



Roosevelt Island Operating Corporation

ANNUAL REPORT
FISCAL YEAR 2016



ANDREW M. CUOMO

Governor

ANNUAL REPORT - FISCAL YEAR ENDED MARCH 31, 2016

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Public Authority Annual Report

Fiscal Year Ended March 31, 2016

Background

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

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

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

I. Mission Statement

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

Public Benefit

The Corporation is a political subdivision of the State of New York and additional stakeholders include the City of New York, residents, students, developers and commercial operators, workers and visitors to Roosevelt Island (the "Island"). The Corporation's stakeholders benefit from the development, and preservation of properties and open spaces, as well as sharing in the economic growth of the Roosevelt Island community.



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

- **Service**

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

- **Preservation**

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

- **Environmental Responsibility**

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

- **Public Safety**

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

- **Communication and Transparency**

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

- **Fiscal Responsibility**

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

- **Innovation**

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

- **Partnerships**

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

- **Governance**

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



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I. (i) Performance Goals:

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

I. (ii) Performance Measurement Report

See Attachment "A"

II. OPERATIONS AND ACCOMPLISHMENTS

The Board of Directors approved the Corporation's Budget FY 2015/2016 & Five Year Cash Projection On December 11, 2014, reflecting a projected "Net Income before Depreciation" of (\$3,458,931) and "Net Loss after Depreciation" of (\$7,220,931) and "Capital Expenditures for the Five Years Ending March 31, 2020" of \$88,944,000. For the fiscal year ended March 31, 2016, RIOC generated actual "Operating Income before Depreciation" of \$7,032,152 and "Change in Net Position" of \$3,732,381.



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Seven (7) of the anticipated nine (9) buildings (collectively, the “Buildings”) of the Southtown Development Project have been completed. Building 7 Lease was closed on October 10, 2013 and construction was completed on September 21, 2015 (Rent Commencement Date). In accordance with the provisions of the ground lease between RIOC and Riverwalk 7, LLC (“Ground Lease”), on the Rent Commencement Date, RIOC began receiving annual ground rent of \$725,760, subject to a yearly increase of three (3%) for the first thirty (30) years). Also, RIOC received a lump-sum prepayment in an amount equal to \$10,080,000 as provided for in the Ground Lease. Further, RIOC is receiving a Fixed Public Safety Payment at the rate of \$20.00 per unit per month, increasing 4% annually.

According to the lease documents, the Building 8 Lease Closing shall occur no later than 30 months after the Building 7 Lease Closing; and the Building 9 Lease Closing shall occur no later than 30 months after the Building 8 Lease Closing. The Building 8 Lease was not closed by April 10, 2016. Should development fail to occur within the expected timeframe, RIOC is protected by a Letter of Credit in the amount of \$2,438,400. RIOC believes that the development will continue and has begun negotiations for Buildings 8 and 9.

As of March 27, 2014, Rivercross Tenants Corp. (“Housing Company”) exited the Mitchell-Lama program. Section Six of Amendment #1 to Restated Ground Lease (“Amendment”), which extended the term until 2068, provides that if the parties are unable to reach an agreement on the Financial Terms by no later than sixty days prior to the effective date the Housing Company is leaving the Mitchell-Lama program, the dispute shall be settled by arbitration in the City of New York subject to certain procedures set forth in the Amendment. The arbitration process was begun, but subsequently a standstill agreement was entered into by the parties. RIOC also anticipates an increase of future revenue from Rivercross because the ground lease for that property remains at Mitchell Lama rates.

The Modernized Tram, which was placed in service on November 31, 2010, now better meets the transportation needs of the residents and visitors: more passengers are shuttled quickly and safely; there is greater availability as the system allows for one cabin to continue operations while the other is down for preventive maintenance; and it is more reliable with redundant generators to power the system resulting in increased efficiency and reliability of the system. The infrastructure improvement is being funded by a \$15 million grant from the State of New York and \$10 million from RIOC. Ridership on the Tram is increasing due to increased activities on the Island including the development of Southtown and Cornell Technion, and higher visitorship to the Four Freedoms State Park. During the fiscal year ended March 31, 2016, Tramway revenue increased by \$299,015 or 5.74% over the prior fiscal year ended March 31, 2015.

Further, RIOC has recently procured a contractor to perform necessary repairs to the Tramway roof at an estimated cost of \$719,000. This project includes the rehabilitation of the existing Tramway roof as well as the construction of a roof over the southern staircase at the Roosevelt Island Tramway Station in Manhattan. As the Design Drawings have been approved and a contract duly executed, between RIOC and the contractor, repairs to the roof are currently in progress. With



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an anticipated completion date in the fall of 2016, these improvements will provide adequate shelter to the Tramway platform from inclement weather and other elements, thereby making the conditions that much safer and comfortable for riders. RIOC will be issuing an RFP for the Tramway Operation which includes a maintenance component for routine repairs to the Tramway infrastructure. RIOC also provisioned an annual Tram Capital Reserve in its ten-year Capital Plan that will serve to cover major structural and equipment replacements that are anticipated to be needed within the next ten years.

RIOC is negotiating a Memorandum of Understanding ("MOU") with the New York City Economic Development Corporation to expand the Citywide Ferry Service to Roosevelt Island. This expansion will also include ferry service to Astoria, Queens and Long Island City of which Roosevelt Island will be a destination along the East side of the Island. This service is also expected to serve Manhattan. RIOC has agreed to allow EDC and its contractors land and water access to conduct the appropriate surveys, inspections and testing necessary to prepare a preliminary design for the landing site. A traffic mitigation and environmental study must also be done, however, once complete and approved by RIOC, construction and installation of the ferry landing will be done by EDC and RIOC expects that ferry service will launch in 2017.

The revitalization of Main Street and improvement of the retail businesses are in progress. On August 1, 2011 ("Commencement Date"), RIOC entered into a Master Sublease Agreement ("Agreement") with Hudson Related Retail LLC ("HRR") to redevelop, improve, market, lease and professionally operate the Retail Spaces controlled by RIOC. RIOC receives an annual guaranteed rent of \$900,000 - increasing by 2% annually beginning on the first anniversary of the Commencement Date for the first five years and 2.5% annually thereafter - as well as participation in the profits of the Master Sub-Lessee. HRR is required to invest no less than \$2,365,000 in the aggregate in capital improvements during the first five years of the Agreement. According to its certified financial statements as of December 31, 2015, Hudson Related Retail LLC invested \$2,584,216 and incurred a loss of (\$359,141). According to the Agreement, RIOC will share future profits equally once HRR is paid back its investment. HRR has yet to recoup any of its investment and has not made any profit sharing payments.

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



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

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

As the Island's residential population continues to increase as construction projects are completed, infrastructural upgrades have also become necessary. In this regard, Consolidated Edison Company of New York, Inc. ("Consolidated Edison"), in a three-phased project, installed a high pressure gas pipeline along Main Street and an electrical feeder cable and electrical wiring upgrades along the Queensboro Bridge. The high pressure gas line will supply high pressure gas to the residents of Roosevelt Island as well as RIOC facilities such as RIOC's AVAC building, Motorgate, and Sportspark. Moreover, the new electrical feeder cables allowed for more efficient and reliable electrical service around the Island while mitigating certain failures that have occurred with the existing feeders. These upgrades will also will establish a redundancy of gas and electricity on the Island in the event that gas or electricity from the main lines are disrupted, and substantially reduces potential hazardous conditions.

The New York City Health and Hospitals Corporation ("HHC") initially announced its intention to close and abandon in place, a large steam plant located on the Island on or by March 31, 2014, but did not do so until November of that year. The plant provided heat to the Goldwater Site, Coler Hospital and several RIOC-owned facilities including Sportspark, AVAC, and the Bus Garage/Warehouse. Ownership and issues of responsibility concerning the steam plant and Steam Tunnel remain unresolved. The anticipated closure of the steam plant compelled RIOC to install a costly, temporary heating system at its Sportspark facility in advance of that date to prevent the interruption of heat if the steam plant were closed.

In November 2014, when the steam plant finally did close, the temporary heating system had been in operation for several months, and is still the case today. RIOC is in the process of replacing this temporary heating system with a permanent one, at an estimated cost of \$1.1 million. RIOC



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obtained the services of a qualified engineering firm which provided a complete design subject to the review of NYC Department of Buildings (“DOB”). After DOB approves the design, a contractor will be selected via a competitive bidding process. The new system will operate on medium pressure gas which must be connected to the new high pressure gas line, currently being installed by Consolidated Edison. Consolidated Edison anticipates that the new gas line will reach the Cornell Campus by June 2016 and once installed, RIOC can proceed with issuing a RFP to obtain a contractor to connect the permanent heating system to the new gas line.

Additional engineering services were also retained for necessary repairs and recommended upgrades at the Sportspark facility. The consultants prepared a report of the facility’s lighting, plumbing, and roofing systems. The analysis is complete, and it is anticipated that some of the recommended repairs and upgrades will increase the efficiency of the aforementioned permanent heating system. In addition, the report identified certain necessary repairs, such as the facility’s roof which is expected to cost around \$3 million – and needs to be completed before the other repair work can be done. RIOC procured the services of a qualified engineer to assist with this project and issued RFPs for roofing repairs and the installation of the permanent heat system in May 2016. RIOC expects construction to begin in mid-August, which should be completed by November 2016.

Southpoint Park, located on the southern part of Roosevelt Island, is a seven acre, open space park, featuring indigenous plants, waterfront views, and nine sustainable rain gardens. It is also home to the James Renwick Smallpox Hospital and the Strecker Laboratory. RIOC, through its procurement process, engaged the services of a facilitator to prepare a draft plan and implementation strategy, for review and adoption by RIOC, for the purpose of optimizing the open space for community programming.

The Corporation had engaged a consultant to provide engineering design and marine permitting services for the completion of the Southpoint Park (“SPP”) shorelines. The consultant identified failures due to deterioration exist along both shores, and the west shore seawall. The eastern seawall, while in generally better condition, does have some localized failures including but not limited to damage to some 100 linear feet that was breached during Hurricane Irene. The portion damaged by the storm event has been approved by FEMA as a project for disaster recovery funding.

As noted above, Roosevelt Island was affected by Hurricane Irene. Before and during the storm, RIOC staff took measures to mitigate potential damage and to protect lives and property. Under Federal guidelines, these efforts were eligible for reimbursement by FEMA. The following projects to rehabilitate portions of the Island impacted by Hurricane Irene were approved by FEMA and completed: (1) repairs to fencing damaged by falling trees; (2) repairs to damaged stone benches and walkways; (3) replacement of safety mulch washed away from playgrounds; (4) repairs to damaged streetlights adorning the open space at Lighthouse Park and the underlying electric wiring; and (5) repairs to several hundred linear feet of the West Side Sidewalk. For the aforementioned projects and other eligible expenses, RIOC incurred \$374,992. FEMA will



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reimburse RIOC 75% of the eligible costs, based upon approved claims. As of March 31, 2016, RIOC received \$174,176. RIOC expects that the final approval of the remaining eligible claims and completion of this project will be December 2017.

Similarly, the Island experienced damage caused by Hurricane Sandy during October 2012. Again, before and during the storm, RIOC staff took measures to mitigate potential damage and to protect lives and property. Projects that RIOC has completed and/or expects to complete in the future include: (1) repairs to damaged electric wiring in Lighthouse Park; (2) repairs to the footbridges in Lighthouse Park; (3) repairs to the Westside Pier; and (4) repairs to undermined Z-Bricks on the promenades. Both completed and in-progress work have been deemed eligible under Federal guidelines for reimbursement by FEMA/OEM. For the aforementioned projects and other eligible expenses, RIOC incurred \$264,422. As of March 31, 2016, RIOC received \$141,348. All projects resulting from Hurricane Sandy have been filed and must be completed prior to November 3, 2016.

Repairs to the South Point Seawall, extending from the northern tip of the SPP to the beginning of the Four Freedoms State Park on both the east and west side of approximately 1600 linear feet, are in the planning phase. RIOC estimates that the repairs will cost approximately \$16.5 million. Of the estimated \$16.5 million, FEMA has deemed an estimated \$1,098,656 of expenses to be incurred for the repair of approximately 100 linear feet of seawall breached during Hurricane Irene as eligible for reimbursement. Of this \$1,098,656 in eligible expenses RIOC has incurred \$22,933 to date. FEMA will reimburse 75% of the eligible costs based upon approved claims.

The Seawall Railings are also in need of replacement and/or repair. In this regard, RIOC has engaged the services of a qualified engineer to develop the design for the Seawall Railings and to remain as a consultant through the RFP process. The Seawall Railings project will ultimately replace approximately four (4) miles of railings on Roosevelt Island, at an estimated cost of \$16 million dollars. However, because of the various construction projects currently underway, RIOC intends to implement this project in phases.

It is important to note that RIOC is aware of plans by the City of New York to obtain funding for the construction of a berm near the northern end of Roosevelt Island in an effort to protect Coler Hospital from catastrophic damage in the event of a super storm like Hurricane Sandy. Coler Hospital is a facility operated by HHC that provides rehabilitation and specialty nursing services to its residents. This effort comes as part of a \$1.6 billion dollar federal commitment by FEMA to advance the City's comprehensive, five-borough resiliency plan and fund improvements at four New York City Health and Hospitals Corporation facilities. The City of New York will be requesting an easement from RIOC to implement this plan.

As further noted in Section VI of this report, RIOC's Capital Plan provides the framework to renew existing infrastructure, and maintain the quality of life for the Island's residents, workers, and visitors. The Corporation achieves this by making capital improvements and strategically acquiring capital assets that support essential services such as transit, sanitation, and public safety through a number of significant projects currently underway.



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III. FINANCIAL REPORTS

III. (i) Audited Financials.

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

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

RIOC’s total operating revenues for the fiscal year ending March 31, 2016 were \$27,149,844. For the fiscal year ending March 31, 2016, operating revenues decreased by \$12,060,795 or 31% over the last fiscal year. This was mainly due to a decrease in Residential Fee revenue of \$13,096,619 or 80%, which includes one-time transaction fees received from the refinancing of the existing mortgage of Manhattan Park in the amount of \$12,600,000, and the assignment of the Eastwood lease to BSREP UA Roosevelt Landing LLC, in the amount of \$2,737,658 in the prior fiscal year ending March 31, 2015; and the receipt of transactions fees in the amount of \$2,189,574 from the initial sponsor sales of Cooperative Apartments from Island House during the current fiscal year ending March 31, 2016. Declining interest rates led to a decline in interest income of \$37,524 or 27% as a result of the low-interest rate bearing short-term nature of RIOC’s investments in accordance with the State’s investment guidelines.

RIOC’s total operating expenses for the fiscal year ending March 31, 2016 were \$23,417,463 and \$23,295,944 for the last fiscal year ending March 31, 2015, including depreciation of \$3,299,771 and \$3,518,632, respectively. For fiscal year ending March 31, 2016, total operating expenses before depreciation increased by \$340,380 or 2% over the last fiscal year, which is due primarily to increases in insurance by \$81,873 and management fees by \$232,278. Personal services increased by \$338,893 or 3% due mainly to the filling of vacant positions and increases in benefits primarily health and workers compensation insurance. Professional and legal services decreased by \$117,388 or 21% due mainly to reduced real estate transactions.

The Statement of Revenue, Expenses, and Changes in Net Position using the modified accrual basis, reported an increase of \$3,732,381 to an ending balance of \$100,720,046 at March 31, 2016.



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THE ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statement of Revenue, Expenses, and Changes in Net Position
Year ended March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>	<u>% Change</u>
Operating revenues:			
Residential fees	\$3,267,322	\$ 16,363,941	-80%
Ground rent	10,738,129	10,465,282	3%
Commercial rent	1,564,597	1,446,680	8%
Tramway revenue	5,510,805	5,211,790	6%
Public safety reimbursement	1,823,337	1,713,231	6%
Transport/parking revenue	2,542,058	2,331,339	9%
Interest income	100,309	137,833	-27%
Unrealized Gain (Loss)	0	(807)	-100%
Other revenues	1,603,287	1,541,350	4%
Total operating revenues	<u>27,149,844</u>	<u>39,210,639</u>	-31%
Operating expenses:			
Personal services	11,267,844	10,928,951	3%
Insurance	1,662,105	1,580,232	5%
Professional services and legal services	453,883	571,271	-21%
Management fees	4,378,564	4,146,286	6%
Telecommunications	114,183	108,115	6%
Repairs and maintenance	421,798	481,890	-12%
Vehicles maintenance	297,905	288,763	3%
Equipment purchases/lease	55,401	91,929	-40%
Supplies/services	1,065,638	1,158,788	-8%
Other expenses	400,371	421,087	-5%
Total operating expenses excluding depreciation	<u>20,117,692</u>	<u>19,777,312</u>	2%
Operating income before depreciation	7,032,152	19,433,327	-64%
Depreciation expenses	<u>3,299,771</u>	<u>3,518,632</u>	-6%
Change in net position	<u>3,732,381</u>	<u>15,914,695</u>	-77%
Total net position, beginning of year	96,994,366	81,079,671	20%
Cumulative effect of change in accounting principle	(6,701)		100%
Total net position, end of year	<u>\$ 100,720,046</u>	<u>\$ 96,994,366</u>	4%



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On RIOC's Statement of Net Position at March 31, 2016, total assets of \$143,578,019 and deferred outflow of resources - pensions of \$560,848 exceeded total liabilities of \$43,378,801 and deferred inflows of resources - pensions of \$40,020 by \$100,720,046 (total net position). Total assets are comprised of capital assets (e.g., buildings, machinery and equipment) totaling \$70,351,219, cash and cash equivalents totaling \$62,921,032 and other assets of \$10,305,768. Liabilities are comprised of accounts payable and accrued expenses of \$350,329, unearned revenues of \$38,147,515 (prepaid rents), other post-employment benefits of \$3,833,013, and other liabilities totaling \$1,047,944. Unearned revenues represent the prepaid ground rent revenue received for the Southtown and Octagon development projects that will be recognized over their respective lease terms. Of total net position, \$24,086,583 is available to be used to meet ongoing capital obligations. Additionally, \$6,282,244 is available for ongoing operational expenses.

Current and other assets increased by \$12,917,599 or 21%. This was mainly due to a lump-sum prepayment in the amount of \$10,080,000 for a portion of the future Ground rent from Southtown Building # 7 and transactions fees in the amount of \$2,189,574 from the initial sponsor sales of Cooperative Apartments from Island House. Liabilities increased \$9,822,423 or 29%. This was mainly due to the aforementioned prepayment of \$10,080,000.



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THE ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statement of Net Position
Year ended March 31, 2016 and 2015

	<u>Assets</u>	<u>2016</u>	<u>2015</u>
Current assets			
Cash		\$ 28,571,327	\$ 1,130,550
Short-term investments		34,349,705	53,821,717
Receivables		714,320	865,847
Prepaid expenses		51,748	1,595,684
Total current assets		63,687,100	57,413,798
Noncurrent investments		9,539,700	2,895,403
Capital assets, net of accumulated depreciation		70,351,219	70,241,543
Total assets		<u>\$ 143,578,019</u>	<u>\$ 130,550,744</u>
Deferred outflows of resources - pensions		560,848	-
	<u>Liabilities</u>		
Current liabilities - accounts payable and accrued expenses		350,329	773,869
Compensated absences		606,067	654,762
Unearned revenue		38,147,515	28,680,095
Postemployment benefits other than pension		3,833,013	3,395,875
Net pension liability - proportionate share - ERS		391,340	-
Other liabilities		50,537	51,777
Commitments and contingencies (note 9)			
Total liabilities		<u>43,378,801</u>	<u>33,556,378</u>
Deferred inflows of resources - pensions		40,020	
Net position:			
Net investment in capital assets		70,351,219	70,241,543
Restricted for capital projects		24,086,583	23,425,543
Unrestricted net assets		6,282,244	3,327,280
Total net position		<u>\$ 100,720,046</u>	<u>96,994,366</u>

See accompanying notes to financial statements.



III. (ii) Grant and Subsidy Programs

Included in “Other Expenses” are expenditures for public purpose grants of \$218,000 and \$275,500 for the years ended March 31, 2016 and 2015 respectively. The Roosevelt Island Youth Center was granted \$175,000 each year to help fund operating expenses. The remaining grants were awarded to various Island-based not-for-profits upon evaluation of their applications and Board approval

III. (iii) Operating and Financial Risks

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

The development agreement for Southtown buildings (“Buildings”) seven (7) through nine (9) between Hudson Related Joint Venture (“Developer”) and RIOC included a contingent de-designation (cancellation of project or portion of) fee of \$2,438,400. The agreement is collateralized by a Guaranty Letter of Credit issued by Deutsche Bank Trust Company, NA in the amount of \$2,438,400 maturing on August 15, 2016, to be renewed annually. The Building 7 Lease was closed on October 10, 2013 and construction was completed on September 21, 2015. The Building 8 Lease Closing shall occur no later than 30 months after the Building 7 Lease Closing; and the Building 9 Lease Closing shall occur no later than 30 months after the Building 8 Lease Closing. The Building 8 Lease was not closed by April, 10, 2016. In the event that the Developer fails to close a Building lease in accordance with the foregoing schedule, except if due to RIOC, RIOC may draw the entire balance of the Guaranty Letter of Credit and apply same at its sole discretion, and in addition thereto, at its sole option, de-designate Developer for each such Building and for the remainder of the Buildings. RIOC believes that the development will continue and has begun negotiations for Buildings 8 and 9.

As set forth in Note 9(c) of the Notes to Financial Statements for March 31, 2016 and 2015, RIOC entered into an agreement with ESD for the repayment of certain Public Facilities Debt and Accrued Operating Deficit amounting to \$170,356,976 with a stated interest rate of 5.74%. ESD has acknowledged that there are significant projected future capital investments to be made by RIOC.

III. (iv) Bond Ratings

RIOC does not issue bonds.



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III. (v) Long-term Liabilities

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

III. (v)(a) Lease Obligations

RIOC has agreements with four housing companies operating on the Island to sublease commercial space occupied by the housing companies. Rent expense for the years ended March 31, 2015 and 2014 were approximately \$155,984 and \$86,000, respectively.

III. (v)(b) Unearned Revenue

As of March 31, 2016, unearned revenue in the amount of \$38,147,515 reported in the Statement of Net Position represents amounts collected in advance for lease-related payments related to subsequent fiscal years. These amounts will be recognized as income on an annual basis over a period of the remaining fifty-two years on the ground lease for the City of New York expiring in 2068 under the accrual basis of accounting.

	Balance at <u>April 1</u>			Balance at <u>March 31</u>
<u>Buildings</u>	<u>2015</u>	<u>Additions</u>	<u>Amortization</u>	<u>2016</u>
Octagon	\$2,545,298		(47,355)	\$2,497,943
Southtown Bldg #1	1,711,158		(31,835)	1,679,323
Southtown Bldg #2	1,632,816		(30,378)	1,602,438
Southtown Bldg #3	3,489,474		(64,922)	3,424,552
Southtown Bldg #4	4,549,492		(84,641)	4,464,851
Southtown Bldg #5	5,809,652		(108,087)	5,701,565
Southtown Bldg #6	8,942,205		(166,365)	8,775,840
Southtown Bldg #7	0	10,080,000	(78,997)	10,001,003
Total	<u>\$28,680,095</u>	<u>\$10,080,000</u>	<u>(\$612,580)</u>	<u>\$38,147,515</u>

III. (v)(c) Post-employment Benefits Other Than Pensions

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



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York State Health Insurance Program. The Corporation contributes 88% for employees and 73% for an employee's spouse.

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

Total expenditures charged to operations for the years ended March 31, 2016 and 2015 amounted to \$579,478 and \$643,553, respectively. At March 31, 2016, the liability for active and retired employees included in non-current accrued fringe benefits amounted to \$3,833,013.

RIOC currently pays for post-retirement health care benefits on a pay-as-you-go basis and has set aside assets in the amount of \$9,539,700 to meet this long term obligation.

IV. DEBT SCHEDULE

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

V. COMPENSATION SCHEDULE

NAME	TITLE	SALARY	TOTAL COMPENSATION
Indelicato, Charlene M	President/CEO	\$163,485	\$163,559
Walton, Frances	VP / CFO	\$151,935	\$137,271
Rosenthal, Susan	VP General Counsel	\$151,935	\$127,056
Jagdharry, Muneshwar	Comptroller	\$120,733	\$120,765
Mcmanus, John B	Director PSD	\$114,043	\$114,112
McDade, Claudia H	Human Resources Director	\$113,169	\$113,199
Sanichar, Indranie	Director IT	\$111,442	\$111,499
Robinson, Gretchen K	Compliance Officer	\$109,242	\$109,297
Eliav, Arthur	Associate General Counsel	\$107,148	\$107,195
Opperman, Cyril	General Manager	\$105,107	\$105,135
Bost, John	Director Engineering	\$105,000	\$77,885
Lewis, Donald	VP General Counsel	\$148,956	\$33,993
Mortimer, James	Director Engineering	\$110,194	\$24,968

V. (i) Biographical Information

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



VI. PROJECTS

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

RIOC's Capital Plan provides the framework to renew existing infrastructure, and maintain the quality of life for the Island's residents, workers, and visitors. The Corporation achieves this by making capital improvements and strategically acquiring capital assets that support essential services such as transit, sanitation, and public safety. Significant projects in progress include:

- repairs to the Helix Ramp, estimated at \$2.5 million;
- maintaining a state of good repair on the Island's newly renovated Aerial Tramway, including the replacement of the current elevator with one that is ADA-compliant, the addition of a new ADA-compliant elevator, as well as rehabilitation of the Manhattan-station roof at \$3.5 million;
- Phase II renovation of the Bus Garage/Warehouse which includes office space for the Engineering Department;
- interior restoration of Blackwell House, an historical landmark as well as the adjacent open space surrounding the structure;
- oversight of excavation, trenching and restoration of high-pressure gas main and Queensboro Bridge feeder cable projects performed by Consolidated Edison and its contractors;
- oversight of Z-Brick restoration throughout Main Street upon the completion of work performed by Consolidated Edison;
- enhancement and beautification of the outdoor seating area and playground and installation of new walkways in accordance to the Americans with Disabilities Act at the New York Library site;
- rehabilitation of the existing Aerial Tramway Roof and installation of a roof over the southern staircase at the Roosevelt Island Tramway Station at an estimated cost of \$719,000;
- installation and upgrade of the fire alarm system in the Good Shepherd Chapel at an estimated cost of \$117,800;
- repairs to Motorgate Garage including bearing pedestals replacement and water leakage repairs;
- rehabilitation of the seawall around Southpoint Open Space for an estimated cost of \$21.6 million; replacement of the railings for an estimated cost of \$6 million;
- removal of Z-Bricks and replacement with asphalt paving on Main Street for an estimated cost of \$600,000;
- augmentation of rip-rap along the Steam Tunnel on the eastern side of the Island for an estimated cost of \$500,000;
- improvement to Sportspark, including the installation of a permanent heating system at an estimated cost of \$700,000, and replacement of the roof at an estimated cost of \$3 million;



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- the island wide security camera system at an estimated cost of \$1.2 million for phases 1 and 2 as well as a portion of phase 3;
- the installation of new security measures and the creation of the Public Safety Department's Emergency Operation Center ("EOC"), which provides cameras around Roosevelt Island's open spaces as well as inside of RIOC facilities and other properties, to ensure the safety of its staff and Roosevelt Island residents;
- upgrades to the Public Safety Department's computerized systems and monitoring equipment, which will now include new communication devices that establish a direct line of communication between Public Safety Officers and the Office of Emergency Management ("OEM");
- upgrades to RIOC's Access Controls program that will allow patrolling of residential buildings to be tracked more easily; and
- upgrading RIOC's information technology and computer systems, including rebuilding the Network Environment infrastructural hardware, installing a Firewall to protect RIOC data; and implementing Bandwidth and other software improvements..

VII. REAL PROPERTY

VII. (i) Real Property Disposition

RIOC did not make any qualifying dispositions.

VII. (ii) Real Property Acquisition

RIOC did not acquire any real property.

VII. (iii) Real Property Owned

The Roosevelt Island Operating Corporation					
Real Property					
For Period Ending March 31, 2016					
a) Real property Owned:					
				Net Asset Value	Note
	AVAC			\$ 935,211	(1)
	Blackwell House			\$ 1,154,916	(1)
	Boathouse			\$ 10,627	(1)
	Good Sheperd Chapel			\$ 1,687,269	(1)
	Lighthouse			N/A	(2)
	Motorgate			\$ 3,721,425	(1)
	Renwick Ruins			\$ 3,879,637	(1)
	Sportspark			N/A	(1)
	Strecker Lab			N/A	(2)
	Tramway			\$ 20,672,173	(1)
	Total			\$ 32,061,258	
Note:					
(1) Fair Market Value is currently not available					
(2) Historical Landmarks- Undetermined					



VIII. CODE OF ETHICS

As a New York State public benefit corporation, RIOC is vested with a public trust. In order to promote and maintain governmental integrity, each officer, director, and employee of RIOC must adhere to the standards and code of ethics set forth in the Code of Ethics approved by the Board of RIOC on March 25, 2010 (see Attachment “D”) and in the State Code of Ethics and the Ethics in the Government Act, as well as all other laws and regulations.

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

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

X. ENABLING LEGISLATION

On September 4, 1984, RIOC was organized pursuant to Chapter 899 of The New York Unconsolidated Law as a public benefit corporation to take responsibility, pursuant to a General Development Plan (“GDP”), for the development and operation of the 147 acres comprising the former Welfare Island, located in New York City's East River – see Attachment “E”.

XI. AUTHORITY AND ITS BOARD STRUCTURE

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

XI. (i) Board Committees

See Attachment “F”.

XI. (ii) Board Meetings and Attendance

See Attachment “G”.



XI. (iii) Major Authority Units

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

XI. (iv) Number of Employees

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

XII. CHARTER AND BY-LAWS

See Attachment "H".

XIII. MATERIAL CHANGES IN OPERATIONS AND PROGRAMS

RIOC has not made any material changes to its operations and/or programs.

XIV. FINANCIAL PLAN

XIV. (i) Current and Projected Capital Budget

See Attachment "I".

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

See Attachment "J".

XV. BOARD PERFORMANCE EVALUATION

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

XVI. NON-COMPETITIVE ACQUISITIONS

See Attachment "K".

XVII. MATERIAL PENDING LITIGATION



**Roosevelt Island
Operating Corporation**

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Governor

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

Roosevelt Island Operating Corporation

Performance Measure Report

as of March 31, 2016

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

Pursuant to the guidelines specified in the Roosevelt Island General Development Plan, the Roosevelt Island Operating Corporation (“RIOC”) has promoted the development of approximately 5,226 units of housing, with the expected development of an additional 532 units. Of the built out units of housing stock, approximately 51% are currently affordable under Federal Section 8, New York State Mitchell-Lama, New York City Inclusionary Housing Programs, or qualifying units sold/rented as Middle Income Affordable Housing (see Table 1 below).

Table 1

Building	Units Developed	In Development	To Be Developed	Total Units	Units Developed as Affordable	Units Subsequently Converted To Market	Units Currently Affordable	Current Percentage Affordable
Manhattan Park	1,107			1,107	222		222	20%
Roosevelt Landings	1,003			1,003	1,003	374	629	63%
The Octagon	500			500	100		100	20%
Island House	400			400	400	12	388	97%
Southtown	1,468		532	2,000	697		597	41%
Westview	371			371	371		371	100%
Rivercross	377			377	377	27	350*	93%
Total:	5,226	-	532	5,758	3,170	413	2,657	51%

Unit Counts and Percentages are Approximate.

**Current affordability numbers provided by Rivercross Tenants Corp. See below for further discussion of affordability status.*

Of the total 3,170 affordable units originally developed above, 2,151 units (68% of the affordable units) were developed through the New York State Mitchell Lama (ML) Program in the mid to late 70s. The ML developers have the option after twenty years to exit the program and convert to a market rate building. Roosevelt Landings, formerly known as Eastwood, exited the ML program whereby existing tenant rents have continued to be subsidized but units that become vacant will convert to market rate. As of March 31, 2016, approximately 37% of the units have been converted to market rate units. The ground lease for Island House was extended to 2068, and allowed the developer to exit ML under a thirty-year Affordability Plan, which provided a structure for the creation of a leasehold condominium and the conversion of the residential portion of the building to cooperative ownership. The conversion to cooperative ownership occurred on January 01, 2014, the first day of the year following the conversion in accordance with the terms of the lease. At least 65% of the units will either be sold as “affordable” CO-OPs or remain as affordable rentals. As of March 31, 2016, approximately 12 units converted to market rate.

As of March 27, 2014, Rivercross Tenants Corp. (“Housing Company”) exited the ML Program. Section Six of Amendment One to Restated Ground Lease (“Amendment”), which extended the term until 2068, provides that if the parties are unable to reach an agreement on the Financial Terms by no later than sixty days prior to the effective date, the Housing Company will leave the ML Program and the dispute shall be settled by arbitration in the City of New York – subject to certain procedures set forth in the Amendment. The parties began the arbitration process but subsequently entered into a standstill agreement which remained in effect until February 23, 2016, and now the parties are proceeding with the arbitration process. RIOC anticipates that it will receive increased revenue in the future because the ground lease for Rivercross currently remains at Mitchell Lama rates.

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

As part of its mission, RIOC has sought to develop Roosevelt Island's 147-acres through the development of a transit system and a sanitary system, the creation of a Public Safety Department, and the development of pedestrian walkways, recreational facilities, open spaces, and a roadway system. The initial planners created a centralized parking facility that currently provides approximately 1,797 parking spaces for resident vehicles. The parking facility will eventually have to be expanded in order to accommodate residents of Southtown and Cornell; however, agreements are in place between RIOC and another party and/or parties to expand this parking facility as it becomes necessary.

Transportation:

RIOC has improved its transportation services through renovations to the Aerial Tramway as well as its on-island mass-transportation program. For instance, after procuring services to renovate the Aerial Tramway, which became operational on November 31, 2010, transportation needs of residents and visitors are now better met. Indeed, more passengers are shuttled quickly and safely to and from Manhattan's East Side and there is greater availability because the new system allows for one cabin to continue operations in the event the other cabin is temporarily removed from service for preventative maintenance. Further, the Tramway is more reliable with redundant generators to power the system, resulting in increased efficiency and capability. RIOC funds infrastructure improvements with a \$15 million dollar grant from New York State and \$10 million dollars from RIOC after all projects in connection with the modernization are completed. Ridership on the Tramway is steadily increasing as a result of more activities on Roosevelt Island, including the development of Southtown and Cornell Technion; and increased visitorship to Four Freedoms State Park. Indeed, just this past fiscal year, the Tramway shuttled about 2,813,751 riders between the Island and Manhattan and generated a net profit of about \$1,664,207.

RIOC also services the community of Roosevelt Island with an on-island, mass transportation bus system comprised of a fleet of seven, clean energy, hybrid buses. These buses are also wheelchair accessible and service the Island's significant disabled population. Moreover, on December 12, 2013, RIOC's Board of Directors approved the elimination of the once collected bus fares and offset this loss of revenue by also doubling the fee for street parking. Because of this change that became effective on April 1, 2014, the bus system has become more efficient.

RIOC is negotiating a Memorandum of Understanding ("MOU") with the New York City Economic Development Corporation to expand the Citywide Ferry Service to Roosevelt Island. This expansion will also include ferry service to Astoria, Queens and Long Island City of which Roosevelt Island will be a destination along the East side of the Island. The service is expected to also serve Manhattan. RIOC has agreed to allow EDC and its contractors land and water access to conduct the appropriate surveys, inspections and testing necessary to prepare a preliminary design for the landing site. A traffic mitigation and environmental study must also be done, however, once completed and approved by RIOC, construction and installation of the ferry landing will be done by EDC and RIOC expects that ferry service will launch in 2017.

Public Facilities:

As part of its public facilities, Roosevelt Island has a public school, PS/IS 217, which currently has an enrollment of about 548 students; and The Child School/Legacy High School, a government-funded private school, specializing in educating children with special needs. The Child School/Legacy High School serves approximately 300 students. The Island is also home to a community center, a senior center, and a New York Public Library ("NYPL"). As discussed below, the library will be relocated to a renovated space as part of a lease agreement and will be a larger and more aesthetically pleasing community space for Island residents. RIOC also intends to contribute to this project by rehabilitating an open space at the site of the new NYPL which will include a playground and sitting area for library patrons

and Island residents to use as well as new walkways that are compliant with the Americans with Disabilities Act.

Retail Spaces:

As part of RIOC's revitalization improvements along Main Street, the Corporation entered into a Master Sublease Agreement ("Agreement") with Hudson Related Retail, LLC ("HRR") on August 1, 2011 ("Commencement Date"). Specifically in that Agreement, among other things, HRR is charged with the responsibility of redeveloping, improving, marketing, leasing, and professionally operating the Retail Spaces controlled by RIOC. In return, RIOC is to receive an annual guaranteed rent of \$900,000 that will increase by 2% annually, beginning on the first anniversary of the Commencement Date for the first five years – and 2.5% annually thereafter. RIOC will also share in profits realized by HRR in these lease endeavors. Under the terms of the Agreement, HRR is also required to invest no less than \$2,365,000 in the aggregate in capital improvements during the first five years of the Agreement. According to its certified financial statements as of December 31, 2015, HRR invested \$2,584,216 and incurred a loss of \$359,141. As per the Agreement, RIOC will share future profits equally, once HRR is paid back its investment. HRR has yet to recoup any of its investment and has not made a profit-sharing payment to RIOC. To date, HRR, as part of this partnership with RIOC, has brought an ice cream and sweets shop, a wine and liquor store, a gourmet deli, and a Subway fast food restaurant to Main Street. HRR also entered into a lease with NYPL on July 1, 2013. As part of this lease agreement and a substantial renovation contribution by RIOC, a significantly larger library is planned for the Island and will be located at 504 Main Street. The construction documents for this renovation are substantially complete and construction is anticipated to be finished by the end of 2016.

Recreational Facilities/Spaces:

Sportspark is a recreational facility that RIOC developed to promote recreational activities among residents on Roosevelt Island. The facility includes a swimming pool, a full-size basketball court, a ping-pong room, and a weight room. RIOC also maintains open-air spaces for the same purpose which includes Lighthouse Park, Octagon Soccer Field, Octagon Pony Field, Capobianco Field, Firefighters Field, and Southpoint Park. As an added service, RIOC manages these recreational spaces and its facility through a permitting process to ensure availability to Island residents. Run by RIOC personnel who manage the permitting process, this program efficiently allows for advance reservation for a variety of one-time-and-regularly scheduled events. Permits are also issued as a way of managing the tennis courts and other open spaces, as well as for special uses such as mobile food vending, film and photography events. Although these spaces are available to residents and non-residents alike, permits are priced at resident and non-resident rates. RIOC also uses a software-based solution to manage the growing number of permit requests, which satisfies the growing needs of the community. The number of permit requests processed has increased by over 100% compared to the previous fiscal year.

Other recreational spaces on Roosevelt Island include Four Freedoms State Park, a memorial to honor President Franklin D. Roosevelt. This park, which is managed and operated by Four Freedoms Park Conservancy, is located on the southernmost tip of Roosevelt Island and opened in the fall of 2012. Four Freedoms State Park is a popular destination that received over 40,000 visitors between its opening in 2012 and April 2013, and over 500,000 visitors and tourists to date, a number that continues to grow.

Infrastructure Maintenance/Projects:

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

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

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

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

The New York City Health and Hospitals Corporation (“HHC”) announced its intention to close and abandon a large steam plant, located on Roosevelt Island on or by March 31, 2014, but did not do so until November of that year. The plant provided heat to the Goldwater Site, Coler Hospital, and several RIOC-owned facilities, including Sportspark, AVAC, and the Bus Garage/Warehouse. Ownership and issues of responsibility concerning the steam plant and Steam Tunnel remain unresolved. The anticipated closure compelled RIOC to install a costly and temporary heating system for AVAC and the Bus Garage/Warehouse, and Sportspark so that heating to those facilities would not be disrupted. Although Sportspark is still operating with a temporary heating system, RIOC will replace it with a permanent one; at an estimated cost of \$1.1 million. To this end, RIOC obtained the services of a qualified engineering firm, which provided a complete design that has been approved subject to the review of the New York City Department of Buildings (“DOB”). An RFP has been issued and once a contractor is selected, pursuant to a competitive bidding process, RIOC will begin construction. RIOC anticipates this project to be completed by the end of 2016. The new system will operate on medium pressure gas which must be connected to the new high pressure gas pipeline. This high-pressure gas line is currently being installed by Consolidated Edison Company of New York, Inc. as part of infrastructural support for Cornell and is anticipated to be completed by June 2016.

RIOC also engaged the services of a qualified engineer to develop the design for the Seawall Railings and to remain as a consultant through the RFP process. The Seawall Railings project will ultimately replace approximately four (4) miles of railings on Roosevelt Island, at an estimated cost of \$16 million dollars. However because of the various construction projects currently underway on the Island, RIOC intends to implement this massive project in phases in that RIOC expects to commence this work in certain identified areas of the Island as not to disrupt construction project currently be done in other areas of the Island.

Additional engineering services were also retained for necessary repairs and recommended upgrades at the Sportspark facility. The consultants prepared a report of the facility’s lighting, plumbing, and roofing systems. The analysis is complete, and it is anticipated that some of the recommended repairs and upgrades will increase the efficiency of the aforementioned permanent heating system. In addition, the report identified certain necessary repairs, such as the facility’s roof which is expected to cost around \$3 million – and needs to be completed before the other repair work can be done. RIOC procured the services of a qualified engineer to assist with this project and issued RFPs for the roofing repairs and for the

installation of a new boiler system. RIOC expects construction to begin mid-August, and repairs should be completed by November 2016.

Hurricane Irene greatly impacted Roosevelt Island's infrastructure and caused RIOC to implement certain measures by which to mitigate damage caused by these acts of nature. Specifically, Hurricane Irene damaged the seawall of the Southpoint Park shores. The Corporation hired a consultant to provide engineering-design and marine-permitting services for the Southpoint Park shores. The consultant identified failures due to deterioration along both shores, and the west shore seawall. Damage sustained to approximately 100 linear feet of the eastern seawall has been approved by FEMA as a project for disaster recovery funding.

Before and during Hurricane Irene, RIOC staff took measures to mitigate potential damage and to protect lives and property. Under Federal guidelines, these efforts were eligible for reimbursement by FEMA. FEMA approved – and RIOC completed – the following projects as part of the Island's rehabilitation from those areas affected by the storm:

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

For the above stated projects and certain administrative expenses and professional services, RIOC incurred \$374,992 of which FEMA will reimburse the Corporation 75% of the eligible costs, based upon the approved claims. RIOC expects that the final approval of these eligible claims and completion of any outstanding tasks to this project will be December 2017.

Similarly, in October 2012, during Hurricane Sandy, Roosevelt Island sustained additional damage as a result of that storm. Projects that RIOC has completed or expects to complete in the future include repairs to damaged electric wiring in Lighthouse Park; and repairs to undermined "Z-Bricks" on the promenades.

Both completed and "in-progress" work have been deemed eligible for reimbursement under Federal guidelines by FEMA/OEM. RIOC has received \$141,348 in connection with these projects and other certain administrative expenses and professional services based upon a 90% effective cost-share rate. The Federal obligation for the last remaining project was written on an estimate of \$140,285 consistent with practices for large projects, and RIOC will be reimbursed by FEMA at the 90% cost-share rate. And, all projects resulting from Hurricane Sandy have been filed and must be completed prior to November 3, 2016. With respect to the Lighthouse Park electrical wiring project, RIOC revised the claim documents that were submitted to OEM and RIOC anticipates that it will receive a reimbursement of 75% of the eligible costs in Spring 2016.

RIOC has also recently procured a contractor to perform necessary repairs to the Aerial Tramway roof in Manhattan, at an estimated cost of \$719,000. This project includes the rehabilitation of the existing Aerial Tramway roof as well as the construction of a roof over the southern staircase at the Roosevelt Island Tramway Station. As the Design Drawings have been approved and a contract duly executed between RIOC and the contractor, repairs to the roof are currently in progress. With an anticipated completion date in the fall of 2016, these improvements will provide adequate shelter to the Tramway platform from inclement weather and other elements, thereby making the conditions that much safer and comfortable for riders. RIOC will be issuing a RFP for the Tramway Operation which includes a maintenance component for routine repairs to the Tramway infrastructure. RIOC also provisioned an annual Tram Capital Reserve in its ten-year Capital Plan that will serve to cover major structural and equipment replacements that are anticipated to be needed within the next ten years.

Moreover, RIOC is in the process of replacing the Manhattan-side Aerial Tramway elevator. The new elevator will be ADA compliant, equipped with LED lighting, and will run efficiently. The design drawings for this project were completed in April 2016 and an RFP for its construction has also recently been published. RIOC expects this project to take about a year to complete before the new elevator becomes operational.

Repairs to the South Point Seawall, which extends from the northern tip of South Point Park to the beginning of Four Freedoms State Park, on both the east and west side of approximately 1600 linear feet, are in the planning phase. RIOC repairs will likely cost approximately \$16.5 million, of which FEMA has deemed an estimated \$1,098,656 of expenses to be incurred for the repair of approximately 100 linear feet of seawall breached during Hurricane Irene as eligible for reimbursement. Of this amount, RIOC has incurred \$22,933 to date. FEMA will reimburse 75% of the eligible costs, based on approved claims.

It is important to note that RIOC is aware of plans by the City of New York to obtain funding for the construction of a berm near the northern end of Roosevelt Island in an effort to protect Coler Hospital from catastrophic damage in the event of a super storm like Hurricane Sandy. Coler Hospital is a facility operated by HHC that provides rehabilitation and specialty nursing services to its approximately 815 residents. The City of New York will be requesting an easement from RIOC to implement this plan.

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

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

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

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

RIOC's operating revenues were sufficient to meet its operating and capital needs for FY 2015-16, without currently relying on funds from the State of New York. The Corporation reported an operating profit, before depreciation, of \$7,032,152, which exceeds the budgeted amount of \$3,177,292 by \$3,854,860, by 121%. This was mainly due from the receipt of transactions fees in the amount of \$2,189,574 from the initial sponsor sales of Cooperative Apartments from Island House during the fiscal year ending March 31, 2016.

As set forth in Note 9(c) of the Notes to Financial Statements for March 31, 2016 and 2015, RIOC entered into a Revenue Allocation Agreement ("RAA") with Empire State Development ("ESD") for the repayment of certain Accrued Operating Deficits and Public Facilities Debt amounting to \$170,356,976 with a stated interest rate of 5.74%. In addition, there are other State Operating Subsidies and State Capital Investments that were received and may have to be repaid under the terms of the RAA. The RAA calls for revenues to be allocated in the following manner: (1) RIOC Operating Expenditures; (2) Satisfaction of

UDC's Accrued Operating Deficit; (3) Satisfaction of UDC's Public Facilities Debt; (4) Satisfaction of other State Operating Subsidies, and (5) Satisfaction of other State Capital Investments. To date, no revenues have been allocated for the satisfaction of ESD debt other than "Tax Equivalency Payments" ("TEP") payments for Roosevelt Island's original affordable "Mitchell-Lama" buildings. ESD has acknowledged that there are significant projected future capital investments to be made by RIOC.

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

The mission of the Roosevelt Island Public Safety Department ("PSD") is to provide a safe and secure environment for the residents, employees, business owners, community, and visitors of Roosevelt Island. PSD is a division of RIOC, and its Public Safety officers are the front-line problem solvers for the Roosevelt Island community. By working closely with the New York City Police Department's 114th Precinct, the New York City Fire Department, and Emergency Medical Services, PSD provides a 24-hour-a-day, seven-day-a-week presence on the Island. Because the Corporation has placed more emphasis on community-based policing and quality of life issues, the Island has one of the lowest crime rates per capita in New York City.

During FY 2014-15, the Corporation began using a software solution for critical PSD related records such as incident reporting and case management. RIOC also created an Emergency Operations Center ("EOC"), equipped with state of the art cameras and computer equipment for emergency response and contingency planning. Since that time, RIOC continues to expand this system, which over the past year, has grown to include camera installations around the entire Island, monitored by PSD. The expansion of this program has been successful in crime prevention as well as increased collaboration and liaising with the 114th Precinct and other state and local law enforcement agencies. Moreover, RIOC installed cameras in the Cultural Center, also monitored by PSD, and employed a security/consulting firm to provide seven-day-a-week security and building manager services to help coordinate facility use and ensure the safety of all its very diverse community groups and patrons.

Additionally, RIOC has also liaised with the Office of Emergency Management and purchased new 800 megahertz radios in an effort to establish a direct line of communication with the agency in the event of an emergency.

More recently, RIOC has proposed a pilot program for its PSD officers that includes the use of body cameras, which may be funded by grants as the program develops. Further, in addition to PSD's mandatory certification training, PSD intends to start a non-mandatory training program where PSD officers and supervisors alike can select trending topics for discussion (and training where needed) in law enforcement.

Finally, RIOC purchased two replacement patrol vehicles and an all-terrain vehicle. The patrol vehicles will all PSD to adequately patrol Roosevelt Island and respond to complaints more quickly. Similarly, the all-terrain vehicle will better aid PSD officers to patrol and monitor the Cornell construction site and other projects being conducted on Roosevelt Island where SUV and other patrol vehicles cannot traverse due to the condition of the roadway. This all-terrain vehicle has aided RIOC in monitoring and ensuring that construction sites are secure and safe during "off-hours" when contractors are not scheduled to work.

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

RIOC's Capital Plan provides the framework to renew existing infrastructure, and maintain the quality of life for the Island's residents, workers, and visitors. The Corporation achieves this by making capital improvements and strategically acquiring capital assets that support essential services such as transit, sanitation, and public safety. Significant projects in progress include:

- maintaining a state of good repair on the Island's newly renovated Aerial Tramway, including the replacement of the current elevator with one that is ADA-compliant, the addition of a new ADA-compliant elevator, as well as rehabilitation of the Manhattan-station roof at \$3.5 million;
- repairs to the Aerial Tramway roof to ensure the safety of riders, at an estimated cost of \$719,000;
- beautification, including stripping and refinishing of wooden flooring in Good Shepherd Chapel;
- engaging a facilitator to draft a plan and implementation strategy to optimize space for community programming and usage in Southpoint Park;
- rehabilitation of the Island's seawall for an estimated cost of \$21.6 million; replacement of the railings for an estimated cost of \$6 million;
- removal of Z-Bricks and replacement with asphalt paving on Main Street for an estimated cost of \$600,000;
- augmentation of rip-rap along the Steam tunnel on the eastern side of the Island for an estimated cost of \$500,000;
- improvement to Sportspark, including the implementation of a permanent heating system at an estimated cost of \$700,000, and replacement of the roof at an estimated cost of \$3 million;
- the island wide security camera system at an estimated cost of \$1.2 million for phases 1 and 2 as well as a portion of phase 3;
- the installation of new security measures and the creation of the Public Safety Department's Emergency Operation Center ("EOC"), which provides cameras around Roosevelt Island's open spaces as well as inside of RIOC facilities and other properties, to ensure the safety of its staff and visitors;
- upgrades to the Public Safety Department's computerized systems and monitoring equipment, which will now include new communication devices that establish a direct line of communication between Public Safety Officers and the Office of Emergency Management ("OEM");
- upgrades to RIOC's Access Controls program that will allow patrolling of residential buildings to be tracked more easily;
- upgrading RIOC's information technology and computer systems, including rebuilding the Network Environment infrastructural hardware, installing a Firewall to protect RIOC data, and implementing Bandwidth and other software improvements; and
- upgrading its operational vehicles to include the purchase of a new all-terrain utility vehicle for PSD, and a new hybrid-electric bus for RIOC's red bus service on the Island.

See the annexed Capital Plan at Exhibit A.

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

To limit the congestion caused by excess traffic, RIOC provides bus services using seven (7) hybrid-electric buses, powered by ultra-low-sulfur diesel fuel, that limit production of greenhouse gases ("GHG"). Further reductions to the already low GHG levels are expected because, as noted above, the elimination of the bus fares will reduce stop and idling times associated with GHG production. RIOC intends to purchase an additional hybrid-electric bus in FY 16-17 to add to its fleet and purchased neighborhood electric vehicles to the extent possible to lessen dependence on fossil fuel vehicles for light duty usage by employees. A feasibility study was done for the installation of canopy solar panels above the Motorgate Garage, which concluded that such installation would not be economically feasible until such time that the technology became more effective. RIOC was also among a group of participants in a study funded by NYSERDA to examine the impact and potential benefit of Green Loading Zones ("GLZ"), a policy solution to incentivize further electric truck adoption with the creation of curbside loading zones that are exclusively available to zero-emission commercial vehicles. The study identified Roosevelt Island along with other sites as potential candidates for one or more such GLZ's, but has not resulted in a request for implementation.

RIOC has also co-sponsored a community-based Garden Club that manages a community garden on Roosevelt Island between the Octagon soccer field and the Pony baseball field. Among other activities, the Garden Club, through its “Go Green” initiative, sponsors a NYC Compost Project and recycling program designed to make our environment more ecologically responsible.

8. To effectively communicate with all stakeholders.

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

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

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

The fares for passengers riding the Aerial Tramway are collected on RIOC’s behalf via the Metro Card system through a partnership with New York City Transit, which promotes the efficiency of the system by connecting riders to the mass transit system of the greater urban area. As noted in item 2, page 3 of this report, RIOC has partnered with Hudson Related Retail to revitalize the Island’s commercial sector, thereby increasing stakeholder access to goods and services. Also, RIOC routinely coordinates with administrators of Four Freedoms State Park and Cornell Technion for the efficient planning of activities.

The Roosevelt Island Operating Corporation (RIOC)
CAPITAL PLAN 2015/2016 (In Thousands)

Exhibit A to Performance Measure Report

	Actual	Approved Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Budgets 2016- 2030
	2016	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
1 Sports Fields/Parks	\$13	\$2,117	\$364	\$383	\$402	\$422	\$443	\$465	\$488	\$513	\$538	\$565	\$593	\$623	\$654	\$687	\$9,258
Octagon Park - Comfort Station Rehab		\$60															\$60
Octagon - Tennis Court Lighting	\$7																\$0
Blackwell Park - Basketball Courts Resurfacing		\$60															\$60
Copo Bianco Field Improvments		\$200															\$200
504 Main Street Childrens Reading Park		\$300															\$300
Light House Park Entrance & Landscaping	\$6	\$550															\$550
Light House Park Parking Lot		\$550															\$550
Southpoint Park Landscaping		\$50															\$50
Miscellaneous Upgrades & Improvements - Reserve		\$347	\$364	\$383	\$402	\$422	\$443	\$465	\$488	\$513	\$538	\$565	\$593	\$623	\$654	\$687	\$7,488
2 Historic & Landmark Structures	\$69	\$1,806	\$232	\$244	\$256	\$269	\$282	\$296	\$311	\$327	\$343	\$360	\$378	\$397	\$417	\$438	\$6,354
Blackwell House Interior Renovation		\$885															\$885
Blackwell Lighthouse Restoration		\$700															\$700
Blackwell House - Emergency Fire Suppression System	\$8																\$0
Good Shepherd - Interior Repairs/Doors	\$61																\$0
Miscellaneous Upgrades & Improvements - Reserve		\$221	\$232	\$244	\$256	\$269	\$282	\$296	\$311	\$327	\$343	\$360	\$378	\$397	\$417	\$438	\$4,769
3 Infrastructure Improvements	\$230	\$22,147	\$8,284	\$2,824	\$2,915	\$2,010	\$2,111	\$2,217	\$2,327	\$2,444	\$2,566	\$2,694	\$2,829	\$2,970	\$3,119	\$3,275	\$64,732
36 Avenue Bridge Helix (Ramp)		\$1,900															\$1,900
Blackwell Park Plaza & Fountains		\$1,000															\$1,000
Con Ed Vault Reconstruction		\$2,000															\$2,000
Eastern Pier		\$1,500															\$1,500
Good Shepherd - Land & Streetscape	\$67																\$0
Island-Wide Road Improvements - Reserve		\$200	\$210	\$221	\$232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$377	\$396	\$4,316
Island-Wide Z Brick Replacement - Reserve	\$28	\$116	\$122	\$128	\$134	\$141	\$148	\$155	\$163	\$171	\$180	\$189	\$198	\$208	\$219	\$230	\$2,503
Seawall - Reserve				\$1,000	\$1,050	\$1,103	\$1,158	\$1,216	\$1,276	\$1,340	\$1,407	\$1,477	\$1,551	\$1,629	\$1,710	\$1,796	\$17,713
Seawall - Southpoint Open Space Park	\$48	\$10,000	\$6,500														\$16,500
Seawall Railings Replacement		\$3,000	\$1,000	\$1,000	\$1,000												\$6,000
Sewer Upgrades - Reserve		\$232	\$244	\$256	\$269	\$282	\$296	\$311	\$326	\$343	\$360	\$378	\$397	\$417	\$437	\$459	\$5,006
Site Amenities - Benches, Waste Receptacles - Res.		\$83	\$87	\$92	\$96	\$101	\$106	\$111	\$117	\$123	\$129	\$135	\$142	\$149	\$157	\$164	\$1,791
Southtown - Erosion Control and Gravel Installation	\$30																\$0
Southpoint - Blue Dragon Sculpture Foundation	\$12																\$0
Tree-Pit Remediation	\$45																\$0
Utilities Infrastructure Improvements - Reserve		\$116	\$122	\$128	\$134	\$141	\$148	\$155	\$163	\$171	\$180	\$189	\$198	\$208	\$219	\$230	\$2,503
West Drive Modernization		\$2,000															\$2,000
4 Facilities & Offices	\$2,641	\$7,283	\$4,852	\$10,382	\$4,214	\$1,143	\$859	\$902	\$947	\$994	\$1,044	\$1,096	\$1,151	\$1,209	\$1,269	\$1,332	\$38,677
AVAC HVAC	\$29																\$0
AVAC Improvements				\$8,000													\$8,000
AVAC Interior Painting		\$300															\$300
AVAC Mechanical/Piping - Reserve	\$60	\$232	\$244	\$256	\$269	\$282	\$296	\$311	\$326	\$343	\$360	\$378	\$397	\$417	\$437	\$459	\$5,006
AVAC Stack Repairs		\$400															\$400
AVAC Repair at Westview	\$5																\$0
Motorgate Electrical Vault Waterproofing		\$70															\$70
Motorgate Garage - Reserve	\$47	\$221	\$232	\$244	\$256	\$269	\$282	\$296	\$311	\$327	\$343	\$360	\$378	\$397	\$417	\$438	\$4,769
PS Offices - HVAC Compressor	\$7																\$0
Sportspark - Fire Alarm				\$840													\$840
Sportspark - New Flooring Squash/Ping Pong/Gym		\$40			\$935												\$975
Sportspark - Pool	\$52	\$120		\$800													\$920
Sportspark - Upgrade Locker Rooms/Bathrooms/Ceilings		\$60			\$2,175												\$2,235
Sportspark - Concrete Restoration and Reconstruction		\$410															\$410
Sportspark - Electric			\$1,800														\$1,800
Sportspark - Façade Repointing/Repair		\$1,500	\$1,500														\$3,000
Sportspark - HVAC	\$466	\$1,500															\$1,500
Sportspark - Outdoor Basketball Courts					\$325	\$325											\$650
Sportspark - Replace Windows and Doors			\$845														\$845
Sportspark - Roof		\$2,210															\$2,210
Sportspark Rehabilitation - Reserve		\$110	\$116	\$121	\$127	\$134	\$140	\$147	\$155	\$163	\$171	\$179	\$188	\$198	\$207	\$218	\$2,374
Warehouse/Bus Garage Rehabilitation	\$1,969																\$0
Miscellaneous Facilities & Offices - Reserve		\$110	\$116	\$121	\$127	\$134	\$140	\$147	\$155	\$163	\$171	\$179	\$188	\$198	\$207	\$218	\$2,374
- 591 Executive Office Work Station	\$6																\$0
5 Equipment & Vehicles	\$191	\$1,321	\$1,279	\$1,328	\$1,512	\$1,450	\$1,578	\$1,524	\$401	\$312	\$381	\$283	\$431	\$415	\$457	\$470	\$13,142
Admin - (2) GEMs			\$25				\$30					\$35					\$90
Bus - F-350 Pickup					\$40							\$60					\$100

The Roosevelt Island Operating Corporation (RIOC)
CAPITAL PLAN 2015/2016 (In Thousands)

Exhibit A to Performance Measure Report

	Actual	Approved Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Budgets 2016- 2030
	2016	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Bus - Hybrid Buses	\$17	\$1,000	\$1,050	\$1,103	\$1,158	\$1,216	\$1,276	\$1,340									\$8,142
Bus - Rotary Lift	\$33																\$0
Engineering - Ford Escape				\$26					\$33								\$59
Grounds - (1) Ford F130				\$22			\$24			\$26			\$28		\$30	\$30	\$160
Grounds - 150 8ft Barricades	\$11																\$0
IT - (10 PC Replacements)	\$9	\$9	\$9	\$10	\$10	\$11	\$11	\$12	\$13	\$13	\$14	\$15	\$15	\$16	\$17	\$18	\$194
IT - (2) Copiers/AV/Printers			\$24		\$26		\$29		\$32		\$35		\$39	\$39	\$39	\$39	\$302
IT - Plotter						\$28				\$34							\$62
IT - Security & Phone System & Multi-Function Devices		\$63															\$63
IT - Servers	\$18	\$16			\$55				\$62				\$70	\$70	\$70	\$70	\$413
IT - Software Upgrades		\$35	\$37	\$39	\$41	\$43	\$45	\$47	\$49	\$52	\$54	\$57	\$60	\$63	\$66	\$69	\$755
IT - Storage & Disaster Recovery		\$30															\$30
IT - Switch Upgrades			\$24		\$26		\$29		\$32		\$35		\$40	\$40	\$40	\$40	\$306
IT - Website Redesign	\$20	\$15															\$15
Misc. Heavy equipment		\$53	\$56	\$58	\$61	\$64	\$68	\$71	\$75	\$78	\$82	\$86	\$91	\$95	\$100	\$105	\$1,144
Motorpool - (2) GEMS		\$30				\$40				\$50							\$120
Motorpool - Aerial Truck Lift					\$35						\$45						\$80
P.S. - Chevy Tahoe		\$40	\$42	\$44	\$46	\$49	\$51	\$54	\$56	\$59	\$62	\$65	\$68	\$72	\$75	\$79	\$863
P.S. - Ford Escapes	\$25																\$0
P.S. - Yamaha Viking EPS - 2016	\$18																\$0
P.S. - GEMS (2)		\$30	\$12		\$14		\$15		\$16		\$18		\$20	\$20	\$20	\$20	\$185
P.S. - Radios (55)	\$40																\$0
Parks & Recreation- Ford Escape				\$26					\$33								\$59
6 Special Projects	\$36	\$355	\$58	\$61	\$64	\$67	\$70	\$74	\$77	\$81	\$85	\$90	\$94	\$99	\$104	\$109	\$1,487
P.S. - Island Wireless Security Camera System		\$300															\$300
Other - Special Projects		\$55	\$58	\$61	\$64	\$67	\$70	\$74	\$77	\$81	\$85	\$90	\$94	\$99	\$104	\$109	\$1,187
Cultural Center - Camera Installation and Services	\$36																
7 Lighting & Signage	\$7	\$53	\$56	\$58	\$61	\$64	\$68	\$71	\$75	\$78	\$82	\$86	\$91	\$95	\$100	\$105	\$1,144
Street Light Replacement & Signage - reserve	\$7	\$53	\$56	\$58	\$61	\$64	\$68	\$71	\$75	\$78	\$82	\$86	\$91	\$95	\$100	\$105	\$1,144
8 Tram	\$174	\$1,775	\$651	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$814	\$855	\$898	\$943	\$990	\$1,039	\$12,679
Tram Modernization	\$7																\$0
Additional ADA-Compliant Elevator at Manhattan	\$136	\$750															\$750
Replace Roof at the Manhattan Station		\$500															\$500
Tram Bathroom			\$100														\$100
Tram - Painting	\$31																\$0
Tram Capital Reserve		\$525	\$551	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$814	\$855	\$898	\$943	\$990	\$1,039	\$11,329
9 Southpoint Park	\$0	\$210	\$221	\$232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$377	\$396	\$416	\$4,531
RESERVE		\$210	\$221	\$232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$377	\$396	\$416	\$4,531
10 Miscellaneous	\$37	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$815	\$855	\$898	\$943	\$990	\$1,040	\$1,092	\$1,146	\$12,494
Reserve	\$37	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$815	\$855	\$898	\$943	\$990	\$1,040	\$1,092	\$1,146	\$12,494
TOTAL CAPITAL IMPROVEMENTS	\$3,398	\$37,646	\$16,604	\$16,727	\$10,945	\$7,022	\$7,088	\$7,309	\$6,475	\$6,691	\$7,078	\$7,315	\$7,815	\$8,168	\$8,598	\$9,018	\$164,498

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Financial Statements and Management's
Discussion and Analysis
March 31, 2016 and 2015
(With Independent Auditors' Report Thereon)

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

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6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Roosevelt Island Operating Corporation:

We have audited the accompanying financial statements of Roosevelt Island Operating Corporation (RIOC), a component unit of the State of New York, as of and for the years ended March 31, 2016 and 2015, and the related notes to financial statements, which collectively comprise the RIOC's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Roosevelt Island Operating Corporation as of March 31, 2016 and 2015, and the respective changes in net position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in note 2(k) to the financial statements, the RIOC adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68," during the year ended March 31, 2016. Our opinion is not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 13 and the other required supplementary information as listed in the table of contents, be presented to supplement the basic combined financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise RIOC's basic financial statements. The accompanying supplemental information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 23, 2016, on our consideration of RIOC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering RIOC's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

(Formerly Toski & Co., CPAs, P.C.)

Williamsville, New York
June 23, 2016

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

Management's Discussion and Analysis

March 31, 2016

The following management's discussion and analysis (MD&A) provides a comprehensive overview of the financial position of Roosevelt Island Operating Corporation (RIOC) at March 31, 2016 and 2015, and the results of its operations for the years then ended. Management has prepared the financial statements and related footnote disclosures along with this MD&A in accordance with generally accepted accounting principles as defined by the Governmental Accounting Standards Board for state and local governments. This MD&A should be read in conjunction with the audited financial statements and accompanying notes to financial statements, which directly follow the MD&A.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

During the year, the Corporation adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68." Additional information can be found in notes 7(c-h) and 12 to the financial statements.

FINANCIAL ANALYSIS OF THE CORPORATION NET POSITION

The following is a summary of the RIOC's Statement of Net Position at March 31, 2016 and 2015 and the percentage changes between March 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>	<u>% Change</u>
Current and other assets	\$ 73,226,800	60,309,201	21%
Capital assets, net	<u>70,351,219</u>	<u>70,241,543</u>	0%
Total assets	\$ <u>143,578,019</u>	<u>130,550,744</u>	10%
Deferred outflows of resources - pensions	\$ <u>560,848</u>	<u>-</u>	100%
Liabilities	\$ <u>43,378,801</u>	<u>33,556,378</u>	29%

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

	<u>2016</u>	<u>2015</u>	<u>% Change</u>
Deferred inflows of resources - pensions	\$ <u>40,020</u>	<u>-</u>	100%
Net position:			
Net investment in capital assets	\$ 70,351,219	70,241,543	0%
Restricted for capital projects	24,086,583	23,425,543	3%
Unrestricted	<u>6,282,244</u>	<u>3,327,280</u>	89%
Total net position	\$ <u>100,720,046</u>	<u>96,994,366</u>	4%

On RIOC's Statement of Net Position at March 31, 2016, total assets of \$143,578,019 and deferred outflow of resources - pensions of \$560,848 exceeded total liabilities of \$43,378,801 and deferred inflows of resources - pensions of \$40,020 by \$100,720,046 (total net position). Total assets are comprised of capital assets (e.g., buildings, machinery and equipment) totaling \$70,351,219, cash and cash equivalents totaling \$62,921,032 and other assets of \$10,305,768. Liabilities are comprised of accounts payable and accrued expenses of \$350,329, unearned revenues of \$38,147,515 (prepaid rents), other post-employment benefits of \$3,833,013, and other liabilities totaling \$1,047,944. Unearned revenues represent the prepaid ground rent revenue received for the Southtown and Octagon development projects that will be recognized over their respective lease terms. Of total net position, \$24,086,583 is available to be used to meet ongoing capital obligations. Additionally, \$6,282,244 is available for ongoing operational expenses.

Current and other assets increased by \$12,917,599 or 21%. This was mainly due to a lump-sum prepayment in the amount of \$10,080,000 for a portion of the future Ground rent from Southtown Building #7 and transactions fees in the amount of \$2,189,574 from the initial sponsor sales of Cooperative Apartments from Island House. Liabilities increased \$9,822,423 or 29%. This was mainly due to the aforementioned prepayment of \$10,080,000.

OPERATING ACTIVITIES

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

RIOC's total operating revenues for the fiscal year ending March 31, 2016 were \$27,149,844. For the fiscal year ending March 31, 2016, operating revenues decreased by \$12,060,795 or 31% over the last fiscal year. This was mainly due to a decrease in Residential Fee revenue of \$13,096,619 or 80%, which includes one-time transaction fees received from the refinancing of the existing mortgage of Manhattan Park in the amount of \$12,600,000, and the assignment of the Eastwood lease to BSREP UA Roosevelt Landing LLC, in the amount of \$2,737,658 in the prior fiscal year ending March 31, 2015; and the receipt of transactions fees in the amount of \$2,189,574 from the initial sponsor sales of Cooperative Apartments from Island House during the current fiscal year ending March 31, 2016. Declining interest rates led to a decline in interest income of \$37,524 or

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Management's Discussion and Analysis, Continued

27% as a result of the low-interest rate bearing short-term nature of RIOC's investments in accordance with the State's investment guidelines.

RIOC's total operating expenses for the fiscal year ending March 31, 2016 were \$23,417,463 and \$23,295,944 for the last fiscal year ending March 31, 2015, including depreciation of \$3,299,771 and \$3,518,632, respectively. For fiscal year ending March 31, 2016, total operating expenses before depreciation increased by \$340,380 or 2% over the last fiscal year, which is due primarily to increases in insurance by \$81,873 and management fees by \$232,278. Personal services increased by \$338,893 or 3% due mainly to the filling of vacant positions and increases in benefits primarily health and workers compensation insurance. Professional and legal services decreased by \$117,388 or 21% due mainly to reduced real estate transactions.

The following summarizes RIOC's change in net position for the fiscal years ended March 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>	<u>% Change</u>
Operating revenues:			
Residential fees	\$ 3,267,322	16,363,941	(80%)
Ground rent	10,738,129	10,465,282	3%
Commercial rent	1,564,597	1,446,680	8%
Tramway revenue	5,510,805	5,211,790	6%
Public safety reimbursement	1,823,337	1,713,231	6%
Transport/parking revenue	2,542,058	2,331,339	9%
Interest income	100,309	137,833	(27%)
Unrealized loss	-	(807)	(100%)
Other revenues	<u>1,603,287</u>	<u>1,541,350</u>	4%
Total operating revenues	<u>27,149,844</u>	<u>39,210,639</u>	(31%)
Operating expenses:			
Personal services	11,267,844	10,928,951	3%
Insurance	1,662,105	1,580,232	5%
Professional services and legal services	453,883	571,271	(21%)
Management fees	4,378,564	4,146,286	6%
Telecommunications	114,183	108,115	6%
Repairs and maintenance	421,798	481,890	(12%)
Vehicles maintenance	297,905	288,763	3%
Equipment purchases/lease	55,401	91,929	(40%)
Supplies/services	1,065,638	1,158,788	(8%)
Other expenses	<u>400,371</u>	<u>421,087</u>	(5%)
Total operating expenses excluding depreciation	<u>20,117,692</u>	<u>19,777,312</u>	2%

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

	<u>2016</u>	<u>2015</u>	<u>% Change</u>
Operating income before depreciation	\$ 7,032,152	19,433,327	(64%)
Depreciation expenses	<u>(3,299,771)</u>	<u>(3,518,632)</u>	(6%)
Change in net position	<u>3,732,381</u>	<u>15,914,695</u>	(77%)
Total net position, beginning of year	96,994,366	81,079,671	20%
Cumulative effect of change in accounting principle	<u>(6,701)</u>	<u>-</u>	100%
Total net position, end of year	<u>\$ 100,720,046</u>	<u>96,994,366</u>	4%

CAPITAL ASSETS

The following summarizes RIOC's capital assets for the fiscal years ended March 31, 2016 and 2015 and the percentage change between fiscal years:

	<u>2016</u>	<u>2015</u>	<u>% Change</u>
Seawall	\$ 3,057,028	3,065,121	0%
Buildings	15,465,834	13,929,241	11%
Landmarks	6,433,174	6,687,030	(4%)
Vehicles and equipment	1,263,607	1,597,155	(21%)
Infrastructure	44,030,384	44,853,909	(2%)
Leasehold improvements	<u>101,192</u>	<u>109,087</u>	(7%)
Total capital assets	<u>\$ 70,351,219</u>	<u>70,241,543</u>	0%

The capital assets of \$70,351,219 presented in the financial statements have been depreciated using the straight-line method, effective from the date of acquisition. The increase of \$109,676 from the prior year is comprised of the addition of new capital assets of \$3,409,447 and offset by annual depreciation of \$3,299,771. Total depreciation expense for all capital assets amounted to \$3,299,771 and \$3,518,632 for the years ended March 31, 2016 and 2015, respectively. A more detailed analysis of RIOC's capital assets is presented in the notes to financial statements on pages 22-23.

INFRASTRUCTURE ASSETS

The amounts reported in the accompanying statements of net position for capital assets (net of depreciation) of RIOC of \$70,351,219 and \$70,241,543 at March 31, 2016 and 2015, respectively, do not include an amount for two infrastructure items: (1) the bulk of the seawall; and (2) Main Street (the road). Pursuant to the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 34, addressing the capitalization of infrastructure assets, infrastructure assets dating from prior to 1980 are not required to be recognized. However, improvements to such infrastructure items are disclosed.

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

ECONOMIC FACTORS AFFECTING RIOC'S FUTURE FINANCIAL POSITION

Seven (7) of the anticipated nine (9) buildings (collectively, the "Buildings") of the Southtown Development Project have been completed. Building 7 Lease was closed on October 10, 2013 and construction was completed on September 21, 2015 (Rent Commencement Date). In accordance with the provisions of the ground lease between RIOC and Riverwalk 7, LLC ("Ground Lease"), on the Rent Commencement Date, RIOC began receiving annual ground rent of \$725,760, subject to a yearly increase of three (3%) for the first thirty (30) years. Also, RIOC received a lump-sum prepayment in an amount equal to \$10,080,000 as provided for in the Ground Lease. Further, RIOC is receiving a Fixed Public Safety Payment at the rate of \$20.00 per unit per month, increasing 4% annually.

According to the lease documents, the Building 8 Lease Closing shall occur no later than 30 months after the Building 7 Lease Closing; and the Building 9 Lease Closing shall occur no later than 30 months after the Building 8 Lease Closing. The Building 8 Lease was not closed by April 10, 2016. Should development fail to occur within the expected timeframe, RIOC is protected by a Letter of Credit in the amount of \$2,438,400. RIOC believes that the development will continue and has begun negotiations for Buildings 8 and 9.

As of March 27, 2014, Rivercross Tenants Corp. ("Housing Company") exited the Mitchell-Lama program. Section Six of Amendment #1 to Restated Ground Lease ("Amendment"), which extended the term until 2068, provides that if the parties are unable to reach an agreement on the Financial Terms by no later than sixty days prior to the effective date the Housing Company is leaving the Mitchell-Lama program, the dispute shall be settled by arbitration in the City of New York subject to certain procedures set forth in the Amendment. The arbitration process was begun but subsequently a standstill agreement was entered into by the parties. RIOC also anticipates an increase of future revenue from Rivercross because the ground lease for that property currently remains at Mitchell Lama rates.

The Modernized Tram, which was placed in service on November 31, 2010, now better meets the transportation needs of the residents and visitors: more passengers are shuttled quickly and safely; there is greater availability as the system allows for one cabin to continue operations while the other is down for preventive maintenance; and it is more reliable with redundant generators to power the system resulting in increased efficiency and reliability of the system. The infrastructure improvement is being funded by a \$15 million grant from the State of New York and \$10 million from RIOC. Ridership on the Tram is increasing due to increased activities on the Island including the development of Southtown and Cornell Technion, and higher visitorship to the Four Freedoms State Park. During the fiscal year ended March 31, 2016, Tramway revenue increased by \$299,015 or 5.74% over the prior fiscal year ended March 31, 2015.

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

Further, RIOC has recently procured a contractor to perform necessary repairs to the Tramway roof at an estimated cost of \$719,000. This project includes the rehabilitation of the existing Tramway roof as well as the construction of a roof over the southern staircase at the Roosevelt Island Tramway Station in Manhattan. As the Design Drawings have been approved and a contract duly executed, between RIOC and the contractor, repairs to the roof are currently in progress. With an anticipated completion date in the fall of 2016, these improvements will provide adequate shelter to the Tramway platform from inclement weather and other elements, thereby making the conditions that much safer and comfortable for riders. RIOC will be issuing an RFP for the Tramway Operation which includes a maintenance component for routine repairs to the Tramway infrastructure. RIOC also provisioned an annual Tram Capital Reserve in its ten-year Capital Plan, which will serve to cover major structural and equipment replacements that are anticipated to be needed within the next ten years.

RIOC is negotiating a Memorandum of Understanding ("MOU") with the New York City Economic Development Corporation to expand the Citywide Ferry Service to Roosevelt Island. This expansion will also include ferry service to Astoria, Queens and Long Island City of which Roosevelt Island will be a destination along the East side of the Island. This service is expected to also serve Manhattan. RIOC has agreed to allow EDC and its contractors land and water access to conduct the appropriate surveys, inspections and testing necessary to prepare a preliminary design for the landing site. A traffic mitigation and environmental study must also be done, however, once complete and approved by RIOC, construction and installation of the ferry landing will be done by EDC and RIOC expects that ferry service will launch in 2017.

The revitalization of Main Street and improvement of the retail businesses are in progress. On August 1, 2011 ("Commencement Date"), RIOC entered into a Master Sublease Agreement ("Agreement") with Hudson Related Retail LLC ("HRR") to redevelop, improve, market, lease and professionally operate the Retail Spaces controlled by RIOC. RIOC receives an annual guaranteed rent of \$900,000 - increasing by 2% annually beginning on the first anniversary of the Commencement Date for the first five years and 2.5% annually thereafter - as well as participation in the profits of the Master Sub-Lessee. HRR is required to invest no less than \$2,365,000 in the aggregate in capital improvements during the first five years of the Agreement. According to its certified financial statements as of December 31, 2015, Hudson Related Retail LLC invested \$2,584,216 and incurred a loss of (\$359,141). According to the Agreement, RIOC will share future profits equally once HRR is paid back its investment. HRR has yet to recoup any of its investment and has not made any profit sharing payments.

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

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

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

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

As the Island's residential population continues to increase as construction projects are completed, infrastructural upgrades have also become necessary. In this regard, Consolidated Edison Company of New York, Inc. ("Consolidated Edison"), in a three-phased project, installed a high pressure gas pipeline along Main Street and an electrical feeder cable and electrical wiring upgrades along the Queensboro Bridge. The high pressure gas line will supply high pressure gas to the residents of Roosevelt Island as well as RIOC facilities such as RIOC's AVAC building, Motorgate, and Sportspark. Moreover, the new electrical feeder cables allowed for more efficient and reliable electrical service around the Island while mitigating certain failures that have occurred with the

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

existing feeders. These upgrades will also establish a redundancy of gas and electricity on the Island in the event that gas or electricity from the main lines are disrupted, and substantially reduces potential hazardous conditions.

The New York City Health and Hospitals Corporation ("HHC") initially announced its intention to close and abandon in place, a large steam plant located on the Island on or by March 31, 2014, but did not do so until November of that year. The plant provided heat to the Goldwater Site, Coler Hospital and several RIOC-owned facilities including Sportspark, AVAC, and the Bus Garage/Warehouse. Ownership and issues of responsibility concerning the steam plant and Steam Tunnel remain unresolved. The anticipated closure of the steam plant compelled RIOC to install a costly, temporary heating system at its Sportspark facility in advance of that date to prevent the interruption of heat if the steam plant were closed.

In November 2014, when the steam plant finally did close, the temporary heating system had been in operation for several months, and is still the case today. RIOC is in the process of replacing this temporary heating system with a permanent one, at an estimated cost of \$1.1 million. RIOC obtained the services of a qualified engineering firm which provided a complete design subject to the review of NYC Department of Buildings ("DOB"). After DOB approves the design, a contractor will be selected via a competitive bidding process. The new system will operate on medium pressure gas which must be connected to the new high pressure gas line, currently being installed by Consolidated Edison. Consolidated Edison anticipates that the new gas line will reach the Cornell Campus by June 2016 and once installed, RIOC can proceed with issuing a RFP to obtain a contractor to connect the permanent heating system to the new gas line.

Additional engineering services were also retained for necessary repairs and recommended upgrades at the Sportspark facility. The consultants prepared a report of the facility's lighting, plumbing, and roofing systems. The analysis is complete, and it is anticipated that some of the recommended repairs and upgrades will increase the efficiency of the aforementioned permanent heating system. In addition, the report identified certain necessary repairs, such as the facility's roof which is expected to cost around \$3 million - and needs to be completed before the other repair work can be done. RIOC procured the services of a qualified engineer to assist with this project and issued RFPs for roofing repairs and the installation of the permanent heat system in May 2016. RIOC expects construction to begin in mid-August, which should be completed by November 2016.

Southpoint Park, located on the southern part of Roosevelt Island, is a seven acre, open space park, featuring indigenous plants, waterfront views, and nine sustainable rain gardens. It is also home to the James Renwick Smallpox Hospital and the Strecker Laboratory. RIOC, through its procurement process, engaged the services of a facilitator to prepare a draft plan and implementation strategy, for review and adoption by RIOC, for the purpose of optimizing the open space for community programming.

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

The Corporation had engaged a consultant to provide engineering design and marine permitting services for the completion of the Southpoint Park ("SPP") shorelines. The consultant identified failures due to deterioration along both shores, and the west shore seawall. The eastern seawall, while in generally better condition, does have some localized failures including but not limited to damage to some 100 linear feet that was breached during Hurricane Irene. The portion damaged by the storm event has been approved by FEMA as a project for disaster recovery funding.

As noted above, Roosevelt Island was affected by Hurricane Irene. Before and during the storm, RIOC staff took measures to mitigate potential damage and to protect lives and property. Under Federal guidelines, these efforts were eligible for reimbursement by FEMA. The following projects to rehabilitate portions of the Island impacted by Hurricane Irene were approved by FEMA and completed: (1) repairs to fencing damaged by falling trees; (2) repairs to damaged stone benches and walkways; (3) replacement of safety mulch washed away from playgrounds; (4) repairs to damaged streetlights adorning the open space at Lighthouse Park and the underlying electric wiring; and (5) repairs to several hundred linear feet of the West Side Sidewalk. For the aforementioned projects and other eligible expenses, RIOC incurred \$374,992. FEMA will reimburse RIOC 75% of the eligible costs, based upon approved claims. As of March 31, 2016, RIOC received \$174,176. RIOC expects that the final approval of the remaining eligible claims and completion of this project will be December 2017.

Similarly, the Island experienced damage caused by Hurricane Sandy during October 2012. Again, before and during the storm, RIOC staff took measures to mitigate potential damage and to protect lives and property. Projects that RIOC has completed and/or expects to complete in the future include: (1) repairs to damaged electric wiring in Lighthouse Park; (2) repairs to the footbridges in Lighthouse Park; (3) repairs to the Westside Pier; and (4) repairs to undermined Z-Bricks on the promenades. Both completed and in-progress work have been deemed eligible under Federal guidelines for reimbursement by FEMA/OEM. For the aforementioned projects and other eligible expenses, RIOC incurred \$264,422. As of March 31, 2016, RIOC received \$141,348. All projects resulting from Hurricane Sandy have been filed and must be completed prior to November 3, 2016.

Repairs to the South Point Seawall, extending from the northern tip of the SPP to the beginning of the Four Freedoms State Park on both the east and west side of approximately 1600 linear feet, are in the planning phase. RIOC estimates that the repairs will cost approximately \$16.5 million. Of the estimated \$16.5 million, FEMA has deemed an estimated \$1,098,656 of expenses to be incurred for the repair of approximately 100 linear feet of seawall breached during Hurricane Irene as eligible for reimbursement. Of this \$1,098,656 in eligible expenses RIOC has incurred \$22,933 to date. FEMA will reimburse 75% of the eligible costs based upon approved claims.

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

The Seawall Railings are also in need of replacement and/or repair. In this regard, RIOC has engaged the services of a qualified engineer to develop the design for the Seawall Railings and to remain as a consultant through the RFP process. The Seawall Railings project will ultimately replace approximately four (4) miles of railings on Roosevelt Island, at an estimated cost of \$16 million dollars. However, because of the various construction projects currently underway, RIOC intends to implement this project in phases.

It is important to note that RIOC is aware of plans by the City of New York to obtain funding for the construction of a berm near the northern end of Roosevelt Island in an effort to protect Coler Hospital from catastrophic damage in the event of a super storm like Hurricane Sandy. Coler Hospital is a facility operated by HHC that provides rehabilitation and specialty nursing services to its residents. This effort comes as part of a \$1.6 billion dollar federal commitment by FEMA to advance the City's comprehensive, five-borough resiliency plan and fund improvements at four New York City Health and Hospitals Corporation facilities. The City of New York will request an easement from RIOC to implement this plan.

As further noted in Section VI of this report, RIOC's Capital Plan provides the framework to renew existing infrastructure, and maintain the quality of life for the Island's residents, workers, and visitors. The Corporation achieves this by making capital improvements and strategically acquiring capital assets that support essential services such as transit, sanitation, and public safety through a number of significant projects currently underway.

REQUEST FOR INFORMATION

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

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statements of Net Position
March 31, 2016 and 2015

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash	\$ 28,571,327	1,130,550
Short-term investments	34,349,705	53,821,717
Receivables	714,320	865,847
Prepaid expenses	<u>51,748</u>	<u>1,595,684</u>
Total current assets	63,687,100	57,413,798
Noncurrent investments	9,539,700	2,895,403
Capital assets, net of accumulated depreciation	<u>70,351,219</u>	<u>70,241,543</u>
Total assets	<u>143,578,019</u>	<u>130,550,744</u>
Deferred outflows of resources - pensions	<u>560,848</u>	<u>-</u>
<u>Liabilities</u>		
Current liabilities - accounts payable and accrued expenses	350,329	773,869
Compensated absences	606,067	654,762
Unearned revenue	38,147,515	28,680,095
Postemployment benefits other than pension	3,833,013	3,395,875
Net pension liability - proportionate share - ERS	391,340	-
Other liabilities	<u>50,537</u>	<u>51,777</u>
Commitments and contingencies (note 9)		
Total liabilities	<u>43,378,801</u>	<u>33,556,378</u>
Deferred inflows of resources - pensions	<u>40,020</u>	<u>-</u>
Net position:		
Net investment in capital assets	70,351,219	70,241,543
Restricted for capital projects	24,086,583	23,425,543
Unrestricted net assets	<u>6,282,244</u>	<u>3,327,280</u>
Total net position	<u>\$ 100,720,046</u>	<u>96,994,366</u>

See accompanying notes to financial statements.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statements of Revenues, Expenses and Changes in Net Position
Years ended March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenue:		
Residential fees	\$ 3,267,322	16,363,941
Ground rent	10,738,129	10,465,282
Commercial rent	1,564,597	1,446,680
Tramway revenue	5,510,805	5,211,790
Public safety reimbursement	1,823,337	1,713,231
Transport/parking revenue	2,542,058	2,331,339
Interest income	100,309	137,833
Unrealized loss	-	(807)
Other revenue	<u>1,603,287</u>	<u>1,541,350</u>
Total operating revenue	<u>27,149,844</u>	<u>39,210,639</u>
Operating expenses:		
Personal services	11,267,844	10,928,951
Insurance	1,662,105	1,580,232
Professional services and legal services	453,883	571,271
Management fees	4,378,564	4,146,286
Telecommunications	114,183	108,115
Repairs and maintenance	421,798	481,890
Vehicles maintenance	297,905	288,763
Equipment purchases/lease	55,401	91,929
Supplies/services	1,065,638	1,158,788
Other expenses	<u>400,371</u>	<u>421,087</u>
Total operating expenses	<u>20,117,692</u>	<u>19,777,312</u>
Operating income before depreciation	7,032,152	19,433,327
Depreciation expense	<u>3,299,771</u>	<u>3,518,632</u>
Change in net position	3,732,381	15,914,695
Net position at beginning of year	96,994,366	81,079,671
Cumulative effect of change in accounting principle	<u>(6,701)</u>	<u>-</u>
Net position at end of year	<u>\$ 100,720,046</u>	<u>96,994,366</u>

See accompanying notes to financial statements.

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Statements of Cash Flows
Years ended March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Receipts from tenants and customers	\$ 36,582,369	39,650,759
Payments related to employees	(11,252,708)	(10,832,430)
Payments to vendors	<u>(7,307,152)</u>	<u>(9,183,049)</u>
Net cash provided by operating activities	<u>18,022,509</u>	<u>19,635,280</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(3,409,447)	(6,260,865)
Purchase of noncurrent investments	19,472,012	(12,488,430)
Sale of short-term investments	<u>(6,644,297)</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>9,418,268</u>	<u>(18,749,295)</u>
Net increase in cash	27,440,777	885,985
Cash at beginning of year	<u>1,130,550</u>	<u>244,565</u>
Cash at end of year	<u>\$ 28,571,327</u>	<u>1,130,550</u>
Cash flows from operating activities:		
Change in net position	3,732,381	15,914,695
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation	3,299,771	3,518,632
Loss on disposition of asset	-	18,017
Cumulative effect of change in accounting principle	(6,701)	-
Changes in:		
Receivables	151,527	456,635
Prepaid expenses	1,543,936	(50,550)
Deferred outflows of resources - pensions	(560,848)	-
Accounts payable and accrued expenses	(423,540)	(316,143)
Compensated absences	(48,695)	75,014
Unearned revenue	9,467,420	(533,584)
Postemployment benefits other than pension	437,138	503,419
Net pension liability - proportionate share - ERS	391,340	-
Other liabilities	(1,240)	49,145
Deferred inflows of resources - pensions	<u>40,020</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 18,022,509</u>	<u>19,635,280</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

March 31, 2016

(1) Organization

In 1969, the City of New York entered into a lease with the New York State Urban Development Corporation (UDC) for the development of Roosevelt Island. In May 1981, pursuant to a memorandum of understanding between UDC and the New York State Division of Housing and Community Renewal (DHCR), responsibility for Roosevelt Island was assigned to DHCR. DHCR then assigned all of its rights and responsibilities to Safe Affordable Housing for Everyone, Inc. (SAHE), a corporation under the direct control of the New York State Commissioner of Housing.

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

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(a) Basis of Presentation, Continued

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

(b) Budgetary Information

During the year ended March 31, 2016, RIOC did not request appropriations from the State of New York. Accordingly, budgetary information was not included in the notes to financial statements. However, the Board did approve an operating budget, which is included under supplementary information.

(c) Cash and Cash Equivalents

The following is a summary of cash and cash equivalents as of March 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Cash - deposits	\$ <u>28,571,327</u>	<u>1,130,550</u>
Short-term investments:		
Certificates of deposit (CDARS)	21,486,062	21,218,472
Money market accounts	<u>12,863,643</u>	<u>32,603,245</u>
	<u>34,349,705</u>	<u>53,821,717</u>
Total cash and short-term investments	\$ <u>62,921,032</u>	<u>54,952,267</u>

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

The money market and cash accounts are secured by collateral securities held in escrow by JP Morgan Chase Bank, NA and managed by the National Collateral Management Group with market values totaling \$51,228,067 and \$37,915,593 as of March 31, 2016 and 2015, respectively.

Investments managed internally consist of certificates of deposit, "CDARS", a FDIC insured program administered by Amalgamated Bank, with purchased maturities of twelve months or less, and interest bearing cash deposit accounts. RIOC's investment guidelines limited its investments of funds primarily to obligations of the United States of America (United States Government Securities), the State of New York, high grade Corporate Securities or certificates of deposit. All cash and funds invested in certificates in any fiduciary bank or trust company must be secured at all times by United States Government Securities or obligations of the State of New York, with a market value,

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(c) Cash and Cash Equivalents, Continued

combined with any FDIC coverage, at least equal to the amount of such deposits. Monies held by the Trustees are only secured by obligations guaranteed by the United States of America.

(d) Noncurrent Investments

This represents funds set aside to satisfy the obligation of the postemployment benefits other than pension under GASB Statement No. 45 and are invested in collateralized money market and CDARS. The carrying amount of these investments are \$9,539,700 and \$2,895,403 for the years ended March 31, 2016 and 2015, respectively.

(e) Capital Assets

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

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

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

(f) Compensated Absences

It is RIOC's policy to accrue for unused absences for all full time employees. Accrued compensatory time as of March 31, 2016 and 2015 were \$606,067 and \$654,762, respectively.

(g) Unearned Revenue

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

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(g) Unearned Revenue, Continued

Breakdown is as follows:

<u>Buildings</u>	Balance at April 1, 2015	<u>Additions</u>	<u>Amortization</u>	Balance at March 31, 2016
Octagon	\$ 2,545,298	-	(47,355)	2,497,943
Southtown Bldg #1	1,711,158	-	(31,835)	1,679,323
Southtown Bldg #2	1,632,816	-	(30,378)	1,602,438
Southtown Bldg #3	3,489,474	-	(64,922)	3,424,552
Southtown Bldg #4	4,549,492	-	(84,641)	4,464,851
Southtown Bldg #5	5,809,652	-	(108,087)	5,701,565
Southtown Bldg #6	8,942,205	-	(166,365)	8,775,840
Southtown Bldg #7	<u>-</u>	<u>10,080,000</u>	<u>(78,997)</u>	<u>10,001,003</u>
Total	\$ <u>28,680,095</u>	<u>10,080,000</u>	<u>(612,580)</u>	<u>38,147,515</u>

(h) Public Purpose Grants

Included in "Other Expenses" are expenditures for public purpose grants of \$218,000 and \$275,500 for the years ended March 31, 2016 and 2015 respectively. The Roosevelt Island Youth Center was granted \$175,000 each year to help fund operating expenses. The remaining grants were awarded to various Island-based not-for-profits upon evaluation of their applications and Board approval.

(i) Estimates

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

(j) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Corporation has two items that qualify for reporting in this category, both related to pensions. The first item represents changes in the Corporation's proportion of the collective net pension liability (ERS System) and includes differences between expected and actual experience with regard to economic and demographic factors and the net difference between projected and actual investment earnings on pension plan investments. The second item is Corporation contributions to the pension system (ERS System) subsequent to the measurement date.

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

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(j) Deferred Outflows and Inflows of Resources, Continued

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Corporation has one item that qualifies for reporting in this category. This item is related to pensions and represents changes in the Corporation's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the Corporation's contributions and its proportion share of total contributions to the pension system not included in pension expense.

(k) Accounting and Financial Reporting for Pensions

During the fiscal year ended March 31, 2016, the Corporation adopted the provisions of GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No. 27" and GASB Statement No. 71 - "Pension Transitions for Contributions Made Subsequent to the Measurement Date - an Amendment to GASB Statement No. 68." The primary objective of the Statements is to improve accounting and financial reporting by state and local governments for pensions. The implementation of the Statements requires the Corporation to report as an asset and/or liability its portion of the collective pension asset and/or liability in the New York State Employees' Retirement System. The implementation of the Statements also requires the Corporation to report a deferred outflow and/or inflow for the effect of the net change in the Corporation's proportion of the collective net pension asset and/or liability and difference during the measurement period between the Corporation's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Also included as deferred outflows are the Corporation contributions to the pension systems subsequent to the March 31, 2015 measurement date. See notes 7 c-h and 12 for the financial statement impact of implementation on the financial statements.

(l) Subsequent Events

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

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

Notes to Financial Statements, Continued

(3) Capital Assets

Capital assets for the year ended March 31, 2016 are summarized as follows:

<u>Buildings</u>	Balance at April 1, <u>2015</u>	<u>Increase</u>	<u>Decrease</u>	Balance at March 31, <u>2016</u>
Capital assets:				
Seawall	\$ 4,096,335	48,473	-	4,144,808
Building and building improvements	45,669,409	2,750,038	-	48,419,447
Landmarks	14,542,486	60,810	-	14,603,296
Vehicles	4,304,187	42,617	-	4,346,804
Equipment	3,718,202	168,377	-	3,886,579
Infrastructure	55,339,761	339,132	-	55,678,893
Leasehold improvement	<u>118,457</u>	<u>-</u>	<u>-</u>	<u>118,457</u>
Total capital assets	<u>127,788,837</u>	<u>3,409,447</u>	<u>-</u>	<u>131,198,284</u>
Less accumulated depreciation:				
Seawall	(1,031,214)	(56,566)	-	(1,087,780)
Building and building improvements	(31,740,168)	(1,213,445)	-	(32,953,613)
Landmarks	(7,855,456)	(314,666)	-	(8,170,122)
Vehicles	(3,143,849)	(381,312)	-	(3,525,161)
Equipment	(3,281,387)	(163,228)	-	(3,444,615)
Infrastructure	(10,485,852)	(1,162,657)	-	(11,648,509)
Leasehold improvement	<u>(9,368)</u>	<u>(7,897)</u>	<u>-</u>	<u>(17,265)</u>
Total accumulated depreciation	<u>(57,547,294)</u>	<u>(3,299,771)</u>	<u>-</u>	<u>(60,847,065)</u>
Net capital assets	\$ <u>70,241,543</u>	<u>109,676</u>	<u>-</u>	<u>70,351,219</u>

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

Notes to Financial Statements, Continued

(3) Capital Assets, Continued

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

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

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

Notes to Financial Statements, Continued

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

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

(a) Residential Fees

The net present value (NPV) fee for Octagon and Southtown buildings #1, 2, 3, 4, 5, 6 and 7 were collected in advance and recognized over the term of the lease - see above section 2 (g) Unearned Revenue. Tax equivalent payments (TEP) are collected and recognized from Southtown buildings #5, 6 and 7 over the term of the lease. Condo sales fees are collected and recognized upon closing of a sale. TEP and NPV are fixed and the Condo fees vary according to sales.

(b) Ground Rent

Ground rents are derived from ground subleases between RIOC and various developers of housing on Roosevelt Island. Most of the ground subleases expire in 2068, which coincides with the expiration of the master lease between RIOC and New York City, the owner of Roosevelt Island. Ground rents account for nearly 40% of annual revenues. The two main sources of ground rents are Manhattan Park and Roosevelt Landings (formerly Eastwood). The other streams of ground rents are from Southtown Buildings #1, 2, 3, 4, 5, 6 and 7; Island House; Rivercross; and Octagon.

Manhattan Park - Under the terms of the ground sublease between RIOC and Roosevelt Island Associates dated August 4, 1986 and expiring in 2068, annual rent, which commenced on the Rent Commencement Date of January 1, 1991, consists of a base ground rent of \$100,000 and additional fixed ground rent of \$1,900,000, increasing \$100,000 annually through December 31, 2011. As of January 1, 2012 and continuing through December 31, 2026, annual ground rent consists of the base ground rent of \$100,000 and additional fixed ground rent of \$4,000,000. Beyond 2026 until expiration in 2068, the ground rent is based upon the appraised value of the property times an applicable percentage, which is the market rate of return. Ground rents earned under the terms of the ground sublease were \$4,100,000 for the years ended March 31, 2016 and 2015.

In addition to the ground rent mentioned above, RIOC received a percentage payment, which is based on a tiered percentage formula of Manhattan Park's gross income. As of January 1, 2012 and continuing through December 31, 2026, the percentage payment will increase by the excess of the applicable percentages of gross income over the sum of the prior year's fixed ground rent of \$4,100,000 and percentage rent of \$2,040,649. For the year ended March 31, 2016, the percentage rent earned was \$2,040,649; and the same amount, \$2,040,649, for the year ended March 31, 2015.

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

Notes to Financial Statements, Continued

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

(b) Ground Rent, Continued

BSREP UA Roosevelt Landings (formerly Eastwood) - Pursuant to an Amended and Restated Lease between RIOC and North Town Roosevelt, LLC ("North Town") dated September 21, 2006 (the "Eastwood Lease"), the base ground rent increased to \$1 million per year effective October 1, 2006, plus a percentage increase in accordance with annual rent rolls increases. Ground rents earned totaled \$1,453,064 and \$1,416,484 for the years ended March 31, 2016 and 2015, respectively.

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

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

Ground rents for Southtown Buildings #1, 2, 3, 4 and for a portion of Buildings #5, 6, and 7, as well as the Octagon were paid in advance and are reflected under note 2 paragraph (g) Unearned revenue. Ground rents earned for Building #1-7 totaled \$2,264,969 and \$2,030,118 for fiscal years ended March 31 2016 and 2015, respectively.

(c) Commercial Rent

On August 1, 2011, RIOC entered into a Master Sublease Agreement with Hudson Related Retail LLC (HRR) to redevelop, improve, market, lease and professionally operate the Commercial Retail Spaces controlled by RIOC. HRR will pay RIOC an annual guaranteed rent of \$900,000 - escalating by 2% annually for the first five years and 2.5% annually thereafter, plus participation in the profits of HRR. According to the agreement, RIOC will share future profits evenly once HRR is paid back its investment. According to its certified financial statements as of December 31, 2015, Hudson Related Retail LLC invested \$2,584,216 and incurred a loss of (\$359,141).

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

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

Notes to Financial Statements, Continued

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

(d) Tramway Revenue

During February 2004, RIOC entered into an agreement with The New York City Transit Authority ("NYCTA") for revenue collection from the Tramway. In the agreement, RIOC receives from the NYCTA a fare of \$2.00 for all swipes of full-fare Metro Cards, including transfers, in turnstiles located in RIOC's tram stations. The funds are transmitted to RIOC via electronic funds transfer and the NYCTA supplies appropriate reports for the reconciliation of the revenue and ridership. There is a franchise fee expense associated with this agreement that is $\frac{1}{2}$ of 1 percent of gross sales. Tramway revenues were \$5,510,805 and \$5,211,790 for the years ended March 31, 2016 and 2015, respectively.

(e) Public Safety Reimbursement

The intent of the initial agreements with the four original Mitchell-Lama housing projects (the "WIRE Projects") was for RIOC to recoup approximately 50% of the cost of maintaining a public safety department on the Island. Accordingly, no less than 50% of such costs have been reimbursed by the WIRE Projects and are included in public safety reimbursement on the accompanying statements of revenues, expenses, and changes in fund net position. Additionally, Manhattan Park, Southtown and the Octagon projects are responsible for their respective share of the cost of RIOC's public safety department. Public safety reimbursements were \$1,823,337 and \$1,713,231 for the years ended March 31, 2016 and 2015, respectively.

(f) Transportation and Parking Fees

The Motorgate Garage, the Roosevelt Island parking facility, is managed by an agent, Central Parking System ("Central"). This agreement is cancelable by RIOC on 30-day notice and by Central on 180-day notice. Central collects the parking fees and pays the operating costs in connection with the management of the garage. The excess of parking revenues over operating costs is returned to RIOC. RIOC shares the Motorgate revenue with Roosevelt Island Associates, operator of Manhattan Park, with RIOC receiving 61% of the net income. RIOC's share of Motorgate revenues totaled \$2,092,736 and \$1,962,485 for the years ended March 31, 2016 and 2015, respectively.

Transportation revenues from the provision of bus services totaled \$119,080 and \$117,615 for the years ended March 31, 2016 and 2015, respectively. The cost of running the bus service totaled \$1,541,775 and \$1,467,270 for the same respective periods. Additionally, revenues from street parking meters for these periods totaled \$330,243 and \$251,239, respectively.

(g) Interest and Other Revenues

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

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

Notes to Financial Statements, Continued

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

(h) De-designation Fee Income

The Development Agreement for Southtown buildings (“Buildings”) seven (7) through nine (9) between Hudson Related Joint Venture (“Developer”) and RIOC included a contingent de-designation (cancellation of project or portion of) fee of \$2,438,400. The Development Agreement is collateralized by a Guaranty Letter of Credit issued by Deutsche Bank Trust Company, NA in the amount of \$2,438,400 maturing on August 15, 2016, to be renewed annually. The Building 7 Lease was closed on October 10, 2013 and construction was completed on September 21, 2015. The Building 8 Lease Closing shall occur no later than 30 months after the Building 7 Lease Closing; and the Building 9 Lease Closing shall occur no later than 30 months after the Building 8 Lease Closing. The Building 8 Lease was not closed by April 10, 2016. In the event that the Developer fails to close a Building lease in accordance with the foregoing schedule, except if due to RIOC, RIOC may draw the entire balance of the Guaranty Letter of Credit and apply same at its sole discretion, and in addition thereto, at its sole option, de-designate the Developer for each such Building and for the remainder of the Building. RIOC believes that the development will continue and has begun negotiations for Buildings 8 and 9.

(i) Future Minimum Payments Due

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

<u>Years ending</u> <u>March 31</u>	<u>Housing</u> <u>Companies</u>	<u>Commercial</u> <u>Leases</u>
2017	\$ 13,213,065	1,602,853
2018	13,568,366	1,637,755
2019	15,347,980	1,903,579
2020	15,740,350	2,202,352
2021	<u>16,963,694</u>	<u>2,355,099</u>
Total	\$ <u>74,833,455</u>	<u>9,701,638</u>

(5) Management Agreements

The Roosevelt Island Tramway System is operated by Leitner-Poma of America, Inc., a subsidiary of Pomagalski S.A, the designer and builder of the modernized Tramway system, which went into operation on November 30, 2010. RIOC entered into a 5-year fixed fee operating agreement at a minimal annual cost of \$3,397,200 plus certain operating costs associated with operation of the Tramway System. The agreement was extended for six months to May 2016 at a monthly cost of \$299,527. RIOC is in the process of negotiating an additional six months extension and re-bidding for an operator.

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(5) Management Agreements, Continued

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

(6) Income Taxes

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

(7) Retirement Plans

Retirement plans in which RIOC contributes are detailed as follows:

(a) Non-Union Employees

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

Funding Policy

ERS is contributory (3%) except for employees who joined the System before July 27, 1976. Employees who joined the System after July 27, 1976, but prior to January 1, 2011, and have been members of the System for at least ten years, or have at least ten years of credited service are not required to contribute 3% of their salaries. Employee hired after January 1, 2011 shall contribute 3% of salary for the duration of employment. For Tier 6 employees, beginning April 1, 2013, contributions are as follows: Up to \$45K = 3%; \$45,001 to \$55K = 3.5%; \$55,001 to \$75K = 4.5%; \$75,001 to \$100K = 5.75%; Greater than \$100K = 6% for the entire duration of State employment. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulated fund.

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(7) Retirement Plans, Continued

(a) Non-Union Employees, Continued

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

Tier 1 (Member before July 1, 1973):

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

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

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

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

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

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

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

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

March 31, 2014	\$ 540,970
March 31, 2015	\$ 516,769
March 31, 2016	\$ 480,350

RIOC has made the required contributions for each year.

(b) Union Employees

Union employees participate in separate defined contribution plans, which are administered by each union. RIOC contributed \$134,011 and \$256,793 for the years ended March 31, 2016 and 2015, respectively, to union employees' defined contribution plans.

(c) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At March 31, 2016, the Corporation reported the following liability for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Corporation's proportionate share of the net pension liability was based on a projection of the Corporation's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS in reports provided to the Corporation.

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(7) Retirement Plans, Continued

(c) Pension Liabilities. Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

Actuarial valuation date	3/31/2015
Net pension liability	\$ 391,340
Corporation's proportion of the Plan's net pension liability	0.011584%

For the year ended March 31, 2016, the Corporation recognized pension expense of \$344,161 for ERS. At March 31, 2016 the Corporation's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 12,527	-
Net difference between projected and actual earnings on pension plan investments	67,971	-
Changes in proportion and differences between the Corporation's contributions and proportionate share of contributions	-	40,020
Corporation's contributions subsequent to the March 31, 2015 measurement date	<u>480,350</u>	<u>-</u>
Total	\$ <u>560,848</u>	<u>40,020</u>

Corporation contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended</u>	<u>ERS</u>
2016	\$ 10,121
2017	10,119
2018	10,119
2019	10,119
2020	-
Thereafter	-

(d) Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(7) Retirement Plans, Continued

(d) Actuarial Assumptions, Continued

Significant actuarial assumptions used in the valuations were as follows:

Measurement date	March 31, 2015
Actuarial valuation date	April 1, 2014
Interest rate	7.5%
Salary scale	4.9% Average
Decrement tables	April 1, 2005 - March 31, 2010 System's Experience
Inflation rate	2.7%

Annuitant mortality rates are based on April 1, 2005 - March 31, 2011 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2010.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement date	March 31, 2015
Asset type:	
Domestic equity	7.30%
International equity	8.55%
Real estate	8.25%
Private equity	11.00%
Absolute return strategies	6.75%
Opportunities portfolio	8.60%
Real assets	8.65%
Bonds and mortgages	4.00%
Cash	2.25%
Inflation - indexed bonds	4.00%

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(7) Retirement Plans, Continued

(e) Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(f) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Corporation's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Corporation's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability (asset)	\$ <u>2,608,448</u>	<u>391,340</u>	<u>(1,480,450)</u>

(g) Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/(liability) of all participating employers as of the respective valuation dates, were as follows:

(Dollars in Millions)

Valuation date	3/31/2015
Employers' total pension liability	(164,592)
Plan net position	<u>161,213</u>
Employers' net pension asset/(liability)	<u>(3,379)</u>
Ratio of plan net position to the Employers' total pension asset/(liability)	97.95%

(h) Contributions to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Retirement contributions as of March 31, 2016 and 2015 represent the projected employer contribution for the period of April 1, 2015 through March 31, 2016 and April 1, 2014 through March 31, 2015, respectively based on paid ERS wages multiplied by the employer's contribution rate, by tier. This amount has been recorded as deferred outflows of resources in the accompanying financial statements.

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(8) Risk Management

RIOC purchases commercial insurance policies to adequately protect against potential loss stemming from general liability, vehicle liability, property damage, and public officials and employee liability. Coverages for the forthcoming fiscal year ended March 31, 2016 were appropriately increased to provide adequate protection for RIOC as follows:

<u>Coverages</u>	<u>2016-2017 Coverage Amount</u>
General liability - RIOC and Tram	\$125 million limit
Property	\$75 million limit
Boiler and machinery	\$100 million limit
Automobile	\$1 million limit
Public officials liability	\$5 million limit

(9) Commitments and Contingencies

Commitments and contingencies at March 31, 2016 and 2015 are detailed as follows:

(a) Leases

RIOC has agreements with four (4) housing companies operating on the Island to sublease commercial space occupied by the housing companies. Rent expense for the years ended March 31, 2016 and 2015 were approximately \$132,203 and \$155,984; respectively.

(b) Litigation

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

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

On August 3rd, 1988 ESD and RIOC entered into an agreement in the sharing of all revenues derived by RIOC in order for ESD to recover its investment in Roosevelt Island. The total amount invested in developing the Roosevelt Island infrastructure and funding of ESD's operating deficits prior to the assignment of operations to RIOC amounted to \$170,356,976 along with a stated interest rate of 5.74%. In addition, there are other State Operating Subsidies and State Capital Investments that were received and may have to be repaid under the terms of the Revenue Allocation Agreement. The agreement calls for revenues to be allocated in the following manner; (1) RIOC Operating Expenditures, (2) Satisfaction of UDC's Accrued Operating Deficit,

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(9) Commitments and Contingencies, Continued

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

(3) Satisfaction of UDC's Public Facilities Debt, (4) Satisfaction of other State Operating Subsidies, and (5) Satisfaction of other State Capital Investments. To date, no revenues have been allocated for the satisfaction of ESD debt other than "Tax Equivalency Payments" ("TEP") payments for Roosevelt Island's original affordable "Mitchell-Lama" buildings. ESD has acknowledged that there are significant projected future capital investments to be made by RIOC.

(10) Postemployment Benefits Other Than Pensions

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

Plan Description - The Corporation provides continuation of medical coverage to administrative, non-represented employees (those categorized as M/C) that retire at age 55 or older with five (5) years of service with the Corporation or a combination of service with a previous NYS public employer and a minimum of one (1) year service with RIOC. The employee must meet the requirements for retiring as a member of the NYS Employees Retirement System, and the employee must be enrolled in NYSHIP. The Corporation contributes 88% for employees and 73% for an employee's spouse.

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

Total expenditures charged to operations for the years ended March 31, 2016 and 2015 amounted to \$579,478 and \$643,553, respectively. At March 31, 2016, the liability for active and retired employees included in non-current accrued fringe benefits amounted to \$3,833,013.

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

Active employees	36
Retired employees	12
Spouses of retired employees	<u>4</u>
Total	<u>52</u>

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(10) Postemployment Benefits Other Than Pensions, Continued

Funding Policy - The Corporation currently pays for post-retirement health care benefits on a pay-as-you-go basis. These financial statements assume that pay-as-you-go funding will continue. The funds have been set aside for this purpose and are discussed in note 2(d), but a trust has not been established. Currently, OPEB trusts are not allowed in New York State.

<u>Benefit Obligations and Normal Cost</u>	<u>2016</u>	<u>2015</u>
Actuarial accrued liability (AAL):		
Actuarial accrued liability	\$ 6,860,975	6,833,798
Less: Actuarial value of assets	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u>6,860,975</u>	<u>6,833,798</u>
Normal cost	\$ <u>299,361</u>	<u>363,865</u>

Annual OPEB Cost and Net OPEB Obligation

Annual required contribution	\$ 584,312	647,671
Interest on net OPEB obligation	135,835	115,698
Adjustment to annual required contribution	<u>(140,669)</u>	<u>(119,816)</u>
Annual OPEB cost (expense)	579,478	643,553
Contribution made on a pay-as-you-go basis	<u>(142,340)</u>	<u>(140,134)</u>
Increase in net OPEB obligation	437,138	503,419
Net OPEB obligation at beginning of year	<u>3,395,875</u>	<u>2,892,456</u>
Net OPEB obligation at end of year	\$ <u>3,833,013</u>	<u>3,395,875</u>

Actuarial methods and assumptions:

Valuation method	Projected Unit Credit Method
Amortization period	30 years
Amortization method	Level percent of pay, open group
Interest rate	4.0%
Inflation rate	2.5%
Annual payroll growth rate	3.0%
Retirement rates	Later of age 65 and first eligibility

Healthcare cost trend:

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

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

(11) Pollution Remediation Obligations

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

(12) Cumulative Effect of Change in Accounting Principle

During the fiscal year ended March 31, 2016, the Corporation implemented GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27" and GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date." The implementation of these Statements resulted in the reporting of an asset, deferred outflow of resources, liability and deferred inflow of resources related to the Corporation's participation in the New York State Employees' retirement systems. The Corporation's net position at April 1, 2015 has been restated as follows:

Net position at beginning of year, as previously stated	\$ <u>96,994,366</u>
GASB Statement No. 68 implementation:	
Beginning System liability - Employees' Retirement System as of March 31, 2015	(523,470)
Beginning deferred outflow of resources resulting from contributions subsequent to the measurement date	<u>516,769</u>
Cumulative effect of implementation	<u>(6,701)</u>
Net position at beginning of year, as restated	\$ <u>96,987,665</u>

(13) Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 72 - "Fair Value Measurement and Application." This Statement issued in February 2015, provides guidance regarding accounting and financial reporting related to fair value measures of certain investments. The requirements of this Statement are effective for periods beginning after June 15, 2015, which is the fiscal year beginning April 1, 2016 for the Corporation. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Corporation.

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

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

GASB Statement No. 73 - "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." This Statement, issued in June 2015, establishes requirements for defined benefit pension plans and defined contribution pension plans that are not within the scope of Statement No. 68 - "Accounting and Financial Reporting for Pensions," as well as requirements for the assets accumulated for purposes of providing those pensions. The requirements of this Statement for pensions that are not within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2016, which is the fiscal year beginning April 1, 2017 for the Corporation. Requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions as well as the requirements for pension plans within the scope of Statements 67 and 68 are effective for fiscal years beginning after June 15, 2015, which is the fiscal year beginning April 1, 2016 for the Corporation. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Corporation.

GASB Statement No. 74 - "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". This Statement, issued in June 2015, replaces existing standards of accounting and financial reporting for post employment benefit plans other than pension plans and also replaces existing requirements for defined contribution OPEB plans. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2016, which is the fiscal year beginning April 1, 2017 for the Corporation. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Corporation.

GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This Statement, issued in June 2015, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement is effective for fiscal years beginning after June 15, 2017, which is the fiscal year beginning April 1, 2018 for the Corporation. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Corporation.

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

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

GASB Statement No. 76 - "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." This Statement, issued in June 2015, supersedes Statement No. 55 - "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," and reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements for this Statement are effective for financial statements for periods beginning after June 15, 2015, which is the fiscal year beginning April 1, 2016 for the Corporation. This Statement is not expected to have a material effect on the financial statements of the Corporation.

GASB Statement No. 77 - "Tax Abatement Disclosures." This Statement requires disclosure of the tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015, which is the fiscal year beginning April 1, 2016 for the Corporation. This Statement is not expected to have a material effect on the financial statements of the Corporation.

GASB Statement No. 78 - "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans." This Statement, issued in December 2015, amends GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The provisions of this Statement are effective for financial statements for years beginning after December 15, 2015, which is the fiscal year beginning April 1, 2016 for the Corporation. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Corporation.

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

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

GASB Statement No. 79 - "Certain External Investment Pools and Pool Participants." This Statement, issued in December 2015, addresses the accounting and financial reporting for certain external investment pools and pool participants. It establishes the criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The provisions of this Statement are effective for financial statements for years beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. For the Corporation, this Statement becomes effective for the fiscal year beginning April 1, 2016. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Corporation.

GASB Statement No. 80 - "Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14." This Statement, issued in January 2016, amends blending requirements established in paragraph 53 of GASB Statement No. 14 - "The Financial Reporting Entity, as Amended" for the financial statement presentation of component units of all state and local governments. An additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39 - "Determining Whether Certain Organizations are Component Units." The provisions of this Statement are effective for financial statements for years beginning after June 15, 2016, which is the fiscal year beginning April 1, 2017 for the Corporation. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Corporation.

GASB Statement No. 81 - "Irrevocable Split-Interest Agreements." This Statement, issued in March 2016, establishes accounting and reporting standards for irrevocable split-interest agreements with characteristics that are equivalent to irrevocable split-interest agreements in which a donor irrevocably transfers resources to an intermediary who administers these resources for the unconditional benefit of a government and at least one other beneficiary. The provisions of this Statement are effective for financial statements for years beginning after December 15, 2016, which is the fiscal year beginning April 1, 2017 for the Corporation. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Corporation.

ROOSEVELT ISLAND OPERATING CORPORATION
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Notes to Financial Statements, Continued

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

GASB Statement No. 82 - "Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73." This Statement, issued in March 2016, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, which is the fiscal year beginning April 1, 2017 for the Corporation, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017, which is the fiscal year beginning April 1, 2018 for the Corporation. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Corporation

ROOSEVELT ISLAND OPERATING CORPORATION
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 Required Supplementary Information - Schedule of Funding Progress
 Other Postemployment Benefits
 Last Three Fiscal Years

Actuarial			Unfunded			Unfunded Liability as a Percentage of Covered Payroll
Valuation Date	Value of Assets	Accrued Liability	Accrued Liability	Funded Ratio	Covered Payroll	
October 23, 2015	\$ -	6,860,975	6,860,975	0%	2,714,505	252.75%
October 23, 2014	-	6,833,798	6,833,798	0%	2,635,442	259.30%
October 23, 2013	-	6,636,223	6,636,223	0%	2,558,682	259.36%

ROOSEVELT ISLAND OPERATING CORPORATION
 Required Supplementary Information
 Schedule of Entity's Proportionate Share of the Net Pension Liability
 For the year ended March 31, 2016

NYSERS Pension Plan

Entity's proportion of the net pension liability	0.0115841%
Entity's proportionate share of the net pension liability	\$ 391,340
Entity's covered payroll	\$ 2,734,022
Entity's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	14.31%
Plan fiduciary net position as a percentage of the total pension liability	97.95%

ROOSEVELT ISLAND OPERATING CORPORATION
 Required Supplementary Information
 Schedule of Entity's Employer Pension Contributions
 For the year ended March 31, 2016

	NYSERS Pension Plan				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 480,350	516,769	540,970	583,380	639,065
Contributions in relation to the contractually required contribution	<u>480,350</u>	<u>516,769</u>	<u>540,970</u>	<u>583,380</u>	<u>639,065</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Entity's covered employee payroll	\$2,734,023	2,665,135	2,662,409	2,906,547	3,132,491
Contributions as a percentage of covered employee payroll	17.57%	19.39%	20.32%	20.07%	20.40%

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Schedule of Operations by Department

Year ended March 31, 2016

	General Fund										
	General Fund	Operations	Public Safety	Transportation	Parking	Parks/Rec.	Tram	Public purpose fund	Capital fund	Reserved fund	Total
Revenue:											
Residential fees	\$ 572,128	572,128	-	-	-	-	-	-	2,447,000	248,194	3,267,322
Ground rent	10,338,129	10,338,129	-	-	-	-	-	-	400,000	-	10,738,129
Commercial rent	1,564,597	1,564,597	-	-	-	-	-	-	-	-	1,564,597
Tramway revenue	5,510,805	-	-	-	-	-	5,510,805	-	-	-	5,510,805
Public safety reimbursement	1,823,337	-	1,823,337	-	-	-	-	-	-	-	1,823,337
Transportation and parking	2,542,058	-	-	119,080	2,422,978	-	-	-	-	-	2,542,058
Interest income	8,037	8,037	-	-	-	-	-	1	8,049	84,222	100,309
Other revenue	1,521,998	562,653	-	-	-	959,345	-	-	81,289	-	1,603,287
Total revenue	23,881,089	13,045,544	1,823,337	119,080	2,422,978	959,345	5,510,805	1	2,936,338	332,416	27,149,844
Expenses:											
Personal services:											
Salaries	7,375,014	3,702,816	2,213,807	919,964	-	538,427	-	-	-	-	7,375,014
Temporary employees	186,241	173,836	-	-	-	12,405	-	-	-	-	186,241
Employee benefits	3,755,284	2,346,092	894,203	328,369	-	186,620	-	-	-	-	3,755,284
Compensated absences	(48,695)	(48,695)	-	-	-	-	-	-	-	-	(48,695)
Total personal services	11,267,844	6,174,049	3,108,010	1,248,333	-	737,452	-	-	-	-	11,267,844
Other than personal services:											
Insurance	1,662,105	1,490,660	-	-	-	-	171,445	-	-	-	1,662,105
Professional services	259,460	207,178	2,938	-	-	49,344	-	-	-	-	259,460
Management fees	4,378,564	-	-	-	872,828	-	3,505,736	-	-	-	4,378,564
Legal services	194,423	194,423	-	-	-	-	-	-	-	-	194,423
Telecommunications	114,183	114,183	-	-	-	-	-	-	-	-	114,183
Island improvements/capital plan	137,204	137,204	-	-	-	-	-	-	-	-	137,204
Repairs and maintenance	284,594	262,837	3,586	3,782	12,146	1,633	610	-	-	-	284,594
Vehicles maintenance	297,905	61,692	20,946	215,267	-	-	-	-	-	-	297,905
Equipment purchases/lease	55,401	36,717	4,743	2,373	-	3,127	8,441	-	-	-	55,401
Supplies/services	1,065,638	508,153	61,993	70,078	49,412	215,702	160,300	-	-	-	1,065,638
Other expenses	182,356	108,300	2,023	1,942	-	70,025	66	218,015	-	-	400,371
Total other than personal services	8,631,833	3,121,347	96,229	293,442	934,386	339,831	3,846,598	218,015	-	-	8,849,848
Total operating expenses, excluding depreciation	19,899,677	9,295,396	3,204,239	1,541,775	934,386	1,077,283	3,846,598	218,015	-	-	20,117,692
Operating income (loss) before depreciation	3,981,412	3,750,148	(1,380,902)	(1,422,695)	1,488,592	(117,938)	1,664,207	(218,014)	2,936,338	332,416	7,032,152
Depreciation expense	-	-	-	-	-	-	-	-	(3,299,771)	-	(3,299,771)
Operating income (loss)	\$ 3,981,412	3,750,148	(1,380,902)	(1,422,695)	1,488,592	(117,938)	1,664,207	(218,014)	(363,433)	332,416	3,732,381

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

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

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Budget Variance Report
For the year ended March 31, 2016

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>	
			<u>Variance</u>	<u>Percent</u>
Revenue:				
Residential fees revenue	\$ 3,267,322	1,321,000	1,946,322	147%
Ground rent	10,738,129	10,744,000	(5,871)	0%
Commercial rent	1,564,597	1,549,000	15,597	1%
Tramway revenue	5,510,805	5,793,000	(282,195)	-5%
Public safety reimbursement	1,823,337	1,797,000	26,337	1%
Transport/parking revenue	2,542,058	2,386,000	156,058	7%
Interest income	100,309	159,000	(58,691)	-37%
Unrealized loss	-	-	-	-100%
Other revenue	1,603,287	1,616,000	(12,713)	-1%
Total revenue	27,149,844	25,365,000	1,784,844	7%
Expenses:				
Personal services (PS) :				
Salaries	6,937,105	7,308,580	371,475	5%
Salaries OT	437,909	175,000	(262,909)	-150%
Temporary employees	186,241	175,000	(11,241)	-6%
Workers compensation and disability	336,959	277,442	(59,517)	-21%
ER payroll taxes	642,116	644,021	1,905	0%
Health insurance	1,460,824	1,542,761	81,937	5%
Dental/vision	72,356	78,869	6,513	8%
Pension	614,361	888,660	274,299	31%
Other employee benefits	628,668	608,846	(19,822)	-3%
Compensated absences expenses	(48,695)	-	48,695	-100%
Total personal services (PS)	11,267,844	11,699,179	431,335	4%
Other than personal services (OTPS) :				
Insurance	1,662,105	1,731,000	68,895	4%
Professional services	248,495	850,029	601,534	71%
Marketing/advertising	10,965	8,500	(2,465)	-29%
Management fees	4,378,564	4,145,000	(233,564)	-6%
Legal services	194,423	393,000	198,577	51%
Telecommunications	114,183	127,300	13,117	10%
Island improvements - capital plan	137,204	130,000	(7,204)	-6%
Repairs and maintenance	185,176	469,500	284,324	61%
Repairs and maintenance equipment	20,665	57,000	36,335	64%
Other repairs and maintenance	78,753	90,000	11,247	12%

(Continued)

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

			<u>Favorable (Unfavorable)</u>	
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percent</u>
Expenses, Continued:				
Other than personal services (OTPS), continued:				
Vehicles gas	\$ 114,547	210,000	95,453	45%
Vehicles repair and maintenance	163,587	111,000	(52,587)	-47%
Vehicles parts	19,770	78,000	58,230	75%
Equipment lease	22,498	20,000	(2,498)	-12%
Office equipment purchase	16,007	11,500	(4,507)	-39%
Equipment purchases	16,211	52,000	35,789	69%
Other equipment purchases	685	12,000	11,315	94%
Exterminator	3,020	24,000	20,980	87%
Uniforms	52,835	75,700	22,865	30%
Light, power, heat	720,528	895,600	175,072	20%
Water and sewer	19,165	43,600	24,435	56%
Office supplies	16,494	20,300	3,806	19%
Parts and supplies	201,771	247,900	46,129	19%
Service maintenance agreement	51,825	130,950	79,125	60%
Employee travel and meal	6,022	5,900	(122)	-2%
Employee training	22,716	91,400	68,684	75%
Shipping	14,859	16,250	1,391	9%
Subscriptions/membership	21,401	12,600	(8,801)	-70%
Other expenses	266,542	350,500	83,958	24%
Island events - community relations	68,830	78,000	9,170	12%
Total other than personal services (OTPS)	<u>8,849,846</u>	<u>10,488,529</u>	<u>1,638,683</u>	<u>16%</u>
Total expenses	<u>20,117,690</u>	<u>22,187,708</u>	<u>2,070,018</u>	<u>9%</u>
Operating income before depreciation	7,032,154	3,177,292	3,854,862	121%
Depreciation expense	<u>3,299,771</u>	<u>3,762,000</u>	<u>462,229</u>	<u>12%</u>
Net surplus (deficit)	<u>\$ 3,732,383</u>	<u>(584,708)</u>	<u>4,317,091</u>	<u>738%</u>

ROOSEVELT ISLAND OPERATING CORPORATION

(A Component Unit of the State of New York)

Budget Variance Report

For the year ended March 31, 2015

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

(Continued)

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

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



6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

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

The Board of Directors
Roosevelt Island Operating Corporation:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Roosevelt Island Operating Corporation (RIOC), a component unit of the State of New York, as of and for the years ended March 31, 2016 and 2015, and the related notes to financial statements, which collectively comprise RIOC's basic financial statements, and have issued our report thereon dated June 23, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

EFPR Group, CPAs, PLLC

Williamsville, New York
June 23, 2016



6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

INDEPENDENT AUDITORS' REPORT ON INVESTMENT COMPLIANCE
WITH SECTION 201.3 OF TITLE TWO OF THE OFFICIAL COMPILATION
OF CODES, RULES AND REGULATIONS OF THE STATE OF NEW YORK

The Board of Directors
Roosevelt Island Operating Corporation:

We have examined the Roosevelt Island Operating Corporation's (RIOC), a component unit of the State of New York, compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York during the year ended March 31, 2016. Management is responsible for the RIOC's compliance with those requirements. Our responsibility is to express an opinion on the RIOC's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the RIOC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion.

In our opinion, the RIOC complied in all material respects with the aforementioned requirements during the year ended March 31, 2016.

In accordance with Government Auditing Standards, we are required to report significant deficiencies in internal control, violations of contracts, or grant agreements, and abuse that are material to the RIOC's compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York and any fraud or illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain views of management on those matters. We performed our examination to express an opinion on whether the RIOC complied with the aforementioned requirements and not for the purpose of expressing an opinion on internal control over compliance with those requirements or other matters; accordingly, we express no such opinion. The results of our tests disclosed no matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of RIOC management, the Board of Directors, the New York State Office of the State Comptroller, and the New York State Authority Budget Office and is not intended and should not be used by anyone other than those specified parties.

EFPR Group, CPAs, PLLC

Williamsville, New York
June 23, 2016



6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

REPORT TO THE BOARD

June 23, 2016

The Board of Directors
Roosevelt Island Operating Corporation

Dear Board Members:

We have audited the financial statements of Roosevelt Island Operating Corporation (RIOC), a component unit of the State of New York, as of and for the year ended March 31, 2016 and have issued our report thereon dated June 23, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated March 11, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Accounting Principles

Management is responsible for the selection and use of appropriate accounting policies. Significant accounting policies used by RIOC are described in note 1 to the financial statements. We noted no transactions entered into by RIOC during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

As described in note 2(k) to the financial statements, RIOC adopted Governmental Accounting Standards Board (GASB) Statement No. 68 - "Accounting and Financial reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68," during the year ended March 31, 2016.

Accounting Estimates

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

- Management's estimate of the accumulated depreciation is based on determining useful lives of assets.

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- Collection of receivables - Receivables are stated at the amount management estimates will be collectible on outstanding balances. A valuation allowance is provided based on management's estimate of probable uncollectible amounts.
- OPEB liability - Management's estimate of postemployment benefits is calculated using assumptions for future years health care benefits and contributions on a pay as you go basis. Full detail of assumptions is located in note 10 of the financial statements.

We evaluated the key factors and assumptions used by management in determining that accounting estimates were reasonable in relation to the financial statements taken as a whole.

Significant Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the combined financial statements were:

- The disclosure of pension plans in note 7 to the financial statements.
- The disclosure of commitments and contingencies in note 9 to the financial statements.
- The disclosure of other postemployment benefits in note 10 to the financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

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Management Representations

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

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to management’s discussion and analysis, the schedule of funding progress - other postemployment benefits, the schedule of entity’s proportionate share of the net pension liability, and the schedule of entity’s employer pension contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

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

Very truly yours,

EFPR Group, CPAs, PLLC

EFPR GROUP, CPAs, PLLC



**RIOC Senior Staff
Biographical Information**

Senior Staff as of March 31, 2016

Susan G. Rosenthal

Acting President & CEO

Vice President General Counsel

Susan G. Rosenthal, is Vice President and General Counsel of the Roosevelt Island Operating Corporation (“RIOC”). Ms. Rosenthal is responsible for providing legal advice to the President/Chief Financial Officer, as well as to the Chairperson and members of the Board of Directors in connection with the actions of the Corporation including the analysis and interpretation of applicable laws, and litigation involving the Corporation. Among other responsibilities, Ms. Rosenthal also negotiates contracts and settlement agreements on the Corporation’s behalf; drafts proposed resolutions, rules and regulations for promulgation by the Board; and conferring with the Office of the Attorney General, Inspector General, and other executive level government officials.

Ms. Rosenthal is the former General Counsel to the New York State Department of Agriculture and Markets, where, for three years, she managed Counsel’s Office, including a penalty unit that assesses and enforces penalties under New York State Agriculture and Markets Law. During her tenure there, Ms. Rosenthal developed and coordinated a legislative program, and rules and regulations; she provided legal advice and representation to the Department’s officers; and also served as the Chief Ethics Officer to the Department. Prior to working for New York State, Ms. Rosenthal spent a career in private practice as a business and bankruptcy litigator. She is a former partner at Sheppard Mullin Richter & Hampton, LLP; Brown Raysman Millstein Felder & Steiner, LLP; and Winick & Rich, P.C. Ms. Rosenthal has published several articles in the *New York Law Journal* and *Equipment Leasing Today*; and has served as a Lecturer at Equipment Leasing and Finance Association’s annual conventions, to over 200 in house and outside counsel on hot topics in finance. She received her Juris Doctor from the New York University School of Law and she is admitted to practice in New York State courts, Federal Courts for the Southern, Eastern and Northern Districts, the United States Court of Appeals for the Second, Third, and Eleventh Circuits, as well as the United States Supreme Court.

Gretchen K. Robinson

Compliance & Internal Controls Officer

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

Prior to joining RIOC, Ms. Robinson served as Executive Agency Counsel to the New York City Civilian Complaint Review Board. There, she administratively prosecuted members of the New York City Police Department, accused of misconduct. Ms. Robinson started her professional career as an Assistant District

Attorney in Queens County, where she prosecuted robbery, burglary, assault, criminal possession of a weapon, and attempted murder cases. During her tenure in that office, Ms. Robinson also spent approximately two years in the Office's Appeals Bureau, where she drafted, argued, and successfully defended convictions before the Appellate Division, Second Judicial Department.

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

Claudia McDade
Director, Human Resources

Joining RIOC in 2006 with over 20 years of Human Resource and Payroll experience, Ms. McDade is a certified Human Resource Management Professional. Prior to joining RIOC, she gained experience in the private sector, primarily in banking and commercial airline services. Ms. McDade strongly believes that any corporation's greatest assets are its employees, and continues to endeavor at improving the work-life environment at RIOC.

Muneshwar Jagdharry
Comptroller

Muneshwar Jagdharry is a Certified Public Accountant with over 30 years of experience, specializing in the not-for-profit and governmental sectors. He graduated from Lehman College with a Bachelor of Science in Accounting; Baruch College with a Master of Business Administration in Finance; and Hunter College with a Master in Public Health.

Indranie Sanichar
Director of Information Technology

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

John B. McManus
Director of Public Safety

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

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

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

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

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

Cyril Opperman ***Director of Operations***

Cyril Opperman, 'Cy' as he is commonly known on the Island, is a lifelong and consummate New Yorker. Cy's strong work ethic manifested at 10 years of age, when his father allowed him to make his first delivery driving the family owned soda truck. From there, Cy continued to work throughout high school for the American Beverage Warehouse. Cy also mentored teens, coached basketball, and created schedules at the Lenox Hill Neighborhood House during this time.

In 1970, Cy gained his Class A commercial drivers license and joined AZ Trucking Company as a tractor-trailer driver, but his desire to help people pushed him to also become a National Registered EMT and licensed Respiratory Therapist with Keefe and Keefe ambulance company. Not quite satisfied, he also added CPR instructor to his repertoire.

In 1980, Cy switched gears and began his journey through the MTA. The "first stop" was as a Bus Operator, then he became a DMV 19A Dispatcher. It wasn't long before he advanced to Superintendent- Training and Performance Division, then Assistant General Superintendent, and ultimately, Cy was promoted to General Superintendent before accepting the role of General Manager of Transportation at RIOC.

Cy's leadership skills and desire to help people are rivaled only by his work ethic. These traits quickly propelled him to the ranks of Director of Operations at the Roosevelt Island Operating Corporation, where he currently oversees day-to-day operations of island transportation, the grounds department, the Sportspark facility, the warehouse, Motorgate, and the Tramway.

John J. Bost
Director of Engineering

Mr. Bost joined Roosevelt Island Operating Corporation in July 2015.

Reporting to the Chief Executive Officer, Mr. Bost will directs and oversees all engineering, design, construction and maintenance activities on Roosevelt Island. Mr. Bost also provides strategic engineering leadership and direction in support of the continued capital improvement and maintenance of Roosevelt Island.

He has over 30 years of engineering design, construction and inspection experience of bridges, buildings, parks and other various capital projects.

He has an Associates in Applied Science from New York City Technical College; a Bachelors in Civil Engineering from Pratt Institute and Masters credit for Executive Construction Project Management from New York University.

Former Senior Staff***Charlene M. Indelicato*****President & Chief Executive Officer***

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

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

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

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

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

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

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

Board, and conferring with the Office of the Attorney General and other high level governmental officials. Prior to joining RIOC, Mr. Lewis was a litigation associate at the law firm of Skadden, Arps, Slate, Meagher & Flom LLP in New York. He has represented corporations and individuals in complex litigations involving a range of corporate and commercial matters in federal and state court, including securities class actions, shareholder derivative suits and disputes concerning Chapter 11 reorganizations. Through the firm's externship

program, Mr. Lewis served as a Special Assistant Corporation Counsel for the New York City Law Department, Office of Corporation Counsel where he was lead trial counsel in tort actions against the City. Mr. Lewis also has provided extensive pro bono service, including work on a high profile death penalty case. In addition, Mr. Lewis was a 2008 recipient of the Commitment to Justice Legal Team Award from inMotion, a New York-based organization that provides free legal services to women from underrepresented communities.

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

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

Frances Walton
Vice President
Chief Financial Officer

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

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

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

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

James Mortimer, P.E.
Director of Engineering

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

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

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

* Prior to the close of the fiscal year, the following personnel resigned: (1) The President, Charlene Indelicato; (2) Vice President & General Counsel, Donald D. Lewis; (3) Vice President & Chief Financial Officer, Frances Walton; and (4) Director of Engineering, James Mortimer. Their biographical information is noted under heading "Former Senior Staff" (above).

ROOSEVELT ISLAND OPERATING CORPORATION

Code of Ethics

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

Rule with Respect to Conflicts of Interest

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

Standards

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

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

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

Violations

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

Dated: March 25, 2010

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

TITLE 16. MUNICIPALITIES

CHAPTER 26. ROOSEVELT ISLAND OPERATING CORPORATION

§ 6385. Legislative declaration

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

§ 6386. Definitions

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

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

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

§ 6387. Establishment of corporation; organization of board

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

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

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

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

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

§ 6388. Powers of corporation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

§ 6391. Equal employment opportunities

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

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

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

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

§ 6392. Indemnification; notice of claim

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

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

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

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

§ 6393. Annual budget and report

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

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

§ 6394. Future management study

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

§ 6394-a. Open space development prohibited

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

§ 6395. Liability for corporate obligations; tax exemption

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

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

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

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

§ 6397. Operation of motor vehicles

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

§ 6398. Separability of provisions

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

§ 6399. Transfer of appropriations

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

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

Roosevelt Island Operating Corporation

591 Main Street, Roosevelt Island, NY 10044
information@rioc.ny.gov
212-832-4540 Tel.
212-832-4583 Fax
rioc.ny.gov

COMMITTEES OF THE BOARD OF DIRECTORS AS OF March 31, 2016

COMMITTEES MEMBERS

Audit Committee – Established February 11, 1999

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

Real Estate Development Advisory Committee – Established March 13, 2003

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

Operations Advisory Committee – Established July 13, 2000

Michael Shinozaki (Chair), David Kraut, Margie Smith

Governance Committee – Established September 8, 2005

Margie Smith (Chair), David Kraut, Howard Polivy



**Roosevelt Island
Operating Corporation**

Roosevelt Island Operating Corporation

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List of Board Meetings and Attendance For the 2015-16 Fiscal Year

April 16, 2015

A meeting of the Board of Directors was held at the Manhattan Park Community Center, 8 River Road, Roosevelt Island on April 16, 2015 at 5:30 p.m.

Directors Present:

Fay Fryer Christian	Director
Dr. Katherine Teets Grimm	Director
David Kraut	Director
Howard Polivy	Director
Michael Shinozaki	Director
Margaret Smith	Director

Directors Absent:

Darryl C. Towns	RIOC Chair and Commissioner, the New York State Division of Housing and Community Renewal
Mary Beth Labate	Director, the New York State Division of Budget

May 21, 2015

A meeting of the Board of Directors was held at the Manhattan Park Community Center, 8 River Road, Roosevelt Island on May 21, 2015 at 5:30 p.m.

Directors Present:

Meghan Anderson	Representing RIOC Chair and Commissioner, the New York State Division of Housing and Community Renewal
Erica Levendosky	Representing Mary Beth Labate, Director, the New York State Division of Budget
Fay Fryer Christian	Director
Dr. Katherine Teets Grimm	Director
David Kraut	Director
Howard Polivy	Director
Michael Shinozaki	Director
Margaret Smith	Director



**Roosevelt Island
 Operating Corporation**

June 25, 2015

A meeting of the Board of Directors was held at the Manhattan Park Community Center, 8 River Road, Roosevelt Island on June 25, 2015 at 5:30 p.m

Directors Present:

Meghan Anderson	Representing RIOC Chair and Commissioner, the New York State Division of Housing and Community Renewal
Michael Kendall	Representing Mary Beth Labate, Director, the New York State Division of Budget
Fay Fryer Christian	Director
Dr. Katherine Teets Grimm	Director
David Kraut	Director
Howard Polivy	Director
Michael Shinozaki	Director
Margaret Smith	Director

September 10, 2015

A meeting of the Board of Directors was held at the Manhattan Park Community Center, 8 River Road, Roosevelt Island on September 10, 2015 at 5:30 p.m

Directors Present:

James S. Rubin	RIOC Chair and Commissioner, the New York State Division of Housing and Community Renewal
Erica Levendosky	Representing Mary Beth Labate, Director, the New York State Division of Budget
Fay Fryer Christian	Director
David Kraut	Director
Howard Polivy	Director
Margaret Smith	Director

Directors Absent:

Dr. Katherine Teets Grimm	Director
Michael Shinozaki	Director



**Roosevelt Island
Operating Corporation**

October 22, 2015

A meeting of the Board of Directors was held at the Child School Gymnasium, 566 Main Street, Roosevelt Island, New York on October 22, 2015 at 5:30 p.m

Directors Present:

Meghan Anderson	Representing RIOC Chair and Commissioner, the New York State Division of Housing and Community Renewal
Erica Levendosky	Representing Mary Beth Labate, Director, the New York State Division of Budget
Fay Fryer Christian	Director
Howard Polivy	Director
Margaret Smith	Director
Dr. Katherine Teets Grimm	Director

Directors Absent:

David Kraut	Director
Michael Shinozaki	Director

December 3, 2015

A meeting of the Board of Directors was held at the Manhattan Park Community Center, 8 River Road, Roosevelt Island on December 3, 2015 at 5:30 p.m

Directors Present:

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

Directors Absent:

Fay Fryer Christian	Director
Michael Shinozaki	Director



**Roosevelt Island
Operating Corporation**

January 28, 2016

A meeting of the Board of Directors was held at the Child School Gymnasium, 566 Main Street, Roosevelt Island, New York on January 28, 2016 at 5:30 p.m

Directors Present:

Alejandro Valella	Representing James S. Rubin, RIOC Chair and Commissioner, the New York State Division of Housing and Community Renewal
Fay Fryer Christian	Director
Dr. Katherine Teets Grimm	Director
David Kraut	Director
Michael Shinozaki	Director
Margaret Smith	Director

Directors Absent:

Robert Mujica, Jr.	Director, the New York State Division of Budget
Howard Polivy	Director

March 7, 2016- Special Meeting¹**Directors Present:**

James S. Rubin	RIOC Chair and Commissioner, the New York State Division of Housing and Community Renewal
Erica Levendosky	Representing Robert Mujica, Jr., Director, the New York State Division of Budget
Fay Fryer Christian	Director
Dr. Katherine Teets Grimm	Director
David Kraut	Director
Howard Polivy	Director
Michael Shinozaki	Director
Margaret Smith	Director

¹ A special meeting of the Board of Directors was held at the Roosevelt Island Operating Corporation Administrative Office, 591 Main Street, Roosevelt Island, New York on March 7, 2016 at 6:30 p.m.



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

BY-LAWS
OF
ROOSEVELT ISLAND OPERATING CORPORATION

ARTICLE I

THE CORPORATION

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

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

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

ARTICLE II

DIRECTORS

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

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

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

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

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

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

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

ARTICLE III

MEETINGS

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

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

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

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

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

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

6. Adjournment.

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

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

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

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

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

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

ARTICLE IV

OFFICERS

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

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

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

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

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

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

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

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

Section 7. Secretary. The Secretary shall:

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

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

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

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

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

ARTICLE V
FINANCIAL TRANSACTIONS

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

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

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

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

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

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

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

ARTICLE VI

BOOKS, RECORDS, AUDITS AND REVIEWS

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

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

ARTICLE VII

INDEMNIFICATION

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

ARTICLE VIII

MISCELLANEOUS

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

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

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

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

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

ARTICLE IX

AMENDMENTS TO BY-LAWS

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

BYLAWS.10

The Roosevelt Island Operating Corporation (RIOC)
CAPITAL PLAN 2015/2016 (In Thousands)

	Actual	Approved Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Budgets 2016- 2030
	2016	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
1 Sports Fields/Parks	\$13	\$2,117	\$364	\$383	\$402	\$422	\$443	\$465	\$488	\$513	\$538	\$565	\$593	\$623	\$654	\$687	\$9,258
Octagon Park - Comfort Station Rehab		\$60															\$60
Octagon - Tennis Court Lighting	\$7																\$0
Blackwell Park - Basketball Courts Resurfacing		\$60															\$60
Copo Bianco Field Improvments		\$200															\$200
504 Main Street Childrens Reading Park		\$300															\$300
Light House Park Entrance & Landscaping	\$6	\$550															\$550
Light House Park Parking Lot		\$550															\$550
Southpoint Park Landscaping		\$50															\$50
Miscellaneous Upgrades & Improvements - Reserve		\$347	\$364	\$383	\$402	\$422	\$443	\$465	\$488	\$513	\$538	\$565	\$593	\$623	\$654	\$687	\$7,488
2 Historic & Landmark Structures	\$69	\$1,806	\$232	\$244	\$256	\$269	\$282	\$296	\$311	\$327	\$343	\$360	\$378	\$397	\$417	\$438	\$6,354
Blackwell House Interior Renovation		\$885															\$885
Blackwell Lighthouse Restoration		\$700															\$700
Blackwell House - Emergency Fire Suppression System	\$8																\$0
Good Shepherd - Interior Repairs/Doors	\$61																\$0
Miscellaneous Upgrades & Improvements - Reserve		\$221	\$232	\$244	\$256	\$269	\$282	\$296	\$311	\$327	\$343	\$360	\$378	\$397	\$417	\$438	\$4,769
3 Infrastructure Improvements	\$230	\$22,147	\$8,284	\$2,824	\$2,915	\$2,010	\$2,111	\$2,217	\$2,327	\$2,444	\$2,566	\$2,694	\$2,829	\$2,970	\$3,119	\$3,275	\$64,732
36 Avenue Bridge Helix (Ramp)		\$1,900															\$1,900
Blackwell Park Plaza & Fountains		\$1,000															\$1,000
Con Ed Vault Reconstruction		\$2,000															\$2,000
Eastern Pier		\$1,500															\$1,500
Good Shepherd - Land & Streetscape	\$67																\$0
Island-Wide Road Improvements - Reserve		\$200	\$210	\$221	\$232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$377	\$396	\$4,316
Island-Wide Z Brick Replacement - Reserve	\$28	\$116	\$122	\$128	\$134	\$141	\$148	\$155	\$163	\$171	\$180	\$189	\$198	\$208	\$219	\$230	\$2,503
Seawall - Reserve				\$1,000	\$1,050	\$1,103	\$1,158	\$1,216	\$1,276	\$1,340	\$1,407	\$1,477	\$1,551	\$1,629	\$1,710	\$1,796	\$17,713
Seawall - Southpoint Open Space Park	\$48	\$10,000	\$6,500														\$16,500
Seawall Railings Replacement		\$3,000	\$1,000	\$1,000	\$1,000												\$6,000
Sewer Upgrades - Reserve		\$232	\$244	\$256	\$269	\$282	\$296	\$311	\$326	\$343	\$360	\$378	\$397	\$417	\$437	\$459	\$5,006
Site Amenities - Benches, Waste Receptacles - Res.		\$83	\$87	\$92	\$96	\$101	\$106	\$111	\$117	\$123	\$129	\$135	\$142	\$149	\$157	\$164	\$1,791
Southtown - Erosion Control and Gravel Installation	\$30																\$0
Southpoint - Blue Dragon Sculpture Foundation	\$12																\$0
Tree-Pit Remediation	\$45																\$0
Utilities Infrastructure Improvements - Reserve		\$116	\$122	\$128	\$134	\$141	\$148	\$155	\$163	\$171	\$180	\$189	\$198	\$208	\$219	\$230	\$2,503
West Drive Modernization		\$2,000															\$2,000
4 Facilities & Offices	\$2,641	\$7,283	\$4,852	\$10,382	\$4,214	\$1,143	\$859	\$902	\$947	\$994	\$1,044	\$1,096	\$1,151	\$1,209	\$1,269	\$1,332	\$38,677
AVAC HVAC	\$29																\$0
AVAC Improvements				\$8,000													\$8,000
AVAC Interior Painting		\$300															\$300
AVAC Mechanical/Piping - Reserve	\$60	\$232	\$244	\$256	\$269	\$282	\$296	\$311	\$326	\$343	\$360	\$378	\$397	\$417	\$437	\$459	\$5,006
AVAC Stack Repairs		\$400															\$400
AVAC Repair at Westview	\$5																\$0
Motorgate Electrical Vault Waterproofing		\$70															\$70
Motorgate Garage - Reserve	\$47	\$221	\$232	\$244	\$256	\$269	\$282	\$296	\$311	\$327	\$343	\$360	\$378	\$397	\$417	\$438	\$4,769
PS Offices - HVAC Compressor	\$7																\$0
Sportspark - Fire Alarm				\$840													\$840
Sportspark - New Flooring Squash/Ping Pong/Gym		\$40			\$935												\$975
Sportspark - Pool	\$52	\$120		\$800													\$920
Sportspark - Upgrade Locker Rooms/Bathrooms/Ceilings		\$60			\$2,175												\$2,235
Sportspark - Concrete Restoration and Reconstruction		\$410															\$410
Sportspark - Electric			\$1,800														\$1,800
Sportspark - Façade Repointing/Repair		\$1,500	\$1,500														\$3,000
Sportspark - HVAC	\$466	\$1,500															\$1,500
Sportspark - Outdoor Basketball Courts					\$325	\$325											\$650
Sportspark - Replace Windows and Doors			\$845														\$845
Sportspark - Roof		\$2,210															\$2,210
Sportspark Rehabilitation - Reserve		\$110	\$116	\$121	\$127	\$134	\$140	\$147	\$155	\$163	\$171	\$179	\$188	\$198	\$207	\$218	\$2,374
Warehouse/Bus Garage Rehabilitation	\$1,969																\$0
Miscellaneous Facilities & Offices - Reserve		\$110	\$116	\$121	\$127	\$134	\$140	\$147	\$155	\$163	\$171	\$179	\$188	\$198	\$207	\$218	\$2,374
- 591 Executive Office Work Station	\$6																\$0
5 Equipment & Vehicles	\$191	\$1,321	\$1,279	\$1,328	\$1,512	\$1,450	\$1,578	\$1,524	\$401	\$312	\$381	\$283	\$431	\$415	\$457	\$470	\$13,142
Admin - (2) GEMs			\$25				\$30					\$35					\$90
Bus - F-350 Pickup					\$40							\$60					\$100

The Roosevelt Island Operating Corporation (RIOC)
CAPITAL PLAN 2015/2016 (In Thousands)

	Actual	Approved Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Projected Budget	Budgets 2016- 2030
	2016	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Bus - Hybrid Buses	\$17	\$1,000	\$1,050	\$1,103	\$1,158	\$1,216	\$1,276	\$1,340									\$8,142
Bus - Rotary Lift	\$33																\$0
Engineering - Ford Escape				\$26					\$33								\$59
Grounds - (1) Ford F130				\$22			\$24			\$26			\$28		\$30	\$30	\$160
Grounds - 150 8ft Barricades	\$11																\$0
IT - (10 PC Replacements)	\$9	\$9	\$9	\$10	\$10	\$11	\$11	\$12	\$13	\$13	\$14	\$15	\$15	\$16	\$17	\$18	\$194
IT - (2) Copiers/AV/Printers			\$24		\$26		\$29		\$32		\$35		\$39	\$39	\$39	\$39	\$302
IT - Plotter						\$28				\$34							\$62
IT - Security & Phone System & Multi-Function Devices		\$63															\$63
IT - Servers	\$18	\$16			\$55				\$62				\$70	\$70	\$70	\$70	\$413
IT - Software Upgrades		\$35	\$37	\$39	\$41	\$43	\$45	\$47	\$49	\$52	\$54	\$57	\$60	\$63	\$66	\$69	\$755
IT - Storage & Disaster Recovery		\$30															\$30
IT - Switch Upgrades			\$24		\$26		\$29		\$32		\$35		\$40	\$40	\$40	\$40	\$306
IT - Website Redesign	\$20	\$15															\$15
Misc. Heavy equipment		\$53	\$56	\$58	\$61	\$64	\$68	\$71	\$75	\$78	\$82	\$86	\$91	\$95	\$100	\$105	\$1,144
Motorpool - (2) GEMS		\$30				\$40				\$50							\$120
Motorpool - Aerial Truck Lift					\$35						\$45						\$80
P.S. - Chevy Tahoe		\$40	\$42	\$44	\$46	\$49	\$51	\$54	\$56	\$59	\$62	\$65	\$68	\$72	\$75	\$79	\$863
P.S. - Ford Escapes	\$25																\$0
P.S. - Yamaha Viking EPS - 2016	\$18																\$0
P.S. - GEMS (2)		\$30	\$12		\$14		\$15		\$16		\$18		\$20	\$20	\$20	\$20	\$185
P.S. - Radios (55)	\$40																\$0
Parks & Recreation- Ford Escape				\$26					\$33								\$59
6 Special Projects	\$36	\$355	\$58	\$61	\$64	\$67	\$70	\$74	\$77	\$81	\$85	\$90	\$94	\$99	\$104	\$109	\$1,487
P.S. - Island Wireless Security Camera System		\$300															\$300
Other - Special Projects		\$55	\$58	\$61	\$64	\$67	\$70	\$74	\$77	\$81	\$85	\$90	\$94	\$99	\$104	\$109	\$1,187
Cultural Center - Camera Installation and Services	\$36																
7 Lighting & Signage	\$7	\$53	\$56	\$58	\$61	\$64	\$68	\$71	\$75	\$78	\$82	\$86	\$91	\$95	\$100	\$105	\$1,144
Street Light Replacement & Signage - reserve	\$7	\$53	\$56	\$58	\$61	\$64	\$68	\$71	\$75	\$78	\$82	\$86	\$91	\$95	\$100	\$105	\$1,144
8 Tram	\$174	\$1,775	\$651	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$814	\$855	\$898	\$943	\$990	\$1,039	\$12,679
Tram Modernization	\$7																\$0
Additional ADA-Compliant Elevator at Manhattan	\$136	\$750															\$750
Replace Roof at the Manhattan Station		\$500															\$500
Tram Bathroom			\$100														\$100
Tram - Painting	\$31																\$0
Tram Capital Reserve		\$525	\$551	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$814	\$855	\$898	\$943	\$990	\$1,039	\$11,329
9 Southpoint Park	\$0	\$210	\$221	\$232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$377	\$396	\$416	\$4,531
RESERVE		\$210	\$221	\$232	\$243	\$255	\$268	\$281	\$295	\$310	\$326	\$342	\$359	\$377	\$396	\$416	\$4,531
10 Miscellaneous	\$37	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$815	\$855	\$898	\$943	\$990	\$1,040	\$1,092	\$1,146	\$12,494
Reserve	\$37	\$579	\$608	\$638	\$670	\$704	\$739	\$776	\$815	\$855	\$898	\$943	\$990	\$1,040	\$1,092	\$1,146	\$12,494
TOTAL CAPITAL IMPROVEMENTS	\$3,398	\$37,646	\$16,604	\$16,727	\$10,945	\$7,022	\$7,088	\$7,309	\$6,475	\$6,691	\$7,078	\$7,315	\$7,815	\$8,168	\$8,598	\$9,018	\$164,498

ROOSEVELT ISLAND OPERATING CORPORATION
(A Component Unit of the State of New York)
Budget Variance Report
For the year ended March 31, 2016

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>	
			<u>Variance</u>	<u>Percent</u>
Revenue:				
Residential fees revenue	\$ 3,267,323	1,321,000	1,946,323	147%
Ground rent	10,738,129	10,744,000	(5,871)	0%
Commercial rent	1,564,597	1,549,000	15,597	1%
Tramway revenue	5,510,805	5,793,000	(282,195)	-5%
Public safety reimbursement	1,823,337	1,797,000	26,337	1%
Transport/parking revenue	2,542,059	2,386,000	156,059	7%
Interest income	100,309	159,000	(58,691)	-37%
Unrealized loss	-	-	-	-100%
Other revenue	1,603,285	1,616,000	(12,715)	-1%
Total revenue	27,149,844	25,365,000	1,784,844	7%
Expenses:				
Personal services (PS) :				
Salaries	6,937,105	7,308,580	371,475	5%
Salaries OT	437,909	175,000	(262,909)	-150%
Temporary employees	186,241	175,000	(11,241)	-6%
Workers compensation and disability	336,959	277,442	(59,517)	-21%
ER payroll taxes	642,116	644,021	1,905	0%
Health insurance	1,460,825	1,542,761	81,936	5%
Dental/vision	72,356	78,869	6,513	8%
Pension	614,361	888,660	274,299	31%
Other employee benefits	628,668	608,846	(19,822)	-3%
Compensated absences expenses	(48,696)	-	48,696	-100%
Total personal services (PS)	11,267,844	11,699,179	431,335	4%
Other than personal services (OTPS) :				
Insurance	1,662,105	1,731,000	68,895	4%
Professional services	248,495	850,029	601,534	71%
Marketing/advertising	10,966	8,500	(2,466)	-29%
Management fees	4,378,564	4,145,000	(233,564)	-6%
Legal services	194,423	393,000	198,577	51%
Telecommunications	114,183	127,300	13,117	10%
Island improvements - capital plan	137,204	130,000	(7,204)	-6%
Repairs and maintenance	185,176	469,500	284,324	61%
Repairs and maintenance equipment	20,666	57,000	36,334	64%
Other repairs and maintenance	78,753	90,000	11,247	12%

(Continued)

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

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>	
			<u>Variance</u>	<u>Percent</u>
Vehicles gas	\$ 114,547	210,000	95,453	45%
Vehicles repair and maintenance	163,587	111,000	(52,587)	-47%
Vehicles parts	19,770	78,000	58,230	75%
Equipment lease	22,498	20,000	(2,498)	-12%
Office equipment purchase	16,007	11,500	(4,507)	-39%
Equipment purchases	16,211	52,000	35,789	69%
Other equipment purchases	685	12,000	11,315	94%
Exterminator	3,020	24,000	20,980	87%
Uniforms	52,835	75,700	22,865	30%
Light, power, heat	720,528	895,600	175,072	20%
Water and sewer	19,165	43,600	24,435	56%
Office supplies	16,494	20,300	3,806	19%
Parts and supplies	201,771	247,900	46,129	19%
Service maintenance agreement	51,825	130,950	79,125	60%
Employee travel and meal	6,022	5,900	(122)	-2%
Employee training	22,716	91,400	68,684	75%
Shipping	14,859	16,250	1,391	9%
Subscriptions/membership	21,401	12,600	(8,801)	-70%
Other expenses	266,542	350,500	83,958	24%
Island events - community relations	68,830	78,000	9,170	12%
Total other than personal services (OTPS)	<u>8,849,848</u>	<u>10,488,529</u>	<u>1,638,681</u>	<u>16%</u>
Total expenses	<u>20,117,692</u>	<u>22,187,708</u>	<u>2,070,016</u>	<u>9%</u>
Operating income before depreciation	7,032,152	3,177,292	3,854,860	121%
Depreciation expense	<u>3,299,771</u>	<u>3,762,000</u>	<u>462,229</u>	<u>12%</u>
Net surplus (deficit)	<u>\$ 3,732,381</u>	<u>(584,708)</u>	<u>4,317,089</u>	<u>738%</u>

Procurement Transactions Bulk Load Worksheet																												Attachment K									
Version 1.8																																					
Procurement Transaction																																					
In accordance with Sections 2879 and 2824(e) of the Public Authorities Law, please provide the following information on each procurement contract that was active (open) at any time during the reporting period:																																					
Columns whose names contain "*" are required and must have values for each record to be loaded. Do not enter blank lines, as a blank line (a line with no information) will be regarded as the end of the file.																																					
This worksheet must be saved as type "csv" in order to be uploaded to PARIS. Select "Save As" from the "File" menu above and select "CSV (comma delimited)" as the file type.																																					
Note: Most cells have some level of validation, however, validation in Excel only functions when you actually type data in the cell. It is recommended that you selectively check validation in rows that you have copied data into.																																					