BPCA Board Meeting
February 26, 2019

George Tsunis: I'd like to call to order this February 26, 2019 meeting of the Hugh L. Carey Battery Park City Authority. Welcome everyone. I'd first like approval of the January 29, 2019 Minutes. Are there any questions on the Minutes? I see none. May -

Lester Petracca: So moved.

George Tsunis: So moved. Unanimous. I'd like to turn to our CEO, B.J. now.

B.J. Jones: I just briefly wanted to take a moment to honor Lindsey Sutton who passed away last week. Lindsey worked in the Horticulture Department since 1998, and focused her talents on the beautiful gardens in South Cove, which had a special place in her heart. Arrangements are being made for a funeral in Utica, New York and we are working with her family on a memorial service to be held here in South Cove in the spring. Her parents were down here last week and visited and they remain in our thoughts.

George Tsunis: Thank you, B.J. The MWBE report, Mr. Peterson.

Mr. Peterson: Good afternoon, Mr. Chairman, Members. January is a slow month as far as expenditures but we did a 45%, 46% I should say just under 46% utilization rate. It was broken down 29% from the non-business enterprises, 17% for women business enterprises. Out of that amount 100% of it was prime dollars paid directly to MWBs.

George Tsunis: You know, I have to stop and just pay you a compliment. That's a compliment after compliment every month. Everyone's going to get jealous but thank you, just outstanding work.

Mr. Peterson: It's the Authority. It's not just me. It's Robert, B.J., Eric.

George Tsunis: Well, thank you for your team. I mean, you guys are wonderful.

Martha J. Gallo: I think you have to really earn it. It's looking a little too easy.

Mr. Peterson: don't scare me.

George Tsunis: The resiliency update?

Ms. Goldenberg: George before we do that, we have a public comment that is under Item #3, so I wonder if you want to do that first.

Nick Sbordone: Good afternoon everyone, Nick Sbordone. We actually do not have any requests for public comment at this time. I know there something in the agenda, so I wanted to make sure we took a point to note it, so unless there are any now which I don't think that there are we can move on. Thank you, Mr. Chairman.

George Tsunis: No public comment?

Ann S.: [Indiscernible 02:47].

George Tsunis: Resiliency update, let's move on.

B.J. Jones: Okay. Briefly, highlights since our last meeting on resiliency that you have in front of you I just want to call out in particular that inner agency coordination efforts have continued to be very successful, particularly in regards to South Battery Park City, we had another inner agency meeting here including DOT from the City and State, EDC, Parks, MTA, Bridge and Tunnel Authority, DEP they're all working very well with us on issues ranging from site access to file sharing and continued surveying and drilling work on the Ball Fields too. We're also working with STV who is revising their basis of design report that will inform the next steps at the Ball Fields based on our review and feedback.

And the North Battery Park City Design and Engineering Phase is now about to begin. We have 8 proposals that the team is reviewing now and expect to come to the Board with a decision next week on the selection for that one. All of this is leading up to a couple of community input sessions that we're putting on the calendar for March as part of our continued effort to keep the community up to speed on our resiliency efforts, but also get their input that will inform the design. The South Battery Park City meeting is scheduled for March 12th at 6:00 p.m. And the Ball Fields meeting we're still working on a schedule for that one.

Also, just in terms of the community and public stakeholders we have continued to reach out to the local elected officials. We've met with Gail Brewer and councilmember Chin so far to review the resiliency plans and coastal modeling. They've been very supportive of our efforts and progress and we are also going to be meeting in the near future with assembly member Niou and Glick as well as Senator Cavanaugh and members of Community Board 1 in our efforts to continue to keep them apprised.

You'll hear a little bit more about our bond financing efforts from Pam and the team shortly. I did want to just briefly acknowledge that we've continued researching additional contracting and financing mechanisms to see how we might be able to further accelerate our resiliency efforts. We've found some interesting models in part from the help of 100 Resilient Cities which is at the Rockefeller Foundation. You know, there's no silver bullet but I think that, you know, one thing that we've talked about in the past with regards to capital projects that's apparent here is that if we had design build authority that would potentially help facilitate our efforts, but we're continuing to explore and evaluate other potential options as well to see if there's any other steps that we could take to get things moving faster.

George Tsunis: I feel as the Authority it's going to be something that we're going to have to move to the top of our agenda.

B.J. Jones: Yeah. Okay. Thank you.

George Tsunis: Thank you, B.J. Ms. Frederick. (Bond Financing Presentation)

Pamela Frederick: Great. Thanks so much. So as we mentioned in the last Board meeting, Morgan Stanley was elected as our senior managing underwriter. We also have Ramirez & Co as the cosigner and today the overview that's provided here, Morgan Stanley will walk us through just a very high-level summary of where we are at this point where we intend to go with a target to try to get the financing done by the end of May and you'll see a schedule in the presentation as well. Rob Pattison and Jeff Prue are here today and they'll walk us through the presentation.

Jeff Prue: So you all should have in front of you pages that outline the nature of the transaction. And as you know, there are currently three series of direct placements that are outstanding that tenders on November 1, 2019. So a driver of the financing that we're talking about today and looking to execute in the May timeframe, it revolves around the refinancing of those direct placements. And we're very, very pleased to be working with you all in that part of the deal, but more importantly we're very excited to be working on the new money portion of the financing which a lot of it is going to be involved with the resiliency plans and to finance both the development plans and the execution. So with that, we're very much looking forward to getting further busy. It's been a lot of activity to date and we think that there's going to be a lot more and part of what we want to focus on as well is some of the efforts that we're going to be making to really market the bond. So I'll turn it over to Rob to talk about a number of the portions of the issue themselves.

Rob Pattison: So on Slide 3 of the materials that you have, the transaction will be approximately $200 million in fixed rate bonds, and those will be issued on, we plan to issue them on the senior lien and then there'll be $486 million of variable rate bonds on the junior lien. To date the Authority has $342 million of LIBOR interest rate slots and with the variable rate bonds we'll hedge against those swaps and the remaining are currently unhedged. We're working with the Authority right now and the rest of the working group on the variable rate products to use in this given that they're all currently direct placements. And we're also looking at the senior and junior reserve funds to see if those can be reduced or eliminated and go towards the transaction to downsize it or to pay for some of the costs.

The series 2019 bonds will be rated. At this time our plan is to go to Fitch and Moody's who have rated the Authority's bonds in the past and those talks are on the way. And the bottom of the slides, we're going to show you two pie charts. The left is what the existing debt structure looks like today, and with just a little more than a third fixed rate would be about, we're just over a third floating that's hedged with those slots and then 26% unhedged floating. The plan is to increase the amount of fixed rate debt just given where the interest rate markets are today. So that's over half of the Authority's portfolio would be fixed rate. About a third will be hedged with the LIBOR swaps and that 14% of the debt would be unhedged and then floating.

Jeff Prue: ....social and sustainability bonds market. I'm sure many of you have been focused on the development of that market over the last 5-10 years, it's grown significantly in Europe and in the United States it's taken off incredibly well. What it does is it focuses in investors on ESG investments, so environment, social and governance. Here in Battery Park City because of the nature of the funding and much of the funding being associated with the resiliency program and plan and also associated repairs and upgrades for the resiliency program, we feel that there's an excellent rationale to put forward to the market a sustainability bonds designated series. With that, and to the extent that we do create this and bring it forward, the Authority's evaluating it right now to make sure that it's within their standards and what we want to do along with the financial advisor, and also both underwriters, counsel and bond counsel, we will put a write-up in the official statement and we'll talk about what the plans are, how we've decided to put the projects into that series and then market it. We would use a series of different types of marketing techniques to reach the broadest amount of investors out there, but all driven after the investing with impact type investors. And what we see on the retail side is that those investors tend to be much larger so you see larger orders that come in and they're from high net worth families that are very much interested in investing in socially beneficial and environmentally beneficial programs. So your resiliency plan here in Battery Park City we think fits squarely within that definition, and should create a lot of good buzz and some positive results of the sale.

Rob Pattison: So on Slide 4, the materials that we've provided you with, just to give you an overview of what your current debt service profile, this is principle and interest, the principle of the bonds as well as the interest rates, what it looks like right now. And we gave you a chart of the 6 outstanding bond series that you have. So you have 2 series in 2009, one is a Gold American Bond Series, one is a [indiscernible 12:20] series, we have the 2013 A fixed rates, and then you have three direct placement variable rate bonds at the 2013 C, D and E. The profile is an analogy of debt service runs from 2019 through 2042 and we've shaded what's the senior, which is the yellow, that's the all fixed rate, and then the green is the variable rate bonds whether they're floating or they're hedged with the LIBOR swaps that the Authority has.

Turning to Slide 5, something we're still working on with the Authority and can provide during the rest of the working group is this transaction, but we're looking at what could a post-transaction debt service profile for the Authority look like and we represent that here on Slide 5. Right now we're trying to mimic what your current debt service profile looks like which is in grey. We've outlined what we're not looking to refinance in this transaction, which are currently the 2009 A bonds, the 2009 B bonds, and the 2013 A bonds. Again, we're looking to refinance all the Authority's direct placements which are 2013 C, D and E. We're looking to place in where the new variable rate bonds would go and that's in red and green and then where are the fixed rate bonds going, and this is for those projects, the [indiscernible 13:41] projects as well as a refinancing of the direct placements. So this is, this is something that we'll continue to work on with the Authority.

Jeff Prue: And turning to Slide 6, this just lays out the timeline and with all the activity that we just described there's a lot to be done over the next couple of months. We've started all of the working group meetings. We've circulated language for the sustainability bonds designation that we're processing. You will hear much more about that at the March Board meeting, at which point we'll have a full view of everything that's going into the transaction. We're looking to have a preliminary official statement out on the street in April. And then price an early May and close in May. So all good stuff. And Pam, any other further comments on the scheduling or the transactions?

Pamela Frederick: No, probably the only thing I would add to what was discussed is of the $204 million capital plan we're doing the new funding of $100 million so that leaves a $104 million. Most of that is earmarked for resiliency and the expectation is that in addition to this current resiliency sustainability bond we would be looking for the subsequent one to have a designation as well.

Donald Capoccia: So we currently have $104 million now. We're going to refinance another, refinance, add another $100 million to the capital?

Pamela Frederick: Right. So we're adding $100 million, and then we're expecting to add another $104 million, potentially in sort of mid-2020 depending on capital need. And we work closely with Gwen to ascertain what her draw schedule will look like.

Donald Capoccia: And what do we currently have in our expense capital right now?

Pamela Frederick: We have $32 million in the 2013 which is already earmarked for projects and we continue to spend on that. And then we have just under $2 million for the '09s and A and B.

Donald Capoccia: Uh-huh. Is there a budget through resiliency at this point? How much is it?

Gwen Dawson: Are you talking about all of them together?

Donald Capoccia: Yes.

Gwen Dawson: We're looking I think it's around $350.

Donald Capoccia: Yeah. Okay. Which so two-thirds of that means back down to [indiscernible 16:03] next 12 months, 6 months? Okay.

Martha Gallo: Pam, we had the discussion about LIBOR but I think other people around the table might also want to know about --

Pamela Frederick: Okay. So LIBOR, as many of you are aware is scheduled to go away in 2021. Our existing floating rate debt is on a LIBOR basis. Those are being refunded, so we'll be looking at both LIBOR and SIFMA as floating rate alternatives. And so they'll be structuring elements required for that and we'll come back to the March meeting. We also have LIBOR exposure for interest rate swaps, so when we had LIBOR debt and LIBOR swaps they were matched and paired so there was a clear hedge. Depending on what we do in this offering, in the subsequent offering for our floating rate, we will either do a combination of LIBOR and SIFMA or solely SIFMA. So then you'll have a little difference between SIFMA and LIBOR and we'll look to amend our swaps to do a base of swaps where it basically hedges that difference. But we'll give you much more detail at the next meeting once we are very clear on which index we're going to earmark and what the relative costs are.

Martha Gallo: But the bottom line is the Battery Park City Authority is protected.

Pamela Frederick: Yes, and will be.

Donald Capoccia: SIFMA and LIBOR over time and the delta is consistent?

Pamela Frederick: It varies and I'll lean on the underwriters on that, but right now I think we're talking SIFMA is about 70%, 69, just under 70% of LIBOR but it trades in a range. I think that range has maybe broken out a little bit over the last couple of years but it seems to be coalescing back but maybe we'll hear from our muni experts on that.

Jeff Prue: So what we're looking to do and the timing here is excellent because of the LIBOR sunset in 2021, and all of the major firms, Morgan Stanley included have been actively engaged with the Federal Reserve on the sunset of LIBOR. We have a very senior member of our firm that sits on the Alternative Rates Committee and we've been very focused on moving this forward. That's in the development of the alternative indices of those things. With that said, the Authority because of the upcoming tender on the direct placements is incredibly well situated because we can take care of this in one fell swoop in this transaction. That's what we call the cash side of it. The swaps in the derivative side, the interest rate swap that's outstanding, that is a LIBOR based trade, that will come through on a somewhat automatic basis through changes that are implemented through ISDA. We are right on top of all of that an monitoring it and we'll be looking to incorporate it into the structure as many elements as we can to mitigate all of the variations over time.

Pamela Frederick: And historically SIFMA versus LIBOR – Cordelia is part of Morgan Stanley.

Cordelia Mendez: From 2013 to present 65% of LIBOR and SIFMA have had an average spread of one basis point.

Don Capoccia: That's pretty consistent.

George Tsunis: Does that complete your report?

Pamela Frederick: It does unless there are more questions.

George Tsunis: Thank you. I am proud to offer resolution of the appointment of a Vice Chair, Martha Gallo of Battery Park City Authority. I want to thank Don Capoccia for doing this for so many years, and I'm sure that Don has already filled Martha in on the first goal is to keep me out of trouble. And that's a full-time job. But I have met very, very few people with the combination of intelligence, integrity and work ethic than Martha Gallo and I think I speak for all of us saying it's an absolute privilege to call you a colleague. Congratulations.

Catherine McVay Hughes: I think this is probably a vote.

George Tsunis: A vote?

Lou Bevilacqua: I move.

Petracca/McVay Hughes: I second.

Kendall: You don't want to go that route.

George Tsunis: Corporate action. Gwen is that you?

Gwen Dawson: Me. Thank you, Mr. Chairman. I have one item for the Board's consideration today. This will be a familiar topic to several of you. The Authority has a multi-year program that is intended to care for and upgrade the concrete piles on which the esplanade and that relating platform of Battery Park City rests. We have 3,100 concrete piles and back in 2007 we entered into a multi-year program to periodically, well on an annual basis to maintain, upgrade to jacket those piles and protect them so that we can extend the lives of those piles and keep the structural integrity of the Battery Park City in place. This year we are looking to perform a phase 6 of the multi-year program. We have thus far jacketed 1,659 of the 3,100 piles and we're looking to do another 561 this year. We can only perform the work between May and October because of DEC regulations that impose a moratorium on in water work between November and May of each year. We are looking today to get approval of the contract for the construction management firm for this project. We've performed a procurement in November and received 5 proposals for the construction management portion of this project. We performed an initial evaluation through our evaluation committee according to specified criteria and interviewed the 4 highest scoring of the submitted proposals. Based on consideration of the proposals and also the consideration of their performance at their interviews the evaluation committee has evaluated McLaren Engineering as the highest rated of the proposing firms. They also have the benefit of being the lowest cost, presenting the lowest cost proposal among the 5 submitted proposals. Consequently, we are requesting that the Board approve a 13-month contract in the not to exceed amount of $537,318.84 for performance of this project.

George Tsunis: Are there any questions?

Catherine McVay Hughes: I just have a question. So roughly how much is it per pile then?

Petracca: About $1,000.

Catherine McVay Hughes: So it's $1,000 and this is in line with prior --

Gwen Dawson: Oh yes. Yes. This is, and McLaren they also were the successful bidder on the last, for the construction management portion of the last phase. Did an excellent job. They've performed the work very efficiently and very cost effectively.

Donald Capoccia: You have a separate engineer doing the design engineering? And the sign off the inspections same engineering firm?

Gwen Dawson: We have the construction management firm, McLaren will have inspection engineers and also M&N will provide inspection.

Donald Capoccia: What's the life span in jackets?

Gwen Dawson: We're looking to get 50 years.

Donald Capoccia: Oh. Okay.

George Tsunis: Any more questions? Can we have a motion please?

Gallo: I second.

George Tsunis: All in favor?

Members: Aye.

George Tsunis: Unanimous. Thank you. At this time point in time I'd like a motion to conduct executive session to discuss --

B.J. Jones: We've got one more item. Property disposition guidelines.

George Tsunis: Who is going to be discussing that.

B.J. Jones: we have one more item.

George Tsunis: Take all the time you need.

Eric Munson: Each year public Authorities like ours are required to submit to the State Authority Fund Office their disposition guidelines for personal and real property. Enclosed in your materials today is a copy of our proposed submission to the State. It's an updated version of the guidelines with two proposed changes. One of those changes is just a drafting error, and the other consolidates the responsibility of maintaining adherence to the guidelines as well as reporting to the State consolidating that from three personnel to one, that one would be me. Also, for the benefit of the members, just wanted to take an opportunity to briefly recognize a project that was undertaken by the Parks Operations Team last year. Under Bruno's leadership, the team rolled out a web based inventory and tracking system called Manager's Plus to which the Parks Operation Team has catalogued all of our equipment and fixtures and now can more efficiently track and maintain them throughout their useful life. So therefore, I request that the Board approve the guidelines for the disposition of personal and real property and authorize management to distribute and post those guidelines pursuant to the requirements set forth therein.

George Tsunis: Are there any questions? Hearing none.

Kendall: I move.

McVay Hughes: Second.

George Tsunis: All in favor?

Members: Aye.

George Tsunis: Unanimous. I apologize. Now we'll get to executive session. A motion to conduct executive session?

Petracca: So moved.

McVay Hughes: Second.

George Tsunis: All in favor?

Members: Aye.

[Executive Session 26:52]

George Tsunis: Motion to leave executive session.

Petracca: So moved.

Kendall: Second.

George Tsunis: All in favor?

Members: Aye.

George Tsunis: Unanimous. Motion to go back into regular session?

Petracca: So moved.

McVay Hughes: Second.

George Tsunis: Unanimous. And a motion to exit our meeting.

Petracca: So moved.

Kendall: Second.

George Tsunis: Unanimous. Thank you very much.