



**Roosevelt Island
Operating Corporation**
of the State of New York
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Governor

Stephen H. Shane
*President
Chief Executive Officer*

Kenneth A. Leitner
*Vice President
General Counsel*

Fernando Martinez
*Vice President
Operations*

Steven Chironis
*Vice President
Chief Financial Officer*

Rosina Abramson
*Vice President
Planning and Inter-
Governmental Affairs*

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Chairperson
Alberteen Anderson
Laura L. Anglin
David Kraut
Charlee Miller
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Michael Shinozaki
H. Patrick Stewart

THE ROOSEVELT ISLAND OPERATING CORPORATION

Public Authority Annual Report

Fiscal Year Ended March 31, 2008

I. INTRODUCTION

In 1969, The City of New York entered into a lease with the New York State Urban Development Corporation (“UDC”) for the development of Roosevelt Island. In May 1981, pursuant to a memorandum of understanding between UDC and the New York State Division of Housing and Community Renewal (“DHCR”), responsibility for Roosevelt Island was assigned to DHCR. DHCR then assigned all of its rights and responsibilities to Safe Affordable Housing for Everyone, Inc. (“SAHE”), a corporation under the direct control of the Commissioner of DHCR.

Effective April 1, 1981, SAHE, a Community Development Corporation, became responsible for the day-to-day operation of Roosevelt Island.

On September 4, 1984, The Roosevelt Island Operating Corporation (“RIOC”) was organized pursuant to Chapter 899 of The New York Unconsolidated Law as a public benefit corporation. On April 1, 1985, the responsibility for the operation, development and security of Roosevelt Island was transferred from SAHE to RIOC.

II. OPERATIONS AND ACCOMPLISHMENTS

Mr. Stephen H. Shane was elected President/ Chief Executive Officer of the Corporation effective April 12, 2007.

On April 12, 2007, The Board of Directors approved the Consent of Sale of the Membership Interests of North Town Roosevelt, LLC (Eastwood Tenant) to Putnam Holding Company. A transaction payment in the amount of \$5,537,187 was paid to RIOC as a result of the sale.

On May 17, 2007, The Board of Directors approved the Corporations Budget FY 2007/2008 & Five Year Cash Projection reflecting a projected “Operating Surplus FY 07/08” of \$2,393,938 and “Capital Expenditures for the Five Years Ending March 31, 2012” of \$49,737,767.

On June 28, 2007, The Board of Directors approved the authorization to adopt policies & rules to comply with New York State Executive Order 1 & 2 defining guidelines concerning; receipt of gifts, use of State property, nepotism in hiring, contracting by employees and executives and eliminating politics from government decision making.

On June 28, 2007, the Board of Directors approved the authorization to enter into contract for the “Seawall Repair Work at Lighthouse Park” with JCC Construction in the Amount of \$385,135.

On June 28, 2007 the Board of Directors ratified the contract entered into with New York Plumbing in the amount of \$322,359 for the cost for the replacement and repairs of the collapsed sewer line.

On October 18, 2007, the Board of Directors approved the authorization to proceed with the work plan for the modernization of the Roosevelt Island Aerial Tramway Project with a projected total cost of \$25,000,000. The Legislature of the State of New York has appropriated a \$15,000,000 grant to subsidize the project cost. The appropriation resides in statutory budget language under the control of the Empire State Development Corporation to be distributed to RIOC in FY08-09 and FY09-10.

The Blackwell House Landmark exterior renovation project was completed with a total cost of \$1,173,552.

Southtown Buildings #5 & #6 are in full construction and substantial completion is estimated to be in February and March of 09.

In December 07, the north wall of the landmark Renwick Ruins partially collapsed resulting in the Corporation's declaring an emergency to expedite the process of getting the necessary stabilization done. The estimated cost for the full stabilization project is \$7,000,000 but only the first \$4,500,000 is authorized. The New York City Council has appropriated \$4,500,000 for the project. In addition, the Trust for Public Land (TPL) has commenced the construction drawing phase of the Green Rooms – Wild Gardens portion of Southpoint Park.

III. FINANCIAL OVERVIEW (Receipts, Disbursements, Assets and Liabilities)

RIOC's statement of financial activities is used to report changes in its net assets, including depreciation expense. The statement of activities details program revenues by major source and expenses by natural classification and indicates the change in net assets. RIOC's total revenues were \$32,162,743, which included \$30,571,040 in revenues identified as program revenues and \$1,591,703 of non-program specific revenues, primarily interest income earned on investments. Total expenses were \$18,335,814 for the fiscal year ended March 31, 2008. The Corporation had an increase in its net assets of \$13,826,929 for the fiscal year ended March 31, 2008.

Statements of Financial Activities

	<u>FY 07-08</u>
Revenues	
Residential Fees Revenue	\$ 10,667,985
Ground Rent	10,246,062
Commercial Rent	1,490,154
Tramway Revenue	3,678,410
Public Safety Reimbursement	1,421,506
Transport/ Parking Revenue	2,497,741
Interest Income	1,591,703
Other Revenue	569,182
Total Revenue	<u>\$ 32,162,743</u>

Expenses

Personal Services	\$ 7,637,015
Insurance	1,342,912
Professional Services & Legal Services	1,215,653
Management Fees	3,215,381
Telecommunications	103,827
Repairs & Maintenance	200,930
Vehicles Maintenance	279,440
Equipment Purchases/ Lease	113,179
Supplies/ Services	956,102
Depreciation	2,630,535
Other Expenses	640,840
Total Expenses	<u>\$ 18,335,814</u>

On RIOC's financial statement of net assets, total assets of \$76,719,226 exceeded total liabilities of \$17,394,852 by \$59,324,374 (total net assets). Total assets are comprised of capital assets (e.g., buildings, machinery and equipment) totaling \$32,098,082, cash and investments totaling \$43,190,771 and other assets of \$1,429,653. Liabilities are comprised of accounts payable (\$433,763), deferred revenue (\$15,955,344), other post employment benefits (\$411,357), and other liabilities totaling (\$594,388). Deferred revenue represents the net present value of ground rent revenue received for the Southtown and Octagon development projects that will be recognized over their respective lease terms. Of total net assets, \$13,928,883 is available to be used to meet ongoing obligations. Additionally, \$13,296,883 is available for island infrastructure improvements.

The statement of revenues, expenditures and changes in fund balances using the modified accrual basis, reported an increase of \$13,826,929 to an ending balance of \$59,324,374 at March 31, 2008.

The general fund is the chief operating fund of RIOC. As of March 31, 2008, the fund balances are as follows:

General	\$12,856,167
Special	\$ 264,452
Capital	\$34,630,254
Reserved	<u>\$11,573,501</u>
	<u>\$59,324,374</u>

IV. DEBT SCHEDULE

The Roosevelt Island Operating Corporation does not have and did not issue any debt obligations during the reporting period.

V. COMPENSATION SCHEDULE

NAME	TITLE	SALARY	TOTAL COMPENSATION
Herbert b. Berman	Former CEO	\$ 142,843.74	\$ 25,149.03
Stephen Shane	CEO	144,302.00	140,507.14
Carla Van de Walle	Former VP/CFO	140,390.64	123,175.53
Steven G. Chironis	VP/CFO	131,307.82	13,130.18
Kenneth Leitner	VP/GC	140,390.64	141,982.71
Fernando Martinez	VP/OPS	131,302.08	111,857.13

VI. PROJECTS

RIOC continues to implement its five year capital management plan. Completed and major projects-in-progress include, but are not limited to, Lighthouse Park Seawall Repair, Blackwell House Exterior Renovation; Street Light Replacement On-going Project in conjunction with NYC DOT; Phase I Southpoint Park – Stabilization Renwick Ruins; Tram Modernization Design & Engineering Phase; AVAC Building Rehab Project.

VII. REAL PROPERTY

1) Real Property to be disposed:

- a. The Roosevelt Island Operating Corporation (RIOC) currently has 26,156 sq.ft. of commercial retail space that is vacant. Commercial space rates range from \$5.51/sq.ft. to \$35.50/sq.ft. RIOC seeks to fill some portion of the vacant commercial retail space in FY 08-09.

2) Real Property owned

	<u>Net Asset Value</u>	
AVAC	\$ 490,656	(1)
Blackwell House	1,004,129	
Boathouse	-	(2)
Eastwood	145,480	
Good Shepard Chapel	-	(2)
Island House	102,375	
Lighthouse	-	(2)
Minischools	1,260,000	
Motorgate	4,911,145	
Octagon	-	(2)
Post Office	37,800	
Renwick Ruins	-	(2)
Rivercross	82,800	
Supermarket- Gristedes	135,328	
Sportspark	478,975	

Strecker Lab	-	(2)
Steam plant	59,530	
Tennis Bubble	937,500	
Tramway	1,322,603	
Westview	295,694	
Total	<u>\$ 11,264,015</u>	

Note:

(1) Fair Market Value is currently not available.

(2) Historical Landmarks-
Undetermined.

3) Real Property lease renewals:

The lease agreement with China One Kitchen was extended from January 01, 2008 to December 31, 2017. For years 1-5, the rent is \$3,394.33 per month, and for years 6-10, the rent is increased by the percentage increase in the CPI.

The lease agreement with M & D Deli was extended from February 01, 2008 to January 31, 2023. For years 1-5, the rent is \$4,500.00 per month, for years 6-10, the rent is \$5,000.00 per month, and for years 11-15, the rent is \$5,500.00 per month.

The lease agreement with National Full Service Hair Salon was extended from November 01, 2007 to October 31, 2017. The rent is increased to \$1,306.24 per month with an annual increase of 4% after the first year. The lease was assigned to Beauty Salon of Roosevelt Island Inc. on March 07, 2008.

The lease agreement with The NY Public Library was extended from May 01, 2008 to April 30, 2013. The rent is increased to \$1,646.67 per month with an annual increase based on the percentage increase of the CPI.

VIII. CODE OF ETHICS

As a New York State public benefit corporation, RIOC is vested with a public trust. In order to promote and maintain governmental integrity, each officer director and employee of RIOC must adhere to the standards and code of ethics set forth in the Code of Ethics approved by the Board of RIOC on June 29, 2006 (see Attachment "A") and in the State Code of Ethics and the Ethics in the Government Act.

IX. ASSESSEMENT OF THE EFFECTIVENESS OF INTERNAL CONTROL STRUCTURE AND PROCEDURES

Each department manager is required to complete a function identification form and inherent risk review form on an annual basis. The agency directors are required to review and make assessments of the risks for each department based on the forms submitted by each manager. For areas deemed high risk, a corrective action plan is developed and implemented. For the 2007-2008 review period, no high-risk activities were identified and no correction plans were deemed necessary. In addition, RIOC has contracted an outside independent CPA firm to conduct an internal control assessment that is in the process of being completed.