty

Ms. Villasuso stated that Ms. Schouten send out an email about Sentinel Realty in Port Jervis. She reminded the Committee that it is an Assisted Living facility that took over a Days Inn Hotel. She stated that they have been good except they inadvertently used their STE(Sales Tax Exemption) in the year 2019 not realizing that it had expired December 31, 2018. This was discovered in the 2019 Audit. Sentinel Realty said they spent approximately \$73,000.00. When they were contacted to ask for the money back the Sentinel Realty went back in their books and found that it was actually \$12,000.00 spent for 2019 not \$73,000.00. Ms. Villasuso stated that there are a number of ways the IDA can get the money; she recommends entering into a recapture scenario for the \$12,000.00. The IDA would collect the money and turn it over to The Department of Tax and Finance along with the two forms that the Sentinel submitted to the state with both amounts and let the State determine what is the best and accurate number. Ms. Villasuso stated that it is best practice for us to recapture and it is appropriate for the IDA to do so. The Committee Members all agree. Mr. Dowd stated that the Sentinel was very corporative when it was brought to their attention. They had their auditors look at the books and found a lot of their expenditures were in 2018 but posted on their book in 2019. The project was completed early 2019. The Sentinel came back with what they thought they overspent with the STE and gave Mr. Dowd a list of the contractors. Ms. Rogulski stated that she agrees with Ms. Villasuso's recommendation.

OCFC

2021 Proposed Budget

Mr. Januszkiewicz started with the Revenue, he said that there are no closing fees for 2021. The Loans will be starting to get paid back in December. There will be a full year of payback which is \$205,000.00 and the Loan Interest which is \$6,100.00 and the Interest Earnings that are \$2,400.00 which is driven by CD's expiring in February. He then went on to the Expenditures and stated that what we are doing currently on the Administrative Expenses, Auditor, Insurance, and not having another Loan program. The Loan Administration covers additional work from the CPA's and the loan software. Project Expenditures is reduced by \$50,000.00. The total proposed 2021 Budget is reduced by \$144,000.00. Ms. Rogulski stated that there should be some provision in the budget for non-payment of loan payments due on the revenue side as the assumption was that we will not collect 100% of what is due in 2021. Mr. Januszkiewicz agreed and stated that some people will pay in advance. Ms. Rogulski said that when the program began their expectation was not to be paid back 100%. She asked the other Committee members what they thought. Mr. Diana stated that he feels it should be left and adjusted if need be. Ms. Rogulski asked if on the expenditure side there could be some kind of reserve. Mr. Januszkiewicz stated that something could be put in like 5 or 10%. Ms. Rogulski said that there is no data yet so not sure of the expectation. Ms. Villasuso stated that we have already received some payments in full and the signs are looking good for repayment. Ms. Rogulski stated that they should be conservative and put something in the expenditures for reserves. Mr. Januszkiewicz asked for a recommendation. Mr. Diana stated he would not do it, Ms. Rogulski stated that it is standard procedure for any lending scenario that there is an expectation for unpaid and 10% is a pretty low number so if it was not put in the budget it would not change the budget significantly in any event. Mr. Diana stated that this is a new program and we don't have any information to look back on to see what it would be and thinks that after the first 3 months we will know something. Ms. Villasuso stated that the budget could also be amended.

Motion is made by Ms. Rogulski seconded by Mr. Diana to present the 2021 Proposed OCFC Budget to the board. All voted in favor. Motion is carried.

Audit Committee Meeting ended at 1:31pm

