

#1 (Rev.1/93) SINGLE PAGE COMMUNICATION TO THE COMMON COUNCIL

TO: THE COMMON COUNCIL: DATE: March 25, 2004

FROM: DEPARTMENT: Audit and Control

DIVISION: Audit

SUBJECT: [: **Buffalo Civic Auto Ramps, Inc**

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PRIOR COUNCIL REFERENCE: (IF ANY) [:

Ex. (Item No. xxx, C.C.P. xx/xx/xx)

TEXT: (TYPE SINGLE SPACE BELOW)

AUDIT FINDINGS

It is our opinion that BCAR maintains a satisfactory system of internal control over parking revenues as well as over operating expenses and over payroll and related health coverage expenditures.

1. Our review of other non-operating expenses has revealed the following questionable expenditures:

Description	2002	2003
Buffalo Place – Shuttle Subsidy	\$99,000	\$99,000
Buffalo Place – Ranger Program	35,024	36,024
Rotary Rink – Gas and Electric	44,440	49,215
Radisson – Telephone	780	845
Terminus – Window washing	<u>4,896</u>	<u>4,896</u>
Totals	\$185,140	\$189,980

The above expenditures, to the best of our knowledge, do not appear to be related to normal operations and maintenance of the parking facilities covered by the management agreement between BCAR and the City of Buffalo. In fact, the contract stipulates that excess parking revenues be remitted to the City to cover debt service and fund the reserve account.

With the exception of the Rotary Rink, which is owned by the City, the remaining expenses were remitted to private entities using parking revenues, which should have been earmarked to the City's Enterprise Fund.

Based on the above, it is our opinion that these expenses could be considered not appropriate since they were not specifically Enterprise Fund, which is dedicated specifically to the payment of debt service on City Parking Bonds and for repairs to and replacement of Parking Facilities.

It is also our opinion that both the BCAR and Parking Board were incorrect with their approvals of the above expenditures.

Subsequent Events:

Certain pertinent matters related to this management agreement between the City and BCAR have taken place after our June 30, 2003 audit period and are listed as follows:

- Fiscal year 2003-04 has seen debt service increase to \$4,957,420.50, or, an increase totaling \$1,046,580.07. This has resulted in the monthly invoices to BCAR also being increased and totaling \$2,478,710.28, and covering the first six months of this fiscal year. As of December 31, 2003, BCAR has a balance due to the City totaling \$1,030,008.68. Based on this information, it is very probable that the City's Parking Enterprise Reserve Fund Balance of \$4,090,341.56 will be utilized to make up the projected shortfall for the year ending June 30, 2004.
- In addition to the previously discussed Buffalo Place subsidy, paid from parking revenues, totaling \$270,048.00, and covering the period July 1, 2001 to June 30, 2003, the Board of Parking has entered into an agreement with Buffalo Place to pay a total of \$430,000.00 for shuttle and parking services for downtown employees for fiscal 2003-04. The shuttles are run from various parking facilities @HSBC, Arena surface lots and a lot at Michigan and Perry
- These monies are offset in the budget by amounts that represent the \$450,000.00 in annual hospital rent subsidies, paid to the City under the current agreement, and due to the City's General Fund.
- On November 20, 2003, the City has entered into an agreement with Buffalo Place, Inc. to operate the Rotary Rink for a fee totaling \$26,000.00 and "in kind" City services up to \$10,000.00. Absent from this agreement is the payment of utilities which were previously paid from parking revenues generated by the Augspurgen Ramp.
- The Buffalo Urban Renewal Agency (BURA) has transferred title of the Augspurgen Ramp to the City at their December 18, 2003 board meeting: This transfer was approved by the Common Council in their meeting on November 25, 2003, Item number 10. To the best of our knowledge, this ramp will be subsequently included in the management agreement, retroactive to July 1, 2003. We note that the Augspurgen Ramp addition has been subject to City debt service as of July 1, 2002.
- The Augspurgen ramps are now owned in whole by the City of Buffalo. The book value (cost, net of depreciation) is in excess of \$2 million and the market value is in excess of \$5 million. It was sold by BURA to the City for \$1.00.

AUDIT RECOMMENDATIONS

Based on our audit findings, we recommend the following:

- The Parking Board needs to enter into a new management agreement, effective July 1, 2004. The agreement needs to be updated as a result of some economic transactions such as the Augspurgen ownership change and the expansion of this and the Adam ramp. In addition the elements in this audit need to be considered. Whether a bidding process is needed rests with the Parking Board and the Council.
- Suspension of funding made by BCAR to Buffalo Place for the Shuttle Program subsidies as the City obtains a legal opinion in order to determine the appropriateness.
- Suspension of funding made by BCAR to Buffalo Place for the Ranger Program subsidies until such time as the Parking Board and BCAR renegotiate this service as a direct security charge at the City ramps.
- We recognize the need to provide incentives to downtown businesses to make them competitive with suburban businesses. City officials and other agencies may need to seek alternative funding sources for this service. This office is open to assisting in this discussion.
- Immediate suspension of utility payments for the operation of the Rotary Rink. These were suspended in December. This City owned facility should be funded by the City's General Fund.
- Immediate suspension of payments, if any, for telephone (Radisson) and alternative funding for window washing (Terminus building)..
- Pending a positive finding by the Corporation Counsel on the legal opinion regarding the uses, the Parking Board should document the changes in the agreements.
- The Parking Board should exercise due diligence in their annual review and approval of the BCAR management budget. In these fiscally challenging times, the City must maximize parking revenues and be prudent in using these monies for necessary operating expenses only, especially in light of the current debt service exceeding net operating income.
- Dispose of the records corresponding to the inventoried box numbers detailed on Schedule -1. We request that this be done after this Report of Audit is received and filed by the Common Council.

TYPE DEPARTMENT HEAD NAME: ANDREW SAN FILIPPO

TYPE TITLE: COMPTROLLER

SIGNATURE OF DEPARTMENT HEAD

Francis A. Bellotti
City Auditor/Deputy Comptroller