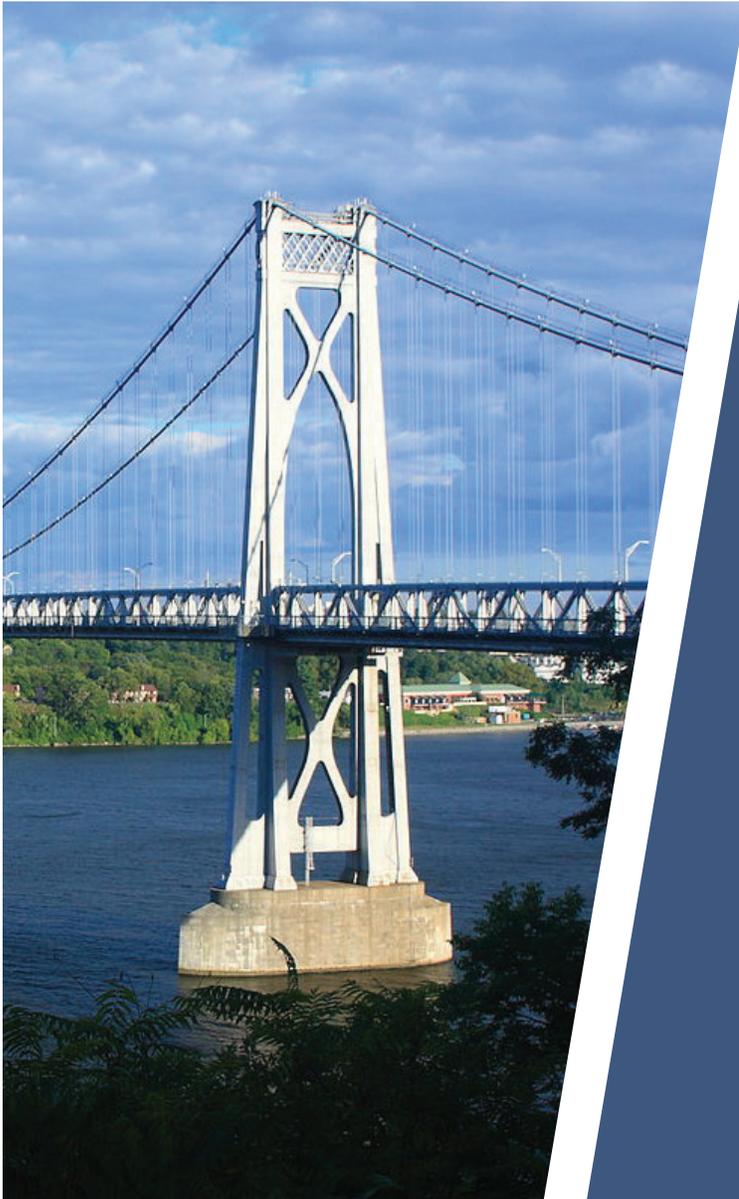


AUDIT REPORT
DUTCHESS COUNTY
LOCAL DEVELOPMENT
CORPORATION
& INDUSTRIAL DEVELOPMENT
AGENCY



OFFICE OF THE
DUTCHESS COUNTY
COMPTROLLER

ROBIN L. LOIS
COMPTROLLER

SEPTEMBER 2018

Office of the Comptroller

Dutchess County

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Robin L. Lois
Comptroller

Karl G. Schlegel
Deputy Comptroller

Dear County Officials & Taxpayers,

The Dutchess County Comptroller's Office has completed an audit report of the Dutchess County Local Development Corporation (LDC) and the Dutchess County Industrial Development Corporation (IDA) primarily for the period January 1, 2017 through December 31, 2017. Five-year prior records were reviewed and analyzed for the purposes of trending, growth and policy reporting.

Our review began with the LDC, as it had not been audited by the DC Comptroller's Office since its inception in 2010. My office was also in receipt of multiple taxpayer concerns, which precipitated this audit. Upon review of the LDC's records and operations it was apparent that the overlap in the entities - due to the shared board and ThinkDutchess alliance - required us to expand the audit to include the IDA.

Our audit found no financial misappropriations of funds or current risk of such in either agency. The financial records were in good order and all requests for backup detail were accommodated in a timely manner.

The County provided the LDC with \$451,500 of taxpayer funds in 2017 through a contractual agreement for services. Reimbursement requests were audited quarterly for contract compliance, with some updated and corrected submissions requested by my office. The amount was ultimately paid in full.

The IDA receives no funding from Dutchess County Government.

Both agencies share the same board members (appointed by the DC Legislature and approved by the County Executive), as well as the Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Our audit report lists six recommendations to the Board to increase the comprehensive nature and transparency of the board minutes. Board minutes are often the only form of communication with the taxpayers and the general public; as such they should be comprehensive enough to ensure accountability.

We recommend the Legislature consider board member term expirations at the time of appointment. We also encourage the Legislature to make efforts to find and recruit a diverse board, with focus on minimizing potential for conflicts of interest.

Our audit recommends both agencies focus on multi-year budgeting due to the inconsistency of their source revenue. The LDC and IDA ended 2017 with over \$7,000,000 in combined cash and current assets. This should be considered in the 2019 budget cycle for the County as to the level of LDC funding, if necessary at all.

Part of our audit for the IDA included a follow-up to the NYS Comptroller's Office audit findings from 2014. We found the IDA has addressed each of the findings and continues to work towards those recommendations. Specifically, we recommended more work be done to educate and guide projects in reporting certified employment numbers accurately and uniformly.

Part of the legislative intent of the creation of IDAs is to increase new job opportunities and assist in job retention efforts. The IDA's goal should be to ensure these tax exemption incentives, over the life of their contracts, provide the taxpayers with their expected and promised goals at the time of application.

We therefore recommended their Uniform Tax Exemption Policy be reviewed and updated to ensure the use of incentives is not in conflict with the government's established fiscal goals. A clearly defined project evaluation process should be outlined and in line with the County's economic development plans for the purposes of consistency and transparency.

I thank the CEO and CFO of the LDC and IDA for their professionalism, courtesy and efficiency in accommodating our requests throughout the audit process.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Robin L. Lois". The signature is fluid and cursive, with the first name being the most prominent.

Robin L. Lois
Dutchess County Comptroller



Dutchess County Local
Development Corporation

September 26, 2018

Ms. Robin Lois, Comptroller
Dutchess County Office of the Comptroller
22 Market Street
Poughkeepsie, NY 12601

RE: 2017 Audit Report for the Dutchess County Local Development Corporation
2017 Audit Report for Dutchess County Industrial Development Agency

Dear Ms. Lois,

We have reviewed the referenced draft audit reports for the period of January 1, 2017 through December 31, 2017 prepared by the Dutchess County Office of Comptroller.

During the Audit, we found the Comptroller's representatives to be professional, collaborative and reasonable and we value the perspectives and recommendations of your office. While both public authorities are in compliance with state and local statutes and regulations, we will review the report and adjust our practices where appropriate based on the advisement of our Board, our internal and external auditors and legal advisors.

The Dutchess County Local Development Corporation and the Dutchess County Industrial Development Agency strive for transparency and accuracy. The Dutchess County Local Development Corporation and Dutchess County Industrial Development Agency will continue to monitor and follow the applicable regulations, policies and procedures for the organizations while also working to achieve the mission of each organization.

In conclusion, we respect the Office of the Comptroller for their work and acknowledge their findings. The review and examination of our organization only serves to help strengthen our practices, policy and governance.

Sincerely,

Sarah Lee
CEO

Table of Contents

Background And Organization	5
Audit Scope, Objectives, and Methodology	5
General Board Oversight	
<i>Observations / Findings</i>	6
<i>Recommendations</i>	7
Dutchess County Local Development Corporation (LDC)	
<i>Findings / Observations / Recommendations</i>	8
<i>LDC County Contract Funding</i>	9
<i>Expenses</i>	
<i>Personnel</i>	10
<i>Contractual / Consulting Services</i>	11
<i>Travel</i>	12
<i>Other Expenses</i>	13
<i>LDC Audited Financial Statements</i>	
<i>Statements of Revenues, Expenses, and Changes in Net Position (2016 and 2017)</i>	14
<i>Statements of Revenues, Expenses, and Changes in Net Position (2013 - 2017)</i>	15
<i>Revenue</i>	16
<i>Conduit of Indebtedness</i>	17
Dutchess County Industrial Development Agency (IDA)	
<i>Funding Relationship with the LDC</i>	19
<i>IDA Audited Financial Statements</i>	20
<i>Revenue</i>	21
<i>IDA Bonds</i>	22
<i>IDA Tax Exemption Projects</i>	23
<i>Follow-up to Office of the State Comptroller Report (2014)</i>	24
<i>2018 Follow-up</i>	25
<i>Recommendations</i>	26
<i>IDA Employment Data</i>	26
<i>Additional Observations and Recommendations</i>	27
Endnotes	28
Appendix A - IDA Certified Project Employment Data (Period Ending 12/31/2017)	29

Background and Organization

The Dutchess County Local Development Corporation (LDC) and the Dutchess County Industrial Development Agency (IDA) are component units¹ of Dutchess County Government with the purpose of promoting economic development within the County.

Members of each board are appointed by the Dutchess County Legislature, subject to approval by the County Executive. The Chief Executive Officer of the LDC also serves as the Executive Director of the IDA.

The LDC provides administrative services to the IDA through a contractual agreement, which includes recordkeeping for the agency. Both the corporation's records as well as the agency's records are maintained by the LDC Chief Financial Officer.

Independent audits for both entities were completed for the year ending December 31, 2017 by RBT CPAs, LLP. In Dutchess County's audited financials, prepared by Drescher and Malecki CPAs, LLP (D&M) for 2016,¹ it is noted they do not audit the financial statements of the IDA or LDC, which are aggregated and presented as "nonmajor component units" in the county's audited financials.

Audit Scope, Objectives, and Methodology

Scope

This audit was conducted to review revenues, expenses, and operations for the LDC and IDA, primarily for the period January 1, 2017 through December 31, 2017. Each agency receives revenues from administrative and closing fees, an amount which fluctuates based on the number of projects that close within a given year. In addition, the Dutchess County LDC received funding from Dutchess County in 2017 totaling \$451,500 for economic development and marketing services via a contract with the Dutchess County Department of Planning and Development.

Information for preceding years was received and included in our analysis to provide an update of selected activities regarding the audit objectives.

Objectives

- ❖ To review the oversight practices including: board appointments, board minutes, adherence to by-laws.
- ❖ To review and report on the funding and services provided by each entity.
- ❖ To review and report on the funding provided by the county contract with LDC.
- ❖ To review and report on the financial information filed to various required entities for the LDC and IDA including the Public Authorities Reporting Information System (PARIS) filings with NYS.
- ❖ To follow up on the New York State Comptroller's report related to the review of the Dutchess County IDA (March 2014) including project monitoring, job creation performance, and recapture provisions.²

1 <http://dutchessny.gov/CountyGov/Departments/Comptroller/Dutchess-County-Financial-Statements-2016.pdf> (page 7)

2 <https://www.osc.state.ny.us/localgov/audits/ida/2014/dutchesscounty.pdf>

Methodology:

The following documents were reviewed with a sample tested for compliance and accuracy:

Audited financials, required New York State filings, agency fiscal records, contracts, bylaws, internal policies and procedures, board meeting minutes, selected transactions regarding each agency's revenues, expenses, and General Municipal Law.

General Board Oversight

At the time of this report, each board has identical membership. According to their respective by-laws, each organization may have a minimum of three and a maximum of seven board members. At the time of this report, each board has seven members with one vacancy. Members are appointed by the County Legislature subject to the approval of the County Executive.

The bylaws do not have a term of expiration for board members; each member shall serve at the pleasure of the appointing authority and continue to hold office until resignation or until his or her successor is appointed and has been qualified. Board chairs and other officers are chosen annually at the respective board's annual meeting.

Board meeting minutes are both internally and externally significant to provide a written record of actions of the Board. Internally, they provide a recordkeeping that creates a useful institutional memory. Externally, minutes are often used to inform the public of the activities of the agency.

Observations/Findings

Written board minutes were not comprehensive and transparent regarding financial decisions or discussions of the agency's internal operations.

- Board minutes posted to the agency's and the corporation's websites did not include copies of the monthly financial statements presented to each board, including a detail of revenue and expense by category and the statement of position.
- A summary of written discussions during Board meetings about specific projects with board actions and concerns were not consistently documented in the minutes which did not allow for comprehensive and transparent reporting.
- While LDC board minutes included approval of the Chief Executive Officer's salary, they did not include approval and discussion of the Chief Financial Officer's salary as required by Article X, Section 2 of the By-Laws. In addition, best practices for the disclosure of each employee's salary and benefits were not followed each year.
- Board approval of the LDC's fringe benefit package for employees was not consistently stated annually in the written board minutes.
- When a board member recused themselves, the minutes did not reflect the reason for recusal as dictated in the By-Laws and Conflict of Interest Policy for the LDC.
- All board members had completed and signed conflict of interest questionnaires on file as dictated by the By-Laws and Conflict of Interest Policy.
- The Board Chairman did not ask for disclosures at the commencement of each board meeting.
- One board member did not list two projects on their Conflict of Interest Questionnaire that have business

dealings with the LDC and/or IDA and continue to appear in the schedule of conduit debt for the organizations. The website for the board member's company lists both of these projects as clients.

Recommendations

- Board member statements, actions, and discussions about specific projects should be consistently documented in the minutes to allow for comprehensive and transparent reporting.
- Article X of the LDC's By-Laws (Compensation) should be followed to include approval and discussion of the Chief Financial Officer's salary. In addition, best practices for transparency dictate a detail of each position's compensation, including fringe costs, be approved and made part of the minutes. This should be done annually as part of the corporation's budget, and any salary adjustments made throughout the year should be documented and approved accordingly.
- The minutes should reflect the reason for recusal as dictated in the LDC's By-Laws and Conflict of Interest Policy. In accordance with best practices, the minutes for the IDA should also reflect the reason(s) for recusal.
- At the outset of each meeting, the board chair should remind each voting board member of the conflict of interest policy and direct them to recuse themselves from any discussion or vote surrounding a project wherein a conflict may exist. Such a reminder should be reflected in the official minutes.
- The Board Chairman should ask for disclosures at the commencement of each board meeting.
- Board members should list any possible conflict they may have with any organization or company that appears on the financial reports for the authority or corporation on their questionnaire. In the case of the board member discussed above, we are unable to determine specifically whether the timeline for certain votes coincides with the terms of their firm's business dealings with projects. However, the lack of disclosure and public nature of these projects can give the appearance of impropriety, which can greatly diminish the public's perception of the agency and the corporation.

In summary, the Board Secretary should summarize or cite reports and other information provided to the Board. Copies of documents disseminated to or approved by the board should be attached to the minutes, including monthly financial reports. In addition, all significant discussion of board decisions and actions to be taken should be included and made a part of the minutes to help ensure the reader has a full understanding of decisions made by the board.

The Dutchess County Legislature should make every effort to find, recruit, and appoint a diverse group of board members who may present the least amount of conflicts with the applicants. Additionally, the legislature should adopt the practice of adding term end dates to board member terms in their authorizing resolution, allowing for regular review of board practices and effectiveness of individuals charged with the responsibilities of a board member.

Dutchess County Local Development Corporation

Transition of EDC to LDC

At the January 29, 2015 Dutchess County Economic Development Corporation (DCEDC) annual meeting, the DCEDC Board voted to restructure economic development apparatus in Dutchess County. This new structure included the dissolution of the DCEDC. During 2015, the duties, functions, employees and assets of DCEDC were transferred to the LDC. On September 1, 2015, the employees of EDC transferred to the LDC. The LDC, up until this time, contracted with the DCEDC to provide administrative and professional services. One of the DCEDC's functions was to provide administrative support to the IDA: the contracting of this service was transferred to the LDC in September 2015.

The LDC was established in 2010³ under section 1411 of the New York not-for-profit corporation law to fill the 'need' and act as an 'on behalf of' issuer of conduit tax exempt bonds to address the capital needs of 501(C) (3) organizations. **Conduit financing is a financing arrangement involving a government or other qualified agency using its name in an issuance of fixed income securities for a non-profit organization's large capital project. The county and the LDC are not obligated for the debt.** In January 2008 civic facility legislation expired which had previously allowed Industrial Development Agencies to issue tax exempt bonds or provide other financial assistance to 501(C) (3) not-for-profit organizations. The seven-member board is appointed by the Legislature of Dutchess County. Accordingly, the Agency is considered a component unit of Dutchess County, New York.

According to the LDC's website, *"the mission of the DCLDC is to reduce underemployment and increase employment; provide assistance and financial incentives for the formation, retention, expansion, and attraction of not for profit and for profit business to improve the economic vitality of the County"*⁴.

In addition, the LDC also provides economic development services, marketing services and administrative services through various agreements.

As a result of the restructuring the LDC was co-located with the Workforce Investment Board (WIB), the Women's Enterprise Development Center, the Industrial Development Agency and the Assistant County Executive for Economic Development as part of Think Dutchess Alliance for Business.⁵ In addition, the Dutchess County Tourism Agency is housed at the same location in a different part of the building. The mission of the entities is to implement a county-wide economic development strategy with the other alliance partners.

Findings/Observations/Recommendations

- Claimed expenditures for the Dutchess County contract were revised for 2017 and resubmitted in their entirety to conform with County claiming practices and consistency with claim categories.
- Audited financials were reviewed to the agency's general ledger with no discrepancies noted. Revenue sources were described, and a comparison of the prior year shows the unpredictability of the administrative fees and closing costs which could affect the financial stability of the organization.
- Conduit funding is shown in the following pages to provide an additional source to view this material. The information reported was validated to the PARIS report filing for selected projects.

3 Resolution No. 2010094, County of Dutchess. "authorizing the County Legislature of Dutchess County, NY to form a Local Development Corporation to Promote and Conduct Local Development Activities in Dutchess County, NY"

4 <https://thinkdutchess.com/ldc/>

5 <http://dutchessny.gov/CountyGov/Departments/Budget/2017-Budget/2017-adopted-budget.pdf> (page 13)

LDC County Contract Funding

Dutchess County and the LDC enter into a contract annually which describes the scope of services the LDC will provide the county as well as the payment for these services. As noted previously, this funding was provided to the Dutchess County Economic Development Corporation. In 2017, as in prior years, funding was provided based on reimbursement requests made to the county by the LDC. This contract was under the Department of Planning and Development's auspices. As such, claims for payment were reviewed by this department prior to submittal to the Comptroller's Office.

Discussion/Actions

Quarterly claims were made for payment by the LDC per the 2017 contract. Various questions and additional documentation were requested by the Comptroller's Office regarding specific items claimed which included: payment of sales tax, detail and nature of trips, and allocation of specific costs for space rental. Claims for the first three quarters were authorized for payment by the prior Comptroller with the understanding that additional review would be completed via audit and the fourth quarter would be held pending the review. When the new Comptroller and Deputy Comptroller started in January 2018, an initial assessment of the situation was made. The Comptroller and Deputy Comptroller met with the Planning and Development Department, the Assistant County Executive for Economic Development, and LDC staff to discuss the agency's relationship with the county, the county contract intent, and the various claims previously submitted. These meetings were held over the past eight months to assist in clarifying roles, the contract intent, and the claiming documents.

As a result of these meetings, prior claims for 2017 were revised and resubmitted to ensure compliance with county expense guidelines, consistent claiming of expenses to budgeted line items and supporting documentation for the allocated costs. In addition, the 2018 contract language was reviewed and expanded at the request of the Comptroller's Office to include clarification of roles and responsibilities as well as the occupancy arrangement. These additional clarifications helped increase accountability and transparency of the organization's relationship with the County.

The following table represents the original contract budget, the amended budget and the actual costs claimed and paid for 2017:

	Contract Budget	Amended Budget Amount 6/11/18	Actual Claimed
Personnel Services	\$120,610.00	\$125,316.59	\$125,316.59
Fringe Benefits	37,033.00	37,033.00	37,033.00
Contractual/Consulting Services	189,000.00	222,787.79	222,787.79
Travel	40,000.00	16,203.25	16,203.25
Other Expenses*	64,857.00	50,159.37	50,159.37
Total	\$451,500.00	\$451,500.00	\$451,500.00

*Includes: Marketing, Staff Training, Insurance, Occupancy, Dues, Client Costs, Printing and Equipment

Personnel

The LDC's total personnel expense reported in 2017 was \$306,948 net of prior year adjustments. A portion of the LDC's total personnel expense, \$125,316.59, was claimed for five employees: Chief Executive Officer; Director of Business Attraction; Chief Financial Officer; Office Administrator; and Communications Coordinator. Allocations of each individual's time working on county programs were submitted and reviewed by the Planning Department and the Comptroller's Office. As part of our review of the salaries claimed, W-2s were verified for the salaries claimed.

Title	Actual Gross*
Chief Executive Officer	\$ 110,348.37
Director of Business Attraction	67,213.98
Chief Financial Officer	91,811.61
Office Administrator	45,352.15
Communications Coordinator	16,470.00
Total	\$ 331,196.11

**The LDC's payroll provider included a portion of each employee's fringe benefits in the W-2s. This was corrected in the following year.*

Fringe

The LDC's total fringe benefits were reported as \$99,520. A portion of the total expense (\$37,033) was claimed for the five employees' fringe and taxes. The LDC CEO explained that each employee is entitled to \$18,000 each year for fringe benefits which may include a combination of health or retirement contributions. The CEO indicated this amount was presented to the Board as part of the budget narrative.

Observations

- LDC Board minutes did not include the approvals of the Chief Financial Officer's salary as required by Section 9 of the Corporation's By-Laws.
- A detail of each position and compensation was not adopted separately and made part of the LDC's annual budget available to the public, nor were they included in official written minutes showing the approval of salaries and fringe benefits.

Recommendations

- Article X of the Corporation's By-Laws (Compensation) should be followed.
- As a best practice for transparency, a detail of each position and compensation be reviewed, voted on by the board and documented as part of the minutes. This should be done annually as part of the corporation's budget, and any salary adjustments made throughout the year should be documented and approved accordingly.

Contractual/Consulting Services

The costs for the following contracts were billed to the county in their entirety. A summary of each contract's services follows the chart.

	Actual Claimed
Development Counsellors International	\$192,787.79
Women's Enterprise Development Center	15,000.00
Dutchess County Regional Chamber of Commerce	<u>15,000.00</u>
Total	\$222,787.79

Development Counsellors International (DCI) is a marketing firm specializing in economic development and travel marketing services. A total of \$226,624, which included expense reimbursement, was paid to DCI for an Integrated Marketing and Business Development program which according to their 2017 contract included:

- I. Building on Momentum of Digital/Social Program with key initiatives including:
 - A. Social Media Content
 - B. Web Content
 - C. Social Media Boosts
- II. Media Relations
 - A. Regional
 - B. National
 - C. International
 - D. Ongoing Outreach
- III. Site Selection Outreach
 - A. Events
 - B. Newsletters
- IV. Web-To-Leads

Observation/Commentary

We requested a synopsis of services DCI provided to the LDC for 2017. In addition, we noted the Board had reviewed the services with the LDC staff and DCI during a meeting. We verified the board had received and reviewed outcome reports and all targets were reported to be met. We recommend the board continue to monitor performance and require measurable performance metrics to determine if contracted services are rendered, adequate, needed, or if they could be performed in-house. According to the CEO, these marketing services will be re-bid in 2018 for services beginning in 2019. The board should thoroughly re-evaluate the need and scope of these expensive services prior to awarding any contract.

Women's Enterprise Development Center (WEDC) is a New York State not-for-profit corporation whose mission is to empower entrepreneurs to build successful businesses by providing high quality training programs, advisory services and access to capital to generate economic growth in the Hudson Valley. The WEDC has similar corporate purposes and special qualifications to support the LDC. Services provided by WEDC include an Entrepreneurial Training Program, technical assistance to businesses and start-ups, workshops for business and entrepreneurs, Minority/Women Business Enterprise (M/WBE) counseling and assistance in the certification filing. LDC paid WEDC \$15,000 for the year and provided in-kind services totaling \$8,521.09. In-kind services included rent, internet, cloud services, reception, cleaning and maintenance, copier and parking.

Dutchess County Regional Chamber of Commerce (DCRCOC) is a New York State not-for-profit corporation whose purposes include expanding the interests of business in Dutchess County. The agency's agreement with the LDC provides small business retention and expansion services to businesses in the County. DCRCOC was paid \$15,000 for the year.

Travel

Total travel reported for 2017 was \$36,533. Expenses claimed to the County contract totaled \$16,203.25. Expenses included event registration, transportation, car rental, tolls, and meals. Trade shows and conferences were attended by the CEO, Assistant County Executive, the Director of Business Attraction and the Communications Coordinator.

While conducting our initial review of expenditures submitted for County Personnel, we requested that the Board acknowledge their approval of the expenditures paid on behalf of the County for the Assistant County Executive. This was done soon after our request was made in 2017. The following represents travel costs claimed to the County for 2017.

Event Description	Purpose	Individual(s) Traveling	Cost (\$)
IEDC Leadership Summit-Jacksonville, FL	Trade Show/Conference	CEO	672.86
Consultants Forum – New Orleans	Trade Show/Conference	Asst. County Exec	1,884.40
Site Selectors Guild Conference-Arizona	Trade Show/Conference	Asst. County Exec	1,252.49
Upstate Venture Association	Business Attraction	Dir. of Business Attraction	180.00
Data Center Trade Show-NYC	Trade Show/Conference	Dir. of Business Attraction	494.51
NBAA Leadership Conference-Miami	Trade Show/Conference	Asst. County Exec	1,161.00
Data Center Dynamics-Texas	Trade Show/Conference	Dir. of Business Attraction	1,250.00
Prospect Site Tour	Business Attraction	Dir. of Business Attraction	46.75
NYSCAR Hudson Valley-Fishkill	Trade Show/Conference	Dir. of Business Attraction	75.00
Greater NY Data Center Summit NYC	Trade Show/Conference	Dir. of Business Attraction	395.00
Eastern Trade Show-Springfield MA	Trade Show/Conference	CEO	5.45
3D Printing Show-NYC	Trade Show/Conference	Dir. of Business Attraction	197.00
Data Center Show-NYC	Trade Show/Conference	Dir. of Business Attraction	47.50
Site Selectors Guild Conference-Arizona	Trade Show/Conference	Asst. County Exec	111.00
Marketing Expo Registration	Trade Show/Conference	CEO, Communications Coordinator	1,590.00
Consultant's Forum-New Orleans	Trade Show/Conference	Asst. County Exec	215.24
Data Center Dynamics-Texas	Trade Show/Conference	Dir. of Business Attraction	2,524.84
City Nation Place Americas Forum-NYC	Trade Show/Conference	CEO	88.17
Project INCUBATE-Site Tour	Business Attraction/Retention	Dir. of Business Attraction	153.94
Area Development Forum-Chicago	Trade Show/Conference	CEO	281.07
Core Club Site Visit/Attraction Meeting-NYC	Business Attraction/Retention	CEO	16.75
Mileage Reimbursement (March – June)	Business Attraction/Retention	Dir. of Business Attraction	296.93
CoreNet Global Summit-Seattle	Trade Show/Conference	Dir. Of Business Attraction	998.30
Israel Trade Mission for Innovation	Trade Mission	CEO, Asst. County Exec, Dir. of Business Attraction, three County representatives	2,265.05
TOTAL TRAVEL CLAIMED			\$16,203.25

Other Expenses

A total of \$50,159.37 in other expenses was claimed. The largest expense recorded in other expenses was for occupancy costs, which totaled \$39,412.20. The cost was allocated based on square footage occupied by the CEO, CFO, Director of Business Attraction, and the Assistant County Executive for Economic Development's Offices. Other expenses claimed for the year included dues totaling \$10,000, and marketing totaling \$76.17.

LDC Audited Financial Statements

The audited financial statements follow: Operating Revenues, Operating Expenses were compared to the agency's general ledger for 2017. A comparative review of the agency's net position from 2016 to 2017 follows.

LDC - Statement of Revenues, Expenses and Changes in Net Position *2017 and 2016 Audited Financials prepared by RBT, CPA's*

	2016	2017
Operating Revenues		
Administrative and Closing Fees	\$1,130,684	\$326,702
Marketing Revenue	155,155	149,172
In Kind Revenue	11,500	5,500
Service Contract Revenue	<u>865,964</u>	<u>676,802</u>
Total Operating Revenues	\$ 2,163,303	\$1,158,176
Operating Expenses		
Advertising and Marketing	\$117,076	\$93,062
Dues and Subscriptions	9,025	12,661
Employee Training	2,583	2,840
Equipment	2,746	2,653
Insurance	1,528	3,388
In Kind Expense	11,500	5,500
Miscellaneous	3,297	448
Office Expense	5,578	5,870
Payroll	312,066	306,948
Payroll – Benefits	49,084	67,960
Payroll taxes	31,045	31,560
Fees and Service Contracts	356,547	313,727
Occupancy	57,540	59,328
Telephone	6,727	5,669
Travel	29,478	36,533
Depreciation Expense	<u>11,349</u>	<u>14,741</u>
Total Operating Expenses	\$1,007,169	\$962,888
Operating Income	\$1,156,134	\$195,288
Non-Operating Revenues (Expenses)		
Interest Income	\$897	\$6,917
Other Income	381,055	2,494
Net Non-Operating Revenues	\$381,952	\$9,411
Change in Net Position	\$1,538,086	\$204,699
Net Position – Beginning	1,160,904	2,698,990
Net Position – Ending	\$2,698,990	\$2,903,689

To provide a view of the LDC prior to the dissolution of the EDC, a five-year summary of the LDC follows. In 2016, administrative expenses represent salary costs for agency staff. Prior to this, administrative services were purchased from the EDC and were expensed as projects and professional service contracts.

Statements of Revenues, Expenses and Changes in Net Position
For The Years Ending December 31, 2013 - 2017

	2013	2014	2015	2016	2017
REVENUES					
Administrative and Closing Fees	\$501,704	\$156,462	\$303,469	\$1,130,684	\$326,702
Service Contract Revenue			76,125	865,964	676,802
Marketing Revenue				166,655	154,672
Other Income				381,055	2,494
Interest Income	<u>836</u>	<u>1,333</u>	<u>1,449</u>	<u>897</u>	<u>6,917</u>
TOTAL REVENUES	502,540	157,795	381,043	2,545,255	1,167,587
EXPENSES					
Administrative Expenses				639,273	634,420
Projects and Professional Service Contracts	33,170	93,884	277,811	356,547	313,727
Depreciation Expense	<u>143</u>	<u>143</u>	<u>143</u>	<u>11,349</u>	<u>14,741</u>
TOTAL EXPENSES	33,313	94,027	227,954	1,007,169	962,888
Change in Net Position	469,227	63,768	153,089	1,538,086	204,699
Net Position, January 1	474,820	944,047	1,007,815	1,160,904	2,698,990
Net Position, December 31	\$944,047	\$1,007,815	\$1,160,904	\$2,698,990	\$2,903,689

Statements of Net Position

	2013	2014	2015	2016	2017
ASSETS					
Current Assets	\$948,773	\$1,014,184	\$1,378,102	\$2,660,283	\$2,919,402
Non-Current Assets	<u>524</u>	<u>381</u>	<u>238</u>	<u>78,949</u>	<u>67,547</u>
TOTAL ASSETS	\$949,297	\$1,014,565	\$1,378,340	\$2,739,232	\$2,986,949
LIABILITIES AND NET POSITION					
Current Liabilities	\$5,250	\$6,750	\$217,436	\$40,242	\$83,260
Net Position					
Net Investment in Capital Assets	\$524	\$381	\$238	\$78,949	\$67,547
Unrestricted	<u>943,523</u>	<u>1,007,434</u>	<u>1,160,666</u>	<u>2,620,041</u>	<u>2,836,142</u>
Total Net Position	\$944,047	\$1,007,815	\$1,160,904	\$2,698,990	\$2,903,689
TOTAL LIABILITIES AND NET POSITION	\$949,297	\$1,014,565	\$1,378,340	\$2,739,232	\$2,986,949

Observation/Comment - Revenue and Net Position

Administrative and Closing Fee revenue cannot be relied upon to support regular operations of the LDC due to the inconsistency of this source of revenue. Multi-year budgeting, which includes an assessment of funding needs from Dutchess County, is important to ensure financial stability.

Revenue

Administrative and Closing Fees

The Dutchess County LDC receives fees for their services (shown as Administrative and Closing Fees above) as a conduit for securing bonding for the various not for profit entities. A total of \$326,702 was reported as revenue for three projects closing in 2017. This was substantially lower than the \$1,130,684 which was reported in 2016. The fees are based on the value of the projects closed during the fiscal year.

Marketing Revenue

The Dutchess County LDC received \$149,171.53 in marketing revenue from two events, the Business Excellence Awards and the Innovation Challenge, and funds raised through the Strategic Marketing Council Program. The Business Excellence Awards provide increased exposure to key decision makers and influencers within the local economy through media coverage, networking opportunities and a grand presentation. The Innovation Challenge fosters the entrepreneurial spirit of Dutchess County, promotes the creation of new venture, and influences innovation. Revenue from these two events totaled \$84,171.54. The Strategic Marketing Council Program assisted Dutchess County Economic Development Corporation (DCEDC) and ThinkDutchess in attracting new value-added jobs to Dutchess County by promoting vacant real estate and industry assets to companies outside of the county. The program raised \$64,999.99 in revenues from the county's major stakeholders, including local bankers, accounting firms and real estate consultants. The council was dissolved in December 2017. The LDC Executive Director stated "As ThinkDutchess evolved it was determined that the structure of the Strategic Marketing Council as formed under DCEDC was not as effective as it had once been...However, the Economic Development Advisory Council formed 2 new committees -the Marketing Committee and the Real Estate Committee which provides assistance and guidance to all the economic development organizations that are part of the Advisory Council."

In-Kind Revenue

The in-kind revenues were for sponsorship by Marist College and Sodexo for the Innovation Challenge event. Marist College provided the space and tech support for the event. Sodexo, a food service operator, provided refreshments. In-kind revenues totaled \$5,500.

Service Contract Revenue

The Dutchess LDC had professional service contracts with Dutchess County (as discussed above), Dutchess County IDA and Dutchess County WIB totaling \$676,802. The LDC received funds from the IDA totaling \$145,999.99 for the year 2017. \$81,000 of that total was reimbursed to the LDC for the use of office space, program activity, management, business support with job creation and retention, marketing programs and resources, and required reporting. The IDA also made matching payments totaling \$64,999.99 to the LDC, for raising funds from the private sector through the Strategic Marketing Council program. The LDC received funds from DCWIB totaling \$94,330.99 for rent and shared services, workforce site visits and salary for the CFO.

LDC - Conduit of Indebtedness Schedule

As a conduit of indebtedness, the Dutchess County LDC reported \$1,040,095,360 in Original Issue Bonds for 22 Projects as of December 31, 2017. As previously noted, this does not obligate the county or the LDC to debt. The LDC's reported this information in their annual financial statements and a summary is shown as **Exhibit I** of all the projects. We reviewed documents for selected projects which resulted in issue/drawdowns reported for 2017 totaling \$114,507,459. We noted minor anomalies in the interest rates reported in the PARIS reports. The LDC staff stated it is a limitation of the PARIS reporting documents which are general in nature to accommodate all authorities.

LDC - CONDUIT OF INDEBTEDNESS

Summary of Projects by Year

Year	Projects	Bonds Issued
2010	3	\$ 75,435,000.00
2011	2	\$ 43,227,664.00
2012	2	\$ 40,740,000.00
2013	5	\$ 176,670,000.00
2014	1	\$ 54,615,000.00
2015	2	\$ 105,885,000.00
2016	4	\$ 429,015,237.00
2017	3	\$ 114,507,459.00
TOTAL	22	\$ 1,040,095,360.00

LDC - CONDUIT OF INDEBTEDNESS

Detail

Recipient	Date Bonds Issued	Amount of Bonds Issued	Amount of Bonds Outstanding as of 12/31/17	Purpose of Project Requiring the Bond Issuance	Bond Interest Rate	Bonds Expected to be Retired
Anderson Center for Autism	12/11/2010	\$17,275,000	\$13,380,000	New. (Financing to complete campus renovations)	3.875-6%	2030
Health Quest	12/15/2010	\$55,055,000	\$33,270,000	New & Refinancing (DASNY Bonds, 2004&2005 IDA Bonds, hospital labs)	3-6.82%	2040
Poughkeepsie Day School	12/29/2010	\$3,105,000	\$1,911,167	Refinancing (1997 IDA Bond & 2009 Note)	4.25%	2025
2010 TOTAL		\$75,435,000	\$48,561,167			
CHF-CIA, LLC	6/29/2011	\$15,833,664	\$15,034,731	New (Financing to build student housing on CIA campus)	2.34%	2041
Dutchess Community College Assoc.	12/7/2011	\$27,394,000	\$24,657,774	New (Financing to build student housing on DCC campus)	2.21%	2041
2011 TOTAL		\$43,227,664	\$39,692,505			
Marist College	5/17/2012	\$13,420,000	\$7,690,000	Refinancing (2003A IDA Bonds)	4-5%	2021
Health Quest Systems Inc	5/12/2012	\$27,320,000	\$16,685,000	Refinance (1997 VBMC Bond)	1-3.8%	2025
2012 TOTAL		\$40,740,000	\$24,375,000			

LDC - CONDUIT OF INDEBTEDNESS

Detail (Continued)

Recipient	Date Bonds Issued	Amount of Bonds Issued	Amount of Bonds Outstanding as of 12/31/17	Purpose of Project Requiring the Bond Issuance	Bond Interest Rate	Bonds Expected to be Retired
Marist College	3/28/2013	\$14,710,000	\$13,545,000	New (Financing to construct a multi-purpose building and student center)	2-4%	2043
Vassar College	6/6/2013	\$87,085,000	\$87,085,000	New (Financing to build new science & research center & renovate campus buildings and grounds)	4.125-5%	2050
Millbrook School	8/29/2013	\$23,000,000	\$17,249,382	New & Refinancing of 2008 bonds & finance construction of campus buildings	3.25%	2043
Marist College	12/9/2013	\$33,045,000	\$27,953,853	Refinancing (1998A, 1999 & 2005A IDA Bonds)	Bank Rate	2035
Trinity-Pawling School	2/12/2013	\$18,830,000	\$15,837,760	New & Refinancing (1998 & 2002 DCIDA bonds & renovate athletic facilities)	Bank Rate	2032
2013 TOTAL		\$176,670,000	\$161,670,995			
Health Quest Systems	1/5/2014	\$54,615,000	\$49,520,000	New (Financing building at NDH & refinancing purchase of 1 Columbia St.)	1.35-5.9%	2044
2014 TOTAL		\$54,615,000	\$49,520,000			
Hudson Valley Property Holdings LLC	1/7/2015	\$25,000,000	\$23,610,411	New (Financing to purchase the Atrium at MHRH)	4.27%	2040
Marist College	1/7/2015	\$80,885,000	\$80,885,000	New (Financing of Science & Mental Health Building, student housing, & general campus improvements)	5%	2046
2015 TOTAL		\$105,885,000	\$104,495,411			
Marist College	1/4/2016	\$13,895,237	\$12,680,000	Refinancing (IDA Series 2000A Bond)	3.93%	2031
Health Quest Inc	1/7/2016	\$28,080,000	\$26,755,000	Refinancing (Refinancing of DASNY Bond)	3-5%	2037
Health Quest Inc	1/7/2016	\$350,000,000	\$350,000,000	New (Financing of new hospital tower at VBMC)	3-5%	2036
Culinary Institute of America 2016-03	1/9/2016	\$37,040,000	\$35,695,000	Refinancing (DASNY Bond)	1.64-5%	2026
2016 TOTAL		\$429,015,237	\$425,130,000			
Vassar College Rev Refunding	1/4/2017	\$102,095,000	\$102,095,000	Refinancing (DASNY Bond)	2.5-5%	2046
Anderson Center Services, Inc. Series 2017A	6/9/2017	3,830,100	3,830,100	Refinancing (IDA Bond)	2.66%	2027
Anderson Center Services, Inc. Series 2017B	6/12/2017	8,582,359	8,582,359	Refinancing (IDA Bond)	2.90%	2029
2017 TOTAL		\$114,507,459	\$114,507,459			
Totals		\$1,040,095,360	\$967,952,537			

Dutchess County Industrial Development Agency

The Dutchess County Industrial Development Agency is a public benefit corporation established June 28, 1977, under the terms of Article 18-A, “New York State Industrial Development Agency Act” of New York State General Municipal Law. The seven-member board is appointed by the Legislature of Dutchess County. Accordingly, the Agency is considered a component unit of Dutchess County, New York.

DCIDA’s mission statement according to the Think Dutchess Alliance for Business website states, “*The Dutchess County Industrial Development Agency (DCIDA) was created to further economic development in Dutchess County by providing financial assistance to private entities through tax incentives, including the issuance of bonds to facilitate the building of capital projects with the resultant construction jobs and permanent follow on employment*”.⁶

The IDA’s function is to authorize the issuance of industrial revenue bonds and to provide property, mortgage and sales tax exemptions to private entities to promote economic development. The Agency’s authority to provide financial assistance to private firms is generally defined and outlined in Article 18-A of New York State General Municipal Law. The Agency also adopts a Uniform Tax Exemption Policy (UTEF), outlining specific criteria to be used in reviewing and determining whether to approve applications for financial benefit. The Agency receives application fees from applicants and closing fees from those accepted for industrial revenue financing. Such fees are recorded when earned.

Funding Relationship with the LDC

The IDA contracts with the Dutchess County Local Development Corporation (LDC) for the provision of administrative services for the agency. According to the 2017 contract, the IDA reimburses the LDC a total of \$175,000* for the use of its premises and the following services:

- I. Managing the IDA’s program activities, which include:
 - Meeting with prospective applicants
 - Communicating program benefits
 - Assisting businesses in completing applications
 - Reviewing applications
 - Analyzing applications
 - Providing administrative support, including preparing meeting notices, agendas, and minutes
 - Creating other supporting documentation for the Board
- II. Supporting business efforts to retain and create jobs and encourage investment in Dutchess County
 - Collecting and reporting data on jobs, investment, and taxes paid
- III. Marketing programs and resources to local business, residents, and elected officials
 - Maintaining a website, including updated content, monthly document reporting, annual reporting and archiving and posting of documents
- IV. Completing required reporting, including PARIS and Audited Financials

*\$75,000 is paid outright and up to \$100,000 of matching payments for raising funds from the private sector through the DCLDC Strategic Marketing Council (EMC) Program with a minimum payment of \$15,000.

6 <https://thinkdutchess.com/ida/>

IDA Audited Financial Statements

A review of the audited financial statements and pertinent revenues and expenditures was conducted and compared to the agency's general ledger and selected transactions. A description of revenue sources follows the Statement of Revenues, Expenses, and Change in Net Position.

IDA Statement of Revenues, Expenses and Change in Net Position

2017 and 2016 Audited Financials prepared by RBT, CPA's

	2016	2017
Operating Revenues		
Administrative and Closing Fees	\$114,737	\$4,112,128
Total Operating Revenues	\$114,737	\$4,112,128
Operating Expenses		
Projects and Professional Service Contracts	\$582,500	\$624,500
Administrative Expenses	21,909	7,475
Depreciation Expense	453	-
Total Operating Expenses	\$604,862	\$631,975
Operating Income(Loss)	\$(490,125)	\$3,480,153
Non-Operating Revenues:		
Interest Income	\$1,314	\$1,752
Net Non-Operating Revenues	\$ 1,314	\$1,752
Change in Net Position	\$(488,811)	\$3,481,905
Net Position – Beginning	\$1,435,178	\$946,367
Net Position – Ending	\$946,367	\$4,428,272

SUMMARY OF NET POSITION - IDA

	2016	2017
ASSETS		
Current Assets	\$992,909	\$4,465,292
TOTAL ASSETS	\$992,909	\$4,465,292
LIABILITIES AND NET POSITION		
Current Liabilities	\$46,542	\$37,020
Net Position		
Unrestricted	946,367	4,428,272
Total Net Position	946,367	4,428,272
TOTAL LIABILITIES AND NET POSITION	\$992,909	\$4,465,292

Revenue

Administrative and Closing Fees

This revenue is comprised of the following fees assessed, based on the IDA's Fee Schedule:

- Application Fee: \$250 due at the time of application
- Administrative Fee: One percent (1%) of the first \$2.5 million of the estimated project cost and one-quarter of one percent (.25%) for the estimated project in excess of 2.5 million.
- Annual Compliance Fee: \$500 due for the term of the benefits for the preparation of a mandated report that is submitted to the NYS Authorities Budget Office and the Office of the State Comptroller.

Observations/Commentary

As shown in the financials for 2016, the IDA reported a loss in 2016 due to expenditures in excess of revenue. The excess expenditures were covered by fund balance. It is recommended multi-year budgeting be utilized to accommodate the unpredictability of projects which generate revenue to support the expenditures.

IDA Bonds

Recipient	Original Date Bonds Issued	Amount of Bonds Issued	Amount of Bonds Outstanding as of 12/31/17	Purpose of Project Requiring the Bond Issuance	Bond Interest Rate	Year Financial Assistance Planned to End
Mechtronics Corporation	12/10	\$5,100,000	\$ 3,701,707	Company went out of business in 2017. PILOT & Project agreements were terminated 7/17.	4.44%	2026
Anderson Foundation for Autism, Inc.	5/07	9,625,000	-	Refinancing plus acquisition of real estate, construction, equipment, etc.	Variable	2027
Vassar Hospital	1/11	17,195,000	14,315,000	Variable rate 2005 bonds were converted to fixed rate bonds & are still outstanding.	4-5.25%	2034
Davies South Terrace	12/07	8,600,000	6,994,828	Reconstruction of the housing facility.	5.95%	2035
Elant at Fishkill, NY	1/07	17,145,000	-	Acquisition of the long term care facility, construction & renovation of the facility.	5-5.25%	2037
Elant at Fishkill, NY	1/07	2,855,000	-	Acquisition of the long term care facility, construction & renovation of the facility.	4%	2037
Elant at Fishkill, NY	2/07	2,525,000	-	Acquisition of the long term care facility, construction & renovation of the facility.	4.25%	2037
Arbor Ridge at Brookmeade	9/07	19,845,000	8,010,000	Construction, furnishing & equipment of the independent Senior Living Community.	Variable	2037
Brookview, Inc.	9/07	10,610,000	7,145,000	Construction of a Senior Assisted Living Community.	Variable	2037
Marist College	1/08	20,000,000	16,035,000	Multiphase project for construction, acquisition, furnishing.	Variable	2038
Anderson Foundation for Autism, Inc.	12/07	15,000,000	-	Refinancing plus acquisition of real estate, construction, equipment, etc.	Variable	2039
Bard College	5/07	136,765,000	123,335,000	Refunding bond with \$17,000,000 new construction, renewing, renovating and equipment.	4-5%	2046
Totals		\$265,265,000	\$179,536,535			

IDA Tax Exemption Projects

Recipient	Purpose of Project Requiring the Bond Issuance	Date Project Approved	Total Project Amount	Total 2017 Tax Exemptions	2017 Net Exemptions after PILOT Payments	Year Financial Assistance Planned to End
Arbor Ridge at Brookmeade	Construction, furnishing & equipment of the independent Senior Living Community.	8/14/2007	20,345,000	429,881	348,729	2037
Davies South Terrace	Reconstruction of the housing facility.	11/13/2007	8,600,000	511,731	305,949	2035
Mechtronics Corporation	Company went out of business in 2017. PILOT & Project agreements were terminated 7/17.	8/28/2009	7,082,000	236,046	236,046	2026
Adams Fairacre Farms		7/26/2010	18,000,000	251,558	45,346	2030
IBM - Smart Building Technology	Not available	5/19/2011	50,000,000	8,184,800	1,918,444	2026
Health Quest Systems, Inc/ VBMC 2012	Acquisition, construction, furnishing and equipping of an approximate 104,000 sq. ft. medical building.	9/17/2012	8,812,500	148,212	44,463	2023
IBM - Transfer Agreement	Provides sales tax abatement on equipment, upgrades and software between IBM divisions.	3/14/2013	32,000,000	2,657,346	2,657,346	2018
Neptune Capital Investors, LLC	Not available	11/1/2013	6,700,000	429,274	314,688	2033
Bonura and DiBrizzi Enterprises	Renovation of existing hotel and newly acquired parking garage.	1/24/2014	6,500,000	967,725	839,725	2043
Parker/Hamilton Corp.	Purchase and renovation of existing manufacturing facility.	5/1/2014	3,000,000	65,323	2,160	2025
GPSDC (GAP) New York, Inc.	Equipment purchase and expansion of warehouse distribution center.	9/11/2014	96,000,000	8,394,636	6,661,350	2035
Built Parcel Three, LLC/Built Parcel Four, LLC	Construction and equipping of a commercial space for residential apartments and app 8,000 sq. ft. commercial space.	6/9/2015	4,908,229	106,351	53,175	2031
Jaleli, LLC/Hudson Valley Lighting, Inc.	Renovation and equipping of warehouse and distribution center.	11/5/2015	17,381,000	293,388	34,592	2026
Cardinal Court Apartments, LLC	Construction of a mixed use building consisting of residential and commercial space.	1/19/2016	6,400,000	81,783	81,783	2018
Empire Hotel Development	Construction and operation of a 93 room hotel in the Town of Poughkeepsie.	7/19/2016	10,518,218	87,221	87,221	2018
Cricket Valley	Construction and operation of a nominal 1,000 megawatt, combined cycle electric generating facility in Dover, NY.	1/9/2017	1,139,000,000	100,944,367	100,194,367	2050
GPSDC (GAP) New York, Inc.	Sales tax benefit only for equipment purchases destroyed in fire event in 2016.	3/1/2017	110,000,000	5,869,293	5,869,293	2018

Follow-up to Office of the State Comptroller Report

Project Monitoring, Project Review, and Tax Exemption Calculations

Excerpts from the NYS Comptroller's report dated 2014:⁷

“The Board is responsible for monitoring and evaluating the performance of businesses receiving financial assistance and determining whether they are meeting the goals established in their project applications. Without effective monitoring, DCIDA will not be able to identify and address business performance shortfalls and the community may not receive expected benefits from investments.”

“The overall goal of an IDA is to advance job creation opportunities. Typically, projects that receive IDA benefits involve the acquisition, construction, or major renovation of buildings or other structures and generate short-term and long-term employment in construction and operations-related jobs. The IDA is responsible for establishing a process to monitor and enforce agreed-upon job expectations.”

“IDAs may place provisions in project contracts that allow them to recapture, or recover, economic benefits if companies do not meet their project goals.”

In their 2014 Report on the Dutchess County IDA, the **Office of the State Comptroller's recommendations** included:

1. **“The Board should put a process in place to enforce job creation expectations.”**

The Office of the State Comptroller observed that the IDA did not have an effective process in place to enforce job creation expectations when employment does not meet the agreed upon level.

2. **“The Board should ensure that all PILOT agreements contain a recapture clause that would allow DCIDA to recover the financial incentives provided if businesses do not produce the intended benefits and should invoke the recapture provision, as appropriate, if a recipient does not meet performance expectations.”**

The Office of the State Comptroller observed that the IDA did not have recapture agreements for the 12 projects reviewed at that time. The recommendation by NYOSC was based on best practices but as pointed out by the IDA was not required under NYS statute at that time.

3. **“The Board should establish and implement policies and procedures to ensure that PILOT bills are accurately prepared.”**

The Office of the State Comptroller observed that the IDA did not have a process to track the amounts stipulated in the PILOT agreements.

⁷ Office of the NYS Comptroller Report, “Dutchess County Industrial Development Agency” Management Practices Report of Examination
Period covered: January 1, 2012 – May 31, 2013

2018 Follow-up

Five projects which had been approved for PILOT payments by the DCIDA were chosen for review by our Office and are shown in the chart that follows. Tax exemption calculations for each project were reviewed respective to their PILOT agreements. Full-Time Equivalent (FTE) employment calculations for job creation/retention were also reviewed and compared to the data reported to PARIS.

Recipient	Date Project Approved	PILOT Billing Agency	Clawback Provisoon	Notes
Adams Fairacre Farms	7/26/2010	IDA	N/A*	
Bonura and DiBrizzi Enterprises	1/24/2014	City of Poughkeepsie	N/A*	
Cricket Valley	1/19/2017	IDA	Yes	
Health Quest Systems Inc/ VBMC 2012	9/17/2012	IDA	N/A*	
Mechtronics Corporation	8/28/2009	City of Beacon	N/A*	Defaulted– Cancelled PILOT in July 2017

**Recapture clause was not required prior to 2016 by statute.*

PILOT Payment Observations and Findings

The payment calculations for the above projects were reviewed for the trailing five-year period and compared to the terms of their respective agreements. In 2018, the IDA will bill for all but one outstanding project, and the IDA has implemented a practice of being the agency responsible for billing projects and collecting payments for all new projects approved since 2014.

All calculations for payments were found to be correct, and we observed that the IDA is performing its own independent calculations in the case that it is not the billing/collecting agency for a project. In instances where a municipality was the billing and collecting authority per the terms of the PILOT agreement and the IDA noted the municipality had miscalculated a payment, a correction was made in a timely manner.

In 2016 State Law was amended, changing the requirements for PILOT projects authorized under Article 18-A of General Municipal Law, requiring the use of recapture provisions, or “clawbacks,” on projects. These provisions are designed as a legal mechanism for the agency to recover financial benefits that have been granted to a project in the event certain conditions, namely job creation and retention, are not met. Since the law was not in effect at the time the other agreements were approved, only one agreement of the five selected has a clawback provision, which was observed to follow the law.

Employment Observations and Findings

Certification of employment data in the form of full-time equivalency (FTE) calculations are sent annually to the respective projects by the agency; these data sheets include a sign-off from an authorized officer or employee with the project, certifying the data. The certifications for reporting period ending December 31, 2017 were reviewed.

Attached to several certifications are email exchanges between agency staff and representatives of projects, discussing corrections and clarifications to the data certified by the project. In several cases there are also hand-

written corrections on the certifications, initialed by agency staff. There is no formal monitoring process in place to ensure the accuracy of employment numbers submitted to the agency by project representatives.

Calculations for converting part-time or seasonal employees to a full-time equivalency are not consistent across projects, nor are they clearly defined in many project agreements or applications. In some cases, the IDA is reporting seasonal and part-time employees as 1 FTE; in other cases, they are reported as 0.5 FTE. Certification forms sent from the IDA to each agency for projects define part-time and seasonal employees, but do not clearly instruct on how FTE calculations should be made for these employees. In some cases the number of jobs certified by projects to the respective agency did not match what was reported to the Authorities Budget Office through the annual PARIS filing.

A breakdown of employment certification data submitted by Projects to the IDA is attached as **Appendix A**.

Recommendations

The IDA should report the job creation numbers as certified by the projects. In the event the IDA believes a project has incorrectly calculated its job creation numbers, the agency should obtain a new and corrected certification from the project. To this end the IDA should either adopt a clear and measurable definition for converting part-time and seasonal employees to full-time equivalents when certifying employment from projects, or remove the full-time equivalents section from the annual certification, certifying only the underlying information and performing their own FTE calculation internally based upon the certified information.

IDA Employment Data (Period Ending 12/31/2017) **

Project	Reported by IDA Total FTE	Jobs Before DCIDA Involvement	Jobs Created	Job Creation Projection Reported by IDA	Difference Between Goal & Created
Adams Fairacre Farms, Inc.	180	0	180	155	25
Arbor Ridge at Brookmeade	18	0	18	24	(6)
Bonura and Dibrizzi	72	119	(47)	10	(57)
Built Parcel 3 & Built Parcel 4	55	21	34	39	(5) ¹
Cardinal Court Apartments	2	0	2	2	0
Cricket Valley	0	0	0	26	(26) ¹
Davies South Terrace Assoc.	3	3	0	0	0
Empire Hotel Development	0	0	0	18	(18) ¹
GPSDC GAP, Inc. 1321406	1,562	428	1,134	700	434
IBM Smart Building & Transfer Agreement	3,610	3,561	49	0	49
Jaleli, LLC	66	0	66	56	10
Neptune Commerce Center	190	0	190	25	165 ²
Parker/Hamilton	51	26	25	3	22 ²
TOTALS	5809	4,158	1,651	1,058	593

¹ Project is currently in Construction Phase

² Aggregate jobs for all tenants (reported separately)

****Note: Two projects are not included on this chart: Mechtronics as the PILOT has been rescinded by the Board, and HealthQuest based on the anomaly described hereafter which dramatically underreports jobs numbers.**

HealthQuest Observations and Findings

In their 2014 report, the Office of the State Comptroller noted the IDA was underreporting employment numbers for the HealthQuest project. At the time of application, the purpose of this project was for healthcare offices to be rented out to individual practices, and the employment data would be for all tenants within those practices. Since the time of application, HealthQuest has acquired those underlying practices, and the applicant is unable to break out their employment based upon this individual location.

In an effort to avoid dramatically overreporting employment numbers for this project, the agency now reports no employment for this project. No notation was observed for the December 31, 2017 filing available on the IDA's website explaining this.

Recommendation

The IDA should ensure that a notation explaining this anomaly due to limitations of PARIS is added to this project before the next certification with the State. Inaccurate and incomplete reporting can lead to public misperceptions as to the effectiveness of the agency and the benefits that it grants; such misperceptions can have a significant effect upon the agency and local policy in appraising future projects.

Additional Observations and Recommendations

Observation

The Dutchess County IDA's Uniform Tax Exemption Policy (UTEP) broadly outlines the authority's criteria for granting tax exemptions to project applicants as roughly equal to the minimum abatements already available to them under Section 485-b of New York Real Property Tax Law (with the addition of sales and mortgage recording tax exemptions). Accordingly, most projects applying for benefits from the IDA are seeking an exemption that deviates from this policy, requiring significantly more work on behalf of the applicant.

Recommendation

The IDA should undertake a comprehensive review of the effectiveness of their Uniform Tax Exemption Policy. Opportunities exist for the Board to specifically review the nature and types of deviations that applicants regularly seek, as well as the type of projects that the board would like to encourage within the County and update the Policy accordingly. Additionally, the IDA may choose to include frameworks and categories for exemptions and benefits based upon industry, economic distress in the geographic location of the project, and/or overall jobs to be created.

Endnotes

- 1 Component units are legally separate entities for which Dutchess County, New York is financially accountable as defined by *GASB Statement No. 14 as amended*. Each entity reports directly to NYS and outside audits are completed for each agency. As stated in GASB No. 14, *the agency can appoint a voting majority of the outside organization's governing body and: * is able to impose its will on the outside organization –OR- *there is potential for the outside organization to provide specific financial benefits to or impose specific financial burdens on the agency*. The LDC and IDA are component units of Dutchess County based on the criterion of "level of control," as all the Corporation's Board members are appointments of the Dutchess County Legislature. In addition, the IDA's function to authorize the issuance of industrial revenue bonds and to provide property, mortgage and sales tax exemptions to private entities to promote economic development which provides financial benefits to the corporation.

Appendix A

IDA Certified Project Employment Data (Period Ending 12/31/2017)

Project	Jobs Reported By Applicant				Reported by IDA
	Full-Time	Part-Time	Seasonal	Total FTE	Total FTE
Adams Fairacre Farms, Inc.	115	81	49	58	180
Arbor Ridge at Brookmeade	13	1	4	18	18
Bonura and Dibrizzi	32	185	0	72	72
Built Parcel 3 & Built Parcel 4	45	10	0	55	55
Cardinal Court Apartments	2	0	0	2	2
Cricket Valley	0	0	0	0	0
Davies South Terrace Assoc.	3	0	0	3	3
Empire Hotel Development	0	0	0	0	0
GPSDC GAP, Inc. 1321406	776	11	751	1,562	1,562
Health Quest	1,624	319	181	1,952	0
IBM Smart Building & Transfer Agreement	3,567	86	0	3,610	3,610
Jaleli, LLC	66	0	0	66	66
<i>Mechtronics</i>				<i>n/a</i>	<i>n/a</i>
Neptune Commerce Center	134	139	2	190	190
Parker/Hamilton	46	3	6	49	51

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