

MINUTES

DANC BOARD OF DIRECTORS MEETING Thursday, March 27, 2008 – 11:00 AM

The Development Authority of the North Country Board of Directors met in regular session in the Conference Room #2, 11th Floor, Dulles State Office Building, Watertown, New York, at 11:00 AM, Thursday, March 27, 2008.

Members Present:

Voting

Mark A. Scarlett
Al Calligaris
Gary Turck
Doug Murray
Tom Hefferon
Beth Fipps
Ray Fountain

Non-Voting

John B. Johnson, Jr.
Doug Schelleng
Robert Sturtz

Members Absent:

Richard Smith
Fred Carter

Staff Present:

Robert S. Juravich, Executive Director
Thomas R. Sauter, Deputy Executive Director
Denise A. Gray, Director of Finance and Corporate Compliance
Kevin J. Jordan, Director of Project Development
Carl E. Farone, Comptroller
E. William Seifried, General Manager - SWMF
Bryon Perry, Water/Sewer General Manager
George Mead, Schwerzmann & Wise
Amy B. Austin, Executive Assistant

Guests Present:

None

1. Chairman T. Hefferon called the meeting to order at 11:16 AM.
2. Chairman T. Hefferon offered the privilege of the floor to guests. No comments were made from the floor.
3. The minutes of the February 14, 2008, Board meeting were approved upon a motion by M. Scarlett, seconded by E. Fipps, and passed unanimously.
4. Finance & Budget Update -

- a. C. Farone reported on the unaudited financial statements for period ending January 31, 2008. Loans Receivable have increased approximately \$3.7 million due to additional loans from the Community Rental Housing Program (CRHP). Total Assets have increased by approximately \$9 million, while total liabilities decreased by \$2.9 million. All facilities are operating close to budgets.

E. Fipps inquired about the Bad Debt Expense in the amount of \$228,270.82. C. Farone responded that the bad debt was booked for the Marcy, L.P., but that the loan has become current and collectible and this line item will be zero by the end of the year.

Unaudited Financial Statements for January 31, 2008, were approved upon a motion by M. Scarlett, seconded by G. Turck and passed unanimously.

- b. C. Farone reported that budget resolution no.'s 2008-03-01 through 2008-03-05 were reviewed at the February 14, 2008, Finance and Budget Committee meeting and the Committee recommends their approval.

C. Farone reported that page 2 of Resolution No. 2008-03-01 specifies the items for Board approval regarding the 2008-09 Administrative Budget.

- The approval of Appendix A, which is the proposed 2008-09 Administrative budget.
- The approval of Appendix B, Administrative allocations.
- The approval of Appendix C, the establishment of funding of restricted reserves.

- Approving the Audit Committee budget of \$56,000.
- Approving the compensation plan and annual adjustment pool.
- Authorizing the Executive Director to receive legislative initiatives on behalf of the Authority and to execute grant agreements and related documents.

J. Johnson, Jr., asked if the compensation plan is consistent with the State. C. Farone replied that for the adjustment rate of 3.25% of the annual administrative payroll, he would have to do a comparison, but it is consistent with what the Authority has done in the past.

Resolution No. 2008-03-01, Approving 2008-09 Administrative Budget, Restricted Reserves, Annual Adjustment Pool and Audit Committee Budget was approved upon a motion by G. Turck, seconded by D. Murray and passed unanimously.

- c. K. Jordan reported on the 2008-09 Project Development budget and write-off of uncollectible loans resolution. This resolution was reviewed in detail at the Finance & Budget Committee meeting.
- The majority of Grant Revenue is the drawdown of Community Rental Housing Program (CRHP) funds for projects that are underway.
 - Operating Expenses, Professional Fees - The line item is for \$178,600; \$150,000 of this budget is for the landfill gas-to-energy project grant that will be provided through Empire State Development.
 - Under Non-Operating Revenue, Interest Income - projected this year vs. next year, revenues will be down due to where we project interest rates will be this coming year vs. last year.
 - The Pleasant Creek loan will be written off, as recommended by the Authority's auditors. K. Jordan reported that the Project Development Committee reviewed this and recommends that the Pleasant Creek loan be written off at year-end.

J. Johnson, Jr., questioned why the Authority doesn't have a general bad debt expense in the budget. K. Jordan responded that when this was discussed in detail with the internal controls auditor, they recommend writing off loans on a loan-by-loan basis and that these loans be reviewed by the Project Development Committee.

Resolution No. 2008-03-02, Approving 2008-09 Project Development Budget and Write-off of Uncollectible Loans was approved upon a motion by D. Murray, seconded by M. Scarlett, and passed unanimously.

- d. T. Sauter reported on the 2008-09 Open Access Telecom Network budget, scheduled capital projects, reserve requirements, organizational plan, and tariff and CDLF funding.

Appendix A:

- Under Operating Revenue, 1.5% is expected revenue growth. This is conservative for two reasons - last year we had projects that were not expected during that fiscal year, but this fiscal year, for the first time, there will be network users that have contract renewals. Staff expects to have some loss.
- Under Operating Expenses, the salary line has changed - C. Farone is no longer a direct charge and partial salaries from the GIS Analyst and SCADA Analyst have been added.
- Operations and Maintenance has a fairly substantial decrease of over 10%, due to pulling out capital restoration and putting it in the capital budget in case there is a major restoration project.

Appendix B:

- Capital Budget, OATN Construction, remaining work in progress has been reported to the Board in the past.
- Network Construction and Equipment is for special purchases to fulfill specific customer requirements.

- IP Ethernet Enhancement Project is a new line item in the amount of \$124,000 - this year there has been a significant increase in circuit demand and interest from service providers for Ethernet circuits. To accommodate future demand, there is a need for future upgrades in hardware and software.
- A&E Services is also a new line item - the office and equipment space in the OATN offices in the State Office Building is too small, and the air conditioning, power and heat are difficult to regulate. This \$30,000 line item will be used for architectural and engineering services for the development of an OATN facility.
- Economic Development Initiatives is seed money - if any of these projects take off, they will require more substantial financing. Projects include EDA/Industrial Park network expansion, FCC telemedicine network construction, corporate operation center marketing initiative, support build to Newton Falls.

Appendix C approves the continued use of funds from the Community Development Loan Fund (CDLF) for the OATN system expansion to support customer requirements and commitments that have been made.

Appendix D lists the authorized OATN staff positions.

Resolution No. 2008-03-03, Approving 2008-09 Open Access Telecom Network Budget, Capital Projects, Reserve Requirements, Organization Plan, Tariff and CDLF Funding was approved upon a motion by R. Fountain, seconded by M. Scarlett, and passed unanimously.

- e. B. Perry reported on the 2008-09 Water/Wastewater Facilities operating budget, annual adjustment pool, capital projects and user charges. This resolution was reviewed in detail with the Finance & Budget Committee.

Appendix A is the Water/Sewer budget for FY 2008-09.

Appendix B:

- Capital engineering costs for the capacity improvements to Contract 6 gravity sewer main to Fort Drum -- the \$300,000 initial engineering charge has been reduced to \$50,000 at the request of Fort Drum. The user rate for this year will be \$3.47 k/gal - a 13% increase on the Army sewerline.

- The Army waterline rate for this year is \$2.06 k/gal and will be \$2.72 k/gal for next year. The reason for the rate increase is due to engineering and capacity improvement of Booster Pump Stations 1 and 2. A portion of this capital project is included in the operating budget and the balance will be financed over five years. This is the reason for the 32% increase in the water rate.
- The only substantial change to the Regional waterline budget is removing \$50,000 from the operating budget. Staff assumed that the Village of Cape Vincent was further along with their engineering for the capacity expansion of their water treatment plant. It has since been determined that the full capital charge for construction will not be required in this fiscal year. This will reduce the impact on the Regional waterline customers this year. The Regional waterline rate increases from \$2.83 k/gal to \$3.09 k/gal - a 2.7% increase.

R. Sturtz asked how we justify the increase for the Army water. B. Perry responded that the Army requested the increase in capacity and does not want to finance it over a long term.

Resolution No. 2008-03-04, Approving 2008-09 Water and Wastewater Facilities Operating Budget, Annual Adjustment Pool, Capital Projects and User Charges was approved upon a motion by E. Fipps, seconded by M. Scarlett, and passed unanimously.

- f. B. Seifried reported on the 2008-09 Solid Waste Management Facility operating budget, annual adjustment pool, capital projects, reserve requirements and tipping fees. This resolution was reviewed and recommended for approval by the Finance & Budget Committee.

B. Seifried reported that the tipping fees will be same amount as they were last year. The Community Improvement Program and Residential Cleanup Program were successful last year and will be continued next year. The reserve funding will also stay the same as last year. The Host Community Agreement with the Town of Rodman changes each year based on the consumer price index - this year it is 4.3%.

Appendix A:

- The Total Operating Revenue for the FYE 3/31/09 budget amounts to \$10,478,955.92.
- The Operating Expenses for the FYE 3/31/09 budget totals \$5,098,879.13. The Closure & Post Closure Costs line item was not in the current year's budget, but will be included in FYE 3/31/09 budget. This is due to the GASB 18 requirement.
- There is an annual adjustment rate of 3.25% of the annual SWMF payroll.

J. Johnson, Jr., asked if the landfill reaches the limits set for petroleum and contaminated soil - what is done with the excess? B. Seifried replied that if the landfill has the ability, these would be stockpiled and not actually used in the landfill. We would not turn away our customers.

Appendix B:

- Maintenance Facility Modifications amounts to \$500,000 to increase the size of the maintenance facility at the landfill by adding a third bay. It also includes other upgrades required by our permit and regulatory requirements for management of waste oil and fueling of the vehicles.
- Permitting and Planning is a line item that continues each year for costs associated with planning and development of the future landfill footprint.
- Landfill Gas System Development - \$280,000 was authorized at the last Board of Directors meeting, which is included in the \$465,000 total.
- Equipment Upgrades is a planned undercarriage replacement for the landfill dozer and attachments for the skid steer loader.
- A multi-function office machine has been recommended by the Authority's IT staff.

- At the February 14, 2008, meeting, the Board approved \$60,000 for the repair of an excavator. When the excavator was brought to the vendor for repair it was found that the cost would be \$160,000+ to fix the machine - exceeding the value of the equipment. The next best option is to acquire a used machine with the cost to be between \$150,000 and \$175,000 for a 2004/2005 model.
- The pavement at the Solid Waste Management Facility is the original from 1992. Jefferson County will oversee the pavement project and use other sources from Towns and Villages in the area.

J. Johnson, Jr., wondered how this would impact the Towns and Villages. B. Seifried replied that this project would take 6-8 days - it is a paving overlay project.

- Page 2 of Appendix B lists projects that have continued and are not finished - Cell 9 construction project and Pump Station 2 relocation.

Resolution No. 2008-03-05, Approving 2008-09 Solid Waste Management Facility Operating Budget, Annual Adjustment Pool, Capital Projects, Reserve Requirements and Tipping Fees was approved upon a motion by R. Fountain, seconded by G. Turck, and passed unanimously.

- g. C. Farone reported that the Government Accounting Standards Board (GASB) has issued Statement No. 45, accounting and financial reporting by employers for post-employment benefits other than pensions. The Authority has obtained an actuary to analyze the Authority's current staff, current retirees, projected years of service, etc., and compute the actuarial value of projected post employee benefits. Based on such analysis and to fully fund the annual required contribution of post employee benefits, an additional deposit of \$125,000 is required. The Authority has already established a retirement reserve fund which totals \$850,000. R. Juravich noted that the board of directors will review updated actuarial evaluations as required and will be asked to provide required contributions at the end of each fiscal year.

Resolution No. 2008-03-06, Approving the Establishment and Funding of Post Employee Benefits Investment Account was approved upon a motion by M. Scarlett, seconded by A. Calligaris, and passed unanimously.

5. Project Development Update -

- a. K. Jordan reported that at the last meeting, the Board authorized a construction loan to Mike Treanor to renovate the former Bradley Hardware building. Typically for projects like this, staff normally works with the municipality to do a coordinated SEQR, but in this case, the City has already completed the SEQR process, and the Authority is required to do the same. Attached to Resolution No. 2008-03-07 is a copy of the SEQR short form. Based on the staff's review, this project is an unlisted action and has determined that it will not have any significant impact on the environment and a negative declaration is also recommended for the project.

Resolution No. 2008-03-07, Findings and Determination Upon Completion of the Environmental Quality Review Concerning the Riverview Plaza Project to Renovate the Former Bradley Hardware Warehouse on Newell Street in the City of Watertown into Residential and Commercial Space was approved upon a motion by D. Murray, seconded by R. Fountain, and passed unanimously.

6. OATN Update - T. Sauter reported that the OATN staff has been working with representatives from the Fort Drum Regional Health Plan Organization, which has been awarded funds from the FCC for the telemedicine project. OATN staff is also working on a project in the Newton Falls. St. Lawrence County was notified last week that they will be receiving funding from the New York State Office for Technology to help extend the OATN network from Star Lake to the Newton Falls Papermill. This past week, OATN staff did a middle of the night hot cut on the network to move the fiber out of Public Square as part of the Public Square renovation project - there were no customer outages.

J. Johnson, Jr., inquired about the City of Watertown and fiber optics. T. Sauter stated that Authority staff is scheduled to meet with City representatives to discuss the City's plans for fiber optics in downtown.

7. Water/Wastewater Update -

- a. T. Sauter reported that Authority water/wastewater staff has been working with the Village of Cape Vincent to upgrade the water supply on the regional waterline. The current water supply is 500,000 gal per day and will increase to 930,000 gal per day upon completion of the Village's treatment plant expansion. This capacity expansion will allow for substantial growth along the regional waterline. The Facilities Committee reviewed this resolution and recommends its approval.

Resolution No. 2008-03-08, Approving Amendment to Water Supply Agreement with the Village of Cape Vincent was approved upon a motion by A. Calligaris, seconded by G. Turck, and passed unanimously.

- b. T. Sauter reported that the Town of Cape Vincent recently constructed water district No. 4, which included the construction of a water tower. The regular flow from the water tower is low, particularly during the winter months when the seasonal residents are not there. There are NYS Department of Health regulatory requirements to turn over the water on a timely basis. The proposed solution is that the Town will build a new line from the tower to the regional waterline. Occasionally, when the Authority needs water, we will be able to draw water from the Town's tank. This agreement has been approved by the Town and has been reviewed and recommended by the Facilities Committee.

J. Johnson, Jr., asked if the Department of Health concurs with this arrangement. T. Sauter answered yes.

Resolution No. 2008-03-09, Approving Water Supply Agreement with Town of Cape Vincent and Water District No. 4 was approved upon a motion by A. Calligaris, seconded by R. Fountain, and passed unanimously.

- c. B. Perry reported that the Authority has a newly negotiated 5-year contract with the Town of Wilna to operate its water system in Natural Bridge.

Resolution No. 2008-03-10, Confirming and Ratifying the Revised Operations and Maintenance Agreement with the Town of Wilna, was approved upon a motion by R. Fountain, seconded by E. Fipps, and passed unanimously.

8. Solid Waste Update -

- a. R. Juravich reported that at the February 14, 2008, meeting, the Board approved a resolution to finance equipment at the Solid Waste Management Facility relative to the methane recovery project. Authority counsel has made a few additions to the resolution.

G. Mead reported that Resolution No. 2008-03-13 authorizes the Authority to use closure reserve funds to purchase equipment that qualifies for the Landfill Gas Management State Assistance Grant, up to \$4 million. These reserve funds will be repaid by revenues generated from an equipment lease with Innovative Energy Systems (IES).

Resolution No. 2008-03-13, Authorizing Equipment Financing for Solid Waste Management Facility Methane Recovery Project was approved upon a motion by M. Scarlett, seconded by A. Calligaris, and passed unanimously.

9. New Business -

- a. D. Gray reported that at the Governance Committee meeting held at 9:00 AM this morning, the Committee reviewed the listing of all policy changes to the Governance Manual.

Resolution No. 2008-03-11, Approving Board Governance Actions was approved upon a motion by A. Calligaris, seconded by G. Turck, and passed unanimously.

- b. D. Gray reported that Resolution No. 2008-03-12 is an annual authorization that lists several professional services firms that are exempt from the Authority's Procurement Policy. These firms have direct experience and knowledge of the specialized operations of the Authority, needed expertise, a proven record of performance and a continued relationship will be beneficial to the Authority.

E. Fipps asked why the auditors are not listed. D. Gray responded that the auditors were subject to an RFP process.

Resolution No. 2008-03-12, Authorizing Professional Services Contracts was approved upon a motion by A. Calligaris, seconded by E. Fipps, and passed unanimously.

c. Report of Nominating Committee -

D. Schelleng, Chair of the Nominating Committee, reported that the Committee (consisting of John B. Johnson, Jr., Richard Smith and himself) recommends the following slate of officers of the Development Authority of the North Country for the 2008-09 fiscal year:

Chairman - Tom Hefferon
Vice Chairman - Richard Smith
Treasurer - Mark Scarlett
Secretary - Elizabeth Fipps

Approval of the Nominating Committee Report for the Slate of Officers for the Board of Directors of the Development Authority of the North Country for the 2008-09 Fiscal Year was approved unanimously.

10. Assignments -

a. 2008-09 Committee List - R. Juravich reported that the current Committee list was not correct; an updated version will be mailed to the Board.

b. At 12:25 PM a motion was made by E. Fipps, seconded by D. Murray and unanimously passed to discuss the employment history of a particular individual.

c. At 12:35 PM a motion was made by E. Fipps, seconded by A. Calligaris and unanimously passed to return to regular session. The Chairman reported that no action was taken during Executive Session.

11. Next Meeting - The next Board of Directors meeting is scheduled for Thursday, June 19, 2008.

12. Adjourn - At 12:37 PM, Chairman T. Hefferon adjourned the meeting upon a motion by M. Scarlett, seconded by A. Calligaris and unanimously passed.

Respectfully submitted:

Elizabeth Fipps, Secretary

EF/aba