

Andrew M. Cuomo
Governor

Charlene M. Indelicato
President/Chief Executive Officer

Donald D. Lewis
Vice President/General Counsel

Steven Chironis
Vice President/Chief Financial Officer



Roosevelt Island Operating Corporation
of the State of New York
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Board of Directors
Darryl C. Towns, *Chairperson*
Fay Fryer Christian
Dr. Katherine Teets Grimm
David Kraut
Robert L. Megna
Howard Polivy
Michael Shinozaki
Margaret Smith

THE ROOSEVELT ISLAND OPERATING CORPORATION

Public Authority Annual Report

Fiscal Year Ended March 31, 2013

Background

The Roosevelt Island Operating Corporation of the State of New York ("RIOC") is a public benefit corporation and a political subdivision of the State of New York. RIOC was created by the New York State legislature, in 1984, to take responsibility, pursuant to a General Development Plan (GDP), for the development and operation of the 147 acres comprising the former Welfare Island, located in New York City's East River. RIOC assumed the role of the New York State Urban Development Corporation as lessee under a 99-year Master Lease (running until 2068) from the City of New York.

The GDP, which has been amended from time to time, provides for the development of housing, shops and community facilities for a mixed income, handicap accessible, residential neighborhood. As an island community, Roosevelt Island requires specialized operations and capital infrastructure maintenance such as an aerial tramway, comprehensive garbage compacting system and seawall improvements. RIOC supplements the very basic services provided by the City of New York, and provides specialized operations and capital improvements.

Pursuant to its enabling legislation, the RIOC Board of Directors is composed of nine members including the Commissioner of the New York State Division of Housing and Community Renewal, who serves as the chair; the New York State Director of the Budget; and seven public members nominated by the Governor of the State of New York with the advice and consent of the New York State Senate. Of the seven public members, two members are recommended by the Mayor of New York City, and five members must be residents.

I. Mission Statement

Created by the State of New York as a public benefit corporation, it is the mission of the Roosevelt Island Operating Corporation to plan, design, develop, operate, maintain and manage Roosevelt Island.

Public Benefit

The Corporation is a political subdivision of the State of New York and additional stakeholders include the City of New York, residents, students, developers and commercial operators, workers and visitors to Roosevelt Island (the "Island"). The Corporation's stakeholders benefit from the

development and preservation of properties and open spaces, as well as sharing in the economic growth of the Roosevelt Island community.

The Roosevelt Island Operating Corporation accomplishes its mission by practicing the following core values:

- **Service**

We are committed to providing services that enhance the Island's mixed-use residential community, including public transportation, public safety, public works and parks and recreation.

- **Preservation**

The Corporation promotes the preservation, enhancement, and sustainable use of the Island's historical landmarks and other structures and open spaces.

- **Environmental Responsibility**

All new development, as well as maintenance of parks, public spaces, and other property under the Corporation's stewardship strives to employ the latest, cost-effective, high-performance environmental designs and techniques available.

- **Public Safety**

We are committed to protecting and serving the community by providing a safe and secure environment and enforcing local, State and Federal laws.

- **Communication and Transparency**

We are committed to effectively communicating with our stakeholders and undertake to be open, honest and accountable in our relationships with everyone we work with and with each other.

- **Fiscal Responsibility**

We are committed to managing the Corporation's resources with fiscal responsibility and efficiency through a single comprehensive process that is aligned with the Corporation's strategic plan, without reliance on State subsidies.

- **Innovation**

We thrive on creativity and ingenuity and strive to employ new, unique and innovative solutions to accomplish our mission.

- **Partnerships**

We strive to develop strategic partnerships with commercial enterprises, nonprofit organizations and institutions in the public and private sectors to meet the needs of our stakeholders and carry out our mission.

- **Governance**

The Corporation ensures good governance through compliance with its enabling legislation, corporate By-laws, General Development Plan, contractual obligations and all applicable Federal, State, and local laws.

Date Adopted: December 14, 2011

I. (i) Performance Goals:

- To promote, develop, and maintain the mixed-income residential community on Roosevelt Island.
- To provide an appropriate level of services to develop and maintain public facilities, open spaces and commercial facilities.
- To ensure good governance through compliance with its enabling legislation, corporate By-laws, General Development Plan, contractual obligations and all applicable Federal, State, and local laws.
- To manage the Corporation's resources with fiscal responsibility and efficiency through a single comprehensive process that is aligned with the Corporation's strategic plan and to continue to operate without reliance on State subsidies.
- To provide a safe environment for the public and the Corporation's employees.
- To maintain and enhance the physical conditions of the Corporation's public facilities and open spaces.
- To promote a sustainable, innovative environment and to strive for island-wide green initiatives.
- To effectively communicate with all stakeholders.
- To partner with businesses, industry leaders and other government agencies to meet the needs of the Corporation's stakeholders.

I. (ii) Performance Measurement Report

See Attachment "A"

II. OPERATIONS AND ACCOMPLISHMENTS

On December 14, 2011, The Board of Directors approved the Corporation's Budget FY 2012/2013 & Five Year Cash Projection reflecting a projected "Operating Profit before Depreciation of \$3,202,745 and an Operating Deficit after depreciation of (\$374,255)" and "Capital Expenditures for the Five Years Ending March 31, 2017" of \$43,043,000.

The Modernized Tram, which was placed in service on November 31, 2010, now better meets the transportation needs of the residents and visitors: more passengers are shuttled quickly and safely; there is greater availability - the system allows for one cabin to continue operations while the other is down for preventive maintenance; and it is more reliable with redundant generators to power the system. As a result of these increased efficiencies and capabilities, rider-ship on the Tram is increasing. During the fiscal year ended March 31, 2013, Tramway revenue exceeded

the budget by \$493,843 or 12% (see Budget variance report - page 31). The infrastructure improvement was funded by a \$15 million grant from the State of New York and \$10 million from RIOC.

The Franklin D. Roosevelt Four Freedoms State Park (“Park”), located at the southern tip of the island, was completed on October 17, 2012. The Park cost approximately \$43,523,002. The majority of the funding came from private funds raised by Franklin D. Roosevelt Four Freedom Park, LLC, which is now a subsidiary of the Four Freedoms Park Conservancy, Inc. The State and City of New York provided \$6,000,000 and \$13,588,000; respectively, toward the construction of the Park; and the Federal government provided \$501,609. The remaining funds came from private sources. At the commemoration of the Park, Governor Andrew Cuomo announced that the Park would be part of the New York State Park System. The New York Times has lauded the Park as the “spiritual heart” of New York City, and to date the Park has seen over 40,000 visitors and an increased visitorship to Roosevelt Island.

The development of Southpoint Park is completed; the park is now open to the public. The \$13,300,000 project was funded by appropriations from the City of New York for \$4,500,000, the State of New York for \$4,400,000, and \$4,400,000 from RIOC. The park significantly enhances the availability of vibrant open space to the community, while naturally benefiting in usage from the scores of visitors that the aforementioned Franklin D. Roosevelt Four Freedoms Park is attracting.

The revitalization of Main Street and improvement of the retail businesses are in progress. On August 1, 2011, RIOC entered into a Master Sublease Agreement with Hudson Related Retail LLC (HRR) to redevelop, improve, market, lease and professionally operate the Retail Spaces controlled by RIOC. RIOC receives an annual guaranteed rent of \$900,000 - escalating by 2% annually beginning on the first anniversary of the Commencement Date for the first five years and 2.5% annually thereafter - as well as participation in the profits of the Master Sub-lessee. According to its’ certified financial statements as of December 31, 2012, Hudson Related Retail LLC invested \$636,436 and incurred a loss of (\$320,279). According to the agreement, RIOC will share future profits 50/50 once HRR is paid back its investment.

On September 28, 2012, RIOC entered into a lease modification with Northtown Phase II Houses Inc. (the “Housing Company”) — one of four Mitchell-Lama housing projects built on the Island — to extend the term of its’ ground lease until December 22, 2068. During the term of the lease, the Housing Company will exit Mitchell-Lama and pursue an affordable home ownership plan whereby at least 65% of the 400 residential units (260 units) will either be restricted price cooperative apartments or affordable rental units (the “Conversion”). The lease provides that the Housing Company has three years from the date of the lease to execute the Conversion. Provided that this takes place, the base ground rent will increase as follows: (a) the current base rent will increase from \$136,000 to \$236,000 per annum — increasing by 10% on each 5th anniversary for 30 years; (b) the Housing Company will pay a transfer fee due in connection with the initial sale of each apartment equal to five percent (5%) of the unit’s gross sales price — but not to exceed \$4,500,000 in the aggregate; (c) for any resales following such initial sales the seller will be obligated to pay RIOC one percent (1%) of the unit’s gross sales price. If the Conversion does not take place and the building remains as an affordable rental, the base ground rent will increase

as of the date of the lease modification according to the aforementioned increase and escalation schedule.

Roosevelt Island was affected by Hurricane Irene. Before and during the storm, RIOC staff took measures to mitigate potential damage and to protect lives and property. Similarly, staff and contractor labor was used immediately following the storm to clear the roads and open spaces of debris and downed trees. Under Federal guidelines, these efforts were identified as eligible for reimbursement by FEMA. The following projects to rehabilitate portions of the Island impacted by Hurricane Irene were identified to FEMA and completed: (1) repairs were made to fencing damaged by falling trees; (2) repairs were made to damaged stone benches and walkways; (3) RIOC replaced safety mulch washed away from playgrounds; (4) streetlights adorning the open space at Lighthouse Park were damaged. Currently, plans for mitigation and repair at the South Point seawall are being designed by an engineering firm, and repairs are being made to several hundred linear feet of the West Side Sidewalk. These ongoing projects have similarly been identified to FEMA and are approved for reimbursement upon completion. The filing deadline for the continuing projects has been extended to December 21, 2015. As work is completed, the eligible costs are submitted to FEMA/OEM for review and approval. To date, RIOC has realized \$103,142 in construction and labor costs and is projected to incur an additional \$1,405,052 — for a projected total of \$1,508,194. The receipt of the Federal share (75% of costs incurred in a FEMA approved scope of work) is dependent upon RIOC's outlay of cash for identified projects. As the completed projects are reviewed and approved by FEMA/OEM, the Corporation will receive the Federal share of the eligible costs as a reimbursement. Based on the projected total expenditures of \$1,508,194, RIOC will receive reimbursements totaling approximately \$1,131,145.

Similarly, the Island experienced damages caused by Hurricane Sandy during October 2012. RIOC has preliminarily identified projects to FEMA, including but not limited to, repairs of the Overlook Pier on the West Promenade, and foot bridges in Lighthouse Park. The projects are under review by FEMA and OEM for eligibility under Federal guidelines. RIOC's preliminary estimates to undertake repairs and mitigate future damage total approximately \$734,000. No filing deadline will be established until the projects are deemed eligible.

Six (6) of the anticipated nine (9) buildings ("Buildings") of the Southtown Development Project have been completed. The developer, Hudson/Related Joint Venture and RIOC have come to tentative terms for Buildings 7-9 as of the date of this report. Of the remaining Buildings, the Building 7 Lease Closing needs to occur before July 31, 2013; the Building 8 Lease Closing shall occur no later than 30 months after the Building 7 Lease Closing; and the Building 9 Lease Closing shall occur no later than 30 months after the Building 8 Lease Closing. Should development fail to occur within the expected timeframe, RIOC is protected by a letter of credit in the amount of \$1,420,800. RIOC believes that the development will occur as the economy recovers and the housing market rebounds.

RIOC's fifteen-year capital improvement plan provides a framework for the Corporation to renew existing aged infrastructure, and maintain the quality of life for the Island's residents, workers, and visitors. The Corporation achieves this by making capital improvements and strategically acquiring capital assets that support essential services such as transit, sanitation, and

public safety. Significant projects in the first five years include the installation of LED lighting in the Motorgate Garage and repairs to its helix ramp, renovations of the Blackwell House interior, and modernization of the west drive. Future projects and acquisitions slated for the fifteen-year period include: rehabilitation of the Island's seawall, representing \$21.6 million in estimated expenditures; replacement of the railings at a cost of \$3 million; \$3.6 million toward maintaining a state of good repair on the Island's newly renovated aerial tramway; and \$5.5 million toward the purchase of hybrid-electric buses, supplementing the Corporation's ability to continue providing transportation services as its current fleet ages.

III. FINANCIAL REPORTS

III. (i) Audited Financials.

The audited financial reports are attached – see Attachment “B”. Below is an overview of the statement of revenue, expenses and changes in fund net assets, and the statements of assets.

RIOC's statements of revenues, expenses and changes in fund net position are used to report changes in the net position, including depreciation expense. Revenues reported here are based on a standard of recognition whereby revenues are recorded when earned. The statements of revenues, expenses and changes in fund net position detail program revenues by major source and expenses by natural classification and indicate the change in net position.

RIOC's total operating revenues for the year ended March 31, 2013 amounted to \$21,869,710, which includes \$21,572,641 in revenues identified as program revenues and \$297,069 of non-program specific revenues, primarily interest income earned on investments and settlement of insurance claimed. During the fiscal year ending March 31, 2013, operating revenues increased by \$1,022,807 or 5% over the last fiscal year. The increase in operating revenues is mainly attributed to the Tramway revenue, which increased by \$342,952 or 8%. The increase in the Tramway revenue is due to increased rider-ships of the modernized tram system which provides higher capacity, faster, safer and smoother rides, and no downtime. In addition, residential fees increased by \$233,121 or 27% primarily due to an increase in condo sales and transactions. Also, commercial rent increased by \$124,897 or 10% stemming from the assignment of the commercial spaces to the master lease, which provided a steady stream of revenue. However, interest income declined by \$78,230 or 30% primarily due to the significant drop in the interest rate.

RIOC's total operating expenses were \$21,664,826 in 2013 and \$21,567,047 in 2012, including depreciation of \$3,424,513 and \$3,436,043, respectively. For the fiscal year ending March 31, 2013, total operating expenses before depreciation increased by \$109,309 or 1% over the last fiscal year, which is due primarily to accruals for compensated absences.

The statement of revenues, expenditures and changes in fund balances using the modified accrual basis, reported an increase of \$204,884 to an ending balance of \$80,275,589 at March 31, 2013.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MARCH 31, 2013

	<u>2013</u>	<u>2012</u>	<u>% Change</u>
Operating revenues:			
Residential fees	\$ 1,111,441	\$ 878,320	27%
Ground rent	9,356,679	9,174,109	2%
Commercial rent	1,421,038	1,296,141	10%
Tramway revenue	4,640,843	4,297,891	8%
Public safety reimbursement	1,673,097	1,613,297	4%
Transport/parking revenue	2,521,892	2,485,613	1%
Interest income	185,403	263,633	-30%
Other revenues	959,317	837,899	14%
Total operating revenues	<u>21,869,710</u>	<u>20,846,903</u>	<u>5%</u>
Operating expenses:			
Personal services	10,008,395	9,795,206	2%
Insurance	1,137,448	1,061,546	7%
Professional and legal services	670,825	699,139	-4%
Management fees	4,074,439	4,072,518	0%
Telecommunications	115,623	115,029	1%
Repairs and maintenance	281,689	382,153	-26%
Vehicles maintenance	350,663	318,719	10%
Equipment purchases/lease	73,481	112,977	-35%
Supplies/services	1,051,650	1,039,350	1%
Other expenses	476,100	534,367	-11%
Total operating expenses excluding depreciati	<u>18,240,313</u>	<u>18,131,004</u>	<u>1%</u>
Operating income before depreciation	3,629,397	2,715,899	34%
Depreciation expenses	<u>3,424,513</u>	<u>3,436,043</u>	<u>0%</u>
Change in net position	204,884	(720,144)	128%
Capital contributions for stabilization of Renwick Ruins		29,113	-100%
Total net position, beginning of year	<u>80,070,705</u>	<u>80,761,736</u>	<u>-1%</u>
Total net position, end of year	<u>\$ 80,275,589</u>	<u>\$ 80,070,705</u>	<u>0%</u>

On RIOC's statement of position at March 31, 2013, total assets of \$114,038,559 exceeded total liabilities of \$33,762,970 by \$80,275,589 (total net position). Total assets are comprised of capital assets (e.g., buildings, machinery and equipment) totaling \$68,724,541, cash and cash equivalents totaling \$40,740,110 and other assets of \$4,573,908. Liabilities comprised of accounts payable of \$809,459, unearned revenues of \$29,910,944, other post-employment benefits of \$2,382,670, and other liabilities totaling \$659,897. Unearned revenues represent the prepaid ground rent revenue received for the Southtown and Octagon development projects that will be recognized over their respective lease terms. Of total net position, \$10,450,427 is available to be used to meet ongoing capital obligations. Additionally, \$1,100,621 is available for ongoing operational expenses.

STATEMENTS OF NET POSITION

	<u>2013</u>	<u>2012</u>	<u>% Change</u>
Current and other assets	\$ 45,314,018	\$ 46,439,059	-2%
Capital assets, net	68,724,541	67,090,562	2%
Total Assets	<u>\$ 114,038,559</u>	<u>\$ 113,529,621</u>	0%
Liabilities	<u>\$ 33,762,970</u>	<u>\$ 33,458,916</u>	1%
Net position			
Investment in capital assets	\$ 68,724,541	\$ 67,090,562	2%
Restricted for capital projects	10,450,427	11,113,352	-6%
Unrestricted	1,100,621	1,866,791	-41%
Total net position	<u>\$ 80,275,589</u>	<u>\$ 80,070,705</u>	0%

III. (ii) Grant and Subsidy Programs

Included in "Other Expenses" are expenditures for public purpose grants totaling \$275,000 per year for the years ended 2013 and 2012. The Roosevelt Island Youth Center was granted \$175,000 each year to help fund operating expenses. The remaining grants of \$100,000 are awarded to various Island-based not-for-profits that must apply each year and require Board approval.

III. (iii) Operating and Financial Risks

Roosevelt Island Operating Corporation is self-sustaining: it generates sufficient revenues from long term ground and commercial leases – residential fees, ground rent, commercial rent, and public safety fees; service fees from its Tramway and Bus Operations; and other revenues to fully meet its operational expenses. Roosevelt Island Operating Corporation neither borrows nor depends on appropriations and thus is minimally exposed to market, interest rate, and economic risks.

The development agreement for Southtown buildings (“Buildings”) five (5) through nine (9) between Hudson Related Joint Venture (“Developer”) and RIOC included a contingent de-designation (cancellation of project or portion of) fee of \$2,252,198. As of the date of this report, Buildings five (5) and six (6) were completed within the agreed upon timeframe, and resulted in the pro-rata reduction of the de-designation fee to \$1,420,800. The agreement is collateralized by a Guaranty Letter of Credit issued by Deutsche Bank Trust Company, NA in the amount of \$1,420,800 maturing on August 15, 2013, to be renewed annually. Of the remaining Buildings, the Building 7 Lease Closing need to occur before July 31, 2013; the Building 8 Lease Closing shall occur no later than 30 months after the Building 7 Lease Closing; and the Building 9 Lease Closing shall occur no later than 30 months after the Building 8 Lease Closing. In the event that the Developer fails to close a Building lease in accordance with the foregoing schedule, except if due to RIOC, RIOC may draw the entire balance of the Guaranty Letter of Credit and apply same at its sole discretion, and in addition thereto, at its sole option, de-designate Developer for each such Building and for the remainder of the Building.

Should the development of Southtown buildings seven through nine not happen, Roosevelt Island Operating Corporation projected cash reserves will be adversely affected. However, RIOC believes that the development will occur as the economy recovers and the housing market rebounds.

III. (iv) Bond Ratings

Roosevelt Island Operating Corporation does not issue bonds.

III. (v) Long-term Liabilities

III. (v)(a) Leases

Roosevelt Island Operating Corporation has agreements with four housing companies operating on the Island to sublease commercial space occupied by the housing companies. Rent expense for the years ended March 31, 2013 and 2012 approximated \$86,000 per year

III. (v)(b) Unearned Revenue

As of March 31, 2013, unearned revenue in the amount of \$29,910,944 reported in the statements of net position represents amounts collected in advance for lease-related payments related to subsequent fiscal years. These amounts will be recognized as income on an annual basis over a period of the remaining fifty-seven years on the ground lease for the City of New York expiring in 2068 under the accrual basis of accounting.

III. (v)(b) Unearned Revenue – (continued)

<u>Buildings</u>	<u>Balance at April 01, 2012</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance at March 31, 2013</u>
Octagon	2,687,360		(47,354)	2,640,006
Southtown Bldg #1	1,806,665		(31,836)	1,774,830
Southtown Bldg #2	1,723,950		(30,378)	1,693,572
Southtown Bldg #3	3,684,234		(64,920)	3,619,313
Southtown Bldg #4	4,803,418		(84,642)	4,718,777
Southtown Bldg #5	6,133,912		(108,087)	6,025,825
Southtown Bldg #6	9,441,306		(166,367)	9,274,939
Sportspark Field	157,074	163,683	(157,074)	163,683
Total	<u>\$ 30,437,919</u>	<u>\$ 163,683</u>	<u>\$ (690,657)</u>	<u>\$ 29,910,944</u>

III. (v)(c) Postemployment Benefits Other Than Pensions

Roosevelt Island Operating Corporation provides continuation of medical coverage to administrative, non-represented employees (those categorized as M/C) that retire at age 55 or older with five (5) years of service with the Corporation or a combination of service with a previous NYS public employer and a minimum of one (1) year service with RIOC. The employee must meet the requirements for retiring as a member of the NYS Employees Retirement System, and the employee must be enrolled in NYSHIP. The Corporation contributes 90% for employees and 75% for an employee's spouse.

The Corporation provides certain health care benefits for retired employees. Substantially all of the Corporation's non-union employees may become eligible for these benefits if they reach the normal retirement age, of the respective tier of the New York State Employees' Retirement System, while working for the Corporation. The Corporation, on an annual basis, accrues the cost which represents the present value of these benefits to be paid over the estimated lives of the retirees.

Total expenditures charged to operations for the years ended March 31, 2013 and 2012 amounted to \$457,950 and \$461,412, respectively. At March 31, 2013, the liability for retired employees included in non-current accrued fringe benefits amounted to \$2,382,670

The Roosevelt Island Operating Corporation currently pays for post-retirement health care benefits on a pay-as-you-go basis and has set aside assets in the amount of \$2,382,670 to meet this long term obligation.

IV. DEBT SCHEDULE

Roosevelt Island Operating Corporation does not issue debt and thus does not have any bonds and notes outstanding.

V. COMPENSATION SCHEDULE

<u>NAME</u>	<u>TITLE</u>	<u>SALARY</u>	<u>TOTAL COMPENSATION</u>
Leslie Torres	President/CEO	\$150,355	\$78,544
Fernando Martinez	VP Operations	\$140,000	\$119,384
Donald Lewis	VP General Counsel	\$139,994	\$140,379
Steven G. Chironis	VP / CFO	\$136,965	\$137,341
Alexander Snedkov	Director Engineering	\$105,000	\$105,289
Michael Moreo	Director IT	\$104,931	\$24,503
W. Keith Guerra	Director Public Safety	\$104,464	\$104,751
Muneshwar Jagdharry	Controller	\$100,915	\$101,192

V. (i) Biographical Information

Biographical information for all board members and specified employees are attached – see Attachment “C”.

VI. PROJECTS

Roosevelt Island Operating Corporation did not undertake any Industrial Development Agency Projects (IDA Projects).

RIOC’s fifteen-year capital improvement plan provides a framework for the Corporation to renew existing aged infrastructure, and maintain the quality of life for the Island’s residents, workers, and visitors. The Corporation achieves this by making capital improvements and strategically acquiring capital assets that support essential services such as transit, sanitation, and public safety. Significant projects in the first five years include the installation of LED lighting in the Motorgate Garage and repairs to its helix ramp, renovations of the Blackwell House interior, and modernization of the west drive. Feature projects and acquisitions slated for the fifteen-year period include: rehabilitation of the Island’s seawall, representing \$21.6 million in estimated expenditures; replacement of the railings at a cost of \$3 million; \$3.6 million toward maintaining a state of good repair on the Island’s newly renovated aerial tramway; and \$5.5 million toward the purchase of hybrid-electric buses, supplementing the Corporation’s ability to continue providing transportation services as its current fleet ages.

VII. REAL PROPERTY

VII. (i) Real Property Disposition

On September 28, 2012, RIOCI entered into a lease modification with Northtown Phase II Houses Inc. (the “Housing Company”) — one of four Mitchell-Lama housing projects built on the Island — to extend the term of its’ ground lease until December 22, 2068. During the term of the lease,

the Housing Company will exit Mitchell-Lama and pursue an affordable home ownership plan whereby at least 65% of the 400 residential units (260 units) will either be restricted price cooperative apartments or affordable rental units (the “Conversion”). The lease provides that the Housing Company has three years from the date of the lease to execute the Conversion. Provided that this takes place, the base ground rent will increase as follows: (a) the current base rent will increase from \$136,000 to \$236,000 per annum — increasing by 10% on each 5th anniversary for 30 years; (b) the Housing Company will pay a transfer fee due in connection with the initial sale of each apartment equal to five percent (5%) of the unit’s gross sales price — but not to exceed \$4,500,000 in the aggregate; (c) for any resales following such initial sales the seller will be obligated to pay RIOC one percent (1%) of the unit’s gross sales price. If the Conversion does not take place and the building remains as an affordable rental, the base ground rent will increase as of the date of the lease modification according to the aforementioned increase and escalation schedule.

VII. (ii) Real Property Acquisition

Roosevelt Island Operating Corporation did not acquire any real property.

VII. (iii) Real Property Owned

<u>Property</u>	<u>Net Asset Value</u>	<u>(1)</u>
AVAC	\$ 1,067,267	
Blackwell House	\$ 1,268,915	
Boathouse	\$ 15,796	
Eastwood	\$ 51,622	
Good Shepherd Chapel	\$ 1,381,181	
Island House	\$ 26,542	
Lighthouse	-	(2)
Minischools	\$ 914,835	
Motorgate	\$ 4,324,284	
Octagon	-	(2)
Post Office	\$ 9,800	
Renwick Ruins	\$ 4,235,076	
Rivercross	\$ 29,381	
Supermarket - Gristedes	\$ 35,085	
Sportspark	\$ 124,179	
Strecker Lab	-	(2)
Steamplant	\$ 52,226	
Tennis Bubble	\$ 740,132	
Tramway	\$ 20,746,107	
Westview	\$ 46,349	
Total	<u>\$ 35,068,776</u>	

Note:

(1) Fair Market Value is currently not available

(2) Historical Landmarks - undetermined

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 “D”) 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

This statement certifies that the Roosevelt Island Operating Corporation followed a process that assessed and documented the adequacy of its internal control structure and policies for the year ending March 31, 2013. We are currently developing corrective action plans to reduce any internal control related risks.

X. ENABLING LEGISLATION

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 to take responsibility, pursuant to a General Development Plan (GDP), for the development and operation of the 147 acres comprising the former Welfare Island, located in New York City's East River – see Attachment “E”.

XI. AUTHORITY AND ITS BOARD STRUCTURE

Pursuant to its enabling legislation, the RIOC Board of Directors is composed of nine members including the Commissioner of the New York State Division of Housing and Community Renewal, who serves as the chair; the New York State Director of the Budget; and seven public members nominated by the Governor of the State of New York with the advice and consent of the New York State Senate. Of the seven public members, two members are recommended by the Mayor of New York City, and five members must be residents.

XI. (i) Board Committees

See Attachment “F”.

XI. (ii) Board Meetings and Attendance

See Attachment “G”.

XI. (iii) Major Authority Units

Roosevelt Island Operating Corporation is comprised of the following functional departments: Administration, Finance, Human Resources, Information Technology, Legal,

Community Relations, Engineering, Public Safety, Island Operations, Grounds, Maintenance, Warehouse, Bus Operations, Motor Pool, Parks & Recreation, Permits & Film, Sportspark.

XI. (iv) Number of Employees

Roosevelt Island Operating Corporation has 117 employees (96 F/T and 21 P/T).

XII. CHARTER AND BY-LAWS

See Attachment “H”.

XIII. MATERIAL CHANGES IN OPERATIONS AND PROGRAMS

Roosevelt Island Operating Corporation has not made any material changes to its operations and/or programs.

XIV. FINANCIAL PLAN

XIV. (i) Current and Projected Capital Budget

See Attachment “I”.

XIV. (ii) Operating Budget Report – Actual vs. Budgeted

See Attachment “J”.

XV. BOARD PERFORMANCE EVALUATION

Pursuant to Public Authorities Law sections 2800(1)(a)(15), 2800(2)(a)(15), and section 2824(7), the Annual Board of Directors Evaluations have been completed for the fiscal year.

XVI. NON-COMPETITIVE ACQUISITIONS

See Attachment “K”.

XVII. MATERIAL PENDING LITIGATION

RIOC is a defendant in various lawsuits. In the opinion of RIOC’s legal counsel, these suits are without substantial merit and should not result in judgments which in the aggregate would have a material adverse effect on RIOC’s operations.

However, RIOC has a claim from the contractor for the modernization of the Roosevelt Island Aerial Tramway for additional compensation in the amount of \$18,794,956 (on top of the fixed fee contracted price of \$16,693,894) on account of various items of alleged extra work and alleged interferences to its work. RIOC believes that these claims are without merit.

In addition, the contractor also claims a Contract Sum balance of \$1,995,230 under the Design/Build Agreement. The claimed Contract Sum balance is disputed by RIOC for reason of various incomplete items of Work and contractor's failure to return the Tramway to service within the Contract Time.

The Corporation's legal counsel is reviewing these claims and has not yet formed an opinion on these matters.

ATTACHMENTS

- A.....Performance Measurement Report
- BManagement Letter and Audited Financials
- C.....Biographical Information
- D.....Code of Ethics
- E..... Copy of legislation
- F.....Board Committees
- G.....Board Meetings and Attendance
- H..... Charter and By-Laws
- I..... Current and Projected Capital Budget
- J.....Operating Budget
- K.....Non-Competitive Acquisitions



Roosevelt Island Operating Corporation Performance Measure Report

1. To promote, develop, and maintain the mixed-use residential community on Roosevelt Island.

Pursuant to the guidelines specified in the Roosevelt Island General Development Plan, the Roosevelt Island Operating Corporation (“RIOC”) has promoted the development of approximately 4,960 units of housing, with the expected development of an additional 540 units. Of the built out units of housing stock, approximately 53% are currently affordable under Federal Section 8, NYS Mitchell-Lama, NYC Inclusionary Housing Programs or qualifying units sold or rented as Middle Income Affordable Housing (see Figure 1 below).

Building	Units Developed	To Be Developed	Total Units	Units Developed as Affordable	Units Subsequently Converted To Market	Units Currently Affordable	Current Percentage Affordable
Manhattan Park	1,107		1,107	222		222	20%
Roosevelt Landings	1,003		1,003	1,003	275	728	73%
The Octagon	500		500	100		100	20%
Island House	400		400	400		400	100%
Southtown	1,202	540	1,742	697		697	40%
Westview	371		371	371		371	100%
Rivercross	377		377	377		377	100%
Total:	4,960	540	5,500	3,170	275	2,895	53%

Note: Unit Counts and Percentages are Approximate Values.

Figure 1

Of the total 3,170 affordable units originally developed above, 2,151 units (68% of the affordable units) were developed through the NYS Mitchell Lama (ML) program in the mid to late 70’s. The ML developers have the option after twenty years to exit the program and convert to a market rate building. Roosevelt Landings (formerly Eastwood) has exited the ML program whereby existing tenant rents will continue to be subsidized but units that become vacant will convert to market rate. As of March 31, 2013, approximately 27% of the units have been converted to market rate units. The ground lease for Island House was extended to 2068 under a 30 year affordable program that is expected not to take effect until sometime in 2015. At least 65% of the units will either be sold as “affordable” CO-OPs or remain as affordable rentals. The remaining two ML buildings (Westview and Rivercross) are in various stages of negotiations whereby a “30 Year Affordable Program” is being sought in exchange for subsidized ground lease extensions.

Six (6) of the anticipated nine (9) buildings (“Buildings”) of the Southtown Development Project have been completed. The developer, Hudson/Related Joint Venture and RIOC have come to tentative terms for Buildings 7-9 as of the date of this report. Of the remaining Buildings, the Building 7 Lease Closing needs to occur before July 31, 2013; the Building 8 Lease Closing shall occur no later than 30 months after the Building 7 Lease Closing; and the Building 9 Lease Closing shall occur no later than 30 months after the Building 8 Lease Closing. Should development fail to occur within the expected timeframe, RIOC is protected by a letter of credit in the amount of \$1,420,800. RIOC believes that the development will occur as the economy recovers and the housing market rebounds.

2. To provide appropriate level of services which develop and maintain public facilities, open spaces, and commercial facilities.

As part of its mission the Corporation has developed the 147-acre island by promoting public facilities including a transit system, sanitary and safety departments, pedestrian walkways, open spaces, and a street system. The initial planners promoted the development of a centralized parking facility, now referred to as the Motorgate Garage, which currently provides 1,522 parking spaces. A fourth quadrant may be required as part of development of buildings 7-9 in a nine building Southtown development project (buildings 1-6 having already been completed) that would increase garage parking to approximately 2,000 parking spaces.

Following the Tram Modernization Project, the Tram was back in operation on November 30, 2010 after being shut down for nine months. Tram station improvements are scheduled to be completed by the end of 2013. The infrastructure improvement for the Modernization Project was funded through a \$15 million grant from the State of New York and \$10 million from RIOC. This important transportation mode shuttled approximately 2,400,000 riders this past fiscal year between Roosevelt Island and Manhattan. The Tram operating net profit for the year amounted to \$859,474.

The on-island mass transportation is serviced by a fleet of seven energy clean hybrid buses. The buses are all wheel chair accessible and service the Island's significant disabled population, as well as the rest of the community.

Roosevelt Island has a public school, PS / IS 217, which currently has 410 students enrolled and The Child School / Legacy High School, a government funded private school specializing in educating children with special needs — serving approximately 300 students. The Island is also home to a branch of the New York Public Library ("NYPL"), community center, and senior center.

A new significantly larger NYPL branch is expected for the Island. Final negotiations for a long-term lease are in progress between NYPL and Hudson Related Retail, LLC. RIOC is hopeful construction will commence this year.

RIOC promotes recreational activities and has developed the Sports Park complex, which contains a swimming pool, full-size basketball court, ping pong room, and weight room. Open recreational spaces include Lighthouse Park, Octagon Soccer Field, Octagon Pony Field, Capobianco Field, Firefighters Field and Southpoint Park.

The Four Freedoms State Park, a memorial to honor President Franklin D. Roosevelt located on the southernmost tip of Roosevelt Island, opened in the fall of 2012. It has become a popular destination that has attracted more than 40,000 visitors to the Island.

The infrastructure for basic utilities has been developed, and residential buildings are connected to the Automated Vacuum ("AVAC") facility, an underground network of pipes that disposes of trash, eliminating the need for the majority of curb-side pickup.

The revitalization of Main Street commercial corridor is in progress. On August 1, 2011, RIOC entered into a Master Sublease Agreement with Hudson Related Retail LLC (HRR) to redevelop, improve, market, lease and professionally operate the retail spaces controlled by RIOC. RIOC receives an annual guaranteed rent of \$900,000 - escalating by 2% annually beginning on the first anniversary of the Commencement Date for the first five years and 2.5% annually thereafter - as well as participation in the profits of the Master Sub-lessee. According to HRR's certified financial statements as of December 31, 2012, it invested \$636,436 and incurred a loss of (\$320,279) after payment of the annual guaranteed rent to RIOC. According to the agreement, RIOC will share future profits 50/50 once HRR is paid back its investment.

Roosevelt Island was selected by the City of New York for the future site of the Cornell/Technion Applied Sciences Graduate School (Cornell). The project, which is projected to be built in three phases over a twenty year period, will be built primarily on property that is currently controlled by the City. We expect the project to have an indeterminate level of significant impacts on Island infrastructure, including but not limited to substantial construction related to the project and an increase in the daily population by at least 5,000 new residents. RIOC and Cornell are currently in discussions related to the short-term and long-term impacts the school will have on the Island's infrastructure, including cost sharing of selected capital projects. In addition to the costs related to the Cornell Project, RIOC may incur substantial costs (and significant environmental risks) from New York City's concurrent closure of a large steam plant located on the island, which formerly served the Goldwater Hospital Site (as well as Coler Hospital and several RIOC-owned facilities) and which the City now proposes to abandon in place. RIOC may be able to shift some or all of these costs to a future developer of the site and has issued a Request For Expressions of Interest ("RFEI") to developers for the steam plant site.

As noted above, RIOC issued a RFEI to attract proposals for the adaptive reuse or redevelopment of the approximately 56,000-square-foot site of the steam plant and adjacent land located on the Island. The steam plant is on Tramway Plaza, adjacent to the east side of the Roosevelt Island Tram Terminal and the north side of the Ed Koch Queensborough Bridge. The purpose of the RFEI is to learn the types of reuse and redevelopment plans that are both economically feasible and beneficial to the Roosevelt Island community and to assess the interest of qualified developers. After a review of the proposals, RIOC may request detailed development proposals from qualified developers in order to select a developer to enter into a long-term lease with RIOC for the design, development, and operation of the proposed site.

The closure of the steam plant will also require heating upgrades to Sports Park, which relied on the plant. The costs to upgrade the Sports Park heating system may be substantial; RIOC has recently engaged an engineering firm to conduct an analysis of the heating and ventilation systems and other capital assets, including but not limited to cursory overviews of the facility's lighting, electrical, plumbing, and roofing systems. In addition to determining the financial impact related to the closure of the steam plant, the study will identify the long-term viability of each noted asset and include a cost analysis that can be utilized to maintain these assets in a state of good repair.

The expected increase in traffic due to construction of Cornell has also precipitated the Corporation's release of a Request For Proposals ("RFP") for the Roosevelt Island Bridge Helix Ramp, which was rehabilitated in 1987 and would not have been addressed for some years in RIOC's capital plan. The purpose of the RFP is to solicit the services of a qualified engineering firm to perform structural evaluation, corrective engineering, and design services. A firm has been identified and approved by the RIOC Board — a contract for services is being drafted.

The Corporation has engaged a consultant to provide engineering design and marine permitting services for the completion of the Southpoint Park ("SPP") shorelines. Failures due to deterioration exist along both shores, and the west shore seawall consists of a succession of different masonry construction types, ranging from cut granite to large concrete blocks interspersed with eroded gaps. The eastern seawall, while in generally better condition, does have some localized failures including but not limited to damage to some 100 linear feet that was breached during Hurricane Irene; the portion damaged by the storm event has been approved by FEMA as a project for disaster recovery funding. Public access to the shorelines is not practical until structural integrity is restored. Moreover, loss of park area is beginning to occur as erosion penetrates beyond the wall breaches.

As noted above, Roosevelt Island was affected by Hurricane Irene. Before and during the storm, RIOC staff took measures to mitigate potential damage and to protect lives and property. Similarly, staff and contractor labor was used immediately following the storm to clear the roads and open spaces of debris and downed trees. Under Federal guidelines, these efforts were identified as eligible for reimbursement by FEMA. The following

projects to rehabilitate portions of the Island impacted by Hurricane Irene were identified to FEMA and completed: (1) repairs were made to fencing damaged by falling trees; (2) repairs were made to damaged stone benches and walkways; (3) RIOC replaced safety mulch washed away from playgrounds; (4) streetlights adorning the open space at Lighthouse Park were damaged. Currently, plans for mitigation and repair at the South Point seawall are being designed by an engineering firm, and repairs are being made to several hundred linear feet of the West Side Sidewalk. These ongoing projects have similarly been identified to FEMA and are approved for reimbursement upon completion. The filing deadline for the continuing projects has been extended to December 21, 2015. As work is completed, the eligible costs are submitted to FEMA/OEM for review and approval. To date, RIOC has realized \$103,142 in construction and labor costs and is projected to incur an additional \$1,405,052 — for a projected total of \$1,508,194. The receipt of the Federal share (75% of costs incurred in a FEMA approved scope of work) is dependent upon RIOC’s outlay of cash for identified projects. As the completed projects are reviewed and approved by FEMA/OEM, the Corporation will receive the Federal share of the eligible costs as a reimbursement. Based on the projected total expenditures of \$1,508,194, RIOC will receive reimbursements totaling approximately \$1,131,145.

Similarly, the Island experienced damages caused by Hurricane Sandy during October 2012. RIOC has preliminarily identified projects to FEMA, including but not limited to, repairs of the Overlook Pier on the West Promenade, and foot bridges in Lighthouse Park. The projects are under review by FEMA and OEM for eligibility under Federal guidelines. RIOC’s preliminary estimates to undertake repairs and mitigate future damage total approximately \$734,000. No filing deadline will be established until the projects are deemed eligible.

3. To ensure good governance through compliance with its enabling legislation, corporate By-laws, General Development Plan, contractual obligations and all applicable Federal, State, and local laws.

RIOC has set forth Investment Guidelines, Lobbying Guidelines, Procurement Guidelines, Guidelines Regarding Acquisition and Disposal of Property, By-Laws, Policies for Senior Management, Travel Policies, and Policies on Reporting Misconduct and Protection Against Adverse Personnel Action.

During the fiscal year RIOC was subject to a NYS Inspector’s General investigation. The investigation is presently on-going and the Corporation intends to fully address all findings.

4. To manage the Corporation’s resources with fiscal responsibility and efficiency through a single comprehensive process that is aligned with the Corporation’s strategic plan and to continue to operate without reliance on State subsidies.

RIOC’s operating revenues were sufficient to meet its operating and capital needs for the 2012-13 fiscal year. The Corporation reported an operating profit, before depreciation, of \$3,629,397, a 13% amount in excess of the amount budgeted. The capital budget is prioritized to match the Corporation’s strategic planning process and revenues have produced reserve funds, which are invested for necessary development and maintenance without relying on State subsidies. Further study is needed to determine the future impact of Cornell/Technion on the operating and capital needs budgets.

5. To provide a safe environment for the public and the Corporation’s employees.

Roosevelt Island, having one of the lowest crime rates per capita in New York City, is serviced by an on-island Public Safety Department (“PSD”) with support from the NYPD. The mission of PSD is to provide a safe and secure environment for the residents, employees, business owners, community and visitors of Roosevelt Island. PSD is a division of RIOC, and its Public Safety officers are the front-line problem solvers for the Roosevelt

Island community. By working closely with the City Police Department's 114th Precinct, with the Fire Department and their Medical Services (EMS), PSD provides a 24-hour a day, seven-day-a-week presence on the Island. The Corporation intends to place more emphasis on community-based policing and quality of life issues.

6. To maintain and enhance the physical conditions of the Corporation's public facilities and open spaces.

RIOC's fifteen-year capital improvement plan provides a framework for the Corporation to renew existing aged infrastructure, and maintain the quality of life for the Island's residents, workers, and visitors. The Corporation achieves this by making capital improvements and strategically acquiring capital assets that support essential services such as transit, sanitation, and public safety. Significant projects in the first five years include the installation of LED lighting in the Motorgate Garage and repairs to its helix ramp, renovations of the Blackwell House interior, and modernization of the west drive. Feature projects and acquisitions slated for the fifteen-year period include: rehabilitation of the Island's seawall, representing \$21.6 million in estimated expenditures; replacement of the railings at a cost of \$3 million; \$3.6 million toward maintaining a state of good repair on the Island's newly renovated aerial tramway; and \$5.5 million toward the purchase of hybrid-electric buses, supplementing the Corporation's ability to continue providing transportation services as its current fleet ages. See attached Capital Plan.

7. To promote a sustainable, innovative environment and to strive for island-wide green initiatives.

To limit the congestion caused by excess traffic, RIOCI provides bus services — utilizing 7 hybrid-electric buses powered by ultra-low-sulfur diesel fuel, thereby limiting production of greenhouse gases. The Corporation has also purchased compact electric vehicles to the extent possible to lessen dependence on fossil fuel utilizing vehicles for light duty usage by employees. A feasibility study was conducted this fiscal year for the installation of canopy solar panels above the Motorgate Garage. The study concluded that it would most likely not be economically feasible at this time until such cost efficiencies could be attained.

8. To effectively communicate with all stakeholders.

Notices are posted in public view and on the RIOCI web site for all Board of Directors meetings pursuant to the NYS Open Meetings Law. The RIOCI web site provides relevant information, such as community information and information about the Corporation's operations and finances. Advisories are also sent to subscribers providing information about emergency situations, traffic/transportation advisories affecting the island, community events, and additional noteworthy items. All of the notices, advisories, and the RIOCI web site are available to stakeholders.

9. To partner with businesses, industry leaders and other government agencies to meet the needs of the Corporation's stakeholders.

The fares for individuals riding the Aerial Tramway are collected on RIOCI's behalf via the Metro Card system through a partnership with New York City Transit, which promotes the efficiency of the system by connecting riders to the mass transit system of the greater urban area. The Master Sublease Agreement between RIOCI and Hudson Related Retail, LLC is a partnership that will promote utilization of the island's commercial sector, thereby increasing access to goods and services. The Tramway and commercial sector are available to stakeholders.

The Roosevelt Island Operating Corporation (RIOC)
CAPITAL IMPROVEMENTS 2013/2014 (In Thousands)

Attachment A

5% inflation rate

	Approved Budget	Actual Expenditures	Approved Budget	Projected Budget	Budgets 2013 - 2027													
	2013	2013	2,014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total
1 Sports Fields/Parks	\$420	\$356	435	\$631	\$347	\$365	\$383	\$402	\$422	\$443	\$465	\$489	\$513	\$539	\$566	\$594	\$624	\$7,217
Octagon Park - Comfort Station Rehab	\$60		60															\$60
Octagon Park - Tennis Court Resurfacing	\$60		60															\$60
Mediation Steps																		\$0
504 Main Childrens Park				\$300														\$300
Miscellaneous Upgrades & Improvements - Reserve	\$300		315	\$331	\$347	\$365	\$383	\$402	\$422	\$443	\$465	\$489	\$513	\$539	\$566	\$594	\$624	\$6,797
2 Historic & Landmark Structures	\$1,670	\$897	1,280	\$910	\$221	\$232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$377	\$396	\$6,096
Blackwell House Interior renovation	\$800		800															\$800
Good Shepherd - HVAC																		\$0
Good Shepherd - Roof Replacement	\$300																	\$0
Good Shepherd - Façade Repointing			100															\$100
Good Shepherd - Interior Repairs/Doors	\$100		100															\$100
Good Shepherd - Alarm System	\$80		80															\$80
Blackwell Lighthouse Restoration	\$350			\$700														\$700
Old Tram Cabins Restoration	\$40																	\$0
Miscellaneous Upgrades & Improvements - Reserve			200	\$210	\$221	\$232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$377	\$396	\$4,316
3 Infrastructure Improvements	\$4,525	\$775	10,495	\$14,120	\$5,246	\$1,783	\$2,822	\$1,913	\$2,009	\$2,109	\$2,215	\$2,326	\$2,442	\$2,564	\$2,692	\$2,827	\$2,968	\$58,531
Island-Wide Road Improvements - Reserve	\$800		600	\$600	\$200	\$210	\$221	\$232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$4,743
Island-Wide Z Brick Replacement - Reserve	\$100		105	\$110	\$116	\$122	\$128	\$134	\$141	\$148	\$155	\$163	\$171	\$180	\$189	\$198	\$208	\$2,266
Good Shepherd Plaza - Pavement Replacement																		\$0
Blackwell Park Plaza & Fountains			700															\$700
Blackwell Circle			200															\$200
36 Avenue Bridge Helix (Ramp)	\$1,250		2,500															\$2,500
Seawall - Reserve	\$1,000		5,000	\$5,000			\$1,000	\$1,050	\$1,103	\$1,158	\$1,216	\$1,276	\$1,340	\$1,407	\$1,477	\$1,551	\$1,629	\$24,207
Seawall Railings Replacement	\$1,000		1,000	\$1,000	\$1,000	\$1,000	\$1,000											\$5,000
West Drive Modernization				\$2,000														\$2,000
Steamplant Decommissioning				\$3,500	\$3,500													\$7,000
Eastern Pier				\$1,500														\$1,500
Site Amenities - Benches, Waste Receptacles - Res.	\$75		75	\$79	\$83	\$87	\$91	\$96	\$101	\$106	\$111	\$116	\$122	\$128	\$135	\$141	\$148	\$1,618
Utilities Infrastructure Improvements - Reserve	\$100		105	\$110	\$116	\$122	\$128	\$134	\$141	\$148	\$155	\$163	\$171	\$180	\$189	\$198	\$208	\$2,266
Sewer Upgrades - Reserve	\$200		210	\$221	\$232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$377	\$396	\$416	\$4,531
4 Facilities & Offices	\$3,460	\$790	7,930	\$2,041	\$673	\$706	\$741	\$779	\$817	\$858	\$901	\$946	\$994	\$1,043	\$1,095	\$1,150	\$1,208	\$21,883
Motorgate Project Repairs Project																		\$0
Motorgate Garage - Reserve			200	\$210	\$221	\$232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$377	\$396	\$4,316
Motorgate Atrium/Escalator/N.Elevators			600															\$600
Motorgate Under deck Lighting	\$750																	\$0
Motorgate Enclosed Phase 3 Air Shaft	\$80																	\$0
Motorgate Coat Level 3 Deck	\$320																	\$0
Motorgate Coat Roof Deck																		\$0
Motorgate Fire Alarm Rehabilitation	\$40																	\$0
504 Main Street - Interior Demolition	\$250																	\$0
504 Main Street - Window/Door Replacement	\$250																	\$0
504 Main Street - ADA Elevator	\$250																	\$0
AVAC Stack Repairs				\$400														\$400
AVAC Interior Painting				\$300														\$300
AVAC Mechanical/Piping - Reserve	\$200		210	\$221	\$232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$377	\$396	\$416	\$4,531
Sportspark - HVAC	\$600		3,000															\$3,000
Sportspark - Roof				\$600														\$600
Sportspark - Pool	\$120		120															\$120
Sportspark - New Flooring Squash/Ping Pong	\$40		40															\$40
Sportspark - Upgrade Locker Rooms	\$60		60															\$60
Sportspark - Façade Repointing				\$100														\$100
Sportspark Rehabilitation - Reserve			100	\$105	\$110	\$116	\$122	\$128	\$134	\$141	\$148	\$155	\$163	\$171	\$180	\$189	\$198	\$2,158
Warehouse/Bus Garage Rehabilitation	\$500		3,500															\$3,500
Miscellaneous Facilities & Offices - Reserve			100	\$105	\$110	\$116	\$122	\$128	\$134	\$141	\$148	\$155	\$163	\$171	\$180	\$189	\$198	\$2,158
5 Equipment & Vehicles	\$366	\$98	324	\$188	\$152	\$177	\$1,159	\$1,347	\$1,289	\$1,372	\$1,346	\$1,606	\$1,568	\$302	\$218	\$317	\$324	\$11,588
Admin - (2) GEMs (50% paid by NYPA)						\$25				\$30				\$35				\$90
Bus - Hybrid Buses							\$1,000	\$1,050	\$1,103	\$1,158	\$1,216	\$1,276	\$1,340					\$8,142
Bus - F-350 Pickup								\$40							\$60			\$100

The Roosevelt Island Operating Corporation (RIOC)
CAPITAL IMPROVEMENTS 2013/2014 (In Thousands)

Attachment A

5% inflation rate

	Approved Budget	Actual Expenditures	Approved Budget	Projected Budget	Budgets 2013 - 2027													
	2013	2013	2,014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total
Bus - Sissor Lift			20															\$20
Engineering - Ford Escape	\$20						\$26					\$33						\$59
P.S. - Ford Escapes	\$20		21	\$22	\$23	\$24	\$26	\$27	\$28	\$30	\$31	\$33	\$34	\$36	\$38	\$40	\$42	\$453
P.S. - Segways	\$6		15	\$6	\$16	\$7	\$18	\$7	\$20	\$8	\$22	\$8	\$24	\$8	\$26	\$9	\$9	\$203
P.S. - Gem			15	\$11		\$12		\$14		\$15		\$16		\$18		\$20	\$20	\$141
P.S. - (4) Substations (Tram/Lighthouse/Bridge/SP Park	\$40																	\$0
P.S. - Taser Equipment & Training			40															\$40
Motorpool - (2) GEMS (50% paid by NYPA)					\$30				\$40				\$50					\$120
Motorpool - Aerial Truck Lift	\$70							\$35						\$45				\$80
Maintenance - Ford 350	\$50																	\$0
Grounds - Brush Chipper	\$60		45															\$45
Parks & Recreation- Ford Escape	\$20						\$26					\$33						\$59
Parks & Recreation- Gym Equipment	\$10		15															\$15
IT - Servers				\$50				\$55				\$62				\$70	\$70	\$307
IT - Plotter					\$25				\$28				\$34					\$87
IT - Parking Meter Replacement																		\$0
IT - Software Upgrades	\$30		32	\$33	\$35	\$36	\$38	\$40	\$42	\$44	\$47	\$49	\$51	\$54	\$57	\$59	\$62	\$680
IT - (2) Copiers/AV/Printers	\$20			\$22		\$24		\$26		\$29		\$32		\$35		\$39	\$39	\$246
IT - (20 PC Replacements)	\$20		21	\$22	\$23	\$24	\$26	\$27	\$28	\$30	\$31	\$33	\$34	\$36	\$38	\$40	\$42	\$453
IT - Upgrade of Switches				\$22		\$24		\$26		\$29		\$32		\$35		\$40	\$40	\$248
Excavator			40															\$40
(2) Bobcats			30															\$30
Misc. Heavy equipment			30	\$32	\$33	\$35	\$36	\$38	\$40	\$42	\$44	\$47	\$49	\$51	\$54	\$57	\$59	\$647
6 Special Projects	\$1,070	\$100	370	\$53	\$55	\$58	\$61	\$64	\$67	\$70	\$74	\$78	\$81	\$86	\$90	\$94	\$99	\$1,399
Admin - Islandwide Geographic Information System	\$250																	\$0
P.S. - Island Wireless Security Camera System	\$600		100															\$100
IT - Off-Site Data Backup Recovery System																		\$0
Parking Management System	\$120		120															\$120
Parking Meters Replacement	\$100		100															\$100
Other - Special Projects			50	\$53	\$55	\$58	\$61	\$64	\$67	\$70	\$74	\$78	\$81	\$86	\$90	\$94	\$99	\$1,079
7 Lighting & Signage	\$40	\$0	42	\$44	\$46	\$49	\$51	\$54	\$56	\$59	\$62	\$65	\$68	\$72	\$75	\$79	\$83	\$906
Street Light Replacement	\$20		21	\$22	\$23	\$24	\$26	\$27	\$28	\$30	\$31	\$33	\$34	\$36	\$38	\$40	\$42	\$453
Signage	\$20		21	\$22	\$23	\$24	\$26	\$27	\$28	\$30	\$31	\$33	\$34	\$36	\$38	\$40	\$42	\$453
8 Tram	\$1,500	\$1,055	1,500	\$100	\$80	\$0	\$700	\$0	\$100	\$0	\$0	\$880	\$275	\$0	\$0	\$0	\$0	\$3,635
Tram - Security/Monitoring/Replacement Equipment				\$100									\$150					\$250
Tram - Haul Rope Replacement							\$600					\$750						\$1,350
Tram - Sheve Liners Replacement					\$80				\$100				\$125					\$305
Tram - Other Equip. & Tools																		\$0
Tram - Electrical PLC Replacement							\$100					\$130						\$230
Tram Modernization - Note A	\$1,500		1,500															\$1,500
9 Southpoint Park	\$0	\$538	0	\$0														
TPL - Wild Rooms/Wild Gardens																		\$0
10 Miscellaneous	\$500	\$366	525	\$551	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$814	\$855	\$898	\$943	\$990	\$1,039	\$11,329
Contingency	\$500		525	\$551	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$814	\$855	\$898	\$943	\$990	\$1,039	\$11,329
TOTAL CAPITAL IMPROVEMENTS	\$13,551	\$4,974	22,901	\$18,637	\$7,398	\$3,977	\$6,799	\$5,483	\$5,732	\$5,933	\$6,135	\$7,514	\$7,122	\$5,845	\$6,039	\$6,428	\$6,741	\$122,584

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

MANAGEMENT LETTER

For the Year Ended March 31, 2013

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

MANAGEMENT LETTER

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May 24, 2013

The Board of Directors
Roosevelt Island Operating Corporation

Dear Board Members:

We have audited the Financial Statements of Roosevelt Island Operating Corporation (“RIOC”) for the year ended March 31, 2013 and have issued our report thereon dated May 17, 2013 in which we have expressed an unqualified opinion.

During our audit, we became aware of certain other matters that are opportunities for strengthening internal controls and operating efficiency. The Schedule of Findings and Recommendations that accompanies this letter summarizes our comments and suggestions regarding those matters. The findings and recommendations have been discussed with RIOC’s management and their comments and responses have been incorporated in the report. Responses that indicate corrective action has been taken have not been verified at this time, but will be verified in the succeeding audit.

This communication is intended solely for the information and use of the Board of Directors and management of RIOC, and is not intended to be and should not be used by anyone other than these specified parties.

Dadia Valles Vendiola LLP

Elmhurst, New York

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED MARCH 31, 2013

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

1. Tramway Revenue

We noted that the New York City Transit Authority (NYCT) pays the corporation for the use of the Roosevelt Island Aerial Tramway (“Tram”) based on \$2.00 per swipe which was the “base price” when the agreement took effect in 2004. The “base price” increased to \$2.25 in 2008 and to \$2.50 in March 2013. We understand that the NYCT refused to adjust the rate to be remitted to the company based on the prevailing rates because the annual grant of \$1M to NYCT from the New York City Council as provided in the contract was never paid except for one year as explained by management.

Recommendation

We understand that management and the board of directors are aware of this issue. We suggest that any decision on this matter be properly documented for future reference.

Management’s Response

We agree with the recommendation. Any decision made will be documented for future reference.

2. Escrow Fund - \$52,565.47

The Escrow fund amounting to \$52,565.47 as of March 31, 2013 has been long outstanding in the books of the Corporation, with transactions in recent years involving only interest earned and bank charges. Furthermore, the supporting schedule shows only two (2) names of intended beneficiaries for a total of \$22,889.68. Moreover, the names listed therein cannot anymore be contacted or their whereabouts are unknown to the management, as explained by the finance department.

Recommendation

Management should verify the source and/or intended beneficiaries of the escrow fund and determine proper disposition.

Management’s Response

We agree with the recommendation. Management will verify the source and/or intended beneficiaries and will take appropriate action.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED MARCH 31, 2013
(continued)

II. FOLLOW-UP ON PRIOR YEARS' FINDINGS AND RECOMMENDATIONS

2012

Bidding process

We reviewed the bidding process as part of review of internal control in connection with the financial statements audit for the year ended March 31, 2012. We selected eight (8) samples to test compliance with the prescribed process. Following are our findings and observations:

- Failure to issue Letters of Notification of Non- award/Award to non-winning vendors and winning vendor, respectively, for one (1) sample;
- For two (2) samples, two (2) of the raters did not award points to a qualified WBE/MBE vendor;
- For two (2) samples, one of the raters gave more points under the 'cost' criterion to a vendor with higher cost proposal;
- For one (1) sample, the contract was awarded to the second lowest bidder (upon disqualification of the previously winning bidder) instead of the second highest ranked bidder without proper explanation for not choosing the latter.
- For one (1) sample, three (3) out of the thirty-six (36) rating forms had the wrong totals;
- For one (1) sample, three (3) out of the fifteen (15) rating forms did not have totals at all.

Recommendation

We recommend that the Corporation address the issues identified above.

Prior Year's Management's Response

We agree with the findings. To ensure that all procurement documents for every contract are consistently filed in the procurement record, management will implement a Procurement Document Checklist ("Checklist"). The Checklist is a chronological list of the procurement documents necessary to substantiate the issuance of a contract.

At each step of the procurement process, the relevant procurement document will be gathered and filed in the designated procurement records folder and so noted on the Checklist with the date and initial of the procurement manager. Upon execution of the contract, the Checklist will be submitted to the CFO and Comptroller for their review and approval.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED MARCH 31, 2013
(continued)

Prior Year's Management's Response (continued)

To ensure that rating points are consistently and fairly assigned to bidders for the pricing and WBE/MBE criteria, management will compute the points based upon a statistical formula that considers the range of the price difference between the lowest and highest bidder and the utilization of WBE/MBE; respectively. The rate and ranking forms will be pre-filled with the computed points and provided to the raters for their completion.

The procurement manager will check each rate and ranking form for completeness and mathematical accuracy and summarize the rate and rankings. The procurement manager will provide the rate and ranking summary and the supporting individual rate and ranking forms to the CFO or Comptroller for their review and approval.

In the event that the lowest bidder was disqualified and another bidder was awarded the contract, the procurement manager will so note on the Checklist and file the justification in the procurement record. The CFO or Comptroller, upon their review of the Checklist, will ensure that the justification is in place to support the award.

Status

Condition no longer exists. Management has implemented corrective measures soon after last year's report was issued.

2009

Information Technology

RIOC does not have a formalized disaster recovery plan or a business continuity plan in the event of a major shutdown of its information technology systems. RIOC's internal control system relies heavily on information technology programs to support its fiscal and other operations.

Recommendation

We recommend that management implement a disaster recovery plan and a business continuity plan.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED MARCH 31, 2013
(continued)

Prior year's Management's Response

RIOC has completed the information gathering phase to implement this recommendation, including information about the pertinent services and systems required. The Corporation has created a Request For Proposals ("RFP") for the purpose of soliciting proposals from qualified vendors, which management expects to advertise to the public prior to the end of May 2012. The vendor will be selected based upon the Corporation's standard procurement guidelines. The award of a contract for services will be made at the earliest possible juncture to implement this recommendation.

Status

The corporation has just recently completed the bidding process and awarded the contract to a vendor for the project.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Financial Statements and Management's
Discussion and Analysis

March 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Roosevelt Island Operating Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Roosevelt Island Operating Corporation ("RIOC"), a component unit of the State of New York, as of and for the years ended March 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the RIOC's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the RIOC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RIOC's internal control. Accordingly, we express no

such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Roosevelt Island Operating Corporation as of March 31, 2013 and 2012, and the respective changes in net position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise RIOC's basic financial statements. The accompanying schedules listed in the Table of Contents under the heading of Supplemental Information, which are the responsibility of management, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information, except for the portion marked "unaudited", was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2013, on our consideration of RIOC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RIOC's internal control over financial reporting and compliance.



Elmhurst, New York
May 17, 2013

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Management's Discussion and Analysis
March 31, 2013 and 2012

The following management's discussion and analysis (MD&A) provides a comprehensive overview of the financial position of Roosevelt Island Operating Corporation at March 31, 2013 and 2012, and the results of its operations for the years then ended. Management has prepared the financial statements and related footnote disclosures along with this MD&A in accordance with generally accepted accounting principles as defined by the Governmental Accounting Standards Board for state and local governments. This MD&A should be read in conjunction with the audited financial statements and accompanying notes to financial statements, which directly follow the MD&A.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts: *management's discussion and analysis* (this section), *basic financial statements*, and *supplemental information*. RIOC was created by the New York State Legislature in 1984 as a public benefit corporation charged with maintaining, operating, and developing Roosevelt Island. RIOC follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities of the Corporation. These statements are presented in a manner similar to a private business. While detailed sub-information is not presented, separate accounts are maintained for each fund to control and manage transactions for specific purposes and to demonstrate that RIOC is properly performing its contractual obligations.

FINANCIAL ANALYSIS OF THE CORPORATION

NET POSITION

The following is a summary of the RIOC's statement of net position at March 31, 2013 and 2012 and the percentage changes between March 31, 2013 and March 31, 2012:

	<u>2013</u>	<u>2012</u>	<u>% Change</u>
Current and other assets	\$ 45,314,018	\$ 46,439,059	-2%
Capital assets, net	<u>68,724,541</u>	<u>67,090,562</u>	2%
Total assets	<u>\$ 114,038,559</u>	<u>\$ 113,529,621</u>	0%
Liabilities	<u>\$ 33,762,970</u>	<u>\$ 33,458,916</u>	1%
Net position:			
Investment in capital assets	68,724,541	67,090,562	2%
Restricted for capital projects	10,450,427	11,113,352	-6%
Unrestricted	<u>1,100,621</u>	<u>1,866,791</u>	-41%
Total net position	<u>\$ 80,275,589</u>	<u>\$ 80,070,705</u>	0%

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Management's Discussion and Analysis
March 31, 2013 and 2012
(continued)

On RIOC's statement of net position at March 31, 2013, total assets of \$114,038,559 exceeded total liabilities of \$33,762,970 by \$80,275,589 (total net position). Total assets are comprised of capital assets (e.g., buildings, machinery and equipment) totaling \$68,724,541, cash and cash equivalents totaling \$40,740,110 and other assets of \$4,573,908. Liabilities comprised of accounts payable of \$809,459, unearned revenues of \$29,910,944 (prepaid rents), other post-employment benefits of \$2,382,670, and other liabilities totaling \$659,897. Unearned revenues represent the prepaid ground rent revenue received for the Southtown and Octagon development projects that will be recognized over their respective lease terms. Of total net position, \$10,450,427 is available to be used to meet ongoing capital obligations. Additionally, \$1,100,621 is available for ongoing operational expenses.

Short-term investments decreased by \$1,744,460 or 4%. This was mainly due to purchases of capital assets (infrastructure) totaling \$5,058,492.

OPERATING ACTIVITIES

RIOC's statements of revenues, expenses and changes in fund net position are used to report changes in the net position, including depreciation expense. Revenues reported here are based on a standard of recognition whereby revenues are recorded when earned. The statements of revenues, expenses and changes in fund net position detail program revenues by major source and expenses by natural classification and indicate the change in net position.

RIOC's total operating revenues for the year ended March 31, 2013 amounted to \$21,869,710, which includes \$21,572,641 in revenues identified as program revenues and \$297,069 of non-program specific revenues, primarily interest income earned on investments and settlement of insurance claimed. During the fiscal year ending March 31, 2013, operating revenues increased by \$1,022,807 or 5% over the last fiscal year. The increase in operating revenues is mainly attributed to the Tramway revenue, which increased by \$342,952 or 8%. The increase in the Tramway revenue is due to increased rider-ships of the modernized tram system which provides higher capacity, faster, safer and smoother rides, and no downtime. In addition, residential fees increased by \$233,121 or 27% primarily due to an increase in condo sales and transactions. Also, commercial rent increased by \$124,897 or 10% stemming from the assignment of the commercial spaces to the master lease, which provided a steady stream of revenue. However, interest income declined by \$78,230 or 30% due to the significant drop in the interest rate.

RIOC's total operating expenses were \$21,664,826 in 2013 and \$21,567,047 in 2012, including depreciation of \$3,424,513 and \$3,436,043, respectively. For the fiscal year ending March 31, 2013, total operating expenses before depreciation increased by \$109,309 or 1% over the last fiscal year, which is due primarily to accruals for compensated absences.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Management's Discussion and Analysis
March 31, 2013 and 2012
(continued)

The following summarizes RIOC's change in net position for the fiscal years ended March 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>	<u>% Change</u>
Operating revenues:			
Residential fees	\$ 1,111,441	\$ 878,320	27%
Ground rent	9,356,679	9,174,109	2%
Commercial rent	1,421,038	1,296,141	10%
Tramway revenue	4,640,843	4,297,891	8%
Public safety reimbursement	1,673,097	1,613,297	4%
Transport/parking revenue	2,521,892	2,485,613	1%
Interest income	185,403	263,633	-30%
Other revenues	959,317	837,899	14%
Total operating revenues	<u>21,869,710</u>	<u>20,846,903</u>	5%
Operating expenses:			
Personal services	10,008,395	9,795,206	2%
Insurance	1,137,448	1,061,546	7%
Professional services and legal services	670,825	699,139	-4%
Management fees	4,074,439	4,072,518	0%
Telecommunications	115,623	115,029	1%
Repairs and maintenance	281,689	382,153	-26%
Vehicles maintenance	350,663	318,719	10%
Equipment purchases/lease	73,481	112,977	-35%
Supplies/services	1,051,650	1,039,350	1%
Other expenses	476,100	534,367	-11%
Total operating expenses excluding depreciation	<u>18,240,313</u>	<u>18,131,004</u>	1%
Operating income before depreciation	3,629,397	2,715,899	34%
Depreciation expenses	<u>3,424,513</u>	<u>3,436,043</u>	0%
Change in net position	204,884	(720,144)	-128%
Capital contributions for stabilization of Renwick Ruins	-	29,113	-100%
Net position, beginning of year	<u>80,070,705</u>	<u>80,761,736</u>	-1%
Net position, end of year	<u>\$ 80,275,589</u>	<u>\$ 80,070,705</u>	0%

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Management's Discussion and Analysis
March 31, 2013 and 2012
(continued)

CAPITAL ASSETS

The following summarizes RIOC's capital assets for the fiscal years ended March 31, 2013 and 2012 and the percentage change between fiscal years:

	<u>2013</u>	<u>2012</u>	<u>% Change</u>
Seawall	\$ 2,801,889	\$ 2,846,890	-2%
Buildings	12,913,630	12,451,326	4%
Land improvements	6,809,287	6,351,161	7%
Machinery and equipment	2,467,171	3,001,922	-18%
Infrastructure	43,693,442	42,439,263	3%
Leasehold Improvements	<u>39,122</u>	<u>-</u>	100%
Net capital assets	<u>\$ 68,724,541</u>	<u>\$ 67,090,562</u>	2%

The capital assets of \$68,724,541 presented in the financial statements have been depreciated using the straight-line method, effective from the date of acquisition. The increase of \$1,633,979 from the prior year represents additions of new capital assets valued at \$5,058,492 less depreciation expense of \$3,424,513. Total depreciation expense for all capital assets amounted to \$3,424,513 and \$3,436,043 for the years ended March 31, 2013 and 2012, respectively. A more detailed analysis of RIOC's capital assets is presented in the notes to financial statements on pages 19-20.

INFRASTRUCTURE ASSETS

The amounts reported in the accompanying statements of assets for the capital assets (net of depreciation) of RIOC of \$68,724,541 and \$67,090,562 at March 31, 2013 and 2012, respectively, do not include an amount for two infrastructure items: the bulk of the seawall, and Main Street (the road). Pursuant to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, addressing the capitalization of infrastructure assets, infrastructure assets dating from prior to 1980 are not required to be recognized. Improvements to such infrastructure items, however, are reported.

ECONOMIC FACTORS AFFECTING RIOC'S FUTURE FINANCIAL POSITION

Six (6) of the anticipated nine (9) buildings ("Buildings") of the Southtown Development Project have been completed. The developer, Hudson/Related Joint Venture and RIOC have come to tentative terms for Buildings 7-9 as of the date of this report. Of the remaining Buildings, the Building 7 Lease Closing needs to occur before July 31, 2013; the Building 8 Lease Closing shall occur no later than 30 months after the Building 7 Lease Closing; and the Building 9 Lease Closing shall occur no later than 30 months after the Building 8 Lease Closing. Should development fail to occur within the expected timeframe, RIOC is protected by a letter of credit in the amount of

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Management's Discussion and Analysis
March 31, 2013 and 2012
(continued)

\$1,420,800. RIOC believes that the development will occur as the economy recovers and the housing market rebounds.

The Modernized Tram, which was placed in service on November 31, 2010, now better meets the transportation needs of the residents and visitors: more passengers are shuttled quickly and safely; there is greater availability - the system allows for one cabin to continue operations while the other is down for preventive maintenance; and it is more reliable with redundant generators to power the system. As a result of these increased efficiencies and capabilities, rider-ship on the Tram is increasing. During the fiscal year ended March 31, 2013, Tramway revenue exceeded the budget by \$493,843 or 12% (see Budget variance report - page 34). The infrastructure improvement was funded by a \$15 million grant from the State of New York and \$10 million from RIOC.

The Franklin D. Roosevelt Four Freedoms State Park ("Park") located at the southern tip of the island, was completed on October 17, 2012. The Park cost approximately \$43,523,002. The majority of the funding came from private funds raised by Franklin D. Roosevelt Four Freedom Park, LLC, which is now a subsidiary of the Four Freedoms Park Conservancy, Inc. The State and City of New York provided \$6,000,000 and \$13,588,000, respectively, toward the construction of the Park; the Federal government provided \$501,609. The remaining funds came from private sources. At the commemoration of the Park, Governor Andrew Cuomo announced that the Park would be part of the New York State Park System. The New York Times has lauded the Park as the "spiritual heart" of New York City, and to date the Park has seen over 40,000 visitors and an increased visitorship to Roosevelt Island.

The development of Southpoint Park is completed; the park is now open to the public. The \$13,300,000 project was funded by appropriations from the City of New York for \$4,500,000, the State of New York for \$4,400,000, and \$4,400,000 from RIOC. The park significantly enhances the availability of vibrant open space to the community, while naturally benefiting in usage from the scores of visitors that the aforementioned Franklin D. Roosevelt Four Freedoms State Park is attracting.

The revitalization of Main Street and improvement of the retail businesses are in progress. On August 1, 2011, RIOC entered into a Master Sublease Agreement with Hudson Related Retail LLC (HRR) to redevelop, improve, market, lease and professionally operate the Retail Spaces controlled by RIOC. RIOC receives an annual guaranteed rent of \$900,000 - escalating by 2% annually beginning on the first anniversary of the Commencement Date for the first five years and 2.5% annually thereafter - as well as participation in the profits of the Master Sub-lessee. According to its certified financial statements as of December 31, 2012, Hudson Related Retail LLC invested \$636,436 and incurred a loss of \$320,279. According to the agreement, RIOC will share future profits 50/50 once HRR is paid back its investment.

On September 28, 2012, RIOC entered into a lease modification with Northtown Phase II Houses Inc. (the "Housing Company") — one of four Mitchell-Lama housing projects built on the Island — to extend the term of its ground lease until December 22, 2068. During the term of the lease, the

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Management's Discussion and Analysis
March 31, 2013 and 2012
(continued)

Housing Company will exit Mitchell-Lama and pursue an affordable home ownership plan whereby at least 65% of the 400 residential units (260 units) will either be restricted price cooperative apartments or affordable rental units (the "Conversion"). The lease provides that the Housing Company has three years from the date of the lease to execute the Conversion. Provided that this takes place, the base ground rent will increase as follows: (a) the current base rent will increase from \$136,000 to \$236,000 per annum — increasing by 10% on each 5th anniversary for 30 years; (b) the Housing Company will pay a transfer fee due in connection with the initial sale of each apartment equal to five percent (5%) of the unit's gross sales price — but not to exceed \$4,500,000 in the aggregate; (c) for any resales following such initial sales the seller will be obligated to pay RIOC one percent (1%) of the unit's gross sales price. If the Conversion does not take place and the building remains as an affordable rental, the base ground rent will increase as of the date of the lease modification according to the aforementioned increase and escalation schedule.

Roosevelt Island was selected by the City of New York for the future site of the Cornell/Technion Applied Sciences Graduate School (Cornell). The project, which is projected to be built in three phases over a twenty year period, will be built primarily on property that is currently controlled by the City. We expect the project to have an indeterminate level of significant impacts on Island infrastructure, including but not limited to substantial construction related to the project and an increase in the daily population by at least 5,000 new residents. RIOC and Cornell are currently in discussions related to the short-term and long-term impacts the school will have on the Island's infrastructure, including cost sharing of selected capital projects. In addition to the costs related to the Cornell Project, RIOC may incur substantial costs (and significant environmental risks) from New York City's concurrent closure of a large steam plant located on the island, which formerly served the Goldwater Hospital Site (as well as Coler Hospital and several RIOC-owned facilities) and which the City now proposes to abandon in place. RIOC may be able to shift some or all of these costs to a future developer of the site and has issued a Request For Expressions of Interest ("RFEI") to developers for the steam plant site.

As noted above, RIOC issued a RFEI to attract proposals for the adaptive reuse or redevelopment of the approximately 56,000-square-foot site of the steam plant and adjacent land located on the Island. The steam plant is on Tramway Plaza, adjacent to the east side of the Roosevelt Island Tram Terminal and the north side of the Ed Koch Queensborough Bridge. The purpose of the RFEI is to learn the types of reuse and redevelopment plans that are both economically feasible and beneficial to the Roosevelt Island community and to assess the interest of qualified developers. After a review of the proposals, RIOC may request detailed development proposals from qualified developers in order to select a developer to enter into a long-term lease with RIOC for the design, development, and operation of the proposed site.

The closure of the steam plant will also require heating upgrades to Sports Park, which relied on the plant. The costs to upgrade the Sports Park heating system may be substantial; RIOC has recently engaged an engineering firm to conduct an analysis of the heating and ventilation systems and other capital assets, including but not limited to cursory overviews of the facility's lighting, electrical, plumbing, and roofing systems. In addition to determining the financial impact related to the closure

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Management's Discussion and Analysis
March 31, 2013 and 2012
(continued)

of the steam plant, the study will identify the long-term viability of each noted asset and include a cost analysis that can be utilized to maintain these assets in a state of good repair.

The expected increase in traffic due to construction of Cornell has also precipitated the Corporation's release of a Request For Proposals ("RFP") for the Roosevelt Island Bridge Helix Ramp, which was rehabilitated in 1987 and would not have been addressed for some years in RIOC's capital plan. The purpose of the RFP is to solicit the services of a qualified engineering firm to perform structural evaluation, corrective engineering, and design services. A firm has been identified and approved by the RIOC Board — a contract for services is being drafted.

The Corporation has engaged a consultant to provide engineering design and marine permitting services for the completion of the Southpoint Park ("SPP") shorelines. Failures due to deterioration exist along both shores, and the west shore seawall consists of a succession of different masonry construction types, ranging from cut granite to large concrete blocks interspersed with eroded gaps. The eastern seawall, while in generally better condition, does have some localized failures including but not limited to damage to some 100 linear feet that was breached during Hurricane Irene; the portion damaged by the storm event has been approved by FEMA as a project for disaster recovery funding. Public access to the shorelines is not practical until structural integrity is restored. Moreover, loss of park area is beginning to occur as erosion penetrates beyond the wall breaches.

As noted above, Roosevelt Island was affected by Hurricane Irene. Before and during the storm, RIOC staff took measures to mitigate potential damage and to protect lives and property. Similarly, staff and contractor labor was used immediately following the storm to clear the roads and open spaces of debris and downed trees. Under Federal guidelines, these efforts were identified as eligible for reimbursement by FEMA. The following projects to rehabilitate portions of the Island impacted by Hurricane Irene were identified to FEMA and completed: (1) repairs were made to fencing damaged by falling trees; (2) repairs were made to damaged stone benches and walkways; (3) RIOC replaced safety mulch washed away from playgrounds; (4) streetlights adorning the open space at Lighthouse Park were damaged. Currently, plans for mitigation and repair at the South Point seawall are being designed by an engineering firm, and repairs are being made to several hundred linear feet of the West Side Sidewalk. These ongoing projects have similarly been identified to FEMA and are approved for reimbursement upon completion. The filing deadline for the continuing projects has been extended to December 21, 2015. As work is completed, the eligible costs are submitted to FEMA/OEM for review and approval. To date, RIOC has realized \$103,142 in construction and labor costs and is projected to incur an additional \$1,405,052 — for a projected total of \$1,508,194. The receipt of the Federal share (75% of costs incurred in a FEMA approved scope of work) is dependent upon RIOC's outlay of cash for identified projects. As the completed projects are reviewed and approved by FEMA/OEM, the Corporation will receive the Federal share of the eligible costs as a reimbursement. Based on the projected total expenditures of \$1,508,194, RIOC will receive reimbursements totaling approximately \$1,131,145.

ROOSEVELT ISLAND OPERATING CORPORATION
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Management's Discussion and Analysis
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Similarly, the Island experienced damages caused by Hurricane Sandy during October 2012. RIOC has preliminarily identified projects to FEMA, including but not limited to, repairs of the Overlook Pier on the West Promenade, and foot bridges in Lighthouse Park. The projects are under review by FEMA and OEM for eligibility under Federal guidelines. RIOC's preliminary estimates to undertake repairs and mitigate future damage total approximately \$734,000. No filing deadline will be established until the projects are deemed eligible.

RIOC's fifteen-year capital improvement plan provides a framework for the Corporation to renew existing aged infrastructure, and maintain the quality of life for the Island's residents, workers, and visitors. The Corporation achieves this by making capital improvements and strategically acquiring capital assets that support essential services such as transit, sanitation, and public safety. Significant projects in the first five years include the installation of LED lighting in the Motorgate Garage and repairs to its helix ramp, renovations of the Blackwell House interior, and modernization of the west drive. Feature projects and acquisitions slated for the fifteen-year period include: rehabilitation of the Island's seawall, representing \$21.6 million in estimated expenditures; replacement of the railings at a cost of \$3 million; \$3.6 million toward maintaining a state of good repair on the Island's newly renovated aerial tramway; and \$5.5 million toward the purchase of hybrid-electric buses, supplementing the Corporation's ability to continue providing transportation services as its current fleet ages.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of RIOC's finances for all those with an interest in the Corporation's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Chief Financial Officer, The Roosevelt Island Operating Corporation, 591 Main Street, Roosevelt Island, New York 10044.

THE ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statements of Net Position
March 31, 2013 and 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets		
Cash	\$ 692,141	\$ 417,734
Short-term investments	40,047,969	41,792,429
Receivables	1,086,151	983,142
Prepaid expenses	1,437,302	1,199,409
Total current assets	<u>43,263,563</u>	<u>44,392,714</u>
Noncurrent investments	2,050,455	2,046,345
Capital assets, net of accumulated depreciation	<u>68,724,541</u>	<u>67,090,562</u>
Total assets	<u>\$ 114,038,559</u>	<u>\$ 113,529,621</u>
 <u>Liabilities and Net Position</u> 		
Current liabilities - accounts payable and accrued expenses	\$ 809,459	\$ 457,249
Compensated absences	556,151	413,532
Unearned revenue	29,910,944	30,437,919
Postemployment benefits other than pension	2,382,670	2,046,344
Other liabilities	103,746	103,872
Total liabilities	<u>33,762,970</u>	<u>33,458,916</u>
Net Position:		
Investment in capital assets	68,724,541	67,090,562
Restricted for capital projects	10,450,427	11,113,352
Unrestricted net assets	1,100,621	1,866,791
Total net position	<u>80,275,589</u>	<u>80,070,705</u>
Total liabilities and net position	<u>\$ 114,038,559</u>	<u>\$ 113,529,621</u>

See accompanying notes to financial statements.

THE ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statements of Revenues, Expenses and Changes in Net Position
Years ended March 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Residential fees	\$ 1,111,441	\$ 878,320
Ground rent	9,356,679	9,174,109
Commercial rent	1,421,038	1,296,141
Tramway revenue	4,640,843	4,297,891
Public safety reimbursement	1,673,097	1,613,297
Transport/parking revenue	2,521,892	2,485,613
Interest income	185,403	263,633
Other revenues	959,317	837,899
Total operating revenues	<u>21,869,710</u>	<u>20,846,903</u>
Operating expenses:		
Personnel services	10,008,395	9,795,206
Insurance	1,137,448	1,061,546
Professional services and legal services	670,825	699,139
Management fees	4,074,439	4,072,518
Telecommunications	115,623	115,029
Repairs and maintenance	281,689	382,153
Vehicles maintenance	350,663	318,719
Equipment purchases/lease	73,481	112,977
Supplies/services	1,051,650	1,039,350
Other expenses	476,100	534,367
Total operating expenses excluding depreciation	<u>18,240,313</u>	<u>18,131,004</u>
Operating income before depreciation	3,629,397	2,715,899
Depreciation expenses	<u>3,424,513</u>	<u>3,436,043</u>
Change in net position	204,884	(720,144)
Net position, beginning of year	80,070,705	80,761,736
Capital contributions for stabilization of Renwick Ruins	-	29,113
Net position, end of year	<u>\$ 80,275,589</u>	<u>\$ 80,070,705</u>

See accompanying notes to financial statements.

The Roosevelt Island Operating Corporation
(A Component Unit of the State of New York)
Statements of Cash Flows
Years ended March 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Receipts from tenants and customers	\$ 21,611,911	\$ 20,712,144
Payments related to employees	(9,822,014)	(9,553,102)
Payments to vendors	<u>(8,197,349)</u>	<u>(9,255,816)</u>
Net cash provided by operating activities	<u>3,592,548</u>	<u>1,903,226</u>
Cash flow from investing activities		
Purchase of capital assets	(5,058,492)	(4,130,906)
Purchases of noncurrent investments	(4,110)	(766,521)
Purchase of short-term investments	(3,755,806)	(25,672,950)
Sale of short-term investments	<u>5,500,267</u>	<u>28,188,338</u>
Net cash used by investing activities	<u>(3,318,141)</u>	<u>(2,382,039)</u>
Cash flow from financing activities		
Capital contributions for Renwick Ruins Project	<u>-</u>	<u>29,113</u>
Net cash provided by financing activities	<u>-</u>	<u>29,113</u>
Net increase in cash	274,407	(449,700)
Cash at beginning of year	<u>417,734</u>	<u>867,434</u>
Cash at end of year	<u>\$ 692,141</u>	<u>\$ 417,734</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income (loss)	\$ 204,884	\$ (720,144)
Adjustments to reconcile operating income (loss) to net cash provided by all activities:		
Depreciation and amortization	3,424,513	3,436,044
Provision for bad debt		(5,650)
Changes in:		
Receivables	(103,010)	121,469
Prepaid expenses	(237,893)	(711,019)
Accounts payable and accrued expenses	352,210	(77,034)
Compensated absences	(526,975)	(101,198)
Unearned revenue	142,620	(376,510)
Postemployment benefits other than pension	336,325	337,865
Other liabilities	<u>(126)</u>	<u>(597)</u>
Net cash provided by operating activities	<u>\$ 3,592,548</u>	<u>\$ 1,903,226</u>

See accompanying notes to financial statements.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements
March 31, 2013 and 2012

1. Organization

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 New York State Commissioner of Housing.

Effective April 1, 1981, SAHE, a Community Development Corporation (formed under Article (6) of the Private Housing Finance Law), became responsible for the day-to-day operation of the services and facilities of Roosevelt Island.

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

Generally accepted accounting principles require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Governmental Accounting Standards Board codification 2100, The Financial Reporting Entity, have been considered and there are no agencies or entities which should be, but are not, combined with the financial statements of RIOC. However, RIOC is considered a component unit of the State of New York.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

RIOC was created by the New York State Legislature in 1984 as a public benefit corporation charged with maintaining, operating, and developing Roosevelt Island. RIOC follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities of the Corporation. These statements are presented in a manner similar to a private business. While detailed sub-information is not presented, separate accounts are maintained for each fund to control and manage transactions for specific purposes and to demonstrate that RIOC is properly performing its contractual obligations.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements
March 31, 2013 and 2012
(continued)

2. Summary of Significant Accounting Policies (continued)

(a) Basis of Presentation (continued)

The financial statements of RIOC are prepared in accordance with generally accepted accounting principles (GAAP). RIOC's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and Accounting Principles Board (APB) opinions issued after November 30, 1989, unless they conflict with GASB pronouncements.

New Accounting Pronouncement:

For the year ended March 31, 2013, RIOC adopted the provisions of GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement amends the net asset reporting requirements in Statement No. 34 – “Basic Financial Statements – and Management’s Discussion and Analysis-for State and Local Governments” and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

(b) Budgetary Information

During the year ended March 31, 2013, RIOC did not request appropriations for the State of New York and, as such, a budget was not required to be adopted by law. Accordingly, budgetary information was not included in the notes to financial statements. However, the Board did approve an operating budget for management’s internal use, and is included under supplementary information.

(c) Cash and Cash Equivalents

The following is a summary of cash and cash equivalents as of March 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Cash - deposits	\$ 692,141	\$ 417,734
Short-term investments:		
Certificates of deposit (CDARS)	21,135,884	20,990,528
Money market accounts	<u>18,912,085</u>	<u>20,801,901</u>
	<u>40,047,969</u>	<u>41,792,429</u>
Total cash and cash equivalents	<u>\$ 40,740,110</u>	<u>\$ 42,210,163</u>

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements
March 31, 2013 and 2012
(continued)

2. Summary of Significant Accounting Policies (continued)

(c) Cash and Cash Equivalents (continued)

RIOC defines cash and cash equivalents as short-term, highly liquid investments with purchased maturities of three months or less.

The money market accounts are secured by collateral securities held in escrow by JP Morgan Chase Bank, NA and managed by the National Collateral Management Group with market values totaling \$23,284,101 and \$23,616,692 as of March 31, 2013 and March 31, 2012, respectively.

Investments managed internally consist of certificates of deposit, "CDARS", a FDIC insured program administered by Amalgamated Bank, with purchased maturities of twelve months or less, and interest bearing cash deposit accounts. RIOC is limited under its investment guidelines primarily to the investment of funds in obligations of the United States of America (United States Government Securities), the State of New York, high grade Corporate Securities or certificates of deposit. All cash and funds invested in certificates in any fiduciary bank or trust company must be secured at all times by United States Government Securities or obligations of the State of New York, with a market value, combined with any FDIC coverage, at least equal to the amount of such deposits. Monies held by the Trustees are only secured by obligations guaranteed by the United States of America.

(d) Noncurrent Investments

This represents funds set aside to satisfy the obligation of the postemployment benefits other than pension under GASB Statement No. 45 and are invested in collateralized money market and CDARS.

(e) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported on the statement of assets in the accompanying financial statements. Capital assets are defined by RIOC as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment of RIOC are depreciated using the straight-line method over the following estimated useful lives:

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements
March 31, 2013 and 2012
(continued)

2. Summary of Significant Accounting Policies (continued)

e) Capital Assets (continued)

Seawall (improvement of 1995)	73
Buildings	40
Building improvements	15
Infrastructure	50
Vehicles	10
Office equipment	5
Computer equipment	5
Leasehold improvements	15

(f) Unearned Revenue

Unearned revenue reported in the statement of net position represents amounts collected in advance for lease-related payments pertaining to subsequent fiscal years. These amounts will be recognized as income on an annual basis over a period of the remaining fifty-six years on the ground lease for the City of New York expiring in 2068 under the accrual basis of accounting.

Breakdown is as follows:

<u>Buildings</u>	<u>Balance at</u> <u>April 01, 2012</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance at</u> <u>March 31, 2013</u>
Octagon	\$ 2,687,361	\$ -	\$ (47,354)	\$ 2,640,007
Southtown Bldg #1	1,806,666	-	(31,836)	1,774,830
Southtown Bldg #2	1,723,950	-	(30,378)	1,693,572
Southtown Bldg #3	3,684,234	-	(64,920)	3,619,314
Southtown Bldg #4	4,803,418	-	(84,642)	4,718,776
Southtown Bldg #5	6,133,911	-	(108,087)	6,025,824
Southtown Bldg #6	9,441,305	-	(166,367)	9,274,938
Sportspark Field	157,074	163,683	(157,074)	163,683
Total	<u>\$ 30,437,919</u>	<u>\$ 163,683</u>	<u>\$ (690,658)</u>	<u>\$ 29,910,944</u>

(g) Compensated Absences

It is RIOC's policy to accrue for unused compensated absences for all full time employees. Accrued compensated time as of March 31, 2013 and 2012 were \$556,151 and \$413,532, respectively.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements
March 31, 2013 and 2012
(continued)

2. Summary of Significant Accounting Policies (continued)

(h) Public Purpose Grants

Included in "Other Expenses" are expenditures for public purpose grants totaling \$275,000 per year for the years ended 2013 and 2012. The Roosevelt Island Youth Center was granted \$175,000 each year to help fund operating expenses. The remaining grants of \$100,000 are awarded to various Island-based not-for-profits that must apply each year and require Board approval.

(i) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

3. Capital Assets

Capital assets for the year ended March 31, 2013 are summarized as follows:

<u>Buildings</u>	<u>Balance at April 01, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at March 31, 2013</u>
Capital assets:				
Seawall	\$ 3,719,049	\$ 6,000	\$ -	\$ 3,725,049
Building and building improvements	40,326,092	1,680,705	-	42,006,797
Landmarks	13,300,334	748,839	-	14,049,173
Vehicles	4,315,621	79,641	-	4,395,262
Equipment	3,276,243	98,923	-	3,375,166
Infrastructure	49,384,946	2,405,262	-	51,790,208
Leasehold improvements	-	39,122	-	39,122
Total capital assets	<u>114,322,285</u>	<u>5,058,492</u>	<u>-</u>	<u>119,380,777</u>
Less accumulated depreciation:				
Seawall	(872,159)	(51,001)	-	(923,160)
Building and building improvements	(27,874,765)	(1,218,402)	-	(29,093,167)
Landmarks	(6,949,173)	(290,713)	-	(7,239,886)
Vehicles	(1,962,257)	(435,491)	-	(2,397,748)
Equipment	(2,627,685)	(277,823)	-	(2,905,508)
Infrastructure	(6,945,684)	(1,151,083)	-	(8,096,767)
Total accumulated depreciation	<u>(47,231,723)</u>	<u>(3,424,513)</u>	<u>-</u>	<u>(50,656,236)</u>
Net capital assets	<u>\$ 67,090,562</u>	<u>\$ 1,633,979</u>	<u>\$ -</u>	<u>\$ 68,724,541</u>

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements
March 31, 2013 and 2012
(continued)

3. Capital Assets (continued)

Capital assets for the year ended March 31, 2012 are summarized as follows:

	<u>Balance at</u> <u>April 1, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at</u> <u>March 31, 2012</u>
Capital assets:				
Seawall	\$ 3,719,049	\$ -	\$ -	\$ 3,719,049
Building and building improvements	39,924,943	401,149	-	40,326,092
Landmarks	12,989,185	311,149	-	13,300,334
Vehicles	4,277,552	38,069	-	4,315,621
Equipment	3,104,128	172,115	-	3,276,243
Infrastructure	<u>46,176,522</u>	<u>3,208,424</u>	-	<u>49,384,946</u>
Total capital assets	<u>110,191,379</u>	<u>4,130,906</u>	-	<u>114,322,285</u>
Less accumulated depreciation:				
Seawall	(821,213)	(50,946)	-	(872,159)
Building and building improvements	(26,703,515)	(1,171,250)	-	(27,874,765)
Landmarks	(6,664,821)	(284,352)	-	(6,949,173)
Vehicles	(1,533,747)	(428,510)	-	(1,962,257)
Equipment	(2,226,140)	(401,545)	-	(2,627,685)
Infrastructure	<u>(5,846,244)</u>	<u>(1,099,440)</u>	-	<u>(6,945,684)</u>
Total accumulated depreciation	<u>(43,795,680)</u>	<u>(3,436,043)</u>	-	<u>(47,231,723)</u>
Net capital assets	<u>\$ 66,395,699</u>	<u>\$ 694,863</u>	<u>\$ -</u>	<u>\$ 67,090,562</u>

4. Operating Revenues, Basic Rent and Housing Company Reimbursement

Operating revenues in the accompanying statement of revenues, expenses and fund net position consist of income derived from the following sources:

(a) Residential Fees

The net present value (NPV) fee for Southtown buildings # 4, 5 and 6 were collected in advance and recognized over the term of the lease – see above section 2 (f) Unearned Revenue. Tax equivalent payments (TEP) are collected and recognized from Southtown buildings # 5 and 6 over the term of the lease. Condo sales fees are collected and recognized upon closing of a sale. TEP and NPV are fixed and the Condo fees vary according to sales.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements
March 31, 2013 and 2012
(continued)

4. Operating Revenues, Basic Rent and Housing Company Reimbursement (continued)

(b) Ground Rent

Ground rents are derived from ground subleases between RIOC and various developers of housing on Roosevelt Island. Most of the ground subleases expire in 2068, which coincides with the expiration of the master lease between RIOC and New York City, the owner of Roosevelt Island. Ground rents account for nearly 45% of annual revenues. The two main sources of ground rents are Manhattan Park and Roosevelt Landings (formerly Eastwood). The other streams of ground rents are from Southtown Buildings #1,2,3,4,5 and 6; Island House; Rivercross; and, Octagon.

Manhattan Park - Under the terms of the ground sublease between RIOC and Roosevelt Island Associates dated August 4, 1986 and expiring in 2068, annual rent, which commenced on the Rent Commencement Date of January 1, 1991, consists of a base ground rent of \$100,000 and additional fixed ground rent of \$1,900,000, increasing \$100,000 annually through December 31, 2011. As of January 1, 2012 and continuing through December 31, 2026, annual ground rent consists of the base ground rent of \$100,000 and additional fixed ground rent of \$4,000,000. Beyond 2026 until expiration in 2068, the ground rent is based upon the appraised value of the property times an applicable percentage, which is the market rate of return. Ground rents earned under the terms of the ground sublease were \$4,100,000 and \$4,025,000 for the years ended March 31, 2013 and 2012, respectively.

In addition to the ground rent mentioned above, RIOC receives a percentage payment, which is based on a percentage of Manhattan Park's annual rent rolls. Percentage payments received were \$2,040,649 for the year ended March 31, 2013, and the same amount, \$2,040,649, for the year ended March 31, 2012.

Roosevelt Landings (formerly Eastwood) - The ground sublease between RIOC and North Town Phase 1 Houses, Inc., dated March 15, 1972, was amended and restated with the base ground rent increasing to \$1 million per year effective October 1, 2006, plus a percentage interest in subsequent increasing rent rolls. Ground rents earned totaled \$1,354,838 and \$1,289,330 for the years ended March 31, 2013 and 2012, respectively.

(c) Commercial Rent

On August 1, 2011, RIOC entered into a Master Sublease Agreement with Hudson Related Retail LLC to redevelop, improve, market, lease and professionally operate the Commercial Retail Spaces controlled by RIOC. Hudson Related Retail LLC will pay RIOC an annual guaranteed rent of \$900,000 plus participation in the profits of Hudson Related Retail LLC. According to its certified financial statements as of December 31, 2012, Hudson Related Retail LLC invested \$636,436 and incurred a loss of \$320,279. According to the agreement, RIOC will share future profits 50/50 once HRR is paid back its investment.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements
March 31, 2013 and 2012
(continued)

4. Operating Revenues, Basic Rent and Housing Company Reimbursement (continued)

(d) Tramway Revenue

During February 2004, RIOC entered into an agreement with The New York Transit Authority (NYCTA) for revenue collection from the Tramway. In the agreement, RIOC receives from the NYCTA a fare of \$2.00 for all swipes of full-fare Metro Cards, including transfers, in turnstiles located in RIOC's tram stations. The funds are transmitted to RIOC via electronic funds transfer and the NYCTA supplies appropriate reports for the reconciliation of the revenue and rider-ship. There is a franchise fee expense associated with this agreement that is ½ of 1 percent of gross sales.

(e) Public Safety Reimbursement

The intent of the initial agreements with the four original Mitchell-Lama housing projects (the "WIRE Projects") was for the Corporation to recoup approximately 50% of the cost of maintaining a public safety department on the Island. Accordingly, no less than 50% of such costs have been reimbursed by the WIRE Projects and are included in public safety reimbursement on the accompanying statements of revenues, expenses, and changes in fund net position. Additionally, Manhattan Park, Southtown and the Octagon projects are responsible for their respective share of the cost of RIOC's public safety department. Public safety reimbursements were \$1,652,712 and \$1,613,297 for fiscal year ending March 31, 2013 and 2012, respectively.

(f) Transportation and Parking Fees

The Motorgate Garage, the Roosevelt Island parking facility, is managed by an agent, Central Parking System ("Central"). This agreement is cancelable by RIOC on 30-day notice and by Central on 180-day notice. Central collects the parking fees and pays the operating costs in connection with the management of the garage. The excess of parking revenues over operating costs is returned to RIOC. RIOC shares the Motorgate revenue with Roosevelt Island Associates, operator of Manhattan Park, with RIOC receiving 61% of the net income. RIOC's share of Motorgate revenues totaled \$1,919,258 and \$1,889,277 for the years ended March 31, 2013 and 2012, respectively.

Transportation revenues from the provision of bus services totaled \$451,054 and \$449,827 for the years ended March 31, 2013 and 2012, respectively. The cost of running the bus service totaled \$1,631,502 and \$1,320,105 for the same respective periods. Additionally, revenues from street parking meters for these periods totaled \$151,580 and \$146,509.

(g) Interest and Other Revenues

Interest income is derived from deposits that are either FDIC insured or collateralized by government securities according to the investment guidelines of the State of New York. Other revenues comprised of fees for usage of the sports fields and facilities.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements
March 31, 2013 and 2012
(continued)

4. Operating Revenues, Basic Rent and Housing Company Reimbursement (continued)

(h) De-designation Fee Income

The development agreement for Southtown buildings (“Buildings”) five (5) through nine (9) between Hudson Related Joint Venture (“Developer”) and RIOC included a contingent de-designation (cancellation of project or portion of) fee of \$2,252,198. As of the date of this report, Buildings five (5) and six (6) were completed within the agreed upon timeframe, and resulted in the pro-rata reduction of the de-designation fee to \$1,420,800. The agreement is collateralized by a Guaranty Letter of Credit issued by Deutsche Bank Trust Company, NA in the amount of \$1,420,800 maturing on August 15, 2013, to be renewed annually. Of the remaining Buildings, the Building 7 Lease Closing need to occur before July 31, 2013; the Building 8 Lease Closing shall occur no later than 30 months after the Building 7 Lease Closing; and the Building 9 Lease Closing shall occur no later than 30 months after the Building 8 Lease Closing. In the event that the Developer fails to close a Building lease in accordance with the foregoing schedule, except if due to RIOC, RIOC may draw the entire balance of the Guaranty Letter of Credit and apply same at its sole discretion, and in addition thereto, at its sole option, de-designate Developer for each such Building and for the remainder of the Building.

(i) Future Minimum Payments Due

Future minimum payments due to RIOC under current leases all with the housing companies and leases for commercial space are as follows:

Years ending <u>March 31</u>	Housing <u>Companies</u>	Commercial <u>Leases</u>
2014	\$ 11,601,033	\$ 1,465,632
2015	12,337,866	1,695,366
2016	13,529,227	1,725,806
2017	14,653,964	1,781,969
2018	<u>15,559,829</u>	<u>1,813,874</u>
Total	<u>\$ 67,681,919</u>	<u>\$ 8,482,647</u>

5. Management Agreements

The Roosevelt Island Tramway System is operated by Leitner-Poma of America, Inc., a subsidiary of Pomagalski S.A, the designer and builder of the modernized Tramway system, which went into operation on November 30, 2010. RIOC entered into a 5-year fixed fee operating agreement at an annual cost of \$3,397,200.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements
March 31, 2013 and 2012
(continued)

5. Management Agreements (Continued)

RIOC also has a parking management agreement with Central Parking System (“Central”) for the management of Motorgate Garage. This agreement is cancelable by RIOC on 30-day notice and by Central on 180-day notice. RIOC pays an annual management fee of \$40,000 and certain operating costs in connection with the management of the garage.

6. Income Taxes

RIOC is a public benefit corporation of the State of New York and as such is exempt from income tax under Section 115 of the Internal Revenue Code. Accordingly, no income taxes have been provided for in the financial statements.

7. Retirement Plans

Retirement plans in which RIOC contributes are detailed as follows:

(a) Non-Union Employees:

Plan Description

RIOC’s non-union employees participate in the New York State and Local Employees’ Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. ERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York serves as sole trustee and administrative head of ERS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of ERS and for the custody and control of their funds. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Albany, New York 12244.

Funding Policy

ERS is contributory (3%) except for employees who joined the System before July 27, 1976. Employees who joined the System after July 27, 1976, but prior to January 1, 2011, and have been members of the System for at least ten years, or have at least ten years of credited service are not required to contribute 3% of their salaries. Employee hired after January 1, 2011 shall contribute 3% of salary for the duration of employment. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulated fund. RIOC is required to contribute at an actuarially determined rate.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements
March 31, 2013 and 2012
(continued)

7. Retirement Plans (continued)

Funding Policy (continued)

The required contributions for the current year and two preceding years were approximately:

March 31, 2011	\$	389,011
March 31, 2012	\$	639,065
March 31, 2013	\$	583,380

RIOC has made the required contributions for each year.

(b) Union Employees

Union employees participate in separate defined contribution plans, which are administered by each union. RIOC contributed \$188,730 and \$197,630 for the years ended March 31, 2013 and 2012, respectively, to union employees' defined contribution plans.

8. Risk Management

RIOC purchases commercial insurance policies to adequately protect against potential loss stemming from general liability, vehicle liability, property damage, and public officials and employee liability. Coverages for the forthcoming fiscal year ended March 31, 2014 were appropriately increased to provide adequate protection for RIOC as follows:

<u>Coverages</u>	2013-2014 <u>Coverage Amount</u>
General liability - RIOC and Tram	\$125 million limit
Property	\$75 million loss limit
Boiler and machinery	\$100 million limit
Automobile	\$1 million limit
Public officials liability	\$5 million limit

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements
March 31, 2013 and 2012
(continued)

9. Commitments and Contingencies

Commitments and contingencies at March 31, 2013 and 2012 are detailed as follows:

(a) Leases

RIOC has agreements with four (4) housing companies operating on the Island to sublease commercial space occupied by the housing companies. Rent expense for the years ended March 31, 2013 and 2012 approximated \$86,000 per year.

(b) Litigation

RIOC is a defendant in various lawsuits. In the opinion of RIOC's legal counsel, these suits are without substantial merit and should not result in judgments which in the aggregate would have a material adverse effect on RIOC's financial statements.

(c) Prior Years' New York State Appropriations

The Office of the State Comptroller of the State of New York, requested confirmation of the following potential liabilities:

Appropriation # 0060083	fiscal year 89/90	\$ 1,299,964
Appropriation # 0066230	fiscal year 90/91	2,463,531
Appropriation # 0071968	fiscal year 91/92	2,702,481
Appropriation # 0078460	fiscal year 92/93	1,346,400
Appropriation # 0084266	fiscal year 93/94	<u>1,648,254</u>
		<u>\$ 9,460,630</u>

The appropriations were made to RIOC for "services and expenses related to the development and operation of Roosevelt Island". Furthermore, the appropriations required RIOC "for repayment by such corporation to the State of New York of an amount equal to any receipts collected by the corporation during the fiscal year beginning April 1, 1989 in excess of the amount that the director of the budget estimates that the corporation will receive during the fiscal year". RIOC's records indicate that it satisfied the repayment requirements of the appropriations; and it doesn't owe any monies to the State of New York for appropriations made during the fiscal years 89/90 to 93/94.

(d) Revenue Allocation Agreement – between New York State Urban Development Corporation ("UDC"), now known as the Empire State Development Corporation (ESD") and Roosevelt Island Operating Corporation ("RIOC")

On August 3rd, 1988 ESD and RIOC entered into an agreement in the sharing of all revenues derived by RIOC in order for ESD to recover it's investment in Roosevelt Island. The total

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements
March 31, 2013 and 2012
(continued)

9. Commitments and Contingencies (continued)

(d) Revenue Allocation Agreement – between New York State Urban Development Corporation (“UDC”), now known as the Empire State Development Corporation (ESD”) and Roosevelt Island Operating Corporation (“RIOC”) - continued

amount invested in developing the Roosevelt Island infrastructure and funding of ESD’s operating deficits prior to the assignment of operations to RIOC amounted to \$170,356,976 along with a stated interest rate of 5.74%. The agreement calls for revenues to be allocated in the following manner; (1) RIOC Operating Expenditures, (2) All Other State Subsidies, (3) State (RIOC) Capital Investments and (4) ESD Debt. To date, no revenues have been allocated for the ESD debt other than “Tax Equivalency Payments” (“TEP”) payments for the islands original affordable “Mitchell-Lama” buildings. ESD acknowledges that there are significant projected future capital investments to be made by RIOC and that it is highly unlikely that there would be sufficient excess revenues to share with ESD.

(e) Claims

The contractor for the modernization of the Roosevelt Island Aerial Tramway has submitted claims to RIOC for additional compensation in the amount of \$18,794,956 (on top of the fixed fee contracted price of \$16,693,894) on account of various items of alleged extra work and alleged interferences to its work. RIOC believes that these claims are without merit.

In addition, the contractor also claims a Contract Sum balance of \$1,995,230 under the Design/Build Agreement. The claimed Contract Sum balance is disputed by RIOC for reason of various incomplete items of Work and contractor’s failure to return the Tramway to service within the Contract Time.

The Corporation’s legal counsel is reviewing these claims and has not yet formed an opinion on these matters.

10. Postemployment Benefits Other Than Pensions

The Corporation implemented the accounting and disclosure requirements of GASB Statement No. 45 - “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” effective for its fiscal year beginning April 1, 2007.

Plan Description - The Corporation provides continuation of medical coverage to administrative, non-represented employees (those categorized as M/C) that retire at age 55 or older with five (5) years of service with the Corporation or a combination of service with a previous NYS public employer and a minimum of one (1) year service with RIOC. The employee must meet the requirements for retiring as a member of the NYS Employees Retirement System, and the employee must be enrolled in NYSHIP. The Corporation contributes 90% for employees and 75% for an employee’s spouse.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements
March 31, 2013 and 2012
(continued)

10. Postemployment Benefits Other Than Pensions (continued)

The Corporation provides certain health care benefits for retired employees. Substantially all of the Corporation's non-union employees may become eligible for these benefits if they reach the normal retirement age, of the respective tier of the New York State Employees' Retirement System, while working for the Corporation. The Corporation, on an annual basis, accrues the cost which represents the present value of these benefits to be paid over the estimated lives of the retirees.

Total expenditures charged to operations for the years ended March 31, 2013 and 2012 amounted to \$457,950 and \$461,412, respectively. At March 31, 2013, the liability for retired employees included in non-current accrued fringe benefits amounted to \$2,382,670.

The number of participants as of January 1, 2013 was as follows:

Active employees	33
Retired employees	10
Spouses of retired employees	1
Total	44

Funding Policy - The Corporation currently pays for post-retirement health care benefits on a pay-as-you-go basis. These financial statements assume that pay-as-you-go funding will continue. The fund set aside for this purpose is discussed in Note 2 (d).

Benefit Obligations and Normal Cost

	<u>2013</u>	<u>2012</u>
Actuarial accrued liability (AAL):		
Actuarial accrued liability	\$ 4,879,082	\$ 4,641,422
Less: Actuarial value of assets	-	-
Unfunded actuarial accrued liability (UAAL)	\$ 4,879,082	\$ 4,641,422
Normal cost	\$ 261,151	\$ 274,538

Annual OPEB Cost and Net OPEB Obligation

Annual required contribution	\$ 455,051	\$ 458,992
Interest on net OPEB obligation	81,854	68,339
Adjustment to annual required contribution	(78,955)	(65,919)
Annual OPEB cost (expense)	457,950	461,412
Contribution made on a pay-as-you-go basis	(121,625)	(123,547)
Increase in net OPEB obligation	336,325	337,865
Net OPEB obligation at beginning of year	2,046,344	1,708,479
Net OPEB obligation at end of year	\$ 2,382,669	\$ 2,046,344

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements
March 31, 2013 and 2012
(continued)

10. Postemployment Benefits Other Than Pensions (continued)

Actuarial methods and assumptions:

Valuation method	Projected Unit Credit Method
Amortization period	30 years
Amortization method	Level percent of pay, open group
Interest rate	4.0%
Inflation rate	3.0%
Annual payroll growth rate	3.5%
Retirement rates	Later of age 65 and first eligibility

Healthcare cost trend:

<u>Year</u>	<u>Medical Trend Rate</u>
2012	7.5%
2013	7.0%
2014	6.5%
2015	6.0%
2016	5.5%
2017 and beyond	5.0%

11. Pollution Remediation Obligations

In accordance with the GASB Statement No. 49 - "Accounting for Pollution Remediation Obligations," management has concluded that no obligating event has occurred that would require recognition of a future pollution remediation obligation in the accompanying financial statements.

12. Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 61 - "The Financial Reporting Entity: Omnibus" is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14 "The Financial Reporting Entity" and No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." This statement amends the criteria for including component units by only including those component units for which the elected officials are financially accountable or that the government determines would be misleading to exclude. This statement also amends the criteria for blending of component units to include only those component units that are also intertwined with the primary government that they are essentially the same as the primary government. The provisions of this statement are effective for periods beginning after June 15, 2012, which is the fiscal year beginning April 1, 2013 for RIO. Management has not yet determined the effect that this statement will have on the future financial statements of RIO.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements
March 31, 2013 and 2012
(continued)

12. Accounting Standards Issued But Not Yet Implemented (continued)

GASB Statement No. 65 – “Items Previously Reported as Assets and Liabilities” establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources such as changes in the determination of the major fund calculations and limiting the use of the term deferred in the financial statement presentations. The provisions of this statement are effective for periods beginning after December 15, 2012, which is the fiscal year beginning April 1, 2013 for RIOC. Management has not yet determined the effect that this statement will have on the future financial statements of RIOC.

GASB Statement No. 66 – “Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62” improves accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54 – “Fund Balance Reporting and Governmental Fund Type Definitions”, and No. 62 – “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”. This statement also amends Statement No. 10 – “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues” by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. This statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The provisions of this statement are effective for periods beginning after December 15, 2012, which is the fiscal year beginning April 1, 2013 for RIOC. Management has not yet determined the effect that this statement will have on the future financial statements of RIOC.

GASB Statement No. 67 – “Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25” replaces existing standards of financial reporting and notes disclosures for most pension plans that are administered through trusts or equivalent arrangements. The provisions of this statement are effective for periods beginning after June 15, 2013, which is the fiscal year beginning April 1, 2014 for RIOC. Management has not yet determined the effect that this statement will have on the future financial statements of RIOC.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)

Notes to Financial Statements
March 31, 2013 and 2012
(continued)

12. Accounting Standards Issued But Not Yet Implemented (continued)

GASB Statement No. 68 – “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27” replaces existing standards of accounting and financial reporting for pension plans that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The provisions of this statement are effective for periods beginning after June 15, 2014, which is the fiscal year beginning April 1, 2015 for RIOC. Management has not yet determined the effect that this statement will have on the future financial statements of RIOC.

The Roosevelt Island Operating Corporation
(A Component Unit of the State of New York)
Schedule of Operations by Department
Year Ended March 31, 2013

	General Fund						Public Purpose Fund	Capital Fund	Reserved Fund	Total
	Operations	Public Safety	Bus	Parking	Parks/Rec.	Tram				
Operating Revenues:										
Residential fees	\$ 369,739	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 540,116	\$ 201,586	\$ 1,111,441
Ground rent	9,356,679	-	-	-	-	-	-	-	-	9,356,679
Commercial rent	1,421,038	-	-	-	-	-	-	-	-	1,421,038
Tramway revenue	-	-	-	-	-	4,640,843	-	-	-	4,640,843
Public safety reimbursement	-	1,673,097	-	-	-	-	-	-	-	1,673,097
Transport/parking revenue	-	-	451,055	2,070,838	-	-	-	-	-	2,521,893
Interest income	7,107	-	-	-	-	-	6	1,452	176,837	185,402
Other revenues	313,918	-	-	-	645,399	-	-	-	-	959,317
Total operating revenues	11,468,481	1,673,097	451,055	2,070,838	645,399	4,640,843	6	541,568	378,423	21,869,710
Operating Expenses:										
Personnel Services :										
Salaries	3,057,350	2,035,023	947,221	-	483,221	-	-	-	-	6,522,815
Temporary employees	153,941	-	-	-	18,611	-	-	-	-	172,552
Employee benefits	1,986,191	678,180	320,646	-	185,391	-	-	-	-	3,170,408
Compensated absences expenses	142,620	-	-	-	-	-	-	-	-	142,620
Total personnel services	5,340,102	2,713,203	1,267,867	-	687,223	-	-	-	-	10,008,395
Other Than Personnel Services (OTPS):										
Insurance	987,448	-	-	-	-	150,000	-	-	-	1,137,448
Professional services	364,345	-	-	-	59,319	-	-	-	-	423,664
Management fees	-	-	-	638,120	-	3,436,319	-	-	-	4,074,439
Legal services	247,161	-	-	-	-	-	-	-	-	247,161
Telecommunications	115,623	-	-	-	-	-	-	-	-	115,623
Island Improvements/Capital Plan	7,000	-	-	-	-	-	-	-	-	7,000
Repairs and maintenance	241,992	6,892	9,896	(1,545)	12,501	11,952	-	-	-	281,688
Vehicles maintenance	42,407	34,535	272,632	-	1,090	-	-	-	-	350,664
Equipment purchases/lease	62,514	773	6,985	-	1,856	1,354	-	-	-	73,482
Supplies/services	494,733	90,738	47,911	73,556	163,037	181,674	-	-	-	1,051,649
Other expenses	92,898	14,218	2,977	-	83,354	70	275,583	-	-	469,100
Total Other Than Personnel Services (OTPS)	2,656,121	147,156	340,401	710,131	321,157	3,781,369	275,583	-	-	8,231,918
Total operating expenses excluding depreciation	7,996,223	2,860,359	1,608,268	710,131	1,008,380	3,781,369	275,583	-	-	18,240,313
Operating income (loss) before depreciation	3,472,258	(1,187,262)	(1,157,213)	1,360,707	(362,981)	859,474	(275,577)	541,568	378,423	3,629,397
Depreciation expense	-	-	-	-	-	-	-	3,424,513	-	3,424,513
Operating income (loss)	\$ 3,472,258	\$ (1,187,262)	\$ (1,157,213)	\$ 1,360,707	\$ (362,981)	\$ 859,474	\$ (275,577)	\$ (2,882,945)	\$ 378,423	\$ 204,884

Roosevelt Island Operating Corporation
(A Component Unit of the State of New York)
Schedule of Operations by Department
Year Ended March 31, 2012

	General Fund						Public	Capital	Reserved	Total
	<u>Operations</u>	<u>Public Safety</u>	<u>Transportation</u>	<u>Parking</u>	<u>Parks/Rec.</u>	<u>Tram</u>	<u>Purpose Fund</u>	<u>Fund</u>	<u>Fund</u>	
Operating Revenues:										
Residential fees	\$ 369,739	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 306,995	\$ 201,586	\$ 878,320
Ground rent	9,174,109	-	-	-	-	-	-	-	-	9,174,109
Commercial rent	1,296,141	-	-	-	-	-	-	-	-	1,296,141
Tramway revenue	-	-	-	-	-	4,297,891	-	-	-	4,297,891
Public safety reimbursement	-	1,613,297	-	-	-	-	-	-	-	1,613,297
Transport/parking revenue	-	-	449,827	2,035,786	-	-	-	-	-	2,485,613
Interest income	12,976	-	-	-	-	-	(5)	3,373	247,289	263,633
Other revenues	167,420	-	-	-	670,479	-	-	-	-	837,899
Total operating revenues	11,020,385	1,613,297	449,827	2,035,786	670,479	4,297,891	(5)	310,368	448,875	20,846,903
Operating Expenses										
Personnel Services:										
Salaries	3,311,788	1,986,680	724,628	-	438,816	-	-	-	-	6,461,912
Temporary employees	132,143	5,520	-	-	27,690	-	-	-	-	165,353
Employee benefits	2,131,670	657,007	275,617	-	204,845	-	-	-	-	3,269,139
Compensated absences expenses	(101,198)	-	-	-	-	-	-	-	-	(101,198)
Total personnel services	5,474,403	2,649,207	1,000,245	-	671,351	-	-	-	-	9,795,206
Other Than Personnel Services (OTPS) :										
Insurance	911,546	-	-	-	-	150,000	-	-	-	1,061,546
Professional services	550,671	-	-	-	40,839	-	-	-	-	591,510
Management fees	-	-	-	638,951	-	3,433,567	-	-	-	4,072,518
Legal services	107,629	-	-	-	-	-	-	-	-	107,629
Telecommunications	115,029	-	-	-	-	-	-	-	-	115,029
Repairs and maintenance	317,166	8,531	18,199	14,334	8,483	15,440	-	-	-	382,153
Vehicles maintenance	44,134	35,423	238,522	-	640	-	-	-	-	318,719
Equipment purchases/lease	93,129	8,269	6,407	-	-	5,172	-	-	-	112,977
Supplies/services	536,046	98,358	37,975	70,620	136,995	159,356	-	-	-	1,039,350
Other expenses	132,368	16,635	2,395	-	106,494	2,025	274,450	-	-	534,367
Total Other Than Personnel Services (OTPS)	2,807,718	167,216	303,498	723,905	293,451	3,765,560	274,450	-	-	8,335,798
Total operating expenses excluding depreciation	8,282,121	2,816,423	1,303,743	723,905	964,802	3,765,560	274,450	-	-	18,131,004
Operating income (loss) before depreciation	2,738,264	(1,203,126)	(853,916)	1,311,881	(294,323)	532,331	(274,455)	310,368	448,875	2,715,899
Depreciation expense	-	-	-	-	-	-	-	3,436,043	-	3,436,043
Operating income (loss)	\$ 2,738,264	\$ (1,203,126)	\$ (853,916)	\$ 1,311,881	\$ (294,323)	\$ 532,331	\$ (274,455)	\$ (3,125,675)	\$ 448,875	\$ (720,144)

The Roosevelt Island Operating Corporation
(A Component Unit of the State of New York)
Budget Variance Report
Year Ended March 31, 2013

	<u>Actual</u>	<u>(Unaudited)</u> <u>Budget</u>	<u>Favorable (Unfavorable)</u>	
			<u>Variance</u>	<u>Percent</u>
Operating revenues:				
Residential fees	\$ 1,111,441	\$ 1,239,509	\$ (128,068)	-10%
Ground rent	9,356,679	9,453,000	(96,321)	-1%
Commercial rent	1,421,038	1,437,000	(15,962)	-1%
Tramway revenue	4,640,843	4,147,000	493,843	12%
Public safety reimbursement	1,673,097	1,662,000	11,097	1%
Transport/parking revenue	2,521,892	2,691,000	(169,108)	-6%
Interest income	185,403	291,000	(105,597)	-36%
Other revenues	959,317	703,000	256,317	36%
Total operating revenues	<u>21,869,710</u>	<u>21,623,509</u>	<u>246,201</u>	<u>1%</u>
Operating expenses:				
Personnel Services:				
Salaries	6,290,604	6,432,486	141,882	2%
Salaries - overtime	232,211	175,000	(57,211)	-33%
Temporary employees	172,553	175,000	2,447	1%
Workers compensation & disability	128,234	162,133	33,899	21%
ER payroll taxes	582,080	584,603	2,523	0%
Health insurance	1,111,071	1,275,238	164,167	13%
Dental/vision	68,124	74,777	6,653	9%
Pension	772,110	757,755	(14,355)	-2%
Other employee benefits	508,788	476,722	(32,066)	-7%
Compensated absences expenses	142,620	-	(142,620)	100%
Total Personnel Services	<u>10,008,395</u>	<u>10,113,714</u>	<u>105,319</u>	<u>1%</u>
Other Than Personnel Services (OTPS) :				
Insurance	1,137,448	1,150,000	12,552	1%
Professional services	406,600	320,900	(85,700)	-27%
Marketing /advertising	17,063	17,400	337	2%
Management fees	4,074,439	4,077,200	2,761	0%
Legal services	247,161	200,000	(47,161)	-24%
Telecommunications	115,623	107,100	(8,523)	-8%
Island Improvements/Capital Plan	7,000	-	(7,000)	0%
Repairs and maintenance	169,451	402,200	232,749	58%
Repairs and maintenance equipment	14,019	25,200	11,181	44%
Other repairs and maintenance	98,219	105,000	6,781	6%
Vehicles gas	208,240	168,300	(39,940)	-24%
Vehicles repair and maintenance	76,406	83,600	7,194	9%
Vehicles parts	66,017	37,200	(28,817)	-77%
Equipment lease	28,980	16,400	(12,580)	-77%
Office equipment purchase	12,067	19,800	7,733	39%
Equipment purchases	23,324	53,600	30,276	56%
Other equipment purchases	9,111	18,000	8,889	49%
Exterminator	9,800	17,100	7,300	43%
Uniforms	46,241	66,950	20,709	31%
Light, power, heat	650,696	588,000	(62,696)	-11%
Water and sewer	45,797	8,600	(37,197)	-433%
Office supplies	14,819	17,100	2,281	13%
Parts and supplies	232,665	210,700	(21,965)	-10%
Service maintenance agreement	51,632	70,500	18,868	27%
Employee travel and meal	8,229	17,500	9,271	53%
Employee training	27,783	56,400	28,617	51%
Shipping	8,763	13,400	4,637	35%
Subscriptions /membership	18,043	15,700	(2,343)	-15%
Other expenses	324,159	338,200	14,041	4%
Island Events - Community relations	82,123	85,000	2,877	3%
Total Other Than Personnel Services	<u>8,231,918</u>	<u>8,307,050</u>	<u>75,132</u>	<u>1%</u>
Total operating expenses excluding depreciation	<u>18,240,313</u>	<u>18,420,764</u>	<u>180,451</u>	<u>1%</u>
Operating income (loss) before depreciation	3,629,397	3,202,745	426,652	13%
Depreciation expenses	<u>3,424,513</u>	<u>3,577,000</u>	<u>152,487</u>	<u>4%</u>
Operating income (loss)	<u>\$ 204,884</u>	<u>\$ (374,255)</u>	<u>\$ 579,139</u>	<u>155%</u>

The Roosevelt Island Operating Corporation (RIOC)
(A Component Unit of the State of New York)
Budget Variance Report
Year Ended March 31, 2012

	<u>Actual</u>	<u>(Unaudited) Budget</u>	<u>Favorable (Unfavorable)</u>	
			<u>Variance</u>	<u>Percent</u>
Operating revenues:				
Residential fees	\$ 878,320	\$ 966,775	\$ (88,455)	-9%
Ground rent	9,174,109	9,199,000	(24,891)	0%
Commercial rent	1,296,141	1,607,000	(310,859)	-19%
Tramway revenue	4,297,891	3,744,000	553,891	15%
Public safety reimbursement	1,613,297	1,615,000	(1,703)	0%
Transport/parking revenue	2,485,613	2,576,000	(90,387)	-4%
Interest income	263,633	509,000	(245,367)	-48%
Other revenues	<u>837,899</u>	<u>617,000</u>	<u>220,899</u>	<u>36%</u>
Total operating revenues	<u>20,846,903</u>	<u>20,833,775</u>	<u>13,128</u>	<u>0%</u>
Operating expenses:				
Personnel Services :				
Salaries	6,316,468	6,349,785	33,317	1%
Salaries-overtime	145,444	175,000	29,556	17%
Temporary employees	165,353	175,000	9,647	6%
Workers compensation & disability	190,595	186,098	(4,497)	-2%
ER payroll taxes	573,367	579,699	6,332	1%
Health insurance	1,083,897	1,190,395	106,498	9%
Dental/vision	75,411	72,482	(2,929)	-4%
Pension	836,645	700,868	(135,777)	-19%
Other employee benefits	509,224	473,804	(35,420)	-7%
Compensated absences expenses	<u>(101,198)</u>	<u>-</u>	<u>101,198</u>	<u>100%</u>
Total Personnel Services	<u>9,795,206</u>	<u>9,903,131</u>	<u>107,925</u>	<u>1%</u>
Other Than Personnel Services (OTPS) :				
Insurance	1,061,546	940,000	(121,546)	-13%
Professional services	583,375	404,200	(179,175)	-44%
Marketing/advertising	8,135	18,600	10,465	56%
Management fees	4,072,518	4,135,200	62,682	2%
Legal services	107,629	375,000	267,371	71%
Telecommunications	115,029	106,800	(8,229)	-8%
Repairs and maintenance	286,126	391,400	105,274	27%
Repairs and maintenance equipment	18,288	21,600	3,312	15%
Other repairs and maintenance	77,738	85,000	7,262	9%
Vehicles gas	171,689	146,100	(25,589)	-18%
Vehicles repairs and maintenance	83,908	83,600	(308)	0%
Vehicles parts	63,122	34,200	(28,922)	-85%
Equipment lease	18,485	20,600	2,115	10%
Office equipment purchase	17,726	22,200	4,474	20%
Equipment purchases	54,731	57,800	3,069	5%
Other equipment purchases	22,036	26,000	3,964	15%
Exterminator	10,780	15,600	4,820	31%
Uniforms	53,375	69,870	16,495	24%
Light, power, and heat	667,272	469,000	(198,272)	-42%
Water and sewer	9,067	20,000	10,933	55%
Office supplies	17,187	20,700	3,513	17%
Parts and supplies	251,878	227,100	(24,778)	-11%
Service maintenance agreement	29,790	80,100	50,310	63%
Employee travel and meal	19,388	17,200	(2,188)	-13%
Employee training	50,142	56,400	6,258	11%
Shipping	9,933	13,400	3,467	26%
Subscriptions/membership	15,464	14,500	(964)	-7%
Other expenses	337,288	340,000	2,712	1%
Island Events - Community relations	<u>102,153</u>	<u>85,000</u>	<u>(17,153)</u>	<u>-20%</u>
Total Other Than Personnel Services	<u>8,335,798</u>	<u>8,297,170</u>	<u>(38,628)</u>	<u>0%</u>
Total operating expenses excluding depreciation	<u>18,131,004</u>	<u>18,200,301</u>	<u>69,297</u>	<u>0%</u>
Operating income (loss) before depreciation	2,715,899	2,633,474	82,425	3%
Depreciation expenses	<u>3,436,043</u>	<u>3,256,000</u>	<u>(180,043)</u>	<u>-6%</u>
Operating income (loss)	<u>\$ (720,144)</u>	<u>\$ (622,526)</u>	<u>\$ (97,618)</u>	<u>-16%</u>



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
 FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
 BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED
 IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
 Roosevelt Island Operating Corporation

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Roosevelt Island Operating Corporation ("RIOCI"), a component unit of the State of New York, as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise RIOCI's basic financial statements, and have issued our report thereon dated May 17, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered RIOCI's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RIOCI's internal control. Accordingly, we do not express an opinion on the effectiveness of RIOCI's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the RIOCI's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RIOC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RIOC's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering RIOC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dadia Valle-Vandora LLP

Elmhurst, New York
May 17, 2013



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INDEPENDENT AUDITORS' REPORT ON INVESTMENT COMPLIANCE

The Board of Directors
Roosevelt Island Operating Corporation

Report on Investment Program Compliance

We have audited the Roosevelt Island Operating Corporation's ("RIOC"), a component unit of the State of New York, compliance with the types of compliance requirements described in the Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program during the year ended March 31, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York related to its investment program.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance of RIOC's investment program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, the State of New York Investment Guidelines for Public Authorities. Those standards and the State of New York Comptroller's Investment Guidelines for Public Authorities require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the investment program occurred. An audit includes examining, on a test basis, evidence about RIOC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the investment program. However, our audit does not provide a legal determination of RIOC's compliance.

Opinion on Investment Program

In our opinion, the Roosevelt Island Operating Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its investment program for the year ended March 31, 2013.

Report on Internal Control over Compliance

Management of RIOC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered RIOC's internal control over compliance with the types of requirement that could have a direct and material effect on the investment program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the investment program and to test and report on internal control over compliance in accordance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RIOC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York. Accordingly, this report is not suitable for any other purpose.

Dacia Valles-Vandora LLF

Elmhurst, New York
May 17, 2013



RIOC Senior Staff Biographical Information

Senior Staff as of March 31, 2013*

Donald D. Lewis
*Acting President / CEO &
Vice President
General Counsel*

Donald D. Lewis is Vice President and General Counsel of the Roosevelt Island Operating Corporation (RIOC). In September 2012, Mr. Lewis was appointed Acting President and CEO of RIOC concurrent with his responsibilities as General Counsel. Mr. Lewis serves[†] as chief legal advisor to the Board of Directors and represents the interests of the Corporation in a wide range of matters including commercial and residential real estate transactions, the preservation of affordable housing, issues of labor and employment, as well as issues related to the Roosevelt Island Aerial Tramway. Mr. Lewis also leads the staff of 125 employees that manage and operate the Island, oversees specialized outside counsel and consultants. Additionally, his responsibilities include the analysis and interpretation of applicable laws, litigation involving the Corporation, negotiating contracts, drafting proposed legislation, drafting resolutions for adoption by the Board, drafting proposed rules and regulations for promulgation by the Board, and conferring with the Office of the Attorney General and other high level governmental officials.

Prior to joining RIOC, Mr. Lewis was a litigation associate at the law firm of Skadden, Arps, Slate, Meagher & Flom LLP in New York. He has represented corporations and individuals in complex litigations involving a range of corporate and commercial matters in federal and state court, including securities class actions, shareholder derivative suits and disputes concerning Chapter 11 reorganizations. Through the firm's externship program, Mr. Lewis served as a Special Assistant Corporation Counsel for the New York City Law Department, Office of Corporation Counsel where he was lead trial counsel in tort actions against the City. Mr. Lewis also has provided extensive pro bono service, including work on a high profile death penalty case. In addition, Mr. Lewis was a 2008 recipient of the Commitment to Justice Legal Team Award from inMotion, a New York-based organization that provides free legal services to women from underrepresented communities.

Mr. Lewis mentors students on the mock trial team at the Bronx Leadership Academy High School and is involved with Ice Hockey in Harlem, a community-based non-profit organization for young people that uses the sport to promote academic achievement, responsibility and teamwork.

Mr. Lewis received his Juris Doctor degree from Harvard Law School (2000) and his Bachelor of Arts degree in psychology, cum laude, from Harvard College (1995). He is admitted to practice in New York State and in the U.S. District Court for the Southern District of New York.

* Prior to the close of the fiscal year, the President & CEO and Vice President for Operations resigned from their positions. Their respective biographical information is noted under heading "Former Senior Staff" (below).

[†] At its meeting of April 4, 2013 the RIOC Board of Directors approved a resolution appointing Charlene M. Indelicato to the position of RIOC President and Chief Executive Officer

Steven Chironis
Vice President
Chief Financial Officer

Mr. Chironis joined Roosevelt Island Operating Corporation as Vice President, Chief Financial Officer in February 2008.

He has over thirty years of financial management experience ranging from an Audit Manager at a New York CPA Firm, CFO and Controller for a Construction Engineering Firm, Financial Advisor & Employee Benefits Specialist at several Fortune 500 Companies and a partner in a Real Estate Development Firm. He has a Bachelor of Science degree from Plattsburgh State University of New York in Accounting and Finance.

Keith Guerra
Director of Public Safety

W. Keith Guerra joined the Roosevelt Island Operating Corporation in January of 2008, after completing a 20+ year career in Law Enforcement with the NYPD and Greenburgh Police Departments. He is a NYS Certified Police Instructor registered with the Department of Criminal Justice Services (DCJS). In addition to certifications from the NYPD, Keith has also received training from the FBI, FEMA, American Red Cross, American Heart Association, Monadnock Training Council and Tri-Star SWAT.

In addition to his background in training, his Law Enforcement Career is also highlighted by an investigative background in Special Victims Crimes. As a 1st grade Detective, he was instrumental in solving several crimes against juveniles and the elderly, missing persons cases and sex crimes cases. He served on the SWAT Team for seven years and competed in SWAT competitions throughout the country.

As the Director of Public Safety, Keith has brought the Community Policing Strategy to Roosevelt Island. The Officers under his command have adopted the slogan of "Courtesy, Professionalism and Respect." Officers have new uniforms, are better trained and better equipped to perform their Law Enforcement duties, and are eager to "Protect and Serve" the residents and business owners here on Roosevelt Island.

Alexander Snedkov
Director of Engineering

Alexander Snedkov joined Roosevelt Island Operating Corporation as a Director of Engineering in November 2010.

He has over twenty years of engineering, facility and construction management experience ranging from a Facilities Manager at a pharmaceutical firm to positions as an Electrical Engineer, Project Manager, and Vice President at several construction firms. He has a Bachelor of Science degree in electrical engineering from the Rostov State University of Railway Transport in Russia and a certificate in Facilities Management from New York University.

Muneshwar Jagdharry
Comptroller

Muneshwar Jagdharry is a Certified Public Accountant with over 20 years of experience in financial reports, accounting, financial systems, accounts payable, account receivable, auditing, procurement, nonprofit/fund/grant accounting, cash management, financial analysis, budgeting and forecasting. He graduated from Lehman College with a Bachelor of Science in Accounting; Baruch College with a Master of Business Administration in Finance; and Hunter College with a Master in Public Health.

Former Senior Staff

Leslie Torres
President and Chief Executive Officer

Leslie Torres Esq. joined the Roosevelt Island Operating Corporation (RIOC) in August 2010 as the President and Chief Executive Officer. In the past 15 years, she has held several public service positions all of which uniquely contribute to her ability to effectively manage the issues facing the Roosevelt Island community and demonstrates her commitment to public service. Ms. Torres is responsible for leading a staff of 125 employees that manage and operate the island. Additionally, Ms. Torres, along with her staff and the Board of Directors of the Roosevelt Island Corporation, work with New York City, New York State and the Federal government to ensure that all projects related to Roosevelt Island are responsibly and successfully managed and completed.

Prior to joining RIOC, Ms. Torres worked at the NYS Division of Housing as the Deputy Commissioner for Rent Administration from 2007-10. In that role, Ms. Torres was responsible for the direct oversight of all rent stabilized and rent controlled buildings statewide. She led a staff of 400 State employees that annually issued decisions in thousands of landlord-tenant proceedings.

From 2004- 07, Ms. Torres worked for the City's Department of Buildings as the Assistant Commissioner for Enforcement. In this role she had direct oversight for the administration of the Building Code and Zoning Resolution, directed the prosecution of over 45,000 Environmental Control Board violations annually, as well as administrating law relating to the construction of buildings, signs, and facades. In the area of building development, she was also responsible for overseeing the proper licensing of tradesmen who engaged in building construction and enforced all related disciplinary matters for licensed tradesmen and agency employees.

From 2001-04, Ms. Torres served as Executive Director and General Counsel of the New York City Loft Board at the Mayor's Office, where she managed all aspects of agency performance, including the prosecution and adjudication of cases. Prior to becoming Executive Director, Ms. Torres was Director of Hearings at the Loft Board (1998-01).

Additionally, Ms. Torres also served as an Assistant District Attorney for the Manhattan District Attorney's Office from 1995-98.

Ms. Torres received her Juris Doctor degree from New York Law School in 1993 and her Bachelor of Arts in Political Science and Spanish Language from Amherst College in Massachusetts (1989). She is admitted to practice law in New York, New Jersey and Massachusetts.

Fernando Martinez
Vice President
Operations

Mr. Fernando Martinez joined the Roosevelt Island Operating Corporation in May 2007. As the Vice President of Operations, Mr. Martinez is directly responsible for the management and operation of Roosevelt Island. Prior to joining RIOC, he served for 6 years as the Executive Director for the Downstate Medical Center Biotechnology Park. In that capacity, he was responsible for developing and managing New York City's second biotechnology research and development facility.

Mr. Martinez's 20-year professional career includes working for the Port Authority of New York and New Jersey, the Metropolitan Transportation Authority, and the United States Department of Housing and Urban Development.

Mr. Martinez received a Bachelor of Arts degree in Economics from Iona College, and a Master of Arts degree in Public Administration from Columbia University School of Public and International Affairs.

ROOSEVELT ISLAND OPERATING CORPORATION

Code of Ethics

As a New York State public benefit corporation, the Roosevelt Island Development Corporation (the "Corporation") is vested with a public trust. In order to promote and maintain governmental integrity, each officer, director and employee of the Corporation must adhere to the standards and code of ethics set forth herein, in the Corporation's Employee Handbook, and in the State Code of Ethics and the Ethics in Government Act.

Rule with Respect to Conflicts of Interest

No director, officer or employee of the Corporation may have any interest, financial or otherwise, direct or indirect, or engage in any business or transaction or professional activity or incur any obligation of any nature, which is in substantial conflict with the proper discharge of his or her duties in the public interest.

Standards

1. No director, officer or employee of the Corporation may accept other employment which will impair his or her independence of judgment in the exercise of his or her official duties.
2. No director, officer or employee of the Corporation may accept employment or engage in any business or professional activity which will require him or her to disclose confidential information which he or she has gained by reason of his or her official position or authority.
3. No director, officer or employee of the Corporation may disclose confidential information acquired by him or her in the course of his or her official duties nor use such information to further his or her personal interests.
4. No director, officer or employee of the Corporation may use or attempt to use his or her official position to secure unwarranted privileges or exemptions for himself or herself or others, including but not limited to, the misappropriation to himself, herself or to others of the property, services or other resources of the state for private business or other compensated non-governmental purposes.
5. No director, officer or employee of the Corporation may engage in any transaction as representative or agent of the Corporation with any business entity in which he or she has a direct or indirect financial interest that might reasonably tend to conflict with the proper discharge of his or her official duties.
6. No director, officer or employee of the Corporation may by his or her conduct give reasonable basis for the impression that any person can improperly influence him or her or unduly enjoy his or her favor in the performance of his or her official duties, or

that he or she is affected by the kinship, rank, position or influence of any party or person.

7. Each director, officer or employee of the Corporation must abstain from making personal investments in enterprises which he or she has reason to believe may be directly involved in decisions to be made by him or her or which will otherwise create substantial conflict between his or her duty in the public interest and his or her private interest.
8. Each director, officer and employee of the Corporation must endeavor to pursue a course of conduct which will not raise suspicion among the public that he or she is likely to be engaged in acts that are in violation of his or her trust.
9. No director, officer or employee of the Corporation employed on a full-time basis nor any firm or association of which such a director, officer or employee is a member nor corporation a substantial portion of the stock of which is owned or controlled directly or indirectly by such director, officer or employee, shall sell goods or services to any person, firm, corporation or association which is a party to any contract with the Corporation.
10. If any director, officer or employee of the Corporation shall have a financial interest, direct or indirect, having a value of ten thousand dollars or more in any activity undertaken by the Corporation, he or she must file with the Secretary of the Corporation a written statement that he or she has such a financial interest in such activity, which statement shall be open to public inspection.
11. No director, officer or employee of the Corporation shall, directly or indirectly, seek or accept any loan or extension of credit from the Corporation or any subsidiary of the Corporation.

Violations

In addition to any penalty contained in any other provision of law any such officer, member or employee who shall knowingly and intentionally violate any of the provisions of this Code of Ethics may be fined, suspended or removed from office or employment in the manner provided by law.

Dated: March 25, 2010

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Mckinney's Consolidated Laws of New York Annotated Currentness
UNCONSOLIDATED LAWS (REFS & ANNOS)

TITLE 16. MUNICIPALITIES

CHAPTER 26. ROOSEVELT ISLAND OPERATING CORPORATION

§ 6385. Legislative declaration

The legislature hereby finds, determines and declares that: (a) the city of New York and the New York state urban development corporation have entered into a lease and related agreements providing for the urban development corporation to use its statutory powers to create on Roosevelt Island a new community which would retain and heighten the benefits of urban living while preserving a sense of scale and open space for Roosevelt Island residents and New York city as a whole; (b) the urban development corporation has constructed the first phase of the island's development, including public facilities, pursuant to a general development plan for Roosevelt Island, which plan is being updated and contemplates significant future development on the island, including the provision of additional housing, commercial, civic, recreational and other facilities; (c) it is in the public interest for the urban development corporation to transfer all of its rights and obligations with respect to the development, operation and supervision of both such existing and such proposed development to a public benefit corporation which shall be under the supervision of the commissioner of housing and community renewal; and (d) it is in the public interest that such a public benefit corporation plan, design, develop, operate, maintain and manage Roosevelt Island, that such corporation have vested in it such powers as are necessary or convenient to effectuate those functions and that the division of housing and community renewal be authorized to assist such corporation in the performance of its duties with respect to Roosevelt Island.

§ 6386. Definitions

As used in this act, the following terms shall have the following meanings:

1. "City" shall mean the city of New York.
2. "Commissioner" shall mean the commissioner of housing and community renewal.
3. "Corporation" shall mean the Roosevelt Island operating corporation created by section three of this act.

4. "Development subleases" shall mean (a) the sublease dated August first, nineteen hundred eighty between the urban development corporation and the city, (b) the ground lease, dated October thirtieth, nineteen hundred seventy-two, between the urban development corporation and North Town Phase II Houses, Inc., (c) the ground lease, dated April twenty-fifth, nineteen hundred seventy-three, between the urban development corporation and North Town Phase III Houses, Inc., and (d) the restated ground lease, dated November thirtieth, nineteen hundred seventy-seven, between the urban development corporation and Rivercross Tenants' Corporation.
5. "Division" shall mean the New York state division of housing and community renewal.
6. "Lease" shall mean the lease, dated December twenty-third, nineteen hundred sixty-nine, as heretofore or hereafter amended, among the city of New York, the New York state urban development corporation and the Roosevelt Island development corporation, pursuant to which the city leased substantially all of Roosevelt Island to the New York state urban development corporation for development substantially in accordance with the development plan referred to therein.
7. "Roosevelt Island" shall mean the island located in the East River, city and county of New York, extending from approximately fiftieth street to eighty-sixth street in Manhattan.
8. "Safe affordable housing for everyone, inc." shall mean the New York corporation organized under article six-A of the private housing finance law and under the supervision and control of the commissioner.
9. "Tramway franchise" shall mean the franchise for the Roosevelt Island tramway granted by the city to the urban development corporation on February nineteenth, nineteen hundred seventy-four.
10. "Urban development corporation" shall mean the New York state urban development corporation.

§ 6387. Establishment of corporation; organization of board

1. To effectuate the purposes and provisions of this act, there is hereby created the "Roosevelt Island operating corporation", which shall be a body corporate and politic constituting a public benefit corporation and a political subdivision of the state of New York.
2. The board of directors of the corporation shall be composed of nine members. One member shall be the commissioner, who shall serve as the chair; one member shall be the director of the budget; and seven public members shall be appointed by the governor with the advice and consent of the senate. Of the seven public members, two members, one of whom shall be a resident of Roosevelt Island, shall be appointed upon the recommendation of the mayor of the city; and four additional members shall be residents of Roosevelt Island. Each member shall serve for a

term of four years and until his or her successor shall have been appointed and shall have qualified, except that (a) two of the initial public members appointed by the governor, one of whom is a resident of Roosevelt Island, and the Roosevelt Island resident member appointed upon the recommendation of the mayor of the city shall serve for terms of two years each, and (b) the commissioner and the director of the budget shall serve so long as they continue to hold their respective offices. Any action taken by the directors of the corporation shall be taken by majority vote of the directors then in office. The elected public officials who represent Roosevelt Island shall be representatives to the board of directors of the corporation entitled to receive notice of and attend all meetings of such board but shall not be entitled to vote. Failure to give such notice shall not effect the validity of any action taken at a meeting of such board.

3. The governor may fill any vacancy which occurs on the board of directors of the corporation in a manner consistent with the original appointment. Any member of the corporation may be removed by the governor for cause, but not without an opportunity to be heard, in person or by counsel, in his defense, upon not less than ten days' written notice.

4. The commissioner and the director of the budget may each designate an officer or employee of his respective division to represent such member at meetings of the corporation. Such designation shall be by written notice filed with the chairman or the secretary of the corporation by the member making the designation, and may be revoked at any time by similar notice. Any representative so designated shall have the power to attend and to vote at any meeting of the corporation from which the member making the designation is absent with the same force and effect as if the member making the designation were present and voting. No such designation shall limit the right of the member making the designation to attend and vote in person at any meeting of the corporation.

5. A member of the corporation who is not an officer or employee of the state or the city shall not receive a salary or other compensation, but shall be entitled to reimbursement for actual and necessary expenses incurred in the performance of official duties as a member. A member of the corporation who is not an officer or employee of the state or the city may engage in private employment, or in a profession or business, unless otherwise prohibited by law from doing so. Notwithstanding any other provision of law, general, special, or local, no officer or employee of the state or any civil division thereof shall be deemed to have forfeited, or shall forfeit such office of employment because of acceptance of membership in the corporation, or by virtue of being an officer, employee or agent thereof.

§ 6388. Powers of corporation

The corporation's powers shall be limited to carrying out the development, management and operation of Roosevelt Island. In carrying out such development, management and operation, the corporation shall have the power to:

1. Sue and be sued;
2. Have a seal and alter the same at pleasure;
3. Make and alter by-laws for its organization and internal management and make rules and regulations governing the use of its property and facilities;
4. Make and execute contracts and all other instruments necessary or convenient for the exercise of its powers and functions under this act;
5. Acquire in the name of the corporation by purchase, grant or gift, or by the exercise of the power of eminent domain pursuant to the eminent domain procedure law, or otherwise, real or personal property, or any interest therein deemed necessary or desirable for the development, management or operation of Roosevelt Island, including, without limitation, leasehold interest, air and subsurface rights, easements and lands under water at the site of Roosevelt Island or in the general vicinity thereof, and to subject such property or interest therein to a purchase money or other lien or security interest in connection with the acquisition and development thereof, provided that the corporation shall have no authority or power to issue any notes, bonds or other debt obligations, whether for the purpose of financing the development of Roosevelt Island or otherwise;
6. Hold and dispose of real or personal property for its corporate purposes;
7. Appoint officers, agents and employees, prescribe their duties and fix their compensation in accordance with a staffing and compensation plan submitted to and approved by the director of the budget;
8. Engage the services of private consultants on a contract basis for rendering professional and technical assistance advice;
9. Procure insurance against any loss in connection with its activities, properties and other assets, in such amount and from such insurers as it deems desirable;
10. Charge and collect fees, rents and other charges for the occupancy or other use of real or personal property or facilities owned, operated, managed or regulated by the corporation;
11. Accept any gifts or grants of money or property, or financial or other aid in any form, from the federal government, the state, or the city (or any instrumentality of any such government) or from any other source and, subject to the provisions of this act and other applicable law, to comply with any conditions of such assistance and execute any contracts or other instruments in connection therewith;

12. Invest any funds of the corporation, or any other monies under its custody and control not required for immediate use or disbursement, at the discretion of the corporation, in obligations of the state or the United States government or obligations the principal and interest of which are guaranteed by the state or the United States government, or in any other obligations in which the comptroller of the state is authorized to invest pursuant to section ninety-eight of the state finance law;

13. Enter into such agreements with the state, the urban development corporation and the city as the parties thereto deem appropriate to effectuate the provisions of this act;

14. Assume and perform the obligations and responsibilities of the urban development corporation under the lease, the tramway franchise, and all other contracts, leases, and agreements heretofore entered into by the urban development corporation relating to the development, management and operation of Roosevelt Island (except that the corporation shall not assume any of the rights, duties and responsibilities of the urban development corporation in relation to any bonds or notes issued, or mortgages or security agreements held, by the urban development corporation or any of its subsidiaries) and exercise all of the rights of the urban development corporation with respect thereto; and

15. Do and perform all other acts necessary or convenient to carry out the foregoing in connection with the development, management or operation of Roosevelt Island.

§ 6389. Rules and regulations; approval of development plan amendments; applicability of local laws

1. The corporation shall promulgate such rules and regulations as it shall deem appropriate to provide an opportunity for residents of Roosevelt Island to comment upon any major amendment of the development plan for Roosevelt Island referred to in the lease at a public hearing held prior to its adoption by the corporation.

2. Any amendment of the development plan for Roosevelt Island referred to in the lease shall be subject to the review and approval of the director of the budget, and the corporation shall not enter into any agreement for the design or construction of any improvement provided for in any such amendment prior to such approval.

3. The requirements of all local laws, ordinances, codes, charters or regulations shall be applicable to the construction, alteration or improvement of any building or structure on Roosevelt Island, provided that the corporation may, in lieu of such compliance, determine that the requirements of the New York state uniform fire prevention and building code, formulated by the state fire prevention and building code council pursuant to article eighteen of the executive law, shall be applicable to such work. In the event of such compliance with the New York state uniform fire prevention and building code, the city shall have no power to modify any drawings, plans or

specifications for such work or for the plumbing, heating, lighting or other mechanical branches thereof, or to require that any person, firm or corporation employed on any such work perform the same except as provided by such plans and specifications or obtain any additional authority, approval, permit or certificate from the city in connection therewith.

§ 6390. Powers and duties of Urban Development Corporation; lease and tramway franchise

1. The corporation shall perform all obligations of the urban development corporation or any of its subsidiaries with respect to the development, management and operation of Roosevelt Island, including, without limitation, all such obligations arising under the lease and the tramway franchise.
2. The urban development corporation, the division and the corporation shall each use their best efforts to obtain any required consents to the assignment of the lease and the tramway franchise from the urban development corporation to the corporation and to any other assumption by the corporation of the obligations of the urban development corporation or any of its subsidiaries under any other contracts, leases, agreements or instruments entered into by the urban development corporation, or any such subsidiary, relating to the development, management or operation of Roosevelt Island (other than any bonds or notes issued, or mortgages or security agreements held, by the urban development corporation or any of its subsidiaries) and, upon obtaining such consents, the corporation and the urban development corporation shall enter into such agreements and take such actions as shall be necessary to effectuate such assignments and assumptions, provided that in order to permit the urban development corporation to recover the investment which it has heretofore made in the development of Roosevelt Island, such agreements shall provide appropriate assurances satisfactory to the urban development corporation (a) for the prompt payment directly to the urban development corporation of (i) all sums from time to time due from lessees under the development subleases and (ii) all sums received by the corporation from the city in connection with the termination of the lease, and (b) for the amending or supplementing of the development subleases to the extent, if any, necessary to protect the rights of the holders of any mortgages on the leasehold interests created thereunder. Nothing in this act shall (a) constitute or authorize an assignment by the urban development corporation (or any subsidiary thereof) of any mortgage or security interest held by the urban development corporation (or any such subsidiary) on any real or personal property or interest therein on Roosevelt Island or any rights or obligations of the urban development corporation (or any such subsidiary) arising under any such mortgage or security agreement, (b) relieve the urban development corporation of any of its obligations under any bonds heretofore issued by the urban development corporation, or (c) otherwise affect the interests of the holders of any such bonds.
3. All revenues (other than state appropriations) derived from the contracts, leases, agreements or instruments assigned to or assumed by the corporation pursuant to subdivision two of this section shall be applied first to the payment of those obligations assigned to or assumed by the corporation.

4. The urban development corporation and the corporation are hereby authorized to enter into such agreements with the city as the corporation shall determine to be appropriate to amend, reform or supplement the lease (including the development plan referred to therein) and the tramway franchise in order to carry out the purposes of this act. The provisions of any general, special or local law notwithstanding, the city is hereby authorized, upon the approval of the board of estimate of the city, to enter into any such agreements with the corporation and the urban development corporation.

§ 6391. Equal employment opportunities

1. The corporation shall not discriminate against employees or applicants for employment because of race, creed, color, national origin, sex, age, disability or marital status, and will undertake or continue programs of affirmative action to ensure that minority group persons and women are afforded equal employment opportunity without discrimination. Such action shall be taken with reference, but not be limited, to recruitment, employment, job assignment, promotion, upgrading, demotion, transfer, layoff, termination, rate of pay or other forms of compensation, and selections for training or retraining, including apprenticeship and on-the-job training.

2. The corporation shall request each employment agency, labor union, or authorized representative of workers with which it has a collective bargaining or other agreement or understanding, to furnish a written statement that such employment agency, labor union or representative shall not discriminate because of race, creed, color, national origin, sex, age, disability or marital status and that such union or representative will cooperate in the implementation of the corporation's obligations hereunder.

3. The corporation shall state, in all solicitations or advertisements for employees placed by or on behalf of the corporation, that all qualified applicants will be afforded equal employment opportunity without discrimination because of race, creed, color, national origin, sex, age, disability or marital status.

4. The corporation shall seek meaningful participation by minority business enterprises in the programs of the corporation and shall actively and affirmatively promote and assist their participation in the corporation's programs, so as to facilitate the award of a fair share of contracts to such enterprises. For purposes hereof, "minority business enterprise" shall mean any business enterprise which is at least fifty-one per centum owned by, or in the case of publicly owned business, at least fifty-one per centum of the stock of which is owned by, citizens or permanent resident aliens who are Black, Hispanic, Asian, American Indian or women, and such ownership interest is real, substantial and continuing.

§ 6392. Indemnification; notice of claim

a. 1. The state shall indemnify and hold harmless the corporation, urban development corporation and safe affordable housing for everyone, inc., and pursuant to section seventeen of the public officers law, their respective officers, directors and employees, from and against any and all liability, claim, loss, damage, suit or judgment and any and all costs and expenses (including, but not limited to, counsel fees and disbursements) that such corporations or their officers, directors or employees may suffer or incur, whether before or after the date hereof, as a result of either (a) the development, management or operation of Roosevelt Island or (b) the performance or non-performance by the division of any of its obligations or duties with respect to Roosevelt Island. All of the provisions of section seventeen of the public officers law which are not inconsistent with this section shall apply to the officers, directors, and employees of such corporations, including the provisions relating to the defense by the attorney general or private counsel of any civil action and the payment of legal costs incurred in connection with the defense of any such action. Any member, officer or employee of such corporations seeking to be saved harmless or indemnified or to claim any other benefits available pursuant to this section or section seventeen of the public officers law shall comply with the procedural requirements of such section seventeen. As used in this section the terms “member”, “officer” and “employee” shall include a former member, officer or employee, his estate or judicially appointed personal representative.

2. A notice of claim, served in accordance with the provisions of section fifty-e of the general municipal law, shall be a condition precedent to the commencement of an action against the corporation, its officers, directors and employees. No such action shall be commenced more than one year after it has accrued, except that an action against the corporation for wrongful death shall be commenced within the notice of claim and time limitation provisions of title eleven of article nine of the public authorities law.

b. 1. Notwithstanding the provisions of section one hundred thirteen of the retirement and social security law and any other general, special or local law, the Roosevelt Island operating corporation shall provide to persons employed by the Roosevelt Island operating corporation any retirement, disability, death or other benefits provided or required pursuant to any agreement with a labor union of which its employees are members, and the Roosevelt Island operating corporation is hereby authorized to retroactively or in the future make such contributions as may be necessary to provide such benefits.

2. For purposes of the retirement and social security law, persons employed by the Roosevelt Island operating corporation and to whom the Roosevelt Island operating corporation provides any retirement, disability, death and other benefits required pursuant to any agreement with a labor union of which its employees are members, shall be deemed not to be employees of the Roosevelt Island operating corporation. Such other persons who are employees of the Roosevelt Island operating corporation as of the effective date of this act shall be eligible to receive credit under the retirement and social security law for previous service with the entities (or where applicable, their subsidiaries) made subject to section seventeen of the public officers law by subdivision a of this section.

§ 6393. Annual budget and report

1. On or before September fifteenth, nineteen hundred eighty-four and on each September fifteenth thereafter, the chairman of the corporation shall make and deliver to the director of the budget for his review a proposed budget for the operation of the corporation for the next fiscal year of the state. The chairman of the corporation shall also deliver a copy of such budget to the chairman of the senate finance committee and the chairman of the assembly ways and means committee at the same time that the budget is delivered to the director of the budget. The budget shall include the total amount needed for corporate purposes, including the funds required by the corporation for operation of Roosevelt Island facilities and improvements, the source of all funds that the corporation expects to receive and such other information as the director of the budget shall require. The governor shall recommend in his annual budget such appropriations to the corporation for its operations as he deems necessary.

2. The corporation shall submit to the director of the budget, chairman of the senate finance committee and chairman of the assembly ways and means committee, within ninety days after the end of its fiscal year, a complete and detailed report setting forth (a) its operations and accomplishments, and (b) its receipts and expenditures during such fiscal year in accordance with categories and classifications established by the corporation, with the approval of the director of the budget, for its operating and capital outlay purposes.

§ 6394. Future management study

The corporation shall also study the future operation and management of Roosevelt Island. Such study shall be completed by December thirty-first, nineteen hundred eighty-five.

§ 6394-a. Open space development prohibited

Notwithstanding any other provision of this act, or any other law to the contrary, on or after the effective date of this section, no further development or construction for other than park purposes shall be permitted on any real property which is identified as open space areas in the general development plan as amended May 10, 1990 and approved by the board of estimate of the city of New York on August 17, 1990 and referred to in the lease defined in subdivision six of section two of this act, and on such real property shall remain open space areas for the duration of the lease unless such development or construction includes the reconstruction, restoration, rehabilitation or preservation of the historic landmarks located in such open space areas and furthers the use of the areas surrounding the historic landmarks as open space areas. Open space areas, as used in this section shall be limited to Lighthouse park, Octagon park, Blackwell park, and South Point park.

§ 6395. Liability for corporate obligations; tax exemption

1. The obligations of the corporation shall not be debts of the state, and the state shall not be liable thereon, and such obligations shall not be payable out of any funds other than those of the corporation.

2. It is hereby found, determined and declared that the creation of the corporation and the carrying out of its purposes is in all respects for the benefit of the people of the state and is a public purpose, and that the corporation will be performing an essential governmental function in the exercise of the powers conferred upon it by this act. The corporation and its operations, property and moneys shall be free and exempt from taxation of every kind by the city and the state and any subdivision thereof. Except as hereinabove provided and except as may otherwise specifically be provided, nothing contained in this act shall confer exemption from any tax, assessment or fee upon any person, firm, corporation or other entity, or upon the obligations of any of them.

§ 6396. Division of Housing and Community Renewal; assistance and services

The corporation may from time to time request the division to perform such services and render such technical assistance to the corporation with respect to the development, management or operation of Roosevelt Island as the corporation deems necessary or convenient and may provide for the reimbursement to the division by the corporation of the reasonable cost of such services. The division is hereby authorized to perform such services and render such technical assistance as may be agreed upon between the division and the corporation pursuant to this section. In addition, the commissioner is hereby authorized to represent the corporation in any negotiations with the city concerning amendments or supplements to or reformations of the lease and tramway franchise as contemplated by section six of this act.

§ 6397. Operation of motor vehicles

In addition to any other power conferred upon it by this act, the corporation is hereby authorized to prescribe rules and regulations governing the operation (including the parking, standing or stopping) of vehicles on Roosevelt Island; provided however, that such rules and regulations shall not restrict access to any city facilities situated on Roosevelt Island nor unreasonably restrict parking by city of New York employees, their visitors and invitees. The violation of such rules or regulations shall be an offense punishable upon a first conviction thereof by a fine of not more than fifty dollars, upon a second within a period of eighteen months by a fine of not more than one hundred fifty dollars, and upon a third or subsequent conviction thereof within a period of eighteen months by a fine of not more than one hundred fifty dollars, or by imprisonment for not more than thirty days, or by both such fine and such imprisonment. For purposes of enforcement and administration of such rules and regulations, including but not limited to conferring jurisdiction with respect thereto upon the applicable courts and administrative tribunals, all provisions of law relating to, and rules or regulations of, the New York city department of transportation not inconsistent with this act shall be applicable.

§ 6398. Separability of provisions

If any section, clause or provision of this act or the application thereof shall be adjudged invalid, such judgment shall not affect or invalidate any other section, clause or provision of this act.

§ 6399. Transfer of appropriations

1. Notwithstanding the provisions of any general or special law, the director of the budget is authorized to transfer to the corporation from funds appropriated to the division for the fiscal year beginning April first, nineteen hundred eighty-four, the amount he determines necessary to carry out the provisions of this act, including providing for Roosevelt Island operations, capital improvement program and any other appropriate management expenses.

2. Notwithstanding the provisions of any general or special law, no part of such appropriations shall be available for the purposes designated until a certificate of approval of availability shall have been issued by the director of the budget and a copy of such certificate is filed with the state comptroller, the chairman of the senate finance committee and the chairman of the assembly ways and means committee. Such certificate may be amended from time to time, subject to the approval of the director of the budget, and a copy of each such amendment shall be filed with the state comptroller, the chairman of the senate finance committee and the chairman of the assembly ways and means committee.

Andrew M. Cuomo

Governor

Charlene M. Indelicato

President/Chief Executive Officer

Donald D. Lewis

Vice President/General Counsel

Steven Chironis

Vice President/Chief Financial Officer



Roosevelt Island Operating Corporation

of the State of New York

591 Main Street, Roosevelt Island, NY 10044

T: (212) 832-4540 • F: (212) 832-4582

<http://rioc.ny.gov>

Board of Directors

Darryl C. Towns, *Chairperson*

Fay Fryer Christian

Dr. Katherine Teets Grimm

David Kraut

Robert L. Megna

Howard Polivy

Michael Shinozaki

Margaret Smith

**COMMITTEES OF THE BOARD OF DIRECTORS AS OF
March 31, 2013**

COMMITTEES MEMBERS

Audit Committee – Established February 11, 1999

Howard Polivy (Chair), David Kraut, and the DOB designee

Real Estate Development Advisory Committee – Established March 13, 2003

Howard Polivy (Chair); Dr. Katherine Grimm; and Fay Christian

Operations Advisory Committee – Established July 13, 2000

Michael Shinozaki (Chair), David Kraut, Margie Smith

Governance Committee – Established September 8, 2005

Margie Smith (Chair), David Kraut, Howard Polivy

Andrew M. Cuomo

Governor

Charlene M. Indelicato

President/Chief Executive Officer

Donald D. Lewis

Vice President/General Counsel

Steven Chironis

Vice President/Chief Financial Officer



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Michael Shinozaki

Margaret Smith

**List of Board Meetings and Attendance
For the 2012-13 Fiscal Year**

April 19, 2012

A meeting of the Board of Directors was held at the Manhattan Park Community Center, 8 River Road, Roosevelt Island on April 19, 2012 at 5:30 p.m

Directors Present:

Darryl C. Towns – RIOC Chair and Commissioner, the New York State Division of Housing and Community Renewal

Meghan Anderson Representing Robert L. Megna – Director, the New York State Division of Budget

Fay Fryer Christian – Director

Dr. Salvatore Ferrera – Director

Dr. Katherine Teets Grimm – Director

David Kraut – Director

Michael Shinozaki – Director

Margaret Smith – Director

Directors Absent:

Howard Polivy – Director

May 24, 2012

A meeting of the Board of Directors was held at the Manhattan Park Community Center, 8 River Road, Roosevelt Island on May 24, 2012 at 5:30 p.m

Directors Present:

Darryl C. Towns – RIOC Chair and Commissioner, the New York State Division of Housing and Community Renewal

Fay Fryer Christian – Director

Dr. Katherine Teets Grimm – Director

David Kraut – Director

Howard Polivy – Director

Michael Shinozaki – Director

Margaret Smith – Director

Directors Absent:

Robert L. Megna – Director, the New York State Division of Budget
Dr. Salvatore Ferreira – Director

June 28, 2012

A meeting of the Board of Directors was held at the Manhattan Park Community Center, 8 River Road, Roosevelt Island on June 28, 2012 at 5:30 p.m

Directors Present:

Darryl C. Towns – RIOC Chair and Commissioner, the New York State Division of Housing and
Community Renewal
Renee Nowicki Representing Robert L. Megna – Director, the New York State Division of
Budget
Dr. Salvatore Ferrera – Director
Dr. Katherine Teets Grimm – Director
David Kraut – Director
Howard Polivy – Director
Michael Shinozaki – Director
Margaret Smith – Director

Directors Absent:

Fay Fryer Christian – Director

July 30, 2012

A meeting of the Board of Directors was held at the Manhattan Park Community Center, 8 River Road, Roosevelt Island on July 30, 2012 at 5:30 p.m

Directors Present:

Gary R. Connor Representing Darryl C. Towns – RIOC Chair and Commissioner, the New York
State Division of Housing and Community Renewal
Michael Kendall Representing Robert L. Megna – Director, the New York State Division of
Budget
Fay Fryer Christian – Director
Dr. Salvatore Ferrera – Director
Dr. Katherine Teets Grimm – Director
Howard Polivy – Director
Margaret Smith – Director

Directors Absent:

David Kraut – Director
Michael Shinozaki – Director

September 20, 2012

A meeting of the Board of Directors was held at the Manhattan Park Community Center, 8 River Road, Roosevelt Island on September 20, 2012 at 5:30 p.m

Directors Present:

Darryl C. Towns – RIOC Chair and Commissioner, the New York State Division of Housing and Community Renewal

Michael Kendall Representing Robert L. Megna – Director, the New York State Division of Budget

Fay Fryer Christian – Director

Dr. Salvatore Ferrera – Director

Dr. Katherine Teets Grimm – Director

David Kraut – Director

Howard Polivy – Director

Michael Shinozaki – Director

Margaret Smith – Director

October 3, 2012

A special meeting of the Board of Directors was held at the Manhattan Park Community Center, 8 River Road, Roosevelt Island on October 3, 2012 at 5:30 p.m

Directors Present:

Darryl C. Towns – RIOC Chair and Commissioner, the New York State Division of Housing and Community Renewal

Michael Kendall Representing Robert L. Megna – Director, the New York State Division of Budget

Dr. Salvatore Ferrera – Director

Dr. Katherine Teets Grimm – Director

David Kraut – Director

Howard Polivy – Director

Margaret Smith – Director

Directors Absent:

Fay Fryer Christian – Director

Michael Shinozaki – Director

October 25, 2012

A special meeting of the Board of Directors was held at the Empire State Development Conference Room, 633 Third Avenue, 37th Floor, New York on October 25, 2012 at 5:30 p.m.

Directors Present:

Darryl C. Towns – RIOC Chair and Commissioner, the New York State Division of Housing and Community Renewal

Catherine Durand Representing Robert L. Megna – Director, the New York State Division of
Budget

Fay Fryer Christian – Director

Dr. Salvatore Ferrera – Director

Dr. Katherine Teets Grimm – Director

David Kraut – Director

Howard Polivy – Director

Michael Shinozaki – Director

Margaret Smith – Director

December 20, 2012

A meeting of the Board of Directors was held at the Manhattan Park Community Center, 8 River Road, Roosevelt Island on December 20, 2012 at 5:30 p.m

Directors Present:

Darryl C. Towns – RIOC Chair and Commissioner, the New York State Division of Housing and
Community Renewal

Michael Kendall Representing Robert L. Megna – Director, the New York State Division of
Budget

Fay Fryer Christian – Director

Dr. Katherine Teets Grimm – Director

David Kraut – Director

Howard Polivy – Director

Michael Shinozaki – Director

Margaret Smith – Director

Directors Absent:

Dr. Salvatore Ferrera – Director

January 17, 2013

A meeting of the Board of Directors was held at the Manhattan Park Community Center, 8 River Road, Roosevelt Island on January 17, 2013 at 5:30 p.m

Directors Present:

Gary Connor Representing Darryl C. Towns – RIOC Chair and Commissioner, the New York
State Division of Housing and Community Renewal

Michael Kendall Representing Robert L. Megna – Director, the New York State Division of
Budget

David Kraut – Director

Howard Polivy – Director

Michael Shinozaki – Director

Margaret Smith – Director

Directors Absent:

Fay Fryer Christian – Director

Dr. Salvatore Ferrera – Director

Dr. Katherine Teets Grimm – Director

ADOPTED JULY 1, 1985
AMENDED JANUARY 14, 1988
AMENDED MAY 11, 1989
AMENDED DECEMBER 1989
AMENDED JULY 12, 1990
AMENDED AS OF APRIL 14, 1994
AMENDED AS OF FEBRUARY 11, 1999
AMENDED JUNE 29, 2006
AMENDED MARCH 25, 2010

BY-LAWS
OF
ROOSEVELT ISLAND OPERATING CORPORATION

ARTICLE I

THE CORPORATION

Section 1. Description. The Roosevelt Island Operating Corporation (the "Corporation") is a body corporate and politic constituting a public benefit corporation and a political subdivision of the State of New York, created and having the powers and functions set forth in Chapter 899 of the Laws of 1984, as amended (the Roosevelt Island Operating Corporation Act) ("the Act").

Section 2. Offices. The principal office of the Corporation shall be located on Roosevelt Island, in the City, County, State of New York. The Corporation may also have offices at such other place or places within the State of New York as it may from time to time designate by resolution of its Board of Directors.

Section 3. Seal. The official seal of the Corporation shall be in the form of a circle and shall bear the name of the Corporation and the year of its creation. Such seal may also include such other insignia as may be approved by the Corporation.

ARTICLE II

DIRECTORS

Section 1. Number. The business and affairs of the Corporation shall be managed by a Board of nine (9) directors that shall exercise all of the powers of the Corporation. The elected public officials who represent Roosevelt Island shall be representatives to the Board of Directors of the Corporation entitled to receive notice of and attend all meetings of such Board, but shall not be entitled to vote.

Section 2. Chairperson. The Commissioner of Housing and Community Renewal (the "Commissioner") shall be the Chairperson of the Board of Directors.

Section 3. Terms of Office. The selection of members of the Board of Directors and their tenures shall be as set forth in Section 3.2 of the Act.

Section 4. Property Interest of Directors. No director of the Corporation shall have any right, title or interest in or to any property or assets of the Corporation, either prior to or at the time of any liquidation or dissolution of the Corporation.

Section 5. Non-Liability for Debts. The private property of any director shall be exempt from execution or other liability for any debts of the Corporation and no director shall be liable or responsible for any debts or liabilities of the Corporation. Pursuant to Section 8 of the Act, the State shall indemnify and hold harmless the officers and directors of the Corporation from all liability as a result of their performance or non-performance of their duties with respect to the development, management or operation of Roosevelt Island.

Section 6. Compensation. A member of the Board of Directors of the Corporation is entitled to reimbursement for his or her actual and necessary expenses incurred in the performance of his or her official duties as a member. No director may receive any other salary or compensation for his or her services.

Section 7. Removal. Any member of the Board of Directors may be removed by the Governor for cause, after opportunity to be heard upon not less than 10 days notice.

ARTICLE III

MEETINGS

Section 1. Meetings. Meetings of the directors may be called by the Chairperson or upon request of three (3) or more of the directors and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Chairperson or the directors calling the meeting shall fix the time for the holding of the meeting. All meetings shall be at the office of the

Corporation or at such other place as the Board or the Chairperson may designate.

Section 2. Notice. Written notice of the time, place and purpose of any meeting of the directors shall be delivered to each director by the Secretary, if personally or by telefacsimile at least seventy-two hours prior thereto or if by mail at least ten days prior thereto. Written notices of all directors' meetings shall be delivered to the elected public officials who represent Roosevelt Island, as representatives to the board of directors, not less than two days prior thereto if delivered personally or five days prior thereto if delivered by mail. Failure to give notice to public officials shall not affect the validity of any action taken at a meeting. Any notices mailed hereunder shall be deemed to have been given when deposited in the United States mail addressed to the director, or representative, at his or her address as it appears on the records of the Corporation, with postage thereon prepaid.

Section 3. Quorum and Voting. A majority of the members of the Board then in office shall constitute a quorum; provided that if less than a majority of the directors is present at any meeting, the directors present may adjourn the meeting; and provided further that the Secretary shall notify any absent directors of the time and place of such adjourned meeting. Any action taken by the Board shall be taken by a majority vote of the directors then in office.

Section 4. Order of Business. At the regular meetings of the Corporation the following shall be the order of business.

1. Call to Order.
2. Roll Call.
3. Approval of the minutes of the previous meeting. A copy of the minutes of the previous meeting shall be sent to each director not later than ten business days in advance of the meeting at which the same are to be considered, and, if no corrections or amendments are made therein, shall be deemed approved.
4. Old Business.
5. New Business.

6. Adjournment.

Section 5. Resolutions to be in Writing. All proposed resolutions shall be presented in writing to the directors present and, upon adoption, each resolution shall be copied in or attached to the minutes of the meeting.

Section 6. Manner of Voting. Voting on all questions at meetings shall be by roll call, and the yeas and nays shall be entered upon the minutes of such meeting, except that the election of officers may be by majority vote without the necessity of recording the individual votes upon the minutes.

Section 7. Approval of Resolutions without Meeting. Resolutions, which the Chairperson desires to be considered by the directors without holding a meeting thereon may be delivered in person or mailed to the business or home address of each director, and upon the written approval of such resolutions by a majority of the directors then in office, and less than three members dissenting, the same shall become effective as if introduced and passed at a meeting of the directors duly called and held.

Section 8. Proxies. Only the Commissioner of the Division of Housing and Community Renewal and the Director of the Budget may designate an officer or employee of such director's respective division to represent such director at meetings of the Board. Such designation shall be by written notice, filed with the Chairperson and Secretary of the Corporation, and may be revoked at any time by similar notice. Any representative designated hereunder shall be notified of all meetings of the Board and shall have the power to attend and vote at such meetings. However, the director making the designation may attend and vote at any meeting in place and stead of the designated representative.

Section 9. Waiver of Notice. Any director of the Board may waive in a signed writing any notice of a meeting required to be given by these By-Laws before or after such meeting, or at such meeting if such director shall be present at such meeting. The attendance of a director or representative to the Board at any meeting shall constitute a waiver of notice of such meeting by such director except in case a director shall attend a meeting and, prior thereto or at the commencement thereof, protest the lack of notice to him or

her. Notice of an adjourned meeting need not be given to any director present at the time of adjournment.

ARTICLE IV

OFFICERS

Section 1. Appointment. The officers of the Corporation shall be the Chairperson as provided in the Act, the President and Chief Executive Officer, the Vice President, the Chief Fiscal Officer, the Secretary, the Assistant Secretary, and the Treasurer, and such other officers or deputies of officers as may be determined by the Board from time to time to perform such duties as may be designated by the Board. None of the officers of the Corporation need be members of the Board unless otherwise required by applicable law. A person who is otherwise qualified may hold more than one office.

Section 2. Election and Term of Office. Except as otherwise provided in the Act, the officers shall be elected by resolution at a regular meeting of the Board. Each officer shall hold office, unless removed, until his or her successor shall have been elected. Except as otherwise provided in the Act, a vacancy in any office shall be filled by the Board.

Section 3. Removal of Offices by Directors. Any officer elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of the Corporation will be served thereby.

Section 4. Chairperson. The Chairperson shall preside at the meetings of the Directors. In addition, the Chairperson shall take a lead in the Board's oversight role, which includes setting the Board's agenda, managing the flow of information to the Board, coordinating the work of the Board's committees and serving as the primary liaison between the Board and senior management.

Section 5. President and Chief Executive Officer. The President and Chief Executive Officer:

- (a) shall be responsible for the discharge of the executive and administrative functions and powers of the Corporation, and shall supervise and control the business and affairs of the Corporation;
- (b) may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the Board to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the Board, or by these By-Laws, to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and
- (c) shall in general perform all duties incident to the office of President and Chief Executive Officer.

Section 6. Vice President. In the absence of the President and Chief Executive Officer or in the event of his or her inability or refusal to act, the Vice President:

- (a) shall perform the duties of the President and Chief Executive Officer;
- (b) the Vice President shall also perform such other duties as from time to time may be assigned to him or her by the Board.

Section 7. Secretary. The Secretary shall:

- (a) keep the minutes of the meetings of the Board in one or more books provided for that purpose;
- (b) see that all notices are duly given in accordance with these By-Laws or as required by Law;
- (c) be custodian of the records of the Corporation;
- (d) keep a register of the names and post office addresses of all members of the board of directors and all of the elected officials who are representatives to the Board;

- (e) have general charge of the books of the Corporation;
- (f) keep on file at all times a complete copy of the Act and By-Laws of the Corporation containing all amendments thereto; and
- (g) in general perform all duties incident to the office of Secretary, and such other duties as from time to time may be assigned to her or him by the Board.

Section 8. Treasurer. The Treasurer shall, subject to the guidance and direction of the President and Chief Executive Officer:

- (a) have charge and custody of and be responsible for all funds and securities of the Corporation;
- (b) be responsible for the receipt of and the issuance of receipts for all monies due and payable to the Corporation and for the deposit of all such monies in the name of Corporation in such bank or banks, trust companies or other depositories, as shall be selected in accordance with the provisions of these By-Laws;
- (c) act as controller of the Corporation and shall be in charge of the books and accounts, the accounting procedures and financial operations of the Corporation, and
- (d) in general perform all the duties incident to the office of Treasurer, and such other duties as from time to time be assigned to her or him by the Board or President.

Section 9. Compensation. The powers, duties and compensation, if any, of officers and employees shall be fixed by the Board, subject to the provisions of applicable laws and these By-Laws. No Chairperson who is also the President and Chief Executive Officer shall participate in determining the level of compensation or reimbursement, or time and attendance rules for the position of the President and Chief Executive Officer.

ARTICLE V
FINANCIAL TRANSACTIONS

Section 1. Approval of Activities. All of the activities of the Corporation shall be and remain subject to the supervision and control of the Board of Directors.

Section 2. Contracts. Except as otherwise provided in these By-Laws, the Board may authorize any officer or officers, agent or agents, in addition to the officers so authorized by these By-Laws, to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 3. Checks, Drafts, Etc.. All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents, employee or employees of the Corporation in such manner as shall from time to time be determined by resolution of the Board. In the absence of such determination by the Board, such instruments shall be signed by the Treasurer and countersigned by the President of the Corporation.

Section 4. Deposits. All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such bank or banks, trust companies or other depositories as the Board may select.

Section 5. Fiscal Year. The fiscal year of the Corporation shall mean a twelve month period commencing April 1st of each and every year and shall end on the following March 31st.

Section 6. Gifts. The Board of Directors may accept on behalf of the Corporation any contribution, gift, bequest or devise for the general purposes or any special purpose of the Corporation.

Section 7. Loans. The Board of Directors shall not, directly or indirectly, including through a subsidiary, extend or maintain credit, arrange for the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any officer, board member or employee of the Corporation.

ARTICLE VI

BOOKS, RECORDS, AUDITS AND REVIEWS

Section 1. Books and Records. The Corporation shall keep correct and complete books, records and accounts and shall also keep minutes of the proceedings of the Board of Directors, and shall keep at the registered or principal office a record giving the names and addresses of the directors. All books and records of the Corporation may be inspected by the New York State Department of Audit and Control.

Section 2. Audits. The Corporation shall annually cause an audit to be performed by an independent certified public accountant.

ARTICLE VII

INDEMNIFICATION

Section 1. Defense and Indemnification of Directors, Officers and Employees of the Corporation. The Corporation confers the benefits of Section 18 of the Public Officers Law upon its directors, officers and employees and shall be held liable for the costs incurred under such provisions.

ARTICLE VIII

MISCELLANEOUS

Section 1. Rules and Regulations. The Board shall have power to make and adopt such rules and regulations not inconsistent with law, the Act, or these By-Laws, as it may deem advisable for the management of the business and affairs of the Corporation.

Section 2. Standing and Advisory Committees. The Board of Directors shall, by resolution, establish a governance committee and an audit committee as standing committees, and by resolution, establish other standing and advisory committees. The purposes of these committees are to be specified in their adopting resolution. Standing and advisory committees shall serve at the pleasure of the Board of Directors. At least one member of the Board of Directors shall be appointed by the chairperson with the consent of the Board of Directors. Under no circumstances may the number of Directors serving on any standing or advisory committee be equal to the number of Directors needed for a quorum of a meeting of the Board of Directors then in office.

Section 3. Governance Committee. The governance committee shall be comprised of not less than three Directors who (1) are each independent, as such term is defined in Section 2825 of the Public Authorities Law; (2) shall constitute a majority on the committee; and (3) shall possess the necessary skills to understand the duties and functions of the governance committee; provided, however, that in the event that the Board has less than three independent members, the Board may appoint non-independent members to the governance committee, provided that independent members must constitute a majority of the members of the governance committee. It shall be the responsibility of the governance committee to keep the Board of Directors informed of current best governance practices; to review corporate governance trends; to recommend updates to the Corporation's corporate governance principles; to advise appointing authorities on the skills and experiences required of potential Board members; to examine ethical and conflict of interest issues; to perform Board self-evaluations; and to recommend by-laws which include rules and procedures for conduct of Board business.

Section 4. Audit Committee. The audit committee shall be comprised of not less than three Directors who (1) are each independent, as such term is defined in Section 2825 of the Public Authorities Law; (2) shall constitute a majority of such committee; and (3) shall possess the necessary skills to understand the duties and functions of the audit committee; provided, however, that in the event that the Board has less than three independent members, the Board may appoint non-independent members to the audit committee, provided that independent members must constitute a majority of the members of the audit

committee. The committee shall recommend to the Board of Directors the hiring of a certified independent accounting firm for the Corporation, establish the compensation to be paid to the accounting firm and provide direct oversight of the performance of the independent audit performed by the accounting firm hired for such purposes. Members of the audit committee shall be familiar with corporate financial and accounting practices.

ARTICLE IX

AMENDMENTS TO BY-LAWS

The By-Laws may be altered, amended, or repealed by a majority of the directors then in office at any meeting, provided notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal, or such requirement shall have been duly waived by all directors.

BYLAWS.10

The Roosevelt Island Operating Corporation (RIOC)
CAPITAL IMPROVEMENTS 2012/2013 (In Thousands)

5% inflation rate

	Approved Budget	Projected Actual	Approved Budget	Projected Budget	Budgets 2013 - 2027														
	2012	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total	
1 Sports Fields/Parks	\$615	\$205	\$420	\$615	\$331	\$347	\$365	\$383	\$402	\$422	\$443	\$465	\$489	\$513	\$539	\$566	\$594	\$6,300	
Octagon Park - Sprinkler/Landscaping/Benches	\$50	\$50																\$0	
Octagon Park - Comfort Station Rehab	\$60		\$60															\$60	
Octagon Park - Tennis Court Resurfacing	\$50		\$60															\$60	
Capobianco Park - Seat Wall Replacement	\$80	\$80																\$0	
Capobianco Park - Comfort Station	\$150			\$150														\$150	
Firefighters Field - Comfort Station	\$150			\$150														\$150	
Mediation Steps	\$75	\$75																\$0	
Miscellaneous Upgrades & Improvements - Reserve			\$300	\$315	\$331	\$347	\$365	\$383	\$402	\$422	\$443	\$465	\$489	\$513	\$539	\$566	\$594	\$5,880	
2 Historic & Landmark Structures	\$1,880	\$800	\$1,670	\$650	\$210	\$221	\$232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$377	\$6,040	
Blackwell House Interior renovation	\$800		\$800															\$800	
Good Shepherd - HVAC		\$300																\$0	
Good Shepherd - Roof Replacement	\$600	\$500	\$300															\$300	
Good Shepherd - Façade Repointing	\$100			\$100														\$100	
Good Shepherd - Interior Repairs/Doors	\$100		\$100															\$100	
Good Shepherd - Alarm System	\$80		\$80															\$80	
Blackwell Lighthouse Restoration	\$200		\$350	\$350														\$700	
Old Tram Cabins Restoration			\$40															\$40	
Miscellaneous Upgrades & Improvements - Reserve				\$200	\$210	\$221	\$232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$377	\$3,920	
3 Infrastructure Improvements	\$3,275	\$980	\$4,525	\$6,699	\$3,941	\$2,038	\$2,140	\$1,983	\$2,082	\$2,186	\$2,295	\$2,410	\$2,530	\$2,657	\$2,790	\$2,929	\$3,076	\$44,279	
Island-Wide Road Improvements - Reserve	\$800	\$200	\$800	\$300	\$315	\$331	\$347	\$100	\$105	\$110	\$116	\$122	\$128	\$134	\$141	\$148	\$155	\$3,351	
Island-Wide Z Brick Replacement - Reserve	\$100	\$100	\$100	\$105	\$110	\$116	\$122	\$128	\$134	\$141	\$148	\$155	\$163	\$171	\$180	\$189	\$198	\$2,158	
Good Shepherd Plaza - Pavement Replacement	\$600	\$500																\$0	
36 Avenue Bridge Helix (Ramp)	\$300		\$1,250	\$1,250														\$2,500	
Seawall - Reserve	\$500		\$1,000	\$1,050	\$1,103	\$1,158	\$1,216	\$1,276	\$1,340	\$1,407	\$1,477	\$1,551	\$1,629	\$1,710	\$1,796	\$1,886	\$1,980	\$21,579	
Seawall Railings Replacement	\$600		\$1,000	\$1,000	\$1,000													\$3,000	
West Drive Modernization									\$2,000									\$2,000	
Western Pier				\$100														\$100	
Eastern Pier				\$500	\$1,000													\$1,500	
Site Amenities - Benches, Waste Receptacles - Res.	\$75	\$50	\$75	\$79	\$83	\$87	\$91	\$96	\$101	\$106	\$111	\$116	\$122	\$128	\$135	\$141	\$148	\$1,618	
Utilities Infrastructure Improvements - Reserve	\$100	\$30	\$100	\$105	\$110	\$116	\$122	\$128	\$134	\$141	\$148	\$155	\$163	\$171	\$180	\$189	\$198	\$2,158	
Sewer Upgrades - Reserve	\$200	\$100	\$200	\$210	\$221	\$232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$377	\$396	\$4,316	
4 Facilities & Offices	\$3,610	\$2,020	\$3,460	\$6,010	\$641	\$673	\$706	\$741	\$779	\$817	\$858	\$901	\$946	\$994	\$1,043	\$1,095	\$1,150	\$20,815	
Motorgate Project Repairs Project		\$1,000																\$0	
Motorgate Garage - Reserve				\$200	\$210	\$221	\$232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$377	\$3,920	
Motorgate Atrium/Escalator/N.Elevators				\$500														\$500	
Motorgate Under deck Lighting	\$450	\$750	\$750															\$750	
Motorgate Enclosed Phase 3 Air Shaft	\$80		\$80															\$80	
Motorgate Coat Level 3 Deck	\$320		\$320															\$320	
Motorgate Coat Roof Deck	\$470																	\$0	
Motorgate Fire Alarm Rehabilitation	\$40		\$40															\$40	
504 Main Street - Interior Demolition	\$200		\$250															\$250	
504 Main Street - Window/Door Replacement	\$150		\$250															\$250	
504 Main Street - ADA Elevator	\$250		\$250															\$250	
PS Offices - Sound Barrier	\$70	\$70																\$0	
PS Offices - Basement Flooring Repair	\$30																	\$0	
AVAC Stack Repairs				\$400														\$400	
AVAC Interior Painting				\$300														\$300	
AVAC Mechanical/Piping - Reserve	\$100	\$100	\$200	\$210	\$221	\$232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$377	\$396	\$4,316	
Sportspark - HVAC	\$600		\$600															\$600	
Sportspark - Roof				\$600														\$600	
Sportspark - Pool	\$100		\$120															\$120	
Sportspark - New Flooring Squash/Ping Pong			\$40															\$40	
Sportspark - Upgrade Locker Rooms			\$60															\$60	
Sportspark - Façade Repointing	\$100			\$100														\$100	
Sportspark - Removal of Generator	\$50	\$50																\$0	
Sportspark Rehabilitation - Reserve		\$50		\$100	\$105	\$110	\$116	\$122	\$128	\$134	\$141	\$148	\$155	\$163	\$171	\$180	\$189	\$1,960	
Warehouse/Bus Garage Rehabilitation	\$600		\$500	\$3,500														\$4,000	

The Roosevelt Island Operating Corporation (RIOC)
CAPITAL IMPROVEMENTS 2012/2013 (In Thousands)

5% inflation rate

	Approved Budget	Projected Actual	Approved Budget	Projected Budget	Budgets 2013 - 2027	Total													
	2012	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027		
Miscellaneous Facilities & Offices - Reserve				\$100	\$105	\$110	\$116	\$122	\$128	\$134	\$141	\$148	\$155	\$163	\$171	\$180	\$189	\$1960	
5 Equipment & Vehicles	\$374	\$289	\$366	\$119	\$220	\$185	\$212	\$1,196	\$1,385	\$1,329	\$1,414	\$1,390	\$1,653	\$1,617	\$353	\$272	\$373	\$9,407	
Admin - (2) GEMs (50% paid by NYPA)	\$20	\$20					\$25				\$30				\$35			\$90	
Bus - Hybrid Buses								\$1,000	\$1,050	\$1,103	\$1,158	\$1,216	\$1,276	\$1,340				\$5,526	
Bus - F-350 Pickup	\$30	\$30							\$40							\$60		\$100	
Bus - Sissor Lift	\$10	\$10																\$0	
Engineering - Ford Escape			\$20					\$26					\$33					\$79	
P.S. - Ford Escapes	\$20	\$20	\$20	\$21	\$22	\$23	\$24	\$26	\$27	\$28	\$30	\$31	\$33	\$34	\$36	\$38	\$40	\$432	
P.S. - Segways	\$14	\$14	\$6	\$15	\$6	\$16	\$7	\$18	\$7	\$20	\$8	\$22	\$8	\$24	\$8	\$26	\$9	\$200	
P.S. - Gem	\$10	\$10			\$11		\$12		\$14		\$15		\$16		\$18		\$20	\$106	
P.S. - Upgrade Rooftop Radio Repeater																		\$0	
P.S. - (4) Substations (Tram/Lighthouse/Bridge/SP Park)	\$50	\$10	\$40															\$40	
Motorpool - (2) GEMs (50% paid by NYPA)	\$15	\$15				\$30				\$40				\$50				\$120	
Motorpool - Aerial Truck Lift			\$70						\$35						\$45			\$150	
Maintenance - Ford 350			\$50															\$50	
Grounds - Brush Chipper			\$60																
Parks & Recreation- Ford Escape			\$20					\$26					\$33					\$79	
Parks & Recreation- Gym Equipment			\$10															\$10	
IT - Servers					\$50				\$55				\$62			\$70		\$237	
IT - Plotter						\$25				\$28				\$34				\$87	
IT - Parking Meter Replacement	\$15																	\$0	
IT - Software Upgrades	\$30		\$30	\$32	\$33	\$35	\$36	\$38	\$40	\$42	\$44	\$47	\$49	\$51	\$54	\$57	\$59	\$647	
IT - (2) Copiers/AV/Printers	\$20	\$20	\$20		\$22		\$24		\$26		\$29		\$32		\$35		\$39	\$227	
IT - (20 PC Replacements)	\$20	\$20	\$20	\$21	\$22	\$23	\$24	\$26	\$27	\$28	\$30	\$31	\$33	\$34	\$36	\$38	\$40	\$432	
IT - Upgrade of Switches	\$20	\$20			\$22		\$24		\$26		\$29		\$32		\$35		\$40	\$208	
Excavator	\$40	\$40																\$0	
(2) Bobcats	\$60	\$60																\$0	
Misc. Heavy equipment				\$30	\$32	\$33	\$35	\$36	\$38	\$40	\$42	\$44	\$47	\$49	\$51	\$54	\$57	\$588	
6 Special Projects	\$800	\$475	\$1,070	\$150	\$53	\$55	\$58	\$61	\$64	\$67	\$70	\$74	\$78	\$81	\$86	\$90	\$94	\$2,150	
Admin - Islandwide Geographic Information System	\$250		\$250															\$250	
Admin - Records Management Project	\$75	\$75																\$0	
P.S. - Island Wireless Security Camera System	\$350	\$350	\$600	\$100														\$700	
IT - Off-Site Data Backup Recovery System	\$75	\$50																\$0	
Parking Management System			\$120															\$120	
Parking Meters Replacement			\$100															\$100	
Other - Special Projects	\$50			\$50	\$53	\$55	\$58	\$61	\$64	\$67	\$70	\$74	\$78	\$81	\$86	\$90	\$94	\$980	
7 Lighting & Signage	\$40	\$0	\$40	\$42	\$44	\$46	\$49	\$51	\$54	\$56	\$59	\$62	\$65	\$68	\$72	\$75	\$79	\$863	
Street Light Replacement	\$20		\$20	\$21	\$22	\$23	\$24	\$26	\$27	\$28	\$30	\$31	\$33	\$34	\$36	\$38	\$40	\$432	
Signage	\$20		\$20	\$21	\$22	\$23	\$24	\$26	\$27	\$28	\$30	\$31	\$33	\$34	\$36	\$38	\$40	\$432	
8 Tram	\$2,000	\$4,500	\$1,500	\$0	\$100	\$80	\$0	\$700	\$0	\$100	\$0	\$0	\$880	\$275	\$0	\$0	\$0	\$3,635	
Tram - Security/Monitoring/Replacement Equipment					\$100									\$150				\$250	
Tram - Haul Rope Replacement								\$600					\$750					\$1,350	
Tram - Sheve Liners Replacement						\$80				\$100				\$125				\$305	
Tram - Other Equip. & Tools																		\$0	
Tram - Electrical PLC Replacement								\$100					\$130					\$230	
Tram Modernization - Note A	\$2,000	\$4,500	\$1,500															\$1,500	
9 Southpoint Park	\$1,000	\$4,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
TPL - Wild Rooms/Wild Gardens	\$1,000	\$4,000																\$0	
10 Professional Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Engineering Services				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
11 Miscellaneous	\$500	\$0	\$500	\$525	\$551	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$814	\$855	\$898	\$943	\$990	\$10,789	
Capitalized Legal Expenditures																		\$0	
Contingency	\$500		\$500	\$525	\$551	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$814	\$855	\$898	\$943	\$990	\$10,789	
TOTAL CAPITAL IMPROVEMENTS	\$14,094	\$13,269	\$13,551	\$14,809	\$6,090	\$4,224	\$4,369	\$5,996	\$5,690	\$5,949	\$6,160	\$6,374	\$7,766	\$7,386	\$6,122	\$6,329	\$6,733	\$107,548	

The Roosevelt Island Operating Corporation (RIOC)
(A Component Unit of the State of New York)

Budget Variance Report

For The Year Ended March 31, 2013

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>	
			<u>Variance</u>	<u>Percent</u>
Revenue				
Residential Fees Revenue	\$ 1,111,441	\$ 1,239,509	\$ (128,068)	-10%
Ground rent	9,356,679	9,453,000	(96,321)	-1%
Commercial Rent	1,421,038	1,437,000	(15,962)	-1%
Tramway Revenue	4,640,843	4,147,000	493,843	12%
Public Safety Reimbursement	1,673,097	1,662,000	11,097	1%
Transport/ Parking Revenue	2,521,892	2,691,000	(169,108)	-6%
Interest Income	185,403	291,000	(105,597)	-36%
Other Revenue	959,317	703,000	256,317	36%
Total Revenue	21,869,710	21,623,509	246,201	1%
Operating expenses:				
Personal Services :				
Salaries	6,290,604	6,432,486	141,882	2%
Salaries-overtime	232,211	175,000	(57,211)	-33%
Temporary Employees	172,553	175,000	2,448	1%
Workers Compensation & Disability	128,234	162,133	33,899	21%
ER Payroll Taxes	582,080	584,603	2,523	0%
Health Insurance	1,111,071	1,275,238	164,167	13%
Dental/Vision	68,124	74,777	6,653	9%
Pension	772,110	757,755	(14,355)	-2%
Othet Employee Benefits	508,788	476,722	(32,066)	-7%
Compensated Absences Expenses	142,620	0	(142,620)	0%
Total Personal Services (PS)	10,008,395	10,113,714	105,319	1%
Other Than Personal Services (OTPS) :				
Insurance	1,137,448	1,150,000	12,552	1%
Professional Services	406,600	320,900	(85,700)	-27%
Marketing / Advertisting	17,063	17,400	337	2%
Management Fees	4,074,439	4,077,200	2,761	0%
Legal Services	247,161	200,000	(47,161)	-24%
Telecommunications	115,623	107,100	(8,523)	-8%
Island Improvements/Capital Plan	7,000	0	(7,000)	
Repairs & Maintenance	169,451	402,200	232,749	58%
Repairs & Maintenance Equipment	14,019	25,200	11,181	44%
Other Repairs & Maintenance	98,219	105,000	6,781	6%
Vehicles Gas	208,240	168,300	(39,940)	-24%
Vehicles Repair & Maintenance	76,407	83,600	7,193	9%
Vehicles Parts	66,017	37,200	(28,817)	-77%
Equipment Lease	28,981	16,400	(12,581)	-77%
Office Equipment Purchase	12,067	19,800	7,733	39%
Equipment Purchases	23,324	53,600	30,276	56%
Other Equipment Purchases	9,111	18,000	8,889	49%
Exterminator	9,800	17,100	7,300	43%
Uniforms	46,241	66,950	20,709	31%
Light, Power, Heat	650,696	588,000	(62,696)	-11%
Water & Sewer	45,797	8,600	(37,197)	-433%
Office Supplies	14,819	17,100	2,281	13%
Parts & Supplies	232,665	210,700	(21,965)	-10%
Service Maintenance Agreement	51,632	70,500	18,868	27%
Employee Travel & Meal	8,229	17,500	9,271	53%
Employee Training	27,783	56,400	28,617	51%
Shipping	8,763	13,400	4,637	35%
Subscriptions / Membership	18,043	15,700	(2,343)	-15%
Other Expenses	324,159	338,200	14,041	4%
Island Evenst - Community Relations	82,123	85,000	2,877	3%
Total Other Than Personal Services	8,231,918	8,307,050	75,132	1%
Total Expenses excluding depreciation	18,240,313	18,420,764	180,451	1%
Operating income (loss) excluding depreciation	3,629,396	3,202,745	426,651	13%
Depreciation Expenses	3,424,513	3,577,000	152,487	4%
Operating income (loss)	\$ 204,884	\$ (374,255)	\$ 579,139	155%

Procurement Transactions Bulk Load Worksheet

Version 1.8

Procurement Transaction

In accordance with Sections 2879 and 2824(e) of the Public Authorities Law, please provide the following information on each procurement contract that was active (open) at any time during the reporting period:

Columns whose names contain "*" are required and must have values for each record to be loaded. Do not enter blank lines, as a blank line (a line with no information) will be regarded as the end of the file.

This worksheet must be saved as type "csv" in order to be uploaded to PARIS. Select "Save As" from the "File" menu above and select "CSV (comma delimited)" as the file type.

Note: Most cells have some level of validation, however, validation in Excel only functions when you actually type data in the cell. It is recommended that you selectively check validation in rows that you have copied data into.

* Vendor Name	Transaction Number	* Procurement Description	* Status	* Type of Procurement	* Award Process	Award Date	Begin Date	Renewal Date	Does the contract have an end Date?	End Date	Amount	* Amount Expended For Fiscal Year	Amount Expended For Life To Date	Current or Outstanding Balance	Number of Bids or Proposals Received Prior to Award of Contract	Is the Vendor a NYS or Foreign Business Enterprise?	Is the Vendor a Minority or Woman-Owned Business Enterprise?	Were MWBE firms solicited as part of this procurement process?	Number of bids or proposals received from MWBE firms.	Exempt from the publication requirements of Article 4c of the economic development law?	If yes, basis for exemption	Fair Market Value	Explain why the fair market value is less than the contract amount
ABM SYSTEMS INC	26470	HVAC REPLACEMENT PROJECT GSC- MECHANICAL CONTROLS	Completed	Design and Construction/Maintenance	Authority Contract - Non-Competitive	06/27/11	06/27/11		Y	07/30/11	17000.00	7000.00	17000.00	0.00	1	NYS	N					17000.00	
AECOM TECHNICAL SERVICES INC	23557	ENVIRONMENTAL CONSULTANT SERVICES	Completed	Consulting Services	Authority Contract - Non-Competitive	04/13/09	05/01/09		Y	05/15/11	157426.00	0.00	146714.45	10711.55	1	Foreign	N					157426.00	
ANAT GERSTEIN INC	26128	COMMUNITY RELATIONS SERVICES	Completed	Consulting Services	Authority Contract - Non-Competitive	03/21/11	03/21/11		Y	07/19/11	49362.79	5218.75	49362.79	0.00	1	NYS	N					49363.00	
BACKFLOW PREVENTION OF NEW YI	28287	PLUMBING SERVICE FOR 591 KITCHEN	Completed	Design and Construction/Maintenance	Authority Contract - Non-Competitive	01/31/13	01/31/13		Y	02/05/13	6053.67	6053.67	6053.67	0.00	1	NYS	N					6054.00	
BLACKBAUD, INC.	27033	FINANCIAL EDGE-APPLICATION HOSTING	Open	Technology - Hardware	Authority Contract - Non-Competitive	01/04/12	01/04/12		Y	12/31/14	14500.00	0.00	14500.00	0.00	1	Foreign	N					14500.00	
BLACKBAUD, INC.	27478	ACCOUNTING SERVICES SOFTWARE SUPPORT	Completed	Financial Services	Authority Contract - Non-Competitive	05/03/12	05/03/12		Y	02/06/13	10387.61	10387.61	10387.61	0.00	1	Foreign	N					10388.00	
BLACKBAUD, INC.	28346	FINANCIAL EDGE-APPLICATION HOSTING	Completed	Technology - Hardware	Authority Contract - Non-Competitive	02/13/13	02/13/13		Y	12/31/14	10907.00	10907.00	10907.00	0.00	1	Foreign	N					10907.00	
BRIGHT POWER INC.	28221	UTILITY BENCHMARKING SERVICES	Open	Other Professional Services	Authority Contract - Non-Competitive	01/08/13	01/08/13		Y	04/01/14	20000.00	13500.00	13500.00	6500.00	1	NYS	N					20000.00	
CUMMINS POWER SYSTEMS, INC.	28030	BUS WARRANTY SERVICES	Open	Other	Authority Contract - Non-Competitive	10/22/12	10/22/12		Y	04/01/14	15000.00	5575.69	5575.69	9424.31	1	NYS	N					15000.00	
DAIMLER BUSES NORTH AMERICA II	27858	PARTS FOR ORION BUS	Completed	Commodities/Supplies	Authority Contract - Non-Competitive	09/10/12	09/10/12		Y	10/05/12	5500.00	5500.00	5500.00	0.00	1	Foreign	N					5500.00	
DERIVE TECHNOLOGIES LLC	28341	CAMERAS FOR PS DEPARTMETN	Completed	Design and Construction/Maintenance	Authority Contract - Non-Competitive	02/13/13	02/13/13		Y	04/01/14	7642.00	0.00	0.00	7642.00	1	NYS	Y	Y				7642.00	
ENVAC SCANDINAVIA AB	26716	DISCHARGED VALVE SEALS FOR COMPACTORS	Completed	Commodities/Supplies	Authority Contract - Non-Competitive	09/22/11	09/22/11		Y	03/31/13	6360.00	0.00	6360.00	0.00	1	Foreign	N					6360.00	
ENVAC SCANDINAVIA AB	26884	DISCHARGED VALVE SEALS FOR COMPACTORS	Completed	Commodities/Supplies	Authority Contract - Non-Competitive	11/10/11	11/10/11		Y	03/31/13	8528.00	8528.00	8528.00	0.00	1	Foreign	N					8528.00	
ENVAC SCANDINAVIA AB	28390	AVAC GARBAGE PIPE REPAIRS ON CALL EMERGENCY SERVICE	Open	Design and Construction/Maintenance	Authority Contract - Non-Competitive	02/26/13	02/26/13		Y	04/01/14	100000.00	0.00	0.00	100000.00	1	Foreign	N					100000.00	
ENVAC SCANDINAVIA AB	28431	PARTS FOR AVAC COMPACTORS	Completed	Commodities/Supplies	Authority Contract - Non-Competitive	03/12/13	03/12/13		Y	04/01/14	15543.50	0.00	0.00	15543.50	1	Foreign	N					15544.00	
ENVAC SCANDINAVIA AB	25924/25927	AVAC TRANSPORTATION PIPING REPAIR	Completed	Other Professional Services	Authority Contract - Non-Competitive	01/12/11	01/12/11		Y	04/01/14	120000.00	0.00	66973.46	53026.54	1	Foreign	N					120000.00	
FRANKLIN D. ROOSEVELT FOUR FRE	28439	CLOSE OUT OF SOUTH POINT PARK	Completed	Design and Construction/Maintenance	Authority Contract - Non-Competitive	03/14/13	03/14/13		Y	03/14/13	70864.00	70864.00	70864.00	0.00	1	NYS	N					70864.00	
HENRICH EQUIPMENT CO	27521	RELOCATE EMERGENCY FUEL STOP SWITCH	Completed	Other Professional Services	Authority Contract - Non-Competitive	05/15/12	05/15/12		Y	07/19/12	13784.00	13784.00	13784.00	0.00	1	NYS	N					13784.00	
HENRICH EQUIPMENT CO INC.	27463	MONITORING PETROLEUM BULK STORAGE	Open	Other Professional Services	Authority Contract - Non-Competitive	04/26/12	04/26/12		Y	04/01/17	11700.00	1950.00	1950.00	9750.00	1	NYS	N					11700.00	
JEROMEHAINS REALTY INC	27465	APPRAISAL SERVICE ISLAND HOUSE GROUND RENT	Completed	Consulting Services	Authority Contract - Non-Competitive	04/27/12	04/27/12		Y	04/27/12	5950.00	5950.00	5950.00	0.00	1	NYS	N					5950.00	
JEROMEHAINS REALTY INC	28224	APPRAISAL SERVICE ISLAND HOUSE GROUND RENT	Completed	Consulting Services	Authority Contract - Non-Competitive	01/08/13	01/08/13		Y	01/24/13	6000.00	6000.00	6000.00	0.00	1	NYS	N					6000.00	
JONES LANG LASALLE AMERICAS IN	25474	REAL ESTATE CONSULTING SERVICES	Completed	Consulting Services	Authority Contract - Non-Competitive	11/18/04	11/18/04		Y	03/31/13	400000.00	0.00	337321.36	62678.64	1	NYS	N					400000.00	
LOVELL SAFETY MANAGEMENT CO L	26894	SERVICE TO REDUCE WORKERS COMPENSATION INSURANCE FR	Completed	Consulting Services	Authority Contract - Non-Competitive	11/07/11	11/07/11		Y	11/30/12	31801.70	18483.62	31801.70	0.00	1	NYS	N					31800.00	
MELI CONTRACTING CO., INC.	27526	EMERGENCY REPAIR TO POT HOLES ON HELIX RAMP	Completed	Design and Construction/Maintenance	Authority Contract - Non-Competitive	05/21/12	05/21/12		Y	05/22/12	15354.10	15354.00	15354.00	0.10	1	NYS	N					15354.00	
MICHAELA MCLEAN-JOHNSON	27274	CONSULTING SERVICES ENGINEERING DEPT	Completed	Other Professional Services	Authority Contract - Non-Competitive	03/05/12	03/05/12		Y	03/05/13	45520.00	35540.00	45520.00	0.00	1	NYS	N					45500.00	
NATIONAL URBAN FELLOWS, INC.	26558	PARTICIPATION IN THE 2012 MENTORSHIP PROGRAM	Completed	Other Professional Services	Authority Contract - Non-Competitive	07/19/11	07/19/11		Y	05/25/12	65000.00	0.00	65000.00	0.00	1	NYS	N					65000.00	
NELSON & POPE, ENGINEERS & SURVEYORS	27671	GAS LOAD LETTER FOR SPROTSPARK/AVAC/BUS GARAGE	Completed	Design and Construction/Maintenance	Bid	06/27/12	06/27/12		Y	07/19/12	7700.00	7700.00	7700.00	0.00	1	NYS	N	Y				7700.00	
NELSON & POPE, ENGINEERS & SURVEYORS	28050	COPING STUDY/CONVERSION OF STEAM TO NATURAL GAS	Completed	Design and Construction/Maintenance	Authority Contract - Non-Competitive	11/06/12	11/06/12		Y	04/01/14	5000.00	0.00	0.00	5000.00	1	NYS	N	Y				5000.00	
NORTH TOWN ROOSEVELT, LLC	28397	LEASE AGREEMENT FOR ENGINEERING OFFICE	Completed	Other	Authority Contract - Non-Competitive	02/28/13	02/28/13		Y	01/31/14	6000.00	1000.00	1000.00	5000.00	1	NYS	N					6000.00	
NYS NURSERY & LANDSCAPE ASSOC	28432	TREES REPLACEMENT NYPA PROGRAM	Completed	Commodities/Supplies	Authority Contract - Non-Competitive	03/12/13	03/12/13		Y	03/14/13	5865.00	5865.00	5865.00	0.00	1	NYS	N					5865.00	
OCEAN & COSTAL CONSULTINATS	26280	FERRY LANDING CONCEPT REPORT	Completed	Consulting Services	Authority Contract - Non-Competitive	07/10/11	07/10/11		Y	03/31/13	30000.00	0.00	23931.51	6068.49	1	Foreign	N					30000.00	
OCEAN & COSTAL CONSULTINATS	27084	FERRY LANDING LOCATION STUDY	Completed	Consulting Services	Authority Contract - Non-Competitive	01/13/12	01/13/12		Y	03/31/13	19750.00	0.00	0.00	19750.00	1	Foreign	N					19750.00	
PM ARCHITECTS LLP	28222	ARCHITECTURAL SERVICES-EVALUATION OF PROPOSED MOSQUE	Completed	Other Professional Services	Authority Contract - Non-Competitive	01/08/13	01/08/13		Y	01/09/13	7575.30	7575.30	7575.30	0.00	1	NYS	Y					7575.00	
QUINTAL CONSTRUCTION LLC	28051	REPAIR TO AVAC EASTERN PIPE	Completed	Consulting Services	Authority Contract - Non-Competitive	11/07/12	11/07/12		Y	11/20/12	197024.39	197024.39	197024.39	0.00	1	NYS	N					197024.00	
SAVATREE	27618	TREE INVENTORY AND IDENTIFICATION	Completed	Other Professional Services	Authority Contract - Non-Competitive	06/18/12	06/18/12		Y	01/25/13	16625.00	16625.00	16625.00	0.00	1	NYS	N					16625.00	
SCIENTIFIC ELECTRIC COMPANY INC	26493	HVAC REPLACEMENT PROJECT GSC- ELECTRICAL	Completed	Other Professional Services	Authority Contract - Non-Competitive	06/30/11	06/30/11		Y	10/28/12	10000.00	2000.00	10000.00	0.00	1	NYS	N					10000.00	
SCIENTIFIC ELECTRIC COMPANY INC	28288	EMERGENCY REPAIRS STREET LIGHTS-STARY VOLTAGE	Completed	Design and Construction/Maintenance	Authority Contract - Non-Competitive	01/31/13	01/31/13		Y	02/05/13	15999.61	15999.61	15999.61	0.00	1	NYS	N					16000.00	
SHAWN CONSTRUCTION INC.	27441	ROOM REPLACE DETERIORATED STAIR & RISERS IN TRAM MECHANICAL	Completed	Design and Construction/Maintenance	Bid	04/25/12	04/25/12		Y	05/22/12	23800.00	23800.00	23800.00	0.00	1	NYS	Y	Y				23800.00	
SHAWN CONSTRUCTION INC.	27694	BUS GARAGE MOTORPOOL GATE EMERGENCY REPAIR	Completed	Design and Construction/Maintenance	Authority Contract - Non-Competitive	07/11/12	07/11/12		Y	07/27/12	14110.94	14110.94	14110.94	0.00	1	NYS	Y	Y				14110.00	
SHEA CARR JEWELL(PARAMETRIX)	09-20069	ENGINEERING TRAMWAY	Completed	Consulting Services	Authority Contract - Non-Competitive	03/29/10	03/29/10		Y	03/31/13	2297017.00	84610.37	2221639.08	75377.92	1	Foreign	N					2297017.00	
SPRING AIR HVAC INC	26491	HVAC REPLACEMENT PROJECT GSC-MECHANICAL	Completed	Design and Construction/Maintenance	Authority Contract - Non-Competitive	06/30/11	06/30/11		Y	03/31/13	19500.00	16500.00	16500.00	3000.00	1	NYS	N					19500.00	
TIERNEY & COURTNEY OVERHEAD D	28308	REPLACE BROKEN SPRING ASSEMBLY ON BUS GARAGE DOOR	Completed	Design and Construction/Maintenance	Authority Contract - Non-Competitive	02/07/13	02/07/13		Y	02/14/13	6975.00	6975.00	6975.00	0.00	1	NYS	N					6975.00	
WEST GROUP PAYMENT CENTER	26404	LEGAL MEMBERSHIP	Completed	Legal Services	Authority Contract - Non-Competitive	06/13/11	06/13/11		Y	06/13/12	8547.19	1432.34	8547.19	0.00	1	Foreign	N					8548.00	
WEST GROUP PAYMENT CENTER	27617	LEGAL MEMBERSHIP	Completed	Legal Services	Authority Contract - Non-Competitive	06/01/12	06/01/12		Y	05/31/13	9240.00	7612.87	7612.87	1627.13	1	Foreign	N					9240.00	