



April 13, 2006

Office of the State Comptroller  
Statewide Unit  
State Office Bldg, Room 409  
333 E. Washington St.  
Syracuse, NY 13202

RE: IDA Project Approval Evaluation & Monitoring Efforts 2005-MS-2

To Whom It May Concern:

Thank you for the opportunity to respond to the audit findings included with your draft letter dated March 17, 2006. Previously we responded to you in our letter dated March 10, 2006 regarding the individual findings and recommendations you developed after your review of Ontario County Industrial Development Agency.

At the onset we would like to make the distinction between good economic development decision-making and documentation. While we believe that the criteria and process we use to grant benefits is fundamentally sound and has led to a stronger economic base and more high-quality jobs for the citizens of Ontario County, we recognize the audit has found areas in which documentation can be improved.

Our responses are organized according to the main categories of the Comptroller's report.

Project Evaluation and Monitoring

- **Evaluating Job Creation Performance**

We note in the audit report that a variety of criteria in addition to the number of jobs should be considered when conferring benefits. These include wage levels, increased competitiveness and productivity. We feel a more complete picture of project success could be achieved if these other factors were considered.

While reviewing the job performance of these projects at a specific date provides information at that point in time, we feel that it does not tell the whole story of the economic development effort. Job measurement, while important, is not the sole goal of economic development. Even for companies who did not make their projections thousands of additional dollars were collected by local municipalities in the form of PILOT payments. Additionally, high technology companies (several of whom are included in this table) face unique challenges developing

and commercializing new products. They can be more susceptible to adverse economic conditions.

Having said this, high technology companies remain a very important part of our local economy providing many of the innovations, products and jobs of the future. We would like to respond by presenting some specific circumstances that give a more complete picture of the challenges involved in conferring benefits.

<b>Single Unit Projects</b>	
<b>Category</b>	<b>Explanation</b>
Did not meet goals, and added jobs	One company (30 job shortfall - 5 jobs gained) had the misfortune to suffer the unexpected death of their president. The company was ultimately purchased by a locally-based parent who retained jobs in our county.
	Another company's (66 job shortfall - 34 jobs gained) research contractor became involved in a protracted legal battle that resulted in a costly delay in perfecting and marketing its new product lines which ultimately affected the products' viability. The company continues R&D efforts with hopes to manufacture new products at their location.
Did not meet goals and reduced jobs	One company (93 job shortfall), a subsidiary of a Canadian parent, was shut down by the parent and a management buyout rejected. A number of small, local, high-tech spin off companies have formed after this company's closure. We hope to attract another high-tech firm to this well-equipped building.
	Another company (120 job shortfall) moved to a more appropriate building in 2004. The project, while included on the 2004 NYS Comptroller's Report was paying the full amount of real estate taxes that year. The building was reoccupied in 2005 by another technology company.
	Another company (128 job shortfall) rolled out an innovative debit card product that was unsuccessful. Several new companies now occupy the building employing 30 people.
<b>Multi-Tenant Projects</b>	
<b>Category</b>	<b>Explanation</b>
Did not meet job projections	Two projects (262 job shortfall), built by the same developer, erroneously reported construction jobs on their application. Tenant employment in both buildings has increased between 2004 and 2005.

- Recapture Provisions for Performance Shortfall**  
 Given the challenges facing companies in New York State, we feel it is an important part of our role as economic developers to work with local companies experiencing setbacks. We feel that punitive measures such as clawing back benefits only hurt an already struggling company, further jeopardizing jobs. We

acknowledge that the recapture provision is a useful tool under certain circumstances.

We will identify thresholds that we feel represent significant employment reductions and will document our discussions and make recommendations to our board regarding a suggested course of action.

Board members will be informed of the range of possible actions including invoking the recapture provision. They will be asked to vote on the suggested course of action.

Other events such as a significant management change, move or sale of the business will also trigger a documented staff and board review.

- **Monitoring Sales Tax Exemptions**

We will continue to use our best efforts to receive the ST-340 from client companies. We already vigorously follow up with those companies that do not respond to our initial request.

We will consider a process improvement in which we compare estimated sales tax exemptions to actual exemptions taken by a company.

#### Project Evaluation Criteria & Project Approval

- **Project Evaluation Criteria**

We are pleased that the NYS Comptroller's staff included the following on page 20 of the draft report, "The Ontario County IDA . . . has developed and documented formal evaluation criteria. The Ontario County IDA utilizes a detailed cost-benefit analysis as its criteria when making project sponsorship decisions."

- **Verification of Application Data**

Currently, companies requesting benefits certify the employment numbers included in their application. We felt that having a company official sign this certification in the presence of a notary gave us assurance as to the accuracy of current employment and all other information included in the application.

We will receive and file a payroll tax form or other type of documentation with completed applications to confirm the employment numbers reported by the company. We will also revise the job retention and creation section of the application to differentiate between construction, permanent and temporary employment.

- **Verification IDA Incentives are Necessary**

Currently we make the determination of whether or not the project requires assistance through our conversations with company officials and our board review process. During the board review the company formally presents the project to the board. Board members often ask questions about all aspects of the project. Without the board's approval the project does not move forward.

We will include a series of questions in our application designed to document the likelihood of the project moving forward without agency assistance. For

example, questions about the location of customers, suppliers and other company facilities and the impact on the economic viability of the project without agency assistance will be considered. The candidate will continue to present their reasons for requesting assistance to the IDA Board. This will continue to be reflected in the IDA Board minutes.

- **Projects that Involve Movement**

We take pirating claims very seriously and have rejected projects in the past if we felt there was a possibility of jobs being pirated from one part of the state to our county. We are pleased that the auditors included the following on page 22 of the draft report. "The Ontario County IDA. . .did not sponsor a project that involved the movement of single unit businesses during our test period." As a policy we do not actively pursue companies located in New York State.

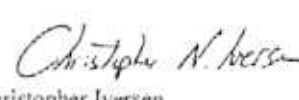

We will verify the information provided by the company through a review of the company's own website or through other means to determine that no jobs are being lost at other company locations in New York State due to contemplated assistance on our part.

Currently, we work with the developer of multi-tenant facilities to determine the appropriateness of the new building's tenants.

We will customize the multi-tenant building application process to include information gathered directly from tenants. This information will become part of the package that the board will review. Requests will be made annually to developers to supply rent roll information.

We welcome these audit findings as an opportunity to improve an already effective program and look forward to implementing process improvements that address these recommendations.

Sincerely yours,



Michael J. Manikowski  
Executive Director

Christopher Iversen  
Chairman of the Board