
**Authorities Budget Office
Review of Activities and Expenditures
Washington County Local Development
Corporation
October 1, 2013**



Local development corporations (LDCs) are not-for-profit corporations incorporated pursuant to Section 1411 of Not for Profit Corporation Law. The general statutory purpose of an LDC is to reduce unemployment, promote and maintain employment opportunities, aid communities attract new industry or to encourage the development or retention of existing industries, and lessen the burdens of government and act in the public interest. In furtherance of these public purposes, an LDC has the power to construct and rehabilitate industrial or manufacturing facilities to be used by others; provide grants and loans; borrow money; issue debt; and acquire, sell or lease real property below market value. Any county, city, town or village in New York State, alone or in combination, may cause the incorporation of a LDC by public officers or private individuals.

Section 2(2)b of Public Authorities Law defines local authorities to include not for profit corporations affiliated with, sponsored by, or created by a county, city, town or village government. By law, the operations, practices and reports of these LDCs are subject to the review and analysis of the ABO. The ABO is undertaking a series of reviews of selected LDCs across the state to develop a better understanding of the public purposes for which each LDC was formed, and to provide insight into how these corporations function, how each relates to the local government for whose benefit it was created, and the types of activities on which the LDC expends public funds.

These reviews are intended to focus on the following analytical issues:

- The specific mission of the LDC and the purpose(s) for which it was formed.
- The LDC's corporate governance structure, including its relation to the municipal government and other local authorities.
- The sources of LDC funding.
- The programs, services and public objectives supported by LDC funding.
- Activities of the LDC, if any, that may be inconsistent with or tangential to its core mission.

This report reviewed the extent to which the activities and expenditures of the Washington County Local Development Corporation (WCLDC) are consistent with and advance the public purpose for which it was formed.

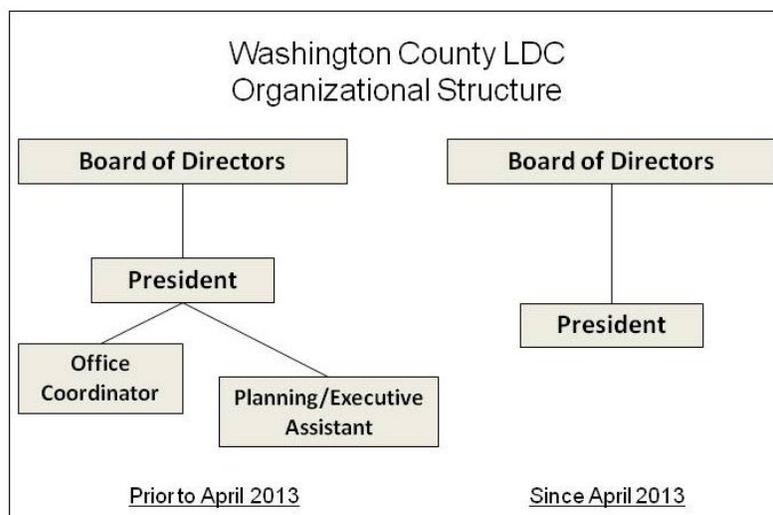
Mission of the Washington County Local Development Corporation

The Washington County Local Development Corporation (WCLDC) was formed in 1985 under Section 1411 of Not for Profit Corporation Law. As stated in its Certificate of Incorporation, the core mission of WCLDC is to reduce unemployment, promote and provide for additional employment, encourage the development and retention of industry and attract new industry to the area. WCLDC carries out this mission by providing loans and grants, offering small business training programs, and promoting Washington County through marketing activities and business outreach.

WCLDC Corporate Governance Structure

According to its bylaws, WCLDC is governed by the members of the County Board of Supervisors which is made up of 17 supervisors, one from each town in Washington County. Supervisors may resign from the board and appoint a replacement to serve as a director. At the time of our review, there were six replacements serving on the board.

WCLDC employs its own staff. Prior to April 2013, WCLDC was managed by a President, and also employed an Office Coordinator and a Planning/Executive Assistant. The President has been responsible for performing the economic development functions of the office. The other positions are primarily support staff. The individual serving as President resigned in March 2013, and the former Office Coordinator was subsequently appointed as WCLDC's Interim President in May 2013. The Planning/Executive Assistant position has been vacant since December 2012. For the period January 2011 through August 2013 staffing payments totaled \$386,680.

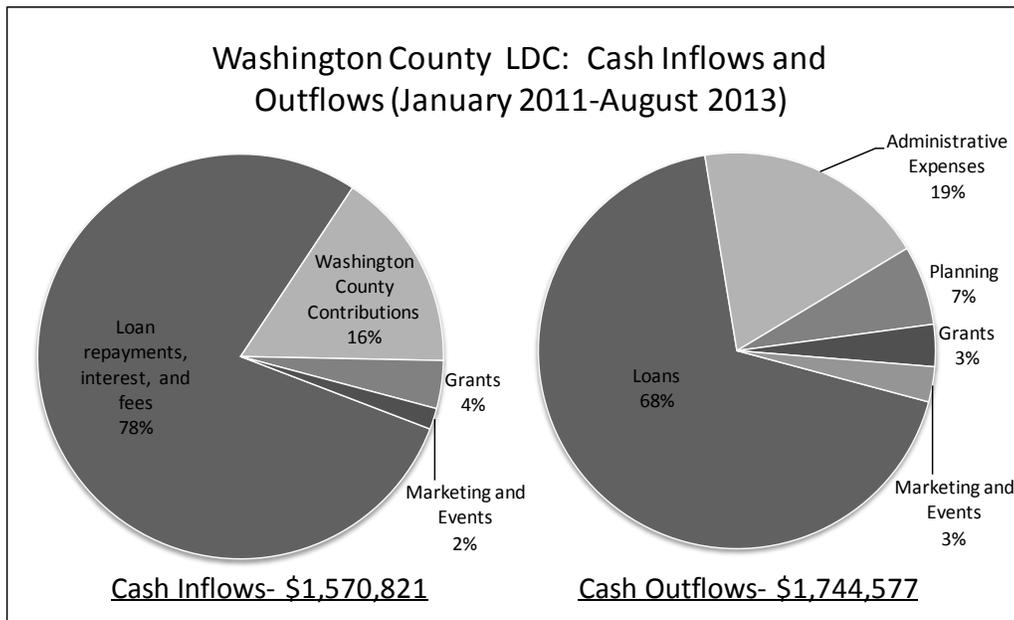


WCLDC receives an annual contribution from the County to perform economic development and planning services. WCLDC provides monthly updates on its loan

programs and activities to the Board of Supervisors, which approves the County's annual contribution to WCLDC. For the period January 2011 through August 2013 the County provided WCLDC \$250,625. The County also provides WCLDC with in-kind services such as office space in the county office building, telephones, use of the County's information technology, mailroom and payroll functions and the authorization to use a car from the county fleet for WCLDC business.

WCLDC Finances

For the period January 2011 through August 2013, WCLDC received over \$1.5 million, consisting of \$1.2 million in loan repayments, interest and fees, \$250,000 in county contributions, \$60,000 as pass-through grants, and \$26,000 from marketing and events. WCLDC's total cash outflows during this period were over \$1.7 million. This includes \$1.2 million in new loans, \$330,000 in administrative expenses, \$113,000 for costs incurred for County planning services, \$60,000 for grant awards, and \$50,000 for its marketing and events.



WCLDC Mission Driven Activities

WCLDC's primary economic development activity consists of providing loans to businesses using funds that were originally capitalized by federal and state funds. For the period January 2011 through August 2013, WCLDC made 11 loans totaling more than \$1.1 million for business startup, expansion and working capital. WCLDC has four loan programs: a community development loan fund, an economic development loan fund, a microenterprise loan fund and the intermediary relending program. The first three programs were initially funded by Community Development Block Grants. The intermediary relending program is funded by a loan from the

United States Department of Agriculture. The majority of loans are provided through the community and economic development loan programs.

For the period January 2011 through August 2013 WCLDC received \$1.2 million in loan repayments, interest and fees. As of December 2012, WCLDC had 33 active loans with an original value of \$3.4 million. These loans were made with the expectation that the recipients would create 86.5 jobs in the County – or one job created for every \$39,707 in loan value.

WCLDC also provides or supports grants throughout the County to advance economic development. During 2011 and 2012 WCLDC acted as a pass through and awarded two grants totaling \$60,000 to wireless companies to expand broadband coverage in Washington County.

WCLDC also administers the New York State Empire Zone program for the County. The program expired in 2010 but 56 businesses continue to receive tax credits under the program. As a result, for the period January 2011 through August 2013 WCLDC allocated \$24,255 for staff to handle the program's ongoing reporting requirements and to administer existing tax credits.

WCLDC partners with SUNY Adirondack Continuing Education and Warren County Local Development Corporation to offer a semi-annual training program focused on how to start, manage, and grow a small business. The majority of the training is supported by volunteers; however each entity incurs some costs. Application fees for the training are split equally among the organizations. For the period January 2011 through August 2013 WCLDC received \$2,325 in fees and incurred \$200 in costs.

Other WCLDC Activities

As indicated, Washington County provides funding to WCLDC to support economic development initiatives. In 2011 and 2012, additional funds were provided so that WCLDC staff could assume the duties of the Washington County Planning Department. These duties included providing technical assistance and training sessions for municipal planning and zoning officials and assisting municipalities with planning board determinations. For the period January 2011 through the first quarter of 2013, total costs incurred by WCLDC for providing planning services to the County were \$113,000. These duties were discontinued in April 2013, after the departure of the former president in March 2013.

WCLDC spent \$50,000 from January 2011 through August 2013 on efforts to market Washington County. More than 30 percent of these costs (\$16,000), however, were payments made to the former president for reimbursement of expenses. These reimbursements generally consisted of mileage (\$7,931), meals (\$4,190) and cell phone use (\$2,224). Other than board meetings, all economic development and planning meetings attended by the former president were held at local restaurants,

rather than in WCLDC's office. Documents submitted in support of the expense were insufficient to determine if the cost was incurred for an appropriate economic development or marketing purpose. For example, receipts were provided to show the amount spent for business meals, but no details were provided to indicate the purpose of the meeting or to identify who attended the meetings. There was also no explanation why the meetings needed to be held at a restaurant, rather than at WCLDC's office. Additionally, for the period January 2011 through August 2013 WCLDC paid a restaurant located near its office \$2,143 to host business meetings. Supporting documentation only consisted of bills sent by the restaurant to WCLDC. Again, no information regarding the business purpose and who attended these meetings was available. WCLDC officials indicated that prior to 2013 there was insufficient conference space at its office to hold business meetings. With the recent reduction in staff, officials stated that space is now available and that it will no longer be necessary to schedule these meetings off site. Additionally, the former president was also reimbursed for the entire cost of her personal cell phone, without any documentation to show the extent to which it was used for WCLDC purposes.

During 2011 and 2012, WCLDC organized four events to recognize local business owners and to publicize and promote the County and available programs and services. For these events the WCLDC received \$24,680 in sponsorship revenues and incurred \$9,625 in expenses. Event expenses include costs for the venue, food, signage and supplies.

For the period January 2011 through August 2013 WCLDC paid \$2,795 to economic development entities in the region such as the Saratoga Economic Development Corporation, Saratoga County Chamber of Commerce and EDC Warren County. None of these organizations are located in Washington County or formed for the purpose of promoting economic development within the County. Payments covered annual membership dues, and fees for WCLDC staff to attend networking events such as luncheons and holiday parties. While a regional approach to economic development is admirable and should be encouraged, we question the expenditure of corporate funds for certain of these activities.

Conclusion

WCLDC's purpose as a local development corporation is to maximize employment and create employment opportunities. Based on our limited scope review, it appears that the majority of WCLDC's activity is related to this public purpose. Nevertheless, WCLDC also pays for activities that are harder to justify as central to its core mission, such as membership contributions to organizations outside Washington County. The board should implement policies to require adequate and appropriate documentation of costs incurred and submitted for payment to assure that these public funds are spent properly and only to advance the core mission and purposes of the WCLDC.