

Cayuga County Industrial Development Agency

Annual Operations and Accomplishments Report FY 2014

Introduction

The Cayuga County Industrial Development Agency (“CCIDA”) is a public benefit corporation created under Title I of Article 18-A of the General Municipal Law of the State of New York, as amended, and Chapter 688 of the Laws of 1970 of the State of New York (collectively referred to as the “Act”), with the authority and power to promote, develop, encourage and assist in acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing industrial, manufacturing, warehousing, commercial, civic, research, and recreational facilities as authorized by the Act, in connection therewith to issue its revenue bonds, enter into straight lease transactions and provide other forms of financial assistance on behalf of client enterprises to coordinate County, Federal, New York State and Municipal programs to insure that each client has access to the full range of development incentives and assistance available to firms locating or expanding in Cayuga County.

The Office of the Agency is located at 2 State Street, Auburn, NY, 13021.

This document is being presented as the Annual Operations and Accomplishments (“Annual”) Report for the Cayuga County Industrial Development Agency’s (“CCIDA” or the “Agency”) Fiscal Year ending 12/31/2014 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 CCIDA’s operations and accomplishments during FY2014. In some cases, this report will refer to and identify the publicly available (and 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 CCIDA Operations and Accomplishments in FY14
2. Revenues & Expenditures in FY14
3. Assets & Liabilities in FY14
4. CCIDA Compensation Policy
5. Overview of Projects undertaken by the Agency in FY14
6. Real Property Owned and/or Disposed of by the Agency in FY14
7. The CCIDA Adopted Code of Ethics
8. Assessment of the Effectiveness of CCIDA Internal Controls in FY14
9. CCIDA Investment Report for FY14

I. Overview of Operations & Accomplishments

The CCIDA continued to operate under its authority in FY2014 with a full Board of Directors and administrative services provided through the Cayuga Economic Development Agency. The Board conducted one (1) annual and eleven (11) monthly meetings and conducted an Independent Financial Audit for FY2014 as required by statute. The CCIDA monthly Board meetings were public meetings and were posted as such and each meeting included a Treasurer's Report and a review and approval of previous meeting minutes. The full minutes of the Board meetings of FY2014 are available online for review at:

<http://www.cayugacountyida.com/ida-documents-and-policies/#ida2014> and are also available for review at the CCIDA offices at 2 State Street, Auburn, NY 13021.

During FY2014 the CCIDA continued its particular focus on two primary economic development initiatives:

- **CEDA.** In FY2014 CCIDA provided support for, and coordination with, the Cayuga Economic Development Agency ("CEDA"), the County's private-sector economic development agency formed in 2009 and active since 2010. This Agency was developed to provide full-time, private sector driven economic development coordination and collaboration between the existing Industrial Development Agencies and organizations operating within Cayuga County while implementing a structured and effective Business Retention and Expansion Program.
 - The CCIDA Board played an instrumental role in supporting the organizational development of the CEDA organization in FY10 and continued that support through FY14, including but not limited to:
 - Continuing an administrative services contract with CEDA;
 - Technical assistance with overall economic development initiatives and project development; and
 - Community Outreach and Networking.
- **CCIDA Industrial Park Infrastructure Development.** CCIDA continued to work on bringing the Agency-owned Aurelius Industrial Park to "shovel ready" status and to position this asset for targeted value-added agricultural business development. Specific activities included, but were not limited to:
 - Assistance to advance the development of the \$100M Cayuga Milk Ingredients ("CMI") Fluid Milk Processing Plant and enhancement attraction capabilities.

In addition to these focus areas, the CCIDA also worked to market CCIDA services and available incentives and benefits to existing business enterprises and to seek opportunities for new business development. A number of proposals were developed in response to business attraction opportunities and these were pursued by the CCIDA using the CEDA staff. The following CCIDA projects were closed and deployed in FY2014 as described briefly below:

Active Physical Therapy Solutions – Auburn, NY. ACTIVE PHYSICAL THERAPY SOLUTIONS, a practice offering physical therapy, chiropractic, and physical rehabilitation services, approached the CCIDA for assistance with an expansion project that would allow them to add additional services and staff. The roughly \$540,000 expansion project included the purchase and renovation of a 2550sf building, complete build-out of building interior, purchase of additional supplies and equipment, purchase of new electronic medical records software, and furnishing the expanded office space. The building, 91 Columbus Street, Auburn, NY, is located in a distressed area with high levels of unemployment and poverty.

In support of the project, which provides additional real property taxes to the local municipalities, including the Auburn School District and City of Auburn, the Agency will designate the Company as its agent for the purpose of acquiring, constructing and equipping the Project, and provided the Company a sales and use tax exemption for purchases and rentals related to the Project. In addition, the Agency provided the Company with a mortgage recording tax exemption for financings related to the Project. The total benefit is expected not to exceed \$19,450.

Clarity Connect – Southern Cayuga County, NY. CLARITY CONNECT, a high speed internet provider, approached the CCIDA for assistance with their Southern Cayuga Broadband project. This project will provide high speed internet to underserved municipalities in the southern portion of the County using a wireless technology. The roughly \$1.5m project included planning, engineering, installation, operation and maintenance of broadband wireless radio transmission equipment on three County-owned communication towers and certain other pole-mounted installations located in public right-of-ways within the Towns of Genoa, Ledyard, Venice, Scipio, Niles, Locke, Moravia, Springport, Sempronius and Summerhill, as well as the acquisition and installation of certain related machinery and equipment.

In support of the project, which provides a much needed services to the local residents and businesses in Southern Cayuga, the Agency will designate the Company as its agent for the purpose of acquiring, constructing and equipping the Project, and provided the Company a sales and use tax exemption for purchases and rentals related to the Project. The total benefit is expected not to exceed \$80,000. Furthermore, the CCIDA is accepting certain project-related funding from the County and some Towns and is disbursing that funding upon receipt from Clarity Connect of invoices and proof of payment for project-related machinery and equipment.

Johnston Paper – Aurelius, NY- JOHNSTON PAPER, a paper and office supplies distributor, approached CCIDA for assistance with a 58,200 square foot expansion to their existing facility located at 2 Eagle Drive, Auburn, NY. The roughly \$5.88m expansion includes approximately 36,200sf of warehouse space and 22,000 sf of office space, as well as purchase of furniture and fixtures, electronics, and office enhancements. Johnston Paper had an existing PILOT that was approved in 2003 with an abatement schedule that was set to start following the completion of the Company's Empire Zone benefits.

In support of this Project, which provides additional real property and sales tax revenue to the local municipalities including the Union Springs School District and Town of Aurelius, the Agency designated the Company as its agent for the purpose of constructing and equipping the

Project, and provided the Company a sales and use tax exemption for purchases and rentals related to the Project. In addition, the Agency provided the Company with a mortgage recording tax exemption for financing related to the Project, and renegotiated the existing PILOT to a 15 year PILOT with 100% tax liability on the existing facility and an extended abatement schedule for the addition.

Sonbyrne Sales, Inc. – Aurelius, NY- SONBYRNE SALES, INC., the warehouse and distributor of grocery and dry goods for Byrne Dairy retail stores, approached CCIDA for assistance with the purchase and outfitting of an existing building for warehousing. The building, an approximately 45,000 square foot facility with both warehouse and office space, is located on 5.45 acres with an additional 6.87 acre vacant lot. The approximately \$1.78m project also included the purchase of warehouse equipment, such as forklifts, racking and vehicles.

In support of the Project, which provided for the reuse of a vacant facility and additional sales tax revenue to the local municipalities, the Agency designated the Company as its agent for the purpose of purchasing and equipping the Project, and provided the Company a sales and use tax exemption for purchases and rentals related to the Project. In addition, the Agency provided the Company with a mortgage recording tax exemption for financing related to the Project.

II. CCIDA REVENUES AND EXPENSES FY2014

The CCIDA has conducted an independent financial audit of the fiscal year ended 12/31/2014. The full audit, including an analysis and overview of the CCIDA Revenues and Expenses for the fiscal year, is available both online at the CCIDA website (<http://www.cayugacountyida.com/ida-documents-and-policies/#ida2014>) and at the CCIDA offices, 2 State Street, Auburn, NY 13021.

III. CCIDA ASSETS AND LIABILITIES FY2014

As stated above, the CCIDA independent financial audit of the fiscal year ended 12/31/2014 also includes an analysis and overview of the CCIDA Assets and Liabilities for the fiscal year, which is also available both online at the CCIDA website (<http://www.cayugacountyida.com/ida-documents-and-policies/#ida2014>) and at the CCIDA offices, 2 State Street, Auburn, NY 13021.

IV. CCIDA CORPORATION COMPENSATION

The CCIDA is located at 2 State Street, Auburn, NY and operates with administrative support provided by the Cayuga Economic Development Agency (CEDA). The primary CEDA staff members working with the CCIDA on daily operation and administration in FY2014 were CEDA's Executive Director acting as CCIDA Executive Director, CEDA's Office Manager acting as CCIDA Acting Secretary, and CEDA's Economic Development Technical Specialist acting as CCIDA CFO/Treasurer.

None of the above CCIDA officers received any compensation by the CCIDA and are paid fully by Cayuga Strategic Solutions, CEDA's staffing entity. These CCIDA officers are reimbursed by CEDA for expenses incurred in the performance of their duties to the CCIDA such as mileage,

supplies purchases, etc. CEDA is reimbursed by CCIDA for these expenses in addition to the contracted amount for administrative services.

As per an administrative services contract, CEDA received \$20,000 in 2014 for services rendered to the CCIDA.

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

V. PROJECTS UNDERTAKEN BY THE CCIDA IN FY2014

As listed previously, the four primary projects undertaken by the CCIDA in 2014 were those of Active Physical Therapy Solutions, which moved to a new, expanded facility; Clarity Connect, which providing wireless broadband internet service to southern Cayuga County; Johnston Paper, which is expanding its existing facility; and Sonbyrne Sales, Inc, which purchase, equipped and relocated to a warehouse facility in Aurelius. All of these projects have the potential to provide significant benefits to the local economy, including job creation, additional tax revenue, and, in the case of Clarity Connect, a much needed service.

In addition to these activities, the CCIDA, working cooperatively with the Cayuga Economic Development Agency (CEDA), pursued a number of industrial development prospects. Some of these prospects are still in negotiation, while others have not developed beyond the initial inquiry stage.

In addition to these projects, the CCIDA also engaged in the following economic development activities:

- Continued implementation of the CCIDA Aurelius Industrial Park infrastructure project;
- Coordination with the CEDA organization on Strategic Economic Development Planning;
- Coordination and interaction with the Cayuga County Public Utilities Service Agency regarding potential alternative energy projects within the county;
- Participation in New York State Economic Development Council (NYSEDC) ongoing seminars and conferences on economic development best practices;
- Outreach to small business assistance organizations and developers in concert with CEDA and the Auburn IDA.

VI. CCIDA PROPERTY OWNED AND/OR DISPOSED OF FY2014

The CCIDA owns twelve (12) parcels in the Town of Aurelius, within or adjacent to the CCIDA-owned Aurelius Industrial Park (the Park). Information on these parcels is provided in the table shown below. The CCIDA did not sell or acquire real property in FY2014.

CAYUGA COUNTY TAX ID #	APPROXIMATE ACREAGE	CURRENT FAIR MARKET VALUE	FMV DETERMINED BY:	DATE OF ACQUISITION
114.00-2-27.6	1.71 Acres	\$513,000.00	Independent Appraisal	1992
114.00-2-27.71	2.11 Acres	\$42,200.00*	Independent Appraisal	1992
114.00-2-27.81	2.69 Acres	\$53,800.00*	Independent Appraisal	1992
114.00-3-1	10.08 Acres	\$201,600.00	Independent Appraisal	1992
114.00-3-4	10.32 Acres	\$206,400.00	Independent Appraisal	1992
114.00-3-5	5.08 Acres	\$101,600.00	Independent Appraisal	1992
114.00-3-6.1	5.6 Acres	\$112,000.00*	Independent Appraisal	1992
114.00-3-7.1	6.63 Acres	\$132,600.00*	Independent Appraisal	1992
114.00-3-8	9.89 Acres	\$197,800.00	Independent Appraisal	1992
114.00-3-9	9.82 Acres	\$196,400.00	Independent Appraisal	1992
114.00-3-10	9.82 Acres	\$196,400.00	Independent Appraisal	1992
114.00-3-11	11.10 Acres	\$222,000.00	Independent Appraisal	1992

* Parcel was split after portion transferred to another entity, new FMV determined based on appraisal of \$20,000 per acre

In addition to the above twelve parcels, there is also a thirteenth parcel within the park (114.00-2-27.91) that is 2.45 acres and will potentially be used for a roadway. Based on the Appraisal for the above parcels, fair market price for this parcel is likely \$49,000.

VII. CCIDA Code of Ethics

The CCIDA has adopted a Code of Ethics on October 17, 2006 that established a high level of ethical conduct the Board of Directors, staff and associates the Agency adhere to. This adopted Code of Ethics is reviewed annually by the Board of Directors and is posted online at the CCIDA website: <http://www.cayugacountyida.com/ida-documents-and-policies/#idaDocs>, and is available at the CCIDA offices. **A copy of the adopted Code of Ethics is provided below:**

The members of the board (the "Board") of the Cayuga County Industrial Development Agency (the "Agency"), a duly established public benefit corporation of the State of New York (the "State"), along with the officers and staff of the Agency, shall comply with and adhere to the provisions of Article 18 of the General Municipal Law of the State.

Further, no director, officer, or employee of the Agency 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 authority; (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 Agency 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.

VIII. Assessment of the Effectiveness of CCIDA Internal Controls

The CCIDA FY2014 Independent Financial Audit and Financial Statements are the responsibility of CCIDA management and the Board of Directors. These statements were prepared in accordance with accounting principles generally accepted in the United States of America. Financial information contained in this report and in the related, cited materials at the CCIDA offices and online at the CCIDA website are consistent with the FY2014 financial statements.

CCIDA has established an Internal Control Structure and the CCIDA Board of Directors conducts an annual review and assessment of its Internal Controls. The objectives of the CCIDA 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 CCIDA independent auditors in addition to the review by the CCIDA Board and Officers/management.

The CCIDA 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 PARA throughout the fiscal year, including communication with CCIDA independent auditors and general counsel to bring the

Agency 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 on PAAA/PARA and financial reporting requirements to establish checks and balances for meeting full compliance with scheduled reporting.

IX. CCIDA INVESTMENT REPORT

Deposits and Investments

State statutes govern the Agency's investment policies. In addition, the Agency adopted its own written Investment Policy on October 17, 2006. Agency monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The CCIDA 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 CCIDA of \$637,998.91 at December 31, 2014. A balance of \$477,215.55 was covered by FDIC insurance up to the limits. For a portion of FY2014, the remaining balance unknowingly, due to a misunderstanding of FDIC insurance coverage, was neither covered by FDIC insurance nor collateralized, but a remedy was in process as of December 31, 2014. These uncovered amounts were expected to be collateralized with securities held by the Agency's financial institution pledged in the name of the Cayuga County Industrial Development Agency by January 31, 2015. The carrying value of deposits at December 31, 2014 totaled \$637,998.91. Included in these balances is a 3-month certificate of deposit in the amount of \$140,329.61 at an interest rate of .2%.