

ROOSEVELT ISLAND
OPERATING CORP.



**Roosevelt Island
Operating Corporation**
of the State of New York
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President
Chief Executive Officer

Kenneth A. Leitner
Vice President
General Counsel

Fernando Martinez
Vice President
Operations

Steven Chironis
Vice President
Chief Financial Officer

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*Planning and Inter-
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THE ROOSEVELT ISLAND OPERATING CORPORATION

Public Authority Annual Report

Fiscal Year Ended March 31, 2010

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

On March 25, 2010, The Board of Directors approved the Corporations Budget FY 2010/2011 & Five Year Cash Projection reflecting a projected “Operating Deficit FY 10/11” of \$1,216,522 after depreciation and “Capital Expenditures for the Five Years Ending March 31, 2015” of \$59,096,000 of which the Tram and Southpoint Park projects detailed below constitute more than \$38,400,000.

The Tram Modernization project is currently in progress. A grant disbursement agreement between RIOC and the Empire State Development Corporation for the Tram Modernization to reflect the State grant in the amount of \$15,000,000 was executed on September 29, 2008 and the funds received by RIOC in February 2009. The total project cost is estimated to be \$25,000,000 with expected project completion in fiscal year 2010/2011. Total cost incurred for the Tram Modernization project as of March 31, 2010 was \$10,960,189.00

The development of Southpoint Park is progressing. Substantial completion for Phase I was achieved in March 2010 and substantial completion for Phase II is expected by November 2010. The stabilization of the Renwick Ruins, which is a portion of Phase I of the project, was completed in May 2009. Appropriations for the \$13,400,000 project were made by the City of New York for \$4,500,000 and the State of New York for \$4,400,000. As of 03/31/2010, the City of New York has paid \$4,264,308 of the agreed funding and the State’s full contribution received.

The Southtown Development Project is proceeding. Southtown buildings five and six were completed in June and August 2009, respectively, in conjunction with which RIOC received a one-time substantial completion payment totaling \$16,316,100. Building five generated fees to RIOC for each condominium sold - totaling \$935,008 as of 03/31/2010. The balance to be paid upon individual sales is estimated to be \$500,000. Development of the remaining three buildings—seven, eight, and nine—is to commence by December 2012. Should the Developer fail to commence within the timeframe, RIOC will receive a payment in the amount of \$1,420,800 secured by a letter of credit. The condition of the housing market may delay the development of the three buildings.

Construction of the Franklin D. Roosevelt Four Freedoms Park, located at the southern tip of the island began on March 31, 2010. The Developer, FDR, LLC, estimates that the entire project, phases 1-3, will cost approximately \$44,000,000, which Developer expects to raise from public and private funds. Funds for phase I have been secured from New York City, \$4,738,000, New York State, \$4,000,000, and the balance from private donations. Phase I is expected to be completed in the spring of 2011.

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 \$23,409,825, which included \$23,050,853 in revenues identified as program revenues and \$358,972 of non-program specific revenues, primarily interest income earned on investments. For the year ending March 31, 2010, included in residential fee income was a one-time fee of \$3,050,000 for a mortgage recording fee on the Octagon Development project. Total expenses were \$20,114,324 for the fiscal year ended March 31, 2010. The Corporation had an increase in its net assets of \$3,295,501 for the fiscal year ended March 31, 2010.

Statements of Financial Activities

	FY 09-10
Revenues	
Residential Fees Revenue	\$ 4,698,115
Ground Rent	8,648,600
Commercial Rent	1,525,403
Tramway Revenue	3,526,508
Public Safety Reimbursement	1,521,494
Transport/ Parking Revenue	2,384,636
Interest Income	358,972
Other Revenue	746,097
Total Revenue	<u>\$ 23,409,825</u>

Expenses	
Personal Services	\$ 9,457,165
Insurance	1,134,571
Professional Services & Legal Services	379,789
Management Fees	3,398,668
Telecommunications	104,212
Repairs & Maintenance	305,870
Vehicles Maintenance	240,565
Equipment Purchases/ Lease	102,854
Supplies/ Services	1,091,325
Other Expenses	655,946
Total Expenses Before Depreciation	<u>\$ 16,870,965</u>
Net Surplus Before Depreciation	\$ 6,538,860
Depreciation Expense	<u>3,243,359</u>
Net Surplus After Depreciation	<u>\$ 3,295,501</u>

On RIOC's financial statement of net assets, total assets of \$115,167,530 exceeded total liabilities of \$33,703,534 by \$81,463,996 (total net assets). Total assets are comprised of capital assets (e.g., buildings, machinery and equipment) totaling \$52,340,229, cash and investments totaling \$62,016,284 and other assets of \$811,017. Liabilities are comprised of accounts payable (\$311,573), deferred revenue (\$31,376,617), other post employment benefits (\$1,279,812), and other liabilities totaling (\$735,532). 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, \$28,884,694 is available to be used to meet ongoing capital obligations. Additionally, \$239,073 is available for ongoing operational expenses.

The statement of revenues, expenditures and changes in fund balances using the modified accrual basis, reported an increase of \$3,295,501 to an ending balance of \$81,463,996 at March 31, 2010.

The general fund is the chief operating fund of RIOC. As of March 31, 2010, the fund balances are as follows:

General	\$ 165,597
Special	\$ 73,476
Capital	\$51,722,594
Reserved	<u>\$29,502,329</u>
	<u>\$81,463,996</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
Stephen Shane	CEO	150,355.00	150,520.00
Kenneth Leitner	VP/GC	146,326.00	146,326.00
Fernando Martinez	VP/OPS	140,000.00	140,000.00
Steven G. Chironis	VP/CFO	136,965.00	136,965.00
Rosina Abramson	VP/Planning	129,032.00	129,032.00

VI. PROJECTS

RIOC continues to implement its five year capital management plan. Completed and major projects-in-progress include, but are not limited to, the Tram Modernization Project, the Octagon Field Project, repairs to the Motorgate Parking Facility, Seawall Railings, Island Camera Security System, Infrastructure Improvements, and Rehabilitation of the AVAC Building.

VII. REAL PROPERTY

1) Real Property subject to disposition:

- a. The Roosevelt Island Operating Corporation (RIOC) currently has 32,630 sq.ft. of commercial retail space that is vacant. Commercial space rates range from \$6.51/sq.ft. to \$35.83/sq.ft. RIOC expects to fill a substantial portion of the vacant commercial retail space in FY 10-11.

2) Real Property

	<u>Net Asset Value</u>	
AVAC	\$ 802,133	(1)
Blackwell House	1,411,310	
Boathouse	20,966	(2)
Eastwood	107,937	
Good Shepard Chapel	76,639	(2)
Island House	72,042	
Lighthouse	-	(2)
Motorgate	4,181,529	
Post Office	26,600	
Renwick Ruins	4,535,476	(2)
Rivercross	61,432	
Supermarket- Gristedes	95,231	
Sportspark	849,457	
Steam plant	56,609	
Tennis Bubble	858,553	

Tramway		11,758,805
Westview		96,912
	Total	<u>\$ 26,072,840</u>

Note:

- (1) Fair Market Value is currently not available.
- (2) Historical Landmarks – undetermined

3) Real Property lease renewals:

a) On January 14, 2010 the Board of Directors approved entering into a modification of the lease with Liberty of Roosevelt Island Corp, located at 544 Main Street, Roosevelt Island. The term of the modified lease was set so as to expire November 30, 2011. For the duration of the modified term, the monthly rent is \$3400. In addition, the tenant will pay RIOC \$200 per month over the remaining 24 months, for previous rent arrears. Should the lease terminate earlier, the tenant shall make a lump sum payment of the then outstanding of the arrears.

b) On June 25, 2009 the Board of Directors approved the assignment and assumption of lease from the New York National Bank to Amalgamated Bank and authorized entering into a fourth amendment of lease for the commercial space 619 Main Street and a portion of 615 Main Street, Roosevelt Island. The lease, set to expire on July 31, 2011, has two five-year renewal options, the first of which has been exercised. The current monthly rental rate is \$4,534.72, with an annual increase of 0.6%.

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 March 25, 2010 (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 2009-10 review period no high risk-activities were identified, however all functions are reviewed by managers, directors, and supervisors.