

Cayuga County Development Corporation Annual Operations and Accomplishments Report FY 2013

Introduction

The Cayuga County Development Corporation (hereinafter called the “CCDC” or the “Corporation”) was created in June, 2002 as a Not-For-Profit Local Development Corporation under Section 1411 of the Not-For-Profit Corporation Law of the State of New York, for the purposes set forth in Section 1141(a) of such law and whose formation and operation are exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. These purposes are to relieve and reduce unemployment, promote and provide for additional and maximum employment, to create better and to maintain job opportunities within Cayuga County and to and lessen the burden of government and act in the public interest.

The Office of the Agency is located at the Cayuga County Office Building, situated at 160 Genesee Street, 5th Floor, Auburn, NY, 13021. You can reach the CCDC Office at (315) 253-1276.

This document is being presented as the Annual Operations and Accomplishments (“Annual”) Report for the Cayuga County Development Corporation for the Fiscal Year ending 12/31/2013 in full compliance with the New York State Public Authorities Law (“PAL”) Section 2824-a, the 2005 NYS Public Authorities Accountability Act (“PAAA”) and the 2009 PARA. The goal of this report is to provide a written assessment and summary review of CCDC’s operations and accomplishments during FY2013. In some cases, this report will refer to and identify the publicly available (and web-posted) location of supporting reports or materials that provide the information cited. Collectively, this report and the cited materials include the following areas of concern:

1. Overview of FY2013 CCDC Operations and Accomplishments
2. CCDC Revenues & Expenditures for FY2013
3. CCDC Assets & Liabilities for FY2013
4. CCDC Compensation
5. Overview of Projects undertaken by the Corporation in FY2013
6. Real Property Owned and/or Disposed of by the Corporation in FY2013
7. The CCDC Code of Ethics adopted by the Board of Directors
8. An Assessment of the Effectiveness of CCDC’s Internal Controls; and the
9. CCDC Investment Report for FY2013.

I. Overview of Operations & Accomplishments

Restructuring of the CCDC as “on-behalf-of” Issuer of Civic Facilities Bonds

At the start of FY2013, the CCDC continued operations with its full Board of Directors (7 Directors; who were also the Directors of the Cayuga County Industrial Development Agency or “CCIDA”) with staff provided through the Cayuga County Department of Planning & Economic Development. However, in March of 2013, the CCDC Board, in coordination with the CCIDA and the Cayuga County Legislature, initiated an organizational transition that replaced the CCIDA as the Authority’s “Sole Member” with the Cayuga County Legislature as “Sole Member”, thereby allowing the Authority to position itself as the on-behalf-of issuer of certain tax-exempt civic facilities bonds within Cayuga County to support County-based not-for-profit corporations. Additional details of this transition are provided below.

In early 2013, the then-existing CCDC Board of Directors and the Legislature of Cayuga County acknowledged that the County of Cayuga did not have an entity authorized to provide conduit financing for local not-for-profit institutions seeking to undertake new capital projects and refinancing. County leadership and staff were also aware that the County, by and through the County Legislature, is empowered to establish either a new or existing Local Development Corporation (“LDC”) to undertake re-financings and finance new capital improvements for these projects. In doing so, the designated LDC (such as the CCDC) would perform essential governmental functions including the activities associated with the promotion of community and economic development and job creation and issuance of bonds on behalf of the County.

In Cayuga County’s case, the Cayuga County Industrial Development Agency (“CCIDA”) had previously established the CCDC in 2002 as an affiliate entity to assist the CCIDA in deploying economic development services and assistance for the benefit of Cayuga County. As previously stated, the CCDC began FY2013 with the CCIDA serving as the sole member of the Corporation with the CCIDA members serving as the Board of Directors of the Corporation.

The Internal Revenue Service (“IRS”) under Section 501(c)(3) of the Internal Revenue Code (the “Code”) has established applicable provisions of the Code governing “on behalf of” issuers. These provisions require, among other things, that such an entity have a board of directors that is appointed directly by a governmental entity. Therefore, and in this instance, the membership of the Corporation could be modified to establish the County, acting by and through the Chairman of the County Legislature, ex officio, as sole member. The County, by and through the Chairman, would then establish rights to directly appoint the Corporation’s Board of Directors. The County understood that this structure would allow for a “built-in” oversight and administrative structure by using the existing County staff which had the experience serving as administrative staff to the CCIDA and which would allow this experienced staff to continue to work directly with the clients and projects on certain civic facilities projects within the County.

In order to establish the Cayuga County Development Corporation as the County’s “on behalf of” issuer, the County, via adoption of Legislative Resolution No. 121-13 on March 26, 2013 (i) accepting membership of the Corporation, and (ii) appointing the Corporation for this purpose.

With this step accomplished, the Corporation scheduled and conducted a Re-organizational meeting on April 9, 2013, and via adoption of CCDC Resolution No. 04/2013-01, which, among other organizational matters:

- Amended the CCDC By-laws reflecting County as sole member;
- Appointed Board Officers, Corporation Staff and Professionals;
- Established the following Board Committees and appointed members thereof:
 - Audit and Finance Committee;
 - Governance Committee;
 - Loan Committee; and
- Adopted and Approved a Form of Application for Financial Assistance.

With the foregoing organizational changes accomplished, the CCDC continued in FY2013, and was "open for business" to assist County-based not-for-profits with their financing needs.

Auburn Community Hospital Refinancing Project

On June 28, 2013, the Auburn Community Hospital ("ACH"), a New York not-for-profit corporation and an organization described in 501(c)(3) of the Code and the single community hospital serving Cayuga County, the City of Auburn and its residents, submitted an Application for Financial Assistance to the CCDC requesting that the CCIDA as the "Issuer" consider the issuance of one or more series of its Tax-Exempt and/or Taxable Revenue Bonds (Auburn Community Hospital Project) in the principal amount not to exceed \$13,000,000 (or such other amount as finally advised by the ACH (the "Bonds") for the purposes of undertaking a certain project (the "Project") consisting of the following:

1. The refinancing of the outstanding principal amount of the Cayuga County Hospital Improvement Corporation's (the "Corporation") \$27,500,000 original principal amount Certificates of Participation, Series 1994 (the "Series 1994 Certificates"), the proceeds of which were used to finance a certain project (the "Original Project") consisting of the undertaking of certain improvements at the Institution's facilities located at 17 Lansing Street, Auburn, New York (the "Institution Facilities"), including, but not limited to:
 - a. Site improvements;
 - b. The expansion and renovation of the then existing hospital facilities aggregating approximately 29,500 square-feet of space;
 - c. The construction and equipping of new hospital facilities aggregating approximately 57,300 square feet of space;
 - d. The refinancing of a parking structure and laboratory acquisition; and
 - e. The demolition of the former nursing school
2. The paying of all or a portion of the costs incidental to the issuance of the Bonds, including issuance costs of the Bonds, capitalized interest, if any, and any reserve funds as may be necessary to secure the Bonds; and

3. The granting of certain other financial assistance with respect to the foregoing, including exemption(s) from mortgage recording taxes (collectively with the issuance of the Bonds, the "Financial Assistance").

The CCDC Board of Directors, with the assistance of CCDC staff and Bond Counsel, worked with the Cayuga County Legislature, County Attorney and County Bond Counsel to proceed through this complex bond refinancing with the following general project milestones:

- July 23, 2013: CCDC Adopted a Preliminary Resolution accepting the ACH Application and authorizing scheduling and conduct of a Public Hearing;
- August 12, 2013: CCDC scheduled, noticed and conducted a Public Hearing;
- August 27, 2013: Cayuga County Legislature adopted a "County Approving Resolution";
- August 28, 2013: CCDC approved and adopted a Bond Resolution for Auburn Community Hospital Project; authorizing:
 - The Issuance, Execution, Sale and Delivery by the Cayuga County Development Corporation of its Tax-Exempt and/or Taxable Revenue Bonds (Auburn Community Hospital Project) in the Aggregate Principal Amount not to exceed \$13,000,000; and
 - The Execution and Delivery of All Documents and Instruments necessary and incidental thereto.

Due to a favorable interest rate climate at the time of the project, the ACH used the bond refinancing project to:

- Reduce its borrowing cost;
- Lower its debt services; and
- Reduce the financial exposure for Cayuga County that existed under the previous financing structure associated with the 1994 debt issuance.

Other Board Actions and Accomplishments in FY2013

Preparation and Review of CCDC USDA Revised Loan Program Guidelines

In 2013 the CCDC Staff worked with United States Department of Agriculture Rural Development (USDA-Rural Development) staff to review, revise and update the existing CCDC Small Business Loan Program Policy Guidelines in an effort to make the CCDC Loan Program more flexible and responsive to the current needs of the Cayuga County rural and agriculturally-focused small business and industry community. The CCDC staff provided the

CDC Board with an overview of the loan program as these revisions progressed. The actual program revisions were approved in 2014 but the majority of the work on this was accomplished in FY2013.

II. CCDC REVENUES AND EXPENSES FY2013

Prior to FY2013, the Cayuga County Industrial Development Authority (“CCIDA”) conducted an independent financial audit of the previous fiscal year and included in that independent audit an audit of the Cayuga County Development Corporation finances as a *Component Unit* of the CCDC.

Beginning with the audit for FY2013, the CCDC initiated its own, independent annual financial audit of the Corporation using the services of a local CPA firm (Cuddy & Ward CPAs of Auburn, NY) procured in 2014 through a competitive Request for Proposal (RFP) process with the authorization of a three-year contract for independent financial services.

The full CCDC FY2013 audit, including an analysis and overview of the CCDC Revenues and Expenses for the fiscal year, is available both online at the CCDC webpage:

<http://www.cayugacounty.us/DoingBusiness/PlanningandEconomicDevelopment/EconomicDevelopment/PartnersandResources/DevelopmentCorporation.aspx#2013>) and at the CCDC offices, Cayuga County Office Building, 160 Genesee Street, 5th Floor, Auburn, NY 13021.

III. CCDC ASSETS AND LIABILITIES FY2013

As stated above, the CCDC independent financial audit of the fiscal year ended 12/31/2013 also includes an analysis and overview of the CCDC Assets and Liabilities for the fiscal year, which is also available both online at the CCDC webpage (please see Section II above for website URL) and at the CCDC offices, Cayuga County Office Building, 160 Genesee Street, 5th Floor, Auburn, NY 13021.

One of the primary changes in the CCDC assets highlighted by the FY2013 Audit is an increase in CCDC revenue resulting from the fees collected by the Corporation in association with the Auburn Community Hospital Refinancing Project discussed in Section I, above.

IV. CCDC CORPORATION COMPENSATION

The CCDC is located at the Cayuga County Office Building in Auburn, NY and operates with staff support provided by Cayuga County. The primary staff members working with the CCDC on daily operation and administration are the CCDC Executive Director who is also the Director of the Cayuga County Office of Planning & Economic Development and the CCDC Acting Secretary & CFO/Treasurer who is the Administrative Assistant with the of the Cayuga County Office of Planning & Economic Development.

Neither the CCDC Executive Director nor the CCDC Acting Secretary & CFO/Treasurer receive any compensation at all by the CCDC. These individuals are paid fully by Cayuga County in their respective County positions detailed above. These individuals and appointed officers of

CCDC are however typically reimbursed for certain expenses incurred in the performance of their duties to the CCDC such as mileage, etc.

In addition to these primary positions, the CCDC receives technical assistance from time to time through Cayuga County. This support assistance is provided at no cost to the CCDC.

V. OTHER INITIATIVES UNDERTAKEN BY THE CCDC IN FY2013

In addition to the Auburn Community Hospital Refinancing Project described in Section I, the CCDC Board and Staff also engaged in the following activities:

- Coordination with the CCIDA on development of the Aurelius Industrial Park infrastructure project – which was substantially completed in FY13;
- As a local economic development entity, the CCDC continued close coordination and interaction with the Cayuga-Cortland Workforce Investment Board and overall workforce development initiatives;
- Review and Assessment of CCDC Internal Controls;
- Continued coordination and networking with Cayuga County small business concerns and manufacturing clusters; and
- Continued coordination and networking with the City of Auburn IDA and LDC.

VI. CCDC PROPERTY OWNED AND/OR DISPOSED OF FY2013

As reported annually, the CCDC does not own any real property and this remained the case in FY2013.

VII. CCDC Code of Ethics

The CCDC originally adopted a Code of Ethics on September 18, 2007 that established a high level of ethical conduct the Board of Directors, staff and associates for the Corporation to adhere to. This adopted Code of Ethics is reviewed annually by the Board of Directors and was specifically reviewed and ratified on October 18, 2011 when the CCDC Board revised its Bylaws. The Code of Ethics is posted online at the CCDC webpage:

<http://www.cayugacounty.us/DoingBusiness/PlanningandEconomicDevelopment/EconomicDevelopment/PartnersandResources/DevelopmentCorporation.aspx#docs> and is available at the CCDC offices. A copy of the adopted Code of Ethics is provided below:

The members of the board (the "Board") of the Cayuga County Development Corporation (the "Corporation"), a duly established public benefit corporation of the State of New York (the "State"), along with the officers and staff of the Corporation, shall comply with and adhere to the provisions of the Not-For-Profit Corporation Law of the State.

Further, no director, officer, or employee of the Corporation shall (1) accept other employment which will impair his or her independence of judgment in the exercise of his or her official duties; (2) accept employment or engage in any business or professional activity which will require him or her to disclose confidential information which he or she has gained by reason of his or her official position of Corporation; (3) disclose confidential information acquired by him or her in the course of his or her official duties nor use such information to further his or her personal interests; (4) use or attempt to use his or her official position to secure unwarranted privileges or exemptions for himself, herself or others; (5) engage in any transaction as a representative or agent of Corporation with any business entity in which he or she has a direct or indirect financial interest that might reasonably tend to conflict with proper discharge of his or her official duties; (6) not, by his or her conduct, give reasonable basis for the impression that any person can improperly influence him or her or unduly enjoy his or her favor in the performance of his or her official duties, or that he or she is affected by the kinship, rank, position or influence of any party or person; (7) abstain from making personal investments in enterprises which he or she has reason to believe may be directly involved in decisions to be made by him or her or which will otherwise create substantial conflict between his or her duty in the public interest and his or her private interest; and (8) endeavor to pursue a course of conduct which will not raise suspicion among the public that he or she is likely to be engaged in acts that are in violation of his or her trust.

*Approved and adopted on the 18th day of September 2007.
Amended and Ratified October 18, 2011.*

VIII. Assessment of the Effectiveness of CCDC Internal Controls

The CCDC is audited annually by an independent auditor. The CCDC review and approval of the audited financial statements is the responsibility of CCDC management and the Board of Directors and the FY2013 CCDC Financial Audit was approved by the CCDC Board on Friday, March 14, 2014. These CCDC Financial Audit is prepared in accordance with accounting principles generally accepted in the United States of America. Financial information contained in the report and in the related, cited materials are available at the CCDC offices and online at the CCDC webpage.

CCDC has established an Internal Control Structure and the CCDC Board of Directors conducts an annual review and assessment of its Internal Controls as part of its review of the annual independent financial audit. The objectives of the CCDC Internal Controls and Structure is to provide reasonable assurance as to the protection of and accountability for assets, compliance with applicable laws and regulations, proper authorization and recording of transactions and the reliability of financial records for preparing financial statements. The Internal Control Structure is subject to periodic review by CCDC independent auditors in addition to the review by the CCDC Board and management.

The CCDC Board and management are committed to an ongoing assessment of the control structure and are focused on the following continuous improvements:

- Timely compliance with PAAA and new PARA throughout the fiscal year, including communication with CCDC independent auditors and general counsel to bring the Corporation in to a structured review and audit schedule ensuring full and timely compliance with statutory compliance, public reporting and transparency;
- Cross training of Agency staff (and Board) on PAAA and the new PARA and financial reporting requirements to establish checks and balances for meeting full compliance with scheduled reporting.

IX. CCDC INVESTMENT REPORT

Deposits and Investments

State statutes govern the Corporation's investment policies. In addition, the Corporation adopted its own written Investment Policy on September 18, 2007 which remains in place. Corporation monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The CCDC Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of New York State and its localities.

Collateral is required for demand deposits and certificates of deposit at 105% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

Total bank balances of the CCDC of \$254,764 at December 31, 2013 are covered by FDIC insurance up to the limits. The carrying value of deposits at December 31, 2013 totaled \$254,764.

Cayuga County Development Corporation – CCDC
FY 2013 Operations & Accomplishments ("Annual") Report

Included in these balances is a money-market checking account in the amount of \$104,025 at an interest rate of .05% and a checking account in the amount of \$150,739 at an interest rate of .08%. These latter funds are restricted for the purpose of economic development loans.