

## BPCA Board Meeting

January 24, 2018

DENNIS MEHIEL

All right, I'm gonna call to order the meeting of the Battery Park City Parks Conservancy. We have the minutes from our October 23, 2017 meeting which are up for review and approval. Do we have any comments or edits for the minutes of the October Conservancy meeting? Hearing none, do I have a motion to approve the minutes?

CATHERINE HUGHES

Yes, motion is approved.

DENNIS MEHIEL

So moved? Do we have a second? We have a second. Hearing no opposition, the minutes are approved. BJ, we got two items.

B.J. JONES

We do, they are two small procurements dollar wise but because they exceed the one year period, they're required to go before the Board for approval. And Bruno is gonna walk you through those items.

DENNIS MEHIEL

Okay.

BRUNO POMPONIO

Good afternoon, everyone. The first item is asking for authorization to enter into an agreement with ManagersPlus Solutions. So, in order to increase departmental efficiency, reduce risk and provide for greater internal controls, it was determined that a single asset management and task assignment software system be implemented. Three vendors were asked to provide quotes and information on their prospective systems. And after research of each of these systems, it was determined that that ManagersPlus Solutions LLC, ManagersPlus Pro Software provided the best options for BPCA's needs. So at this time, asking for approval to enter into a service agreement with ManagersPlus Solutions LLC for a period of three years not to exceed \$24,783.

DENNIS MEHIEL

Just curiosity because I can't help myself. AI Technology. They wanted \$230,000 for what ManagerPlus wants \$23,000?

BRUNO POMPONIO

Yes, they were proposing to custom build something where ManagersPlus had something pretty much off the shelf...

DENNIS MEHIEL

Off the shelf that would work.

BRUNO POMPONIO

Right.

DENNIS MEHIEL

Okay, so we get rid of the \$230,000 guy. Um, double the cost to the guy on the right. But we're talking about a very, very, very modest... I mean, this is, this, this quote looks like about \$7,000, \$8,000 per year.

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BRUNO POMPONIO  
Correct.

DENNIS MEHIEL  
That's what we're talking about.

BRUNO POMPONIO  
Correct.

DENNIS MEHIEL  
Okay. And judgment of the staff is that ManagerPlus is the way to go.

BRUNO POMPONIO  
Yes.

DENNIS MEHIEL  
All right. Questions on any of this from the members. Okay. Do we have a motion? We have a motion from Catherine again. Where are you, George? Second? We got a second. What about Lou? You're not working today. Approve it.

BRUNO POMPONIO  
Thank you. Okay, second, authorization to amend the contract number 16-2367 with Richard's Plumbing and Heating Company. In March of 2016, we entered into a one year agreement with Richard's to do our inspection of our steam pipe systems throughout 75 Battery Place. And that's also-- it's attached to our sprinkler system which is a life safety and is supposed to be inspected regularly to be in compliance with the laws and regulations governing buildings. So, in 2017 of-- September of 2017, we started an RFP to go out to bid for a new company to come in and do our inspection. So, while that process is happening, I'm requesting that we, that we extend this contract for six months and add an additional \$8,235 in funds for a new not to exceed total amount of \$28,235.

DENNIS MEHIEL  
\$8,000 bridge, six months until you can fully evaluate and do what you can do. Okay. Questions or comments on this from the members? None. Do I have a motion?

GEORGE TSUNIS  
Motion.

DENNIS MEHIEL  
We'll get George up front. Lou is the second. Hearing no opposition, approved.

BRUNO POMPONIO  
Thank you again.

DENNIS MEHIEL  
And I think that we should adjourn the meeting of Battery Parks City... Battery Park City Conservancy. Meeting adjourned. Okay now, we have a thicker book for the Battery Park City Authority.

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So, I'd like to call the meeting to order. And we're going to go directly into executive session. We have some personnel and litigation matters to discuss. So, if we could run all you people off for a little while.

CATHERINE HUGHES  
Upon motion.

DENNIS MEHIEL  
Oh, on... we have to have a motion. Move to go and... Somebody has to move.

GEORGE TSUNIS  
So moved.

DENNIS MEHIEL  
He moves.

MAN  
Seconded.

DENNIS MEHIEL  
We got a second. Approved. Okay, guys. Leave us. You gotta have some levity in this...

DENNIS MEHIEL  
Let's take a look at our capital structure. Slice it and dice it, every component, debt structure. Keep on turn, variability and tactical standards. Let's look at this together 'cause we're getting ready to go to (indistinct). Let's make sure we understand this issue and fold it into our plan.

WOMAN  
Okay.

DENNIS MEHIEL  
Okay, we're going to reconvene. Well, I guess we...

B.J. JONES  
Motion to...

DENNIS MEHIEL  
Motion to continue the public meeting. First order of business is approval of the minutes. September 26? No, I'm looking at the minutes.

B.J. JONES  
No, the appointment of...

DENNIS MEHIEL  
Oh, really? Where is my agenda? Wait a minute, no, no, no. You're gonna wait until after the approval of the minutes.

B.J. JONES  
Whatever you say, boss.

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DENNIS MEHIEL

As long as we got these minutes up to bat, let's get rid of them. Do we have any comments or edits to the minutes of the October 23, 2017 meeting? Do I have a motion to approve?

CATHERINE HUGHES

Motion.

DENNIS MEHIEL

We have a motion. Do we have a second?

GEORGE TSUNIS

Second.

DENNIS MEHIEL

Hearing no opposition, the minutes are approved. Now I do stand corrected. But appointment and confirmation of the appointment of our new president, Benjamin Jones, it really is the first thing on the agenda, most important. As all of you know, BJ has been our acting boss for, what, two months? Three? Three months?

B.J. JONES

Three... months, seven days.

DENNIS MEHIEL

Three months, seven days?

GEORGE TSUNIS

And he still wants to keep it.

DENNIS MEHIEL

I was gonna say the reason he knows the number of days because it's similar to incarceration. For which we'll set him up. But, uh, I will tell you a couple things. One, the place didn't burn down, didn't fall apart. So, that was the first, first task was did we crash and burn?

00:07:50:08 The answer is no. Actually, we've had a seamless transition here, I think it's fair to say. The staff would know this probably a little bit better than I would. But that's my feeling, impression and frankly my conviction that we have the right person in the right place at the right time that we can continue to make the substantial progress that I believe we have been making as an organization over the last several years. And BJ, you came in 2013?

B.J. JONES

'14.

DENNIS MEHIEL

'14?

B.J. JONES

'14, 2015.

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DENNIS MEHIEL

So, three or four years. No small player in the progress that the organization's made. So, I think we should have a vote.

GEORGE TSUNIS

I'm proud to sponsor this resolution.

DENNIS MEHIEL

So, the motion comes from Mr. Tsunis.

CATHERINE HUGHES

Second.

DENNIS MEHIEL

The second comes from-- can we have a third? We've got a third. And hearing no opposition, you are now our President and Chief Operating Officer.

B.J. JONES

Thank you.

DENNIS MEHIEL

We didn't talk about salary but... In executive session, we decided to cut all senior executives by 25%, so... I'm teasing. Since we're on the record, but, anyway. We're, uh... grateful and pleased to have you in the spot.

B.J. JONES

Thank you very much.

DENNIS MEHIEL

I feel... I sleep nights.

B.J. JONES

Thank you.

DENNIS MEHIEL

Um, so we have an opportunity for public comment. What have we got?

MAN

Okay, good afternoon, everyone. Happy New Year. We have two public commenters today. The first is Miss Maryanne Braverman.

MARYANNE BRAVERMAN

Hello, so, I am Maryanne Braverman. I've been a resident and owner in this building since... in this neighborhood since the very earliest phase. I really wanted to speak to thank you, Board, for appointing Benjamin as the President. I can't speak for the work he does internally but I will say that he was a refreshing change at the last open community meeting. He was open. That took away a lot of the agitation that tends to, you know, just be in those meetings before they even start. And there were changes made that just made it clear that he was listening to people and presumably would take what he's hearing to heart. So, I was really happy to hear that. I'll just add one other comment and that is I really would hope that

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the community meetings could be put on a schedule so all of us can know in advance that in July or October or February there'll be a meeting on a certain date and we can calendar those. We're always busy. So, I thank you for that.

DENNIS MEHIEL

Thank you.

MARYANNE BRAVERMAN

And thanks, BJ.

DENNIS MEHIEL

Appreciate the vote of confidence.

MAN

Okay, well, thank you, Maryanne. Our second and final commenter is Mr. Aaron Foldenauer.

AARON FOLDENAUER

Good afternoon. My name is Aaron Foldenauer. I've lived here in Lower Manhattan for over 12 years. Last year I was a candidate for City Council right here downtown. And I'm here today to comment on what has been reported to be a pilot proposal to deputize private security officers here in Battery Park City and give them certain police powers. I'm here today to express my views on the subject. And as well intentioned as this idea may be, I think it is a dangerous one, and I urge the Authority to reject it. First, this will come at the additional expense of the citizens of Battery Park City. And more problematic, this will create enormous liability risks which will ultimately be borne by the residents of Battery Park City. And secondly, it creates the risk of arbitrary and improper enforcement of laws, rules and regulations. And I'm concerned that these individuals would not be properly trained to enforce the complex rules that exist in our neighborhood and our general society. And I'm concerned that it will lead to additional disputes as to the proper exercise of police power. If, in fact, we need more police officers here in Battery Park City, let's urge the NYPD to provide them, not to incur the additional risk and additional expense that these private officers would cost. Thank you.

DENNIS MEHIEL

Thank you.

MAN

Okay, that closes the public comment session, thank you.

DENNIS MEHIEL

All right, Anthony, you're up.

ANTHONY

Good afternoon, everyone. For the third quarter, the state's fiscal year, our M/WBE realization was at basically just under 45%, 44.9. Of this total, 100% was crime directed to M/WBE's. And it's a great number. We're doing really well with the program. And it was just broken down basically

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22% MBE and 22% WBE. Also for the third quarter, our STVOB utilization, that is just under 40%, basically 39%. The majority of that is sub. It's not directly to the STVOB. Obviously our (indistinct) project has a lot to do with that number. But again, that is truly high. (indistinct) But we would love to have the...

DENNIS MEHIEL

What's the goal there?

ANTHONY

Six percent.

DENNIS MEHIEL

Six and we're at 40.

ANTHONY

Yes. For each one, for M/WBE year to date we're at 35.8%.

DENNIS MEHIEL

The goal on M/WBE is 30...

ANTHONY

30 percent.

DENNIS MEHIEL

All right, and we're at... Well, for the quarter, 45.

ANTHONY

For the quarter, for the year to date, it's 30, uh, 35.8.

DENNIS MEHIEL

Yeah, so we've exceeded by a substantial margin. Good and... well, let's see. And it's-- we don't have the-- We're not through the first quarter yet. So, we'll find out.

ANTHONY

No, this is the third quarter.

DENNIS MEHIEL

No... Oh, you're on a different year, the fiscal year.

ANTHONY

We're on the state fiscal year, yes.

DENNIS MEHIEL

Which is April.

ANTHONY

Which is April 1st, three months from now.

DENNIS MEHIEL

Yeah, okay, okay.

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ANTHONY

We just started the fourth quarter.

DENNIS MEHIEL

Exactly.

ANTHONY

For our... if you're asking for fiscal year since November 1, we are basically about 39%.

DENNIS MEHIEL

Okay, so we're solidly in and over the goal. All right, thank you. Any questions for... comments at all for Anthony? Okay. What do we have...

B.J. JONES

The next item is Ratification to Sign Financial and Bank-Related Documentation. Suzie has the resolution for this.

SUZIE

So, we are requesting that the members authorize the addition of Pam Frederick, our CFO as an authorized officer who would be permitted to instruct banks and other financial institutions on behalf of the Authority as well as to issue or sign financial instruments such as checks, vouchers and requisitions. Historically, the Board has approved or authorized the President, the General Counsel as well as the CFO to perform such functions. And now that Pam is on board, we'd like to formally include her in an incumbency certificate to permit her to perform those acts.

00:16:00:12 The resolution also provides that for any checks in excess of \$25,000, the signature of two of those three officers is required which is consistent with our past practice.

DENNIS MEHIEL

Very standard.

MAN

So moved.

CATHERINE HUGHES

Second.

DENNIS MEHIEL

We have a motion, we have a second. Pam? You're up.

PAMELA FREDERICK

All right.

DENNIS MEHIEL

Annual audit presentation. FY October 31.

PAMELA FREDERICK

Right, this is for the approval of the audit and financial statement as well as the audit presentation. Good afternoon, everyone. I'm pleased to have joined the Authority and to lead an excellent finance team as the CFO, so... Very happy to be here. As presented in the audited financial



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statements for fiscal year in October 31, 2017, the Authority's operating revenues total 295 million. That was a 5.8% increase. This consisted of 219 million in PILOT revenues, 61 million in base rent and 15 million in civic facility maintenance fees as well as others including retail revenues and some supplemental rentals. The PILOT represented 74% of revenues on an accrual basis. And base rents were 21% of revenues which remained CFM and other as 5% of revenues. The transfer to New York City is the primary use of revenues and for 2017, we have a provision to transfer 149 million for PILOT. And that's about a 10% increase over the 2016 provision. We also have 42 million that will be transferred. That's for the 2010 agreement that amended the settlement agreement and that 42 million. That's for New York City's pay as you go for capital projects. That totals 191 million. That total provision being transferred to, as a provision to transfer to New York City. That's about 87% of total PILOT revenues. And that again is on an accrual basis. The balance of revenues are used to fund operations, debt service and other project costs. The operating expenses represented about, just about 48 million. So that 3.2% increase with non-operating expenses of 224 to 225 million. And that's mainly for interest expense as well as that transfer of 191 million to New York City. We have our independent auditor here, Marks Paneth. They have prepared the fiscal year end 2017 audit presentation, the findings of which will be presented by Warren Ruppel who is here. Here he is, oh, he snuck, okay. He did a slight move on me. So, Warren, welcome. If you could present the findings.

WARREN RUPPEL

Okay, thanks very much, Pam. It's a pleasure working with you this year. This year's audit and your team. This is a... Should be a fairly brief presentation. We don't have a lot of audit findings to discuss with you so that's good news over that. I do have some required communications that I'm required to go through with you under the auditing standards. So the material that was distributed is separated into tabs. So if you'll just turn to the second tab. I'll just hit some of the highlights. The third page in which is numbered page two. This is essentially completed with the audit. Item one lists some outstanding items that are items that are outstanding at this point in time. Ultimately your financial statements need to be filed with the state's PARIS reporting system by January 31st. So we should have plenty of time to finalize them in the next few days and meet that reporting requirement. There's a recap in timing that's laid out here both as an interim report that we do as well as the financial statements. You can see were pretty consistent with the requirement. Item three, management's responsibility. Just point out that management's responsibility... management is responsible for the financial statements. Our responsibility is to perform an audit in accordance with the auditing standards. The Battery Park City Authority, Pam and her team really take full responsibility for preparing the financials. We talk during the year and have some conversations on accounting prudence and etcetera. But they really provide the full graph of the financial statements with very little of our assistance which is good. Accounting principles this year are consistent with the past. Estimates and judgments in the financial statements are listed on page four. These are the same ones that are (indistinct) pre-audit meeting. The first one is the Fair Value of Interest Rate Swap Agreements. There's estimates to be made for that. There's the negative liability of \$18 million which represents the

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negative fair value of swap agreements. We think those estimates are reasonable. Same with the OPEB Liability and Expense. Those are calculated with the assistance of an actuary based upon a number of assumptions. We review those assumptions. We review the data that goes into those numbers and found them to be reasonable. Recoverability Period of Project Assets. Your depreciation expense is based upon the estimated vital to the assets as well as any residual value that's used in the depreciation calculation. And we found all those to be reasonable. So no issues with the significant estimates. We had no real significant issues to discuss this year or disagreements with management or difficulties in performing the audit. We didn't detect any fraud or illegal activities to be brought to your attention. Under the auditing standards there are defined internal control deficiency terms. One is significant deficiency. The other is material weakness. Material weakness is the worst, worst than internal deficiency. We had none of those items to report. And as you'll see in the next couple of tabs, we don't have any currently management letter of comments to report which is very good. We're not aware of any consultation with other accountants. We confirm that we are independent. The only other future deliverable besides these two reports will be the 990 for the Conservancy. We also listed out some new future GASB statements that will be applied in future years. One that probably the most significant is the changes to the OPEB contribution under the new GASB standards. And then further down the line, leases, etcetera. We've gone through these as part of the pre-audit. So, I'm not going to spend any time there. Also in this tab is a draft of the representation letter that we'll be asking management to sign. We share this with you because we're required to share significant correspondence that we have with management. It's an important piece of our audit documentation and... it's a fairly standard, fairly standard representation letter. Just noticed that we need to change Benjamin's title to President since you're acting president. If there's no questions, just moving on to tab three. Formulated under Government Auditing Standards. This is a separate report that needs to be issued on in terms of control in financial reporting as well as compliance in other matters. That's in tab three. Since there are no significant deficiencies and material weaknesses, there's nothing to report here. And it really serves the purpose of a management letter so to speak. As for management, if you need a copy of that report. Tab four, usually we have some technology comments to speak about, but, um... We had no-- our technology folks had no current recommendations. There are no prior recommendations that require further attention. And one prior recommendation regarding data restore test has been resolved. So this is... there's no continuing comments coming out of our report, so... You don't necessarily have perspective on this but I do this presentation a lot and for our technology folks not to have any new comments or secondary comments is an achievement. I don't see that, that often. Tab five is the draft of the financial statements. Pam went through some of the highlights. There's a draft of our independent auditor's report that's in here. It has a number of paragraphs. It's a draft of a clean or unmodified report. There's a fiscal reporting in the other matters section on required supplemental information for the company's financial statements as well as other supplemental information as well as a reference to that report on compliance (indistinct). And as I said, we'll be issuing the report by the end. And then finally in tab number six as part of your investment reporting, you're required to have a report from us as the independent

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auditors in terms of whether or not we discovered or detected any violations of your investment guidelines in the course of our audit in this report. Reports that there were no such violations that were detected. So, it's a clean report as well. With that, I'd be happy to answer any questions.

DENNIS MEHIEL

We're good. Any, uh, comments or questions from members? Seems fairly simple and straightforward. Thank you. So, we're back to a resolution to approve the vote.

PAMELA FREDERICK

Yes, it's a request for the members to approve and accept the audited financial statements for fiscal year ending October 31, 2017, to authorize the filing of the audited financial statements with the required government authorities and bond trustees and to post a copy of the report on the Public Authorities Reporting Information System which is fondly known as PARIS and the Authorities' website.

DENNIS MEHIEL

Okay, that's the motion.

MAN

So moved.

DENNIS MEHIEL

We have a motion.

CATHERINE HUGHES

Second.

DENNIS MEHIEL

We have a second. The audit is approved as requested. Thank you.

B.J. JONES

We're gonna keep trucking with finance and move on to the prompt payment policy annual review and approval.

PAMELA FREDERICK

The prompt payment policy is required by the New York Public Authorities Law. And that's where public entities are required to make prompt and that's defined as 30 days, prompt payments of amounts duly owed. The determination of prompt is made upon receipt of a proper and that's a defined term, proper, invoice. It needs to be proper in both form and substance. And that has to be presented to the finance department. Payment after 30 days requires an interest payment and such interest rate is determined by the state under its corporate tax rate. And in this case, it would be an 8% rate during the fiscal year. And that's where the first quarter... It's like a default rate because you're in late payment. During the fiscal year end... During the fiscal year that ended October 31, 2017, as in the prior fiscal year, all payments were promptly made within the required 30 days period and no interest was paid in this fiscal year. This is and... I guess you asked if there was any question to... policy, sustaining policy.

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DENNIS MEHIEL

But what I think I just heard you say is that we made all our payments required timely during the year.

PAMELA FREDERICK

Correct.

DENNIS MEHIEL

We didn't incur any charges.

PAMELA FREDERICK

Correct.

DENNIS MEHIEL

Okay. We're obviously in compliance with the state policy.

PAMELA FREDERICK

Yes, and we are taking... continue to tighten how we manage that process, tighten some of the operating procedures. Including what we will implement now is a quarterly review rather than waiting till the end of the year. And so I think we'll be even more pleased to make this presentation next year. So our request is that the members approve and authorize other prompt payment report and the prompt payment policy.

DENNIS MEHIEL

Good, okay. Questions or comments from the members? Do we have a motion?

CATHERINE HUGHES

Motion.

DENNIS MEHIEL

We have a motion. Do we have a second?

GEORGE TSUNIS

Second.

DENNIS MEHIEL

We have a second. Approved.

B.J. JONES

One more item (indistinct) is... The investment reporting...

DENNIS MEHIEL

All right, here it is.

PAMELA FREDERICK

All right, thank you. So as of the fiscal year end, October 31, 2017, the Authority held total investments of 471 million. And that's a fair value amount. Of this, bond restricted assets were 371 million with corporate escrowed and OPEB assets of 100 million. These funds are managed by the Authority's investment manager, uh, managers and held by the trustee, Bank of New York Mellon. The funds are managed to conform to the Authority's guidelines including the investment objectives. These objectives being

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legal compliance, safety of principal, liquidity, meeting liquidity needs and lastly, to maximize the legally allowable rate of return. Investments are subject to the New York State Finance Law. That's Section 98 which defines the sectors, credit quality and allocation which the Authority then overlays with the... with our own diversification and credit limits. And that's defined in the investment guideline. The only changes to the guidelines have been updates to reflect Section 98 references that were updated. We moved some of the provisions... some of the sectors were moved from 250 million as the maximum investment to 500. Our overlay actually limits that more so we really follow the Authority's guidelines in that case. And then certain administrative refinements.

We've worked with PFM Asset Management to update the quarterly report including adding a policy compliance review. That's on page six of that quarterly report. And I think you'll find that a helpful addition as well as a clearer presentation of the change in value. And I think, Dennis, that may have been one of your concerns as well in the past. You'll see those change pages on page 12 to 14 of the quarterly report. The portfolio consists solely of fixed income investments with performance in the fiscal year greatly impacted by the Federal Reserve Bank's tightening stance. That included three hikes in 2017 and two to three being anticipated in 2018. Inflation and fiscal stimulus also played key roles in driving the direction and the level of U.S. interest rates. We'd also like to note formation of the investment committee to be led by Board member George Tsunis with Catherine McVay Hughes and Lester Petracca as voting members and Chairman Mehiel as a non-voting member. We look forward to working with you in the coming year with the committee. And we have quite a lot to...

DENNIS MEHIEL

Does that mean George is my boss?

PAMELA FREDERICK

(indistinct) Every scissor relates to the committee.

DENNIS MEHIEL

Okay. So there are limitations.

PAMELA FREDERICK

I'd like to introduce our investment advisor PFM Asset Management by Steve Faber who's here with us. He will review the 2017 fiscal year investment strategy and performance. I'd also like to acknowledge Jim Haddon who's here. He's a managing director with Ramirez Asset Management and they're a sub-investment advisor partnered with PFM. There he is.

STEVE FABER

Good afternoon, everyone, it's a pleasure to be here today. And it's certainly been a pleasure getting to know and working with Pam these past couple months. On behalf of PFM Asset Management and Ramirez Asset Management, it continues to be our pleasure to work with the Authority. Pam stole much of the thunder in terms of kind of a brief high level review of the activities of the year with respect to the portfolio. But I just wanted to add a couple things for the new members, particularly the members. Pam referenced New York State Authority's guidelines and the Comptroller's guidelines with respect to the investment of public funds by

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public authorities in the state. They are very, very conservative guidelines. So, as Pam eluded to or as Pam mentioned, excuse me, the Authority's restricted to investing in only fixed income securities and largely short-term fixed securities. As an example, at the end of the fiscal year October 31 of last year, approximately 75% of the Authority's 450-ish million was invested in (indistinct). Now that fluctuates over time and that percentage is higher at the end of October last year because of the value between light maturity treasuries and the more maturity federal agencies. The balance of the portfolio is invested in high-quality credit instruments both municipal securities as well as commercial paper securities. And that can't and won't change unless and until the New York Controllars office decides to change the guidelines for public authorities and this is Authority Board elects to go along with it or not. As Pam mentioned a number of years ago I think in 2013, we added some diversification standard that are not contained within the Controller's guidelines to the Authority's investment guidelines and we continue to update those and review them and potentially upgrade them with the Authority's blessing on an annual basis. The markets were... You know, everyone is very familiar with what happened in the equity markets last year. And we saw 20 plus percent returns in the S&P 500, Dow, etcetera. Needless to say, the Authority didn't benefit from that because you can't invest in those sectors. The fixed income markets, treasuries, agencies, etcetera, saw some pressures over the year as the Federal Reserve raised rates three times. When we got through the year-end, the prospect in impending doom, whatever you wanted to view it as with tax changes, tax point changes, etcetera. So, towards this, the latter half of the calendar year and certainly the latter, the last quarter of the Authority's fiscal year, we saw a sharp move higher in interest rates which muted performance across all fixed income sectors for the year. That being said, the Authority's portfolio has generated positive returns and significantly outperformed the treasury benchmarks. And again, to those members that are new, the Authority selected for those total return strategies which are managed. And it's not all of the accounts but it's two-thirds of a dollar of the value of the Authority's accounts. The Authority, those funds are managed to treasury, all treasury portfolio, treasury indices to allow us and the Authority staff to demonstrate value that we hope to add by placing certain funds and allocating funds between the different sectors being commercial paper, agencies and the like. So, again, challenging year from interest rate perspective. But overall, positive one from a performance and a return perspective. As always, I'm happy to answer any questions.

DENNIS MEHIEL

What is our just... what's our blended rate of return given those constrains right this minute?

STEVE FABER

I do not know that number, I'm sorry. (indistinct) I don't have that number.

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DENNIS MEHIEL

Yeah. What would your guess be? I mean, in other words, are we down sub 100 bits? We're talking about treasuries. Short term treasuries. Where are they trading?

STEVE FABER

Where two years... ten years at 206 or something like that.

MAN

Yeah, two years ago, 206, 207.

DENNIS MEHIEL

200 bits on two-year treasuries?

MAN

Yeah.

DENNIS MEHIEL

Pretty flat...

WOMAN

It's very flat.

STEVE FABER

And the quarterly report contains its value, Mr. Chairman. (Indistinct) Insurance Fund which is a very small fund down from a much larger nine years ago, all generated positive returns for months. Those are the seven or eight funds that are managed with total return strategy. There are a large number of accounts, security, after security deposit accounts which are really asset liability strategies that are not managed through total return. But those funds are incorporating roughly two-thirds of the Authority's assets all generated positive returns for the 12 months.

DENNIS MEHIEL

Okay, good.

MAN

There's some speculation that the Fed may raise the rates three more times this year..

STEVE FABER

Our defense feeling is that the Fed is likely to raise three more times. The market is (indistinct)

MAN

Right.

STEVE FABER

And so with that as a backdrop, we continue to be reasonably conservative in the duration perspective and interest rate placement perspective with that.

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PAMELA FREDERICK

The Feds (indistinct) shows through. The market is (indistinct) And you had a couple of dissenting governors on the last vote so two might be more likely, two or three I think is a fair range (indistinct)

MAN

But it seems like the approach is right.

STEVE FABER

We don't wanna be overly short, obviously, especially with the new (indistinct) being as wide as it is right now. But we wanna be prudent about it and all the while keeping in mind... And this really impacted some of the points after the 31st which is the closing officially when certain funds have to be readily available to move to the city. So we wanna be prudent about that and talk about it pretty much every Monday on our call with the Authority.

PAMELA FREDERICK

It's definitely something we'll work with the investment committee to see are there ways to adjust the strategies for certain funds. Adjust some of the limits and the diversification strategies to give a little more breadth. Ramirez has the number of very positive returns exceeding 30, 40 bits versus treasuries and so sometimes they're constrained to be able to do that. So even within the limits of our conservative strategies, hoping a little bit might give us funded rate. These are the types of things we wanna talk about.

GEORGE TSUNIS

My general thoughts on the subject are we are in a rising interest rate environment. How do I know this? Some very learned people have said the Fed has raised three times last year and looking to raise two or three times. It is a rising interest rate environment. We are not principal protected. So as interest rates rise, the core, the principle, the price of the bonds goes down. Now if we hold for ten years, you know, we'll be okay. But given that we do have some short and medium term obligations that are coming up, I don't wanna get caught with a principle squeeze here. So I think as interest rates moderate as we get to historical norms and we get to a 30-day at maybe three percent, we get to a ten-year in the five percent range, which is a historical norm and, you know, we probably won't have as much principle risk, then I'd like to push a little long-term to get a little bit more yield. But given that there is a potential principle downside, I would be very, very careful in the rising shift environment, you know to... 'cause it's a value trap. To get 30, 40 bases points, you know, we are exposing the principle.

DENNIS MEHIEL

Okay. Thank you.

PAMELA FREDERICK

This is to request the members' approval of the investment report and guidelines for the fiscal year ended October 31, 2017. And to authorize the filing with... filing it with required parties and posting it to the Authority's website.



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DENNIS MEHIEL

Okay. Do we have a motion? Moved? Seconded? And a third.

GEORGE TSUNIS

Thank you, Pamela.

DENNIS MEHIEL

All right.

B.J. JONES

Next up is our... the members annual approval of our procurement guidelines which has received only minor modifications which Alix will briefly walk you through.

ALIX PUSTILNIK

Hi, everyone, as BJ just said, the numbers are required to annually approve the procurement guidelines, bold the procurement guidelines to ensure transparency, open competition in the Authority's procurements as well as to promote the state's contracting goals. We have made, again as he just said, what in my view are non-substantive provisions to the guidelines as a result of conversations internal to staff and taking a look at what practices are in other similar authorities. So we think we have changed some definitions which are slightly clearer. Tried to streamline some approvals so that matters did not come to the Board for required president's approval unless they actually met thresholds that seemed to make that warranted. And I... the other, the, you know... The changes are bulleted out here. I'm gonna answer any questions that you have. And if there are none, I would ask you to read the guidelines.

DENNIS MEHIEL

Okay, well, I'm looking at this. Following internal discussions... We want refinement to the guidelines, right? Refinement. Formalizing circumstances in the protocol on best and final five. You guys, that's great. Elimination of the requirement that non-personal services contracts with a duration of over one year be approved by the Board. So we would no longer be consulted. Course I'm in the staff. So in theory I'm supposed to know about this. But at the Board level...

ALIX PUSTILNIK

As a general matter...

DENNIS MEHIEL

Give me an example.

ALIX PUSTILNIK

Sure. This is, for example, for warranties or for service contracts. They are typically varied. This would make our guidelines consistent with ESB's guidelines, the (indistinct) Corporations. We were seeing a lot of contracts that were warranties, like technology warranties or service on automobiles. Very low dollar but they had a three-year duration or a five-year duration and they were being brought to the Board. In our judgment, personal service contracts of over a year still warrant the Board's, you know, the Board's approval and the Board being informed. But that this was

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a way to enable things like technology warranties be put in place in a more streamlined fashion that was easier for everyone.

DENNIS MEHIEL

So what is the new language?

ALIX PUSTILNIK

It defines... sure. The new, we just have to define what a non-personal service is contact is. So that the categories that I mentioned are specifically excluded. Everything else that needs to be barring those specific exclusions, everything else that used to go to the Board still will go to the Board.

DENNIS MEHIEL

And those, those criteria are in here?

ALIX PUSTILNIK

They are.

DENNIS MEHIEL

Where do I find them?

ALIX PUSTILNIK

That is an excellent question.

DENNIS MEHIEL

Yeah, procurement guidelines. They're somewhere in this book.

ALIX PUSTILNIK

They are indeed.

B.J. JONES

What page Robert? Page five?

ROBERT

No, page 20, second five.

DENNIS MEHIEL

Page 25?

ROBERT

Page 20, section five.

PAMELA FREDERICK

It's the last page in the section.

ALIX PUSTILNIK

Yeah, so it does specifically says warranty and product maintenance support lease contracts including but not limited to auto and equipment leases are not considered personal service contracts. And you're not required approval by the Board...

DENNIS MEHIEL

"...Personal services not to exceed one year."

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ROBERT

Contracts, the Board would only see those that go above the dollar amount.

ALIX PUSTILNIK

Correct. Personal services contracts you would still see.

DENNIS MEHIEL

Yeah, I was just looking for that description and I just can't find it. Where is it?

ALIX PUSTILNIK

It is on the last page of the guidelines, page 20. And then there is Section 5.5.5.

DENNIS MEHIEL No, I saw that. Contracts require in performance of personal service terms...

ALIX PUSTILNIK

Second sentence.

DENNIS MEHIEL

"...Approved by the Board in regard to... Note that product maintenance support contracts... are not considered..." I get that. But, um... I mean, if I just looked at the four corners of this paragraph, right? If it requires personal services for a term exceeding one year, it would show up here at this meeting.

ALIX PUSTILNIK

Correct.

DENNIS MEHIEL

Okay. If it's not personal services and it happened to be more than one year such as it was, we don't have to bother with it. I get that.

ALIX PUSTILNIK

Correct. Unless it's over 500,000. And then it will come to you.

DENNIS MEHIEL

Okay, fine, or half of that. However, am I missing something or within this paragraph, if you guys deem it not to be personal services, there's no requirement... We haven't listed the things that don't require approval. That's a list that would never end. Right? Just...

B.J. JONES

It would be a growing list.

DENNIS MEHIEL

So, what you wanna do I think is carve out the things that require our attention.

ALIX PUSTILNIK

Well, personal services, it's actually a short list of the things that don't require approval. It's merely warranty and product maintenance support lease contracts. So, for example, if we were renting a Subaru for

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two years and it's costing \$15,000, we don't, that would not have to go to the Board. Or if we have an auto maintenance with the garage across the street. That if we have problems with our Parks vehicles. It's not to exceed... You know, it's a three-year contract not to exceed 15. That might be personal services... if it was. But it's the kind... And it's technology licenses.

DENNIS MEHIEL

The point that I'm making is that a finding by the staff that the contract is not personal services, it's gotta hit a half-million dollars before we hear about it. And we don't have definition.

B.J. JONES

We could supplement this with a more prescriptive list of what's excluded so that it's clear that what we're getting at is still turning out the...

DENNIS MEHIEL

If you wanna carve out this stuff that clearly doesn't belong here, I'm all for it.

ALIX PUSTILNIK

Sure.

DENNIS MEHIEL

Creating language that gives us a rat hole...

B.J. JONES

Yeah, that's right.

DENNIS MEHIEL

That's a problem.

B.J. JONES

Yes, yes. So, we'll... let's...

DENNIS MEHIEL

Let's... come up with the specifics and I'm happy to do it.

ALIX PUSTILNIK

No problem.

DENNIS MEHIEL

All right, what's next?

B.J. JONES

Great.

ALIX PUSTILNIK

We need approval.

DENNIS MEHIEL

Power supply?

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ALIX PUSTILNIK

No, we need approval of the guidelines subject to that clarification.

DENNIS MEHIEL

Oh. All right, then I would say that the motion needs to be amended ever so slightly to suggest that there is a requirement for the staff to come back with those specifics to do that and I will approve that when I see it and that needs to be done prior to the next meeting at which point I will report to the Board that in fact we have accomplished that. Okay, with that caveat, then, can we have a motion for approval?

GEORGE TSUNIS

Motion for approval.

DENNIS MEHIEL

If you have questions or comments, let's hear it. Okay, we good?

MAN

Second.

DENNIS MEHIEL

Okay, approved.

B.J. JONES

So our ten-year agreement with the Power Authority that we do as a collective with a number of other government entities led by the city of New York is up. And so as part of that collective with New York City, a new ten-year agreement has been negotiated maintaining the favorable terms that we had for the last ten years of which a very small percentage is attributed to the authority. This is cost effective for us because of the economies of scale by joining with these other government agencies in the City of New York and an annual assessment is done of the savings for each of the entities involved. Last year the approximate savings from being part of this collective as opposed to going directly with Con Ed was about \$170,000 for the Authority. So we are eager to move forward with this ten-year agreement with NYPA as part of the collective and seek the numbers approval.

GEORGE TSUNIS

I make a motion to approve.

B.J. JONES

Thank you.

DENNIS MEHIEL

I've got a question.

GEORGE TSUNIS

Sure.

DENNIS MEHIEL

Kev?

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MAN

Yes, sir.

DENNIS MEHIEL

Remember those guys I sent you from Houston, the big, huge brokers, global brokers on energy? They came and talked about all this mumbo jumbo. Did we get any...

MAN

It didn't rise to the level of where it warranted for them to step in.

DENNIS MEHIEL

The spread that they were talking about wasn't... What do we spend around here in a year on power?

B.J. JONES

About 500,000...

DENNIS MEHIEL

That's our total cost in electricity for the whole year?

B.J. JONES

That's our different spaces but also the power for lighting and other electricity in our parks.

DENNIS MEHIEL

Total is about 40 grand a month, 500,000. And what did you say this saved us? A hundred and some thousand...

B.J. JONES

And this past year, it fluctuates year to year, this past year it saved us about 170.

DENNIS MEHIEL

Would we have spent 670 and we spent five or did we spend five and we got 170 back?

B.J. JONES

So, we would have spent... So the five that we spent would have been 670...

DENNIS MEHIEL

It was net. Yeah, okay, I got it. Yeah, not material, okay. All right, I got no other questions on this. We got a motion?

GEORGE TSUNIS

Motion.

CATHERINE HUGHES

Second.

DENNIS MEHIEL

There's a second. Approved.

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B.J. JONES

Okay, the next one is also... This is for web services to support but also enhance our web sites. This is going to the Board because of the duration of the contract. Not the dollar amount. If we were due to issue a procurement for web services and we receive two bids, both NWBE's and the highest rated... much more highly rated company, RK, was selected by the evaluation committee. We have been working with them for a number of years now and have been very pleased with their services. The range of hourly rates. This is a times and materials contract. It's on page two. But we did provide them with a scope of potential services in addition to support things like expanding online permitting and enhancing our websites to get a high end total cost that we availed ourselves of all of those services. And their proposal for that was \$254,881.73 over a four-year period. And so I am requesting approval to enter into a not to exceed amount, a contract with a not to exceed amount of \$255,000 to give us room to do that. And if the scope of services ends up being less than that, the cost will also be...

DENNIS MEHIEL

Will be lower... yeah.

B.J. JONES

Will be reduced.

DENNIS MEHIEL

Okay. All right, and we're talking about roughly three or four percent spread to the lower bid and you like the qualifications performance and you have the experience.

B.J. JONES

Yeah, this is a team that has worked well together with us and is...

DENNIS MEHIEL

And it beefs up Anthony's numbers.

B.J. JONES

And it is a great contributor to Anthony's numbers.

DENNIS MEHIEL

Are you gonna take all the credit for this, Anthony? Both bids qualify. We didn't even consider anybody that wasn't in your camp. So there it is. Okay.

MAN

Going back to the earlier discussion about service contracts. Would this be the type of contract that does not come to the Board?

ALIX PUSTILNIK

No, I just wrote BJ a note. This is the kind of contract that would come to the Board. We're talking about leases for, like, we rent a Xerox machine. That kind of stuff currently comes to you 'cause we rent a Xerox machine for three years. And so it... this is exactly the kind of thing that would still come to the Board.

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MAN

But to Dennis's earlier point. You know, a lot of things have personal services elements to them. Whether it's peripheral or set. So, a better definition I think we need.

DENNIS MEHIEL

I think we should define the exclusions, and anything that doesn't fit the exclusion list shows up here.

ALIX PUSTILNIK

Sure, what I was suggesting to Suzie as we were having this conversation is we'll put together a list for you of contracts that have come to the board purely for time over the past year and then divide them into even, if you'll bear with me, Dennis and indulge me, even with the language in here now to what would have come to you and what would no-- what would still come to you. What will come to you no longer. My suspicion is you would then see oh, actually this is clear. You are, of course, right. It can be complicated. For the Authority's operation it isn't, in fact. However, so, we'll do that. We'll take a look at it. Obviously, in the event that you're more comfortable with a more robust definition, we can do that too.

DENNIS MEHIEL

Yeah. Okay. Then we could look at the 500,000. That could go down. That wouldn't be my first choice.

ALIX PUSTILNIK

We recently raised it.

DENNIS MEHIEL

I know we did. That's what I'm saying.

ALIX PUSTILNIK

And it smoothed our operations a lot, yes.

DENNIS MEHIEL

That's what I'm saying. There's always such a thing as a subcategory. Right? Okay, anything else on this end?

CATHERINE HUGHES

Just on the website it would be great if it could be quick loading. 'Cause a lot of people look at their phones and...

B.J. JONES

And the speed, yeah, we are looking at also making it even more mobile friendly, for example, um, yes.

DENNIS MEHIEL

Okay. Do we have a motion on this?

GEORGE TSUNIS

Motion.

CATHERINE HUGHES

Second.



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DENNIS MEHIEL

We have a motion, we have a second. Approved.

B.J. JONES

Okay, and we have one real property on track for Rector Street Grid Project, Gwen.

GWEN DAWSON

Thank you, good afternoon, everyone. As part of our ongoing capital...

DENNIS MEHIEL

Gwen, how are you? I saw you down there the whole time.

GWEN DAWSON

I didn't know whether you did.

DENNIS MEHIEL

And this is... this is the smallest Board we've had since I've been here.

GWEN DAWSON

I know, I'm just trying to just keep it low key today.

DENNIS MEHIEL

Okay.

GWEN DAWSON

As part of our ongoing capital maintenance program, we have a program whereby we phase format, upgrade our electric light grids throughout Battery Park City. We have five distinct grids. We have performed the upgrade on three of the grids, the most recent of which was the south grid which was completed in 2017. Our current plans are to perform the street light upgrade for the Rector grid in 2018. And that includes all of the streets on the south side of Albany Street to West Tenth Street. And it includes the removal of a visiting feeder cables, cleaning and repair of conduits. The installation of new feeder cables, waterproofing of splices and modernization of controls in the cabinets. We issued an RFP in September. We receive two proposals from contractors, both of which are familiar to Battery Park City Authority. We had our evaluation committee evaluate the proposals. And we came out with evaluation points that showed a clear winner in terms of the technical evaluation. That was for Community Electric Inc. We also as part of our evaluation, noted that the cost proposal for Community Electric was significantly lower than the cost proposal for Deborah Bradley, the other proposer. Deborah Bradley is a contractor that's done a lot of work for the Authority in the past but not electrical work. The electrical work I think is something that's relatively new for them. They don't seem to have as much experience yet in the street lighting kind of electrical work. And I think their approach to the project as well as some of their labor rates being higher really constituted a very significant difference in the pricing. But because the higher rated... the technical higher rated contractor, Community Electric, was also the lowest cost. That is what we are proposing for the Board today and we are requesting Authority enter into a contract with Community Electric for \$1,430,241.

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CATHERINE HUGHES

When this was done last year that was completed, was there an energy savings that was obtained?

GWEN DAWSON

This is not really focused on the energy savings. We are going to be entering into another project this year to convert to LED lighting for the street lights. That will result in a significant energy savings. This is simply to... It does have resiliency component because we're using waterproof splicing. And it just maintains the operations. We're noticing after these have been in there 30, 35 years, and we're experiencing more and more outages or failures over our damages that require repairing.

DENNIS MEHIEL

Okay. So the contractor who had in your view better qualifications, let's say, on point experience, let me put it that way is half the cost of the other guy.

GWEN DAWSON

Right.

DENNIS MEHIEL

And we have experience with this contractor is what you're saying.

GWEN DAWSON

Yes, we do, yes, we do.

DENNIS MEHIEL

Any other questions or comments on this one? We have a motion? Moved? Second? Approved. And...

B.J. JONES

Without further ado... Adjourn this meeting.

DENNIS MEHIEL

We can adjourn the meeting?

B.J. JONES

We can. You may.

DENNIS MEHIEL

All right, the meeting is adjourned. Thank you. Oh, we need a motion. We got a motion. We got a second. We got a third. We got a fourth. We're out of here.