

MINUTES

Dutchess County  Industrial Development Agency

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BOARD OF DIRECTORS REGULAR MEETING

Wednesday, October 24, 2018

Present: Tim Dean
Mark Doyle
Stacey Langenthal
Don Sagliano
Alfred Torreggiani

Unable to Attend: Charles Daniels III

Also Present: Sarah Lee, Executive Director
Marilyn Yerks, CFO
Elizabeth Cappillino, Counsel
Mary Kay Vrba & Janine Metzger, Dutchess Tourism
Wayne Spinei, IBM
Vincent Catalano, Hatfield Metal
John Hettinger & Gene Sneeringer, MHTC Development

On Wednesday, October 24, 2018, the Dutchess County Industrial Development Agency [DCIDA] Board of Directors Meeting was called to order by Vice Chairman Dean at 8:01 a.m. Present was: Tim Dean, Mark Doyle, Stacey Langenthal, Don Sagliano, and Alfred Torreggiani. Unable to Attend was: Charles Daniels III. Quorum was established.

CONFLICT OF INTEREST

Vice Chairman Dean asked board members if they had any potential conflicts with any items on the agenda. No potential conflicts of interest was expressed.

APPROVAL OF MINUTES

Vice Chairman Dean asked for a motion to approve the September 18, 2018 Minutes of the Dutchess County Industrial Development Agency.

A motion was made by Mr. Doyle, duly seconded by Mr. Torreggiani to approve the DCIDA Board of Directors Meeting Minutes for September 18, 2018. All voted in favor. Motion carried.

CONSIDERATION AND APPROVAL

IBM

For Consideration and Approval of a Preliminary Resolution and Preliminary Agreement Authorizing Sales Tax Exemption of approximately \$105,000,000 on new equipment with International Business Machines Corporation (Town of Poughkeepsie)

Ms. Lee introduced Wayne Spinei and gave the following overview of the resolution:

- IBM is requesting a sales tax abatement for purchases made within its organization
- This is a new agreement between the IDA and IBM but the concept is not new
- New York State charges a used tax equivalent to a sales tax for purchases made within divisions of an organization. IBM purchases products between its divisions and is requesting a sales tax abatement on these purchases.

Questions and answers ensued

Question: Would this be a continuation with each consecutive term, would it be more or less the same, or is there any ability to project further out?

Response: This project is specifically for the GTS data center which is in building 710, not for the entire campus. Predominately this is for IT equipment and also to assist the group with any infrastructure enhancements. Going further than three years would be difficult due to the transition and changes in the marketplace.

Ms. Lee stated that once the Board approves the resolution a public hearing with IBM would be held before the approval of the final resolution.

A motion was made by Mr. Doyle, duly seconded by Mr. Sagliano to approve the Preliminary Resolution and Preliminary Agreement Authorizing Sales Tax Exemption of approximately \$105,000,000 on new equipment with International Business Machines Corporation (Town of Poughkeepsie). All voted in favor. Motion carried.

Gap, Inc.

Consideration and Approval of a Final Resolution to increase and extend the Sales Tax Exemption of approximately \$15,000,000 of purchases on new equipment with GPSDC (New York), Inc.

Ms. Lee gave the following overview of the resolution:

- This is a final authorizing resolution to extend the sales tax benefit scheduled to expire on December 31, 2018 to December 31, 2019 and to increase the sales tax benefits for an additional \$15,000,000 of purchases
- The public hearing was held a few weeks ago

A motion was made by Ms. Langenthal, duly seconded by Mr. Torregiani to approve the Final Resolution to increase and extend the Sales Tax Exemption of approximately \$15,000,000 of purchases on new equipment with GPSDC (New York), Inc. All voted in favor. Motion carried.

Hatfield Metal Fab, Inc.

For Consideration and Approval of a Final Resolution Authorizing a Payment-in-Lieu-of-Tax Agreement and Sales Tax Exemption for Hatfield Metal Fab, Inc.

Vice Chairman Dean introduced Vincent Catalano who is representing the project

Ms. Lee gave the following overview of the resolution:

- The Board approved the Preliminary Resolution in the spring of this year
- The scope of the project has remained the same as stated in the preliminary resolution
- It is a metal fabrication manufacturer located in the Town of LaGrange
- Hatfield is proposing approximately \$1,000,000.00 in expansion in order to increase capacity on its property
- The project is requesting an enhanced PILOT and sales tax exemptions.
- The project has the support of both the school district and the Town

Mr. Cappillino informed the board (via phone) that the final resolution was delayed because of the SEQRA determination that was made by the Town of LaGrange.

A motion was made by Mr. Torreggiani, duly seconded by Mr. Doyle to approve the Final Resolution Authorizing a Payment-in-Lieu-of-Tax Agreement and Sales Tax Exemption for Hatfield Metal Fab, Inc. All voted in favor. Motion carried.

MHTC Development, LLC

For Consideration and Approval of an alternative compliance performance measurement of the Local Workforce Policy for MHTC Development, LLC.

Vice Chairman Dean introduced John Hettinger and Gene Sneeringer who is representing MHTC Development LLC which is referred to as Eastdale.

Ms. Lee gave a brief historical overview of the local labor policy and its current challenges as it related to compliance.

- In 2016 the IDA board established a local labor policy
- At the time many IDAs had statements about local labor but Dutchess County IDA was one of the few IDAs to develop a local labor policy with enforceable elements
- Eastdale is one of the first projects to qualify under this local labor policy but, while enacting this policy the office encountered some challenges with monitoring and compliance, the reasons are not due to projects not wanting to comply but rather how our policy is written.
- This policy is written to measure individuals as an indication of compliance versus work hours and for a policy that requires 80% of local workforce requirement, measuring individual can skew compliance measurements.
- During their research, Marilyn found that other entities with a local labor policy that does not have a 100% requirement will use work hours as a form of measurement.
- The staff realized by working MHTC, that MHTC as well as future projects will be challenged to comply if individuals are used as a unit of measurement vs. work hours.
- Ms. Lee is asking the board to consider amending the local labor policy to convert it to labor hours
- The waiver will be in effect until the current policy is amended
- Once the policy is amended, MHTC will be able to comply the new policy

Discussion, questions, and answers ensued

Question: Will there be a need to extend the evaluation period to a longer time period?

Response: Marilyn developed a worksheet/template that the employees will review and complete. This template will help monitor the project and provide the IDA with accountability.

Question: It is apparent that the measurement method needs to be amended. When making these changes, does it make sense to go to an hourly measurement versus a person measurement?

It should balance out to the same number. If there is one thousand man hours you are not going to have one thousand people working. You are going to have x amount of people doing the work. No matter if its man hours or people it should come out to the same percentage of labor force or labor hours. Labor people and labor hours should be the same number.

Response: There is a difference. For example, if blasting was a three-day project with ten people involved and the project has a core team of ten people working every day for the next six years, it would be 50/50. The capacity for one person in their role, what they are doing, and how much time they are spending has direct impact on this.

Question: Is there harm to the County or the IDA by going from individual names to hours?

Response: Measuring by hours may be easier for applicant to measure and comply with the policy as well as for the IDA to monitor the project.

Three different forms are used to monitor projects

- The first form was given to MHTC. It has the name of the company/project, registered address of the worker, and the amount of hours per day, Monday-Friday. They will give the Agency this form on a bi-weekly basis. It is also how they will be paid.
- The second form consists of information from site visit. Marilyn, will show up once a month for a site visit and request IDs, I-9s, driver licenses, and will go back to their offices and have them pull payroll records so she can match and verify the information. She decided she does not need copies their payroll records. She would just be required to verify the information.
- The third form is for Marilyn to write notes and sign off to verify she has seen all the requested forms.
- Monitoring will start this week and the staff will provide reports at the next board meeting

Question: We want to encourage using as much local labor and contractors as possible. Should the board be concerned about approving a project that is not in compliance because the project used an outside contractor with a lower price?

Response: The Policy is clear about the percentage. The intent of the policy is the investment of local workers not how the project costs are distributed. The project is monitored and the benefits are tied to the total cost of the project and employment as stated in the application. There is a waiver in the policy that applicants can use if utilizing local labor will cause the project cost to increase by 10% or more, however the project will need to provide proof as to why local labor cannot be used.

Monitoring the project by work hours would alleviate some of these challenges and would still be within the spirit of the policy to retain investment in the County.

Under the current policy, it good to open up the discussion for amending the policy. The waiver request for Eastdale explains that they are still going to be meet the monitoring requirements and the requirement based on hours. They will complying with policy once it is amended. This is just a temporary waiver on the current policy.

A motion was made by Mr. Torreggiani, duly seconded by Mr. Doyle to approve an alternative compliance performance measurement of the Local Workforce Policy for MHTC Development, LLC. All voted in favor. Motion carried.

PROPOSED INCREASED CONTRACT AMOUNT TO TOURISM

Ms. Lee gave a brief background about the reason for this proposed increase discussion

- Under the IBM agreement with the IDA, IBM will be paying an annual administrative fee
- During the 3 year term of this agreement it is proposed that the LDC would no longer have a financial contract with the County and a portion of the IBM administrative fee would be used for Tourism allowing the County to lower its contract fee with Tourism.
- When the finance and audit committee met to approve the 2019 budget it was with the assumption that the 2019 contract between the IDA and LDC would total \$601,500 and the IDA's contract with Tourism would be \$1,276,000.
- Since the finance and audit committee meeting, the County has requested that the IDA consider increasing its contribution to Tourism by an additional \$200,000 for a total of \$1,476,000.

Discussion, questions, and answers ensued

Question: What is the net effect on the IDA?

Response: The IDA would need to use its fund balance to fund the additional \$200,000 request.

Question: Is this agreement of \$200,000 costing the IDA more net than what was previously paid?

Response: Yes

Question: What the County is really asking the IDA to do is take on an additional \$200,000 of economic development. Is there another proposal besides taking it from the fund balance? In the long-term what is the proposal for offsetting this? Is this \$200,000 increasing the Tourism budget by \$200,000 or offsetting a decrease proposed by the County?

Response: It's offsetting a decrease proposed by the County.

Question: What the board needs to discuss is its role within the County and if it is appropriate to use some of the IDA's fund balance to support Tourism.

In order to get the budget approved, can the board approve the \$200,000 for one year and then reconsider it at a later date?

Response: Yes, the board could approve the \$200,000 for one year.

Question: What is the fund balance?

Response: The current fund balance for the IDA is \$3.4 million.

Question: What does the IDA do when it has such a large fund balance? What is the purpose of having a fund balance of \$3.4 million?

Response:

- Income for the IDA fluctuates therefore there needs to be an amount determined by the Board to set aside for the lean years so the IDA can still be operational.
- Based on past performance, the average annual revenue for the IDA is \$178,000 and the average annual expense is \$600,000
- One of the reason the IDA has culminated a large fund balance is because the State now restricts how IDAs can use its own funds

- Another reason the IDA has such a large fund balance is because of the administrative fee from Cricket Valley. This was an unusual amount of money for the IDA.
- The other benefit for having such a large fund balance is the interest being earned on it which will give the IDA \$70,000 for operating during the years there is no Cricket Valley
- We have looked at the long term projections and we don't have a solid positive revenue model going forward so the fund balance is vital to the IDA's existence

Question: Is a \$3.4 million fund balance larger than to be expected for an organization that operates at our expense level and structure? Do we have any projections for the next five years of how much of this we would need?

Response: On average, over the past 10 years, the IDA has been collecting \$178,000. Unless the IDA have another large project it is reasonable to assume that on average, the IDA will be using part of its fund balance to cover all its expenses.

Question: What will happen if the IDA doesn't fund Tourism? Will the County find the money somewhere else?

Response: The County budget has not been released so it is unclear what will happened to Tourism

Question: Is there a consensus from the board to do this agreement for one year? Is there any feedback from Chairman Daniels about this?

Response: Chairman Daniels doesn't have any feedback. He is in agreement with what the board decides. The staff will submit the proposed 2019 budget to PARIS which will show the \$200,000 increase to Tourism in 2019. Based on the Board discussion the three year projection will show the additional \$200,000 in 2019.

The board agreed to increase the contract amount by Tourism \$200,000 for 2019. For continued funding at this level beyond 2019 will be subject of another discussion at a future meeting.

APPROVAL OF 2019 BUDGET

Mr. Doyle gave the following overview of the budget:

- The 2019 proposed budget is based on fees from 3 projects and the administrative fee from IBM
- The obvious component that was just discussed of changing the Tourism component but there is really no change to the other professional service contracts
- The administrative fee includes the increase from 2018 is largely due to the IBM administrative fee. The fee was increased to \$1.3 million.

Expenditures

- Expenditures have remained the same as the 2018 budget.
- Where the greatest change is the professional service contract because \$601,500 is going to LDC and Tourism will increase to \$1,476,000, and Hudson Valley Agriculture contract will remain the same at \$25,000.
- The finance and audit committee reviewed the proposed budget and unanimously approves it

A motion was made by Mr. Sagliano, duly seconded by Mr. Torreggiani to approve the 2019 budget including the one year additional funding for Dutchess Tourism, Inc. as requested by the County. All voted in favor. Motion carried.

APPROVAL OF FIVE YEAR BUDGET

A motion was made by Mr. Doyle, duly seconded by Ms. Langenthal to approval the five year budget as amended to remove \$200,000 from the proposed years of 2020 and 2021. All voted in favor. Motion carried.

FINANCIAL REPORT

Ms. Lee reported on the 9/30/18 Balance Sheet and Profit & Loss Budget

Balance Sheet

- Cash balance was \$4,397,188.92
- CDs will not be renewed in November
- An RFP will be sent out for the investment services

Profit & Loss

- Revenue was \$4,227,488.67
- PILOT came in and went out
- There were no problems with PILOT collections.

A motion was made by Mr. Torreggiani, duly seconded by Mr. Doyle to approve the 9/30/18 financial report as presented. All voted in favor. Motion carried.

OLD BUSINESS

Nothing to report

NEW BUSINESS

Ms. Lee reminded the board about the upcoming Business Excellence Awards on Thursday, November 1 and noted that IDA typically IDA purchases a table at the event for board members and staff. She asked the board for permission to purchase a table at the cost of \$1,200.

A motion was made by Ms. Langenthal, duly seconded by Mr. Doyle to purchasing a table for the IDA at the Business Excellence Awards on Thursday, November 1, 2018. All voted in favor. Motion carried.

ADJOURNMENT

There being no further business, a motion was made by Ms. Langenthal, duly seconded by Mr. Torreggiani to adjourn the meeting. All voted in favor. Motion carried. Meeting adjourned at 9:16 a.m.

Respectfully submitted,



Mark Doyle, Secretary/Treasurer



Date

Meeting	<u>10-24-18</u>
Approved	<u>12-18-18</u>
Certified	<u>12-18-18</u>

Dutchess County Industrial Development Agency

IDA	2017 Audit	2018 Budget	2018 Estimated Actual	2019 Approved Budget	
Revenues:					
Administration Fees	4,111,128	178,000	451,937	1,495,500	3@36,000+IBM agrment
Application Fees	0	750	2,000	750	3@250
Compliance Fees	1,000	2,000	2,000	3,500	7@500
Administration Costs	0	0	0	0	
Interest	1,752	39,988	69,452	1,500	
Total Revenue	4,113,880	220,738	525,389	1,501,250	
Expenditures:					
Audit	14,500	14,500	14,500	14,500	
Dues, pub, sub	1,500	2,500	2,091	2,500	*includes IA & NYSEDC
Insurance	3,272	3,750	3,747	3,750	
Misc/Other	904	2,500	2,500	2,500	
Professional Service Contracts	610,000	600,000	590,000	2,102,500	
Professional Services	0	6,000	5,000	10,000	
Rent	912	828	948	1,000	
Supplies	889	1,000	38	1,000	
Travel & Meeting	0	2,500	0	2,500	
Total Expense	631,977	633,578	618,825	2,140,250	
Excess Income /Expense	3,481,903	(412,840)	(93,435)	(639,000)	

	2017 Audit	2018 Budget	2018 Estimated Actual	2019 Proposed Budget
<u>Professional Service Contracts</u>				
LDC	75,000	150,000	150,000	601,500
SMC/LDC	65,000	0	0	0
DTI	415,000	415,000	415,000	1,476,000
HV Agri	25,000	25,000	25,000	25,000
Marketing	30,000	0	0	0
	<u>610,000</u>	<u>590,000</u>	<u>590,000</u>	<u>2,102,500</u>
DTI	300,000	300,000	300,000	1,361,000
MidHudson Arts	100,000	100,000	100,000	100,000
HV Film	15,000	15,000	15,000	15,000
	<u>415,000</u>	<u>415,000</u>	<u>415,000</u>	<u>1,476,000</u>

Professional Services

Local Workforce Policy enforcement services	0	6,000	0	10,000
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Dutchess County Industrial Development Agency

Paris 5 Year Budget

Year: 2019

	Last Year (Actual) 2017	Current Year (Estimated) 2018	Next Year Approved 2019	Approved 2020	Approved 2021	Approved 2022
Operating Revenues:						
Charges for services	4,112,128	455,937	1,499,750	1,529,745	1,560,340	178,000
Other Revenue	0	0	0	0	0	0
	<u>4,112,128</u>	<u>455,937</u>	<u>1,499,750</u>	<u>1,529,745</u>	<u>1,560,340</u>	<u>178,000</u>
Nonoperating Revenues:						
Investment earnings	1,752	69,452	1,500	70,000	1,500	70,000
Other Non-Operating Revenues	0	0	0	0	0	0
Total Revenue	4,113,880	525,389	1,501,250	1,599,745	1,561,840	248,000
Operating Expenditures:						
Professional Services Contracts	624,500	604,500	2,127,000	1,927,500	1,927,500	615,000
Other	6,588	14,287	12,250	40,000	41,000	42,000
Supplies	889	38	1,000	1,000	1,000	1,000
Nonoperating Expenditures:						
Other Non-Operating Expenditures	0	0	0	0	0	0
Total Expense	631,977	618,825	2,140,250	1,968,500	1,969,500	658,000
Excess Income /Expense	3,481,903	(93,436)	(639,000)	(368,755)	(407,660)	(410,000)

Dutchess County Industrial Development Agency 2019 Budget Narrative

Revenues:

- *Administrative Fees* is based on an averaged administrative fee of \$36,000 for 3 projects and the proposed IBM administrative fee of \$1,300,000.
- *Application Fees* is based on 3 projects
- *Compliance Fees* is based on 7 projects that are subject to the fee

Expenditures:

- *Audit* is based on costs outlined in RBT's proposal.
- *Dues, Publications and Subscriptions* includes a subscription to Center of Government Research (Cost Benefit program), shared membership with LDC to NYSEDC and web-domain fees.
- *Insurance* is the Crime Bond for the IDA
- *Misc/Other* include costs for transcription services for project hearings
- The *Professional Service Contract* includes contracts with the Dutchess County Local Development Agency, Dutchess County Tourism, and Hudson Valley Agriculture. With the increased administrative fee from IBM, the IDA will be increasing its contract amount by \$861,000 for a total of \$1,476,000. The IDA will also increase the contract amount with the LDC by \$451,500 for a total of \$601,500. The professional service contract with Hudson Valley Agriculture will remain the same at \$25,000.
- The *Professional Services* includes estimated cost for a firm to assist in enforcing the Local Workforce Policy.
- *Rent* is the IDA's shared cost of the storage unit