THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

COMMITTEE ON OPERATIONS
MINUTES OF SPECIAL, INTERIM MEETING
Thursday, April 29, 2010

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THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

COMMITTEE ON OPERATIONS
MINUTES OF SPECIAL, INTERIM MEETING
225 Park Avenue South
New York, NY
Thursday, April 29, 2010

PRESENT:

Hon. Anthony R. Coscia, Chair
Hon. Virginia S. Bauer
Hon. Jeffrey A. Moerdler
Hon. Raymond M. Pocino
Hon. Anthony J. Sartor
Hon. David S. Steiner
Committee Members

Christopher O. Ward, Executive Director
William Baroni, Jr., Deputy Executive Director
Darrell B. Buchbinder, General Counsel
Karen E. Eastman, Secretary

Susan M. Baer, Director, Aviation
A. Paul Blanco, Chief Financial Officer
Ernesto L. Butcher, Chief Operating Officer
Ana M. Carvajalino, Supervising Financial Analyst, Aviation
Rebecca C. Croneberger, Assistant Director, Labor Relations
Joseph DellaBarca, Special Purchase Project Manager, Procurement
John C. Denise, Audio Visual Supervisor, Public Affairs
Michael P. DePallo, Director, Rail Transit
Gretchen P. DiMarco, Special Assistant to the Deputy Executive Director
John J. Drobny, Director, Security Projects
Michael G. Fabiano, Deputy Chief Financial Officer/Comptroller
William J. Fellini, Assistant Director, Capital Project Management, Rail Transit
Michael A. Fedorko, Director, Public Safety/Superintendent of Police
Michael B. Francois, Chief, Real Estate and Development
Jennifer Friedberg, Staff Public Information Officer, Media Relations, Public Affairs
Richard Friedman, Manager, Special Projects, Office of Environmental and Energy Programs
Kevin N. Georges, Leadership Fellow, Human Resources
Isabel M. Gonzalez, Senior Policy Analyst, Aviation
Glenn P. Guzi, Senior External Affairs Representative, Government and Community Affairs
Linda C. Handel, Deputy Secretary
Mary Lee Hannell, Director, Human Resources
Mark D. Hoffer, Senior Counsel, Law
Lawrence S. Hofrichter, Deputy General Counsel
Kara E. Hughes, Senior External Relations Client Manager, Government and Community Affairs
Howard G. Kadin, Esq., Law
John P. Kelly, Director, Media Relations

Victoria C. Kelly, Director, Tunnels, Bridges and Terminals
Kevin J. Kirchman, Director, Marketing and Special Events
Dennis G. Kopik, Manager, Procurement
Louis J. LaCapra, Chief Administrative Officer
Cristina M. Lado, Director, Government and Community Affairs
Conor Lanz, Special Assistant to the Executive Director
Richard M. Larrabee, Director, Port Commerce
Francis J. Lombardi, Chief Engineer
Stephen Marinko, Esq., Law
Ronald Marsico, Assistant Director, Media Relations, Public Affairs
Michael G. Massiah, Director, Management and Budget
James E. McCoy, Manager, Board Management Support, Office of the Secretary
Sanjay S. Mody, Advisor to the Chairman
Anne Marie C. Mulligan, Treasurer
Steven P. Plate, Director, World Trade Center Construction
Veronica Rodriguez, Esq., Law
Stephen H. Sigmund, Chief, Public and Government Affairs
Timothy G. Stickelman, Assistant General Counsel
Gerald B. Stoughton, Director, Financial Analysis
Ralph Tragale, Assistant Director, Public Affairs, Aviation
David B. Tweedy, Chief, Capital Programs
Lillian D. Valenti, Director, Procurement
Sheree Van Duyne, Manager, Policies and Protocol, Office of the Secretary
Andrew S. Warshaw, Chief of Staff to the Executive Director
Cheryl A. Yetka, Assistant Director, Aviation Financial Services, Aviation
William J. Young, Client Manager, Government and Community Affairs
Peter J. Zipf, Deputy Chief Engineer/Director of Engineering

Guest:
Deborah Gramiccioni, Director, Authorities Unit, Office of the Governor of New Jersey

Speakers:
Christine Berthet, Transportation Chair, Community Board No. 4
Michael De Filippis, Port Authority Police Benevolent Association, Inc.
Richard Gonzalo, Port Authority International Brotherhood of Electrical Workers
Ken Paskar
Robert J. White, Port Authority Police Benevolent Association, Inc.

In view of the absence of a quorum at today's Board meeting, the Secretary reported that, pursuant to the Board's resolution of December 15, 1994, a special, interim meeting of the Committee on Operations was called in both public and executive sessions, at which the Committee took actions on these items for and on behalf of the Board.

The meeting was called to order in public session by the Chair at 1:42 p.m. and ended at 2:20 p.m. The Committee met in executive session prior to the public session.

Action on Minutes

The Secretary submitted for approval Minutes of the Board meeting of March 25, 2010. She reported that copies of these Minutes were delivered to the Governors of New York (in electronic form) and New Jersey (in paper form) on March 26, 2010. She reported further that the time for action by the Governors of New York and New Jersey expired at midnight on April 12, 2010.

Whereupon, the Committee unanimously approved the Minutes of the Board's meeting of March 25, 2010.

JOHN F. KENNEDY INTERNATIONAL AIRPORT – CENTRAL SUBSTATION UPGRADE AND REFURBISHMENT – PROJECT RE-AUTHORIZATION

It was recommended that the Board re-authorize a project for the completion of the John F. Kennedy International Airport (JFK) Central Substation Upgrade and Refurbishment, at an estimated total project cost of $32 million, inclusive of project costs previously authorized, and including engineering services, payments to contractors, allowances for extra work (if necessary) and net cost work, a contingency for the settlement of a potential contractor's claim, and administrative and financial expense.

At its May 12, 1994 meeting, the Board authorized a project for improvements to the JFK Central Substation, at an estimated project cost of $20.8 million. The project scope included the replacement and refurbishment of six switchgear units that were reaching the end of their useful life and an upgrade of the electrical distribution network to provide dedicated feeders to each terminal.

In January 1995, the Executive Director authorized the award of Contract JFK-134.028 to Turtle and Hughes, Inc. for the pre-purchase of new electrical switchgear equipment for the Central Substation Upgrade and Refurbishment project, at an estimated amount of $3.3 million. Subsequently, in November 1995, the Executive Director authorized the award of Contract JFK-134.029 to Welsbach Electric Corp. for the installation of the new electrical switchgear equipment at the Central Substation and for the reconfiguration of the 5-kilovolt cable network in the Central Terminal Area, at an estimated $10.1 million.

Since work began in 1996, major airport redevelopment efforts have impacted the project's schedule. Between 1994 and 2008, five terminals and four parking garages were redeveloped, and the AirTrain JFK system was installed. Accommodating these redevelopment projects required a postponement of work on the Central Substation project. Annual operational priorities also delayed work. These priorities included summer and holiday moratoriums on any substation shut-downs and electrical load transfers required to advance the project.

To date, two of the six switchgear units have been refurbished and are in operation, three others have been replaced and are in operation, and the last unit has been installed but is not yet in operation. In addition, a majority of the feeder distribution network has been upgraded. Project re-authorization would provide for the completion of the remaining contract work, which includes demolishing the last existing switchgear and constructing electrical connections to bring the last new switchgear into operation. The proposed authorization also includes a contingency for a potential contractor's claim.

It is anticipated that this project will be completed by December 2011.

Pursuant to the foregoing report, the Committee on Operations, acting for and on behalf of the Board pursuant to delegated authority, adopted the following resolution with Commissioners Coscia, Bauer, Moerdler, Pocino, Sartor and Steiner voting in favor; none against:

RESOLVED, that a project for the Central Substation Upgrade and Refurbishment at John F. Kennedy International Airport, at an estimated total project cost of $32 million, including payments to contractors, allowances for extra work (if necessary) and net cost work, engineering and planning, administrative and financial expenses, and a project contingency, inclusive of contingency funds for the settlement of a potential contractor's claim, be and it hereby is re-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 construction contracts and contracts for professional and advisory services related to the foregoing re-authorized project as he deems in the best interest of the Port Authority, 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 shall be subject to the approval of General Counsel or his authorized representative.

JOHN F. KENNEDY INTERNATIONAL AIRPORT – JETBLUE AIRWAYS CORPORATION – LEASE AGREEMENT AYD-350 – SUPPLEMENT 2

It was recommended that the Board authorize the Executive Director to enter into a supplemental agreement with JetBlue Airways Corporation (JetBlue) to its lease for Terminal 5 at John F. Kennedy International Airport (JFK), pursuant to which JetBlue would undertake the demolition of Terminal 6 at JFK and associated improvements and would undertake planning for a Terminal 5 expansion. The lease supplement would commence on or about June 1, 2010 and have a term of five years.

During the term of the lease supplement, JetBlue would pay ground rent for the current Terminal 6 site, from which JetBlue operated prior to the completion of Terminal 5 and which has been vacant since JetBlue's relocation, at an estimated total amount of $11.3 million. The Terminal 6 site covers approximately 19.23 acres. The demolition and associated improvements at this site would be done by JetBlue on behalf of the Port Authority, and the Port Authority would provide up to $11.3 million for the work. JetBlue would be required to complete the work within 12 months from the date of the lease supplement. JetBlue also would pay additional rental, calculated as the actual demolition costs, up to $11.3 million, at a factor of the Revenue Bond Index (RBI) plus 250 basis points over the five-year term. If the total demolition cost exceeds the estimated $11.3 million designated for the demolition and site improvements, JetBlue would be solely responsible for the cost excess. The total rental obligation (ground rental plus additional rental) would be adjusted by the total amount provided by the Port Authority for the demolition costs. The total amount due, after adjustment, would be fully paid by the end of the term of the five-year lease supplement. JetBlue would be solely responsible for the environmental condition of the premises and all liabilities associated therewith, arising out of, relating to, or in connection with, the demolition and site improvement work, and for any incremental contamination beyond the environmental baseline survey identified in the Terminal 6 lease, Lease No. AYD-265.

The Port Authority also would provide up to $8 million toward the planning of a Terminal 5 expansion. During the term of the lease supplement, JetBlue would pay the Port Authority monthly additional rent, in the amount of the actual planning costs provided by the Port Authority, up to $8 million, at a factor of the RBI plus 250 basis points. Payment of this additional rent would commence 18 months from the commencement date of the lease supplement, and the rent would be fully paid by the expiration of the five-year term of the supplement.

In addition, the lease supplement would retain the Port Authority's right to recapture, at any time during the lease term and for an indefinite period of time, a portion of the Terminal 5 site for the parking of aircraft potentially displaced as a result of ongoing Central Terminal Area redevelopment projects at JFK. The Port Authority would give JetBlue 90 days' notice prior to its recapture of such space. During the recapture period, JetBlue would receive rent abatement in connection with such recaptured space, which would be covered by the airline requesting the additional space.

Pursuant to the foregoing report, the Committee on Operations, acting for and on behalf of the Board pursuant to delegated authority, adopted the following resolution with Commissioners Coscia, Bauer, Moerdler, Pocino, Sartor and Steiner voting in favor; none against:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into a supplemental lease agreement with JetBlue Airways Corporation, pertaining to the demolition of Terminal 6 and site improvements thereat and the planning of a Terminal 5 expansion at John F. Kennedy International Airport, substantially in accordance with the terms and conditions outlined to the Board; 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.

JOHN F. KENNEDY INTERNATIONAL AIRPORT – GAZ REALTY, INC. – FUEL SERVICE STATION AND TRUCK PARKING FACILITY – NEW LEASE AGREEMENT AYE-048

It was recommended that the Board authorize the Executive Director to enter into a new lease agreement with GAZ Realty, Inc. (GAZ) covering the construction, operation, financing and management of a modern, state-of-the-art and sustainable truck parking facility and multi-fuel service station with a convenience store, dining facility, food court and car wash at John F. Kennedy International Airport (JFK) for a 20-year term, with one five-year option at the Port Authority's discretion.

A Request for Proposals was solicited for the development and operation of a state-of-the-art multi-fuel service station and truck parking lot from vendors in the petroleum and alternative fuels industry, as well as from businesses specializing in the development of service stations. The GAZ proposal was determined to be acceptable to the Port Authority. Under the proposed lease agreement, GAZ would demolish Buildings 124 and 204, partially demolish and refurbish Building 125, and construct an approximate 19,000-square-foot building, which would include a convenience store, a dining facility, food court, car wash and restroom facilities. GAZ also would operate a truck parking lot, with approximately 50 spaces, under a comprehensive security plan, including surveillance cameras, walking patrol and parking requirements for empty and loaded trailers. GAZ would be obligated to invest a minimum of $100,000 for improvements and aesthetics every three years after the third anniversary of the lease. Sustainable elements for the site include light-emitting-diode lighting, solar panel power, compressed natural gas fuel, and a zero-discharge car wash that will recycle used water. The Port Authority would have the right to terminate the agreement, without cause, upon 180 days' prior written notice to GAZ. Upon such termination, the Port Authority would reimburse GAZ for the unamortized portion of its initial investment (and any investment by its sublessees), in an amount not to exceed $10.5 million.

Following the opening of the new service station, the Port Authority would provide GAZ with up to $1.25 million in rental credits for the demolition of Building 138, the location of the existing fuel station at Federal Circle.

The agreement with GAZ would be effective on or about July 1, 2010. GAZ would pay aggregate rentals over the initial 20-year term of approximately $28.2 million.

Pursuant to the foregoing report, the Committee on Operations, acting for and on behalf of the Board pursuant to delegated authority, adopted the following resolution with Commissioners Coscia, Bauer, Moerdler, Pocino, Sartor and Steiner voting in favor; none against:

> **RESOLVED,** that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into a new lease agreement with GAZ Realty, Inc. covering the construction, operation, management and financing of a multi-fuel service station at John F. Kennedy International Airport, substantially in accordance with the terms outlined to the Board; and it is further
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> **RESOLVED**, that the form of the foregoing agreement shall be subject to the approval of General Counsel or his authorized representative.

JOHN F. KENNEDY INTERNATIONAL AIRPORT – DEMOLITION OF OBSOLETE BUILDING STRUCTURES – PHASE I – PROGRAM AUTHORIZATION

It was recommended that the Board authorize Phase I of a multi-phase program for the demolition of, and site improvements at, Terminal 6, Buildings 123, 124, 125, 138, 204 and 260 and Hangars 3, 4, 5, 7 and 12 at John F. Kennedy International Airport (JFK), to accommodate aeronautical needs and future development for cargo or other uses. These buildings are ones that are vacant or functionally obsolete and cost the Port Authority to maintain. The total estimated Phase I program cost is $42.3 million.

There are currently approximately 29 vacant buildings at JFK, 12 of which were identified as a priority for demolition, based on a combination of their deteriorated condition, functional obsolescence, maintenance cost avoidance and potential for re-use following demolition. Phase I of the program would ensure that these properties are paved for future revenue-generating activities related to cargo and other airport uses. Costs associated with the demolition of Hangars 7 and 12 are anticipated to be fully recoverable through passenger facility charges. All other costs associated with this program would be fully recoverable through a combination of rentals and maintenance cost savings.

The demolition of these buildings is part of a multi-phase program to address vacant structures at JFK, which would commence in July 2010 and be completed on or about June 2015. The subsequent phase(s) of the program would be subject to further Board authorization.

Pursuant to the foregoing report, the Committee on Operations, acting for and on behalf of the Board pursuant to delegated authority, adopted the following resolution with Commissioners Coscia, Bauer, Moerdler, Pocino, Sartor and Steiner voting in favor; none against:

> **RESOLVED,** that Phase I of a multi-phase program for the demolition of, and site improvements at, Terminal 6, Buildings 123, 124, 125, 138, 204 and 260 and Hangars 3, 4, 5, 7 and 12 at John F. Kennedy International Airport, at a total estimated Phase I program cost of $42.3 million, be and it hereby is authorized; and it is further
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> **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 program, pursuant to authority granted in the By-Laws or other resolution adopted by the Board; and it is further
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> **RESOLVED,** that the form of all agreements in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representative.

NEWARK LIBERTY INTERNATIONAL AIRPORT – FEDERAL EXPRESS CORPORATION – NEW LEASE ANC-119

It was recommended that the Board authorize the Executive Director to enter into a 20-year lease agreement with Federal Express Corporation (FedEx) for the letting of Cargo Buildings 347, 155 and 156, with associated land and apron space, at Newark Liberty International Airport (EWR) for the operation of an air cargo express facility.

FedEx, based in Memphis, Tennessee, is the largest shipper of air cargo in the New York area, with a 25-percent market share. EWR is the third largest of FedEx's six domestic hubs and plays a major role in its air cargo express delivery package and parcels system, serving as FedEx's gateway to Europe and Canada.

In 1983, the Board authorized a lease with FedEx for the construction and operation of its Metroplex Center at Cargo Building 347 at EWR for air package handling and sorting operations. FedEx expanded its operations in 1992 into Building 155 and in 1997 into Building 156, both as a part of EWR's newly created Multi-Tenant Air Cargo Facility. Leases for all three buildings are due to expire on August 31, 2010, and the proposed lease would function to consolidate and extend FedEx's tenancy at EWR for another 20 years.

Over the term of the proposed lease, the Port Authority would receive a total aggregate fixed rental of approximately $352 million, plus annual variable fees, consisting of airport service and other charges, in accordance with schedules in effect as of the commencement date of this lease. In addition, FedEx would be required to invest a total of $30 million in the premises, including structural and systems upgrades, over the first 15 years of the proposed lease.

Under the lease, the Port Authority would have the right, on one year's prior written notice, to terminate the lease with respect to a portion of the premises – up to nine acres of the apron area – to allow for the construction of taxiway and other improvements, and, at FedEx's option, to provide replacement space at a rental rate consistent with the terms of the surrendered space. In the event FedEx exercised that option and made improvements to the replacement space, the Port Authority would reimburse FedEx for the cost of the improvements, through rental credits or another mechanism that is mutually agreed upon. Should FedEx not opt for the replacement space, rent for the surrendered portion of the leasehold would be abated.

Pursuant to the foregoing report, the Committee on Operations, acting for and on behalf of the Board pursuant to delegated authority, adopted the following resolution with Commissioners Coscia, Bauer, Moerdler, Sartor and Steiner voting in favor; none against; Commissioner Pocino recused:

> **RESOLVED**, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into a 20-year lease agreement with Federal Express Corporation for the letting of Cargo Buildings 347, 155 and 156 with associated land and apron space, at Newark Liberty International Airport for the operation of an air cargo express facility, substantially in accordance with the terms outlined to the Board; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into any other contracts and agreements necessary or appropriate in connection with the foregoing; and it is further

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

PORT AUTHORITY BUS TERMINAL – CBS OUTDOOR, INC. – PERMIT NO. P-BT-168 – SUPPLEMENTAL AGREEMENT

It was recommended that the Board authorize the Executive Director to enter into a supplemental agreement to the existing permit with CBS Outdoor, Inc. (CBS), formerly Viacom Outdoor Group, Inc., formerly Transportation Displays, Inc., which permit provides for the installation and operation of outdoor advertising on the exterior steel façade of the Port Authority Bus Terminal (PABT). The existing permit requires the Port Authority to reimburse CBS a pro-rata share of its investment at the PABT, up to $3 million, in the event that the Port Authority revokes the permit without cause. The supplement would extend the term of the permit for 30 months, until December 31, 2018, and increase the limit on such reimbursement from $3 million to $14.2 million, in recognition of CBS's and/or its subcontractor's additional investment for a new light-emitting-diode advertising display system to be installed pursuant to the amended permit.

The proposed supplement would allow for the installation of a 6,000-square-foot electronic signage system on the exterior grid structure on the third and fourth floors of the PABT's North Wing by Garage Media LLC (GM), as subcontractor to CBS. Under the proposed supplement, CBS would continue to pay the Port Authority a percentage of gross receivables. In the event that CBS or GM should fail to install the new electronic signage system, or if CBS terminates its subcontract with GM prior to the expiration of the permit, the Port Authority's permit with CBS would revert to the original expiration date of June 30, 2016. The Port Authority would enter into a non-disturbance agreement with GM, whereby if the Port Authority terminated CBS "for cause," GM would be permitted to continue operating under a direct agreement with the Port Authority. In addition, upon execution of this supplemental agreement, CBS would provide the Port Authority with a general release, eliminating any legal claims by CBS for past issues. The electronic signage system would remain the equipment of GM, CBS's subcontractor, during the term of the permit, and CBS would require that GM be responsible for the removal of the system at the permit's expiration or revocation, unless the Port Authority requested that it remain in place.

Pursuant to the foregoing report, the Committee on Operations, acting for and on behalf of the Board pursuant to delegated authority, adopted the following resolution with Commissioners Coscia, Bauer, Moerdler, Pocino and Sartor voting in favor; none against; Commissioner Steiner recused:

> **RESOLVED**, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into a supplemental agreement to Permit No. P-BT-168 with CBS Outdoor, Inc., which permit provides for the installation and operation of outdoor advertising signs at the Port Authority Bus Terminal, amending such permit substantially in accordance with the terms outlined to the Board; and it is further
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> **RESOLVED**, that the Executive Director be and hereby is authorized, for and on behalf of the Port Authority, to enter into such other related agreements as are necessary to effectuate the foregoing; and it is further

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

WORLD TRADE CENTER (WTC) MEMORIAL, MEMORIAL MUSEUM AND WTC INFRASTRUCTURE PROJECTS – AUTHORIZATION TO ACCEPT ASSIGNMENT OF A TRADE CONTRACT FOR ARCHITECTURAL METALS, INCLUDING ASSOCIATED PAYMENTS INTO AN ESCROW ACCOUNT

It was recommended that the Board authorize the Executive Director to: (1) accept assignment of a construction trade contract awarded by the National September 11 Memorial and Museum at the World Trade Center Foundation, Inc. (NS11MM) to Skyline Steel Corporation for the furnishing and installation of all architectural metals for the World Trade Center (WTC) Memorial Plaza servicing the WTC Memorial, Memorial Museum and WTC Infrastructure Projects, at an estimated amount of $7,669,680, including an eight-percent contingency; (2) accept a partial assignment of the contract with Bovis Lend Lease LMB, Inc. (Bovis) for the performance of construction management (CM) services associated with the WTC Memorial Plaza architectural metals trade contract, at an estimated cost of $706,179; and (3) on behalf of the Port Authority and its wholly owned entities, make payments into an escrow account, in an amount of $881,670, for the Port Authority's portion of the costs associated with the WTC Memorial Plaza architectural metals trade contract and the Bovis CM contract.

Pursuant to a July 2006 Project Agreement with the Lower Manhattan Development Corporation, the NS11MM, the City of New York and the State of New York, the Port Authority is to assume responsibility for construction of the WTC Memorial and the Memorial Museum Projects.

In December 2006, the Board authorized the Executive Director to finalize agreements with the NS11MM providing for the Port Authority to accept a full assignment of the Bovis CM contract and manage all construction work for the WTC Memorial and Memorial Museum Projects. In anticipation of the full assignment of the Bovis CM contract, the NS11MM has proceeded with procurement of the WTC Memorial Plaza architectural metals trade contract, as an essential component of the critical path schedule for the WTC Memorial and Memorial Museum Projects.

The NS11MM will award the WTC Memorial Plaza architectural metals trade contract to Skyline Steel Corporation, the lowest qualified bidder, selected from among multiple competitive bids based on a list of select bidders established in the Bovis CM contract. The scope of work for the trade contract includes the furnishing and installation of all architectural metals for the WTC Memorial Plaza, including stainless steel railing, manhole covers, tree cover grates, bike racks and paver retention angles necessary to support the construction of the Memorial Plaza. The architectural metals trade contract meets all New York City building code requirements.

An escrow account was jointly established and initially funded by the NS11MM to provide for payments to contractors and Bovis. The Port Authority previously has agreed to make payments into the escrow account of $225.3 million, and the proposed authorization would bring total anticipated Port Authority payments to approximately $226.1 million, of which approximately $115.4 million has been allocated against the Port Authority's commitment to the WTC Memorial and Memorial Museum Projects.

Pursuant to the foregoing report, the Committee on Operations, acting for and on behalf of the Board pursuant to delegated authority, adopted the following resolution with Commissioners Coscia, Moerdler, Pocino and Steiner voting in favor; none against; Commissioners Bauer and Sartor recused:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to: (1) accept assignment of a construction trade contract awarded by the National September 11 Memorial and Museum at the World Trade Center Foundation, Inc. to Skyline Steel Corporation for the furnishing and installation of all architectural metals for the World Trade Center (WTC) Memorial Plaza, as part of the WTC Memorial, Memorial Museum and WTC Infrastructure Projects, in an estimated amount of $7,669,680, including an eight-percent contingency; and (2) accept a partial assignment of the contract with Bovis Lend Lease LMB, Inc. (Bovis) for performance of construction management services associated with the architectural metals trade contract, at an estimated cost of $706,179; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority and its wholly owned entities, to pay $881,670 into an escrow account for the Port Authority's portion of the costs associated with the WTC Memorial Plaza architectural metals trade contract and the Bovis construction management contract for the aforementioned projects; and it is further

RESOLVED, that the form of all contracts and agreements necessary to effectuate the foregoing shall be subject to the approval of General Counsel or his authorized representative.

ONE WORLD TRADE CENTER – AUTHORIZATION TO AWARD A CONSTRUCTION TRADE CONTRACT FOR COMMON SCAFFOLDING AND SIDEWALK SHEDS

It was recommended that the Board authorize 1 World Trade Center LLC (1 WTC LLC), through its construction manager, Tishman Construction Corporation (Tishman), to enter into a construction trade contract with Atlantic Hoisting & Scaffolding, LLC for common scaffolding and sidewalk shed work associated with the construction of One World Trade Center, at an estimated total cost of $15,768,000, including an eight-percent allowance for extra work.

The scope of work for this contract includes engineering, furnishing, installation, modification and removal of the common scaffolding in the lobbies of One World Trade Center (Floors B2 to Ground Floor and Sky-lobby), the mechanical plenums (Floors 3-20, 91-93 and 103-105), and mechanical shaft areas (from the B4 level to Floor 6). Additionally, sidewalk shed structures would be built over the perimeter of the One World Trade Center plaza to provide for overhead protection to the contractors, in accordance with industry standard construction safety practices.

The form of trade contract being utilized by Tishman as construction manager was developed by Port Authority staff and maintains, to the greatest degree possible, Port Authority policy and procedures for the work, including provisions allowing for termination for convenience, and requirements for minority and women-owned business enterprise utilization, confidentiality, security, and integrity monitoring, and a competitive bidding process.

The terms of the construction trade contract proposed for award were negotiated and were awarded to the lowest bidder, in accordance with the procurement procedures established in the Third Freedom Tower Amendment to the September 2003 General Contractor Agreement between Tishman and 1 WTC LLC.

Pursuant to the foregoing report, the Committee on Operations, acting for and on behalf of the Board pursuant to delegated authority, adopted the following resolution with Commissioners Coscia, Bauer, Moerdler, Pocino and Steiner voting in favor; none against; Commissioner Sartor recused:

> **RESOLVED**, that 1 World Trade Center LLC be and it hereby is authorized, through its construction manager, Tishman Construction Corporation, to enter into a construction trade contract with Atlantic Hoisting & Scaffolding, LLC for common scaffolding and sidewalk shed work associated with the construction of One World Trade Center, at an estimated total cost of $15,768,000, including an eight-percent allowance for extra work; and it is further
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> **RESOLVED**, that the form of the foregoing contract shall be subject to the approval of General Counsel or his authorized representative.

ONE WORLD TRADE CENTER – AUTHORIZATION TO INCREASE AN EXISTING CONSTRUCTION TRADE CONTRACT WITH FIVE STAR ELECTRIC CORPORATION FOR ALTERNATE POWER SUPPLY EQUIPMENT

It was recommended that the Board authorize 1 World Trade Center LLC, through its construction manager, Tishman Construction Corporation, to increase the amount of an existing construction trade contract with Five Star Electric Corporation (Five Star) by $5,940,000, resulting in a total authorization of $205,920,000, in order to pre-purchase equipment to accommodate a revised power supply design for One World Trade Center (One WTC), including an eight-percent allowance for extra work.

On October 22, 2009, the Board authorized the Executive Director to execute necessary agreements to provide for a revised design for the World Trade Center Transportation Hub (WTC Hub), consistent with its current architectural design, in order to provide an alternate design option for the continued construction of the WTC Hub, independent of the construction of Towers 2, 3 and 4 at the World Trade Center (WTC) site. As part of this effort, a redesign of certain aspects of One WTC and other public infrastructure was undertaken, in order to minimize impacts on the roadmap dates included in the Port Authority's October 2008 report assessing the progress of construction at the WTC site, entitled, *The World Trade Center: A Roadmap Forward*, while maintaining the ability of Silverstein Properties, Inc. (SPI) to commence construction of Towers 2, 3, and 4. Although the Port Authority, SPI and other stakeholders have reached agreement on the framework of a development plan for the east side of the WTC site, a redesign for the location of primary power equipment must now be implemented in order to avoid schedule delays for the public projects at the WTC site.

Originally, primary power equipment was to be located in the East Bathtub, with power distributed from Tower 2 to secondary switchgear equipment serving the various public projects at the WTC site, as well as Towers 3 and 4. The redesign provides for primary switchgear equipment to distribute power directly from Consolidated Edison Company of New York to One WTC, and then to secondary switchgear equipment located beneath the WTC Memorial, Central Chiller Plant, and the WTC Hub. Future authorizations will be required for installation of the equipment, as well as associated mechanical, electrical, plumbing, structural, and architectural work affiliated with the redesign.

The proposed additional work would be provided by Five Star, as a supplement to its existing contract. Five Star is responsible for providing power and emergency power for the electrical sub-systems, such as fire alarm and security, as well as all the mechanical, electrical and plumbing systems to support the base building operation and the future tenant fit-out of One WTC.

This proposed increase in authorization is equal to the net change in scope, as a credit of approximately $1.6 million for the secondary switchgear equipment that is no longer required for One WTC. In addition, a portion of the primary power equipment pre-purchased by the WTC Hub that was to be utilized in the power distribution center in Tower 2 will be used in the One WTC power distribution center.

Pursuant to the foregoing report, the Committee on Operations, acting for and on behalf of the Board pursuant to delegated authority, adopted the following resolution with Commissioners Coscia, Bauer, Moerdler, Pocino and Steiner voting in favor; none against; Commissioner Sartor recused:

RESOLVED, that 1 World Trade Center LLC be and it hereby is authorized, through its construction manager, Tishman Construction Corporation, to increase the amount of an existing construction trade contract with Five Star Electric Corporation by $5,940,000, resulting in a total authorization of $205,920,000, in order to pre-purchase equipment to accommodate a revised power supply design for One World Trade Center, including an eight-percent allowance for extra work; and it is further

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

ONE WORLD TRADE CENTER – AUTHORIZATION OF SUPPLEMENTAL AGREEMENT TO CONSTRUCTION TRADE CONTRACT WITH DCM ERECTORS, INC. FOR STEEL PAINTING AND PERIMETER SAFETY SYSTEM

It was recommended that the Board authorize 1 World Trade Center LLC (1 WTC LLC), through its construction manager, Tishman Construction Corporation (Tishman), to enter into a supplemental agreement (Supplemental Agreement) to an existing construction trade contract with DCM Erectors, Inc. (DCM) to provide for steel painting and perimeter safety system work associated with the construction of One World Trade Center (One WTC), at an estimated total cost of $17,334,000, including an eight-percent allowance for extra work.

The Supplemental Agreement would provide for the application of primer to certain structural steel members located on the mechanical plenums of One WTC, and the design, fabrication, delivery, installation, maintenance and eventual removal of a perimeter safety system.

At its July 26, 2007 meeting, the Board authorized 1 WTC LLC to enter into a construction trade contract with DCM for the fabrication, delivery and erection of the structural steel and metal deck for the superstructure for One WTC, the Freedom Tower project (the Project), at the World Trade Center site, through its agent, Tishman, at a total estimated construction cost of $276,480,000, inclusive of an eight-percent authorization for extra work.

At the time the structural steel contract was authorized, discussions were ongoing to determine the type of paint system that would be required prior to the fireproofing of structural steel to be located within the plenum spaces on mechanical floors in One WTC, because these areas had the potential for exposure to moisture. As a result, the scope was excluded from the contract. The proposed supplement would address all steel elements located in the plenum spaces that require a special primer application due to their potential for exposure to moisture. In order to avoid double handling and field painting of structural steel members, this work would be performed by DCM in its shop.

The perimeter safety system will provide a full building enclosure encompassing the structure's exterior from an elevation of approximately two floors above where the metal deck is being installed down 18 floors, and would serve as an added safety measure pending the installation of the curtain wall, which will permanently enclose the structure. The proposed system includes horizontal and vertical cables and fabric mesh fastened to the perimeter of the structure. An initial scope of work for the perimeter safety system was included under the carpentry trade contract for One WTC and provided for a basic system, as required by local laws. The proposed enhanced system would provide for added protection to contractors and mitigation of falling debris. Staff determined that DCM was best suited to perform this work, in order to coordinate the installation and maintenance of the system with steel erection and decking floors to avoid delays and safety concerns. Scope items related to the perimeter safety system would be removed from the carpentry trade contract, for an approximate credit of $3.5 million.

Pursuant to the foregoing report, the Committee on Operations, acting for and on behalf of the Board pursuant to delegated authority, adopted the following resolution with Commissioners Coscia, Bauer, Moerdler, Pocino and Steiner voting in favor; none against; Commissioner Sartor recused:

RESOLVED, that 1 World Trade Center LLC be and it hereby is authorized, through its construction manager, Tishman Construction Corporation, to enter into a supplemental agreement to an existing construction trade contract with DCM Erectors, Inc. to provide for steel painting and perimeter safety system work associated with the construction of One World Trade Center, at an estimated total cost of $17,334,000, including an eight-percent allowance for extra work; 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.

DOWNTOWN RESTORATION PROGRAM – AGREEMENT FOR PROFESSIONAL PROGRAM MANAGEMENT SUPPORT SERVICES WITH THE LOUIS BERGER GROUP, INC. – INCREASE IN AUTHORIZATION

It was recommended that the Board authorize the Executive Director to increase the compensation under an existing agreement with The Louis Berger Group, Inc. (Louis Berger), by an amount not to exceed $30 million, for continued program management support services, including technical support, through April 2012, in order to complete the final design and construction of the World Trade Center (WTC) Transportation Hub (WTC Hub), the WTC Vehicular Security Center, One World Trade Center, the WTC Memorial and Museum, common site infrastructure and other WTC site redevelopment projects under Port Authority management. This authorization would increase the total value of the agreement to $77.5 million.

The existing agreement with Louis Berger originally was authorized by the Executive Director in 2004 and provided for a five-year term through April 2009, at a value of approximately $25 million. It covered professional management services for various tasks in connection with the preliminary engineering phase of the Downtown Restoration Program, including the WTC Hub, WTC site public infrastructure and WTC site development. Subsequent authorizations through 2008 increased the total compensation under the agreement to approximately $47.5 million for services through March 2010, and provided for an extension of the term of the agreement through April 2014. The services to be provided under this authorization would include program and project management support to assist staff in advancing final design and construction efforts at the WTC site, including: project control management, program and project schedule management, schedule integration, cost forecasting and control, financial monitoring, analysis and resource allocation, budget development, invoice review, resolution of claims and changes, earned value analysis, and Port Authority and Federal Transit Administration document control.

Pursuant to the foregoing report, the Committee on Operations, acting for and on behalf of the Board pursuant to delegated authority, adopted the following resolution with Commissioners Coscia, Bauer, Moerdler, Pocino and Steiner voting in favor; none against; Commissioner Sartor recused:

> **RESOLVED**, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to increase the compensation under an existing agreement with The Louis Berger Group, Inc., by an amount not to exceed $30 million, for continued program management support services, including technical support, to complete the final design and construction of the World Trade Center (WTC) Transportation Hub, the WTC Vehicular Security Center, One World Trade Center, the WTC Memorial and Museum, common site infrastructure, and other WTC site redevelopment projects under Port Authority management, through April 2012; 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.

DOWNTOWN RESTORATION PROGRAM – CONSTRUCTION MANAGEMENT CONSULTANT SERVICES CONTRACT WTC-284.459 WITH PB-URS, A JOINT VENTURE OF PARSONS BRINCKERHOFF AND URS CORPORATION – INCREASE IN AUTHORIZATION

It was recommended that the Board authorize the Executive Director to increase the compensation under an existing contract with PB-URS, a Joint Venture of Parsons Brinckerhoff and URS Corporation (PB-URS), by an amount not to exceed $20 million, for continued construction management consultant services in support of the various projects at the World Trade Center (WTC) site, including the WTC Transportation Hub (WTC Hub), One World Trade Center, the WTC Memorial and Memorial Museum, WTC Vehicular Security Center (WTC VSC), common site infrastructure, and other WTC site development projects, through December 2011. This authorization would increase the total value of the contract to $99,112,979. In addition, this authorization would provide for the exercise of the first one-year option to extend the contract through October 2012.

At its meeting in October 2005, the WTC Redevelopment Subcommittee authorized the award of Contract WTC 284.459 to PB-URS for professional construction management services, at an amount not to exceed $90 million, including an estimated allowance of $10 million for potential additional services, subject to further approval. The estimated cost of the contract at the time of award was $79,112,979. The term of the contract was for a six-year period, with up to three one-year renewal options that, if exercised, would require further authorization.

The original scope of work under this contract primarily provided for: required professional construction supervision and field inspection services, constructability reviews, construction cost estimating, logistics formulation and implementation, development and monitoring of safety and environmental performance commitments, reviews of contractor payment applications, including time/material work, construction progress reporting, addressing and reporting on environmental issues, management and inspection of Tenant Construction Applications work, technical services, claims management services, and office engineering services. The original scope of work included two primary projects, for construction of the WTC Hub and the WTC VSC.

Due to significant expansion in the scope of work since late 2005, PB-URS has taken on additional responsibilities beyond what was originally envisioned, including services in connection with the One World Trade Center and the WTC Memorial and Museum projects, logistics and transportation planning, traffic management, WTC Hub preconstruction commissioning and sustainability planning, and work associated with construction analyses required to support the October 2008 WTC Report, *A Roadmap Forward*. Due to the need for these additional services, the total authorized amount was exhausted earlier than anticipated.

As a result of the retention of new construction management teams (Tishman Construction Corporation and Tishman/Turner) to assist in managing the design and construction of the WTC Hub, the WTC VSC and the Streets and Utilities projects, services to be provided by PB-URS will be reduced. In order to provide for PB-URS's continued performance of a reduced scope of work and efficiently transition certain work to the new construction management teams, staff recommended the continued retention of PB-URS through December 2011, which would require that the first one-year extension (through October 2012) be exercised. Funding for these services beyond 2011 is subject to further authorization.

The services to be provided under this authorization would include construction audit services, review of tenant construction applications, site construction coordination and progress reporting in concert with site logistics and site safety planning.

Pursuant to the foregoing report, the Committee on Operations, acting for and on behalf of the Board pursuant to delegated authority, adopted the following resolution with Commissioners Coscia, Bauer, Moerdler, Pocino and Steiner voting in favor; none against; Commissioner Sartor recused:

> **RESOLVED**, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to increase the compensation under an existing contract with PB-URS, a Joint Venture of Parsons Brinckerhoff and URS Corporation (PB-URS), by an amount not to exceed $20 million, for continued construction management consultant services in support of the various projects at the World Trade Center (WTC) site, including the WTC Transportation Hub, One World Trade Center, the WTC Memorial and Memorial Museum, WTC Vehicular Security Center, common site infrastructure, and other WTC site development projects, with such increase in compensation contingent on the execution of a contractor certification by Parsons Brinckerhoff; and it is further
>
> **RESOLVED**, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to exercise the first one-year option to extend the term of the existing contract with PB-URS through October 2012; and it is further
>
> **RESOLVED**, that the form of all contracts, agreements and documents in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representative.

CONFIDENTIAL ITEM

The Board also authorized a claim settlement that shall remain confidential pursuant to the terms of the settlement agreement.

SETTLEMENT OF CLAIM – COVENANT AVIATION SECURITY, LLC V. THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

It was recommended that the Board authorize General Counsel to settle an action entitled, "Covenant Aviation Security, LLC v. The Port Authority of New York and New Jersey," in the amount of $1 million, payable to the Port Authority, and an agreement with Covenant Aviation Security, LLC (Covenant) that it shall provide family benefit coverage and the required wages to all Covenant employees working under its contract with the Port Authority, in complete satisfaction of all claims.

Covenant and the Port Authority are parties to Contract No. 4600006609 (the Contract) for the performance of unarmed, uniformed guard services at John F. Kennedy International Airport (JFK) and LaGuardia Airport (LGA). The initial term of the Contract is four years, beginning February 1, 2007, and the Port Authority has the right to extend the Contract for two additional two-year option periods.

On January 22, 2009, Covenant commenced an action against the Port Authority, seeking a declaration that it had abided by the terms of the Contract by paying the requisite wages and benefits, despite an audit performed by the Port Authority indicating that the direct wages paid by Covenant to its employees and the monetary contribution towards its employees' benefits were less than those submitted as part of Covenant's Best and Final Offer (BAFO) dated November 2, 2006 and incorporated into the Contract. According to the audit report dated December 30, 2008, in the first year of the Contract, Covenant underprovided (benefits) and underpaid (wages) its employees by $561,845. According to the audit report dated May 20, 2009, in the second year of the Contract, Covenant underprovided and underpaid its employees by $767,100, resulting in a total audited shortfall amount of approximately $1,328,945. The Port Authority counterclaimed, seeking a declaration that Covenant was required to pay direct wages and provide benefits to Covenant employees working under the Contract at the level proposed in its BAFO.

In addition to paying the Port Authority $1 million in settlement of all claims, beginning on April 1, 2010, Covenant would provide and pay the cost of health benefits to all full-time employees and their families (Family Benefit Coverage), and the Port Authority would reimburse Covenant for these additional health care costs through the term of the Contract, which the parties agree will terminate on January 31, 2011. Also beginning April 1, 2010, Covenant would pay direct wages and contribute toward the benefits of its employees at the level contained in their BAFO. The Contract was approved and executed before the Board approved the policy requiring Family Benefit Coverage in all contracts. The absence of Family Benefit Coverage in the Covenant Contract has lead to labor disharmony. The additional cost of the Family Benefit Coverage through to the expiration of the contract is estimated to cost approximately $900,000, but may vary, because it is a function of the number of full-time employees and hours worked per employee.

Pursuant to the foregoing report, the Committee on Operations, acting for and on behalf of the Board pursuant to delegated authority, adopted the following resolution in executive session with Commissioners Coscia, Bauer, Moerdler, Pocino, Sartor and Steiner voting in favor; none against:

> **RESOLVED,** that General Counsel be and he hereby is authorized, for and on behalf of the Port Authority, to settle the action entitled, "Covenant Aviation Security, LLC v. The Port Authority of New York and New Jersey," in the amount of $1 million, and an agreement with Covenant that it shall provide family benefit coverage and the required wages to all Covenant employees working under its contract with the Port Authority.

Whereupon, the meeting was adjourned.

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Secretary