

**SARATOGA COUNTY CAPITAL RESOURCE CORP.**

**December 4, 2017**

**Meeting Minutes**

**Stewart's Office Plaza, Route 9, Malta, NY 12020**

**Members Present:** Chairman Anita Daly, Arthur Johnson, Valerie Muratori, Matthew Veitch, Ann Frantti, John Wyatt.

**Staff Present:** Raymond O'Connor, CEO; Jeffrey Reale, CFO, Chris Martell, Bond Counsel, Jim Carminucci, Counsel, Lori Eddy, administrative secretary.

**Guests:** Chris Canada, Michael West, Vice President Finance and Administration, Skidmore College; Kyle Bernard, Comptroller, Skidmore College.

**Absent:** Eugene Zeltmann.

Chairman Daly called the meeting to order at 4:30 p.m.

Chairman Daly welcomed Mr. West and Mr. Bernard of Skidmore College. Mr. West stated he is the Vice President of Finance and Administration at Skidmore College for approximately 13 years. They presented to the Board before and you have been very generous in giving some approval before on a previous loan and they are very appreciative of that. He is joined by Kyle Bernard, their Comptroller, he is a CPA and has extensive experience in public accounting and has been with him for a number of years. What they are trying to do is build a Center for Integrated Sciences. They are trying to do the first phase of about 60,000 square feet and a cost of \$67,500,000. That is architectural fees, soft costs, furniture and construction. They have funding in place for approximately half of that at this point, \$32,500,000. They are looking for approval for net proceeds from this organization for \$35,000,000. The actual borrowing will be more than \$35,000,000 for the cost of issuance and capitalized interest and so forth. They will capitalize the interest for the first two years of the project. They hope to start May 2018. He has provided some illustrations of classrooms and so forth. He believes it will improve their teaching in the sciences and help in recruiting students and improve faculty and staff. They are confident that they will be able to do it on a tax-exempt basis. They have hired JP Morgan as the underwriter. They use the Yuba Group out of New York City to help with the financing plans. Mr. West stated he would be happy to answer any questions. Mr. O'Connor stated Skidmore has been well known for its arts programs, but has a strong Science Department, recognized around the country for its many accomplishments for students, graduates and faculty. Mr. West the current Science Building is 100,000 square feet. When this is all completed we will have another 100,000 square feet. Moody's Investor Service has given the college an A1 rating with stable outlook. The college is in the top 40 with US News and World Report and has a stellar reputation. Chairman Daly asked Mr. West to discuss a little bit because we have to make this align to our Mission Statement as we present it forward, the job creation, the job retention. Retention is just as important to us as job creation. If you could speak to us a little bit about that. Mr. West stated he thinks the number of adds through the long-term process are relatively small. They will certainly have additional staff for cleaning and maintenance. They will have some additional instructors and some support staff for those instructors. They will be relatively small as indicated in the application. He does believe there will be substantive additions through the construction period and the renovation period which will probably go four to seven years. It permits them to retain their strength in the Sciences. They are a fairly expensive private institution and are in a very competitive market. They feel deeply that this project will make them a better institution. Mr. Johnson asked Mr. West if this is a separate stand alone building or would it be an addition? Mr. West stated this is an addition. It will be a separate foundation, but attached. Chairman Daly questioned how many of their students are in Science programs? Mr. West stated approximately 1/3. He stated he should emphasize that this building will also meet needs of other

programs. There are study spaces, there are classrooms in this building that can be used by other programs. It is a very important aspect of the design. Chairman Daly asked the Board if they had any further questions. Mr. O’Conor stated in the board packet is a summary of the transaction. There is just one clarification and it is contained in the Resolution that you will be asked to consider today. The \$35,000,000 noted does not include soft costs. So, the actual cap for the financing of this transaction is \$45,000,000. Mr. Johnson questioned Mr. O’Conor what would be the timeline, assuming we accept the application? Mr. O’Conor stated that he discussed this with the Yuba Group. We looked at the calendar and scheduled this meeting. We need to set a public hearing sometime in the next few weeks. Mr. West stated they are targeting for March at this time. He stated they did actively look if they could accelerate it through the December 31<sup>st</sup> period to avoid some of the tax issues that are going on. Mr. O’Conor stated we have another meeting scheduled in January. A public hearing between now and then will keep it on track. Mr. West stated yes. Mr. Carminucci stated it needs to go to the Board of Supervisors. Chairman Daly stated assuming this Resolution passes today, she will bring it forward tomorrow to the Economic Development Committee at the County where it starts the process. Mr. West stated they appreciate having this meeting for them to get this process going. Chairman Daly asked if there were any further questions for Skidmore College at this time. There were no further questions.

Mr. Carminucci stated Mr. Martel’s office did prepare a draft Resolution and he distributed that to the Board members. Mr. Martel stated this is just a preliminary Inducement Resolution. It essentially takes the application and boils it down into project terms that summarize what Mr. West has indicated here. As Mr. O’Conor pointed out they used a present estimate of \$35,000,000. There certainly isn’t going to be \$10,000,000 in soft costs on this but if we miss by even \$100,000 we have to do this whole exercise again. We just give enough of a cushion so that any unforeseen circumstances are taken into account. It also authorizes the scheduling of a public hearing. This is the official action on the project. You need to do a SEQR and a Bond Resolution going forward, hold a public hearing and get the approval from the Board of Supervisors. Mr. Carminucci questioned if this has been before the City Planning Board yet. Mr. West stated yes. They submitted their construction documents in July. The City is struggling to review the documents. In the last several weeks they authorized a separate engineering firm to help with that review. They have met with them. In fairness to the City, their original plan was for the entire project. They have modified those documents and shared those now with the City and the separate engineer. They are optimistic that they will get approval of that in the near term, meaning in a month or two, not the next couple of weeks. They had a hearing because they needed a height variance and they received that. They have SEQR review. They have gotten through that. The only modification they have made since July is to phase the project into two sections, so it is a simpler process for the City. They have support from the City. Chairman Daly asked for a motion to approve the application for Skidmore College.

The following resolution was offered by Mr. Johnson and seconded by Mr. Wyatt.

**Resolution No. 27-2017**

Resolved to approve the application for Skidmore College as submitted and to set a public hearing for the application.

Ayes – 6 – 0

Noes – 0

Adopted 6 – 0

Mr. West and Mr. Bernard then left the meeting.

### **Approval of the October 24, 2017 Governance Committee meeting minutes:**

Chairman Daly stated we have a few agenda items to go over. The first is the approval of the Governance Committee meeting minutes of October 24, 2017. The motion to approve the Governance Committee meeting minutes was made by Mr. Veitch and seconded by Mr. Johnson. There was no further discussion. All board members voted in favor.

### **Approval of the October 24, 2017 Finance Committee meeting minutes:**

Chairman Daly stated the next agenda item is to approve the Finance Committee meeting minutes. The motion to approve the Finance Committee meeting minutes of October 24, 2017 was made by Mr. Wyatt and seconded by Ms. Muratori. There was no further discussion. All board members voted in favor.

### **Approval of the October 24, 2017 meeting minutes:**

Chairman Daly asked for a motion to approve the October 24, 2017 meeting minutes. The motion was made to approve the minutes was made by Ms. Frantti and seconded by Mr. Veitch. There was no further discussion. All board members voted in favor.

Chairman Daly stated the item on the agenda is a proposal to modify the fee schedule. She and Mr. O'Connor have spent some time talking regarding this and she also spoke with Mr. Johnson regarding this. It has come to our attention that we are getting a little competition for business so we would like to take a look at our fee schedule so that we can remain as competitive as possible to do what we do for hopefully as long as we are allowed to do this not knowing what way the tax law is going to go. Chairman Daly asked Mr. O'Connor to discuss this agenda item. Mr. O'Connor stated to give a little bit more background, we did the last transaction for Saratoga Hospital. He had a long conversation with the folks at the Hospital and also had a long conversation with the folks at the Yuba Group before we got the Skidmore application about the fees. The New York State Dormitory Authority is more flexible, more competitive than in the past. They asked us to take a look at fees. He listed a few options which he distributed. Mr. O'Connor stated that our fee schedule, in his opinion, should be reflective of our needs as an organization to fund its operations. The 2018 operating budget excluding grants, has expenses of \$72,100. We should close the RW Preservation in December and receive a \$100,000 fee. That will give us about \$500,000 cash available. Excluding grants, if you look at our current operating budget, that will give us seven years of operating funding. Sometime in the first quarter in all likelihood, we will close the Skidmore transaction. That will be another six-figure fee. Even with a modified schedule we will have \$600,000 in available funds to run our operation. It will provide at least five years of operating funds. With that in mind, he has put together a couple of options. Option B keeps the same fee schedule for the first \$10,000,000 and the next \$10,000,000 of funding, but our fees would be capped at \$20,000,000. It doesn't take us any more time, trouble or effort to do a \$10,000,000 transaction than a \$50,000,000 transaction. The other option, Option A, would take us to a cap of \$30,000,000 but would reduce the fees for the first 10,000,000, second 10,000,000, and third \$10,000,000. His rationale on that is if there are organizations that are smaller that might want to do some funding, then having that initial \$10,000,000 at ½ of 1% might encourage them to do so. He thinks under either scenario, or even another scenario if someone has a suggestion for one, we will have more than adequate funding to carry us for the foreseeable future. Ms. Muratori questioned how uncompetitive are we between the Dormitory Authority. Mr. O'Connor stated he took a look at their fees. He thinks at the higher end they are at a lower rate for a cap but he cannot remember off the top of his head. Mr. Martel stated it is hard to calculate the Dorm fee. They have ongoing annual fees as well and every project that they do falls into a different category. Like, new construction has a different framework. It is tough to say. There is also something called a bond issuance charge in the State of New York. The CRC doesn't have to pay that. That is something like .84%. The Dorm has that fee, we don't. Ms. Muratori stated she would think we are more

flexible as far as moving a project forward. Mr. Carminucci stated you also don't delve into applicants projects the way the Dorm does, they look at construction, they have staff monitors. It is a completely different process. Mr. Wyatt stated, so it is really not a competitive issue with the Dorm, it is more about going down to our bottom line and figuring out what is fair. The Board members agreed. Mr. O'Connor stated he didn't know that we are going to lose any transactions but one of the things we debate more often than anything else is what are we going to do with our funds. He doesn't know if it is our role to take fees from some not-for-profit organizations to either bank it or to give it to others. Chairman Daly stated it was never our intention when we started this group to collect all these fees and let them sit in our bank account. Part of the sale to starting this organization to the Board of Supervisors was to be able to have a revenue source to reinvest in Saratoga County and not be lost to the State of New York. We haven't gotten to that point yet, but that always was the intention to reinvest funds back into the County. Mr. O'Connor stated if we reduce the fees and it turns out four or five years from now we are underfunded, we can raise the fees. Ms. Muratori questioned if we needed to notify anyone that we have changed our fee structure? Mr. Carminucci stated no. Mr. Johnson stated he liked the idea of lowering them up front to some of the smaller projects himself. Mr. O'Connor stated if he was going to make a recommendation it would be Option A, but it is obviously up to the Board. Mr. Wyatt stated more importantly we need to figure out what we are going to do with the money that we have, to start getting some ideas together on that. Mr. O'Connor stated after we talk about the fee schedule, Ms. Muratori has a preliminary document to talk about that issue. Mr. Wyatt stated the entities that come here get a tremendous amount of savings and pay a lot of other people a lot of other fees and he is sure those people don't change those fees at all. A lot of people get their piece of the pie. He agrees, he doesn't want to do something just for the sake of doing it if we don't have a justification for it. Mr. O'Connor stated we are a not-for-profit community development company. Mr. Wyatt stated in comparison, this project we are looking at for Skidmore, what would our fee have been and what will it be if we go with Option A. Mr. O'Connor stated it is \$150,000 if we stay with what we have. If we go with Option B, it is \$125,000. If we go with Option A, it is \$87,500. Mr. O'Connor stated even with the lowest option, that one transaction covers our expenses for the year. We would still have somewhere in the neighborhood of \$500,000 in the bank. Mr. Johnson stated at periods of time we don't have any applicants and we still have our budget. Mr. O'Connor stated in 2015 he doesn't think we had a transaction. We had a couple in 2014, and a couple in 2016. We did have the one dry year. Mr. Wyatt questioned what are we considering a small application? Ms. Muratori stated Skidmore's is a fairly sizeable application. She questioned what was the Hospital application? Mr. O'Connor stated the Hospital's last transaction was around \$55,000,000. Mr. Johnson questioned Mr. Carminucci what the minimum to come here was, was it \$2,000,000 or \$3,000,000? Mr. Carminucci stated you are not going to see anything lower than that, transactional costs make it not feasible. Chairman Daly questioned just going forward, is Option A, as we said, or she heard, it is nicer to have a lower percentage so that we can attract maybe some of the smaller potential projects. Is there an opportunity to use both A and B depending on the size of the project? She understands from her conversations with Mr. O'Connor that the scope of work on your part basically ends up being the same whether it is \$20,000,000 or \$50,000,000. She doesn't know if there is a value to trying to keep something low, maybe even lower than A, for smaller projects. She doesn't mean to keep putting too many options on the table either. Mr. Johnson stated we normally have just one fee schedule. Chairman Daly questioned at what point does the work become different? Mr. O'Connor stated it doesn't. Regardless of whether it is the \$15,000,000 transaction for the Raymond Watkin Apartments or the \$55,000,000 that the Hospital did, the paperwork is the same. From year to year for audit purposes, the tracking is the same. Mr. Carminucci stated that he thinks you could also say that circumstances have changed because you are further along in your life span and you have a better understanding of what to expect in terms of applications and revenue. Mr. O'Connor stated that is a good point. Mr. O'Connor stated the reason we have the schedule that we have is it is the schedule that the IDA has. Mr. Wyatt asked Mr. O'Connor why he changed the percentages from Option A to Option B? Mr. O'Connor stated just to give the Board another option. In either case, based on our short five-year history as an entity, if we had the least expensive of those schedules in there we would still have an adequate cushion to run the

organization. He was operating from the thought of our mission. To provide these organizations with tax exempt financing and operate as a not-for-profit, while having adequate funding to sustain your operation. Mr. Johnson stated Option B is really not much different, other than it is the same for the first \$20,000,000. Option B is the same percentages as our current fees. Mr. Wyatt stated yes, it just caps it. Ms. Muratori questioned if it would make sense to not cap it at all? Right now, we are not capped, correct? Mr. O'Conor stated correct. Ms. Muratori stated if we did Option A there is still high motivation on the part of whomever because they are seeing reduction in the percentages, but why would we want to cap? We are reducing the fees, then after \$30,000,000 there is no fee structure. Mr. O'Conor stated if you put aside competitive issues, put aside what any institution in particular wants, what level of income do we need to sustain our operation? With \$500,000 dollars in the bank, even if we go with the thinnest of fee schedules, we are likely to pick up at least \$100,000 next year. So, what reasonably do we need in income to sustain our operation for the foreseeable future? For him, anyway, that is what he was thinking of first and foremost in terms of the fee schedule. Ms. Muratori stated she supports that and thinks that when you start to do the math, \$87,000 is a little close. She is more comfortable looking at staying at \$100,000 to \$125,000. Ms. Frantti questioned what amount our grants might be. Ms. Muratori stated she wanted to focus on capital improvements for the not-for-profits. She was thinking up to \$5,000. Ms. Muratori further stated there would have to be a committee to handle this. It would be based on maintaining an agency's service delivery system or increasing their service delivery system. Chairman Daly stated that in essence retains jobs, and you have to look at that as an underlying factor here when we do these grants. They don't create jobs but for the service that they provide they keep others employed because if the not-for-profit can't afford to make the right capital improvements to the program or their facility, they probably won't be around. If they are not around, chances are somebody won't have a job. Mr. O'Conor stated he would like to give a scenario. Let's say that Wellspring comes to us and they say for a safe house they need \$5,000 for a new roof in order to be able to continue to use that in order to shelter abused women and children. Is that okay? The Board members responded affirmatively. Mr. Carminucci stated the other thing he wanted to mention was many not-for-profits also provide services that prevent government from having to do the same thing and he thinks that is part of your overall mission as well, so that is another component to look at and probably a good example of that right there. Mr. Wyatt stated what if we mixed options a and b, cap the fees at 20,000,000 and do  $\frac{3}{4}$  of 1% on the first 10,000,000 and then go to  $\frac{1}{4}$  of 1%? That would be \$100,000. He also thinks we should look at something for a small loan request. Chairman Daly asked Mr. Wyatt if he would like to offer an amendment to Option B of changing the  $\frac{1}{2}$  of 1% on the second \$10,000,000 to  $\frac{1}{4}$  of 1% for our consideration or we can call it Option C.  $\frac{3}{4}$  of 1% on the first \$10,000,000 and then  $\frac{1}{4}$  of 1% on the second \$10,000,000 and capping it at \$20,000,000. Mr. O'Conor suggested if there is a change, the board apply a date the change becomes active. Chairman Daly stated applications approved on or after December 1, 2017. Chairman Daly asked if someone would like to offer a Resolution to modify our current fee schedule.

Mr. Wyatt made a motion to modify the fee schedule to Option B with a change on the second \$10,000,000 from  $\frac{1}{2}$  of 1% to  $\frac{1}{4}$  of 1% with a cap of \$20,000,000 on applications approved by the Board on or after December 1, 2017. The motion was seconded by Mr. Veitch.

#### **Resolution No. 28-2017**

Resolved to approve the modification of the current fee schedule as stated.

Ayes – 6 – 0

Noes – 0

Adopted 6 – 0

Chairman Daly stated going back to the Grant Committee. She knows Ms. Frantti will not be available to meet on that Committee and she would volunteer with Ms. Muratori to go over that.

Chairman Daly stated regarding a public hearing for the Skidmore application, what date are we looking at for that? Mr. Carminucci stated the Board of Supervisors cannot take action until you have held your public hearing. The earliest would be the January Board of Supervisors meeting depending upon when you hold your public hearing. If you held your public hearing at your scheduled meeting in January then you would have to get the Board to approve it in February he thinks. Your options would be to schedule the public hearing earlier in the month of January to allow the Board of Supervisors to take action in the month of January if you can get on their agenda. The February Board of Supervisors meeting will be later in the month which is the 27<sup>th</sup> of February. It sounds like if you have a public hearing earlier to present this to the Board of Supervisors in January. Chairman Daly stated the Board of Supervisors meeting will be the third Tuesday of January. We need to move the January 23, 2018 meeting up earlier. It was decided that Tuesday, January 9, 2018 at 4:00 would be the date to hold the public hearing and Board meeting. Chairman Daly will follow this through with the Board of Supervisors and Economic Development meetings.

Chairman Daly asked if there were any further matters to discuss. Mr. Johnson stated he would like to talk about the NYSAC membership in the amount of \$5,000 included in the 2018 budget. That conference is coming up, so when we become members any of us can attend that at the end of January. He was thinking of talking with Mr. Reale about it being in the 2018 budget but he thinks we should have the contracts signed at this meeting so that anyone who wants to attend that conference, we will already be members. Registration is already open. Chairman Daly questioned what would we have to do? Mr. O'Connor stated it is in the budget. You can approve it now and write the check after January 1<sup>st</sup>. Mr. Reale stated it doesn't matter when you write the check, it can be put in prepaid if written out this year. Chairman Daly asked for a motion to move forward with the NYSAC membership authorized in the 2018 budget and to authorize the Chairman to sign the contract.

Ms. Frantti made a motion to move forward with the NYSAC membership authorized in the 2018 budget and to authorize the Chairman to sign the contract. The motion was seconded by Mr. Johnson.

#### **Resolution No. 29-2017**

Resolved to approve the NYSAC membership in the amount of \$5,000 and to authorize the Chairman to sign the contract.

Ayes – 6 – 0

Noes – 0

Adopted 6 – 0

A motion to adjourn was made by Mr. Johnson, seconded by Mr. Wyatt. All were in favor and the meeting was adjourned at 5:47 p.m.

Respectfully submitted,

Lori A. Eddy, Administrative Secretary

Approved: Arthur Johnson, Secretary Date: January 9, 2018

