

**MINUTES OF A JOINT MEETING OF THE
FINANCE & AUDIT COMMITTEES OF THE
ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY (ECIDA or AGENCY)
THE BUFFALO & ERIE COUNTY REGIONAL DEVELOPMENT
CORPORATION (RDC) AND THE BUFFALO & ERIE COUNTY INDUSTRIAL
LAND DEVELOPMENT CORPORATION (ILDC)**

- MEETING:** March 18, 2016, at the Erie County Industrial Development Agency, 95 Perry Street, Suite 403, Buffalo, New York 14203
- PRESENT:** Penny Beckwith, James F. Doherty; Chris T. Johnston, Michael Szukala and William Witzleben
- ABSENT:** Glenn R. Nellis
- OTHERS PRESENT:** Steve Weathers, Chief Operating Officer; John C. Cappellino, Executive Vice President; Andrew Schoepich, Treasurer; Mollie Profic, Assistant Treasurer; Dawn Boudreau, Compliance Officer; and Robert G. Murray, Secretary
- GUESTS:** Seth Hennard and Sara Dayton from Lumsden & McCormick

There being a quorum present at 12:03 p.m., Mr. Johnston called the meeting of the Finance & Audit Committee of the ECIDA, RDC and ILDC (the “Committee”) to order.

MINUTES

The December 1, 2015 minutes of the joint meeting of the Committee were presented. Upon motion made by Mr. Szukala, and seconded by Mr. Doherty, the December 1, 2015 minutes of the Committee were unanimously approved.

PUBLIC AUTHORITIES 2015 REPORT

Mr. Schoepich gave an overview of the Public Authorities annual report to be submitted for the 2015 fiscal year. Mr. Schoepich explained that the ECIDA, an industrial development agency, together with its affiliates, is required to comply with the New York State Public Authorities Law and submit a comprehensive annual report including information on numerous topics such as, for example, annual operations and accomplishments and a summary of financial reports. Mr. Schoepich noted that not much has changed from the prior year’s report.

INVESTMENT GUIDELINES

Ms. Profic then reviewed the ECIDA’s Investment and Deposit Policy. Ms. Profic noted that Article III(b) of the Investment Policy sets forth the parameters of the types of investments the ECIDA can invest in. She noted that nothing has changed in terms of the scope of permitted investments to be approved in this year’s policy.

INVESTMENT REPORT

Ms. Profic then gave an overview of the Agency's 2015 Annual Investment Report noting the purpose of the report, in compliance with Section 2925(6) of the Public Authorities Law, is to prepare a schedule detailing the Agency's investment income and related fees for the year ended December 31, 2015. Ms. Profic explained there may be consideration in the future to move towards investment periods greater than the currently allowed investment terms of up to two years. Ms. Profic noted that the Agency may wish to consider holding off on re-evaluating the allowable investment periods until after the dust settles on the merger between First Niagara Bank and Key, given the Agency's current investments are managed by First Niagara Bank.

At this point in time, Mr. Johnston asked whether there were any regulations on long term investments. Mr. Schoepich replied that the ECIDA's investment policy mirrors state regulations. Mr. Schoepich also noted First Niagara Bank will be presenting investment options to the Committee in the future.

At this point, Mr. Witzleben joined the meeting.

CORPORATE CREDIT CARD POLICY

Mr. Schoepich reviewed the Corporate Credit Card Policy for consideration by the Committee. Mr. Schoepich explained the corporate credit cards are primarily used for travel expenses and that a report will be presented delineating exactly what the card was used for.

FINANCE & AUDIT COMMITTEE SELF-EVALUATION

Ms. Boudreau explained the ABO requires a self-evaluation to be completed by each member of the Committee. Ms. Boudreau noted that the self-evaluation tracks the expectations that are placed on the Committee as set forth in the Governance Committee Charter.

Upon motion made by Mr. Szukala and seconded by Ms. Beckwith, a motion to approve the proposed Investment Report; Investment Guidelines; Finance & Audit Committee Charter; Corporate Credit Card Policy; and Finance & Audit Committee Self-Evaluation was unanimously approved.

CORPORATE CREDIT CARD USAGE REPORT

Mr. Schoepich reviewed a summary of charges made to the corporate credit card, noting, as mentioned previously, the majority of the expenditures were for travel and expenses associated with conferences, seminars and luncheons. Mr. Johnston inquired whether the expenditures were within the budget. Mr. Weathers noted that the total expenditures were slightly over budget with regard to travel because certain conferences were attended by both Agency and Erie County employees; and expenditures for the County participation amounted to approximately \$2,000. Whereupon, Mr. Johnston directed the Corporate Credit Card Usage Report be received and filed.

LUMSDEN & MCCORMICK REPORT INCLUDING DRAFT 2015 AUDITED FINANCIAL STATEMENTS

Mr. Hennard and Ms. Dayton from Lumsden & McCormick presented a draft report of the 2015 Audited Financial Statements for the ECIDA and its affiliates. Ms. Dayton first reviewed the audit scope and deliverables expected by each entity. Deliverables included: i) an independent auditor's opinion on financial statements (which was unmodified); ii) independent auditor's report on internal controls over financial reporting, compliance and other matters based on audit of financial statements (performed in accordance with government auditing standards) (no matters to report); iii) independent auditor's report on compliance with Section 2925(3)(f) of the New York State Public Authorities Law; iv) independent auditor's opinion on the Buffalo Brownfields Redevelopment Fund schedule; v) communications with those charged with governance; and vi) a no material weakness letter. In addition, Ms. Dayton reported an independent auditor's report was produced with regard to compliance for major federal programs and internal controls within the RDC. Ms. Dayton also reported the IRS Forms 990 for RDC and ILDC are in progress and are due May 15th. Ms. Dayton noted that there are new audit standards which preclude the auditors from reporting on internal controls; however, Lumsden & McCormick tested the internal controls and found no problems.

With regard to the Brownfields Redevelopment Fund, Ms. Dayton noted that the ECIDA is a trustee for these funds. Mr. Schoeplich explained that the Brownfields Redevelopment Fund is a collaboration between BUDC and ECIDA, and the fund was set up by the City of Buffalo and County of Erie. Mr. Schoeplich further explained, as the ECIDA takes PILOT revenues into the Fund, a portion goes to the City and County and the rest allocated to infrastructure projects, such as, for example, the Lakeside Commerce Park and the Northland projects.

Mrs. Dayton reported on RDC loan fund utilization rates, noting the utilization rate remains below 75%. Ms. Beckwith then inquired whether there is an issue of recapture due to the fact that the utilization rate remains low. Mr. Schoeplich replied that there is a potential recapture issue but the Agency is working diligently with the federal government to restructure the loan program in order to alleviate any threat of recapture. Mr. Schoeplich explained that currently, HUD and EDA regulations apply to the fund and the Agency is working with HUD to restructure the funds so the HUD regulations do not apply.

Ms. Dayton reviewed the condensed financial information by entity noting that information was broken up by current and non-current dollar amounts. Ms. Dayton noted that there is a large change in overall net position of the ILDC, due to increased administrative fees, and on the expense side of the ILDC there was a collection for People's Mart loan.

With regard to RDC assets, there were 5.3 million dollars in new loans in 2015. Liabilities included accumulated interest owed to HUD and administrative fees payable to the IDA. With regard to RDC revenues and expenses, Ms. Dayton noted that the sale of Kinex stock warrants caused an increased revenue stream in 2015. Total net income for the RDC in 2015 amounted to \$439,000.

With regard to the ECIDA, there were no major changes in the balance sheet in any category. Ms. Dayton explained there are currently \$16.3 million in current assets, noting that the anticipated sale of the Gemcor interest held by the ECIDA has not been finalized.

Mr. Johnston then inquired whether there is information in the reports regarding the value of the ECIDA's real estate holdings. Mr. Schoepich directed Mr. Johnston's attention to page 82 of the Committee package, containing a property report. Ms. Dayton then continued her review of financial information by entity, noting the ECIDA incurred an increase of \$2.435 million in its net position for fiscal year 2015. Ms. Dayton then reviewed the ECIDA's revenue and expense trends for the last several years, noting that the \$1.8 million spike in revenue last year was primarily attributable to an increase in ILDC administrative fees. With regard to expenses, a marketing person was added to staff salaries, resulting in an increase to salary and benefit expenses. Overall, expenses increased from \$2.88 million to \$3.207 million year over year. Special project grants increased year over year with regard to BBRP and Launch NY contributions made by the ECIDA to each organization.

Next, Ms. Dayton reviewed the "Communication with Those Charged with Governance" section of the Lumsden & McCormick report, noting there were no material concerns and no new accounting policies to report. However, Ms. Dayton explained GASB 77 was just issued in August of 2015, and requires municipalities to report on all tax abatements. As such, Ms. Dayton advised the Committee, municipalities impacted by ECIDA projects may be seeking information from the ECIDA in the future in order to complete their reporting requirements in accordance with the new GASB 77 standards. The standards apply for periods beginning after December 15, 2015. Mr. Johnston then inquired whether there were any questions or comments regarding the financial statements. Hearing none, upon motion made by Mr. Szukala and seconded by Mr. Witzleben, a motion to approve the Draft 2015 Audited Financial Statements for ECIDA and its affiliates was unanimously approved.

Next, Mr. Cappellino introduced an action item with regard to the Campus Square Housing project. Mr. Cappellino explained that this project involves a mixed-use construction project involving affordable housing and commercial component. The Campus Square Housing project will come before the Board for approval in April. Mr. Cappellino explained that the proposed resolution before the Committee involves tax-exempt bonds approval and approval of the issuance of tax-exempt bonds or incidental taxable bonds in an aggregate amount not to exceed \$52,500,000, for the purposes of undertaking the project and funding the costs.

Upon motion made by Penny Beckwith and seconded by William Witzleben, the following resolution as unanimously approved:

RESOLUTION OF THE MEMBERS OF THE ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY ("ECIDA" OR "ISSUER") FINANCE & AUDIT COMMITTEE RECOMMENDING THAT THE ECIDA FINANCE CERTAIN COSTS RELATING TO, AND APPROVING THE UNDERTAKING OF A CERTAIN PROJECT DESCRIBED BELOW AT THE REQUEST OF PILGRIM VILLAGE ASSOCIATES II LP, AND THE GRANTING OF CERTAIN FINANCIAL ASSISTANCE IN CONNECTION THEREWITH, INCLUDING THE ISSUANCE OF THE ISSUER'S TAX-EXEMPT BONDS OR INCIDENTAL TAXABLE BONDS IN AN AGGREGATE AMOUNT NOT TO EXCEED \$52,500,000 FOR THE PURPOSES OF UNDERTAKING THE PROJECT AND FUNDING THE COSTS OF SUCH ISSUANCE

At this point, Mr. Johnston left the meeting. Mr. Schoepich then reviewed the information provided to the Committee members entitled "Considerations for Audit Committee

Members” and explained it contains information for Committee members to familiarize themselves with in order to better serve in their role as Committee members.

There being no further business to discuss, upon motion made by Mr. Doherty and seconded by Mr. Szukala, the meeting was adjourned.

Dated: March 18, 2016



Pietra G. Lettieri, Assistant, Secretary