

DENNIS MEHIEL
CHAIRMAN & CEO



HUGH L. CAREY
BATTERY PARK
CITY AUTHORITY

March 5, 2014

Hon. Thomas P. DiNapoli
New York State Comptroller
State of New York
Office of the State Comptroller
110 State Street, 11th Floor
Albany, New York 12236

Dear Mr. DiNapoli,

On behalf of the Battery Park City Authority (the "Authority"), I would like to extend my thanks to your Office for its dedication to aiding government agencies and authorities throughout the State of New York. I am pleased to address your recommendations to the Authority identified in Audit Report #2012-S-158, "Selected Aspects of Discretionary Spending" (the "Report"), covering fiscal years ended October 31, 2010 and 2011.

Since my arrival in June 2012, the Authority has significantly reduced its discretionary spending at my direction. Ten contributions were made in the fiscal year ended October 31, 2013, which represents an approximate 80% reduction from the fifty-four contributions made in fiscal year 2010, as cited in the Report's Exhibit, "Schedule of Community Relations Contributions". The Authority's total operating budgets for the recent fiscal years ended October 31, 2012 and 2013 have been the lowest operating budgets in the last decade, notwithstanding significant increases in non-discretionary spending, such as pension, post retirement medical costs, utilities, and insurance. The Authority's decreasing operating budgets, low cost of capital and increasing revenues all contribute to its "AAA" credit rating, which was recently reaffirmed in October 2013.

After the close of this particular audit period, the Authority has adopted written policies and procedures consistent with the Authorities Budget Office guidelines issued in November 2012. These newly implemented practices have allowed the Authority to proactively identify and address concerns raised in the Report.

The key recommendations in the Report are outlined and addressed below:

"Establish written policies and procedures for discretionary spending including definitions of such costs and necessary justifications, formal approvals and supporting documentation."

Response: Written protocols for discretionary spending are currently in place, which ensure legitimate checks and balances exist as proposed funding requests are evaluated. The Authority

utilizes a zero based budgeting approach that requires expenditures be justified as necessary with proper supporting documentation and approval by the President and COO (the "President"). A proposed request for a budgeted expense will not be considered without a full explanation of its necessity to the Authority's corporate mission and operations along with a justification of its cost. All detailed budget line items are presented to the Members of the Board (the "Board") for approval, together with a "budget to actual" variance analysis of the prior fiscal period. Changes to budgeted line items year over year are also incorporated into this presentation to the Board.

"Develop budgeting and recordkeeping practices that permit management and the Board to identify, plan and monitor discretionary spending."

Response: Internal controls are in place to ensure appropriate expenditures do not exceed the Board's established budget thresholds and that all payments are approved by management within authorization limits designated by the Board. Department heads are required to certify their department budgets and the "budget to actual" variance reports are reviewed quarterly with the President.

"Establish a formal framework to govern contributions to outside entities and discontinue such spending unless it can be clearly established how such spending aligns with the Authority's mission, purpose, duties and authority."

Response: The Authority's management and its Board are currently in the process of modifying the Authority's Discretionary Spending Policy and creating a formal framework to govern all contributions to outside entities, including evaluation criteria. Once the spending policy is modified and approved by the Board, any contributions to outside entities will be submitted to the Board in a detailed budget line item format listing the proposed contributions along with the annual budget for approval, preceded by management's thorough reviews as mentioned above.

The Authority remains committed to being an institution that is both transparent and accountable for its actions. As always, we value your guidance and will continue to be at your disposal if further follow up is desired.

Sincerely,



Dennis Mehiel