

Cayuga County Development Corporation Annual Operations and Accomplishments Report FY 2019

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. The telephone number for the CCDC Office is (315) 253-1276. The Office is open M-F 8:30 am to 5:00 pm.

This document is being presented as the Annual Operations and Accomplishments (“Annual”) Report for the Cayuga County Development Corporation for the Fiscal Year ending 12/31/2019 in 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. This report provides a written assessment and summary review of CCDC’s operations and accomplishments during FY2019. 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 FY2019 CCDC Operations and Accomplishments
2. CCDC Revenues & Expenditures for FY2019
3. CCDC Assets & Liabilities for FY2019
4. CCDC Compensation
5. Overview of Projects undertaken by the Corporation in FY2019
6. Real Property Owned and/or Disposed of by the Corporation in FY2019
7. The CCDC Code of Ethics adopted by the Board of Directors
8. An Assessment of the Effectiveness of CCDC’s Internal Controls from the CCDC independent auditor’s report for FY2019; and the
9. CCDC Investment Report for FY2019.

I. Overview of Operations & Accomplishments

Under the New York State Certificate of Incorporation and corresponding Bylaws, the CCDC Board may have as few as three (3) or as many ten (10) Directors. CCDC historically has functioned with five (5) Directors, with staff and administrative support provided by two individuals from the Cayuga County Department of Planning & Economic Development (“CCPED”): Mr. Stephen F. Lynch, AICP, the Director of CCPED and the Executive Director of CCDC; and Ms. Suzanne Gauthier, Administrative Assistant to CCPED and Acting Treasurer/Acting Secretary of CCDC.

At the start of FY2019, the CCDC continued operations with one (1) vacancy on the five-member CCDC Board of Directors. In December of 2018, a fourth individual, Mr. Bud Shattuck, Mayor of the Cayuga County Village of Union Springs, was appointed by the County Legislature to the CCDC Board, bringing the CCDC Board up to four (4) active Directors. The Board operated throughout FY2019 with this four-member board and the CCDC anticipates an appointment to the Board in 2020, bringing the Board back to five (5) active members.

A. CCDC LOAN PROGRAM ACTIVITY IN 2019

Throughout 2019 the Cayuga Economic Development Agency (“CEDA”) marketed the CCDC Loan Program to the Cayuga County business community with emphasis on outreach to the County’s rural and agriculturally-focused small businesses, small manufacturers in the community and to emerging or expanding businesses in the growing tourism and beverage sectors.

With this outreach, fiscal year 2019 was a more active year for the CCDC Loan Program in terms of loan applications with a total of five (5) full applications, resulting in two (2) new loans. Please note the following:

1. The CCDC continued to administer existing loans including the following:
 - a. Springside Inn VI (assumed from County Loan Pool in 2018, with continued payments in 2019).
 - b. NBF Plastics (original 2016 CCDC Loan, continued payments in 2019).
 - c. Aurora Ale & Lager Company: Small business expansion loan made in FY2018 for \$130K; 5-Year Term, 5% Rate. AA&L current with all payments as well as hiring commitments in FY19.
 - d. E. John Gavras Center Facility Improvement and Expansion Loan made in FY2018: \$500K, 5-Years; 4% Rate. The Gavras Center completed the planned improvements in 2019 and kept current with all loan payments in FY2019.
 - e. Wells College Water System Infrastructure – an emergency system repair loan made in FY2018: \$550K; 20-year Term, 2% Rate. This was a Bridge Loan on emergency repairs to the public water systems that Wells College owns and operates serving the College Campus and the Village of Aurora. Although the loan authorized up to \$550K in emergency loan funds, a total of \$292,818 was initially borrowed to install the critical system repairs and was repaid in FY2018.

The balance of \$257,182 was never drawn down from CCDC and loan was closed out in FY2018.

2. The CCDC Board reviewed the following loan applications in FY2019:
 - a. Auburn Public Theater (“APT”) Bridge Loan of \$450K (1-yr, term at 5% interest on funds drawn down) for Facility Expansion Project.
 - i. Board reviewed and approved a bridge loan to APT on March 4, 2019. The APT Board of Directors decided to pursue alternative project finance options and declined the loan offer.
 - b. Colonial Lodge Small Business Loan. This was an application for gap financing of \$44,500 behind an SBA-guaranteed loan from a local, conventional lender. The project included purchase and operation of an existing restaurant and lodging facility in the southern section of Cayuga County. Upon review and due-diligence, the CCDB Board did not approve the loan request.
 - c. Crystal Creek Organics, Inc. This was a small business research and commercialization loan request for \$200K in concert with an approved energy research grant from the New York State Energy Research Development Corporation (“NYSERDA”). The CCDC Board and borrower were unable to reach agreement on suitable loan collateral and personal guarantees of the principals. The CCDC did not approve the loan; however the project and research has continued and may return to CCDC for future finance needs.
 - d. Prison City Brewing New Brewery Facility Expansion Loan.
 - i. Loan approved by CCDC Board on August 7, 2019. Loan made to support new tasting room and production brewing facility expansion for Prison City Brewing (via Prison City Beverages, LLC) within the City of Auburn.
 - ii. Loan closed for \$275K @5.5% interest and a 7.5 year (90 month) term, providing a 12 month interest-only initial payment period during construction of the new facility.
 - iii. Owner equity injection of \$440,000 with other conventional financing making up the estimated \$4.7MM expansion project. Loan requires creation of twenty-eight (28) FTE jobs over a 4-year period.
 - e. Preferred Quality Grain, LLC Small Business Loan.
 - i. Approved by CCDC Board on March 8, 2019. Loan made to support expansion of mobile agricultural services company working within the organic specialty grain market within Cayuga County and the northeast region.
 - ii. Loan of \$114K @ 5.25% interest over a 5-year (60-month) term. Provision of balloon principal payment with re-amortization and no-prepayment penalty.
 - iii. Loan payments stayed current throughout FY2019. The planned balloon principal payment was made in November of 2019 and the loan was re-amortized with a new principal balance of \$26,124.78.

C. GENERAL ADMINISTRATION

On an administrative front, the CCDC support staff working for the Cayuga County Department of Planning and Economic Development monitor and administrate the CCDC Small Business Loan Fund. This CCDC support staff also works with partners at the Cayuga Economic Development Agency (“CEDA” - a separate not-for-profit LDC) on loan application review, processing and underwriting. Lastly, the CCDC support staff works closely with the Cayuga County not-for-profit sector agencies managing civic facilities, keeping these service providers aware of CCDC civic facility bond financing options for project development.

II. CCDC REVENUES AND EXPENSES FY2019

The CCDC initiated its own, independent annual financial audit of the Corporation, once again using the services of the independent CPA firm (Bonadio & CO., CPAs of Syracuse, NY). Bonadio CPA services were procured in November 2018 through a competitive Request for Proposal (RFP) process with the authorization of a three-year contract for independent financial services approved by resolution of the Board January 10, 2019.

The full CCDC FY2019 audit, including an analysis and overview of the CCDC Revenues and Expenses for the fiscal year, is available online at the CCDC webpage:

<https://www.cayugacounty.us/440/Cayuga-County-Development-Corporation>. Copies are also available at the CCDC offices, Cayuga County Office Building, 160 Genesee Street, 5th Floor, Auburn, NY 13021.

III. CCDC ASSETS AND LIABILITIES FY2019

As stated above, the CCDC independent financial audit of the fiscal year ending 12/31/2019 also includes an analysis and overview of the CCDC Assets and Liabilities for the fiscal year. This analysis is also available 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.

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 government. The primary staff members working with the CCDC on daily operations 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 full-time Administrative Assistant with 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 may however be reimbursed for certain expenses incurred in the performance of their duties to the CCDC such as mileage, etc. The CCDC does pay compensation to the County of Cayuga for utilization of the staff, materials and meetings space provided by the Department of

Planning & ED. In FY19, the CCDC authorized a \$30K payment to the County under this services agreement.

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 FY2019

In addition to the general overview of CCDC loan program and project administration work described in Section I, the CCDC Board and Staff also engaged in the following activities:

- As a component partner in local economic development, the CCDC support staff works with the Cayuga County Legislature leadership in general and specifically with the County Legislature Committee for Planning & Economic Development. CCDC also works with local elected officials and the local business community on support for economic development efforts. Lastly, the CCDC support staff interacts with members and staff of the Cayuga-Cortland Workforce Investment Board and Cayuga Community College (SUNY CCC) on workforce development initiatives;
- Review and Assessment of CCDC Internal Controls and management of CCDC finances; and
- Continued coordination and networking with Cayuga County small business concerns and manufacturing clusters in collaboration with the Cayuga Economic Development Agency (“CEDA”).

VI. CCDC PROPERTY OWNED AND/OR DISPOSED OF FY2019

As reported annually, the CCDC does not own any real property and this remained the case in FY2019.

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 for 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:

<https://www.cayugacounty.us/440/Cayuga-County-Development-Corporation> and is available at the CCDC offices. A copy of the adopted Code of Ethics is provided below:

CCDC Code of Ethics

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. A local CPA firm, Cuddy & Ward, was CCDC auditor from FY 2013 through FY 2017. In 2018, the firm announced to clients that it would no longer continue to provide financial audit services. The CCDC conducted a RFP process in late 2018 and received five (5) proposals from independent auditors. The proposals were reviewed by the CCDC Board on January 10, 2019 and the Board selected the firm Bonadio & CO., CPAs (“Bonadio”) out of Syracuse, NY and authorized an auditing contract for three (3) years (FY18-FY20) with a clause allowing up to three (3) additional years (2021-2023).

Bonadio completed the CCDC FY2019 Independent Financial Audit and presented it to the Board of Directors on Wednesday, March 18, 2020. The CCDC Financial Audit was 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 Control 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. The CCDC Board reviewed, reaffirmed and adopted the CCDC Investment Policy on May 18, 2019. According to the Investment Policy that CCDC staff and Board continue to follow, Corporation monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The CCDC Treasurer is authorized to use, and does utilize, a small range of 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.

The CCDC maintained cash balances with a financial institution insured by the FDIC up to \$250,000 for interest bearing and non-interest-bearing accounts. At December 31, 2019, the Corporation's deposits, including certificate of deposits was \$1,716,285. Of this total, \$799,634 was covered by FDIC while the remaining balance was collateralized in full and in excess of required amounts in the amount of \$916,651. At December 31, 2018, the Corporation’s deposits, including certificate of deposits, was \$1,648,684 and the bank balance was \$1,647,300. Of this total, \$665,217 was covered by FDIC while the remaining balance was collateralized in full and in excess of required amounts in the amount of \$982,083.