

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY
MEETING OF THE BOARD OF COMMISSIONERS AND BOARD COMMITTEE
MEETINGS – THURSDAY, MAY 26, 2016

The following is the agenda and related materials as of Friday, May 20, for the May 26, 2016 Meetings of the Board of Commissioners and Board Committees of The Port Authority of New York and New Jersey and its subsidiaries to be held at 4 World Trade Center, 150 Greenwich, NY, NY 10007.

Meeting attendees are required to go through a security screening upon entering the building. Attendees are encouraged to arrive early. Security screening will begin at 9:00 a.m.

Executive Session Committee Meetings – 9:00 a.m. (Agenda Review Room)

Committee on Security

The Committee on Security will meet in executive session to discuss matters involving public safety or law enforcement.

World Trade Center Redevelopment Subcommittee

The World Trade Center Redevelopment Subcommittee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals and matters related to proposed, pending, or current litigation or judicial or administrative proceedings.

Committee on Governance and Ethics

The Committee on Governance and Ethics will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals.

Public Session Committee Meetings – 10:00 a.m. (Board Room)

Audit Committee

- ◆ Retention of External Auditors

Committee on Capital Planning, Execution and Asset Management

- ◆ Annual Minority/Women/Small Business Enterprise Report

Lash Green

Committee on Governance and Ethics

- ◆ Resolution on General Counsel Review of Board-Authorized Contracts

Board Meeting – 10:30 a.m. (estimated) (Board Room)

- ◆ Report of Executive Director
- ◆ Speakers Program*
- ◆ Resolution Approvals

Patrick Foye

Executive Session Meeting – All Commissioners

The Board of Commissioners will also meet in executive session immediately following the public meetings to discuss and act upon matters related to proposed, pending, or current litigation or judicial or administrative proceedings and matters involving ongoing negotiations or reviews of contracts or proposals.

For more information, contact the Office of the Secretary at (212) 435-6682 or (212) 435-3712.

Media Only: (212) 435-7777

SUBJECT TO CHANGE

* Members of the public wishing to address the Board on Port Authority-related matters may do so at its public Board Meeting. Individuals who wish to address the Board at its public Board Meeting should register by completing and submitting a registration form, which is located in the Speakers Registration section of the Port Authority Website, by 9:30 a.m. on the day of the Board meeting. Speakers are limited to three minutes each, and speaking time may not be transferred. The use of audio visual equipment is not permitted. The public comment period may be limited to 30 minutes. Appropriate photo identification is required.

Summaries of Proposed Actions and form of Proposed Resolutions to be Considered by the Board and Committees at the May 26, 2016 Meeting*

1. Elizabeth-Port Authority Marine Terminal – Water System Rehabilitation – Planning Authorization
2. Retention of Independent Auditors (For consideration by Audit Committee)
3. Stewart International Airport – Agreement for Professional Brokerage Services

* The Board is also expected to take action in executive session with regard to matters involving ongoing negotiations or reviews of contracts or proposals related to proposed, pending, or current litigation or judicial or administrative proceedings.

1. Elizabeth-Port Authority Marine Terminal – Water System Rehabilitation – Planning Authorization

Request:

- *This item authorizes \$1.73 million for planning and preliminary design of a project to rehabilitate the underground water system piping at the Elizabeth-Port Authority Marine Terminal (EPAMT) to ensure a state of good repair (SGR) and serviceability of the water distribution system.*

Transaction Details:

- *The proposed authorization would provide for review of contract documents, as-built drawings and other information relating to the existing water system; field investigations; documentation of existing conditions; coordination with tenants and review of tenants' development plans; analysis to determine appropriate methods of construction; preparation of preliminary design documents; estimation of construction costs; and analysis of staging options.*

Background:

- *The water distribution systems at the Port Newark and EPAMT complex are operated and maintained by the Port Authority and composed of various-sized water main pipes, three pumping stations and two water storage facilities. The water system at Port Newark was originally installed in the 1920s by the US Navy. In the 1990s, the Port Authority received from the City of Newark (City) full responsibility for domestic and fire water system maintenance and billing of tenants in Port Newark. The water distribution system at the EPAMT was installed by the Port Authority in the 1960s.*
- *The Port Authority purchases water for Port Newark from the City of Newark's Department of Public Works and for the EPAMT from Liberty Water Company (owned and operated by the New Jersey American Water). The Port Authority pipes the water to tenants and charges the tenants, according to meter readings, for the water they use. Because the Port Authority pays for approximately double the amount of water that our tenants appear to use, it was suspected that the system was losing water.*
- *Two studies were conducted to investigate the water loss issue. The first study recommended specific improvements to the water system (i.e., repair of certain identified leaks), full meter replacement and installation of chart recorders to better monitor use. Although these improvements are complete, water loss at Port Newark and the EPAMT remains an issue, with system leakage being the largest single cause of water loss.*
- *The second study recommended replacing certain sections of the water system, beginning with the oldest section at Port Newark. A phased program was subsequently developed to perform the work.*
- *At its meeting of June 25, 2015, the Board authorized a \$26.3 million project to rehabilitate the existing Port Newark water distribution system. Work associated with that project, which provides for the replacement of 52,900 linear feet of water system piping, associated valves and fire hydrants at Port Newark, is anticipated to be completed in the fourth quarter of 2017.*
- *This authorization provides for planning and preliminary design work for the next phase of the program.*

ELIZABETH-PORT AUTHORITY MARINE TERMINAL – WATER SYSTEM REHABILITATION – PLANNING AUTHORIZATION

It was recommended that the Board authorize planning and preliminary design work for a project to provide for the rehabilitation of sections of piping and fittings comprising the water distribution system at the Elizabeth-Port Authority Marine Terminal (EPAMT), at a total estimated cost of \$1.73 million.

The water distribution systems at the Port Newark and EPAMT complex are operated and maintained by the Port Authority. The systems are composed of various-sized water main pipes, three pumping stations and two water storage facilities. The water distribution system at Port Newark originally was installed in the 1920s by the U. S. Navy; the system at the EPAMT originally was installed by the Port Authority in the 1960s. The Port Authority purchases water for Port Newark from the City of Newark's (City) Department of Public Works, and for the EPAMT from Liberty Water Company (owned and operated by the New Jersey American Water). The Port Authority pipes the water to tenants and charges the tenants, according to meter readings, for the water they use.

To address certain water loss that has resulted in the Port Authority being charged by the City and New Jersey American Water for water in excess of amounts billable to tenants based on verified meter readings, the Port Authority has conducted studies to identify appropriate remedial actions to address this issue. The studies resulted in, among other things, a recommendation that certain sections of the water system be replaced, and a phased program subsequently was developed.

At its meeting of June 25, 2015, the Board authorized a project to complete the rehabilitation of sections of piping and fittings comprising the water distribution system at Port Newark, at a total estimated cost of \$26.3 million, which was inclusive of certain previously authorized expenditures, to rehabilitate the water distribution system in the northeast and northwest sections at Port Newark by replacing a total of approximately 31,900 linear feet of piping and related infrastructure. Pursuant to that Board authorization, in 2015, the final contract in connection with the project was awarded to replace approximately 21,000 linear feet of piping and related infrastructure in the center and south sections of Port Newark.

The currently proposed authorization would provide for planning and preliminary design work for the next phase of the program, the EPAMT water system rehabilitation project. This proposed planning authorization would provide for: review of contract documents, "as built" drawings and other available information relating to the existing water system at the EPAMT; field investigations; documentation of existing conditions; coordination with tenants and review of tenants' development plans; analysis to determine appropriate methods of construction; preparation of preliminary design documents; estimation of construction costs; and analysis of staging options.

Pursuant to the foregoing report, the following resolution was adopted:

RESOLVED, that planning and preliminary design work for the rehabilitation of sections of piping and fittings comprising the water distribution system at the Elizabeth-Port Authority Marine Terminal, at a total estimated cost of \$1.73

million, be and it hereby is authorized; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to take action with respect to contracts for professional and advisory services and such other contracts and agreements as may be necessary to effectuate the foregoing planning work, pursuant to authority granted in the By-Laws or other resolution adopted by the Board; and it is further

RESOLVED, that the form of all contracts and agreements in connection with the foregoing planning work shall be subject to the approval of General Counsel or his authorized representative.

(Audit – 5/26/16)

2. Retention of Independent Auditors

Request:

- This item provides for approval by the Audit Committee to retain KPMG as independent auditor for the year ending December 31, 2016.*

RETENTION OF INDEPENDENT AUDITORS

The By-Laws and the Audit Committee Charter provide that the Audit Committee shall select pursuant to a competitive process and arrange for an independent firm of certified public accountants to perform an audit of the financial statements of the Port Authority and its component units each year, in accordance with auditing standards generally accepted in the United States of America.

After due consideration of its qualifications and performance, the Audit Committee has determined to retain KPMG LLP as independent auditor for the year ending December 31, 2016. KPMG LLP was selected in 2011 on the basis of a competitive process, which provided that subject to annual retention, as determined by the Audit Committee, such services may be extended through 2016. Pursuant to the terms of its agreement with KPMG LLP, the Port Authority has options to extend the retention of such services for up to two additional one-year periods, as determined by the Audit Committee.

The Committee has the power to act in this matter under Article XIII, Section B of the By-Laws and its Charter.

Pursuant to the foregoing report, the Committee adopted the following resolution:

RESOLVED, that KPMG LLP be and the same is hereby retained as independent auditor for the year ending December 31, 2016, to: (i) audit the accounts and financial statements of the Port Authority and its component units for such year; (ii) audit the accounts and financial statements of The Port Authority of New York and New Jersey Retiree Health Benefits Trust; (iii) audit the accounts and financial statements of Port Authority Insurance Captive Entity, LLC; (iv) perform a review of the Passenger Facility Charge Program and federal award programs; (v) perform an evaluation of the Port Authority's internal control over financial reporting; (vi) provide services as requested in the disclosure process in connection with the issuance of Port Authority obligations; (vii) provide other services, including a review of revenue and cost allocation computations relating to and under the terms of the various lease agreements (including base rent and annual gross revenue calculations at the New York City Municipal Air Terminals), a review of financial and statistical data submitted to the Federal Transit Administration, field work and financial disclosure requirements of the Single Audit Act of 1984 for recipients of federal financial assistance, and federal and state tax return filing and other audit services to Tower 1 Joint Venture LLC; and it is further

RESOLVED, that the form of any agreements required in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representative.

(Board – 5/26/16)

3. *Stewart International Airport – Agreement for Professional Brokerage Services*

Request:

- *This item authorizes a brokerage agreement with Newmark Grubb Knight Frank (Newmark) to support the marketing and lease of approximately 37 acres in the Industrial Park at Stewart International Airport (SWF).*

Transaction Details:

- *The proposed brokerage agreement would be for a one-year term, with Port Authority options to extend the agreement for up to two, one-year periods.*
- *The Port Authority would utilize the terms of an existing New York State (NYS) contract with Newmark for real estate brokerage services in support of the Start-Up NY business incubator program for the southern portion of New York. Newmark was retained by NYS via a publicly advertised/competitive procurement process.*
- *SWF was designated by NYS as a Start-Up NY location, and seven undeveloped sites on a total of 37 acres, which are not suitable for aviation purposes and generate no revenue for the Port Authority, were identified as candidates for the brokerage services.*
- *The broker would be entitled to a commission only on agreements accepted by the Port Authority and implemented by a developer. The commission would consist of a percentage of the lease revenue received by the Port Authority with respect to the aforementioned 37 acres, or any portion thereof, over a 10-year period.*

Background:

- *The NYS Start-Up NY business incubator program offers new and expanding businesses the opportunity to operate on, or near, eligible university or college campuses in New York free of NYS and local taxes for 10 years. The program allows new employees of participating businesses to pay no state or local personal income taxes.*

STEWART INTERNATIONAL AIRPORT – AGREEMENT FOR PROFESSIONAL BROKERAGE SERVICES

It was recommended that the Board authorize the Executive Director to enter into a brokerage agreement with Newmark Grubb Knight Frank (Newmark) to support the marketing and leasing of approximately 37 undeveloped acres in the Industrial Park located at Stewart Airport (SWF), for a one-year period, with Port Authority options to extend the agreement for up to two one-year periods.

As part of New York Governor Andrew Cuomo's *Start-Up NY* business incubator program, the State of New York (NYS) is offering new and expanding businesses the opportunity to operate on, or near, eligible university or college campuses in New York, free of NYS and local taxes for 10 years. The program allows new employees of participating businesses to pay no state or local personal income taxes. SWF was designated by NYS as an eligible *Start-Up NY* location. Seven undeveloped locations at SWF that are not suited for aviation purposes, and where attempts by the Port Authority at marketing the locations have not proven successful, were identified as candidate sites for the proposed brokerage services. These sites would greatly benefit from the *Start-Up NY* program's tax benefits, which would ensure they remain competitive with other *Start-Up NY* properties being marketed.

Empire State Development (ESD) and the State University of New York (SUNY) conducted a public procurement process to select brokerage firms to identify potential *Start-Up NY* opportunities, and selected Newmark for the southern portion of New York, which includes SWF. The Port Authority would retain Newmark to identify tenants interested in developing and leasing certain properties at SWF. Newmark has been under contract with ESD on the *Start-Up NY* initiative since 2014, and has been recommended by ESD to extend the effort to the properties at SWF.

The proposed agreement would allow the Port Authority to benefit from having an outside broker with a wide range of experience and contacts who would collaborate with the Port Authority to create and implement a marketing strategy to optimize the revenues at SWF and put to use undeveloped SWF parcels. The marketing of vacant parcels requiring substantial private capital investment would be aided by the *Start-Up NY* program's tax benefits.

The broker would be entitled to a commission only on agreements that meet the *Start-Up NY* program eligibility requirements and are accepted by the Port Authority and implemented by a developer. The commission would consist of a percentage of the lease revenue received by the Port Authority with respect to the aforementioned 37 acres, or any portion thereof, over a 10-year period. The maximum compensation to the broker is estimated at approximately \$342,000. In instances where the Port Authority identifies and directly negotiates an agreement without involvement by Newmark or any other broker, Newmark would not receive a commission. The Port Authority would retain rights to refuse any potential real estate deal that it deems to be in conflict with airport operations or any federal airport statutes, rules, and/or regulations. Any new real estate development on the airport might also be subject to approval from the federal government.

Pursuant to the foregoing report, the following resolution was adopted:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into a brokerage agreement with Newmark Grubb Knight Frank to support the marketing and leasing of approximately 37 undeveloped acres in the Industrial Park at Stewart International Airport, for a period of one year, with Port Authority options to extend the agreement for up to two one-year periods; and it is further

RESOLVED, that the form of the foregoing agreement shall be subject to the approval of General Counsel or his authorized representative.