HUGH L. CAREY BATTERY PARK CITY AUTHORITY
MEETING OF THE MEMBERS
One World Financial Center – 24th Floor
New York, NY 10281
October 13, 2009

Members Present
James F. Gill, Chairman
Charles J. Urstadt, Vice Chairman
Frank J. Branchini, Member
Robert J. Mueller, Member
Evelyn K. Rollins, Member

Authority Staff in Attendance: James E. Cavanaugh, President and Chief Executive Officer
Alexandra Altman, Executive Vice President and General Counsel
Gwen Anderson, Vice President, Strategic Planning
Daniel Baldwin, Senior Development Counsel
Lauren Brugess, Administrative Assistant
Megan Churnetski, Assistant General Counsel and Assistant Corporate Secretary
Sidney Druckman, Director, Special Projects
Steven E. Harper
Robert Holden, Vice President, Human Resources & Administration
Carl D. Jaffee, Senior Development Counsel and Corporate Secretary
Susan Kaplan, Director, Sustainability
Karl Koenig, Controller
Lisa Miller, Vice President, Internal Audit and Compliance
Stan Molinski, Director, Information Technology
Leticia Remauro, Vice President, Community Relations, Affirmative Action and Press
Robert M. Serpico, Senior Vice President, Finance and Treasurer/Chief Financial Officer

Others in Attendance: Tessa Huxley, Executive Director, Battery Park City Parks Conservancy
Vincent McGowan, Assistant Executive Director, Battery Park City Parks Conservancy
Bruno Pomponio, Director of Maintenance ,Battery Park City Parks Conservancy

Debbie Hirschman, DCH Consulting Inc.
Karlee Darby, Aquatics Director, Asphalt Green

Jeff Dorn, Chief Operating Officer, Asphalt Green
Carol Tweedy, Executive Director, Asphalt Green
Paul Weiss, Senior Program & Sharp Center Director, Asphalt Green
Julie Shapiro, 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 10:05 a.m.

The first item on the agenda was approval of the minutes of the September 10, 2009 meeting.

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

APPROVAL OF MINUTES OF THE SEPTEMBER 10, 2009 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 10, 2009 are hereby approved.

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The next item on the agenda, introduced by Mr. Cavanaugh and presented by Mr. Serpico, was a request to approve the budget for Fiscal Year 2010 (FY10). Mr. Cavanaugh noted that the Members will be looking at both the Authority and the Parks Conservancy's budgets simultaneously because the Conservancy is mostly funded by the Authority. He explained that the FY10 budget proposes a decrease of almost $31,000 from the previous year's budget.

Mr. Cavanaugh explained that the Governor has issued a call to state agencies and authorities to institute salary freezes due to the State's dire financial condition. Although the Authority's excess revenues go to the City, not the State, the City also has budgetary needs, he explained. Therefore, he continued, in keeping with the Governor's request, there are no pay raises for staff in this year's budget, either general cost of living increases or merit increases.

Further, Mr. Cavanaugh explained that this budget anticipates the Authority extending post- employment health benefits to Conservancy employees. To help ameliorate the cost of providing such benefits, Conservancy employees will move from their current Oxford Health System into the New York State employee health system, which will result in a savings of about $330,000 a year, approximately half of the annual cost of post -employment health benefits.

Authorities were also directed by the Governor's office earlier this year to reduce travel and entertainment costs and the FY10 budget contains travel and entertainment costs which are in line with that directive, Mr. Cavanaugh continued. For FY10, the Authority has continued its yearly trend of reducing its travel and entertainment expenses, he said.

Mr. Cavanaugh then thanked Mr. Serpico, his staff, and all Authority employees for managing to keep the Authority's costs flat for another year.

Next, Mr. Serpico presented financial highlights from Fiscal Year 2009 (FY09). He noted there was a favorable variance in revenues mainly due to the fact that the City raised both the tax rate and the assessments on the World Financial Center Buildings. Further, he explained, the interim increase in tax rates and assessments resulted in an unbudgeted inflow of approximately $6 million in Payments in Lieu of Taxes (PILOT). Favorable variance in PILOT were offset by a decrease of $1.1 million of budgeted office PILOT to be paid by Goldman Sachs due to a lease credit.

With regard to the residential buildings, Mr. Serpico explained, increased PILOT revenues due to tax rate and assessment increases were offset by the $4.4 million provided for certain statutory tax credits, resulting in a slight variance of approximately a half million dollars. Other revenues were as expected, he noted.

Operating Expenses were slightly under budget for FY09, Mr. Serpico stated. Total excess revenues for FY09 are estimated at $142.6 million. It is estimated that approximately $91 million of that will be transferred to the City pursuant to the Settlement Agreement as the PILOT-related portion and $52 million will be retained in the Joint Purpose Fund (JPF), he explained. The current balance in the JPF is approximately $216 million, he noted.

In response to an inquiry from Mr. Mueller, Mr. Cavanaugh explained that because the JPF will be at such a high amount, he anticipates that within the next few years the City and the State will request to use that money. Ms. Altman explained that there is no longer a requirement that the JPF be used to benefit low and moderate income housing.

Mr. Serpico then noted that the Authority is currently in discussion with the rating agencies with regard to its planned debt issuance. Mr. Cavanaugh noted that the rating agencies cautioned the Authority that despite having received a triple-A rating at its last debt issuance, the economy has changed drastically, making it much more difficult to receive a triple-A rating at this time.

Mr. Serpico then presented highlights from the FY10 budget. Revenues for FY10 include a one-time lump sum payment of ground rent of $160.9 million from Goldman Sachs, he noted. The Authority is estimating it will fund $77.1 million for FY10 to meet the 2003 Bond Resolution funding requirements and to fund a portion of the 2011 estimated bond requirements for the new debt structure, he explained.

Mr. Serpico stated that total operating expenses have decreased for almost every department. Some costs were added in FY10, such as costs for the Conservancy's post-retirement benefits, Pier A and the Community Center. Because the Authority's budget is flat, he continued, there are commensurate decreases off-setting each of these increases, he explained.

In response to an inquiry from Mr. Mueller, Mr. Serpico explained that the Legal Department's budget also decreased this year. The budget includes the costs associated with the law firm handling the Inspector General's investigation, he noted.

Mr. Serpico estimated that the excess revenues for FY10 will be approximately $265 million.

Next, Mr. Gill stated that he is appreciative that the staff is aware of the need to freeze the Authority's payroll and that the travel and entertainment expenses were decreased in such a meaningful way. He also noted his approval of extending post-retirement benefits to the Conservancy's employees.

Mr. Urstadt expressed his concerns that the Authority's budget may reflect the need to perform work that it no longer carries out. He stated that Authority should reassess its budget in the future from this perspective.

At this time Mr. Gill and Mr. Mueller left the meeting and Mr. Urstadt assumed the duties of Chairman.

Mr. Serpico then stated that FY10 expenditures for capital projects are budgeted at $27 million and that Management anticipates a bond issuance in November 2009 to raise an approximate $85 million in net proceeds for capital expenditures and replacement of corporate reserves.

In response to inquiry from Mr. Branchini, Mr. Cavanaugh explained that risks to the Authority's operations, such as in the area preservation of data, have not increased as a result of budgetary constraints.

After re-entering the meeting, Mr. Mueller stated that the Authority is in need of a mechanism to help the Members determine what the business of the Authority is at this stage of its operations. Mr. Serpico noted that the Authority's core mission has evolved over time. Mr. Urstadt suggested that the Authority create a five-year plan of its future operations.

Mr. Urstadt then stated that the Members should determine what is best for the Authority before what is best for the State. For example, he continued, although the Governor recommended a pay freeze, having no salary increases could be destructive to employee morale. The Authority should consider eliminating the hiring of interns to enable it to increase employee salaries for FY10, he suggested. In general, he stated, the Authority is not obligated to follow every policy announced by the Governor that may be adverse to the interests of the Authority.

Mr. Cavanaugh stated that upon the Members' direction, Management will present the Members with the potential cost of pay increases, and should the Members so choose, they can amend the budget at a later time. Mr. Branchini stated that this issue should be presented to the Compensation Committee.

Following a suggestion made by Mr. Urstadt and upon a motion made by Mr. Mueller and seconded by Mr. Branchini, the following resolution was unanimously adopted, in conjunction with a recommendation that the Compensation Committee would meet to discuss the issue of salary increases and report back to the Members:

APPROVAL OF AUTHORITY BUDGET FOR FISCAL YEAR 2010

BE IT RESOLVED, that the budget of the Authority for the fiscal year ending October 31, 2010, 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 Mr. Cavanaugh, was a request to authorize the execution of a management agreement with Asphalt Green, Inc. with respect to the community center under construction in the base of the residential buildings on Sites 23 and 24 in the north neighborhood.

Management determined that professional management having experience with facilities of this scope and complexity is needed for the operation of the Center, he explained. This proposal is to enter into an operating contract with an outside entity but under very specific terms so that the Authority may retain some measure of control and guidance over the Center's operation. The Authority put out an RFP more than a year ago and received responses from the YMCA and Asphalt Green, he said. A committee made up of Authority staff, Deborah Hirschman, the Authority's consultant, and representatives from the local community board evaluated the proposals and unanimously expressed a preference for Asphalt Green, he stated.

Mr. Cavanaugh continued by explaining that under the proposed agreement, Asphalt Green will be paid, during the pre-opening period, a basic fee of $300,000 and for the operational period, $80,000 per year as well as annual payments of $288,600, $213,000, and $162,400 for the first three years, respectively, and $160,000 thereafter as reimbursement for a portion of its corporate overhead expenses. For the first three years in which total revenue exceeds expenses, he stated, Asphalt Green will receive 40% of the net revenue, and in subsequent years, 50% of net revenue, he stated. If during the first two operational years the net loss exceeds the budgeted loss by more than 10%, Asphalt Green's prospective revenue share shall be reduced by the amount of such excess, up to $80,000 in any year and up to $240,000 in the aggregate, he noted.

Next, Mr. Dorn and Ms. Tweedy made a presentation to the Members on the proposed operation of the Center.

Mr. Urstadt then noted that the Center will serve two functions: a not-for-profit community function and a for-profit fitness program function. He inquired whether for-profit groups were included in the bidding process. Ms. Hirschman explained that she met with both for-profit and not-for-profit management companies, but the for-profit companies were not interested in the project. Their policies also did not allow for a fitness center that could be used by teenagers, she noted.

Mr. Urstadt then inquired as to what the Authority's investment is in this project. Mr. Serpico explained that the Authority's cost is approximately $29 million and the value associated with negotiations with the building's developer is approximately $25 million. Mr. Urstadt noted that the Center will cost approximately $1000 per square foot. He expressed his deep reservations about the economics of this project. He then inquired as to whether the Authority has completed a financial analysis of its investment return on this project. Mr. Cavanaugh explained that the Authority was mandated through agreements between the Authority, the community board, the Governor's office and local elected officials that buildings on Sites 23 and 24 would contain a community center. Therefore, he continued, getting the largest return on its investment was not the Authority's main concern as to this project.

Mr. Urstadt commented that he was suggesting a true separation of the fitness center from the community center. Mr. Cavanaugh stated that the profit center of any facility such as this is the fitness aspect. It is where money is made to offset the money lost on the community programming and services portion, he explained.

Ms. Altman explained that in exchange for promising to provide a community center, the Authority received the zoning necessary to permit the two residential buildings on Sites 23 and 24 for which it was paid a present value of $135 million in development rights.

Ms. Rollins then inquired into whether the seniors in Battery Park City would be able to afford the Center. Ms. Tweedy explained that there will be a senior rate for membership and some class prices will take into account issues such as people on fixed incomes. Asphalt Green, she noted, also designed the fitness curriculum for the Department for the Aging. Ms. Rollins also asked if there will be a way to give Battery Park City residents preference in membership rates, and was advised that such a preference cannot be given. Ms. Remauro noted that community members were involved in this process from the beginning and have approved of the proposed Center.

Mr. Urstadt stated that without a true financial analysis, he could not vote to approve the proposed Asphalt Green agreement.

At this point Mr. Gill re-entered the meeting and resumed his role as Chairman.

Upon a motion made by Ms. Rollins and seconded by Mr. Branchini, the following resolution was adopted by a vote of four to one, with Messrs. Branchini, Gill and Mueller and Ms. Rollins voting in favor of the resolution and Mr. Urstadt voting against it:

AUTHORIZATION OF AGREEMENT WITH ASPHALT GREEN, INC. FOR MANAGEMENT OF COMMUNITY CENTER IN BUILDINGS ON SITES 23 AND 24

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 an agreement ("the Agreement") with Asphalt Green, Inc., for management of the community center under construction and to be owned by the Authority in the residential buildings on Sites 23 and 24; 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 Agreement on behalf of the Authority subject to such changes as the officer or officers executing the Agreement 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 Agreement; 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 next item on the agenda, presented by Mr. Cavanaugh, was a request to authorize an amendment to the 2010 budget authorizing $194,000 to be allocated for the provision of temporary power for an ice rink and to amend the revenues budget by $78,000 in anticipated payments from the rink management company.

Mr. Cavanaugh reminded the Members that at the July meeting, they approved an agreement with Rink Management Services Corporation (RMSC) to install and operate a seasonal ice rink at the north neighborhood ball fields. RMSC will pay BPCA a minimum of $60,000 per year, and $77,928 per year if revenues come in as estimated. At that time, he continued, the Members were also advised that the Authority expected to spend $766,000 to provide infrastructure that would bring sufficient electrical service to the ball fields to power the rink.

Mr. Cavanaugh explained that initial pricing for this work came in significantly higher than the Authority's estimates. The work was re-engineered and re-bid. As a result, he continued, it is not possible to install the permanent power in time for the rink's early December opening. Consequently, he said, the Authority has determined that the rink could open by using a generator, much as is used at the Bryant Park Rink and for entertainment events at the World financial Center Plaza. The cost, however, for the generator and fuel would be $194,600 for the season, he stated. This cost will be off-set by payments from RMSC and the net cost of providing this amenity to the community will be approximately $116,600 for the upcoming season, he concluded.

Upon a motion made by Mr. Urstadt and seconded by Ms. Rollins, the following resolution was unanimously adopted:

AUTHORIZATION OF EXPENDITURE FOR ELECTRIC POWER FOR ICE RINK

BE IT RESOLVED, that in accordance with the information presented to this meeting, that the budget for Fiscal Year 2010 be amended by adding thereto the expenditure of an additional $194,000 for the provision of temporary power for an ice rink to be operated on seasonal basis on the north neighborhood ball fields, such expenditure to fall under the Operations Department budget, and to amend the revenues budget by adding thereto an additional $78,000 in anticipated payments derived from the operator of such ice rink.

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The Members then unanimously voted to conduct an executive session pursuant to Section 105.1.f of the Public Officers Law concerning personnel matters as set forth in such Section. No votes or actions were taken during the executive session. Upon the conclusion of the executive session, the regular meeting resumed, and there being no further business, the meeting thereupon adjourned at 1:40 p.m.

Respectfully submitted,

Carl D. Jaffee

Carl D. Jaffee
Corporate Secretary