

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This document, prepared by management of the County of Chenango Industrial Development Agency ("CCIDA"), contains a narrative overview and analysis of the financial activities of CCIDA during the fiscal year ended December 31, 2019, as compared to 2018, where applicable. This discussion and analysis focuses on the significant financial and management issues and activities and identifies any significant changes in the financial statements.

FINANCIAL HIGHLIGHTS

Operating loss for CCIDA was \$(109,734) for the fiscal year 2019, compared to \$(55,826) operating loss for the fiscal year 2018. This represents a decrease in revenue of \$48,859 with expenses approximately consistent with the exception of utilities which were up approximately \$5,700. The revenue decrease was mainly caused by a decrease of \$39,624 in rental income and a decrease of \$9,235 in project fees. At the close of fiscal year 2019, CCIDA had a net position of \$1,456,343 a decrease of \$102,558 from the prior year. The term "net position" refers to the difference between assets and liabilities.

OVERVIEW OF 2019 ACTIVITIES

Railroad Revitalization Project

CCIDA holds legal title to the right-of-way and rail improvements of the New York, Susquehanna, and Western Railroad (NYSW) in Chenango County. The property was deeded to CCIDA in 1982. CCIDA has held the title since then for the purposes of advancing economic development, rendering the infrastructure tax exempt. In 2006, flood damage closed the railroad between North Norwich and south of Greene. Hurricane Irene and Tropical Storm Lee worsened the damage in 2011. In 2011, CCIDA was awarded \$772,422 in New York State Department of Transportation Multi-modal funds, which comprised 16% of the requested funding. These funds were initially earmarked for repairs between Sherburne and Norwich. However, during 2013, the state funding was leveraged as a portion of the 20% local funding match required to attract \$4.7 million (or 80% of the project budget) in disaster relief assistance from the U.S. Economic Development Administration (EDA). In May of 2013, CCIDA was informed that this funding award would be granted to CCIDA. After numerous discussions and additional negotiations regarding a renewed lease agreement with NYSW, as well as the requirements of the EDA grant, the CCIDA Board of Directors voted to move forward on the project and accept the grant funding in August of 2013. A new 10-year lease and operating agreement was signed with NYSW in August of 2013, which put additional requirements for operations and maintenance on the railroad, and also made material changes to the Payment in Lieu of Taxes (PILOT) portion of the agreement. Local funding partners, supplying approximately \$407,000 to the project, include County of Chenango, Development Chenango Corporation, CCIDA, and the railroad itself. CCIDA committed up to \$75,000 to this project, but its anticipated prorated share of this local funding amount is \$56,250. Railroad engineering quotes were submitted to the board of directors in December of 2013. A contract was approved and awarded to Stone Consulting & Design, P.C. (Stone) in January 2014. Stone provided a preliminary engineering report in August of 2014 recommending the scope of the project proceed with Enhanced Class 1 restoration of the rail line.

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In November 2014 the Department of Environmental Conservation and Army Corps of Engineers requested a complete delineation of the wetlands which overlapped in several areas along the Rail's 45.54 mile right-of-way. Stone performed the additional and extensive work on short notice, but the review process delayed the project through the summer construction season. In July 2015 the Department of Environmental Conservation issued their permit authorizing construction, deeming that it would not have an adverse impact on surrounding wetlands. This was followed in September by the Army Corps of Engineers nationwide permit, which came to the same conclusion and granted the same status at the federal level. By mid-October the Engineers' plans and specifications had been approved by the EDA, and ads for the bid opening were being placed.

The bid opening took place in January 2016. Out of the four bids placed, the lowest bidder was Frontier Railroad Services, Inc. (Frontier) from New Stanton, Pennsylvania. Harvey Stone of Stone Consulting & Design, Inc. reviewed the details of their bid proposal and found it to be reasonable. He subsequently provided a letter of recommendation in favor of accepting the low bid, and the CCIDA board accepted this bid on January 20, 2016. The contract documents were executed on January 29, 2016.

Frontier began construction in March 2016 and completed work on December 8, 2016, at which point responsibility for track management was return to NYSW. Frontier's work included 8,378 ties replaced, 425 tie plates replaced, 32 washouts repaired, 3 crossings rebuilt, 36 bridges repair or re-decked, 6,767 loose joints tightened, 4,546 new bolt setts installed, 4,890 feet of ditching completed, 16,905 fee of track surfaced, and 1,675 tons of ballast placed.

In total, \$5,742,286 was spent on the project.

On October 31, 2019 a flood event occurred which created four new washouts in Chenango County. The railroad had to be taken offline until repairs can be made. CCIDA is currently in the process of applying for FEMA funding to cover the costs.

Chobani, Inc. Projects

Throughout 2016, Chobani continued to produce its 6 oz. cups of Greek-style yogurt for the US market in the Town of Columbus, Chenango County, and at year end reported employing approximately 1,052 people at the Columbus production plant.

Since the company's founding, CCIDA has assisted Chobani in each of several expansion phases as follows:

Phase I (\$22 Million) began in 2010 with the purchase of a lot across the county highway from their facility that was under lease for parking. The lot is the site of a 150,000 square foot refrigerated warehouse, an elevated product conveyance system, new material handling equipment, and additional product space modifications. Chobani requested a sales tax exemption for construction material purchases. CCIDA voted to grant the request. As of 2011, a PILOT was not requested. Phase I was complete in January 2011.

Phase II (\$64 Million) involved the purchase of additional manufacturing equipment, renovations to 70,000 square feet of production area, a new milk receiving bay, and new control structures for waste water treatment. In 2011, Chobani management requested a PILOT abatement for the new Phase I warehouse, as well as the above Phase II items. After public hearing, CCIDA granted the request. Phase II was completed as of December 31, 2013.

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Phase III (over \$100 Million) In early 2012, Chobani requested assistance from CCIDA for a project which included the addition of 85,000 square feet to house operations including packaging, palletizing, chilling, and conveying of increased volumes of product. The project also included land improvements; construction of a 7,000 square foot machine room to house chilling equipment and ammonia systems; construction of two new receiving bays comprising 7,400 square feet; construction of an approximately 450-vehicle paved parking lot and a 120-trailer space paved area; construction of a three story, 13,000 square foot addition to house increased raw milk and yogurt processing capacity; renovation and reconstruction of seven filling rooms; construction of a one-story, 2,400 square foot boiler building; acquisition and installation of power generator units; and the acquisition of furniture, fixtures, equipment, machinery, and other tangible personal property.

Chobani indicated that 106 new jobs would be added by this investment. They requested a sales tax exemption on construction materials and a PILOT abatement for this new investment. Estimated benefits to Chobani were approximately \$3.8 million in tax savings. A public meeting was held and at a special meeting of the board, this incentive was approved.

Construction on this project began in 2012, but was not completed until 2013. Some delays with tax exemption filings and property assessments caused the PILOT to begin a year later than anticipated, and therefore, PILOT savings were not realized by Chobani in 2013. The 10-year PILOT period began in 2014.

Norwich Pharmaceuticals, Inc. Payment in Lieu of Tax Agreement

A PILOT agreement with Norwich Pharmaceuticals, Inc. starting in 2007 expired on March 1, 2017. In anticipation of this, Norwich Pharmaceuticals, Inc. applied for a renewed PILOT in September 2016. They initially requested a ten-year graduated tax exemption beginning at 95% in year one and 5% in year ten. This was later adjusted to 50% annually in a second request sent February 3, 2017.

On February 28, 2017 the ten-year PILOT extension was signed. The agreement commences March 1, 2017 and terminates March 1, 2027.

On October 27, 2016 , a public hearing was held regarding the assignment of the 2007 PILOT agreement and lease interest to AGNL RX, LLC. A resolution was subsequently reached affirming this assignment. On December 31, 2016, Norwich Pharmaceuticals, Inc. entered into a sale-leaseback with AGNL RX, LLC for its manufacturing facility.

A partial mortgage recording tax abatement was granted by resolution on March 21, 2017. The abatement reduces AGNL RX, LLC's mortgage recording on a \$17,350,000 property from \$130,125 to \$65,075.

L.A. Najarian, Inc. Payment in Lieu of Tax Agreement

A ten-year PILOT agreement with Simaar USA Corp. was entered into on April 1, 2016. The PILOT enabled the company to acquire and install equipment at a 10,000 square foot manufacturing facility in Greene, NY. The company manufactures narrow fabrics and specialty ribbons. On October 18, 2017 this PILOT agreement was amended to transfer responsibility for the calculation and billing of PILOT payments to the Chenango County Real Property Tax Department.

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Cascun Farm/On the Rail Processing, Inc.

The IDA helped facilitate the expansion and growth of Cascun Farm by purchasing a 7,900 sq. ft. processing facility in Bainbridge, NY for the amount of taxes owed, and subsequently leasing this building to the business. The property was purchased from Chenango County in September 2016 for \$47,294. On February 1, 2017, the IDA entered into a lease agreement with On the Rail Processing.

Use of the facility will enable Cascun Farm to expand in order to meet demand, become USDA-inspected, and ultimately create a slaughtering facility. The purchased of the property by the IDA allows the Cascuns to invest in the renovations and equipment necessary to meet those requirements. The project anticipates the retention of six, and creation of four, full time jobs by project end.

Norwich-Chenango Solar, LLC.

On June 1, 2018 the IDA entered into a 30-year PILOT agreement with Norwich-Chenango Solar, LLC. The recipient is constructing a community solar array in the Town of Norwich, capable of generating 12MW of power on 75 acres of land. The facilities will connect to the NYSEG grid, with the company investing over \$1,000,000 in upgrades to the grid. The power generated will be sufficient to power 2,600 average homes and provide a 10% savings on utilities to participating households.

The project will provide job creation in ongoing maintenance, as well as 80 construction jobs over the 6-month construction period. Approximately \$300,000 in goods and services will be purchased from Chenango county vendors during this period.

The project broke ground on September 23rd, 2019 and is currently in the process of signing up households across the area.

Puckett Solar, LLC.

Puckett Solar submitted a PILOT application to the CCIDA in November 2019, and a revised application on December 11, 2019. A public hearing was held December 9th, which resulted in a change of terms and the revised application. The CCIDA passed an inducement resolution and entered into an inducement agreement on December 17, 2019. Closing documents for the project were drafted and presented to the board in 2020, but final approval has not been granted as Puckett's legal team is currently reviewing.

If approved the project would result in a 20-Megawatt AC solar electric generating facility in the Town of Greene, NY. It will connect to the NYSEG Chenango Forks substation and sell electricity directly into the wholesale market. The facility is expected to generate electricity for a period of approximately 35 years.

A 30-year PILOT would yield \$1,543,422 in PILOT payments. Puckett would make a \$40,000 annual payment with a 10% escalator every five years, for a \$2,000/MW payment in year one. The total private investment for the project is expected to be \$27,800,000.

20% of construction costs will be sourced from local vendors. During construction the project will employ 150 employees at peak, with ongoing maintenance.

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Administration

An updated support services agreement was created with Commerce Chenango, Inc. (the "Chamber") and the Development Chenango Corporation (DCC) to provide all management and service needs for CCIDA. That agreement was effective January 1, 2020 and can be renewed at the Board's discretion. CCIDA agreed to maintain its monthly economic development contribution to DCC, as well as to provide a share of administration revenue from grants and project fees for projects which are managed by DCC contract staff. The economic development contribution was adjusted to reflect CCIDA's fair share of salaries, benefits, property rents, utilities, and other shared office expenses on an annual basis. CCIDA will reimburse the Chamber on a monthly basis for direct administrative expenses billed, such as photocopies, postage, and shipping costs.

FINANCIAL STATEMENTS

The financial statements are designed to provide readers with a broad overview of CCIDA's finances, in a manner similar to private-sector business. Statements are provided on an accrual basis of accounting. The statements of net position present information on all of CCIDA's assets and liabilities, with a difference between the two, reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of CCIDA is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities, results in an increased net position, which indicates an improved financial position.

The statements of revenues, expenses and changes in net position present information showing how CCIDA's net position changes during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing and related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Financial Information

In addition to the basic financial statements and accompany notes, this report also presents certain additional information on schedules, concerning CCIDA's cash in bank accounts, investments, lease receivables, bonds outstanding and straight leases of CCIDA's properties.

Financial Analysis

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of CCIDA's financial position, assets exceeded liabilities by \$1,456,343 at the close of the fiscal year 2019. This represents a decrease of 6.6% over the previous year. At the close of the fiscal year 2018, assets exceeded liabilities by \$1,558,901. This represents an increase of 3.4% over the 2017 year.

At December 31, 2018, the larger portion of CCIDA's net position reflects cash or cash equivalents and grants receivable. As of December 31, 2019, current assets in the amount of \$784,800 represent a decrease of 9.5% from the previous year. As of December 31, 2018, current assets in the amount of \$867,155 represent a decrease of 4.5% from the 2017 year.

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The following is a 2019 – 2017 comparative summary of CCIDA's financial statements displaying the change in net position:

NET POSITION	<u>2019</u>	Increase/ (Decrease) Prior Year	<u>2018</u>	Increase/ (Decrease) Prior Year	<u>2017</u>
Current assets	\$ 784,800	\$ (82,355)	\$ 867,155	\$ (41,004)	\$ 908,159
Non-current assets	<u>684,065</u>	<u>(31,364)</u>	<u>715,429</u>	<u>(31,334)</u>	<u>746,763</u>
Total assets	<u>1,468,865</u>	<u>(113,719)</u>	<u>1,582,584</u>	<u>(72,338)</u>	<u>1,654,922</u>
Current liabilities	12,522	(1,929)	14,451	4,014	10,437
Deferred inflows of revenue	<u>-</u>	<u>(9,232)</u>	<u>9,232</u>	<u>(20,890)</u>	<u>30,122</u>
Total liabilities	<u>12,522</u>	<u>(11,161)</u>	<u>23,683</u>	<u>(16,876)</u>	<u>40,559</u>
Investment in capital assets, Net of related debt	654,556	(26,684)	681,240	(26,683)	707,923
Unrestricted	<u>801,787</u>	<u>(75,874)</u>	<u>877,661</u>	<u>(28,779)</u>	<u>906,440</u>
Total net position	<u>\$ 1,456,343</u>	<u>\$ (102,558)</u>	<u>\$ 1,558,901</u>	<u>\$ (55,462)</u>	<u>\$ 1,614,363</u>
CHANGES IN NET POSITION					
Operating revenues	\$ 35,227	\$ (48,859)	\$ 84,086	\$ (104,718)	\$ 188,804
Operating expenses	<u>144,961</u>	<u>5,049</u>	<u>139,912</u>	<u>318</u>	<u>139,594</u>
Operating income (loss)	(109,734)	(53,908)	(55,826)	(105,036)	49,210
Non-operating income (expense)	<u>7,176</u>	<u>6,812</u>	<u>364</u>	<u>873</u>	<u>(509)</u>
Change in net position	(102,558)	(47,096)	(55,462)	(104,163)	48,701
Net position – Beginning of year	<u>1,558,901</u>	<u>(55,462)</u>	<u>1,614,363</u>	<u>48,701</u>	<u>1,565,662</u>
Net position – End of year	<u>\$ 1,456,343</u>	<u>\$ (102,558)</u>	<u>\$ 1,558,901</u>	<u>\$ (55,462)</u>	<u>\$ 1,614,363</u>

Economic Factors

CCIDA is not aware of any economic factors or conditions that have changed since December 31, 2018 that will have any significant effect on CCIDA in the future.

Requests for Information

Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Board of Directors, County of Chenango Industrial Development Agency, 15 South Broad Street, Norwich, New York 13815.