A REPORT BY THE NEW YORK STATE OFFICE OF THE STATE COMPTROLLER

Alan G. Hevesi
COMPTROLLER

ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY

CAPITAL PLANNING PRACTICES — ROCHESTER CENTRAL STATION

REPORT 2003-S-34

DIVISION OF STATE SERVICES

Alan G. Hevesi
COMPTROLLER

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Mr. William R. Nojay
Chairman
Rochester-Genesee Regional Transportation Authority
1372 Main Street
Rochester, NY 14609

Dear Mr. Nojay:

The following is our report on our audit of capital planning practices for the Authority's proposed transit center project, the Rochester Central Station.

This audit was performed pursuant to the State Comptroller's authority, as set forth in Article V, Section 1, of the State Constitution; Article II, Section 8, of the State Finance Law; and Article XI, Section 2804 of the Public Authorities Law. Major contributors to this audit report are listed in Appendix A.

Office of the State Comptroller
Division of State Services

March 29, 2004

EXECUTIVE SUMMARY

ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY

CAPITAL PLANNING PRACTICES – ROCHESTER CENTRAL STATION

SCOPE OF AUDIT

Established in 1969 under the Public Authorities Law, the Rochester-Genesee Regional Transportation Authority (Authority) is designated to oversee all transportation planning for the nine-county Genesee-Finger Lakes Region. A downtown transit center has been a part of various plans or studies developed for the Rochester metropolitan area over the past 30 years. In 1998, the Authority proposed a Strategic Plan that included goals to improve access to employment and the efficiency and convenience of route services for the residents of its service area. The construction of a downtown transit center in the City of Rochester is one action to be taken to achieve certain goals in the Strategic Plan. The Authority's Board of Commissioners approved this Plan in October 1999.

The Authority's current plans for the transit center is to construct the Rochester Central Station in downtown Rochester on a 6.3-acre site known as Main Street/Clinton Avenue that would include an underground 32 bus-bay area and a public concourse at ground level, providing access to centralized retail goods and services as well as a direct link to other transit services. After more than five years and nearly $4.5 million in consultant costs paid to plan and design the project, the Authority has yet to break ground.

This performance audit, which covered the period of April 1, 2000 through May 4, 2003, addressed the following question:

- Was the decision to advance the Rochester Central Station project based on a sufficient level of study and analysis?

AUDIT OBSERVATIONS AND CONCLUSIONS

Since October 1999, the transit center project has advanced very slowly. We found that key decisions by the Authority have not been based on a sufficient level of study, which adds to financial uncertainty about the project's economic benefits. A formal needs analysis was not performed to determine that such a facility was actually needed and, if so, where the best site would be. For example, the Authority's ridership study, performed in 2000, focused on just three corners in downtown Rochester; traffic patterns were not evaluated at other locations. Although three sites were considered in downtown Rochester for the transit center, there was no documentation prepared to show why the selected site was preferred.

In December 2000, the Authority signed an agreement with Monroe County and City of Rochester officials. The agreement included a strategic decision that the transit center would include an underground bus staging area with a ground-level passenger waiting area. However, neither the cost nor the feasibility of this approach had been evaluated, and the Board had not formally authorized it. This agreement obligated the Authority to a major scope change that eventually increased the estimated construction cost by 78 percent, with annual operating costs totaling about $1.4 million. To defray operating costs and take advantage of the open space over the underground bus staging area, the Authority changed its project concept from a stand-alone transit center to a multi-purpose public/private economic development project. Our audit found that many of the operating revenue factors cited by the Authority were based on unpredictable market conditions and that there was no documentation for some of the operating cost estimates. Also, the total cost of the proposed project exceeds available federal and State funds and therefore the Authority plans to finance the difference with existing reserves and a future bond sale. The Authority has made many key decisions in expanding the transit center without sufficient relevant study and/or documentation to support the economics of adding this new business venture and transportation improvement. We have made five recommendations aimed at improving the Authority's activities in planning this project and future major capital projects.

COMMENTS OF AUTHORITY OFFICIALS

A draft copy of this report was provided to Authority officials for their review and comment. Their comments were considered in preparing this final report. Since our draft audit report was issued in December 2003, the Authority has announced the Renaissance Square project. While maintaining the project direction and objectives of the downtown transit center, the project adds two new components, a performing arts center and a new campus for Monroe Community College.

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INTRODUCTION

Background

The Rochester-Genesee Regional Transportation Authority (Authority) was established in 1969 by Article 5, Title 11-B, of the Public Authorities Law. Its purpose is to continue, develop, and improve transportation and related services in the Rochester area. Managed by a Chief Executive Officer who reports to an 11-member Board of Commissioners (Board), the Authority provides fixed-route public transit services, as well as mandated services, for the disabled within the City of Rochester (City) and five counties: Genesee, Livingston, Monroe, Wayne, and Wyoming. It also provides shuttle bus services and acts as administrative host to the Genesee Transportation Council (GTC), the designated organization in the nine-county Genesee-Finger Lakes Region that oversees all transportation planning for that area.

In 1998, the Authority proposed a Strategic Plan that included goals to improve access to employment and the efficiency and convenience of route services to the residents of its service area. The construction of a downtown transit center (center) in the City of Rochester represents an action taken to achieve certain goals in the Strategic Plan. The Plan recognized transportation to work as the public's most-significant transportation need, and noted that more than 70 percent of riders used the bus for commuting to their jobs. It pointed out that downtown Rochester continued to be the region's single most concentrated destination for employment, and that the enhancement of transit services to the downtown area would encourage bus ridership. The Authority's strategies for establishing the center included the pursuit of public and/or private funding, the selection of a site that would encourage economic development in the downtown business district, the provision of services and amenities important to riders, and the connection of local bus service to that provided by private bus companies, railroads, and airlines. The Authority's Board approved the Strategic Plan in October 1999.

Audit Scope, Objective, and Methodology

We audited selected capital planning practices at the Authority for the period of April 1, 2000, through May 4, 2003. The objective of our performance audit was to determine whether the Authority's decision to advance the Rochester Central Station project was based on sufficient study and analysis.

To accomplish our objective, we met with Authority officials and the Project Manager. We met with officials of the City of Rochester and the Rochester Downtown Development Corporation, and reviewed the City's Master Plan. We reviewed engineering studies and consultant reports related to the project, as well as an analysis of projected operating revenues and costs prepared by the project architect and the report on a study of ideas for revitalizing the City's Amtrak station. We also discussed project funding with officials of the Genesee Transportation Council (GTC), which is responsible for preparing a five-year Transportation Improvement Plan (TIP) that identifies the projects for which Federal funds will be requested.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations that are within our audit scope. Further, these standards require that we understand the internal control structure and compliance with those laws, rules and regulations that are relevant to our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe our audit provides a reasonable basis for our findings, conclusions and recommendations.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State, several of which are performed by the Division of State Services. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under Generally Accepted Government Auditing Standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

Response of Authority Officials to Audit

A draft copy of this report was provided to Authority officials for their review and comment. Their comments were considered in preparing this final report.

Authority officials generally agreed with our recommendations and indicated actions to implement them have been taken or are planned. They did not agree to re-evaluate the location of the Rochester Central Station project because, in their opinion, the Main/Clinton site best meets all operating requirements of RTS.

After our draft report was issued, in December 2003, we learned that the Authority's Board approved a resolution authorizing a study to examine the feasibility for the development of the Rochester Renaissance Center that would include the Rochester Central Station, a Performing Arts Center, and a new campus for Monroe Community College. The study released in January 2004, concluded that the project is feasible. In response to our inquiries about this report, Authority officials advised us that the Board's interest in studying potential changes to the project plan did not constitute a change in project direction or objectives. They added that the environmental assessment dated October 2003, for just the Rochester Central Station, was approved by the Board and a public hearing was held on November 25, 2003.

These new initiatives add emphasis to our recommendations for the Authority to improve its capital planning process and to document important decisions for major capital projects.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Chairman of the Rochester-Genesee Regional Transportation's Board of Commissioners shall report to the Governor, the State Comptroller, and the leaders of the Legislature and its fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State, several of which are performed by the Division of State Services. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under Generally Accepted Government Auditing Standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

CAPITAL PLANNING OVERVIEW AND PERSPECTIVE

A downtown transit center has been a part of various plans or studies developed for the Rochester metropolitan area over the past 30 years. In October 1999, the Authority's Board of Commissioners approved a conceptual design and construction plan. Since then the Authority has moved very slowly advancing the transit center project and we found that key decisions by the Authority have not been based on a sufficient level of study, which adds to financial uncertainty about the project's economic benefits.

Over the years, bus ridership had declined significantly from about 25 million in 1982 to 14.2 million in 2002-03. Notwithstanding, the Authority decided to advance the transit center project without a formal needs analysis to determine that a large-scale transit center was actually needed and, if so, where would be the best site. The Authority performed a ridership study in 2000 but the study focused on only three corners in downtown Rochester; no attempt was made to evaluate traffic patterns at other locations to determine the best location. Furthermore, although three sites were considered in downtown Rochester for the transit center, there was no documentation prepared to show why the Main Street and Clinton Avenue site was preferred.

The Authority reports that, because of heavy ridership during peak periods, several buses may line Main Street at one time in both directions, interfering with the flow of traffic on the four-lane street and forming a visual barrier that can create unsafe conditions for both pedestrians and motorists. In addition, according to Authority officials, transit passengers dominate the sidewalks at such times, especially near major shelters, making it difficult for other pedestrians to pass and often interfering with the public's access to businesses with entrances in the area. Authority officials say they are challenged to bring all buses downtown efficiently, enable passengers bound for downtown destinations to exit the area promptly, expedite transfers, board new passengers, and continue buses on their routes. To meet these challenges safely and without significant interference, the Authority has equipped its buses with a sophisticated Global Positioning System that allows constant central monitoring of the entire fleet.

In early 2000, an Authority consultant estimated the transit center could cost $32.8 million to build and would cost little to operate annually. In late 2000, subsequent to discussions with Monroe County and City of Rochester officials, the location of the proposed transit center was fixed at Main Street and Clinton Avenue and, to fit into the City's master development plans, a strategic decision was made to place the bus staging area underground with a ground-level passenger waiting area. A formal agreement to this effect was signed in December 2000. The Authority had previously not evaluated the cost or feasibility of an underground transit center, and the Authority's Board of Commissioners did not formally authorize the Authority to enter into such an agreement, even though this agreement obligated the Authority to a major scope change that eventually increased the estimated construction cost by $25.6 million to $58.4 million (a 78 percent increase). The Authority at the time estimated that a more elaborate transit center project would bring with it annual operating costs totaling about $1.4 million.

In an effort to defray the operating costs, and because there would be open space over the underground bus staging area, the Authority changed its project concept from a stand-alone transit center to a multi-purpose public/private economic development project that included a large amount of office space, related retail space (including a parking garage), and residential property. Since late 2000, the Authority has spent more than two years trying to gather community support for the new concept and to secure Federal funding to finance construction. Finally, in mid-2003, the Authority obtained approval to receive $30 million in regional transportation funding, of which the Federal government would pay 80 percent after grant agreements are approved. This would involve switching some funds that had been earmarked for other local transportation projects. At the time of our audit, Authority officials indicated that they hoped to earn about $850,000 a year from the commercial and residential leases anticipated from a private developer and thus help defray some of the $1.4 million in annual operating costs. Our audit found that many of the operating revenue factors were based on unpredictable market conditions and there was no documentation for some of the operating cost estimates.

Also in 2003, to promote the transit center project as an economic engine for revitalization of downtown Rochester, the Authority pursued steps to identify a private developer who might be interested in a public/private partnership to build an office building with commercial and residential space in its conceptual plan. The Authority eventually talked with four private developers about the project, but none of them expressed a serious interest in the plans unless they received economic development incentives. At the time of our audit, the Authority was reconsidering its plans to either build the underground transit center at Main Street and Clinton Avenue and continue to pursue future private development of the property, or reduce the scope of the project. While there may be sufficient funds to build a downtown transit center, after more than five years and nearly $4.5 million in consultant costs paid to plan and design the project, the Authority has yet to break ground on building a downtown transit center in Rochester.

Rochester-Genesee Regional Transportation Authority's Transit Center Project.
Pictured above is the Authority's conceptual plan for a revitalized corner of Main Street and Clinton Avenue with the Rochester Central Station, an office tower on the corner with a parking garage behind the tower, and residential property further back.

The Authority has made many key decisions in expanding the transit center without sufficient relevant study and/or documentation to support the economics of adding this new business venture and transportation improvement. We believe it would be prudent for the Board of Commissioners at this juncture to reassess its construction plan and reach a final decision on the scope and nature of the project it wants to build giving due consideration to what it can afford in capital and operating and maintenance costs.

Each of the events and conditions cited here has shaped the evolution of the current plan to build a downtown transit center in Rochester. The strategic capital planning processes and studies executed by Authority management and the Board of Commissioners are more thoroughly discussed in the remaining sections of this report.

PROJECT BACKGROUND

A downtown transit center has been a part of various plans or studies developed for the Rochester metropolitan area over the past 30 years. These have included:

- A report titled *1990 Plan for Transportation Facilities* (issued in 1969) called for the construction of a centrally-located downtown transit terminal in which a substantial number of bus routes would converge. The terminal would have provided a sheltered facility for local passengers.

- *Study of a Downtown Bus Terminal* (issued in 1972) prepared by a consultant hired by the Authority proposed the construction of a transit terminal in downtown Rochester consisting of a two-story structure that would house buses on the first floor and accommodate a passenger waiting area on the second floor.

- *The Genesee Transportation Council's Long-Range Transportation Plan* (issued in 1995 and projecting transit needs over a 20-year period) included an examination of the feasibility of constructing a downtown inter-modal transportation center.

- A Genesee Transportation Council study (issued in 2002) examined the possibility of redesigning the Amtrak train station and integrating its functions with those of the local transportation system and the needs of Rochester's downtown business district. It favored the establishment of a single inter-modal terminal for all types of buses and passenger trains serving the City, but identified several reasons why combining the Amtrak Station and the proposed Rochester Central Station was not a viable concept.

- The City of Rochester's *Center City Master Plan* (issued in 2003) examined the feasibility of building a new transit center that would tie the circulation of vehicular, mass transit, and pedestrian travel together as efficiently as possible.

At the same time the Board approved its Strategic Plan in 1999, it passed a resolution to add the project to the Authority's Master Plan. The project was also included on the Authority's five-year capital plan, which is reviewed and approved annually by the Board.

Revitalization of Rochester Amtrak Station

A 2002 study prepared for the GTC argued against combining the Amtrak Station and the proposed downtown Rochester Central Station in a single location. It noted that the bus ridership that frequents downtown locations each week is approximately 50 times greater than the rail ridership using the Amtrak Station during the same period. According to the study, building an inter-modal terminal at the train station would require many bus riders to either transfer at the train station or walk farther to their destinations. On the other hand, moving the Amtrak Station to the downtown area and combining its operations with the proposed downtown Rochester Central Station would require relocating the mainline tracks or constructing a new major spur into downtown.

According to the GTC study, this would cost a great deal of money, have a significant impact on the surrounding property, create another barrier between downtown and the northern reaches of the metropolitan area, and present the difficult challenge of accommodating the necessary track-alignment restrictions. The study's analysis and recommendations were based on an assumption that the Amtrak Station would remain on its current site. They also assumed that the proposed Rochester Central Station would be located downtown because of previous agreements with community leaders, including the Mayor and the County Executive.

The current Amtrak Station is an 8,000-square foot passenger area with low-level platforms along the mainline tracks. The study notes that high-speed passenger rail service could increase daily train arrivals from 8 to 20 trains and could increase train ridership from 122,000 to 135,000 annually. High-level platforms would be desired for the speed and ease of loading and unloading passengers. The study recommended building a new train station just west of the current one that would allocate 8,000 square feet for passenger areas and 4,000 square feet for leased space. It would also include an overhead pedestrian bridge, dedicated passenger tracks off the mainline tracks, and high-level platforms.

This project was expected to cost $19.7 million to build, with annual operating and maintenance costs projected at $370,000.

While it may be too costly to combine the functions of a Rochester Central Station with those of the Amtrak Station if the new facility is located at Main Street and Clinton Avenue, we believe the Authority has not performed an adequate ridership analysis that would identify the best location for such a transit hub. There might be other acceptable locations that would be a shorter distance between the mainline train tracks and Main Street, sites that would allow a combined single inter-modal terminal for local buses, inter-city buses, and inter-city passenger trains. It is possible that the overall capital costs and future operating and maintenance costs of such a combined facility could be significantly lower than the total cost of separate facilities. Authority officials should work with City, County, and GTC officials to identify other locations that would allow the establishment of a single inter-modal facility in downtown Rochester that would not have a negative effect on inter-city bus operations.

Current Project Plan

The Authority's current plans are to construct the Rochester Central Station in downtown Rochester on a 6.3-acre site bounded by Pleasant Street to the north, Clinton Avenue to the east, Main Street to the south, and St. Paul Street to the west. This transit center would include an underground 32 bus-bay area and a public concourse at ground level that would provide access to centralized retail goods and services (including restaurants, restrooms, newsstands and ATM machines), as well as a direct link to Greyhound/Trailways buses and shuttles to airport, Amtrak, and ferry services (See Exhibit A). The facility would make it possible for waiting bus riders to avoid exposure to inclement weather, and would reduce bus congestion and traffic delays on Main Street because buses would enter from Clinton Avenue and exit onto St. Paul Street. To avoid discouraging residential development in the area, the bus bays would be placed underground.

The Authority has also developed a conceptual plan for private development of the space above the transit center and its immediate surroundings. It includes the construction of a 300,000-square foot, 15- to 20-story office building on the corner of Main Street and Clinton Avenue, about 66,000 square feet of new retail space, an attached 1,000- to 1,200-car parking garage with 5 or 6 levels, and 100 new housing units north of Mortimer Street. A study prepared for the Authority indicates that the transit center would create economic benefits, including 555 construction jobs as well as 1,670 full-time jobs after construction. The Authority also expects to help offset the operating costs of the transit center by generating revenue from the private development.

During our audit, the Authority was soliciting a private developer who would share in the overall scope of the project and its cost. It has already paid for preliminary project designs and developed timetables and schedules for the various development and construction activities, but is behind schedule based on the project timetable set forth in the engineering estimate. To date, the Authority has not found a private developer and has not completed the required environmental assessment. As a result, it has not acquired the land, hired construction contractors, or begun to build the transit center. At the time of our audit, according to Authority officials, the environmental assessment should be completed around December 2003 and construction of the transit center could begin around July 2004, if they can finance construction by then. They added that, even after securing all necessary funding, they might change the conceptual plans and build an above-ground transit center instead (although City officials object to this proposal). They said they might even start construction without securing a private developer partner and that the office tower and private housing might be built later. Even though the Board has not yet made any of these policy decisions, the Authority estimates that it could take two years to complete construction of the Rochester Central Station.

Current Project Funding

The Authority estimates that the transit center alone could cost about $58.4 million. Since a private developer has not been secured and the actual scope of the development has not been determined, there are no estimated costs for the private development. The following table shows the funding sources for the Authority's share of the project costs:

Funding Source	Federal Share	NY State Share	Authority Share	Total
Federal Grants	$8,557,144	$1,069,643	$2,766,035*	$12,392,822
TIP Reallocation Plan	24,000,000	3,000,000	3,000,000	30,000,000
Potential Future Funding	12,800,000	1,600,000	1,600,000	16,000,000
Total	$45,357,144	$5,669,643	$7,366,035	$58,392,822
Note: ** Depending on the type of Federal grant, the matching share may be higher than 10 percent. Also, in addition to its matching share, the Authority has set aside $1.2 million from its capital reserve funds for this project.*				

As of March 31, 2003, the Federal government has allocated a total of almost $8.6 million in grant funds to the Authority, but the Authority does not have access to these funds until an agreement has been signed by the New York State Department of Transportation and the sponsoring Federal agency for each project identified in the Transportation Improvement Plan. Currently, the Authority has just two signed grant agreements, valued at almost $4 million.

In June 2003, the GTC voted to apply $30 million of its Transportation Improvement Plan budget to the Rochester Central Station project. These funds were reallocated and deferred from three other regional transportation projects ($7.3 million from the East Ridge Road project in Irondequoit, $4.5 million from the Mt. Hope Avenue/East Henrietta Road project, and $6.2 million from the East Ridge Road project) as well as future RGRTA projects ($12 million). Authority officials said they plan to seek an additional $12 million in Federal funding for the transit center project.

To cover its share of the projected construction costs -- almost $7.4 million -- the Authority plans to use $1.2 million from its capital reserve funds and to seek bonding for the remaining $6.2 million. The Authority's capital reserve totaled $3.3 million as of March 31, 2003.

The architect for the transit center has prepared an analysis of the estimated annual operating revenues and costs for the facility based on the assumptions in the current conceptual project plans. Based on this analysis, the transit center would have an annual operating deficit of $520,000. Authority officials told us they have begun to prepare alternate financial analyses based on different assumptions: e.g., the private development does not occur for several years or a hotel, rather than an office building, is built.

Current Project Spending

Through March 31, 2003, the transit center project has cost nearly $4.5 million. A cost breakdown, reported by service provided, includes the following figures:

Consultant Service	Expenditure
Architectural and Engineering	$2,935,062
Legal	722,328
Pre-construction Planning, Consulting and Related Services	340,635
Advertising	313,229
Study on Design Objectives and Community Needs	71,477
Leasing Agent	51,176
Real Estate Appraisal Services	18,000
Meetings	6,882
Web Site Development	6,849
Traffic Review	2,421
Total	$4,468,059

Excluding expenditures totaling $320,078 for advertising and website development which the Authority chose to pay from operating funds, the Authority has drawn $3.32 million (80 percent) against Federal grants and $414,000 (10 percent) against State matching grants related to the expenditures listed in the table. The remaining $414,000 represents the Authority's share of the expenditures.

The Authority provides its Board with monthly expenditure reports for the transit center, but we found that the report submitted for March 2003 was incomplete. It included expenditures totaling $73,596 that, although they pertained to the transit center, were actually paid by the GTC. In addition, we noted that Authority staff do not include in their report to the Board costs incurred for the transit center that are paid from operating funds. These include $313,229 paid for advertising and $6,849 for website development, as well additional operating funds to the Authority's legal consultant for lobbying activities related to the transit center. We did not quantify the amount of these legal services. Authority staff should amend their report to the Board to include all of the costs that have been incurred on behalf of the transit center project.

DOCUMENTATION TO SUPPORT PROJECT DECISIONS

Appropriate studies or analysis should be made to ensure that the Rochester Central Station project is needed and that, if needed, it is built at the right location at a reasonable cost. We found a lack of study and analysis or documentation that would support some of the major decisions that have been made regarding this project. We found that the Authority's Board did not formally approve some of these decisions: the selection of the project site, and the Authority's December 2000 signing of a Memorandum of Understanding (MOU) with the Monroe County Executive and the President of the Monroe County Legislature, the Mayor of the City of Rochester, and the President of the Rochester City Council that significantly increased the project scope and cost. While these decisions were not formally documented, Authority officials pointed out that several Board members had participated in interviews when the Project's architect was selected, following the signing of the MOU. They recalled that plans related to the construction of an underground facility at the Main Street/Clinton Avenue site were discussed during the interviews. Authority officials conceded that the reasons for rejecting certain sites were not documented, but contended that the rejected sites were not adequate. They pointed out that City officials had asked them verbally to consider the Main Street/Clinton Avenue site.

Need Assessment for Transit Center

The Strategic Plan the Authority adopted in 1999 stated that it would seek public and/or private funding for a transit center, but no studies or analyses were performed to demonstrate a need for one. Although increasing RTS ridership could be used to justify its construction, *The Genesee Long-Range Transportation Plan* reported that ridership had decreased about 40 percent, from about 25 million to 15 million between 1982 and 1985. It cited a population drop within the City of Rochester and the exodus of employers from the City to the suburbs as factors for the decline. Although RTS ridership continued to decrease to 12.6 million for the 1998-99 fiscal year, it grew to about 14.2 million in 2002-03. The Authority attributes the increase to an expanded number of bus routes; fare reductions; and newer, more-comfortable buses. If the public could also expect that the construction of a new transit center would result in improved customer service and reduced levels of traffic congestion, they might find it justified.

We also found that the Authority did not follow an effective process for determining the best location of a focal point or hub for the majority of its passengers. A hub should be either the origination point and/or final destination point for a significant number of the bus passengers in a given service area, identified in Rochester by Authority officials as the intersection of Main Street and Clinton Avenue. This decision was based on a 2000 study by the Authority to determine how many passengers might board and exit its buses at or near this location. We found that, while the study determined the number of people who boarded or exited at the three locations near the proposed transit center site, it did not use effective methods of identifying the best location for the hub. To assess passenger traffic on weekdays, the Authority used traffic "checkers" who rode the buses and determined that about 25,350 passengers per day, or about 126,750 passengers per week, including transfers, boarded or exited RTS buses at one of three corners -- Main Street and Franklin Street, Main Street and Clinton Avenue, or Main Street and St. Paul Street. However, the study focused only on these three corners; it did not evaluate passenger travel patterns for other locations in downtown Rochester.

Checkers were not used to assess passenger traffic for weekends because not enough checkers had been employed to cover all of the City's bus routes. Instead, the Authority based its decision on farebox data, determining that about 25,000 riders traveled on weekends to and from downtown Rochester but not noting the boarding or exiting locations on those days.

We also found the Authority did not evaluate the effect of transfers. Passengers traveling to the three downtown corners might have transferred to another location, and those boarding at those corners might have transferred from another bus. For these passengers, none of the three corners is either their final destination or their starting point; for them, the hub could be located somewhere else. The study did not determine whether any of these three sites was an originating or final destination point for passengers or just a transfer point.

Site Selection

Several sites were proposed or considered for the transit center. However, reasons for rejecting other sites were not documented. Our review revealed the following information about the Authority's decision-making process in this matter:

- In July 1995, GTC issued its long-range transit master plan for the Greater Rochester area for the 20-year period from 1995 through 2015. The plan recommended three possible sites for a transit center: Midtown Terminal, Amtrak Station, and the State Street and Conrail Tracks site (slightly west of the current Amtrak station). We noted that the Midtown Terminal site was given further consideration, but there was no documentation to show that the Authority had even considered the Amtrak Station or the State Street and Conrail Tracks sites before the Main Street/Clinton Avenue site was selected.

- In 1998, an architect hired by the Authority further evaluated possible locations for the transit center. The architect identified four prospective locations, including the earlier identified one near the Midtown Plaza. The study noted that only the site at the Franklin Street Building and Staub's Triangle could handle the Authority's 24-bus bay requirement. The architect performed a cash flow analysis that indicated the annual operating revenues for the transit center would exceed operating costs by $170,500.

- In 1998, the City of Rochester assembled a task force to consider two sites: Midtown Plaza and Main Street/Clinton Avenue. The task force recommended that the transit center be located at the Midtown Plaza site.

- In 1998 and 2000, a construction consultant hired by the Authority performed two site evaluations for the transit center. The studies essentially focused on two locations: Main Street/Clinton Avenue and the Midtown Plaza. The studies did not recommend one site over another, but both observed that selection of the Midtown Plaza site would result in added fuel costs for the Authority because of the additional mileage the buses would need to travel from the front to the rear of the Midtown plaza. Multiplying the additional mileage by the total number of bus trips, the consultant calculated that it would cost the Authority about $200,000 more annually. Conversely, the study indicated that the Main Street/Clinton Avenue site would not require such additional mileage.

- In 2002, the Genesee Transportation Council prepared a revitalization study for the Rochester Amtrak Station that recommended construction of a new station west of the current one, which is bounded by Clinton Avenue on the west, Joseph Avenue on the east and Central Avenue on the south. The recommendation was based on the assumption that the proposed location for the downtown transit center would remain the same and that the proposed project would not include the Amtrak Station.

We asked Authority officials to document the rejection of these proposed sites, or the decision not to consider them. They stated that no such documentation existed, but asserted that the sites were not suitable for one reason or another. For example, they concluded the Amtrak station was not suitable because of the large volume of passengers (approximately 150,000) who board or exit buses every week on Main Street. On the other hand, they noted, the Amtrak station, which is a few blocks north of Main Street, handles just about 2,000 people per week. They also recalled that the City of Rochester's planning officials had suggested that they consider the Main Street/Clinton Avenue site, where they decided to focus their attention because it was large enough.

In December 2000, the Chairman of the Authority's Board and the Chief Executive signed a Memorandum of Understanding with the Mayor of the City of Rochester, the President of the Rochester City Council, the Monroe County Executive, and the President of the Monroe County Legislature. This agreement was significant because it not only set the location for the transit center at Main Street and Clinton Avenue, it also called for the bus staging area to be underground, dramatically increasing the scope of the project from the canopy style originally envisioned. Authority officials told us that City officials wanted to move the bus staging area underground so future residential development would not be discouraged in the area. Authority officials could not provide us with evidence that the Board had approved the signing of the MOU with these new provisions. They told us that, although the Board was not required to formally approve the MOU, Board members were aware of it because they had approved the hiring of an architect in March 2001 to develop designs for an underground facility at the Main Street/Clinton Avenue site.

Canopy Style to Underground

The officials who signed the MOU agreed that they would move forward on the construction of a major downtown redevelopment project in the area of Main Street and Clinton Avenue, and that the construction would include a downtown transit center, office space, commercial space, and housing. Although the signers also agreed that the proposed design would allow the buses to move underground, the cost of constructing an underground terminal had not been studied before the MOU was signed. In early 2000, a consulting firm for this project had estimated that it would cost $32.8 million to construct a modest above-ground canopy-style transit center at Main Street and Clinton Avenue, but in April 2002, the same consultant estimated that it would cost $58.4 million -- a 78-percent increase -- to construct an underground bus staging area. The Authority and the State could be responsible for sharing 20 percent of this cost increase, or $5.12 million in total.

Commercial Space and Residential Housing

The MOU provided that the downtown redevelopment project would include the construction of a downtown transit center, office space, commercial space, and housing. The Authority's concept is to obtain a developer for the transit project. The developer would design, build, and manage the non-transit, private sector components of the project; and might build and manage the transit center as well. We found that the plan to include commercial space and residential housing in this project was not based on a needs analysis.

At the time of our audit, the private development conceptual plan called for constructing a 15- to 20-story office building with Class A office space, but our audit shows that there is currently no demand for additional Class A office space in downtown Rochester. We contacted the Rochester Downtown Development Corporation (RDDC), an independent organization funded by local businesses that makes an annual survey of downtown Rochester office space. The following table shows the results of the latest RDDC survey for 2002 (excluding non-classified space):

Class	Number of Buildings	Total Square Feet	Vacant Square Feet	Percent Vacant	Change from 2001 to 2002
A*	11	2,554,390	435,470	17.0%	+8.5%
A/R**	8	679,057	374,556	55.2%	+23.4%
B***	63	4,561,745	1,220,984	26.8%	+2.8%
Total	82	7,795,192	2,031,010	26.1%	+6.6%

Notes:

* *Class A buildings are the most prestigious buildings competing for premier office users with rents well above-average for the area.*

** *Class A/R buildings have been rehabilitated substantially and are considered to be the most prestigious. They compete for premier office users who pay rents that are above-average for the area.*

*** *Class B buildings are above average property. Their design and finish does not reflect current standards and preferences. They command average rental rates.*

Sources: Rochester Downtown Development Corporation and Bridger Commercial Funding

As indicated by the table, 17 percent of the Class A office space in downtown Rochester was vacant in 2002, an increase of 8.5 percent over the previous year. We were not able to obtain a comprehensive study of the demand for and availability of retail space in downtown Rochester.

While a strong demand for office space evidently does not exist in downtown Rochester, there may be a demand for residential housing. RDDC also conducts annual surveys of the vacancy rate for such housing. In this case, the vacancy rate was relatively low, ranging from 1.2 percent to 5.1 percent for studio apartments and one- to three-bedroom apartments and lofts. RDDC information also shows that several housing development projects are under construction or have been proposed. For example, some of the vacant space at the Temple office building is being converted to residential housing, and 125 units are proposed at Corn Hill Landing. An official of RDDC advised us that Rochester is experiencing a growing trend or desire for the urban life-style.

Financial Analysis

The Authority has not developed a financial analysis for the transit center that includes alternative operating-cost scenarios. If and when the transit center is built, the Authority will be faced with the burden of paying the costs to operate it. The architect for the transit center project prepared an operating revenue/expense analysis based on the current assumptions related to the private development, that showed the annual operating deficit for the transit center could be $520,000. This analysis is discussed in greater detail later in this report. However, the operating analysis did not include alternative operating scenarios, such as one in which just half of the office space is rented, or the rents are less than expected market rates, or no private developers are willing to build an office building, or a private developer is obtained years after the transit center is already built. Authority officials told us they realize that they need to develop additional financial analyses, including various scenarios, and that they are beginning to prepare them.

Although the Authority has not yet selected a private developer, it is still planning to buy all of the land needed to complete its full multi-purpose vision for the project and to lease the land to private developers. The lease income is expected to help the Authority offset some of the operating costs of the transit center. In 2002, the Authority purchased advertising in a local paper to advertise for a developer and sent a request for qualifications to 119 property developers to determine the interest in a proposed public/private partnership to construct the mixed-use transit center project. Initially, seven developers responded to the advertisement, but three of these subsequently removed themselves from consideration. In April 2003, the Authority met with each of the remaining four developers to discuss the project with the expectation that a request for proposal (RFP) would be issued after the meetings to developers who appeared to be qualified and acceptable as partners. However, an Authority official told us the RFP was not issued because the developers wanted incentives such as property tax relief. The Authority is currently seeking an "Empire Zone" designation for the project area that would provide financial incentives to a developer. Pending that designation, the Authority postponed preparing the RFP and has not indicated when it would be prepared and sent.

We were advised that, if all of the necessary funding is secured, the Authority might start construction of the transit center and that any private development might be undertaken at a later date. At the time of our audit, Authority officials told us that, although their conceptual plan calls for high-rise office space, the private developer that is selected might want to pursue a different commercial use, such as a hotel. They also told us that a portion of the transit center would be built underground, regardless of what the private developer proposes, because they do not want to discourage future development in the area. We believe that a financial analysis with alternative operating scenarios is needed, considering that a private developer has still not been selected and the type and timing of the private development is still unknown.

In summary, the transit center project has started from a conceptual strategic plan stipulating that funds would be sought to fulfill the present plan for construction of a large-scope, multi-use group of buildings in the Main Street/Clinton Avenue area. However, we found a lack of documentation or studies that would support some of the Authority's business decisions as the program evolved and the scope became more defined. Such documentation would present clear evidence that the project is needed to retain or increase ridership or to provide needed service enhancements other than a heated waiting area, and that the site selected is the most appropriate choice to fill the long-range mobility needs of the area, including train travel. We also found that the Authority, is pursuing a private developer because its ownership of the proposed site will secure an income stream from the private development that can help offset the Authority's annual operating costs. However, a private developer has not yet been selected and commercial development at this location is now questionable.

Recommendations

1. Undertake the planning of future transit projects by conducting appropriate studies and analysis and making decisions within a responsible time frame. Document and support all major decisions.

   (Authority officials agreed with the recommendation.)

2. Involve all signers of the MOU -- including City, County, and GTC officials -- in a re-evaluation of the decision to be involved in a mixed-use project at the Main Street/Clinton Avenue site. Consider other locations that could accommodate a single inter-modal facility without having a negative effect on inter-city bus operations.

Recommendations (Cont'd.)

(In response to our draft report, Authority officials indicated that the site location decision was made in conjunction with all signers of the MOU. They added that the inter-city bus service provider that will use the transit center also supports the location. As a result, Authority officials indicate that the Main/Clinton site best meets all operating requirements of RTS.)

Auditor's Comments: As our audit points out, reasons for rejecting sites or not considering them were not documented. Consequently, it is not clear that an appropriate evaluation was made for the site selection. Furthermore, in January 2004, a report on the feasibility of a different project with a Performing Arts Center and a new campus for Monroe Community College was issued. Such new initiatives add emphasis to our recommendations to improve capital planning processes and to document important decisions for major capital projects.

3. Document the Board of Commissioners' involvement in the decision-making process for the transit center. Ensure that the Board formally approves, by resolution, all major program changes.

(In response to our draft audit report, Authority officials agreed to comply with the recommendation. However, they do not accept that the Authority's Board of Commissioners did not approve key project decisions such as the need for the project, site objections, and the design of an underground facility. They refer to a March 2001 resolution of the Board authorizing the contract with a design team headed by Wallace Floyd as evidence that the Board approved all of these key project decisions.)

Auditor's Comment: We note, as we did in our report, that the MOU signed in December 2000, included that the transit center would have an underground bus staging area with a ground-level passenger waiting area. There was no evidence of Board approval of this MOU. This preceded the Board resolution of March 2001.

ANNUAL OPERATING REVENUES AND EXPENSES

The Authority's plan is to build the Rochester Central Station as a public/private partnership that will generate revenues from commercial and residential leases, offsetting some of the costs of operating the transit center. In May 2002, the architect for the transit center project issued a technical report that included an analysis of the projected revenues and costs the Authority can expect annually to operate the center. The analysis showed that the Authority's annual operating costs could total $1,370,000, while its operating revenues (including the lease income) might total $850,000, leaving an annual operating deficit of $520,000, as shown in the following table:

Revenue		
Joint Development Revenue	$405,000	
Support Retail	115,000	
Residential Land Lease	100,000	
Greyhound/Trailways	100,000	
Advertising	100,000	
Midtown Savings	30,000	
Total Revenue		$850,000
Costs		
Administration/Management	$370,000	
Utilities	340,000	
Maintenance/Repairs	230,000	
Security	150,000	
Janitorial	140,000	
Insurance	140,000	
Total Operating Costs		1,370,000
Annual Operating Deficit		($520,000)

When we reviewed the assumptions in this analysis, we concluded that many revenue factors are based on unpredictable market conditions. We also found a lack of detailed documentation for some of the estimated costs and revenues. As a result, the Authority's operating deficit might be, and probably would be, higher than the $520,000 figure projected in the analysis. At the time of our audit, Authority officials explained that the analysis was based on assumptions related to the current conceptual plan and that they have recently begun to prepare additional analyses based on alternative plans. However, until a private developer has been selected and the type of commercial use has been defined, such analyses will still be subject to additional modification.

Joint Development Revenue

We question the method used to calculate the projection of $405,000 in joint development revenue. According to the cost analysis, the private developer would have a total project cost of $70.5 million and would be able to sell the 100 residential units for $150,000 each, generating a gross return of $15 million. Thus, the developer's net capital investment would total just $55.5 million. This analysis assumes that the developer would be able to sell all of the properties promptly, an assumption that might prove risky. Depending on the real estate market at the time, some of the units might not be sold right away or sold at the anticipated price.

The analysis also shows that the private developer would expect an 11-percent return on an investment of $6,105,000 per year ($55.5 million x 11 percent). To obtain this figure, the net operating income from the office and retail space rents would have to total $6,510,000 per year, leaving a surplus of $405,000 that would be available to the Authority to help offset the cost of operating the transit center. This rental calculation is based on the assumptions that all of the available office space (300,000 square feet) and retail space (70,000 square feet) would be rented for $9,110,000 a year and would be occupied continually; and that the developer would have operating costs totaling $2.6 million a year. It also assumes that the private developer or property manager would rent office space at $25 per square foot and retail space for $23 per square foot.

The Rochester Downtown Development Corporation conducts annual surveys of office space and residential housing space in downtown Rochester. According to its latest office space survey for May 2002, rents for 11 Class A office buildings in that neighborhood ranged from $16 to $25 per square foot. The assumption that the developer would always be able to obtain $25 per square foot for the project's office space might not be viable, considering the other vacant Class A space in the area.

We also question another component of the method used to calculate the joint development revenue. At the time of our audit, Authority officials told us they plan to buy the land and then lease it. However, the analysis states that, in exchange for the use of the revenue-generating space, the private developer will pay the Authority, "from available net cash flow," the fair market value in the form of either land leases and/or air rights purchases. Occupancy can fluctuate. We calculated that, if the vacancy rate at the planned office tower and retail space were as low as 4.4 percent -- well below the current 17-percent vacancy rate for Class A office space in the area -- there would be no lease revenue at all for the Authority, even though it is counting on receiving $405,000 a year from such leases. The Authority would assume a great deal of financial risk if it entered into such an arrangement.

Transit Center Retail Rents

The Authority plans to make available some retail space on the main concourse of the transit center for services such as a bakery/coffee/doughnut shop, a convenience store, fast food stores, specialty sales kiosks, and vending machines. The Authority expects to earn $115,000 per year from these rentals, based on the square footage times the average square footage rent for the area. Actual retail rent would vary, depending on the type of tenant and its location within the space. We noted that other recent upstate transit projects in New York State (e.g., the Central New York Regional Transportation Authority and the Capital District Transportation Authority) did not find it easy to attract similar businesses and did not obtain the rental income they had anticipated.

Residential Land Lease

The Authority's analysis expects the private residential developer to pay $100,000 a year for air rights over the site reserved for housing. However, this revenue source is questionable because the analysis does not make it clear who can or will pay for these residential air rights after the 100 residential units are sold.

Greyhound/Trailways

The Authority currently leases space for its Park-and-Ride buses on Broad Street, adjacent to the Midtown Plaza in downtown Rochester. Part of this facility is sub-let to Greyhound/Trailways, which paid the Authority about $82,300 in leasing fees for the fiscal year that ended on March 31, 2002. According to its revenue/cost analysis for the transit center projects, the Authority expects that Greyhound/Trailways will move to the new transit center after it is built and pay the Authority $100,000 a year in rent for the space it occupies. The Authority has already paid the design cost of incorporating the private carriers' needs into its facility including four below-grade bus bays, a separate and enclosed waiting area, and queuing space for Greyhound/Trailways patrons at the below-grade boarding level. The design also includes separate elevators, escalators, and stairs that would connect the Greyhound/Trailways waiting space with the upper-concourse patron areas.

The Authority has tried to obtain a commitment from the lessee to lease a certain number of underground bus transfer spaces for a rate and terms to be agreed upon. However, Greyhound/Trailways officials have not signed the agreement because it may be several years before the transit center project comes to fruition. Thus, there is no assurance that Greyhound/Trailways will move to the new transit center.

Mileage Costs

Although the Authority's original cost estimates, as well as this analysis, suggest that the Main Street/Clinton Avenue site would not generate additional bus mileage costs, we disagree. We believe that many of the buses would "loop," or make a complete circle through the underground transit center area and back out to the street. All of the buses going downtown would enter the transit center from Clinton Avenue and exit onto St. Paul Street. For example, a bus traveling north on Clinton Avenue would enter the transit center from Clinton Avenue, pass through the transit center, exit onto Saint Paul Street heading south, turn east on Main Street, and again turn north on Clinton Avenue. Buses headed east on Main Street and south on St. Paul Street would also follow a looping pattern. The analysis includes no estimates of additional fuel and bus maintenance costs that would result from the looping arrangement. An earlier evaluation of the Midtown Plaza site estimated that such a figure could exceed

$200,000 annually at that location. The analysis anticipates an increase in bus ridership, but the summary of anticipated income and expenses does not include a factor for increased ridership. Ridership might even decline if completing the loop into and out of the transit center takes bus riders longer to complete their trips.

Other Revenue and Costs

We asked the Authority to provide us with documentation for the methods used to calculate advertising revenue and the administrative/management and insurance costs presented in the analysis, but received none.

Recommendations

4. Re-examine the estimates calculated for annual operating revenues and costs for the transit center. Do not plan to rely on occupancy-based lease revenue to fund operating expenses.

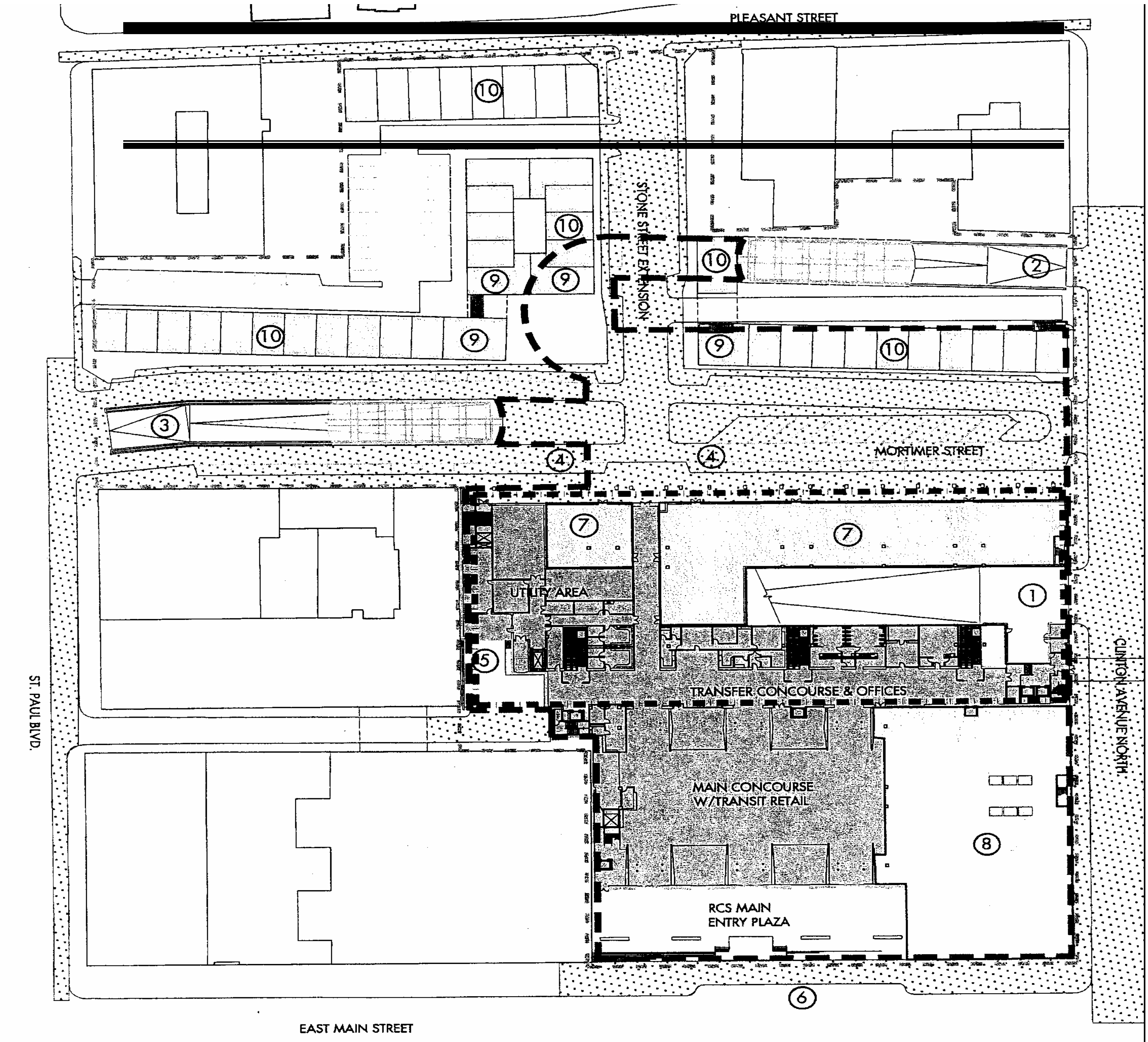
   (Authority officials agreed with the recommendation.)

5. Report to the Board all costs related to the transit center project, including those paid from operating funds.

   (In response to our draft report, Authority officials indicated that the Board of Commissioners receives a budget status report each month. Officials stated that they will add information on the operating expenses incurred to future reports.

   The response of the Authority is correct regarding the use of non-federally derived operating funds for lobbying. Recommendation 5 was edited to reflect the correction.)

Exhibit A



Legend:

1. Parking garage entry and exit	6. Taxi stand
2. Bus ramp entry	7. Potential joint development retail w/garage above
3. Bus ramp exit	8. Potential joint development retail w/office above
4. Shuttle parking (Amtrak, airport)	9. Potential joint development retail w/housing above
5. RGRTA's loading/delivery	10. Potential joint development housing

MAJOR CONTRIBUTORS TO THIS REPORT

Carmen Maldonado

Gerald Tysiak

Roger Mazula

Kenneth Ring

Wayne Bolton

Bruce Brimmer

Jennifer Paperman

Marticia Madory

ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY
1372 East Main Street • Rochester, New York 14609
Phone 585/654-0200 • Fax 585/654-0293 • www.rgrta.com

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Frank Vitagliano, Jr.

Chief Executive Officer
Donald J. Riley

January 21, 2004

Ms. Carmen Maldonado
Audit Director
NYS Office of the State Comptroller
110 State Street
Albany, New York 12236

Re: Draft Report 2003-S-34
Capital Planning Practices – Rochester Central Station

Dear Ms. Maldonado:

This letter is provided in response to the recommendations contained in the above referenced report.

A. Audit recommendations regarding documentation to support project decisions

1. Undertake the planning of future transit projects by conducting appropriate studies and analysis and making decisions within a reasonable time frame. Document and support all major decisions.

   Response – Management agrees that sound planning for transit projects requires that appropriate studies and analyses be conducted in order to provide adequate information to and review by the Board of Commissioners before key project decisions are made.

2. Involve all signers of the MOU – including City, County, and GTC officials – in a re-evaluation of the decision to be involved in a mixed use project at the Main Street/Clinton Avenue site. Consider other locations that could accommodate a single inter-modal facility without having a negative effect on inter-city bus operations.

   Response – As previously stated in discussions with and written communication to State Auditors, the Transit Center site location decision was made in conjunction with City of Rochester and Monroe County officials. In addition, this site has been strongly supported by the intercity bus service provider, Trailways Inc. Trailways officials have participated in various project planning meetings to provide information regarding their specific needs for bus bays, customer service, and administration.

It is the reasoned opinion of Authority officials that the Main/Clinton site best meets all operating requirements of RTS to minimize logistical changes from the current passenger transfer process that now occurs on the streets and sidewalks of Main Street.

3. Document the Board of Commissioner's involvement in the decision making process for the transit center. Ensure that the Board formally approves, by resolution, all major program changes.

   Response – Management agrees and will comply with the recommendation. However, strong exception is taken with the audit finding that the Authority's Board of Commissioners did not approve key project decisions, such as the need for the project, site selection, and the design of an underground facility. On the contrary, the March 2001 resolution of the Board which authorized the contract with the design team headed by Wallace Floyd, inherently encompassed and confirmed all of these key project decisions. The RFP for selection of a design team clearly identified the proposed project site and described the Authority's desire to construct an underground facility. In addition, the procurement process for selection of the design team included in depth interviews and presentations by the three finalist design teams. All Board members were invited to attend these final interviews and several Board members did attend them. During these sessions, each finalist team presented their understanding of the project scope, site, expertise, and capability for design of a mixed use project with underground transit facilities.

B. Audit recommendations regarding annual operating expenses and revenues.

1. Re-examine the estimates calculated for annual operating revenues and costs for the Transit Center. Do not plan to rely on occupancy based lease revenue to fund operating expenses.

   Response – Management agrees that projections of annual operating expenses and revenues must be continually reviewed and modified or refined as necessary to reflect the latest available information on factors affecting operating expenses and revenues. The Board of Commissioners should regularly receive updates of these projections.

2. Report to the Board all costs related to the Transit Center project, including those paid from operating funds. Do not use operating funds for lobbying.

Response – Each month, management submits a budget status report to the Board of Commissioners covering the Transit Center capital project. This practice will be continued and the report will be supplemented to include operating expenses incurred in support of the project.

Management is not aware of any statutory or regulatory prohibition of the use of Authority non-federally derived operating funds for lobbying efforts to promote the interests of the Authority. It is respectfully requested that State Auditors provide a citation of law or regulations in support of their directive against the use of operating funds for lobbying purposes. The Authority's management will, of course, comply with applicable laws or regulations.

* Note

We appreciate the constructive criticisms provided in the Audit report and also the courteous and professional conduct of the auditors throughout the audit process.

Sincerely,

Robert W. Frye, CFO

/grc

c: Donald Riley
William Nojay
Mark Aesch
David Cook

*State Comptroller's Note: We have edited Recommendation 5 to delete the reference to the use of operating funds for lobbying.