

BPCA Board Meeting

March 13, 2018

DENNIS MEHIEL

Okay, so, I'd like to call to order the meeting of the Battery Park City Parks Conservancy. Uh, first order of business would be, review and approval of the January 24th, 2018 meeting minutes. Which-- minutes are available to you in your book. Do we have comments, edits, or questions on the January 24th minutes? Uh, hearing none, do I have a resolution to approve? Catherine? Do we have a second? Hearing no opposition, minutes are approved. B.J.?

B.J. JONES

Yeah, we have one corporate action, authorization to file the IRS form 990. We're joined today by Warren Ruppel, partner at Marks Paneth who will give the members a brief overview of this before, the action, so Warren.

WARREN RUPPEL

Thank you, B.J. this 990 Tax Return, Federal Information Return, as well as the CHAR500 for Conservancy. The 990's not the most exciting form to start out with, and this may set the bar for... really not that exciting. So concerning this memo, I'd say that it goes through the Conservancy. Spend a million dollars of expenses. And reimbursement from... from the authority. There is a number of-- listing of officers and directors, payroll information, the salary is listed there. Those salaries are not paid out of the Conservancy. They're paid out of the authority. But since it's a related organization, they need to be included in there. There are no separate ordered financial statements for the Conservancy. They're included in the authority's financial statement, so there's no reconciliation to the financial statements. But those numbers would really... if there were ordered financial statements, those numbers would essentially be the same, so. And most of the supporting schedules that you see are not applicable.

DENNIS MEHIEL

Seems simple and straightforward.

WARREN RUPPEL

Straightforward. The other thing we mentioned is a series of governance questions that were included in the 990, and, well, those are answered in a kind of positive-- positive way that will indicate good governance procedures.

DENNIS MEHIEL

Okay. Questions or comments?

B.J. JONES

So, if there are no questions or comments, then we request authorization from the members to proceed with filing.

BPCA Board Meeting
March 13, 2018

DENNIS MEHIEL

To filing. Do we have a motion? We have a motion? Lou? You haven't done any work yet. I heard you second. Second from him. Hearing no opposition? Approved. And, at which point, put a motion out there to adjourn. Do I have a motion? We have a motion. Do I have a second?

LOUIS J. BEVILACQUA
Second.

DENNIS MEHIEL

Lou seconds. Meeting adjourned. Okay. We'll keep going here. Adjournment. Okay, I'd like to call to order the meeting of the Battery Park City Authority. And the first order of business would be the approval or edit and approval of the minutes of the January 24th meeting of the Battery Park City Authority.

LOUIS J. BEVILACQUA
So called.

DENNIS MEHIEL

Do we have any edits or comments? No, we have a motion from Mr. Be... We have a second. The minutes are approved. And we're going to go to public comment. Who've we got?

MAN

Good morning, everyone. Battery Park City Authority. We had two submissions for public comment. One was simply for the record. 00:03:45:01 by Blanche Hallenbrook who's one of our BPC singers. Wanted to voice her approval of the financial presentation and overall the community board meeting-- community meeting last week. Secondly is Rosalie Joseph, who's the first vice president for Gateway Plaza Tenants Association. However, she was planning on getting here at 10:45 or so under the understanding that the board meeting would start at 11. So--

DENNIS MEHIEL
Oh.

MAN

If it pleases the...

DENNIS MEHIEL

I thought we were scheduled for 10:30.

MAN

Perhaps we can push that back when she gets here. The Parks Conservancy at 10:30--

DENNIS MEHIEL

Yeah, it's just if she arrives when we're in executive session, we'll be in a different place, but by 10:30 we should be good.

B.J. JONES
Yeah.

BPCA Board Meeting

March 13, 2018

DENNIS MEHIEL

We'll see how it goes.

B.J. JONES

Yeah, yeah.

DENNIS MEHIEL

But we'll make a-- we'll make a break to accommodate her as long as we're in session.

MAN

Okay.

DENNIS MEHIEL

Yes.

MAN

Thank you.

B.J. JONES

Okay, great, and that's just the MWBE report.

ANTHONY PETERSON

Uh, Mr. Chairman, members, for the month of January, Battery Park City Authority's utilization of MWBs was just under 32%, 31.75. Just over 7% for MBE just under 25 for government BE. Prime utilization, which is the amount they directed to WMBE was just over 13%. And as far as the subs, it was 18.7%.

DENNIS MEHIEL

In January, in... two-thirds... the green is "other," right? Okay. I'm trying to follow along. And you're saying on a year-to-date basis... we're, what'd you say, 32%?

ANTHONY PETERSON

Well, this is for January, it's...

DENNIS MEHIEL

Only for the month of January.

ANTHONY PETERSON

Yes, for year-to-date, we are at about 35%.

DENNIS MEHIEL

Okay. All right. Comments or questions for Anthony? Thank you. We're on track. Let's go back to the agenda.

B.J. JONES

Move forward, yes, to the investment performance report, so Pam, our CFO, will kick that off.

BPCA Board Meeting
March 13, 2018

PAMELA FREDERICK

Right, good morning, so one of the things we wanted-- we're going to do, particularly, is one, review the quarterly performance, and then I just wanted to make an update on our fossil fuel investments. You might recall from the January meeting that the city and state controller are now reviewing, they're making a determination as to whether they'll continue to make investments and potentially divestment from fossil fuels. We still hold that \$15 million Exxon commercial paper investment. That will actually mature at the end of the month. After which, we will not have any further fossil fuel investments. We have not made any incremental investments since January, and we will not actually make any until the Battery Park City Authority Investment Committee makes a determination. So, we wanted to just update the members as to our current status. And so what we'll do now is our investment advisor at PFM will now provide us a summary of our quarterly investment report. And we have-- also have with us Ramirez Asset Management, who is our co-investment manager there, present as well. But I think Steve and Bob are going to do a private summary for the quarter report.

STEPHEN FABER

Thank you, Pam, and good morning, everyone. My name is Steve Faber. I'm with PFM Asset Management. Bob Cheddar is one of my partners in this unique portfolio I manage for your accounts. Samantha Plunkett is on our team. Sam Ramirez and Jim Haddon across the way are our COs-- WFMBB COs on this engagement. You have a very lengthy, very detailed report in your packet. We're not going to go through it by any stretch of the matter, imagination, in great detail. But just at a high level, assets for the authority under management increased about \$80 million over the-- from October 31st fiscal year into January 30, first quarter. About 550-- excuse me, \$520 million at the end of the quarter. It remains, as it always has and will be remaining, invested very conservatively. Approximately 80% of the portfolio is in either U.S. treasuries or federal agency securities. The balance in high-quality, high-grade municipal securities, commercial paper-- or commercial paper. Again, all consistent with and in conformity with the authority's investment guidelines and state statutes. Uh, the authority's portfolios are largely under numerous, there are 48 accounts between Ramirez and PFM who manage. Most of which are shorter-term project escrow funds. But there are a number of other funds that are managed to co-return strategies, be they pledge revenue account, the bond reserve account, and others. All of which are detailed in the report that you have. What I'd like to do now in the interest of time is ask Bob Cheddar to talk to some of the market highlights, what drove performance during the quarter. What we're looking at now, what we anticipate, you know, for the balance of 2018.

BOB CHEDDAR

Thank, thank you, Steve. I think there were three characteristics of the market over the past quarter, the past 12 months that have had an influence on portfolio performance.

DENNIS MEHIEL

Would you like to just kinda come up here and stand so everybody...

BPCA Board Meeting

March 13, 2018

B.J. JONES

And let us know what page you're on.

BOB CHEDDAR

Sure.

DENNIS MEHIEL

...is twisting around like a pretzel.

BOB CHEDDAR

I'll, speak primarily from page four. I-I-I I won't move much beyond that. There were three characteristics of the market over the past quarter that has influenced our strategy and the performance of the portfolios. The first is that the Federal Reserve has been active, increasing short-term rates. So that's important because about 80% of the authority's assets are invested short-term inside one year. So when the Federal Reserve moves rates higher, it has an impact on those securities. Short-term rates are at their highest level since 2008. So that's good news for the authority because we're now able to earn more interest earnings on those funds. And over the past 18 months or so, as the Federal Reserve has increased rates, so has the interest earnings for the authority. If your... had short-term rates at 04, almost six, six or seven years. The second characteristic of the market is that the yield curve has flattened. So short-term rates have moved higher, longer-term rates have also moved higher, but not to the same degree as short-term rates. So the shape of the curve is a little bit different than it was a year ago. You're relative to longer-term rates. You're earning much more for short-term rates because of the relationship between short-term rates and long-term rates. And thirdly, there's been, I think, positive sentiment around credit sectors in the fixed income market. So the yield difference between treasuries, for example, and commercial paper is relatively narrow compared to other, other times. The yield difference between federal agencies and treasuries is also very narrow. And it's very similar in the municipal sector. So that influences how we select individual securities for portfolios. And as Steve pointed out, a significant amount of the portfolio is invested in treasury securities. That's because of that relationship. You don't earn a lot of extra yield moving into other sectors compared to the treasury sector. On page four, we do show the performance of the individual portfolios over the past quarter, past 12 months, and since inception of those portfolios. We manage five or six portfolios on a total return basis, meaning that we, uh, we measure the impact of market movement and interest earnings on those portfolios. And an individual benchmark is assigned to those portfolios. The reserve fund is managed compared to the one-to-five-year treasury index. That portfolio has outperformed its index over the past quarter over the past 12 months and since inception. There's also several portfolios managed against a one-to-ten-year treasury index. Those portfolios also have outperformed over the past quarter, past 12 months, and since inception. The flattening of the yield curve concept at increasing rates is important in these portfolios. We have maintained a defensive duration position in these portfolios, meaning we haven't added as much interest rate risk in these portfolios relative to the benchmark. That's one of the reasons why performance has been better in these portfolios. If you note, over the past 12 months, the return of the market or the index has actually been negative in the case of the one-to-five-

BPCA Board Meeting
March 13, 2018

year index negative-nine basis points. But the portfolio has performed-- has had a positive performance. And part of that is due to the duration positioning of the portfolios. The two portfolios at the bottom of the page are managed using a short-term strategy because these portfolios have significant liquidity needs. So we really only have a 12-month horizon at the most in these portfolios. So we use a three-month Treasury bill index. Similar story, we have outperformed the benchmark over the past quarter, past 12 months, and since the inception of the funds. But, but again, liquidity is really important in these portfolios, so when we think about positioning these portfolios and buying individual securities for the portfolios, it's really dependent on the authority's cash needs and the individual purpose of those securities. Moving forward, we do think the Federal Reserve will continue to increase rates in 2018. They'll likely move rates higher by 25 basis points next week. And then potentially, another two or three rate hikes later this year depending on the outlook for growth and inflation. Because of that, we'll continue to maintain a defensive duration positioning to help protect the market value of the portfolios in the event that interest rates do move higher. In the case of the shorter-term portfolios, our horizon is a little bit different than our longer-term benchmark portfolios. So, so we'll do careful break-even analysis compared to what we think the Federal Reserve will do relative to market rates and of course the liquidity needs of the authority. So such a brief recap of our investment strategy. Currently and moving forward, certainly if there's any questions, I'd be happy to address those.

DENNIS MEHIEL

Okay. When did you send-- I mean, I see we got 500 and some odd million sitting around in various pockets. We have not yet transferred the results of our recent fiscal year operations to the city.

PAMELA FREDERICK

No, those are provisions and I think last year they went around July with those. We haven't received the request from them. So, once requested, that's when the money would flow and be paid to them.

DENNIS MEHIEL

Our fiscal year ends in October.

PAMELA FREDERICK

October.

DENNIS MEHIEL

And they don't ask for the money till July.

PAMELA FREDERICK

Kinda, historically. And we've had in the past where it went past the fiscal year and we actually had to carry it over, so it makes some of our year-over-year numbers difficult to compare. But it really is a delay. Sometimes I think there might be internal discussions about where to direct it. And they don't want to receive it until those decisions are made, so...

BPCA Board Meeting

March 13, 2018

DENNIS MEHIEL

Okay, so they know where it's going.

PAMELA FREDERICK

Yeah.

DENNIS MEHIEL

All right. Any other questions or comments on the report we just heard?
Thank you very much.

ALL

Thank you.

DENNIS MEHIEL

All right, back to the agenda.

B.J. JONES

Chairman, I suggest that we go into executive session.

DENNIS MEHIEL

Want to go now to executive session? Okay. We're gonna have a fair amount
of activity after executive session, so if anybody... What-- on the public
comment, did...

ANTHONY PETERSON

The person is here.

DENNIS MEHIEL

We have one person here that wanted to make a public comment and the other
has still not yet arrived?

B.J. JONES

We should, we should go to executive session first.

DENNIS MEHIEL

And do the public comment after.

B.J. JONES

And then we'll do the public comment after.

DENNIS MEHIEL

Okay, and it's not a long executive session.

B.J. JONES

Shouldn't be too bad.

DENNIS MEHIEL

We'll be back in a reasonable period of time, and we do have some more
stuff to do. All right, a motion to return to the public session of the
meeting.

CATHERINE MCVAY HUGHES

Motion.

BPCA Board Meeting
March 13, 2018

HECTOR BATISTA
Second.

DENNIS MEHIEL
We have it. We have it second. Approved.

MAN
And we'll go to the public comment.

DENNIS MEHIEL
Uh, public comment. I hope these public comment people were patient and love to hear from you.

MAN
All right, well, good morning, everyone. It's authority we have one public commenter, Miss Rosalie Joseph. She's the first vice president of the Gateway Plaza Tenants Association and longtime Gateway resident.

ROSALIE JOSEPH
Hello, everybody.

DENNIS MEHIEL
Good morning.

ROSALIE JOSEPH
Good morning. I'm here on behalf of the board of the Gateway Plaza Tenants Association and I'd like to bring something to your attention facing the residents about our electric bill. We have been inundated with e-mails from tenants about the exorbitant increase in electric bills between December and January. Now, Gateway tenants pay their own electric heat which is supplied through Gateway, purchased from Con Ed, and billed to residents through a third-party AMPS-ELEMCO. Many residents have received bills this month that have been double or triple or more than prior month. Tenants have reported an increase anywhere from 55% to 354%. The last one that I just mentioned went from \$161 to \$731. We have reached out to Gateway management and they advised us that they have no control over the electric rates and that all inquiries and complaints should be directed to AMPS-ELEMCO. A few of us have contacted them. They have cited the cold January temperatures and an increase in Con Ed's bulk rate to explain these increases. While we understand that Gateway does not control electric rates, we believe there are factors in their control that may affect usage. Now, Gateway has provided guidance to tenants regarding the operation of these relatively new PTAC units, which is our heating and conditioning, to achieve efficiency. And virtually everybody we spoke to follows these guidelines. Despite the bills-- Despite this, bills have gone up significantly. Perhaps the PTAC units themselves are not functioning efficiently or perhaps there's a problem with the meters. And I would also like to point out that in 2014, there was a similar issue when utility bills were comparable to the bills we are now experiencing. So the elected officials worked with the Tenants Association and management installed new PTAC units, new meters, and new windows to remedy these excessive bills. Now, after all those capital improvements that have been made, our bills are still exorbitant. And finally, there is no transparency about what fees may be included in our bills. We've reached

BPCA Board Meeting

March 13, 2018

out to the elected officials and we hope to meet with the Public Service Commission to discuss the issue, but we would also ask for your support and involvement to resolve the situation. Thank you for your time. I think that was just it.

ALL

Thank you.

DENNIS MEHIEL

That's strange.

GEORGE TSUNIS

They don't have a floor-- a floor pipe system, they have a PTAC system. That's common in hotels.

DENNIS MEHIEL

I don't know, but what strikes me is December to January. Those new units that LeFrak put into Gateway, that installation went on for some extended period of time and has been completed for some period of time. All of a sudden on this exact day, something has to be behind that in terms of how these, these numbers...

GEORGE TSUNIS

Those are the two most expensive months in terms of heating, and it depends where they're getting their power. So I don't know if they're locked in, if they're, you know, you can purchase off the grid. But December, January, February, given the coldness, is by far the most expensive month. But do you have remote thermostats? How do you, how do you adjust...

ROSALIE JOSEPH

We have meters in each apartment. Is that what you mean? Yes, we have-- Every unit has its own thermostat, yes.

GEORGE TSUNIS

Does it have a sensor today, the newest ones? And in my business life, we're installing them in my hotels, they have a sensor that senses if you leave the apartment, if no one's in there, even if someone's sleeping, if someone leaves the apartment, they automatically shut off. And when you come back in, they automatically turn off. Single greatest investment. The return on that is very, very efficient. They are-- they're so intelligent, if someone's sleeping on the couch or in the bedroom, they know that and the heat or the air conditioning stays on. If you leave your apartment, it automatically shuts off.

ROSALIE JOSEPH

Yeah, we don't have that. Uh, these units, they have suggested we keep it at like, I think, 67, 68 instead of turning it on and off. I mean, like for example, I work during the day usually and I'm gone for most of it. And still my bill went up... For me, it's less than some others, but 70%.

DENNIS MEHIEL

Something has to have changed.

BPCA Board Meeting

March 13, 2018

ROSALIE JOSEPH

Yes, yes, something...

DENNIS MEHIEL

Something has changed.

ROSALIE JOSEPH

Something it seems incorrect with the usage. I mean, we understand that Con Ed has their rates. We're not in control of that, neither is Gateway. But something about the usage seems-- I mean, it's a cold month, but last year, when most of us did not have the new windows, the bills were far less than what they've gone up to. I mean, some of the-- We did a survey, just so you know, a random survey, collected data and we're still collecting more. And, it seems that-- I mean, when I say double or triple, some even beyond that.

GEORGE TSUNIS

So let me show you. So new windows were installed.

ROSALIE JOSEPH

Yes.

GEORGE TSUNIS

And they tend to be much more energy-efficient.

ROSALIE JOSEPH

Yes.

GEORGE TSUNIS

New PTACs were installed?

ROSALIE JOSEPH

A couple years ago. I would say two years before the windows.

GEORGE TSUNIS

But the PTAC was something that would go underneath the window.

ROSALIE JOSEPH

Yes.

DENNIS MEHIEL

It's just through the wall unit.

ROSALIE JOSEPH

Yes.

GEORGE TSUNIS

Okay.

ROSALIE JOSEPH

Yeah. And, and, and, um...

BPCA Board Meeting

March 13, 2018

DENNIS MEHIEL

But just... I know that we bilk our own rules and we've engaged in a dialogue far into the presentation, which we're not supposed to do.

ROSALIE JOSEPH

Okay.

DENNIS MEHIEL

But we understand-- I mean, the facts you've given us are just startling.

ROSALIE JOSEPH

Yeah. And it's a hardship for many people...

DENNIS MEHIEL

Of course it is.

ROSALIE JOSEPH

They don't put that in their budget. And all of a sudden, they have a \$700 bill. Anyway...

DENNIS MEHIEL

So we will, we will proactively engage in a dialogue with Gateway ownership to see what we can find out and be happy to share that back. I'm not exactly sure what power or prerogatives we have to influence such a situation. But with the awareness, let us go to work on it a little bit and see what we can find out.

ROSALIE JOSEPH

Thank you so much. I appreciate it. Thank you.

B.J. JONES

Next for the members, we have a brief presentation on our resiliency plans. For the folks at home, we have this screen up that highlights the four areas that Gwen is going to briefly run through. As you know, the authority has been working on a strategy to boost a resiliency for this neighborhood and we're going to have some procurements coming down the pike in short order. So we wanted to give you a snapshot of what is in the works and then complementing Gwen's construction update. Pam is going to speak briefly about our financing structure as well. And we can follow along in the presentation that's in front of you. So, Gwen.

GWEN

Good morning, everyone. I just wanted to give you a little bit of information on resiliency. We have... We think it's been a number of months since we last had an update for you on the resiliency plans. Essentially, we're looking at plans that would protect-- provide protection for Battery Park City against future storm damage and sea level rise. And we have engaged in a series of studies that were focused on assessing the vulnerabilities the risks within Battery Park City. We have also, since Sandy, been involved in a number of different efforts with the city and with the state to address the vulnerabilities in Lower Manhattan as a whole. We are looking at strategies that we have come up with over the past two or three years to go forward with a series of plans of a system of storm barriers within Battery Park City. Now that's primarily to

BPCA Board Meeting

March 13, 2018

protect Battery Park City. However, we also have been coordinating very closely with the cities because ultimately we want to be able to connect with and, and hook our system into their larger Lower Manhattan coastal resiliency plan which is going forward under the Mayor's Office of Recovery and Resiliency. Specifically, I want to just focus on four of the segments that we've identified, which we want to now move forward with, in detailed engineering and design. If you start in the upper left-hand corner, you'll see the northern extremity of Battery Park City. The yellow arrow at the top is essentially the corner, the northern-most corner Battery Park City which is right behind Stuyvesant High School. We have identified through our studies that the two most vulnerable spots for Battery Park City are the extreme north section of Battery Park City at that point and the extreme southern-most of Battery Park City down at Pier 8 Plaza. That's where the bulk of our damage from superstorm Sandy, the genesis of the bulk of our damage was at those two spots. Inundation that went up and then came down West Street. And that, we had suffered significant damage as a result of that. We are looking at a strategy at the northern end that would create a-- through a combination of permanent and deployable barriers, a barrier that would protect the north esplanade and behind Stuyvesant High School. It would cross West Street and then extend eastward along Chambers to Greenwich. We have to cross West Street because we have to-- we have to take the line to a point of-- to a high point. Otherwise the water will just simply go around our barrier system. You'll see also in that same visual the ball fields. If you look a little farther south from the yellow arrow, you'll see the ball fields. Now that was where we suffered a great deal of damage to our ball fields and to the community center that's operated by Asphalt Green. Because we had a lot of flood waters that came across there. The approach at that location is pretty simple. It's the construction of a floodwall that would extend on three sides-- the north, east, and southern sides of the ball field and provide protection for both the ball fields and the community center from the type of damage that we suffered with Sandy. If you proceed to the right, the number three southern end phase is a line that extends from the Museum of Jewish Heritage up to the top left of the red line down through Wagner Park across Pier 8 Plaza and across Battery Place over to State Street. Again, taking it from high point to high point so that we offer a line of protection that the waters won't simply go around. We would employ a series of combination permanent and deployable approaches to provide that, that system of storm barriers in that location. At the bottom, you see our western perimeter. Now this is, right now, although it's highly vulnerable, and if you'll-- in the materials that you have, you see that we have in-- that the bulk of Battery Park City is in the hundred-year floodplain and all of it is within the 500-year floodplain. But the western perimeter is where we suffered the least amount of damage during Sandy. But we also have a very high degree of vulnerability for an event that might be somewhat worse than Sandy or in combination with sea level rise. So that would be our fourth segment and in that particular instance, we're looking at relying heavily on the existing garden mall system and park wall system to create a barrier system that would protect the western perimeter up along Rockefeller Park extending down through the Brookfield Place and then south, all the way down to the Museum of Jewish Heritage. I'm happy to answer any specific questions. I just wanted to give you a brief overview because, as B.J. noted, we're going to be proceeding with

BPCA Board Meeting
March 13, 2018

some contracts to get to the next phase of our planning process, the design and engineering.

DENNIS MEHIEL
Any questions?

CATHERINE MCVAY HUGHES
I have a-- Is this gonna be for the 100-year storm or the 500-year storm?

GWEN
It will be for the 500-year storm.

CATHERINE MCVAY HUGHES
For the 500-year storm.

B.J. JONES
And Pam can update you on our financing structure briefly and now we're planning to use some of our existing capacity for some of our immediate needs while we pursue a longer-term capital funding mechanism.

PAMELA FREDERICK
Thanks. So the authority currently holds just under one billion in long-term debt, 595 million of that is in the form of variable-rate notes, and then 388 million is fixed rate bonds. So one thing that was a major impact this year was the new tax law. So the first thing it did was increase our floating rate debt. And I'll give you a little bit more about that. But more importantly, from a financial planning perspective, it reduced some of our flexibility of timing when we would do financing. So the tax-- In order to refund existing debt on a tax-exempt basis, they have to be done when you have your calls available to you, what's called currently callable. If it's done in advance of that, then you'd have to finance on a taxable basis. So, given the fact that-- of our structure where we do have upcoming call dates as well as the timing of when we need to raise debt, our intent is to finance based on our current refundings where we would be able to do this on a tax-exempt basis. So the first things that we have available to us is to refund the existing three variable-rate notes. Two of those would be done. The intent is to do that sometime this year. That's the D&E notes, Wells and TD. And then the third one "C," the "C" note is J.P. Morgan and that is-- would be up for--

DENNIS MEHIEL
What are the amounts?

PAMELA FREDERICK
Each of those are just under 200 million each. So, so what that would mean is that we'll look first to refund, two of them in 2018 and then the third again in 2019. The other thing of note and that is a driver when the timed refunding your variable-rate notes means in particular is that they have imbedded triggers, rate triggers. So next year in 2019, we would move from a floating rate basis and it would step up to 7.5% fixed rate and then shortly after that to a 12% rate in 2020. So that is also something that encourages us to refinance that as soon as possible. We pay currently 1.75% on the floating and that's if they were left unhedged. On a hedged basis, those rates are 4.52% which is pretty close to our cost of the

BPCA Board Meeting

March 13, 2018

fixed rate debt that we're paying right now, which is right around 4%. So we're about 52 or so basis points higher currently. Obviously that changes as the floating rate increases. Again, an impetus to refinance those. And then, with the new tax law as the corporate tax rate fell, it triggered a - basically a step-up in the floating rates and it-- to the tune of about 40 basis points, 41 to be exact. And so that moved us from a synthetically fixed rate of 4.52% to an all-in cost of 4.93% on those floating rate bonds. So, again, two of them will look to get those refunded this year. We'll be able to refund the third one early next year. The other thing that we look to do in addition to refunding those would be to do an incremental funding. We have additional capacity remaining in our bond authorization of about up to 80 million. And so that-- The refunding plus the incremental will help to fund the initial resiliency cost, which is primarily planning, architectural plans, that sort of thing in the next couple years in 2018 and '19, and then any general capital costs that we would normally face. So that's what the 80 million would be used for, the incremental aiding. We will keep the existing swap in place, that is currently underwater about 57 million, so it's a negative mark to market of about 57. That's moved dramatically lower, which you've probably seen year-to-year. as rates rise and as some of that, um-- given that time--

DENNIS MEHIEL

Duration.

PAMELA FREDERICK

Yeah, it's, it's shorter. Less so duration, it's actually moreso just run off of a swap plus the rise in rates. So that's what's moving those lower. So our intent is to keep some portion floating because we're gonna still be hedged based on those swaps. And that will be about keeping about 300 million floating. We will size the floating rate to match the coverage of exposure provided by the swap. Once the underwriter is selected, and we plan to go through that process April, May timeframe, once they're selected we'll work with them and our financial advisors PFM to optimize the structure. And we'll be reporting back to you the results of that in seeking recommendations and approvals. In preparation for 2019 and beyond, in that it will incorporate the lion's share of the resiliency cost. We, as well as our general capital projects. The authority has started to seek state approval to raise our authorization, so that is something that's in process now, and we'll continue to update you once we've received that approval. In terms of in the deck, we've listed out some of the major next steps. But they're largely getting state, city, and the public authority's control board approval for the plan. We'll also be presenting the plan to the rating agencies. And then the normal bonding process of preparing the real estate report, as well as the disclosure update in other bond documents. And then we'll basically conduct the funding through the public markets largely.

HECTOR BATISTA

B.J., what's, we have what the cost of this is gonna be? Do we have a sense of what...

BPCA Board Meeting

March 13, 2018

B.J. JONES

The design and engineering projects will give us a true sense of the cost, but we're looking at, you know, \$200-300 million long term for all of our resilience needs. And, and then depending on what else may supplement that as we connect with the city...

DENNIS MEHIEL

Gwen, what're you going to spend over the next 12 months or 15 months into the middle of 2019, just on resiliency? Ballpark.

GWEN

Let me see. Probably... by middle of 2019, probably 20-25 million.

DENNIS MEHIEL

20-25 million. Pam, what's your stay-in- business capex here? To maintain the asset, nothing to do with resiliency.

PAMELA FREDERICK

Right, so that would be another--

DENNIS MEHIEL

Annual.

PAMELA FREDERICK

Uh, about 50.

DENNIS MEHIEL

So our stay-in- business capex about 50 million a year.

PAMELA FREDERICK

Yeah, that's what we're-- Pretty much.

DENNIS MEHIEL

You've only got 80 in borrowing capacity left.

PAMELA FREDERICK

Mm-hmm.

DENNIS MEHIEL

You got somewhere between 20-25 million between now and the middle of '19 that you might need to spend. Uh, and the purpose of my comment is we might give consideration to accelerate the process with the legislature because, these budgets have a way getting approved at the last minute and then we're not in the budget. So we would have separate enabling legislation of our own. The chance of getting that done before they adjourn in June of 2019 is remote, and we certainly have to have a sensitivity coming up against an absolute barrier of capital expenditures. Uh, so we'll engage on that discussion over this next several days and short number of weeks with the executive chamber to see whether or not we might want to bring this forward and push up to the 300 million or so in capital.

PAMELA FREDERICK

That'd be great.

BPCA Board Meeting
March 13, 2018

DENNIS MEHIEL
What else?

B.J. JONES
Uh, we're ready to move onto actions.

DENNIS MEHIEL
Let's go. Action.

B.J. JONES
Thank you, everybody.

DENNIS MEHIEL
General Counsel. Well, we got a General Counsel.

B.J. JONES
Yeah, and I'll double up the first two requests there. The first, first two authorize Abby Goldenberg as our General Counsel. And as a supplement to that, to also add her to our certificate of incumbency along with me and Pam, so that she's authorized to sign documents on the... in the interim for financial transactions on the authority's...

DENNIS MEHIEL
...had that, did she not? 'Cause it's her team.

B.J. JONES
Correct. Correct. Yep.

DENNIS MEHIEL
Okay. Um... So moved. Do we have a motion?

GEORGE TSUNIS
Second.

DENNIS MEHIEL
We have a second. Bearing no opposition, both A and B are approved.

B.J. JONES
And then we have a handful of board actions of note that-- all of the remaining items we're going to talk about are coming to you because of duration, not value. So we'll try to present those quickly. The first one, Kevin's going to talk about a five-year agreement with Citi Bike.

KEVIN
I'll make this brief. Since its inception, the official Citi Bike sharing program, Citi Bike for New York City, has thrived in Battery Park City. And most notably on the West Street and Chambers Street locations. Now as such, that proves to be difficult, given that the volume of folks who participate in the program, given the fact that there are times where there are not enough bikes or there are not available docks for folks to drop their bike off when they arrive. So, subsequent to that issue, the Citi Bike folks have developed a pilot program, which we've been engaged with them since 2016, which brings their staff down to the location to

BPCA Board Meeting

March 13, 2018

accommodate additional usage with, you know, they'll provide additional staffing and additional bikes to help shepherd through...

DENNIS MEHIEL

As needed.

KEVIN

Thank you. As needed, exactly. So we're just looking to extend--

DENNIS MEHIEL

So it's a modification of the deal we have.

KEVIN

Right, yeah. There's no crossing the authority that--

DENNIS MEHIEL

But the duration requires our vote.

KEVIN

Exactly.

DENNIS MEHIEL

Okay. Understood. Um... all right, so we'll deal with bike share all by itself. Do we have questions on bike share? None. Do we have a motion?

CATHERINE MCVAY HUGHES

Yes.

DENNIS MEHIEL

Motion? Second? Approved.

B.J. JONES

All right, uh, next we have two engineering... First is basics by engineering. Gwen?

GWEN

As a couple of you may recall, we have an annual program that is for pile remediation. It's to, in case the existing piles underneath that are supporting the esplanade, and to make sure that they are healthy and don't need repair, and then to repair the items that do. We have a phase six. We've completed five phases of the piles, and we have phase six scheduled for this year. We issued an RFP for an engineer to design the program for this year. We got three proposals. One was disqualified for failure to supply requ-- required documentation. The two remaining proposers, M&N and Langan Engineering, were interviewed and their proposals evaluated. Their technical evaluation points are provided in the memo. M&N, who received 82.25 points. Langan Engineering received 74.25 points. And that's, M&N was the highest technically rated proposer. The cost proposal was slightly higher for M&N, but still within a reasonable range and it was a very minimal difference between the two proposers. Consequently, the evaluation committee considered M&N to be the best value proposer for the authority. And consequently, the property department has recommended that we enter into a contract with M&N Engineering in the amount of \$128,767 for a period of 15 months.

BPCA Board Meeting

March 13, 2018

DENNIS MEHIEL

Okay. Questions or comments? Okay, do we have a motion to approve the contract? Motion. We have a second. Approved.

B.J. JONES

We're gonna keep rolling with Gwen. The next item is a no cost time extension for KS Engineering.

GWEN

I'll actually address both-- The next two are both extensions for two of our on-call engineering contracts. The first one is KS Engineering, which was initially into on March 5th, 2015, following a competitive procurement. We have a couple of in-progress projects with KSE, and we would like to extend their contract in order to allow them to complete those in-progress projects. Their current contract expired February 28th, 2018. And we are proposing to extend their contract through July 31st, 2018, in order to allow for completion of these in-progress projects. No additional monies are required.

DENNIS MEHIEL

No cost impact?

GWEN

No.

DENNIS MEHIEL

Okay. And...but we want a separate resolution on this one.

B.J. JONES

Yes, that's the first one.

DENNIS MEHIEL

All right, do we have a motion? We have a motion, we have a second, approved. And then we have McLaren?

GWEN

Yes, the same original start date for this contract, March 5th, 2015. We have a few additional in-progress projects with McLaren that are listed here, and we are anticipating that completion of those projects will require through the end of this calendar year, and will also require an additional \$50,000 increase to that contract. Thus, we are requesting the board's approval for extension of the contract through December 31st, 2018 and the additional \$50,000 to the contract.

DENNIS MEHIEL

Okay. Questions or comments on McLaren? Fair enough. Do I have a motion? We have a motion, do I have a second? Approved.

B.J. JONES

That concludes our actions. Uh, and time to adjourn.

BPCA Board Meeting
March 13, 2018

DENNIS MEHIEL

The rest is informational, which are in your binders. And I'll take a motion to adjourn? We've got one. Second? No seconds, we're gonna have to stay? We got a second.

B.J. JONES

Thank you.

DENNIS MEHIEL

Adjourned.

ALL

(chattering)