

# ***Port Authority Commercial Paper Obligations***

Committee on Finance

June 22, 2010

## ***Port Authority Commercial Paper Obligations***

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- **Extension of the authorization to issue commercial paper obligations through 12/31/2015**
- **Authorize staff to take the appropriate actions to effectuate the Port Authority's issuance of commercial paper obligations**

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- **Used as bond anticipation financing**
  - Provides flexibility in scheduling and sizing long-term issuances
- **Program Established in 1982**
- **Short Term Instrument to finance capital projects**
  - Maximum maturity – 270 days
- **Consists of Two Series:**
  - Series A (AMT) - \$300 million – airports and ports
  - Series B (Governmental) - \$200 million – TB&T and PATH
- **Current Program: Authorized 5/26/05, Expires 12/31/10**
- **Agreements**
  - Stand-by Revolving Credit Agreement
  - Dealer Agreement
  - Issuing & Paying Agent Agreement

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- **Stand-by Revolving Credit Facility**
  - **Provides liquidity if obligations cannot be reissued at maturity to pay investors**
  - **Current Fees: \$600,000 annually**
  - **Projected Fees: \$5+ million annually**
  - **Limited liquidity available – Four banks provided 66% of credit facilities issued in 2009, and 81% issued in 1<sup>st</sup> qtr 2010**
  - **Credit capacity constraints may make it difficult and expensive to procure sufficient credit facilities for the program**

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- **Self-Liquidity**
  - **Cost-effective alternative to Revolving Credit Facility**
  - **Liquid funds required – Approximately \$625 million**
  - **Advantages: Eliminates Fees & Changes to Bank Credit Ratings**
  - **Disadvantages: Requires highly liquid investments and potential sale of securities on short notice**
  - **Discussions on self-liquidity with rating agencies, dealers and money market investors have been favorable**

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- **Commercial Paper Dealer**

- Provides for issuance and placement of commercial paper obligations with investors
- Current dealers: Goldman Sachs and Barclays Capital
- Current Annual Fees: Approximately \$125,000 combined
- RFP Process underway to select new Dealers for extension

- **Issuing and Paying Agent**

- Issues the notes through book-entry system, processes funds to/from investors & funds to/from the Port Authority
- Current Agent: JPMorgan Chase
- Current Annual Fees: Approximately \$50,000
- Reappoint JPMorgan Chase for extension