

BPCA Annual Report-FYE 10/31/08

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1. Operations and Accomplishments

Operations and Accomplishments

The BPCA's mission is focused on completing the build out of its 92 acre footprint, projected to be completed in 2010. The final development projects are as follows:

*Site 26, a two-million square foot office tower being built by Goldman Sachs. Goldman has paid \$162 million into escrow as up-front land payment for the site. Funds will be released from the escrow to BPCA in 2009 if the City performs its obligations to work with the State to establish and implement a security plan for the downtown WFC area.

*Site 16/17, a 506,000 square foot mixed-use building being built by developer Sheldrake. It will contain 267 residential units. Its base will include three non-profit organizations: a branch of the NY Public Library, the Poets House, and Mercy Corp's educational facility.

*Site 3, a residential building being built by Albanese Development Corporation. It will also provide a permanent home of 43,000 square feet for the Battery Park City Parks Conservancy.

*Sites 23 and 24 will be built by developer Millstein with a 55,000 square foot community center which will include a gymnasium, a swimming pool, classrooms and a theater.

*Site 2-B has been designated for a 950 seat New York City public school, to include K-8, pre-school and special education. BPCA will provide approximately \$2 million in funding for green measures such as photovoltaic. The NYC School Construction Authority anticipates a construction start date in June 2008 and a school opening in September 2010.

Important projects outside BPCA's original footprint include:

* Pier A - BPCA is entering into a lease agreement with the City of New York to rehabilitate and develop Pier A, a historic structure located in lower Manhattan between Battery Park City and historic Battery Park. The pier was built in 1886 and served as a primary gateway to New York City in its early years. It is listed on the National Register of Historic Places and is designated a New York City landmark. In recent years the pier has fallen into disrepair, BPCA will oversee rehabilitation of the pier and restoration of the landmark structure.

* East-West Concourse - BPCA has a supporting role in Ground Zero redevelopment, including the building of an east-west concourse between the World Trade Center site and the World Financial Center. The BPCA Board has authorized \$40 million in special purpose funds to be transferred to the Port Authority to fund the extension of the West Street underpass and to pay additional costs of placing vent shafts for the PATH tubes at the WTC site. BPCA and the PA are currently working out the mechanics of the transfer.

In addition, the BPCA is proud of its leadership in the following areas:

Sustainable Development: The BPCA is recognized as a worldwide leader in the development of sustainable buildings. By 2010 there will be 5 million square feet of "green" buildings in Battery Park City, the greatest concentration of green buildings in the nation.

The Verdesian, built by the Albanese Organization, has become the first residential high-rise in the United States to be awarded Platinum LEED certification by the U.S. Green Building Council (USGBC). Platinum is the highest USGBC rating. The Verdesian was completed in 2006 and is located at the northern end of Battery Park City. Another Albanese building under construction now at Site 3 is being designed to meet Platinum LEED standards as well. With our guidelines, we have now created the biggest green neighborhood in the country.

BPCA has also received final approval for the use of a microturbine for residential building in Battery Park City. It will use natural gas to create 60KW of electricity, and use the waste heat to warm the hot water for the building. Just by having electricity created onsite, it will be more efficient than conventional energy production by 18%, with significantly lower emissions of pollutants.

MWBE Utilization: The Battery Park City Authority has been invited to sit on the Governor's Leadership Council for Affirmative Action. As a member of the Council, BPCA is committed to enhancing the state's affirmative action program as well as increasing its overall compliance with Article 15a. Currently, we are achieving 10% overall compliance (approximately \$2million dollars per year) in 15a with an additional 10% compliance with respect to developer dollars. Though we cannot report developer dollars to ESDC, Battery Park City Authority requires developers to adhere to 15a through our leases which has resulted in nearly half a billion dollars going to minority and women owned businesses over the year. This year, the Authority provided language to the Governor's Office of Legislative Affairs that would allow for the reporting to ESDC, dollars spent by developers who lease state owned land.

Fiscal Responsibility: The BPCA has adopted a Fiscal Year 2007-2008 budget for BPCA and the Parks Conservancy. The total budget is \$29.4 million, which is a slight decrease from the \$29.6 million budget for the prior two years. It is the lowest BPCA budget in five years, and represents continued close management of costs and consolidation of positions. BPCA projects excess revenues of \$123.9 million for fiscal year 2007.

Ethics: We have a strong Ethics program which includes training for all new employees by the NYS Commission on Public Integrity at the Commission's scheduled NYC training programs, as well as annual training by NYS COPI personnel, and training by the internal Ethics Officer. In addition, a representative of the NYS Inspector General's Office came to speak about ethics and our obligations as State employees. All staff participated in the IG's "Get Integrity" training program.

BPCA has long had an affiliate corporation, the Battery Park City Parks Conservancy (BPCPC). This not-for-profit corporation maintains the 33 acres of parkland and other infrastructure within Battery Park City. While BPCPC has been well integrated into the overall BPCA management structure, it is a separate organization. The Parks Conservancy

Board is identical to the Board of BPCA. The Parks Conservancy is recognized in the field of Parks Management as a leader in environmentally friendly sustainable maintenance and horticultural practices. Parks Conservancy personnel have created educational materials which they have presented to National, State, and City parks management to encourage these entities to use sustainable practices in parks management.

2. Receipts and Disbursements/Revenues and Expenses

Receipts and Disbursements/Revenues and Expenses:

	October 31		2008 vs
	2008	2007	2007
Operating revenues:			
Revenues from ground leases:			
Base rent	\$ 57,374,979	52,718,959	4,656,020
Supplemental rent	715,188	604,069	111,119
Payments in lieu of real estate taxes	131,884,420	131,903,617	(19,197)
Civic facilities payments and others	21,600,614	21,292,003	308,611
Total operating revenues	211,575,201	206,518,648	5,056,553
Operating expenses:			
Wages and related benefits	13,225,261	13,960,397	(735,136)
OPEB	1,304,346	14,019,165	(12,714,819)
Other operating and administrative	16,333,034	17,609,049	(1,276,015)
Depreciation and amortization	8,494,364	7,997,894	496,470
Total operating expenses	39,357,005	53,586,505	(14,229,500)
Operating income	172,218,196	152,932,143	19,286,053
Nonoperating revenues (expenses):			
Interest and other income	21,254,895	25,886,969	(4,632,074)
Other revenue	5,390,357	340,150	5,050,207
Interest expense, net	(56,392,229)	(43,308,092)	(13,084,137)
Provision for transfer to the City of New York	(92,736,000)	(83,100,000)	(9,636,000)
Provision for transfer to the NYC Housing Trust Fund	—	—	—
Total nonoperating expenses, net	(122,482,977)	(100,180,973)	(22,302,004)
Change in net assets	49,735,219	52,751,170	(3,015,951)
Net deficit, beginning of year	(352,462,109)	(405,213,279)	52,751,170
Net deficit, end of year	\$ (302,726,890)	(352,462,109)	49,735,219

Operating Revenues

Overall operating revenues for the fiscal years ended October 31, 2008 and 2007 totaled \$211.6 million and \$206.5 million, respectively, representing a \$5.1 million increase.

Base rent revenue of \$57.4 million for the fiscal year ended October 31, 2008 increased \$4.7 million from October 31, 2007 due to the recognition of a pro-rata share of upfront lease payments received from Sites 23 and 24 in November 2007, approximately \$2.2 million, recognition of a pro-rata share of deferred revenue related to the Sites 23 and 24 Community Center, \$856 thousand, base rents received from newly leased sites, approximately \$2 million and scheduled increases in base rents on other leases. The above increases are offset by pre-lease escrow payments recognized during the fiscal period ended October 31, 2007 on Sites 23 and 24, approximately \$1.8 million.

PILOT revenues (which account for approximately 62.3% of the Organization's operating revenues) decreased marginally as a result of a decrease in City property tax rates offset by PILOT collections from new leased parcels.

Civic facility and other revenues increased approximately \$309 thousand to \$21.6 million for the fiscal year ended October 31, 2008.

Operating Expenses

Operating expenses totaled approximately \$39.4 million for the fiscal year ended October 31, 2008, representing a \$14.2 million decrease compared to the fiscal year ended October 31, 2007. The expenses include wages and related benefits; other postretirement benefits; operating and administrative expenses such as site security and maintenance, insurance, rent, legal, and planning/design expenditures; and depreciation and amortization.

Wages and related benefits decreased \$735 thousand and primarily relates to a \$1.3 million one-time payment issued by the Authority in fiscal 2007 representing retroactive pension plan benefits for Conservancy employees offset by normal increases to wage and benefit expenses in fiscal 2008.

OPEB expenses decreased \$12.7 million from \$14 million for the fiscal year ended October 31, 2007. In connection with the adoption of GASB Statement No. 45, the Authority expensed the actuarially derived retroactive OPEB liability for eligible current and retired employees and recorded a charge of \$14 million for the fiscal year ended October 31, 2007. The decrease is offset by normal costs and interest expense for the fiscal year ended October 31, 2008, approximately \$1.3 million.

Other operating and administrative expenses decreased \$1.3 million and primarily relates to a decrease in costs associated with outside legal counsel, external real estate advisors and planning and design fees offset by costs incurred in fiscal 2008 for the preparation of Site 2B for the SCA.

Amortization and depreciation expenses increased marginally by \$496 thousand resulting from increased project and other asset costs.

Nonoperating Revenues (Expenses)

Total nonoperating expenses increased \$22.3 million to \$122.5 million during the fiscal year ended October 31, 2008.

The increase was due to a \$92.7 million expense incurred during the fiscal year ended October 31, 2008 representing the provision for a transfer to the City in excess revenues; an increase of approximately \$9.6 million from the fiscal year ended October 31, 2007.

Additionally, net interest expense increased approximately \$13.1 million for the fiscal year ended October 31, 2008; \$7.8 million resulting from higher interest rates paid on the variable-rate 2003 Revenue Bonds and \$5.3 million from lower interest rates earned on the six interest-rate exchange agreements entered into in 2003.

Investment and other income decreased \$4.6 million over the prior fiscal year due to a \$5.2 million decrease in the net realized and unrealized gains on investments held during 2008 as compared to 2007 offset by higher interest earnings on assets held.

Other revenue increased \$5.1 million and primarily relates to the transfer of North Cove Marina assets to the Authority associated with a defaulted lessee, approximately \$7.6 million, offset by a \$1.2 million transfer of north neighborhood streets to the City during fiscal 2008.

3. Assets & Liabilities (Including status of reserve, depreciation, special or other funds and receipts and payments under these funds)

Assets & Liabilities (Including status of reserve, depreciation, special or other funds and receipts and payments under these funds):

	October 31		2008 vs 2007
	2008	2007	Increase (decrease)
Assets:			
Bank deposits, investments, and rents and other receivables	\$ 21,172,802	18,595,807	2,576,995
Bond resolution restricted assets (current and noncurrent)	340,387,509	294,712,467	45,675,042
Battery Park City project assets, net	449,568,884	394,607,108	54,961,776
Other current and noncurrent assets	305,053,797	246,775,935	58,277,862
Total assets	\$ 1,116,182,992	954,691,317	161,491,675
Liabilities:			
Current liabilities	\$ 188,726,988	153,463,943	35,263,045
Long-term liabilities	1,230,182,894	1,153,689,483	76,493,411
Total liabilities	1,418,909,882	1,307,153,426	111,756,456
Net assets (deficit):			
Invested in capital assets, net of related debt	(280,135)	248,751	(528,886)
Restricted	397,655,270	283,000,945	114,654,325
Unrestricted	(700,102,025)	(635,711,805)	(64,390,220)
Total net deficit	(302,726,890)	(352,462,109)	49,735,219
Total liabilities and net deficit	\$ 1,116,182,992	954,691,317	161,491,675

Assets

At October 31, 2008, the Organization maintained total assets of approximately \$1.1 billion, approximately \$161.5 million greater than total assets at October 31, 2007.

Bank deposits, investments, and rents and other receivables increased approximately \$2.6 million to \$21.2 million at October 31, 2008 and is primarily due to a \$3.2 million increase in investments offset by a \$693 thousand decrease in rents and other receivables. The increase in investments primarily relates to the collection of transaction and administrative payments, approximately \$7.1 million, received on the sale of residential units and held in unrestricted funds at October 31, 2008, offset by transfers of fiscal 2007 collections into the 2003 bond resolution restricted accounts prior to October 31, 2008.

The Authority's bond resolution restricted assets are funds and accounts established in accordance with the 2003 Revenue Bond Resolutions, approximately \$340.4 million at October 31, 2008, approximately \$45.7 million higher than the October 31, 2007 balance of \$294.7 million. At October 31, 2008 funds held under the 2003 Revenue Bond Resolutions for the designated purposes of paying debt service were approximately \$14.7 million higher than October 31, 2007 primarily due to funding requirements and interest payments. Other 2003 Revenue Bond Resolution assets designated for the purposes of funding operations and debt service reserves decreased \$1.1 million. Approximately \$4.3 million less in excess revenues was held at October 31, 2008 in the Residual Fund for the benefit of the City compared to October 31, 2007. In addition, funds held in the Pledged Revenue Fund (PRF) at October 31, 2008 were

approximately \$65.3 million higher than funds held at October 31, 2007. The increase is primarily attributable to deposits of approximately \$282.3 million relating to ground lease payments, interest rate exchange agreement (Swap) receipts from the three counterparties, and interest earnings offset by transfers of approximately \$217.6 million to other bond resolution funds for the purposes of funding debt service based on the resolution requirements, supporting operating expenses and, transferring funds to the City and retaining funds in the Joint Purpose Fund. Lastly, assets held under the bond resolution for project infrastructure and certain other asset costs were approximately \$29 million lower as compared to October 31, 2007 due to investments in infrastructure and other assets.

At October 31, 2008, the Authority's investment in project assets, net of accumulated depreciation was approximately \$449.6 million, an increase of \$55 million over October 31, 2007.

	October 31		2008 vs 2007
	2008	2007	
Land	\$ 83,015,653	83,015,653	—
Site improvements	350,918,498	334,671,507	16,246,991
Residential building and condominium units	87,006,292	43,268,009	43,738,283
	520,940,443	460,955,169	59,985,274
Less accumulated depreciation	(71,371,559)	(66,348,061)	(5,023,498)
Total Battery Park City project assets	\$ 449,568,884	394,607,108	54,961,776

The Authority's project assets include land, site improvements, and a residential building constructed by the Authority on Site 22. Additionally, condo units owned by the Authority on Sites 1, 16/17, 3, 23 and 24 and related infrastructure improvements are included in project assets. The balances at October 31, 2008, 2007 and 2006 are as follows:

For the fiscal year ended October 31, 2008, the increase in Site Improvements of approximately \$16 million, relates to improvements to the Esplanade, park improvements in the north and south neighborhoods and as well as other minor capital improvements. Additionally, the Authority acquired \$7.6 million in marina assets associated with a defaulted lessee during the fiscal year. Offsetting these additions, the Authority retired \$3.2 million in infrastructure assets primarily related to the transfer of a portion of the north neighborhood streets to the City.

The \$43.7 million increase in residential building and condominium units during fiscal year ended October 31, 2008 principally relates to \$26.7 million for the build out of a community center and ballfield maintenance facility at Sites 23 and 24; coupled with costs relating to the build out of a maintenance facility to be used by the Conservancy at Site 3 of approximately \$13.5 million.

Total other current and noncurrent assets increased approximately \$58.3 million from \$246.8 million at October 31, 2007 to \$305.1 million at October 31, 2008.

	October 31		2008 vs 2007
	2008	2007	
Residential lease required funds	\$ 15,589,335	7,620,015	7,969,320
Corporate-designated, escrowed and OPEB funds	241,295,331	190,181,449	51,113,882
Deferred costs:			
Bond issuance costs, net	37,907,248	39,345,722	(1,438,474)
Costs of leases, net	3,862,220	2,569,715	1,292,505
Total deferred costs, net	41,769,468	41,915,437	(145,969)
Other assets	6,399,663	7,059,034	(659,371)
Total other current and noncurrent assets	\$ 305,053,797	246,775,935	58,277,862

Residential lease required funds increased approximately \$8 million from \$7.6 million at October 31, 2007 to \$15.6 million at October 31, 2008 and relates to security deposits received from Site 2A; \$2.8 million, Site 16/17; \$4.6 million and Site 3; \$139 thousand coupled with interest earnings on all funds held.

Overall, corporate-designated, escrowed, and OPEB funds increased approximately \$51.1 million from the prior fiscal year. The increase is primarily attributable to a \$43.9 million transfer of 2003 Revenue Bond Funds in 2008 to the Joint Purpose Fund (see note 11), which relates to excess revenues retained by the Authority from the fiscal year ended October 31, 2007. Additionally, deposits to the Conservancy's reserves and interest earnings on all funds held increased the overall balance.

Amortization of deferred costs decreased bond issuance costs by approximately \$1.4 million. Costs of leases increased \$1.3 million and relates to costs incurred in connection with the preparation of Site 2B for development by the New York City School Construction Authority (SCA) offset by amortization for the period. Other assets decreased by \$659 thousand primarily due to annual depreciation offset by minor fixed asset purchases.

Liabilities

The Organization's total liabilities increased approximately \$111.8 million from \$1.31 billion to \$1.42 billion at October 31, 2008.

	October 31		2008 vs
	2008	2007	2007
Current liabilities:			
Accrued interest on bonds	\$ 18,301,915	17,822,091	479,824
Accounts payable and other liabilities	7,087,189	5,776,476	1,310,713
Due to the City of New York	92,736,000	83,100,000	9,636,000
Due to the NYC Housing Trust Fund	—	—	—
Deferred revenue	35,047,311	29,672,501	5,374,810
Security and other deposits	17,609,573	17,092,875	516,698
2003 Revenue Bonds	17,945,000	—	17,945,000
Total current liabilities	188,726,988	153,463,943	35,263,045
Noncurrent liabilities:			
Deferred revenue	184,382,843	99,656,028	84,726,815
Security and other deposits	16,442,500	8,425,288	8,017,212
Other Post Employment Benefits	14,943,967	13,852,211	1,091,756
Bonds outstanding:			
2003 Revenue Bonds	1,044,484,046	1,063,602,784	(19,118,738)
Unamortized loss on extinguishment	(30,070,462)	(31,846,828)	1,776,366
Total noncurrent liabilities	1,230,182,894	1,153,689,483	76,493,411
Total liabilities	\$ 1,418,909,882	1,307,153,426	111,756,456

Total liabilities comprise amounts due to the City, accrued interest on bonds, deferred revenue, security and other deposit, postemployment benefits, outstanding bonds, and accounts payable and accrued expenses.

The \$111.8 million increase in total liabilities is primarily due to a \$9.6 million increase in the provision to the City, a \$90.1 million increase in total deferred revenue, and an \$8.5 million increase in security and other deposits.

The increase in the provision for amounts due to the City of \$9.6 million relates to excess revenues of \$83.1 million accrued at October 31, 2007, which was paid in June 2008, compared to a \$92.7 million provision accrued at October 31, 2008.

Total deferred revenue increased \$90.1 million from \$129.3 million at October 31, 2007 to \$219.4 million at October 31, 2008 and primarily relates to residential lease upfront payments received from Sites 23 and 24, \$56.5 million and \$14 million received from Site 3, coupled with a \$25.7 million increase relating to the Site 23 and 24 valuation of foregone revenue for the community center and ballfield maintenance facility. The above factors are offset by revenue recognized on these and other upfront lease payments received during prior periods (see note 3).

Total security and other deposits increased \$8.5 million to \$34.1 million at October 31, 2008 and relates to security deposits received from Site 2A, \$2.8 million, Site 16/17, \$4.6 million and Site 3, \$139 thousand together with interest earnings on tenant deposits and other escrowed funds held by the Authority.

Additionally, accrued interest on bonds increased \$480 thousand from \$17.8 million at October 31, 2007 to \$18.3 million at October 31, 2008 and is primarily due to higher interest rates paid on variable rate debt.

Accounts payable and other liabilities increased \$1.3 million to \$7.1 million at October 31, 2008 primarily due to the timing of vendor payments offset by credits provided to certain condominium tenants as part of a prior period rent agreement.

On October 16, 2003, the Authority issued \$1.068 billion for the 2003 Revenue Bonds. Principal payments on these debt obligations begin November 2008. The \$1.2 million decrease in the total 2003 Revenue Bonds balance is due to amortization of the net bond premium. A \$17.9 million principal payment on the 2003 Series A and Series C Bonds, due November 2008, is recorded as a current liability at October 31, 2008. The loss related to the extinguishment of debt is being amortized ratably over the maturity period of the retired debt resulting in an increase to total liabilities of approximately \$1.8 million at October 31, 2008.

In accordance with GASB Statement No. 45, a \$13.8 million accrued postretirement medical benefit liability for all eligible current and retired employees was recorded during the fiscal period ended October 31, 2007. The annual required OPEB obligation was increased by normal costs for current employees and interest expense and offset by the actual cost of retiree benefits paid during the fiscal year ended October 31, 2008 resulting in an accrued liability balance of \$14.9 million at October 31, 2008.

Net Assets (Deficit)

The net deficits at October 31, 2008 and 2007 were \$302.7 million and \$352.5 million, respectively. The net (deficit) assets invested in capital assets, net of related debt was (\$280) thousand and \$249 thousand at October 31, 2008 and 2007, respectively. Although investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since capital assets cannot be used to liquidate these liabilities. The Organization's \$397.7 million of restricted net assets represents resources that are subject to various external restrictions on how they may be used. These assets are generally restricted under Bond Resolutions and other agreements and for debt service. The remaining balance is classified as an unrestricted deficit totaling approximately \$700.1 million resulting primarily from debt issued for noncapital purposes totaling approximately \$580 million and upfront lease payments and deferred PILOT revenue received in advance, which are transferred to the City annually or held in the Joint Purpose Fund as restricted assets.

The overall change in total net assets from October 31, 2007 represents a positive change in the deficit position of approximately \$49.7 million to \$302.7 million at October 31, 2008.

4. Schedule of outstanding Bonds and Notes

Schedule of Outstanding Bonds and Notes:

At October 31, 2008, the Authority was responsible for debt service on \$1.062 billion of 2003 Revenue Bonds issued in October 2003. The 2003 Revenue Bonds include: \$427 million (including a net premium) of senior lien obligations and \$635 million of junior lien debt obligations:

<u>2003 Revenue Bonds</u>	<u>Outstanding debt</u>	<u>Fitch</u>	<u>Moody's</u>	<u>Standard & Poor's (S&P)</u>
2003 Series Senior A Bonds	\$ 427,429,046	AAA	Aaa	AAA
2003 Series Junior B Bonds*	235,000,000	AAA	Aa+	AAA
2003 Series Junior C Bonds*	400,000,000	AAA	Aa+	AAA

* The junior lien debt obligations are insured and also carry underlying Fitch, S&P and Moody's ratings of AA, AA+, and Aa3, respectively.

The Organization's bonds outstanding as of October 31, 2008 are comprised of the following obligations:

	<u>October 31, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>October 31, 2008</u>	<u>Due within one year</u>
Authority Bonds Outstanding:					
2003 Revenue Bonds:					
Series 2003A	\$ 406,350,000	—	—	406,350,000	14,570,000
Series 2003B	235,000,000	—	—	235,000,000	—
Series 2003C	400,000,000	—	—	400,000,000	3,375,000
Subtotal	1,041,350,000	—	—	1,041,350,000	17,945,000
Unamortized net premiums	22,252,784	—	1,173,738	21,079,046	—
Unamortized loss on extinguishment	(31,846,828)	—	(1,776,366)	(30,070,462)	—
Total bonds outstanding	<u>1,031,755,956</u>	<u>—</u>	<u>(602,628)</u>	<u>1,062,429,046</u>	<u>17,945,000</u>

At October 31, 2008, the 2003 Series A Bonds consist of the following serial bonds:

	<u>Coupon rates</u>	<u>Principal amounts</u>	<u>Interest</u>
Fiscal year ended October 31:			
2009	2.10%	\$ 14,570,000	19,702,814
2010	2.375 – 5.00	12,980,000	19,317,879
2011	2.625 – 5.00	13,645,000	18,821,184
2012	3.00 – 5.50	14,375,000	18,236,211
2013	3.40 – 5.50	15,205,000	17,531,970
2014 – 2018	3.50 – 5.50	91,580,000	74,504,545
2019 – 2023	4.00 – 5.25	121,875,000	47,000,941
2024 – 2027	4.60 – 5.00	122,120,000	12,553,078
		<u>\$ 406,350,000</u>	<u>227,668,622</u>

The Authority issued certain of the 2003 Series A Bonds at a discount and others at a premium, resulting in an overall net premium of approximately \$27 million, which is being amortized using the straight-line basis over the lives of the 2003 Series A Bonds. At October 31, 2008 and 2007, the unamortized net bond premium was approximately \$21.1 million and \$22.3 million, respectively.

At October 31, 2008, principal and interest payments due on the 2003 Series B Bonds and the 2003 Series C Bonds are as follows:

	Junior B		Junior C		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Fiscal year ended October 31:						
2009	\$ —	21,116,112	3,375,000	29,741,013	3,375,000	50,857,125
2010	—	21,116,112	5,450,000	29,383,118	5,450,000	50,499,230
2011	—	21,116,112	5,450,000	28,940,844	5,450,000	50,056,956
2012	—	21,116,112	5,450,000	28,498,570	5,450,000	49,614,682
2013	—	21,116,112	5,450,000	28,056,296	5,450,000	49,172,408
2014 – 2018	—	105,580,559	27,250,000	133,647,373	27,250,000	239,227,932
2019 – 2023	—	105,580,559	28,775,000	122,429,978	28,775,000	228,010,537
2024 – 2028	—	105,580,559	68,850,000	108,270,668	68,850,000	213,851,227
2029 – 2033	—	105,580,559	216,325,000	44,913,674	216,325,000	150,494,233
2034 – 2038	150,650,000	76,376,009	33,625,000	930,201	184,275,000	77,306,210
2039 – 2040	84,350,000	6,163,622	—	—	84,350,000	6,163,622
Total	\$ 235,000,000	610,442,427	400,000,000	554,811,735	635,000,000	1,165,254,162

On October 2, 2003, the Authority executed six interest-rate exchange agreements (Swaps) with three counterparties. The Swaps were executed in conjunction with the Authority's issuance of \$400 million of its 2003 Series C Bonds. The total notional amount of the Swaps was \$400,000,000. The effective date for the Swaps was October 16, 2003, which coincided with the delivery date of the Bonds. The Authority executed the Swaps in order to effectively convert the variable-rate Bonds to a net fixed rate. Based on the Swap agreements, the Authority owes interest to the Swap counterparties calculated at a fixed rate of 3.452% and paid semiannually. In return, on a monthly basis, the counterparties pay the Authority floating-rate interest equal to 65% of the 1-month LIBOR.

	2003 Series C		Interest rate swaps		
	principal		Payment	Receipts	Net payment
Fiscal year ended October 31:					
2009	\$ 3,375,000	(13,749,748)	6,688,976	(7,060,772)	
2010	5,450,000	(13,597,428)	6,596,887	(7,000,541)	
2011	5,450,000	(13,409,294)	6,504,833	(6,904,461)	
2012	5,450,000	(13,221,160)	6,412,743	(6,808,417)	
2013	5,450,000	(13,033,026)	6,320,689	(6,712,337)	
2014 – 2018	27,250,000	(62,343,120)	30,222,316	(32,120,804)	
2019 – 2023	28,775,000	(57,572,025)	27,874,529	(29,697,496)	
2024 – 2028	68,885,000	(51,548,716)	24,588,233	(26,960,483)	
2029 – 2033	216,325,000	(23,864,971)	9,805,759	(14,059,212)	
2034	33,625,000	(580,368)	—	(580,368)	
	\$ 400,035,000	(262,919,856)	125,014,965	(137,904,891)	

The above table includes payments based on the Authority's Swap payment obligation fixed at 3.452% of bond principal outstanding while receipts are based on 65% of the 30-day LIBOR on

October 31, 2008 (65% of 2.58125% or 1.6778%). Receipts are projected based on the latest interest rate at October 31, 2008, but will vary monthly.

The Swaps had a negative fair market value of approximately \$33.3 million at October 31, 2008. The fair market value was provided by the Authority's financial advisor and derived from financial models based upon reasonable estimates about relevant market conditions at the time. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each Swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the Swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the Swaps.

**5. Compensation Schedule of those earning more than
\$100,000**

Altman, Alexandra	Exec VP/Genl Counsel	198,919
Baldwin, Daniel	Sr. Develop. Counsel	135,060
Cavanaugh, James	President & CEO	223,298
Druckman, Sidney J	Dir., Special Projects	104,617
Garcia, Luis	Assistant Treasurer	115,139
Gelb, Stephanie	V.P. Arch & Design	118,753
Harper, Steven	E V.P. Site Management	118,741
Holden, Robert F	V.P. Human Resources	124,047
Jaffee, Carl D	Sr. Develop. Coun	138,609
Kaplan, Susan D	Dir., Sustainability	116,638
Kimball, Wilson	Sr. V.P. Operations	136,507
Long, Susan	V.P. Strategic Planning	107,445
Miller, Lisa	V.P. Internal Audit	127,078
Molinski, Stan	IT Director	123,900
Remauro, Leticia M	V.P., Comm. Rel/AA	131,705
Serpico, Robert M	Sr. V.P. Finance	178,090
Villafane, Roy S	Dir. Internal Aud	110,588
Woo, Antony	V.P., Constructio	152,345

6. Projects Undertaken During Past Year

Projects Undertaken During 2008

1: Pier A

Battery Park City has entered into a lease agreement with the City of New York to rehabilitate and develop Pier A, a historic structure located in lower Manhattan between Battery Park City and historic Battery Park. The pier was built in 1886 and served as a primary gateway to New York City in its early years. It is listed on the National Register of Historic Places and is designated a New York City landmark.

In recent years the pier has fallen into disrepair, the Battery Park City Authority has agreed to oversee rehabilitation of the pier and restoration of the landmark structure.

Pier A will serve as a major downtown destination, consisting of retail space and restaurants. We predict that Pier A will be a focal point for the unified harbor district envisioned for lower Manhattan.

2: School on Site 2B

The development of a school on Site 2B provides a unique opportunity that will help relieve school overcrowding and provide the children of New York City with a beautiful, state-of-the-art facility. The new school is designed to serve approximately 900 students in grades K-8 and includes facilities for students with disabilities.

At expected completion in 2010, this will be the first "green" school in Manhattan. The school will limit the use of lights with occupancy sensors in all classrooms along with a high degree of daylight and high efficiency windows. It will also utilize materials with low VOC levels, dual flush toilets and waterless urinals, optimizing energy efficiency.

3: BPCA has designated developers of all of its available sites, the final one being site 2B. Construction began in 2008 on sites 23/24, 2B and Pier A and is expected to continue through 2010. The Battery Park City project build out, begun under Governor Rockefeller as a landfill, will be finished by the Paterson Administration.

Projects Undertaken During 2008

A. The BPCA's mission is focused on completing the build out of its 92 acre footprint, projected to be completed in 2010. The final development projects are as follows:

- **Goldman Sachs Headquarters -Site 26.** This is a two-million square foot office tower being built by Goldman Sachs. Goldman has paid \$162 million into escrow as up-front land payment for the site. Funds will be released from the escrow to BPCA in 2009 if the City performs its obligations to work with the State to establish and implement a security plan for the downtown WFC area. BPCA's obligation with regard to the escrowed rent is to reconfigure the sidewalk and pavement of Vesey Street.

Status: We anticipate this task will be completed by December of 2009.

- **RiverHouse - Site 16/17.** This is a 506,000 square foot mixed-use building being built by developer Sheldrake. It contains 267 residential units. Its base includes three non-profit organizations: a branch of the NY Public Library, the Poets House, and the World Hunger Action Center, run by Mercy Corps.

Status: Residential units are being occupied now, the Mercy Corps center opened in October, and construction is underway on the two other non-profit spaces.

- **The Visionaire - Site 3.** This is a residential building being built by Albanese Development Corporation. It will also provide a permanent home of 43,000 square feet for the Battery Park City Parks Conservancy (BPCPC), which operates and maintains BPC's 35 acres of parkland.

Status: Fit out is underway in the BPCPC headquarters space which is to be occupied by March of 2009. Construction is largely on schedule in the residential building and approximately 40 apartments are now occupied.

- **Milstein Buildings - Sites 23 and 24.** These are two residential towers being built by developer Milstein with a 55,000 square foot community center, to be owned by BPCA, spanning both lots at the ground level and below. It will include a gymnasium, a swimming pool, classrooms and a multi-purpose room that may be used as a theater.

Status: Milstein has begun work on the foundations of both the building on Site 24 and the one on Site 23. The buildings were to receive power from a 300kw fuel cell with funding from NYSERDA. However, the fuel cell manufacturer has pulled out of the project. At this point, it is expected that another cogeneration technology will be used instead of the fuel cell.

BPCA received two responses to an RFP for an operator for the community center and has worked with representatives of Community Board 1 to obtain input on the selection of an operator. The community center is expected to open in late 2010.

- School Construction Authority - Site 2-B. This site has been designated for a 950 seat New York City public school, to include K-8, pre-school and special education. BPCA will provide approximately \$2 million in funding for green measures such as photovoltaic panels, a green building façade screen, and green signage.

Status: The site was turned over to the NYC School Construction Authority in August, and work on the foundation is underway. SCA anticipates a school opening in September 2010.

B: Pier A

BPCA has a lease agreement with the City of New York to rehabilitate and develop Pier A, a historic structure located in lower Manhattan between Battery Park City and historic Battery Park. The pier was built in 1886 and served as a primary gateway to New York City in its early years. It is listed on the National Register of Historic Places and is designated a New York City landmark. In recent years the pier has fallen into disrepair, and BPCA is facilitating the rehabilitation of the pier and restoration of the landmark structure.

Repair work on the substructure was completed last October. BPCA has selected an architectural team to design exterior renovation and the interior space, and a retail consultant to maximize utilization of the space, and planning is currently underway. The next phase of work is replacement of the pier deck, which is expected to begin this spring.

BPCA is trying to schedule a meeting with DEC this month to obtain a permit for the construction of a new pier deck. The deck work is scheduled to begin this summer.

C. Sustainable Development

BPCA is recognized as a worldwide leader in the development of sustainable buildings. By 2010 there will be 5 million square feet of "green" buildings in Battery Park City, the greatest concentration of green buildings in the nation. All buildings built since 2000 have met the stringent requirements of BPCA as well as the USGBC LEED requirements.

BPCA is now creating green guidelines for all residential buildings in Battery Park City built before the green program was instituted in 2000. Ground lease negotiations in the future may be considered based on the willingness of each

building owner to incorporate the recommendations of these sustainability guidelines.

The Verdesian, built by the Albanese Organization in 2006, has become the first residential high-rise in the United States to be awarded Platinum LEED certification by the U.S. Green Building Council (USGBC). BPCA's Maintenance Facility and Albanese's Visionaire building were joint winners of the New York City/NYS DEC Green Building Award's first prize in 2008.

**7. Listing of all real property in excess of \$15,000 that
Authority disposed of**

January 25, 2008

Comptroller of State of New York
Commissioner of General Services of State of New York
New York State Division of the Budget
Speaker of Assembly of State of New York
Senate Majority Leader of State of New York

Ladies/Gentlemen:

The enclosed explanatory statement as to the disposition of real property by the Battery Park City Authority is being transmitted to you in accordance with Section 2897.6 d of the Public Authorities Law.

Very truly yours,

Carl D. Jaffee

EXPLANATORY STATEMENT AS TO DISPOSITION OF REAL PROPERTY BY
NEGOTIATION, IN ACCORDANCE WITH SECTION 2897.6.d of the PUBLIC
AUTHORITIES LAW

Battery Park City Authority ("BPCA") intends to dispose of Site 2B in Battery Park City to the New York City School Construction Authority ("SCA") through a long-term ground lease, the term of which will commence in June 2008 and terminate in June 2069, for nominal rent of \$1 per year.

Site 2B is the only remaining parcel in Battery Park City which has not been developed or for which a tenant and developer has not been designated. In recent years, discussions took place with different cultural organizations regarding a lease of Site 2B, but firm plans and proposals for development did not result. The SCA, a public benefit corporation associated with the City's Department of Education, has requested that the site be made available to it for construction of a new public school/intermediate school serving children in Lower Manhattan. The building would be about 124,000 square feet in size and accommodate approximately 950 students from pre-kindergarten through grade 8, including about 100 children with special education needs. The SCA has submitted a detailed proposal to the Authority as to the site, similar in scope to the proposals received by the Authority from private developers in competitive RFP processes for other development projects.

BPCA staff has been advised by the SCA that funding for the school, with a total estimated project cost of about \$100,000,000, is included in the current five-year capital plan of the New York City Department of Education. Construction would begin by June of 2008, and the school would be open for the 2010-2011 school year. Present plans call for facilities for intermediate school students (grades 7 and 8) to be on the upper floors of the eight-story building, elementary school students to be housed on the lower floors, and certain shared facilities, such as the cafeteria and library, in between. The building would also contain a rooftop playground, two gymnasiums, a 300-seat auditorium and a music suite, and will include wireless network and Internet access throughout.

Execution of the lease has been approved by the Members of the Authority. No appraisal of the Site has been conducted, but the most recent independent appraisal of land in Battery Park City, conducted in 2006 in connection with a residential high-rise development, indicated a value in the range of \$200 to \$250 per square foot of development rights, which amounts would result in a value of \$28,520,000 to \$35,650,000 for the 142,600 square foot Site 2B.

8. Authority's Code of Ethics

CODE OF ETHICS

V. GUIDELINES REGARDING CONFLICTS OF INTEREST AND ETHICAL STANDARDS

As a public entity, the Authority has a responsibility for maintaining the highest level of honesty, ethical conduct, and public trust in all of its activities. To meet this responsibility, this Conflict of Interest Policy has been adopted concerning important aspects of ethical conduct.

This policy states in specific form the Authority's position on conflicts of interest. Personal integrity is the cornerstone of this policy. Each employee has the primary responsibility for avoiding financial and other interests, which create a conflict or the appearance of a conflict with his or her job.

When an employee, regardless of level or job assignment, is in a position where his or her financial interest or involvement in a transaction may present a conflict of interest or the appearance of such a conflict, the employee must immediately notify the Ethics Officer and disqualify himself or herself from participation in the transaction until advised in writing that he or she may continue to participate in the transaction.

Any person who has a question as to whether a prospective personal or business transaction, or relationship with a contractor, vendor, or consultant, may be a violation of this policy or of the Public Officers Law should consult with the Ethics Officer and may also request in writing, where appropriate, a formal or informal opinion of the State Ethics Commission.

Each State agency has an obligation under the Public Officer's Law, to appoint an Ethics Officer (the E.O.). The E.O. has numerous duties such as, providing agency personnel with opinions regarding ethical issues, the acceptance of gifts, invitations, etc. The E.O. is responsible for ensuring that all employees required to do so file their financial disclosure forms with the State Ethics Commission. The E.O. must also inform the State Ethics Commission of all new hires at the agency who are required to file financial disclosure forms. In addition to this, the E.O. reviews all applications for outside activities/employment and makes recommendations to the President/CEO about whether such activity/employment should be allowed pursuant to Ethics Commission Rules and Regulations. The E.O. is also required to report the receipt of honoraria by employees to the State Ethics Commission.

Violations of any provisions of this policy may be cause for disciplinary action up to and including termination, as well as criminal prosecution and/or fines up to (\$10,000) ten thousand dollars.

A. Application

1. Public Officers Law

The Authority guidelines, as they relate to employees, are divided into three basic categories:

- General ethical standards;
- Issues arising during the course of employment; and
- Issues arising in connection with termination of employment and post-employment activities.

The guidelines in these areas are drawn from and based on Sections 73 and 74 of the Public Officers Law. While the guidelines in some instances may go further than the underlying statutory provisions, the statute is paramount and controlling to the extent, if any, that it is more limiting or restrictive than the guidelines. In view of the strong identification of the guidelines with the statute, staff should also be aware of the possibility that in violating the guidelines, a statutory provision may be violated as well, with potentially serious consequences, because the legislation creating the Authority makes its officers and employees subject to Section 73 and 74 of the Public Officers Law. Moreover, certain employees are subject to the financial disclosure and reporting requirements of Section 73-a of the Public Officers Law. Copies of these sections of the Public Officers Law may be obtained from the Human Resources Department. Any questions that arise regarding the Public Officers Law should be addressed to the Authority's Ethics Officer.

B. Guidelines

1. Guidelines of General Application

- a. No employee should have any interest, financial or otherwise, direct or indirect, or engage in any activity, including any business transaction, professional activity or incur any obligation of any nature, which is in substantial conflict with the proper discharge of his or her duties in the public interest, whether such conflicts be real or apparent, existing or potential.
- b. Each employee should pursue a course of conduct, which will avoid encouraging the public to assume or believe that he or she is likely to engage in acts that would violate his or her trust.

2. Ethical Standards

It shall be a breach of ethical standards for any employee to:

- a. Use his or her position as an employee of the Authority to secure unwarranted privileges or exemptions for him or herself or another.
- b. Disclose, or use to further his or her personal interest or the interest of another (including, without limitation, the purchase or sale of property or securities), information acquired by him or her during the course of his or her official duties, which would not otherwise be a matter of public knowledge or information.

3. Issues During Employment

a. General Standards

In connection with any activities outside of the performance of the employee's official duties at the Authority, no outside activity whether or not for compensation (including any such activity for or before any public agency) should be undertaken nor should any employee engage in any conduct, which would:

- i. Impair or appear to impair the independent judgment of the employee in the exercise of his or her duties;
- ii. Require an allocation of an amount of time sufficient to impair the performance of the employee's obligation to the Authority;
- iii. Result in an identification of the employee's outside activities with those of the Authority;
- iv. Result in transaction as representative of the Authority with any business entity in which he or she has a direct or indirect financial interest that might reasonably tend to conflict with the proper discharge of his or her official duties;
- v. Create the impression, reasonably inferable, that any person may improperly influence him or her or unduly enjoy his or her favor in the performance of his or her official duties, or that he or she is affected by the kinship, rank position or influence of any party or person.

b. Investment Guidelines

No employee should have any:

- i. Direct or indirect financial interest which conflicts or appears to conflict with his or her responsibilities to the Authority; or

- ii. Financial interest, direct or indirect, or engage in any business or transaction or professional activity or incur any obligation of any nature, which is in substantial conflict with the proper discharge of his or her duties in the public interest.

Investments in municipal bonds or other governmental obligations, including obligations of the Federal government, the State, or any of their agencies or subdivisions, including the Authority, are permitted. Caution must be exercised in making such investments where the employee is privy to information by reason of his or her employment activities, which is not public information at the time of his or her investment, in order to avoid possible infractions of Federal Securities laws.

For the purpose of determining whether an indirect investment exists, employees are urged to disclose any financial interests or investments held by members of their families on their Financial Disclosure form, so that the facts may be analyzed to ascertain whether it is of sufficient magnitude to require preventive action.

c. Outside Employment and Activities

Employees should be aware that as a condition of their employment they are expected to devote full business time to their official responsibilities at the Authority. While outside activities are not precluded (see part 930 and part 932 of the regulations of the State Ethics Commission), employees should take care to avoid any outside employment or activity, which would:

- i. Require or induce the employee to disclose confidential information gained from Authority employment;
- ii. Involve the employee on behalf of parties who have a substantial business relationship with the Authority, or should have any business relationship with the Authority where the performance of the employee's duties directly involves him or her in such relationship;
- iii. Result in the engagement of the employee to perform regular and substantial outside consulting or professional activities, including serving as , regular teaching, any business other than a passive investment activity, or any legal practice, or result in the maintenance of any publicly-listed place of business;
- iv. Lead the public to associate the personal business or activities of the employee with the Authority, rather than the employee individually. In performing personal business activities, care

should be exercised to avoid the implication of any endorsement of such activities on the part of the Authority. Authority stationery should not be used in conducting the personal affairs or business of any employee, nor should office space be used to such end.

An employee may attend and participate in political functions without violating Section 3.a. (iii) or 3.c. (iv) above provided that he or she makes a good faith effort to make it clear that he or she is doing so in his or her personal capacity and not on behalf of the Authority and mere mention of or reference to his or her affiliation or title with the Authority will not of itself constitute a violation of those sections.

d. Gifts and Outside Compensation

All employees are prohibited from accepting gifts or gratuities of more than nominal value where the circumstances would permit the inference that: (a) the gift was intended to influence the individual in the performance of official business; or (b) the gift constituted a tip, reward, or sign of appreciation for any official act by the employee. This prohibition shall apply notwithstanding Public Officers Law § 73(5), which provides that gifts up to \$75 may be allowed in certain circumstances.

e. Political Activity Policy

While Authority employees are free to participate in the political process on their own time, there must be a clear separation between political activities and the discharge of their duties as Authority employees. No Authority employee is to conduct political activities during work hours. Any political activity must be performed after normal work hours or while on vacation or personal leave. In addition, Authority equipment, vehicles and office space are to be used for official Authority business only.

f. Receipt of Honorarium

The receipt of honorarium or outside speaking fees must be approved in advance by the President and Chief Executive Officer and a fee cannot be received from an organization, which is regulated by or negotiates with Authority employees acting in their official capacity. A fee cannot be received by an Authority employee from an individual or organization, which attempts to influence Authority positions or actions. An employee receiving

approvals to accept such a fee cannot also be paid by the Authority for delivering a speech or rendering a service. Authority personnel, equipment and time cannot be used to prepare for delivery of a speech or to render a service for which an honorarium is to be received unless the honorarium is paid to the Authority. No honorarium is permitted when the Authority sends an employee as its representative to an event to make a speech or perform a service. If an employee is required to file a Financial Disclosure form under the Ethics in Government Act, he or she must disclose the receipt of honorarium in excess of \$1,000 from any source.

4. Post Authority Employment

- a. Pre-departure Negotiations – No employee, while involved in dealings with a private firm on the Authority's behalf, may discuss with representatives of that firm possible future employment with the firm, nor should employees participate in any activity on behalf of the Authority with respect to an entity with which they are negotiating or have made arrangements for post-Authority employment. All employees should immediately notify the Ethics Officer of the Authority of any understanding or arrangement for employment upon leaving the Authority as promptly as possible after such arrangement is made.
- b. Two-year Prohibition – No person who has served as an Authority officer or employee shall for a period of two years after the termination of such service or employment appear or practice before the Authority or receive compensation for any services rendered by such former officer or employee on behalf on any person, firm corporation or association in relation to any case, proceeding application, or other matter before the Authority. The only exception to this law is that former Authority employees may become employees (not consultants) to federal, state or local government entities.
- c. Lifetime Prohibition – No person who has served as an Authority officer or employee shall after the termination of such service or employment appear, practice, communicate or otherwise render services before any state agency or receive compensation for any such services rendered by such former officer or employee on behalf of any person, firm, corporation or other entity in relation to any case, proceeding, application or transaction with respect to which such person was directly concerned and in which he or she personally participated during the period of his or her services or employment, or which was under his or her active consideration.

C. Administrative Procedures

1. Administrative Responsibility

- a. Subject to the power of the President and Members ultimately to determine all matters encompassed by these guidelines and to designate any other or further officers of the Authority to administer same, the officer of the Authority responsible for administering these guidelines shall be the:

- Ethics Officer, in consultation with the General Counsel

Such officer is hereby authorized, in consultation with the General Counsel, to establish appropriate procedures to implement these guidelines, including procedures for disclosure of actual or potential problems and appropriate review of such problems by individuals designated by him or her.

- b. It is recognized that the guidelines set forth herein are, by their nature, general in scope and do not take account of the many factual circumstances which can arise and to which their application may be unclear or, in some case, inappropriate. At the same time it is also recognized that disclosure of potential conflicts or ethical problems to the Ethics Officer of the Authority and the State Ethics Commission is occurring or, at least, that their effects are limited. In view of the foregoing, it shall be the obligation of each employee to bring any circumstances believed to present a potential violation of these guidelines (including any circumstances to which the employee is unsure whether or not the guidelines apply) to the attention of the Ethics Officer and obtain the advice of the State Ethics Commission where there may be a violation of the Public Officers Law.

2. Administrative Remedies

In addition to any remedies, civil or otherwise, which the Authority may have against any employee who shall breach these guidelines, and any applicable penalties under the Public Officers Law, the Authority may impose any one or more of the following:

- a. Oral or written warnings;
- b. Suspension with or without pay for a specified period of time;

c. Termination of employment

XLII. TELEPHONE USAGE/ USE OF STATE PROPERTY

Authority telephones may not be used for non-governmental long-distance calls except for toll-free calls, collect calls, and calls billed to a personal telephone number. Authority telephones may be used for incidental and necessary personal local calls that are of limited number and duration and do not conflict with the proper exercise of the duties of the employee. Authority employees who do not live within the five boroughs of New York City may make brief, incidental and necessary personal calls to their home area code which are of limited number and duration and do not conflict with the proper exercise of the duties of the State employee.

In addition, the Authority retains the right to, and may monitor any and all incoming or stored phone or electronic transmissions.

All employees are required to submit their most current phone/voicemail password to the Administration department, so that voicemail messages can be retrieved in the event that the employee is absent.

XLIV. COMPUTER AND E-MAIL USAGE/ USE OF STATE PROPERTY

Computers, computer files, the e-mail system, and software furnished to employees are Authority property intended for business use. Employees cannot load personal software or use outside programs, use a password, access a file, or retrieve any stored communication without authorization. To ensure compliance with this policy, computer and e-mail usage may be monitored or accessed. All Authority employees are required to submit their most current computer password(s) to the MIS unit so that computers (Authority property) can be accessed in the event that the employee is not present.

Authority computers may be used for incidental and necessary personal purposes, such as sending personal electronic mail messages, provided that such use is in a limited amount and duration and does not conflict with the proper exercise of the duties of the employee.

The Authority strives to maintain a workplace free of harassment and

sensitive to the diversity of its employees. Therefore, the Authority prohibits the use of computers and the e-mail system in ways that are disruptive, offensive to others, or harmful to morale.

For example, the display or transmission of sexually explicit images, messages, and cartoons is not allowed. Other such misuse includes, but is not limited to, ethnic slurs, racial comments, off-color jokes, or anything that may be construed as harassment or showing disrespect for others.

E-mail may not be used to solicit others for commercial ventures, religious or political causes, outside organizations, or other non-business matters. E-mail must not be used to supplant the use of the phone especially in urgent or emergency situations.

The Authority purchases and licenses the use of various computer software for business purposes and does not own the copyright to this software or its related documentation. Unless authorized by the software developer and the Authority, employees do not have the right to reproduce such software for use on more than one computer.

Employees may only use software on local area networks or on multiple machines according to the software license agreement. The Authority prohibits the illegal duplication of software and its related documentation. The installation, alteration, and removal of any software without authorization is strictly prohibited. Employees should notify their immediate supervisor, the Human Resources Department or any member of management upon learning of violations of this policy. Employees who violate this policy will be subject to disciplinary action, up to and including termination of employment. Any unauthorized software will be uninstalled without prior notification. MIS resources will not be used to support any non-Authority equipment. This includes home PCs, software, printers, internet connections, PDA, etc. Consultation with MIS personnel regarding non-Authority computers matters is also prohibited.

MIS service level agreement covers Authority related computing services only during normal business hours unless in the case of mission critical outages.

LII. PROHIBITION AGAINST THE USE OF STATE PROPERTY

Battery Park City Authority supplies, equipment, computers, personnel and other resources may not be utilized for non-governmental purposes, including for personal purposes or for outside activities of any kind. This prohibition includes but is not limited to the following:

- a. Official stationery may not be used for non-governmental purposes, nor may

Authority resources be used to mail personal correspondence. The designation "personal" on Authority stationery means only that the contents are meant for the personal viewing of the addressee and not that the sender is acting unofficially. All letters and other written materials printed on such official stationery are considered official, and thus the designation "unofficial" has no meaning and may not be used.

b. Under no circumstances may Authority mail, postage, internal office mail, or inter-city couriers be used for non-governmental purposes.

c. Authority vehicles shall be used for only official business or incidental use associated with official business away from an employee's work station. Individuals who are authorized to use an Authority vehicle for personal purposes shall keep records of such use, and the value of such personal use shall be calculated and reported as personal income to such individual for tax purposes.

LIII. PROHIBITION AGAINST NEPOTISM IN HIRING AND CONTRACTING

No employee may take part in any hiring or employment decision relating to a family member. If a hiring or employment matter arises relating to a family member, then the employee must advise his or her supervisor of the relationship, and must be recused from any and all discussions or decisions relating to the matter.

No employee may take part in any contracting decision: (i) relating to a family member; or (ii) relating any entity in which a family member is an officer, director or partner, or in which a family member owns or controls 10% or more of the stock of such entity.

If a contracting matter arises relating to a family member, then the employee must advise his or her supervisor of the relationship, and must be recused from any and all discussions or decisions relating to the matter.

For the purposes of this paragraph, the term "family member" shall mean any person living in the same household as the employee, and any person related to the employee within the third degree of consanguinity or affinity.

9. Assessment of Effectiveness of Internal Controls and Procedures

Wilson Kimball
Internal Control Officer
Phone: 212-417-3196
Fax: 212-417-4119
Email: kimballw@hpsauthor.org



April 22, 2008

Mr. Thomas Lukacs
Division of the Budget
State Capitol
Albany, NY 12224

Mr. Thomas Lukacs:

Enclosed you will find Battery Park City Authority's Internal Control Certification for 2007-2008.

Please feel free to contact me with any questions or concerns.

Wilson Kimball
Internal Control Officer

INSTRUCTIONS FOR PREPARING 2007-08 INTERNAL CONTROL SUMMARY

This Internal Control Summary, to be submitted to the Division of the Budget by April 30, 2008, provides background on the internal control certifications made by agencies and authorities for 2007-08. The summary also requests information regarding specific actions already taken by agencies to implement recommendations included in the Internal Control Task Force report, *"The New York State Internal Control Act Implementation Guide: Strengthening Compliance with the Act and Standards."*

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AGENCY	DATE	COMPLETED BY
Battery Park City Authority	April 21, 2008	Wilson Kimball

1. Describe the review process used during 2007-08 to assure that internal controls were evaluated regularly.

Battery Park City Authority ("BPCA") employed the use of a third-party consultant (MacDonald Page, hereinafter "MacPage") in order to conduct a thorough process improvement review of internal controls. MacPage addressed both the financial and IT aspects of internal controls covering a range of issues from compliance with SAS 112, and SAS 104-11 to appointment of an Information Security Officer.

2. List all high-risk activities and indicate which were reviewed during 2007-08.

High-risk activities include revenue and expense processes, financial reporting, review of implementation of financial services software upgrade, and information systems integrity and protection.

3. Identify the significant deficiencies revealed through the agency's 2007-08 review process. Outline the actions taken, or planned, to eliminate the deficiencies. Highlight the most important internal control improvements made during the year.

Arguably, none of the deficiencies revealed were significant. However, there is always room for improvement. Room for improvement was found in the area of "IT Organization and Management" which resulted in a comprehensive redrafting and redistribution to all employees of MIS policies to bring BPCA into compliance with CSP P03-002 revised August 1, 2007. In the area of "Access to Programs and Data" BPCA implemented more stringent periodic reviews of user access by department heads and more complete records of visitor access to the server room (time in or out was sometimes missing). Under the category of "Program changes", a Change Management process was developed and implemented which now requires uniform documentation. More comprehensive documentation of IT Risk Management, trouble tickets (through "Track-IT") and user guides required by BPCA's financial system upgrade, were also created. "Computer Operations" issues were addressed by keeping back-up documentation for a longer period and through retention of SunGard (as part of the IT Strategic Plan to develop a Disaster Recovery protocol) to augment BPCA back-up tapes which currently go to Iron Mountain. In the area of "Personnel" it was also determined that appointing an ISO was required. BPCA is currently advertising for a Director of IT as the past Director stepped down in August, 2007. The Committee will develop IT policies, plan system upgrades, rightsize the IT systems, and plan to acquire necessary software and hardware, while developing a strategic plan for future IT

operations. A new Information Security Officer ("ISO") position is being established and that person will also serve on the IT steering committee.

In the finance area, processes were reviewed by MacPage. Recommendations were made on the revenue and expenditure processes which included automating and consolidating some systems and making documentation more uniform. The Account Manager position, which had been vacant since early 2007, was filled.

4. Describe the monitoring system installed by the agency to verify that corrective actions are, in fact, taken. Discuss the extent to which electronic data processing systems are used to track steps taken to reinforce internal controls.

MacPage created a "Status" column in their matrix by which BPCA can update their efforts to improve IT internal controls. The Audit committee of BPCA's board has requested quarterly updates on the progress made in implementing auditor recommendations. An IT Steering Committee was established in accordance with P03-002.

All of the trouble tickets regarding computer systems, including the financial systems, are being tracked by BPCA's MIS department through "Track-It" which allows for better monitoring of Risk Management issues.

"Collaboration" was installed as part of BPCA's EDMS project. Collaboration allows for the sharing of documents by all departments. This allows for all training materials including documentation on the computer system upgrades to be accessed.

The consultant, MacDonald Page, provided the authority with process flowcharts in a VIZIO (electronic) Format which can be updated and utilized as a living document to review and update processes and their respective internal controls.

5. Summarize specific actions the agency has taken to install a compliance testing program in accordance with the methods presented in the *Managers Guide: Testing Compliance with Internal Control Requirements*, which can be downloaded from BPRM Item B-350. Describe actions taken during 2007-08 to verify test results and expand the testing program.

Battery Park City Authority ("BPCA") employed the use of a third-party consultant (MacDonald Page "MacPage") in order to conduct a thorough process improvement review of internal controls. MacPage addressed both financial and IT internal controls; reviewing a range of issues including compliance with SAS 112, and SAS 104-11, and issuing recommendations for improvement, including the appointment of an Information Security Officer.

In addition, an Authority-wide risk assessment is underway. This program requires each department to perform tests of the internal controls on a specified work process and assess and report on the effectiveness of the observed controls. Where the control is found to be less than adequate, the department will make recommendations for improvement to the controls to the ICO who will oversee implementation of the new control and refer this information to Internal Audit for follow up.

6. Discuss the methods used in 2007-08 to provide internal control education and training to keep agency/authority staff aware of the need for internal controls.

BPCA asked each employee to submit a description of their activities to be included in an Authority-wide Standard Operating Procedures manual in order to clearly map all processes and their concomitant internal controls.

The Authority's Procurement Policy, detailing various controls associated with procurement, is approved annually at an open meeting of the Board and is posted on the Authority's website.

Each employee must read and sign both the updated employee manual, detailing ethics, whistleblower, and other important policies, as well as MIS policy documents. Each document is on the BPCA intranet for easy access.

Staff is trained monthly at "All Staff" meetings on a range of issues that impact internal controls including but not limited to Executive Orders, The Public Officers Law and the Procurement Process.

The NYS Inspector General's office presented its Integrity Program, "Get Integrity", at a mandatory all-staff meeting where ethical tone, integrity, reporting obligations and whistleblower protection were discussed.

The Authority's Ethics Officer presented a review of the provisions of E.O. 1 and prohibitions against the acceptance of gifts at the December all-staff meeting.

Internal controls over the bid process were reviewed in the April all staff meeting.

Finally, the President and CEO periodically stresses the importance of internal controls at all-staff meeting by directing all employees to adhere to established controls and expressing his commitment to ensuring that the Authority has a strong internal control structure.

7. Describe measures instituted to sustain the effectiveness of the internal control program during 2007-08. Include information on reorganizations and other revisions in the program to enhance operations.

Battery Park City Authority ("BPCA") employed MacPage to conduct a thorough process improvement review of internal controls. MacPage addressed both the financial and IT aspects of internal controls covering a range of issues from compliance with SAS 112, and SAS 104-11 to appointment of an Information Security Officer.

As soon as MacPage made their recommendations for process improvements, BPCA began its work in adopting and implementing the recommendations.

8. Outline specific actions taken to implement the internal control recommendations included in the Internal Control Task Force report, *"The New York State Internal Control Act Implementation Guide: Strengthening Compliance with the Act and Standards."* Using the "Compliance Roadmap for Internal Control Officers, Directors of Internal Audit and Other Stakeholders" as a guide, please provide a point-by-point affirmation of compliance with, or gap analysis of, each of the recommendations directed to agencies on pages 2, 3, 9 and 10. Please provide an action plan and related timetable for any instances of non-compliance. The Compliance Roadmap can be accessed at:
http://www.osc.state.ny.us/agencies/ictf/docs/roadmap_app_a.pdf.

Page 2:

1. Each Authority Head should provide a communication to all staff in support of its internal control program, including the importance of assessing internal controls.

Response – BPCA's President & CEO routinely stresses the importance of internal control compliance in e-mails to all staff, and by expressing support for the internal control and audit functions at all-staff meetings and training. Such topics have included the importance of employees accurately recording time worked and time taken off on time sheets.

2. Internal control Programs should include a preliminary risk self-assessment by function.

Response – Both the internal risk assessment which is currently underway, and the one performed pursuant to the MacPage contract performed that function.

3. Internal Control programs should include an in-depth assessment of each function and should include the identification of inherent risks and internal controls for each function.

Response – This is done during the risk assessment performed at BPCA.

4. Internal control programs should establish the frequency of reporting cycles for each risk assessment, internal control review and other internal control reporting documents.

Response – BPCA conducts a risk assessment no less than bi-annually. In addition, BPCA's updated MIS policies and S.O.P contain frequencies for reporting cycles.

5. Internal Control Programs should establish an approval or independent review process of the preliminary risk assessments and the more in-depth internal control reviews.

Response – Currently BPCA's Audit Committee will review recommendations and responses on a quarterly basis.

6. Internal control programs should establish minimum and maximum time frames for periodically reviewing its organizational structure and its inventory of functions.

Response – organizational structure is reviewed annually through the Employee Manual updates, generally in January. Inventory of functions will be reviewed annually as part of the S.O.P.

7. Internal control programs should establish a process for identifying improvement areas, corresponding corrective actions, and implementation status of all corrective actions.

Response – A matrix was created with those headings to track any issues.

8. Internal control programs should establish and maintain documentation standards (what needs to be kept; by whom; where; and for how long).

Response – BPCA worked with the NYS Archivist to customize an extensive retention schedule for each department based on the M1-I schedule.

Page 3:

1. Agency management should assign staff to one of three training levels: Line Staff, Middle Managers, and Executive Management.

Response – This has been done on BPCA's Organization chart which is part of the employee manual and on BPCA's intranet.

2. Agency Management should identify training objectives and key concepts for each level.

Response – this identification is done annually through goal setting.

3. Agency Management should identify methods of delivery and frequency following the recommended framework of quick hitters, instruction-based learning, and executive meetings.

Response – New Horizons provides computer-based training for all staff in a variety of computer programs. Human Resources routinely brings in educators on work place violence, domestic violence etc. Executive management was trained this year in Leadership in Energy and Environmental Design ("LEED"). Promoting sustainability and "green" is part of BPCA's mission.

3. NYSICA should establish a centralized resource library.

Response – BPCA appreciates any and all efforts to aid it in its on-going effort to achieve “best practices”.

Page 9:

1. Agencies should maintain an inventory of recurring audit projects.

Response - Internal audit not only presents an audit plan to BPCA's audit committee but also retains audits per BPCA's retention schedule.

2. Agencies should report on internal audit staffing as part of an annual internal audit report to agency management.

Response – Internal audit reports to the audit committee on this and other matters.

3. Agencies should review internal audit staffing levels annually and discuss with agency management the need for any additional internal audit staff.

Response – This conversation occurs annually prior to the beginning of the budget cycle as new budgets are prepared and staffing levels are contemplated.

Page 10:

1. Agency management should consider outsourcing, insourcing, or shared services as a means of providing audit coverage or securing specialized expertise.

Response – The MacPage contract is an example of outsourcing process review in anticipation of the annual financial audit conducted by KPMG. OSC has generously and routinely audited BPCA to aid us in “best practices”.

2. The ICTF should further study agency use of outsourcing to identify opportunities for improving the options currently available, minimizing contract management overhead costs, and developing multi-agency contracts for commonly needed audits.

Response –Agreed

3. The ICTF should further study the feasibility of establishing a collective audit approach to provide internal audit coverage for smaller agencies that do not maintain an internal audit unit.

Response – Agreed

9. For those agencies required to have an internal audit (IA) function, demonstrate how that function complies with the expanded requirements of BPRM Item B-350's Section III, “Internal Audit Responsibilities,” the Internal Control Act and professional IA standards. Provide the following:
 - The name and title of the IA director. The Internal Audit Department is comprised of a Vice President of Internal Audit, Lisa Miller, and a Director of Internal Audit, Roy Villafane.

- The name and title of the person to whom the IA director reports.
- The Chairman of the Board, James F. Gill, the Board generally, and the Audit Committee of the Board.

A description of how the internal audit director's credentials, education and experience meets the minimum qualifications established in B-350.

The Internal Audit Director has an undergraduate degree in accounting and more than thirty one (31) years of experience as an auditor in New York state government. He is a Certified Government Financial Manager ("CGFM") and has earned a certificate in Forensic Accounting from NYU. He is also a Certified Fraud Examiner ("CFE"). The Vice President of Internal Audit is also a CFE, holds an undergraduate B.A., and a Juris Doctor degree. She is a former prosecutor, with several years of supervisory experience. She is a Certified Internal Controls Auditor and a member of the Association of Inspectors General.

A description of how continuing professional education requirements are met by the director and each staff member.

In addition to fulfilling professional continuing education requirements, the Internal Audit staff participates in numerous professional associations, including, NYSICA, IIA, AGA, through which CPEs may be earned. In addition, the staff takes advantage of opportunities offered by the State, such as the Annual Leadership & Accountability Conference to earn CPEs. All professional staff are also Certified Fraud Examiners and must complete 22 continuing professional education credits annually to maintain that certification. The Vice President is also a member of the national Association of Inspectors General and obtains continuing education in the prevention and detection of fraud, waste, and abuse, through that organization. In addition, the Vice President is a Certified Internal Controls Auditor.

A description of how quality assurance review requirements are being met.

These requirements are met through internal audits, risk assessment and follow up, and the hiring of outside auditors, where necessary.

- A description of how the IA function ensures that it does not compromise its independence if it is also responsible for other functions (i.e., internal control, information security or other duties).
- The Internal Audit Department is not responsible for other functions and this helps it to maintain its independence.

In addition to the information outlined above, using the "Compliance Roadmap for Internal Control Officers, Directors of Internal Audit and Other Stakeholders" as a guide, demonstrate how the IA function conducts its operations in accordance with professional IA standards. Provide a point-by-point affirmation of

compliance with, or gap analysis of, each of the internal audit recommendations directed to agencies on pages 11, 12 and 13. Please provide an action plan and related timetable for any instances of non-compliance. The Compliance Roadmap can be accessed at:
(http://www.osc.state.ny.us/agencies/ictf/docs/roadmap_app_a.pdf).

The Director of Internal Audit develops an annual plan determining the priorities of the internal audit activity consistent with BPCA's goals. The plan of engagement is based upon risk assessment and is developed in conjunction with senior management. It is also discussed with the Audit Committee of the Board. The plan is developed based, in part, on information and activities of consultants and outside auditors. The Director of Internal Audit is in constant communication with senior management and members of the board regarding internal audit activity's plans and resource requirements. Management is very responsive to our need for resources and offers input to our plan. Our resources are sufficient to achieve our approved plan. We have developed policies and procedures to guide internal audit activity and to monitor the disposition of audit recommendations. These recommendations are communicated to management through Audit Reports.

Page 11

1. The Director of Internal Audit (DIA) in each State agency should periodically develop a risk-based audit plan to determine the priorities of the internal audit activity, consistent with the organization's goals.

Response: This is what we do.

2. The internal audit activity's plan of engagements should be primarily based on a risk assessment, updated at least annually. The input of senior management and the board (if applicable) should be considered in the process.

Response: We do this.

3. In developing the audit plan the DIA should share information and coordinate activities with other internal and external providers of relevant assurance and consulting services to ensure proper coverage and minimize duplication of efforts.

Response: We integrate use of our external consultants into our overall audit plan in order to avoid duplication of services.

4. The DIA should communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and to the board for review and approval. The Director should also communicate the impact of resource limitations.

Response: BPCA's senior management, as well as its Board members, have a strong commitment to providing the resources necessary to allow the Internal Audit department to carry out its mission. IA is in constant communication with senior management and the board about these issues.

5. The DIA should ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

Response: See response to item #4 above.

6. The DIA should establish policies and procedures to guide the internal audit activity.

Response: We have done this.

7. The DIA should establish and maintain a system to monitor the disposition of audit recommendations communicated timely to management.

Response: Not sure what this question means?

Page 12 of 14

8. The DIA should document the rationale used by internal audit units in deciding which audit recommendations should be followed up on and when, as opposed to recommendations where no follow up will be conducted.

Response: We will do this.

9. The DIA should follow up with management to document that audit recommendations have been effectively implemented, or that senior management has accepted the risk of not implementing the recommendations.

Response: Internal Audit follows up with Management to ensure that recommendations have been implemented and conducts follow up audits.

10. The DIA should monitor the disposition of recommendations of consulting engagements to the extent agreed upon with the client.

Response: Same response as #7 above.

11. The DIA should require each internal audit unit establish a written policy for security and control of audit work papers that, at a minimum, address the following topics: physical control, storage, retention, and release to internal and external parties.

Response: This has been done and will be included in the authority's SOP.

12. Internal audit units should maintain work paper documentation for each audit and follow-up.

Response: This is our practice.

13. Internal audit units should establish a written policy governing work paper review and approval.

Response: This has been done and will be included in the authority's SOP.

14. The ICTF should develop a mechanism for internal audit units to create and share standard work paper elements to meet minimum requirements and incorporate best practices.

Response: Agreed

15. The ICTF should explore licensing an electronic work paper package (such as TeamMate) on a statewide basis for use by all agencies.

Response: Agreed. We are in the process of determining whether TeamMate would be a useful resource to us.

Page 13

1. Agencies should implement a continuing education program which includes all the elements of the New York State Internal Auditor Continuing Education Guidance document.

Response: Agreed

2. DOB and OSC should help to facilitate continuing education and CPE tracking services for NYS Internal Audit Units.

Response: Agreed

3. DOB should facilitate a NYS Internal Auditor web page to share information.

Response: Agreed

4. Agencies should share best practices for in-house systems for tracking CPEs.

Response: Agreed

Recommendations

DOB should coordinate a cooperative interagency external assessment approach for peer review.

Response: Agreed

INTERNAL CONTROL CERTIFICATION

Battery Park City Authority

Agency/Authority Name

James E. Cavanaugh/James Gill

Agency Head/Chairperson Governing Board

1 World Financial Center, 24th Floor, NY, NY 10281

Agency/Authority Address

(212) 417-2000

Telephone Number

Wilson Kimball

Same as above

(212) 417-3196

Name of Internal Control Officer

Address

Telephone Number

KimballW@bpcauthor.org

Email Address of Internal Control Officer

I hereby certify that the agency or authority has complied with the following provisions for internal controls.

These provisions are as follows:

- A. Establish and maintain guidelines for a system of internal controls for the agency or authority. Internal control guidelines communicate the management and programmatic objectives of an agency or authority to its employees and provide the methods and procedures used to assess the effectiveness of the agency or authority internal controls in supporting these objectives.
- B. Establish and maintain a system of internal controls and a program of internal control review for the agency or authority. The program of internal control review shall be a structured, continuing and well-documented system designed to identify internal control weaknesses, identify actions that are needed to correct these weaknesses, monitor the implementation of necessary corrective actions and periodically assess the adequacy of the agency's or authority's internal controls.
- C. Make available to each officer and employee of the agency or authority a clear and concise statement of the generally applicable management policies and standards with which the officer or employee of such agency or authority shall be expected to comply. Such statements shall emphasize the importance of and responsibility for effective internal controls.
- D. Designate an internal control officer, who shall report to the head of the agency (or their designee within the executive office) to implement and review the Internal Control Act responsibilities.
- E. Implement education and training efforts to ensure that officers and employees within such agency or authority have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques.
- F. Periodically evaluate the need for an internal audit function. If an internal audit function exists, it shall be maintained in compliance with generally accepted professional auditing standards.

James E. Cavanaugh

Signature/Agency Head or Chairperson Governing Board

4/21/08
Date



Battery Park City Parks Conservancy Corporation

Battery Park City Parks Conservancy
Report on Operations and Accomplishments for 2008

Battery Park City has a reputation for world-class parks. Not only is the design of the parks considered excellent but the first class, non-toxic, maintenance and management of the parks is noted as well. The Battery Park City Parks Conservancy is the entity responsible for the management, operations and programs within the parks. As such, it has been a model followed by others around the country.

In 2008 the Battery Park City Parks Conservancy (BPCPC) had another productive year. The new, permanent, BPCPC facility has been in construction. This green industrial building should be ready for occupancy in the spring of 2009. Staff has been preparing for the move by working on a new Warehouse Management System which will help to keep track of the myriad parts involved in parks maintenance. Everything from blocks of granite to spare street lights, snow fencing to mulch must be stored in our new 70 foot tall high bay storage system. Items are being identified, weighed, and readied to be repalletized. The complex system of storage is critical if BPCPC is to optimize the limited indoor space typical of an urban setting. The building is likely to gain a Platinum LEED rating and should be another "tool in the box"; a tool to show governmental agencies and non-profits green methods of parks management.

In 2008 BPCPC maintained the 36 acres of intensively used parkland in first class condition. Lawns and playgrounds were utilized to the maximum degree possible accommodating larger crowds due to an increase in residential & commercial population and an increase in tourist visits. All of its maintenance and horticultural operations are accomplished in a sustainable manner developed over the years through experimentation and research. No toxic pesticides, herbicides or fertilizers were used within the parkland allowing the public to enjoy the open spaces in the healthiest possible way. BPCPC's new programs for local residents (recycling of batteries, acceptance of household and business food waste for composting, and the recycling of electronic equipment have been quite popular.

The BPCPC Programming Department offered over 1200 programs (some regularly scheduled and other one time events). These were free to the public and offered a means to bring in nonresidents to learn about Battery Park City, enjoy the parks themselves and be a resource for the local residents as well. Classes as diverse as

construction basics for 8-10 year olds, fishing, drawing for older adults, and preschool play were offered. Events varied from offerings as small as weekly singing circles and as large as the annual Swedish Midsummer festival in June. BPCPC continued to manage the ball fields and the Community Center at Stuyvesant High School to produce maximum participation given the limited space and time allotted.

In addition to the management of park space BPCPC maintains other public spaces within Battery Park City on behalf of the Battery Park City Authority. Two of the pedestrian bridges are cleaned and maintained on a daily basis. Streetlights are kept in good working order and the trashcans on the streets are emptied several times each day. In addition, BPCPC's pilot program, with BPCA and the NYC Dept. of Sanitation, to reduce rodent populations through the use of communal compactors managed by BPCPC but used primarily by residential buildings has proven to be successful and is now considered a model. This program keeps household, street and park trash off of the sidewalks using a compactor/container system that in turn reduces rodent populations significantly simply through a reduction in their food supply. Permanent sites for both compactors, within residential buildings, have been completed and a third one is planned for a building that started construction in October. Discussions continue for a fourth location.

BPCPC's Director of Horticulture, Eric Fleisher, was awarded a Loeb Fellowship in Environmental Design by Harvard University. His fellowship was successful both from our point of view and Harvard's. While participating in the program he applied BPCPC'S sustainable lawn maintenance practices to a portion of the Harvard Yard as an experiment comparing that area to the rest which is maintained in a typical, chemically based fashion. The experiment met with great success. As a result Harvard is now starting to implement a "green" landscape maintenance program.

In the fall BPCPC's Administration and Finance Department commissioned a study on the cost of post retirement health care as directed by its Board of Directors. This important benefit will significantly assist in employee retention in the future if implemented.