



Niagara Frontier Transportation Authority
Serving the Niagara Region

181 Ellicott Street
Buffalo, New York 14203
www.nfta.com

Howard A. Zemsky

Chairman
716-855-7230
Fax: 716-855-6655
E-mail: howard_zemsky@nfta.com

June 3, 2014

The Honorable Andrew M. Cuomo
Governor
State of New York
New York State State Capitol Building
Albany, New York 12224

The Honorable Thomas P. DiNapoli ✓
Comptroller
State of New York
110 State Street
Albany, New York 12236

The Honorable Dean G. Skelos
Temporary President and Majority Coalition Leader
New York State Senate
Legislative Office Building
Room 909
Albany, New York 12247

The Honorable Sheldon Silver
Speaker
New York State Assembly
Legislative Office Building
Room 932
Albany, New York 12248

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EXECUTIVE CORRESPONDENCE

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OFFICE OF THE STATE COMPTROLLER
THOMAS P. DINAPOLI
COMPTROLLER

The Honorable John A. DeFrancisco
Chair
New York Senate Finance Committee
416 Capitol
Albany, New York 12247

The Honorable Herman D. Farrell, Jr.
Chair
New York State Assembly Ways and Means Committee
Legislative Office Building
Room 923
Albany, New York 12248

Re: March 2014 Real Estate Portfolio Audit

Gentlemen:

This letter constitutes the Niagara Frontier Transportation Authority's ("NFTA") report on the audit of the NFTA's Real Estate Portfolio. We appreciate the time invested in preparing the audit and the effort to ensure that the NFTA is in compliance with the law and is managing governmental resources effectively and efficiently on the part of the Office of the State Comptroller. Our response to the audit is set forth below.

Property Accountability and Valuation

1. Include all owned properties in annual property reports prepared under the Public Authorities Law as required. Audit the completeness and accuracy of annual property reports before they are published.

As set forth in the NFTA's August 31, 2012 response to the preliminary audit finding, the NFTA has revised its property list to include references to all real property owned by either street address and/or SBL number. The list

is audited annually to ensure that recent acquisitions/dispositions are included.

2. Periodically estimate current values of all property holdings.

Our Risk Management Department does maintain a list of property values for the purpose of obtaining property insurance. This list was provided to the Office of the State Comptroller two years ago at the time of the initial audit.

Review of Property Holdings for Disposal

3. Ensure that the new process for reviewing real estate holdings to identify properties for potential disposal is implemented with necessary user training and is complied with.

The NFTA has, as set forth in our letter of August 31, 2012, instituted a formal annual property inventory review, which includes an assessment of whether each property is needed and in use, being held for potential future use, or is not needed and can be disposed of through sale or lease. The inventory review process has been incorporated into our Guidelines for Acquisitions and Dispositions of Real Property. All of the Property Management staff have received training on the review process. It is audited on an annual basis.

4. Dispose of right-of-way properties with low development potential, and those not addressed by the 2010 Assessment, as soon as possible unless their future need can be clearly demonstrated.

As noted in the NFTA's response to the preliminary audit finding dated September 11, 2012, the NFTA is specifically authorized by law to hold real property for future transportation purposes. Sections 1299-e (7), 1299-g (5) and 1299-r of the Public Authorities Law. Real property in

the form of abandoned railroad right-of-ways was purchased by the NFTA to preserve land necessary to develop and complete a comprehensive region transit network. The original 1971 Transit Development Program (TDP) provided a detailed "blueprint" for future transit development in the Niagara Frontier Region. This blueprint was reaffirmed in the 1989 TDP Update and the 2010 NFTA Strategic Assessment also identified and rated potential corridors for rail expansion. In our efforts to control and maintain right-of-ways we are protecting our ability to complete the region's transit and transportation system.

Rail passenger transportation expansion has also been a component of the region's Long Range Plan and an element of the NFTA's planning process since the completion of the current rail line in 1986. New rail passenger transportation projects are extremely costly. In our efforts to minimize potential project costs, community disruption and dislocation associated with construction of rail extensions or other dedicated alignment transit improvements the NFTA has developed a full consideration of strategies that utilize existing rights-of-way. The use of existing rights-of-way will save taxpayers hundreds of millions of dollars and represents an opportunity to use corridors originally developed for transportation thereby avoiding problems associated with a major public transportation construction project.

The NFTA respectfully disagrees with the audit recommendation and will continue to hold right-of-way properties for future transportation uses.


Property Rental Fees

5. Establish formal procedures that define the specific steps for setting lease and license rates for the use of Authority property. Include provisions for documenting the basis for rate selection and evaluating whether rates remain fair and equitable throughout long-term agreements.

The NFTA will continue to ensure that it obtains fair market value for all leases and licenses.

If you have any questions, please do not hesitate to contact me or any member of my staff.

Very truly yours,



Howard A. Zemsky
Chairman

cc: Ms. Carmen Maldonado
Audit Director
Office of the State Comptroller