

HUGH L. CAREY BATTERY PARK CITY AUTHORITY  
MEMBERS' MEETING  
One World Financial Center – 24<sup>th</sup> Floor  
New York, NY 10281  
October 28, 2008

Members Present

James F. Gill, Chairman  
Charles Urstadt, Vice Chairman  
David B. Cornstein, Member  
Frank J. Branchini, Member  
Evelyn K. Rollins, Member

Authority Staff in Attendance: James Cavanaugh, President and Chief Executive Officer  
Alexandra Altman, Executive Vice President and General Counsel  
Daniel Baldwin, Senior Development Counsel  
Debra Bogosian, Controller  
Lauren Brugess, Administrative Assistant  
Megan Churnetski, Assistant Corporate Secretary  
Sidney Druckman, Director, Special Projects  
Stephanie Gelb, Vice President, Planning & Design  
Antigona Hajdaraj, Special Assistant to the President  
Stephen E. Harper, Vice President, Safety & Site Management  
Robert Holden, Vice President, Human Resources & Administration  
Carl Jaffee, Senior Development Counsel and Corporate Secretary  
Susan Kaplan, Director of Sustainability  
Wilson Kimball, Senior Vice President, Operations  
Susan Long, Vice President, Strategic Planning  
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  
Antony Woo, Vice President, Construction

Others in Attendance: Tessa Huxley, Assistant Director, Battery Park City Parks Conservancy  
Randy Tancer, Battery Park City Parks Conservancy  
Brian Krapf, George Artz Communications, Inc.  
Matthew Fenton, Battery Park City Broadsheet

The meeting, called on public notice in accordance with the New York State Open Meetings Law, convened at 10:35 a.m.

The first item on the agenda was approval of the minutes of the September 2, 2008 meeting.

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

**APPROVAL OF MINUTES OF THE SEPTEMBER 2, 2008 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 2, 2008 are hereby approved.

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The next item on the agenda, presented by Mr. Cavanaugh, was a request to authorize the execution of a three- year contract in the amount of \$165,000 with Hagedorn & Company (“Hagedorn”) for insurance broker services.

Mr. Cavanaugh reminded the Members that Hagedorn’s current three-year contract for insurance broker services will expire on January 31, 2009. This year, he continued, the Finance and Legal Departments formed a joint committee to evaluate qualified bidders’ proposals. The Authority received proposals from nine firms. Hagedorn, Mr. Cavanaugh noted, which has been the Authority’s broker for the last three years, submitted the lowest bid of \$165,000. This proposal, which reflects a significant reduction from Hagedorn’s current fee, was made possible because Hagedorn will not need to incur any “start up costs” in assuming the Authority’s account, he said. The Authority has been satisfied with Hagedorn’s services under its current contract and based on its demonstrated capabilities, Management believes that Hagedorn can best service the Authority’s corporate risk profile, he concluded.

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

**AUTHORIZATION OF CONTRACT WITH HAGEDORN & COMPANY AS INSURANCE BROKER OF RECORD**

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 with the Hagedorn & Company to provide broker insurance services for a three year period through January 31, 2012 for the amount of \$165,000; 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 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 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 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 final item on the agenda, presented by Mr. Serpico, was a request for approval of the budget for the fiscal year ending October 31st, 2009 (“FY09”). Mr. Serpico began by setting forth the financial highlights of the 2008 fiscal year (“FY08”). He noted that revenues received for FY08 are projected at approximately \$284.6 million, an increase of approximately \$24.9 million over the budgeted \$259.7. The variance results mainly from non-reoccurring lease payments, he explained. The balance of the favorable variance results primarily from increased PILOT revenues from residential properties due to lower than estimated statutory tax credits received by them.

Swap payments were approximately \$4.1 million lower than the \$13.2 million budgeted due to dislocation in the credit and derivative markets and a loss of investor confidence, Mr. Serpico continued. The Authority paid approximately \$7.5 million dollars more on variable rate auction rate securities (ARS) outstanding in FY08 than in Fiscal Year 2007 because of the higher rates in the ARS markets, he stated.

Total FY08 estimated operating expenses of approximately \$26.5 million are expected to be below budgeted expectations, Mr. Serpico continued, because spending has stabilized due to Management’s efforts to control costs.

In FY08, the Authority will provide approximately \$188 million to the City, Mr. Serpico stated. It is estimated that approximately \$92.2 million will be transferred to the City as the PILOT-related portion and \$95.8 will be retained in the Joint Purpose Fund. The current balance in the Joint Purpose Fund is approximately \$116 million, he added, with another \$95.8 million to be added this year.

Next, Mr. Serpico highlighted the proposed budget for FY09. The FY09 budget is the lowest proposed budget in six years, he noted. Lease rentals budgeted for FY09 are expected to increase approximately \$9 million from FY08 due to scheduled increases in land rents and rents from new leases, he explained. Management also expects to receive \$17 million in non-reoccurring lease payments, he said.

Payments to be received under “swap” agreements are estimated at \$2.2 million for the first quarter of FY09, on the assumption that in refunding its current debt, the Authority will

terminate the swap agreements, Mr. Serpico explained. This assumption could change if the credit markets improve, and liquidity providers become willing to support variable rate debt, he said, in which case the swap agreements might stay in place. If the Authority raised money in the current bond market, its only option would be to issue fixed rate debt. This is not recommended, he stated, because current rates are as high as seven percent.

The Authority estimates that it will expend approximately \$81 million to service its debt, Mr. Serpico continued. This amount is Management's best estimate in a highly volatile market and it assumes a fixed rate bond issuance in the first quarter of FY09 to refund the outstanding auction rate securities and raise \$100 million of new capital funds.

In response to an inquiry from Mr. Cornstein, Mr. Serpico explained that the Authority is currently obtaining a 2% to 3% return on its investments. Mr. Cornstein then asked if it might be wise to utilize the Joint Purpose Fund to reduce the Authority's debt. Mr. Serpico responded that this would be fiscally prudent for the Authority, but that there might well be other public demands for the funds. Mr. Cavanaugh stated that possible uses of the Joint Purpose Fund would be discussed with the State and City budget officials.

Mr. Serpico then stated that the proposed budget total for General Administration and Operating Expenses of \$28.6 million for FY09 is approximately \$745,000 lower than that for FY08. All department budgets provide for cost of living increases commensurate with the State's and reduced merit increases from previous years. The estimated State Cost Recovery Fee for FY09 is \$4.74 million. The budgeted anticipates approximately \$101.7 million in excess revenues, he said.

For FY09, Mr. Serpico continued, expenditures for capital projects are budgeted at \$32.1 million. Capital funds from bond proceeds on hand at the end of FY08 are estimated to be approximately \$11 million. Based on an estimated draw down schedule, these funds should be sufficient to pay capital projects in progress through the first quarter of FY09. If the Authority cannot raise additional capital funds through a bond issuance at that time, Management recommends the Board consider a resolution permitting Management to borrow the necessary amounts from current year revenues until a bond issuance is possible, he stated.

Mr. Gill then expressed his gratitude to Mr. Serpico and Mr. Cavanaugh and the Authority staff. In response to inquiry by Mr. Gill, Mr. Serpico stated that the economic downturn has not affected delinquencies on ground rents or PILOT payments. Because of the foresight of the Authority's investment advisor, PFM Asset Management, Mr. Serpico stated, the Authority has avoided losses in mortgage-backed securities.

In response to an inquiry by Mr. Cornstein, Mr. Cavanaugh explained that the Legal and Planning and Design Departments' budgets are usually over-funded to ensure that any potential litigation/projects are fully funded. In response to inquiry by Mr. Cornstein, Ms. Kimball explained that the MIS budget was over-funded in FY08 because the plan to change the Battery Park City Parks Conservancy Corporation's computer system was postponed until FY09.

In response to inquiries from Mr. Urstadt and Mr. Cornstein concerning an increase in General Company Expenditures, Mr. Serpico explained that nearly all of the increase relates to Other Post- Employment Benefits (“OPEB”) expenditures, which had to be funded to meet accounting requirements for post-retirement medical benefits.

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

**APPROVAL OF AUTHORITY BUDGET FOR FISCAL YEAR 2009**

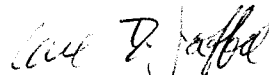
BE IT RESOLVED, that the budget of the Authority for the fiscal year ending October 31, 2009, substantially in the form presented to this meeting be, and hereby is, approved and ordered filed with the records of the Authority; and be it further

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 Members then unanimously voted to recess the meeting pending a meeting of the Directors of the Battery Park City Parks Conservancy Corporation. Following the recess, the Members unanimously voted to conduct an executive session for the purpose of considering recommendations of the Compensation Committee with respect to the performance and compensation of certain officers. No votes or other official action were taken during the session, and upon its conclusion, the meeting of the Members resumed and the recommendations of the Compensation Committee were unanimously approved. There being no further business, the meeting thereupon adjourned at 11:45 a.m.

Respectfully submitted,

  
Carl D. Jaffee  
Corporate Secretary