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NYS Authorities Budget Office Report on St. Lawrence County IDA Local Development Corporation

The Authorities Budget Office (ABO) today released its report on its review of the operating practices of the St. Lawrence County IDA Local Development Corporation (LDC), a public authority responsible for administering several loan funds to stimulate the growth of private sector employment in St. Lawrence County.

The review found the LDC board needs to improve its transparency and the accountability of board actions and LDC operations. The board approved several loans to the Industrial Development Agency, a separate entity which is comprised of the same board members, without appropriately disclosing the conflict of interest. Two of those loans were approved by the board even though the projects did not meet the criteria established for the loan funds. For example, one loan fund caps loan amounts at \$400,000 and is to be used for private sector businesses. Yet, the LDC approved a \$700,000 loan from this fund to the Industrial Development Agency, which is a public authority, not a private sector business. There was no public discussion or disclosure why the LDC determined that the loan criteria did not apply to this project. In addition, the LDC board also provided favorable repayment terms for the IDA; extending the loan repayments for 30 years rather than the 10 year repayment period required for private sector loans, and charging only 0.5 percent interest. The review also found that the LDC board approved loans for other businesses whose projects did not meet the criteria established for the loan funds, again without public disclosure as to why the criteria did not apply.

The ABO found that the job creation targets proposed by businesses in loan applications often differed from the targets approved by the board. These discrepancies occurred because the LDC board does not review the completed applications when evaluating whether to approve a loan. Further, the board does not review or approve the loan agreements that are negotiated by staff to formalize the loan terms that were approved by the board. The review found that the terms of the loan agreements did not always match the terms approved by the board.

The report also determined that since the same LDC board members also serve as board members for four other economic development entities established in the county, the board appears to treat these entities as though they were a single operation. As such, it is not always clear if the board acts in the best interest of the LDC, and whether its decisions were always appropriately and clearly disclosed in the board meeting minutes. The report also identified instances where the loan funds administered by the board may not have been used appropriately, such as paying for all marketing costs for the LDC and the related entities.

A copy of the full report is available at www.abo.ny.gov.