

**ROOSEVELT ISLAND  
OPERATING CORPORATION**  
of The State of New York



**ANNUAL REPORT**  
**FISCAL YEAR 2015**

**ROOSEVELT ISLAND  
OPERATING CORPORATION**  
of The State of New York



**Andrew M. Cuomo**  
Governor

**Charlene M. Indelicato**  
President/Chief Executive Officer

**Donald D. Lewis**  
Vice President/General Counsel

**Frances A. Walton**  
Vice President/Chief Financial Officer

**BOARD OF DIRECTORS**

Daryl C. Towns, Chairperson  
Fay Fryer Christian  
Dr. Katherine Teets Grimm  
David Kraut  
Mary Beth Labate  
Howard Polivy  
Michael Shinozaki  
Margaret Smith

**ANNUAL REPORT - FISCAL YEAR ENDED MARCH 31, 2015**  
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## THE ROOSEVELT ISLAND OPERATING CORPORATION Public Authority Annual Report

Fiscal Year Ended March 31, 2015

### **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, a 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 RIOC 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.

RIOC accomplishes its mission by practicing the following core values, which were adopted December 14, 2011:

- **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.

### **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**

The Board of Directors approved the Corporation's Budget FY 2014/2015 & Five Year Cash Projection On December 20, 2013, reflecting a projected "Net Income before Depreciation" of \$2,649,666 and "Net Loss after Depreciation" of (\$1,027,334) and "Capital Expenditures for the Five Years Ending March 31, 2018" of \$65,608,000. For the fiscal year ended March 31, 2015, RIOC generated actual "Operating Income before Depreciation" of \$19,433,327 and "Change in Net Position" of \$15,914,695.

Six (6) of the anticipated nine (9) buildings (collectively, the "Buildings") of the Southtown Development Project have been completed. Of the remaining Buildings, the Building 7 Lease was closed on October 10, 2013 and construction is near completion. According to the lease documents, 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 \$2,438,400. RIOCI believes that the development will occur based largely on the increased interest in the Island as a result of the multi-billion dollar Cornell Technion project on the Island.

Based upon the provisions of the ground lease between RIOCI and Riverwalk 7, LLC (“Ground Lease”), RIOCI will receive monthly rent payments upon the Rent Commencement Date, which is the earlier of: (1) the date upon which one or more Temporary Certificates of Occupancy is issued for at least 90% of the completed units; or (2) October 10, 2015. Commencing on the Rent Commencement Date, RIOCI will also receive annual ground rent of \$725,760, subject to a yearly increase of three (3%) for the first thirty (30) years). On the Rent Commencement Date, RIOCI will receive a lump-sum prepayment in an amount equal to \$10,080,000 as provided for in the Ground Lease. Further, RIOCI will receive a Fixed Public Safety Payment at the rate of \$20.00 per unit per month, increasing 4% annually.

It is RIOCI’s understanding that as of March 27, 2014, Rivercross Tenants Corp. (“Housing Company”) has exited the Mitchell-Lama program. Section Six of Amendment #1 to Restated Ground Lease (“Amendment”), which extended the term until 2068, provides that if the parties are unable to reach an agreement on the Financial Terms by no later than sixty days prior to the effective date the Housing Company is leaving the Mitchell-Lama program, the dispute shall be settled by arbitration in the City of New York subject to certain procedures set forth in the Amendment. The arbitration process was begun, but subsequently a standstill agreement was entered into by the parties until September 14, 2015 in connection with the resulting arbitration.

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 resulting in increased efficiencies and capabilities. The infrastructure improvement is being funded by a \$15 million grant from the State of New York and \$10 million from RIOCI. Ridership on the Tram is increasing due to increased activities on the Island including the development of Southtown and Cornell Technion, and higher visitorship to the Four Freedoms State Park. During the fiscal year ended March 31, 2015, Tramway revenue exceeded the budget by \$258,790 or 5%.

The revitalization of Main Street and improvement of the retail businesses are in progress. On August 1, 2011 (“Commencement Date”), RIOCI entered into a Master Sublease Agreement (“Agreement”) with Hudson Related Retail LLC (“HRR”) to redevelop, improve, market, lease and professionally operate the Retail Spaces controlled by RIOCI. RIOCI 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. HRR is required to invest no less than \$2,365,000 in the aggregate in capital improvements during the first five years of the Agreement. According to its certified financial statements as of December 31, 2014, Hudson Related Retail LLC invested \$2,460,019 and incurred a loss of (\$447,033). According to the Agreement, RIOCI will share future profits evenly once HRR is paid back its investment. HRR is yet to recoup any of its investment and has not made any profit sharing payment. RIOCI anticipates that profit sharing will not begin for several more years.

Roosevelt Island was selected by the City of New York (“City”) for the 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 located on the City’s Goldwater Hospital site (“Goldwater Site”). To facilitate this project, on December 12, 2013, RIOC’s Board resolved to: (1) amend its’ Master Lease with the City to exclude the 2.62 acre surrounding the site (“Parcel”) so that it may be incorporated into the City’s 9.8 acre Goldwater Site for the Cornell Campus; (2) approve and adopt the State Environmental Quality Review Act Findings Statement (“SEQRA”); (3) execute the Letter of Resolution regarding State Historic Preservation Act (“SHPA”); (4) enter into agreements with the State of New York (“State”), Cornell, and New York City Economic Development Corporation (“NYCEDC”), including a Development Agreement with Cornell; and (5) authorize all related actions.

For the surrender of the Parcel back to the City, RIOC will receive a financial contribution from the State of \$1,000,000 annually for 55 years payable to RIOC (escalating 2.5% every 10 years) in accordance with State budgetary procedure, with the present value of the payment fully made by December 31, 2018, to support capital infrastructure improvement on Roosevelt Island. In addition, Cornell will pay RIOC \$400,000 annually for 55 years (escalating 2% every 10 years). RIOC received the full amount of \$400,000 for FY 2014 and 2015.

RIOC has responsibility for the surrounding seawall and promenade but Cornell, at its sole cost will be responsible for the following: mitigation under SEQRA and SHPA; infrastructure improvements on, around, and under Loop Road (includes new roadway, sewers, relocation of electrical duct banks, and gas service); access to the RIOC premises under permits and License Agreements providing work plans, bonding and insurance, and incorporating construction protocols including but not limited to truck access, all approved by RIOC; air and noise pollution mitigation; payment for RIOC’s Engineer and Consultant to review Work Plans for work to occur on the RIOC premises and to monitor performance of work by Cornell or its agents pursuant to Work Plans; repair of damage on the Island caused by Cornell or its agents; general indemnification for work performed by Cornell or its agents; environmental indemnification for environmental liabilities caused by Cornell or its agents; and increased security by Cornell at southern end of the Island. Cornell has commenced construction on the project site, and will continue limited barging.

The expected increase in vehicular traffic due to construction of Cornell, development in Southtown, and increased tourist traffic in Four Freedoms State Park has precipitated the need to conduct a structural evaluation of the Roosevelt Island Helix Bridge Ramp, which was rehabilitated in 1987 and would not have been addressed for some years in RIOC’s Capital Improvements plan (“Capital Plan”). A qualified engineering firm was procured in May 2013; the pursuant contract includes corrective engineering and design services, preparation of contract documents, and assistance with construction. The design documents are complete; RIOC subsequently released an RFP for construction and received proposals on August 20, 2014. The awarded contractor could not obtain the required indemnity bonds. Since there is no imminent danger, RIOC has postponed the release of a second RFP in light of all the ongoing construction on the Island, including the installation of risers and trenching for a high-pressure gas line that will benefit both Island residents and Cornell.

The New York City Health and Hospitals Corporation (“HHC”) initially announced its intention to close and abandon in place a large steam plant located on the Island as of March 31, 2014.

The plant provided heat to the Goldwater Site, Coler Hospital and several RIOC-owned facilities including Sportspark, AVAC, and the Bus Garage/Warehouse. Ownership and issues of responsibility concerning the steam plant and Steam Tunnel remain unresolved. The anticipated closure of the steam plant created several issues for RIOC. First, because HHC had announced a closing date of March 31, 2014, RIOC was compelled to implement a costly temporary heating system at its Sportspark facility in advance of that date to prevent the interruption of heat if the steam plant were closed. The steam plant was closed in the fall of 2014 and the temporary heating system has since been in operation. RIOC will have to replace this temporary system with a permanent system at an estimated cost of \$1.5 million. RIOC has obtained the services of a qualified engineering firm which has provided a complete design subject to the review of NYC Department of Buildings (“DOB”). After approval has been obtained from DOB, a contractor will be selected via a competitive bidding process.

Additional engineering services were also retained for necessary repairs and recommended upgrades at the Sportspark facility. The consultants prepared a report of the facility’s lighting, plumbing, and roofing systems. The analysis is complete, and it is anticipated that some of the recommended resulting upgrades will increase the efficiency of the aforementioned permanent heating system. In addition, the report indicated certain necessary emergency relief, including expedited repair of the roof of the facility which is expected to cost around \$3 million and needs to be completed before the other repair work can be done. RIOC has engaged an engineering firm to complete the design work for the Sportspark roof and expects to review a completed design by May 2015. A Request for Proposals (“RFP”) for construction will be issued once the design has been approved.

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. There is no public access to the shorelines until structural integrity is restored. Moreover, loss of park area continues 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 approved by FEMA and completed: (1) repairs to fencing damaged by falling trees; (2) repairs to damaged stone benches and walkways; (3) replacement of safety mulch washed away from playgrounds; (4) repairs to damaged streetlights adorning the open space at Lighthouse Park and the underlying electric wiring; and (5) repairs to several hundred linear feet of the West Side Sidewalk. For the aforementioned projects and other eligible expenses, RIOC has incurred \$374,992. FEMA will reimburse RIOC 75% of the eligible costs based upon approved claims.

Similarly, the Island experienced damages caused by Hurricane Sandy during October 2012. Before and during the storm, RIOC staff took measures to mitigate potential damage and to protect lives and property. Similarly, staff labor was used immediately following the storm to clear the roads and open spaces of debris and downed trees, as well as prohibiting public access to potentially hazardous areas. Projects that RIOC has completed and/or expects to complete in the near future include: (1) repairs to damaged electric wiring in Lighthouse Park; (2) repairs to the footbridges in Lighthouse Park; (3) repairs to the Westside Pier; and (4) repairs to undermined Z-Bricks on the promenades. Both completed and in-progress work has been identified to FEMA/OEM and the projects have been deemed eligible under Federal guidelines. RIOC has received \$112,400 in connection with these projects and other eligible expenses based upon a 90% effective cost-share rate. For the eligible projects for which work continues, \$150,560 has been incurred to date, which will also be reimbursed at the 90% cost-share rate. All projects resulting from Hurricane Sandy have been filed and must be completed prior to November 3, 2016 — which is anticipated to be more than sufficient.

Repairs to the South Point Seawall, extending from the northern tip of the South Point park to the beginning of the Four Freedoms State Park on both the east and west side of approximately 1600 linear feet, are in progress; the design development documents were completed and accepted by RIOC and the final design documents for construction are in progress. RIOC has applied to the DEP for the construction permits, and DEP has received the permits from the Army Corp of Engineers. The consultant is in the process of finalizing the required soil management plan for the work with DEC. RIOC has received the final design documents and permits, and has issued a Request for Qualifications (RFQ) to identify contractors capable of performing the specialized marine construction services. RIOC received 13 responses to the RFQ and will issue an RFP for construction. RIOC estimates that the repairs would cost approximately \$16.5 million inclusive of replacement of the seawall railings and be completed by 2016. Of the estimated \$16.5 million, FEMA has deemed an estimated \$1,098,656 of expenses to be incurred for the repair of approximately 100 linear feet of seawall breached during Hurricane Irene as eligible for reimbursement. Of this \$1,098,656 in eligible expenses RIOC has incurred \$58,673 to date. FEMA will reimburse 75% of the eligible costs based upon approved claims. RIOC has also submitted an application to the FEMA Hazard Mitigation Grant Program in the amount of \$15.3 million and is awaiting a response from FEMA.

As further noted in Section VI of this report, RIOC's Capital Plan provides the framework to renew existing 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 through a number of significant projects in progress.

### **III. FINANCIAL REPORTS**

#### **III. (i) Audited Financials.**

The audited financial reports are attached – see Attachment “B”. This section provides an overview of the Statement of Revenue, Expenses and Changes in Net Position, and the Statements of Net Position.

RIOC's Statement of Revenue, Expenses and Changes in Net Position is used to report changes in the net position, including depreciation expense. Revenue reported here is based on a standard of recognition whereby revenue is recorded when earned. The Statement of Revenue, Expenses and Changes in Net Position detail program revenue by major source and expenses by natural classification and indicate the change in net position.

RIOC's total operating revenues for the fiscal year ending March 31, 2015 were \$39,210,639. For the fiscal year ending March 31, 2015, operating revenues increased by \$15,615,190 or 66.18% over the last fiscal year. This was mainly due to an increase in Residential Fee revenue of \$15,309,289 or 1452%, which includes transaction fees primarily from the refinancing of the existing mortgage of Manhattan Park in the amount of \$12,600,000, and the assignment of the Eastwood lease to BSREP UA Roosevelt Landing LLC, in the amount of \$2,737,658. In addition, other revenues increased by \$437,112 or 40% mainly due to an increase in other permit fees including newly initiated construction permit fees of \$64,311; T-Mobile Antenna License Fees of \$45,497; and eligible FEMA reimbursements of \$331,832. The transportation/parking revenue, which is comprised of street parking and Motorgate revenues as well as bus revenues and contractual payments from the Octagon, decreased by \$137,895 or 6% in the aggregate. The aggregate decrease in transportation/parking revenue is due to: (1) revenue increases for both street parking of \$112,258 or 80.77% and Motorgate of \$90,795 or 4.85% due to respective rate increases; (2) an increase of \$2,271 or 2% for Octagon bus payments; and (3) a decline of \$343,218 or 99.48% due to the elimination of bus fares for on island transportation. The decline in transportation/parking revenue was offset by a decrease in transportation costs in connection with the bus operation of \$102,795 or 6.55%. As a result, the net decrease only amounts to \$35,500 or 1.4%. Also, declining interest rates led to a decline in interest income of \$20,064 or 12.71% as a result of the low-interest rate bearing short-term nature of RIOC's investments in accordance with the State's investment guidelines.

RIOC's total operating expenses for the fiscal year ending March 31, 2015 were \$23,295,944 and \$22,791,367 for the last fiscal year ending March 31, 2014, including depreciation of \$3,518,632 and \$3,498,737, respectively. For fiscal year ending March 31, 2015, total operating expenses before depreciation increased by \$484,682 or 3% over the last fiscal year, which is due primarily to increases in insurance by \$147,129, repairs and maintenance by \$129,185, and supplies/services by \$183,306. Personal services increased by \$798,517 or 8% due mainly to the filling of vacant positions and increases in benefits primarily health and workers compensation insurance. Professional and legal services decreased by \$829,468 or 59% due mainly to: (a) the replacement of consulting services for the engineering and public safety departments with full time personnel; and (b) a one-time contractual payment of \$410,390 for real estate services in connection with the lease closing of Southtown building #7, which was recorded in FY 2013-14.

The Statement of Revenue, Expenses, and Changes in Net Position using the modified accrual basis, reported an increase of \$15,914,695 to an ending balance of \$96,994,366 at March 31, 2015.

THE ROOSEVELT ISLAND OPERATING CORPORATION

(A Component Unit of the State of New York)

Statement of Revenue, Expenses, and Changes in Net Position

Year ended March 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>% Change</u>
Operating revenues:			
Residential fees	\$ 16,363,941	\$ 1,054,652	1452%
Ground rent	10,465,282	10,519,864	-1%
Commercial rent	1,446,680	1,434,674	1%
Tramway revenue	5,211,790	5,117,937	2%
Public safety reimbursement	1,713,231	1,743,828	-2%
Transport/parking revenue	2,331,339	2,469,234	-6%
Interest income	137,833	157,897	-13%
Unrealized Gain (Loss)	(807)	(6,875)	-88%
Other revenues	1,541,350	1,104,238	40%
Total operating revenues	<u>39,210,639</u>	<u>23,595,449</u>	<u>66%</u>
Operating expenses:			
Personal services	10,928,951	10,130,433	8%
Insurance	1,580,232	1,433,013	10%
Professional services and legal services	571,271	1,400,739	-59%
Management fees	4,146,286	4,101,573	1%
Telecommunications	108,115	103,010	5%
Repairs and maintenance	481,890	352,705	37%
Vehicles maintenance	288,763	351,700	-18%
Equipment purchases/lease	91,929	54,464	69%
Supplies/services	1,158,788	975,482	19%
Other expenses	421,087	389,510	8%
Total operating expenses excluding depreciation	<u>19,777,312</u>	<u>19,292,630</u>	<u>3%</u>
Operating income before depreciation	19,433,327	4,302,819	352%
Depreciation expenses	<u>3,518,632</u>	<u>3,498,737</u>	<u>1%</u>
Change in net position	15,914,695	804,082	1879%
Total net position, beginning of year	81,079,671	80,275,589	1.0%
Total net position, end of year	<u>\$ 96,994,366</u>	<u>\$ 81,079,671</u>	<u>20%</u>

See accompanying notes to financial statements

In RIOC's Statement of Net Position at March 31, 2015, total assets of \$130,550,744 exceeded total liabilities of \$33,556,378 by \$96,994,366 (total net position). Total assets are comprised of capital assets (e.g., buildings, machinery and equipment) totaling \$70,241,543, cash and cash equivalents totaling \$54,952,267 and other assets of \$5,356,934. Liabilities comprised of accounts payable of \$773,869, unearned revenues of \$28,680,095 (prepaid rents), other post-employment benefits of \$3,395,875, and other liabilities totaling \$706,539. 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, \$23,425,543 is available to be used to meet ongoing capital obligations. Additionally, \$3,327,280 is available for ongoing operational expenses.

THE ROOSEVELT ISLAND OPERATING CORPORATION  
(A Component Unit of the State of New York)  
Statement of Net Position  
Year ended March 31, 2015 and 2014

	<u>Assets</u>	<u>2015</u>	<u>2014</u>
Current assets			
Cash		\$ 1,130,550	\$ 244,565
Short-term investments		53,821,717	41,841,323
Receivables		865,847	1,322,182
Prepaid expenses		1,595,684	1,545,434
Total current assets		<u>57,413,798</u>	<u>44,953,504</u>
Noncurrent investments		2,895,403	2,387,367
Capital assets, net of accumulated depreciation		<u>70,241,543</u>	<u>67,517,327</u>
 Total assets		 <u>\$ 130,550,744</u>	 <u>\$ 114,858,198</u>
 <u>Liabilities and Net Position</u>			
Current liabilities - accounts payable and accrued expenses		773,869	1,090,012
Compensated absences		654,762	579,748
Unearned revenue		28,680,095	29,213,679
Postemployment benefits other than pension		3,395,875	2,892,456
Other liabilities		51,777	2,632
Total liabilities		<u>33,556,378</u>	<u>33,778,527</u>
Net position:			
Investment in capital assets		70,241,543	67,517,327
Restricted for capital projects		23,425,543	13,020,543
Unrestricted net assets		<u>3,327,280</u>	<u>541,801</u>
Total net position		<u>96,994,366</u>	<u>81,079,671</u>
Commitments and contingencies (note 9)			
Total liabilities and net position		<u>130,550,744</u>	<u>114,858,198</u>

See accompanying notes to financial statements.

### **III. (ii) Grant and Subsidy Programs**

Included in “Other Expenses” are expenditures for public purpose grants of \$275,500 and \$258,925. These funds were approved on April 10, 2014, and April 4, 2013, respectively for the fiscal years ended 2015 and 2014. The Roosevelt Island Youth Center was granted \$175,000 each year to help fund operating expenses. The remaining grants were awarded to various Island-based not-for-profits upon evaluation of their applications and Board approval.

### **III. (iii) Operating and Financial Risks**

RIOC 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 Parking Operations; and other revenues to fully meet its operational expenses. RIOC neither borrows nor depends on State or City appropriations and thus is minimally exposed to market, interest rate, and economic risks.

The development agreement for Southtown buildings (“Buildings”) seven (7) through nine (9) between Hudson Related Joint Venture (“Developer”) and RIOC included a contingent de-designation (cancellation of project or portion of) fee of \$2,438,400. The agreement is collateralized by a Guaranty Letter of Credit issued by Deutsche Bank Trust Company, NA in the amount of \$2,438,400 maturing on August 15, 2015, to be renewed annually. The Building 7 Lease was closed on October 10, 2013 and construction is in progress. 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 Buildings. RIOC believes that the development will occur based in part on the increased interest in the Island as a result of the multi-billion dollar Cornell Technion project on the Island.

As set forth in Note 9(c) of the Notes to Financial Statements for March 31, 2015 and 2014, RIOC entered into a Revenue Allocation Agreement (“RAA”) with Empire State Development (“ESD”) for the repayment for the repayment of certain Accrued Operating Deficits and Public Facilities Debt amounting to \$170,356,976 with a stated interest rate of 5.74%. In addition, there are other State Operating Subsidies and State Capital Investments that were received and may have to be repaid under the terms of the RAA. The RAA calls for revenues to be allocated in the following manner: (1) RIOC Operating Expenditures; (2) Satisfaction of UDC's Accrued Operating Deficit; (3) Satisfaction of UDC's Public Facilities Debt; (4) Satisfaction of other State Operating Subsidies, and (5) Satisfaction of other State Capital Investments.

### **III. (iv) Bond Ratings**

RIOC does not issue bonds.

### **III. (v) Long-term Liabilities**

RIOC has no long-term liability except post employment benefits other than pension, which is described in section III. (v)(c)

### **III. (v)(a) Lease Obligations**

RIOC 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, 2015 and 2014 were approximately \$155,984 and \$86,000, respectively.

### **III. (v)(b) Unearned Revenue**

As of March 31, 2015, unearned revenue in the amount of \$28,680,095 reported in the Statement 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-four years on the ground lease for the City of New York expiring in 2068 under the accrual basis of accounting.

<u>Buildings</u>	<u>Balance at April 01, 2014</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance at March 31, 2015</u>
Octagon	\$ 2,592,654		\$ (47,356)	\$ 2,545,298
Southtown Bldg #1	1,742,994		(31,836)	1,711,158
Southtown Bldg #2	1,663,194		(30,378)	1,632,816
Southtown Bldg #3	3,554,394		(64,920)	3,489,474
Southtown Bldg #4	4,634,134		(84,642)	4,549,492
Southtown Bldg #5	5,917,738		(108,086)	5,809,652
Southtown Bldg #6	9,108,571		(166,366)	8,942,205
Total	<u>\$ 29,213,679</u>	<u>\$ -</u>	<u>\$ (533,584)</u>	<u>\$ 28,680,095</u>

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

RIOC 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 Employees Retirement System (“ERS”), and the employee must be enrolled in New York State Health Insurance Program. 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 ERS, 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, 2015 and 2014 amounted to \$647,671 and \$640,408, respectively. At March 31, 2015, the liability for retired employees included in non-current accrued fringe benefits amounted to \$3,385,875.

RIOC currently pays for post-retirement health care benefits on a pay-as-you-go basis and has set aside assets in the amount of \$3,385,875 to meet this long term obligation.

#### **IV. DEBT SCHEDULE**

RIOC does not issue debt and thus does not have any bonds and notes outstanding.

#### **V. COMPENSATION SCHEDULE**

<b>NAME</b>	<b>TITLE</b>	<b>SALARY</b>	<b>TOTAL COMPENSATION</b>
Beirne, Marguerite	Director Information Technology	\$105,014	\$68,333
Indelicato, Charlene M.	President/Chief Operating Officer	\$153,362	\$153,791
Jagdharry, Muneshwar	Controller	\$102,934	\$103,222
Lewis, Donald	Vice President-General Counsel	\$142,794	\$143,194
McManus, John B.	Director Public Safety	\$106,594	\$107,303
Walton, Frances A.	Vice President-CFO	\$142,800	\$135,462
Robinson, Gretchen K	Compliance & Internal Ctrl Officer	\$105,000	\$24,808
Mortimer, James	Director of Engineering	\$105,014	\$84,230
Sanichar, Indranie	Director of Information Technology	\$107,114	\$49,202

#### **V. (i) Biographical Information**

Biographical information for all specified employees is attached – see Attachment “C”.

#### **VI. PROJECTS**

RIOC did not undertake any Industrial Development Agency Projects (IDA Projects).

RIOC’s Capital Plan provides the framework to renew existing 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 progress include:

- repairs to the Helix Ramp, estimated at \$2.5 million;
- maintaining a state of good repair on the Island’s newly renovated Aerial Tramway, including the replacement of the current elevator with one that is ADA-compliant, the addition of a new ADA-compliant elevator, as well as rehabilitation of the Manhattan-station roof at \$3.5 million;
- renovation of the Bus Garage/Warehouse for an estimated cost of \$3.9 million;
- rehabilitation of the Island’s seawall for an estimated cost of \$21.6 million; replacement of the railings for an estimated cost of \$6 million;
- removal of Z-Bricks and replacement with asphalt paving on Main Street for an estimated cost of \$600,000;
- augmentation of rip-rap along the Steam Tunnel on the eastern side of the Island for an estimated cost of \$500,000;

- improvement to Sportspark, including the implementation of a permanent heating system at an estimated cost of \$700,000, and replacement of the roof at an estimated cost of \$3 million; and
- the island wide security camera system at an estimated cost of \$1.2 million for phases 1 and 2 as well as a portion of phase 3.

## VII. REAL PROPERTY

### VII. (i) Real Property Disposition

RIOC did not make any qualifying dispositions.

### VII. (ii) Real Property Acquisition

RIOC did not acquire any real property.

### VII. (iii) Real Property Owned

#### The Roosevelt Island Operating Corporation

#### Real Property

For Period Ending March 31, 2015

#### a) Real property Owned:

	Net Asset Value	Note
AVAC	\$ 967,425	(1)
Blackwell House	\$ 1,217,353	(1)
Boathouse	\$ 12,350	(1)
Good Shepard Chapel	\$ 1,716,333	(1)
Lighthouse	N/A	(2)
Motorgate	\$ 4,018,003	(1)
Renwick Ruins	\$ 3,998,117	(1)
Sportspark	N/A	(1)
Strecker Lab	N/A	(2)
Tramway	\$ 21,133,888	(1)
Total	<u>\$ 33,063,469</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, as well as all other laws and regulations.

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

This statement certifies that the RIOC followed a process that assessed and documented the adequacy of its internal control structure and policies for the year ending March 31, 2015. RIOC is fully compliant with the New York State Governmental Accountability, Audit and Internal Control Act.

## **X. ENABLING LEGISLATION**

On September 4, 1984, 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**

RIOC is comprised of the following functional units: Administration, Finance, Human Resources, Information Technology, Legal, Community Relations, Engineering, Public Safety, Grounds, Maintenance, Warehouse, Bus Operations, Motor Pool, Permits & Film, and Sportsark.

### **XI. (iv) Number of Employees**

RIOC has 125 employees (101 F/T and 24 P/T).

## **XII. CHARTER AND BY-LAWS**

See Attachment “H”.

## **XIII. MATERIAL CHANGES IN OPERATIONS AND PROGRAMS**

RIOC 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 RIOCI’s legal counsel, these suits should not result in judgments which in the aggregate would have a material adverse effect on RIOCI’s operations.

**Roosevelt Island Operating Corporation**  
**Performance Measure Report**  
**as of March 31, 2015**

**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 798 units. Of the built out units of housing stock, approximately 58% 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 Table 1 below).

Table 1

Building	Units Developed	In Development	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	364	639	64%
The Octagon	500			500	100		100	20%
Island House	400			400	400		400	100%
Southtown	1,202	266	532	2,000	541		541	45%
Westview	371			371	371		371	100%
Rivercross	377			377	377	12	365	97%
<b>Total:</b>	<b>4,960</b>	<b>266</b>	<b>532</b>	<b>5,758</b>	<b>3,014</b>	<b>376</b>	<b>2,638</b>	<b>58%</b>

*Note: Unit Counts and Percentages are Approximate Values.*

Of the total 3,014 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 known as 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, 2015, approximately 36% of the units have been converted to market rate units. The ground lease for Island House was extended to 2068, and allowed the developer to exit ML under a 30 year Affordability Plan, which provided a structure for the creation of a leasehold condominium and the conversion of the residential portion of the building to cooperative ownership. The conversion to cooperative ownership occurred on January 01, 2014, the first day of the year following the conversion in accordance with the terms of the lease. At least 65% of the units will either be sold as “affordable” CO-OPs or remain as affordable rentals. No such unit conversions had taken place as of March 31, 2015.

It is RIOC’s understanding that as of March 27, 2014, Rivercross Tenants Corp. (“Housing Company”) has exited the ML Program. Section Six of Amendment One to Restated Ground Lease (“Amendment”), which extended the term until 2068, provides that if the parties are unable to reach an agreement on the Financial Terms by no later than sixty days prior to the effective date the Housing Company will leave the ML Program, the dispute shall be settled by arbitration in the City of New York subject to certain procedures set forth in the Amendment. The arbitration process was begun, but subsequently a standstill agreement was entered into by the parties until September 14, 2015, in connection with the resulting arbitration.

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

As part of its mission, RIOC has sought the development of Roosevelt Island's 147-acres by promoting public facilities such as a transit system, sanitary and safety departments, pedestrian walkways, recreational activities, open spaces, and a street system. The initial planners created a centralized parking facility that currently provides approximately 1,797 parking spaces for resident vehicles. The parking facilities may have to be expanded to accommodate residents of Southtown and Cornell; however, agreements are in place between RIOC and another party and/or parties to expand this parking facility as it becomes necessary.

Transportation:

RIOC has improved its transportation services through renovations to the Aerial Tramway as well as its on-island mass-transportation program. For instance, after procuring services to renovate the Aerial Tramway which became operational once on November 31, 2010, transportation needs of residents and visitors are now better met. Indeed, more passengers are shuttled quickly and safely to and from Manhattan's East Side and there is greater availability because the new system allows for one cabin to continue operations in the event the other cabin is temporarily removed from service for preventative maintenance. Further, the Tramway is more reliable with redundant generators to power the system, resulting in increased efficiency and capability. RIOC is funding infrastructure improvements with a \$15 million dollar grant from New York State and \$10 million dollars from RIOC after all projects in connection with the modernization are completed. Ridership on the Tramway is increasing as a result of more activities on Roosevelt Island, including the development of Southtown and Cornell Technion; and increased visitorship to Four Freedoms State Park. Indeed, just this past fiscal year, the Tramway shuttled about 2,697,922 riders between the Island and Manhattan and generated a net profit of about \$1,330,844.

RIOC also services the community of Roosevelt Island with an on-island, mass transportation bus system comprised of a fleet of seven, clean energy, hybrid buses. These buses are also wheelchair accessible and service the Island's significant disabled population. Moreover, on December 12, 2013, RIOC's Board of Directors approved the elimination of the once collected bus fares and offset this loss of revenue by also doubling the fee for street parking. Because of this change that became effective on April 1, 2014, the bus system has become more efficient. But as of March 31, 2015, transportation and parking revenue, comprised of street parking, Motorgate revenue, as well as bus revenue and contractual payments from Octagon, decreased by \$137,895, or 6% in the aggregate. Additionally, the aggregate decrease in transportation and parking revenue was also due to: (1) revenue increases for both street parking of \$112,258 or 80.77% and Motorgate of \$90,795 or 4.85% due to respective rate increases; (2) an increase of \$2,271 or 2% for Octagon bus payments; and (3) a decline of \$343,218 or 99.48% as a result of the elimination of bus fares for on-island transportation. The decline in transportation and parking revenue was offset by a decrease in transportation costs associated with the bus operation of \$102,795 or 6.55%. As a result, the net decrease only amounts to \$35,500, or 1.4%.

Public Facilities:

As part of its public facilities, Roosevelt Island has a public school, PS/IS 217, which currently has about 548 students enrolled; and The Child School/Legacy High School, a government funded private school, specializing in educating children with special needs. The Child School/Legacy High School serves approximately 300 students. The Island is also home to a community center, a senior center, and a New York Public Library ("NYPL"). As discussed below, the library will be relocated to a renovated

space as part of a lease agreement and will be a larger and more aesthetically pleasing community space for Island residents.

### Retail Spaces:

As part of RIOC's revitalization efforts and improvements along Main Street, the Corporation entered into a Master Sublease Agreement ("Agreement") with Hudson Related Retail LLC ("HRR") on August 1, 2011 ("Commencement Date"). Specifically in that Agreement, among other things, HRR is charged with the responsibility of redeveloping, improving, marketing, leasing, and professionally operating the Retail Spaces controlled by RIOC. In return, RIOC is to receive an annual guaranteed rent of \$900,000 that will increase by 2% annually, beginning on the first anniversary of the Commencement Date for the first five years – and 2.5% annually thereafter. RIOC will also share in profits realized by HRR in these lease endeavors. Under the terms of the Agreement, HRR is also required to invest no less than \$2,365,00 in the aggregate in capital improvements during the first five years of the Agreement. According to its certified financial statements as of December 31, 2014, HRR invested \$2,460,019 and incurred a loss of \$447,033. As per the Agreement, RIOC will share future profits equally, once HRR is paid back its investment. HRR has yet to recoup any of its investment and has not made a profit-sharing payment to RIOC. Moreover, RIOC anticipates that profit-sharing will not begin for several more years. To date, HRR, as part of this partnership with RIOC, has brought an ice cream and sweets shop, a wine and liquor store, a gourmet deli, and a Subway fast food restaurant to Main Street. HRR also entered into a lease with NYPL on July 1, 2013. As part of this lease agreement and a substantial renovation contribution by RIOC, a significantly larger library is planned for the Island and will be located at 504 Main Street. The design for this renovation is expected to be completed by the end of 2015, and construction anticipated to be finished by the end of 2016.

### Recreational Facilities/Spaces:

Sportspark is a recreational facility that RIOC developed to promote recreational activities among residents on Roosevelt Island. The facility includes a swimming pool, a full-size basketball court, a ping-pong room, and a weight room. RIOC also maintains open-air spaces for the same purpose which includes Lighthouse Park, Octagon Soccer Field, Octagon Pony Field, Capobianco Field, Firefighters Field, and Southpoint Park. As an added service, RIOC manages these recreational spaces and its facility through a permitting process to ensure availability to Island residents. Run by RIOC personnel who are available to respond to inquiries and manage the permitting process, this program is efficient in that it allows for advance reservation for a variety of one-time-and regularly scheduled events. Permits are also issued as a way of managing the tennis courts and other open spaces, as well as for special uses such as mobile food vending, film and photography events. Although these spaces are available to residents and non-residents alike, permits are priced according to resident, non-resident rates. RIOC also uses a software-based solution to manage the growing number of permit requests. The number of permit requests processed in the past five fiscal years has increased to mean average rate of 8.9% per year, with aggregate revenue of over \$3.5 million.

Other recreational spaces on Roosevelt Island include Four Freedoms State Park, a memorial to honor President Franklin D. Roosevelt. This park, which is managed and operated by Four Freedoms Park Conservancy, is located on the southernmost tip of Roosevelt Island and opened in the fall of 2012. Four Freedoms State Park is a popular destination that received over 40,000 visitors between its opening and April 2013, and over 330,000 visitors and tourists to date, a number that is expected to continue to grow.

Infrastructure Maintenance/Projects:

RIOC had developed and installed an Automated Vacuum (“AVAC”) system to manage waste generated on Roosevelt Island. This AVAC system is an underground network of pipes that connects to residential buildings on the Island and disposes of garbage, eliminating the need for the majority of curb-side garbage pick-up. RIOC maintains AVAC by having it cleaned annually. And, as discussed below, RIOC provided seasonal heating for the AVAC system and Bus Garage/Warehouse in anticipation of the steam plant being closed and abandoned.

The City of New York selected Roosevelt Island for the site of the Cornell/Technion Applied Sciences Graduate School (“Cornell”). The project, forecast to be built in three phases over a twenty-year period, will be built on the City’s Goldwater Hospital site (“Goldwater Site”). As a result of resolutions passed by the Board of Directors, RIOC is working with Cornell throughout demolition and construction phases and will receive new roads and a new sewage system around the construction site, among other things, is a result of its contributions to this project.

For example, on December 21, 2013, the RIOC Board of Directors resolved, among other things, to amend its’ Master Lease with the City to exclude an additional 2.62 acres (“Parcel”) surrounding the Goldwater Site so that it could be incorporated into the 9.8 acres being used for Cornell. As part of the surrender of the Parcel back to the City, RIOC will receive a financial contribution of \$1,000,000 dollars annually from the State for 55 years, payable to RIOC – an amount that will increase by 2.5% every 10 years – in accordance with State budgetary procedure with the present value of the payment fully made by December 31, 2018, to support capital infrastructure improvements on Roosevelt Island. Additionally, Cornell will pay RIOC \$400,000 annually for 55 years, with an increase of 2% every 10 years. RIOC received the full amount of \$400,000 from Cornell for fiscal years 2014 and 2015.

RIOC is responsible for maintaining the seawall and promenade surrounding Cornell. Cornell, at its sole cost, will be responsible for infrastructure improvements on, around-and under Loop Road, including the roadway, sewers, relocation of electrical duct banks, and gas service. Cornell has begun demolition and will do construction in coming years in accordance with all agreements that have been negotiated and executed, and under the supervision of RIOC.

The New York City Health and Hospitals Corporation (“HHC”) announced its intention to close and abandon a large steam plant, located on Roosevelt Island, by March 31, 2014. The plant provided heat to the Goldwater Site, Coler Hospital, and several RIOC-owned facilities, including Sportspark, AVAC, and the Bus Garage/Warehouse. The announcement to close the steam plant created several issues for RIOC. First, the anticipated closure compelled RIOC to install seasonal heating system for AVAC and the Bus Garage/Warehouse, and a costly yet temporary heating system for Sportspark so that heating to properties would not be disrupted. Second, although HHC did not shut down the steam plant until the fall of 2014, RIOC implemented the seasonal and temporary heating system in anticipation of that March 31, 2014 closing date and has thus supplied heat to its properties ever since that date. Third, given the temporary nature of the current heating system at Sportspark, RIOC will have to replace it with a permanent one; at an estimated cost of \$1.5 million. To this end, RIOC has obtained the services of a qualified engineering firm, which has since provided a complete design subject to the review of the New York City Department of Buildings (“DOB”). After DOB approves the design, RIOC will select a contractor through a competitive bidding process to install the new heating system for Sportspark.

RIOC also retained additional engineering services for necessary repairs and recommended upgrades at Sportspark. The consultants prepared a report of the facilities lighting, plumbing, and roofing systems. The analysis is complete, and it is anticipated that some of the recommended upgrades will increase the efficiency of the permanent heating system, mentioned above. Moreover, the report indicated certain

necessary, emergency repairs, including expedited repair of the facility's roof, which is expected to cost around \$3,000,000 and needs to be repaired before repair work can commence. RIOC has engaged an engineering firm to complete the design work for the Sportspark roof, which is under review. An RFP will be issued once the design has been approved.

Roosevelt Island's infrastructure was greatly impacted by Hurricane Irene, which caused RIOC to implement certain measures by which to mitigate damage caused by these acts of nature. Specifically, Hurricane Irene damaged the seawall of the Southpoint Park shores. The Corporation hired a consultant to provide engineering-design and marine-permitting services for the Southpoint Park shores. Damage sustained to approximately 100 linear feet of the eastern seawall, has been approved by FEMA as a project for disaster recovery funding. There is no public access to the shorelines until structural integrity is restored. Moreover, loss of land by the seawall continues 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. Immediately following the storm, RIOC used staff and contractor labor to clear the roads and open spaces of debris and downed trees. Under federal guidelines, these efforts were eligible for reimbursement by FEMA. FEMA approved and completed the following projects as part of the Island's rehabilitation from those areas affected by the storm:

1. Repairs to fences damaged by falling trees;
2. repairs to damaged stone benches and walkways;
3. replacement of safety mulch washed away from playgrounds;
4. repairs to damaged streetlights adorning the open space at Lighthouse Park and the underlying electric wiring; and
5. repairs to several hundred linear feet of the West Side Sidewalk.

For the above stated projects and certain administrative expenses and professional services, RIOC has incurred \$347,992 of which FEMA will reimburse the Corporation 75% of the eligible costs, based upon approved claims.

Similarly, in October 2012, during Hurricane Sandy, Roosevelt Island sustained additional damage as a result of that storm. Again, both before and during the hurricane, RIOC staff took measures to mitigate potential damage to the Island, making efforts to protect lives and property. RIOC used staff labor immediately following the storm to clear the roads and open spaces of debris and downed trees, as well as prohibiting public access to potentially hazardous areas. Projects that RIOC expects to complete in the near future are on an ongoing basis and include the following:

1. Repairs to damaged electric wiring in Lighthouse Park;
2. repairs to the footbridges in Lighthouse Park;
3. repairs to the Westside Pier; and
4. repairs to undermined "Z-Bricks" on the promenades.

Both completed and "in-progress" work of the above stated repairs, have been deemed by FEMA/OEM to be eligible for reimbursement under federal guidelines. RIOC has received \$112,400 in connection with these projects and other certain administrative expenses and professional services based upon a 90% effective cost-share rate. To date, the eligible projects for which work continues is \$150,560, and RIOC will be reimbursed by FEMA at the 90% cost-share rate. And, all projects resulting from Hurricane Sandy have been filed and must be completed prior to November 3, 2016 – which is anticipated to be more than sufficient.

Finally, repairs to the South Point Seawall, which extends from the northern tip of South Point Park to the beginning of Four Freedoms State Park, on both the east and west side of approximately 1600 linear feet, are in progress. The design development documents were completed and accepted by RIOC and the construction documents are in progress. RIOC received the final design documents and permits, and issued a Request for Qualifications (“RFQ”) to identify contractors capable of performing the specialized marine construction services. RIOC repairs will likely cost approximately \$16.5 million, of which FEMA has deemed an estimated \$1,098,656 of expenses to be incurred for the repair of approximately 100 linear feet of seawall breached during Hurricane Irene as eligible for reimbursement. Of this amount, RIOC has incurred \$58,673 to date. FEMA will reimburse 75% of the eligible costs, based on approved claims. RIOC has also submitted an application to the FEMA Hazard Mitigation Grant Program in the amount of \$15.3 million and is awaiting their response.

**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, Policies on Reporting Misconduct and Protection Against Adverse Personnel Action, Policies for Personally Owned Vehicle Usage, and Project Sunlight Policies.

During FY 2014-15 RIOC hired a Compliance and Internal Controls Officer, whose responsibility, among other things, is to implement, maintain and monitor an internal controls program, conduct annual assessments, and prepare Internal Control Certificates. Additionally, the Internal Controls Officer is charged with implementing ongoing programs of training for RIOC directors, managers, and staff in internal controls, ethics, procurement practices, human resources, contract administration, and other relevant rules, issues, and best practices. Finally, the Internal Controls Officer must also ensure that RIOC complies with statutes, regulations and policies, and as such, regularly consults with executive management regarding RIOC business and courses of action.

**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 FY 2014-15, without currently relying on funds from the State of New York. The Corporation reported an operating profit, before depreciation, of \$19,433,327, a 633% amount in excess of the amount budgeted. This was mainly due to an increase in Residential Fee revenue of \$15,309,289 or 1452%, which includes transaction fees primarily from the refinancing of the existing mortgage of Manhattan Park in the amount of \$12,600,000, and the assignment of the Eastwood lease to BSREP UA Roosevelt Landing LLC, in the amount of \$2,737,658. 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 currently relying on State subsidies.

As set forth in Note 9(c) of the Notes to Financial Statements for March 31, 2015 and 2014, RIOC entered into a Revenue Allocation Agreement (“RAA”) with Empire State Development (“ESD”) for the repayment for the repayment of certain Accrued Operating Deficits and Public Facilities Debt amounting to \$170,356,976 with a stated interest rate of 5.74%. In addition, there are other State Operating Subsidies and State Capital Investments that were received and may have to be repaid under the terms of the RAA. The RAA calls for revenues to be allocated in the following manner: (1) RIOC Operating Expenditures; (2) Satisfaction of UDC's Accrued Operating Deficit; (3) Satisfaction of UDC's

Public Facilities Debt; (4) Satisfaction of other State Operating Subsidies, and (5) Satisfaction of other State Capital Investments.

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

The mission of the Roosevelt Island Public Safety Department ("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 New York City Police Department's 114<sup>th</sup> Precinct, the New York City Fire Department, and Emergency Medical Services, 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. The Island has one of the lowest crime rates per capita in New York City.

In furtherance of this mission, the Corporation retained TM Protection Resources Inc., to conduct an audit of the policies and procedures of PSD. Upon completion of the audit, TM produced a report which contained a number of recommendations which either have been, or are in the process of being, adopted by the Corporation. Also, during FY 2014-15, the Corporation began using a software solution for critical PSD related records such as incident reporting and case management. RIOC also created an Emergency Operations Center, equipped with state of the art cameras and computer equipment for emergency response and contingency planning.

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

RIOC's Capital Plan provides the framework to renew existing 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 progress include:

- repairs to the Helix Ramp, estimated at \$2.5 million;
- maintaining a state of good repair on the Island's newly renovated Aerial Tramway, including the replacement of the current elevator with one that is ADA-compliant, the addition of a new ADA-compliant elevator, as well as rehabilitation of the Manhattan-station roof at \$3.5 million;
- renovation of the Bus Garage/Warehouse for an estimated cost of \$3.9 million;
- rehabilitation of the Island's seawall for an estimated cost of \$21.6 million; replacement of the railings for an estimated cost of \$6 million;
- removal of Z-Bricks and replacement with asphalt paving on Main Street for an estimated cost of \$600,000;
- augmentation of rip-rap along the Steam tunnel on the eastern side of the Island for an estimated cost of \$500,000;
- improvement to Sportspark, including the implementation of a permanent heating system at an estimated cost of \$700,000, and replacement of the roof at an estimated cost of \$3 million; and
- the island wide security camera system at an estimated cost of \$1.2 million for phases 1 and 2 as well as a portion of phase 3.

See the annexed Capital Plan at Exhibit A.

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

To limit the congestion caused by excess traffic, RIOC provides bus services using seven (7) hybrid-electric buses, powered by ultra-low-sulfur diesel fuel, that limit production of greenhouse gases (“GHG”). Further reductions to the already low GHG levels are expected because, as noted above, the elimination of the bus fares will reduce stop and idling times associated with GHG production. The Corporation has also purchased neighborhood electric vehicles to the extent possible to lessen dependence on fossil fuel utilizing vehicles for light duty usage by employees. A feasibility study was done for the installation of canopy solar panels above the Motorgate Garage, which concluded that such installation would not be economically feasible until such time that the technology became more effective. RIOC was also among a group of participants in a study funded by NYSERDA to examine the impact and potential benefit of Green Loading Zones (“GLZ”), a policy solution to incentivize further electric truck adoption with the creation of curbside loading zones that are exclusively available to zero-emission commercial vehicles. The study identified Roosevelt Island along with other sites as potential candidates for one or more such GLZ’s, but has not resulted in a request for implementation.

**8. To effectively communicate with all stakeholders.**

Notices are posted to all stakeholders in public view and on the RIOC web site for all Board of Directors and Committee meetings pursuant to the New York State Open Meetings Law. The web site provides relevant information to stakeholders, such as community information and information about the Corporation’s operations and finances.

During FY 2014-15 RIOC enhanced its capacity to send public advisories via a pilot partnership with Everbridge, a platform that harnesses multiple technologies for mass communication. This opt-in service allows RIOC to notify users about emergency situations, traffic/transportation advisories affecting the Island, other issues of concern, and community events. The platform has been very successful since it was implemented. The majority of users have signed up via the web-registration interface and have more than one delivery method defined such as SMS, e-mail or personalized automated telephone message. The platform also enhances RIOC’s internal emergency preparedness by allowing RIOC to communicate more readily with employees and track their availability during an emergency. The system also gives RIOC the capability to coordinate with relevant City and State agencies during an emergency using its conference bridge software solution.

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

The fares for passengers riding the Aerial Tramway are collected on RIOC’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. As noted in item 2, page 3 of this report, RIOC has partnered with Hudson Related Retail to revitalize the Island’s commercial sector, thereby increasing stakeholder access to goods and services. Also, RIOC routinely coordinates with administrators of Four Freedoms State Park and Cornell Technion for the efficient planning of activities.



The Roosevelt Island Operating Corporation (RIOC)  
 CAPITAL IMPROVEMENTS 2014/2015 (In Thousands)

5% inflation rate

	Actual	Approved Budget	Projected Budget	Budgets 20135- 2029													
	2015	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Engineering - Ford Escape					\$26					\$33							\$59
P.S. - Ford Escapes		\$22	\$23	\$24	\$26	\$27	\$28	\$30	\$31	\$33	\$34	\$36	\$38	\$40	\$42	\$44	\$432
P.S. - Segways																	\$0
P.S. - Gems (2)		\$30		\$12		\$14		\$15		\$16		\$18		\$20	\$20	\$20	\$145
P.S. - (4) Substations (Tram/Lighthouse/Bridge/SP Park)																	\$0
P.S. - Taser Equipment & Training																	\$0
Motorpool - (2) GEMS			\$30				\$40				\$50						\$120
Motorpool - Aerial Truck Lift						\$35						\$45					\$80
Maintenance - Utility Truck		\$50															\$50
Maintenance - Utility Truck																	\$0
Grounds - Brush Chipper		\$45															\$45
Grounds - (1) Ford F130		\$20			\$22			\$24			\$26			\$28		\$30	\$120
Grounds - (1) Conversion Truck	\$50	\$50															\$50
Grounds - (1) Lawn Mower		\$12															\$12
Outdoor Fitness (Octaon Field)	\$5																\$0
Parks & Recreation- Ford Escape					\$26					\$33							\$59
Parks & Recreation- Gym Equipment																	\$0
IT - Servers	\$67	\$50				\$55				\$62			\$70	\$70	\$70		\$307
IT - Plotter			\$25				\$28				\$34						\$87
IT - Software Upgrades		\$34	\$35	\$37	\$39	\$41	\$43	\$45	\$47	\$50	\$52	\$55	\$57	\$60	\$63	\$67	\$659
IT - (2) Copiers/AV/Printers		\$22		\$24		\$26		\$29		\$32		\$35		\$39	\$39	\$39	\$246
IT - (20 PC Replacements)	\$32	\$22	\$23	\$24	\$26	\$27	\$28	\$30	\$31	\$33	\$34	\$36	\$38	\$40	\$42	\$44	\$432
IT - Sotorage System	\$45																\$0
IT - Upgrade of Switches		\$22		\$24		\$26		\$29		\$32		\$35		\$40	\$40	\$40	\$248
IT - Sonic Wall/Fire Wall/Remote Implementation	\$35																\$0
Excavator																	\$0
Sewer Grinder Pumps w/Control Pane	\$10																\$0
(2) Bobcats																	\$0
Misc. Heavy equipment		\$50	\$53	\$55	\$58	\$61	\$64	\$67	\$70	\$74	\$78	\$81	\$86	\$90	\$94	\$99	\$980
6 Special Projects	\$449	\$53	\$355	\$58	\$61	\$64	\$67	\$70	\$74	\$78	\$81	\$86	\$90	\$94	\$99	\$104	\$1,329
P.S. - Island Wireless Security Camera System	\$318		\$300														\$300
Parking Management System																	\$0
Parking Meters Replacement	\$131																\$0
Other - Special Projects		\$53	\$55	\$58	\$61	\$64	\$67	\$70	\$74	\$78	\$81	\$86	\$90	\$94	\$99	\$104	\$1,029
7 Lighting & Signage	\$0	\$50	\$53	\$55	\$58	\$61	\$64	\$67	\$70	\$74	\$78	\$81	\$86	\$90	\$94	\$99	\$980
Street Light Replacement & Signage - reserve		\$50	\$53	\$55	\$58	\$61	\$64	\$67	\$70	\$74	\$78	\$81	\$86	\$90	\$94	\$99	\$980
8 Tram	\$1,601	\$1,500	\$525	\$551	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$814	\$855	\$898	\$943	\$990	\$9,799
Tram Modernization	\$907																\$0
Additional ADA-compliant Elevator at Manhattar	\$11	\$1,000															\$0
Tram Capital Reserve		\$500	\$525	\$551	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$814	\$855	\$898	\$943	\$990	\$9,799
- Painting	\$550																\$0
- Excavate r/m Sewer Line	\$133																\$0
9 Southpoint Park	\$3	\$200	\$210	\$221	\$232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$377	\$396	\$3,920
TPL - Green Rooms/Wild Gardens- reserve	\$3	\$200	\$210	\$221	\$232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$377	\$396	\$3,920
10 Miscellaneous	\$11	\$551	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$814	\$855	\$898	\$943	\$990	\$1,039	\$1,091	\$10,804
Contingency	\$11	\$551	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$814	\$855	\$898	\$943	\$990	\$1,039	\$1,091	\$10,804
<b>TOTAL CAPITAL IMPROVEMENTS</b>	<b>\$6,249</b>	<b>\$18,974</b>	<b>\$15,697</b>	<b>\$8,354</b>	<b>\$15,082</b>	<b>\$7,504</b>	<b>\$6,691</b>	<b>\$7,082</b>	<b>\$7,302</b>	<b>\$6,468</b>	<b>\$6,683</b>	<b>\$7,070</b>	<b>\$7,307</b>	<b>\$7,807</b>	<b>\$8,159</b>	<b>\$8,588</b>	<b>\$138,769</b>

ROOSEVELT ISLAND OPERATING CORPORATION  
(A Component Unit of the State of New York)  
Financial Statements and Management's  
Discussion and Analysis  
March 31, 2015 and 2014  
(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:

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, 2015 and 2014, and the related notes to 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, 2015 and 2014, 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 and other postemployment benefits - schedule of funding progress on pages 4 through 12 and 32 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 25, 2015, 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.

Toski & Co., CPAs, P.C.

Williamsville, New York  
June 25, 2015

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

Management's Discussion and Analysis

March 31, 2015

The following management's discussion and analysis (MD&A) provides a comprehensive overview of the financial position of Roosevelt Island Operating Corporation (RIOC) at March 31, 2015 and 2014, 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 additional 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, 2015 and 2014 and the percentage changes between March 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>	<u>% Change</u>
Current and other assets	\$ 60,309,201	47,340,871	27%
Capital assets, net	<u>70,241,543</u>	<u>67,517,327</u>	4%
Total assets	\$ <u>130,550,744</u>	<u>114,858,198</u>	14%
Liabilities	\$ <u>33,556,378</u>	<u>33,778,527</u>	-1%
Net position:			
Net investment in capital assets	70,241,543	67,517,327	4%
Restricted for capital projects	23,425,543	13,020,543	80%
Unrestricted	<u>3,327,280</u>	<u>541,801</u>	514%
Total net position	\$ <u>96,994,366</u>	<u>81,079,671</u>	20%

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

Management's Discussion and Analysis, Continued

On RIOC's Statement of Net Position at March 31, 2015, total assets of \$130,550,744 exceeded total liabilities of \$33,556,378 by \$96,994,366 (total net position). Total assets are comprised of capital assets (e.g., buildings, machinery and equipment) totaling \$70,241,543, cash and cash equivalents totaling \$54,952,267 and other assets of \$5,356,934. Liabilities are comprised of accounts payable of \$773,869, unearned revenues of \$28,680,095 (prepaid rents), other post-employment benefits of \$3,395,875, and other liabilities totaling \$706,539. 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, \$23,425,543 is available to be used to meet ongoing capital obligations. Additionally, \$3,327,280 is available for ongoing operational expenses.

Short-term investments increased by \$11,980,394 or 28.63%. This was mainly due to an increase in Residential Fee revenue by \$15,309,289 or 1,452%, offset by a decline in condominium sales of \$94,935 or 44.86%. The Residential Fee revenue increased primarily because of transaction fees from the refinancing of the existing mortgage of Roosevelt Island Associates ("Manhattan Park") in the amount of \$12,600,000 as well as the assignment of the Eastwood lease to BSREP UA Roosevelt Landing LLC, in the amount of \$2,737,658.

### OPERATING ACTIVITIES

RIOC's Statements of Revenues, Expenses and Changes in 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 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 fiscal year ending March 31, 2015 were \$39,210,639. For the fiscal year ending March 31, 2015, operating revenues increased by \$15,615,190 or 66.18% over the last fiscal year. This was mainly due to an increase in Residential Fee revenue of \$15,309,289 or 1,452%, which includes transaction fees primarily from the refinancing of the existing mortgage of Manhattan Park in the amount of \$12,600,000, and the assignment of the Eastwood lease to BSREP UA Roosevelt Landing LLC, in the amount of \$2,737,658. In addition, other revenues increased by \$437,112 or 40% mainly due to an increase in other permit fees including newly initiated construction permit fees of \$64,311; T-Mobile Antenna License Fees of \$45,497; and eligible FEMA reimbursements of \$331,832. The transportation/parking revenue, which is comprised of street parking and Motorgate revenues as well as bus revenues and contractual payments from the Octagon, decreased by \$137,895 or 6% in the aggregate. The aggregate decrease in transportation/parking revenue is due to: (1) revenue increases for both street parking of \$112,258 or 80.77% and Motorgate of \$90,795 or 4.85% due to respective rate increases; (2) an increase of \$2,271 or 2% for Octagon bus payments; and (3) a decline of \$343,218 or 99.48% due to the elimination of bus fares for on island transportation. The decline in transportation/parking revenue was offset by a decrease in transportation costs in connection with the bus operation of \$102,795 or 6.55%. As a result, the decrease only amounted to \$35,000 or 1.4%. Also, declining interest rates led to a decline in interest income of \$20,064 or 12.71% as a result of the low-interest rate bearing short-term nature of RIOC's investments in accordance with the State's investment guidelines.

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

Management's Discussion and Analysis, Continued

RIOC's total operating expenses for the fiscal year ending March 31, 2015 were \$23,295,944 and \$22,791,367 for the last fiscal year ending March 31, 2014, including depreciation of \$3,518,632 and \$3,498,737, respectively. For fiscal year ending March 31, 2015, total operating expenses before depreciation increased by \$484,682 or 3% over the last fiscal year, which is due primarily to increases in insurance by \$147,129, repairs and maintenance by \$129,184, and supplies/services by \$183,306. Personal services increased by \$798,518 or 8% due mainly to the filling of vacant positions and increases in benefits primarily health and workers compensation insurance. Professional and legal services decrease by \$829,468 or 59% due mainly to: (a) the replacement of consulting services for the engineering and public safety departments with full time personnel; and (b) a one-time contractual payment of \$410,390 for real estate services in connection with the lease closing of Southtown building #7, which was recorded in FY 2013-14.

The following summarizes RIOC's change in net position for the fiscal years ended March 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>	<u>% Change</u>
Operating revenues:			
Residential fees	\$ 16,363,941	1,054,652	1452%
Ground rent	10,465,282	10,519,864	-1%
Commercial rent	1,446,680	1,434,674	1%
Tramway revenue	5,211,790	5,117,937	2%
Public safety reimbursement	1,713,231	1,743,828	-2%
Transport/parking revenue	2,331,339	2,469,234	-6%
Interest income	137,833	157,897	-13%
Unrealized loss	(807)	(6,875)	-88%
Other revenues	1,541,350	1,104,238	40%
Total operating revenues	<u>39,210,639</u>	<u>23,595,449</u>	66%
Operating expenses:			
Personal services	10,928,951	10,130,433	8%
Insurance	1,580,232	1,433,013	10%
Professional services and legal services	571,271	1,400,739	-59%
Management fees	4,146,286	4,101,573	1%
Telecommunications	108,115	103,010	5%
Repairs and maintenance	481,890	352,706	37%
Vehicles maintenance	288,763	351,700	-18%
Equipment purchases/lease	91,929	54,464	69%
Supplies/services	1,158,788	975,482	19%
Other expenses	421,087	389,510	8%
Total operating expenses excluding depreciation	<u>19,777,312</u>	<u>19,292,630</u>	3%
Operating income before depreciation	19,433,327	4,302,819	352%
Depreciation expense	<u>(3,518,632)</u>	<u>(3,498,737)</u>	1%
Change in net position	<u>15,914,695</u>	<u>804,082</u>	1879%
Net position, beginning of year	<u>81,079,671</u>	<u>80,275,589</u>	1%
Net position, end of year	<u>\$ 96,994,366</u>	<u>81,079,671</u>	20%

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

Management's Discussion and Analysis, Continued

**CAPITAL ASSETS**

The following summarizes RIOC's capital assets for the fiscal years ended March 31, 2015 and 2014 and the percentage change between fiscal years:

	<u>2015</u>	<u>2014</u>	<u>% Change</u>
Seawall	\$ 3,065,121	3,014,291	2%
Buildings	13,929,241	12,532,919	10%
Land improvements	6,687,030	6,673,434	0%
Vehicles and equipment	1,597,153	1,847,358	(16%)
Infrastructure	44,853,909	43,385,186	3%
Leasehold improvements	<u>109,089</u>	<u>64,139</u>	41%
Total net position	\$ <u>70,241,543</u>	<u>67,517,327</u>	4%

The capital assets of \$70,241,543 presented in the financial statements have been depreciated using the straight-line method, effective from the date of acquisition. The increase of \$2,724,216 from the prior year is comprised of the addition of new capital assets of \$6,260,865 offset by disposal of old assets of \$44,122 and related accumulated depreciation of \$26,105 as well as annual depreciation of \$3,518,632. Total depreciation expense for all capital assets amounted to \$3,518,632 and \$3,498,737 for the years ended March 31, 2015 and 2014, respectively. A more detailed analysis of RIOC's capital assets is presented in the notes to financial statements on pages 20-21.

**INFRASTRUCTURE ASSETS**

The amounts reported in the accompanying statements of net position for capital assets (net of depreciation) of RIOC of \$70,241,543 and \$67,517,327 at March 31, 2015 and 2014, respectively, do not include an amount for two infrastructure items: (1) the bulk of the seawall; and (2) 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. However, improvements to such infrastructure items are disclosed.

**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. Of the remaining Buildings, the Building 7 Lease was closed on October 10, 2013 and construction is near completion. According to the lease documents, 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 \$2,438,400. RIOC believes that the development will occur based in part on the increased interest in the Island as a result of the multi-billion dollar Cornell Technion project on the Island.

ROOSEVELT ISLAND OPERATING CORPORATION  
(A Component Unit of the State of New York)  
Management's Discussion and Analysis, Continued

Based upon the provisions of the ground lease between RIOC and Riverwalk 7, LLC ("Ground Lease"), RIOC will receive monthly rent payments upon the Rent Commencement Date, which is the earlier of: (1) the date upon which one or more Temporary Certificates of Occupancy is issued for at least 90% of the completed units; or (2) October 10, 2015. Commencing on the Rent Commencement Date, RIOC will also receive annual ground rent of \$725,760, subject to a yearly increase of three (3%) for the first thirty (30) years. On the Rent Commencement Date, RIOC will receive a lump-sum prepayment in an amount equal to \$10,080,000 as provided for in the Ground Lease. Further, RIOC will receive a Fixed Public Safety Payment at the rate of \$20.00 per unit per month, increasing 4% annually.

It is RIOC's understanding that as of March 27, 2014, Rivercross Tenants Corp. ("Housing Company") has exited the Mitchell-Lama program. Section Six of Amendment #1 to Restated Ground Lease ("Amendment"), which extended the term until 2068, provides that if the parties are unable to reach an agreement on the Financial Terms by no later than sixty days prior to the effective date Housing Company is leaving the Mitchell-Lama program, the dispute shall be settled by arbitration in the City of New York subject to certain procedures set forth in the Amendment. The arbitration process was begun, but subsequently a standstill agreement was entered into by the parties until September 14, 2015.

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 resulting in increased efficiencies and capabilities. The infrastructure improvement will be funded by a \$15 million grant from the State of New York and \$10 million from RIOC. Ridership on the Tram is increasing due to increased activities on the Island including the development of Southtown and Cornell Technion; and higher visitorship to the Four Freedoms State Park. During the fiscal year ended March 31, 2015, Tramway revenue exceeded the budget by \$258,790 or 5% (see Budget variance report - page 35).

The revitalization of Main Street and improvement of the retail businesses are in progress. On August 1, 2011 ("Commencement Date"), RIOC entered into a Master Sublease Agreement ("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. HRR is required to invest no less than \$2,365,000 in the aggregate in capital improvements during the first five years of the Agreement. According to its certified financial statements as of December 31, 2014, Hudson Related Retail LLC invested \$2,460,019 and incurred a loss of (\$447,033). According to the Agreement, RIOC will share future profits evenly once HRR is paid back its investment. HRR is yet to recoup any of its investment and has not made any profit sharing payment. RIOC anticipates that profit sharing will not begin for several more years.

ROOSEVELT ISLAND OPERATING CORPORATION  
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Management's Discussion and Analysis, Continued

Roosevelt Island was selected by the City of New York ("City") for the 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 located on the City's Goldwater Hospital site ("Goldwater Site"). To facilitate this project, on December 12, 2013, RIOC's Board resolved to: (1) amend its Master Lease with the City to exclude the 2.62 acre surrounding the site ("Parcel") so that it may be incorporated into the City's 9.8 acre Goldwater Site for the Cornell Campus; (2) approve and adopt the State Environmental Quality Review Act Findings Statement ("SEQRA"); (3) execute the Letter of Resolution regarding State Historic Preservation Act ("SHPA"); (4) enter into agreements with the State of New York ("State"), Cornell, and New York City Economic Development Corporation ("NYCEDC"), including a Development Agreement with Cornell; and (5) authorize all related actions.

For the surrender of the Parcel back to the City, RIOC will receive a financial contribution from the State of \$1,000,000 annually for 55 years payable to RIOC (escalating 2.5% every 10 years) in accordance with State budgetary procedure, with the present value of the payment fully made by December 31, 2018, to support capital infrastructure improvement on Roosevelt Island. In addition, Cornell will pay RIOC \$400,000 annually for 55 years (escalating 2% every 10 years). RIOC received the full amount of \$400,000 for FY 2014 and 2015.

RIOC has responsibility for the surrounding seawall and promenade but Cornell, at its sole cost will be responsible for the following: mitigation under SEQRA and SHPA; infrastructure improvements on, around, and under Loop Road (includes roadway work, sewers, relocation of electrical duct banks, and gas service); access to the RIOC premises under permits and License Agreements providing work plans, bonding and insurance, and incorporating construction protocols including but not limited to truck access, all approved by RIOC; air and noise pollution mitigation; payment for RIOC's Engineer and Consultant to review Work Plans for work to occur on the RIOC premises and to monitor performance of work by Cornell or its agents pursuant to Work Plans; repair of damage on the Island caused by Cornell or its agents; general indemnification for work performed by Cornell or its agents; environmental indemnification for environmental liabilities caused by Cornell or its agents; and increased security by Cornell at southern end of the Island. Cornell has commenced construction on the project site, and will continue limited barging.

The expected increase in vehicular traffic due to construction of Cornell development in Southtown, and increased tourist traffic in Four Freedoms State Park, has precipitated the need to conduct a structural evaluation of the Roosevelt Island Helix Bridge Ramp, which was rehabilitated in 1987. A qualified engineering firm was procured in May 2013; the pursuant contract includes corrective engineering and design services, preparation of contract documents, and assistance with construction. The design documents are complete; RIOC subsequently released an RFP for construction and received proposals on August 20, 2014. The awarded contractor could not obtain the required indemnity bonds. Since there is no imminent danger, RIOC has postponed the release of a second RFP in light of the ongoing construction on the Island, including the installation of risers and trenching for a high-pressure gas line that will benefit both Island residents and Cornell.

ROOSEVELT ISLAND OPERATING CORPORATION  
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Management's Discussion and Analysis, Continued

The New York City Health and Hospitals Corporation ("HHC") initially announced its intention to close and abandon in place a large steam plant located on the Island as of March 31, 2014. The plant provides heat to the Goldwater Site, Coler Hospital and several RIOC-owned facilities including Sportspark, AVAC, and the Bus Garage/Warehouse. Ownership and issues of responsibility concerning the steam plant and steam tunnel remain unresolved. The anticipated closure of the steam plant has created several issues for RIOC. First, because HHC had announced a closing date of March 31, 2014, RIOC was compelled to implement a costly temporary heating system at its Sportspark facility in advance of that date to prevent the interruption of heat if the steam plant were closed. The steam plant was closed in the fall of 2014 and the temporary heating system has since been in operation. RIOC will have to replace this temporary system with a permanent system at an estimated cost of \$1.5 million. RIOC has obtained the services of a qualified engineering firm which has provided a complete design subject to the review of NYC Department of Buildings ("DOB"). After approval has been obtained from DOB, a contractor will be selected via a competitive bidding process.

Additional engineering services were also retained for necessary repairs and recommended upgrades at the Sportspark facility. The consultants prepared a report of the facility's lighting, plumbing, and roofing systems. The analysis is complete, and it is anticipated that some of the recommended resulting upgrades will increase the efficiency of the aforementioned permanent heating system. In addition, the report indicated certain necessary emergency relief, including expedited repair of the roof of the facility which is expected to cost around \$3 million and needs to be completed before the other repair work can be done. RIOC has engaged an engineering firm to complete the design work for the Sportspark roof and expects to review a completed design by May 2015. A Request for Proposals ("RFP") for construction will be issued in early May once the design has been approved.

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 continues 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 approved by FEMA and completed: (1) repairs to fencing damaged by falling trees; (2) repairs to damaged stone benches and walkways; (3) replacement of safety mulch washed away from playgrounds; (4) repairs to damaged streetlights adorning the open

ROOSEVELT ISLAND OPERATING CORPORATION  
(A Component Unit of the State of New York)  
Management's Discussion and Analysis, Continued

space at Lighthouse Park and the underlying electric wiring; and (5) repairs to several hundred linear feet of the West Side Sidewalk. For the aforementioned projects and other eligible expenses, RIOC has incurred \$374,992. FEMA will reimburse RIOC 75% of the eligible costs based upon approved claims.

Similarly, the Island experienced damages caused by Hurricane Sandy during October 2012. Before and during the storm, RIOC staff took measures to mitigate potential damage and to protect lives and property. Similarly, staff labor was used immediately following the storm to clear the roads and open spaces of debris and downed trees, as well as prohibiting public access to potentially hazardous areas. Projects that RIOC has completed and/or expects to complete in the near future include: (1) repairs to damaged electric wiring in Lighthouse Park; (2) repairs to the footbridges in Lighthouse Park; (3) repairs to the Westside Pier; and (4) repairs to undermined z-bricks on the promenades. Both completed and in-progress work has been identified to FEMA/OEM and the projects have been deemed eligible under Federal guidelines. RIOC has received \$112,400 in connection with these projects and other eligible expenses based upon a 90% effective cost-share rate. For the eligible projects for which work continues, \$150,560 has been incurred to date, which will also be reimbursed at the 90% cost-share rate. All projects resulting from Hurricane Sandy have been filed and must be completed prior to November 3<sup>rd</sup>, 2016 - which is anticipated to be more than sufficient.

Repairs to the South Point Seawall, extending from the northern tip of the South Point park to the beginning of the Four Freedoms State Park on both the east and west side of approximately 1600 linear feet, are in progress; the design development documents were completed and accepted by RIOC and the final design documents for construction are in progress. RIOC has applied to the DEP for the construction permits, and DEP has received the permits from the Army Corp of Engineers. The consultant is in the process of finalizing the required soil management plan for the work with DEC. RIOC has received the final design documents and permits, and has issued a Request for Qualifications (RFQ) to identify contractors capable of performing the specialized marine construction services. RIOC received 13 responses to the RFQ and will issue an RFP for construction. RIOC estimates that the repairs would cost approximately \$16.5 million inclusive of replacement of the seawall railings and be completed by 2016. Of the estimated \$16.5 million, FEMA has deemed an estimated \$1,098,656 of expenses to be incurred for the repair of approximately 100 linear feet of seawall breached during Hurricane Irene as eligible for reimbursement. Of this \$1,098,656 in eligible expenses RIOC has incurred \$58,673 to date. FEMA will reimburse 75% of the eligible costs based upon approved claims. RIOC has also submitted an application to the FEMA Hazard Mitigation Grant Program in the amount of \$15.3 million and is awaiting a response from FEMA.

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

Management's Discussion and Analysis, Continued

RIOC's 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 progress include repairs to the Helix Ramp estimated at \$2.5 million; maintaining a state of good repair on the Island's newly renovated Aerial Tramway including the replacement of the current elevator with an ADA-compliant one and the addition of a new ADA-compliant elevator as well as rehabilitation of the Manhattan-station roof at \$3.5 million; renovation of the Bus Garage/Warehouse for an estimated cost of \$3.9 million; rehabilitation of the Island's seawall for an estimated cost of \$21.6 million; replacement of the railings for an estimated cost of \$6 million; removal of Z-Bricks and replacement with asphalt paving on Main Street for an estimated cost of \$600,000; augmentation of rip-rap along the Steam Tunnel on the eastern side of the Island for an estimated cost of \$500,000; improvements to the Sportspark facility including the implementation of a permanent heating system at an estimated cost of \$700,000, and replacement of the roof at an estimated cost of \$3 million; and the island wide security camera system at an estimated cost of \$1.2 million for Phases 1 and 2 as well as a portion of Phase 3.

**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.

ROOSEVELT ISLAND OPERATING CORPORATION  
(A Component Unit of the State of New York)  
Statements of Net Position  
March 31, 2015 and 2014

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Cash	\$ 1,130,550	244,565
Short-term investments	53,821,717	41,841,323
Receivables	865,847	1,322,482
Prepaid expenses	<u>1,595,684</u>	<u>1,545,134</u>
Total current assets	57,413,798	44,953,504
Noncurrent investments	2,895,403	2,387,367
Capital assets, net of accumulated depreciation	<u>70,241,543</u>	<u>67,517,327</u>
Total assets	<u>\$ 130,550,744</u>	<u>114,858,198</u>
<u>Liabilities and Net Position</u>		
Current liabilities - accounts payable and accrued expenses	773,869	1,090,012
Compensated absences	654,762	579,748
Unearned revenue	28,680,095	29,213,679
Postemployment benefits other than pension	3,395,875	2,892,456
Other liabilities	<u>51,777</u>	<u>2,632</u>
Total liabilities	<u>33,556,378</u>	<u>33,778,527</u>
Net position:		
Net investment in capital assets	70,241,543	67,517,327
Restricted for capital projects	23,425,543	13,020,543
Unrestricted net assets	<u>3,327,280</u>	<u>541,801</u>
Total net position	<u>96,994,366</u>	<u>81,079,671</u>
Commitments and contingencies (note 9)		
Total liabilities and net position	<u>\$ 130,550,744</u>	<u>114,858,198</u>

See accompanying notes to financial statements.

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenue:		
Residential fees	\$ 16,363,941	1,054,652
Ground rent	10,465,282	10,519,864
Commercial rent	1,446,680	1,434,674
Tramway revenue	5,211,790	5,117,937
Public safety reimbursement	1,713,231	1,743,828
Transport/parking revenue	2,331,339	2,469,234
Interest income	137,833	157,897
Unrealized loss	(807)	(6,875)
Other revenue	<u>1,541,350</u>	<u>1,104,238</u>
Total operating revenue	<u>39,210,639</u>	<u>23,595,449</u>
Operating expenses:		
Personal services	10,928,951	10,130,433
Insurance	1,580,232	1,433,013
Professional services and legal services	571,271	1,400,739
Management fees	4,146,286	4,101,573
Telecommunications	108,115	103,010
Repairs and maintenance	481,890	352,706
Vehicles maintenance	288,763	351,700
Equipment purchases/lease	91,929	54,464
Supplies/services	1,158,788	975,482
Other expenses	<u>421,087</u>	<u>389,510</u>
Total operating expenses	<u>19,777,312</u>	<u>19,292,630</u>
Operating income before depreciation	19,433,327	4,302,819
Depreciation expense	<u>3,518,632</u>	<u>3,498,737</u>
Change in net position	15,914,695	804,082
Net position at beginning of year	<u>81,079,671</u>	<u>80,275,589</u>
Net position at end of year	<u>\$ 96,994,366</u>	<u>81,079,671</u>

See accompanying notes to financial statements.

ROOSEVELT ISLAND OPERATING CORPORATION  
(A Component Unit of the State of New York)  
Statements of Cash Flows  
Years ended March 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Receipts from tenants and customers	\$ 39,650,759	23,191,233
Payments related to employees	(10,832,430)	(10,096,743)
Payments to vendors	<u>(9,183,049)</u>	<u>(9,109,941)</u>
Net cash provided by operating activities	<u>19,635,280</u>	<u>3,984,549</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(6,260,865)	(2,301,859)
Purchase of noncurrent investments	(12,488,430)	(336,911)
Purchase of short-term investments	-	(2,976,727)
Sale of short-term investments	<u>-</u>	<u>1,183,372</u>
Net cash used in capital and related financing activities	<u>(18,749,295)</u>	<u>(4,432,125)</u>
Net increase (decrease) in cash	885,985	(447,576)
Cash at beginning of year	<u>244,565</u>	<u>692,141</u>
Cash at end of year	<u>\$ 1,130,550</u>	<u>244,565</u>
Cash flows from operating activities:		
Operating income	15,914,695	804,082
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,518,632	3,498,737
Loss on disposition of asset	18,017	10,337
Changes in:		
Receivables	456,635	(236,331)
Prepaid expenses	(50,550)	(107,832)
Accounts payable and accrued expenses	(316,143)	280,553
Compensated absences	75,014	23,597
Unearned revenue	(533,584)	(697,266)
Postemployment benefits other than pension	503,419	509,786
Other liabilities	<u>49,145</u>	<u>(101,114)</u>
Net cash provided by operating activities	<u>\$ 19,635,280</u>	<u>3,984,549</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, 2015

(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 (GASB) 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 additional 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.

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

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(b) Budgetary Information

During the year ended March 31, 2015, 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, which is included under supplementary information.

(c) Cash and Cash Equivalents

The following is a summary of cash and cash equivalents as of March 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cash - deposits	\$ <u>1,130,550</u>	<u>244,565</u>
Short-term investments:		
Certificates of deposit (CDARS)	21,218,472	21,185,589
Money market accounts	<u>32,603,245</u>	<u>20,655,734</u>
	<u>53,821,717</u>	<u>41,841,323</u>
Total cash and short-term investments	\$ <u>54,952,267</u>	<u>42,085,888</u>

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 \$37,915,593 and \$24,715,933 as of March 31, 2015 and 2014, respectively.

As of March 31, 2015, bank balances of \$554,776 were uninsured.

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's investment guidelines limited its investments of funds primarily to 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. The carrying amount of these investments are \$2,895,403 and 2,387,367 for the years ended March 31, 2015 and 2014, respectively.

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(e) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported on the statements of net position 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:

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

(f) Compensated Absences

It is RIOC's policy to accrue for unused absences for all full time employees. Accrued compensatory time as of March 31, 2015 and 2014 were \$654,762 and \$579,748, respectively.

(g) 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-three years on the ground lease for the City of New York expiring in 2068 under the accrual basis of accounting.

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

Breakdown is as follows:

<u>Buildings</u>	Balance at April 1, 2014	<u>Additions</u>	<u>Amortization</u>	Balance at March 31, 2015
Octagon	\$ 2,592,654	-	(47,356)	2,545,298
Southtown Bldg # 1	1,742,994	-	(31,836)	1,711,158
Southtown Bldg #2	1,663,194	-	(30,378)	1,632,816
Southtown Bldg #3	3,554,394	-	(64,920)	3,489,474
Southtown Bldg #4	4,634,134	-	(84,642)	4,549,492
Southtown Bldg #5	5,917,738	-	(108,086)	5,809,652
Southtown Bldg #6	<u>9,108,571</u>	<u>-</u>	<u>(166,366)</u>	<u>8,942,205</u>
Total	<u>\$ 29,213,679</u>	<u>-</u>	<u>(533,584)</u>	<u>28,680,095</u>

(h) Public Purpose Grants

Included in "Other Expenses" are expenditures for public purpose grants of \$275,500 and \$258,925 for the years ended March 31, 2015 and 2014 respectively. The Roosevelt Island Youth Center was granted \$175,000 each year to help fund operating expenses. The remaining grants were awarded to various Island-based not-for-profits upon evaluation of their applications and Board approval. The future of the Public Purpose Fund program is uncertain.

(i) Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America 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.

(j) Subsequent Events

Management has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

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

Notes to Financial Statements, Continued

(3) Capital Assets

Capital assets for the year ended March 31, 2015 are summarized as follows:

<u>Buildings</u>	Balance at April 1, <u>2014</u>	<u>Increase</u>	<u>Decrease</u>	Balance at March 31, <u>2015</u>
Capital assets:				
Seawall	\$ 3,989,825	106,510	-	4,096,335
Building and building improvements	42,943,973	2,725,436	-	45,669,409
Landmarks	14,217,014	325,472	-	14,542,486
Vehicles	4,286,979	61,330	(44,122)	4,304,187
Equipment	3,392,366	325,836	-	3,718,202
Infrastructure	52,674,648	2,665,113	-	55,339,761
Leasehold improvements	<u>67,289</u>	<u>51,168</u>	-	<u>118,457</u>
Total capital assets	<u>121,572,094</u>	<u>6,260,865</u>	<u>(44,122)</u>	<u>127,788,837</u>
Less accumulated depreciation:				
Seawall	(975,534)	(55,680)	-	(1,031,214)
Building and building improvements	(30,411,054)	(1,329,114)	-	(31,740,168)
Landmarks	(7,543,580)	(311,876)	-	(7,855,456)
Vehicles	(2,733,959)	(435,995)	26,105	(3,143,849)
Equipment	(3,098,028)	(183,359)	-	(3,281,387)
Infrastructure	(9,289,462)	(1,196,390)	-	(10,485,852)
Leasehold improvement	<u>(3,150)</u>	<u>(6,218)</u>	-	<u>(9,368)</u>
Total accumulated depreciation	<u>(54,054,767)</u>	<u>(3,518,632)</u>	<u>26,105</u>	<u>(57,547,294)</u>
Net capital assets	<u>\$ 67,517,327</u>	<u>2,742,233</u>	<u>(18,017)</u>	<u>70,241,543</u>

ROOSEVELT ISLAND OPERATING CORPORATION  
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Notes to Financial Statements, Continued

(3) Capital Assets, Continued

Capital assets for the year ended March 31, 2014 are summarized as follows:

<u>Buildings</u>	Balance at April 1, <u>2013</u>	<u>Increase</u>	<u>Decrease</u>	Balance at March 31, <u>2014</u>
Capital assets:				
Seawall	\$ 3,725,049	264,776	-	3,989,825
Building and building improvements	42,006,797	937,176	-	42,943,973
Landmarks	14,049,173	167,841	-	14,217,014
Vehicles	4,395,262	2,261	(110,544)	4,286,979
Equipment	3,375,166	17,200	-	3,392,366
Infrastructure	51,790,208	884,440	-	52,674,648
Leasehold improvements	<u>39,122</u>	<u>28,167</u>	<u>-</u>	<u>67,289</u>
Total capital assets	<u>119,380,777</u>	<u>2,301,861</u>	<u>(110,544)</u>	<u>121,572,094</u>
Less accumulated depreciation:				
Seawall	(923,160)	(52,374)	-	(975,534)
Building and building improvements	(29,093,167)	(1,317,887)	-	(30,411,054)
Landmarks	(7,239,886)	(303,694)	-	(7,543,580)
Vehicles	(2,397,748)	(436,417)	100,206	(2,733,959)
Equipment	(2,905,508)	(192,520)	-	(3,098,028)
Infrastructure	(8,096,767)	(1,192,695)	-	(9,289,462)
Leasehold improvement	<u>-</u>	<u>(3,150)</u>	<u>-</u>	<u>(3,150)</u>
Total accumulated depreciation	<u>(50,656,236)</u>	<u>(3,498,737)</u>	<u>100,206</u>	<u>(54,054,767)</u>
Net capital assets	<u>\$ 68,724,541</u>	<u>(1,196,876)</u>	<u>(10,338)</u>	<u>67,517,327</u>

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

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

(a) Residential Fees

The net present value (NPV) fee for Octagon and Southtown buildings #1, 2, 3, 4, 5 and 6 were collected in advance and recognized over the term of the lease - see above section 2 (g) Unearned Revenue. Tax equivalent payments (TEP) are collected and recognized from Southtown buildings # 5, 6 and 7 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  
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Notes to Financial Statements, 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. Excluding one-time transaction payments of \$12,600,000 and \$2,737,638 from the refinancing of the existing mortgage of Manhattan Park and the assignment of the Eastwood Lease to BSREP UA Roosevelt Landings, LLC; respectively, 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, 6 and 7; 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 for the years ended March 31, 2015 and 2014.

In addition to the ground rent mentioned above, RIOC received a percentage payment, which is based on a tiered percentage formula of Manhattan Park's gross income. As of January 1, 2012 and continuing through December 31, 2026, the percentage payment will increase by the excess of the applicable percentages of gross income over the sum of the prior year's fixed ground rent of \$4,000,000 and percentage rent of \$2,040,649. For the year ended March 31, 2015, the percentage rent earned was \$2,040,649; and the same amount, \$2,040,649, for the year ended March 31, 2014. Furthermore, on June 26, 2014, RIOC's board approved the refinancing of the existing mortgage for Manhattan Park, which resulted in transaction fees in the amount of \$12,600,000.

Roosevelt Landings (formerly Eastwood) - Pursuant to an Amended and Restated Lease between RIOC and North Town Roosevelt, LLC ("North Town") dated September 21, 2006 (the "Eastwood Lease"), the base ground rent increased to \$1 million per year effective October 1, 2006, plus a percentage increase in accordance with annual rent rolls increases. Ground rents earned totaled \$1,416,484 and \$1,390,642 for the years ended March 31, 2015 and 2014, respectively. On July 18, 2014, North Town entered into a Purchase and Sale Agreement ("PSA") by and among North Town, as seller, and BSREP US Operating LLC, as purchaser, pursuant to which North Town's interest as tenant in the Eastwood Lease was to be assigned to the purchaser, or its designee. On

ROOSEVELT ISLAND OPERATING CORPORATION  
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Notes to Financial Statements, Continued

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

(b) Ground Rent, Continued

September 10, 2014, RIOC's board approved the assignment of the lease to BSREP UA Roosevelt Landings LLC, a designee of BSREP US Operating LLC. In connection with the assignment of the Eastwood Lease, RIOC received a Transaction Payment in the amount of \$2,737,638.

Northtown Phase II Houses, Inc. (Island House) - The ground sublease between RIOC and North Town Phase II Houses, Inc., dated October 30, 1972, was amended with the base rent increasing from \$136,000 to \$236,000 per year effective January 01, 2013 - increasing by 10% on each 5<sup>th</sup> anniversary for 30 years.

Northtown Phase IV Houses, Inc. (Rivercross) - An amendment to the restated ground sublease was executed with Rivercross Tenants Corp, as successor in interest to Northtown Phase IV Associates effective March 29, 2011 ("Effective Date"). On the first anniversary of the Effective Date, residential ground rent to RIOC increased 4% from \$2,624.48 to \$2,729.46 per month - increasing by 4% on each anniversary of the Effective Date through 2068.

Ground rents for Southtown Buildings # 1, 2, 3, 4 and for a portion of Buildings # 5 and 6, as well as the Octagon were paid in advance and are reflected under note 2 paragraph (g) Unearned revenue. The current portion of ground rents for Building #5 and 6 totaled \$1,450,825 in accordance with the ground leases dated August 06, 2007. Southtown Building #7, which is under construction, paid \$211,680 in ground rents as per the terms of the ground lease dated October 10, 2013.

(c) Commercial Rent

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 Commercial Retail Spaces controlled by RIOC. HRR will pay RIOC an annual guaranteed rent of \$900,000 plus participation in the profits of HRR. According to the agreement, RIOC will share future profits evenly once HRR is paid back its investment. According to its certified financial statements as of December 31, 2014, Hudson Related Retail LLC invested \$2,460,019 and incurred a loss of (\$447,033).

In addition, RIOC entered into a license with HCK Recreation, Inc. ("HCK") on November 16, 1989 for the operation of a tennis facility, which was amended three times with the latest amendment requiring HCK to pay the greater of \$250,000 per annum or 10% of gross receipts for the period May 1, 2011 to April 30, 2016. Furthermore, on January 15, 2002, RIOC entered into an agreement with The Child School ("School") to develop and operate the School. The agreement requires the School to pay \$275,000 per annum with an escalation in an amount equal to the percentage increase in the State's Education Department tuition reimbursement received by the School.

ROOSEVELT ISLAND OPERATING CORPORATION  
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Notes to Financial Statements, 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 City 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 ridership. There is a franchise fee expense associated with this agreement that is  $\frac{1}{2}$  of 1 percent of gross sales. Tramway revenues were \$5,211,790 and \$5,117,937 for the years ended March 31, 2015 and 2014, respectively.

(e) Public Safety Reimbursement

The intent of the initial agreements with the four original Mitchell-Lama housing projects (the “WIRE Projects”) was for RIOC 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 \$1,713,231 and \$1,743,828 for the years ended March 31, 2015 and 2014, 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 \$1,962,485 and \$1,871,690 for the years ended March 31, 2015 and 2014, respectively.

Transportation revenues from the provision of bus services totaled \$117,615 and \$458,562 for the years ended March 31, 2015 and 2014, respectively. The decline in bus service revenues was offset by a cost-savings of \$102,795 for operating the bus service. The cost of running the bus service totaled \$1,467,270 and \$1,570,065 for the same respective periods. Additionally, revenues from street parking meters for these periods totaled \$251,239 and \$138,982.

(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  
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Notes to Financial Statements, Continued

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

(h) De-designation Fee Income

The Development Agreement for Southtown buildings (“Buildings”) seven (7) through nine (9) between Hudson Related Joint Venture (“Developer”) and RIOC included a contingent de-designation (cancellation of project or portion of) fee of \$2,438,400. The Development Agreement is collateralized by a Guaranty Letter of Credit issued by Deutsche Bank Trust Company, NA in the amount of \$2,438,400 maturing on August 15, 2015, to be renewed annually. The Building 7 Lease was closed on October 10, 2013 and construction is in progress. 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 the 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>
2016	\$ 13,293,824	1,512,957
2017	13,618,358	1,569,119
2018	15,199,106	1,605,957
2019	15,573,855	1,873,776
2020	<u>16,645,892</u>	<u>2,174,604</u>
Total	\$ <u>74,331,035</u>	<u>8,736,413</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 a minimal annual cost of \$3,397,200 plus certain operating costs associated with operation of the Tramway System. It is expected that this agreement will be re-bid in 2015.

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 a minimal annual management fee of \$40,000 and certain maintenance and operating costs in connection with the management of the garage.

ROOSEVELT ISLAND OPERATING CORPORATION  
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Notes to Financial Statements, Continued

(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 RIOCI contributes are detailed as follows:

(a) Non-Union Employees

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. For Tier 6 employees, beginning April 1, 2013, contributions are as follows: Up to \$45K = 3%; \$45,001 to \$55K = 3.5%; \$55,001 to \$75K = 4.5%; \$75,001 to \$100K = 5.75%; Greater than \$100K = 6% for the entire duration of State 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.

New York State Employees Retirement System ("NYSERS") eligibility requirements:

Tier 1 (Member before July 1, 1973):

- a. For reduced pension benefits: Age 55 with 5 years of service.
- b. For full pension benefits: Age 55 with 20 years of service.

Tiers 2, 3, and 4 (Became a member after July 1, 1973):

- a. For reduced pension benefits: Age 55 with 5 years of service.
- b. For full pension benefits: Age 55 with 30 years of service or age 62 with 20 years of service.

ROOSEVELT ISLAND OPERATING CORPORATION  
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Notes to Financial Statements, Continued

(7) Retirement Plans, Continued

(a) Non-Union Employees, Continued

Tier 5 (Became a member on or after January 1, 2010):

- a. For reduced pension benefits: Age 55 with 10 years of service.
- b. For full pension benefits: Age 62 with 10 years of service.

Tier 6 (Became a member on or after April 1, 2012):

- a. For reduced pension benefits: Age 55 with 10 years of service.
- b. For full pension benefits: Age 63 with 10 years of service.

RIOC is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were approximately:

March 31, 2013	\$ 583,380
March 31, 2014	\$ 540,970
March 31, 2015	\$ 516,769

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 \$256,793 and \$216,680 for the years ended March 31, 2015 and 2014, 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, 2016 were appropriately increased to provide adequate protection for RIOC as follows:

<u>Coverages</u>	<u>2015-2016 Coverage Amount</u>
General liability - RIOC and Tram	\$125 million limit
Property	\$75 million limit
Boiler and machinery	\$100 million limit
Automobile	\$1 million limit
Public officials liability	\$5 million limit

(9) Commitments and Contingencies

Commitments and contingencies at March 31, 2015 and 2014 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, 2015 and 2014 were approximately \$155,984 and \$86,000; respectively.

ROOSEVELT ISLAND OPERATING CORPORATION  
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Notes to Financial Statements, Continued

(9) Commitments and Contingencies, Continued

(b) Litigation

RIOC is a defendant in various lawsuits. In the opinion of RIOCI's legal counsel, these suits should not result in judgments which in the aggregate would have a material adverse effect on RIOCI's financial statements.

(c) Revenue Allocation Agreement - between New York State Urban Development Corporation (UDC), now known as the Empire State Development (ESD) and Roosevelt Island Operating Corporation (RIOCI)

On August 3<sup>rd</sup>, 1988 ESD and RIOCI entered into an agreement in the sharing of all revenues derived by RIOCI in order for ESD to recover it's investment in Roosevelt Island. The total amount invested in developing the Roosevelt Island infrastructure and funding of ESD's operating deficits prior to the assignment of operations to RIOCI amounted to \$170,356,976 along with a stated interest rate of 5.74%. In addition, there are other State Operating Subsidies and State Capital Investments that were received and may have to be repaid under the terms of the Revenue Allocation Agreement. The agreement calls for revenues to be allocated in the following manner; (1) RIOCI Operating Expenditures, (2) Satisfaction of UDC's Accrued Operating Deficit, (3) Satisfaction of UDC's Public Facilities Debt, (4) Satisfaction of other State Operating Subsidies, and (5) Satisfaction of other State Capital Investments. To date, no revenues have been allocated for the satisfaction of ESD debt other than "Tax Equivalency Payments" ("TEP") payments for Roosevelt Island's original affordable "Mitchell-Lama" buildings. ESD has acknowledged that there are significant projected future capital investments to be made by RIOCI.

(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" (OPEB) 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 RIOCI. 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.

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Notes to Financial Statements, Continued

(10) Postemployment Benefits Other Than Pensions, Continued

Total expenditures charged to operations for the years ended March 31, 2015 and 2014 amounted to \$643,553 and \$637,017, respectively. At March 31, 2015, the liability for active and retired employees included in non-current accrued fringe benefits amounted to \$3,395,875.

The number of participants as of January 1, 2015 was as follows:

Active employees	36
Retired employees	9
Spouses of retired employees	<u>6</u>
Total	<u>51</u>

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 funds have been set aside for this purpose and are discussed in note 2(d), but a trust has not been established. Currently, OPEB trusts are not allowed in New York State.

<u>Benefit Obligations and Normal Cost</u>	<u>2015</u>	<u>2014</u>
Actuarial accrued liability (AAL):		
Actuarial accrued liability	\$ 6,833,798	6,636,223
Less: Actuarial value of assets	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u>6,833,798</u>	<u>6,636,223</u>
Normal cost	\$ <u>363,865</u>	<u>364,808</u>
<u>Annual OPEB Cost and Net OPEB Obligation</u>		
Annual required contribution	\$ 647,671	640,408
Interest on net OPEB obligation	115,698	95,307
Adjustment to annual required contribution	<u>(119,816)</u>	<u>(98,698)</u>
Annual OPEB cost (expense)	643,553	637,017
Contribution made on a pay-as-you-go basis	<u>(140,134)</u>	<u>(127,230)</u>
Increase in net OPEB obligation	503,419	509,787
Net OPEB obligation at beginning of year	<u>2,892,456</u>	<u>2,382,669</u>
Net OPEB obligation at end of year	\$ <u>3,395,875</u>	<u>2,892,456</u>

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	2.5%
Retirement rates	Later of age 65 and first eligibility

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Notes to Financial Statements, Continued

(10) Postemployment Benefits Other Than Pensions, Continued

Healthcare cost trend:

<u>Year</u>	<u>Medical Trend Rate</u>
2014	10.8%
2015	6.1%
2016	5.5%
2020	5.4%
2030	5.5%
2040	5.5%
2050	5.1%
Ultimate	4.2%

(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. 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, 2014, which is the fiscal year beginning April 1, 2015 for RIOC. This statement is not expected to have a material effect on the financial statements of the Corporation.
- 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, if any, that this statement will have on the future financial statements of RIOC.

ROOSEVELT ISLAND OPERATING CORPORATION  
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Notes to Financial Statements, Continued

(12) Accounting Standards Issued But Not Yet Implemented, Continued

- GASB Statement No. 69 - “Government Combinations and Disposals of Government Operations” establishes accounting and financial reporting standards for government mergers, acquisitions, and disposals. The Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effect of those transactions. The requirements of this Statement are effective for periods beginning after December 15, 2013, which is the fiscal year beginning April 1, 2014 for the Corporation. RIOC had no merger, acquisition, or disposal and accordingly did not make any such disclosure.
- GASB Statement No. 70 - “Accounting and Financial Reporting for Nonexchange Financial Guarantees” improves the accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The requirements of this statement are effective for periods beginning after June 15, 2013, which is the fiscal year beginning April 1, 2014 for the Corporation. RIOC did not extend nor receive any financial guarantees and accordingly recognized neither a liability nor such revenue.
- GASB Statement No. 71 - “Pension Transition for Contributions Made Subsequent to the Measurement Date” addresses an issue regarding application of the transition provisions of GASB Statement No. 68 - “Accounting and Financial Reporting for Pensions.” This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of this statement are effective for the same period that the entity implements GASB Statement No. 68. Management is in the process of evaluating the potential impact due to the implementation of this statement on the financial statements of the Corporation.
- GASB Statement No. 72 - “Fair Value Measurement and Application.” This statement, which was issued in February 2015, provides guidance regarding accounting and financial reporting issues related to fair value measurements for certain investments and disclosures related to fair value measurements. The requirements of this statement are effective for periods beginning after June 15, 2015, which is the fiscal year beginning April 1, 2016 for the Corporation. The statement is being evaluated for its effect on the financial statements of the Corporation.

ROOSEVELT ISLAND OPERATING CORPORATION  
(A Component Unit of the State of New York)  
Required Supplementary Information - Schedule of Funding Progress  
Other Postemployment Benefits  
Last Three Fiscal Years

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as a Percentage of Covered Payroll</u>
October 23, 2014	\$ -	6,833,798	6,833,798	0%	2,635,442	259.30%
October 23, 2013	-	6,636,223	6,636,223	0%	2,558,682	259.36%
April 1, 2012	-	4,879,082	4,879,082	0%	3,541,286	137.78%

ROOSEVELT ISLAND OPERATING CORPORATION  
(A Component Unit of the State of New York)  
Schedule of Operations by Department  
Year ended March 31, 2015

	General Fund										Total	
	General Fund	Operations	Public Safety	Transportation	Parking	Parks/Rec.	Tram	Public purpose fund	Capital fund	Reserved fund		
<b>Revenue:</b>												
Residential fees	\$15,908,997	15,908,997	-	-	-	-	-	-	253,358	201,586	16,363,941	
Ground rent	10,065,282	10,065,282	-	-	-	-	-	-	400,000	-	10,465,282	
Commercial rent	1,446,680	1,446,680	-	-	-	-	-	-	-	-	1,446,680	
Tramway revenue	5,211,790	-	-	-	-	-	5,211,790	-	-	-	5,211,790	
Public safety reimbursement	1,713,231	-	1,713,231	-	-	-	-	-	-	-	1,713,231	
Transportation and parking	2,331,339	-	-	117,615	2,213,724	-	-	-	-	-	2,331,339	
Interest income	6,784	6,784	-	-	-	-	-	2	5,845	125,202	137,833	
Unrealized loss	-	-	-	-	-	-	-	-	(807)	-	(807)	
Other revenue	1,541,350	833,023	-	-	-	-	-	-	-	-	1,541,350	
<b>Total revenue</b>	<b>38,225,453</b>	<b>28,260,766</b>	<b>1,713,231</b>	<b>117,615</b>	<b>2,213,724</b>	<b>708,327</b>	<b>5,211,790</b>	<b>2</b>	<b>658,396</b>	<b>326,788</b>	<b>39,210,639</b>	
<b>Expenses:</b>												
<b>Personal services:</b>												
Salaries	6,897,711	3,435,939	2,070,511	882,454	-	508,807	-	-	-	-	6,897,711	
Temporary employees	165,994	157,579	-	-	-	8,415	-	-	-	-	165,994	
Employee benefits	3,790,231	2,420,548	877,569	321,296	-	170,818	-	-	-	-	3,790,231	
Compensated absences	75,015	75,015	-	-	-	-	-	-	-	-	75,015	
<b>Total personal services</b>	<b>10,928,951</b>	<b>6,089,081</b>	<b>2,948,080</b>	<b>1,203,750</b>	<b>-</b>	<b>688,040</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,928,951</b>	
<b>Other than personal services:</b>												
Insurance	1,580,232	1,410,348	-	-	-	-	169,884	-	-	-	1,580,232	
Professional services	260,737	172,386	41,811	-	-	46,540	-	-	-	-	260,737	
Management fees	4,146,286	-	-	-	706,770	-	3,439,516	-	-	-	4,146,286	
Legal services	310,534	310,534	-	-	-	-	-	-	-	-	310,534	
Telecommunications	108,115	108,115	-	-	-	-	-	-	-	-	108,115	
Island improvements/capital plan	163,984	163,984	-	-	-	-	-	-	-	-	163,984	
Repairs and maintenance	317,906	198,844	7,093	4,958	1,154	36,541	69,316	-	-	-	317,906	
Vehicles maintenance	288,763	69,126	24,328	194,752	-	557	-	-	-	-	288,763	
Equipment purchases/lease	91,929	80,271	2,145	2,230	-	-	7,283	-	-	-	91,929	
Supplies/services	1,158,788	482,957	93,154	60,387	51,319	276,025	194,946	-	-	-	1,158,788	
Other expenses	145,587	69,831	14,690	1,193	-	59,873	-	275,500	-	-	421,087	
<b>Total other than personal services</b>	<b>8,572,861</b>	<b>3,066,396</b>	<b>183,221</b>	<b>263,520</b>	<b>759,243</b>	<b>419,536</b>	<b>3,880,945</b>	<b>275,500</b>	<b>-</b>	<b>-</b>	<b>8,848,361</b>	
<b>Total operating expenses, excluding depreciation</b>	<b>19,501,812</b>	<b>9,155,477</b>	<b>3,131,301</b>	<b>1,467,270</b>	<b>759,243</b>	<b>1,107,576</b>	<b>3,880,945</b>	<b>275,500</b>	<b>-</b>	<b>-</b>	<b>19,777,312</b>	
Operating income (loss) before depreciation	18,723,641	19,105,289	(1,418,070)	(1,349,655)	1,454,481	(399,249)	1,330,845	(275,498)	658,396	326,788	19,433,327	
Depreciation expense	-	-	-	-	-	-	-	-	(3,518,632)	-	(3,518,632)	
<b>Operating income (loss)</b>	<b>\$18,723,641</b>	<b>19,105,289</b>	<b>(1,418,070)</b>	<b>(1,349,655)</b>	<b>1,454,481</b>	<b>(399,249)</b>	<b>1,330,845</b>	<b>(275,498)</b>	<b>(2,860,236)</b>	<b>326,788</b>	<b>15,914,695</b>	

ROOSEVELT ISLAND OPERATING CORPORATION  
(A Component Unit of the State of New York)  
Schedule of Operations by Department  
Year ended March 31, 2014

	General Fund										Total
	General Fund	Operations	Public Safety	Transportation	Parking	Parks/Rec.	Tram	Public purpose fund	Capital fund	Reserved fund	
Revenue:	\$ 488,076	488,076	-	-	-	-	-	-	364,990	201,586	1,054,652
Residential fees	10,119,864	10,119,864	-	-	-	-	-	-	400,000	-	10,519,864
Ground rent	1,434,674	1,434,674	-	-	-	-	-	-	-	-	1,434,674
Commercial rent	5,117,937	-	-	-	-	5,117,937	-	-	-	-	5,117,937
Tramway revenue	1,743,828	-	1,743,828	-	-	-	-	-	-	-	1,743,828
Public safety reimbursement	2,469,234	-	-	458,562	2,010,672	-	-	-	-	-	2,469,234
Transportation and parking	5,749	5,749	-	-	-	-	-	2	1,876	150,270	157,897
Interest income	-	-	-	-	-	-	-	-	(6,875)	-	(6,875)
Unrealized loss	1,104,238	362,611	-	-	-	741,627	-	-	-	-	1,104,238
Other revenue	22,483,600	12,410,974	1,743,828	458,562	2,010,672	741,627	5,117,937	2	759,991	351,856	23,595,449
Total revenue	6,511,432	3,155,765	1,981,121	907,029	-	467,517	-	-	-	-	6,511,432
Expenses:	180,795	180,795	-	-	-	-	-	-	-	-	180,795
Personal services:	3,414,609	2,206,980	723,557	326,968	-	157,104	-	-	-	-	3,414,609
Salaries	23,597	23,597	-	-	-	-	-	-	-	-	23,597
Temporary employees	10,130,433	5,567,137	2,704,678	1,233,997	-	624,621	-	-	-	-	10,130,433
Employee benefits	1,433,013	1,283,013	-	-	-	-	150,000	-	-	-	1,433,013
Compensated absences	1,193,957	907,365	243,090	-	-	42,985	517	-	-	-	1,193,957
Total personal services	4,101,573	2,067,828	2,067,828	2,067,828	640,165	3,461,408	-	-	-	-	4,101,573
Other than personal services:	206,782	206,782	-	-	-	-	-	-	-	-	206,782
Insurance	103,010	103,010	-	-	-	-	-	-	-	-	103,010
Professional services	6,000	6,000	-	-	-	-	-	-	-	-	6,000
Management fees	346,706	240,362	12,047	12,858	29,854	16,119	35,466	-	-	-	346,706
Legal services	351,700	47,597	22,747	280,672	-	684	-	-	-	-	351,700
Telecommunications	54,464	46,761	3,955	(317)	-	-	4,065	-	-	-	54,464
Island improvements/capital plan	975,482	469,370	69,171	39,570	61,426	153,981	181,964	-	-	-	975,482
Repairs and maintenance	130,562	66,435	5,717	3,286	-	55,124	-	-	-	-	130,562
Vehicles maintenance	8,903,249	3,376,695	356,727	336,069	731,445	268,893	3,833,420	258,948	-	-	8,903,249
Equipment purchases/lease	19,033,682	8,943,832	3,061,405	1,570,066	731,445	893,514	3,833,420	258,948	-	-	19,033,682
Supplies/services	3,449,918	3,467,142	(1,317,577)	(1,111,504)	1,279,227	(151,887)	1,284,517	(258,946)	759,991	351,856	3,449,918
Other expenses	-	-	-	-	-	-	-	-	-	-	-
Total other than personal services	3,449,918	3,467,142	(1,317,577)	(1,111,504)	1,279,227	(151,887)	1,284,517	(258,946)	759,991	351,856	3,449,918
Total operating expenses, excluding depreciation	19,033,682	8,943,832	3,061,405	1,570,066	731,445	893,514	3,833,420	258,948	-	-	19,292,630
Operating income (loss) before depreciation	3,449,918	3,467,142	(1,317,577)	(1,111,504)	1,279,227	(151,887)	1,284,517	(258,946)	759,991	351,856	4,302,819
Depreciation expense	-	-	-	-	-	-	-	-	-	-	-
Operating income (loss)	3,449,918	3,467,142	(1,317,577)	(1,111,504)	1,279,227	(151,887)	1,284,517	(258,946)	759,991	351,856	4,302,819
									3,498,737		3,498,737
									(2,738,746)		804,082

ROOSEVELT ISLAND OPERATING CORPORATION  
(A Component Unit of the State of New York)  
Budget Variance Report  
For the year ended March 31, 2015

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>	
			<u>Variance</u>	<u>Percent</u>
<b>Revenue:</b>				
Residential fees revenue	\$16,363,941	1,030,000	15,333,941	1489%
Ground rent	10,465,282	10,092,000	373,282	4%
Commercial rent	1,446,680	1,483,000	(36,320)	-2%
Tramway revenue	5,211,790	4,953,000	258,790	5%
Public safety reimbursement	1,713,231	1,763,000	(49,769)	-3%
Transport/parking revenue	2,331,339	2,384,000	(52,661)	-2%
Interest income	137,833	175,000	(37,167)	-21%
Unrealized loss	(807)	-	(807)	-100%
Other revenue	1,541,350	1,260,000	281,350	22%
Total revenue	<u>39,210,639</u>	<u>23,140,000</u>	<u>16,070,639</u>	<u>69%</u>
<b>Expenses:</b>				
Personal services (PS) :				
Salaries	6,614,751	6,952,749	337,998	5%
Salaries OT	282,960	175,000	(107,960)	-62%
Temporary employees	165,994	175,000	9,006	5%
Workers compensation and disability	284,646	162,253	(122,393)	-75%
ER payroll taxes	612,899	612,209	(690)	0%
Health insurance	1,324,997	1,539,259	214,262	14%
Dental/vision	81,381	73,067	(8,314)	-11%
Pension	773,562	830,581	57,019	7%
Other employee benefits	712,746	542,516	(170,230)	-31%
Compensated absences expenses	75,015	-	(75,015)	-100%
Total personal services (PS)	<u>10,928,951</u>	<u>11,062,634</u>	<u>133,683</u>	<u>1%</u>
Other than personal services (OTPS) :				
Insurance	1,580,232	1,380,000	(200,232)	-15%
Professional services	255,049	618,000	362,951	59%
Marketing/advertising	5,688	18,000	12,312	68%
Management fees	4,146,286	4,104,000	(42,286)	-1%
Legal services	310,533	475,000	164,467	35%
Telecommunications	108,115	130,000	21,885	17%
Island improvements - capital plan	163,984	6,000	(157,984)	-2633%
Repairs and maintenance	236,794	383,000	146,206	38%
Repairs and maintenance equipment	28,012	25,500	(2,512)	-10%
Other repairs and maintenance	53,100	100,000	46,900	47%

(Continued)

ROOSEVELT ISLAND OPERATING CORPORATION  
(A Component Unit of the State of New York)  
Budget Variance Report, Continued

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>	
			<u>Variance</u>	<u>Percent</u>
Vehicles gas	\$ 175,691	186,000	10,309	6%
Vehicles repair and maintenance	86,228	81,000	(5,228)	-6%
Vehicles parts	26,844	57,000	30,156	53%
Equipment lease	48,638	19,000	(29,638)	-156%
Office equipment purchase	6,138	12,000	5,862	49%
Equipment purchases	26,667	58,000	31,333	54%
Other equipment purchases	10,487	12,000	1,513	13%
Exterminator	1,870	15,000	13,130	88%
Uniforms	63,321	63,000	(321)	-1%
Light, power, heat	743,854	830,000	86,146	10%
Water and sewer	41,982	12,000	(29,982)	-250%
Office supplies	14,768	17,000	2,232	13%
Parts and supplies	231,209	222,900	(8,309)	-4%
Service maintenance agreement	61,783	76,000	14,217	19%
Employee travel and meal	3,241	5,900	2,659	45%
Employee training	14,789	79,400	64,611	81%
Shipping	14,641	11,000	(3,641)	-33%
Subscriptions/membership	12,880	9,000	(3,880)	-43%
Other expenses	316,468	331,000	14,532	4%
Island events - community relations	59,069	91,000	31,931	35%
Total other than personal services (OTPS)	<u>8,848,361</u>	<u>9,427,700</u>	<u>579,339</u>	<u>6%</u>
Total expenses	<u>19,777,312</u>	<u>20,490,334</u>	<u>713,022</u>	<u>3%</u>
Operating income before depreciation	19,433,327	2,649,666	16,783,661	633%
Depreciation expense	<u>3,518,632</u>	<u>3,677,000</u>	<u>158,368</u>	<u>4%</u>
Net surplus (deficit)	<u>\$15,914,695</u>	<u>(1,027,334)</u>	<u>16,942,029</u>	<u>1649%</u>

ROOSEVELT ISLAND OPERATING CORPORATION  
(A Component Unit of the State of New York)  
Budget Variance Report  
For the year ended March 31, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>	
			<u>Variance</u>	<u>Percent</u>
Revenue:				
Residential fees revenue	\$1,054,652	1,028,000	26,652	3%
Ground rent	10,519,864	10,057,000	462,864	5%
Commercial rent	1,434,674	1,466,000	(31,326)	-2%
Tramway revenue	5,117,937	4,350,000	767,937	18%
Public safety reimbursement	1,743,828	1,712,000	31,828	2%
Transport/parking revenue	2,469,234	2,745,000	(275,766)	-10%
Interest income	157,897	211,000	(53,103)	-25%
Unrealized loss	(6,875)	-	(6,875)	-100%
Other revenue	1,104,238	754,000	350,238	46%
Total revenue	<u>23,595,449</u>	<u>22,323,000</u>	<u>1,272,449</u>	<u>6%</u>
Expenses:				
Personal services (PS) :				
Salaries	6,258,144	6,561,694	303,550	5%
Salaries OT	253,288	175,000	(78,288)	-45%
Temporary employees	180,795	175,000	(5,795)	-3%
Workers compensation and disability	182,167	162,202	(19,965)	-12%
ER payroll taxes	582,366	596,308	13,942	2%
Health insurance	1,134,576	1,332,136	197,560	15%
Dental/vision	68,962	75,402	6,440	9%
Pension	757,651	843,708	86,057	10%
Other employee benefits	688,887	480,115	(208,772)	-43%
Compensated absences expenses	23,597	-	(23,597)	-100%
Total personal services (PS)	<u>10,130,433</u>	<u>10,401,565</u>	<u>271,132</u>	<u>3%</u>
Other than personal services (OTPS) :				
Insurance	1,433,013	1,200,000	(233,013)	-19%
Professional services	1,191,410	478,000	(713,410)	-149%
Marketing/advertising	2,547	29,000	26,453	91%
Management fees	4,101,573	4,102,000	427	0%
Legal services	206,782	375,000	168,218	45%
Telecommunications	103,010	125,000	21,990	18%
Island improvements - capital plan	6,000	12,000	6,000	50%
Repairs and maintenance	255,790	413,000	157,210	38%
Repairs and maintenance equipment	35,518	28,000	(7,518)	-27%
Other repairs and maintenance	55,398	120,000	64,602	54%

(Continued)

ROOSEVELT ISLAND OPERATING CORPORATION  
(A Component Unit of the State of New York)  
Budget Variance Report, Continued

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>	
			<u>Variance</u>	<u>Percent</u>
Vehicles gas	\$ 201,379	167,000	(34,379)	-21%
Vehicles repair and maintenance	88,213	81,000	(7,213)	-9%
Vehicles parts	62,108	57,000	(5,108)	-9%
Equipment lease	25,564	24,000	(1,564)	-7%
Office equipment purchase	5,376	20,000	14,624	73%
Equipment purchases	17,044	60,000	42,956	72%
Other equipment purchases	6,480	12,000	5,520	46%
Exterminator	18,620	17,000	(1,620)	-10%
Uniforms	36,266	68,000	31,734	47%
Light, power, heat	601,940	642,000	40,060	6%
Water and sewer	39,094	12,000	(27,094)	-226%
Office supplies	15,259	19,000	3,741	20%
Parts and supplies	225,394	212,000	(13,394)	-6%
Service maintenance agreement	38,909	80,000	41,091	51%
Employee travel and meal	3,829	3,200	(629)	-20%
Employee training	7,029	64,400	57,371	89%
Shipping	13,630	11,000	(2,630)	-24%
Subscriptions/membership	12,102	8,400	(3,702)	-44%
Other expenses	298,745	331,000	32,255	10%
Island events - community relations	54,175	85,000	30,825	36%
Total other than personal services (OTPS)	<u>9,162,197</u>	<u>8,856,000</u>	<u>(306,197)</u>	<u>-3%</u>
Total expenses	<u>19,292,630</u>	<u>19,257,565</u>	<u>(35,065)</u>	<u>0%</u>
Operating income before depreciation	4,302,819	3,065,435	1,237,384	40%
Depreciation expense	<u>3,498,737</u>	<u>3,649,000</u>	<u>150,263</u>	<u>4%</u>
Net surplus (deficit)	<u>\$ 804,082</u>	<u>(583,565)</u>	<u>1,387,647</u>	<u>238%</u>

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

The Board of Directors  
Roosevelt Island Operating Corporation:

We have audited in accordance with the 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 years ended March 31, 2015 and 2014, and the related notes to financial statements, which collectively comprise RIOCI's basic financial statements, and have issued our report thereon dated June 25, 2015.

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.

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 from 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 the following instance of noncompliance which is required to be reported under Government Auditing Standards.

### Uninsured Bank Balance

As of March 31, 2015, the Corporation was uninsured as required by New York State Law for a portion of its Amalgamated Bank accounts. Deposits of \$22,453,364 were FDIC insured or collateralized except for \$554,776 at this financial institution.

### Roosevelt Island Operating Corporation Response to Finding

Upon notice of the finding, RIOC's Finance Department immediately collateralized the uninsured monies. To prevent any re-occurrence, RIOC's Finance Department will monitor the deposits and corresponding insurance on a daily basis to ensure that all deposits at Amalgamated Bank are fully insured.

### Purpose of this Report

The purpose of 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.

Toski & Co., CPAs, P.C.

Williamsville, New York  
June 25, 2015

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE  
WITH INVESTMENT GUIDELINES

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, 2015.

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, 2015.

### 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.

Toski & Co., CPAs, P.C.

Williamsville, New York  
June 25, 2015

## REPORT TO THE BOARD

June 25, 2015

The Board of Directors  
Roosevelt Island Operating Corporation

Dear Board Members:

We have audited the financial statements of Roosevelt Island Operating Corporation (RIOC), a component unit of the State of New York as of and for the year ended March 31, 2015 and have issued our report thereon dated June 25, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated February 20, 2015. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Accounting Principles

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by RIOC are described in note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2015. We noted no transactions entered into by RIOC during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting RIOC's financial statements were:

- Management's estimate of the accumulated depreciation is based on determining useful lives of assets.
- Collection of receivables - Receivables are stated at the amount management estimates will be collectible on outstanding balances. A valuation allowance is provided based on management's estimate of probable uncollectible amounts.

The Board of Directors  
Roosevelt Island Operating Corporation  
Page 2

- OPEB liability - Management's estimate of postemployment benefits is calculated using assumptions for future years health care benefits and contributions on a pay as you go basis. Full detail of assumptions is located in note 10 of the financial statements.

For the year ended March 31, 2015, we evaluated the key factors and assumptions used by management in determining that accounting estimates were reasonable in relation to the financial statements taken as a whole.

#### Significant Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of commitments and contingencies in note 9.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements.

#### Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter.

The Board of Directors  
 Roosevelt Island Operating Corporation  
 Page 3

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to RIOC’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as RIOC’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

\* \* \* \* \*

This information is intended solely for the 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.

Very truly yours,

Toski & Co., CPAs, P.C.

TOSKI & CO., CPAs, P.C.

The Board of Directors  
Roosevelt Island Operating Corporation:

In planning and performing our audit of the financial statements of Roosevelt Island Operating Corporation (RIOC) as of and for the year ended March 31, 2015, in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, we considered RIOC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RIOC's internal control. Accordingly, we do not express an opinion on the effectiveness of RIOC's internal control.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the RIOC's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

#### Other Matters

Other Audit Reports - We noted that RIOC was cited by other auditors in prior years for violations in regards to management's override of controls over policies for credit cards and emergency requisitioning of services. We increased our risk assessment and audit procedures regarding credit cards and procurement and noted no exceptions to the policies that were established by the Board.

Disaster Recovery - We noted and confirmed with management that RIOC has not fully implemented a formal contingency plan to ensure the continued operation of data processing in the event of a localized disaster. To avoid severe impairment to RIOC's process operations in the event of a prolonged failure or localized disaster we recommend that the RIOC complete its process to establish a disaster recovery plan and perform periodic test operations to ensure that the plan is effective.

The Board of Directors  
Roosevelt Island Operating Corporation  
Page 2

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

Toski & Co., CPAs, P.C.

Williamsville, New York  
June 25, 2015



## RIOC Senior Staff Biographical Information

### **Senior Staff as of March 31, 2015**

#### **Charlene M. Indelicato** *President & Chief Executive Officer*

Charlene M. Indelicato is the President and CEO of the Roosevelt Island Operating Corporation. Her responsibilities include supervision and oversight of the Island's day-to-day functions as well as management of the Corporation's various administrative and operational departments.

Ms. Indelicato served as City Manager of the City of New Rochelle, where she appointed and supervised the City Departmental Directors and prepared the City's annual budget submission to Council. Her executive oversight included the operations of city service departments, such as public works and parks. Ms. Indelicato also facilitated commercial projects for the City by using federal, state and private funds to turn a municipal contaminated waste site into the home of two major retailers.

As the Westchester County Attorney for nine years, she managed a department of approximately ninety attorneys, who represent all of the County's departments and commissions as well as the Board of Legislators and the District Attorney's office in all civil matters. She was also charged with the administration of the County's Risk Management Department.

Ms. Indelicato was the Commissioner of Planning and Community Development of the City of Mount Vernon, New York, where she oversaw the Planning, Zoning and Architectural Review Boards and acted as Executive Director of the Mount Vernon Urban Renewal Agency and Industrial Development Agency. Her efforts led to the completion of a Comprehensive Land Use Plan, a long-range development plan, and the procurement and administration of grants for citywide initiatives.

In her private practice, Ms. Indelicato represented clients such as Beeline Buses and the Town of Mamaroneck. Her areas of practice are contracts, real estate, land use and municipal law. In addition to her work as an attorney, she has also taught municipal law at Pace University.

#### **Donald D. Lewis** *Vice President* *General Counsel*

Donald D. Lewis, Esq. is Vice President and General Counsel of the Roosevelt Island Operating Corporation (RIOC). Mr. Lewis is responsible for providing legal advice to the President/Chief Executive Officer, as well as to the Chairperson and members of the Board of Directors in connection with the actions of the Corporation, including the analysis and interpretation of applicable laws, and litigation involving the Corporation. Additionally, Mr. Lewis' responsibilities may include, 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.

**Frances Walton**  
*Vice President*  
*Chief Financial Officer*

Frances Walton is the Chief Financial Officer and Vice President for Financial Affairs of the Roosevelt Island Operating Corporation. Ms. Walton's experience includes a rich background in public administration, banking and financial management. For more than sixteen years, Ms. Walton served in various capacities at the Empire State Development, including Chief Financial and Administrative Officer. During this time, she directed the agency's financial functions, including Banking, Investments, Cash Management, Debt Insurance, Budgeting, Accounting, Portfolio Management, Loans and Grants, and Project Finance programs. She was also responsible for the management and direction of their I.T., Human Resources and Administration departments.

Immediately prior to joining ESD, Ms. Walton served as the Senior Vice President and Director of the State of New York Mortgage Agency's Mortgage Insurance Fund, an agency which promotes the rehabilitation of New York State communities by providing mortgage insurance to public and private lenders, as well as assisting first-time homebuyers. Before joining the State of New York Mortgage Agency, she was a Public Finance banker for Chemical Securities Inc. and Lebenthal & Co. Inc. In addition, Ms. Walton has a decade of experience in finance and management positions at the Port Authority of New York and New Jersey. Prior to graduate school, she held the position of Research Associate at a Management Consulting firm in Boston.

Ms. Walton is a former Executive Board member and Standing Committee member for the Government Finance Officers Association, a current Executive Board member and the past President of the Council for Development Finance Agencies, a Board member and former Treasurer of the Municipal Forum of New York, an Executive Board member and Corporate Secretary of the Metropolitan College of New York, and a Board member of the Northeast Women in Public Finance.

Ms. Walton has received various professional awards for innovation and excellence, including the 2012 Trailblazer Award from Northeast Women in Finance, 2007 Public Service Award from the Municipal Forum, and two Unit Citation awards from the Port Authority of New York and New Jersey. Ms. Walton graduated with an MPA from the Maxwell School of Citizenship and Public Affairs at Syracuse University. She has since worked for over three decades in the financial sector with public and private New York agencies and firms.

**Muneshwar Jagdharry**  
*Comptroller*

Muneshwar Jagdharry is a Certified Public Accountant with over 30 years of experience, specializing in the not-for-profit and governmental sectors. 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.

**Gretchen K. Robinson**  
*Compliance & Internal Controls Officer*

Gretchen K. Robinson, Esq., is the Compliance and Internal Controls Officer of the Roosevelt Island Operating Corporation. Ms. Robinson's primary responsibilities are to create, implement, maintain and monitor RIOC's comprehensive program of Internal Controls and compliance with statutes, regulations, case law, policies and best practices concerning annual reporting, board governance, procurement, ethics and other statutory and regulatory requirements. Her duties also include working with RIOC staff to implement the compliance program, while monitoring the program on a continuous basis, and updating it when necessary. Further, Ms. Robinson also implements ongoing programs of training for RIOC directors, management and staff in internal controls, ethics, procurement practices, human resources, contract administration and other relevant rules, issues, and best practices.

Prior to joining RIOC, Ms. Robinson served as Executive Agency Counsel to the New York City Civilian Complaint Review Board. There, she administratively prosecuted members of the New York City Police Department, accused of misconduct. Ms. Robinson started her professional career as an Assistant District Attorney in Queens County, where she prosecuted robbery, burglary, assault, criminal possession of a weapon, and attempted murder cases. During her tenure in that office, Ms. Robinson also spent approximately two years in the Office's Appeals Bureau, where she drafted, argued, and successfully defended convictions before the Appellate Division, Second Judicial Department.

Ms. Robinson grew up in Washington, District of Columbia. She received her Juris Doctor degree from the American University Washington College of Law, and a Bachelor of Arts and Sciences in French and Anthropology from the University of Virginia. She has over a decade of trial and oral advocacy experience and is admitted to practice in New York State.

**Indranie Sanichar**  
*Director of Information Technology*

Indranie Sanichar is the Director, Information Technology of the Roosevelt Island Operating Corporation. Her responsibilities include overseeing RIOOC technology infrastructure and systems as well as technology initiatives. Ms. Sanichar has over 20 years of information technology experience in private, public, non-profits sector. She believes strongly in using technologies to develop interdepartmental relations, marketing and operations.

**John B. McManus**  
*Director of Public Safety*

In June of 2013, John McManus became the Director of Public Safety for the Roosevelt Island Operating Corporation. In this capacity, Mr. McManus oversees a staff of 40 Public Safety Officers occupying various ranks. Mr. McManus is a strong supporter of the Community Policing Model of Law Enforcement, which focuses on building ties and working closely with members of the community.

John McManus brings 27 years of prior police management and supervisory experience with the NYPD, where he rose to the rank of Assistant Chief before retiring to become the Director of Security at the World Trade Center/Port Authority of NY and NJ. In that capacity he was responsible for all security operations and emergency planning during the initial rebuilding phase at Ground Zero.

While at the NYPD, Mr. McManus served as Executive Officer to the Chief of Department and the Internal Affairs Bureau. He also commanded the NYPD Emergency Operations Center (EOC), where he oversaw emergency response efforts for the 9/11 disaster, floods, citywide power outages and other natural and unnatural disasters, and served as the Commanding Officer of the NYPD Operations Division which is responsible for planning all major events in NYC. A recognized expert in special event security planning, he was charged with planning the security for the Republican National Convention in 2004 and served as the NYPD Coordinator/Liaison to the Office of the Mayor for the NYC 2012 Olympic Bid.

During his tenure, Mr. McManus commanded three patrol precincts in NYC, each of which saw progressive crime reductions annually. Mr. McManus is known as an innovator and developed many new outreach programs while he was Precinct Commander, including programs targeting local at risk youths.

Mr. McManus received a Masters Degree in Communications from the NY Institute of Technology and a Certificate in Police Management from the Columbia University Graduate School of Business. He is a member of the American Academy for Professionals in Law Enforcement, National Law Enforcement Associates, American Society for Industrial Security (Board Member) and the International Association of Chiefs of Police (IACP). He maintains a Top Secret (SCI) National Security Clearance.

**James Mortimer, P.E.**  
***Director of Engineering***

James Mortimer joined Roosevelt Island Operating Corporation as a Director of Engineering in May of 2014.

He has over forty years of construction and construction management experience ranging from a superintendent, project manager and vice president at several construction firms.

He has a Bachelors of Engineering in Civil Engineering from Manhattan College, Masters of Civil Engineering degree in Construction Management from the New Jersey Institute of Technology.

**Former Senior Staff<sup>†</sup>**

**Marguerite M. Beirne**  
***Director of Information Technology***

Marguerite Beirne is the IT Director for the Roosevelt Island Operating Corporation. In this capacity, she is responsible for all aspects of Information Technology, including infrastructure, software, closed circuit cameras, and telecommunications. Ms. Beirne is a senior level Information Technology leader with an equal blend of project management and technology experience as well as a broad background in leading highly skilled, cross-functional teams. Ms. Beirne's industry experience includes manufacturing, publishing, non-profit and financial services in both private and public organizations.

Prior to joining RIOC, Ms. Beirne was the Chief Information Officer for Westchester County government. She worked for the County of Westchester beginning in 2006, first as Deputy CIO and in May 2008 was appointed CIO.

In addition to setting the strategic direction for Westchester County's use of technology, Ms. Beirne was responsible for all of the County's computer systems, desktop/office computing, the data network, telecommunications (including landline phone, cell, video and radio), geographical information systems, website, E-government activities, multi-media, graphics arts, printing and mail support, and the records and archives center. The department also provides these services to selected municipalities.

Ms. Beirne received her Bachelor's degree in Management Information Systems from SUNY Buffalo and her MBA from CUNY Baruch. She currently holds IT Infrastructure Library and Project Management Professional certifications. She served on the New York State CIO Council, was a member of the NYS Local Government Information Technology Directors Association, the Westchester Not-for-Profit Technology Council and the Fairfield / Westchester chapter of the Society for Information Management.

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<sup>†</sup> Prior to the close of the fiscal year, the Director of Information Technology resigned from her position. Her biographical information is noted under heading "Former Senior Staff" (above).

## **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.

**ROOSEVELT ISLAND  
OPERATING CORPORATION**  
of The State of New York



<b>Andrew M. Cuomo</b> Governor
<b>Charlene M. Indelicato</b> President/Chief Executive Officer
<b>Donald D. Lewis</b> Vice President/General Counsel
<b>Frances A. Walton</b> Vice President/Chief Financial Officer

**BOARD OF DIRECTORS**  
Darryl C. Towns, Chairperson  
Fay Fryer Christian  
Dr. Katherine Teets Grimm  
David Kraut  
Mary Beth Labate  
Howard Polivy  
Michael Shinozaki  
Margaret Smith

**COMMITTEES OF THE BOARD OF DIRECTORS AS OF  
March 31, 2015**

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COMMITTEES MEMBERS

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**Audit Committee** – Established February 11, 1999

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

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**Real Estate Development Advisory Committee** – Established March 13, 2003

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

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**Operations Advisory Committee** – Established July 13, 2000

Michael Shinozaki (Chair), David Kraut, Margie Smith

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**Governance Committee** – Established September 8, 2005

Margie Smith (Chair), David Kraut, Howard Polivy

**ROOSEVELT ISLAND  
OPERATING CORPORATION**  
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**BOARD OF DIRECTORS**

Darryl C. Towns, Chairperson

Fay Fryer Christian

Dr. Katherine Teets Grimm

David Kraut

Mary Beth Labate

Howard Polivy

Michael Shinozaki

Margaret Smith

**List of Board Meetings and Attendance  
For the 2014-15 Fiscal Year**

**April 10, 2014**

A meeting of the Board of Directors was held at the Manhattan Park Community Center, 8 River Road, Roosevelt Island on April 10, 2014 at 5:30 p.m

**Directors Present:**

Meghan Anderson	Representing 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 Budget
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**May 15, 2014**

A meeting of the Board of Directors was held at the Manhattan Park Community Center, 8 River Road, Roosevelt Island on May 15, 2014 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

**June 26, 2014**

A meeting of the Board of Directors was held at the Manhattan Park Community Center, 8 River Road, Roosevelt Island on June 26, 2014 at 5:30 p.m

**Directors Present:**

Darryl C. Towns	RIOC Chair and Commissioner, the New York State Division of Housing and Community Renewal
Erica Levendosky	Representing Robert L.Megna, Director, the New York State Division of Budget
Fay Fryer Christian	Director
David Kraut	Director
Howard Polivy	Director
Michael Shinozaki	Director
Margaret Smith	Director

**Directors Absent:**

Dr. Katherine Teets Grimm	Director
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**September 11, 2014**

A meeting of the Board of Directors was held at the Manhattan Park Community Center, 8 River Road, Roosevelt Island on September 11, 2014 at 5:30 p.m

**Directors Present:**

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

**November 6, 2014**

A meeting of the Board of Directors was held at the Child School Gymnasium, 566 Main Street, Roosevelt Island, New York on November 6, 2014 at 5:30 p.m

**Directors Present:**

Darryl C. Towns	RIOC Chair and Commissioner, the New York State Division of Housing and Community Renewal
Erica Levendosky	Representing Robert L.Megna, Director, the New York State Division of Budget
Dr. Katherine Teets Grimm	Director
David Kraut	Director
Howard Polivy	Director
Margaret Smith	Director

**Directors Absent:**

Fay Fryer Christian	Director
Michael Shinozaki	Director

**December 11, 2014**

A meeting of the Board of Directors was held at the Manhattan Park Community Center, 8 River Road, Roosevelt Island on December 11, 2014 at 5:30 p.m

**Directors Present:**

Meghan Anderson	Representing RIOC Chair and Commissioner, the New York State Division of Housing and Community Renewal
Erica Levendosky	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

**February 26, 2015**

A meeting of the Board of Directors was held at the Child School Gymnasium, 566 Main Street, Roosevelt Island, New York on February 26, 2015 at 5:30 p.m

**Directors Present:**

Meghan Anderson	Representing RIOC Chair and Commissioner, the New York State Division of Housing and Community Renewal
Erica Levendosky	Representing Robert L.Megna, Director, the New York State Division of Budget
Fay Fryer Christian	Director
Howard Polivy	Director
Michael Shinozaki	Director
Margaret Smith	Director

**Directors Absent:**

Dr. Katherine Teets Grimm	Director
David Kraut	Director

**March 26, 2015**

A meeting of the Board of Directors was held at the Child School Gymnasium, 566 Main Street, Roosevelt Island, New York on March 26, 2015 at 5:30 p.m

**Directors Present:**

Darryl C. Towns	RIOC Chair and Commissioner, the New York State Division of Housing and Community Renewal
Erica Levendosky	Representing Mary Beth Labate, Director, the New York State Division of Budget
Dr. Katherine Teets Grimm	Director
David Kraut	Director
Howard Polivy	Director
Margaret Smith	Director

**Directors Absent:**

Fay Fryer Christian	Director
Michael Shinozaki	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 2014/2015 (In Thousands)**

5% inflation rate

	Actual	Approved Budget	Projected Budget	Budgets 20135- 2029													
	2015	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Engineering - Ford Escape					\$26					\$33							\$59
P.S. - Ford Escapes		\$22	\$23	\$24	\$26	\$27	\$28	\$30	\$31	\$33	\$34	\$36	\$38	\$40	\$42	\$44	\$432
P.S. - Segways																	\$0
P.S. - Gems (2)		\$30		\$12		\$14		\$15		\$16		\$18		\$20	\$20	\$20	\$145
P.S. - (4) Substations (Tram/Lighthouse/Bridge/SP Park)																	\$0
P.S. - Taser Equipment & Training																	\$0
Motorpool - (2) GEMS			\$30				\$40				\$50						\$120
Motorpool - Aerial Truck Lift						\$35						\$45					\$80
Maintenance - Utility Truck		\$50															\$50
Maintenance - Utility Truck																	
Grounds - Brush Chipper		\$45															\$45
Grounds - (1) Ford F130			\$20		\$22			\$24			\$26			\$28		\$30	\$120
Grounds - (1) Conversion Truck	\$50	\$50															\$50
Grounds - (1) Lawn Mower			\$12														\$12
Outdoor Fitness (Octaon Field)	\$5																
Parks & Recreation- Ford Escape					\$26					\$33							\$59
Parks & Recreation- Gym Equipment																	\$0
IT - Servers	\$67	\$50				\$55				\$62				\$70	\$70	\$70	\$307
IT - Plotter			\$25				\$28				\$34						\$87
IT - Software Upgrades		\$34	\$35	\$37	\$39	\$41	\$43	\$45	\$47	\$50	\$52	\$55	\$57	\$60	\$63	\$67	\$659
IT - (2) Copiers/AV/Printers		\$22		\$24		\$26		\$29		\$32		\$35		\$39	\$39	\$39	\$246
IT - (20 PC Replacements)	\$32	\$22	\$23	\$24	\$26	\$27	\$28	\$30	\$31	\$33	\$34	\$36	\$38	\$40	\$42	\$44	\$432
IT - Sotorage System	\$45																
IT - Upgrade of Switches		\$22		\$24		\$26		\$29		\$32		\$35		\$40	\$40	\$40	\$248
IT - Sonic Wall/Fire Wall/Remote Implementation	\$35																
Excavator																	\$0
Sewer Grinder Pumps w/Control Pane	\$10																
(2) Bobcats																	\$0
Misc. Heavy equipment		\$50	\$53	\$55	\$58	\$61	\$64	\$67	\$70	\$74	\$78	\$81	\$86	\$90	\$94	\$99	\$980
6 Special Projects	\$449	\$53	\$355	\$58	\$61	\$64	\$67	\$70	\$74	\$78	\$81	\$86	\$90	\$94	\$99	\$104	\$1,329
P.S. - Island Wireless Security Camera System	\$318		\$300														\$300
Parking Management System																	\$0
Parking Meters Replacement	\$131																\$0
Other - Special Projects		\$53	\$55	\$58	\$61	\$64	\$67	\$70	\$74	\$78	\$81	\$86	\$90	\$94	\$99	\$104	\$1,029
7 Lighting & Signage	\$0	\$50	\$53	\$55	\$58	\$61	\$64	\$67	\$70	\$74	\$78	\$81	\$86	\$90	\$94	\$99	\$980
Street Light Replacement & Signage - reserve		\$50	\$53	\$55	\$58	\$61	\$64	\$67	\$70	\$74	\$78	\$81	\$86	\$90	\$94	\$99	\$980
8 Tram	\$1,601	\$1,500	\$525	\$551	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$814	\$855	\$898	\$943	\$990	\$9,799
Tram Modernization	\$907																\$0
Additional ADA-compliant Elevator at Manhattar	\$11	\$1,000															
Tram Capital Reserve		\$500	\$525	\$551	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$814	\$855	\$898	\$943	\$990	\$9,799
- Painting	\$550																
- Excavate r/m Sewer Line	\$133																
9 Southpoint Park	\$3	\$200	\$210	\$221	\$232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$377	\$396	\$3,920
TPL - Green Rooms/Wild Gardens- reserve	\$3	\$200	\$210	\$221	\$232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$377	\$396	\$3,920
10 Miscellaneous	\$11	\$551	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$814	\$855	\$898	\$943	\$990	\$1,039	\$1,091	\$10,804
Contingency	\$11	\$551	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$814	\$855	\$898	\$943	\$990	\$1,039	\$1,091	\$10,804
<b>TOTAL CAPITAL IMPROVEMENTS</b>	<b>\$6,249</b>	<b>\$18,974</b>	<b>\$15,697</b>	<b>\$8,354</b>	<b>\$15,082</b>	<b>\$7,504</b>	<b>\$6,691</b>	<b>\$7,082</b>	<b>\$7,302</b>	<b>\$6,468</b>	<b>\$6,683</b>	<b>\$7,070</b>	<b>\$7,307</b>	<b>\$7,807</b>	<b>\$8,159</b>	<b>\$8,588</b>	<b>\$138,769</b>

**The Roosevelt Island Operating Corporation (RIOC)**  
**Budget Variance Report**  
**For The Year Ended March 31, 2015**

	Actual	Budget	Favorable (Unfavorable)	
			Variance	Percent
<b>Revenue:</b>				
Residential Fees Revenue	\$16,363,941	1,030,000	15,333,941	1489%
Ground rent	10,465,282	10,092,000	373,282	4%
Commercial Rent	1,446,680	1,483,000	(36,320)	-2%
Tramway Revenue	5,211,790	4,953,000	258,790	5%
Public Safety Reimbursement	1,713,231	1,763,000	(49,769)	-3%
Transport/ Parking Revenue	2,331,339	2,384,000	(52,661)	-2%
Interest Income	137,833	175,000	(37,167)	-21%
Unrealized Loss	(807)	-	(807)	-100%
Other Revenue	1,541,350	1,260,000	281,350	22%
<b>Total Revenue</b>	<b>39,210,639</b>	<b>23,140,000</b>	<b>16,070,639</b>	<b>69%</b>
<b>Expenses:</b>				
<b>Personal Services (PS) :</b>				
Salaries	6,614,751	6,952,749	337,998	5%
Salaries OT	282,960	175,000	(107,960)	-62%
Temporary Employees	165,994	175,000	9,006	5%
Workers Compensation & Disability	284,646	162,253	(122,393)	-75%
ER Payroll Taxes	612,899	612,209	(690)	0%
Health Insurance	1,324,997	1,539,259	214,262	14%
Dental/Vision	81,381	73,067	(8,314)	-11%
Pension	773,562	830,581	57,019	7%
Other Employee Benefits	712,746	542,516	(170,230)	-31%
Compensated Absences Expenses	75,015	-	(75,015)	-100%
<b>Total Personal Services (PS)</b>	<b>10,928,951</b>	<b>11,062,634</b>	<b>133,683</b>	<b>1%</b>
<b>Other Than Personal Services (OTPS) :</b>				
Insurance	1,580,232	1,380,000	(200,232)	-15%
Professional Services	255,049	618,000	362,951	59%
Marketing / Advertising	5,688	18,000	12,312	68%
Management Fees	4,146,286	4,104,000	(42,286)	-1%
Legal Services	310,533	475,000	164,467	35%
Telecommunications	108,115	130,000	21,885	17%
Island Improvements - Capital Plan	163,984	6,000	(157,984)	-2633%
Repairs and Maintenance	236,794	383,000	146,206	38%
Repairs and Maintenance Equipment	28,012	25,500	(2,512)	-10%
Other Repairs and Maintenance	53,100	100,000	46,900	47%
Vehicles Gas	\$175,691	186,000	10,309	6%
Vehicles Repair and Maintenance	86,228	81,000	(5,228)	-6%
Vehicles Parts	26,844	57,000	30,156	53%
Equipment Lease	48,638	19,000	(29,638)	-156%
Office Equipment Purchase	6,138	12,000	5,862	49%
Equipment Purchases	26,667	58,000	31,333	54%
Other Equipment Purchases	10,487	12,000	1,513	13%
Exterminator	1,870	15,000	13,130	88%
Uniforms	63,321	63,000	(321)	-1%
Light, Power, Heat	743,854	830,000	86,146	10%
Water and Sewer	41,982	12,000	(29,982)	-250%
Office Supplies	14,768	17,000	2,232	13%
Parts & Supplies	231,209	222,900	(8,309)	-4%
Service Maintenance Agreement	61,783	76,000	14,217	19%
Employee Travel and Meal	3,241	5,900	2,659	45%
Employee Training	14,789	79,400	64,611	81%
Shipping	14,641	11,000	(3,641)	-33%
Subscriptions / Membership	12,880	9,000	(3,880)	-43%
Other Expenses	316,468	331,000	14,532	4%
Island Events - Community Relations	59,069	91,000	31,931	35%
<b>Total Other Than Personal Services (OTPS)</b>	<b>8,848,361</b>	<b>9,427,700</b>	<b>579,339</b>	<b>6%</b>
<b>Total Expenses</b>	<b>19,777,312</b>	<b>20,490,334</b>	<b>713,022</b>	<b>3%</b>
Operating income before depreciation	19,433,327	2,649,666	16,783,661	633%
Depreciation Expense	3,518,632	3,677,000	158,368	4%
<b>Net Surplus (Deficit)</b>	<b>\$15,914,695</b>	<b>(1,027,334)</b>	<b>16,942,029</b>	<b>1649%</b>

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.																																
Vendor Address																																
* 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	Prior to Award of Contract	Is the Vendor a NYS or Foreign 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	* Address Line 1	Address Line 2	* City	State	* Postal Code	+ 4	Province/Region	Country	Country "Other"
BLACKBAUD	29604	ACCOUNTING FINANCIAL EDGE ANNUAL SUPPORT	Completed	Financial Services	Authority Contract - Non-Competitive Bid	03/25/14	03/25/14		Y	04/14/14	11452.35	11452.35	11452.35	0.00	1	NYS	N	N	0	Y	SOLE SOURCE	11452.35		PO BOX 930256		ATLANTA	GA	31193	256		USA	
BLACKBAUD	30650	ACCOUNTING FINANCIAL EDGE ANNUAL SUPPORT	Completed	Financial Services	Authority Contract - Non-Competitive Bid	01/28/15	01/28/15		Y	01/30/15	9091.83	9091.83	9091.83	0.00	1	NYS	N	N	0	Y	SOLE SOURCE	9091.83		PO BOX 930256		ATLANTA	GA	31193			USA	
BURKE GROUP	30003	ACTUARIAL SERVICES	Open	Other Professional Services	Authority Contract - Non-Competitive Bid	07/18/14	07/18/14		Y	07/25/16	12500.00	7500.00	7500.00	5000.00	1	NYS	N	N	0	Y	<\$50,000	12500.00		80 LINDEN OAKS DRIVE	SUITE 210	ROCHESTER	NY	14625			USA	
CONSOLIDATED EDISON COMPANY	30841	728 MAIN STREET GAS APPLICATION AND DEPOSIT	Completed	Other Professional Services	Authority Contract - Non-Competitive Bid	03/30/15	03/30/15		Y	03/30/15	6100.00	6100.00	6100.00	0.00	1	NYS	N	N	0	Y	SOLE SOURCE	6100.00		4 IRVING PLACE		NEW YORK	NY	10003			USA	
ENVAC IBERIA S.A	28390	AVAC GARBAGE PIPE REPAIRS ON CALL EMERGENCY SERVICE	Completed	Design and Construction/Maintenance	Authority Contract - Non-Competitive Bid	02/26/13	02/26/13		Y	04/01/14	103206.19	17322.00	103206.19	0.00	1	Foreign	N	N	0	Y	SOLE SOURCE	103206.19		BRYGGVAGEN 16-18	S-117 84	STOCKHOLM		00000		Other	SWEDEN	
ENVAC IBERIA S.A	29988	AVAC GARBAGE PIPE REPAIRS ON CALL EMERGENCY SERVICE	Open	Design and Construction/Maintenance	Authority Contract - Non-Competitive Bid	07/16/14	07/16/14		Y	06/30/15	110234.00	24061.00	24061.00	86173.00	1	Foreign	N	N	0	Y	SOLE SOURCE	110234.00		BRYGGVAGEN 16-18	S-117 84	STOCKHOLM		00000		Other	SWEDEN	
HENRICH EQUIPMENT CO INC.	27463	MONITORING PETROLEUM BULK STORAGE	Open	Other Professional Services	Authority Contract - Non-Competitive Bid	04/26/12	04/26/12		Y	04/01/17	11700.00	2340.00	6825.00	4875.00	1	NYS	N	N	0	Y	Continuation Of E	11700.00		42 FIELD STREET		WEST BABYLON	NY	11704			USA	
HILL INTERNATIONAL INC.	28620	SENIOR PROJECT MANAGER SERVICES	Completed	Design and Construction/Maintenance	Authority Contract - Non-Competitive Bid	05/13/13	10/31/13		Y	05/23/14	266295.00	71100.00	266295.00	0.00	1	NYS	N	N	0	Y	Time of the Esse	266295.00		303 LIPPINCOTT CENTRE		MARLTON	NJ	08053			USA	
JEROME HAIMS REALTY INC	29818	APPRAISAL FOR RIVERCROSS GROUND LEASE EXTENSION	Completed	Other Professional Services	Authority Contract - Non-Competitive Bid	06/02/14	06/02/14		Y	06/05/14	15000.00	15000.00	15000.00	0.00	1	NYS	N	N	0	Y	Continuation Of E	15000.00		630 THIRD AVENUE		NEW YORK	NY	10017			USA	
JONES LANG LASALLE AMERICAS INC	30111	LEASE FOR SOUTHTOWN BUILDING #7 PROFESSIONAL SERVICE	Completed	Consulting Services	Authority Contract - Non-Competitive Bid	07/25/14	07/25/14		Y	07/25/14	410390.00	410390.00	410390.00	0.00	1	NYS	N	N	0	Y	Continuation Of E	410390.00		601 LEXINGTON AVE.	33RD FLOOR	NEW YORK	NY	10022			USA	
LANGAN ENGINEERING AND ENVIRON	27836	SOUTHPOINT PARK SEAWALL SURVEY	Open	Design and Construction/Maintenance	Authority Contract - Non-Competitive Bid	12/12/12	12/12/12		Y	06/30/16	455000.00	149430.65	371286.68	83713.32	1	NYS	N	N	0	Y	Time of the Esse	455000.00		619 RIVER DRIVE CENTER 1		ELMWOOD PARK	NJ	07407			USA	
LANGAN ENGINEERING& ENVIRONMENTAL SERVICES	29995	STEAM TUNNEL ASSESSMENT REPORT	Completed	Design and Construction/Maintenance	Authority Contract - Non-Competitive Bid	07/16/14	07/16/14		Y	02/19/15	59799.49	59799.49	59799.49	0.00	1	NYS	N	N	0	Y	Uniquely Qualifie	59799.49		619 RIVER DRIVE CENTER 1		ELMWOOD PARK	NJ	07407			USA	
NEW YORK PLUMBING	30567	MAIN STREET LINE STOPPAGE IN THE BUS GARAGE	Completed	Other Professional Services	Authority Contract - Non-Competitive Bid	12/24/14	12/24/14		Y	01/09/15	6475.60	6475.60	6475.60	0.00	1	NYS	N	N	0	Y	Emergency	6475.60		87-71 LEFFERTS BLVD		RICHMOND HILL	NY	11418			USA	
PIM CORPORATION	30077	MOTORGATE TRANSFORMERS VAULT WATERPROOFING PHASE 2	Completed	Design and Construction/Maintenance	Authority Contract - Non-Competitive Bid	08/11/14	08/11/14		Y	11/19/14	48000.00	48000.00	48000.00	0.00	1	NYS	N	N	0	Y	<\$50,000	48000.00		201 CIRCLE DRIVE NO	SUITE 106	PISCATAWAY	NJ	08854			USA	
SHEA CARR JEWELL(PARAMETRIX)	20059	ENGINEERING TRAMWAY	Completed	Consulting Services	Authority Contract - Non-Competitive Bid	03/29/10	03/29/10		Y	03/31/13	2297017.00	0.00	2221639.08	75377.92	1	Foreign	N	N	0	Y	Uniquely Qualifie	2297017.00		2102H CARRIAGE DRIVE SW		OLYMPIA	WA	98502			USA	
WEST GROUP PAYMENT CENTER	28707	WESTLAW SUBSCRIPTION 6/1/2013-5/31/2014	Completed	Legal Services	Authority Contract - Non-Competitive Bid	06/01/13	06/01/13		Y	05/31/14	10999.10	2558.40	10999.10	0.00	1	Foreign	N	N	0	Y	SOLE SOURCE	10999.10		P.O. BOX 6292		CAROL STREAM	IL	60197			USA	
WEST GROUP PAYMENT CENTER	30048	ACCESS TO ON-LINE LEGAL RESEARCH LIBRARIES	Open	Legal Services	Authority Contract - Non-Competitive Bid	08/05/14	08/05/14		Y	06/30/17	34992.75	7400.00	7400.00	27592.75	1	Foreign	N	N	0	Y	SOLE SOURCE	34992.75		P.O. BOX 6292		CAROL STREAM	IL	60197			USA	
											Total:	\$ 3,868,253.31	\$ 848,021.32	\$ 3,585,521.32																		