



MINUTES
GOVERNANCE COMMITTEE
Thursday, August 8, 2019 – 10:00 AM
Authority Conference Room, 4th Floor, Suite 414
Dulles State Office Building

The Development Authority of the North Country Governance Committee met in regular session at the State Office Building, Development Authority Conference Room, 4th Floor, 317 Washington Street, Watertown, New York on Thursday, August 8, 2019 at 10:00 am.

Members Present

Frederick Carter, Chairman
Thomas Hefferon
John B. Johnson Jr.
Dennis Mastascusa
Margaret Murray

Staff Present

James W. Wright, Executive Director
Carl E. Farone, Jr.,
Angela Marra, Executive Assistant

Guests Present

Committee Members - Absent

Alfred Calligaris
Mary Doheny

Other Board Members Present

1. Chairman Carter called the meeting to order at 10:08 AM.
2. Chairman Carter requested a roll call by A. Marra.

All committee members were present except for A. Calligaris and M. Doheny, confirming there was a quorum.

3. Landfill Bond Rating –

J. Wright reported the Authority achieved a “AA-” rating from the write-up from Standard & Poors. This is consistent with what we had been given in 2015. It is a strong yet conservative rating representing low industry risk as a “contractual monopolistic service provider”. Their review reports on the Authority’s history, reviewing tip fees, and showing the Authority as a stable entity. This information is what is being taken to the Bond Sale on August 15th at under 3% for our interest on the bonds. A copy of the write-up was provided to the committee.

J. Johnson read the upscale scenario from the bond report:

“There would need to be meaningful expansion and diversification of the authority’s economic base, noticeably increasing wealth and income levels, for us to consider a higher rating.”

F. Carter requested that copies of the meeting agenda and attached information pages be mailed to all committee members not present.

C. Farone stated this is the first year using Fiscal Advisors, and all has been going well. If we can fix the rate to 3% over 25 years this will only increase the market value to the Authority. By September we are looking to receive \$12 million in proceeds from the bond sale.

4. Landfill Bids -

J. Wright reported on the recently received landfill bids, citing a copy included within the packet handed out with the agenda at this meeting. The two general contractor bidders, Marcy & Kubricky, are both reputable contractors and have previously worked with landfill projects. The bids are within a couple hundred thousand of each other at \$14 million. However, \$14 million was a bit of a surprise increase to what was originally projected by the engineers. Four contractors attended the pre-bid meeting, however bids were only received from two contractors. There are not many contractors large enough to handle a job of this size within New York State. There does not seem to be an advantage to rebidding this project and risking these two contractors not rebidding.

M. Murray asked what was different within the alternate bid. J. Wright responded that they were different in what was not included, but we were only looking at the primary bids at this time.

F. Carter asked what our engineer as an original estimate. J. Wright responded that the all in original projection was at \$20+ million.

C. Farone stated that this is for the Southern Expansion. The list included in the packet is showing budgeted cost versus the pre-bid. This went through two phases, phase one is moving all the earth and phase two is constructing the liner, leachate collection system, and other detail work. Earthwork is a portion of this at \$6.1 million in total costs including a \$300,000 contingency that hopefully will not be needed.

J. Johnson commented that in Phase I, earthwork was not part of these bids. C. Farone agreed, and stated everything above phase II is concrete costs. Phase II is where the problem occurred. B&L had budgeted this at \$11 million, but the quote came in at just over \$15 million.

C. Farone further stated that at \$13 million Kubricky, minus the \$650,000 fuel system upgrade which has since been determined not needed at this time. The electric portion is at \$300,000. The mechanical portion has only been estimated as there have been no bids received. The contingency has been estimated at 5.5% at just under \$800,000. Lastly included is the debt issuance of \$300,000, resulting in a total result in a projected cost of \$24 million for the Phase II Bid Opening, as opposed to the \$20.6 million projection.

J. Wright commented on several items from the engineering assessment that resulted in this increase:

- geo-synthetic materials – liners system: Prices have increased in the raw materials that produce this product. Manufacturers are hard to find. There is a limited number of specialty contractors in the area. The firm that had been used in 2015 has since moved out of state. The second firm that had been used was sold to an MWBE. Everyone is using them to meet MWBE numbers for the state.
- the 1 pump station and 1 storage facility will be demolished and become landfill space. This structure will be re-built elsewhere. To move this is a complex job with the contractor. The specs have combined these, resulting in being more complex for the contractor. Reviewing now if still necessary. This change was initiated by the Division for operational reasons. It was not included in the engineers estimate.
- Electrical work – the conduit is part of the current job and must be established first, then the cable run as part of phase II will be run through the conduit. Specifications were obtained, but didn't upgrade the rest of it. The Authority also added a second generator which wasn't reflected in the original estimate. The reason being the first generator had been upgraded the original generator last year on the main landfill, but it is not big enough to run the entire landfill with the expansion. The options were to add a second, or upgrade the first again.
- Litter fencing add another \$400,000. There has been a problem locating a contractor that will work with this project. The repairs from the ice storm 18 months ago are still incomplete.
- Fill & stone – the contractor found they are having to travel further for the appropriate material for the new liner. This material is usually sourced at Kings Quarry just up the road from the landfill, however this is the incorrect material for this project. The select fill that needs to be used for this project will be coming from Copenhagen, which will reflect addition funds for transportation.
- Leachate tank cost has increased by about \$250,000 due to the increase in the cost of steel right now.

The total, citing all of these examples is what brings us to \$15 million. The bid estimates should have been increased to reflect these changes. In several instances the changes were additions initiated by the Authority but not incorporated in the revised estimate. Based upon evaluations, the pricing is appropriate for the work requested. The two bids were within 2% of one another. We would like to increase the budget value to \$24 million to move the project forward. The gas facility has been taken out at \$650,000 and there needs to be a second energy source for the pump station.

J. Wright cited a report created by C. Farone and the engineers. The report shows a recreation of the original expenses for the original landfill, and then used the inflation factor from 2014 and requested a projection cost from the engineers. They came in at \$31 million. Overall this is where we are today. J. Wright further stated he is comfortable with where we're at, as well as going forward. He would like to ask the

committee to increase the budget value of the project to \$24 million. In turn, the Authority will move forward with accepting the bids, and will be negotiating some of the unnecessary items such as the gas facility and storage building. Ultimately this work will have to be done, but it doesn't need to be a part of this project.

J. Johnson stated this the ultimate goal here is to effectively extend the life of the landfill going forward, which is the most important thing this Authority needs to worry about.

Upon a motion by T. Hefferon, and seconded by M. Murray, to approve the Capital budget to \$24 million for the current MMF Southern Expansion Project, Projected Costs Post Phase II Bid Opening and bid award, was unanimously approved by the Governance Committee with the following roll call vote:

F. Carter -	Yes
M. Murray -	Yes
T. Hefferon -	Yes
D. Mastascusa -	Yes
J. Johnson -	Yes

5. Landfill Project -

J. Wright commented on reconciling the Capital Reserve, stating the money is there to meet the objective, using 50% reserve / 50% bond so that future generations weren't being faced with the burden.

C. Farone reported this being a \$24 million project, 50% is funded by debt, and 50% in reserves using \$11 million from Capital Reserve and \$1 million from the Wetland Mitigation Reserve. The Wetlands Mitigation was created as required by the DEC, with \$2 million so this will leave money there. As of June 30th, \$2.5 million had already been spent on the Southern Expansion leaving about \$9.5 million still to be funded. This is comprised of \$8.5 million from the Capital Reserve and \$1 million Wetland Mitigation.

There is a \$16.3 million balance in the Capital Reserve as of June 30th, and the Wetland Mitigation is at \$2.1 million. The breakdown is included within the packet handed out with the agendas. All capital projects have been authorized as shown. When reviewing the 5 year plan in 2020, there is a projected \$100,000 coming out for Capital Projects. Looking ahead to 2022, the projected balance is roughly \$6 million in Capital and \$1.1 million in Wetland Mitigation. These reserves were established for this reason. Both reserves stay intact within the balance for other future projects that may arise.

D. Mastascusa asked if the amount used to fund the Wetland Mitigation was dictated by the DEC. J. Wright replied that this is a permit requirement that the US Fish and Wildlife was looking for. The Authority worked with Conservation Connects to determine the appropriate amount for the reserve. J. Wright further stated this is a Board designated Reserve, not a restricted reserve. J. Johnson commented that this is a good place to designate funds as no one will take money designated for the environment.

F. Carter asked if the contractors bidding are all prime, following Wicks Rules. He further asked if the electrical are responsible for its own. J. Wright responded yes to all.

F. Carter further asked if it has been determined which person we were going with. J. Wright replied that the Authority will be going with the low bid, Kubricky. F. Carter asked that with a bid \$3 million over projection, does that put us in place to sit down with these contractors to discuss this issue. J. Wright responded yes, with the low contractor. F. Carter then asked about any state regulations that the Authority should be looking into for rebidding this project, mentioning that he wants to make sure nothing is being overlooked as many of these issues are things the engineers should have been more on top of. J. Wright stated that we are basing information off the reality of the bids, as we have two reputable state-wide landfill contractors within 2% of each other.

F. Carter stated further that he is thankful to the foresight to the future in the Authority making certain there is the money available to do this, but we doesn't want anyone coming back to say it was done wrong.

J. Wright stated that a risk we take by rebidding is that the only two contractors who came forward for this bid may not resubmit again. This would also cause time delays, which would cost more money. Within the construction industry today, this seems to be very common.

T. Hefferon stated that bids across the board for many varied projects tend to be increasing, such as the Watertown City arena and pool situation.

F. Carter stated again that he felt the engineering firm should have been watching. F. Carter cited an additional \$400,000 over estimate spent on the Water Quality Valve Line.

J. Wright explained that this is not our engineering department, these are two different engineering firms on the two projects, EDR on the water project and B&L on the landfill project, both needing to get more up to date with their cost accuracy, however it may also be an instance of not wanting to scare people away from completing projects.

J. Johnson asked when the landfill expansion project was scheduled to begin. J. Wright replied that it should start by the end of the month (August). J. Johnson further stated that a rebid would push this project start date out to next spring, and this would be a very irresponsible decision since extending the life of the landfill is our main concern and responsibility. F. Carter stated that we need to be sure we are discussing the issues and asking the right questions. J. Wright responded that the low bid is the one being accepted, and while it is not ridiculously low indicating something being overlooked, it is reasonable with the project.

F. Carter stated he would appreciate the fuel tanks being taken out of the ground as soon as possible.

M. Murray asked where the contractor is out of. F. Carter responded they are out of Albany. M. Murray further commented that they would stay here requiring gas, food, hotels rooms. This only helps the local economy.

6. Executive Session – Personnel Matter

F. Carter asked for a motion to enter into Executive Session for the purpose of discussing a personnel matter.

Upon a motion by M. Murray, and seconded by T. Hefferon, the committee moved into Executive Session at 10:40 AM.

Upon a motion by T. Hefferon, and seconded by D. Mastascusa, the committee moved out of Executive Session at 11:08 AM.

F. Carter reported that no action was taken during Executive Session.

F. Carter requested a motion to appoint Carl E. Farone, Jr. to the position of Deputy Executive Director and Chief Financial Officer.

Upon a motion by M. Murray, and seconded by T. Hefferon, the decision to appoint Carl E. Farone, Jr. to the position of Deputy Executive Director and Chief Financial Officer effective today, August 8, 2019, was unanimously approved by the Governance Committee with the following roll call vote:

F. Carter -	Yes
M. Murray -	Yes
T. Hefferon -	Yes
D. Mastascusa -	Yes
J. Johnson -	Yes

7. Upon a motion by T. Hefferon, and seconded by D. Mastascusa, the committee meeting was adjourned at 11:09 AM.

Respectfully submitted,


Fredrick J. Carter
Chairman, Governance Committee