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## Crux of issue: Are LDCs good policy?

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At its core, the state comptroller's audit of Monroe County's contract with Upstate Telecommunications Corp. questions the appropriateness of using local development corporations to perform public functions.

Local development corporations, or LDCs, are nonprofit organizations, in some cases legal charities, created ostensibly for economic development purposes.

But as they have proliferated in recent years, they have come under greater scrutiny by state officials and watchdog groups as vehicles for local governments to skirt procurement and transparency laws and take debt off their books.

### **More prevalent**

The number of LDCs has grown in Monroe County in recent years, as County Executive Maggie Brooks has embraced them for key initiatives, including managing computer and telephone systems for county workers, overseeing the now-defunct Renaissance Square project and upgrading the county's public safety communications network. "Public-private partnerships are going to be the way of the future for government and we should be embracing them, not pulling them apart and criticizing them," Brooks said in an interview last month.

But questions abound about whether they have saved any money at all.

Auditors found that the county could not provide documentation of savings from the UTC contract and charged that taxpayers overpaid for services by \$8 million over a four-year period. The county disputed both claims.

Another LDC being audited by the state, Monroe Security and Safety Systems, was created after county officials claimed it would save money because it could take advantage of borrowing rates that were cheaper than those available to the county. Those rates were never used.

A top economist with the Center for Governmental Research in Rochester, which has studied LDCs using a grant from the League of Women Voters, said savings can be difficult to quantify.

"I don't know how you prove that something saves money like this," said CGR President Kent Gardner.

### **Oversight sought**

New York state Comptroller Thomas DiNapoli is pushing legislation to strengthen his office's oversight of LDCs, though it has so far only been introduced in the Assembly. Although LDCs spend local tax dollars, the comptroller has no authority to audit them, only local governments' relationships to them.

In addition, DiNapoli has proposed prohibiting local governments from leaning too heavily on a provision of the law governing LDCs that describes them as "lessening the burdens of government and acting in the public interest." The clause, which is used routinely in Monroe County and elsewhere, is "overly broad," DiNapoli argues.

The Authorities Budget Office, the state watchdog agency that oversees public authorities, has

expanded its role to include oversight of LDCs.

The comptroller would also like contracts between local governments and LDCs be limited to five years.

"Are there problems going on with LDCs?" asked Michael Farrar, deputy director of the state Authorities Budget Office. "I think it's too early to tell the extent, although there have been a number of audits by the Comptroller's Office and good government groups and we've seen indications ourselves that, because there hasn't been a lot of oversight, there is at least the potential for things to go wrong."

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