

MINUTES OF MEETING OF MONDAY, APRIL 7, 2008

Present: Hank Boerner
Jim Csorny
Angela DeVito
Jack Orben
Lori Taggert
Kathleen Wojciechowski
William Belmonte, Executive Director
Lucille Sullivan, CFO
Dick Ehlers, Counsel to the IDA

Absent: Sean McCabe

Jim Csorny, Assistant Chairman of the Board of Directors, called the meeting to order at 5:01PM.

Lucille Sullivan presented the board with a 3 month budget which represented actual expenditures as compared with the budget. A discussion ensued among the Board members, Ms. Sullivan and Mr. Ehlers with respect to resolutions and authorizations necessary to expend funds on behalf of the IDA. The discussion revolved around the proper method to handle expenses which were imminent but were in-between monthly sessions. Mr. Ehler's suggested that the proper method was for the Executive Director to contact the chair with respect to the expense. The chair would then authorize polling board members via e-mail for approval of the expenditure. Following approval by the board members, a resolution would be passed at the next scheduled meeting approving the expense. The Executive Director, the CFO and the board were in agreement that this was sound policy. The Board asked the Executive Director to author a policy to be reviewed by Mr. Ehlers which would become the standing operating policy for expense approval for non-anticipated expenses. The Board will review the policy at the next monthly meeting.

#18-08 ACCEPTS REPORT OF EXPENSES AND AUTHORIZES PAYMENT OF BILLS

Jack Orben offered the following resolution, which was seconded by Kathleen Wojciechowski:

WHEREAS, the CFO has prepared and submitted a report of expenses of the RIDA for the period 3/1/08 to 3/31/08 as attached;

NOW, THEREFORE, BE IT RESOLVED, that said report of expenses dated 4/01/08 be and is hereby accepted, and expenses as listed are authorized for payment.

Vote: 6 yes

MINUTES OF MEETING OF MONDAY, APRIL 7, 2008

Page 2

Ms. Sullivan then began a discussion with the board members with respect to the 2007 Audited Financial Statements which were presented to the board at the meeting. Ms. Sullivan discussed the Notes prepared by the auditor's, Markowitz , Fenelon & Bank LLP, including significant deficiencies and other matters discussed by the auditors. Ms. Sullivan informed the board that the Agency had methodologies to remedy the significant deficiencies, including, to a certain extent, the auditor's notes with respect to segregation of duties. Ms. Sullivan and Mr. Belmonte will prepare a response to the auditor's notes that will be reviewed by the Audit Committee and presented to the Board at the next monthly meeting.

#19-08. AUTHORIZES EXECUTIVE DIRECTOR TO ATTEND NYSEDC ANNUAL MEETING

Lori Taggert offered the following resolution, which was seconded by Hank Boerner:

WHEREAS, The New York State Economic Development Council ("NYSEDC") is holding its Annual Meeting on May 21-23, 2008;

WHEREAS, it is the desire of the Executive Director to attend said conference;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors authorizes the Executive Director to attend the NYSEDC Annual Meeting;

BE IT FURTHER RESOLVED, that all necessary expenses, for attendance at said meeting shall be paid by the Agency or reimbursed by the Agency upon the production of an expense report. Such Expenses shall not exceed \$1500.00

Vote: 6 yes

At this point in the meeting, Mr. Belmonte handed out a proposed Purchase & Expenditure Policy to the board and reminded the board that a resolution amending the By-Laws to include an additional article with respect to a procurement policy was necessary for the Agency to be in compliance with the PAAA Act of 2005. The board reviewed the policy and a discussion ensued as to whether language for a standard operating procedure should be included as well as other modifications.

#20-08. ADOPTS PURCHASING & EXPENDITURE POLICY OF THE RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY

Jack Orben offered the following resolution which as seconded by Angela DeVito:

WHEREAS, the Public Authorities Accountability Act of 2005 (the "Act"), requires the Riverhead Industrial Development Agency to adopt a procurement policy; and

WHEREAS, the Board of Directors desires to adopt a procurement policy;

MINUTES OF MEETING OF MONDAY, APRIL 7, 2008

Page 3

NOW, THEREFORE, BE IT RESOLVED, that the By-Laws of the Riverhead Industrial Development Agency be amended by adding a new Article VIII entitled “Purchasing & Expenditure Policy” as amended, as follows:

(Full Text of Policy is provided on following pages)

Ms. Sullivan excused herself from the meeting at 6:20

At this point in the meeting Mr. Belmonte queried the Board for their responses to the Ten Year Historical Fee Analysis (**complete text of document follows the minutes**). Ms. Wojciechowski and Ms. DeVito had not received the packet and were given copies to review. Mr. Belmonte asked the Board if, based on that document, they were prepared to vote on a resolution for the chair to execute an agreement for Greenstone Fontana to prepare a marketing plan for the Agency. A discussion ensued with respect to the financial status of the Agency and expenditure of funds towards marketing. Mr. Orben suggested that the Executive Director write a marketing plan. Mr. Belmonte responded that he believed a professional marketing agency would be better qualified to write the plan as he was not, by definition, a marketing expert. The Board took no action on approving the Executive Director’s recommendation of contracting with Greenstone Fontana to write a marketing plan for the Agency.

During the discussion, Mr. Ehlers excused himself from the meeting at 6:35pm and Ms. Taggart excused herself at 6:45pm

Mr. Belmonte then gave the Board an update on potential projects.

There being no further business, the meeting was adjourned at 7:00 pm

MINUTES OF MEETING OF MONDAY, APRIL 7, 2008

Page 4

Riverhead Industrial Development Agency
Purchasing & Expenditure Policy
2008

The Agency shall make no purchase of supplies, equipment or materials nor shall the Agency contract for the purchase of supplies, equipment of materials except as follows:

- a. When the cost of the supply, equipment or material involved should reasonably be expected to cost in excess of ten thousand dollars (\$10,000), the item to be purchased shall be formally bid and the purchase made from the lowest responsible bidder.
- b. When the cost of the supply, equipment or material involved should reasonably be expected to cost in excess of three thousand dollars (\$3,000) but not more than ten thousand dollars (\$10,000), written price quotations shall be obtained from not fewer than three (3) vendors and the purchase made after all such quotations are evaluated by the Agency.
- c. When the cost of the supply, equipment or material involved should reasonably be expected to cost in excess of one thousand five hundred dollars (\$1,500) but not more than three thousand dollars (\$3,000), written price quotations shall be obtained from not fewer than two (2) vendors and the purchase made after all such quotations are evaluated by the Agency.
- d. When the cost of the supply, equipment or material involved should reasonably be expected to cost in excess of five hundred dollars (\$500) but not more than one thousand five hundred dollars (\$1,500), oral price quotations shall be obtained from not fewer than two vendors (2) and the purchase made after all such quotations are evaluated by the Agency.
- e. No solicitation of price quotations shall be required in the following instances:
 - e-1. When the cost of the supply, equipment or material involved is five hundred dollars (\$500) or less,
 - e-2. when the purchase is of professional services, as defined by the State Comptroller
 - e-3. when the purchase is necessitated by a bona fide emergency, which emergency is described in writing by the Agency member or employee declaring same, ratified by telephone by not fewer than a majority of members and ratified by resolution at the next meeting of the Agency,
 - e-4. when the supply, equipment or material sought to be purchased is available only through a sole supplier,

In conjunction with the above mentioned guidelines the appropriate bids shall be enclosed with a purchase order generated as follows:

- a. A purchase order is generated by the Executive Director and is forwarded to the Chief Financial Officer with the appropriate documentation.

MINUTES OF MEETING OF MONDAY, APRIL 7, 2008

Page 5

- b. The Chief Financial Officer approves purchase orders up to a maximum of three thousand dollars (\$3,000), purchase orders in excess of three thousand dollars (\$3,000) require an approval by the Treasurer of the Board in addition to the Chief Financial Officer.
- c. The approved purchase order is then recorded as an encumbrance against the budget and returned to the Executive Director who places the order.
- d. Merchandise is received by the Executive Director and the packing slip is signed and attached to the approved purchase order; both are forwarded to the Chief Financial Officer.
- e. The Chief Financial Officer then matches the invoice to the purchase order and packing information and records the accounts payable and reverses the encumbrance.
- f. Checks are generated every other Thursday in conjunction with payroll. Checks less than three thousand dollars are signed by the Chief Financial Officer. Checks in excess of three thousand dollars (\$3,000) require a second signature by either the Treasurer or the Chairman of the Board.
- g. Exceptions to the above mentioned purchasing guidelines are as follows:
 1. Recurring monthly expenses; i.e. utilities, telephone, rent
 2. Professional Services

In these cases a blanket purchase order shall be prepared on January 1 in accordance with the annual budget, monthly invoices shall be matched to the blanket purchase order and a running balance shall be maintained. Should the amount of the blanket purchase order be exceeded before the year end a budget modification and an additional purchase order shall be generated.

**MANAGEMENT ANALYSIS OF HISTORICAL IDA FEES
WITH RESPECT TO MARKETING**

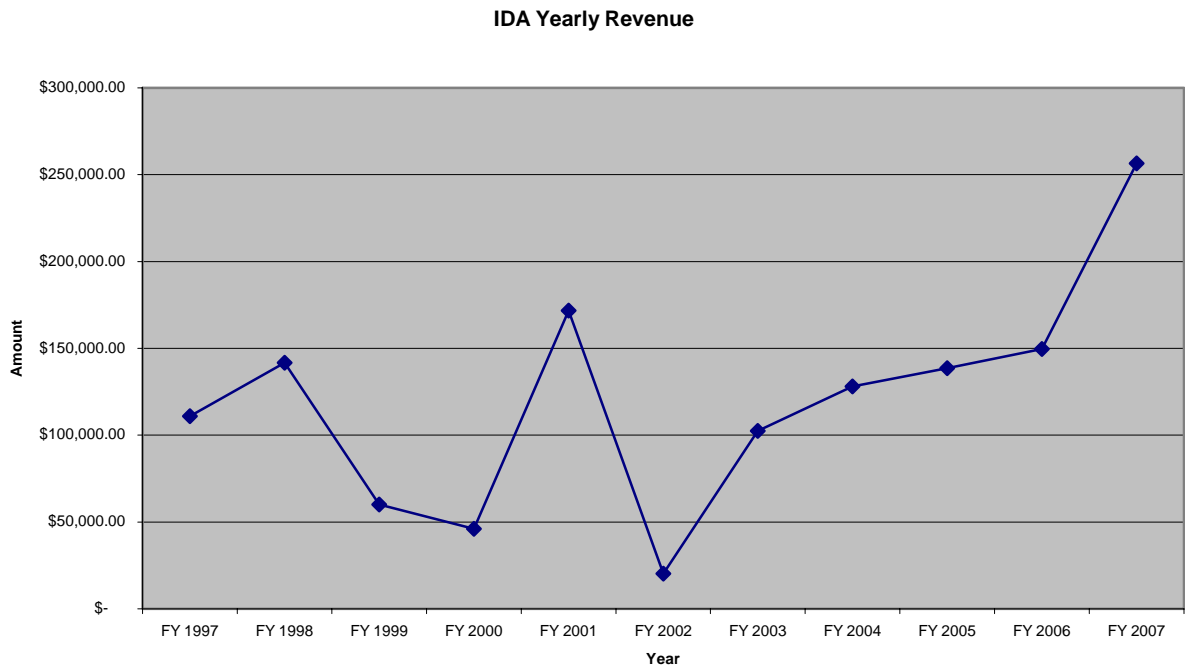
The following report was prepared by the Executive Director as a means of presenting an historical account of IDA performance over the past ten years. As most of the current board is new to the IDA, the Director believes this analysis will assist in providing a roadmap for marketing and point the Board to specific marketing goals. Dollar amounts presented in charts and tables are representative of fees collected by the Agency at the closing of projects. Dollar amounts were obtained by analyzing Bills for Fees presented by the Agency to project operators. Incidental fees for other benefits such as extension of sales tax exemptions or mortgage modifications were not included in the figures.

I. **IDA Yearly Fee Collection.**

The IDA has collected approximately \$1,326,180 in project fees since 1997. The following table shows income by year.

Year	Amount
FY 1997	\$ 110,927.58
FY 1998	\$ 141,750.00
FY 1999	\$ 60,000.00
FY 2000	\$ 46,087.00
FY 2001	\$ 171,820.50
FY 2002	\$ 20,287.50
FY 2003	\$ 102,425.00
FY 2004	\$ 128,019.00
FY 2005	\$ 138,662.88
FY 2006	\$ 149,675.00
FY 2007	\$ 256,526.22
TOTAL	\$ 1,326,180.68

It is clear from tracking the historical income that there is considerable fluctuation in income on a yearly basis. For instance a downward trend beginning in 1999 is counterbalanced by an upward spike in 2001. The following line chart presents a graphic view of historical income.



In order to fully understand the nature of the income spikes and downward and upward trends, the fee income should to be broken down by the type of project. IDA historical revenue can be broken down into the following categories:

- Grant Issue
- Housing
- Manufacturing
- Not for Profit
- Office Space
- Retail
- Retail/Distribution
- Tourism

MINUTES OF MEETING OF MONDAY, APRIL 7, 2008

Page 8

The following table shows IDA total revenue by Category:

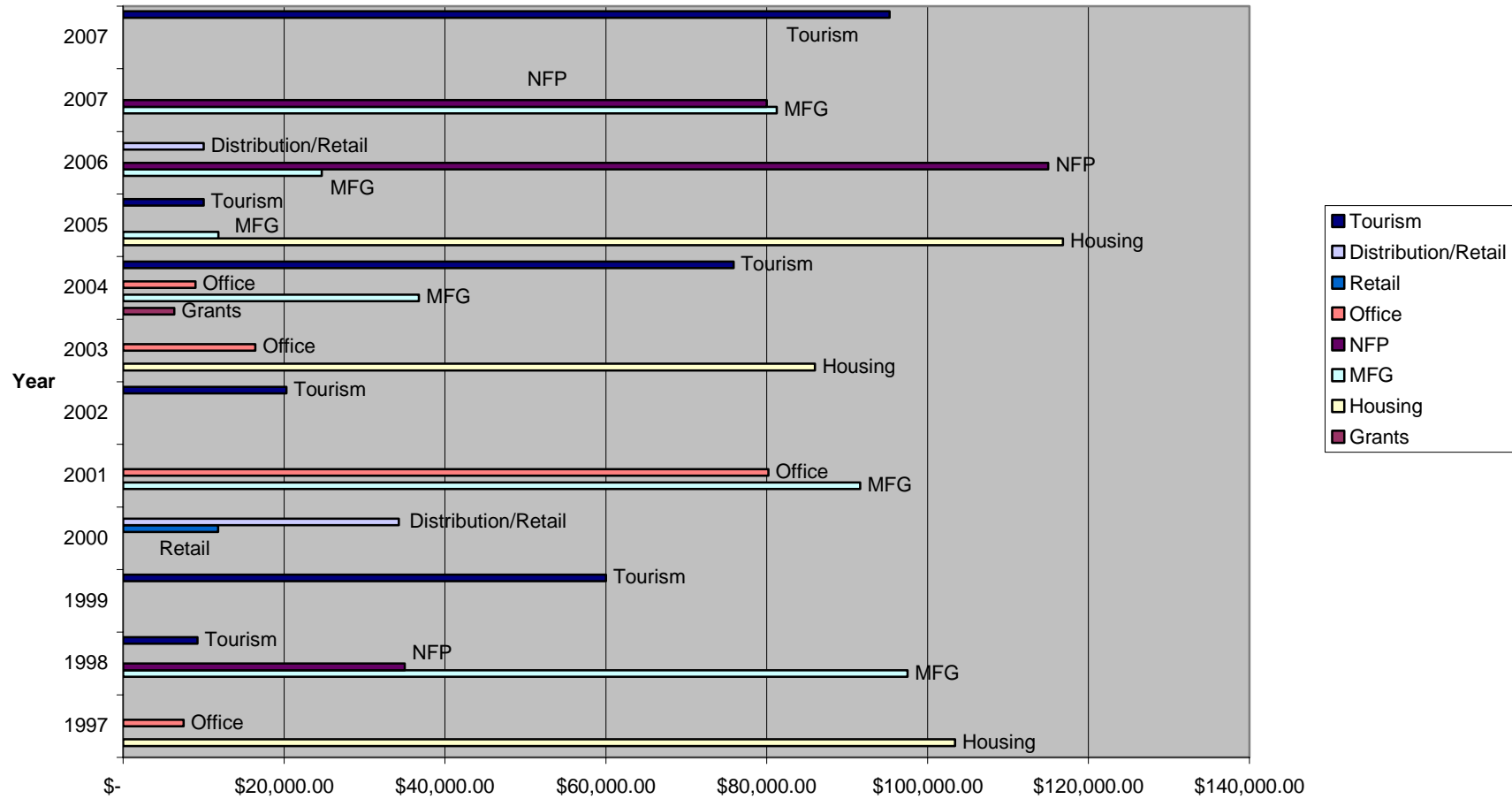
Category	Total Fees
Grant Issue	\$ 6,372.00
Housing	\$ 306,240.46
Manufacturing	\$ 343,633.00
Not for Profit	\$ 230,000.00
Office Space	\$ 113,137.50
Retail	\$ 11,812.00
Retail/Distribution	\$ 44,275.00
Tourism	\$ 270,710.72
Total	\$ 1,326,180.68

As the above figures demonstrate, roughly half of IDA fees collected over the past ten years have been derived from the Housing, Not for Profit and Office Space categories. An examination of fees by category by year demonstrates the reasons for the downward and upward spikes in IDA yearly fee income.

When examined on a yearly basis, it is clear that the Housing, Office Space and Not for Profit categories are responsible for upward trends in income in every year, except 1998, 2004 and 2007. The following table and chart show IDA fees collected by category, by year. A separate table breaking down each IDA project by year and the amount of project fees the agency collected is included as Appendix 1 to this document.

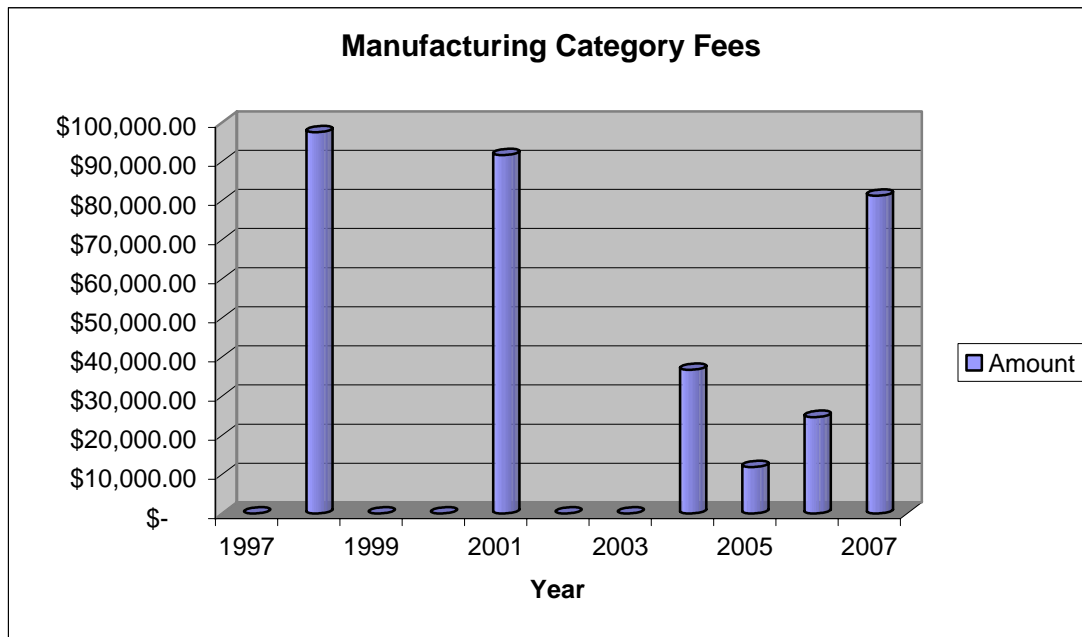
Year	Grants	Housing	MFG	NFP	Office	Retail	Distribution	Tourism	Total
1997		\$ 103,427.58			\$ 7,500.00				\$ 110,927.58
1998			\$ 97,500.00	\$ 35,000.00				\$ 9,250.00	\$ 141,750.00
1999								\$ 60,000.00	\$ 60,000.00
2000						\$ 11,812.00	\$ 34,275.00		\$ 46,087.00
2001			\$ 91,608.00		\$ 80,212.50				\$ 171,820.50
2002								\$ 20,287.50	\$ 20,287.50
2003		\$ 86,000.00			\$ 16,425.00				\$ 102,425.00
2004	\$ 6,372.00		\$ 36,750.00		\$ 9,000.00			\$ 75,897.00	\$ 128,019.00
2005		\$ 116,812.88	\$ 11,850.00					\$ 10,000.00	\$ 138,662.88
2006			\$ 24,675.00	\$ 115,000.00			\$ 10,000.00		\$ 149,675.00
2007			\$ 81,250.00	\$ 80,000.00				\$ 95,276.22	\$ 256,526.22
Total	\$ 6,372.00	\$ 306,240.46	\$ 343,633.00	\$ 230,000.00	\$ 113,137.50	\$ 11,812.00	\$ 44,275.00	\$ 270,710.72	\$ 1,326,180.68

RIDA Yearly Revenue By Category



The Executive Director believes that the fees collected from the Not for Profit category will decrease in the coming years as the Riverhead area is not likely to go through another hospital expansion or build additional public health-care facilities. Developers of multi-unit housing projects might find the path to IDA inducements blocked by a perception that the area is attractive enough that no inducement should be necessary. Developers of office space might also be viewed in the same light as multi-unit housing developers.

Future IDA project and future fees are most likely to be sourced from the Manufacturing and Tourism categories. Manufacturing, the highest single source of historical income, peaked in 1998 when two projects were closed, generating \$97,500. The next highest fee collection from Manufacturing was 2001 when three manufacturing projects were closed, generating \$91,600. The third highest year for manufacturing projects was 2007 when a single project accounted for \$81,250 in project fees. The chart below shows fees from the Manufacturing category by year.



The Tourism category has historically generated the 3rd highest amount of fees collected by the IDA, approximately \$270,600 over the ten year period. The bulk of those fees were paid by two hotel projects, Jaral Riverhead (Holiday Inn) and Browning Hotel (Hilton Garden Inn). The Executive Director believes that developers of new hotel projects along the Route 58 corridor will, like multi-unit apartment developers, face inducement hurdles.

The most likely area for Tourism category projects is in the downtown Main Street corridor and at EPCAL in the area zoned for recreation. In addition, high-density multi-use developers (commercial, entertainment, office and housing) would make good

marketing targets if current developer contracts for those areas fall through, or if current developers apply for IDA inducement benefits.

MARKETING CONCLUSIONS

The IDA needs to source projects not related to the following categories if it is to remain a viable Development Agency:

- Office Space
- Not for Profit
- Housing

Future IDA projects should be sourced from the Manufacturing and Tourism categories. New York State economic development teams are attempting to define and market New York State as a center for Bio-Tech. The County wishes to define itself as a Bio-Tech center as well as a center for Renewable Energy and Bio-Energy manufacturing. The IDA needs a marketing plan to attract bio-tech companies and energy manufacturing companies. The plan should also include marketing to businesses in the Tourism category. The Executive Director believes Greenstone Fontana, the entity which presented their bona fides to the Board at the March Board meeting to be qualified to produce the plan following the aforementioned guidelines. Management's Discussion and Analysis issued to the Board for 2006 anticipated that "... the agency will undertake an extensive marketing/advertising campaign with the hiring of a full time Executive Director." The 2008 Budget adopted by the Board earmarked approximately \$50,000 for expenses related to marketing/advertising. The Executive Director urges the Board to pass a resolution authorizing the chairman or the executive director to execute the agreement presented by Greenstone Fontana.

APPENDIX I

Year	Fee	Project	Purpose
1997	\$ 103,427.58	JWVII	Housing
1997	7,500.00	MBI	Office Space
1998	52,500.00	Adchem	Manufacturing
1998	35,000.00	Library	Not for Profit
1998	45,000.00	Altaire	Manufacturing
1998	9,250.00	Cal Links	Tourism
1999	60,000.00	Atlantis	Tourism
2000	11,812.00	Tanger	Retail
2000	34,275.00	Cargex (Fedex)	Retail/Distribution
2001	53,215.00	Reilly Woodworks	Manufacturing
2001	25,200.00	Cal81	Manufacturing
2001	13,193.00	Trutech	Manufacturing
2001	8,962.50	HDI	Office Space
2001	71,250.00	SCNB	Office Space
2002	20,287.50	Knightworld (East Winds)	Tourism
2003	86,000.00	JWVIII	Housing
2003	8,175.00	IDI	Office Space
2003	8,250.00	Neefus Stype	Office Space
2004	6,372.00	Duck Farm	Grants
2004	36,750.00	Eastern Wholesale Fence	Manufacturing
2004	9,000.00	RGR	Office Space
2004	75,897.00	Jaral (Holiday Inn)	Tourism
2005	83,122.88	Riverhead Village Preservation	Housing
2005	33,690.00	Lenape (Dr's Path)	Housing
2005	11,850.00	Reilly Woodworks	Manufacturing
2005	10,000.00	Knightworld (East Winds)	Tourism
2006	24,675.00	Cal81	Manufacturing
2006	115,000.00	Central Suffolk Hospital	Not for Profit
2006	10,000.00	Cargex (Fedex)	Retail/Distribution
2007	81,250.00	Riverhead Building Supply	Manufacturing
2007	80,000.00	Central Suffolk Hospital	Not for Profit
2007	95,276.22	Browning Hotel (Hilton)	Tourism
TOTAL	\$ 1,326,180.68		