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**DEPARTMENT OF  
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CITY OF YONKERS**

**TO:** Mike Spano, Mayor  
Chuck Lesnick, City Council President  
All City Council Members

**CC:** William Regan, Yonkers Parking Authority Chairman  
Lisa Mrijaj, Yonkers Parking Authority Executive Director

**FROM:** Dan Schorr, Inspector General *DS*

**SUBJECT:** Projected Savings from Consolidating the Yonkers Parking Authority into the City Government

**DATE:** April 17, 2012

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This report is issued in response to a letter from four City Council members asking the Inspector General to “determine whether the City will save money with the absorption of the YPA [Yonkers Parking Authority] into an existing City agency.”

**Summary of Findings**

An analysis of YPA finances reveals that consolidation with the City would lead to significant cost savings for the City of Yonkers. Combining the YPA with existing City departments would conservatively save approximately \$660,000 per year, or \$2,640,000 over the course of a four-year financial plan. In addition, the City would receive a one-time cash influx of approximately \$1,100,000 from the YPA investment account, although YPA leadership reports that approximately half of these funds are already committed to be used for capital improvements. Even before consolidation is completed, the City should take steps to eliminate the practice of using taxpayer funds to reimburse annual YPA deficits for the operation of the Buena Vista parking facility (Buena Vista). We recommend either merging the operation of the facility into City departments or putting the garage operation out for competitive bid in order to determine if an outside vendor can operate and maintain Buena Vista in a more cost-effective manner.

## **Background**

The YPA was established in 1964 and is governed by a Master Service Agreement with the City which was adopted that year and subsequently amended. A majority of the City Council directed the Inspector General in a letter to assess potential cost savings with the consolidation of the YPA into the City government. The objectives of our review were to:

1. Review the annual YPA budget projections and its actual financial statements
2. Determine whether consolidation would result in cost savings through the elimination of duplicative functions and other inefficiencies
3. Project specific cost savings from consolidation
4. Propose solutions to reduce and/or eliminate the annual taxpayer-reimbursed deficits from the YPA operation of Buena Vista

We reviewed all relevant documents, including the 1964 Master Agreement, amendments to the Agreement, recent YPA operating budgets, and the latest YPA audited financial statements. We prepared Excel schedules to analyze YPA revenues, expenditures, and other pertinent financial data in order to project potential cost savings from consolidation. This report addresses the financial implications of consolidation and not the legal process of combining the YPA with the City government. Further study would also be needed by the City Law, Human Resources, and Finance Departments regarding the legal and financial issues involved with merging current YPA employees into City unions.

## **Discussion**

### **Current YPA Finances**

The YPA's fiscal year runs with the calendar year, from January to December. For its projected 2012 budget, the YPA reported a total break-even budget of \$5,330,956 for expenses and total revenue, which included a reimbursement of \$270,402 from the City for the projected Buena Vista deficit and \$69,200 from the YPA cash reserve account. The YPA projected \$4,105,474 in personnel costs, comprised of \$2,561,376 for salaries of thirty-seven full-time employees and \$1,544,098 for benefits. Seven positions are administrative, thirteen are maintenance, ten are security, four are meter repair, and three are parking collection.

Over the past three years of operation, based on public YPA records available on its web site for actual years 2009 and 2010, as well as projected year 2011 (the latest available), the YPA generated a total three-year surplus of approximately \$1,500,000. During the same time period, the City remitted to the YPA approximately \$880,000 in taxpayer funds as reimbursement for reported deficits related to the operation of Buena Vista, based on a 2003 Operating Agreement between the City and the YPA.

At the end of 2010, the YPA had a bonded debt balance of \$2,285,000, which is currently scheduled to be paid by 2024. Before the YPA could be consolidated, the City would have to satisfy this debt, most likely through its own bond issue. Furthermore, as noted in the YPA financial statements, in 2011 the YPA "obtained a loan from the City of Yonkers in the amount of \$600,000" to be "repaid over a fifteen year period" to cover costs associated with an eminent domain suit related to

its property at 310 Saw Mill River Road. The Inspector General published a detailed report regarding this issue in July 2010 that is available on the City web site.

The YPA also maintains an investment account, with the most recent available records showing a balance of \$1,159,589 as of December 31, 2010.

### **Cost Savings with Consolidation**

An analysis of YPA finances reveals that there would be significant annual budget savings for the City and Yonkers taxpayers if the YPA were to be consolidated into the City government, without diminishing the parking program. We conservatively estimate that over the course of four years, the City would realize a total savings of approximately \$2,640,000, in addition to receiving a one-time cash influx of approximately \$1,100,000 from the YPA investment account. However, YPA leadership reports that approximately half of the investment account funds are already committed in the 2012 capital budget for projected capital improvements.

These figures are not based on an evaluation of YPA performance. Rather, savings are generated from the elimination of duplicative functions and unnecessary expenses once consolidation is completed. The YPA could be consolidated into City departments such as Finance, Parks, Parking Violations, Public Works, and Human Resources, which would lead to annual cost savings.

We project that at least four of the thirty-seven positions could be eliminated through consolidation, with a total annual savings in salaries and benefits of approximately \$460,000. The City should evaluate how the remaining YPA positions would become part of the City and determine if there could be additional personnel reductions to offset potential increased salaries and termination costs as YPA employees join City unions.

Furthermore, once the YPA is consolidated with the City, we believe there will be additional savings in operating expenses, saving the City approximately \$200,000 per year. Thus, by saving approximately \$460,000 per year in personnel costs and approximately \$200,000 per year in operational expenses, the City would realize a total savings over four years of about \$2,640,000.

Additionally, the City would receive approximately \$1,100,000 from the YPA investment account, although YPA leadership states that approximately half of these funds are already committed in the 2012 capital budget for projected capital improvements.

### **Buena Vista Parking Facility**

Part of these savings comes from the City taking over Buena Vista, savings that the City can realize even without consolidation, or as consolidation plans are being formulated. As mentioned earlier, pursuant to an Operating Agreement between the City and the YPA, each year the City reimburses the YPA for deficits the YPA reportedly incurs for the operation of Buena Vista. As noted in the YPA financial statements, the YPA "is reimbursed for each month's deficits for charges for services and other miscellaneous expenses for the operations of the Buena Vista Garage."

The City paid the YPA \$367,866 for 2008, \$423,272 for 2009, and \$335,619 for 2010. The City is projected to pay approximately \$120,000 for 2011 and \$270,402 for 2012.

With the YPA reportedly running City-reimbursed deficits for the operation of this parking facility, the City should explore other options to ensure that Buena Vista is operated in a manner in which annual costs no longer exceed revenue, thus saving taxpayer money. The City should seek to terminate the Operating Agreement that requires it to reimburse yearly deficits and either operate the facility in-house or put the facility management out for competitive bid, which would lock the City into an annual expense for facility operation that hopefully would be less than the annual revenues generated by the facility. At a minimum, the City should seek to amend the agreement so that it requires the YPA to operate Buena Vista on a break-even basis, without annual City reimbursements.

### **Conclusions and Recommendations**

Our analysis leads us to conclude that YPA consolidation with the City would lead to significant cost savings for Yonkers taxpayers. Combining the YPA with existing City departments will conservatively save approximately \$660,000 per year, or \$2,640,000 over the course of a four-year financial plan. In addition, the City would receive approximately \$1,100,000 from the YPA investment account. Pending consolidation, the City should take steps to stop funding annual YPA deficits for the operation of Buena Vista, such as by merging the operation of the facility into City departments or putting the garage operation out for competitive bid in order to determine if an outside vendor can operate and maintain Buena Vista in a more cost-effective manner.

We presume that the YPA leadership and City officials share the goal of eliminating duplicative functions and expenses, thereby saving taxpayer funds. Thus, they should find a way to overcome any legal obstacles so that consolidation can be realized. The potential savings are significant, even in a very conservative analysis, and Yonkers taxpayers deserve and need to realize those savings, especially in this time of budget crisis and the proposed layoffs of police and fire personnel.

We make the following specific recommendations:

- The City and the YPA should actively proceed with consolidation so that significant taxpayer funds can be saved through the elimination of duplicative functions and other inefficiencies.
- The City should undertake a detailed financial assessment of cost savings, which may very well exceed the conservative figure of approximately \$660,000 per year, or approximately \$2,640,000 over the course of a four-year financial plan. These savings are in addition to the approximately \$1,100,000 the City would receive from the YPA investment account, although YPA leadership reports that approximately half of these funds are already committed to be used for capital improvements.
- The City should evaluate how the remaining YPA positions would become part of the City and determine if there could be additional personnel reductions to offset potential increased salaries and termination costs as YPA employees join City unions.
- Pending consolidation, the City should seek to terminate the Operating Agreement that requires it to reimburse yearly deficits associated with Buena Vista and either operate the facility in-house or put the facility management out for competitive bid, which would lock the City into

an annual expense that hopefully would be less than the annual revenues generated by the facility.