

OPERATION OSWEGO COUNTY, INC.
BOARD OF DIRECTORS MEETING
Lake Ontario Event and Conference Center
26 East First Street, Oswego, New York
September 17, 2018

PRESENT:

ANDERSON
BATEMAN
GLASS
GRECO
HARDY

HOLST
JOYCE
LOBDELL
MERVINE
MURPHY

PETER-CLARK
RANSOM
SOLAZZO
TASCARELLA
TUCKER
TURNER

Ex-Officio: Tim Stahl

Counsel: Kevin Caraccioli, Esq.

Staff: Treadwell, Dano, LaMontagne, Wheelock, LiVoti, Woolson and Perwitz

President Bateman called the meeting to order at 3:00 p.m. at 26 East First Street in Oswego.

President Bateman reported that the Notice of the Meeting was posted in the Palladium Times on August 29, 2018.

President Bateman listed the items in the Consent Agenda and asked if there were any reports in the Consent Agenda that anyone would like pulled out for further discussion. There were none.

CONSENT AGENDA

On a motion by Mr. Turner, seconded by Mr. Ransom, the Consent Agenda Items were approved, as follows: Board of Directors Minutes of May 14, 2018; Board of Directors Annual Meeting of June 15, 2018; Executive Committee Minutes of August 23, 2018; and Real Estate Development Committee Minutes of June 18, 2018.

President Bateman introduced and welcomed the four new Board Members, all in attendance.

Financials

Treasurer Joyce reviewed the Operation Oswego County, Inc. Financial Statements for April through June 2018 and the Operation Oswego County Foundation, Inc. Financial Statements for April through June, 2018. **On a motion by Mr. Ransom, seconded by Mr. Mervine, the OOC Financial Statements for April, May and June 2018 and OOC Foundation Financial Statements for April, May and June 2018 were unanimously approved.**

The Next Great Idea

Mr. Wheelock gave an update on the Next Great Idea Business Plan Competition Program for 2018. He noted that the 4 finalists would be highlighted at the luncheon where the winner will be announced tomorrow.

2018 Fund Drive

Ms. LiVoti reported that the 2018 Fundraising Goal is \$45,000. Twenty-five percent has been received or pledged to date and 53% of the Board has participated. President Bateman noted that any amount from the Board helps toward promoting 100% of board participation.

SBA 504

Mr. LaMontagne reported that 4 SBA 504 loans have been funded since May. One loan has been approved, Great Bear Childcare, and 3 previously approved loans are progressing toward funding. He noted the new rules for the program include a 25-year term for real estate and rates remain attractive.

Mr. LaMontagne noted that the IDA loan programs, Micro-Enterprise Program and USDA IRP Program, are active with attractive rates of 4.0%. Three Micro-Enterprise loans have been approved since May. The IDA has recently applied to the USDA for a second IRP Program which is a national competition for funding.

Internal Control Policy

Mr. Caraccioli reported that the amendments approved by the Executive Committee are highlighted and are only form changes. **On a motion by Mr. Mervine, seconded by Mr. Anderson, the Internal Control Policy was approved as amended.** A copy of the approved Policy is attached and made an official part of the minutes.

Investment Policy

Mr. Caraccioli reported that the amendments approved by the Executive Committee, highlighted on the proposed Policy, are being made at the request of the bankers. The FDIC insurance covers up to \$250,000 and the possibilities of CDARS and ICS would, if implemented, guarantee our investments and keep us compliant with our Policy. **On a motion by Mr. Solazzo, seconded by Mr. Ransom, the Investment Policy was approved as amended.** A copy of the approved Policy is attached and made an official part of the minutes.

CDC Annual Board Statement

Mr. Treadwell reported that the CDC Annual Board Statement is required by the U.S. Small Business Administration. The Statements must be included in the Annual Report. Mr. Treadwell noted that OOC is the CDC and is complying with all the statements. Mr. Treadwell distributed a copy of 13 CFR 120.823, which is noted in the statement, and reported that OOC is complying with all requirements.

Mr. Treadwell reported that a new requirement in effect this year is to have an Independent Loan Review and we are looking to hire a consultant with experience in this area.

Oswego County Airport Industrial Park

Mr. Treadwell deferred to Mr. Turner for an update on the Airport and Airport Industrial Park Sewer Extension Project. Mr. Turner reported on the \$2.9 million Project which includes third-party funding and pending Federal and State grants.

Mr. Turner described the Inter-Municipal Agreement by and between the Town of Volney, the County of Oswego, the City of Fulton and the County of Oswego IDA regarding the sewer extension project. The cooperation will enable the pursuit of funding to help support the project.

Economic Development Projects

Mr. Treadwell gave an update on the following projects: Oswego Health Behavioral Health Services, DRI Round 3, Howland Solar, Lindsey Aggregates, Pathfinder Industries, Liberty Resources, Northland Filter and Martens.

President Bateman thanked David Dano and Congratulated him on his retirement.

ADJOURNMENT

On a motion by Mr. Greco, seconded by Mr. Anderson, the meeting was adjourned at 4:07 p.m.

Respectfully submitted,

L. Michael Treadwell
Executive Director

OPERATION OSWEGO COUNTY, INC.

INTERNAL CONTROLS POLICY

This Policy, adopted the 18th day of September, 2017, is re-affirmed September 17, 2018, by a majority of the Board of Directors of OPERATION OSWEGO COUNTY, INC., a quorum of its members being present and voting in the affirmative.

WHEREAS, sound internal controls are a necessary function of a successful organization and are best achieved by a clearly defined process; and

WHEREAS, this policy, established by the Board of Directors of Operation Oswego County, Inc. (OOC) covers basic accounting functions, day-to-day operating functions performed by OOC staff, as well as compliance requirements of OOC as a Certified Development Company (CDC) as that term is used by the U.S. Small Business Administration;

NOW, THEREFORE, be it

RESOLVED, that the Board of Directors of OOC hereby establish the following policy regarding Internal Controls for the organization:

1. **GENERAL.** The Board of Directors of OOC is responsible for authorizing all bank accounts and check signers. Financial institutions where OOC accounts are maintained are notified on an annual basis of any changes in check signers, following the transition of officers or changes in staff with check signing responsibilities. Financial reports shall be presented to the Board of Directors for review on a monthly basis. An annual financial compilation, review, or audit will be conducted by a qualified outside certified public accountant. Applicable financial and administrative guidelines relating to specific grant funding shall be followed.

2. **CASH RECEIPTS.** While OOC rarely, if ever, receives cash, employees handling cash will have the necessary knowledge and skills to perform the job and will be carefully supervised. Cash receipts must be deposited within 3 days of receipt or when the deposit amount exceeds \$2,000, whichever comes first. Incoming checks must be restrictively endorsed, “for deposit only” with the appropriate OOC account number, when received. Incoming cash must be counted and receipts/bank deposits developed by two or more persons authorized to perform these functions. Records of cash received must be totaled and initialized by authorized employees. Cash collection documentation totals must be compared and reconciled to bank deposit receipts on a regular basis. Bank deposit receipts must be compared and attached to the original bank deposit slips. Adequate physical controls must be maintained over cash receipts from the time of receipt to deposit in the bank. Payments, from any source and for any purpose, received in an OOC bank account

electronically via Electronic Funds Transfer (EFT) will be posted to accounting software within 3 days of receipt.

3. CASH DISBURSEMENTS. a. *Check Authorization.* The Executive Director must provide approval for all disbursements. Supporting documentation must accompany checks when presented for signature.

b. *Checks.* All non-recurring disbursements must be made by check. Recurring disbursements may be set up electronically with a vendor via Electronic Funds Transfer with prior OOC Executive Committee approval. Only pre-numbered checks shall be used and always in sequence. Signing of blank checks is strictly prohibited. Checks must be made payable to specific payees based upon appropriate documentation; and never to “cash” or “bearer”. Prior to preparing checks, receiving reports should be compared to vendor invoices for accuracy. Checks must be prepared from vendor invoices only and not from a vendor statement. Signature stamps may never be used to sign checks. Dual signatures, by any Board approved authorized signer, are required for all checks over \$1,000. All checks over \$2,500 require at least one officer of the Board of Directors to sign. Access to blank checks must be limited to persons authorized to prepare checks. Blank check stock must be locked in a secure place when not in use. Any voided/spoiled checks must be marked “Void”, shredded with the signature portion removed and retained in a secure place.

c. *Bank Reconciliations.* Bank accounts must be reconciled by the person responsible on a monthly basis and reviewed by the Executive Director. The Executive Director must receive the bank statements, including canceled checks, if provided by the banking institution. All check numbers must be accounted for. Checks outstanding over 90 days must be periodically investigated, with payment stopped, if necessary, and an entry made restoring such items to cash if appropriate.

4. TRAVEL AND EXPENSES. Employees must submit a detailed expense record, with supporting documentation, in order to be reimbursed for expenses; and initialed for approval by the Executive Director prior to payment, or in the case of the Executive Director’s travel and expense approval by an officer of OOC.

5. SBA 504-RELATED LOANS. The review and assessment of loans provided by OOC, as the CDC for the U.S. SBA 504 Loan Program, is an integral tool to generate and maintain economic growth in Oswego County. The following review standards and procedures shall be followed by OOC staff assigned to review and assess 504 loans:

a. *Assignment of Responsibility.* The responsibility of the internal controls function shall be assigned to the Executive Director of OOC.

b. *Periodic Review and Updates.* A periodic review of the internal controls is essential to ensure that this function remains compliant with ever changing regulatory and procedural guidelines. Such periodic reviews should coincide with changes to the SBA’s Standard Operating Procedure (SOP), as well as other regulatory and policies changes.

c. *Independent Review.* (i). At least annually, an independent review shall be conducted by the Audit Committee of OOC to ensure that the 504 Loans were underwritten in conformance with the SOP. The review shall include new loans (originating within the 12 months preceding the review period) and older loans that originated more than 12 months preceding the review period. The review of new loans shall focus on underwriting and the closing procedure; while the older loans shall focus on servicing and liquidation, if applicable. The review must include an assessment of the loan classification (aka loan risk rating) to ensure loans are risk classified appropriately and that risk classifications are updated in a timely manner (such as when new information is obtained), and at least annually.

(ii). The Audit Committee must opine on the risk rating of each loan reviewed as to whether the committee agrees with the risk rating ascribed by the underwriter. The opinion must include a recommendation whether the risk rating should be up-graded or down-graded, and provide an explanation for the change.

(iii). Annual objective reviews of credit risk levels and risk management processes are essential to effective portfolio management, which includes review for accuracy and completeness of eligibility, creditworthiness (collateral) and closing checklists. Loan reviews should analyze a number of important credit factors, including:

- A. Credit quality;
- B. Sufficiency of credit and collateral documentation;
- C. Proper lien perfection;
- D. Proper loan approval;
- E. Adherence to loan covenants;
- F. Compliance with internal policies and procedures, and applicable laws and regulations;
and
- G. The accuracy and timeliness of credit grades assigned by loan officers.

(iv). To encourage independence in the review process, the Audit Committee shall report to the Board of Directors. Results of the review shall be communicated to both management and the Board of Directors. However, to protect the review function's independence, the board or committee shall approve the performance evaluation for the review, review the OOC staff's strategic and operating plans, and act on the findings of the review. Core analysis phases during the independent Loan Review must include a:

- A. Determination whether deficiencies noted in the last examination and most recent internal/external audit have been addressed and/or corrected by management; and
- B. Determination if any Executive Committee of Board of Directors/Executive Director of OOC have an ability to override credit grades and decisions.

d. *Results of Loan Review.* The results from the review shall be presented to the Board of Directors. The Board and senior management of OOC shall then use this information to improve the current

and future loan making and monitoring functions of the organization. The following objectives shall generally be addressed in the loan review process, and should serve as potential points for improvement to:

- (i). Promptly identify loans with well-defined credit weaknesses so that timely action can be taken to minimize credit loss. This would include a review of the loan classifications used by OOC/CDC staff;
- (ii). Identify relevant trends affecting the collectability of the loan portfolio and isolate potential problem areas;
- (iii). Evaluate the activities of lending personnel;
- (iv). Assess the adequacy of, and adherence to, loan policies and procedures, and to monitor compliance with relevant laws and regulations;
- (v). Provide the Board of Directors and senior management with an objective assessment of the overall portfolio quality; and
- (vi). Provide management with information related to credit quality that can be used for financial and regulatory reporting purposes.

e. Oversight of Lender Service Providers. OOC shall monitor its professional services contracts to ensure that the services provided are prudent and customary. There should be no apparent conflict of interest between OOC and the professional service provider. The Audit Committee shall monitor the performance of the professional service providers to ensure that the services provided are not underperformed. One measure of performance review to be utilized is the Complete File Review (CFR) utilized by SBA District Counsel to ensure that 504 loans are closed in conformance with the SBA's SOP and governing regulations.

6. MODIFICATIONS. This Internal Controls Policy is intended to be modified and updated on a regular basis, as needed, upon review by the Executive Committee and approval by a majority of the Board of Directors of OOC.

Re-Affirmed by the Board of Directors on the 17th day of September, 2018, at Oswego, New York.

Operation Oswego County, Inc.

Eric Behling, Secretary

OPERATION OSWEGO COUNTY, INC.

INVESTMENT POLICY GUIDELINES AND PROCEDURES

Revised and adopted the 17th day of September, 2018

POLICY:

Except as otherwise prohibited or regulated by federal or state law, or regulation, or by court order, the Executive Director or their designee, shall temporarily invest funds of Operation Oswego County, Inc., not required for immediate expenditure, in certain acceptable investment instruments as outlined in the guidelines and procedures as set forth below. In investing such funds, the Executive Director shall concurrently pursue the following objectives:

1. To provide a level of liquidity to insure the availability of funds for payment to meet obligations of the Operation Oswego County, Inc. or for disbursement otherwise required.
2. To minimize the amount of funds un-invested.
3. To minimize the risk of any potential loss or devaluation of funds invested.
4. To earn a maximum rate of return on funds invested, within the limitations as to types of investments permitted under these policies and the provisions of General Municipal Law.

GUIDELINES AND PROCEDURES:

1. Funds to Be Invested

1) To the extent that Operation Oswego County, Inc. has funds beyond that which are necessary to meet current obligations or for disbursement otherwise required, such funds shall from time to time be invested by the Executive Director in acceptable investment instruments.

2. Acceptable Investment Instruments

1) Acceptable investment instruments for the investment of funds by the Executive Director are as follows:

a) Certificates of Deposit issued by a bank or trust company authorized to do business in New York State, provided however, that such Certificates of Deposit shall be payable within such time as the proceeds shall be needed to meet expenditures for which such

monies were obtained, and provided further that such certificates of deposit be secured in the same manner as provided for securing deposits of public funds by Subdivision 3 of Section 10 of the New York General Municipal Law.

b) Time Deposit Accounts in a bank or trust company authorized to do business in New York State, provided however, that such Time Deposit Accounts shall be payable within such time as the proceeds shall be needed to meet expenditures for which such monies were obtained and provided further that such time deposit accounts be secured in the same manner as is provided for securing deposits of public funds by Subdivision 3 of Section 10 of the New York General Municipal Law.

c) Obligations of agencies of the federal government if principal and interest is guaranteed by the United States.

d) Obligations of the State of New York, and its political subdivisions.

3. Timing of Investments

1) The Executive Director shall maintain a portfolio of all investments. Investments made by the Executive Director shall generally mature or otherwise be available for sale or redemption without penalty at such times as funds invested are required for payment to meet obligations of Operation Oswego County, Inc., or are otherwise required for disbursement.

4. Collateral Requirements

1) Certificate of Deposits and Time Deposit Accounts shall be fully secured to the maximum amount set by the Federal Deposit Insurance Corporation.

2) Certificate of Deposits and Time Deposit Accounts with principal value in excess of the amount insured by the Federal Deposit Insurance Corporation, shall be fully secured by eligible securities as that term is defined in Section 10 of the General Municipal Law having in the aggregate a market value at least equal to the aggregate amount of the deposits and Third Party Custodial Agreements shall be entered into with the deposit institution.

3) Collateral shall be delivered to and held by the Executive Director as part of the investment portfolio or be delivered to a custodial bank or trust company with which Operation Oswego County, Inc. has a Custodial Agreement. Said Custodial Institution shall provide written confirmation to the Executive Director of the obligations held in such institutions as collateral for investments of Operation Oswego County, Inc..

4) Collateral is required for Certificate of Deposits and Time Deposit Accounts at 105% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State of New York and its political subdivisions.

5) When, in the opinion of the Audit Committee, the funds held in Certificates of Deposits and time deposits exceed 105% of all deposits not covered by Federal Deposit Insurance, the Executive Director shall be authorized to pursue utilization of the Certificate of Deposit Account Registry Service (CDARS) and/or an Insured Cash Sweep (ICS) through participating financial institutions.

5. Custodial Institutions

1) The Executive Director shall from time to time enter into contracts with banks or trust companies licensed to do business in New York State to act as custodian of funds owned by Operation Oswego County, Inc. or of funds pledged as collateral for certificates of deposit or time deposit accounts. Custodians must be member banks of the Federal Reserve Bank or maintain accounts with member banks. A custodial contract shall not be entered into for holding of an investment with the same party from which such investment instrument was acquired, without approval of the Board of Directors of the Operation Oswego County, Inc. A custodial contract may be entered into with the Trust Department of the seller of the investment instrument provided that the Trust Department is a separate corporate entity. At the request of the Executive Director, custodial institutions shall verify collateral held on behalf of Operation Oswego County, Inc. as property or as collateral for an investment instrument.

6. Financial Strength of Institutions

1) The financial statements of banks and trust companies with which Operation Oswego County, Inc. transacts investment business shall be reviewed from time to time or at least by the Executive Director to determine the financial strength and or credit worthiness of the institution.

7. Competition for Acquisition and Sale of Investment Instruments

1) The Executive Director shall endeavor to insure competition amongst interested and eligible institutions for the acquisition or sale of investment instruments and shall make every reasonable effort to solicit by telephone or other electronic device at least three quotations for every investment transaction except for interim investment instruments which may from time to time be necessary to conduct normal day to day business operations of Operation Oswego County, Inc.

2) The Executive Director shall maintain a file of any confirmations, correspondence, or statement which support investment activity.

8. Report to be Provided

1) The Executive Director shall prepare quarterly and annual reports to the Board of Directors of Operation Oswego County, Inc. reflecting, as of the last day of such quarter, an inventory of investment instruments, a listing of investment instruments acquired or

redeemed during the quarter, and a statement of investment income earned for the quarter and cumulative total interest earned since the beginning of the current fiscal year.

9. Internal Controls to be Maintained

1) The Executive Director shall establish, document and maintain a system of internal controls which provides for segregation of duties with respect to investment activities, cash receipts, and accounting.

10. Miscellaneous Provisions

1) The Executive Director from time to time shall designate qualified staff personnel to assist in carrying out the provisions of the Policies Guidelines and Procedures as outlined above.

11. Intent

It is the intent that this Investment Policy Guidelines and Procedures conform to the requirements of the provisions of Sections 10 and 11 of the New York General Municipal Law, as the same may be amended from time to time, and in the event of any inconsistency between these policies and the provisions of those statutes, the statutory provision shall control and be followed to their fullest extent by the Agency and its officers and directors.

APPROVAL:

This policy was first approved by the Board of Directors at its meeting held on May 14, 2018. This policy was revised by the Executive Committee on August 23, 2018 and approved by the Board of Directors at its meeting held on September 17, 2018.

Eric Behling
Secretary

[END OF POLICY]