

THE TRUST FOR GOVERNORS ISLAND

MINUTES of the MEETING
of the AUDIT COMMITTEE
of
THE GOVERNORS ISLAND CORPORATION d/b/a
THE TRUST FOR GOVERNORS ISLAND

A meeting of the Audit Committee of the Governors Island Corporation d/b/a The Trust for Governors Island (“The Trust”) was held on Tuesday, June 2, 2015, at the offices of the Department of City Planning, 22 Reade Street, New York, NY.

The following members of the Audit Committee of The Trust were present:

Carl Weisbrod, Chair
Cheryl Efron (by phone)
Catherine Hughes
Elizabeth Richman
Ronay Menschel, ex-officio

The following members of The Trust and Marks Paneth LLP were present:

Leslie Koch, President, The Trust
Jonathan Meyers, COO, The Trust
Willa Padgett, CFO, The Trust
Irena Sobko, Controller, The Trust

Warren Ruppel, CPA, MPS
Daniel McElwee, CPA, MPS

Pre-Audit Presentation

Warren Ruppel and Dan McElwee of the accounting firm Marks Paneth attended the meeting to conduct the annual Pre-Audit Presentation for FY2015. Mr. Ruppel began by stating the meeting’s purpose – to establish a connection with members of the audit committee and to give them an opportunity to ask questions regarding the upcoming audit.

Mr. Ruppel discussed some of the items presented in the written pre-audit report. In particular he mentioned a change to GASB Statement #72 “Fare Value Measurement and Application,” which the NYC Comptroller will implement earlier than the post-June 30, 2015,

effective date. In response to Mr. Weisbrod's question about its effect, Mr. Ruppel stated that it will probably not have a significant impact on The Trust.

Mr. Weisbrod also asked about investments held by the Trust, to which Ms. Padgett responded that The Trust has several bank accounts and one investment account (which was opened when we sold stock donated to the Trust). The Trust maintains that account in case there is a need for it in the future. Mr. Weisbrod asked if capital grants came to a regular bank account, to which the answer is "yes." Ms. Effron stated that our investments are equivalent to cash and that we might revise our investment guidelines to refer to this GASB statement.

Mr. Ruppel next discussed the capitalization of project assets. He plans to tour the island, with a focus on public spaces, to determine what additional projects should be transferred from the construction in progress to the fixed asset schedule, and what projects should begin to depreciate.

In addition, Mr. Ruppel mentioned that they will review uncollectable receivables but also stated this is not usually an issue for the Trust. The auditors will also review OPEB (Other Post-Employment Benefits), pensions and benefits.

Mr. Ruppel told the committee members that as part of the audit they will note any adjustments to the financial statements, both recorded and un-recorded (if not material). Mr. Ruppel then asked the committee members if they were aware of any fraud. The answer was "no" from all members. He also asked if any member had a specific area of concern for Marks Paneth to review. Again, the answer was "no" from all members.

Mr. Ruppel proceeded to discuss changes to the Form 990 and to federal A133 audit requirements. Finally, in regards to the engagement letter signed by Ms. Padgett, Mr. Ruppel answered yes, the FY2015 audit was being performed through an extension to the original contract.

Receiving no further questions, Mr. Ruppel and Mr. McElwee left the meeting.

Auditor RFP

Mr. Weisbrod asked when the new Request for Proposals (RFP) will be released to select a new audit firm and asked if we will issue it jointly with Brooklyn Bridge Park (BBP), as was done previously. Ms. Koch replied that the last time the auditor RFP was issued, The Trust didn't have a CFO and BBP didn't have a general counsel so it made sense for both organizations to work together. This time, we plan to issue an RFP independent of BBP.

Capital Budget Review

Mr. Meyers presented an update on The Trust's capital budget. He mentioned that a budget of \$6 million for the purchase of a new passenger ferry was approved by OMB on May 28, 2015. The Trust will coordinate with NYC DOT for design and procurement services.

Ms. Hughes recommended Goldman Sachs's ferry, stating that it is quiet, state of the art, with no smell of pollution. Ms. Koch replied that it is a more expensive vessel than others, but that we will investigate the cost and will not finalize the purchase before a thorough review. Ms. Effron asked if it would be possible to offer naming rights for the boat as an offset to the purchase price. Ms. Koch said that it will be one of the options available to vendors.

Ms. Hughes mentioned that the developer of the hotel project at the Battery Maritime Building might be concerned with noise and pollution once a new ferry starts running. Ms. Koch said we will take that into consideration. She pointed out that the next step is to talk to EDC and also to advocate for an increase service from Brooklyn.

Mr. Weisbrod stated that the City's ferry service infrastructure could enhance Governors Island's ferry infrastructure and that there was interest in this from elected officials. Ms. Koch said the goal is to look at it as a citywide ferry network service and determine if there might be a rational way to combine services and include a stop at Governors Island.

Mr. Meyers continued with the capital budget presentation. He mentioned that some additional work will be done under the existing building stabilization project, to be funded with FEMA funds. Mr. Weisbrod asked when we expect to receive FEMA funds. Mr. Meyers said we are optimistic they will be received in FY16.

Ms. Menschel stated that the city will advance funds to The Trust and the City will then be reimbursed with grant funds. Mr. Weisbrod stated that it has been three years since Hurricane Sandy and asked "where is the money?" Ms. Koch stated that the FEMA process is long and complicated. Mr. Weisbrod mentioned that New York City is rare in its capacity to advance funds for capital projects in advance of FEMA funding.

Operating Budget Review

Ms. Koch provided an overview of the operating budget and showed that over time public funds have significantly decreased while annual visitor-ship has increased. She stated that in FY11 when the transition to City control occurred, the City set The Trust's annual expense budget. She stated that since then, operations have become far more complex. While some additional funding was provided by the City starting in FY2014, The Trust was also instructed to continue to use State capital funds for capital maintenance and repairs, as well as stand-alone capital projects. All State funds allocated to Governors Island at the time of the transfer stayed with the island, but no additional funds have been allocated since. As a result, the State account has been depleted and now increased appropriations from the City are required to replace that funding source. The Trust is beginning this discussion with OMB.

It was also discussed that we cannot spend the State account down to zero because it provides a resource in emergency situations. It can also be used for work that isn't City capital-eligible, such as feasibility studies and assessments. Ms. Koch also mentioned that the expenditure of State funds was planned (i.e., it was not covering cost overruns) and all work had been approved.

Ms. Padgett continued with expense budget presentation, reviewing actual expenditures in FY2015 and the projected budget for FY2016. The cost of park operations was discussed – we expect to be at “steady state” by year three. Ms. Menschel added that there will be additional needs when the Hills are complete, starting in FY2018.

Mr. Weisbrod asked how Governors Island’s costs measure up against other similar parks in the city, such as the High Line, Brooklyn Bridge Park, Hudson River Park, Battery Park City and the Battery Conservancy. Ms. Koch stated that costs are well below average on a per acre basis, that the park was designed to keep maintenance costs low.

Mr. Weisbrod described The Trust as a creature of the Bloomberg Administration; Ms. Menschel mentioned the need to change that perception so that Governors Island is seen as an integral part of the City park system.

In terms of covering additional expenses, Ms. Effron mentioned that we might set a fundraising goal for private donations for operations, with which Ms. Koch agreed.

With no further questions, the meeting was adjourned.