

Interview with Steve Shane
President, Roosevelt Island Operating Corporation
February 19, 2008

Regarding RIRA's election to nominate community representatives to the RIOC Board of Directors
and miscellaneous incidental topics
Interviewed by Dick Lutz, Managing Editor, *The Main Street WIRE*

Plans to Upgrade the Tramway

Q:

What's going on with Tramway planning?

Shane:

We're working away like crazy. Parametric is working away like crazy, and they have hired, or are hiring, or are being encouraged to hire, they're going to hire Thornton-Tomasetti, and we hope to get the RFP out the door... We've hired a law firm to work on the RFP. We're going to slap the performance spec as developed by Parametric onto a standard RFP bid kind of contract, but it's an unusual contract in that it will be a performance contract and spec, so you are to propose your system to meet our performance spec, which effectively means it has to fit into the spaces that we have available both in terms of the terminals and the corridors we have over the river, and across the towers because we are grandfathered into existing rights of way... What is the relative sine qua non of the design is that there will be no change, structurally, to the towers. You can't go in and put in more tower into the bedrock into which caissons were drilled long ago. The loads for whatever anybody does have to be consistent with our ability to transport, and that's... and it also has to be consistent with our available space – much more importantly, on the Manhattan side than on the RIOC side, because over here we can do changes to the building, while on the other side we can't do anything. We're stuck with what we have. So that's really our constraint and we're working within that and it's an interesting engineering exercise to shoe-horn, into a 30-odd-year-old enterprise, a modern system. And that's what we're going to do.

Q:

What's going to happen with the Tramway employees while this whole thing is going on?

Shane:

Well, we've talked to them about taking on temporary work here, non-Tram-related, if in fact the union would permit it, which is always an issue. They know it's coming.

Q:

But you could hire them outside the confines of the Tram contract, couldn't you?

Shane:

We can hire them outside of the confines of the Tram contract, but not necessarily outside the confines of the other union contracts. We have other union contracts. We have contracts with the PSOB, Public Safety people... We have the Teamsters, and we have the 32-BJ people, so

those are all separate unions that are here, so that would always be a problem, so we'd have to talk to them about that.

Q:

If they joined the other union?

Shane:

Well, that creates a problem then for those already in the union. We don't want them to become permanent employees. I mean, it's a whole complicated union thing. In any event, we're considering it, and we'll do what we can...

The Election

Q:

You really set something in motion – with the election.

Shane:

Yes. And it's playing out. And where it's ultimately going to land is far from clear. But it's in motion, clearly, and I haven't heard – and I asked David Bauer last Friday, what have they done with the City, in terms of the Mayor's office, because there are two, by statute, as you know the Mayor has the right to propose two members of the Board, and he said, other than the letter Jessica [Lappin, City Council Member] wrote last July to the Mayor's appointments secretary, nothing. She hasn't heard back, and nobody knows. So how that's going to play, I don't know. I know that the Governor's office has raised the question, what has happened to the Mayor's prerogative, in the context of what's going to happen to the Governor's prerogative here. So...

Q:

It remains the Governor's prerogative to deal with the Mayor's suggestions.

Shane:

Well, that's not quite clear. As I read the statute, if the Mayor proposes, the Governor's supposed to dispose. I suppose the Governor could absolutely refuse for good cause, but if the Mayor proposes two people, as he's entitled to under the statute, they become the Governor's nominees for confirmation by the Senate.

Q:

You were at the candidate appearances. You comfortable with the candidates?

Shane:

Sure I'm comfortable with the candidates. I don't think that the candidates, as a whole, have any appreciation for the breadth and depth of the chore that lies ahead of them. As I have said to a lot of people recently as I've been out interviewing for and filling the jobs of Chief Financial Officer and Comptroller and that sort of thing, RIOC is a corporation with about a \$20 million a year operating budget, with a zillion moving parts. I mean, we're not an ordinary \$20 million corporation that is making widget A and gadget B and that's our whole line of business. We run

a bus service, we run a Tram. We mow the grass, we sweep the streets. We collect the garbage, we run a recreation department. We do all kinds of things... we rent out storefront spaces... I mean, we're in the real-estate business to that extent. We have an operating bunch of stores that we do collect rent from. We have vacant spaces – not a lot – but we have a few. We don't have enough to attract anybody's real attention, and, I mean, one of the things that nobody wants to remember is that when they had the genius idea of bringing in a developer who would take all this space and relieve us of this burden, the developers said, "What, are you kidding me? 35,000 square feet? I should bother with that?" I mean, it's so far beneath anybody's notice and we can't... it's not for the economics of it, but for the service end of it. It's one of the services we're trying to provide to the community.

Q:

But getting someone to take that over would get you out from under the legal...

Shane:

Yes, but to get somebody to take it over means we would have to go through the Public Authorities thing to give it to them. We'd have to get to them, and you'd have to go through the process to get to them.

Q:

Let's go back to the election. You were comfortable with all the candidates. Given the fact that there are so many moving parts, that it is such a big-scope operation, do you think the Board meets enough? You have, what, eight meetings this year?

Shane:

Well, it depends upon how you view the function of the Board.

Q:

Tell me how you view the function of the Board.

Shane:

I view the function of the Board as with most corporate boards as being not the hands-on manager of the day-to-day operations of the corporation, because they haven't got the time [and] they haven't got the expertise. What they have is an oversight responsibility so that when the paid employees of the corporation, the professional staff, do their stuff, and they report to them, that is pretty much the answer unless they see something philosophical going awry, or terribly going awry, or they have some specific question about something, or they have some particular mission that they want to see fulfilled, where they can direct the professionals to do it, and that's the function of the Board. The Board is not here to run the buses. The Board is not here to run the Tram. The Board is not here to collect the garbage or mow the grass. Nor to negotiate the union contracts, nor to do any other of the myriad other things. I run the real-estate negotiations by the real-estate advisory committee, just to get their input. I let the Ops committee know what's happening with the Tram. I don't need them to give me their input on a specific design. I will let them know how it's coming and make them aware, but they're not part of the design team. When it comes to the budget – I mean, we have an annual budget – and, of course, the

budget is a thing that is of overwhelming concern to the public, but the reality is [that] it shouldn't be because they're not paying the budget. There's nobody on this Island whose taxes are going directly into this budget, notwithstanding the whole issue about "taxation without representation," that's nonsense, because the income taxes that the Island residents pay go to the State of New York, and the State of New York doesn't send any money back to RIOC anymore, so New York City residents pay New York City income tax, and they have representation on the City Council, and that's their representation like any other citizen of the State of New York. They don't pay any real-estate taxes as such, and so that whole argument leaves something to be desired.

Q:

You do realize that under the Republican administration, the Democratic representatives were largely ignored – in fact, snubbed.

Shane:

That happens in any minority. You know? How do you think the Democratic minority in the Congress felt in this last administration? And they even feel that way at this moment even though they have a theoretical majority. The President doesn't give a damn. So the rights of the very thin majority or minority are only protected by our constitutional view of protection of the rights of the minority.

Q:

Back to the local election. How do you see it playing out? What are the steps so far as you understand them, that this is now going to take in order to come to whatever fruition...

Shane:

As far as I understand, what is going to happen next – my visualization of what is what is going to happen next – is [that] each of the candidates who received the support of the community – call it plebiscite, call it election, call it what you want – the six of them are supposed to go down and meet with Commissioner VanAmerongen. She wants to know them before she is called upon by the Governor to represent that these are people he ought to nominate. And she will be asked for a reference. And I would expect that that's a reasonable thing to do. And they will then be asked, with her reference, to submit their application forms to the Governor's Appointments Secretary, along with the forms that authorize looking at the State Police to look into their background, and to have their financial disclosures at the same time. I mean, it's an extensive, intensive review. When it's satisfactorily completed, assuming the Governor is satisfied, based on the recommendation of the Commissioner, and based upon the fact that these are community-based people, I would expect the Governor to say "OK." I would say that, and this is a difficult line and I'm not positing how everybody in the community ought to act, but the campaign has been pretty obvious, having been mounted by the advocates for this particular process – newspaper articles, getting all the political leaders to address the Governor's office – may at some point get to be counterproductive because, you know, you push the Governor around, sometimes the Governor begins to push back a little bit. He has a delicate prerogative which, statutorily, and the biggest concern is not Roosevelt Island – I mean, Roosevelt Island is a very tiny flyspeck in the entire panoply of agencies – but that it becomes precedential, and he's

got a lot of other fish to fry with respect to agencies, and once this happens here, what does it mean to the rest of his prerogatives vis-a-vis the public boards of a lot of agencies.

Q:

Talk about that for a minute, about the precedent. I don't... if any of us – maybe you would even say that you do not understand that fully, but I think it would be interesting to talk about the precedents. For example, there must be some State outfit that's responsible for Battery Park City...

Shane:

Absolutely – the Battery Park City Authority.

Q:

If we indirectly elect and nominate here and those folks are then accepted by the Governor and nominated...

Shane:

The Battery Park City folks will be right behind us at the door to the Governor's office. And right after that would come the Adirondack Preservation Corporation, or whatever, and all the people who live in the Adirondacks will want the right to elect their own representative. I'm hypothesizing. All the people who live on the banks of the Erie Canal will want to elect the Board of the Erie Canal Authority. You can imagine. And the people who serve on the Long Island Power Authority. How about all the people on Long Island who are served by the former LILCO? Etcetera, etcetera, etcetera.

Q:

Although, since it is the Governor's right to appoint, if he accepts recommendations from a community election, that's doesn't necessarily require him to...

Shane:

Now you're arguing the question. To what extent it would have precedential value, it would vitiate his prerogative. Would that in some way, in some equal-protection argument, be precedential.

Q:

So you're talking about the possibility of this becoming some sort of legal case – equal protection under the law.

Shane:

For the special corporations that were created to serve their district. And whether you're talking about a water district... I mean, there are a zillion water districts out on Long Island...

Q:

So, as a lawyer, how do you see that playing out?

Shane:

Don't know. I would hesitate to opine on the subject.

Q:

Any other thoughts on the election?

Shane:

I think that perhaps inevitably in the process what happened was what I was afraid was going to happen in that none of the people with real experience, in depth experience, the people who serve on the present Board, would run. And I've seen the same phenomenon before in other situations, where you had people with great experience willing to volunteer their time and enjoyed volunteering their time and the burden that went with it, but when it came to a contested election, wanted no part of it. And as a result, the body lost the expertise of those people. So what you now have, you have six freshmen who don't know anything about what they're about to do. And that's a problem. Now, it may be that an answer, and it certainly wasn't included in construct of the present election, would be to have some slower ascendancy to the Board, and maybe the Governor or somebody would come back and say, "Well, maybe we ought to stagger the appointments. Maybe we'll appoint them two at a time per year and let them get their feet wet, and let them be absorbed into the present Board over time." That's certainly a rational thought – whether it would be *the* thought, I have no idea.

Q:

You said "the thought-thought?"

Shane:

It would be *a* thought. I mean *The Thought* comes with capital letters and it's what the Governor *thinks*. So that's one worrisome aspect. Another worrisome aspect about the election is [that] nobody from The Octagon – I mean, one person stood from The Octagon, a highly qualified person, I might add – almost no recognition at all in the actual election, so it became a beauty contest, and a popularity contest, not in the qualifications context, but in how long he'd lived on the Island and how many PTA groups he's been in.

Q:

So you face the possibility of a fairly inexperienced Board... Some presidents of some corporations would see that as a terrific advantage. [As President] you get to steer the ship with naive people saying, "Go ahead."

Shane:

Well, I would never take advantage of the Board under any circumstances. I think that I steer the ship anyhow, even with the present depth of experience, and I certainly acknowledge their experience and involvement, but as a result of their experience and involvement, they recognize what I bring to the table, and what professional staff brings to the table, with a few exceptions, questions that are asked and we attempt to answer, but I don't need the expertise of anyone on the Board when it comes to selecting a financial advisor to invest the funds of the corporation. I mean, they get a report. That's an arcane kind of thing. I have one person – I have David Kraut

– who is presently Chair of the Audit Committee, who is into the entire issue of internal audit, which is all about corporate best practices and that sort of stuff. Those questions, in the governance of the corporation... Our Governance Committee doesn't deal with internal governance and how we run the corporation... it deals with external community questions... those kind of things. The Ops committee – it tries to dip its toe into the real operating stuff and, to the extent that there's an outcry or suggestions, OK. I mean, like the Red Bus, but now the issues with the Red Bus have been addressed, as far as I can tell. The community outcry has certainly gone down. I look out my window and I don't see people waiting in line, so I guess we've done a reasonably good job in responding to that, but that's our job. When these new people come on the Board, to the extent that they are called upon to give their input and their view, even as an oversight matter, there's a lot of stuff that they really need to come up to speed on: Just understanding the Tram and its machinery, and its operation, understanding AVAC, understanding the contractual relationships that we already have with Eastwood, with Southtown, the state of the various discussions about the privatization for the remaining three WIRE [Westview, Island House, Rivercross, Eastwood] buildings [Westview, Island House, and Rivercross remain], all of which is very much in the float, understanding what the State Commission on Ethics requires, understanding what the Public Officers Law requires with regard to the disposition of real estate, or of a garbage truck, or anything. What all of that process is, which if you've been on the Board for a dozen years, you have sort of internalize all that stuff. There's a lot of getting up to speed which... I mean, when I took this office last April, I was presented with a pile of materials that was literally a foot and half – even though I'd been here in the early 1990s so I had general familiarity with it – but a foot and a half high of agreements and existing documentation and plans and stuff, which I have tried to swallow over the course of the last ten months. And for a volunteer member of the Board, some Board committees are more active than others and require more time, and some may be ten hours a month and others may be 20 hours a month, but 20 hours is a lot of time...

Q:

Is there some education process...

Shane:

Yes, there are corporation requirements with respect to what does it require to be a director of the corporation, an ethics training seminar. Everybody who becomes a member of the Board will have to take the oath as an officer of the State of New York, and act in their fiduciary capacity and not just in their individual self-interest capacity. So somebody – let's take it as a for-instance – who is a resident of one the buildings that wants to privatize may well have to decide whether the GDP is more important to them than putting money in their own pocket and, you know, therein lies some of the conflict.

Q:

That's an interesting problem – the potential conflict for somebody on the Board and voting, or not, when the Board makes a decision about that – that's a really interesting pickle.

Shane:

It is. And you've got to come to some conclusion in your own mind about that conflict. I don't

think you've got a legal conflict of interest in the sense that you'd have to recuse yourself every time a vote came up...

Q:

Because you're making a decision that affects all your neighbors...

Shane:

And you are presumed, unless you find that you cannot, to rise above your personal self-interest.

Q:

If you were to make a pie-chart, what percentage of the Board's activity or function do you see as advisory vs. what you see as policy-setting, vs. what portion is hands-on? I know that last one you see as relatively small.

Shane:

It's relatively small until a problem jumps up. And then it becomes much bigger. If there's something that ripens into a boil, you've got to pay attention to it, and if the boil is out in the community that's one of the things that directors are there for is to bring some of that feedback from the community. In addition to articles and letters in *The WIRE* or on the blogs, or in my e-mail or my telephone, or walk-ins, because I get lots of those also, if we are doing something obdurately which goes against the flow of the community, well, it can be brought to the point of deciding. A for-instance is the recreational fields. We have a problem; we have a problem with limited space, with a finite number of residents on the Island, and we have a problem with our budget, so that the leasing of the space on the Island – the permitting of that space – is a significant piece of income. We try to give preference to Island groups – both in terms of time and in terms of fees. That having been said, we're not prepared, as a corporate institution, to do away with off-Island income just so that when Johnny wants to go outside and play kick-ball with his friend down the hall, the field is always there for him. Now that's an idyllic kind of thing, but this is metropolitan New York. Roosevelt Island is part of Metropolitan New York, and part of what I feel is going on out here is the change from what this place was in the 70s and 80s, where it was [an] undeveloped and underserved community, into becoming part of cosmopolitan New York, with the build-out of the plan, with the inevitable strain on the facilities that people took for granted. You can no longer walk across the field in front of the Nurses Residence, which was there for so long. It's now occupied by buildings. Now, there are people who hold onto that soccer field with great reverence, but my guess is that in other ten years, nobody's going to remember, because all the people whose kids used to play soccer there will be gone, and the people who are here instead and are furnishing the economics for other Island facilities, will be much more involved in the community and RIOC will be the beneficiary of their presence. You were here during a lot of the years when RIOC was really on its uppers, and really couldn't generate the service. Well, you're not seeing that today. You're seeing RIOC with the ability to function – to deliver the service to the community, mainly because it's getting the income from the buildings that were put on that field that was the soccer field. So, in the same way, we're looking at whether the Dalton School should be able to come over here and lease a field and pay twice as much as what others pay over here. What kind of snobbery is involved because they don't want them over here; what kind of self-interest is served by saying,

“We want that field for Johnny any time he wants to go out and play,” as opposed to the \$100,000 a year we collect from that activity, and which goes a long way... We collect well over a quarter of a million dollars from permitting Island facilities, and one school after another pays a lot of money, and we collect money from Zog Sports for their twilight soccer leagues and stuff. I don’t care where you are in the metropolitan area, unless you own your own tennis court, you can’t just walk onto a tennis court without getting a permit and signing up for the time – or your own swimming pool.

Budgeting

Q:

What else is going on that *WIRE* readers should know about?

Shane:

We just finished a period of time where we put the budget together. It’s been distributed to members of the Board for their review in anticipation of this next meeting. We’re refining it over the next 10-15 days... We had to cobble it together, because our CFO and Comptroller are no longer with us, with people who hadn’t done it before. The draft budget has been published to the Board. We’ll have the formal PowerPoint presentation at the April Board meeting. The public is going to have the chance to look at this budget from the February meeting to the April meeting and make their feelings known about it, and we’ll listen. There are issues in there. I, for example, have put \$100,000 a year for each of the next five years in there for the Public Purpose Fund. Now that’s a philosophical thing that this community is going to have to deal with. It’s not the way it has been done before, and the Governance Committee is meeting this afternoon at 6:00 to discuss Public Purpose, among other things.

What goes with an annual contribution, I believe, is an annual decision about who is going to get the money, with a cut-off date for applications, and a recognition that we’re going to have to deal with priorities among competing interests who may well and probably will exceed the available funds in the classic... The applicants are always wanting more than is available because it’s like Gresham’s Law – the need always expands beyond the supply.

Now you come back to the Board in terms of reasonable budgeting. The Board has got to decide in its philosophical wisdom where it wants to put its priorities and, after all, the Public Purpose Fund is only one of those priorities. Does the Board want to not buy a bus and instead put another \$50,000 into the Public Purpose Fund? I don’t know. That’s a possibility.

Red Bus Service

Q:

Speaking of buses, any likelihood of an increase in service.

Shane:

No. We think it’s counterproductive at this point. We’ve got five buses in service during rush hours. One of the constant gripes out there is that buses bunch. The more buses you put out

there, the more bunching you get. I mean, there's a certain inevitability about it. What we have is a very short run – only a mile and a half – and we have a narrow street, and we have constricted service. As a result of our need to service our handicapped population and our elderly and meet the Tram and whatever, so buses bunch. We try to do the best we can... the buses are in communication with one another. When one bus is coming up behind you, one bus driver should tell the other, "Hey, I'm taking people on, jump me, go to the next place." That's all in place. Chris Baker is well aware of all this and has constant training with his people. Is it perfect? No, it's not. It's a system and until you get a continuous moving sidewalk, it's never going to be perfect. But you put more buses on, you're heading toward a continuous moving sidewalk but with more bunching. And there is a limit economically also in terms of the number of bus drivers, the amount of pollution you want to put in the air. We're living in a supposedly green-inclining society, and vehicles are consumers.