
**Authority Budget Office
Review Report
Syracuse Urban Renewal Agency
September 23, 2009**



The Authority Budget Office (ABO) is authorized by Section 27 of Chapter 766 of the Laws of 2005 (The Public Authorities Accountability Act) to review and analyze the operations, practices and reports of public authorities, and to assess compliance with various provisions of Public Authorities Law and other relevant State statutes. This includes rendering conclusions and opinions regarding the performance of public authorities and to assist these authorities improve management practices and the procedures by which their activities and financial practices are disclosed to the public.

The Authority Budget Office (ABO) is conducting a series of compliance reviews of public authorities that have not filed required reports with the State for 2007 and 2008. The Syracuse Urban Renewal Agency (URA) was chosen for this review because it has not filed its Budget, Annual, Audit, Procurement, or Investment Reports.

The purpose of this review was to determine why the URA is delinquent with its reports. We also reviewed its structure and operations to determine whether the URA acts in other ways to promote accountability and transparency in the absence of filing its reports.

Background of Agency

The Syracuse URA was authorized by Article 15-B, Title 1, of General Municipal Law. The URA Board is comprised of the Mayor, President of the Common Council and the Commissioner of Finance for the City of Syracuse. As a public benefit corporation, the URA is a governmental agency separate and distinct from the City. We found, however, that the URA primarily operates as an extension of City government. The URA is treated as a component unit of the City, with city employees performing most of the URA's administrative functions. The Commissioner of Finance oversees its finances and the Commissioner of Community Development is responsible for URA administration. The URA does not reimburse the City for these costs.

It appears that the primary purpose of the URA is to staff various City departments and to serve as a pass-through for certain grants and loans. The URA owns 15 properties, including a building that generates annual rental income of \$7,800. As of June 30, 2009 the URA had over \$2 million in cash and investments, almost all of which are pass-through funds for community

development entities. The URA also had approximately \$430,000 in outstanding loans. The URA does not adopt its own budget and has no debt.

Failure to Submit Reports

We met with the Commissioner of Finance, the Commissioner of Community Development, and the Assistant Corporation Counsel. Although the ABO had previously notified the URA that it was subject to the Public Authorities Accountability Act, continued to provide regular notice to the Commissioner of Community Development that the URA was required to file statutorily required reports, and notified the URA that its reports were delinquent, City officials claimed that the Commissioner did not adequately communicate this information to the URA Board. City officials explained that prior to 2006 the URA annually reported its financial information to the Office of the State Comptroller (OSC) as required by General Municipal Law. However, with the passage of the Act the URA was defined as a public authority, subject to separate compliance and reporting requirements. The URA was aware of this, and took some actions to comply with the Act, such as attending training and establishing a web site. However, it has ignored the requirement to file and make public information on its finances, employee compensation, property transactions, procurement practices, and investments. Although we discussed with representatives of the URA the need to submit these reports, it has not taken any steps to enter information in the Public Authority Reporting and Information System (PARIS) as of the date of this report. Accordingly, we have no assurance that the URA will provide this information, as required by the Act.

Accountability and Transparency Actions

We found that the URA Board lacks independence and transparency. Although its by-laws require the Board to meet monthly, it convenes only when the City requests that it take up certain matters, primarily approving the disbursement of grant funds. In addition, while these meetings are open to the public, the URA does not make the meeting notices and Board meeting minutes available on its web site. Following our review, City officials indicated that the URA will post all meeting notices and Board meeting minutes on the URA web site.

It appears that the URA Board does not exercise independence and its fiduciary duties, but follows the City's direction regarding which organizations are to receive financial assistance. For example, the URA awards funds to neighborhood groups for housing and neighborhood redevelopment projects. These recipients are identified by the City's Department of Economic Development. The Board does not conduct its own independent assessment of the project or the recipient, relying instead on the City's recommendations. Further, we found an instance where the URA provided a letter of credit to a bank, upon the request of a local nursing home, requiring a third party guarantee. City officials told us that this was done because the City could not provide this

form of support to the entity. There was no indication that the URA Board reviewed the feasibility of this transaction or the financial viability of the nursing home prior to providing the letter of credit. The nursing home encountered financial difficulties, and the URA had to pay over \$265,000 in 2008 as a final settlement for the letter of credit.

In addition, it appears that the properties owned by the URA are treated as assets of the City. For example, the URA receives \$7,800 in annual rent from one of its properties. This rental income is not deposited in an URA account, but is deposited in a City account. The URA also owns a parking lot in downtown Syracuse, but the URA does not receive any of its parking revenue. It also appears that the URA does not manage or maintain three other parcels it owns, including a city playground, with basketball courts and a ball field, since the URA budgets no funds for such purposes. City officials indicated that since the City pays expenses associated with many of the properties held by the URA, income received from these properties is assigned to the City by the URA. There are no formal agreements between the City and the URA documenting this arrangement, but as a result of our review, City officials indicated that formal agreements will now be prepared.

We also noted that one metered parking lot, owned by the URA with a total value of \$3,170, was apparently disposed of within the last year. This transaction was not discussed or documented in Board minutes. City officials indicated that the URA disposed of this lot pursuant to a court order. However, there was no mention of this court order or a discussion of the disposition in any of the Board meeting minutes. We also found that the URA does not take any steps to market its remaining properties, and noted that the available properties are not listed on the URA's public web site. City officials attribute the URA's lack of marketing to the undesirable nature of the majority of these properties. Without providing notice that properties are available, the URA has no basis for determining the potential market value of the properties. In response to our review, City officials indicated that the URA would present a current list of properties on its public web site.

City officials believe that the URA cannot effectively comply with provisions of the Act because the URA's enabling legislation requires City representation on the URA Board. The URA is designed to be controlled by the chief executive of the City for the benefit of the City of Syracuse. As a public benefit corporation, however, the URA is not intended to be a government department. As a result, it is the responsibility of URA Board members to separate the operations of City government from the operations of the URA, and to adhere to the fiduciary and reporting requirements of the Act.

More significantly, however, it appears that the City uses the URA as a means to provide staff to the City. The URA has 120 employees on its payroll, but none are assigned to work for the URA. Instead, these individuals work in various City

departments. Most are employees of the Department of Community Development, while some are assigned to other departments, including the Personnel Department and the Mayor's Office. In addition, individuals have been hired by the URA to work for two local development corporations established by the City. City officials told us that it is customary for the City to designate positions, which are then created by the URA. Community Development Block Grants and other funds of the City are used to fund these positions. These funds are used to reimburse the URA for the related payroll costs, since the personnel are effectively employed by city government.

However, we are concerned that this staffing arrangement between the City and the URA is inconsistent with a legal opinion issued in 1978 by the Office of the State Comptroller (78-294-A). This opinion held that employees of an urban renewal agency may not be utilized to perform work for municipal departments, even if those services are reimbursed by the municipality. Based on the ABO's understanding, this opinion would prohibit URA staff from performing work for the various City departments. We recommend that this arrangement be reviewed by the City's Counsel, in light of the State Comptroller's opinion.

Based on our review of the URA's operations, we believe that these instances compromise the independence of the URA. Given that the URA functions as an extension of City government, and that certain of its policies may be inconsistent with State Comptroller opinions, we suggested that the City reconsider the need for the URA, and consider initiating the steps necessary to legally dissolve the URA. City officials responded that the URA is an important element of the City's urban renewal strategy. They pointed out that the URA can condemn an area and provide residential improvement loans, both of which are considered viable options to the City to reduce blight. In addition, City officials stated that the URA may be used to address land use issues likely to result from future changes to the highway infrastructure in the area.

If the City intends to preserve the URA as an active urban renewal resource, the URA Board is obligated to conduct URA business in accordance with the requirements of State law.