
WARREN COUNTY LOCAL DEVELOPMENT CORPORATION
Regular Meeting of the Board of Directors – September 28, 2018
9:00 a.m.

Committee Members:

Peter McDevitt
Eugene Merlino
Matt Simpson
Frank Thomas
Craig Leggett

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|----|---|-------------------------------------|
| 1. | Approval of August 20, 2018 Regular Board Minutes | Chairman |
| 2. | Review & Approval of August 2018 Financial Statements | Jennifer Switzer |
| 3. | Review of 2019 Budget Process | Jennifer Switzer/
Ed Bartholomew |
| 4. | Review of Loan Portfolio – Executive Session | Ed Bartholomew |
| 5. | Old/New Business | Chairman |

MINUTES OF MEETING HELD AUGUST 20, 2018

THE MEMBERS OF THE BOARD OF DIRECTORS OF THE WARREN COUNTY LOCAL DEVELOPMENT CORPORATION

A meeting of the Members of the Board of Directors of the Warren County Local Development Corporation (LDC) was held on August 20, 2018 at 9:00 a.m. in the Committee Room at the Warren County Municipal Center.

The meeting was called to order by Peter McDevitt, Chairman of the Warren County Local Development Corporation at 9:00 a.m.

The following Directors were present:

Peter McDevitt Frank Thomas
Craig Leggett
Matthew Simpson

The following Directors were absent:

Eugene Merlino

Others Present:

Ed Bartholomew, CEO, Warren County Local Development Corporation
Jennifer Switzer, CFO, Warren County Local Development Corporation
Ronald F. Conover, Chairman, Warren County Board of Supervisors
Kevin B. Geraghty, Warren County Supervisor
Michael Wild, Warren County Supervisor
Matthew Sokol, Warren County Supervisor
Ryan R. Moore, Warren County Administrator
Amy Lavine, Warren County First Assistant Attorney
Ryan Dickie, Warren County Second Assistant Attorney
Robert Henke, Chairman, Washington County Boards
Kristy Miller, Confidential Secretary to the County Administrator
Wayne LaMothe, Warren County Planner
Thom Randall, *The Sun Community News & Printing*
Don Lehman, *The Post Star*
Travis Whitehead, Warren County Resident

Chairman McDevitt called the meeting to order. He asked for a motion to approve the minutes of the July 23, 2018 Regular Board Meeting. Motion made by Director Leggett and seconded by Director Simpson. Motion carried unanimously.

Chairman McDevitt continued with the agenda regarding the review and approval of the July 2018 Financial Statements. Ms. Switzer begins with the balance sheet and advises that there is approximately \$774,326 in cash to loan. She explains that the \$12,499.98 showing in Accounts Receivable and Accounts Payable represent the invoicing to Warren County for 2018 contract drawdowns and contract payments outstanding to EDC (Economic Development Corporation) for the 2018 drawdowns. Ms. Switzer continues with the Profit & Loss Budget vs. Actual for the month of July and indicates nothing outstanding and brings attention again to the contract drawdowns between Warren County and Warren County LDC and Warren County LDC and Warren County EDC (Economic Development Corporation). She then moves on to the January through July 2018 Profit & Loss Budget vs. Actual and explains that the Miscellaneous Income of \$1,152.10 represents income from the spring session of MAP (Microenterprises Assistant Program) and an account close-out.

Director Leggett questions if the Professional Services Contract is at the end. Ms. Switzer advises that the \$29,166.62 is only from January through July with six more months to go based on a \$50,000 contract.

Privilege of the floor was extended to Mr. Whitehead, Warren County Resident, and he inquires as to why the Financial Statements are not posted online. Ms. Switzer advises that the Financial Statements are made available online after the Board meets. Mr. Bartholomew indicates that they will start posting the Financial Statements prior to the Board Meetings.

Chairman McDevitt asked for a motion to approve the July 2018 Financial Statements. Motion was made by Director Thomas and seconded by Director Simpson. The following motion was unanimously carried:

RESOLVED, that the Warren County Local Development Corporation ("LDC") hereby approves the Financial Report for July 2018.

Chairman McDevitt continued with the agenda regarding the review of the Loan Portfolio and Mr. Bartholomew requests an executive session to discuss two unnamed loan applicants. Motion made by Director Simpson and seconded by Director Leggett. The motion carries unanimously.

Executive session was declared from 9:04 a.m. to 9:14 a.m.

Committee reconvened and Chairman McDevitt stated no action was taken in Executive Session.

Ms. Switzer continues to provide an update on the Microenterprises Assistance Program and explains that the program has been rebranded and is now called the Start Up Adirondack, which begins on September 25, 2018 and ends on November 13, 2018 with the classes being offered on Tuesdays from 6:00 p.m. until 8:00 p.m. at the cost of \$150.00. Mr. Bartholomew advises that any potential new loan applicants that are new business owners are requested to attend this class.

Privilege of the floor was extended to Mr. Whitehead, Warren County Resident, who brings attention to the budgets that are published by the IDA (Industrial Development Agency), EDC (Economic Development Corporation) and the LDC. He advises that with it being budget season it will be determined how much money will be given to these corporations, with the EDC (Economic Development Corporation) being the only corporation being funded at the amount of \$349,000 a year and then another \$50,000 to the LDC, which then turns around and gives those funds to the EDC (Economic Development Corporation) for administrative purposes. The LDC loans money, the IDA (Industrial Development Agency) issues bonds, but the EDC (Economic Development Corporation) doesn't have that ability and basically manages. He indicates that it is bothersome on how the EDC's net assets have been growing over the past years with a net asset of being over \$1.2 million with over \$850,000 being in cash and expenses that are just shy of \$600,000. He explains that a school district is only allowed to keep 4% with the EDC's being well over 100%. Mr. Whitehead then suggests that the County ask what an appropriate target would be for cash to be carried rather than just handing over \$349,000. The target number currently is \$854,000, which went up \$150,000 last year. He states that the County could knock back the \$350,000 contribution by \$150,000 last year and it would not have hurt the EDC (Economic Development Corporation). He explains that he does not understand how the County will recover the \$850,000 unless the contribution is cut back going forward. Mr. Whitehead advises that he is not talking about the IDA (Industrial Development Corporation) or the LDC who can use this cash for loans, but he's referring to the EDC (Economic Development Corporation). The LDC has over \$700,000 to loan and if it is sitting there available that is one thing and if it is loaned then it is another thing. Therefore, if the money is there and people are in the area that need assistance, then the money should be loaned rather than sitting in the bank, which is not helping anybody. He then requests that the County take a look at the cash reserves of the EDC (Economic Development Corporation) and discuss that with them and find out what a reasonable target would be and then budget to meet that goal.

Chairman McDevitt advises that he will be meeting with Wayne LaMothe towards the end of the week to see if there is some appropriate method of addressing what Mr. Whitehead has brought before the Board and see if the current system makes sense or if some improvements can be made.

Mr. Bartholomew asks to respond to Mr. Whitehead's statements and advises that separate entities have separate mandates, which Mr. Whitehead has correctly pointed out and under school district law you are limited to 4% of unappropriated fund balance, which does not preclude the school district from setting up a number of restrictive accounts for particular items. He explains that up until the year 2000 municipalities (i.e. Towns/Counties/Villages/Cities) were not able to have a surplus and when the law was changed in 2000 that is now permitted. The Comptroller's Office has said with no percentage involved the balances are used to smooth out short term variations. He reiterates that you are allowed to have an unreserved fund balance with a number of five categories of where funds can be set up. Mr. Bartholomew explains that under current regulations under the ABO (Authorities Budget Office) there is no policy or guidance, so the not-for-profit organizations were then looked at and the EDC (Economic Development Corporation) is incorporated as a not-for-profit. He advises that not-for-profit organizations should have on-hand anywhere from two to six months of funding for unexpected expenses or a change in revenue shift. He then refers to the 2016 Warren County Budget and the fund balance,

which had \$31 million in surplus and \$13 million is restricted out of the \$18 million of the general fund. Therefore, the surplus is not \$31 million. He then brings attention to the Town of Queensbury and their requirements and explains that there is a larger surplus and once you take out the restrictions, the Town of Queensbury has about \$8 million in surplus rather than \$16 million. Mr. Bartholomew then defers to Ms. Switzer to review the additional information on the budget.

Ms. Switzer brings attention back to what Mr. Whitehead spoke about and more specifically about the \$1.2 million in net assets and the \$854,000 in cash and cash equivalents. She advises that when these numbers are looked at they should not be looked at as standalone numbers, but what should be looked at are the full financial statements which are online through the ABO (Authorities Budget Office) and the EDC (Economic Development Corporation) website. She explains that there is \$854,000, but indicates that even though there are no restrictions under standard accounting rules and regulations, the EDC (Economic Development Corporation) has taken the additional step under Board designations for over \$538,000. She reiterates when looking at these numbers you need to look at the big picture as well as the notes to the financial statements. Ms. Switzer continues to explain the organization that used to be called the Hudson River Local Development Corporation was merged into EDC (Economic Development Corporation) in 2015 and the excess of the assets acquired over the liabilities was \$363,182 with approximately \$318,000 of that money being in cash. She advises that when this was done the EDC (Economic Development Corporation) took action and met with the Audit & Finance Committee and ironed out how to reserve this money and how to make sure they could take care of the obligations they had with taking into consideration that the EDC (Economic Development Corporation) is a not-for-profit organization and a not-for-profit that relies on seventy-five percent of revenue coming from municipal contracts, which is not as reliable as the private sector. Ms. Switzer continues to explain that the EDC (Economic Development Corporation) does have a plan and that there is not just \$1.2 million and \$854,000 sitting out there and the excess cash that is above and beyond the \$584,000 is about \$316,000, which is used to purchase capital assets. Therefore, anything over \$2,500 is capitalized and will not appear on a revenue and income statement, but is part of the balance sheet in order to purchase upgrades to the website, hardware, software, etc. in order for the staff to do a good job administrating as well as to comply with the ABO (Authorities Budget Office). She advises that the EDC (Economic Development Corporation) has received \$335,000 in funding from the County since 2013 and then in 2016 it was bumped up to the \$349,000.

Privilege of the floor was extended to Mr. Whitehead, Warren County resident and he explains that he is not indicating that something illegal was done, but he is asking if anything reasonable is being done and he believes it behooves the County to make that judgement not somebody who does not have that number. He advised that Mr. Bartholomew pointed out that there is no rule or regulation on how much you can keep, but that does not mean you can keep as much as you want. He reiterates that the numbers should be between the 4% which is far too tight for a school district and the 120% that the EDC (Economic Development Corporation) is carrying today. He continues to explain that the \$349,000 that the County has been giving the EDC (Economic Development Corporation) for many years, the \$50,000 for the LDC and the \$120,000 from the Town of Queensbury is far too reliable. Ms. Switzer advises that the EDC (Economic Development Corporation) receives \$114,000 not \$120,000 from the Town of

Queensbury. Mr. Whitehead continues and states that having \$854,000 in cash that the auditors say is legal, of course it's legal because there is no policy in place, but is it reasonable? He explains that when a corporation has \$854,000 in cash and the expenses for over the total year are less than \$600,000, he believes is totally unreasonable.

Chairman Conover addresses the Board and states that the County's fund balance that was mentioned has taken a decade or more to get to where it is at, it just doesn't happen overnight. He asks Ms. Switzer if the \$854,000 for the merging of the Hudson River Development Corporation and the previous \$500,000 was accrued in just one year and Ms. Switzer advises that the funds were not anything that were accrued over one year and explains that in 2015 was the year of the merger and \$363,000 of that came from the merger and \$51,335 came from regular revenue versus expense. In 2016, \$33,237 came from net income or revenue over expense and in 2017 \$152,230 came from revenue versus expenses. She then points out again that most projects don't begin and end in a fiscal year, it happens over a two or three year period.

Chairman Conover questions the five category plan asks if this plan was developed along with the judgment of the EDC Board and the funds were advisable to move the corporation forward to do the good things that everyone hopes that they be doing and Ms. Switzer confirms. Chairman Conover asks how many members are on the EDC Board and Ms. Switzer advises that there are twelve member of the Board and within that Board there is a Governance Committee as require by ABO as well as an Audit & Finance Committee. She states that it was the Audit & Finance Committee that was worked with originally and then the plan was brought to the full Board for review, approval and input.

Privilege of the floor was extended to Mr. Whitehead, Warren County resident who states that 90% of the EDC expenses are salaries, salaries of people who are in this room and those salaries don't change by very much. Therefore, he believes that the expenses for the EDC can be very well predicted and are well established for the following year and 120% in cash is not needed in expenses for the total year. He advises that two to six months is a reasonable number, which is not \$800,000 in cash it's more like \$300,000 in cash or less, and all he is asking for is a reasonable number to be established.

As there was no further business to come before the LDC Board, motion was made by Director Simpson to adjourn the meeting, seconded by Director Thomas, and carried unanimously.

Chairman McDevitt adjourned the meeting at 9:38 a.m.

Dated: September ____, 2018

Frank Thomas, Secretary

Warren County LDC Statement of Financial Position

As of August 31, 2018

Aug 31, 18

ASSETS

Current Assets

Checking/Savings

GFNB Loan	485,481.27
GFNB Operating	27,581.14
TD Bank Loan Account	
TD Bank Housing	28,926.35
TD Bank Loan	245,727.25
TD Bank Loan Account - Other	4,367.74

Total TD Bank Loan Account 279,021.34

TD Bank Loan Acct 32,620.54

Total Checking/Savings 824,704.29 1

Accounts Receivable

A/R	16,666.64
Allowance for Doubtful Accounts	-182,557.50
Loan Receivable	1,054,323.06

Total Accounts Receivable 888,432.20

Total Current Assets 1,713,136.49

TOTAL ASSETS 1,713,136.49

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

Accounts Payable 4,166.66 3

Total Accounts Payable 4,166.66

Total Current Liabilities 4,166.66

Total Liabilities 4,166.66

Equity

Opening Balance Equity 483,514.08

Unrestricted Net Assets 1,208,708.60

Net Income 16,747.15

Total Equity 1,708,969.83

TOTAL LIABILITIES & EQUITY 1,713,136.49

10:40 AM
09/19/18
Accrual Basis

Warren County LDC
Balance Sheet
As of August 31, 2018

1. Cash available to lend \$768,196.80
2. Represents Warren County contract Involcing
3. Represents EDC contract payment outstanding

Warren County LDC
Statement of Activities Budget vs. Actual
August 2018

	Aug 18	Budget	\$ Over Budget
Ordinary Income/Expense			
Income			
Program Income			
Contract - Warren County	4,166.66	4,166.66	0.00
Loan Fees	0.00	250.00	-250.00
Loan Interest	2,725.18	1,767.00	958.18
Total Program Income	<u>6,891.84</u>	<u>6,183.66</u>	<u>708.18</u>
Total Income	<u>6,891.84</u>	<u>6,183.66</u>	<u>708.18</u>
Gross Profit	6,891.84	6,183.66	708.18
Expense			
Program Expense			
Accounting	0.00	0.00	0.00
Bad Debt	0.00	310.00	-310.00
Legal	0.00	835.00	-835.00
Marketing	0.00	125.00	-125.00
Office Expense	0.00	42.00	-42.00
Professional Development	0.00	0.00	0.00
Professional Services Contract	4,166.66	4,166.66	0.00
Total Program Expense	<u>4,166.66</u>	<u>5,478.66</u>	<u>-1,312.00</u>
Total Expense	<u>4,166.66</u>	<u>5,478.66</u>	<u>-1,312.00</u>
Net Ordinary Income	<u>2,725.18</u>	<u>705.00</u>	<u>2,020.18</u>
Net Income	<u><u>2,725.18</u></u>	<u><u>705.00</u></u>	<u><u>2,020.18</u></u>

Warren County LDC
Statement of Activities Budget vs. Actual
 January through August 2018

	<u>Jan - Aug 18</u>	<u>Budget</u>	<u>\$ Over Budget</u>
Ordinary Income/Expense			
Income			
Program Income			
Bank Interest	1,254.65		
Contract - Warren County	33,333.28	33,333.28	0.00
Loan Fees	450.00	2,000.00	-1,550.00
Loan Interest	20,235.10	14,132.00	6,103.10
Miscellaneous	1,152.10		
Total Program Income	<u>56,425.13</u>	<u>49,465.28</u>	<u>6,959.85</u>
Total Income	<u>56,425.13</u>	<u>49,465.28</u>	<u>6,959.85</u>
Gross Profit	56,425.13	49,465.28	6,959.85
Expense			
Program Expense			
Accounting	6,300.00	8,000.00	-1,700.00
Bad Debt	0.00	2,460.00	-2,460.00
Legal	44.70	6,680.00	-6,635.30
Loan Proceeds	0.00		
Marketing	0.00	1,000.00	-1,000.00
Office Expense	0.00	336.00	-336.00
Professional Development	0.00	500.00	-500.00
Professional Services Contract	33,333.28	33,333.28	0.00
Total Program Expense	<u>39,677.98</u>	<u>52,309.28</u>	<u>-12,631.30</u>
Total Expense	<u>39,677.98</u>	<u>52,309.28</u>	<u>-12,631.30</u>
Net Ordinary Income	<u>16,747.15</u>	<u>-2,844.00</u>	<u>19,591.15</u>
Net Income	<u>16,747.15</u>	<u>-2,844.00</u>	<u>19,591.15</u>

Warren County LDC
Statement of Activities Budget vs. Actual
January through August 2018

1. Represents income from spring session of MAP & account closure