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GOVERNORS ISLAND PRESERVATION and
EDUCATION CORPORATION

ORIGINAL

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MEETING
OF
THE DIRECTORS

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Empire State
Development Corporation
Main Conference Room
633 Third Avenue
New York, New York

January 26, 2009
4:05 p.m.

B e f o r e:

AVI SCHICK,
The Chair

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A P P E A R A N C E S:

DIRECTORS IN ATTENDANCE:

Elizabeth Berger

Ann Bittenwieser

Donald Capoccia

Jay Cross

James Gill

Ronay Menschel, (via telephone)

Sherida Paulsen, (via telephone)

For Governors Island Preservation and

Education Corporation:

Leslie Koch, President

Paul Kelly, Counsel

Anita W. Laremont, General Counsel

Jon Meyers, Director of Real Estate

Regina Stephens, Secretary

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A P P E A R A N C E S: (CONT'D):

For the Empire State Development

Corporation:

Marisa Lago - President & CEO

Maria E. Cassidy - Deputy General

Counsel

Ed Decatrel

Carlos Otero

ALSO PRESENT:

Peg Breen

Kenneth Fisher, Governors Island Alliance

The Public

The Press

The Media

Marc Russo

Reporter

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P R O C E E D I N G S

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4 CHAIRMAN SCHICK: Good
5 afternoon.

6 I'd like to thank everybody for
7 coming and call to order this meeting of the Board
8 of Directors of the Governors Island Preservation
9 Education Corporation for the afternoon of Monday,
10 January 26th.

11 As with all the meetings of ESDC
12 and its subsidiaries, this meeting is being webcast
13 for those who can't be here in person.

14 The Directors have received the
15 relevant written materials in advance of today's
16 meeting and, of course, you're free to ask
17 questions at any time.

18 Consistent with the policy of
19 ESDC, we welcome public comment on the items on the
20 agenda. After each item is presented, any comments
21 that are received from the Directors, we will allow
22 members of the public to provide comments. We ask
23 that all comments should be limited two minutes and
24 that those comments should be addressed to items
25 that are under consideration on today's agenda.

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Before we get -- it's a brief agenda today. Before we get to the agenda, I do want to raise one issue which is not on the agenda which is the GIPEC budget which I know is on the minds of the Directors and others.

The fiscal year is -- the end of the fiscal year and the beginning of the new fiscal year is two months away and we are still working with the Governor's Office to ascertain where we are with respect to funding for the coming fiscal year.

For several years prior to last year, the operating budget did come from the State. Last year the operating budget came from ESDC which I think was envisioned as a one-time event and given the source of the money.

But in any event, in the Governor's proposed budget, the Executive Budget has not identified GIPEC operating funds. But there have been some recent meetings with those in the Governor's Office and I think people are committed to trying to solve the problem and to make sure that Governors Island has the funds that it needs, although we have not have reached a

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resolution or a solution to that issue, but it is on the forefront of our minds.

Marisa, please.

MS. LAGO: Mr. Chairman, I did -- I would want to clarify that the funds that ESDC used for GIPEC operating funds this year were carried over State appropriated funds. They were not ESDC corporate funds, merely a funding vehicle.

CHAIRMAN SCHICK: Absolutely.

And that's why it as sort of a one-shot. It was the aggregate of the unused portion of operating funds in prior years which have flowed from the State to ESDC. And ESDC last year used those funds to cover the current year's operating cost. Having essentially completed them, that pot is not one that one can go back to.

And as Ms. Lago has said, that point has been made by herself, myself and others, to the Director of the Budget and others and the Governor's Office. And I think everybody shares the goal of making sure that GIPEC has the resources that it needs and we're just working towards a solution. But that's absolutely correct.

DIRECTOR GILL: What's the

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amount again, I forgot?

CHAIRMAN SCHICK: Last year it was roughly eight million dollars, \$8.8 million split, split between, you know, planning funds and more traditional operating money. And that's just the State portion. The City matches it.

DIRECTOR GILL: Correct.

CHAIRMAN SCHICK: So together it's roughly 15, \$16 million of money.

With that, I'd like to turn to the agenda before us and the first item on the agenda is the approval of the minutes of our October 20, 2008 meeting.

If there are any questions or comments with respect to those minutes?

(No response.)

CHAIRMAN SCHICK: If not, I'll entertain a motion for approval of the minutes.

DIRECTOR GILL: So moved.

CHAIRMAN SCHICK: Second?

DIRECTOR CAPOCCIA: Second.

CHAIRMAN SCHICK: All in favor?

(Chorus of "ayes.")

CHAIRMAN SCHICK: Thank you.

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I next would like to ask Paul Kelly to present an item with respect to the retention of -- a retainer agreement with the law firm of Ingram, Yuzek, Gainen, Carroll.

Paul.

MR. KELLY: Thank you, Mr. Chairman.

This item is a request for authorization from the Directors to amend the legal retainer agreement with the law firm Ingram, Yuzek, Gainen, Carroll & Bertolotti and take related actions.

GIPEC presently has two legal retainer agreements within Ingram, Yuzek. The first retainer agreement, hereafter the legal retainer, was entered for legal services in connection with GIPEC's park and open space design, construction and related matters.

This retainer has a not-to-exceed contract price of \$400,000 and was approved by the Board on February 6, 2008.

To date, approximately \$147,000 of the \$400,000 legal retainer contract price has been used. Of the remaining original scope of this

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retainer, we have two items of scope left. One is review of a subconsultant contract form which will not be a major cost item, and second, ongoing general project management advice which will not be needed until later contract design phases.

GIPEC entered into the second legal retainer agreement with Ingram, Yuzek, hereafter the facilities retainer, in the summer of 2008 for legal services in connection with GIPEC's re-procurement of its facilities management contract which expires this year.

The facilities retainer has a not-to-exceed contract price of forty thousand dollars and was not taken to the Board since the contract price was less than \$50,000.

At this time, GIPEC is requesting additional legal services from Ingram, Yuzek in connection with GIPEC's re-procurement of a facilities management contract.

In lieu of increasing the contract price of \$40,000 legal retainer for the facilities work, GIPEC desires to use unspent funds in the earlier \$400,000 retainer to pay for these additional legal services.

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This amendment will not require any increase in the not-to-exceed contract price of the legal retainer nor will it require any increase in the amount allocated to legal fees in GIPEC's operating budget.

In addition, if this proposed amendment is authorized by the Board, we will have only one legal retainer agreement with Ingram, Yuzek going forward.

In connection with GIPEC's facilities management and construction management procurement, to date, Ingram, Yuzek has drafted a form of a new contract which was attached to the RFP.

GIPEC and ESD legal staff believe it prudent to specifically expand this scope to one, allow Ingram, Yuzek to assist in final contract negotiations with the firms that are ultimately selected for shortlisting and final contract award.

This work is expected to not exceed an additional \$25,000.

(Director Elizabeth Berger entered the conference room.)

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MR. KELLY: In addition, we would like Ingram, Yuzek to be available as the need may arise in the future for advice and services with respect to the new contract. Ingram, Yuzek is listed in GIPEC's pre-qualified counsel list and will continue to provide its services in accordance with GIPEC's standard maximum rate schedule.

Requested action.

As specifically set forth in the resolutions in the materials, the Directors are requested to authorize the amendment of a legal retainer agreement with Ingram, Yuzek, Gainen, Carroll & Bertolotti, to expand the scope of work under that contract to include legal advice and services in connection with the facilities management and construction management agreement to be entered into by GIPEC.

Thank you.

CHAIRMAN SCHICK: Anybody have any questions or comments?

(No response.)

CHAIRMAN SCHICK: So, as I understand it, just to clarify for myself, the amount will stay at \$400,000 and we'll just add one

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item to the scope?

MR. KELLY: Yes, that's correct.

CHAIRMAN SCHICK: Hearing no questions or comments, I'll entertain a motion.

DIRECTOR CAPOCCIA: So moved.

DIRECTOR GILL: Second.

CHAIRMAN SCHICK: All in favor?

(Chorus of "ayes.")

CHAIRMAN SCHICK: Thank you.

The motion passes.

Now I'd like to ask Jon Meyers to present the next item with respect to disposition of the Islander.

MR. MEYER: Thank you very much.

As you may recall, in August of 2007 we purchased the M/V Islander Vessel from the Martha's Vineyard and Woods Hole Steamship Authority. We purchased that at auction for a cost of \$500,000.

That purchase was ratified by the Board on October 17 of 2007.

Given the auction time pressure nature of our purchase, we were able to make at that point only visual inspections with

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2 approximately five or six days worth of due
3 diligence that we were able to do.

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5 We established at that point an
6 estimated repair cost of approximately three
7 million dollars which we deemed to be the most
8 financially prudent option for us in terms of our
9 long-term needs for redundant vehicle ferry access
10 to Governors Island.

11

12 After we purchased the vehicle, we
13 had the ability to do a very extensive maritime
14 survey of the vessel. We spent approximately six
15 months quite literally sampling every two feet
16 worth of steel on that vessel.

17

18 And unfortunately the survey
19 revealed that our initial estimates were off by
20 perhaps in order of magnitude and that the steel
21 cost alone to replace the steel on the vessel is in
22 the six to seven million dollar range, not
23 including a variety of other improvements that we
24 would need to make in order for the vessel to be
25 workable as a redundant ferry for us.

26

27 We were also made aware of
28 extensive deferred maintenance which frankly had
29 not been our expectation given who the previous

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owner of the vessel had been. And given all of those findings, our maritime surveyor as well as our current ferry operator, have both recommended that we sell the vessel in lieu of incurring both further capital costs as well as the operating cost of simply keeping the vessel at dock on Governors Island.

We briefed the Operations Committee of the Board extensively about this matter and on November 24 of 2008 released an Invitation For Bid for the sale of the vessel. That was advertised in The New York State Contractor Reporters as well as Boats and Harbors which is a trade publication.

And that IFB closed on December 16 of 2008 without any offers for purchase.

We discussed next steps with both the legal and procurement divisions of ESDC. And the recommendation was for us to work with the State Office of General Services to further, make further attempts through that office to sell the vessel which would most likely occur on Ebay.

And in order to obtain the best price on the Ebay sale, OGS is suggesting that we

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2 should receive the Board approval first so that the
3 sale would not be contingent on the subsequent
4 board approval.

5

6 We agreed wholeheartedly with the
7 recommendation and we are here today to request you
8 to authorize the sale of the vessel to the highest
9 bidder.

10

11 In the event there are no bidders
12 through the Ebay auction, we will then work with
13 OGS and our Operations Committee to determine the
14 most cost effective way to dispose of the vessel at
15 that point.

16

17 And the requested action: The
18 Directors are requested to approval the sale by
19 GIPEC of the vessel to the highest bidder as
20 determined by the New York State Office of General
21 Services.

22

23 An alternative, if there are no
24 bidders, the Directors are also requested to
25 approve GIPEC's disposition and removal of the
26 vessel from Governors Island. Such disposition and
27 removal shall be performed under consultation with
28 members of the Operations Committee and in the most
29 cost efficient manner to GIPEC.

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And based on the foregoing, I recommend approval of the requested action.

CHAIRMAN SCHICK: Thank you, Jon.

Jim.

DIRECTOR GILL: What was the organization that we hired to make the initial due diligence, the six-day due diligence that was done before the purchase at the auction?

MR. MEYERS: We actually had several organizations who did an initial, or not an appraisal but an initial investigation of the vessel for us. We were working at the time with a Naval architect which is a firm named JMS which is essentially the boat equivalent of a real estate broker. They go and find suitable vessels or design suitable vessels. So they're really an engineering firm as well.

Our own ferry boat operator, the current ferry boat operator who obviously has a fairly long history of operating vessels on our behalf and then we hired a maritime surveyor at that time. And honestly, the name of that company escapes me at the moment, although I can look it

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up.

But, again, they were really able to do no more than surface investigations. And we were certainly aware when we purchased the vessel that there were steel replacement needs. What we were not aware of and could not have been aware of without, as I said, something on the order of six months worth of very detailed investigation, was the sort the nature and placement of the specific areas of steel degradation, and, as I said, the nature of, the level of the deferred maintenance from the previous owner of the vessel.

DIRECTOR GILL: But you relied on the experts who I assume told you the cost would be three million dollar and they were way off. It turns out that it's twice that.

MR. MEYERS: That's correct. And we were made aware at the time and, in fact, we had estimates that ranged -- three million dollars was, in fact, the high-end estimate. So we were made very much aware and we were aware. I mean I was there for one of the six days of surveying myself, that these were, I would say, order of magnitude or a thumbnail estimates given what we were able to

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investigate of the boat at that time.

So we made I think a good faith judgment, as did our consultants, at that time about the level of information that we had and frankly who the previous owner of the vessel had been. And I think everybody acted then in good faith and I am confident that everybody acted in a very professional manner.

And the information that we received at that time, while perhaps incorrect was given in a --

DIRECTOR GILL: The question is whether or not we have an action over against those that gave us the price which was so far off.

MR. MEYERS: We've been through this and everybody was quite clear at that time that these were not, you know, sort of I can't think of an analogy except to go to a car shop, that these were not estimates of how much the work was going to be. It was really an estimate based on a set of eyeballs who spent, in that case, somewhere between four hours and sixteen or so hours looking at the boat, taking it for a test drive, which we were able to do, and a number of

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2 other things, but that they were not in any way
3 actionable, you know, from a liability standpoint.

4

DIRECTOR GILL: Have our lawyers
5 taken a look at that?

6

MS. LAREMONT: Yes. I don't think
7 there's any chance that we would have a colorable
8 claim here given the very limited nature of the,
9 you know, the invasive kind of testing that could
10 be done under the circumstances. I don't think
11 there's a cause of action here.

12

PRESIDENT KOCH: And I think --
13 I would add to Jon's comments. Because of our
14 requirements for a vehicle vessel, that's a very
15 limited market and the fact that our budget really
16 only enabled us to look at used vessels. So there
17 are, you know, obviously quite a few more passenger
18 only vessels on the used market and the order of
19 magnitude if you were to contemplate purchasing a
20 new, designing or purchasing a new vessel that
21 could carry vehicles would be well beyond anything
22 that we had imagined.

23

So, and then I think as we
24 ourselves were reporting with the change and the
25 change of purchasing that, the sort of auction

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2 settings are the way that public authorities are
3 disposing of assets, the Washington State Ferry
4 used has used Ebay on a number of occasions. And
5 unfortunately that kind of selling system creates
6 these sets of circumstances where the buyers, any
7 buyer, whether they were a public agency, you have
8 a limited amount of time to do an inspection of the
9 vessel before they're able to put in the vessel.

10 DIRECTOR GILL: I just -- I just
11 think that we should take note of fact that the
12 lawyers have taken a look at this and they've
13 decided that there's no colorable lawsuit.

14 The other question is why was this
15 such -- why was done in such a hurry and in a
16 way -- why didn't -- why didn't bidders say, well,
17 wait a minute, we ought to have a little more to
18 take a closer look at this? Why did everything
19 have to happen within five or six days?

20 MR. MEYERS: Well, we were made
21 aware of the auction. The auction was hosted with,
22 it was either two weeks or three weeks from the
23 date of the posting to the date of the auction.
24 And my understanding at the time was that that was
25 what -- this is the Massachusetts Public Authority

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2 that sold this and my understanding at the time was
3 that that was what Massachusetts Public Authority
4 law proscribed. We were made aware of it -- it was
5 not publicized through Boats and Harbor so we were
6 made aware of it by the Naval architects who were
7 working on our behalf.

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DIRECTOR GILL: That authority is
a smart authority for good reason.

(Laughter.)

MR. MEYERS: They are actually in
very, very deep trouble having nothing to do with
this but --

PRESIDENT KOCH: But in addition
to that, we were doing this as part of an
exhaustive survey of what vessels were available --

MR. MEYERS: Yes.

PRESIDENT KOCH: -- in the
marketplace. It wasn't that we were just
responding to this opportunity, we looked at --

MR. MEYERS: We had spent close
to a year at that point looking at vessels all
around the United States and two that I'm aware of
that I'm aware of outside of the United States. So
we really had done, I think it's fair to say, an

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2 exhaustive search at the used vessel market. And I
3 think to Leslie's point, the new vessel cost here,
4 the vessel that the Vineyard Authority wanted to
5 replace ours, cost them close to \$48 million and
6 the estimates of us building a vessel similar to
7 the one that we have now are in the 30 to \$35
8 million range. They're very expensive items.

9

DIRECTOR CAPOCCIA: Did Turner
10 recommend the subconsultant?

11

MR. MEYERS: Turner, no. I mean
12 the procuring of the -- I guess yes and no. The
13 procuring of the subconsultant ran the way that all
14 of our sub consultant procurements run which is
15 that we work with Turner to develop a bidder list
16 and then jointly pick a recommendation from that
17 list. So Turner recommended that, as did we. It
18 was a joint decision.

19

PRESIDENT KOCH: And it was
20 competitively bid.

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MR. MEYERS: And it was
22 competitively bid, yes.

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CHAIRMAN SCHICK: Do you have
24 any sense at this time how much we paid for that
25 assessment?

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MR. MEYERS: Well, we paid --

well, as I said, we had three assessments done, one separately by a maritime surveyor, one by JMS who is the Naval architect who worked on our behalf, and then one for which we paid only staff time for our own ferry crew. And the collective budget for each of those was -- it's 69, \$75,000.

PRESIDENT KOCH: But that fee, correct me if I'm wrong, also included their assessment of other vessels in the market.

MR. MEYERS: That's correct.

PRESIDENT KOCH: So that it was not limited to this one.

DIRECTOR ELIZABETH BERGER: With all of this in mind, who do we think is going to bid when we put our ferry on Ebay?

DIRECTOR CAPOCCIA: You've got to call Nantucket and every other island in Massachusetts and tip them off that there's a great ferry coming.

(Laughter.)

DIRECTOR GILL: I think you ought to hire that Massachusetts agency.

DIRECTOR ELIZABETH BERGER: The

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2 report I think said that there have already been
3 efforts to sell it and scrap it.

4

MR. MEYERS: Yes. We did put
5 together an IFB and I think the expectation is that
6 it will go for scrap, if it goes, to be honest.
7 And I think it's a very real possibility that it
8 will not. I think we will have better luck with
9 Ebay given that I think when we put out the IFB, we
10 did not put in a reserve price. And I think for
11 some reason -- which was done deliberately. And I
12 think when such an item gets to Ebay without a
13 reserve price, I think somebody can look at the
14 computer and say, all right, you know what, I'll
15 bid a hundred dollars.

16

I mean there is legitimately a
17 substantial amount of steel on that vessel.

18

DIRECTOR ELIZABETH BERGER: Don't
19 include the postage.

20

(Laughter.)

21

MR. MEYERS: Yes, that is a good
22 question.

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MS. LAREMONT: Right, no free
24 shipping.

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MR. MEYERS: And we've identified

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a perfect spot on the side of the boat for putting a stamp so.

PRESIDENT KOCH: Hi, Ronay.

DIRECTOR MENSCHER: This is Ronay. Hi.

Didn't you tell me that if it is ultimately put for scrap, that there are certain parts that we can salvage and we would salvage as opposed to --

MR. MEYERS: Yes. There are actually very numerous elements of the steering and the motor on the boat. The motor is only about six or seven years old, which in the event that it's purchased for scrap, we will salvage for our own purposes which will save us a tremendous amount of time and money in terms of replacement parts for the course and that's correct. And my expectation is it will be scrapped.

DIRECTOR MENSCHER: So it will be scrapped.

MR. MEYERS: Yes.

DIRECTOR MENSCHER: So then I take it that you're not going to sell it to somebody to motor it away for \$5 because obviously stripping it

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2 is worth something to us.

3

MR. MEYERS: We will sell it "as
4 is" so that would be -- we are not going to put any
5 conditions on the sale because our focus really is
6 on maximizing the value of the vessel.

7

DIRECTOR MENSCHER: Right.

8

MR. MEYER: And minimizing the
9 liability.

10

DIRECTOR MENSCHER: But what does
11 that mean, are you putting in a minimum on it?

12

MR. MEYERS: No. At this point
13 given what it cost us in operating expenses, our
14 focus here is just to dispose of the vessel as
15 quickly as we can.

16

CHAIRMAN SCHICK: Jay.

17

DIRECTOR CROSS: What's it cost
18 in operating expense?

19

MR. MEYERS: Between insurance and
20 basic maintenance it runs us on the order of
21 \$20,000 a month.

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DIRECTOR CROSS: And you said in
23 the report that if you're unable to dispose of it,
24 you want the Authority to dispose of it somehow.

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MR. MEYERS: Yes.

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DIRECTOR CROSS: So as a for instance, how would you dispose of it if no one wants to buy it?

MR. MEYERS: We will offer it to a breaker for the cost of transportation.

DIRECTOR CROSS: Have we looked at mothballing it?

MR. MEYERS: It's not mothball. I mean it's essentially mothballed so we could.

DIRECTOR CROSS: For \$20,000.

MR. MEYERS: Yes. I mean we would need to insure it. We could drain it and not have to worry about fueling and we do keep the engine going on occasion and things like that just to keep the vessel maintained. But really in a mothball situation and given the capital need, that wouldn't have to go into it and obviously it wouldn't get better. We have looked and my recommendation is that that's not a prudent course of action.

DIRECTOR CAPOCCIA: Jon, what about -- what about getting a local scrap operation to come and give you a price that they take or at least put that in as a reserve?

MR. MEYERS: You know, that's a

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2 good question. And actually before we put out the
3 IFB, we did that, or I should say we actually had
4 an offer from a local scrap operation. And I've
5 had a follow-up conversation after the IFB closed
6 to ask him why he didn't put in a bid for the
7 number he told me he was going to offer me. And
8 he's in very deep financial trouble so I'm not sure
9 that -- he may be going out of business.

10 So the answer is it's a difficult
11 time to be in this business. And interestingly,
12 steel prices now are finally going down for the
13 first time in a very long time which is unfortunate
14 timing for us but good for everything else that ESD
15 is doing I guess, but.

16 CHAIRMAN SCHICK: I figure
17 certainly for all perspective buyers out there that
18 we've given full disclosure and more --

19 MR. MEYERS: Yes.

20 (Laughter.)

21 Chairman SCHICK: -- about the
22 risks. I think we've done that and so anything else
23 we have to add to scare off potential buyers, let's
24 do that otherwise I'll entertain a motion.

25 DIRECTOR CAPOCCIA: So moved.

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DIRECTOR GILL: I think we ought to get rid of it before something else happens.

DIRECTOR CAPOCCIA: So moved.

CHAIRMAN SCHICK: Second? Any seconds?

DIRECTOR ELIZABETH BERGER: Second.

CHAIRMAN SCHICK: All in favor?

(Chorus of "ayes.")

CHAIRMAN SCHICK: Thank you.

The motion carries.

That concludes the portion of the agenda in which we have voting items.

We have one more item on the agenda which is the President's report from Leslie Koch.

But before we do that, I just wanted to welcome our newest board member, Ann Bittenwieser who has been active in more civic projects in the City and the State than I can remember or we have time to mention.

But we are certainly glad and honored that she has added Governors Island to that list and we look forward to working with her for a long time. So thank you.

1

2

DIRECTOR BUTTENWEISER: Glad to

3

be here.

4

PRESIDENT KOCH: I will not

5

address the budget situation 'cause obviously our

6

Chairman spoke about that, but just update the

7

Board members on sort of the four prongs of our

8

strategy as I've done at previous board meetings.

9

And before that, I'd also like to

10

welcome Ann. For those of you who don't know, in

11

addition to her many civic projects, she has long

12

had a passion for Governors Island and, in fact,

13

will be the author of the first book published

14

about Governors Island I think in many decades that

15

will come out in the spring. So not to be

16

advertising that book, but we've been very grateful

17

and we have actually learned a lot from Ann about

18

the history of the Island.

19

So, you know, our strategy for the

20

reactivation of Governors Island really rests on

21

four prongs.

22

The first prong is the creation of

23

a world-class park. As you know, we've been

24

working with the design team headed by West 8 and

25

including Rogers Marvel. They have been hard at

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2 work on designs. We have gone out and done
3 extensive public input. So our first round of
4 public input was in the fall. We met with local
5 community boards, two in Brooklyn, two in Lower
6 Manhattan. Several of those boards actually passed
7 resolutions in support of the Island and we're very
8 pleased with the extensive outreach that we've
9 done.

10

We also met, thanks to the
11 Governors Island Alliance, with a broad array of
12 groups. And we plan in early March to do that
13 again to actually to begin to be able to show
14 people designs.

15

Our first round of input really
16 focused on collecting all of the input we received
17 during our public access season on what kinds of
18 amenities and features people would like to see in
19 their open space.

20

So without revealing a design
21 'cause I have no images, or more talent in that
22 area. So we're very pleased with the progress and
23 we are definitely on schedule to unveil the master
24 plan in May, as we had previously committed. And
25 we will unveil that and also make it accessible to

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2 our visitors on the Island. The Island would be
3 scheduled to open to the public May 30 of 2009.
4 And it's very important to us that the public have
5 an opportunity with their input to the park design
6 and we will continue to use the Internet as we've
7 done.

8 For those you who haven't logged
9 into our blog or other devices, we will continue to
10 use that for people who can't make it to see the
11 design in person.

12 Our second and incredibly
13 important goal is expanding visitation. As you
14 know, last year, the summer of 2008, we doubled our
15 visitation from the previous year. We like to say
16 that in one weekend we welcomed 8,000 people which
17 was the sum total of our visitors in 2005. So
18 that's quite a step function up.

19 Again, everything contingent on
20 future funding, as we all know, from both the City
21 and the State. Our goal is to have visitation of
22 200,000 people for the summer of 2009. And we are
23 working with a broad array of groups throughout the
24 City, particularly Lower Manhattan, cultural groups
25 and recreational groups who have expressed an

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2 interest in coming to the Island for their programs
3 and expanding opportunities like biking, downtown
4 soccer. And a number of leading, the City's
5 leading cultural organizations are interested in
6 developing programming. So again, everything
7 contingent on our future funding, but we are
8 excited about that.

9

And I should highlight, because
10 there will be some articles I believe later this
11 week, about the quadricentennial.

12

I think members of the Board and
13 certainly Ann is aware of historic connection to
14 the Dutch and several of those programs involve the
15 quadricentennial which will be celebrated by the
16 State of New York, the City of New York and the
17 government of the Netherlands. And there's great
18 interest in the Island playing a signature role in
19 those celebrations.

20

Less glamorous, infrastructure.

21

We always update you on our
22 infrastructure work. We always strike a balance in
23 continuing to spend the capital funds that have
24 been previously appropriated by the State and the
25 City addressing the many infrastructure challenges

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on the Island.

At our last formal update we spoke particularly about the historic stabilization. We're continuing to do work there. We're also working on things like potable water which will be a major development for the Island as we address that; our maritime infrastructure including the expansion of the Battery Maritime Waiting Room, and the opening of the Yankee Pier for the first time -- which will, in support of our visitation program, allow historic vessels to dock there for the first time, but continue to address all of our infrastructure needs.

And we've worked very closely with the Operations Committee. We wanted to salute Ronay and the other members of that committee who have been evaluating in looking at all those issues.

And finally, mixed use development.

I just wanted to report that in terms of the first tenants who have previously been announced for the Island, the Lower Manhattan Cultural Council, which will be running a year-around artist program, is on schedule to open

1

2 later this year. And the Harbor School is in its,
3 I believe, second phase of construction and again
4 scheduled for on opening September 2010.

5

6 And, again, there is no news
7 really to report on either of those projects except
8 that we are continuing to work with those
9 organizations on the work that we need to do as
10 well as the work they need to do, again, presuming
11 that there will be on time opening for both of
12 those projects.

13

14 So it is winter so not as eventful
15 for Governors Island. I little chilly out there
16 right now but quite beautiful. And for those of
17 you who haven't come to visit to see the southern
18 tip of the Island absent the buildings of Liberty
19 Village which we demolished on time earlier in the
20 fall of 2008, it's quite a spectacular spot.

21

22 And we are working, again, using
23 our capital budget previously appropriated to ready
24 that for public visitation. And I think that will
25 be quite exciting. So those of you who are sailors
26 have seen that view quite a lot, but for the rest
27 of us it's quite a unique vantage of the Harbor.

28

29 So very quickly, that's kind of

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what's happening and --

CHAIRMAN SCHICK: Terrific.

DIRECTOR CAPOCCIA: Do we have any request to be included in the economic stimulus package by either the State or the City?

PRESIDENT KOCH: That is a very good question.

We have worked both with ESDC as well as the City of New York to include projects on Governors Island that fit those criteria. As you probably know from the press, the criteria is very much focused on shovel-ready projects so we've only identified a few projects obviously relative to the larger needs in terms of park construction that's not yet at that stage.

But we have submitted identical requests to both the City and the State but we have not yet gotten word on sort of as that list is developed and the City and State are working together on the broader strategy whether we will receive funds.

Jon, I don't know if you want to address anything specific about those projects?

MR. MEYERS: No. It's mostly

1

2 focused on the infrastructure work with are most, I
3 think, shovel-ready and also mostly in line with
4 the rest of the priorities laid out in the stimulus
5 package.

6

DIRECTOR CAPOCCIA: Which of
7 those projects did you have construction documents
8 for?

9

MR. MEYERS: We are prepared to
10 move ahead on work to our sewer system, work to
11 actually all of our non-electrical infrastructure
12 which includes a sewer, the water and our gas
13 infrastructure. And that's the bulk of it. And then
14 there's a smaller amount in terms of communications
15 and electrical infrastructure as well.

16

CHAIRMAN SCHICK: Ann.

17

DIRECTOR BUTTENWEISER: Have you
18 picked a name for the park?

19

PRESIDENT KOCH: Yes. Good
20 question.

21

One of our innovative uses of
22 technology was to use the Governors Island Blog. In
23 fact, I see a number of the public in the room who
24 submitted some requests, some suggestions.

25

We have this new 8.5-acre area

1

2 that I just alluded to that we struggled to come up
3 with a name. We thought about south Beach, but
4 there's no sand. That was --

5

6

DIRECTOR GILL: Besides which it's
taken.

7

PRESIDENT KOCH: Exactly. Well,
8 not here it's not taken. And the members of the
9 public have come up with some other sometimes more
10 provocative suggestions, but we have not yet come
11 up with a name for that temporary park, but it's
12 not the future park but we're still working on
13 that.

14

15

So board members, we encourage you
to go on line and submit your own ideas.

16

17

DIRECTOR GILL: What's the status
of the Maritime school?

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25

PRESIDENT KOCH: The Maritime
School, the Harbor School is on track and
increasingly, the students from that school have
been coming to the Island, believe it in this very
blustery day. In fact, on Inaugural Day they were
not watching the inauguration on TV but they were
on Governors Island. It was quite brisk working,
so we're encouraging them to do as many programs as

1

2 they can prior to their tenancy in 2010. And again,
3 if any board members -- Ronay took a hard hat tour
4 on a warmer day, as I recall it was the summer but,
5 we could certainly arrange that with the School
6 Construction Authority if you'd like to see
7 progress in that building.

8 DIRECTOR CAPOCCIA: Has anybody
9 looked at the idea of putting together naming
10 opportunities on the Island when you speak about
11 naming the park?

12 PRESIDENT KOCH: We have not
13 looked at naming opportunities. My sense is that
14 in terms of naming opportunities in the park, once
15 we have a master plan and there's some sense, and
16 this could be some time away, of public investment
17 in the park, that clearly as we look at other
18 projects both in New York and elsewhere, there have
19 been a number of really wonderful public-private
20 partnerships that have existed to support new
21 ambitious parks. So we'd be looking at that.

22 But I think at this point it's
23 probably premature. But we will doing as much work
24 as possible to in involve people and sort of
25 experiencing what the park master plan is and not

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just visitors to the Island. So we hope to get a lot of interest there.

DIRECTOR GILL: Do you know of any plans to celebrate the 400th anniversary of the discovery of the Hudson River?

PRESIDENT KOCH: Yes. The quadricentennial, there are a number of plans. I can't speak for the State and the City and the Dutch government, although I have been part of that. But I believe that there is, a short time away, that they will be actually be talking about that publicly.

But we have worked very closely with the Governor's Office, the Mayor's Office as well as the Consul General of the Netherlands and all of their plans and we are very pleased to report that there will be, knock on wood, based on a number of factors, a very ambitious and engaging project on Governors Island. But there is quite a bit of work going on. Again, the State of New York and I think the First Lady is the Honorary Chair of that commission as well as the Mayor's Office and the Netherlands.

MS. LAGO: Just note, through

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2 ESDC's "I Love New York" oversight, we've been
3 actively involved in, and as Leslie mentioned, the
4 First Lady is sponsoring the initiative because it
5 is actually the entire Hudson.

6 PRESIDENT KOCH: Up to the
7 Champlain.

8 CHAIRMAN SCHICK: I think we've
9 been joined here today by our -- one of our main
10 partner groups, the Governors Island Alliance,
11 which advocates for all things on the Island and
12 that people should visit and for our government to
13 pay and others.

14 And I'd like to acknowledge her
15 presence here today. And if anybody from the
16 Alliance has something to say, we'd like to hear
17 it.

18 MR. FISHER: Thank you, Avi, Mr.
19 Chairman.

20 I'm Ken Fisher. And I think I know
21 most of the people around the table in the various
22 capacities over the years and some of you know I
23 chaired the Governors Island alliance now for five
24 or six years.

25 This is the first time that I've

1

2 come to one of your board meetings. And the reason
3 I came myself today was that, while Avi and Leslie
4 are unflappable and therefore their budget report
5 was rather calm, I'm at the moment flapped, and I
6 consider myself somewhat of an expert on the
7 process. And this is one of these critical moments
8 where I'm actually quite worried.

9 We had been advocating, through
10 the Governor's Office and Speaker Silver, for a
11 separate budget line for GIPEC. It was not included
12 in the Governor's proposed budget. And as Ms. Lago
13 told you, this year the organization was basically
14 funded out of surplus funds that have accumulated
15 over a period of time.

16 As I understand it, and I may be
17 wrong, and I hope I'm wrong, unless something
18 happens, someone affirmatively takes some steps,
19 you're out of money at the end of your fiscal year.
20 And because this is a City/State match, last year
21 we were a little disappointed because the City was
22 willing to be more generous and at least there was
23 funding provided by the State. But operations will
24 come to a grinding halt.

25 Now, you know you've all been

1
2 through this before and it's the kind of thing that
3 you say we can muddle through, it will get figured
4 out. And I certainly hope that's the case. But
5 having lived through the fiscal crisis in the City
6 in the early 1990s having seen projects that I had
7 funded disappear after September 11th because there
8 was nobody to carry the ball, I'm here to say to
9 you that the Alliance and some of our board member
10 are here. We're out there beating drums on this.

11 But I'm here to say to you as
12 board members that this has been a time where I
13 think you all need to become proactive on this in
14 ways that your executive staff isn't in a position
15 to do which we're not in a position to do either.

16 When you signed onto be members of
17 this board, it wasn't just to guide the development
18 of the Island, which we think is going in a
19 smashing direction, but also to make sure that they
20 have the resources that they need. This is not
21 something we can put off. I think it's a critical
22 moment for the Island.

23 CHAIRMAN SCHICK: Thank you,
24 Ken.

25 DIRECTOR ELIZABETH BERGER: Leslie,

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2 can you talk a little bit to that match. Is that a
3 statutory match? It is a condition of the MOU or is
4 it a self-imposed one?

5 PRESIDENT KOCH: The match
6 between the City and the State is. The MOU, the
7 MOU actually has formally expired but the City and
8 State had operated under the terms of the MOU. Some
9 of you were discussing earlier the previous, the
10 use of rollover funds to fund the current year's
11 funding. That is both the City and State rollover
12 funds. So all of our operating dollars, as they are
13 spent, are spent as 50/50 between the City and the
14 State.

15 DIRECTOR ELIZABETH BERGER: But I
16 guess what I'm saying is, must that match be
17 respected? Is the City precluded, for example, is
18 the state precluded from funding more than 50
19 percent in any one year?

20 PRESIDENT KOCH: Not to the best
21 of my knowledge. Paul, you might be able to speak
22 to that or Anita. I don't believe so.

23 MR. KELLY: No. The original MOU
24 which was signed after Island acquisition provided
25 for only three years of operational funding, but it

1

2 did have the general statement that it was the
3 intention that GIPEC's operations would be funded
4 equally by the State and City but there was no
5 prohibition that at any given time either the State
6 or City could give more money than the other side
7 if it chose to do so.

8

DIRECTOR GILL: Has any effort
9 been made get the MOU resigned by the State and the
10 City?

11

MR. KELLY: There have been some
12 discussions. But as we've stated, the MOU in
13 practice has remained in effect because the State
14 and City have continued to match each year even
15 though it expired. So in effect, from GIPEC's point
16 of view there's been a continued match since the
17 inception of the --

18

CHAIRMAN SCHICK: I think it's
19 fair to say tens of millions of dollars have been
20 appropriated and spent since it's formally expired.
21 And what's governed those allocations and
22 expenditures have been the MOU. It's a good idea
23 presumably to still get the exemption ratified but
24 everybody has been operating on both sides with the
25 understanding that it's a match and a true

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2 partnership.

3

DIRECTOR GILL: Good idea to get
4 it ratified. I mean things change, people come and
5 go. Governors leave, Mayors leave, and it's a good
6 idea to have a document that it's obligatory and I
7 think you ought to be able to come up with such an
8 idea.

9

MS. BREEN: Can I ask how you
10 think this is going to be resolved and exactly what
11 you're doing to be somewhat optimistic.

12

CHAIRMAN SCHICK: It's obviously
13 going to be resolved through the budget process. I
14 think, you know, that the Speaker, who has not yet
15 had his sort of whack at this budget, cares about
16 Governors Island. It's his district.

17

I think that there may either have
18 been some, I don't want to say confusion is the
19 right word, but I'm not sure there was a full
20 understanding of the sources of funds that was used
21 last year that Marisa mentioned earlier. And I
22 think that clarification has been useful.

23

And so certainly, you now, Ken is
24 right to sound a note of caution because the
25 reality is, as I said, there's an Executive Budget

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2 out there that doesn't include the funding. We're
3 now at the end of January and the fiscal year is
4 two months way. So there's reasons for caution. I
5 think the conversations that we had indicated a
6 desire on the part of the Governor's office to see
7 that Governors Island continues to have what it
8 takes to operate. And so that's the close optimism
9 and the expression of that goal by members of the
10 Governor's office over the last week or ten days.

11 But certainly until you know, it's
12 appropriated in a budget that's approved by the
13 Legislature, until that happens, everybody has to
14 stay on top of it.

15 MS. BREEN: But are you hoping for
16 money from both the Governor's office and the
17 Speaker?

18 CHAIRMAN SCHICK: Oh, no.
19 Right now there's a proposed budget. There will be
20 a fair number of changes to that budget before it
21 gets enacted by the Legislature. And what we're
22 hoping for, and what we're talking about is in that
23 process of negotiation where things were taken out
24 get added back in and things that were overlooked
25 you know, taken care of, that Governors Island be

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2 included. So as I said, that's the reason we're
3 hopeful given what we've heard, but we have to make
4 sure it gets done and there's nothing automatic
5 about any of this and in any year and certainly
6 this year.

7

Anybody else?

8

(No response.)

9

CHAIRMAN SCHICK: If not, that
10 concludes our completed agenda for the meeting
11 today.

12

I want to thank everybody for
13 coming and for the full discussion and for the
14 public to do this again in about two months when we
15 have to adopt a budget for the coming fiscal year.

16

So thank you.

17

Oh, motion to adjourn.

18

DIRECTOR CROSS: So moved.

19

CHAIRMAN SCHICK: All in favor?

20

(Chorus of "ayes.")

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(At 4:49 p.m. the proceedings were
22 concluded.)

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C E R T I F I C A T I O N .

STATE OF NEW YORK)

SS.

COUNTY OF NEW YORK)

I, MARC RUSSO, a Shorthand
(Stenotype) Reporter and Notary
Public within and for the State of
New York, do hereby certify that the
foregoing pages 1 through 49 taken
at the time and place aforesaid, is
a true and correct transcription of
my shorthand notes.

IN WITNESS WHEREOF, I have
hereunto set my name this 9th day
of February, 2009.

Marc Russo

MARC RUSSO

* * *

