

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

Meeting of the Members
One World Financial Center, 24th Floor
New York, NY 10281
October 26, 2010

Members Present

William C. Thompson, Jr., Chairman
Frank J. Branchini, Member
David B. Cornstein, Member
Fernando A. Mateo, Member

Authority Staff in Attendance: Gayle M. Horwitz, President and Chief Executive Officer
Alexandra Altman, Executive Vice President and General Counsel
Daniel Baldwin, Senior Development Counsel
Lauren Brugess, Administrative Assistant
Megan Churnetski, Assistant General Counsel and Assistant
Corporate Secretary
Gwen Dawson, Director, Strategic Planning
Sidney Druckman, Director, Special Projects
Kevin Finnegan, Senior Project Manager, Construction
Allyson Ford, Special Counsel
Luis Garcia, Treasurer
Stephanie Gelb, Vice President, Planning & Design
Steven E. Harper, Vice President, Safety & Site Management
Carl D. Jaffee, Senior Development Counsel and Corporate
Secretary
Wilson Kimball, Senior Vice President, Operations
Karl Koenig, Controller
Peter McCourt, Director, Planning & Design
Lisa Miller, Vice President, Internal Audit and Compliance
Stan Molinski, Director, Information Technology
Leticia Remauro, Vice President, Community Relations, Diversity
and Press
Robert M. Serpico, Senior Vice President, Finance and
Treasurer/Chief Financial Officer

Others in Attendance: Tessa Huxley, Battery Park City Parks Conservancy
Betty Chin, Battery Park City Parks Conservancy
Robert Maggi, Battery Park City Parks Conservancy
Randy Tancer, Battery Park City Parks Conservancy
Terese Loeb Kreuzer, Downtown Express
Brian Krapf, George Arzt Communications, Inc.

The meeting, called on public notice in accordance with the New York State Open Meetings Law, convened at 10:10 a.m.

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The first item on the agenda was the approval of the minutes of the September 14, 2010 meeting.

Upon a motion made by Mr. Cornstein and seconded by Mr. Mateo, the following resolution was unanimously adopted:

APPROVAL OF MINUTES OF THE SEPTEMBER 14, 2010 MEETING

BE IT RESOLVED, that the minutes of the meeting of the Members of the Hugh L. Carey Battery Park City Authority held on September 14, 2010 are hereby approved.

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The next item on the agenda, presented by Mr. Serpico, was a request for approval of the budget for the fiscal year ending October 31, 2011.

First, Mr. Thompson inquired into the reasoning behind the timing of the Authority's fiscal year. Mr. Serpico speculated that the date may have been based on the Authority's first bond issue in 1972. Mr. Thompson suggested that Management look into changing the dates of the Authority's fiscal year.

Next, Mr. Serpico presented preliminary results regarding fiscal year 2010 ("FY10"). Total excess revenues from operations were budgeted at \$264.8 million, he said. Actual total excess revenues, at \$280.7 million, were \$15.9 million higher than the budgeted expectation. Overall, he continued, revenues received for FY10 are estimated at approximately \$382.9 million, an increase of approximately \$7.4 million over the \$375.5 million budget.

Mr. Serpico continued by explaining that total commercial revenues decreased by \$4.4 million primarily due to decreases in both tax rates and assessments for the World Financial Centers Towers A-D. These decreases resulted in a loss of PILOT revenues totaling \$5.5 million, he said. The unfavorable variances in PILOT, however, were offset by an additional \$1.1 million of retail and percentage rents. The World Financial Center, Goldman Sachs and NYMEX leases account for approximately \$104.3 million or approximately 53% of actual total recurring lease revenues, he stated.

Total residential revenues increased by \$3.2 million primarily due to increased PILOT revenues from tax rate and assessment increases, Mr. Serpico reported. These increases were offset by the \$4.2 million in Section 467-a estimated tax credits included in the actual amounts received, he explained.

Approximately \$10.3 million of unbudgeted, non-recurring revenues were received in FY10, he said. The Authority received a one-time lump sum payment of ground rent of \$160.9 million from Goldman Sachs and \$8.3 million in interest earnings. Additionally, a disputed interest amount of \$469 thousand was paid. A disputed upfront lease payment from Site 3 of \$1 million and an additional \$1.8 million of transaction payments from the sale of units in site 16/17 were also received, he noted. Offsetting these additions was a budgeted payment for Site 23/24 in the amount of \$841 thousand.

Next, Mr. Serpico explained that the Authority funded \$70 million of the budgeted \$77 million in FY10 to meet the 2003 and 2009 Bond Resolution funding requirements to pay debt service for the 2011 bond year and to fund a portion of the 2011 estimated bond requirements for the new debt structure. This action assumed an issuance in the first quarter of FY10 of a fixed rate bond issue at an overall cost of capital of approximately 5.8%, he said. The issuance was anticipated to refund the \$632 million of outstanding ARS, cancel the swap agreements and raise approximately \$85 million of new capital funds. The \$632 million in variable debt was not refunded in FY10 and interest paid was 0.5 - 0.7% as LIBOR remained low.

He noted that the Authority is dealing with the issue of when to refinance the \$632 million in variable debt. Ms. Horwitz noted that LIBOR is at an historic low. Mr. Thompson noted that the Authority needs to work with both the New York City Office of Management & Budget ("OMB") and the Comptroller's Office in order to refinance. Ms. Horwitz stated that Management will continue to work with OMB and the City Comptroller's Office on this.

Mr. Serpico then stated that operating expenses were under budget in FY10. All departments were at or under budget with a few exceptions due to unexpected and extraordinary expenses, he said. The major cost overruns are legal expenses primarily due to the World Financial Center Tower A arbitration and the Inspector General's investigation. The State Cost Recovery Fee for FY10 is \$4.8 million, he added, which was \$200 thousand less than originally estimated.

Next, Mr. Serpico reported on excess revenues for FY10 which include a \$110 million payment to the City as the related PILOT-related portion and \$170.4 to be retained in the Joint Purpose Fund ("JPF"). Mr. Serpico reminded the Members that this year the City and the Authority signed an agreement to distribute \$861 million of excess revenues held by the Authority in the JPF. Including these payments and FY10's excess revenues, since the Authority's inception, it has contributed \$2.2 billion to the City, Ms. Horwitz stated. In response to inquiry from Mr. Branchini, Mr. Serpico said he will supply the Members with a chart which shows the portion of the \$2.2 billion that is attributable to excess revenues, a copy of which is attached to these minutes.

Next, Mr. Serpico presented the proposed budget for Fiscal Year 2011 ("FY11") to the Members. The portion of the Authority's budget that is not related to the Conservancy will have a net decrease of \$726 thousand, he stated. This includes a \$559 thousand decrease in salary expense, the minimum per the State's Retirement Incentive, he said. Also included is a \$111 thousand decrease in contributions and sponsorship expenses, a \$254 thousand decrease in Post Employment Benefit funding, a decrease in legal expenses for WFC A arbitration, a \$253 thousand decrease in site security, increases in NY State Pension Retirement costs, health and dental insurance costs, fees for services including the Downtown Alliance and Manhattan Youth and construction litigation and other legal expenses. The Conservancy budget will have a net increase of \$500 thousand, off-setting the decrease in the Authority's budget, he noted.

In response to inquiry by Mr. Mateo, Mr. Serpico explained that the Conservancy office rent decreased because the Conservancy no longer rents office space due to the completion of the new Conservancy Headquarters facility. In response to inquiry by Mr. Cornstein, Ms. Altman explained that the legal budget for construction litigation increased

because of several possible issues. She also explained that the bulk of the expenses from 2010, which brought the legal department over budget were related to Tower A arbitration. She noted that 9/11 litigation is also quite expensive.

Mr. Cornstein also commented that there is a large in-house counsel salary budget as well. Mr. Serpico pointed out that two members of the legal department will be retired in FY11 but their salaries are still accounted for in the FY11 budget.

Ms. Horwitz stated that she would examine what is the right balance of in-house versus outside counsel going forward.

In response to further inquiry by Mr. Cornstein, Mr. Serpico explained that the main expenditures in the Authority's capital budget include the community center, the ball fields and the plaza.

Mr. Serpico continued by stating that the Conservancy Budget increased primarily due to non-discretionary expenses like utilities and funding of post retirement medical benefits. These increases are off-set somewhat by a net \$67 thousand decrease to the overall personnel budget, he said

The Authority has budgeted approximately \$111.3 million in excess revenues from operations, including PILOT as well as bridge franchise fees, Mr. Serpico stated. FY11 expenditures for capital projects are budgeted at \$48 million. In December, he reported, the Authority financed \$30 million for the community center, \$55 million for other infrastructure needs and there is still \$68 million on hand.

Upon a motion made by Mr. Cornstein and seconded by Mr. Mateo, the following resolution was unanimously adopted:

APPROVAL OF AUTHORITY BUDGET FOR FISCAL YEAR 2011

BE IT RESOLVED, that the budget of the Authority for the fiscal year ending October 31, 2011, substantially in the form presented to this meeting be, and hereby is, approved and ordered filed with the records of the Authority; and be it further

RESOLVED, that the President or Treasurer of the Authority be, and each of them hereby is, directed to file said budget and related information with all parties as required pursuant to all outstanding bond resolutions, agreements and requirements of law.

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The next item on the agenda, introduced by Ms. Horwitz, was a request to authorize a contract with Paul J. Scariano, Inc. to perform the Murray Street Decorative Paving work for the amount of \$492,500.

Due to the construction of Teardrop Parks North and South and other construction activities in the area, the condition of the adjacent roadway is in a state of disrepair, Ms. Horwitz stated. Therefore, she said, the Authority is seeking the services of a general contractor to

reconstruct the roadway and implement traffic-calming measures which will increase the safety of those crossing the street between the two parks.

Next, Mr. Finnegan explained that the Authority received proposals from six firms, one of which is an MBE. Pre-award meetings were held with the two lowest, most responsive proposers, Paul J. Scariano and Accolade Construction, he said. Both firms demonstrated a full understanding of the scope and included all items in their base proposal. However, Paul J. Scariano, Inc. has extensive experience in roadway reconstruction projects while, Accolade Construction, did not cite any experience with roadway work for any public agencies within the past five years.

Upon a motion made by Mr. Mateo and seconded by Mr. Branchini, the following resolutions were unanimously adopted:

AUTHORIZATION OF CONTRACT WITH PAUL J. SCARIANO, INC.

BE IT RESOLVED, that the President of the Authority or his designee(s) be, each of them hereby is, authorized and empowered to execute a contract (the "Contract") with Paul J. Scariano, Inc. for the Murray Street Decorative Paving project for the amount of \$492,500; and be it further

RESOLVED, that the President of the Authority or his designee(s) be, and each of them hereby is, authorized and empowered to execute and deliver the Contract on behalf of the Authority, subject to such changes as the officer or officers executing the Contract shall, with the advice of counsel, approve as necessary and appropriate and in the best interest of the Authority, such approval to be conclusive evidence by the execution and delivery of the Contract; and be it further

RESOLVED, that the President of the Authority or his designee(s) be, and each of them hereby is, authorized and empowered to execute all such other and further documents, and to take all such other and further actions as may be necessary, desirable or appropriate, in connection with the transactions contemplated in the foregoing resolutions, and any such execution of documents and any other and further actions heretofore taken are hereby ratified and any actions hereafter taken are confirmed and ratified.

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The next item on the agenda, introduced by Ms. Horwitz, was a request to authorize a contract with McKissick & McKissick to provide construction management services for the artificial turf project at the Site 23/24 ball fields.

Converting the Site 23/24 ball fields from a natural turf to an artificial turf will be a very complicated project, Ms. Horwitz explained, because there is an 11-week time frame in which this project has to be completed, between the Little League and soccer seasons.

Next, Mr. Finnegan explained that the Authority created a task force to research the current artificial turf options. Because the usage of the fields has grown enormously over the last few years, the natural turf cannot withstand the usage demands, he explained. The firm Stantec

Planning and Landscape Architecture (“Stantec”) was hired to research the current options as to artificial turf to keep the field as “green” as possible, he stated.

Now the services of a construction manager are needed with regard to this project, Mr. Finnegan explained. Out of eight proposers, pre-award meetings were held with the six lowest responsive proposers. During the pre-award interviews, proposed hours were discussed with each of the six firms, and they were all given an opportunity to clarify their proposals. Moreover, he reported, it was reiterated to all firms that the schedule is critical, with no room for extension. The two lowest proposers did not dedicate enough man hours to accomplish the task in the allotted timeframe, he said.

McKissick & McKissick, an M & WBE firm, was the next lowest bidder, Mr. Finnegan continued. The firm demonstrated an understanding of the scope and presented a strong team under the direction of a knowledgeable project manager, he stated. Given full consideration of cost, experience and project needs, McKissick & McKissick is the lowest, most-responsive proposer, he concluded.

Upon a motion made by Mr. Cornstein and seconded by Mr. Branchini, the following resolution was unanimously adopted:

AUTHORIZATION OF CONTRACT WITH MCKISSICK & MCKISSICK TO PROVIDE CONSTRUCTION MANAGEMENT SERVICES FOR THE ARTIFICIAL TURF SITE 23/24 BALLFIELDS

BE IT RESOLVED, that in accordance with the materials presented to this meeting, the President of the Authority or his designee(s) be, and each of them hereby is, authorized and empowered to execute a contract (the “Contract”) with McKissick & McKissick to provide construction management services for the artificial turf fields at the Site 23/24 ball fields for the amount of \$366,052.80; and be it further

RESOLVED, that the President of the Authority or his designee(s) be, and each of them hereby is, authorized and empowered to execute and deliver the Contract on behalf of the Authority subject to such changes as the officer or officers executing the Contract shall, with the advice of counsel, and approve as necessary and appropriate and in the best interest of the Authority, such approval to be conclusively evidenced by the execution and delivery of the Contract; and be it further

RESOLVED, that the President of the Authority or his designee(s) be, and each of them hereby is, authorized and empowered to execute all such other and further documents and to take all such other and further actions as may be necessary, desirable or appropriate, in connection with the transaction contemplated in the foregoing resolutions, and any such execution of documents and any other and further actions heretofore taken are hereby ratified and any actions hereafter taken are confirmed and approved.

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The next item on the agenda, presented by Mr. Serpico, was a request to authorize an amendment to the contract with CB Richard Ellis for real estate consultant services, increasing the work to be performed thereunder and increasing the total contract amount to \$555 thousand.

He reminded the Members that in October of 2008, the board authorized a contract with CB Richard Ellis, Inc. ("CBRE") to serve as the Authority's real estate consultant with respect to the pending re-financing of a portion of the Authority's outstanding debt. Because CBRE was in a unique position to address matters relating to ground rents payable to the Authority, he continued, the scope of work under the contract was amended to include an analysis of a proposal from a group of thirteen condominiums to reduce the base rent payable under their ground leases and an estimate of the value of the sale of rental revenues received from the commercial buildings. To complete these assignments, he said, Management requests that the Members authorize an amendment to CBRE's contract bringing the total contract amount to \$555,000.

Mr. Thompson stated that, in the future, he would like the Authority to enter into separate contracts with consultants instead of altering the scope of a consultant's assignments, as was done here.

Upon a motion made by Mr. Branchini and seconded by Mr. Mateo, the following resolution was unanimously adopted:

AUTHORIZATION TO AMEND CONTRACT WITH CB RICHARD ELLIS, INC.

BE IT RESOLVED, that in accordance with the materials presented to this meeting, the President of the Authority or his designee(s) be, each of them hereby is, authorized and empowered to execute an amendment to the contract with CB Richard Ellis, Inc. for real estate consultant services, increasing the work to be performed thereunder and increasing the total amount payable thereunder to \$555,000; and be it further

RESOLVED, that the President of the Authority or his designee(s) be, and each of them hereby is, authorized and empowered to execute and deliver the Amendment on behalf of the Authority, subject to such changes as the officer or officers executing the Amendment shall, with the advice of counsel, approve as necessary and appropriate and in the best interest of the Authority, such approval to be conclusive evidence by the execution and delivery of the Amendment; and be it further

RESOLVED, that the President of the Authority or his designee(s) be, and each of them hereby is, authorized and empowered to execute all such other and further documents, and to take all such other and further actions as may be necessary, desirable or appropriate, in connection with the transactions contemplated in the foregoing resolutions, and any such execution of documents and any other and further actions heretofore taken are hereby ratified and any actions hereafter taken are confirmed and approved.

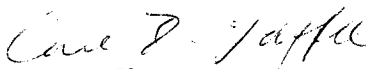
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The meeting recessed pending a meeting of the Battery Park City Authority as the sole shareholder of the Battery Park City Parks Conservancy Corporation and a meeting of the

Directors of the Battery Park City Parks Conservancy Corporation. After the Members' meeting resumed, upon a motion made by Mr. Mateo and seconded by Mr. Branchini, the Members voted unanimously to conduct an executive session for the purpose of discussing personnel matters pursuant to Section 105(f) of the Public Officers Law.

No actions were taken by formal vote at the executive session and such session and the meeting adjourned at 11:15 a.m.

Respectfully submitted,


Carl D. Jaffee
Corporate Secretary