
Authorities Budget Office
Review of Activities and Expenditures
Rockland Economic Development Corporation
January 8, 2014



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 Rockland Economic Development Corporation (REDC) are consistent with and advance the public purpose for which it was formed.

Mission of the Rockland Economic Development Corporation

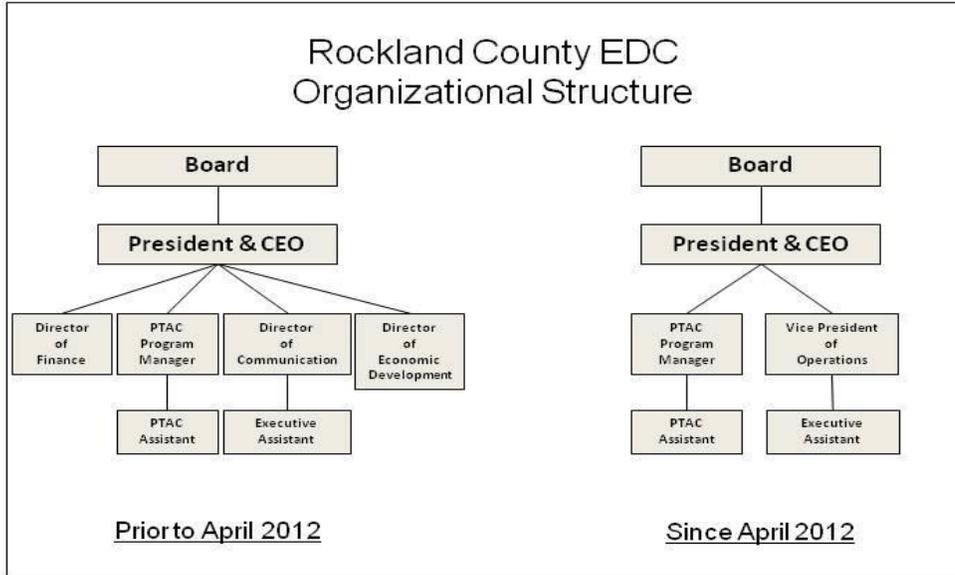
The Rockland Economic Development Corporation was originally formed in 1981 under Section 1411 of Not for Profit Corporation Law as the Greater Rockland Local Development Corporation. It was renamed the Rockland Economic Development Corporation (REDC) in 1987. As stated in its Certificate of Incorporation, the core mission of REDC is to establish and carry out the County development plan, increase employment and business, market the advantages and benefits of the County, and relieve and reduce unemployment. REDC carries out this mission by networking with real estate developers and brokers, and government and business leaders to encourage investment in the County; and administering a revolving loan fund, the County's Empire Zone program, and a regional Procurement Technical Assistance Center (PTAC) to help businesses compete for and obtain government contracts.

REDC Corporate Governance Structure

REDC is currently governed by a 36 member board. Seventy-five percent of the board is to be comprised of individuals from the private sector. The County Executive, County Legislative Chair, Rockland Business Association Chair and Rockland Industrial Development Agency (RIDA) Chair serve as ex-officio directors. According to the bylaws, an executive committee of the board is authorized to have the full authority of the board. The President and CEO of REDC is an officer and board member.

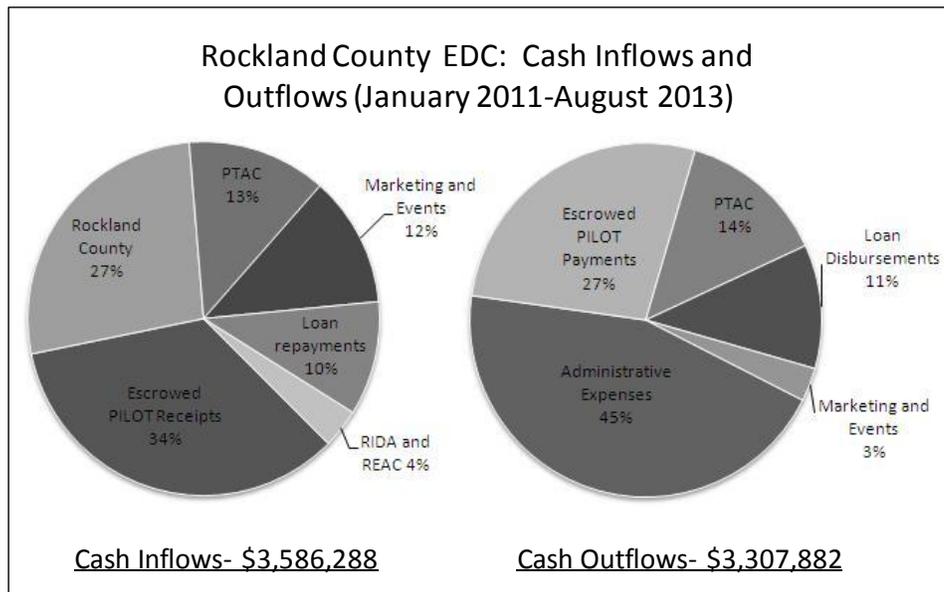
REDC employs its own staff. Prior to July 2011 REDC had a total of seven full-time employees: President and Chief Executive Officer (CEO); Director of Finance; Director of Economic Development; Director of Communications; Executive Assistant; PTAC Program Manager; and PTAC Assistant. The Director of Finance retired in July 2011 and REDC did not fill the position.

In April 2012 the President and CEO resigned and REDC was downsized to five full-time staff. The Director of Economic Development position was eliminated. The Director of Communication position was restructured as the Vice President of Operations. The Executive Assistant, PTAC Program Manager and PTAC Assistant positions were retained. Financial records are now maintained by a part-time contractor. REDC's total staffing payments for the period January 2011 through August 2013 totaled \$1,182,457, including \$111,071 in additional compensation and bonus payments. REDC paid bonuses totaling \$72,069 in 2011, \$9,000 in 2012 and \$30,003 in 2013. Of these bonuses, the largest single amount (\$47,369) was awarded in 2011 to the former President and CEO; this bonus payment was 46 percent of the base salary. In addition, \$44,089 of the bonuses (\$14,086 in 2011 and \$30,003 in 2013) was related to work for the PTAC program.



REDC Finances

We reviewed REDC's operations and activities for the period January 2011 through August 2013. During this period, REDC received over \$3.5 million, consisting of \$1,229,749 in escrowed PILOT receipts, \$964,650 in contributions from Rockland County, \$458,338 to support the PTAC program, \$430,047 from marketing contributions and events, \$375,646 in loan repayments and \$127,958 in administrative and occupancy fees from RIDA and the Rockland Economic Assistance Corporation (REAC). REDC's total cash outflows during this period were over \$3.3 million. This consists of \$1,479,323 in administrative expenses, \$902,839 for escrowed PILOT payments, \$448,325 for operating the PTAC program, \$376,327 in new loans disbursed and \$101,068 for marketing and events.



REDC Mission Driven Activities

REDC acts as Rockland County's primary economic development agency. Between January 2011 and August 2013, REDC received \$964,650 from the County to support REDC's general operations and for economic development and marketing services; staff the regional PTAC; administer a revolving loan fund; provide site selection services; conduct small business counseling and seminars; maintain County demographic data; and host a small business center, which provides free resources such as office space and equipment to small businesses.

A major focus of its marketing effort is conducting site visits, networking with existing businesses to evaluate potential expansion opportunities, handling inquiries, and meeting with businesses that are considering relocation to the County. Toward this effort REDC spent \$27,367 on marketing and promotional activities, \$11,437 of which was for travel. REDC management indicated that since January 2011, eleven businesses had moved to or expanded their operations in the County, leading to the creation of 903 jobs. REDC has also received more than \$46,000 from local businesses which is intended to finance a future media-centered marketing campaign.

REDC staffs and administers a PTAC program which covers Rockland, Orange and Westchester counties. The program provides resources for small businesses to market their products and services to federal, state and local government agencies and government contractors. Under this program, REDC staff counsel businesses, conduct educational seminars and offer an electronic bid matching service. REDC management indicated that in 2012, businesses participating in the PTAC program obtained 2,652 contracts totaling over \$93 million.

PTAC is funded by the three participating counties with the federal Department of Defense (DOD) reimbursing REDC for 50 percent of its costs. The direct cost of running PTAC during the period of our review was \$448,325. This consists of \$375,483 in compensation for two REDC employees, \$13,025 paid for a consultant to administer the program in Westchester County, and \$59,817 for travel, supplies, and membership fees. In addition, REDC charges a portion of its indirect costs for office space, equipment and insurance to PTAC. In all, REDC claimed total direct and indirect costs for PTAC of \$671,719. REDC received \$295,441 in federal reimbursements and \$162,896 from Orange and Westchester counties. The balance in PTAC related expenses was funded with REDC funds.

REDC administers a revolving loan fund that was initially capitalized with a State grant. Loans are offered to small businesses located in Westchester or Rockland counties for working capital, equipment, and site renovations and construction. Loan awards are made by a nine member loan review committee that includes REDC's President and CEO and one REDC board member, but is otherwise independent of the REDC board. From January 2011 through August 2013, REDC made 19 loans for business start ups or expansions, with an original value of \$305,797. The full

value of the loan award is not disbursed at the time the loan is awarded, but as project costs are incurred. From January 2011 through August 2013 REDC disbursed \$299,097 for these loans, and received \$376,596 in loan repayments, interest and fees. As of August 2013, REDC had 36 active loans with an original value of \$607,466. For these loans, a total of 64.5 jobs were expected to be created, resulting in one job for every \$9,418 in loan value.

REDC also administers the Empire Zone program for the County, as part of the County's annual financial contribution. The program expired in 2010 but 36 businesses continue to receive tax credits under the program. Prior to April 2012, REDC's Director of Economic Development administered the program. This same individual continues to administer the program in his new full-time position as Executive Director of the RIDA. REDC has directly paid the RIDA Executive Director \$10,500 to handle the program's ongoing reporting requirements and to administer existing tax credits.

Other REDC Activities

REDC provides RIDA and REAC with office space, use of office equipment, supplies, mail, telephone and internet connectivity services, and staff support for general administration and marketing. REDC has not determined the cost of providing these services, but from January 2011 through August 2013 REDC received \$127,958 from RIDA and REAC to offset its costs.

REDC also serves as an escrow agent for some RIDA projects that receive property tax exemptions. RIDA requires some projects to pre-pay payments in lieu of taxes (PILOTs) in monthly installments. Instead of RIDA managing this process, REDC establishes bank accounts, bills the respective projects for the PILOT payments owed, and remits the proper payments to the taxing jurisdictions. REDC charges projects a one percent fee, which it retains as an administrative charge. From January 2011 through August 2013 REDC received over \$1.2 million in escrow payments and disbursed \$902,839 to taxing jurisdictions. REDC retained \$11,652 in administration fees. The balance remains in escrow accounts for future payments. Although these funds are held in bank accounts established by REDC, RIDA's Executive Director is the individual who authorizes and disperses these payments. The REDC board of directors exercises no oversight of this arrangement.

REDC organizes and holds several events to recognize and honor individuals and organizations within the County. These events neither market the advantages and benefits of the County nor serve to increase employment and business and thereby relieve and reduce unemployment. Instead, these events appear to simply increase publicity and raise funds for REDC. From January 2011 through August 2013 REDC spent \$70,459 on these events but received \$352,355 in sponsorship and advertising revenues.

At the same time, this review identified instances where REDC incurred expenses unrelated to its public purpose. From January 2011 through August 2013 REDC spent \$68,133 on activities that do not further its mission, and appear to be excessive or unnecessary.

For example, REDC contributed \$30,000 to the Hudson Valley Economic Development Corporation (HVEDC.) HVEDC serves seven counties that flank the Hudson River north of New York City to market the economic development potential of the region. The focus of the HVEDC is not exclusively, or even primarily, on job creation in Rockland County. Accordingly, we question whether it is appropriate for REDC to fund an organization that could use those financial contributions to promote economic development outside of Rockland County.

REDC holds its monthly board meetings at various locations in the County at little or no cost. However, REDC's last board meeting of each year is a catered event held at a local golf club, and board members contribute \$100 each to attend. This amount is insufficient to cover the costs of the dinners. REDC paid \$18,125 for the year end meetings, but only received \$5,400 in board member contributions. Accordingly, REDC discretionary funds were used to make up the difference. REDC also paid \$9,213 for food and drinks, including farewell or retirement parties for staff; \$6,333 on contributions to various charitable organizations; and \$3,802 for membership dues and events held by other economic development organizations. We also found that REDC paid \$660 for the former President and CEO to attend an American Cancer Society event in Washington D.C. on behalf of REAC.

In addition, REDC does not report the revolving loan fund in its financial statements. Yet, the availability of the funds is marketed on REDC's web site, the funds are maintained in an REDC bank account and REDC has either administered the fund with REDC staff or contracted for its administration. As such, the loan fund activity – loan awards, loan repayments and interest earnings - should be included as part of REDC's financial activities and operations. Prior to April 2012, REDC's Director of Economic Development administered the loan fund. This same individual continues to administer the loan fund, but is now the Executive Director of the RIDA, and REDC paid the individual \$10,000 during our review period. This is in addition to the salary he receives from the RIDA and the \$10,500 he receives to administer the Empire Zone program.

Conclusion

REDC's purpose as a local development corporation is to market the County, maximize employment and create employment opportunities. Based on our limited scope review, it appears that the majority of REDC's activity is related to this public purpose. Nevertheless, REDC is involved in activities that are not central to its core mission, such as supporting other, potentially competing, economic development entities, administering PILOT payments for RIDA, and sponsoring civic or charitable events. REDC has also underwritten the cost of parties for its board and staff, and

paid for travel expenses of its former CEO that are unrelated to REDC operations. REDC also has not included its loan fund activities in its financial and operating reports.