Torres Rojas, Genara FOI #14004

From: ML Donovan | The Twin Towers Alliance [mailto:mldonovan@twintowersalliance.com]
Sent: Saturday, May 18, 2013 11:11 PM
To: Duffy, Daniel
Subject: FOI Request

Dear Mr. Duffy,

Please provide us with a copy of every committee transcript, other than the Board Meetings, going back to when they started being transcribed.

Thank you.

Margaret Donovan | The Twin Towers Alliance

THE PORT AUTHORITY OF NY & NJ

FOI Administrator

September 17, 2013

Ms. Margaret Donovan
The Twin Towers Alliance

Re: Freedom of Information Reference No. 14004

Dear Ms. Donovan:

This is a response to your May 18, 2013 request, which has been processed under the Port Authority's Freedom of Information Code (the "Code") for a copy of every committee transcript, other than the Board Meetings, going back to when they started being transcribed.

Material responsive to your request and available under the Code can be found on the Port Authority's website at http://www.panynj.gov/corporate-information/foi/14004-O.pdf. Paper copies of the available records are available upon request.

Please refer to the above FOI reference number in any future correspondence relating to your request.

Very truly yours,

Daniel D. Duffy
FOI Administrator

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The Port Authority of New York and New Jersey
Committee on Capital Planning, Execution and Asset Management Meeting Transcript
February 6, 2013

[Vice Chairman S. Rechler] Inaudible.

[Susan M. Baer] Thank you. Today to seek project authorization for the rehabilitation of Taxiway Bravo at JFK. Taxiway B's pavement was sealed approximately 4 years ago to extend the service life until the next schedule replacement. The taxiway is exhibiting surface distress consistent with normal wear and weathering. The pavement and electrical infrastructure within the area of work requires rehabilitation in order to maintain a state of good repair and to comply with current FAA requirements. Planning for this project was authorized by the Board under the May 2011 Aeronautical Operations Area Pavement Rehabilitation Program. Taxiway Bravo is the primary circulatory taxiway around the Central Terminal Area at JFK. The proposed project would include the milling and asphalt overlay of portions of the taxiway shoulder and erosion pavements, shoulder widening and improvements to storm water drainage, as well as installation of taxiway center line lights, clearance bar lights, guidance signs, and pavement markings. The taxiway is being rehabilitated with asphalt since this project is not a full-depth replacement or widening. Work would be staged to minimize impact aeronautical operations, including working on nights and weekends. The total regional impact over the life of the Taxiway B project is currently estimated to result in 158 jobs, $9 million in wages, and $36 million in economic activity. Commissioners, the Taxiway Bravo rehabilitation project for which we are seeking authorization at a total cost-- has a total cost of $31.3 million. We're also seeking authorization for the Executive Director to award a contract with an estimated cost of approximately $22 million. Bids will be solicited through a publicly advertised request for qualifications process with it awarded to the lowest qualified bidders. Staff and consultant costs amount to approximately $3.4 million, and all costs are fully coverable through the JFK Flight Fee. Construction is expected to commence in the 2nd quarter of 2013 with the projected completed in the 2nd quarter of 2015. I request that you advance this to the full Board for approval.

[Vice Chairman S. Rechler] Any questions or any comments--or questions? Can I move this to the full Calendar? [Comm.] Aye. [Chair S. Rechler] Second? [Comm.] Second. [Vice Chairman S. Rechler] I'll move it forward. [S. Baer] Thank you.

[Chair S. Rechler] Then we have Cedrick Fulton for the George Washington Bridge.

[Cedrick Fulton] Good morning, Commissioners. I am here today requesting project authorization for the replacement Palisades Interstate Parkway Helix Ramp, also known as the PIP Helix. This item authorizes a project to replace the PIP, the Helix at the GWB at an estimated total project cost of $77.5 million. The PIP Helix Ramp serves motorists traveling south on the Palisades Interstate Parkway bound for the GWB. If you look the picture up there, what this project represents is to-- the sections in yellow are what we're working on, the blue dots represent several of ramps over roadways, including 95, Hudson Terrace, as well as the approach to the lower level, and the way we're planning to approach this project is by installing a temporary ramp while we're doing the construction, and that's represented by the red dashes along the perimeter of the existing Helix. The Helix was constructed in the 1940s, modified in

the 1950s when the lower level of the GWB was expanded. It was rehabilitated in the 1990s to extend its use for 12 to 15 years. Through our rating process, it rated very high in the state of good repair process: 14.4 out of 15. We originally received planning authorization in September of 2011 for $2.25 million. The work and planning was completed in the latter part of this year. If implemented, this project will generate 430 total job years, $27 million in wages, as well as $132 million in economic activity over the life of the project. Today, Commissioners we seek your approval to authorize a project for $77.5 million, $8.45 million of which is staff cost. We're also seeking to award a professional services contract to STV for $3 million. STV was selected via public advertized RFP out of 11 proposals. They were the highest technically rated proposer and lowest proposed price. We're also seeking for the authorization, Executive Director, to award a contract estimated for $53.9 million approximately in June 2014. It is anticipated that the project will be completed-- overall project will be completed in June 2017. I thank you for considering in advancing this important project.

[Vice Chairman S. Rechler] Questions?

[Comm. D. Steiner] Question. I see that the plan put a temporary ramp essentially adjacent to it. Why don't you use that as the permanent bridge and then replace that with - use that as part of the new bridge as you're building a whole new bridge anyway? You're going to put that and then tear it down?

[Peter Zipf] Yes, we looked at-- excuse me-- We look at that as one of our alternatives and from a cost-benefit factor. We're basically going to put a Acrow Bailey bridge - and you see this all the time - we move traffic over there and then we rip the bridge out, put a new bridge in, then move traffic back over. [Comm. D. Steiner] So it's not a loss. [P. Zipf] It's not. [Comm. D. Steiner] Okay.

[Vice Chairman S. Rechler] And just to be consistent, both these projects are just state of good repair projects and within our budget. [C. Fulton] Yeah, yes sir. [P. Zipf] 2013-14 budgets. >>Right.

[Vice Chairman S. Rechler] I recommend that we move the item. [Committee members] So moved.

[Chair Rechler] There being no further business - this concludes the public portion of today's meeting. The Committee will now meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals, and matters related to the purchase, sale, or lease of real property, or securities where disclosure would affect the value thereof or the public interest.

The Port Authority of New York and New Jersey
Committee on Operations Meeting Transcript
February 6, 2013

[Chair D. Samson] This portion of today's meeting of the Committee on Operations is being held in public session after which the committee will meet in executive session to discuss matters involving negotiations or reviews of contracts or proposals in matters relating to proposed, pending, or current litigation or judicial or administrative proceedings. The public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. All the discussion items on today's agenda are going to be presented by Sue Baer, our Director of Aviation, and we, of course, look forward to the full presentation, Sue, as always. The first item concerns lease supplements for the expansion of Terminal 4 at JFK. Sue.

[S. Baer] Thank you so much. And before I start, I'd introduced him to some of you, but I'd like to mention that Gavin Molloy is the Managing Director of United Airlines, of their Properties and Real Estate section is here today to see our process.

[Chair D. Samson] Thank you for being with us. We're pleased to have you here, and as always, we're pleased to be in a great business relationship with United. I look forward to it continuing.

[S. Baer] The first item I have today is to review an item for a project and associated lease agreements for Delta Airlines expanding their operations at Terminal 4 at JFK. Delta handles nearly 27% of JFK's operations from Terminals 2 and 3 currently. As part of the ongoing Phase I expansion of Terminal 4, Delta's international operations will be moved to the expanded space, actually, in the 2nd quarter of this year, and Terminal 3 will be demolished. This project would accommodate a portion of Delta's domestic operations from Terminal 2, allowing for an integrated operation and improved customer service. Terminal 2, which is shown on the left here, T2, currently houses Delta's domestic traffic while Terminal 3 on the right houses its international traffic. Both terminals were constructed and opened in 1960. In August of 2010, the Board approved a Phase I expansion of Terminal 4 and the demolition of Terminal 3, which is a functionally obsolete terminal that was really designed at the dawn of the jet age and falls far short of customer expectations as well as operational constraints. The agency has been working for years with Delta to better accommodate its operations and future expansion plans. What we have today is a plan to--this graphic up here provides an overview of the proposed redevelopment. Delta commenced limited use of Terminal 4 for international operations with a sublease that began in 2009. The Phase I expansion adds 9 international gates to Concourse B. In the Phase II before you today, Delta plans to construct an additional extension on Concourse B that would provide for 11 new regional jet gates. In addition, 2.41 acres which were formally used for FAA nav aids will be added to the leasehold. Following construction, Delta would have preferential use of the 11 gates. Delta would then transfer its regional jet operations from Terminal 2 to 4 to facilitate the passengers which connect from the domestic regional jets to international flights. These regional jet operations account for about 55% of Delta's domestic operations. Delta would continue to lease Terminal 2 for its main line domestic operations. Together, the terminals would function as a hub for Delta. Given the reduced operations at Terminal 2, Delta would not build the connector originally envisioned between Terminals 2 and

4. Instead, Delta plans to run a bus operation airside post-screening between Terminals 2 and 4, and part of this plan is to construct a bus station for this purpose in Terminal 4. The estimated cost of this project is $175 million, $160 for the expansion and $15 for the bus station. Delta prefers to fund the expansion through the issuance of New York City Industrial Development Agency New York City IDA bonds, which would be non-recourse to the project. There will be no leasehold mortgage or other pledge of the tenant's interest in this project. Under the underlying airport lease with the City of New York, issuance of New York City IDA bonds on the airport is prohibited. We would seek a waiver for this project only on that prohibition. Conversations with the City indicate they are in agreement on this financing. Should Delta not be successful for whatever reason in issuing the bonds or some other form of non-recourse funding Delta would be required to use its own funds for this project. The proposed lease agreement would provide the agency with an estimated $93 million in aggregate rentals. This includes $16.7 million during the term of the lease and fixed rent comprised of the ground rent from the 2.41 acres. In addition, there's an estimated $76.3 million in variable rent during the term of the lease to be expected through our lease arrangement with Terminal 4. This project is the 2nd phase of the terminal redevelopment that houses Delta's operations at JFK, and Delta and the Port Authority are continuing robust discussions about a Phase III solution that would allow the remaining main line domestic passengers in Terminal 2 to be accommodated in Terminal 4. Any additional phases of this redevelopment will be submitted to the Board for its approval. Phase II and any future phases must also be approved by Delta's Board, and they have a meeting this Friday. Commissioners, as you can appreciate, this project is an important undertaking. The benefits to the agency are significant, including increased revenue and approximate investment of $175 million in our airport and the creation of an integrated domestic and international operation by Delta. To the direct benefit of passengers, Delta would be able to relocate a portion of its domestic operations from Terminal 2 to a more efficient and modern space and improve the customer experience for its passengers. The direct and indirect benefits of the project will generate 770 job-years, $52 million in wages, and $259 million in economic activity. I request that you advance this to the full Board for approval.

[Chair D. Samson] Thanks, Sue. Do any other Commissioners have any questions or comments about this proposal?

[Comm. Steiner] I'll move approval.

[Vice-Chair S. Rechler] I have a question. Sue, obviously, first, I think it's great that Delta is investing in expanding Terminal 4. With Terminal 2 being scaled down, what's the future of Terminal 2? I mean, it's already sort of--

[S. Baer] Delta a few years ago invested a considerable sum in upgrading Terminal 2 to meet the immediate needs of its customers, but it is a 1960 terminal. We are in conversations right now with Delta about expanding Terminal 4 really on the other concourse to accommodate that activity where Terminal 2 is now, and then the plan, the vision for JFK, is that Terminal 2 will be functionally obsolete. It will be torn down, and we will begin discussions with the Terminal 1 Group about a possible expansion into that site, which would make a lot of sense for how their operation works. They have a very constrained ramp space, so that probably makes the most sense for the airport.

[Chair D. Samson] Second? All in favor? [Committee members] Aye.>>So moved. The 2nd topic is an amendment, a proposed amendment to the air terminal lease with the City of New York. Sue.

[S. Baer] We're requesting approval to acquire a 14.73 acre parcel of land from the City of New York in order to implement runway safety area improvements for Runway 4L-22R. In exchange, the Port Authority would surrender a total of 2.34 acres to the City, so our net increase is 12.39 acres to our leasehold at JFK. I know we've talked frequently about runway safety areas. In 2005, Congress mandated that airports across the country enhance passenger safety by improving runway safety areas no later than December 31st, 2015. The safety area is the surface surrounding the runway that is cleared and graded in order to reduce the risk to airplanes in the event of a runway excursion. Currently, FAA design standards call for 250 feet from each side of the runway centerline and 1,000 feet beyond each runway end or its equivalent. In order to comply with these standards and improve safety, staff has been coordinating with the FAA and state level transportation environmental agencies to plan and implement RSA improvements at our airports. This item will support the implementation of the runway safety area improvements for Runway 4L-22R at JFK, a project that the Board approved in April 2012. While the runway's width is up to standards, additional off-airport space is required to accommodate the standard safety area at each end. Plans include extending the runway's paved area to the north, moving up the runway threshold, and installing 1,000 foot runway safety areas at each end. To accommodate these improvements, the property located north of the runway must be acquired. This proposal seeks to enter into agreements with the City of New York that will expand the Port Authority's leased area at JFK by a net area of approximately 12.39 acres at the north end of the runway. The Port Authority would acquire this leased area from the City and would surrender 2.34 acres back to the City of property that we currently hold. The parcel being surrendered consists of 1.52 acres for the New York City Tow Impound Lot and .2 acres east of what's described up here as the East Fan Parcel that will enhance the potential development of a property that the City owns adjacent to this area. The proposal would permit the New York Police Department and the City's selected developer on their site to connect into and utilize JFK's sanitary and water lines on a metered basis. Commissioners, as part of the property acquisition, the Port Authority would agree to provide roadway access to New York City EDC's property to facilitate the commercial development of its parcel. If access is not provided by December 31st, 2014 New York City EDC could require that the parcel by added to the JFK leasehold. The Port Authority would make a payment to the City of approximately $13.7 million, an amount that was determined by independent appraisals performed on behalf of the Port Authority and New York City EDC. The Port Authority's real estate services department concurs with the proposed terms of this property acquisition. In order to minimize the impact to airport operations, the RSA improvement work will be completed as part of a project to rehabilitate the entire runway, which is the project you authorized last April. Commissioners, advancing this item at this time will allow staff to acquire the land that will be necessary to perform the runway safety area improvements at JFK in accordance with FAA requirements. I welcome any questions you may have and ask that you recommend this item to the full Board.

[Chair D. Samson] Thank you. Any questions or comments? If not, I'd like to move it forward for approval. [Vice-Chair S. Rechler] Second.>>[Chair D. Samson] All in favor? [Committee members] Aye.>>[Chair D. Samson] So moved.

[Chair D. Samson] The next topic, we're finally getting to Continental Airlines. Sue, it's a supplement agreement to extend the lease for Terminal C for 20 years. Can we hear about that?>>

[S. Baer] Absolutely. I'm going to present now an item for a lease extension agreement with Continental for the airline's continued use and occupancy of about two-thirds of Terminal C, C1 and C2 portions of this Terminal C leasehold at Newark Liberty International Airport. To clarify, in case there's any confusion, the ongoing merger between United and Continental has been completed operationally. For instance, all the planes are branded United now. But the legal merger has not yet concluded, so this lease agreement is with Continental, which continues to exist as a separate legal entity. Upon completion of the merger, the lease requires that it be assumed by the surviving entity. As the leading carrier in the region United handles more than 27.5--

[Chair D. Samson] Excuse me. What's the anticipated date of the completion of the merger? [S. Baer] I don't know. Gavin, what's the anticipated date? [Gavin Molloy] May 31st. [Chair D. Samson] Of this year? Thank you. [S. Baer] I was going to say 2nd quarter. I'm glad I was right. [Chair D. Samson] Just made it.

[S. Baer] The airline serves destinations throughout the country and around the world with more than 380 daily departures at Newark accounting for more than two-thirds of the airport's traffic, and Newark is the airline's second largest hub. The C1 and C2 portions of the terminal that are highlighted here consist of 38 gates and all related terminal space. The original 25-year lease agreement dates to 1987. It was followed by a redevelopment expansion agreement in 1999 that led to the opening of C3, which brought the total number of gates in the terminal to 58, and another supplemental agreement in 2010 for the installation of an inline baggage screening system. Commissioners, after more than a year of negotiations, we are pleased to deliver for your consideration an agreement that provides a reliable and robust source of revenue to the agency which also ensures a strong future for one of our region's most important air carriers. This 20-year deal, which takes effect on April 1st, includes a 75% rent increase effective next January 1st. Rent then increases 1.5% annually through 2018 and 3% annually beginning in 2019 through the end of the agreement. In addition, the airline would be required to make $150 million capital investment to upgrade infrastructure and improve the customer experience. Commissioners, I request that you advance this item to the full Board for approval today.

[Chair D. Samson] Questions or comments? Yes, David.

[Comm. D. Steiner] When is our lease over at Newark? [S. Baer] 2065. [Comm. D. Steiner] So this is well within the term of the lease. [S. Baer] 2065. I'm looking at Carlene, and I think that's right. Yes, 2050 for the New York City airports and 2065 for the City of Newark.

[Chair D. Samson] This sounds like a terrific deal for both parties, and I compliment you, Sue, on bringing this to us. I'll move it for--

[S. Baer] I have a great staff. [Chair D. Samson] Yes, you do. I'll move it for approval by the full board. A second?>>[Vice-Chair S. Rechler] I'll second that. [Chair D. Samson] All in favor? So moved.

[Chair D. Samson] The final topic is a presentation regarding 2 new lease arrangements as part of Terminals A and B Concessions Program at Newark Liberty. Sue?

[S. Baer] Commissioners, I'm here to review an item for 2 concession agreements as part of the Terminals A and B Concessions Redevelopment Program. As you know, under your direction, staff has been working with our partner Westfield Concessions Management on a multi-phase effort to rebrand concessions in these 2 terminals with the goal of improving the experience for our customers. To date, we've brought 6 phases of the program for your approval following requests for proposals as new or existing space becomes available for leasing. These phases have resulted in aggregate minimum annual guarantees totaling $140 million annually with percentage rentals ranging from 9% to 24%. In addition, each new lessee is providing significant investment to update existing spaces or outfit new spaces. As part of the prior phases you've approved to date, 62 concessions are now open to our customers. Pictured here are 2 recently opened spaces. On the left is the Belgian Beer Cafe in a post-security space in Terminal B, and on the right, Tech Interaction in the Terminal A Concourse. Prior phases have not only brought more choices but healthier choices as well. Newark was voted and won 1st place for the healthiest US airport by the Physicians Committee for Responsible Medicine in 2012. Another example of a successful new concession is Terminal B's new Mediterranean Bistro in the B3 satellite. It won 2nd place for Best Food and Beverage Concept at ACI's conference in November 2012. The next phase of this program proposes 2 new concepts to enhance dining for our customers in Terminals A and B. In this current phase, we're adding 2 food and beverage options, Market Fresh, which is a grab and go, and Green Beans Coffee. Of the 4 total spaces, 2 will be post-security concessions, 1 each in Terminals A and B. These agreements will also generate approximately 20 new jobs at the airport. All 4 of the concessions will be operated at least in part by a certified disadvantaged business enterprise. Green Beans is 25%, and Market Fresh is 100% DBE. As of December--and something we can all be proud of-- Newark Airport's total participation of disadvantaged enterprises based on a percentage of total sales is 30%. This exceeds our stated goal of 17% participation for the airport. These agreements cover nearly 2,000 square feet of concession space. During the term of the agreements, tenants will pay the greater of a minimum annual guarantee or percentage rent as specified in their proposals as well as promotional fees and common area maintenance charges. The proposed leases were selected by Westfield via competitive RFP process and represent the highest financial return. In total, these leases would generate a minimum of $4 million in guaranteed revenues over the terms of the leases or percentage rentals between 16% and 18%, whichever is higher. When compared to the minimum guarantees for the 1 existing revenue generating space--only 1 is a replacement here-- the proposed lease represents 150% increase over the current minimum annual guarantee. Tenants will make significant investments to outfit the space with new fixtures and finishes as appropriate. We expect the renovations of these concessions will be completed by the 4th quarter of 2014. I request that you advance this item to the full Board for approval.

[Chair D. Samson] Sue, can I ask you a question?>>[S. Baer] Sure. [Chair D. Samson] Have we exhausted all our post-security concession space at Terminal A with this proposed lease? [S.

Baer] We are very close. We are forever looking to recapture space to develop even more concessions because as you know-- [Chair D. Samson] I'm talking about just post-security. [S. Baer] Post-security, it's a great need, particularly in old terminals. [Chair D. Samson] You're telling me. [S. Baer] And so we are very close to exhausting all available space post-security, and we've been very creative about carving out space that was used for other things previously. The only other possibility is we continue to entertain concepts for kiosks, which is a way to get some without taking up much space. But the full service is what customers would like, and so I think we're about there. [Chair D. Samson] I'm asking the question, taking off my chairman's hat and putting on my customer's hat, because I can tell you that Terminal A really needs significantly more post-security concessions in Terminal A. [S. Baer] And in Terminal B because we expanded-- [Chair D. Samson] On a busy day at a busy time, it's awful. I mean, the amenities that are provided or offered to our customers don't match up with the needs. [S. Baer] Because most of the space is pre-security.>>[Chair D. Samson] Exactly. Until we address the larger issue of the terminal, we're going to have to live with those constraints, physical constraints. Yes, Commissioner Steiner.

[Comm. D. Steiner] I want to know why in 1 space we're only getting $156 a square foot, and in the other one it's $1,000 a foot. Would you explain the difference to me? [S. Baer] Yes. One is in a very high traffic area, and the others are in extremely low traffic areas. [Comm. D. Steiner] You're talking about the food and beverage. [S. Baer] Yeah, the food and beverage is out where Continental is running their express operation. It's perhaps the busiest spot in the airport these days, and so that generates a huge amount of foot traffic, and so the bid was appropriate. [Comm. D. Steiner] How do compare what we're getting for this? I couldn't find it in my records for the typical coffee shop. It seemed to me we were always getting more than $150 a square foot. [S. Baer] I think it's fairly typical. We have comparables which we can get for you. [Comm. D. Steiner] You have a comparable that we're fairly much in the same-- [S. Baer] We're pretty much in the same ballpark. [Comm. D. Steiner] I couldn't find it in my records. [S. Baer] I will get that for you, but we're pretty much the same. [Comm. D. Steiner] I want to make sure that we're getting--because they don't take up much space, but they generate good revenue. [S. Baer] They do. [Comm. D. Steiner] I want to make sure that we're getting the same amount of money or get a different operator who is prepared to do that. [S. Baer] Well, this is the best that we got. We had 3 bids for it, and this was the best proposal for the coffee spots. We had 3 proposals, and this is by far the best financially for us.

[Chair D. Samson] Does Westfield recommend that we accept these proposals? [S. Baer] They do, and we're very much involved in ensuring that they are the best financially for the Port Authority as well as the best to fit into the mix of the airport. As you know not all concessions-- and Commissioner Steiner knows this as well-- generate the same amount of revenue, but you need a range of types of concessions, and so we will target an area for a coffee shop or a bar or a full-service retail or a news and gift, but then once we've done that, we tend to get a fairly large number of proposers for that, and then it is our policy to accept the best financial proposal to the Port Authority, and all of these do. [Chair D. Samson] Commissioner Steiner?

[Comm. D. Steiner] I want to point out these small shops give us an opportunity to make the MWBE that you can't do in major companies like those-- [S. Baer] Post or Hudson.

[Comm. D. Steiner] Like the international types of places like that where it takes millions of dollars to be an investment, and they have not yet come up with the minority part, the capital to do that. That's why these offer us the best opportunity for MWBE. [S. Baer] They do, and the food operator here is a DBE, and the coffee has a minority partner. Both of them work towards our goal, and as I mentioned, at Newark our percentage is 30%, which is astounding. [Comm. D. Steiner] We're way over what other airports have. [S. Baer] And even our goal. We're way over our goal. [Comm. D. Steiner] Anybody could reason that, and I commend you for that. [S. Baer] Thank you.

[Chair D. Samson] Any other comments or questions? If not, I'll move it forward for approval by the full Board. A second?>>Second. [Chair D. Samson] All in favor?>> [Committee members] Aye. [Chair D. Samson] So moved. Thank you, Sue. [S. Baer] Thank you.>>

[Chair D. Samson] That concludes the public portion of today's meeting. The Committee will now adjourn to executive session to discuss matters involving negotiations or reviews of contracts and proposals and matters related to proposed, pending litigation or administrative proceedings.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Meeting Transcripts
February 6, 2013

[Chair A. Sartor] WTC Redevelopment Subcommittee public session. The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee is being held in public session, after which the subcommittee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals, and matters related to the purchase, sale, or lease of real property, or securities where disclosure would affect the value thereof or the public interest. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in reviewing today's proceedings via the Internet. Steve, you've got an easy two items today. Mr Plate?

[S. Plate] Good morning Commissioners. First item- This is Super Bowl event. [Laughter] Hey, I've got to be flexible on this job. I'm down to only 300 items. [P. Visser] Is this where you do your Beyonce imitation? [S. Plate] I don't do Beyonce. Okay, so the first slide- [Laughter] It's no problem. This really involves the final streets and sidewalk surfaces around One World Trade Center. It's a contract that had 5 bidders--2 we know, very competitive. As you can see in the Board Item, the reason for the urgency associated with this we're driving to the finish line with One World Trade. We have outlined in red is the area we're talking about, immediately adjacent to One World Trade. We're actually installing the podium wall as we speak. It literally started this week. And this will follow soon thereafter. We have a very intricate staging plan associated with it. It's included in the budget. We're offering that Oliveira Contracting be the winning bidder.

[Chair A. Sartor] Any questions on this item? Commissioners? What was your estimate, Steve? [S. Plate] The estimate was $10.3 million on the base. Compared to an $8 million bid with some--we took some options to deal with some other issues.

[Chair A. Sartor] Okay. I will entertain a motion to move this to the full Board. [Comm.] So moved. [Chair A. Sartor] Done. Steve, next item.

[S. Plate] The next item concerns Sandy and its approval of World Trade Center contract actions and expenditure commitments for the initial project recovery efforts and trues us up relative to where we are today. What's included in this, from October 29 of last year to present and ultimately through March Board, so we get into more of a forward-looking process as opposed to looking in the review mirror. This will true us up. We're in the process and have ordered approximately 1,600 pieces of equipment. We've actually jumped all over that. We were very aggressive with our contractors, and they've been very responsive. We want to make sure we stay timely with the payments to support them in being that responsive. So in this number is a series of different numbers and different components. It includes the initial recovery, the pumping that we thought would take 2-4 weeks which was done in 3-5 days, and it also includes the cleaning, the monitoring. It also includes all the equipment through February as well as looking forward through March. So this brings us current with all the different payments that are due. Also, we'll be back to you each month to project the following month. If we can do that and wrap that up a little easier, we will attempt to do that. Any questions?

[Chair A. Sartor] So the total you're looking for through March is? [S. Plate] $100 million. [Chair A. Sartor] I thought it was $125--we've already authorized $25. [S. Plate] The $25 is covered in another item, which is one for the whole Corporation.

[Chair A. Sartor] Okay. First of all, I just want to commend you for a job well done in terms of being able to get yourselves to the point where you are functioning very, very rapidly down there and back to construction. You did a great job on that. Any questions on this item? I entertain a motion to move this to the whole Board. Done. That concludes the public session of our meeting. We will now move into executive session.

The Port Authority of New York and New Jersey
Committee on Capital Planning, Execution and Asset Management Meeting Transcripts
March 20, 2013

[Chair S. Rechler] Of the Committee on Capital Planning, Execution and Asset Management, we're supposed to start at 11:15; it's just a little after 11:15. The first portion of today's meeting of the Committee on Capital Planning, Execution and Asset Management is being held in public session, after which the Committee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals and matters related to the purchase, sale, or lease of real property, or securities where disclosure would affect the value thereof or the public interest. In addition, the public portion of this meeting is being broadcast live on the Port Authority's web site for those interested in viewing today's proceedings via the Internet. We have 2 matters for our agenda on the public session. First, we have Sue Baer for the LaGuardia Airport East Garage. Sue?

[S. Baer] Thank you. I'm here today to seek project authorization for LaGuardia Airport's East Garage Project. The proposed garage would be a multi-level parking facility with approximately 1,100 spaces. LaGuardia currently handles approximately-- has about 6,800 public parking spaces in 7 lots. The parking lots provide a significant financial contribution to the Port Authority with gross revenue of nearly $41 million and net operating revenue of approximately $24 million. The majority of the revenue is generated from the short-term lots located adjacent to the terminals, particularly the Central Terminal Building garage and lot 4 which is in front of Terminal C and D which are now both run by Delta. The lots are operated by a private contractor on behalf of the Port Authority. In 2011, Delta acquired slots from US Airways and began an expansion plan using larger planes to additional destinations. Their plans are expected to result in growth at Terminals C and D of almost 50% by 2030. In addition to the increasing demand for parking caused by the operations at Terminals C and D, construction of the East End Substation, which is seen here to the left--the little block to the left, will reduce the capacity of parking lot 4. And although the parking lot supply in front of Terminals C and D at LaGuardia is adequate in the very near term, the combination of anticipated growth and the EEF's construction, which has already begun, requires the timely development of the East End Garage. The proposed project would include the final design and construction of a new East Garage to be located in parking lot 4 opposite Terminal C. The new garage would be compatible with LaGuardia's redevelopment plans. It would help mitigate the parking deficit anticipated by future construction. Some of the garage's added customer elements-- customer service, as you know, is very important to us, include reduced average walking distance from the parking to the terminals, enhanced safety and security elements, improved signage, and a parking management system with variable message signs indicating parking spot availability. The proposed garage would elevate critical, electrical, and communication systems above the 100-year flood elevation as well as a backup emergency generator. For the East Garage project, the expected total regional impact over the life of the project is currently estimated to result in 500 job-years, $33 million in wages, and $140 million in economic activity. We are seeking project authorization for $82.9 million for the garage, which includes authorization for the Executive Director to award a design build contract estimated at $62.3 million. This contract will be procured via competitively bid process with the award to the lowest pre-qualified bidder. Construction is expected to commence in the 4th quarter of 2013 and be completed by the 4th quarter of 2014. Advancing this project at this time

would not preclude the possibility of privatizing the garage by including it in the overall LaGuardia Central Terminal Redevelopment Project. Commissioners, I request that you advance this item to the full Board for approval today.

[Chair S. Rechler] Any questions or comments?

[Comm. A Sartor] Just an observation, but the costs associated with this garage are significantly higher than what we expected as a result of the sub-service conditions, I assume. [S. Baer] Yes. [Comm. A. Sartor] So if somebody sat down and calculated the cost. [S. Baer] Yes, we did. We went through a value engineering effort and brought the cost down and we are still in that same ballpark of cost. We have to put the rest of the cost of the whole project in this item, which is what's here. But--and we're continuing as late as this week to look at ways to further reduce the cost for space, because we're very aware that we want to keep it to the lowest possible amount. We will continue those efforts. Part of going with the design build contract will also allow the contractors to make proposals to reduce the cost of the garage, as well, and that is our goal.

[Chair S. Rechler] Good. Any comments or questions? I spent a lot of time on this obviously critical for the Central Terminal renovation and our view, obviously, is once you get there and we spend a lot of time thinking about privatization, let's not lose sight of that--that's important. This is really a step to try to find a more efficient public-private partnership later, but it's important to include that in the mix. So if there's anything else, I would ask for a motion to move this to the full Board. >> [Comm. So moved] >> [Comm. A. Sartor] Second. [Chair S. Rechler] All in favor? >> [Comm.] Aye. >>

[Chair S. Rechler] Okay. Thank you, Sue. Okay, our next and last item on the agenda is Port Newark Berth 14. Rick Larrabee is going to provide an update on that. Rick?

[R. Larrabee] Chairman, good morning. Before I talk specifically about Berth 14, I just want to put this project in context of a larger asset management program. We manage about 8 miles of berths in the port, about 75 separate berths. Over the last couple of years, and most of those berths are built currently on good pile structures. The irony is the water's gotten cleaner. The marine borers have gotten more veracious. So marine borer activity is really the root cause of some of the things that we've been talking about. We have an aggressive comprehensive asset management program when it comes the management of our berths. Peter Zipf's staff and my staff, I think, have put together a plan that makes sense. You'll see over the next 10 years in our capital plan, about $275 million that we'll manage the maintenance of these berths. Berth 14 is the last one of its kind, which is a good thing, but we still obviously have more work to do. So with that as context, we're asking your authorization this morning for a project to reconstruct Berth 14 at a total cost of $39 million. Berth 14, as you can see on the slide, is important to our channel. It was built in 1965. Like a number of other berths, 6, 8, 10 all in that same area, and Berth 3, which is right here. These are berths that were considered to be in poor condition and as I go through this presentation, you'll see what I mean by poor, and had been slated for reconstruction. This berth, as I've mentioned, is totally constructed of not only wooden piles, but wooden decking. That's the horizontal platform that the berth is built on. Those are the areas that are most susceptible to marine borer activity. This is Berth 14. Berth 14 supports 2 of our major tenants: Hudson Tank, which handles edible oils and actually leases the berth along the the

upland, 10 acres. And then Aarhus, which is this facility here, which handles edible oils. Both of these operations employ about 30 people. They generate about $2.7 million worth of annual revenues for the Port Authority. The history of this berth was that in 2006, the survey said that it looked pretty good. In 2009, we noted a significant deterioration. We've done some restricting of loading on it. We've one some emergency repairs, but last year, we had 2 berth failures in areas that we suspected were in the worst shape. And that is the result of that. As a result of that, we used some money from another contract to stabilize this area with a gabion wall. It withstood Sandy, so it's in pretty good shape. Hudson Tank is the area right behind it. We were very concerned about that area being impacted. Next slide. So to avert any further loss, what we're basically saying is that Berth 14 needs to be rebuilt. Once rebuilt, we can stabilize that area. We've had to move Hudson Tank's water front activities off the Berth 14 to Berth 16. They've been relatively cooperative in doing that and we leave them there until the operation is completed. So Commissioners, what we're asking for today is your authorization for a project to reconstruct the wharf structure at Berth 14 at an estimated total project cost of $39 million. As part of the total project cost, authorization is also requested for the Executive Director to award a contract to do the construction work for $27.5 million. Bids would be solicited from an existing list of pre-qualified contractors developed from a publicly advertised Request for Expressions of interest and awards would be to the--obviously to the lowest qualified bidder. The proposed scope of work would provide for the final design and construction of the wharf at Berth 14 and removal of existing, low-level relieving platform deck and timber piles, the installation of steel, sheeting, and concrete decking, and the construction of a high-level concrete deck supported on concrete enforced steel piles. Due to the proximity of the berth, the active liquid bulk operation at Hudson, the work would require coordination between the tenant and the contractor. Hudson Tank would be relocated, as I said, to Berth 16, and then brought back to 14 after the wharf is done. Including the proposed project is an aggregate total of approximately $974 million [sic] worth of services from call-in consultants. Construction-- >> [Chair S. Rechler] $974 thousand. [R. Larrabee] I'm sorry. Thousand--sorry. We haven't actually used all of that. We've only used about $400,000 of that. The construction of Berth 14 is expected to be completed by March of 2016. Commissioners, I request your advance to the full Board for approval today.

[Comm. A. Sartor] Rick, who's doing the design. Is that being done in house? [R. Larrabee] Yes.

[Comm. D. Steiner] Question. If they're leasing the berth, don't we have net provisions where they're responsible for the maintenance of the wharf? As I recall, doesn't our lease call for that? [R. Larrabee] No, our lease calls for us to maintain the wharf, Commissioner. [Comm. D. Steiner] I would suggest to rethink the way you lease things. I don't think it should--they're the ones who have the total use of the wharf. Nobody else does. I think in someway we should put that in the lease. It's no different than maintaining a parking lot, as far as I'm concerned. [R. Larrabee] I mean, without sounding too simplistic, I think it would be like Sue leasing the runways to the airlines. We might want to maintain these berths at a standard that's acceptable to us. [Comm. D. Steiner] We can make them maintain it to any standard you want. Unless you want a better standard, it doesn't mean it can't be passed on to the tenant. You have enough people to supervise it.

[Comm. J. Moerdler] There's a difference between passing on the work versus passing on the cost.

[Chair S. Rechler] Is there a market norm with that, Rick? [R. Larrabee] I mean, historically, we've never given that responsibility, neither the work in terms of keeping the berth steepened or in terms of the maintenance of the wharfs. >> [Chair S. Rechler] It's worth considering.

[Board Chairman D. Samson] Do you have any insurance coverage for this? [R. Larrabee] In this case, we checked on that; because it resulted from natural causes, the insurance was denied. [Board Chairman D. Samson] Well, natural causes-- but I thought that, as I remember reading in the staff memo on this thing, there was some borer activity or something. [R. Larrabee] It's marine borers, Chairman. [Board Chairman D. Samson] So is that the kind of thing that would be expected to occur on most if not all of the piers? [R. Larrabee] Yes. Wooden piers. And again, we're going to go back with steel reinforced concrete piles and a high-level concrete relieving platform. That's the answer, and that gives us 40 to 50-year life. [Board Chairman D. Samson] Are there other wooden piers? [R. Larrabee] Yeah, we've got an-- >> [Board Chairman D. Samson] Are they in a similar condition? [R. Larrabee] This is the last one with a low-level wooden deck relieving platform. All the remainder of them are concrete and have wooden piles, so we'll have to continue to monitor the condition of the wooden piles. The next step of the wooden pile is to wrap it. There is a technique to do that. It's still an expensive proposition. [Board Chairman D. Samson] Get Commissioner Sartor out there, in his scuba outfit-- [laughter]

[Comm. D. Steiner] Tony, can't you use steel or concrete piles, too? [R. Larrabee] Yeah, and that's what we're doing here. [Comm. A. Sartor] You don't want to go back and replace all the wooden piles. [Comm. D. Steiner] I understand, but only when they fail. [Chair S. Rechler] But you can wrap them-- >> [Comm. A. Sartor] But you can wrap them and get more life out of it. [Comm. D. Steiner] Is that the -- activity >> [Comm. A. Sartor] Yes. >> [R. Larrabee] Yes, it is.

[Chair S. Rechler] Rich, question. As a state of good repair projects, where does this rank in terms of our analysis on state of good repair? [R. Larrabee] Fourteen out of 15. [Chair S. Rechler] Fourteen out of 15. Are all the wooden piled docks of similar nature in terms of where they all rank above 12 at this point? [P. Zifp] Yes, they're all in that 12 zone. There are two more left, and they're in that 12 zone. They're in the transitional Capital Plan.

[Board Chairman D. Samson] Are they under lease, Peter? >> [R. Larrabee] Yes. [Board Chairman D. Samson] And we have the responsibility to fix them, as well? >> [P. Zipf] Just like this one.

[Comm. D. Steiner] Question, how much rent do we get for those 2 guys who use Berth 14? [R. Larrabee] A total of $2.7 million. [Comm. D. Steiner] Per year? >> [R. Larrabee] Yes, sir. [Comm. D. Steiner] So the way I figure, it'd be at least 15 years before we get the money back, so it's really not--we have to think about this differently. Either we're not getting enough money, or we have to find another way to finance it. You wouldn't put up a building if you weren't getting a return.

[Chair S. Rechler] It's not too bad. I mean, $2.7 million is against $39 million-- [R. Larrabee] And it's got escalations built into it. [Chair S. Rechler] Right, so it will grow over time. Well, he's repairing it.

[Board Chairman D. Samson] To your point, on the other hand, all these tenants need to be there. >> [Comm. D. Steiner] Right. [Board Chairman D. Samson] So maybe some sort of cost sharing or, you know-- [Chair S. Rechler] When's your lease come due, Rick? [R. Larrabee] This lease goes out to 2023. [Chair S. Rechler] 2023. So I guess the point is as you are have leases turn over. I think what Commissioner Steiner suggesting is worth considering, which is that people have an ongoing repairs and maintenance program.

[Comm. J. Moerdler] It should be a phase in over a period of 5 years, you have to convert it to a net lease. [R. Larrabee] Ten years ago, we had maintenance for all of these facilities. We've been able to shift all of the responsibilities for things like maintenance of buildings, paving, those kinds of responsibilities have all been shifted over to our tenants. This is sort of a last vestige of what was historically the way we manage the port.

[Chair S. Rechler] Okay, so let's try to make that shift. >> [Comm. D. Steiner] It's time to look at it, that's all. [Board Chairman D. Samson] Perhaps we should have some leverage over all of these tenants. [Comm. D. Steiner] Sounds to me like a good chance to get some of the money back.

[Chair S. Rechler] Okay. Any other questions? Can I have a motion? >> [Comm. A. Sartor] So moved. [Chair S. Rechler] Second? Okay, we'll move it to the calendar. >> [R. Larrabee] Thank you.

[Chair S. Rechler] That ends our public session. We're going to adjourn to executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals and matters related to the purchase, sale, or lease of real property, or securities where disclosure would affect the value thereof or the public interest.

The Port Authority of New York and New Jersey
Committee on Operations Meeting Transcripts
March 20, 2013

[Chair D. Samson] Let's get started. The first portion of today's meeting of the Operations Committee is being held in public session, after which the Committee 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 administrative proceedings, and matters related to the purchase, sale, or lease of real property, or securities where disclosure would affect the value thereof or the public interest. The public portion of the meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. The first topic on today's Committee agenda is a review of staff overtime results for the 4th quarter of 2012. It will be presented by our Chief Financial Officer, Mike Fabiano. Mike.

[M. Fabiano] Good morning, Commissioners. Today I'd like to review our 2012 overtime results and present our mitigation strategies to continue to improve overtime management in the agency through 2013. In 2012, the Port Authority, as part of its transparency reforms, established new processes for tracking overtime across agency departments. The new tracking system allowed us to establish benchmarks and assisted us in developing the 2013 Budget. The new process also gave us the ability to justify and verify overtime use and to develop strategies to begin to reduce overtime in areas where we found the overtime to be exceptionally high. Today I would like to discuss the results of our overtime performance management in 2012 and our plans to further monitor overtime in 2013. This is a recap. In 2012, we established very ambitious goals to reduce agency overtime and developed our budget for the year based on those goals. Last year we made great strides to attain the goals we set, and we resulted in a 4% decrease in agency overtime hours compared to the actual overtime hours worked in 2011. However, we did not meet our 2012 budgeted goals of 1.3 million hours of overtime for the year. Instead, we reported 1.8 million hours of overtime. This overrun, which is about 502,000 hours or 38% over budget, was due primarily to the impact of Superstorm Sandy and our ongoing public safety policing, which I will now discuss in further detail. Comparing 2012 versus 2011 actual results and excluding weather-related affects of Superstorm Sandy and snow, there were 1.6 million hours of overtime worked in the agency in 2012, which is 134,000 fewer hours less than in 2011, so that is positive. If we exclude Public Safety policing and security from these numbers, and include only departmental operations, then overtime was 812,000 hours, which was 178,000 hours less than 2011. However, as I mentioned earlier, from a budget perspective, 2012's Budget, overtime was 389,000 hours higher than planned. This overrun is almost entirely attributable to Public Safety policing and security, which was over budget by 343,000 hours in 2012. The remainder of the overrun was attributable to Aviation, maintaining key to key positions as well as efforts around PIDS security operation services, and some of this was offset by underruns in the PATH Capital Construction Program support. In the Public Safety area of 343,000 hours, it was primarily related to additional patrols to mitigate security concerns in our facilities, and those were additional posts at GWB, the Port Authority Bus Terminal, and also at the airport. Staffing and coverage for vacancies and mandatory training was another leading factor in the overtime overrun, and the third area of overtime overrun involved VIP movement, special events during the presidential election year, construction support, court time, and arrests, which were all over

plan by 7,000-10,000 hours each. This is a slide that shows the impact of the 173,000 hours of Superstorm Sandy and our responses during 2012 across all departments. It's important to note that the overtime is still ongoing as staff continues to deal with the repairs and the aftereffects of Superstorm Sandy. Through February already this year we've incurred approximately 26,000 hours of overtime. 18,500 of those hours were incurred in our PATH area, which is to be expected, and this overtime will continue as we continue to recover.

[Comm. J. Moerdler] Mike, are you specially allocating the Sandy-related overtime so that we can look at how we compare year to year by extracting that? [M. Fabiano] Yes, that's why we're removing snow and also the impacts of Sandy, so we're tracking for the normal facility operations and not the one-offs. [Comm. J. Moerdler] Thank you. Sorry to interrupt.

[M. Fabiano] Listed on this slide are some of the 2012 mitigation efforts that we have put in already. We performed detailed, functional assessments, and in that I mean we analyzed overtime data to identify category drivers such as 24/7 operations and off-peak overtime. We drilled down into these categories to identify job functions which were incurring the most overtime, and then we met with the respective line departments to discuss and mitigate root causes. As part of these efforts, in the area of key to key or 24/7 operations, we reset required staffing levels by providing additional positions in certain areas, and we determined that the airport operations agent functions were understaffed, and as a result, we authorized 8 additional positions during the year so that that will help to mitigate overtime. We also worked with the human resources department to ensure the key to key positions or 24/7 posts and positions are maintained and not subject to abolition or reclassification, and we also accelerated entry-level feeder positions where we saw that there was a high vacancy due to high turnover, and in particular, the tunnel bridge and agent function. What we did is in advance of the actual absences, we authorized 2 new tunnel bridge and agent classes so that we have a sufficient agency pool of resources that will be ready to fill those positions on a straight-time basis. With respect to off-peak overtime, we began to enable evening and overnight work crew capabilities. We authorized new electricians and electrical supervisors at the airports to enable evening and night crew tours, and we limited engineering overtime to priority projects that had to be accelerated, and we continued to monitor which projects are drawing the overtime in the design areas. And then finally, we began to incorporate some of these 2013 budget mitigation strategies and findings into the 2013 Budget. This is the most important slide, because this is where we're going. In 2013, we're going to continue a budget monitoring of overtime. We will continue periodic auditing of the overtime authorization process that we established in 2012. We have advised the departments that there will be bi-monthly audits for randomly selected units. We are having monthly discussions with departments on overtime, and this will hopefully increase accountability and be able for us to more quickly identify problem areas and address them. We have also initiated a new police class which was announced recently, and we planned the first police class of 175 recruits. In addition, we are in the process of preparing a new recruitment test to refresh our list of candidates for future classes so that we'll have a ready pool of candidates as the needs arise to add more classes. The new Chief Security Office will focus on strategies to reduce overtime within Public Safety. Those efforts are ongoing, and we also began to evaluate--and this is the important part--the effectiveness of our 2012 implemented staffing strategies where we introduced additional staff to make sure we're getting the savings that we thought we were going to get. We'll continue to monitor those areas. We'll also continue to look at the

balance of the key to key positions in the agency, or 24/7 positions. There are approximately 47 of these types of job classifications in the organization, so we will do structural reviews of these and begin to look at whether or not additional resources are required to be permanently placed as part of those rotations to eliminate overtime. Some of the areas we're looking at in particular are the toll collector function, the auto mechanics, and the bridge painting, among others. We'll continue to look at efforts across the agency to reduce absences, sick and IOD, and the time it takes us to fill vacancies to try and control some of the use of overtime, and then we hope to optimize the use of maintenance staff through off-peak scheduling and going to night tours by adding additional resources that will be scheduled as part of night tours as opposed to overtime. We are also going to begin benchmarking our future target and performance assessments against the outside. We will benchmark sick absence and IODs for assessment to see where we are and how we align with the public, and then we're also going to begin discussions with HRD on actually integrating overtime management into performance metrics that all the supervisors will have as part of their assessment process to really drive home the agency's goals of controlling overtime and eliminate to where it's only necessary. Thank you.>>

[Chair D. Samson] Thanks. Let me ask you a couple of questions, Mike, because I've asked this, I know, every time we have this conversation every quarter. Are you satisfied with the predictive aspect of the budgeting process that is to say that are--I mean, this analysis, this post-game analysis that you do looks backward and measures actual against budget. Are you comfortable that after you take out these special events, these special incidents which spike the actuals, that our budget process is tight and from a financial point of view is being done properly?

[M. Fabiano] I believe we are getting there. These efforts we started to implement, in particular, addressing the number of staff required to fill these 24/7 positions, that root cause analysis is starting to take effect. We have to continue it to the rest of these functions to draw our overtime, but speaking frankly, we were in an area of compressing staff levels for a number of years, and now I think we have to pivot a little and begin to look at how we manage the overtime, which part of it is the effects of reducing staff, and the other thing is how we're beginning to approach the metrics of having pipelines to fill vacancies in these high turnover areas. I think combined with that the budget is taking this into account, and our management and oversight of it on a monthly basis with the department will have the desired effect.

[Chair D. Samson] So the bottom line is you think we're getting better in our predictive process.
[M. Fabiano] Yes, absolutely.

[Chair D. Samson] And the other question I have is putting aside hours, what we're obviously concerned about is cost. I mean, the bottom line here in more ways than one is are we paying too much or an appropriate or a reasonable amount from a historical point of view for the services that the Port Authority is providing? Whether you call it overtime or whether you would put it into just actual budget numbers.

[M. Fabiano] I think we've been under cost containment for a number of years, and I believe that the agency's ability to run 24/7 with minimal breakdowns and everything, we're at the proper level and that we are delivering the value for the services that we're actually providing, because my answer to everybody is you don't wake up in the morning wondering whether or not you're

going to be able to go to the airport, the ports, use the tunnels and bridges, so I think the balancing act is appropriate here, and we're getting value for our dollar with salaries as well as with the overtime that we blend in to this. It's just the one-offs and the individuals that may have outliers, so to speak, but overall, we're managing, and the dollars spent in '11 versus '12 is consistent. It will ratchet up for obviously unintended events, but excluding that, we're managing it to the same levels, and we continue to push back with departments to be more discrete with when they're allowing and permitting overtime.

[Chair D. Samson] Thank you, and I want to underscore one other thing of your presentation, and that is that Joe Dunne, our Chief Security Officer, has been very proactive in trying to come up with some solutions, and I know he's discussed this through the Security Committee in executive session about how we balance our responsibilities for public security against reasonable costs. Vice Chairman.

[Vice-Chair S. Rechler] I just want to echo the point on security and actually pivot on that a little bit. Mike, first of all, the agency has done a great job over the last year trying to understand what's driving overtime and deal with some of the structural issues, and it's good to see that narrowed down. I think one of the things that would be helpful, though, following the Chairman's point and your presentation, is that I think we really need to look at security over time as a totally separate bucket, because it's a whole separate set of issues. And it clouds a lot of progress and analysis that you're making on the agency overall, so I know you break it out, but you might want to think of them as 2 fully separate silos as you go through this, because you can then better track the operational overtime versus security-driven overtime, and this way the Chief Security Officer can set his metrics and his plans, and we could track that performance, and then we could see how the agency is doing. I think that would be a better way to move forward on this.

[M. Fabiano] That's fine. That makes sense.

[Chair D. Samson] Do any of the other Commissioners have any questions or comments? If not, this is an informational item only. No action is required. Thank you, Mike. The next topic on today's agenda is a presentation by Sue Baer, the Director of Aviation, concerning a proposed--good morning, Sue--a proposed agreement with the US GSA for office space in Terminal B at Newark Liberty International Airport. Sue?

[S. Baer] Thank you. I'm here today to review an item for a lease agreement with the United States General Services Administration for office space in Terminal B at Newark Airport. GSA has been a tenant at Newark since 2003. Right now we have 2 space permits, 1 in Terminal A for office space and 1 in Terminal B for a breakroom for TSA employees. This lease will add to the inventory of space that the TSA needs to conduct its operations at Newark. This space is newly created. It was built as part of the Terminal B Modernization Program, and it was part of the component of that, which provides 3 new security checkpoints at B1, B2, and B3. This space is immediately adjacent to the security checkpoint in B1. It makes it a suitable location for the TSA agents and the support staff, and repeated efforts to market this area for other uses, including concessions, did not garner any interest from any prospective tenants. We're pleased to deliver for your consideration an agreement that provides a reliable source of revenue to the agency

while benefiting our airport partners and the traveling public. The proposed area is located at the beginning of Terminal B's B1 corridor. It's a 10½-year deal for 1465 square feet of space. It would take effect on or about June 1st. It provides about $1.5 million in aggregate rental over the term of the lease. Following the first year of the rental of approximately $132,000, the rent increases at 2.5% annually through the end of the agreement. In addition, the GSA would make an estimated $360,000 capital improvement, because this is raw, unfinished space. Commissioners, I request that you advance this item to the full Board for approval.

[Chair D. Samson] Thank you, Sue. Do any of the Commissioners have any questions or comments about this proposal? If not, I'd like to move it forward for approval of the public Board. Can I get a second?>> [Comm. A. Sartor] I'll second. [Chair D. Samson] All in favor? [Committee members] Aye. [Chair D. Samson] So moved. [S. Baer] Thank you.

[Chair D. Samson] This concludes the public portion of today's meeting, and the Committee will now adjourn to executive session to discuss matters of negotiation and contracts and proposals, current litigation and matters related to real property, sale, lease, or purchase.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Meeting Transcript
March 20, 2013

[Chair A.Sartor] After which the Subcommittee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. And we start with the Steve Plate show. Mr. Plate, you've got 2 minutes. No, I'm only kidding, Steve. Just take whatever time you need.

[Comm. D. Steiner] I like that--the Steve Plate show. What channel is that on?

[S.Plate] Okay. Commissioner, thank you. The first item we want to present today is a very positive item in the sense that we're getting near the end of awarding major contracts. This one is for the park portion, down south, over the VSC. This work is a structural package. It's the next-to-last one. The one following will be all the landscaping, which will happen the latter part of this year. This basically provides for all the structural portions including such things as curbs and stairs and things of that nature, the concrete and things to provide necessary outline for the park, which will be a wonderful place for people to enjoy. We had 6 bidders. In the spirit of working closely with procurement, we had a very aggressive procurement process. The firms are very excited about working at this site. The low bidder we're recommending today is Paul Scariano. He's done work at the site at numerous locations. He's doing a very good job. Recommending him at $10,286,400, excluding extra work. Our estimate was $10.2 million. Any questions on that?

[Chair A.Sartor] Seeing none, I entertain a motion to move this to the full Board. >> [Comm.] So moved.

[S.Plate] The second item today is to talk about the work to bring the site back after the Sandy impacts. You can see there's visual. As you recall, we're actually at grade for this work. And this is additional authorization for $60,101,118. And this is a compendium of numerous contractors and consultants who are working at the site. And this brings the total to date of authorized from the $125 million to little over $185 million. We have an advance from the insurance companies of $30 million. We've made total commitments of a little over $70 million-$71 million. And we've spent to date--paid to date--$15 million.

[Chair A.Sartor] You're staying ahead of the insurance? [S.Plate] Yes. Yes, we're staying ahead of insurance, and we have grants from the FTA as well. So we're, thanks to David Garten--I don't know if he's in the room, but he's been helping us lead the way.

[Comm. D.Steiner] So there's no net cost? All the expenses are covered by insurance or something? [S.Plate] That's correct, sir. >>[Chair A.Sartor] So far. [S.Plate] And we've got to keep up with that.

[Chair A.Sartor] We'll be getting a-- Questions on this item? If not I'll entertain a motion to move it to the full Board. >> [Comm.] Aye. [Chair A. Sartor] Second? >> [Comm.] Second. >> [Chair A. Sartor] All those in favor? >> [Comm.] Aye.

[Chair A. Sartor] This concludes the public portion of today's meeting. Subcommittee will now adjourn to executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals.

The Port Authority of New York and New Jersey
Committee on Governance and Ethics Meeting Transcript
April 24, 2013

[Chair W. Schuber] Good morning, everyone. Let me call to order this meeting of the Committee on Governance and Ethics, which is being held in public session in its entirety, and it's being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. And of course, today is the annual meeting of the Port Authority, and in anticipation of that, this Committee has certain responsibilities under our Charter and By-Laws, so with that, I'll turn to our first and our only presentation from Howard, Howard Kadin. Howard?

[H. Kadin] Thank you, Mr. Chairman, and good morning Commissioners, ladies and gentlemen. Today I'll be speaking to you regarding several aspects of the Committee's responsibilities relating specifically to certain periodic required actions, reviews, and evaluations. Various reports concerning these reviews were forwarded to the Committee on April 15th of this year. I'll put these activities of the Committee in the context of the Committee's role with its dual core responsibilities of governance and ethics as set forth in the By-Laws. In connection with your review of Board performance and Committee effectiveness, I will provide certain summary information compiled by the Office of the Secretary regarding the activities of the Board and its Committees. Finally, I'll discuss certain steps that the Port Authority takes to help ensure the independence and objectivity of Board and Committee members. The Governance and Ethics Committee is established under the Port Authority's By-Laws, and its roles and responsibilities are more specifically expressed in its Charter, most recently revised in September 2012, which was reviewed by this Committee at its meeting of February 13 of this year. The Committee has oversight of questions with respect to development of and compliance with agency, governance, and ethics principles to ensure that the Board and the staff are familiar with and committed to ethics principles and programs and to assist the Board in fulfilling its oversight responsibility with respect to compliance with legal and regulatory requirements. The Committee's required periodic activities include certain governance areas, including assessment of the performance of the Board and its members, the performance and effectiveness of its committees, and the performance of the Executive Director as well as certain ethics areas, including Code of Ethics adequacy, the independence and objectivity of the Board and committee members and keeping abreast of ethical standards in the states of New York and New Jersey. There is a certain interrelatedness between some of these activities and other prior Committee activities. The Committee will recall with respect to ethical standards in the states of New York and New Jersey, for example, that in February of 2009 the Committee was instrumental in recommending to the Board the adoption of a Code of Ethics for Port Authority Commissioners, which incorporates general standards of conduct and applicable requirements of law, which are substantially similar in the two states with respect to unsalaried public officers. And with respect to independence and objectivity, the Committee will also recall that in December of last year the Office of Inspector General reported on its independence and freedom from interference as mandated by the By-Laws. Now, with regard to the Board's activity for the year of 2012, as you can see, the board had a very active year with 10 public Board meetings. The board also met in executive session in conformance with the Open Meetings policy. Each of the subsidiary corporations of the Port Authority, that is, Port Authority Trans-Hudson Corporation, the

Newark Legal and Communications Center Urban Renewal Corporation, and the New York and New Jersey Railroad Corporation have been organized as separate legal entities, independent legal entities. The Port Authority's Commissioners serve as directors of these corporations, and the Port Authority's consolidated financial statements and schedules include the accounts of these and certain other related entities. Upcoming meetings of the Board are posted on the Port Authority's website, and the agenda for individual meetings is posted on that website as well the day prior to the meeting date. All public meetings are broadcast live on the Port Authority's website. Following the meeting, Minutes of the meeting are posted to the website during the gubernatorial review period, and final Minutes are posted upon the expiration of that gubernatorial review period and remain available for public inspection on the website. The public is provided an opportunity to address the Board at its public meetings, and in 2012, members of the public addressed the Board 70 times, an increase of 13% over 2011. A list of public speakers for each Board meeting is recorded in the minutes. In 2012, the Board approved 138 items in public session and 11 items in executive session. Also last year, the Board approved a number of governance initiatives to build on the agency's efforts to promote transparent, efficient, and ethical corporate governance practices and to adopt measures that adhered to the highest governmental accountability standards in the states of New York and New Jersey. These initiatives included the adoption of a Freedom of Information code, replacing the prior Freedom of Information policy and procedures to ensure enhanced access to public records of the agency as well as various revisions to the agency's By-Laws providing for such things as posting of public notice prior to the sale of real property, annual independent audits and retention of independent auditors, recognition of the concept that each Commissioner, in serving on the Board of Commissioners of the Port Authority, shall act in a fiduciary capacity with a duty of loyalty and care owed to the agency, establishment of procedural requirements for certain public hearings, including a requirement that Commissioners attend toll hearings, ethics training for Commissioners, and the establishment of certain committees of the board along with changes in committee organization and operations. The organization of the committees was revised to reflect a renewed focus on current issues and the priorities of the Board. Each Committee is required, with the approval of the Board, to adopt a formal written charter clearly defining its roles and responsibilities and to review and assess its charter from time to time. On September 20th of last year the Board approved the formal written charters proposed for each of the committees. Under the Port Authority's By-Laws, these charters are required to be posted on the agency's Internet website, and they are. Regular meetings of the committees are also required, and each committee is required to provide regular written communications, reports, and recommendations to the Board on the results of its oversight and other activities. This Committee, the Governance and Ethics Committee, met four times in 2012, including three public sessions and two executive sessions. At these meetings, the Committee reviewed and adopted its new Committee Charter and discussed matters that included a review of ethics policies and ethical standards in the two states, New York and New Jersey. The Committee also discussed methods for the review and evaluation of the Board and its committees and conducted a number of reviews, including evaluation of the performance of the Board and its members, effectiveness of the Board's committees, and the Executive Director's performance as well as review of the independence and objectivity of the members of the Board and its committees. In addition, the Committee discussed bi-state and corporate trends in governance and ethics and received a report on aspects of the Port Authority's Enterprise Risk Management program. As you know, in August of last year, the Board revised the By-Laws to provide for restructuring of

its committees to provide for better alignment with long-term objectives of the agency. This restructuring maintained certain existing Committee functions while consolidating related duties to allow for more effective Committee management of the Board's oversight responsibilities. The six By-Law committees are Finance, Audit, Operations, Capital Planning, Execution and Asset Management, Security, and this committee. From time to time the Board and/or one of its committees may establish ad-hoc committees or subcommittees to deal with specific issues that may have significant impact on the Port Authority or the region. In that regard, the Committee on Capital Planning, Execution and Asset Management has oversight of the World Trade Center Redevelopment Subcommittee, and the Committee on Finance oversees an insurance working group subcommittee. With respect to the Committee on Finance, during 2012 the committee met seven times, including five public sessions and five executive sessions. At these meetings, the Committee discussed a variety of topics, which included updates on the financial markets and financing activity, reviews of the agency's investment portfolio, items pertaining to the establishment and authorization of certain bonds and notes, and various other financial matters. A total of eight items were assigned to the committee in line with the agency's monthly Board meetings. In addition, the Committee reviewed and authorized four items, including brokerage services and placement of coverage for the Contractor's Insurance Program, the Property Damage and Loss of Revenue Insurance Program, Public Liability Insurance, and an extension of the Owner-Controlled Insurance for the World Trade Center Memorial Project. In August of 2012, the Committee on Capital Programs/Agency Planning was reorganized together with the Committee on Construction into a new committee, the Committee on Capital Planning, Execution and Asset Management. Prior to the formation of this new Committee, the Committee on Capital Programs/Agency Planning met one time in public session, where the Committee discussed plans for access improvements for the I-278 Corridor of the Goethals Bridge. Four items were assigned to the Committee in line with the agency's monthly Board meetings. In addition, prior to the formation of the Committee on Capital Planning, Execution and Asset Management, the Committee on Construction met five times, which included five public and one executive session. At these meetings, the Committee discussed projects for the George Washington Bridge Rehabilitation Program, Energy Conservation Improvements at various facilities, projects for the Rehabilitation of PATH's Christopher Street Substation and a modernization of the Harrison Station, various airport runway projects, and a project for LaGuardia Airport's East End Substation, among other things. The Committee also received a report on 2011 Minority, Women, and Small Business Enterprise results. Thirteen items were assigned to this Committee in line with the agency's monthly Board meetings. As previously noted, in August of last year the Committee on Capital Planning, Execution and Asset Management was established in line with the Board's restructuring of its committees, rolling the former Capital Program's/Agency Planning and Construction Committees into this new Committee. Since its establishment in 2012, the Committee on Capital Planning, Execution and Asset Management met five times, which included three public and three executive sessions. At these meetings, the Committee discussed electrical projects at Newark Liberty International Airport, various airport taxiway projects, projects associated with the George Washington Bridge Rehabilitation Program, and the agency's Capital Plan, among other matters. Seven items were assigned to this Committee in line with the agency's monthly Board meetings. In addition, pursuant to the revised Committee structure, the World Trade Center Redevelopment Subcommittee was placed under the agency of the Committee on Capital Planning, Execution and Asset Management. In 2012, the World Trade Center Redevelopment Subcommittee met ten

times, which included nine public and ten executive sessions. At these meetings, the Subcommittee discussed various construction trade contracts, agreements, retail and lease matters, and received regular updates on the status of construction at the World Trade Center site. Thirty-nine items were assigned to this Subcommittee in connection with the agency's monthly Board meetings. During 2012, the Committee on Operations met ten times, which included ten public sessions and five executive sessions. At these meetings, the Committee discussed various items, including agency reforms involving employee compensation and benefits, the Freedom of Information Code, transparency initiatives, a review of non-core missions-critical assets and quarterly reports on agency employee overtime. The Committee also reviewed incentive programs for air services at Stewart International Airport and a Clean Vessel Incentive Program for ocean-going vessels at the ports. The Committee discussed and reviewed numerous lease and property matters and received updates on the Bayonne Bridge Navigational Clearance Program and various environmental initiatives. The Committee authorized two items related to the Hudson-Raritan Estuary Resources Program. Twenty-six items were assigned to the Committee in line with the agency's monthly Board meetings. During 2012, the Security Committee met five times, including one public session and five executive sessions. At these meetings, the Committee discussed access control projects at various facilities and a Radio Frequency Identification Program at the ports. The Committee also received updates on various other sensitive security matters. Two items were assigned to the Committee in line with the agency's monthly Board meetings. During 2012, the Audit Committee met four times in executive session. At these meetings, the Committee reviewed the 2011 Annual Financial Statements, internal audit plans and reports and unresolved findings, the agency's Enterprise Risk Management Program, accounting policies, practices, principles, and internal controls, and the external auditors' annual audit plan. The Committee also had discussions with General Counsel and the Inspector General. In 2011, the Committee retained KPMG LLP as independent auditors for the year, ending December 31, 2012, to audit the accounts and financial statements of the Port Authority and its related entities. The law firm of McKenna, Long, & Aldridge LLP serves as outside counsel to the Audit Committee. Now I'd like the opportunity to speak with you briefly with respect to the independence and objectivity of Board members. The key here is we want to try and avoid conflicts of interest, and we want to enable conformance with relevant laws on the part of the Commissioners. We also want to avoid any appearance of impropriety. General Counsel is a pivot point with respect to the flow of information to and from the members of the Board. Commissioners receive ethics materials from General Counsel when they join the Board. There are briefings on a periodic basis from time to time, and as you know, Commissioners are asked to provide information with respect to their financial, corporate, business, and other interests and involvements, and that occurs regularly with the process in place for periodic updating of that information as well. Files are kept with respect to this information in General Counsel's office. A composite list of interests and involvements without identifying information is prepared for use by staff in connection with the Port Authority's activities. Board calendars are reviewed before each meeting to ensure that any potential issues are flagged and discussed for appropriate consideration by the Commissioners. And finally, as you see here, I would point out also that the Code of Ethics for Port Authority Commissioners has formalized the requirement for certain disclosures to be made to General Counsel as indicated here. Thank you.>>

[Chair W. Schuber] Howard, thank you very much for your report. And let me thank you for your ongoing information to the Committee as well as to thank our General Counsel, Darrell

Buchbinder, for the work that he and his staff do with regard to the various aspects that were outlined by your report, particularly with regard to the issue of oversight with regard to the Commissioners with regard to various and sundry issues that he keeps us up to date with. We thank you for that. Let me indicate to you that as a result-- today is the annual meeting, obviously. Our Committee system had been revamped midway during the course of last year, and our idea was the understanding of the wide array of responsibilities of this Committee in a way of oversight of process and procedures of the structure itself without meddling is a very important one, and the idea here had been to get a full year with the brand-new Committee to make the full reports, but obviously with the annual meeting pending, we needed to take a temperature at this moment, and as a result of that, we had an email sent out to all the Commissioners and key staff members with regard to reports that are required as a result of that. Karen was kind enough to get that out for us, and as a result of that, we have that information that will be part of the annual meeting today. I just would indicate as we move forward that our goal would be to continue the scrutiny that we've undertaken here within that year's period as to finalizing the things we need to do with regard to Committee oversight, key personnel, etc. The issue with regard to this past year in the great strides that the Port has made with regard to transparency and the more effective availability of information to the public is an important thing for us to do and continue to do, and I consider it an important aspect of the responsibilities of the Port itself. With that, I'll turn it to any members of the Committee who would like to ask Howard any questions.

[Comm. A. Sartor] I just want to reiterate your comments concerning Howard and General Counsel. I find General Counsel to be very helpful on numerous occasions, and Howard, you're doing a great job.

[Comm. J. Moerdler] I would add to that not just helpful but extraordinarily responsive when issues and questions come up. I guess the one question I have, which I'd address separately to both Howard and Darrell, is are there any suggestions or recommendations you have as to things that this Committee ought to look into, changes in the By-Laws, improvements in policies or procedures, in order for us to be in the best posture we can? [H. Kadin] Well, I think that we are continually looking at the way in which the Port Authority functions and the way in which staff functions in terms of staff's code of ethics and adherence to the staff code, and we are undertaking a review, for example, at this time of the staff code of ethics, and we anticipate coming back to this Committee at some point perhaps with some possible recommendations with respect to changes that might be helpful to further our effort to ensure compliance by the staff with ethical responsibilities and to ensure that we're meeting the highest standards that apply in the two states. And we have had an outside expert look at our code, and we're in the process of digesting that report and those recommendations, and we anticipate coming back at some point. [Comm. J. Moerdler] I assume I speak for the other Commissioners in that we welcome any suggestions or recommendations you or your team have, because we want to be on the cutting edge. I think we have been, and we want to remain at the cutting edge of best practices around the country. Darrell, anything to add to that? [D. Buchbinder] No, I would echo what Howard said, and I think the key item to focus on is that--and I know the Commissioners are committed to this-- that the changes in August to revamp the Committee structure and make it a much more robust structure is not the end of the process but really just the beginning of the process, and we will continue to evolve the dialogue this year and into the future and with the Committees and

the Board in general make the changes that are necessary to allow the Commissioners to address appropriately the fiduciary responsibilities, because that's really at the heart of this process, and that also ensures the integrity and credibility of the Port Authority in general.

[Chair W. Schuber] Thank you. I fully agree with that. I think it's essential for us to do. Jeff, I'm sorry. Jeff? [Comm. J. Moerdler] Yes, I agree. Thank you. [Chair W. Schuber] I would indicate to you in furtherance of what you just said, Howard, that the continued update of our ethics training as well as other aspects of training that you and your personnel and your team do is absolutely essential. I've just gone through this myself where I work, and we've updated a tremendous number of training programs that we've got for staff members and Committee members and things like that, and I actually was surprised at how many things needed that type of updating, so I think that's absolutely important to keep the Committee informed as that moves along with regard to that. We'd like to see that type of training actually here so we can get an idea of what it looks like as it relates to other members of the staff. We have our own training that we go through both from the different states as well as the reporting requirements here at the Port itself. [H. Kadin] Sure, absolutely.

[Chair W. Schuber] With that then-->>[Comm. A. Sartor] Make a motion. [Chair W. Schuber] Is there a motion to adjourn? Second? All in favor?>> [Comm.] Aye. [Chair W. Schuber] Our meeting is adjourned.

The Port Authority of New York and New Jersey
Committee on Operations Meeting Transcripts
April 24, 2013

[Chair D. Samson]—held in public session after which the Committee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals, matters related to the development of future Port Authority facilities, or the redevelopment of existing facilities where public disclosure may impact property values. The public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. The only topic on today's public Board agenda concerns an MOU with Conrail for the exchange of property interest and operational rights to improve overall PATH rail operations. Mike Francois is—there we are, hi Mike—presenting it. Let's go.

[M. Francois] Thank you. Good morning, Commissioners. Today we are seeking authorization for a project that would significantly benefit PATH in various ways. PATH will enter into a Memorandum of Understanding and related agreements with Consolidated Rail Corporation (Conrail), agreeing to an exchange of property interests and operation rights and obligations. This transaction is an example of the Port Authority partnering with another transportation entity to advance critical infrastructure, improve and support facilities, and for the region overall. As background, Conrail owns, operates, and maintains and has property interest in a considerable amount of property in and around PATH facilities and tracks in New Jersey. Conversely, PATH has similar rights and interests to a considerable amount of Conrail property. The various rights, obligations, and property interests of PATH and Conrail are set forth in a conveyance deed dated June 30, 1987 from Conrail to PATH and an operating agreement dated the same date between PATH and Conrail. A critical element of the MOU before you today is that Conrail will convey to PATH all of its right, title, and interest in a 1.48 acre parcel in Jersey City. This property is adjacent to the existing Substation 7, which is outdated and was severely damaged during superstorm Sandy. The acquisition of this parcel from Conrail will enable PATH to replace the damaged substation, which is critical to its operations. We requested and were awarded FTA funding for work completed during the immediate aftermath of the Sandy, and we anticipate seeking further grant funding to replace the substation. In light of current operational capital needs, Conrail and PATH negotiated an MOU which sets forth an agreement between the parties on several mutually beneficial actions. The amended conveyance deed will include Conrail conveying to PATH permanent and perpetual easement rights for land and tracks in PATH's C Yard in Jersey City and Conrail assigning to PATH 500 feet of track of Term Easement No. 8 in Jersey City and retaining the remainder of its existing term easements in track and land at that location. Under the Amended Operating Agreement PATH would assume Conrail's operation to operate the Passenger Bridge of the Hackensack bridges, while PATH will continue to retain its obligation to maintain and repair the Passenger Bridge. The Amended Operating Agreement would also require PATH to bring the drainage facilities located parallel to the Term Easements to a state of good repair, and Conrail would be responsible for the maintenance and repair of these drainage facilities going forward. The valuations for this transaction were performed by a certified appraiser, Norman Goldberg. The value of the substation 7 property was estimated to be $810,000. The value of the 500-foot portion of the Term Easement No. 8 was estimated to be $80,000. The value of the Waldo Yards Easement and Baldwin Easement was estimated to be $1,208,000. There is a net benefit to PATH of $650,000. This MOU does not contemplate any

monies being exchanged between the Port Authority and Conrail. By assuming the permanent and perpetual easements from Conrail in the Waldo Yards, PATH will also gain two additional means of ingress and egress. Commissioners, I request that you advance this item to the full Board for approval today.

[Chair D. Samson] Any questions? [Comm. Sartor] I'd like a motion to move—

[Chair D. Samson] Let me just ask you one question about this. Are we going to by virtue of this conveyance, receiving this property, are we going to be doing any improvements or making any capital improvements to the property that's being conveyed? [M. Francois] I think the major capital improvement that we're anticipating is a new Substation 7, which is adjacent to the existing substation on the property that we are getting from Conrail. [Chair D. Samson] But not on the— [M. Francois] on the other easements? >> [Chair D. Samson] Yeah. [M. Francois] There is some minor drainage improvements that are anticipated in the Waldo Yards area that are necessary because they haven't been maintained for quite some time, but I'm not thinking that's of a significant nature. [Chair D. Samson] The only reason I'm asking that is there some opportunity for whatever investment has to be made, whatever improvements are going to be made to have that all funded through Sandy money? Is that being—I guess now that the Executive Director and Deputy Executive Director are here, I can ask the question. Are we coordinating this item with the Sandy recovery team's efforts to see if whatever we're going to be doing to upgrade or replace the substation is going to be completely covered by that? [P. Foye] Short answer. Chairman, is yes, and it's actually been specifically discussed that the Sandy task force with Steve and Will and Engineering, etc, so the short answer is yes.

[Chair D. Samson] Okay. Thanks. Any other questions or comments? It's all right. I understand. Okay, then Tony, I got your motion. I got Jeff's second. So we'll move it forward to the consent calendar, so this concludes the public portion of today's meeting, and we'll now adjourn to executive session.

The Port Authority of New York and New Jersey
Joint Committee on Operations and Finance Meeting Transcript
April 24, 2013

[Chair D. Samson] The first portion of today's joint meeting of the two committees on Operations & Finance is being held in public session, after which the committees will meet jointly in executive session to discuss matters related to personnel and personnel procedures. In addition, the public portion of this meeting is being broadcast live on the Authority's web site. The sole topic at the public session is a review of staff overtime results for the first quarter of 2013. Our CFO, Libby McCarthy, and our Director of Management and Budget, Michael Massiah-- It's all yours.

[L. McCarthy] Great, thank you. Good morning, Commissioners. I'm happy to report that our on-going focus on reducing overtime is continuing to produce positive results. I'm going to turn it over to Mike to walk you through the numbers and the efforts his group is--and the whole agency is undertaking to achieve our goals.

[M. Massiah] Good morning, Commissioners. Today I'll review the first quarter 2013 overtime results. At your request, during this March 20th meeting, the format for this presentation is changing. You asked that we separate out civilian non-police overtime from police, and we've done that. So the agenda for the day is two parts: One, to look at civilian usage measured against plan, and againt its 2012 data. And I'll explain the effects of our ongoing efforts concerning Sandy recovery and the numerous snow storms this quarter on our usage. And next I'll go into ways about mitigating even further overtime use on the civilian side. Then I'll talk about Public Safety overtime results and their mitigations. This has four sets of bars, as you can see on this slide. The first set indicates that for the first quarter we used 309,000 hours of civilian overtime. This was approximately 72,000 hours over plan, and it's mostly attributed to two reasons. One, the numerous snow events we had in the first quarter, and second, work associated with Sandy. So first I'll talk about the unusual snow pattern we had in the first quarter. As it relates to snow and ice, we were over plan by 39,000 hours of the 72,000 hours. This is because there were 14 snow events at JFK, 14 at LaGuardia, 11 at Newark compared to last year, when we had 5 events at JFK and 5 at LaGuardia and 6 at Newark. Sue had to deploy snow crews 39 times this year compared to 17 last year, so that accounted for a big portion of the overrun. As for Sandy, of the 32,000 hours, there were 34,000 hours associated with Sandy recovery, most of that at PATH. PATH took up 2/3 of that 34,000 hours. And as you know, their staff worked tirelessly, hard, and long in order to get the service up for the public that we serve. So that's the--the two reasons for the overtime over usage. The real chart to look at-- the real set to look at is the last segment, where it says significant, excluding weather, and Sandy. If you look at that series of bar charts on the end, it shows that the agency is on budget and under last year's usage. That's the overtime that the management of the organization has some level of control over. And so that's what I'm going to focus on in the next slide. When you look at civilian usage that management has more control over than weather-- and again, the restoration of Sandy, line departments were under budget by 2,000 hours and flat with 2012 usage. The other departments that include Engineering, Operation Services, and staff departments were slightly over, mainly because of engineering, design, and construction oversight. There were projects like the runway rehabilitation of 4 left and 22 right at Kennedy. That was accelerated, so that caused some of that slight overrun, and a

lot of material testing at the World Trade Center site, including testing of concrete, so that accounts for the slight overrun in the Engineering segment in that set of bars called Other. We're not comfortable with this, so we continue to try to mitigate overtime even further, and there's three things I want to report on. First, we looked back at adherence to overtime control procedures that we implemented under your direction last year to see the level of compliance with those procedures. I'm pleased to report that the majority of those surveyed are in compliance. There were a few who were not in compliance, so they will be subject to further assessments, and we will give them the feedback, and we would expect appropriate actions to take care of those non-compliance issues. So the second mitigation I'd like to talk about is last year, we informed you that we implemented certain strategies. One of the strategies that the COO undertook was to ask the Line Departments and Operation Services to supply her with mitigation strategies. One of those departments that were successful so far was Operation Services. They instituted a policy that said overtime had to be limited to emergencies and snow removal only. As a result of that policy, one segment of their workforce dropped overtime by 800 hours. We continue to look for the kinds of policies that the COO is working on with the Line Departments to further reduce overtime usage. You also authorized us to hire positions that are considered key to key. They're necessary to operate our facilities to help mitigate overtime. Some of those titles included airport operation agents, electricians, tunnel and bridge agents. I'm pleased to say that those have been filled, and we look forward to looking at whether or not those new positions are going to mitigate overtime. We have to wait until they're in place for a couple of months in order to see if they're actually effecting overtime usage, and we will look at that and then report back to you later in the year. Third, you asked us to commence a study on benchmarking overtime and IOD usage and productive time. And Chairman, you've asked us a couple of times, "Is the budget the best performance standard?" [Chair D. Samson] I was going to ask you that again today. [M. Massiah] Okay, this study is going to help us begin to identify other standards. We're going to go out into the marketplace, see what performance standards are of like kinds of functions. That will help us establish standards, help us establish better budgets, and it'll be something for our internal staff to shoot for. So that's underway. Now turn to Police—

[Chair D. Samson] Can I ask you a question? Let me first ask if any of the other Commissioners have any questions. Commission Bagger?

[Comm. R. Bagger] Thank you, Mr. Chairman. I had just one question. So those civilian overtime statistics that you cited-- what percentage of overtime-eligible hours does this civilian overtime represent? [M. Massiah] Well, we have 3,200 staff that are eligible for overtime under the civilian category. So that represents a big portion of our overtime hours. I can get that number for you. [Comm. R. Bagger] That'd be a helpful piece of information, because that's probably also something that goes into the benchmark, whether-- [M. Massiah] Absolutely. [Comm. R. Bagger] And what sort of a-- [L. McCarthy] If you look at the hours--the budget hours, they're about 50/50, so between civilian and Public Safety. [M. Massiah] In the 2013 budget for civilian overtime, that's about 813,000 hours. [Comm. R. Bagger] Is the base? >> [M. Massiah] Is the base, yeah. [Comm. R. Bagger] So the number that you just showed us was 160? [M. Massiah] We just looked at-- let's see. The first quarter, we looked at-- the first quarter was 300-- we used 309,000 hours. [Comm. R. Bagger] I'm a little confused. I'm just trying to get that the 309 and the 183, right? What percentage of base-time hours does that represent? Is that 10% of base-time hours, 20%? What percentage of our total work hours in the civilian overtime

eligible represents overtime versus straight? [L. McCarthy] We'll get you that. I apologize. I misunderstood your question. [P. Foye] It's a far lower percent. [L. McCarthy] Oh, yes, I thought it was between--yeah. I misunderstood, so we'll get that.

[Chair D. Samson] Any other questions by Commissioners? Mike, I just wanted to get an understanding of your chart here. The first chart you had. You have--you said that-- that overtime relating to weather was 39,000 hours of the overrun. Is that over budget or over 2012 levels? [M. Massiah] That's over plan budget, and it--over 2012, it's about-- the overall--it's over by 91,000 hours over the 2012 levels. [Chair D. Samson] Right. So it seems to me--I'm hardly an expert, but it seems to me that that's an awful lot of hours for-- I'm not suggesting that we don't have responsibilities to attend to in the event of additional weather incidents, but does that seem to you like--or to anybody other than me that that's an awful lot of hours for just essentially nine more events at JFK and maybe five at Newark when many of them weren't huge snow events? [M. Massiah] Well, it's a good point, and it's about how we deploy staff for these events. [Chair D. Samson] Right, so what I'm asking is are we certain that we're deploying them correctly? [M. Massiah] A snow storm comes, a meteorologist informs the airports about incoming snow. They have to be in place at least 4 hours before the scheduled event, and then they monitor over time which way to the snow-- which way the system is coming in. It's a long way of saying that once you call staff in, it's a minimum 8-hour proposition. And so-- [Chair D. Samson] Is that right? It's an 8-hour- [M. Massiah] It's about 8 hours when you call people in from the time-- you have to get the prep--the time before, you have to prepare your- you have to organize your staff, you have to mobilize the equipment. There are a lot of upfront actions that have to take place and then-- [Chair D. Samson] 39,000 hours is a lot of hours. [M. Massiah] It's a lot of hours, but again, the snow information indicated that snow would come into this region, and if--and all of us experienced it-- experienced it this quarter about how fronts went a little west, a little east, a little north, a little south at times leaving a trace of that-- [Chair D. Samson] I understand what you're saying. I was just--I would just hope that we would carefully look at that deployment strategy to see if there's some way we can cut back on the number of hours per incident-- not all snow events are created equal. [M. Massiah] Right, absolutely. [Chair D. Samson] I know that weather forecasting is an inexact science, but it would seem to me that calling out all the troops for an 8-hour deployment when there's going to be a trace of snow by all computer models seems like maybe there might be a better way to do it. [M. Massiah] Deployments--I understand it occurred when they thought it was going to be material snow storms, not again, predictable traces. [Chair D. Samson] Look, I'm just hoping that somebody takes a careful look at it, that's all. I'm sorry, go ahead. Commissioner Schuber.

[Comm. W. Schuber] To follow up your question, Mr. Chairman, is the establishment of these hours with regard to linkage to the weather event-- is this the policy and procedure developed over the course of time as a result of experience, or is it contracted that way? Or both? [M. Massiah] A lot of this is our staff that's deployed. Some of it-- some of them are at the airport already. Others have to be called in. There are a number of established what we call "snow seats" that have to be filled in order to clear the runways within FAA regulations, and so the staff that's onsite can't meet all those requirements, so staff have to be called in, plus they get support from other departments like Operation Services who have to be called in in order to fill the required number of-- again, "seats," required to mobilize the equipment and fulfill the FAA requirements. [Comm. W. Schuber] That part understand, and obviously our goal is to ensure that our airports

are operating properly in all types of weather, but my thought might be-- and I'm familiar with other deployments--labor contracts. The question is they're built in into some contracts and time-aspect based-- that is mandatory as a result of those contracts? [M. Massiah] We'll look into that. >> [Comm. W. Schuber] You're looking into that, or you will look into that? >> [M. Massiah] We're looking into that. I don't have an answer for you today, but I'll look into that for you. [Chair D. Samson] Thank you. Okay, Mike, go ahead.

[M. Massiah] Turning to Police. Police overtime is approximately 57,000 hours over budget and 49,000 hours over the first quarter of 2012. We have four major drivers of this overrun. There was accelerated airport rescue of firefighting training that was executed. In addition, higher than anticipated airport parameter patrols were deployed. There were a number of supervisory vacancies: sergeants, lieutenants, and command positions that required to be filled. Some of that was due to retirements, and HR is underway in completing the sergeants' evaluation, so that picks could be made which will fill a number of those positions. In addition, there are Sick and IOD absences that will be addressed in the next slide. Some of the mitigations that the Chief Security Officer is putting in place to address those-- those drivers include regular overtime management meetings with his staff and already two facilities are indicating reductions in managing within budget as a result of that regular, constant focus on overtime. In addition, they're assessing post coverage to make sure there's just enough staff versus what any local command might consider appropriate, so now all posts-- any new posted positions, increases or new, have to be fully vetted by the Chief Security Officer, as well as the Line Departments who operate those facilities, so there's more transparency that's in place regarding post deployments and post increases-- more scrutiny, as well. The Human Resources Department is working to hire an advance of need-- to having pools of position in advance of need in order to quickly replace the vacancies so that overtime is not incurred. And fourth, there's a whole new strategy being developed around Sick and IOD case management. We learned that we have to really form an inter-departmental team effort to look at this matter, not just public safety. It has to be medical services along with worker's compensation and other departments to really put a comprehensive plan around getting people back to work quickly. So with that, if there's any questions, and I would also say that we will summarize this report, provide you with detailed information. This information will be set out to the Commissioners and the New York State Auditor as we've done in the past.

[Chair D. Samson] Thanks Mike. I know that we're going to follow this up in executive session with--hearing from our Chief Security Officer, Joe Dunne in more detail about some of these PAPD issues, so we can hold off some of the questions on personnel and personnel procedures until then, but in the interim, do any of the Commissioners have any questions for Mike? [M. Massiah] I would also like to say that we're also going to post this information on our web site.

[Chair D. Samson] Thank you. This is only informational, so no vote is necessary, and we'll now go into executive session. Thank you.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Meeting Transcript
April 24, 2013

[audio issue]

[P. Visser] --here to talk about the proposed contract award for real estate and development operations support services for the World Trade Center Redevelopment Department in conjunction with World Trade Center Construction for the World Trade Center site. As you know, throughout the development of the site, the Port Authority has relied on expert outside services to provide specialized financial operational and technical skills to advance the project. This has played a critical role in the Port Authority's objective to maximize the commercial value of the World Trade Center and creating an exciting destination. We are now focused on finishing all of our various projects as part of the site and transitioning the site to operations, and in this final phase, we are seeking Real Estate and Operational expertise through 2015 in both project and construction management for certain authorized projects and preparation for operational start up and transitioning the site to operations. This request for proposals to solicit professional real estate development and operation services was issued in early March. The scope, similar to what I just said, was project management, financial strategy and leasing and negotiations support, operations planning, and technical design and construction management from a leasing perspective. We've moved to a more advanced stage. We will work to minimize the use of any subconsultants under this project-- I know that's something that has been discussed leadership and the Board before-- and use only any additional subconsultants as necessary to help carry out this phase, with them being retained directly by the Port Authority with new solicitations or renegotiations at prevailing market rates. We've received one proposal for this award. We've reviewed it, working closely with Procurement and World Trade Center Construction, on both the scope and the evaluation. I'd like to thank Lillian and Steve and their staff and teams for their help in getting through this. We reviewed it with the criteria being a proposed staff, firm experience, and the management approach, and the recommended award is to the sole proposer, Jones Lang LaSalle. There were negotiations which resulted in a 16% reduction for current billing rates, generating a $2.2 million savings during the contract term from what was previously projected when we discussed this award. The breakdown is $11.4 million for the program services, $0.7 million for extra work, and some transition funds of $0.4 million to take us through getting--moving some of those contracts, and that will take us through 2015. Steve, if there's anything you want to add?

[S. Plate] Yeah, just to talk Engineering for a minute. Just to add the multiplier, when this Board directed us to proceed, we were a little over 3.0. Now we're below 2.5, so there was a significant reduction. I take none of the credit. I direct it to Lillian Valenti and Philippe and my team have worked very hard to follow through on this Board's direction, and we saved over $2 million on this procurement.

[P. Visser] So as Steve said, we think it's a significant savings, and we feel good about their proposal and their staff and recommend that the Board move it for final approval.

[Chair A. Sartor] Any questions from Board members? I see none. I make a motion to move this to the full Board. All those in favor? >> [Multiple Comm.] Aye.

[Chair A. Sartor] Mr. Plate, I think you've just gone through this presentation for the Finance Committee. [S. Plate] Yes, sir. [Chair A. Sartor] Do you want to do it again, rapidly? [S. Plate] This one's-- >> [Comm. D. Steiner] Is this a closed session? [Chair A. Sartor] No, this is open session. [Vice Chair S. Rechler] This is something different. [Chair A. Sartor] It is something different? Okay.

[S. Plate] Basically what we're asking for is we said we'll be back to you each month as we get more and more specific and granular on the impacts of Hurricane Sandy. It's consistent with what we've told you to date. It was consistent with our forecast. It was consistent with our budgets. We basically are going--adding another $50.1 million on top of the amount authorized to date of $185.1 million. That brings us to a total of $235.2 million. And we just continue to move forward. We'll continue to keep you posted on where we are, and we continue to pursue our financial options relative to reimbursements, as directed by yourselves as well as the Finance Committee.

[Chair A. Sartor] Any questions from Board members? Seeing none, I move that we move this to the full Board for approval. >> [Comm.] Second. [Chair A. Sartor] All those in favor? >> [Comm.] Aye. [Chair A. Sartor] Okay. That will conclude our open session. We'll now move into closed session to deal with many and varied items. Is that okay, Mr. Commissioner?

The Port Authority of New York and New Jersey
Committee on Operations Meeting Transcript
May 29, 2013

[Chair D.Samson] Today we're late, but we're going to make up the time. The first portion of today's meeting is being held in public session, after which the Committee will meet in executive session to discuss matters related to personnel and personnel procedures and matters involving negotiations or reviews of contracts or proposals. The public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. The only topic on today's public agenda is a presentation by Sue Baer concerning an agreement with USGSA for office space lease by the TSA, in Terminal B, at Newark Liberty International. Sue?

[S.Baer] Good morning, Commissioners. I'm here to review an item for lease agreement with United States General Services Administration. This is for space that the TSA will use. They have been a tenant at Newark since 2003, and that's for the TSA. One for their offices in Terminal A, and another for a TSA break room in Terminal B. This proposed lease would add to the inventory of space that the TSA requires for its on-airport operation. The proposed space is located on the far south end of Terminal B's lower level, Level 1. This is newly created space that was built as part of the Terminal B modernization program and it's in walking distance to all parts of Terminal B as well as to Terminals A and C. The site was considered for a possible concession space, but the area is in one of the least active parts of the terminal, with very little passenger or meeter/greeter activity, because that activity takes place on the north end of the terminal, where the international facility is located. Efforts to market the space generated no interest from prospective tenants. So we are pleased, however, to deliver for your consideration an agreement that provides a reliable source of revenue to the agency while benefiting our airport partners and the traveling public. This 10-year, 9-month deal for 6,860 square feet of space would take effect on or about August 1. The agreement would provide $5.6 million in aggregate rental over the term of the lease. Following a first-year rental of $494,000, rent would increase 2.5 percent annually through the end of the agreement. In addition, the GSA tends to make a $1.5 million capital investment to fit out this raw space. Commissioners, I request that you advance this item to the full Board for consideration.

[Chair D.Samson] Thank you. Any questions, comments? Yes, Commissioner Steiner?

[Comm. D.Steiner] Okay, is the lease what we would call a net lease? Do we provide any utilities for them? The square-foot rental is what? It's $60 a square foot?

[S.Baer] It's $72 a square foot, but it's raw space. [Comm. D.Steiner] By 2.5 percent. [S.Baer] Right. [Comm. D.Steiner] What about utilities and maintenance and cleaning and all that? [S.Baer] They are responsible for that. [Comm. D.Steiner] So it's what we would call a net deal. We get that money no matter what? [S.Baer] Yes.

[Comm. D.Steiner] You have a 2.5 percent increase every year. [S.Baer] Yes.
[Comm. D.Steiner] I commend you. That's pretty good for that dumpy space down there.

[S.Baer] It's not so dumpy, but thank you. But it's raw space, and so they will have to spend $1.5 million to fit it out so they will use it for offices. Their offices are at some distance from the airport, so this will— the FSD, the head TSA person at the airport, is very excited about this because it will give an opportunity for him to have an office at the airport, and some of his staff, to provide good oversight for the operation.

[Comm. D.Steiner] Do we have any recapture rights if something should develop that we need that space? [S.Baer] Yes, there is a— I'm not sure why it's not in here, but we'll get back to you with the details of that.

[Comm. D.Steiner] Get it so we have recapture rights. [S.Baer] Sure. Yes. [Comm. D.Steiner] As we always have, because one never knows in this business what you're going to encounter. [S.Baer] Exactly. [Comm. D.Steiner] It's good to have it in your pocket. Otherwise, I think it's a good deal. [S.Baer] Thank you.

[Chair D.Samson] Any other comments or questions? If not, I'll move it forward for approval on the Consent Calendar. Can I have a second? >> [Comm.] Second. All in favor? >> [Comm.] Aye. [Chair D.Samson] So moved. That concludes the public portion of today's meeting. We'll now adjourn to executive session to discuss matters related to personnel and personnel procedures.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Meeting Transcripts
May 29, 2013

[Chair A.Sartor] The World Trade Center Subcommittee is being held in public session, after which the Subcommittee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals, and matters related to the purchase, sale, or lease of property, or securities where disclosure would affect the value thereof or the public interest. In addition, this portion this meeting is being broadcast live. Live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. The first item of business is Steve Plate, Authorization of Expenditures for Project Recovery Following Hurricane Sandy.

[S. Plate] Thank you, Commissioners. This item presented to you today is a continuation of each month I come to you for an authorization of the monies that we're going to be spending in the future, so where we are as of this date is we've authorized through May of this year a little over $235 million. Today I'm asking for another $71 million, which will bring us to a total of $306 million. We continue to replace and repair the impact relative to Sandy and it's going very well, and the work is progressing very nicely, and the staff is really redefining recovery and resiliency as relative to the impact of Sandy. In fact I think the industry is seeing us as a model, and this is a continuation of that in the sense of keeping you posted on where we are relative to money. The next item, which is really going to be covered in its entirety by the Executive Director and the Deputy Executive Director, is something that we at World Trade wanted to get ahead of. Obviously as of June 1, officially, the hurricane season is in effect and relative to that, we've done a full 360 on the site and the vulnerabilities as we build it, keeping in mind this building, still many cases, doesn't have a roof on it, doesn't have walls, so you could see the potential for damage similar to what happened during Sandy, so what we've done to be proactive and aggressive in handling that, we've developed a plan which will tell us and inform us as to how to protect the site in total. What's shown behind me in the various colors is basically the areas that, have been identified and need to be mitigated in the short term, keeping in mind that, as I said, it's open architecture right now. When the building's finished and completed, we'll be doing all the necessary things to protect it in its ultimate capacity and even with that, looking at some cutting edge approaches, but in the short term, what we're looking for here is a series of a number of different things to protect the site. I have the SWAT team geared up to protect the site. So for example this weekend we had the heavy rains, we had to have people working through the weekend to make sure the site was protected, especially in the vulnerable areas where there's an open well, open staircases or equipment. Specifically what we're seeking to spend that money on is a series of sandbags, not just sandbags placed, but designed in a way that will provide both structural and water penetration protection, as well as HESCO bags (sic) bastions, which are used by the Army Corps in a very severe situation with fabric bags with steel fibers through them, as well as purchasing of the sand. We worked out a plan to deliver the sand to the site within a very short time period as well as necessary pumps to get the water away from the site.

[Vice Chairman S. Rechler] Steve, what goes in the HESCO bags? [S. Plate] Actually sand. [Vice Chairman S. Rechler] That doesn't look like sand up there. [S. Plate] No, that happens to

be gravel, but we put sand, we found it's actually more effective to put sand, and it's actually, we've worked out the logistics. We've got to bring 120 trucks in.

[Comm. D. Steiner] Where is the material stored? [S. Plate] In Red Hook. We're going to store it in Red Hook, come right through the tunnel, and bring it in and place it. We have a plan worked out now with our staff to-- [Comm. D. Steiner] Through what tunnel? [S. Plate] The Brooklyn Battery.

[Comm. D. Steiner] If that's flooded, you can't get the material there. [S. Plate] Well, no. This is well in advance. I mean, the logistics of this is that you know several days in advance, if not a week in advance is something impending, we will take a very proactive stand. Even if it doesn't come, we'll put these in place and leave them in place. So we're trying to be very proactive. We're not going to do this, like, 2 hours before. It's going to be done several days before, and it'd be done through the night, whatever it takes.

[Comm. D. Steiner] How long does hurricane season last, through September? [S. Plate] It lasts through October. [Comm. D. Steiner] So you might have to keep this in place from once you set it up until October. [S. Plate] That's correct. That's correct. And the last thing is diesel generators, because God forbid the power for any reason is disrupted, we will have sufficient capacity to run the pumps and any equipment we need at the site, which was invaluable to the Sandy operation.

[Comm. D. Steiner] Where are you storing the diesel generators? [S. Platel] We'll just store them on-site. [D. Steiner] What about elevation, is what I'm concerned. [S. Plate] Elevation, we did the last time we put them adjacent to Tower 1 on the east side and adjacent to Liberty Street.

[Comm. D. Steiner] Liberty above 312 with a couple feet extra. [S. Plate] Thank you for pointing that out, the last Hurricane Sandy reached 308.5. We're designing this to handle 312. [Comm. D. Steiner] So you've got a little cushion in there, because you don't know if it's going to come hard. [S. Plate] exactly. We figured we'd build some cushion in there.
[Comm. D. Steiner] It sounds like a good plan to me. [Vice Chairman S. Rechler] Yeah, me too.

[S. Plate] That's it for that item. The last item is in response to our new partners at Westfield. They've made some suggestions relative to how to operate and maintain the facility, and they provide us with some efficiencies, and these are things that are somewhat mundane at times but also could generate a lot of expense if you don't have the proper maintenance equipment in place. So it's a combination of mezzanine structures, access platforms and ladders, and maintenance equipment tracks so they can clean windows and necessary equipment. Absent this, we probably will use scaffolding and it would disrupt the operation. So when they came in, we had a very good conversation with Philippe's group and his staff as well as with Westfield. They made these suggestions. We're actually moving very quickly on this project, so we're utilizing a contractor that's in place and he'll put that in very quickly, and we'll be able to continue to make that very good progress.

[Vice Chairman S. Rechler] Any other comments, questions? So then move these both to these to the Consent Calendar. >> [Comm.] So moved.

[Vice Chairman S. Rechler] The two of us both agree, thus to considered moved.

[P. Visser] Okay. Good morning, Vice Chairman, Commissioner Steiner. Today I'd like to present a proposal to authorize the contract to provide site-wide property management services for the common facilities at the World Trade Center site, a critical step as the site transitions to operations. The objective of this award is to retain a best-in-class third-party management firm to manage the Port Authority responsible assets throughout the World Trade Center. I'll give you a sense of what those are in a little bit. Maintain a Class-A standard and enhance customer experience, and enhance value to Port Authority and our business partners by operating a world-class complex befitting what the World Trade Center is and will become. These services include broadly cleaning, repairs and maintenance, utility management, grounds maintenance, and administrative reporting and financial tracking on behalf of the Port Authority. This was a publicly advertised request for proposals process run very effectively by Lillian Valenti and her team led by Mario Socrates. In conjunction with World Trade Center redevelopment with our team led by Jim Kleeman who brought his experience at the Time Warner Center, as well as PA law and MBD. Cushman & Wakefield, Inc. is the Port Authority's recommended choice for Board Approval based on the following: it's a top tier real estate service company, as you know, one of the leading in the world, it had a demonstrated ability to align with our positions on key contract terms. It have favorable, attractive pricing to the Port Authority and a committed and experienced team that we feel confident is going to hit the ground running should the Board approve and take place over the next couple of months. Just a reminder, the scope of these areas, and I won't go over any huge amount of detail, it incorporates the Central Chiller Plant, CCP, Site Wide Mechanical and Electrical systems, the Primary Electrical Distribution Center, Property Management Facility, Vehicular Security Center along with appropriate law enforcement, PAPD, as well as jointly managed infrastructure including the VSC Security Operations and campus plan elements.

[Comm. D. Steiner] I have a question if I may Mr. Chairman, does that mean all of those maintenance people will not be working for the Port Authority they'll be hired as independent contractors, so we're not going to have to staff that our manager is going to hire whoever he needs to take care of it? [P. Visser] That's correct, that's absolutely correct. The contracts, Cushman & Wakefield will be the overall manager and just like any other facility they will bring in subs under them for those various services.

[Comm. D. Steiner] And they will take the competitive goods and report them? [P. Visser] Absolutely. [Comm. D. Steiner] So our property manager, if you had a hotel or a store or a apartment house, they're serving that function. So who will they report to at the Port Authority? [P. Visser] They will report to World Trade Center Redevelopment on operations matters and on security matters-- [Comm. D. Steiner] What's that mean, a department, is there one person in charge or something? [P. Visser] I'm the director of that department. [Comm. D. Steiner] Okay so they report really to you.

[P. Visser] And our staff and senior staff at the World Trade Center Redevelopment, and then on security matters, they report directly to the CSO.

[Vice Chairman S. Rechler] It's a similar relationship like we have with Jones Lange, the thing on the construction advisory work. [P. Visser] That's correct, absolutely.

[S. Plate] The other thing to add is that we found a way in construction to start turning over segments of this complex early as opposed to waiting to the very end, so some of these things will be coming on in the near future, and we have to get ready with this item. [P. Visser] That's right. [S. Plate] Phillippe and I are working closely to make that as seamless as possible. [Comm. D. Steiner] Would you explain to me how they're compensated? Are they on a cost plus basis with a fee?

[P. Visser] They're compensated and I'll get to the terms on a fee basis. So just in terms of the agreement, it's a seven-year terms plus three, one-year options at the Port Authority's election. It's termination with cause would be immediate termination without cause, so at our election, the Port Authority's election, we have to give 90 days' notice. As I said, they will procure sub-contracted services with compliance with -- [Comm. D. Steiner] Is the termination mutual or only at our choice? [P. Visser] No, at our choice.

[Comm. D. Steiner] So they can't terminate; we can. [P. Visser] That's correct, yes. And it's similar to a standard property management agreement which you can terminate. Obviously this is a fairly complex site, so the 90 days is probably a little longer than standard. [Comm. D. Steiner] Let me tell you this, what's standard is what you can get.

[P. Visser] Fair enough. Their compensation is a management fee, which is bifurcated into a base and performance-based portion. I'll get into the fee in a second. With the performance-based portion, 20 percent of the total management fee which will be awarded for good performance based on certain metrics, and that's to incent them to make sure that they're paying attention and putting a certain amount of their fee at risk, depending on how they perform. So in terms of pricing and budget, I'm going to go to the bottom of this slide, which gives you the total management fee. For year one it's $400,000. That's to take on the scope that Steve said as they start transitioning to the site. And their average management fee over the seven-year term is about $786,000. We think it's a good, competitive fee, and it's part of this procurement. Certainly the pricing was driven down.

[Comm. D. Steiner] Excuse me, so it looks like it's about 10 percent of the cost. [P. Visser] Well the cost isn't-- [Comm. D. Steiner] You're going to pay them 450 and it's going to cost about 4.7, so it's about 10 percent of their cost. [P. Visser] Yeah, that's correct, sir.

[Comm. D. Steiner] I just want to get a-- [P. Visser] Yeah, for year one. And in terms of this total board item, the total board item request is $15.328 million. That consists of the management fee, which I just talked about for that seven-year term which is $5.5 million. It also consists of management and oversight staff and maintenance staff for the subcontracts for $4.7 million to get us through that first year of operations as well as certain service contracts for cleaning, repairs and maintenance and grounds maintenance of $5 million.

[Comm. D. Steiner] Do we have to approve the contracts that they do. Are you going to have to come to the Board for approval?

[P. Visser] We do not have to have Board approval. There are procurement mechanisms in place and guidelines that the Port Authority has certain contract approvals and there's certain mechanisms for under certain thresholds small amounts, they can do without us. Certain and over, they have to get our approval.

[Comm. D. Steiner] As Chair of the Audit Committee I have to ask this question. Do we have the right to audit this outside contract? [P. Visser] Absolutely.

[Comm. D. Steiner] I want to make sure your agreement provides our audit people can go in without any special permission. All the records will be opened.

[P. Visser] One-hundred percent, and that's important, because certainly as we look to get reimbursed through other stakeholders for these services and operating the common facilities, it's important that there's that audit.

[Comm. D. Steiner] Well we do that with the construction and I just want to make sure we have that right, because that's a lot of money. If it's $5 million a year roughly for seven years, that's a lot of money. [P. Visser] Agreed. So thank you, and I'd like to request to move this to the floor.

[Vice Chairman S. Rechler] How many people respond to the RFP again? How many companies? [P. Visser] We got three firms responded, and Jones Lange LaSalle was precluded because they were an advisor. It was the top three firms in the city plus Jones Lange LaSalle. [Vice Chairman S. Rechler] And what were the biggest differentiating factors? Was it the terms of the financial terms? Was there more of an operational issue that were? [P. Visser] The biggest differentiating factor between the top two firms, pricing was certainly a factor, although not the factor and how the firms treated certain liability issues. In certain circumstances with the other firm looking for a cap liability with Cushman & Wakefield not looking for specific caps, and that was something that was important to the Port Authority.

[Comm. D. Steiner] And I hope that in our overall insurance coverage that they'll be named as an additional insurer under our general insurance. We don't have this, we don't want this fighting back and forth. I think that where our Port Authority agency should be, or whoever is responsible should be named in their policies as additional insurer to us and that we counter through that in our main policy for the building to make sure that we don't have any cross claims; otherwise we'll be going who did what. it's like the RAP insurance. [P. Visser] We'll double check the document. I believe that's the case.

[Comm. D. Steiner] I just want to bring it to your attention. It's my obligation to point that out to you.

[Vice Chairman S. Rechler] How long was the procurement process itself? [P. Visser] It was about a year-long process. It was a fairly complex scope. I think the team did a good job putting together and trying to simplify it so the market could respond to it with all these different

moving parts, including the campus security program, and we went through, got the initial RP's, presentations, and then final bids.

[Vice Chairman S. Rechler] Any questions? >> Comm. D. Steiner] No more questions. [Vice Chairman S. Rechler] I'm okay with this, too, so why don't we move this to the Consent Calendar and this concludes the public portion of today's meeting. This subcommittee will now adjourn to Executive Session, discuss matters involving ongoing negotiations and reviews of contracts or proposals, and matters related to the purchase, sale, or lease of real property or securities where disclosure would affect the value thereof or the public interest. Philippe, good job.

Port Authority of New York and New Jersey
Committee on Construction Transcript
November 20, 2008

Commissioner Pocino: Good morning everyone. Welcome to the Committee on Construction. Today's meeting of the Committee on Construction will be held in public session in its entirety. In addition this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. Today for discussion we have three items, starting off with the Newark Liberty International Airport navigation aids improvements to certain runways project authorization. And Bill DeCota will run us through that. Bill?

Bill DeCota: Thank you very much Commissioner. Yes, as you said I am presenting to you today an item that involves the purchase and installation of some navigational aids and some approach lighting at Newark-Liberty International Airport. It would allow landings of aircraft during inclement weather with low visibility. It will also examine the relocation of one of the runway's thresholds. The threshold is the designated point of the portion of the runway that is usable for landing. And that would help us if we can do that increase operational capability of that runway. And both of these clearly very much support our agency wide goal of reducing airport delays.

As the Commissioners well know, both as Commissioners as well as travelers, weather is one of the most significant causes of delay at our airports. During normal operations and visibility is good, pilots land aircraft using what are really referred to as visual flight rules. They rely on visual guides, runway markings, runway lighting systems, control the aircraft's altitude, navigate and maintain safe separation from obstacles. The focus of the approval we are asking for you to give us today is on instrument procedures and equipment that allow aircraft to continue to land in conditions such as severe weather and low visibility.

During poor weather conditions operations are severely limited and pilots and air traffic controllers have to rely on instrument flight rules. Using instrument flight rules, basically navigation obstacle clearance is maintained using things like radar or using satellite and radio beacons on the ground, that are referred to as automatic direction finding equipment, uses high intensity lighting to enable a landing of an aircraft in fog, in rain, or in blowing snow.

The type of navigational equipment and the lighting that is on a runway defines how low the cloud cover can be in an aircraft the pilot can still land that aircraft. In all cases the pilot has to maintain some visual reference of the runway at some height and at some distance from the end of a runway in order to be able to land it.

The International Civil Aviation Organization, ICAO, it is a UN agency that codifies worldwide aviation policies has categorized instrument approaches. These are universal. They are basically worldwide. And they are based upon that decision height and based upon what is called the runway visual range, the distance over which a pilot has to be able to see the center line of a runway and see the surface markings. And you can see that here in front of you on this slide.

As you can see, basically CAT 3 as it is referred to is the best. It is where pilots can make a decision 650 feet from the end of a runway at an altitude of about 100 feet. The item before you is intended to extend that kind of greater landing capability to all Newark runways where low decision heights are possible.

Commissioner Holmes: Do we have it on some runways now?

Bill DeCota: We do have CAT 3 on 1 runway. And if there is some problem with equipment or if there is some problem with weather and wind direction we are not able to use it. So this would extend that. This is the specific scope in answer to your question of what would be installed at Newark. Basically staff would extend CAT 3 capability of Runways 4 Left and 22 Right. As you know there are three runways, technically there are six different ends of the runway where equipment would have to be installed. This would put it on 4 Left and 22 Left, and it would upgrade the existing CAT 1 Navigates that are already on Runway 22 Right with the latest generation of equipment to provide reliability. Basically the kind of guidance equipment we are talking about includes things that are called lateral guidance equipment; basically it is called a localizer in FAA and pilot terminology. It includes vertical guidance antenna which are known as Glide Slopes. And combined they allow a pilot to use aircraft instrument equipment to locate the correct route on descent.

The equipment also includes something called ALSF-2. ALSF-2 is just high intensity approach lighting systems and those are of course also instrumental in guiding the pilots into position. Staff would pre-purchase the guidance instruments and equipment. This project was identified as a priority capital project because of its ability to reduce delays. The FAA typically does this. They purchase the equipment and install it, but they don't have the money funded in their plan. So the Port Authority decided that we would include it amongst the PFC-funded projects that we have in a FAA-approved PFC plan in order to be able to expedite it.

As part of the effort we are also going to do an obstruction analysis to determine if we could relocate this runway threshold I described earlier on Runway 4 Left to see if the potential exists to increase the operational capability of that runway. Runway threshold, as I said, is just a spot that is painted on a runway. You can see the black area here on this diagram. It designates what is really the beginning portion of the runway that is usable for aircraft landing. It is always located at a point on the runway other than the designated beginning of the runway. To the extent that that threshold can be relocated and there is an analysis that has to be done; it deals with off-airport obstructions and rates of descent of aircraft, and a variety of things – it does have the ability to increase the operational capability of the airport by allowing staggered arrivals, better queuing of aircraft and increased arrivals and departures using the parallel runways at Newark.

Total project cost is $19.75 million for all of this. It is fully recoverable through Passenger Facility Charges. You will recall this project was included, as I said, amongst Port Authority's projects approved by the Board in a previous PFC application. And the FAA, once these things are installed and commissioned, would be fully responsible for the operation and maintenance cost of the equipment. So it would be their navigational aids.

Commissioner Pocino: Presently in effect in LaGuardia and --?

Bill DeCota: Yes, we have; whatever capability we have been able to install at each runway end we have based upon the analysis as I said of descents and obstructions. And at Newark, as I said, we only had it on one runway. So this will now extend it to where we believe we can extend it.

So we expect, Commissioners, the construction of the work would begin in October of next year. It will take that long to get the equipment, bring it on-line, finish the scope of the design and then it would continue through the second quarter of 2011. We think it is a critical enhancement. It is consistent with direction this committee and the Board have given us about delay reduction. We think it will have an impact on reducing delays, particularly able to handle additional operations during inclement weather by providing this flexibility controllers and pilots in. What we are asking you to do is to advance this to the full Board for approval.

Commissioner Pocino: Bill, I noticed in our notes that it says the cost is eligible for reimbursement. Is there a difference between eligible and will be reimbursed?

Bill DeCota: It would be – there are a lot of projects eligible we don't have enough funding for but in this case it is eligible and the board has already included it in a PFC application, so it will be paid for with Passenger Facility Charges.

Commissioner Pocino: It will, okay. Commissioners any other comments, questions?

Commissioner Sartor: Bill, you will select the consulting engineer sometime in the near future – it will take them about a year to put together the program and then [bid]?

Bill DeCota: Yes, this will be bid.

Commissioner Sartor: Okay, and then when you bid the construction it will come back here?

Bill DeCota: Absolutely, the Construction Committee will approve award of a bid and it will be based upon companies that have the qualifications to produce this kind of work.

Commissioner Sartor: Okay.

Commissioner Hochberg: Bill, you said it should reduce delay time. Is there not a more precise way of looking at it?

Bill DeCota: Well, the decision to land a plane is dependent upon an airline decision when to fly in bad weather. It is based upon too, a pilot decision as to whether he wants to accept a runway or not regardless of the category. And it is dependent upon the air traffic control figure configuration. So the answer is it will absolutely. It expands the availability capacity in bad weather. The question ultimately is can I precisely pinpoint how many more planes will actually be able to land at Newark based upon the decisions of all those other people involved in the string? I can't. But I can tell you it has a substantial impact.

During bad weather, when the ceilings come down depending upon the severity, if an airport like Newark can traditionally in good weather using visual flight rules handle 83 flights per hour, the ceiling generally can take that down by a half, so you can only get half of the planes. So there will be some margin of more planes in bad weather that will be able to use the runway. I just can't quantify it for you what it will be.

Commissioner Hochberg: And can you just comment how does this compare with the other three airports we operate in the region and other major, Chicago, LAX, just where do we stand versus the level of technology versus some of those peers?

Bill DeCota: Any airport that has been built, like Denver will be a great example – built out in the middle of Aurora County, 33,000 acres. When it was built it had absolutely nothing around it. It would have implemented the most, the highest category of ICAO landing capability because there would be no obstructions, there would be no limitations on the ability to use the system. Any airport in the country that has the ability would go fully for CAT 3. Our airports being more urban, being surrounded by an awful lot of things – neighborhood, arterial, highways, and all those things – and we are constantly removing obstructions. We look, we cut the tops of trees, we do all kinds of things. We are moving at every one of our airports to wherever we can to do this. And so if it is possible it is there.

LaGuardia has CAT 3 on one runway. Kennedy has CAT 3 on a couple of runways. And again, we will continue to just try to move in this direction when we see the technology is there or that the possibility exists.

Commissioner Hochberg: So you cite Denver. What about the other major airports? You have picked the platinum airport in the country –

Bill DeCota: Denver, Dallas/Ft. Worth, basically every airport and the FAA work together to make sure that the optimal capability. Everybody is trying with the existing scope of technology to put it in play. So we are like every urban airport. Wherever we can do it we are doing it and any other new airport. We are envious of airports like Dulles, 8,000 acres; we are envious of Dallas/Ft. Worth – those airports absolutely have this capability everywhere. Of course and some of them don't have the same kind of weather patterns we have and don't have the situation. In our case we have severe weather quite a bit of the year. We have that convective weather in particular that comes through during the summer time. We have snow and low ceilings during the winter time. All of the bad weather airports are definitely moving in this direction.

Commissioner Pocino: Excuse me. The next item for discussion is Newark-Liberty International Airport north cargo area and Port Street improvement program, reconfiguration and rehabilitation of parking lot P6, phase 1 project authorization. Bill?

Bill DeCota: Thank you. Back in April you will remember you authorized a planning authorization for a large scale roadway and landslide improvement project that is critical for both Newark-Liberty International Airport as well as Port Newark with my colleague Rick Larrabee here beside me. Today I am seeking approval for you to go forward with phase 1 of what is called the north cargo area Port Street improvement program. It involves work all within the

airport boundary. It includes two things: the rehabilitation of the main long-term parking lot at the airport and, two, moving the toll plaza. And we will talk about that. And three, demolition of an old gas station that is in the way including remediation efforts at that site. And that paves the way for the next runway effort.

This is not only a critical state of good repair project, but it really lays the groundwork for the full access project which has major capacity implications.

In April you authorized $2.5 million specifically for planning of this project. The Board recognized at the time how critical access to our facilities were for their operations and competitiveness in both the port and airport cargo markets and of course for airports the passenger access which is at this area in addition to cargo is very critical. This was the scope - to remind you of the work - you see phase 1 which we are going to talk about today and then the broader project, phase 2 which is the widening and realignment of Port Street and the realignment of Brewster Road which we will also discuss that toward the end. The phase 1 work allows phase 2 to go forward when phase 2 fully optimizes phase 1 – so they are very interdependent.

So planning is now complete on this first phase. And we are looking for a project authorization. The cost is $32 million. This is the scope shown here. You see Parking Lot 6 stretched out there before you; it is located on 42 acres at the north entrance to the airport, provides 4,500 long-term parking spaces. The lot is used primarily by what we refer to as "duration of air trip passengers", people who want to leave their cars and store them here while they are on vacation. That parking lot needs a state of good repair so a big piece of this is just milling and paving; it is restriping its bus stops, utilities and lighting systems, and that would all work there.

Also included is the relocation of the toll plaza. The little photograph on the bottom right corner shows where the toll plaza is right now. It is necessary to improve traffic flows because where it is located is just at the juxtaposition of several different things, but also it is located at what is known as the runway protection zone. That is this trapezoidal area off the end of the runway that the FAA recommends be kept clear of people and structures. And so that is going to be relocated to a location farther to the top of the photograph which is out of the runway protection zone between the two runways.

And the work also includes, you will see here the sign Sunoco. The demolition/remediation of a Sunoco gas station on the property and that is going to be used for the roadway improvement project.

Unidentified Commissioner: Is there a lease?

Bill DeCota: No, Sunoco has left – it is a vacant gas station.

This is the timeline for phase 1. It is expected to begin in July. We expect a bid and award by June. Work would be completed by December of 2010; that is going to be very closely then coordinated with this phase 2 roadway work which is now in design, and obviously will be subject to the further Board authorization. That phase basically includes the realignment of Port

Street which goes from the ramps of Routes 1 and 9 to Interstate 78. It includes the reconfiguration of Brewster Road which is on-airport and the Port Street airport entrance and exit improvements. And so it is a pretty broad scoped access project. One work must be substantially completely before we can go into 2. As I said the gas station parts of the parking lot and the realignment of roadways is necessary for that.

So what we are looking at as phase 2 is expected to advance following the completion that is now estimated to be the first quarter of 2011. We already talked back in April about that project and the importance to access and safety for trucks and passengers. And once again we are asking you to move this project also to the full Board for authorization.

Commissioner Pocino: Will that lot be shut down in its entirety or will you phase it in portions so they could be used?

Bill DeCota: We will take it out in portions and we will make sure that we do it when it is not peak season. Since it's a long term lot it fills up largely during the holiday season because that will be absolutely full for the Thanksgiving holiday. And then we have an overflow lot where we will have to put people in. But we will stage that construction around the peaks and flows and the lot will always remain open and have sufficient capacity to deal with it. The one issue that we may have to do is at sometimes we are going to have to – this lot will be partly closed so we will have to direct people out to long-term lot P7 which is much more remote; it is about 3 miles from the Central Terminal Area.

Commissioner Pocino: Will that be off-peak hours and nights, night work or is it going to be --?

Bill DeCota: Once we close portions of this we can just work right through the clock. That will be a cost savings and an efficiency built into the project.

Commissioner Pocino: Commissioners, anyone else have any comments, questions? Okay, moving on to the next item – Port Newark and Elizabeth Port Authority Marine Terminal ExpressRail Corbin Street intermodal rail support facility, phase 1B – increase in project authorization and related agreements. Richard Larrabee?

Richard Larrabee: Chairman, Commissioners, good morning. Today I would like to discuss an item on today's calendar that requests authorization for an additional $7 million in funding to complete the construction of phase 1B of the ExpressRail Corbin Street intermodal rail support facility at Port Newark and the Elizabeth Port Authority Marine Terminal.

The addition of rail capacity has become a focal point for our port redevelopment efforts as an important step in keeping up with the increased trade flows through the region. Over the past five years we have completed 7 of the 10 key projects in our rail development program at a cost of $367 million which is approximately $12 million below the Board authorized funding for these projects. However, the 1B project has some unique situations which led to higher costs than were originally anticipated. The completion of this project in the next nine months will significantly increase the capacity of our port rail system and further improve the cost effectiveness and environmental sustainability of moving containerized cargo through our port.

Before discussing the specifics of the 1B project, I would like to provide you with a quick overview of our rail development program. Under your leadership to date the Board has authorized approximately $550 million to design and construct the ExpressRail system which will result in 3 dedicated rail facilities, one in Port Newark one at Elizabeth and a third one here in Staten Island.

The key to this system though are these two support yards. The one in Arlington Yard is completed. The one on Corbin Street is the one that we are talking about today. And these support yards are important because these are the areas where we bring in, breakdown, and then reassemble these 10,000 foot long double stack trains. And that is really the key to these support facilities. Not only does it increase capacity but when it is finished what it is going to do for us is allow us to, what they call, block trains for specific designations. So, today for instance, cargo that is going to Chicago let's say actually leaves the port and has to be reconfigured when they get to other facilities in Syracuse, NY or in Eastern Pennsylvania.

Today, what will happen in the future when this project is completed is that they can block these trains for those specific locations in the port and take them directly to those locations. So in the analogy would be instead of flying to Los Angeles and having to stop in Phoenix, now we will be able to load trains and go directly to their final destination – a big improvement in service for our customers and a dramatic reduction in their costs.

The full build out of the ExpressRail system will provide our container terminal tenants with the capacity to handle in total 1.5 million lifts a year, far more than the 400,000 lifts that we are now currently handling. Of the $550 million authorized for this project, approximately $450 million has been spent to date to construct various project elements of our system.

And let me just quickly review these with you. This is the first 8 tracks of ExpressRail Elizabeth became operational in 2004. And the full 18-track facility was completed this past May. This facility which serves the Maher and APM container terminals currently has the capacity to handle 400,000 lifts annually.

The construction of a second lead track to ExpressRail Elizabeth is underway and is scheduled to be completed in September of next year. This improvement will allow two trains to arrive and depart the facility simultaneously. When this project is completed the capacity at ExpressRail Elizabeth will double to about 800,000 lifts annually. An interim rail facility at Port Newark was also constructed and has been operational since 2004. This facility which serves Port Newark Container Terminal was further expanded in 2006 and currently has the capacity to handle 120,000 lifts a year.

A fly over bridge connecting Port Newark Container Terminal to ExpressRail Port Newark is in a design phase and is expected to be completed by 2012. And a second expansion of this facility is being designed for construction after the fly over project is completed. And when this facility is fully built out it will have a capacity to handle 250,000 rail lifts a year.

The first phase of ExpressRail Staten Island, which consisted of 5 working tracks, was completed in December of 2006. This facility serves the Howland Hook Marine Terminal and has a current capacity to handle 125,000 lifts a year.

Other rail construction projects that were completed to make this facility operational include rehabilitation of the Chemical Coast Connector, the Arlington Yard support track and the reactivation of the Staten Island railroad mainline in partnership with NYC Economic Development Corporation. With this background, I would like to now discuss with you the construction of our ExpressRail Corbin Street Intermodal Rail Facility which is approximately 50 percent complete.

The purpose of the Corbin Street facility is to provide the support track to enable port's rail facilities to accommodate 2 mile long trains and integrate rail traffic to and from the three dedicated ExpressRail facilities that I just talked about. This aerial view of our Port Newark facility and Elizabeth Marine Terminal shows the location of the 60 acres support facility outlined in red and its proximity to the ExpressRail facilities in New Jersey.

The support facility is being constructed in phases. In February of 2005 this Board authorized the construction of phase 1A and the relocation of our utilities for phase 1A and 1B at an estimated total project cost of $34 million. The final design for 1B was also authorized for $2 million. And the challenge here for us is in this very narrow strip there were 40 different utilities, gas, petroleum products, communications, all of which had to either be moved or protected in some way.

The estimated cost of the project at the time was $43 million but there were numerous project uncertainties particularly because of the many different utilities that I just talked about. Construction of phase 1A as shown in red on this slide was completed in December of '06 and provided over 17,000 linear feet of support track. The construction of 1B shown here in green is currently underway. The contract was awarded in July of 2007 at a total estimated cost of $28.2 million. The 1B project provided for the construction of approximately 30,000 linear feet of support track, 2 new rail bridges, storm drainage, site grading, and the consolidation and protection of numerous utilities located throughout the site.

The contract also provided for anticipated operational interruptions, staging modifications of the contract and certain unknown field conditions. Because portions of the support facility are being constructed on property owned by Conrail, the Port Authority and Conrail entered into a construction agreement in 2005 to provide for the reimbursement to Conrail for costs associated with providing flag men to ensure the safety of workers in the area, where construction would be performed adjacent to active tracks.

The agreement also covered excavation work by Conrail to identify the exact location of existing utilities, review of contract documents and the provision for relating engineering services. At that time the estimated cost to Conrail was $750,000. Subsequent to the contract award, the final design schedule and cost to complete the 1B project was competitively impacted beyond our original expectation primarily because delays by utility companies in completing their relocation and protection work, changes to intermodal rail operations due to rail freight growth, and

construction work by Conrail, and significantly greater than expected quantities in disposal costs for unsuitable and contaminated sub surface soils.

Commissioners, this project is now 85 percent complete. Todays authorization is requested to increase the funding for the construction of 1B of the support facility by approximately $7 million for revised total project cost of $50 million. Under this authorization –

Unidentified Commissioner: (Inaudible – microphone inaccessible).

Richard Larrabee: 5-0. $50 million. Under this authorization the current contract would be increased by $6.8 million for revised final contract cost of $37.5 million to provide for the unexpected design and construction requirements that we encountered in the project.

Additionally the reimbursement amount to be paid by the Port Authority to Conrail would increase from $750,000 to $1,450,000. It is currently anticipated the project phase 1B will be completed by August of next year increasing capacity from 600,000 lifts annually to 1 million lifts.

Despite the many challenges with this project it will still be completed four months ahead of the original contract schedule. More importantly, the growth of the Port's rail business has continued at a high level, up 6 percent in 2007 and this year at about 10% growth through October. Commissioners I request that you advance this item to the full board for approval.

Commissioner Pocino: Richard, because of the increased efficiencies that this project is going to provide us with, you mentioned the savings to the customer, about, can you put that in a percentage in terms of the savings?

Richard Larrabee: What I can tell you and it is not a direct answer to your question, but I can tell you is that you will recall that when we first introduced this whole concept of ExpressRail we also introduced a financial model. And basically this project pays for itself both in terms of construction and operation through a lift fee. That lift fee has increased from a fee of about $30 to a now fee of $52.50 per lift.

We just advanced that fee about $5 in October. We have gotten no reaction whatsoever from either the beneficial cargo owners who pay for this or the railroads who have to implement it. What I would tell you is that what we have seen is a continued growth of about 10% a year and the demand for rail and a willingness to pay this de minimis fee in order to be able to take advantage of greater service levels. So I think form our standpoint those two indicators are the things that we look at in terms of whether or not this is adding value. I can't tell you exactly how much they are saving.

Commissioner Pocino: Commissioner Chasanoff?

Commissioner Chasanoff: Rick, I'm just curious, at the time we did the original construction on the rail express, were these things contemplated, these additions?

Richard Larrabee: All the work that we are talking about, the phased work, all of the projects that I mentioned earlier associated with each one of the intermodal facilities, all of that work was anticipated. What was not anticipated because if you recall back in 2005 we decided, the Board decided they wanted to advance all of these projects as quickly as possible. Demand was up, we needed to demonstrate to the industry that we were serious about this kind of service. The end result was that we got ourselves sort of ahead of the game. We didn't complete all of the design work that we wanted to before we actually were able to start construction. So we were a little bit surprised when we got into it to find out that there was more sub-surface problems than we anticipated. The conflict between the day to day operations, particularly in a growing operation with Conrail, had to be reconciled and there were more costs associated with trying to do that.

There were delays by utilities, significant delays because they had to either move pipelines or do things that they hadn't anticipated.

Commissioner Chasanoff: What I'm getting is, are there other things that you can contemplate now that we will have to do in the near-term?

Richard Larrabee: We, as I mentioned in the presentation, we have done 7 of the 10 projects. This one will be the 8th. There are two more planned. Those are now in design and we will have a normal timeframe so we won't be surprised by those.

We have gotten all of the big problems behind us; I guess that is the simple answer. All of the conflicts with utilities which were the major issues in terms of the overruns have all been resolved. All of the issues with sub-surface problems, with contaminated material, all of that is behind us. We are very confident now that if you approve this final request we will be able to cover the costs. And as I said in the presentation we are still below what the authorized project levels were.

Commissioner Chasanoff: But it occurs to me, as a lay person, it occurs to me it is like building an airport and having all the terminals, a big-big-big airport, and having one runway. And only one runway. And then we will lay it out as we go along, and we will add the second, the third, the fourth. And of course those are all at greater costs as time goes on, the costs get excessive. And I wonder if we shouldn't do whatever we have to do now and get it over with and get it done with. Why prolong it? Why extend it? We know it is going to happen.

Richard Larrabee: That's what you said to us in 2005, and so we advanced that schedule at the time. The other thing that I think you need to keep in mind is that unlike Bill I don't have PFC's, so when we spend our money it is our money we are spending. We are spending it at risk. There is nobody else contributing to these projects. We are sort of betting on “the come” that as we build capacity there is going to be a demand for it. So there was a little bit of that in our thinking. The fact of the matter is that we had to build some of this in phases because you have to build one piece before you could get to the next.

Commissioner Chasanoff: Do you have an idea as to how much more it is costing us to do it now as opposed to then?

Richard Larrabee: We, since 2005 we have moved this project as fast as we possibly can. The delays that we have experienced were delays that we couldn't avoid. We have no other place to build this. So we had to build it on top of these 40 utilities. And we knew that going into it.

We have advanced this project and one of the reasons why I am back here asking for $7 million more is because we did advance the project. We knew at the time we were taking some risk. But I think we have decided that we needed to deliver this service as quickly as possible. So we are building it as quickly as we can given the constraints.

Commissioner Hochberg: I know we don't have PFC fees here, but what about, how does this get reflected in the lease rates we charge at the ports in terms of as we make improvements that our tenants understand that it is not free?

Richard Larrabee: The model is based on the user paying. This is in essence a user fee. You only pay for rail service if you use it. In this case it is done through a lift fee; it is collected by the terminal operator but it is paid for by the beneficial cargo owner and comes to us. And what we have basically said as a basic philosophy, we will build increased service levels and then ask our customers to pay for them as opposed to asking them to pay first and then providing a place.

Commissioner Chasanoff: Are we operating now at full capacity on these rail terminal lines?

Richard Larrabee: Today, with the current state of the economy I have to say no. October's – we have seen steady increases in demand on a monthly basis since 1991. This last October we saw a 3 percent decrease on a year-on-year comparison. But when you look at the overall state of the economy and you look at the overall level of trade today, 3 percent reduction still exceeding on an annual basis previous year's volumes, I think we are doing very well. And I think that we are going to see because of not only the reduced cost but also because of the advantage of environmental benefits because every time we put a container on a rail car we have eliminated a truck trip basically – this will become a much bigger part of our strategy from an environmental standpoint.

Commissioner Chasanoff: The only thing that I am referring to is I think that these, each project, especially today in the kind of conditions that we are confronted with today, I think there has to be an economic justification that we sort of see – I'm sure that you people see it, I'm sure you have the basis for that in your design, but we never see that. And for one, I would like to see how this is utilized now. What percentage of it is utilized, the utilization is? And what we can reasonably expect in a short time with the addition, the additional work we are doing. I mean are we just going to build something that given these conditions is just going to stay like that and just going to stay empty?

Richard Larrabee: It's not empty by any stretch. I would love to take you out there –

Michael Chasanoff: I mean the additional. The additional.

Richard Larrabee: And that is why, going back to where we were earlier in the conversation, that is why we built it in phases, because I needed to be able to come back to you each time and

say demand continues to go up, we ought to be building at additional capacity. And up until October of this month, we were at capacity. As a matter of fact, people would tell you that one of the reasons why they were not bringing larger ships to the Port is because we didn't have adequate rail service.

Commissioner Chasanoff: Okay, but let's assume it stays that way for five years. Why couldn't it? At the current condition – why couldn't current conditions stay the way they are or get worse over the next five years? Why couldn't that happen? And then this will be completed, but it really is not necessary at this time. And it is a question of us spending the money today and not getting any benefit from it.

Richard Larrabee: What I can tell you is that until today this system has paid for itself and will continue to provide the kind of return on investment that we are looking for.

Commissioner Chasanoff: But I'm talking about the new money now. Now you need new money, you have to go further, build a new system or add to the system. And now my question is what kind of return can we effectively get and having said that, I keep thinking in my own mind there are other considerations I think as you know for the Port Authority which are going to require huge, huge sums of money. We don't know if this is necessarily the best application of our fixed amount of money, today. Today.

Richard Larrabee: The system has been operating at capacity since 1991. I can't predict what is going to happen over the next five years, what I will tell you our planning factor is, is that this year is going to be flat. Next year is going to be a difficult year. Everyone in my world today says by 2010 we are going to begin to see another sort of upsurge and we are talking about a planning factor of 4 percent to 5 percent growth. Now that is a bit of a reduction from where we were three years ago. But again I would submit to you that building this in phases is the strategy that protects us from overbuilding.

Commissioner Pocino: Commissioner Sartor?

Commissioner Sartor: Yes, Rich. Once you construct this is it possible that the operators will use the rail versus the truck and you will get more rail usage at the cost of the expense of less truck usage there?

Richard Larrabee: Rail is used today for cargo that is going distances of roughly 400 to 600 miles. It is where rail competes. When you look at what is happening in our business, through the use of these all-water services that now provide cargo from Asia and through via the Suez and the Panama Canal. With the Panama Canal committing itself to expansion over the next 5 to 7 years, where they are going to say, today where the Panama Canal handles a ship they can handle about 5000 TEUs. They are going to be able to handle a ship by 2015 of 12,000 TEUs.

What that is going to do is bring more cargo to the East Coast of the United States from Asia. When those ships come here there is going to be a much higher demand for rail than there was before. And I think everything in my world says that the demand for rail is going to continue to go up, whether it is larger ships wanting more rail capacity, whether it is beneficial cargo owners

who see benefit either from an economic standpoint or an environmental standpoint, rail is going to be a strategy that is going to be a big part of our future.

Commissioner Pocino: Commissioners, we are passed our time for our next Committee meeting. What I suggest Richard is that you might provide the Commissioners with some kind of an analysis of what you used for forecasts in reference to some of this movement of the goods and services and I'm sure we will be looking forward to receiving that. In the meantime, Linda, we need to just approve this out of Committee? Move it forward out of Committee. Have a motion to that effect? Second? All in favor?

Commissioners: Aye.

Commissioner Pocino: Let's have it. Thank you very much.

Richard Larrabee: Thank you.

The Port Authority of New York and New Jersey
Committee on Construction
October 18, 2007

Commissioner Pocino: Welcome to the Committee on Construction. This is a public session. Today's meeting of the Committee on Construction will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Internet via the Port Authority website, for those interested in viewing today's proceedings remotely.

We have some items for discussion today. First will be the PATH Railcar and Signal System Replacement Program that Michael DePallo will give us a presentation on, and then we'll have the Newark Liberty International Airport Rehabilitation of Runway 11-29 Project authorization, excuse me, by John Drobny. And then the Minority, Women-Owned, and Small Business Enterprise program's performance report by Lash Green. So we'll start out with Michael.

Michael DePallo: Okay, good afternoon, Commissioners. I'm here today to discuss the PATH Railcar and Signal System Replacement program and request Project Authorization for the PATH Signal Project Phase II. PATH Railcar and Signal System Replacement Program was developed as an integrated capital program totaling $1.3 billion dollars, which is currently (included in the Capital Plan.

The program consists of the PATH Railcar Replacement Project, which will replace. Okay, all right, thanks, okay. Yes, the program consists of the PATH Railcar Replacement Project, which will replace PATH's entire railcar fleet, and the PATH Signal System Replacement Project, phases I and II. Phase I was designed to include signal system technology research, demonstration, and testing. Phase II of the Signal System Replacement Project calls for the actual procurement and installation of a new PATH signal system.

As a way of background, you may recall that in September of 2003, the Board authorized the PATH Railcar and Phase I Signal System Replacement Program in the amount of $809 million. Under that project authorization, in March of 2005, the Board authorized an award of a $499 million contract to Kawasaki Railcar of Yonkers, New York, for the design and manufacture of 340 PATH railcars.

Then in July of 2005, the board awarded $1 million contracts to three single suppliers to perform advanced planning, demonstration, and testing of their individual signal system technologies for the PATH system.

The existing PATH signal system operates with a fixed-block design, which utilizes train stops, known as trippers, and wayside signals to control the movement of trains throughout the PATH system. An overall concern is with the design and condition of the current system is that the system is becoming obsolete and difficult to maintain. More specifically, the system technology design dates back to the origin of the system over 90 years ago.

The average age of the signal system is approximately 38 years old, with a design life of approximately 35-40 years. Parts are becoming obsolete, and therefore, more difficult to procure

and maintain. And the associated Control Center technology is outdated, and the system has limited potential to increase system capacity for projected future needs.

The goal of the Signal System Replacement Project is to replace the current antiquated fixed-block signal system with a state-of-the-art Automatic Train Control, or ATC system, using the latest communications-based train control technology. The ATC system will help us to ensure long-term system viability, improve reliability, and avoid obsolescence. The new system will permit us to run trains closer together, thereby reducing headways and increasing throughput, and it has the potential to result in an overall increase in system capacity by 20 percent.

It will enhance system safety by providing continuous over-speed protection, which can prevent trains from exceeding speed limits. We'll also be able to improve customer service with the capability to provide real-time train location information to our customers. Automatic train control will improve passenger comfort by smoothly controlling trains operating between stations.

And the ability to increase system capacity provided by the ATC system technology can have a positive environmental impact on the region by permitting additional passengers to use the PATH system in lieu of their automobiles, and thereby reducing gasoline consumption and CO2 emissions.

Now this is an example of the automatic train control system using CBTC technology, and this is coming from a conceptual perspective. In essence, the communication-based train control uses a computer-controlled data radio network to communicate to trackside and car-borne processors which can optimally control movement of trains throughout the PATH system.

Within the scope of the signal project Phase I, three signal suppliers were contracted to demonstrate their own automatic train control, a signal system technology, in PATH's actual operating environment. The signal suppliers completed all aspects of the Phase I work in December of 2006, and based on the results of the research and development, they now have a more thorough understanding of PATH's operational and system performance requirements.

They clearly demonstrated the required car-borne and wayside equipment interfaces, they analyzed the system design and implementation requirements and associated risks, they defined the signal system cutover requirements and implementation constraints, and demonstrated their individual approach to acquire system safety certification.

Through this research, PATH was also able to gain a better understanding of how automatic train control systems can be proposed and would function in the PATH operating environment. Since the conclusion of the demonstration program, the technical specifications for Phase II have been included in the results of the findings and reports Phase I.

The scope of work for the PATH Signal System Project Phase II includes a replacement of signaling equipment on all 43 miles of track, 13 interlockings and 13 stations. It provides for a communication-based train control equipment to be installed on 220 PA-5 A-cars. Now, the A-cars are those vehicles that have the operator's engineering cabin. It includes all the associated train control equipment.

The scope of work includes installation of all communications equipment for PATH's primary and secondary control centers, equipment rooms, new data communications system, and a new signal power system. The contract provides for all hardware and software documentation, training, and safety certification. The successful contractor will also be responsible for decommissioning and removing of the existing signal system.

With authorization, PATH will proceed with the project and release the RFP for Phase II by the end of this year. We expect to receive proposals in the first quarter of 2008, and with Board contract authorization, we hope to issue a notice to proceed in the third quarter of 2008. Design, manufacture, installation, decommissioning, and removing of the existing equipment is expected to be completed by the third quarter of 2014, and it is our request that the Committee on Construction recommend to the full Board to approve the Project Authorization for the PATH Signal Project Phase II at an estimated project cost of $389 million.

Thank you for your time.

Commissioner Pocino: Thank you very much, Michael, appreciate that presentation. Do any Commissioners have any comments and questions in reference to this authorization?

Commissioner Blakeman: I would just like to ask what kind of redundancies are included in the system?

Michael DePallo: Well, there's a number of -- and maybe, Fred, you can help me out with that, on the redundancies? Fred's our signal expert.

Fred Childs: All of the systems would have redundancy, and either by duplication of the computer processors or by zoning separately the locations that are controlled, so that if we lost one track, for example, we could still operate on the other track.

Commissioner Blakeman: Do you have backup generator systems, and things like that? What would happen if you lost power?

Michael DePallo: Oh, well, if we lost power, we'd lose the system.

Commissioner Blakeman: Some sort of a -- like some kind of battery backup system or the generator.

Michael DePallo: Oh, yes, there's -- I mean for the signal system itself, there's an auxiliary supply.

Commissioner Blakeman: Okay.

Michael DePallo: So there is backup. Yes, I thought you were talking about the actual power system.

Commissioner Blakeman: No, signals.

Michael DePallo: Signal system, yes.

Commissioner Pocino: You want $350 million, is what we're supposed to approve today, is that correct?

Michael DePallo: $389 million.

Commissioner Pocino: $389 million.

Michael DePallo: Right.

Commissioner Chasanoff: Now, will that include those things or those parts of this project which don't get implemented until 2012, '13, and '14, or are we subject to increases at that time? In other words, are we purchasing everything in the near future, and will that then encompass the whole system?

Michael DePallo: Yes, the $389 million includes the entire signal system. We're also going to be purchasing another 75 vehicles, railcars, to be able to accommodate the growth that the signal system allows us to.

Commissioner Chasanoff: Is that what's going to be implemented in 2014? I can't read that.

Michael DePallo: Oh, yes, the cars will be purchased before that.

Commissioner Chasanoff: But what is the estimated completion? --

Michael DePallo: But the entire system will be completed by 2014. That includes the removal of the existing system.

Commissioner Chasanoff: But my question is merely that everything that's shown up there, is that included in the $389 million --

Michael DePallo: Yes, it is.

Commissioner Pocino: -- Total outlay that we're going to approve today?

Michael DePallo: Yes, it is.

Commissioner Chasanoff: Let me put it a different way. Does it include installation and all components of the program?

Michael DePallo: Yes.

Fred Childs: Yes, it does.

Michael DePallo: Yes, it does.

Commissioner Pocino: That's all-inclusive.

Michael DePallo: All-inclusive.

Commissioner Steiner: The other thing is while we're doing it, the new cars, if we can get the heads up to build them into the new cars on the pricing, and functionality we can save some money.

Michael DePallo: Yes, it's already included.

Commissioner Steiner: Already included.

Michael DePallo: It's already included, yes.

Commissioner Steiner: Point of information, Mr. Chairman.

Commissioner Pocino: Go right ahead.

Commissioner Steiner: Before we take down this whole system, I would hope that we would provide a film record or video record of the tunnels and the signal system and save, at the conclusion, some key parts in the event that someday we open up a transit museum like the New York City does.

Commissioner Pocino: That's a good point.

Commissioner Steiner: I think it has a lot of historical (inaudible), it's a great story of how we did it, and I think we ought to proceed on that basis. I think it's good PR for the Port Authority and it's a good story to maintain for the future.

Commissioner Pocino: Excellent suggestion.

Commissioner Steiner: Because we always learn by what we've done before.

Michael DePallo: Fine. Yes, we already have a complete record, complete video record of the system, and we can then also, you know, retain some of the original signal system for future use, yes.

Commissioner Steiner: How many suppliers and contractors are involved in this effort?

Michael DePallo: We have three. Three participated in the demonstration; they all passed, and are all eligible to bid on the RFP.

Commissioner Steiner: Are any of them based on our trade area?

Fred Childs: Yes. Yes, there's Siemens --

Commissioner Steiner: What percentage will be manufactured in our area, do you have any idea?

Michael DePallo: Um --

John Drobny: We won't know until the bids come in. These signal manufacturers use installers, and those folks, they haven't been introduced to us at this point. That'll come into play during the bid process.

Commissioner Steiner: Yes, I want to know what the effect is on the local economy is. I think it's important that we try to buy locally and spend the money locally.

Michael DePallo: Yes, there'll be a number of local subcontractors involved in this.

Commissioner Chasanoff: What did you mean, when the bids come in? What does that mean?

John Drobny: Well after -- as Mike has pointed out, there will be three bidders, pre-qualified bidders. So if we receive approval, then we'll go out to the bid process to these three vendors.

Commissioner Pocino: Yes, I believe in most favored contractors, even paying more for a local manufacturer, because it comes right back into our economy. I don't know what we do, but we should always think about that. Our construction work stays locally except for things we have to import, and there are plenty of electronics manufacturers. We ought to try to get as much of it built and contributed to the economy of New York and New Jersey.

Commissioner Steiner: And if you have to change the RFP, let's try and do it.

John Drobny: Understood.

Commissioner Mack: We need to be mindful of the time it might take to do and RFP and then let’s push it.

Commissioner Pocino: Any other comments or questions from the Commissioners? Somebody take the motion for approval?

Commissioner Chasanoff: So moved.

Commissioner Steiner: Second.

Commissioner Pocino: All in favor?

Committee: Aye.

Commissioner Pocino: Oppose? Ayes have it. Next item we have on the agenda is the Newark Liberty International Airport Rehabilitation of the Runway 11-29 project authorization. John Drobny.

John Drobny: Thank you, Commissioners. Today I'd like to give you an overview of our project for the rehabilitation of runway 11-29 at Newark Liberty International Airport. This project will maintain this runway in a state of good repair, enhance safety, reduce runway maintenance, and improve runway lighting.

I will discuss the scope of the rehabilitation work on this runway, the run-up pad, and adjacent taxiway, and summarize the project costs and schedule.

Newark Liberty International Airport is comprised of three runways, two of which are located north and south, parallel to the New Jersey Turnpike, right here, and one runway, 11-29, going this way. It's 6,800 feet long, it was identified in our seven-year pavement management plan as having deteriorated due to normal wear and tear and weathering.

This runway was last resurfaced in 1998. Several interim repairs have been implemented in recent years to extend the pavement life, which is presently identified in fair condition. You will notice the Taxiway W, which I'll refer to again a little bit later, in what we're doing with the run-up pad.

The scope of work for the rehabilitation of Runway 11-29 includes the following: rehabilitation of the asphalt pavement, including milling and resurfacing to an average depth of six inches, widening of the taxiway fillets, or curves, construction of an 18-inch thick concrete run-up pad to allow full-power engine run-ups, and upgrading of the runway lighting to meet current FAA standards, including installation of new touch-down zone lighting.

Next? Thanks. Aircraft completing maintenance work are required --

Commissioner Pocino: Excuse me, John. We have a question here.

Commissioner Blakeman: John, I'm sorry. Could you tell me what the ordinary lifetime is of a runway? A commercial runway at a major airport?

John Drobny: We just recently updated. Runway lives at other airports around the country range from about 5 to 12 years. Ours are typically running about 8 to 14 years, and we often carry heavier traffic in terms of the volume and some of the newer aircrafts. So I'd say due to our pavement management program of keeping on top of it, regular inspections, we're above the national average. So bottom line is, we're running about 8 to 14 years, depending on the runway and the location at the airport.

Commissioner Blakeman: If I recall, when we did this the last time, you did say 10 years. --

Commissioner Pocino: That's what I thought.

Commissioner Blakeman: --Ten years, am I right?

Commissioner Pocino: That's what I thought. I thought --

John Drobny: I'd say 10 years is a good number, or better.

Board Member: I thought it was 10 years.

John Drobny: I think, and some --

Commissioner Steiner: Well, we got 10.

Commissioner Chasanoff: It's sort of a ballpark, yes.

Commissioner Pocino: Well, this will not begin to be constructed until 2009?

John Drobny: Right.

Commissioner Pocino: So then we are running about right?

John Drobny: Then we're running about 11 years, so that's where --

Commissioner Chasanoff: Well, there you are.

Commissioner Pocino: Okay.

John Drobny: I'd say more often than not, I think to the attention of staff both at the facility level and the engineering staff, which was Frank and I --

Commissioner Pocino: And it is also likely, with the heavier aircraft that are going to be promoted or that are being promoted, and it will be implemented before too long, that the runways will not last that long?

John Drobny: Exactly, Commissioner. That will have some deterioration of accelerated impacts on our runway, so that 10, 11 years, we're looking at right now --

Commissioner Pocino: Well, do we now use an advanced specification for these new runways?

John Drobny: I think we're using an improved specification.

Chairman Pocino: Is it advanced?

John Drobny: I don't know if it's advanced, but it'll be able to withstand the heavier aircraft, and hopefully hold at least a 10-year life, or better.

Commissioner Steiner: Question. Is there anything we can do to extend that life, like putting a heavier pavement in, or does the surface just go no matter what you do?

Commissioner Mack: That's a good question. --

John Drobny: There's a natural wear-tear/weathering, and I think we're at the limits of the asphalt specification that we can put down. We have previously looked at concrete and due to the 30-year life and a cost benefit approach, this is still the preferred alternative, plus a shut-down for at least 36 hours to let the hardening happening would have too detrimental an impact on operations. This can be done in a lot shorter period, so both from a cost benefit analysis, it's still the preferred way. In terms of the impact on operations, still a preferred way to do the asphalt versus concrete paving.

Commissioner Steiner: Can we provide for re-use of the milled surfaces? Do we have a use for that? Can we use that somewhere else? Does it belong to us or the contractor (inaudible)?

John Drobny: In the recent contract from last month and this contract, we are including a new specification that we'll require for all removed material on the asphalt side to be recycled. This is something that'll happen in our first contract that Frank is preparing for November, and from now on, that will be a standard in a contract. So yes, this will include that recycling of material.

Commissioner Steiner: Do we have any use for it on the site, to use it as fill, or for base fill material, without -- when you recycle, it belongs to them. I asked Mr. Lombardi if he sees any use for that in any of our projects.

Frank Lombardi: We get credit for having the contractor store and reuse it, and if there's another project on the airport facility that it can be used, we will use it.

Commissioner Steiner: I didn't mean just as pavement; maybe as fill.

Commissioner Mack: Sub-base.

Commissioner Steiner: Sub-base.

Frank Lombardi: Sure. It can be.

Commissioner Mack: That's terrific.

Commissioner Steiner: It can be used also with recycled concrete, as well.

Frank Lombardi: Yes.

Commissioner Blakeman: I just -- I have a process question, and I think I've mentioned this before. Aren't we telegraphing to the bidders what we're willing to pay when we do an authorization that indicates an estimated number for the project? In other words, are we bidding against ourselves by doing that? Why can't we just authorize it and then when the bids come in, you come to the Board with the lowest bid, and then we make a decision whether or not we think it's prudent to accept that lowest bid rather than telegraph how much we're willing to pay.

Commissioner Steiner: They still have to compete with each other for the contracts.

Commissioner Pocino: That's a very valid point.

Commissioner Chasanoff: They know the ballpark.

Commissioner Steiner: -- Really only a subset of that number anyway.

Commissioner Blakeman: No, I understand all that, but it seems to me that we're telling them what we estimate the project to be. What if we overestimated?

Commissioner Chasanoff: Or underestimated.

Commissioner Blakeman: They're starting out with that baseline. I just think from a process standpoint, I don't know why we have to put in the number.

Commissioner Chasanoff: I agree with you, Bruce. I don't see any benefit to us by so doing.

Commissioner Steiner: He has a point.

John Drobny: Commissioners it's an issue also which is, you know, obviously no one will give us a blank check. So the question is, how do we say to you here's about what we think this thing is going to run so you can say good or bad idea at about that number?

Commissioner Blakeman: Why do we have to tell the contractor?

Commissioner Steiner: Do we have to publish that number? I think that's --

Commissioner Chasanoff: Also, when it’s an open meeting, so it's inevitable.

Commissioner Blakeman: That's the point I'm trying to make, yes.

Commissioner Chasanoff: The point of the matter is, it isn't a matter of whether we want to go ahead; we have to go ahead. This is the nature of other things that we have to do it whatever the cost is, and we expect to be able to bring the cost in with the best responsible bidders, and I happen to agree with Bruce and David that we should protect our finances.

Commissioner Pocino: I do, too.

Commissioner Blakeman: Maybe you're telegraphing and the bidders will say hey, they got $100 million, let's spend the $100 million.

Commissioner Pocino: It is standard procedure in all public contracts, by the way. Frank, do you have an explanation of how that came about? Because I know it is standard procedure in all public contracts and state governments and state agencies across the board.

Frank Lombardi: Having engineers estimate?

Commissioner Blakeman: Yes.

Commissioner Pocino: Yes.

Commissioner Chasanoff: Because in many cases you want to protect that information if possible.

Commissioner Steiner: You want to be able --

Commissioner Chasanoff: -- you have to certify that those funds are available before you can even go out to do the bids.

Frank Lombardi: But the engineers' estimate is different from a Board approving it.

Commissioner Blakeman: Maybe we don't have to give the number publicly.

Frank Lombardi: We're now acknowledging that it should be $10 million. That's not an engineer's estimate. They're two different things, and I agree with Bruce. You can have an engineer's estimate, but why should we be publicly authorizing it?

Frank Lombardi: You want to be able to give the contracting community an ability to understand the size of the project so that they have an understanding of the work involved --

Commissioner Blakeman: But they're professional. They know what it's going to run, that's their business, to estimate these things.

Frank Lombardi: Yes, but they've got to go -- they have to buy the plan --

Commissioner Blakeman: -- take them home and look at them.

Commissioner Blakeman: Can I make a suggestion? Could our Executive Director and our Counsel put their heads together and see if there is a better way to do it?

Commissioner Steiner: Some places do it in a range.

John Drobny: This'll be the last slide.

Commissioner Blakeman: Well, there's two issues, and we need to think about it in terms of both the contracting community and also as a governance matter with you guys as to what works best for you and is most cost effective and efficient.

Commissioner Steiner: And sometimes, like, MTA will publish a look ahead of contracts coming up, and they do it in (inaudible). But they still all go to their Board and they say, we have these contracts going out, and (inaudible) --

Commissioner Chasanoff: (Inaudible) we were just talking about that. Frank, also, (inaudible) put an RFP (inaudible) do something regarding if they finish early (inaudible) because if any construction impedes the flow of the airport and creates delays and on and on and on --

Commissioner Steiner: Do we provide incentives for early completion?

Frank Lombardi: No (Inaudible).

Commissioner Mack: No, but we can, especially on a runway. This is Newark. Unfortunately, everywhere I go, you know, I travel across the country, (inaudible) how many delays?

John Drobny: This work will be done, Commissioner, at night and on weekends, so there is no inconvenience to passengers (inaudible) --

Frank Lombardi: You schedule reasonable hours of work and that's basically --

Commissioner Steiner: There's nothing wrong to set aside an incentive (inaudible).

Commissioner Mack: Yes, they do it on Route 78. The guy doubled up the crew.

Commissioner Pocino: DOT does that specifically on jobs where there are critical areas where there's heavy traffic.

Commissioner Mack: How does it work?

Commissioner Pocino: It works very well.

Commissioner Mack: Mr. Chairman, how does it work?

Commissioner Pocino: It works very well, actually. They --

Commissioner Steiner: Maybe we should try it.

Commissioner Pocino: The jobs always come in faster.

Commissioner Mack: We do it -- for the MTA, and we always have an incentive, especially on any ramp work or any roadwork.

Commissioner Blakeman: Well, Chairman, again, can our Executive Director, our Chief Engineer, and our lawyer get together? Maybe there's a way to do that?

Commissioner Steiner: That's a good suggestion, Commissioner.

Commissioner Mack: And the thing about incentives, too, maybe we can look into it () this time --

Commissioner Mack: We should talk with both DOTS to find out what they have in their contracts.

Commissioner Steiner: What their experience has been.

Commissioner Mack: Because I know they do (inaudible) --

Commissioner Pocino: They have a system setup that they use, and --

John Drobny: We have been dealing with both DOTS, and in a few prior cases we have, we have met here where there's an operational coordination. It's very difficult, but we'll explore it a lot more, as you said, because there is -- whether it's in a bridge or tunnel, lane rental mile for a certain period of time, and some ways to do incentives on these.

Commissioner Pocino: Well, we'll await your response to us in terms of you looking into these situations that we mentioned.

Commissioner Steiner: Mr. Chairman, it's also a matter of timing in the marketplace that we want to consider when to have the job done compared to when everybody else in the industry is busy. We should try to talk to the other agencies so we're all not doing work at the same time, because that only runs the price up.

Commissioner Blakeman: That's a very good point.

Commissioner Chasanoff: Yes, that's a good point.

Commissioner Blakeman: Mr. Chairman, do you need a motion on this?

Commissioner Pocino: We need a motion for authorization.

Commissioner Steiner: So moved.

Commissioner Chasanoff: Second.

Commissioner Pocino: All in favor?

Committee Members: Aye.

Commissioner Pocino: Opposed? The ayes have it. Moving on to the next item, Minority-Women-Owned Small Business Enterprise Programs Performance Report. Lash Green.

Lash Green: Good afternoon, Commissioners. Today, I will report on the Port Authority's performance in meeting last year's minority, women, and small business objectives in construction, procurement of goods and services, and other business activities. I will also update you on our performance through the second quarter of 2007, and discuss new initiatives to increase the participation of M/W/SBE's on Port Authority capital programs, including the redevelopment of World Trade Center site.

I would also like to mention that included on today's consent calendar is an item that will renew our participation and funding of the Regional Alliance for Small Contractors. The Regional Alliance

has been an integral component of our business development programs and has been an effective way to pool public-private resources to providing training programs and technical assistance to M/W/SBE's firms in the region.

This year, we plan to reinvigorate the Alliance to further improve upon its programs through the development of systems to track effectiveness, development of business plan, and to broaden its base of public-private partners to finance its programs and operations.

Commissioner Blakeman: Mr. Chairman, can I just ask a question at this point? Again, it's a process question. I think last year, when you made the presentation, we spoke to you about the fact that we had a qualification process for the Port Authority and we wanted you to take a look at exempting New York and New Jersey minority businesses from that process.

In other words, we felt that there shouldn't be a separate qualification. If they were qualified in New York or they were qualified in New Jersey, they should be qualified here, especially since they're a small business and to have to go through that paperwork and that endeavor can be difficult. Can you take a look at that?

Lash Green: We're talking certification and --

Commissioner Blakeman: Certification.

Lash Green: -- and we've made some progress in that area, more so on the disadvantaged business enterprise program, which is the largest program for New York State DOT and for New Jersey DOT, for New Jersey Transit, and for the MTA. We now have a unified certification with those agencies for that particular program.

Commissioner Blakeman: So in other words, if they're qualified for New York or New Jersey, they're qualified with us?

Lash Green: Yes.

Commissioner Steiner: Automatically?

Commissioner Blakeman: Automatically?

Lash Green: Yes, yes.

Commissioner Blakeman: Great.

Lash Green: We're using --

Commissioner Blakeman: Great, so qualification with any one of the three agencies qualifies them everywhere?

Lash Green: Well, if they --

Commissioner Steiner: Even with us.

Lash Green: If they qualify or certify with the Port Authority, they will then be certified with our partners in New York and with our partners in New Jersey.

Commissioner Blakeman: What about vice-versa?

Lash Green: If they certify with a New Jersey firm, they're only going to be certified in New Jersey and with the Port Authority. In this same --

Commissioner Steiner: Okay.

Lash Green: Now this is for the disadvantaged enterprise. For the M/W/SBEs, we still have a separate program for that, and a separate certification.

Commissioner Blakeman: But why do we do that? If someone is certified in New York and they're certified in New Jersey, why do we have to make a small business, and typically these are small businesses, go through that additional hurdle?

Lash Green: The primary reason that we have our separate certification is that we believe we do a little bit greater due diligence because we have the set-aside programs and the price preference programs, which the other entities do not have. And so we try to go a little bit further to make sure that the firms that we put into the program are truly the ones who deserve to take advantage of those services.

Commissioner Blakeman: If we feel this is necessary, then okay.
Board Member: (Inaudible)

Commissioner Pocino: (Inaudible).

Lash Green: Yes, sure. Okay.

Commissioner Pocino: Thank you very much for the report and the update, we appreciate it, Lash. We would like to thank all the staff for their participation. I believe that is the end of the report?
Lash Green: I do have more if you'd like to hear it.

Commissioner Blakeman: If you can just cut to the bottom line. Just give us the (dollars and cents.

Lash Green: I got a couple more that do that.

Commissioner Blakeman: Dollars and cents, yes.

Lash Green: First I'd just like to say with the Board's support in '06, the Port Authority, including the efforts of our tenants, achieved a level of participation that totaled $256 million in prime and

subcontract awards to minority, women-owned, and small business enterprises, which was a $47 million increase from '05.

Strong performance by the Aviation Tenant Program contributed significantly to this increase, which was a testament of their successful collaboration of aviation and the airline tenants and developers.

One other point that I'd like to make is the impact of this spending in our region, and its contribution to the creation of jobs and economic growth. The regional impact of the $256 million in M/W/SBE contract awards resulted in the creation of 2,370 jobs, $117 million in wages, and $428 million in economic activity. Unless you'd like me to continue, I think that is the bottom line.

Commissioner Blakeman: The dollars are good. You're doing a good job.

Commissioner Steiner: What do you think 2007 looks like as of now? ()?

Lash Green: Well, then let me continue. In 2007, we've seen a significant improvement in direct awards from -- to M/W/SBEs and all procurement categories as a result of working closely with the Line, Engineering, Project Management and Procurement Departments.

Again, just jumping to the bottom -- well, we did have a new initiative in here that I want to mention, which was the implementation of work order contracts. It has increased the number of contracts in our M/W/BE construction set-aside program, and could significantly increase the dollars for M/WBEs.

In our goods and services categories, we expect to award several multi-year janitorial maintenance contracts under the SBE set-aside program. And finally, contributing to this achievement is M/W/SBE's winning contracts in the public arena, which demonstrates the effectiveness of our capacity-building programs.

The results through the second quarter are $19 million in prime contract awards to M/W/SBEs, compared to $8 million in 2006, which was an increase of 142 percent, $20 million in goods and service awards to M/W/SBEs compared to $8 million in 2006, which was an increase of 141 percent, and $25 million in architect engineering awards to M/W/SBEs, compared to $23 million in 2006, which is 9 percent increase.

We do have a number of new initiatives in addition to what I mentioned here that I think is going to help to improve performance more.

Commissioner Pocino: Further increase. Thanks very much, Lash. Do any Commissioners have any other comments or questions from --

Commissioner Mack: Motion to adjourn.

Commissioner Pocino: We have a motion to adjourn. All in favor?

Commissioner Chasanoff: So moved.

Commissioner Pocino: Thank you very much for all of your participation.

The Port Authority of New York and New Jersey
Committee on Construction Transcript
December 17, 2008

Commissioner Sartor: -- Construction Committee also. Opening statement, Stan, welcome again.

Commissioner Grayson: Thank you.

Commissioner Sartor: To staff -- our new Commissioner, Stan Grayson, is joining us this morning, and I'm sure you'll hear that on a number of other occasions this morning.

Today's meeting of the Construction Committee will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. And for discussion, Susan, PATH signage program.

Susan Bass Levin: Is this on? Well, good morning, Commissioners. It's great to be here, and welcome to our newest Commissioner. Today I'm here to seek authorization for an $8.7 million project for the PATH comprehensive system-wide signage program, and Mike DePallo, the Director, is here with me.

This is an exciting project. The Board in the past has recognized the need to invest in a new PATH, and the Port Authority has certainly recognized its commitment to renew the PATH program. You have already approved the purchase of a new fleet of 340 PATH cars that are being tested as we speak and will go into service sometime in January/February/March, so we certainly hope that you all get a chance to ride these new cars.

We are engaged in a comprehensive capital program that looks to improve every part of the PATH system -- the rail cars, the infrastructure, a new signal program, modernizing the facilities, working to improve capacity and customer satisfaction.

It is a $4.1 billion capital program that includes, as you see here, a new signal system, a new fare medium, additional security enhancements, station improvements, a station mural program, to name just a few of the parts of this program.

Once the modernization program is complete, these improvements will increase the capacity of the system by over 20 percent. A key component of the modernization effort is a comprehensive, system-wide signage program that Mike and I want to talk with you today. The signage program will really symbolize the new face of PATH and at the same time serving the very practical needs of our customers who need to know how to navigate their ways through the stations.

One element of our modernization program that is not part of this sign package today but I do just want to mention to you is a very exciting visual program. We will be putting murals up in all of our stations. The murals will be installed starting in the second quarter of this year. The theme of the mural program is PATH: Yesterday, Today, and Tomorrow, and each mural will be specific to the station and will have images on the mural representative of that neighborhood in the past, today, and tomorrow.

You see they're very bright and colorful. We've just shown you two representative panels -- one from Ninth Street and one from Newark.

The signage program, though, itself is really an attempt to modernize our signs, make them brighter and cleaner, and also have a system-wide installation. There will be new directional signage at 12 stations that will really provide clear, crisp, and concise information. We will be installing close to 700 new static signs and 74 new variable message signs.

In addition, we will be installing equipment for the variable message signs at Journal Square, which will enable the control center to adjust the messages in order to coincide with any train service operational changes.

The standardization of the signs will enforce our branding image that is so important to all of us, and the new sign system is really based on the standard in place at our airports at Newark, JFK, and LaGuardia. If you notice, those signs are all standard at our airports.

And in addition, the new PATH branding is currently in place at the temporary World Trade Center station and it has been very well received there.

This shows you what our stations look like today. As you can see, it's sort of hard to find the signs. In fact, oftentimes people sort of wander around looking, and I think you can see that what worked once certainly doesn’t work today. We don't have any clear signage either inside or outside our stations.

This shows you the look of the signs. As I said, this is World Trade Center. The project's estimated cost is $8.7 million, which includes some of the earlier efforts and studies to research and develop the signage branding and standardization, but it includes today, most importantly, an authorization to award a construction contract to Yonkers Electrical Contracting Corp., which was the lowest bidder at an estimated cost of $4.3 million.

We hope to award the contract in the first quarter of '09, and construction's expected to commence later on in '09. We will go station by station to do the installation, and so the project should be completed in the first quarter of 2011.

Commissioners, I would respectfully like to request that you advance this item to the full board today. Any questions?

Commissioner Sartor: Susan, the $8.7 million, is that inclusive or exclusive of the $4.3 million?

Susan Bass Levin: It includes the $4.3 million.

Commissioner Sartor: Includes the $4.3, okay. Thank you.

Susan Bass Levin: It does not -- just to be clear, it does not include the mural program.

Commissioner Sartor: Yes, understood.

Susan Bass Levin: Which is a separate program.

Commissioner Sartor: Understood. Fred, Susan just concluded her presentation on the PATH signs. Stan, I'm not sure if you have any questions?

Commissioner Grayson: I do. I found the presentation very informative. Susan, what percentage of the signs are replacement signs versus new signs?

Susan Bass Levin: They will all be replaced.

Commissioner Grayson: No, I mean --

Susan Bass Levin: Oh, I'm sorry.

Commissioner Grayson: From your presentation you showed sites where there was no signage where we're putting new signage up.

Susan Bass Levin: In other words, how many existing signs do we have?

Commissioner Grayson: Are we replacing --

Susan Bass Levin: Do you know?

Commissioner Grayson: -- or is there a split between the two?

Mike DePallo: The whole system, the signs of the entire system will be replaced.

Commissioner Grayson: You follow me?

Susan Bass Levin: Yes. But we're taking -- every sign that exists now, other than some historic signs, which we'll talk about in a moment –

Commissioner Grayson: We're going to replace.

Susan Bass Levin: -- will be replaced. So everything will be standard.

Commissioner Grayson: But we're also adding.

Susan Bass Levin: We're adding many more signs than we had before. To go to your question, I don't know the exact number that we have, but it is few and far between. Now, some of this --

Mike DePallo: Which I don't even think we have an inventory of exactly the total number of signs.

Susan Bass Levin: What we did was an inventory of where you need the signs.

Commissioner Grayson: Right, right.

Susan Bass Levin: There are, in some of the stations, some historic signs -- tiles on the walls, for example. We're not taking those out. So they will stay, wherever there is sort of an artistic, historic sign. That's really not a directional sign, though.

Commissioner Grayson: Okay.

Commissioner Sartor: Any other questions?

David Tweedy: Can we start again? Sorry I'm late.

Commissioner Sartor: Too late. Done. This will be --

Susan Bass Levin: You know this.

Commissioner Sartor: -- moved to the full board for approval.

Susan Bass Levin: Thank you.

Commissioner Sartor: Any other issues we want to discuss this morning? Seeing none, I'll entertain a motion that we adjourn.

David Tweedy: Oh, I just got comfortable.

Commissioner Sartor: Done.

The Port Authority of New York and New Jersey
Committee on Construction Transcript
February 21, 2008

Commissioner Pocino: The meeting of the Committee on Construction will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Internet via the Port Authority's web site for those interested in viewing today's proceedings remotely.

The items for discussion, LaGuardia Airport pavement rehabilitation and electrical system upgrade of Runway 4-22 and associated taxiways project authorization and award of contract LGA-124.021, and John Drobny will give us that report.

John Drobny: Thank you. Good morning, Commissioners. I'm here today to review a project authorization for the pavement rehabilitation and electrical system upgrade at Runway 4-22 and associated taxiways at LaGuardia Airport. The project will maintain Runway 4-22 and associated taxiways in a state of good repair, to enhance safety, reduce runway maintenance costs and improve runway lighting.

The pavement was last rehabilitated in 1994 with an interim repair of the field center section of the runway in 2000. Our runways are routinely inspected and repairs are incorporated as needed. The pavement was inspected in 2006 and '07 and are in good condition at present, but expected to require rehabilitation beyond 2008. The runway paving rehabilitation consists of milling and repaving for the entire runway pavement within the green shaded areas. This includes the runway center section, 50-foot wide, that takes the brunt of impact from use in landings and take-offs. The full width of the runway taxiways will be milled and paved within the orange shaded areas. Here shows some key pictures during a typical weekend runway closure to include milling and pavement, electrical installation, and the asphalt paving operations will be performed in sequence and around the clock for 36 hours from Friday at midnight to Sunday at noon. In this time period, the contractor will achieve maximum productivity with minimal impact to our air traffic and to our customers. In the asphalt milling area, the existing runway pavement will be milled at an average of 3 inches for the full width 150 foot of the runway.

The electrical work includes replacement of existing touchdown zone lights at the north end and the installation of touchdown zone lights at the south end of this runway. The photo on the left shows the typical arrangement for a touchdown zone light system versus centerline and edge lighting on the right, the replacement of the centerline and edge lights on Runway 4-22 and associated taxiways, shows the existing centerline and edge lights of the runway and new ductbank and cables for the upgraded electrical system to replace the existing system, which is at the end of its useful life, and also provide additional capacity for new FAA-required systems, which require the installation of additional 510 new lighting fixtures, many of which will be located in the runways and taxiway areas not served by the current electrical distribution system.

This work will be performed during scheduled weekend and nightly airport closures to minimize the impact on our customers. The construction contract includes interim completion milestones and requires completion of all paving and grooving by November 2008. The existing lighting system is required to be returned to full operation by December 2008. The taxiway paving and grooving should be complete by the end of 2009 and all the main work will be substantially complete by the second quarter of 2010.

Thank you.

Commissioner Pocino: Any Commissioners have any questions on the LaGuardia Airport rehab?

Commissioner Sartor: Yeah, John, I have been not back on the Construction Committee for quite some time. This is my first meeting in years.

Commissioner Pocino: Welcome back, Tony.

Commissioner Sartor: It's good to be back, maybe. John, have you awarded the engineering contract on this yet? Or is this part of the $60 million?

John Drobny: Part of the $60 million.

Commissioner Sartor: Are you going to do a design/build? How are you going to start construction in March of 2008 if you haven't done the engineering on it yet?

John Drobny: Oh, I'm sorry. It's ready to be awarded. It’s out to bid.

Commissioner Sartor: So the engineering has been done?

John Drobny: Yes, sir.

Commissioner Sartor: Okay. Okay. Okay, that's what I was…

Commissioner Pocino: That's a good question.

Commissioner Sartor: …curious about.

Commissioner Pocino: The cart doesn't usually go before the horse in that case, does it, Tony? We have another…

Commissioner Sartor: Yeah, I kind of thought that. What's going on?

John Drobny: The building materials are being recycled, too, in future jobs by the contractor to include our sustainability requirements. My understanding it's in the bid process right now to be awarded.

Commissioner Pocino: Okay. Thank you, John. The next item for discussion is in reference to PATH. It's the replacement and upgrade of the Christopher Street Substation project authorization and award of contract PAT-624.154. And John will give us that review as well.

John Drobny: Good morning. I am here today to review a project authorization for the replacement and upgrade of a PATH Christopher Street Substation at an estimated total project cost of $60 million

The state of good repair project is a major initial project in the PATH $3.3 billion upgrade of the PATH system to enhance aging PATH infrastructure and provide safe and reliable transportation systems to its patrons.

The scope of the project includes replacement and upgrade of the substation equipment to nearly double the capacity, provision for dual-voltage equipment to optimize performance of the new PATH railcar fleet, PA-5s in the future, provision of an energy storage system that is capable of capturing energy during breaking operations of trains, and upgrade the substation building for code compliance.

The scope of work is primarily within the substation building and will not have any significant impact on the community or our customers.

The existing substation is approximately 40 years old and is at the end of its useful service life. Spare parts are no longer available to keep the equipment in service. Prior studies have recommended the prudence of replacing and upgrading the substation with larger capacity, more reliable and energy-efficient equipment with energy regeneration capability. The substation building is 100 years old and requires upgrades for code compliance.

This project will provide benefits to The Port Authority and the region such as installation of the upgraded and larger capacity equipment will support future service demands and operational requirements of the PATH new railcar fleet. Additionally this upgrade will improve reliability and maintainability of the substation equipment, ultimately enhancing customer service.

The following sustainability initiatives will be incorporated into the design through first optimization of lighting and energy performance, use of materials with recycled content, use of environmentally safe HVAC and refrigeration equipment, and incorporation of a energy storage system.

Preliminary design was completed in 2007 September. And final design is anticipated to be completed by March 2009 with an award of contract to the lowest qualified bidder in May 2009 following a publicly advertised RFP process. Substantial completion is planned for May 2012.

Commissioners, we request that you recommend the proposed project to the Board for full approval. Thank you. Any questions?

Commissioner Pocino: Do Commissioners have any comments or questions?

Commissioner Sartor: Yeah, it really goes to the previous also. What procedures do you follow? I mean, in the previous contract, you're going to go out for bid and you're going to get a contractor. Why are you coming to us now and not with the approved contract say a month from now or two months from now…

John Drobny: Typically what we…

Commissioner Sartor: …with the recommended contractor?

John Drobny: …do Commissioners in many of these projects is if we are anticipating requiring above a certain low threshold of planning dollars, we would come to you either for a planning authorization. In this case, because we're well into that, we think it was appropriate to get your commitment that we are going to do this project for $60 million total project costs, less than that obviously contract, but we would…

Commissioner Sartor: Had you given any information to the Commissioners as to how you got to the $60 million, John?

John Drobny: Not formally. I…

Commissioner Sartor: I like that. I would…

John Drobny: Okay.

Commissioner Sartor: I just asked Bill for that type of information at a previous…

John Drobny: I mean, we have that available and that it breaks down in the components of the $60 million. We'll send you the…

Commissioner Sartor: Yeah, I'd like to do it before you get here also, not just to let us see it, just for future reference.

John Drobny: Well, we'll do that effective immediately, Commissioner. And the contract is, you know, we're talking about…

Commissioner Sartor: Now when you award contract, do you come back in May to this Committee and say this is the recommendation?

John Drobny: In this case, because it is of a size that will dictate, we'll come back to you for a policy MJ. So we'll be back on this contract…

Commissioner Sartor: As part of the MJ process.

John Drobny: Yes. Yes, sir. So that's a commitment on this.

Commissioner Chasanoff: What is the $38.9 million for?.

John Drobny: That's part of the contract cost in here.

Commissioner Chasanoff: Is that our own figure?

John Drobny: Yes.

Commissioner Chasanoff: …to go along with Commissioner Sartor's comment, I completely concur with him. I think this is not quite the right way to do it. We should see some real numbers from outside sources. Suppose the number came in at $64 million? Would you do the job?

John Drobny: We'd probably pull the item…

Commissioner Chasanoff: What's that?

John Drobny: And we'd take a look if it came in…

Commissioner Chasanoff: But it wouldn't come back to us, would it?

John Drobny: Because we'd have to come back with a recommendation for a policy MJ, we'd have to come back for two reasons, Commissioner. One is because we would exceed what you authorized for the project dollars. Two, it would be well over that component, so in the policy MJ, we would bring to you a recommendation to give us a reauthorization for the following reasons if that was justified as to why we would ask you to authorize the contract as policy MJ, and two, to increase the authorized $60 million. So you'd get a second bite at the apple as you're asking…

[Crosstalk]

John Drobny: …you're asking - we'll get this to you in advance from now on.

Commissioner Chansanoff: To go along with Commissioner Sartor, I think it just obviates the need for a Board. We have nothing to say, nothing to do, you come and throw a number, here, the number's $60 million, $50 million, $80 million, whatever it is, approved, approved, do it. That's really not the way I expected it to operate here. And Commissioner Sartor spoke for himself, but I completely agree with him. I think that we should have some real numbers, know what it's going to cost, know what it's actually going to cost, and then we should approve it.

John Drobny: Okay, that pro forma, we will send out to you through the secretary…

Commissioner Mack: Yeah, sure.

[Crosstalk]

Commissioner Chasanoff: …I'm talking about actual. I'm talking about when you get numbers, after we do the pro forma and we see the - your number, you could be mistaken. Perhaps it comes in $10 million or $20 million or some amount higher. We should see the whole process in order for us to approve it.

William Goldstein: Well, I think what John's saying is that we would come back to you.

Commissioner Chasanoff: Well, but that's at your own - your discretion.

Commissioner Mack: Discretion, yeah.

Commissioner Chasanoff: You're just deciding well, okay, let's go back to them.

John Drobny: …it would be mandatory. We would have to come back to you, so…

Commissioner Sartor: Yeah, but there's a difference between the MJ and actually coming…

Commissioner Chasanoff: Exactly.

Commissioner Sartor: …to this committee and discussing…

Commissioner Mack: Get approval.

Commissioner Chasanoff: Exactly.

John Drobny: Okay.

Commissioner Mack: Whatever you do…

Commissioner Sartor: I mean, the MJ is an easy way to handle this sort of stuff, but that's not…

Commissioner Mack: Yeah.

Commissioner Sartor: …I'm not used to that anymore, put it that way…

John Drobny: Okay.

Commissioner Sartor: …in how we're doing projects. Do you - are you - do you have the ability to go to a BAFO when you get the contracts in?

John Drobny: In this case because…

Commissioner Sartor: Best and final offer for…

John Drobny: …we are publicly advertising it down the road through the outside list, I don't think in this case. I'd have to double check within the procurement restrictions whether a BAFO would be…

Commissioner Sartor: Yeah.

John Drobny: I don't think this would allow it. It would be the lowest qualified bidder.

Commissioner Sartor: Darrell, can - do we have that ability to do that?

Darrell Buchbinder: Not if it's lowest qualified bidder.

Commissioner Sartor: Not at lowest qualified bidder.

Commissioner Pocino: Well, I think what we have before us here is we have before us here is we have a report that says project authorization and award of contract. We don't have a problem from what I understand in giving you the authorization…

[Crosstalk]

Commissioner Pocino: …based on certain criteria that you have here, but the award of the contract I think should be a separate item that comes back here for us to take a look at.

Commissioner Sartor: And if that has not been the policy and you've gone through an MJ, I'd rather you come back to this Board - to the Committee, to the Construction Committee, and discuss it with us.

Commissioner Mack: Absolutely.

Commissioner Chasanoff: As a requirement.

Commissioner Mack: Yeah.

John Drobny: Okay, we'll apologize for that …

Commissioner Sartor: Oh, no apology required. I mean…

Commissioner Pocino: No, no.

Commissioner Sartor: …I just think it's a better procedure.

Commissioner Pocino: Just a procedural thing, that's all.

Commissioner Mack: But I would really put this on a fast track, especially when you can't, you know, get parts and stuff like that. It's only, you know, we're only looking for a disaster. So the quicker we do it, the better off we are for the public.

Commissioner Pocino: What we're saying is that we'll recommend to the Board to authorize it, but you having the information that you now have, you need to come back here for the award.

Commissioner Sartor: Yeah, I mean, David, the award of the contract is May of '09.

Commissioner Chasanoff: Right.

Commissioner Mack: Yeah.

Commissioner Sartor: So we've got a year for them to come back to us…

Commissioner Mack: Yeah.

Commissioner Sartor: …with the numbers.

Commissioner Chasanoff: Exactly.

Commissioner Mack: You know, I mean, it…

[Crosstalk]

Commissioner Sartor: Yeah, there are certain instances where that's not the case.

Commissioner Mack: No, no. But we want to move on that. And …

Commissioner Pocino: There's preparation that needs…

Commissioner Mack: Of course.

Commissioner Pocino: …to be made.

[Crosstalk]

Commissioner Chasanoff: Why do you need the project authorization now if the contract's not going to be awarded for almost a year? And how accurate can your

numbers be? The number that you're projecting here of $60 million, how accurate can that be if we're not going to give it out until May of 2009?

Commissioner Blakeman: Well, the numbers might not be accurate, Mickey, but I think they have to come before us and as a policy matter we make a decision whether or not we want to move forward with it. And I agree with that…

Commissioner Chasanoff: Well, it has to come back.

Commissioner Blakeman: Right. I agree with everything the Commissioners have said, so I think as a policy matter, we can say we want to do these two things.

Commissioner Chasanoff: Yeah.

Commissioner Blakeman: But…

Commissioner Sartor: And that's the authorization aspect of it.

Commissioner Blakeman: …before the contract's awarded, it should come back to the Committee…

Commissioner Sartor: Yes.

[Crosstalk]

Unidentified Speaker: Then it should say not to exceed $60 million

Commissioner Pocino: Procedurally.

William Goldstein: …you know, at this point, at this stage in the process, this - we do an estimate, we do, you know, an engineer's estimate, and we give you a sense of what we think it's going to cost. And you do the best you can at this point in the process.

Commissioner Sartor: No, understood. I don't have any…

William Goldstein: Okay.

Commissioner Sartor: …problem with the project authorization issues.

[Crosstalk]

Commissioner Sartor: It's the award of contract, blanket award of contract through an MJ for $60 million bothers me without us knowing what we're…

Commissioner Mack: It does. Right.

Commissioner Sartor: …what we're approving.

Commissioner Pocino: Okay, I think we've resolved that.

Commissioner Sartor: Yes, we have.

Commissioner Pocino: Any other comments, questions?

Commissioner Sartor: Nope.

Commissioner Pocino: That's the last item. This meeting is adjourned.

The Port Authority of New York and New Jersey
Committee on Construction
June 30, 2008

Commissioner Blakeman: Susan Baer. Good morning.

Susan Baer: Nice to be here with all of you today. I'm here to give you an update on the status of the Newark Terminal B Redevelopment Program that was first authorized by you in December of 2004.

Commissioner Blakeman: Susan, can you hold one second. I do have to read something at the beginning of the meeting.

Susan Baer: Okay.

Commissioner Blakeman : Today's meeting of the Committee on Construction will be held in public session in its entirety. In addition this meeting is being broadcast live on the internet via the Port Authority's website for those interested in viewing today's proceedings remotely. Thank you.

Susan Baer: Thank you. Well as I mentioned I am here to give you an update on the status of the Newark Terminal B Redevelopment Program that was authorized by the Board in December of 2004. As you will recall we have had a few updates on this project over the last three years, and we have sought your approval to award the first 4 contracts for this project that entail the complete redevelopment of Terminal B. Since that time there has been considerable progress on the project construction and today I am going to provide you with an overview of the construction work and request your reauthorization of the project.

By way of background, Commissioners, in 2004 you authorized $279.2 million for the Terminal B modernization. This project will provide for the expansion of the terminal to accommodate the growth in international passenger travel and will transform the facility from two levels into a multi-carrier terminal with three fully functional levels – an international departures level on the top as you see here, an international arrivals as well as domestic departures on the mid-level, and then domestic and baggage claim and an arrival – a 9-lane arrivals roadway.

Under your direction the project goals included reducing ticketing passenger screening and roadway congestion, improving the efficiency of the international baggage screening, relocating and increasing domestic baggage claim area, expanding post-security concessions and providing space for airline lounges, ticketing and back office operations.

To date, 4 of the 7 contracts have been awarded. The lower level ticket counter, which was authorized in 2005, is now substantially complete and the lower level domestic arrivals hall is in progress. As shown here on the left, the new first phase of the inline screening project we put in service in May of 2008. And on the right you can see the steel erections for one of the three connector expansions underway there. Those will expand the passenger screening areas at the terminal.

As the project advanced, there were also several project changes that were implemented to adapt to changing circumstances and added complexity. Specifically there were 18 permanent ticket counters added, emergency generators were upgraded, modified TSA security requirements were accommodated and additional airline lounge space was added with no net effect on the original authorization.

As we awarded the contracts for these projects we briefed you on some of the changes and added complexities that we have encountered, including significant cost escalation in the regional construction market. With ¾ of the dollar value of the contracts awarded, and work now well underway, we are now in a position to estimate the final project cost. We agreed that we would come back to you for reauthorization of the added cost and the financial plan to pay for them when the extent of the escalation became apparent. Based on the actual contract awards, it was clear that the escalation factor used for the 2004 construction contract estimates was too conservative. The increases in the construction cost index over the past few years has far exceeded the 3.5 percent budgeted and is actually averaged between 7 percent and 10 percent each year. Looking at the remaining contracts to be awarded for the mid-level domestic check in, the upper level international departures check in and the mid-level international meet or greeter area modifications, we have projected the final contract costs will amount to about $235.8 million, an increase of $45 million from the amounts estimated.

To that end, we are seeking your approval for an additional $45 million, all of which will be paid for by a combination of sources including PFCs, airline rentals and other terminal user fees. To move forward with that financing plan, we are also asking for your approval to enter into supplements of the master lease agreements with Delta and Northwest, and to amend our PFC application to allow for collection of an additional $30.5 million for the program.

This is the schedule for the remaining elements of the project. As part of this authorization we are asking your approval to award a $5.3 million contract to URS, which was chosen through a competitive selection process for the design of the remaining contracts. Designing these as a package will realize staging and phasing economies along with decreased contract overheads. That contract would be awarded following this authorization, and work would be completed by the second quarter of 2009. The next three contracts will be bid in the third quarter of 2009 with project completion expected in December of 2010. Commissioners, I request your approval for this reauthorization.

Commissioner Blakeman: Commissioner Mack.

Commissioner Mack: I read a little article last week about the Minneapolis Bridge that collapsed, the contractors are 3 months ahead, 4 months ahead of schedule with the rebuilding,and they are going to receive a bonus of $27 million because of that. We have the same problems here. The quicker that this gets done, the better it is for our commuters, and the people that use it. And I would like to see some incentive put into these projects, but I would move it forward at this point

Commissioner Sartor: Susan, what was the original projection project completion date. Has it changed.

Susan Baer: The project completion has remained the same. We certainly should look at that and we often have penalties for late, but we can look at incentives for finishing early. This project is particularly delicate, having spent a lot of time at that airport myself, because the staging of it is very complicated. You still have a fully occupied, and in fact Terminal B International is a growing segment of our business. And so you are working around your existing operation. So you can only speed it up so much because it is very sequential. You have to finish the lower level ticketing so you can move airlines from the upper level down there to do their operation while you start that project. So we can certainly look at incentives for finishing early, but there are some real constraints because you need to finish one phase before you can start the next in this project.

Commissioner Sartor: Who was the original designer, URS. Or is this a new contract. --

Susan Baer: The original designer, was URS who has been doing the design.

Commissioner Sartor: So this is an extension of the original contract.

Susan Baer: Yes.

Commissioner Blakeman: Susan, there was a 3.5 percent escalation factor in the original award.

Susan Baer: Yes, in 2004.

Commissioner Blakeman: And that now it is about 7 percent to 8 percent escalation.

Susan Baer: We are figuring between 8 percent and 10 percent.

Commissioner Blakeman: 8 and 10.

Susan Baer: That is what it has been running for over the last 4 or 5 years.

Commissioner Blakeman: What accounts for the big difference between 3.5 percent to between 8 percent and 10 percent.

Susan Baer: It is the overall cost of – certainly the cost of materials is significantly higher, and I think that drives the escalation I'm looking at Frank for any additional information –

Commissioner Blakeman: Specifically what? Steel?

Susan Baer: Steel is significantly higher. Asphalt is higher, concrete is higher. All of the basic materials, sheetrock, all of that is significantly higher, and that has been driving these costs up far more than we had experienced in the early part of this decade. Frank, I don't know if there is anything I missed.

Commissioner Chasanoff: When were the first contracts made to purchase the steel or to purchase any of the hardware for this project.

Frank Lombardi: They were part of the first contract that went out.

Commissioner Chasanoff: And when was that.

Frank Lombardi: 2005.

Susan Baer: 2005.

Commissioner Chasanoff: Now what kind of contracts were they -– were they absolute contracts. Did we agree to purchase the steel for 'x' number of dollars and they were going to bring us the steel for that amount.

Frank Lombardi: It's part of that contract.

Commissioner Chasanoff And they were going to bring us the steel for that number. Now why would there be an escalation of 10 percent on that.

Frank Lombardi: Well as the contract advanced the price of steel on further contracts also escalated.

Commissioner Chasanoff: Well my first question was, how much of the steel for example was purchased initially.

Frank Lombardi: I don't know the exact figures, but these were lump sum type contracts. They were not general contracts.

Commissioner Chasanoff: I mean, did we purchase it for the whole project.

Frank Lombardi: No.

Susan Baer: No, we did not.

Frank Lombardi: We did not use that concept, if that is what you are asking.

Commissioner Chasanoff: So we had just purchased a portion of the steel required for the whole contract. Why was that? Why didn't we purchase it all?

Frank Lombardi: I don't think we thought of it from a commodity point of view in terms of making sure that the steel could be used for the entire program. If that is the question; we did not view it from that perspective. We didn't anticipate that it would go high.

Commissioner Chasanoff: So now you are saying that the escalations are a factor, but you are also, is there an implication that we made a bad judgment in connection with this?

Frank Lombardi: Yes.

Commissioner Chasanoff: We ourselves made a bad judgment?

Frank Lombardi: Yes.

Commissioner Chasanoff: And now you are asking us to increase the stipend for that?

Frank Lombardi: In some respects, yes.

Commissioner Chasanoff: Well I think that is somewhat discouraging. What – how do we know that this is going to be it final? How do we know that it is not going to, you are not going to come back to us a year from now and say we need more money?

Susan Baer: We have anticipated the changes that we have been experiencing in this contract, and the plan is to award all the contracts by next year, all the remaining contracts by next year. There have been modifications as mentioned to this program in part because, and some of the escalation is not the construction materials. Some of the escalation is new security requirements by the TSA. So it is a variety of things that have led to the increased costs. There are new security requirements that the TSA has mandated which has increased the scope of certain areas, has increased some of our projects, some of the things that they require because of how they do baggage screening now, how they do passenger screening. But the anticipation is that these contracts would all be awarded within the next year, and therefore we can anticipate what reasonable price escalations are.

Commissioner Chasanoff: So it would seem from what you have said that you are going to have to come back here again next year.

Susan Baer: No, we would only come back to award contracts. We have no anticipation that there will be any additional over runs in this project.

Commissioner Chasanoff: But won't there be escalations annually you said?

Frank Lombardi: We have taken that into consideration with this authorization.

Susan Baer: The escalation is already figured into this dollar amount.

Commissioner Chasanoff: Have you put in 10 percent, 9 percent or 10 percent for that?

Susan Baer: We have.

Frank Lombardi: If we had known Commissioner up front that specific items would escalate by this amount, then you are absolutely right, we would have done it as a major purchase. But we didn't know this at the time. –

Commissioner Chasanoff: Is this going to be the case in connection with all of the construction we have ongoing?

Frank Lombardi: Yes. We are also taking a look at putting an escalation clause for some of these items, similar to what we have done for asphalt so that if we have escalations that occur we will take care of that as part of the escalation costs. –

Commissioner Chasanoff: So is it safe to assume that all of our construction requirements are going to increase between 8 percent and 10 percent this year?

Frank Lombardi: No, not this year in terms of what has been bid already. –

Commissioner Blakeman: You are talking about separate and apart from this contract?

Susan Baer: Yes.

Commissioner Chasanoff: For the whole capital program?

Frank Lombardi: We have adjusted our estimates when we go out for contracts this year in terms of that escalation.

Commissioner Chasanoff: So we have already accomplished that?

Frank Lombardi: But one way of taking into account the unit price costs for example of asphalt or steel, we are looking at putting in escalation clauses in there so that it would take the risk off the contractors bidding it from their perspective.

Commissioner Chasanoff: I understand that. I'm just trying to understand how much more we will be liable for on ongoing projects. And my feeling is not a great amount of money. Not really significant. –

Frank Lombardi: No, we generally put some contingency allowance in this as well to take care of these fluctuations that may occur. Obviously when we came to you in 2004, that was not enough to cover it.

Susan Baer: We have also, along the way made some modifications. –

Commissioner Mack: Also, that was all four years ago.

Susan Baer: We also along the way have made some modifications. One of the contracts that came in high, we went back and looked at the staging and then rebid it and managed to get the costs down. We have reused materials. We reused baggage belts that TWA left behind in their building at Kennedy and we have reused those for the interim. So we have looked at ways to keep this reasonable, but we are offsetting some changes. The emergency generators are changing the scope; and that is based on our experience and the need for a better quality of emergency generating capabilities. TSA has increased in scope. And traffic growth has led to

the increased number of ticket counters that we have put in the project because we are actually generating revenue from all of those because of the number of additional international flights at the airport.

Commissioner Sartor: The $5.3 million contract for design services, is that new design work? And is that contributing to escalated costs– what is that for, Frank? What are they doing?

Frank Lombardi: They are basically redesigning as we were going forward with some of the work to try to value engineer it down and redesigning it to make the costs appropriate.–

Commissioner Sartor: So the basic design has been done and this is, it's a hefty $5.3 million for a period of a year.

Peter Zipf: This includes final design. Final design and construction services.–

Commissioner Mack: I guess this is additional money that is needed after hardening the numbers which are different from what we expected in 2004.

Commissioner Sartor: What is their total design number?

Commissioner Mack: With respect to the 2004 authorization.

Commissioner Sartor: How much have you paid them total?

Peter Zipf: No, $5.3 is for the new work.

Commissioner Sartor: It's new work, I understand that Peter. But what did they get before that? How much is their total design for on this project is my question? Can you get that to me?

Peter Zipf: I could get that to you.

Commissioner Sartor: Please.

Commissioner Blakeman: Does this require a motion?

Frank Lombardi: No, it will be in the Public Board Meeting

Commissioner Blakeman: Alright, so you will get an answer to Commission Sartor before we actually vote on it in executive session, excuse me, the public session. Okay. So any problem moving this along until you get that information.

Commissioner Sartor: No.

Commissioner Blakeman: Alright, is there anything else on this item. Okay. Thank you very much.

Susan Baer: Thank you.

Commissioner Blakeman: Motion to adjourn. And thank you.

The Port Authority of New York and New Jersey
Committee on Construction Transcript
July 24, 2008

Commissioner Pocino: Welcome to the Committee on Construction. This is a public session. Today's meeting of the Committee on Construction will be held in public session in its entirety. In addition this meeting is being broadcast live on the internet via the Port Authority website for those interested in viewing today's proceedings remotely.

We have a single item for discussion today, the JF Kennedy International Airport Runway Access Improvements in connection with JFK Delay Reduction Program. Bill DeCota.

Bill DeCota: Thanks, Mr. Chairman. You will recall back in March we had asked your approval to retain some consultants to evaluate runway and taxi way access improvement projects at Kennedy to determine how well they might reduce delays and how well they might improve air field throughput capacity. There is also a safety benefit of such improvements and you will recall at that time we talked about having identified 11 possible improvements that have the potential to deal with specific choke points that we saw at the airport and on the air field that are impeding aircraft travel.

At that time you authorized staff to go ahead and undertake a cost benefit analysis of those and we advised that once that was completed we would come back to you with some recommendations. Today I am going describe for you some improvements that we believe it is the first phase of a program that we think will have a great deal of benefit to trying to manage that problem and trying to speed both arrivals and departures at Kennedy Airport.

These are the three highest benefit projects. So we are calling it Phase I because we may come back to you with some additional ones after we finish some further analysis of some others.

You know from the discussions we have had Commissioners that as part of the flight delay task force that we had convened there are 77 measures that were identified to increase air space capacity at our airports and the FAA is in the process of working with us to implement some of those. Unfortunately those are going to have little practical benefit unless aircraft are really able to move expeditiously on the ground to move on and off the runways and get to the terminals and the cargo buildings by way of the taxi ways.

We call that aircraft surface utilization. The fact is that the taxi ways are the place where the aircrafts really have the slowest speed and that is what we are trying to do is figure out a way to expedite that. And the key is to try to remove constraints that allow for reduced runway time and especially to allow faster turn off upon arrival or better sequencing of departures so they can get off the ground.

Because there are a lot of different conceivable projects that we could put in place at an airport like JFK, you think about the vast airfield we have at Kennedy Airport. Staff retained and expert consultants undertake an evaluation of the delay reduction benefits of the 11 specific improvements that we talked to you about when we got your approval to study these.

The consultants used a lot of different analytic methods. There is an FAA runway capacity model, there is an annual delay model the FAA has, and the whole goal was to try to estimate the benefits in terms of increases in departure rates at the airport, the reduction in dependencies between departures and arrival, basically where one might be holding up the other in order to accommodate that flight activity, increases in queue-ing space for departures that gives us that flexibility to try to have more aircraft ready to depart, and even controller flexibility, basically the ability of the air traffic controller to manage the runway and taxi ways especially during irregular operations which is another word for delay.

The consultant also estimated the delay reduction benefits in terms of the objectives that you see here. The whole goal was to say, "Would there be X number of minutes of delay reduction and then what would be the reduction in aircraft operating costs from aircraft not sitting on the ground and also what would be the value of passenger time that was created."

Commissioner Chasanoff: Bill, may I ask you a question? Does this evaluation have anything to do with the recent incidents that happened there and the proximity of the planes to one another as they took off or is this not this project at all?

Bill DeCota: No, this doesn't address the alleged safety issues that you saw publicized in the newspaper where there was I guess some information about planes coming closer to each other in terms of the arrival and departure of different kinds of aircraft. Anything you do on the airfield of course has a safety benefit associated with it, so there are safety benefits of this, but no, this isn't directly related to that at all.

Commissioner Chasanoff: Is it something that we need to look into?

Bill DeCota: Well, we have sent a letter to the FAA expressing our concern that we were never alerted to the problems associated with those situations, and we were never alerted to the fact that the FAA changed the procedures at the airport in order to eliminate some of the things that they were doing that led the plans to come closer than what I guess FAA standards were.

Commissioner Chasanoff: Would you characterize it as pilot problems and not because of the structure on the ground?

Bill DeCota: It has been described to us as procedural problems with the way that the air traffic control system was conducting certain operations using simultaneous runways. But one of the things that is important to point out from a public point of view is that those planes were never closer, I understand, than a half a mile from each other in terms of the vertical separation. It really was the other separation that evidently violated some FAA standards. So we have our expert Tom Boch working with the FAA right now trying to understand exactly what the problem was, why those procedures were used, why those procedures were stopped and exactly what happened. But they are all subject to I understand federal investigation just to find out exactly who gave what order and why that all happened.

Commissioner Pocino: Bill, I guess it is safe to assume that those incidents that we read about that Mickey referred to has nothing to do with the timeliness and delays that are taking place in airports.

Bill DeCota: No, it really just had to do with procedures, I guess, planes that were directed to go into certain patterns that ended up coming closer than whatever the FAA standard would have been for that situation.

Commissioner Blakeman: Bill, these projects that are recommended and correct me if I am wrong, basically what they will do is they will allow you to stack more aircraft more efficiently for take-offs and landings, however, would you care to comment on the cause of delays, what we frequently hear are weather delays which obviously we have no control over and what is referred to as air traffic control delays which I guess there is some control over. Because it seems to me flying in and out of New York or Chicago for that matter or any busy airport that most of the delays are what is known as Air Traffic Control Delays, which can be very frustrating because sometimes they can last 15 minutes which isn't too bad, up to an hour and half.

So are there any other issues with respect to that and how are you addressing those issues and how do these projects relate to those issues?

Bill DeCota: There are a number of individual projects that fix the air space problems, at least to try to provide some additional capacity. The wholesale fix is truly over a $20 billion fix that takes 10 to 15 years which is what the FAA refers to as Next Gen – Next Generation Air Traffic Control Improvements that migrates to the satellite based navigation as opposed to land based radar. But even with a land based radar system there is a lot of improvements that are being put in place now to try to get more efficiency out of the existing system.

The FAA is installing ground support radar which we are going to talk about at the public Board Meeting called ASDE-X, and ASDE-X provides a lot of situational awareness for the directing of traffic as they come into the airport and they move on the ground.

Commissioner Blakeman: So tell us what the benefit of these projects are with respect to reducing time and increasing safety on the ground.

Bill DeCota: I'm going to show you each of these projects and I'm going to tell you exactly how many minutes of delay it reduces from that type of air traffic control pattern and then the dollar benefit. But the key is, I think your point is very well taken. There are ground projects like these that have to be undertaken in order to expedite movement on the surface of the runways and the taxi ways but there is a lot of air traffic improvements. And unless you really enhance them both the system is only as good as the weakest link in that entire process.

But with this Board's support when you passed the flight delay policy earlier this year, you directed us to go ahead and make sure the FAA was implementing a lot of those air improvements. There are 77 things that you are going to hear about over the coming months; some of those are things that we are going to expedite that really have a great deal of promise, I think, in terms of incrementally chipping away at the problem.

Commissioner Pocino: So what we are going to look at here today based on what you are going to tell us is your best ability to expedite the maneuverability of the planes on the ground saving us minutes and multiplying that in terms of time and so annually it is going to save us –

Bill DeCota: Exactly. They are all taxi way related work to either stage aircraft better upon departure so that they are ready for departure, or if there is a plane, there is an aircraft that maybe has an equipment malfunction on the ground, you can go around that plane. Or there are departure sequencing kinds of taxi ways that help you expedite –

Commissioner Pocino: Getting the best use we can out of the system. –

Commissioner Blakeman: Are these calculated to free up gates?

Bill DeCota: No, they generally, I suppose I guess minimally they could because planes can remove quickly, I guess, back into the taxi way system. They are really calculated entirely upon the benefit that they have to take-off and landing which I guess then has other benefits associated with it, but it wasn't specifically modeled with regard to gates.

Commissioner Blakeman: Typically the backups could be that you have a plane at the gate, you have a plane that wants to come in and use that gate, but they haven't been cleared to get on the taxi way.

Bill DeCota: In that case that would be a situation where you would see an ancillary benefit that comes out of it, but that wasn't part of the specific modeling that was done using those two FAA models that I described.

Commissioner Chasanoff: This is going to evolve into further expenditure by the Port Authority, isn't it.

Bill DeCota: Yes.

Commissioner Chasanoff: No question about it.

Bill DeCota: You have programmed in the Kennedy capital plan $150 million for these types of improvements. The number that I am going to show you here for these improvements is about $60 million of that money and I hope to bring you some other ones that also will have some incremental benefit.

Commissioner Chasanoff: Okay.

Commissioner Pocino: And of course we would be additionally adding these concepts and modeling things to all of our new construction as we expanded and grew in whatever airports that we had.

Bill DeCota: Yes, we will be looking at similar improvements at LaGuardia and at Newark. Also one of the points here on this slide is that whatever we are doing here we are asking to expedite because we want to coordinate them with other aeronautical improvement projects that we already have underway. Generally they are rehabilitation of runways. And so we want to make sure that these can be expedited prior to this work.

Commissioner Chasanoff: I wasn't completely finished.

Commissioner Pocino: Sorry about that.

Commissioner Chasanoff: No, that's no problem. We are going to have to spend some money to do all of this and that is fine. There is a, not due to our influence or our control certainly, but there is a reduction in, and I read about a reduction in airplane flights as a result of the virtual oil crisis. And can it not be possible that those will not be temporary cuts. They might be permanent cuts because oil might be a very precious commodity as time goes along and perhaps those are going to be the standards. Are we not spending money now; should we not at this particular time be curtailing the spending of this money because are we not – it's a question now – are we not better able to handle the amount of traffic that we now have at the airport as compared with 6 months ago.

Bill DeCota: The unfortunate fact is, and I will answer this in two ways, that our airports are handling less flights today under the caps that the FAA put in than we handled 30 years ago and yet the delay situation is far worse. So there is a problem with the air traffic control system in its inability to keep up. So a reduction –

Commissioner Chasanoff: Well I don't mean 30 years ago. I'm just talking about more recently. So a year ago – aren't there far fewer flights today than there were?

Bill DeCota: There have been a number of airlines that have announced a rationalization of flights to deal with the economic downturn as well as the higher price of fuel. It hasn't impacted us like it has impacted other places. We handled about 110 million passengers last year; even with all of the cuts that have been put in place our forecast is we are still going to handle almost 108. So it is not as dramatic a cut as you would expect.

Ultimately, too, what we have seen because we exist in the world's largest point of sale origin and destination traffic market, our market has been really resilient. We see some downturns; we have seen it in the past. It is very temporary; it only lasts a few years and then it recovers. So ultimately we know that our forecast is that we are going to have to handle a lot more passengers at Kennedy. We know that we want to see the caps that are now in place get relaxed and more flights come in. So you are going to need this investment anyhow, and you are probably better off being ahead of the curve than waiting for the time to come. –

Commissioner Chasanoff: Well I understand that and I appreciate that and it is all wonderful and I commend you for it. However, the Port Authority is faced with financial burdens as is everybody in the world and there are things that require immediacy that we have to do today.

And my question is: Is this something that we can reasonably put off for a period of time? Just better utilization of capital spending at the moment.

Bill DeCota: Well these projects generally have the endorsement of the airlines that we have worked with and the airlines are willing to actually pay for these as part of the landing fees that we have at the airport. So they are economically self-sustaining and so we would replenish whatever capital that we are actually using.

Commissioner Chasanoff: Well that was my original question. So this is not going to be an expenditure of ours?

Bill DeCota: It is our money but the investment would be amortized and it would go into the flight fees that the airlines pay at the airport. And they are willing to do that because if you go to the next slide you can see that there are enormous benefits from each of them.

This example is Taxi Way YA. This is the most expensive of the three I am talking to you about today. This improves departures from runway 22 Right and it improves the sequencing of those departures. You can see here there is a delay reduction on average of 2.5 minutes per take-off because of this using that runway configuration. Using runway 22 Right for departures you can see the annual savings in aircraft operating costs and the value of passenger time. But if you prorate that between the two numbers of what the airlines save in fuel and in crew times and things this is more than self-sustaining for them too in terms of making that kind of an investment.

Commissioner Blakeman: So this is a $52 million saving for the airlines?

Bill DeCota: That is also value of passenger time. I didn't bring today how much we are assuming for the minutes of passenger time versus aircraft, but the aircraft piece is a substantial piece of all of this.

Commissioner Sartor: That's an annual savings –

Bill DeCota: That's an annual savings, yes. This is now Taxi Way FB extension. This improves queue-ing capability for that same runway and it reduces congestion on the major inner and outer runways that go around the whole central terminal area.

Just likewise this is a 1.5 minute per take-off benefit and this has a $30.5 million annual savings.

And then the last one which is a hold pad, and you know hold pads we have talked about in the past are just staging areas where multiple planes can wait while they are waiting for departure. This is $16.4 million. This is about 1 minute per departure when using Runway 4 left for departures; again you see significant annual savings.

Commissioner Pocino: Those savings all determined by fuel burning.

Bill DeCota: It's fuel burn; it's the crew time. It also involves small package express operators need to be there just in time. There are penalties to them from their customers if they don't do that.

So the summary is we are looking for $60 million but we are also looking for two things. We would like your authority to have Executive Director award contracts to the lowest bidder. These will be bid contracts for each of the work. Two of these are going to be packaged into one contract and the other one independently. And the reason for that is because we do have a couple of ongoing aeronautical projects that you have already authorized that we are already getting underway with and we would like flexibility in timing. We want the first one to be done before the start of the construction of runway 13 Right rehabilitation and the second one before the taxi way E rehabilitation.

And we want to get the work done quickly. You can see if you look on the right side we would like to have all of this work done in just about 2 years.

Commissioner Sartor: When would you go out with the bids and when would you start construction?

Bill DeCota: With your authorization and we have Frank Lombardi our Chief Engineer here. Frank, we are ready. We have pretty much –

Commissioner Sartor: So you would have to bid it a month, two months. Why wouldn't you come back to the Construction Committee with that? Why would you want authorization now? Why not come back and tell us what the costs are?

Bill DeCota: I think it was a matter of the work is getting ready to be done on 13 Right and I think the sense was not even holding up those contracts even if it was two or three weeks. I would have to come back to you Commissioners.

Commissioner Sartor: When are you going to start it? If you are going to do it before August 14 that is okay. If you are going to do it after, come back with us; go to the Construction Committee and let us know what the numbers are. We would like to know.

Bill DeCota: Alright, we will come back and we will discuss specifically with you when the design drawings will actually be finished; when the bid documents will be done.

Commissioner Chasanoff: You are looking for the authorization to proceed at the moment?

Bill DeCota: Yes, right now we are looking for project authorization and we are looking for the Executive Director to award –

Commissioner Pocino: What did you say – that is the policy.

Frank Lombardi: No, it is a policy issue as far as having to come back to you. If that's what you want we will be more than happy to –

Commissioner Chasanoff: No, from what I hear that's what this Committee wants.

Commissioner Sartor: Definitely.

Commissioner Chasanoff: I have no problem with that.

Commissioner Chasanoff: But in fact I would like to use Commissioner Sartor's, his policy for every construction project. Frankly I think that is the way it should be done.

Commissioner Sartor: That is basically what is being done at the World Trade Center. Everything comes back.

Chairman Pocino: That's right.

Commissioner Sartor: So we will do it that way then.

Bill DeCota: And only my last slide is just to say that obviously we were trying to pursue the goal that you set of safe, fast, efficient air travel. We mentioned that there is $150 million in the capital plan. This is the first $60 million. There are a few other promising projects that we are going to go back and finish the evaluation of, so we may be back with some additional projects here that we would like to talk to you about in the future.

Commissioner Blakeman: And will that all fit within the $125 million that we previously approved from the capital plan for these types of projects.

Bill DeCota: Yeah, I won't know until I can actually size some of these projects. That's with the cost benefit analysis. Each of those other projects have a benefit; we just need to see exactly come up with an order of magnitude cost.

Commissioner Sartor: Bill, just for my own clarification, this $60 will be part of a cumulative account and that will all be reimbursed by the airlines. Is that correct?

Bill DeCota: Any aeronautical improvement –

Commissioner Sartor: You are advancing the money so to speak.

Bill DeCota: Runways and taxi ways are amortized as part of the landing fee that you have at the airports.

Commissioner Chasanoff: This is preparation for that, is that compensated for as well.

Bill DeCota: Yes, anything –

Commissioner Chasanoff: Anything in connection with the policy –

Bill DeCota: Conceptual planning, the design, the actual construction.

Commissioner Pocino: Bill I see that there is going to be significant annual savings to the airlines. What is their payback period to us in terms of this money we are putting in.

Bill DeCota: I would have to prorate the savings between what we impute for the value of passenger time versus aircraft operating, but I can't believe it would be greater than in most cases about 1 year. Maybe the first project, the taxi way YA may take two years, but this is a very fast payback.

Commissioner Pocino: That sound reasonable.

Commissioner Sartor: Bill, what is the status of LaGuardia, studies at LaGuardia and Newark.

Bill DeCota: We did a lot of the work at Newark as part of the when we redid the whole airfield. When we lengthened the runway, when we closed the old administration building and we paved that area we did an awful lot of these kinds of improvements. We have a few more that we are looking at that we had hoped to come back to you in maybe the next couple of months to see if they have benefits.

At LaGuardia you have a very restricted airfield so you have less opportunities, but there may be a few things there. So I am going to assume Commissioner probably this fall. It is not on my advanced list to bring it to you before October and so I would assume it is going to be October or later when we actually get to that point.

Commissioner Chasanoff: I have another question that doesn't really relate to what you are saying. But let's assume we make our airports as efficient as – I mean, ungodly efficient. They are the best airports, I mean, they are wonderful. And we save 2.5 minutes for a plane taking off – that's great. And a plane is flying to Cincinnati, just to pick a spot. And their systems are woeful. I mean, they are pathetic. And they are going to lose 20 minutes and we are going to gain 2.5 minutes.

Is there not some place or somehow that these particular functions could be tied together? What's saving 2.5 minutes? We may lose 20 minutes somewhere else. We have spent all this money to no avail.

Bill DeCota: Well the delay measurement for arrival and departure is the 15 minutes that it takes from the time on departure from the time that the airport is supposed to have wheels up to when it actually has wheels up. You are right, on arrival a plane could be delayed because of a problem that was actually at the source.

The whole issue for tying that together really is the satellite based air navigation program that the FAA is putting in. It's these words called R-NAV – Required Area Navigation. It is ADS-B. It is this other radar. It is as the (inaudible) RNP – Required Navigation Performance?

Commissioner Chasanoff: It will also require on the ground changes and modifications from what we are doing?

Bill DeCota: It requires a very big change by the FAA and what the FAA does. It requires changes in the tower. It requires changes in the navigational aides that are around the airport, the kinds of antennas that use communication now with land based radar. We are now going to be communication with satellites, but it is an FAA investment and it is an investment of $20 billion to $22 billion over the next 20 years.

They have the first contract with ITT for the first piece of it. But there is a lot more that needs to be done and timing that needs to be laid out by them in order to make sure that that gets accomplished. That will generally not be Port Authority investment. I can't imagine it would be.

Commissioner Chasanoff: No, I don't quite mean that. But I just think that we are spending a lot of money and rightfully so. And I understand that. But it may all be aviated by 10, 20 other airports who don't see the things the same way, don't align themselves with us and don't put forth the changes that they need at their airports and as a result they lose 20 minutes, we gain 2.

Bill DeCota: Well it would be an envious place to be.

Commissioner Chasanoff: I don’t know how that figures dollar wise.

Bill DeCota: Because right now we have 40% of our planes are late and on country wide about 25% of the planes are late. So if we could get to that point where it was reversed, that would be –

Commissioner Chasanoff: I'm trying to get you the job as National Director, that's what I thought –

Bill DeCota: Thank you. Thank you.

Commissioner Pocino: Bill do we have more?

Commissioner Blakeman: Do we need action on that.

Bill DeCota: Yes, I need your authorization to spend on the projects, thank you.

Commissioner Pocino: All in favor?

All Committee Members: Aye.

Commissioner Pocino: Anything else? Any other Commissioners? Anything else?

Commissioner Blakeman: Move to adjourn.

Commissioner Pocino: Second to adjourn.

Commissioner Sartor: Second.

Commissioner Pocino: Meeting is adjourned.

The Port Authority of New York and New Jersey
Committee on Construction Transcript
August 14, 2008

Commissioner Pocino: This is a meeting of the Committeeon Construction. This is a public session. And today's meeting, again the Committee on Construction, will be held in public session in its entirety. In addition this meeting is being broadcast live on the internet via Port Authority website for those interested in viewing today's proceedings remotely.

Today's discussion will be the 2007 M/W/SBE Program performance report. And Lash Green will give that to us.

Lash Green: Good afternoon Commissioners. Today I will report on the Port Authority's performance in meeting last year's objectives for Minority, Women-owned and Small Business Enterprise participation in construction activities. I will report on programs that continue to build the capacity of minority-women owned, small business enterprises that are engaged in Port Authority projects and ensure that these firms have access to skilled, diverse workforce. These are the Mentor/Protégé programs and the construction pre-apprenticeship training programs.

I will also discuss current measures and new initiatives to facilitate the participation of M/W/SBEs on capital programs such as the World Trade Center Redevelopment projects.

With the Board's support the Port Authority maintains one of the most comprehensive and effective MWSBE programs in the region. The result is that in 2007 the agency, including the efforts of our tenants, the construction programs at the World Trade Center site, Transportation Hub, Freedom Tower and Memorial Museum, achieved a level of participation which totaled approximately $337 million, of which $248 million were in construction work.

Nearly ¾ of all M/W/SBE awards, that is the $248 million, was in prime and subcontract construction awards to minority and women-owned small business enterprises and represents a net increase of $45 million from the 2006 total of $203 million.

The strong performance in the M/WBE awards total in $90 million for construction work at the World Trade Redevelopment Projects is reported for the first time in 2007 and contributed significantly to the overall increase.

I would like to emphasize the importance of M/WBE and SBE spending in our region and its contribution to the creation of jobs and economic growth. Analysis conducted by the Port Authority Planning Department determined that the regional impacts of the $248 million in construction awards resulted in the creation of 1430 jobs, $77 million in wages, and $377 million in economic activity.

Next, our capacity building programs. The Mentor /Protégé program is a joint program with the Engineering Department. And 2007 was the fifth year of the program which matches PA-certified MWBEs with some of the region's leading construction companies in an effort to

increase their capacity and ability to bid successfully on larger contracts. During 2007, 7 Protégé companies were awarded 11 contracts totaling approximately $16 million. The two largest contracts were from publicly advertised solicitation and when combined totaled almost $11 million.

Through our contract with the Regional Alliance for Small Contractors we launched several programs targeting construction firms including a construction management certificate program at Pace University which qualifies participants for 22.5 hours of continuing education credit.

Technical training courses were also offered at the Mechanics Institute, a premier instructional facility for the trades in the construction industry.

Recognizing the need for a skilled workforce to support the region's unprecedented capital program, the agency has been working very closely for some time now with strategic partners in both New York and New Jersey to ensure a pipeline of talented and motivated workers. In New York the agency has partnered with Construction Skills 2000 and in New Jersey with the Newark Essex County Construction Consortium.

These two programs continue to be among the most successful of their type in the region. Since 2001, over 1,100 New York and New Jersey residents have been trained and accepted into union apprenticeship programs in both states and many work as skilled professionals on major construction projects in the region including those commissioned by the Port Authority.

Looking ahead, one of our objectives in 2007 was to establish a World Trade Center Business Resource Center in Lower Manhattan, which we opened this past July. The free on-site business resource center is for MWBEs working downtown, already working downtown on projects as well as for new firms interested in bidding on jobs.

We are also continuing to hold bi-monthly M/WBE progress meetings with the liaisons and construction managers from the Hub project, the Freedom Tower and the Memorial Museum. And this is to ensure that the progress is being made on the M/WBE participation.

Additionally we will continue with our internal and external partners to provide and collaborate on a series of training courses and seminars as well as hold outreach events as the construction, such as the construction exchange program. With Stewart Airport we will be working to set up similar type programs up in that area to support our participation of minority and women-owned businesses on those facility projects.

And as part of a compliance requirement for the United States Department of Transportation we will implementing a revised monitoring and reporting procedures for FAA assisted projects which are primarily located at the airports. Thank you.

Commissioner Blakeman: I have a question.

Commissioner Pocino: Yes.?

Commissioner Blakeman: Thank you, Chairman. Lash, you mentioned that we have associations with Pace College and Pace University and the Borough of Manhattan College, is that Pace University Manhattan or the Westchester Campus?

Lash Green: Manhattan.

CommissionerBlakeman: Have we reached out to the other boroughs and other parts of the region to get some kind of association with, whether it is community colleges or universities to try and establish outreach and let students know that there are programs like this and if they want to be entrepreneurial that we can assist them and that there are opportunities?

Lash Green: Yes, from time to time we will do work with a number of different community colleges and organizations. We have done numerous programs over the years with York College and then on the New Jersey side we have done work with Essex County College and also with the New Jersey Institute of – excuse me – and NJIT.

Commissioner Blakeman: New Jersey Institute of Technology.–

Lash Green: Technology, yes. And we, and there have been some other instances, those are the ones that come to mind but we generally will look to partner with other organizations whenever we can.

Commissioner Pocino: Lash, in reference to the contracts that were awarded to the minority business enterprises and so forth, how do they compare to our goals in reference to, were they on target, were they under, were they over?

Lash Green: This year the total number represents about 12% and our goal, our combined goal is 17%, 12% minority, 5% women. And I think we are in a period right now where some of the work that is coming on downtown will help to increase that.

Commissioner Pocino: Yes, is that pretty typical though of what we have achieved in past years?

Lash Green: We have had better years but in general we have been around 10%, 11%, 12%.

Commissioner Chasanoff: Lash, do you find that there are an abundance of contractors?

Lash Green: In today's market I wouldn't call it an abundance. There is a capacity issue; there is a lot of work out there. Other agencies have active M and W programs so it makes it a little bit tougher.

Commissioner Chasanoff: That was my point. Are there other agencies that are doing similarly, are they encouraging this? Are the contractors able to exist in today?

Lash Green: They certainly have enough work, I think, to exist. Some of the projects might pose, because of the kind of work, some challenges for many of them. But there is certainly enough work to –

Commissioner Chasanoff: So you would say they were flourishing?

Lash Green: I don't know if I can say that, but the work is out there and I think the Port Authority is doing a pretty good job of getting them involved on our work.

Commissioner Pocino: As we have established our own standards and qualifications for the contractors and the State of New Jersey has and the State of New York has, do we continue to accept those that have been qualified by each state in terms of our jobs?

Lash Green: We accept – there are two terms of qualification and certification. And I think Port Authority is one of the few agencies that actually goes as far as qualifying whether or not they can do our work. But as far the certification is concerned, we are in partnership with a number of agencies for the disadvantaged business.

I just want to explain, most of the disadvantaged businesses, which is a federal program, are also minority and women-owned businesses. So for example at the MTA most of the work that they do is federal and so I would say probably close to 80% to 90% of the firms that will work there are also certified DBE and through that mechanism could work for the Port Authority.

Similar arrangements with New Jersey Transit and New Jersey DOT and New York DOT.

Commissioner Pocino: So if they are certified by New Jersey and certified by New York we accept them?

Lash Green: Only in the DBE. For the M/WBE we still maintain a separate program and we do not accept others outright. It is a tool that we can use in our certification process.

CommissionerBlakeman: Yes, if could chime in, I have raised this issue before. And I don't think I have ever gotten a good answer. If New York certifies that a business is qualified, or New Jersey certifies that a business is qualified, why do they have to go through an additional process of being qualified by the Port Authority?

Lash Green: We, and I know you say you haven't been satisfied with the answer, but it is pretty much that the Board has given the Port Authority, I think, some of the most, the best tools to work with in our set aside programs, our price preference program, how we enforce our goals. And I think the strength of keeping this program going is that we make sure that the contracts that we award through those mechanisms are going to the right firms, firms that we know are who they say they are.

So I said we will use the other agency's applications as a tool in our process. It helps speed up the certification. But the bottom line is we want to make sure by checking who actually owns

that firm, who is operating that firm, and this is where differences between us and the other agencies.

Commissioner Blakeman: But the State of New York and New Jersey don't do as thorough a job as we do in your opinion?

Lash Green: Yes.

CommissionerBlakeman: Okay.

Commissioner Pocino: And that's the answer.

Commissioner Blakeman: That's a better answer.

Lash Green: Thank you.

Commissioner Pocino: Any other questions, Commissioners? Okay, thank you very much, Lash.

Lash Green: Thank you.

Commissioner Pocino: I appreciate it. Alright, that concludes our agenda for this public session. Commissioners, adjourn?

Commissioners: Yes.

Commissioner Pocino: Okay. Meeting adjourned.

The Port Authority of New York & New Jersey
Committee on Capital Programs/Agency Planning
October 18, 2007

Commissioner Sartor: Today's meeting of the Committee on Capital Programs/Agency Planning will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Internet by the Port Authority's website for those interested in viewing today's proceedings remotely.

And today, our topic is going to be Regional Goods Movement Improvement Program, and Richard, I want to welcome you to your first formal presentation to this Committee. Welcome.

Richard Roper: Thank you very much. Commissioner Sartor, chairperson, and commissioners, good morning. Today, we are requesting the board's authorization to increase the Port Authority's role in the creation of a more efficient, competitive and sustainable freight transportation system for the metropolitan region.

We propose to do this by developing a comprehensive, long-term goods movement plan that sets a higher standard for freight service and builds on plans and projects in both states to create an efficient system serving the region, and assuming sponsorship of the Cross Harbor Freight Movement Project and work with state and federal agencies to determine how large a role rail freight can play in meeting the region's growing freight transportation needs.

This action advances a fundamental priority of the Port Authority's strategic plan: to accommodate forecasted growth in regional freight volume, improve goods movement services, and minimize their adverse impacts. The increase in congestion as it affects regional goods movement is approaching critical levels throughout the region.

Most goods consumed by our residents and businesses are produced outside of the region and use the same congested highway and rail networks as passengers, and are therefore subject to the same costly and unpredictable delays. Meanwhile, the stress on the network escalates as regional goods consumption grows and the nation continues to rely on the region's marine and airport gateways.

The strategic plans efficient goods movement network campaign was developed to address these issues by challenging the Port Authority and its partners to create and realize a vision for our future transportation system in which goods handling remains an economic stimulant for the region, rather than becoming an economic drag.

The plan called for the need to work toward an efficient, reliable transportation and distribution network for goods delivery that minimizes truck miles within the region, reduces competition between passengers and freight for highway and rail capacity, and speeds goods via rail and barge to long distance destinations beyond the region.

The Port Authority has already begun to make strategic investments to improve the network and its interface with the agency's gateway facilities. Such initiatives include $530 million at our on-dock express rail system, and in the next 10 years, nearly $2 billion in infrastructure upgrades planned

for marine terminal facilities, and for off-port roads and railways to improve the flow of freight, enabling express rail to handle over one million containers by 2009.

And over $50 million in enhancements to the regional rail freight system in New York and New Jersey. And then the most recent board approval to purchase a portion of the former Marine Ocean Terminal at Bayonne. The Regional Goods Movement Improvement Program will provide direction for these investments.

Looking ahead, the comprehensive, long-term goods movement plan will provide the region with strategy and project concepts required to create an effective regional goods movement network by 2020. Building upon other regional planning efforts, this assessment will broaden the debate from assessing the relative value of individual mode-specific fixes on an overburdened and aged infrastructure to defining a new higher intermodal standard and packages of multi-agency projects, policies and regulations.

An important element of this program will be to investigate how large a role rail freight service can play in meeting the region's cross-Hudson freight needs. The Port Authority is the logical entity to undertake this important work. We are the regional transportation agency most directly involved with facilities and services that allow and encouraged by state commerce, and the Port Authority can work with both state departments of transportation and private industry as well as community interests to address this mandate.

Issues to be addressed include assumptions about the most viable, beneficial, and cost-effective alternatives for increasing the amount of goods that move across the harbor without compromising quality of life for the region's residents and businesses, and concerns about integration of new infrastructure investments into the existing transportation network.

In 2005, Congress designated the Cross Harbor Freight Movement Project as a project of national and regional significance and created an associated earmark of $100 million for the Port Authority. These monies can help to underwrite valuable investments to advance cross harbor freight movement-related projects as well as help to fund the EIS.

Completion of the comprehensive long-term goods movement plan will be accomplished by September 2009 at an estimated cost of $1 million in Port Authority funds for consultant services. Staff will seek proposals from qualified consultants and come back to the board for authorization to enter a contract with a recommended consultant. It is anticipated that a cross harbor freight movement EIS will be completed by late 2009 at a cost of $10 million.

As the program progresses, we expect to identify additional cross-harbor-related projects and studies to be undertaken by the Port Authority. Funds in the amount of $120 million will become available for these efforts upon completion of the EIS process. The local match for this program that is up to $26 million will be drawn from funds identified in the Port Authority capital plan for other regional transportation programs. Board authorization will be requested to spend these funds on related projects as they emerge.

I recommend that you advance this item to the full board for approval later today. Thank you for your consideration of this important item.

Commissioner Sartor: Thank you for your presentation, Richard. Any questions or comments or concerns? If not, I will entertain a motion to move this to the full board.

Commissioner Pocino: So moved.

Commissioner Sartor: Second?

Multiple Commissioners: Second.

Commissioner Sartor: Thank you. Motion to adjourn?

Commissioner Mack: Moved.

Commissioner Sartor: Done. Thank you.

The Port Authority of New York and New Jersey
Capital Programs/Agency Planning Transcript
October 2, 2008

Commissioner Sartor: Today's meeting of the Committee on Capital Programs/Agency Planning will be held in public session in its entirety. In addition this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet.

We have two items for discussion, both by Victoria Kelly. Vicky when you want to start.

Victoria Kelly: Thank you, and Good Morning Commissioners. First of all, with respect to the Holland Tunnel, I'm here today to discuss a planning authorization that will provide for planning and engineering design services for the demolition and the replacement of Piers 9 and 204 at the Holland Tunnel.

Pier 9, which is located in Jersey City, New Jersey, was constructed in 1926 by the Erie Railroad to facilitate the trans-shipment of their New York harbor freight. With the opening of the Holland Tunnel in November 1927, the New Jersey River Ventilation Building which is part of the tunnel's ventilation system was constructed at the end of Pier 9 on a separate structure which is known as Pier 204.
The Port Authority acquired title to Piers 9 and 204 in June of 2000 in recognition of their role as both a protective structure for the Holland Tunnel because the tubes of the tunnel run directly below the pier as well as a means of access to the New Jersey River Ventilation Building which is also used as an emergency egress.

The continuing deterioration of Piers 9 and 204 led to a study to recommend how best to preserve the security and the access of the Holland Tunnel and its New Jersey River Ventilation Building which you see at the end of the pier in that photo.
The study's recommendation was to demolish both Piers 9 and 204 and to construct replacement structures as both structures had exceeded their usefully lives.

Since the issuance of the study, another round of priority repairs has been undertaken on the piers, including the repair of sink holes on pier 9. Replacement of piers 9 and 204 avoids the continuing repair costs, it precludes safety and environmental issues which could be caused by the deteriorating structures, and it maintains access to the New Jersey River Ventilation Building.

Today Commissioners, we are seeking $3.8 million to provide for planning and engineering design services for the demolition of Piers 9 and 204 and for their replacement. The request for authorization also includes approval for the Executive Director to award a publicly advertised consultant agreement for engineering services for the replacement of Piers 9 and 204 at an estimated cost of about $2 million.

A phased program has been developed for the demolition of Piers 9 and 204. The current forecast is for Pier 9 to be demolished by 2010 and the new one to be constructed by 2013. Pier 204 will not be demolished until the replacement of Pier 9 is complete.

We will come back to your for separate project authorizations to award the demolition contract in the middle of next year and the replacement contract in the middle of 2010. Funding for these projects is included in the 2007 to 2016 capital plan.

Commissioners, we request that you recommend this action to the full board for approval at today's board meeting.

Thank you.

Commissioner Sartor: Questions? Commissioner Bauer: I just have one question. How long does the design process usually take? You are talking about the demolition in 2010, is that right?

Victoria Kelly: No, the demolition would be starting at the end of, the third quarter of 2009. So it takes a good 6 to 9 months to actually design the demolition.

Commissioner Bauer: Okay, thank you.

Commissioner Sartor: Vicki, are you looking for $3.8 plus $2 million?

Victoria Kelly: No, the $2 million is part of the $3.8.

Commissioiner Sartor: Part of the $3.8. Okay. I was a little confused by that.

Victoria Kelly: Sorry about that.

Commissioner Sartor: Any other questions? If not we recommend this to the full board for approval. Any issues with that. Seeing none – we will do that. Vicki, the next item.

Victoria Kelly: And again Good Morning. With respect to the Lincoln Tunnel, I would like to discuss a two-part planning authorization for a critical asset of the Lincoln Tunnel. The planning authorization will address both the structural, rehabilitation and repaving of the Lincoln Tunnel Helix and will also allow us to begin to prepare for its eventual replacement.

The helix was constructed in 1937 and it is approaching the end of its useful life. As you probably know the helix connects the Lincoln Tunnel toll plaza to major New Jersey highways including the New Jersey Turnpike, Routes 1 and 9, Route 3 and Route 495. The helix also carries the exclusive bus lane which provides a vital link to midtown Manhattan for 62,000 bus passengers or more than half the total number of customers who use the Lincoln Tunnel during the morning peak period.

Commissioner Hochbergt: Which is what time?

Victoria Kelly: 6 to 9 am. The majority of the tunnel's eastbound truck traffic also utilizes the helix and truck traffic has increased by almost 50% since 2001 due to post 9/11 truck restrictions at the Holland Tunnel.

Federally mandated bi-annual inspections and a structural assessment have identified various levels of wear resulting from age, combined with the effects of de-icing salts and a high level of bus and truck traffic. While the current conditions don't compromise the load carrying capacity of the helix, they must be addressed in order to maintain the helix in an operational condition over the next 10 to 15 years as planning is undertaken for its eventual replacement.

Freeze thaw cycles and the extreme temperature fluctuations experienced during the winter resulted in significant increase in the number and frequency of potholes on the helix. The level of facility maintenance staff resources required to maintain the helix pavement has significantly increased in recent years.

Attempts to repair or replace the pavement result in only short term improvements due to the condition of the underlying deck.

A phased program has been developed for the helix to address the interim need for pavement replacement and maintenance, the midterm need for structural rehabilitation and repaving, and the long term need for replacement. This interim work is already underway. As you see by the schedule which shows extensive engineering analysis and design work will be required in order to develop a feasible plan for replacing the helix, as well as provide time for environmental approvals in the form of either an environmental impact statement or an environmental assessment.

The midterm structural rehabilitation and repaving improvements only serve as a temporary solution but are absolutely necessary in order to maintain the helix in an operational condition while the plan is developed for its replacement.

Funds for both the midterm rehabilitation and the replacement are included in the '07 to '16 Capital Plan.

The total cost for this planning authorization is estimated at $10.2 million and it consists of two parts. The first part, estimated at $5.2 million provides for the planning and engineering services for the structural rehabilitation and repaving of the helix and includes analysis of staging schemes and associated traffic impacts, documentation of existing conditions and preparation of design documents including construction staging and the development of an estimated contract cost.

The second part for $5 million provides for the initial conceptual planning and engineering services of the helix, including conducting an assessment of future traffic demand and travel market characteristics that will provide a basis for analyzing physical and operational alternatives including handling the exclusive bus lane.

Commissioners, we request that you approve this, recommend this action to the full board for approval at today's meeting. Thank you.

Commissioner Sartor: Any questions?

Commissioner Hochberg: I do – would you, just on the slide show where the helix begins and ends so I know exactly what you are referring to?

Victoria Kelly: Sure, can we go back to that slide. Sorry, I don't have a pointer, but, oh we do, thank you. There is, the helix that starts up here and runs down here to the toll plaza, which is right here before the mouth of the tunnel. What you can also see very clearly here is that all of this is an elevated structure. All of this is an elevated structure which makes it more difficult to maintain and requires that we look at the area underneath the elevated structure in terms of maintaining its structural integrity.
This is the only section which is actually on grade, on land.

Commissioner Hochberg: Okay.

Commissioner Bauer: I have one question too. What is the difference between the two studies? I'm not sure I get it. One for $5.2 million, one for $5 million, but it looks to me like they are both the same study, maybe if you could just dumb it down for me a little.

Victoria Kelly: The first study is what we call planning authorization to basically look at what work we need to do to keep this structure solid and strong and in tact until the early 2020, mid 2020 timeframe. That is the planning authorization for $5 million. And then we would come back to the Board for project authorization later on.

The second $5 million is really, it is not planning authorization, it is money to be spent before we even get to planning authorization. It is to look at very basic concepts and options and opportunities to completely replace the helix. Because we could be replacing it in exactly the same location as you see it today, but we could also be replacing it with something entirely different.

You could hypothetically come East on 495 and then dip down, straight down into a tunnel and go straight. You could theoretically come along 495. This is the ventilation building so the tube of the tunnel actually curves around and goes underneath here before it starts to cross the Hudson. So hypothetically you could have a tunnel which dipped down and went straight due east into the river.

Commissioner Bauer: It wouldn't have to be elevated?

Victoria Kelly: So you wouldn't have the helix. Now that is just one of many, many thoughts. But the second $5 million is to begin to look at options like that and to get a better handle as to which options might or might not be feasible before we come back to the Board for a full planning authorization.

So for the rehab it is planning authorization, for the replacement is some beginning conceptual thinking.

Commissioner Hochberg: Vicky, you have the unfortunate – this is my first meeting and my first committee meeting, so I may have a few more questions than – and unfortunately you are the first person that is up at bat. So let me ask you a couple, one or two others if I can.

It says that funds for this are not fully included in the 2008 budget or in the updated capital plan. What is that process of what actually gets included in 2008 so that that – was this unanticipated when this year's budget was done? Is that why it is not included?

Victoria Kelly: No, it was not unanticipated. For the rehabilitation work we have the funds that we need in the plan. The vast majority, if you remember the, or if we could come back up to the schedule, the majority of the work and all of the construction work for the replacement would be beyond the 2016 timeframe. So there is about just a little under $100 million in the plan through 2016 for the replacement because we will need to be doing the more detailed preliminary planning and design work. But the majority of the money would be spent beyond the timeframe. So our plan only goes to 2016.

Commissioner Hochberg: And when you have a net present value in here, unfortunately we had 10 different capital plans, some have a discount rate, some have a hurdle rate, some have zero, some have 5.25. I don't know whether you can speak to that, how that is determined.

Victoria Kelly: I'm going to defer that to Paul.

Commissioner Hochberg: I assumed that was a Paul question.

Victoria Kelly: They are the folks who determine which one we use.

Linda Handel: Gerry can answer that.

Victoria Kelly: Oh, Gerry, sorry, I didn't know Gerry was here.

Gerry Stoughton: I can answer that. There we go. Excuse me. I'm Gerry Stoughton. I'm the Director of the Financial Analysis Office. And when we make a capital investment in a project we discount that at the Port Authority's hurdle rate which is 7.5%. For board items that do not involve Port Authority capital investment, our cost of capital is currently 5.25%, which we use to discount those cash flows because you don't require return on the capital investment.

For other items that are just operating agreements, we do not actually discount the cash flows. We simply show those as nominal dollar amounts. So you have had a three year contract for $10 million a year, you just show it as a $30 million nominal expenditure.

Commissioner Hochberg: So it is not really in the present there, that is why on those it is really just the cumulative total of that contract.

Gerry Stoughton: Yes, the dollar impact on our current budget as well as our future year's budgets as it is presented. Hopefully that has clarified things enough for you.

Commissioner Hochberg: That's good. One, I don't want to say last question in case I get another one, but let me ask one additional. Some of these proposals talk about 12% or 5% for minority businesses or women businesses, for example the prior one on the Holland Tunnel there was no percentages; this one has a percentage. Can you just talk through that process? I know that is not an easy thing to do but it is not unimportant.

Victoria Kelly: It's not, but we work very closely with the Office of Business and Job Opportunity at the Port Authority and we look at what types of contracts, what type of work is scheduled to be done under each planning authorization or construction project. We look at the nature of the work and with them identify the number of certified MBEs or SBEs who have been certified under the Port Authority's program who are available to do that type of work.

Commissioner Bauer: So they have to be registered so that you are aware of them.

Victoria Kelly: Yes, there is a Port Authority certification process that they have to go through. So based on our knowledge as to which firms exist that can do a particular type of work, then the percentages for their participation are set. The Holland Tunnel is low, I'm going to surmise, because a lot of the river work, the pier work is something that is fairly specialized in the industry. There tend to be not a lot of firms that do that be they minority or women or otherwise.

Commissioner Sartor: One of the things that does happen is that you will get a consulting engineer who will come in and put a proposal in and as part of his package he will have a minority consultant who is doing part of the work, your technical or some of the other aspects of it. They try to comply with the 12% or the minimums that we have set. You will see a lot of that.

Commissioner Hochberg: Do we – because we see all of these at the front end – do we have a year end report that actually looks at what the actual performance was in terms of women and minorities? And how are we doing, any ideas?

I know you only have a portion of it.

Victoria Kelly: Yes, I mean, I only look at my department.

Commissioner Hochberg: How is your department doing?

Ernesto Butcher: Could I speak to that Commissioner? At the end of every, as a matter of fact every quarter we take a look at what the results are and not only in construction contracts but goods and services. And while I don't have a number for you at this moment to tell you what the number is, I can tell you that over the last several years we have been increasing the number of minority participation especially in the construction contracts.

Commissioner Sartor: At one of our recent Board meetings Fred there was a presentation by the individual responsible for that aspect of construction here and made a presentation to the board in public session. So I am sure we can set somebody, sit him down and – yes, I would like you to do that.

David Tweedy : Just last month I believe.

Commissioner Hochberg: Well it also relates to, besides even the contractors, the actual unions, the kind of outreach they have in terms of journeymen and getting women and minorities as part of to become fully licensed electricians, plumbers and so forth. And we have such a large footprint and we could play a role in that. We may be playing a large role, I just don't know what the role is.

Frank Lombardi : We also have a MWBE set aside program both on the consultant side and on the construction side as well as we have instituted and one of the first organizations that has instituted a mentor/protégé program where we team a major construction firm with a minority so that they can learn and be mentored by it.

Commissioner Hochberg: Good.

Commissioner Sartor: Any other issues, questions, comments? I entertain a motion to move these two items to the full Board.

Commissioner Bauer: So moved.

Commissioner Sartor: Second?

Commissioner Hochberg: Second.

Commissiioner Sartor: Okay, done. Motion to adjourn.

Commissioner Bauer: So moved.

Commissioner Sartor: Thank you.

Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Transcript
November 20, 2008

Commissioner Sartor: Good morning. Today's meeting of the Committee on Capital Programs and Agency Planning will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. We have one topic on the agenda today and it concerns LaGuardia Airport. Bill DeCota is going to lead us through this. Bill?

Bill DeCota: Thank you very much Commissioner. Yes, I would like to update the Committee on the planning efforts we have underway with regard to the redevelopment of the Central Terminal Building at LaGuardia Airport. As you know, the age and the capacity of that building is very problematic. The facility was actually built in 1964 and opened in time for the World's Fair. So that is how old it is. And it really doesn't meet the standards of a modern airport terminal in terms of the size of aircrafts that it can handle; the hold rooms for passenger waiting are really undersized. The concession space – basically every aspect of the building, the building condition, the systems, and this Board in the past, we have come back to you and you have supported us. You have agreed that the building needs redevelopment because there are really multiple problems beyond that which some kind of a program of maintenance and repair could really address.

And for that reason the Board authorized staff to secure approval for passenger facility charges to evaluate the terminal and advance conceptual planning for the building's redevelopment. The first phase of that planning effort is complete; staff has identified a direction for the redevelopment program. We have a recommendation of how we should proceed and today I would like to brief you on that and I am also going to ask you to advance the next steps of planning where we will fully develop the concept and use additional money out of the Passenger Facility Charge program. I'm going to take you through just a little bit of the history of the project and where we are and then recommend to you where we should go and have dialogue with the Board about that.

Just a chart on phases of project development just loosely. As the Commissioners know, there are a lot of stages that we take the major projects that the Port Authority advances forward through in terms of its development and execution lifecycle, particularly because this is a very large complex capital project. About half of the traffic goes through the Central Terminal Building; it consumes a lot of area. And as you know, LaGuardia is very small. So we go through – yeah – 24 million passengers, about 12 million go through this building, Commissioners.

And as shown here, we really go through roughly three phases of project development which include the initiation, the preliminary planning and design development, and all those are necessary to make very informed decisions about advancing the project and depending, of course, on the outcome of each of those we have had that dialogue with the Board about what those planning activities are and then we would go forward based upon if the Board is supportive

on full design, construction, execution and of course project management and control activities associated with it.

During the approval process for this project which dates back a few years, the Board asked that we very carefully manage that event chain of project planning so that we could make key decisions at appropriate times on how to proceed further with the project and with subsequent development execution phases. And I would like to discuss with you – we basically finished the first two phases, initiation, preliminary planning and we are really ready to proceed with the next phase of the project development cycle.

This is just to remind you because we have been doing this for quite some time; it was back in the fall of 2000 where with the Board's direction we launched what we call initiation activities. That included an evaluation of the existing facilities. It included developing an overview of what a project would have to entail, a scope definition, some very strategic level project programming including how many gates would we need, what size of gates, what kind of aircraft, the flight schedule. We go through here a market analysis of LaGuardia; the identification of a business case associated with it. And those activities cost about $2.7 million; they were accomplished as part of an agreement we undertook with DMJM Harris for those professional advisory services and they really supported the continued advancement of the project at that point. And as we then discussed with the Board, they really confirmed there were extensive deficiencies with the Central Terminal Building air side/land side, and it identified project needs which we then discussed with the Board.

The Board, recognizing those building conditions and knowing they needed to be addressed acknowledged the need to do further planning, to advance the next stage of project development. And so that included preliminary planning. In May of 2004 you authorized us to go back and secure another application for Passenger Facility Charges, $15 million; that was to reimburse us for those previously incurred costs as well as undertake about another $12.5 million worth of work going forward. The application was approved by the FAA in January 2006 and that allowed us to proceed then with a competitive selection. We put together a team, URS and William Nicholas Bodouva, a joint venture, to continue to advance preliminary planning and that included things like what were some of the concept alternatives we could look at which I will discuss in a second, constructability reviews, given that constrain at LaGuardia, given that half of the traffic goes through there, it is a complex construction process. You have to build around yourself while you are actively running the airport. Included looking at terminal and air side models, capacity analysis, how passenger flows would work, and a preliminary financial analysis.

So we are now done with that phase. We fully vetted the project scope. We looked at alternative concepts. The alternative concepts we looked at a no-build. What about a state of good repair project? We looked at renovating only the gate concourses which are particularly problematic; they are very closed together; they don't have very adequate space – you have to push aircraft and power them in. They are built for a very different design standard aircraft that doesn't even fly today. But then we looked at also you would have to renovate the front of the building and then we looked at of course the idea of a whole new building and infrastructure.

During that process we held discussions with a lot of stakeholders. Obviously we have a number of airlines in that building, large carriers like American and United, Continental, Air Canada, et cetera. And we looked at each alternative with them. We did some value planning analysis; we conducted further financial analysis on the costs and benefits of each alternative. And based upon that staff determined what we thought would be the nature and scope of development of a project and we evaluated the likelihood that any of those three alternatives that I mentioned would meet the Port Authority's needs.

As you can imagine, given again that the terminal is 45 years old, we concluded maintenance and repair of the existing terminal just absolutely is not a viable option. There is a picture here that just shows a representative condition – we continue to maintain and repair but in a building this size you can reroof and building stresses and things, you still have problems. And so the extensive cost and really the functional and technical obsolescence of this building, it is not really very viable.

We looked at renovation of the gate concourses that would certainly take the old gate concourses, provide some adequate hold room space, be able to equip the design state of aircraft today, the Boeing 767-400. But it still left you with the front end of the building which is a major rehabilitation effort given its age and condition and didn't really address the air field capacity issues at a constrained airport. It didn't address the delay situation.

Commissioner Bauer: (Inaudible – microphone inaccessible).

Bill DeCota: That would be exactly right, Commissioner. We would keep the whole curvilinear original front end of the building and we would just completely have to rebuild around ourselves and it is possible to that from a constructability point of view.

So, that left us with really redevelopment of the whole terminal which is really the only one that really meets the needs of the airport in terms of its capacity and it can be done based upon the preliminary financial analysis, preliminary scope of cost on a financially economical basis and best meets the needs of the passengers and aircraft.

Just with that as a high level backdrop, we are now at that next stage. It is really time to gain our support to move forward with what we would call design development, cost evaluation. We are at the point where there are a lot of significant activities that would have to progress in the development that would include really refining that design concept.

It would include identifying design issues, confirming the full scope of the project, developing the budget. It is where the negotiations now proceed in earnest with the airlines on space utilization fees and charges and economic feasibility. There is value engineering work that would be done here. There are some environmental assessments that would be done. There are very preliminary level design drawings that would be put together and detailed construction estimates.

Now there are a lot of issues that also have to be addressed at this stage. We know that we are back in one of those positions where the airline traffic is dropping. The economy and the

recession, the high fuel prices – we will talk at a future time about cycles and traffic, but the trajectory has always been up. Another complicating factor right now, the only thing in the Port Authority Capital Plan are the PFC dollars that we have allocated for this. And so we have to develop a financing plan for the project during this phase. This project could cost in the neighborhood of $4 billion.

We have Passenger Facility Charges allocated in the capital plan under the assumption if we collect $4.50 and allocate a share of those to this project. So there is some substantial funding in the neighborhood of $1 billion in the plan, all from passenger facility charges.

Commissioner Sartor: Bill, in terms of the previous study you addressed a question of constructability. How do you handle the passengers that are going through this passenger terminal now while you are reconstructing? Are you going to put it on a different location? What is the concept?

Bill DeCota: The concept is that this project would literally be built in front of the old central terminal building allowing the central terminal building to remain operating. It would remove the parking garage which was built in 1974, and that is obviously going to become a maintenance headache for us as years go by. It is a concrete and steel structure that needs an awful lot of repair from time to time. So it pushes the terminal out closer to the grand central parkway. It builds to the new parking garage where it would be to the east of the central terminal building replaced project and in front of the US Airways terminal so it could be a shared facility. But the existing terminal stays operating. It is one of the reasons why under the most optimistic scenario this is an 8.5 year construction project because of the complexity associated with it.

Commissioner Bauer: (Inaudible – microphone inaccessible).

Bill DeCota: That terminal would then come down. All of that would become air field facility and the desirability is that it maximizes the air field of the airport which then allows areas for taxi way for staging of aircraft for movement of aircraft – allows for those bigger gates and really creates efficiency in the ultimate plan.

Commissioner Sartor: You're saying the initial estimates are about $4 billion for this?

Bill DeCota: Yes, it could be upwards of $4 billion. A lot of that again is the financial expense because of the long construction lead time. But you would be putting a terminal, you wouldn't be increasing gates because LaGuardia can just handle so many runways and taxiways you would be basically replacing, but you would have bigger gates. But you would need parking garage to size it; right now the old garage is like a third of the size that you would need in the ultimate configuration – it would probably be 6000 spaces. It would provide for future access by rail in the event that became a reality so it would not preclude it. It has a lot of roadway infrastructure and other elements to it.

Commissioner Bauer: Excuse me – how does that (inaudible) compare with keeping the terminal the same (inaudible – microphone inaccessible)?

Bill DeCota: The state of good repair project itself is upwards of $1 billion. You have to replace the heating and refrigeration plant. You have to replace the building systems. You have to replace many of the baggage belts. And it really never addresses the fundamental problems. We have had estimates as high as $1.5 billion to maintain that building over the life.

And the problem is since a terminal is going to have a life of 40 years or more, by the time this terminal if we were to renovate it, it would end up being an 85 year old terminal. There are not too many 85 year old terminals that exist anywhere in the world, certainly not in a developed country.

So what we are looking at this stage is an expenditure of about $40 million over a 2-year period, it would be all PFC-funded. I mentioned that PFC application that got approved a couple of years ago. In addition to authorizing $15 million for the planning that we have just completed, it also approved collection of $25 million in PFCs which we do not have authority to use. We would like to come back early next year and get a PFC application approved to allow us to use that and supplement it and get application to receive and use another $15 million since that is the scope of this. Also, the existing agreement –

Commissioner Sartor: You would be looking for $40 million from the PFC?

Bill DeCota: $40 million to advance this stage which would take you to the decision point.

Commissioner Sartor: And that would be out of the PFCs?

Bill DeCota: That would be fully out of Passenger Facility Charges, yes, exactly. And since the existing joint venture contract with URS and William Nicholas Bodouva expires around February of next year we are looking to come back, do a Request for Proposals to secure the services of another project management team to go with that design development and planning stage.

And that pretty much concludes the substance. Obviously you have charged us with delivering to our passengers the ultimate accessibility and service and convenience. We are not doing that in this facility and so what staff are asking you to do is to advance a planning authorization to the full board for approval.

Commissioner Sartor: Okay, any questions or comments? Yes Fred.

Commissioner Hochberg: Just, I know that Sid and I had a tour which was very helpful. In terms of number of passengers that this would be able to handle versus today, what would that number be?

Bill DeCota: The targeted growth projection for LaGuardia is approximately 34 million passengers versus 24 today. We have hit a cap of 26 before we saw a bit of a setback, but that goes back over sort of the rollercoaster traffic experiences based upon fiscal and economic and other cycles.

The project itself would be geared entirely to replacement as a maintenance and state of good repair type project. And growth is the thing that will help us when we come back to you with a project authorization for the economics, but the whole justification for the project in addition to providing for growth which in the long term it will do, really is just replacing an aged facility.

Commissioner Hochberg: 34 million – can it sustain itself, pay for itself, pay for the financing costs. Or do we still subsidize?

Bill DeCota: Yes, the way that possibly we would undertake the financing and this is very early would be much like we have done some projects like Terminal B where the Port Authority would invest capital and let's just use $4 billion. We would probably do it instead of as exclusive airline leases, preferential leases, because we want to make this truly common use; that is a much more efficient way than the old fashioned way where airlines had very exclusive demise premises because you can use it and allocate the gates flexibly.

We would probably charge some kind of a fee based upon the cost and the value of the space per passenger using it. We would also get Passenger Facility Charges to pay for part of it. We would have parking revenues for some of it. Some of the infrastructure gets recovered through the landing fee charge at the airport. So the preliminary sense is that this project is a very doable and economically viable project; I can't tell you the exact economics but we have had a number of financial people as part of this team doing a lot of evaluation which is why we are here today because we think it is something the Port Authority can support and do and accomplish.

Commissioner Hochberg: Well, I guess my question though is one of the ways of funding it looking at, it will fund a $3 billion terminal, not a $4 billion. Or it will fund a $5 billion – do we have some – are we going to look at that kind of understanding of the revenue streams versus the capital and repaying as capital?

Bill DeCota: If we found that the project as we scope it out couldn't support itself – we could I suppose evaluate aspects of it. For instance if we were willing to concede that we don't want to grow to 34 million, we want something less, you certainly could take spaces out of the garage. Parking structures in New York are very expensive to build. They cost as much as $60,000, $65,000 per net space added. So you can add that up times 1000 – you can see there is money coming out of it. But I think certainly we have always had flexibility in the way we approach these projects because we recognize – I tell my staff until you have negotiated price you haven't negotiated anything.

So cost and economic return isn't going to be a big central focus of our discussions.

Commissioner Hochberg: A focus but not fundamental? I am just trying to understand – this is the first – I'm just trying to understand.

Bill DeCota: No, no, it is all part of the overall decision process. As the Port Authority makes many infrastructure replacement decisions, whether it is replacement of a bridge or replacement of a PATH car, obviously some things have to be done just because of maintenance state of good repair. But to the aviation business we have always made that one of the hallmarks is we strive

to make our airports be financially self-sustaining and contribute back to the agency. So it is clearly going to be a central part of the discussion. It was certainly when we authorized Port Authority funding for the Jet Blue Terminal. The Board had a lot of discussion about the economics associated with that and the Port Authority's financial support.

So the Board will – once we know more about cost, about schedules, about the way the business arrangements would be structured, we have another sense of where the traffic trajectories are two years from now. We are going to have a very thorough discussion with the board about the economics of the project and then we will talk to you about choices if we need to make any.

Commissioner Hochberg: Really I would quibble – I would say only in the developed world do we have airports of this poor quality. Actually in the developing world they are far better quality than in our country.

Bill DeCota: Yes, and we have been slowly changing as you have seen and we are looking forward to I think, and we appreciate you coming out to LaGuardia. We are looking forward to having you out at other airports with other Commissioners, and you can see we have whole new terminals in May of 1998 Terminal 1 at Kennedy, in 2000 we had Terminal 4. So the Board is really authorizing a lot of programs of terminal redevelopment, like the new Terminal 5 which just opened last month.

Commissioner Hochberg: Last comment, I don't want to monopolize this, but you and I and Sid when we were out there talked about the rail hookup. By the time this project is underway the pressure about using alternative transportation rail, not relying on cars, is going to be even greater. So I don't know if we can do something more than say it can accommodate it versus in part of the planning call for it, make a formal request to the MTA, to the City. I'm not sure of the exact process. But it seems like all public postures should be more than just passive. If they bring us a train, we will make sure there is a station for it. It just seems like that is not the best posture if we are trying to think of a regional transportation solutions for the metro area.

Bill DeCota: Well our regional sustainability and our access goals call for providing for access by other than rubber tire vehicles at all of our facilities. It is a dream or a goal at every one of our facilities. We had set originally a target of 10% of all our passengers arriving by rail at each of our airports. Kennedy has far exceeded that and Newark is almost approaching that. And we have discussed with this board the support of a MTA west of Hudson Transit Access study that we are putting money into. Rail would be a consideration at Stewart, and that is why we are putting this in because it is part of the goals that the Board has established and that staff are following. And I think it all comes down to economics. But we will be happy as part of this planning effort to explore further some of the ideas.

The Port Authority has supported a lot too, like MTA we worked with on evaluating N Train access. So we will continue to make sure that rail stays at the forefront of the planning effort and then we will have discussions with you.

Commissioner Sartor: Bill, what I would like to see as I read the resolution, you are authorized to move ahead and select the consultant and move ahead. I would like you to come back with that consultant selection to the Board so we could discuss that with you and give us your recommendation. I think you have sufficient time here to do that.

Bill DeCota: Yes, that would be great. We would do that. And it would be subject to your authorization that we pick whoever we pick.

Commissioner Sartor: Okay, so if we can modify the resolution, thank you. Any other questions or issues? Okay. Any other issues with respect to the Committee? I'm seeing none. The meeting is adjourned, thank you.

Bill DeCota: Thank you.

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Committee on Capital Programs/Agency Planning Transcript
December 17, 2008

AUDIO BEGINS INTO MEETING…

Michael DePallo: -- for planning and preliminary design for improvement at the station include waterproofing work in the station, specifically at the west end of the platform level, and potential platform extension to accommodate 8-car train operations.

The proposed improvements at the Pavonia/Newport Station would have the potential to provide the following benefits: First of all, it will help eliminate the water infiltration into the station platform. It would also help to reduce maintenance costs, expand platform length to serve proposed eight-car train service and increase station and system capacity, and enhance overall customer service and satisfaction.

We are requesting that the Committee recommend to the full Board authorization for planning and preliminary design for potential capital improvement efforts at the Pavonia/Newport Station estimated at $6.5 million. Planning for this project would commence in January of '09 and would be completed in 2011, and Commissioners, today I would like to request that you advance this item to the full Board for approval today. Thank you for your time and consideration.

Commissioner Sartor: Michael, have you selected a consultant for this yet, or are you going out for bid?

Michael DePallo: We're going to be going out for bid for first.

Commissioner Sartor: So you're going to be able to select somebody by January to start the work?

Michael DePallo: Yes, we're hoping to be able to do that.

Board Member: (Inaudible)

Michael DePallo: Yes, it's on the call-in list.

Commissioner Sartor: Oh, it's off the call -- okay, okay. Thank you.

Michael DePallo: Okay.

Commissioner Sartor: Any other questions? Seeing none, recommendation that we pass this to the full Board?

Commissioner Bauer: So moved.

Commissioner Sartor: Second? I second. Thank you. The next item, Mr. DeCota talking about (inaudible).

Bill DeCota: Thank you, Chairman. I'm not asking you for any money today, so this is a good news story about all the --

Commissioner Sartor: That's different.

Bill DeCota: That's different. Well, I'm here to report on all the good things we've done since you've given us money to (audio drop) port and we took over operation on November 1st, and we've under (audio drop) programs with (audio drop) port. And we've developed a vision. When we took over the airport we knew that that airport could serve as a more important part of this region's air transportation system, and over the last year we really addressed a lot of needs. We took a look at the airport (audio drop) lot of challenges -- frankly, they were quite formidable. More than perhaps even we could imagine, based upon all the things that we knew about the airport before we took it over.

And we've now also laid out a vision for what we think this airport can be going forward as part of the regional air transportation system. And so what I want to do is just go through with you what we've done over the last 12 months and where we see the airport heading, and how we plan to come back to you and engage with you over the resource needs of the airport.

The most immediate effort when we took over the airport November 1st a year ago was to ensure that the airport was operated safely and soundly and in conformance with all FAA and TSA requirements. To that end, as you know, staff secured the services of AvPORTS under a New York State contract as an interim operation for the airport. We're in the process now of going out with a competitive procurement for who the longer-term operator will be working with us.

And together with AvPORTS, we had to quickly develop winter snow plans, we had to deal with infrastructure challenges like the replacement of the weather instrument power circuit, which in weather like this is very important to give us information about the condition of the surfaces, and to develop a parking management plan. And the Board had authorized the WHIP circuit, the parking management, to deal with those things earlier this year.

We also undertook security audits of the airport. We introduced a community watch program which is really the eyes and ears of the airport security program. We engaged the airlines in regular meetings and really took the airport and brought it to the point where we're confident now that we have a very well-run airport.

In order to achieve the goals for Stewart, the first priority had to be really state of good repair. The airport itself, there was a lot of work that needed to be done. There's a lot of work underway. Immediately, as you know, another Board authorization, we created 400 new parking spots, we improved roadway access to the airport, made a lot of necessary aeronautical improvements and improved the sanitary system, installed new signage. These are just a few of the examples that happened over the last year.

Overall, we made investments of about $25 million last year. That's actually more than the previous operator made in the eight years that they were there at the airport with their own money,

and we've got more money programmed in the capital plan for 2009 that the board will be considering today.

Community relationships and customer service were very important. Stewart exists in a very close-knit community and we need to be able to actively build strong relationships in support of that airport. We've been welcomed by the community, we foster relationships among a broad group of community leaders.

We created a citizen's advisory panel, as you'll recall. We've got a broad group of members of the community that were nominated by community officials to participate with us and have input into the airport. We're also very active with the Stewart Airport Commission. That's the group that New York State DOT appoints that help oversee and guide, from New York State's perspective, the airport.

Made it a priority also to make opportunities available for local communities. As you know, that's a hallmark that this Board has supported at our other airports. We conducted workshops on how to do business with the Port Authority, we put together local contractor participation programs, and as a result of those $25 million in contracts that we awarded last year, about a third of them actually went to people in the mid-Hudson Valley, right around the airport.

We also significantly improved customer service. We staffed the terminal with customer service representatives to assist passengers. We put baggage carts at the airport; it never had them before. We replaced 200 seats in the baggage claim and gate areas. We established stranded passenger programs, and just introduced and worked with New York State DOT on some bus service that takes people to the Beacon train station as a mass transit alternative to the airport.

The environment, of course, when we took over the airport we committed to very aggressive environmental goals. We said we wanted to make it a negative carbon footprint airport, and so we've been working to establish a greenhouse gas emissions baseline program. We've begun initiatives like green cleaning products, recycling.

We've issued an RFP for an environmental strategic plan. We followed through on a program of gate electrification with money that came from the Federal Aviation Administration under a voluntary airport low emissions program, and we've also entered into a cost-sharing agreement with New York Power Authority to provide electrical power and preconditioned air to the aircraft while they're parked at jet bridges.

And all of that is going to have a significant impact on reducing carbon dioxide, carbon monoxide, hydrocarbons, and nitrogen oxide emissions at the airport.

Of course, the reason why we're doing all of this is air service. As you know, the airline industry unfortunately has been in the midst of a downturn -- the economic climate, impacted earlier by fuel prices this year. There have been a number of cuts at small and mid-size airports across the country. Stewart unfortunately was also vulnerable to some of that scale-back, and as you see here that resulted in declines in passenger traffic at Stewart.

That's why at the September Board, this Board approved an incentive program to try to retain some air service. The idea was to reduce the charges to airlines, but then get the charges from the passengers coming through the airport from concessions and parking, so it protected revenues of about $3 million.

The strategy seems to be working -- JetBlue went back to bigger planes, US Airways added a fourth daily flight. The Northwest-Delta combination is going to shift some service, but overall the service has stabilized. You also know that we're developing a program for new air service development.

Another thing this Board approved was an agreement with TranSystems which is aimed at enhancing air service. That process right now is underway to do data collection to understand the potential of the airport for passengers, for commercial cargo, for general aviation. A lot of input from locals and businesses, the Hudson Valley Economic Development Corporation, all feeding into that to demonstrate that there's a market there and we just need to get the air service.

So an awful lot done in 12.5 months of operation, and with all of those things on the day-to-day groundwork being laid, we also had to come up with a vision and we had to look at this airport in terms of how is it going to fit within the regional airport system?

We often say we all operate the airports, but they're very different products. If you think about those products, they were all identified and developed by the Port Authority based upon what I call geography -- where they're located in the region, the size of the airport, the capability of having facilities of infrastructure support, the kind of access they can provide.

So they're all different. So Kennedy being our biggest airport and the longest runway of any commercial airport in the country, it became the big international gateway for passengers and cargo. Teterboro Airport we've always preserved as the general aviation reliever. It's got a 100,000-pound weight ban, it's got a ban on scheduled service.

LaGuardia, because it's close to New York City but very small, with two 7,000-foot intersecting runways, it became the premiere short-haul domestic airport. And Newark, on the other side of the Hudson River, became the all-purpose airport. It's got outstanding arterial highway access, it's got a great AirTrain system, it's got great international air service, it's got a fabulous domestic base, short-haul, medium-haul, long-term.

So all of those products, we've developed them in conformance with that, as this Board has authorized programs. So the question became Stewart doesn’t have the locational advantages of the other. It's got some size. So what should it be? And as we began to look at it, we took a look and said, all right, there's a natural catchment area in the mid-Hudson Valley. It's also part of the greater region. What can we make it?

We're going to make it the efficient economical gateway. Efficient because it's not delayed. It's our one airport that's not delayed. The other three are the most delayed in the country; this one's not delayed. Economical because everything we've done has been with an idea. It's not like the

others. It's very efficient -- the kind of terminal that the airport needs, the kind of facilities that it needs.

They're going to be economical -- low-fare air service. And gateway because we wanted to serve the mid-Hudson Valley, but there's also an idea that it needs to serve a little bit of the greater region, and that's the vision that we'll be developing.

Now around that vision we're developing a master plan -- sort of the roadmap, as we say here, for officially meeting aviation demand. And we're also working with the Board on a capital plan, obviously, that's also part of this new budget that you're considering.

And then we're looking at property. Now, the ideal thing is this airport has the same number of acres as Newark Airport. The bad thing is the topography of the airport, some of the environmental constraints, the fact we have a lake. We've got a valley 400 feet deep and we've got a mountain, at least by our standards, of 400 feet high. The topography is interesting, and as you know, there's a military base in one corner of the airport. So we're looking at property issues also as part of that master plan.

Access -- very key. In the last two weeks in the press there was some discussion of a study we have underway with the MTA called the West of Hudson Transit Access study. The Port Authority contributed $1.8 million of the $5.4 million cost.

Access is an issue. Every airport needs to have access, and the airport has excellent road access. It doesn’t have great public transit access except the bus system that we've been working with DOT on, and the study is looking at a variety of things. It's looking at bus networks, bus rapid transit, it's looking at rail access, it's looking at high-speed ferry. But access is key. It's one of the primary determinants of airport choice by people, is how easily can they get to it from wherever they are.

So armed with a vision, armed with all that initiative, we know that Stewart Airport can be a better part of the regional airport system. We are convinced of that, we've seen it. It can be a better contributor to passengers and cargo. There's three photographs here as examples.

Former military bases that were converted -- these all three happen to be in Europe -- to commercial aviation that now significantly serve more traffic. Frankfurt Hahn is not even close to Frankfurt -- it's two hours away. It's not even close to Luxembourg, which I think is the next biggest city. And until 1993, it was a military base. It's been converted. It has four million passengers at it.

Stansted, former military; Luton, the same kind of thing. The common theme of all those airports is three things that are the hallmark of everything this Board and this agency has always committed to: vision, commitment, investment. Those are the hallmarks. And that's a lot of what we're talking about today.

So we're hopeful. If you ask me where the airport's going to be, it's hard to tell. The master plan will help determine that, the air service development plan will tell that. Albany Airport's a great model. The same kind of investment, the creation of an agency that would focus on that airport

appropriately from a public need. It now has three million passengers -- that's entirely conceivable, compared to today's 600,000, 700,000 passengers.

So Commissioners, I'm happy to report that with your support this Board saw early on, and very quickly, when January 25th almost two years ago it authorized the purchase, when we took over November 1st. You've been very supportive of the agenda. We've done a lot, I think, on the part of staff and Board, to try to develop this airport.

I am confident that there is good responsive planning going on, that we're operating that airport well. We're trying to conserve dollars because there's not a lot of dollars yet to be made at that airport. And it really is the Port Authority's legacy of being able to do this. Every one of our airports has started somewhat in a similar place.

Kennedy Airport was just a little dirt moved around by New York City; LaGuardia needed redevelopment, Newark needed redevelopment. We constantly do that, and so we are committing. We're going to bring the hallmark the Board gave us -- accessibility, service, and convenience -- to that part of Orange County, New York.

Commissioner Sartor: Bill, question -- when the board initially decided to go this direction, obviously the thought was to give relief to the other three airports. What do you see as a time frame in which we may expect that type of relief?

Bill DeCota: You've asked me a very hard question and I don't have a good crystal ball. Based upon these other airports that have been converted to military use, it sort to takes the little spark that lights the kindling that then sets the fire.

It's like some of these airports, when they've been discovered suddenly, they just took off because of discount low-fare carriers like EasyJet, as an example, or Ryanair. That is our hope, is that we're going to be able to go out and find lower-fare carriers to offer service here where people are going to see the natural catchment area.

We told the Board when we asked for approval to go in this direction of the 110 million passengers who were handled at our airports last year, 10 million were within a catchment area that could use the airport and would either prefer or be in (audio drop). The reality is that you're not going to get service from any of those people -- they're flying to Uzbekistan. You're not going to get direct service. They have their airline preference, their time of day, their airfare.

But there's a reasonable (audio drop) that will do it, and the question is what can we do to incent? And a lot of that comes back to what's the state of the airline industry and the ability of a carrier right now to divert resources to a secondary or tertiary hub.

My goal is about seven years. We get to about the size of an Albany Airport. But --

Commissioner Sartor: That would be three million?

Bill DeCota: Yes. If you come back to me in seven years and we did better, I'll take credit; if we did worse, I'll say well, so.

Commissioner Sartor: Any other questions? Yes?

Commissioner Bauer: Bill, would you mind revisiting the concession we made back in September and explain to me -- I know you said that you still felt it was a good decision, even though the economic climate has changed dramatically. Would you mind just briefly going over that?

Bill DeCota: Sure. Yes, Commissioner, thank you for the question. What was happening -- the airport had reached about a level of 900,000 passengers and we began to see carriers start to pull out of the market when the high fuel prices particularly impacted the airport.

Our concern was we would lose more air service because all the airlines that operate up there right now have significant presences at JFK, Newark, LaGuardia. It would have been logical for JetBlue to also pull out of the market and say well, I've got a brand new terminal the Port Authority's helped us on. It would have been logical for Northwest and Delta, et cetera, to pull out of the market.

So what we had asked the Board to do is to waive all fees to the airlines for their landing fees, for their security charges, for any terminal fees, and that we would derive our revenues solely from ancillary activities like the rentals of cargo buildings, from passengers who use the airport, so they go out and they buy food or beverage or newsstand products.

So it cost us about $1 million in fee waivers for the six months. We preserved the $3 million in the passenger revenues, which was a good decision. That waiver expires February 28th. We're waiting to see the results of the initial cut and TranSystems' analysis of the market. Right now I have no inclination to ask you for an extension, but I don't know. So we could be back in a month, saying it worked.

Because the good news is that JetBlue upgraded from Embraer 190s to A320s, so the expanded service, and we have seen an addition of a flight. So at the very least we're keeping a revenue stream stable for a smaller cost.

Commissioner Sartor: Any other questions? Seeing none, I think this Committee meeting's over. I request a motion to adjourn.

Commissioner Bauer: So moved.

Commissioner Sartor: Done.

The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Transcript
February 21, 2008

Commissioner Sartor: Good morning. Today's meeting of the Committee on Capital Programs/Agency Planning will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Internet via the Port Authority's web site for those interested in viewing today's proceedings remotely. We've got two items for discussion and we'll start with Mr. DeCota. Welcome, Bill.

William DeCota: Thank you very much, Commissioner. I have before you today an item related to the Port Authority's obligations to restore and adaptively reuse Building 60, which is the TWA Eero Saarinen terminal at JFK, which I know you're all familiar with.

As you recall, we have been trying for some time to secure private participation in the reuse and restoration of this iconic piece of architecture. The restoration and reuse is part of the Port Authority's obligation, in fact, to the Historic Redevelopment Advisory Committee that we had to commit to when we developed the new domestic terminal that's now under construction on that site for JetBlue. JetBlue is scheduled to open the new terminal on the ramp of the old historic terminal this fall. And the authorization that we're going to be requesting today will advance the restoration work on the old terminal, the historic terminal, on a parallel time frame.

On this slide, you'll see in the upper left corner a schematic of the new terminal construction that's on the upper part of the photo that's being built behind the historic structure, which is the one that's sort of in the middle of the photo. On the lower left is a current view of the old Terminal 5, which is the subject of this authorization.

You'll remember that to gain approval to build the new terminal adjacent to the old one, there were a lot of requirements that we were obligated to fulfill. There was a Federal Part 106 process. That was the process that required us to consider and address the impact of the new terminal on the historic structure. We had to establish an advisory committee of interested parties to consult on the new terminal design and we had to talk to them about the impacts on the historic property. That consultation process resulted in the actions that you see on the right side of the slide that had to be undertaken. We had to document the existing historic building for the historic record. We had to develop a display of the history and the significance of the building. We had to prepare a National Register of Historic Places nomination for the building. JetBlue committed that it will install two electronic kiosks for the check-in of passengers without bags or they'll have to carry their bags to the bag check-in in the new facility. We had to modify the roadways to allow for public vehicular access to the frontage of the historic structure. We had to make sure that the AirTrain connected to this building. JetBlue will be modifying the two bridges that - the historic bridges that connect the old terminal so that there's a connection and passageway to go to Terminal 5. And lastly you see here in bold, we had to commit to this rehabilitation and adaptive reuse of the terminal.

All of the other work here except for the restoration and reuse is either in planning or already done.

As I said in my opening comments, we want to advance that effort today. Staff are recommending to you a two-phase program. Phase I is the restoration of the building. It's a limited scope restoration I'll talk about and describe more. For $19 million, it provides for exterior repairs, some common area improvements to the main hall, again, things that have to be done under our obligation.

Simultaneously, we're looking for $1 million to study Phase II. Phase II really is the project to get the multi-tenant adaptive reuse of the building. And I'll explain that.

Here's a description of the Phase I work. It provides as I said for rehab and restoration of the common spaces to maintain it in a state of good repair. On the exterior, and you can see the photos here, some of the photos of the condition of the exterior. It's really maintenance work. It's concrete repairs. It's to the concrete shell and walls. It's sections of the roof that have to be replaced. There's a lot of nonfunctional mechanical equipment out on the ramp. There's conduit runs. There's all these exterior additions that were added after the building was built that have to be removed.

On the interior, there's tiles. As you'll recall, there's just thousands and thousands of tiles. We're going to go to the main center section of the restoration zone as we call it, from the front door back. And we're going to allow that to be all repaired and cleaned and allow it to be a connecting passageway to Terminal 5. We have to upgrade the life safety systems in order for it to be habitable, to meet current code. There's a lot of replacement and retrofit of things like doors and there's asbestos abatement in the building. And so as I say on this slide, it's a limited scope restoration. It only includes essential repairs and it's needed in order to open up the building.

The second part of the authorization seeks your approval to plan for future tenancies in the project. As you can imagine, the fit-out is really complex. Most of the building's walls curve. There's very few walls, in fact. And under historic preservation guidelines, there are very few demising walls that can actually be permanently constructed.

And so what we need to do is figure out how to modify and integrate the base building to support multi-tenant occupancy. So plans need to be devised for the finishing of the restoration of the building and then to try to retrofit the electrical, HVAC, and life safety in order to allow for multi-tenant needs. And that's the other $1 million.

We are currently in discussions with several interested business partners who have expressed an interest in occupying portions of the historic property to provide for passenger and cargo and community services in the building.

As we know from past experience, we've been able to find creative reuses of buildings. I mean, examples include the old Marine Air Terminal at LaGuardia, where it's now the Delta terminal. The old Newark terminal is now our administration building.

You see things here like restaurants, offices, hotel, museums, spas. That's the nature of some of the companies that we're now talking to who are interested. And it's this work that really I think would allow some of those leasings to move forward.

So as you can see from this photo, the construction of the JetBlue terminal is well along. We are planning as I said to open it in the fall sometime. The work we're asking you for approval of, the $19 million for the state-of-good-repair work, the $1 million for planning, really are critical. I mean, the appearance of the façade on the outside as you saw, the proximity to the new terminal, the fact that people can't really use it and occupy it now, we're hopeful as I said to have some services available to passengers like - in addition to that e-check-in at the time JetBlue terminal opens.

So what I'm asking you to do is gain your support and advance this item to the full Board for approval later today and clear the way for really this historic Saarinen terminal to be a very active part of the airport community and continue to fulfill really a vital role in air travel as it has historically, but in some new use.

Commissioner Sartor: Bill, have you bid this work yet?

William DeCota: No. This has not been put out for bid.

Commissioner Sartor: So your estimates are engineering estimates?

William DeCota: They are engineering levels of estimates based upon a very detailed analysis and study that was done of the many things that needed to be done and then the cost estimates were built up on the basis on the amount of asbestos to be removed…

Commissioner Sartor: I'd like to see a copy of that.

William DeCota: …the work that…

Commissioner Sartor: Because I haven't seen a copy of that.

William DeCota: Sure.

Commissioner Ferer: I think it's thrilling that we're doing this, undertaking this. I just have a couple of questions. I think - I'm unclear. Is JetBlue entitled to the use of any of that space in this building?

William DeCota: JetBlue had two very specific obligations. One is to install these two electronic kiosks for the check-in of passengers so that passengers can use that as the front portal to the new JetBlue terminal, and they had the obligation to restore the connectors and make sure that they provide an interface into the new terminal so passengers can now enter, go to Saarinen, go down the connectors and actually enter JetBlue.

They have no further rights to use the space. If they had interest in this building as a lounge or a TrueBlue club…

Commissioner Ferer: Right.

William DeCota: …or something like that, we would be very interested in talking to them. And that's the nature of the kind of tenancies that we're looking at. I mean…

Commissioner Ferer: Because we're really giving them this beautiful piece of art, this historic building as an entrance to their facility. And are they paying us anything for that?

William DeCota: As part of the original project economics and as part of their rental stream, which…

Commissioner Ferer: Right.

William DeCota: …supports the entire investment, there was an $875 million project - dollar project in total that was authorized by this Board to build the terminal and do the historic elements, Sixty-seven million of that was the historic elements. And then all of the project revenues, the JetBlue rentals, the monies that come back for roadway through our infrastructure charges, the parking fees were all intended when the Board authorized it to make this a fully financially self-sustaining project. So you can assume that within that, JetBlue's revenues are also helping to support this facility.

Commissioner Ferer: But at the same time, are we charging them appropriately for the use of this building?

William DeCota: Not as an explicit rental for this building.

Commissioner Ferer: Right.

William DeCota: But more as the overall rental stream - the way the revenues were calculated when we developed the revenue stream was to develop a sufficient revenue to be able to help support this construction and this work.

Commissioner Ferer: Also in the planning stages - I have two more questions. I'm sorry. In the planning stages, in line with the art program that we're going to be talking about, this is a perfect space to integrate that into some of the uses here. And I think that we should explore that and flesh that out. Also, I'm curious, there were no responses to - in this. I may be reading this wrong. There - when you initially put this out in December 2006, there were - for someone to bid out a project restoration and preservation proposal, there were no responses to that?

William DeCota: Yeah, we had hoped for getting responses. We put out first a solicitation of interest. There were 41 companies, architectural companies, developers, et cetera, who had expressed interest in at least looking at the proposals for the building. There was no responsive proposal received. No one submitted a complete proposal or fully developed it and actually submitted something that reflected a real proposal.

In interviewing all of the companies who came -- and there were many -- to look at it, we asked the question why, because the location -- and your point about this being adjacent to JetBlue is well taken. It's next to the biggest domestic terminal at the airport and connected to it.

Commissioner Ferer: Right.

William DeCota: It's adjacent to the biggest international terminal, Terminal 4. There's a big potential population of people who could use this facility. Why did we not get responses?

And the common answer that came back more than anything was the dollar value of the work that needed to be done and the nature of the work -- because it was asbestos, because it was historic preservation work that had to meet strict guidelines -- most of the companies preferred not to get to that level.

The hope would be if we do this work and put the building in this condition and then spend that Phase II $1 million to do some good planning, we can lay a framework where either we can complete the negotiations we now have underway with different parties who are interested in the building. Or the possibility even exists it could go back out and see if there's a master organization that might want to do it. But it was this money that really represented…

Commissioner Ferer: But simultaneously, for example, if we passed the $19 million and the $1 million for planning, do you think simultaneously we can put another RFP out there to see if we can get someone to kind of speed it up a little bit? If people know we're committed to putting our money where our mouth is?

William DeCota: I would say since we have several tenants who have entered into discussions with us now on an individual basis, we may want to conclude with those entities discussions to see if we can actually do it ourselves and that way we would be in control of the development. If those discussions are not fruitful -- and none of them right now are at the stage where I can tell you we're developing a lease agreement. They're more in business negotiation discussions -- I would say that we should do that very quickly, so maybe not exactly in parallel, but certainly we should be prepared quickly and have something ready. And we do have a request for proposals that we can put back out on the street.

Commissioner Ferer: Because I would imagine once people knew that we were, you know, putting this out that private developers might look at this as somewhat of a turnkey project they can just customize. And it might be worth putting the RFP out again instead of taking on the responsibility ourselves to develop it.

William DeCota: Yeah. Yeah. And I think there are people who have a lot of that expertise who certainly could do it comprehensively, although it's interesting that in the last couple of months, there have been at least a few companies of different types representative of those kinds of services and functions that I put on that slide that have expressed interest and want to talk to us directly. So - and some of that could take some of the critical and more public pieces of the terminal.

So I think - and that's all - that doesn't preclude a developer from doing the rest or from them being part of a bigger development scenario. So I think that's absolutely something we could pursue.

Commissioner Ferer: Thank you, Bill.

Commissioner Sartor: David?

Commissioner Mack: Bill, in reference to that building, I've been in it many times in the last 40 years. I think what Christie said is once we pass this, maybe we can get some activity on it and so forth and so on. And I think it's important part of the airport that we do this as rapidly as possible. My only concern is as you said, the $19 million for interim restoration, whatever we do, we don't want to have to go back and redo what we - but we're going to have to look at this project to do it right. So…

William DeCota: Yes.

Commissioner Mack: And when we do it right, we'll have tenants by that time and we'll - hopefully we'll have an income stream.

William DeCota: Yeah. Well, by interim is - it goes back to that slide of limited scope, which means you're doing everything to keep the building structurally sound, keep the water from infiltrating, redoing the roof, getting rid of the asbestos, but what you're doing is you're doing the passenger transition zone so that people when they get off AirTrain or they get out of parking or they drop off at the front entrance, they can go down the middle of the building. There's nothing under the wings, because we assume that someone's going to want to fit out those spaces and that that work would be done. It doesn't do anything with like the Lisbon Lounge and the Paris Café because those would be areas that logically you would rent to someone and hopefully, you know, they're going to have to restore if they put a restaurant there, but that would all be part of it, so.

Commissioner Mack: That's the upper levels?

William DeCota: Yeah. So we're really doing…

Commissioner Mack: Club level.

William DeCota: …everything you have to do to open the building and make it right and make it a good appearance. And then the assumption is anyone who's a private tenant takes over all of those other spaces as part of their fit-out of their demise premises.

Commissioner Sartor: Bill, the $3.3 million for asbestos, is that part of the $19 million?

William DeCota: It is.

Commissioner Sartor: Okay. Any other questions?

Commissioner Bauer: No.

Commissioner Sartor: If not, thank you, Bill.

William DeCota: Thank you.

Commissioner Sartor: Rick?

Commissioner Mack: Do we need a vote on this?

Commissioner Sartor: No, it just moves on to full Board.

Richard Larrabee: Today I'd like… [no audio]…the piece of equipment that's used to move cargo around a terminal. It - the concept of using a hybrid technology we think applies because this kind of equipment is applicable to stop-and-go kinds of activities and we think that the technology itself will lend itself to the kind of operations at our terminals. In order to better understand the opportunities and challenges associated with a hybrid technology and the potential for commercialization, The Port Authority staff would participate in a demonstration project at Howland Hook Marine Terminal. Our tenant, New York Container Terminal, will purchase two standard yard hostlers at an estimated cost of $150,000 and place them in service at Howland Hook. The New York Power Authority will reimburse New York Container Terminal up to $100,000 and New York City DOT would also provide $100,000. And we would add $50,000 to this $400,000 demonstration project.

Commissioner Sartor: I like that, The Port Authority being the low bid on the project.

Richard Larrabee: It's unusual, but, yeah, I can't explain that to you.

In addition to this project, EPA is putting $300,000 in funding for a similar project already underway in the Port of Long Beach. So the two projects will be used to combine the information that we get from both.

This project will take place over a period of about eight months. The type of hybrid technology to be utilized may prove to be either battery or hydraulic, depending on the results of an open solicitation.

The New Jersey hostler project will utilize hydraulic hybrid technology developed by EPA. APM Terminals would purchase up to two standard yard hostlers at an estimated cost of $180,000 and place them in service at their terminal in Port Elizabeth.

The EPA would provide $350,000 for costs associated with planning, design, development, and fabrication and testing of the prototype. Parker Hannofin, a manufacturer of truck hydraulic component systems, would provide another $340,000 in funding. And again, we would provide the remainder, about $70,000. So I'm told today that New Jersey DEP may also participate.

The total estimated cost of the New Jersey project is $940,000. And this is a project that would take about 14 months to undertake.

The Port Authority will also enter into an MOU with the EPA to define roles and responsibilities related to achieving the goals of Sustainable Ports and Carriers Partnership Program. These goals are to further the working relationship between our Port and the Port of Rotterdam and to conduct air emission reduction demonstrations of mutual interest, which the yard hostler project would be one of.

And the Port Authority would be responsible for a couple of aspects of the MOU. We'd work with the Port of Rotterdam to facilitate collaboration and information exchange on air quality issues, control strategies and technologies. We'd provide the $70,000 for this project that I just talked about. We'd coordinate with APM Terminals to arrange meetings and conferences on this technology, and we'd

assist the EPA on - and their partners with access to hydraulic hybrid yard hostler and performance and emission testing data and the rest of the study.

We'd work with APM Terminals and the Port of Rotterdam Authority to demonstrate the hydraulic hybrid yard hostler prototype at other locations if adequate resources were made available. The goal of these demonstrations projects is to assess operational performance, environmental benefits, and commercial viability of the hybrid technology for yard hostlers, which if successful could significantly reduce air pollution and greenhouse gas emissions and energy consumption at The Port Authority's marine terminals.

There are currently 964 pieces of cargo-handling equipment operated by tenants at our marine terminal facilities, which contribute significantly to air pollutants resulting from port operations such as nitrogen oxide and particulate matter. Yard hostlers make up about 45 percent of that inventory, so those 433 units contribute somewhere around 41 percent of the total nitrogen oxide and 43 percent of the total particulate matter emissions from our cargo-handling equipment. EPA claims that the hybrid drive systems could reduce emissions by 40 percent, as well as improve fuel economy by about 50 percent to 60 percent and reduce greenhouse gases comparably.

Commissioners, this demonstration program is an important step in advancing the Port Authority's sustainability goals and I request that you advance this item to the Board for today's approval.

Commissioner Sartor: Any questions?

Commissioner Mack: Yeah.

Commissioner Sartor: Yes, David?

Commissioner Mack: Rick, are you familiar with Mercedes and Volkswagen, they call a BlueTec diesel where they spray ether into the emissions system?

Richard Larrabee: I'm not as - I'm aware of it, but I'm not…

Commissioner Mack: That's the newest technology for diesel. And that will be recognized in the fall in New York State to register a diesel car. As of now, you can not register a new diesel car in New York State, but you can register it in Jersey. So what I'm saying is that this pilot program is fine. But someone should also look at the BlueTec diesel engine for these vehicles. Thank you.

Richard Larrabee: Good. Thank you, Commissioner.

Commissioner Sartor: Any other questions? If not, this meeting is adjourned. Thank you.

The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Transcript
March 27, 2008

Commissioner Mack: …for those interested in viewing it today and so forth. Okay. Rick Larrabee, we are going to do the Bayonne Bridge assessment impact on the future port trade and navigation safety. Rick? There you are. Okay.

Richard Larrabee: Mr. Chairman, good morning. Commissioners.

Commissioner Mack: Good morning. Good morning. We've got to turn the lights on here so I can read or see or move to the other side. But okay, go ahead, Rick.

Richard Larrabee: Mr. Chairman, good morning. I'd like to discuss with you an item on today's calendar that will request authorization to enter into various agreements with two of our federal partners, the Corps of Engineers and the Coast Guard, provides for those agencies to conduct an independent assessment for the Port Authority regarding the impacts of the air draft of the Bayonne Bridge on present and future shipping operations in our port.

In these agreements, the Port Authority would prove approximately $300,000 in funding for work associated with a study, which will determine both the extent to which the current height of the bridge may limit container ship access to the marine terminals in our harbor and the economic, environmental, and social benefits that might accrue if the height limitations were eliminated.

As illustrated on this slide, the maximum air draft of the Bayonne Bridge at mean high water is 151.5 feet, which currently presents a limitation for some vessels that carry over 6,000 TEUs depending on vessel design. As container ships continue to increase in size, the air draft limitation of the Bayonne Bridge has become an issue during the past few years is currently being discussed by ocean carriers, shipbuilders, and other industry leaders around the world. Decisions are being made with respect to vessel size, port rotations, and costs.

When the Board authorized the Project Cooperation Agreement with the Corps back in July of 2001 to begin our 50-foot channel deepening project, the Corps designed the channel based on the largest known vessel at the time, which was the Maersk S-class Regina Maersk, which was a vessel of 8,000 TEUs. Today, ships with a capacity of handling between 10,000 and 14,000 TEUs are being designed and built and there are currently more than 180 ships on order with capacity greater than 10,000 TEUs.

Ten years ago, with the extensive feasibility analysis that was conducted by the Corps in the deepening project, vessels of this size were not considered a possibility by those in the industry.

While the largest vessels today are primarily limited to the West Coast ports, the recently-launched expansion of the Panama Canal, which is due to be completed in 2015, will make East Coast ports more accessible, putting significant competitive pressure on the Port Authority for the port to accommodate vessels that are significantly larger than those currently calling on our port.

Presently, the Panama Canal can only handle ships carrying up to about 5,500 TEUs. However, with the wider locks and deeper and wider access channels, the expanded canal could handle ships carrying between 10,000 and 12,000 TEUS.

A few carriers having actually been built between 6,000 and 8,000 TEU vessels can presently fit under the Bayonne Bridge. However, the majority of them have not done so to date. And most carriers would prefer that the problem be solved locally rather than globally. If alternatives to the air draft limitation of the Bayonne Bridge are not examined, our port would risk seeing cargo diverted to other East Coast ports if we can't accommodate the larger vessels.

This next slide shows you a modification that's been done to some of the ships that are now calling on the port where they've actually cut the stack…here…right about in this location, and they've also added collapsible masts. And that has been a fix that some of the lines have incorporated into their vessels. However, from the standpoint of most of the carriers in the world, this is only a temporary fix.

Commissioners, this study is necessary we think because it will allow us to look at the effects of not altering the current bridge over the next 20 to 25 years. At the same time, it will then look at what alternatives we might be able to come up with for eliminating that air draft and thus look at the benefits that might be associated with that.

Commissioners, this study is necessary we think in order to make reasonable decisions over the next couple of years as to what options we might have and which ones we might choose.

Commissioner Mack: I agree with you.

Richard Larrabee: Thank you.

Commissioner Mack: Okay.

Richard Larrabee: Good.

Commissioner Mack: Do we all agree?

Commissioner Mack: Yeah, sure.

Commissioner Bauer: Rick, what percentage of increase would you anticipate by - if this study - if we're able to make these improvements and allow these ships in, what does this

mean in terms of just a general holistic view of the increase in possible trade and our competitiveness with other ports along the Eastern seaboard?

Richard Larrabee: The studies that we've done suggest that if you can move the size of the ship from about 5,000 TEUs, which is the largest ships that we now typically accommodate, to upwards of 10,000 TEUs, you can reduce the per-unit cost of moving goods by somewhere in the neighborhood of 20 percent to 25 perent.

Richard Larrabee: So it's really a fairly significant savings that accrues when you can bring a larger ship into the port.

Commissioner Bauer: It's cheaper and you can obviously -- excuse me, I'm sorry, bring in more cargo.

Commissioner Bauer: Right. Double.

Richard Larrabee: Correct, on fewer ships.

Commissioner Bauer So - on fewer ships.

Commissioner Mack: Yes.

Richard Larrabee: So you gain tremendously in the efficiencies associated with moving cargo.

Susan Bass Levin: And if you don't do it and come 2014, we could be in a position where you're extremely non-competitive.

Richard Larrabee: And that's really the issue.

Commissioner Bauer: And be totally restricted.

Richard Larrabee: So the question is how bad is this situation out into the out years? What could we do in order to improve it? What would it cost, but more importantly, what are the benefits of doing that? The Corps' study, which is the same methodology that we used for looking at the 50-foot dredging project, will be used. It's an independent view. It will have a lot of credibility. And a year from now, we'll be able to then look at it and make a much better decision about what we can do as options.

Commissioner Bauer: And the cost of doing nothing is much more.

Richard Larrabee: Well, and that's what this study will do. It will outline what that impact would be. And as Susan has just indicated, we're very concerned about the competitiveness of the port in the out years, particularly after the Panama Canal gets built out.

Commissioner Mack: And just your own benefit or for all of us, since I'm a boater, height is very crucial because that helps make a port. And if we get a jump on other ports and we initiate or given the options we'll decide later on, but the answer is could be that we could have all of the higher and larger vessels. And that's what you're looking for, right, Rick?

Richard Larrabee: Yes, sir.

Commissioner Mack: Okay.

Commissioner Bauer: And we have the consumer base here, too, as well, obviously.

Richard Larrabee: Exactly. I mean, they want to come here.

Commissioner Bauer: Right.

Richard Larrabee: We just have to make that access available to them.

Commissioner Bauer: Okay.

Richard Larrabee: The other thing this does is we'll look at the impacts that the bridge might have on either side of the bridge. And we'll also look at things like could we add light rail as a feature if we were to change the bridge.

Commissioner Mack: Okay, thank you. Next up is Bill DeCota on rehabilitation and runway access improvements. Bill, good morning and how are you?

William DeCota: Good morning. Fine, thank you, Commissioner.

Commissioner Mack: (Inaudible). I forgot, you know, you weren't in line. I didn't see you. Frank and all of everybody.

Frank Lombardi: Good morning, sir.

Commissioner Mack: Good morning.

William DeCota: Okay. Well, thank you. Commissioners…

Commissioner Mack: I didn't give it to you yet, so.

William DeCota: Okay. Well, I said the word Commissioner.

Commissioner Mack: Oh, okay.

William DeCota: When I say commissioner, you say yes, okay?

Commissioner Mack: That's it.

William DeCota: Okay. But at the last Board meeting, you will recall we discussed extensively the issue of flight delays and how they've impacted the nation's air system, but more importantly, now that problem of flight delays has particularly impacted the New York metropolitan region. I only repeat it, you know it, but it's important for emphasis to say that JFK, LaGuardia, and Newark are the most delayed airports in the country in terms of on-time performance. And you through your leadership have constantly emphasized to us that we need to do things to try to address that. And at the last Board meeting, you adopted a delay reduction policy stating that capacity expansion has to be the primary focus of any delay reduction effort at our airports.

And to that end, I talked to you last month about certain capital projects we plan to take, a number of capacity enhancements like runway rehabilitation and airfield improvements that we have in the capital plan.

Today I want to present to you for your consideration some planning authorizations for two very important projects. These are focused on JFK. We will have other items coming up in the future for the other airports. One will begin planning for the rehabilitation of Runway 13R, and that's being coordinated with our efforts to accommodate larger aircraft, projects that you've approved in the past to bring the A380 in, and the other is for study and design development of up to 11 runway access improvements that are really quite innovative that I'd like to discuss with you.

Just for some context, Commissioners, you have this aerial view of JFK. We've talked a lot about the many causes of delay at airports, in addition to factors like weather and air traffic control and volume, the aeronautical capacity of the airport also can serve as one of the constraints. And that is the focus of these two authorizations I want to talk to you about.

This is an aerial view of JFK, as you recognize, and you can see the runways and taxiways. We've highlighted in yellow the runway system in particular. You see that there are these two systems of parallel runways aligned at right angles, so we have four runways at JFK. And they provide for the takeoff and arrival of aircraft at JFK under every kind of weather condition and air traffic configuration. The runway length is actually over nine miles long. That's very significant. There are also 25 miles of taxiways that you can kind of see there in the picture connecting all of those. They connect the terminals, the cargo buildings, the fuel farms, the hangars, the airfield facilities. And those taxiways are an absolutely critical and integral part of capacity because they facilitate the swift movement of planes on and off the runway. And that impacts the number of landings and takeoffs that the airport can accommodate.

Now even with all of that substantial pavement we talked about, that 34 miles of runway and taxiway, those runways and taxiways haven't been able to keep up with the huge demand for flights at JFK without delay. The JFK runways handled 443,752 flights last

year. That was an increase of 17 percent in the arrivals and departures. And, in fact, about 45 seconds at JFK, you have a plane arriving or departing.

And unfortunately we talked about last month only 63 percent of the flights arrived on time. And that created delays for the 47.7 million passengers and the 1.7 million tons of freight handled at JFK. And as we've discussed, accommodating that demand with minimal delay has to be the focus because it's so critical to our economy.

And to provide our customers with what you have defined as safe, fast, efficient air travel, our design teams, our aeronautical experts have reviewed the airfields. They do it on a regular basis and they identify construction projects that will maintain the infrastructure, certainly in a state of good repair. But they also identify projects that may enhance capacity. Obviously building a new runway is not easy.

Yes, Commissioner?

Commissioner Ferer: Can I just ask a quick question? Of the 63 percent of on-time - oh, those are on-time arrivals.

William DeCota: On-time arrivals, yeah, and similarly bad results for the departures.

Commissioner Ferer: Do we have any statistics that break out what percentage of the late arrivals were due to us?

William DeCota: Yes. And, in fact, at one point last month -- and we can give you those statistics again -- we took the - and obviously it's all inter-correlated. When we say us and we mean pavement, it's also interactive with the level of demand. So - but it is possible and we have that information we can give you as to weather, weather is the biggest single cause because in bad weather, the air traffic control system, the ceilings get lower and they have to go to instrument landings. And so that is the biggest single cause. But when you look at other things, such as equipment, when you look at the way that the airlines schedule -- there's a variety of things -- pavement itself is not the highest on the list, but it is one of those things that can at least try to remedy the fact that other things cause delays and help the situation.

Commissioner Ferer: We're so stigmatized as being one of the latest airports in the country (inaudible)…

Commissioner Mack: All three.

Commissioner Ferer: All three.

Commissioner Ferer: So it will be quite interesting. I would be very interested in seeing how that lays out because when you look at it, perhaps a significant percentage of those delays has actually nothing to do with the airport, its operation, or the kind of improvements we have been doing.

William DeCota: Well, it - all of them will have an additive effect. So, for instance, since the Board's emphasis with us was capacity, not restrictions…

Commissioner Ferer: Right.

William DeCota: …not the caps that've been put in place, everything we do is going to be a capacity enhancement. So the pavement projects I'm going to talk to you about today are one example. Accommodating the A380 Superjumbo, to be able to bring as many as 800 people in on a single plane will be an example.

There's a lot of air traffic control and navigational aids that we've been discussing. The Executive Director at some of our airports, increasing the landing capability through glide slopes and instrument landing systems to bring more planes, so a lot of it'll come down to capacity, but volume and dealing with capacity in bad weather. So you're going to see a lot of things from us over the next several months that we're going to be bringing you and asking for your approval, all capacity-focused.

Commissioner Ferer: All right, but I'd love to see a breakout on those delays if possible.

William DeCota: We can give you the reasons for delay by cause. It's…

Commissioner Ferer: All right, thank you. Sorry to interrupt you.

William DeCota: Thank you.

Commissioner Mack: That's okay.

William DeCota: Well, and I was just saying that building new runways anywhere is obviously not an easy process given land constraints, environmental reviews, and other considerations. So the thing that we're focused on today is enhancing the efficiency of the existing ones. That's our key focus and that's this planning authorization.

So there's two items that we're going to be asking you to recommend to the full Board for approval. The first one is for planning authorization of - for Runway 13 Right rehabilitation. That is the longest runway at JFK, in fact, one of the longest runways at any commercial airport in the country at 14,572 feet. It handles 30 percent of the flight activity at the airport. The last time we rehabilitated it was 1993. We do regular inspections to make sure that state of good repair and integrity is strong, but the last inspections revealed the need for pavement lighting and other infrastructure work to make sure we maintain it in a state of good repair. That project is in the capital plan that you had approved last year as part of the budget process for $218 million. And there's a bunch of work in there. Some of it's maintenance, but a lot of it is the widening of the turning radius on the runways, improving the taxiway access, runway safety areas, lighting, things like that that will enhance the capacity of that.

And what we're asking you for today is $3 million to do the planning of that rehabilitation project. And that planning effort in addition to defining the scope before we come back to you for authorization, will look at things like concrete versus asphalt. Asphalt's traditionally what we use. Concrete has a longer life. We'd like to look at the cost versus the life. It will develop a construction staging plan. When you have nine runways at Newark and LaGuardia, taking one out for rehabilitation obviously causes impact, so we're going to look at that. We're looking at widening this to 200 feet. As you know, we can accommodate the A380 on some of our runways and taxiways, but we would like more flexibility. This is now a 150-foot-wide runway. And we would look at a variety of those kinds of things as part of that plan.

Commissioner Mack: Okay. Bill, I think that's important as well, so all of those that don't understand what Bill's saying is we also have a tremendous ground problem there regarding stability. And I was going to mention it to Bill -- the last time I took off on the long runway, it was a little dippy. But without a doubt, I don't think anyone has any question regarding the importance of this because - now this goes for all our airports. And the sooner you bring these things to us for the other airports, the better off we'll be so we can try to avoid…

William DeCota: We're going to keep you busy.

Commissioner Mack: I'm - and Christy, I must caution you, on the figures that Bill DeCota's going to give you, these are from the FAA. I don't want to make such a public statement, but they're far from accurate. Whenever they can use weather, it could be a beautiful, sunny day, and Bill, you'll attest to it that I've called you and said hey, there's 20 planes in line. Am I right or wrong?

William DeCota: You are my most verbal customer, Commissioner, yes.

Commissioner Mack: Okay. So, you know, you've got to take everything into the mix. But great and bring it on.

William DeCota: Okay.

Commissioner Mack: We want to - our airports are vital and I'm going to…

William DeCota: And I have one more planning authorization I was…

Commissioner Bauer: Can I ask one question, too?

William DeCota: Yes, Commissioner.

Commissioner Bauer: Excuse me.

William DeCota: Thank you.

Commissioner Bauer: In light of Christy's question, which I thought was good, I mean, the weather to me is overall consistent throughout the country. I mean, certain areas are going to be worse in terms of weather than where we are. So obviously it is a lot of what we're doing that would …or what we don't have in terms of delays, but also where does the volume come into play when they talk about percentage? I mean, to me, an airport that serves half of what we serve should arguably be better on time because they're not bringing the same amount of volume as we are.

William DeCota: Yes, volume is - and it is interesting because as I said, a lot of the reasons are inter-correlated because if you take an airport runway system and you - first you have to isolate it. In our case, we have a system and all of the planes are operated in synch and so you've got 1.4 million planes all within a 25-mile radius of the Statue of Liberty, as we said here, it's 475,000 at Kennedy. So now you've got to separate Kennedy from the fact that it is impacted by air traffic control elsewhere.

Then you take as you pointed out, Commissioner, volume, the whole purpose of the flight caps that the FAA just put in place at Newark and Kennedy was to reduce the volume, spread it out and flatten it so that volume was not an issue.

But then you also take a look at things like bad weather. In bad weather, it doesn't matter whether you've flattened out these flights to 81 flights at Kennedy and 83 at Newark because when the bad weather comes, the ceiling comes down because you can't produce as much in visual - in instrument flight rules versus visual flight rules.

So they're all kind of in sequence. And any one that you fix helps the whole equation.

Commissioner Bauer: Right.

William DeCota: But we - they have been assigned blame. There's a way that the FAA says this is really weather, this is really volume, this is really capacity.

Commissioner Mack: Bill, we're with you 100 percent. What's the next one you wanted to --.

William DeCota: The other thing I'm going to ask you to refer to the Board for authorization is a $5 million planning effort. We want to begin work on planning and study of - and design development of several taxiway and other kinds of improvements. We mentioned to you we have $150 million in the capital plan you've approved last year. Several projects have been identified for further review. They are taxiway extensions that improve access to the runway…

Commissioner Mack: Holding areas and so forth.

William DeCota: …access to new taxiways. We want to do cost/benefit analyses on these before we bring them forward and ask you for authorization. And we would also like to do sustainability analysis, the environmental benefits of less queuing and delay.

If you look at those, this is the schedule. We've tried to harmonize them so that the work could be coordinated. So as you see on the left, the planning for that runway rehabilitation would kick off immediately. We'd like to get it done quick, by the end of 2009, come back to you with a project authorization.

Commissioner Mack: Hopefully sooner, Bill.

William DeCota: Yeah, as - and we will do it as fast - and you - that's a good point, Commissioner. And as you can see on the runway access improvement, those 11, we've identified six that are priority that could start as soon as this spring because they could be coordinated with other projects that are state of good repair. And so we'd like to get those done by October of 2008, complete those by 2010, and then we'll have five others that we'd like to look at that have a little bit longer time frame. So this is a recap. We're asking you to - we're seeking Board approval of the $3 million in planning Runway 13 Right rehab…

Commissioner Mack: $5 million.

William DeCota: …$5 million for the runway access improvements, and…

Commissioner Mack: I think…

William DeCota: …we're asking you to refer to the whole Board for authorization.

Commissioner Mack: Yes, I think that would be fine. Anyone has an objection amongst the Commissioners? No? Great. Okay. Now…

William DeCota: Thank you very much.

Commissioner Mack: …we're going to skip over PATH and Rich, we're going to let you do your magic.

Richard Roper: Very good.

Commissioner: Okay.

Richard Roper: Good afternoon, Commissioners. Today we're going to request the approval to enter a partnership with the Metropolitan Transportation Authority that includes assessment options for transit access to Stewart International Airport. By way of background, last year, there were 920,000 air passengers who used Stewart Airport, all of whom accessed the airport right-of-way by rubber tire vehicles. Most of these vehicles are private autos, although there is a private bus company that runs shuttles to and from the airport to Beacon train station five miles east of the airport on the other side of the Hudson River.

A great deal of public investment has been made to make the airport more accessible by road. Most significantly shown here is a new airport access road, which connects directly to Interstate 84 and which now links the airport terminal directly to the highways. In addition, the state and federal government are building a new connection between the two intersecting interstates, I-84 and I-87, the New York Thruway.

To accommodate these cars, as you will recall, even before the Port Authority took control of the airport, you gave staff approval to expand parking. Since the Port Authority acquired Stewart in November 2007, staff built two additional parking lots to keep pace with the airport's rising demand, one that was completed last fall and another that is scheduled to be completed this spring. Even with the additional parking, which expands the airport to 2,119 spaces, there continues to be a need for more space that we are now pursuing.

At the February Board meeting, Commissioners, you reaffirmed the agency's commitment to invest in capital programs and undertake measures that will encourage scheduling of flights and maximizing new capacity at Stewart Airport. As traffic at the airport grows and the on-airport development plans take shape, it is critical that we begin now to work with other regional transit providers to determine the most appropriate ways to enhance access to the airport, particularly through both rail and other high occupancy vehicle modes.

This map highlights the transportation context for the airport today. The area enlargement on the bottom left shows the new access road to Stewart that I mentioned earlier that connects I-84 and is linked to the New York State Thruway. That's this - the access road and that's the connection.

Commissioner Mack: Right. That's been under construction for a while. When do they anticipate the…

Richard Roper: Bill, do you know?

William DeCota: Yes. Commissioner, the access road itself that comes in off of I-84 into the airport is now complete…

Commissioner Mack: Complete.

William DeCota: …signed and completely done. And you're right. That took 15 years to get constructed because of a variety of issues. The interstate interchange is scheduled to be completed later this year I understand. And that will then give the I-87 connection to 84 so that then you can also have the direct entrance into the airport.

William DeCota: But the direct entrance off of I-84 is done.

Commissioner Mack: Yes, coming. Is there press here today? Okay. A good point regarding this is that it's been a success. And this - and we - as we just talked about, the

problem of congestion at the other three airports…this is helping, I don't know how much, but, you know, we'll now that. But JetBlue is enjoying full flights. And as I told you before, the manager at JetBlue told me that usually it's seasonal, but they're going to keep the flights on even in the summer. So they have demand. And the flights have been going out with wait lists.

Commissioner Mack: So this is really something that will help LaGuardia, Newark, and Kennedy and help the congestion in the skies as well. Is…

Richard Roper: Exactly right.

Commissioner Mack: What do you need from us to do?

Richard Roper: We need your approval to proceed with the study.

Commissioner Mack: Okay. Does anyone have a problem with that? No one has a problem. Okay.

Richard Roper: Thank you.

Commissioner Mack: Yes, I really think it's important. And I've been up there as well. Okay. We'll just hold for a minute. Mike, we'll be with you in a minute. Yes.

[Break]

Michael DePallo: Okay. Good morning, Commissioners. I'm here today to discuss a planning authorization for the replacement and expansion of the PATH Harrison Station in Harrison, New Jersey, which will provide for a modernized, state-of-the-art facility that will accommodate growing demand in this area. This state of good repair project is a major project in the $3.3 billion upgrade of the PATH system to enhance aging infrastructure, improve service, and accommodate future projected ridership.

Shown here on the left is the east entrance of the existing station and on the right the west platform of the Harrison Station, which was constructed in 1936. The existing platforms and canopies have reached the end of their useful life. Additionally, the platforms accommodate only eight cars. And there are no escalators or elevators at the station.

Commissioner Mack: Well, this is true. We're trying to expand all of our platforms.

Michael DePallo: That's right, to accommodate ten-car train service…

Commissioner Mack: Okay…

Commissioner Mack: This would go along with what we - what we're planning, okay.

Michael DePallo: Absolutely. There are currently a number of developers who have begun construction and others are planning to execute projects of a substantial scope in the area adjacent to the station. The 250-acre industrial site surrounding the station is currently being developed for 6,500 residential units, 4.6 million square feet of retail and office space, and 200,000 square feet of entertainment space and hotels.

In addition to the daily commuters that park and ride and reside in the area, a 25,000-seat soccer stadium is currently under construction. The station design will consider capacity requirements for the stadium events as well.

The existing station will not meet the increased demands associated with this growth. Projections indicate a 343 percent increase in a.m. peak hour ridership by the year 2027.

Commissioner Mack: Well, let me ask you a question.

Michael DePallo Yes?

Commissioner Mack: Do you - do we have a need for this right now? When I say now, how is the passenger count?

Michael DePallo: Well, right now, we have about - on a daily basis, we have about 6,200 passengers at the station. So right now, we're okay.

Commissioner Mack: Right.

Michael DePallo: But in the future as this development goes on…

Commissioner Mack: (Inaudible).

Michael DePallo: …we're going to need to expand.

Commissioner Mack: Very good. That's what planning is for. Okay.

Commissioner Bauer: Excuse me. And you mentioned that it would be a 343 percent increase?

Michael DePallo: Yes, by 2027.

Commissioner Bauer: That's amazing.

Michael DePallo: Yes.

Commissioner Bauer: And when's the last time - this…

Commissioner Mack: '34 he said.

Commissioner Bauer: This station has not been - has not had any improvements at all?

Michael DePallo: Not - no significant improvements since it was built.

Commissioner Mack: Yes, it was '34?

Michael DePallo: 1936

Commissioner Mack: '36. I'm off two years. I don't think that we have a problem with this.

Commissioner Bauer: No. I mean, is - and there's a lot of economic development that's going on there with the stadium, the arena, everything else.

Commissioner Mack: And we want…

Michael DePallo: Right.

Commissioner Bauer: Good.

Commissioner Mack: And we want to help that.

Commissioner Bauer: Good, good.

Commissioner Mack: And especially the platforms because we will do - we need this for the expansion.

Michael DePallo: Absolutely.

Commissioner Mack: Okay. And you want us to okay…

Michael DePallo: Send this to the Board.

Commissioner Mack: Right. How many - what's…

Michael DePallo: It's $5.7 million (inaudible).

Commissioner Mack: $5.7 million, okay. Christy, do you have any problem with this?

Commissioner Ferer: No.

Commissioner Mack: Okay, that's my girl. Okay. You think it's a good idea?

Commissioner Ferer: (Inaudible).

Commissioner Mack: For us Jerseyites too, it's good. No, actually it's good for everybody because future planning that we know what to do with. Okay, so we'll send that to the Board. So all of these items we'll send to the Board. Is there anything else that we can bring up that have - of interest on a capital scale. Well, in that, everyone have a great weekend and thank you and we'll sign off. Thank you very much.

The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Transcript
April 24, 2008

Commissioner Sartor: Good morning. We are going to start. Today's meeting of the Committee on Capital Programs/Agency Planning will be held in public session in its entirety. In addition this meeting is being broadcast live on the internet via the Port Authority's website for those interested in viewing today's proceedings remotely.

We have one item for discussion. John Drobny, why don't you start.

John Drobny: Thank you Commissioners. Commissioners today I would like to present to you an item that would authorize planning and design services for improvements for certain roadways serving the North area of Newark Liberty International airport and Port Newark. The shipping industry has experienced 110 percent increase of container throughput in the last 10 years, and it is forecasted to grow at a rate of 5 percent to 7 percent per year. Presently 80 percent of the Port's facility is cargo, moves via truck on roadway systems that are already congested. The 2 main access points to Port Newark and the Elizabeth Port Authority Main Terminal are illustrated on the map. As you can see these locations are in the vicinity of Newark Liberty International Airport at both the north and south entrance/exit. North and south – north is going this way.

The south location issues to the Port are being addressed in a previously authorized project, North Avenue Corridor improvements authorized December 2006 by the Board. The North location which is the subject of the Planning Authorization today includes Port Street and Brewster Road which currently exceed capacity at peak hours causing traffic congestion to the north area of the airport. That is where we are going to be focusing.

Shown here are some close-up photos of the existing queuing conditions on Port Street, which is the major connector to the Port. With the continuing increase in traffic to this area, these queuing conditions will continue to worsen if we do not proceed with roadway improvements to this area. As illustrated here in the photo on the left, the section of Port Street reduces from 3 lanes to 2 lanes; I will show you on another map in a few seconds. The 2 lanes and width in both directions just west of the New Jersey Turnpike over passed the Port Newark which is contributing to traffic congestion throughout Newark Liberty's north area intersections at Brewster Road. Here is a more specific one.

The aerial photograph presents the current layout of the Newark Airport north area entrance/exit ramps. And down here, would be, Commissioners, exit 14A off the Turnpike. This intersection also serves truck access to the airport north cargo area and our airport customers who utilize Parking Lot 6 which provides for 4500 parking spaces at the airport. As interim measures we have installed traffic delineators to guide vehicles through the intersection and increased signage in the area. We will continue to put in place interim measures as necessary until completion of the proposed project. This Planning Authorization would provide for planning and design services for three major items: widening and realignment of Port Street. As you can see it goes from 3 lanes to 2 back to 3. And relocation of the entrance/exit toll plaza, two areas, in the

vicinity of the Brewster Road and the lot to accommodate impacts to Brewster Road resulting from the widening of Port Street, and demolition of the existing vacated gasoline station to provide additional property for intersection. Up here, the gas station.

Commissioners today your authorization is requested for $2.5 million to advance the planning for the Newark Liberty International Airport and Port Newark improvements to the north area roadways and Port Street Program. This program which is included in the agency's Capital Plan will improve vehicular capacity in this area by approximately 33 percent, thus reducing travel and idling time, reduce overall fuel consumption, improve air quality and enhance roadway safety and the level of service to our port and airport customers. We anticipate planning for this project will be completed in 2009. Commissioners I request that you advance this item to the Board for full approval today.

Commissioner Mack: Before we do that, before I give my approval, are we going to have proper signage so that the people that are using that not only for the airport but for any other; I'd like to make sure that we put in the proper signage so that –

John Drobny: There has been some improvements – we previously did the signage down here, which is the north entrance coming in from Port Newark Elizabeth that overthrows the airport for the truck traffic. But we will be further investigating as part of this planning authorization.

Commissioner Mack: I would like to see that, especially when you have people coming from upstate New York into the airport. So if they can – or anywhere, whether it is from south Jersey or, wherever they are coming from, just when they are on that road, don't know where/what they are going to do and what should be done – turns and stuff like that.

John Drobny: It will be included and we will make sure that we do exactly as you said coming off the turnpike –

Commissioner Mack: It's good for all of us. That's all.

John Drobny: That exit right there is exit 14 off the turnpike so –

Commissioner Mack: I use it. That's what I'm saying about the signage – I use it. It comes on too quick.

John Drobny: That's one of the results we will be coming forward with.

Commissioner Mack: Yes, okay, thank you.

John Drobny: Thank you.

Commissioner Mack: I'm in favor.

Commissioner Sartor: Ginny, anything?

Commissioner Sartor: John, $2.5 million, that's a lot of money. How many consultants do you see involved, what kind of consultants are going to be involved. Is there any staff dollars in that $2.5 million.

John Drobny: These are the soft costs – about half will be our staff time, about half will be consultants.

Commissioner Sartor: Alright.

John Drobny: And they will be doing the work, the types of consultants are more the structural/civil engineering type for the roadway and environmental work up there for the cleanup.

Commissioner Sartor: Structural for what.

John Drobny: Well for the roadway intersections and the connections. More civil engineering I should say.

Commissioner Sartor: Civil.

John Drobny: Civil.

Commissioner Sartor: What about lawyers, legal fees, anything like that, or would that be –

John Drobny: Not in this number. We have some internal costs but they typically would be charged from our lawyers to G1 which is – there will be some environmental work because of the cleanup of the gas station, but relatively very small.

Commissioner Sartor: Okay, when you award this contract, does it come back to us for approval. Or are you just going to award the $2.5 million. How does that work.

John Drobny: This is in planning, but this will not come back – we are using the call on consultants that we already have authorized.

Commissioner Sartor: You are going to use call in okay.

Frank Lombardi: You are talking about the construction contract Commissioner.

Commissioner Sartor: No, no, construction will come back. That I know, Frank. I was – in terms – using call in consultants. You've got them right off the list, that's fine. Okay, I don't have any additional questions.

Commissioner Bauer: I just, you may have answered this already. What is the time frame again? How long did you say this would be.

John Drobny: This will go to mid 2009. The project total is 2012.

Commissioner Bauer: Thank you.

John Drobny: But it is an important project, especially for Port traffic.

Commissioner Mack: Oh, there's no doubt about it.

John Drobny: And a great example of the collaborative efforts from our part between Port and Aviation departments.

Commissioner Mack: Mr. Chairman, I will move it.

Commissioner Sartor: Yeah, I'm not sure we need to vote – just move it on to the full Board. Okay, thank you. And I guess we will adjourn. Thank you again.

The Port Authority of New York and New Jersey
Committee on Capital Programs Transcript
May 22, 2008

Commissioner Sartor: -- public session in its entirety. In addition, this meeting is being broadcast live on the Internet via the Port Authority's website for those interested in viewing today's proceedings remotely. Michael, kick it off.

Michael DePallo: Good morning, Commissioners. I'm here today to discuss a planning authorization for the PATH duct bank replacement program at an estimated cost of $7.6 million. This state of good repair project is a major project in PATH's $3.3 billion upgrade of the PATH system that is necessary to enhance and maintain PATH's aging infrastructure and thus provide a safe and reliable transportation system for our patrons.

The duct bank system runs on both sides of each tunnel and carries positive and negative DC traction power cables and emergency ventilation system power. The scope of the project includes the replacement of all tunnel duct banks and associated power cables that feed the PATH power distribution network.

The PATH tunnel system contains approximately 143,000 linear feet of duct banks throughout the system. After 9/11, approximately 25,460 feet of duct banks were rebuilt and all cables replaced in Tunnels E and F between World Trade Center and Exchange Place. The remaining duct banks are from the original construction of the system. They are approximately 100 years old, and many of the power cables for operating this system today run through these ducts. Replacement of the cables in the past have been hindered because duct banks are fragile and water seepage, and resulting sediment have clogged the ducts to a point where they are no longer serviceable.

The replacement of the duct banks and cables would ultimately enhance the reliability and maintainability of the railroad. Planning will commence immediately with this authorization, with completion by December of 2009. Staff plans to seek project authorization, also in 2009, and it is anticipated that the phased construction of the new duct bank system would begin in 2010 and would come online in stages starting in 2016 until it is complete. And Commissioners, I request that you advance this item to the full Board for approval.

Commissioner Sartor: Any questions.

Commissioner Bauer: No. You said they haven't been replaced in a hundred years.

Michael DePallo: They're the original duct banks, yes, in the system.

Commissioner Bauer: Really. I think it's about time.

Michael DePallo: Okay.

Commissioner Sartor: Okay, thank you. Meeting is concluded. Thank you.

The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Transcript
June 30, 2008

Commissioner Sartor: The Committee on Capital Programs/Agency Planning will be held in public session in its entirety. In addition this meeting is being broadcast live on the internet via the Port Authority's website for those viewing today's proceedings remotely.

The one item we have on the agenda today for discussion is with respect to the Exchange Place Station and with Grove Street Station, capacity with respect to and station modernization with respect to Grove Street, emergency egress with respect to Exchange Place. Michael DePallo.

Michael DePallo: Good morning Commissioners. I'm here today to discuss planning authorization for two projects. First is to provide an emergency egress stair at the Exchange Place Station at an estimated planning cost of $5.5 million. And, two, to provide for capacity enhancements and station modernization at the Grove Street Station at an estimated planning cost of $6.5 million. These projects are major projects in the PATH $3.3 billion upgrade of the PATH system that is necessary to enhance and maintain PATH aging infrastructure and provide a safe and reliable transportation system for our patrons.

The PATH to Newark/World Trade Center line is currently designed to accommodate 8-car train operations. At Exchange Place there are currently two means of egress from the platform to street level. This configuration is currently in accordance with the National Fire Protection Association or NFPA 130, based on existing capacity. When 10-car train service is implemented on the Newark to World Trade Center line these existing means of egress will no longer adequately support the increased capacity generated by 10-car train operations.

The scope of work for this project includes preliminary design for the construction of an additional emergency egress staircase from the platform to street level in order to comply with NFPA requirements.

The scope of planning work includes geo-technical survey, conceptual design, and preliminary design at an estimated planning cost of $5.5 million. Planning for this project will commence immediately with this authorization and will be completed by March of 2010. Staff will then seek project authorization.

The second planning authorization is for capacity enhancement and station modernization at the Grove Street Station. This project has three components; one, is platform extension to accommodate 10-car trains; two, the inclusion of Americans with Disabilities or ADA access from street level to the platform level in the form of elevators and also station modernization improvements.

The existing platform at Grove Street Station cannot adequately accommodate 10-car train operations. This scope of work for this project provides for the extension of platforms to accommodate 10-car trains for the Newark to World Trade Center service. Due to the substantial scope of work for this project, Federal Transportation Administration or FDA regulations require

the station to be ADA compliant. This project will provide an elevator from the street to the mezzanine level and a second elevator from mezzanine to the platform. Additionally, station modernization improvements will be incorporated into the project and will include but not be limited to new flooring and tactile platform edging, lighting, public address wall treatments and signage.

The scope of planning work includes survey work, conceptual design and preliminary design at an estimated planning cost of $6.5 million. Planning for this project will commence immediately with this authorization with completion scheduled for March of 2010 and then the staff will also seek authorization in 2010.

Commissioners, I request that you advance both of these items to the full board for approval.

Commissioner Mack: Let's move it forward

Commissioner Sartor: Any questions. Okay, move ahead.

Michael DePallo: Thank you.

Commissioner Sartor: You're welcome.

Susan Bass Levin: Let me just say this, you are doing a great job on the capacity and modernization program. It involves people from PATH, from engineering, the project management team, and they really have done a great job in terms of understanding what their needs are, developing a schedule, a budget, working with the local community under very difficult circumstances.

Commissioner Bauer: Has PATH ridership increased dramatically over the escalated gas prices?

Michael DePallo: Yes, we see right now so far this year we are seeing about a 6.5 percent increase over last year. So we are seeing an increase.

Commissioner Sartor: I just want to pick up where Susan left off also and complement you and your staff for what you have done down at the World Trade Center site in interacting with the project team down there.

Michael DePallo: Thank you.

Commissioner Sartor: Again, very difficult circumstances that you guys have – you are the client and you have been good. Thank you.

Michael DePallo: We always try to be part of the team and do whatever we can.

Commissioner Sartor: You are doing that.

Michael DePallo: Thank you.

Commissioner Sartor: Thank you, Michael, you are doing a good job.

Susan Bass Levin: One of the things that PATH is working on is a mural display that will go in all of the stations. I think you have seen parts of it, but the idea will be to look at both the current PATH and the future PATH so that as riders come into the station and they are seeing work getting done, they will know what the work will look like at the end of the day as well.

Commissioner Mack: Making a comment on the ridership, it seems that all of the suburban rails are up about 6+ percent. As gas goes higher we have to continue to make sure that we can accommodate this growth and this modernization couldn't come at a more crucial time. While I was in California last week that is all they were talking about was the extra heavy ridership in LA with the BART and so forth. So that is a similar situation, similar to PATH. BART was also, up 6 percent last month; that is what they were quoting.

So it seems to be across the board in the country and I think it is very important that we do this and keep up the good work so we can get it done as quickly as possible.

Commissioner Sartor: Michael, we have a few minutes. Maybe you could just give us an update as to the status of the new PATH cars.

Michael DePallo: Right now, as a matter of fact last week we received our first 8 pilot cars. And right now they are at Harrison shop and they are going to be going through an extensive testing program. It is a 6-month testing program and at the end of that then we are hoping to be able to start getting in the production cars coming in early next year. So it is moving along really well; we are right on target and we should have the delivery of the entire fleet of 340 cars in March of 2011. So we are right on target so far.

Commissioner Sartor: Thank you. Any other questions or comments? Thank you, Michael.

The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Transcript
July 24, 2008

Commissioner Sartor: Good morning. Today's meeting of the Committee on Capital Programs/Agency Planning will be held in public session in its entirety. In addition this meeting is being broadcast live on the internet via the Port Authority's website for those interested in viewing today's proceedings remotely.

And for discussion today we have Port strategic planning discussions, now our Deputy Executive Director.

Susan Bass Levin: I'm here today with Rick Larrabee who is the Director of the Port Commerce Division. And we wanted to talk with you to brief you this morning about one of Port Commerce's recent initiatives which will establish a business context for future decisions on Port development.

I want to say, first of all, that there have been many people in Port Commerce in Real Estate and in Planning who have been involved in this effort. So although there are only two of us here there is actually a very large group across the agency that has been involved in this initiative.

The initiative recognizes that we have had significant growth in the past five years in the Port's container volume which has grown about 30%, although we are certainly seeing now a bit of a turndown in that market.

Our goal is to continue to grow the capacity of the Port to handle an expected annual average growth of 5% which will lead to the doubling of cargo in the next decade. We have and will continue to invest thanks to the Board's support a significant amount of capital dollars in Port related infrastructure which are certainly necessary in order to keep our Port state of the art, continue to provide jobs and economic opportunity for the entire region.

Most of you on the Board are probably aware that over the recent years Port Commerce has engaged in significant planning efforts, the most recent of which was a $5 million, 5-year comprehensive Port improvement plan called [C-PIP] which was completed in 2005. It was undertaken by a consortium that included the Port Authority, the States of New Jersey and New York, the City of New York, the US EPA and the Federal Highways Administration. However, just actually since 2005 many of the important drivers that impact our planning and decision making process have changed and we want to make sure that we stay current and in fact stay ahead of the tide, so to speak.

International trade has grown much faster than we originally thought, and that has certainly been a good thing. Ocean carriers have built vessels of 15,000 20-foot equivalent unit capacities, which are much larger ships than we would have anticipated if we look back. We are facing oil prices of course that are twice as high as just a year ago, a factor that is forcing major importers and exporters to rethink their logistics and distribution philosophies and processes, again impacting our ports.

International infrastructure funds are investing significant dollars in our ports which is causing the price of land actually to increase exponentially. And we certainly recognize that any development activity needs to focus on environmental and community impacts. We want to be good neighbors in the communities where we have our ports.

All of these factors and Port Commerce's commitment to continuing to build the business has caused us to be smart about our future, to think smart about our future, and so Port Commerce is undertaking a strategic business assessment. No Board action is needed on this. These funds are in the budget. So I am here today with Rick really just to brief you about the fact that we are starting this and we will continue over the course of the next couple of months to come back to you as we get information.

We have retained the firm of Halcrow, Inc. to assist. They were chosen through a competitive process from a field of 5 pre-qualified firms. They will be looking at all of our previous planning efforts so that we don't duplicate what has already been done. They are very knowledgeable in the field. This will provide a context for ongoing decisions on port land use, on development and leasing issues as the Board has suggested in the past, to really have a comprehensive understanding of the situation that surrounds us.

As part of the land use assessment that Commissioner Steiner frequently talks about, we will be looking at how we optimize our current land, how we use land in the best possible way so that we have water uses close to the water, for example, that we move warehousing to places that might be more appropriate, that we look at the Port also as an economic engine and driver.

The goal is that these decisions will lead to a financially and environmentally sustainable development of the Port that continues to promote economic development. Now I mentioned that the previous plan took 5 years. We started this by saying this plan will not take 5 years. It is a much more well-defined strategic business planning effort and we intend for the assessment to be completed by the end of the first quarter 2009. Therefore, we will be able to incorporate the results of that plan in the 2010 budget and capital plan updates. Now we can do this in part because Port Commerce already has the basic working information. We are not starting at square one here. But rather we have a lot of this information; we will be working directly with a consultant as opposed to the consultant doing something separate from us. Our staff in Real Estate and Planning, as well as Port Commerce will be integrated with the consultants. They will also be meeting with many of our tenants and Port operators, and so we will be announcing this to the trades so that they know and will understand what this is about.

And then once we complete a needs assessment, which is really our sort of first step here, we are going to look at demand and capacity, how much container space will we need, what does the auto market look like, what does the bulk market look like. And once we complete the needs assessment we will look at a cost benefit analysis to figure out what the synergies are because we are a Port Authority of New York and New Jersey and so we are looking at the benefits to our surrounding communities as we measure what the costs are as well.

So finally let me just say that our goal here is to be proactive, to look ahead in time and make business decisions based on what we think the economic climate will be. We need also to

recognize that environmental concerns are very different today than they were 20 years ago and this Board in fact has been very clear about its commitment to sustainability policies, greenhouse gas emissions, and those issues will also be factored into this study.

We will also be coordinating this with our examination of the Bayonne Bridge assessment that the Army Core is doing with us. The real goal here is to provide a solid foundation to make informed decisions as we continue to grow our Port.

I want to just close today by recognizing how much information we already have here at the Port Authority, combining that in-house knowledge with consultant expertise I believe will give the Port Authority and the Board a framework with which we can really build our Port operations into the future. Any questions?

Commissioner Ferer: I do have a question. Concerning the economic climate might substantially reduce the amount of activity especially on the import side, how are we flexible – do we have any flexibility in how we are operating?

Susan Bass Levin: Well we are seeing on the import side in the last six months I guess a downturn. We are seeing exports though still being solid. And we recognize too that this market just as in any market has ebbs and flows. I think one thing that is interesting is our Port has actually done better than other ports in this past six months, which is a good thing. What I think we need to do though is make sure that we are planning ahead rather than planning for the downturn.

Now we are a landlord port so we have tenants, which in some ways helps share the risks, so to speak. But let me just say, and then I am going to ask Rick to address some of this too – I think one of the issues that we need to look at, in some ways it is outside this study, but they are already doing it is how do we make our Port operations more efficient, which is I think partly to what you are saying. How do we make sure and that we are already doing some of these that we are getting new equipment in, that we are doing things like making sure that trucks don't idle, for example, we structure gate times so that you have an efficient Port operation. Because if you talk to operators, if you talk to the shippers, that's what they care about. Time is money to them, too.

We are blessed with an excellent location which really does continue to help us even in this downtime. But we also need to look at how do we build better, for example, on auto marine instead of having cars all just parked outside, how do we do better with parking garages and the equivalent of stack parking and things like that, all of which, some of which are outside the scope of this assessment, but many of which are inside the scope.

Commissioner Ferer: What are your consultants saying about the impact on Port activity, the impact on Port activity due to the rising cost of oil, because that may not go down dramatically any time in the near future?

Susan Bass Levin: Well let me just make clear, we are literally just starting this project, so we don't have any information yet from the consultants –

Commissioner Ferer: So that would be a good thing to look at –

Susan Bass Levin: But that is certainly something that we are looking at. I'm going to turn this to Rick in a moment, but one thing that I think will happen is ships just get bigger and bigger and bigger. Rick?

Rick Larrabee: To address the first question, I mean Susan has done a great job of sort of laying out the big picture here. And it basically is that things are changing rapidly, and the cost of bunkers and the cost of fuel in general and energy has gone up dramatically and that wasn't predicted 5 years ago. So clearly there are things that are changing.

What drives cargo growth is really two things. One is the overall economy and that is sort of the rising tide raises all boats. But the other one which is a little bit more subtle is the fact that today in the region that we serve, the 10 states around the Port, we still compete pretty vigorously with ports like Los Angeles and Long Beach. Susan was out in Long Beach, or in Los Angeles last week and the reality is that they are having their own problems. And as they have problems and they control right now about 45% of the total containerized cargo in the country, that cargo tends to move out of that port and into other places. And so we benefited greatly from something called All Water Services. Cargo that would have gone to Los Angeles or Long Beach 5 years ago is now staying on a ship, going through the Panama Canal or the Suez and coming directly to New York to where the market is.

Commissioner Ferer: It's cheaper for them to do that to go by train or by truck.

Rick Larrabee: Because land side transportation costs are going up more rapidly than water borne costs, and as Susan said if you put that cargo on a larger ship it is a more efficient way to move it. So when we looked at that picture earlier of the Emma Maersk next to a smaller ship, that smaller ship was the design ship for our 50-foot channel.

Susan Bass Levin: Could you just go back to that slide because I think that is worth repeating, I didn't mention.

Commissioner Ferer: So our business could actually increase as the cost of oil increases?

Rick Larrabee: Exactly. And if you consider the fact that the Panama Canal has now decided to expand its capacity to 12,000 TEU ships. This is the ship that we designed our 50-foot channel. This is an 8,000 TEU ship. This is the Emma Maersk. This dwarfs that ship. This ship carries between 14,000 and 15,000 TEUs. So you can see –

Susan Bass Levin: It's double.

Rick Larrabee: So you can see what the industry has done. And what has happened is, as the larger ship gets into service its requirements for fuel and other costs don't go up as much, and so the per unit cost of moving goods actually goes down. So the trend in the industry is in that industry.

Susan Bass Levin: Of what was on the slide that I didn't specifically mention it, one of the changing factors is the Panama Canal, and by 2014 you will have a widened Panama Canal. So that impacts as well the ships that will be the size of the ships coming through the Panama Canal. We want to make sure that we are ready –

Commissioner Sartor: Isn't one of our limiting factors though the other item that you mentioned, the Bayonne Bridge?

Susan Bass Levin: The Bayonne Bridge, yes.

Commissioner Sartor: And what are our thought processes associated with that. In a short period of time, I mean 2014 is here, do we have any ideas?

Susan Bass Levin: Well we are now working with the Army Corps of Engineers to do a study which is essential in order to have any chance of getting federal funding for the project. And Rick has been very diligent in terms of working with the Army Corps to help move that study along.

That will then examine what the various alternatives are. Now just to make the point, at 2014 it is not as though every ship will be a big ship. It will increase over the course of time, and so it is true, we won't be ready at 2014, but I think Rick and I are in agreement that we need to be ready and we will be coming back to the Board with proposals for what needs to be done for the Bayonne Bridge. Because that very significantly impacts the Ports of Newark and Port Elizabeth.

Rick Larrabee: Just a couple of other thoughts. The Emma Maersk will likely never come to an East Coast port.

Commissioner Ferer: Why?

Rick Larrabee: It is most likely going to be between Asia and Europe or Europe and the US West Coast. It is just because of the volumes that are being moved at any one time. Those trades are much higher volume trades. But the reality is that that 8,000 TEU ship is going to want to come here as soon as possible. There is the Bayonne Bridge, and there are a couple of other factors, one is the depth of the water which you are well aware of we are working on; the 50-foot channel will be finished by about 2012. The other factor is our rail capacity because as the cost of fuel goes up, more and more cargo wants to go on rail. And our rail business continues to grow at twice the pace of our container business?

Commissioner Sartor: Now we can handle an 8,000 TEU ship now.

Rick Larrabee: We can handle some of the 8,000 TEU ships. That ship we can handle; that was the design ship. So its air draft is consistent with the Bayonne Bridge.

Susan Bass Levin: We are also working with the Corps on some initial exploration of perhaps dredging to 60-feet in places. So that conversation is going on now as well. We don't have

funding for that yet of course, but again I think you see Port Commerce looking ahead to what is going to be needed. It is likely we will be back to you all with more information and requests. Is that okay, Steve?

Commissioner Bauer: I only have one comment. I think you know I am very, very supportive of this study because I really feel the ports are the key and the nucleus to economic development in the region. And as Susan mentioned and certainly Rick is well aware, we are an ideal location and what do we have a mass of over 100 million consumers in our vicinity, I think it is absolutely essential that we do whatever we can to maximize the use of the ports and in light of the volatile oil prices and certainly we know it is an international global market place now, I think it is in the best interest of the Port Authority to really focus on this and to do whatever we can to support the usage. And I'm happy to see that in light of this tough climate we are still doing pretty well which is good. Our exports are up with the dollar devaluation, correct?

Rick Larrabee: Yes.

Commissioner Bauer: Even though the imports are down a little, so that is encouraging. So I just wanted to voice my support.

Susan Bass Levin: Thank you.

Commissioner Sartor: Anything else? Any other questions or comments? If not, motion to adjourn. Thank you.

The Port Authority of New York and New Jersey
Committee on Finance Transcript
October 18, 2007

Commissioner Silverman: -- This meeting is being broadcast on the Internet via the Port Authority's website for those interested in viewing today's proceedings remotely. We have one item for action. The topic is purchase of public liability insurance, and Anne Marie Mulligan will present it to the committee.

Anne Marie Mulligan: Good morning, commissioners. At today's meeting, I'm seeking the committee's authorization to renew the Authority's public liability program for one year, effective October 27th. This slide provides a summary of the expiring program. Marsh, the Port Authority's insurance broker, will be continuing to work with the various carriers on the program structure through next week's renewal date.

As you know, the program is divided into two portions -- the aviation and the non-aviation portion. On the aviation side, the current limits of coverage are $1.25 billion per occurrence and in the aggregate for both aviation liability and aviation war risk, which is full terrorism coverage. The self-insured retention is $5 million per occurrence.

For the renewal, capacity is expected to remain at similar levels. Marsh is refining certain layer structures and carrier participation to increase competition in an effort to reduce overall cost. On the non-aviation side, the current limit of coverage is $825 million per occurrence and in the aggregate. The self-insured retention is $5 million per occurrence and the Port Authority currently retains 20% of the first $25 million in its purchase coverage.

Marsh has received indication from various markets of extending the renewal program to $925 million per occurrence and in the aggregate, with the same $5 million self-insured retention and with the Port Authority retaining 30% of the first $25 million of the purchase layer.

Terrorism coverage is provided on the non-aviation program for both foreign and domestic acts of terrorism, specifically $250 million of Terrorism Risk Insurance Extension Act of 2005, TRIEA coverage, is placed through PAICE, the Port Authority's insurance captive entity, and $135 million of domestic terrorism is purchased in the lowest layers of the coverage.

For the renewal, TRIEA coverage will continue to be written through PAICE at the expiring levels. Domestic terrorism will be purchased in the same layers of coverage as well, but it's expected that the limits will be decreased. If TRIEA is extended as anticipated, the difference in the foreign and domestic terrorism limits will cease on December 31st as the proposed extensions contemplate domestic terrorism being added to the federally backstopped program.

Yesterday, a Senate panel approved a revised version of the House bill that extends TRIEA for seven years and includes domestic terrorism coverage and contains changes to the deductible and the co-pay responsibilities. The full Senate is slated to review the bill next week.

As the public liability renewal is still more than a week away, this chart supplies anticipated placement parameters. Marsh continues to refine the participation and negotiate pricing. The

market indications to date have been positive, and it's expected that we will be able to obtain limits above the $825 million on the non-aviation at the same or slightly reduced cost, or attain lower pricing for the same limit.

There has been interest by the markets to contribute greater coverage limits in existing layers, or to participate in new layers of the program. Marsh feels that the increased competition has created new opportunities for structuring the layers and is levering these to obtain better terms for the agency. Based on the information presented, I'm requesting your authorization to purchase the renewal coverage at an estimated premium of $27 million, and consistent with prior renewals, we will notify the committee of the final terms of the placement once the renewal date occurs.

Commissioner Silverman: Thank you.

Commissioner Blakeman: Anne Marie, market analysts who study the insurance industry have pretty much said that we're in a very soft insurance market right now, and I'm wondering why we anticipate the annual premium will be more, considering that we're in a softer market now than we were before. Is it because of the agency; is it because of the type of coverage?

Anne Marie Mulligan: The market is softening, the Port Authority is more of a catastrophe risk than some other types of placements, but we're not anticipating greater premium. We're anticipating that the premium will be lower than our current premium that we paid for the 2006 program. And we also are optimistic that we will be able to get higher limits within a lower premium.

Commissioner Blakeman: Okay, so you might, in fact, be less than last year's program cost.

Anne Marie Mulligan: We might be less than last year, but we're asking for authorization to the last-year level until the final terms of the program are refined by Marsh and dealing with the underwriters.

Commissioner Silverman: Mr. Steiner, any questions from you?

Commissioner Steiner: Yeah, you'll be able to handle that authorization -- excuse me. Mr. Chairman, will we be able to handle that sliding authorization to give, so we don't have to come back and deal with this again?

Commissioner Silverman: Yes, yes.

Commissioner Steiner: Okay. Okay, thank you.

Commissioner Silverman: Yeah, we've done this annually. We've authorized an upper limit and the staff has come in every year with a lower premium than what we've authorized. Okay, we need a vote on this.

Commissioner Blakeman: So moved.

Commissioner Steiner: Second.

Commissioner Silverman: All in favor? Aye.

Commissioner Blakeman: Aye.

Commissioner Steiner: Aye.

Commissioner Silverman: Carried.

Anne Marie Mulligan: Thank you, Commissioners.

Commissioner Silverman: All right, thanks.

Commissioner Steiner: Move to adjourn?

Commissioner Silverman: Yes, that concludes the session.

The Port Authority of New York and New Jersey
Committee on Finance Transcript
October 23, 2008

Commissioner Pocino: Good morning everyone. The Committee on Finance is meeting here today in a public session. Today's meeting of the Committee on Finance will be held in public session in its entirety. In addition, this meeting is being broadcast live with the Port Authority's website for those interested in viewing today's proceedings via the internet.

We have an item for action today. It is the purchase of public liability insurance. And Anne Marie is going to give us the information we need.

Anne Marie Mulligan: Okay, good morning Commissioners. At today's meeting I am seeking your authorization to renew the Port Authority's public liability program effective October 27th.

This slide provides the summary of the expiring program as well as the anticipated renewal. This renewal represents the last year of Marsh's brokerage agreement with us. As previously discussed with the Committee, following this placement we will be going out with an RFP for brokerage services for both our public liability and our property damage programs.

The public liability program remains divided between the aviation and non-aviation portions. On the aviation portion, the current limits of coverage are $1.25 billion per occurrence and in the aggregate for both the aviation liability and aviation war risk, which is full terrorism coverage. And the self-insured retention is $5 million per occurrence. For the renewal, capacity is expected to remain at similar levels with a reduction in total cost.

On the non-aviation portion, the current limit is $1 billion per occurrence and in the aggregate. The self-insured retention is $5 million per occurrence, and the Port Authority currently retains 30% of the first $25 million in purchase coverage. For the renewal program, the structure will remain the same and Marsh will continue to seek a reduction in the overall cost of the program while maintaining the $1 billion capacity.

Terrorism coverage is provided on the non-aviation program for both domestic and foreign acts of terrorism. Specifically the program currently contains $250 million of coverage under the Terrorism Risk Insurance Program Reauthorization Act of 2007, TRIPRA, which is placed through the Port Authority's Captive, PAICE. As highlighted above, increased TRIPRA coverage of $300 million will be written through PA Ice as part of the upcoming placement. As the renewal is still a few days away, this chart supplies the anticipated program parameters. Marsh continues to refine the participation and negotiate pricing on all layers of the placement. Consistent with prior years, staff will furnish the Committee with the final program placement shortly after the renewal.

Based on the above, I'm requesting that the Committee authorize us to purchase the renewal program for the program at an estimated premium of $25 million.

Commissioner Pocino: Commissioners, any comments/questions?

Commissioner Chasanoff: How do we get the $300 million on the non-aviation?

Anne Marie Mulligan: The $300 million is the terrorism coverage that we are purchasing through TRIPRA. When we had looked to purchase it in the market, that was the most that had been available in the past. So we are now placing that through our insurance captive.

Commissioner Chasanoff: Is that the most we can get now?

Anne Marie Mulligan: Well, this is purchased through the captive, not in the insurance markets; it is not available in the insurance markets. So this is the amount that we are placing based upon the reserves in the captive to build up capital.

Commissioner Chasanoff: But this is the maximum amount we can purchase?

Anne Marie Mulligan: At this time, yes.

Henry Silverman: The $500,000 increase in the premium, is that entirely due to the increased TRIPRA, or is that spread out across some of the others?

Anne Marie Mulligan: That is the estimate based upon the cost of last year's program. Current indications from Marsh is that the program will come in under the $25 million. But because it hasn't been finally negotiated and binders signed, we were seeking approval at the $25 million limit, similar to what we have done in the past, and then we come back and let you know what was actually spent on the program.

We set an upper limit and come in less than that.

Commissioner Pocino: Commissioner.

Commissioner Pocino: Mr. Chairman, I'm not concerned so much as what we are paying for the premium, but who are we going to get the insurance from. Do we know that these are going to be substantial companies? For example you have AIG – are we doing business with AIG in view of their condition or any of these insurance policies? I just want to make sure that we have people that are going to be there when we need them. It doesn't matter what you pay for the coverage if it is no good.

And I'm particularly concerned about AIG.

Anne Marie Mulligan: The program includes a broad list of insurers across the various layers of the program. AIG in the past had provided approximately 20% of the coverage on this program. What we have done, even, all of the insurers on the program have ratings of at least A1-or better. AIG, the insurance products area is still highly rated, but just to diversify the range of insurers we have reduced their participation by about $75 million from the $200 million that they had on the program in the past with this renewal.

Commissioner Steiner: Thank you.

Commissioner Silverman: Anyone else? This is an item -- sorry, go ahead.

Commissioner Chasanoff: Do we have anything to say about the makeup of the insurance companies? Why don't we?

Anne Marie Mulligan: What we basically do is tap all of the available coverage in the global marketplace. So any firm that has capacity and is interested in writing the program, that is what we obtain to reach the limits that we purchase.

Commissioner Chasanoff: Can we delete one or two if we don't like it and have them removed and have them replaced?

Anne Marie Mulligan: We can have them removed. We can only replace them if there is another firm that steps up to take their place. They may not offer the capacity on the program.

Commissioner Chasanoff: So that we may then be –

Anne Marie Mulligan: Lower limits –

Commissioner Chasanoff: Lower limits or we have that gap in the program. So then what Commissioner Steiner, his concern is valid, isn't it, in that we may be insured by those companies that may not be up to our standards?

Anne Marie Mulligan: That's why we only will work with firms that are of the highest insurance category rating, A- or better by AM Vest which is the rating agency for insurance coverage in order to protect us that much more.

Commissioner Steiner: I would like to add that I don't really put much stock anymore into any rating agencies. And I have a lot of concern about AIG for a lot of other reasons internal to the Port Authority which I think maybe we could talk about later; why we should be doing business with them at all.

Commissioner Chasanoff: These decisions I assume are made by you and by other people in that department.

Anne Marie Mulligan: We work with our broker to identify the capacity in the market, look at what the strongest firms are in the market, where the capacity is available. And they develop the program reaching the limits that we are seeking.

Commissioner Chasanoff: Can I suggest please that prior to making a deal, prior to closing this deal, that you submit the names to the Board of Commissioners so that we might take a look at that? We might have some information or insights that perhaps you don't have and I would like to be consulted on that if possible.

Anne Marie Mulligan: Sure. We will provide –

Commissioner Chasanoff: Before we sign it.

Anne Marie Mulligan: Committee with the –

Commissioner Chasanoff: And let us see what the composition is. I think this is of significant value and I think it would be worthwhile if we could see that.

Anne Marie Mulligan: And we can provide you following this placement the names of all of the firms that are comprising the coverage limits on both the aviation and non-aviation side and the amount of coverage that it is providing.

And in the future we will let you know in advance who we expect to be working with for the actual placement.

Commissioner Pocino: As I understand – I'm sorry.

Commissioner Hochberg: Sorry. This is for one year and then we are looking after this to combine this with our property insurance?

Anne Marie Mulligan: We won't combine it with our property insurance; we are looking to seek one broker to represent us for both property damage and liability programs.

Commissioner Hochberg: And the choice of broker. Does that come up every periodic basis as well?

Anne Marie Mulligan: We issue an RFP for a broker service every 3 to 5 years. We renewed this program in 2004 at the time that the Attorney General of New York had problems with the insurance markets. We issued an RFP at that time. Marsh, who had had the program, was selected again.

Commissioner Hochberg: On a competitive basis?

Anne Marie Mulligan: On a competitive basis.

Commissioner Hochberg: In deference to the other Commissioner, forwarding the Board those insurance companies, does that present any impediment to you in operating? I believe in full disclosure but I also don't want to make it so cumbersome. So I just –

Anne Marie Mulligan: No, we can provide the information but it is the only firms that will provide capacity, but we can provide the names. It is ACE, Access, Munich-Ray, Swiss-Ray, and each one of them takes percentages of each of the layers making up the full $1 billion, 1.25 coverage.

Commissioner Steiner: I want to ask you, are there any of those insurance companies that we haven't made settlements with on the World Trade Center? Is there anybody we are still in litigation with?

Anne Marie Mulligan: Most of the insurance companies –

Commissioner Steiner: I would direct that our Counsel. Because I don't see giving money to people who are suing me or I am suing.

Darrell Buchbinder: I think Anne Marie knows the answer to that as well. The difficulty you are going to face both with Commissioner Chasanoff's question and your question is if you believe that this is the appropriate level of insurance that you want in the market, you are accessing the entire market. So to the extent that you make a value judgment at a level above, trying to do it on a ratings analysis, and a company's worth analysis, you begin to constrict the insurance that would be available to the Port Authority.

Commissioner Steiner: I didn't mean to say restrict, I just say allocate among different people, or in different proportions. Because if it is – I'm not suggesting. But I noticed that we automatically decided we changed the spread ourselves. I just think we ought to look at it and take into consideration that I think that is another way of bringing pressure on these people to be rational. What is the sense of having insurance with somebody is going to fight with you later on? I mean, don't get the insurance. You are not going to get paid from them anyway without a big hassle. That's just my business point of view.

Commissioner Pocino: Anyone else? Our task is to approve this recommendation today. So can I have a motion?

Commissioner Chasanoff: To approve this?

Commissioner Pocino: To approve the recommendation.

Anne Marie Mulligan: The recommendation is to renew the program at an estimated cost no higher than $25 million at the expiring limit.

Commissioner Pocino: We are actually authorizing the Executive Director, Chief Financial Officer and Treasurer to move forward on that.

Commissioner Chasanoff: Well, to the extent that, the request that I made, is that going to cause you terrific problem? Is that a major impediment to place –?

Anne Marie Mulligan: We can send you the list of the names later –

Commissioner Chasanoff: After you have done it or prior to it?

Anne Marie Mulligan: We can do it prior, but we typically notify the Committee of the final placement and placement costs once it is finally negotiated. The broker will continue to work until the renewal data to negotiate pricing down.

Commissioner Chasanoff: Are you sending us the list after the fact and telling us, this is what we've done? Or are you asking for our input?

Anne Marie Mulligan: We can send you the list. We can send you the list of the firms that we anticipate making up these limits –

Commissioner Chasanoff: Prior to making the deal?

Anne Marie Mulligan: It will be prior to making the deal.

Commissioner Chasanoff: Okay, so we've heard that we can get that information prior and then –

Anne Marie Mulligan: We can get it to you today, who we expect is going to be on there.

Darrell Buchbinder: That policy expires on…

Anne Marie Mulligan: Monday.

Paul Blanco: The 27th.

Commissioner Chasanoff: On Monday?

Anne Marie Mulligan: It is a renewal effective October 27th.

Commissioner Steiner: We always wait till the last minute; that's the way the business is done.

Anne Marie Mulligan: It is the way the market works.

Commissioner Chasanoff: That's the way it's done, I guess.

Anne Marie Mulligan: They won't bind or work with you –

Commissioner Silverman: I have been talking to staff about this on a regular basis.

Commissioner Chasanoff: You have?

Commissioner Silverman: That may or may not give you any comfort to have that.

Commissioner Chasanoff: No, no, it does. At least somebody has, that's good.

Susan Bass Levin: Well get you the list of names in the next hour or so.

Commissioner Pocino: To move on we need a motion to approve.

Commissioner Silverman: So moved.

Commissioner Pocino: Second?

All Commissioners: Aye.

Commissioner Pocino: All in favor?

Commissioners: Aye.

Commissioner Pocino: Thank you very much. I think that concludes, well, I think the Chairman wanted to visit us?

Commissioner Steiner: Is this the end of the public meeting.

Commissioner Pocino: Does not conclude the public session.

Commissioner Steiner: Is there anybody from the public here.

Anne Marie Mulligan: It's being telegraphed.

Commissioner Pocino: It's webcast.

Anne Marie Mulligan: The next slide. This slide here shows an allocation of the portfolio by investment type at the end of the third quarter and the return year to date. The far right corner represents the weighted investment yield at cost for the securities that are in the portfolio at September 30, 2008.

As of September 30, the investment balance totaled $3.9 billion, had a return of 3.21% and generated earnings of $83 million this year. The portfolio continues to primarily be invested in US Treasury notes and bills. And the use of Treasury bills increase this quarter by approximately $350 million due to the issuance of consolidated bonds and bond proceeds were typically invested in US Treasury bills or Treasury bills subject to repurchase agreements.

As the financial crisis developed, Treasury bills became very expensive as the market moved to the safety of US government instruments. Portfolio investments were adjusted through increased use of agency securities and commercial paper to try to maintain the return as much as possible without taking excessive risk.

As mentioned in the past for agency securities we only use federal home loan bank issues.

Securities under the repurchase agreements held as of September 30 had a very low return. All short term investments were in extremely high demand due to the global financial crisis, and this

was also compounded by the normal month end, quarter end pressure. Any investment related to Treasury securities fell to extremely low yield levels and since we require collateral of US Treasury securities for our repurchase agreements, this significantly affected the yield.

This slide presents the rates of returns over the last year as well as the adjustments to the federal funds rate during the same time frame. For the year we estimate that the average earnings rate for the overall portfolio will be about 2% to 2.25% based on a combination of existing holdings in the portfolio and the earnings rates at reinvestment. Earnings rates have been declining due to investments being made at the lower current market rates. The Fed reduced the Fed Funds Rate on October 8 by 50 basis points to 1.50%. Short term, high quality investments in particular have fallen quite dramatically due to the high demand for short, highly secure paper which is used to ride out this turmoil until yields return to more normal levels.

One week Treasury bills are currently yielding about 0.20% with commercial paper and agency securities of similar maturities yielding 1.10% and 0.30% respectively.

Commissioner Pocino Silverman: Commissioners?

Commissioner Steiner: Question. What is the effect of auction rate securities on that? Is that shown on there? Are we holding any auction rate securities on your list?

Anne Marie Mulligan: We are not permitted to and we are only permitted to invest primarily in US government securities and obligations of the States of New York and New Jersey and the operating fund can also invest in commercial paper of highly rated issuers. We don’t have –

Commissioner Steiner: I understand that but I thought we lost some money on the auction rate securities. We have money that we can't –

Anne Marie Mulligan: They were not holdings. They were obligations that we had issued as debt to fund capital projects.

Commissioner Steiner: Well how much did we lose on that?

Anne Marie Mulligan: Those, it's not that we lost money. We paid higher interest costs on them. The interest rates had gone above what was typically the cost of borrowing for them.

Commissioner Steiner: I must have misunderstood. I thought we were holding some that couldn't be sold and therefore it cost us money. Is that true?

Paul Blanco: I think we are confusing – the auction rate – we had about $700 million in auction rate bonds that we had issued. Those were refunded and taken out back in May. And what happens there is that the interest rate on the consolidated debt is higher than what we were paying on the auction rate debt; so it is probably going to cost us the higher interest expense, so about $14 million a year.

In addition we have VSOs that are outstanding that trade either daily or weekly. Some of those got tendered; about $72 million was tendered. And there were no purchasers for that.

Commissioner Steiner: That's what I am referring to.

Paul Blanco: They went to the liquidity facility where they were held and then got remarketed on September 24. But those are debt instruments, these are Port Authority investments.

Commissioner Steiner: Okay, is it appropriate to talk about debt instruments now?

Paul Blanco: Yes we can.

Commissioner Chasanoff: Well how much did we lose on the debt instruments?

Commissioner Silverman: You can talk about anything you want.

Anne Marie Mulligan: We didn't lose the interest.

Commissioner Steiner: And that's not true; if nobody takes the VSO. The reason I am saying that, many of the investment houses that sold us VSOs and auction rate securities to private people are now reinvesting, reimbursing the investors for what they lost. But it hasn't gone to governmental agencies yet. There is a program that Cuomo has been after them to have them make good, and they have made good for personal.

When I saw the Attorney General, I said why not us. He said, "Well they haven't gotten to us." But I don't want to press him if we really had no loss. I don't see why the agency is, any agency or authority of the states' isn't treated the same way as individuals by the people like Goldman Sachs and what have you. I know I have gotten mine back but it was a big fight. Now I don't understand why we shouldn't fight to get whatever we lost back.

Commissioner Steiner: Well principle. I'm worried about the principle.

Anne Marie Mulligan: Ours have been redeemed and there are none outstanding.

Commissioner Silverman: We paid higher interest for a period of time than we anticipated. It's a P&L issue, but I don't think there is anybody to look for redress from except ourselves. We made a decision to issue those securities. (Inaudible – microphone inaccessible).

Anne Marie Mulligan: That is over; that contract is over.

Commissioner Chasanoff: They will become commissioners now. May I ask – I'm sorry – may ask you about this preceding slide. Could we go back to that for one minute?

Anne Marie Mulligan: Sure.

Commissioner Chasanoff: In terms of where our investment lie. I think there is $267 million in commercial paper. And if I read it correctly, and $165 million in JFK International Air Terminal obligations. Why are we in those? Why are we not in, given conditions today, why are we not in more secure investments?

Anne Marie Mulligan: The commercial paper that we were holding as of September 30 was GE commercial paper which is AA rated or better. We only invest in commercial paper issuers of AA or better. So they are highly rated, secure investments.

Commissioner Chasanoff: Well we are getting 2.6% on that and we won't get far less if we put it in government agency obligation, and certainly that is a lot more secure than AA would be today, wouldn't you think?

Anne Marie Mulligan: The agencies now, the yields on agencies are down around 20 basis points. This was as of September 30. The market has been shifting and agencies, the earnings rates have dropped.

Commissioner Chasanoff: I'm sure of that. But they have dropped for a reason. And that is the reason that I think we should contemplate.

Let me ask you about the JFK International Terminal Obligations. How do you qualify those?

Anne Marie Mulligan: Those obligations is basically the Port Authority, when JFK IAT in 2000, it was back in 2000, it is additional monies that were lent to JFK IAT by the Port Authority for them to complete the construction of Terminal 4 at JFK. When the agreement was made, the rate was set at the 6.5% for the term of those obligations.

Commissioner Chasanoff: How long?

Anne Marie Mulligan: It's a long term obligation –

Commissioner Chasanoff: It's a long term obligation?

Anne Marie Mulligan: It's a long term obligation that JFK IAT has been making periodic payments to us on an annual basis, and that will complete in 2025.

Commissioner Steiner: That’s interest and amortization?

Anne Marie Mulligan: Yes, they are paying 6.5% interest and repaying the obligation over time.

Commissioner Steiner: And how is that secured?

Anne Marie Mulligan: Through the revenues of the Terminal 4 JFK IAT.

Commissioner Chasanoff: And how would you classify their value?

Anne Marie Mulligan: Because they don't trade in the market, their market value is the actual amount of the obligation owed to us.

Darrell Buchbinder: (Inaudible – microphone inaccessible).

Commissioner Chasanoff: Now, Terminal 4 – is that the new terminal that we have just built? That's the international. So we have extended more credit to them, is that what you are saying?

Anne Marie Mulligan: In 2000. It was to complete the construction.

Commissioner Chasanoff: So from my vantage point, I would say that the $6 million or whatever that is, how much is that? 2 point –

Anne Marie Mulligan: $164 million.

Commissioner Chasanoff: $164 and $267, so that is about $420 million of securities that I don't classify as being of the utmost security. You can't do anything with the $164 million I take it, but can't we do something with the $267 million?

Anne Marie Mulligan: We are investing in it, in the types of securities that become available in the market. Given the global crisis it is difficult finding short term obligations with reasonable yields. So we do invest in it so that this way we do earn a yield on it and also if the cash is left in the bank it is uncollateralized.

Commissioner Chasanoff: All I'm suggesting, I'm just talking from a personal point of view, is that in this day and age and these times, I would be much more concerned with holding on to the principle and wrapping my arms around the investment rather than the extent of the interest.

And I see Commissioner Steiner shaking his head as well.

Anne Marie Mulligan: The commercial paper is very short term obligations. Typically we only hold the commercial paper for 2 to 3 days at a time.

Commissioner Chasanoff: Well 2 or 3 years now could be critical I would imagine.

Anne Marie Mulligan: : Days. Days.

Commissioner Chasanoff: Oh, days. Sorry. Sorry.

Anne Marie Mulligan: 2 to 3 days.

Commissioner Chasanoff: So it is a trading thing, is that what you are doing?

Anne Marie Mulligan: Yes.

Commissioner Chasanoff: Okay. I'm better off with that.

Commissioner Steiner: I just didn't want any paper (inaudible).

Commissioner Chasanoff: Right.

Anne Marie Mulligan: No. No. It is a very limited pool of commercial paper issuers that we work with.

Commissioner Silverman: Who is the portfolio manager? Is that you or is there someone else who works for you that makes the decision?

Anne Marie Mulligan: Someone else. John Tomasulo has been named our Portfolio Manager.

Commissioner Silverman: Could you send around to us his experience, background, qualifications, etc, so that we can, as Commissioners, do our fiduciary duty to make sure that we believe that John is qualified to do this? I'm sure he is but I think we need to have that.

Commissioner Chasanoff: May I ask another question?

Commissioner Pocino: Of course.

Commissioner Chasanoff: Could you give me some idea, give us some idea as to the income structure through these three quarters as compared with last year?

Anne Marie Mulligan: Last year the earnings were –

Commissioner Pocino: This is for discussion only. No voting.

Commissioner Chasanoff: This is for discussion.

Commissioner Pocino: Some of the Commissioners have to move on to another meeting, so if that concludes our discussion I would like to motion to adjourn this meeting.

Commissioner Silverman: So moved.

Commissioner Pocino: Second? All in favor?

Commissioners: Aye

Commissioner Pocino: Thank you very much staff

The Port Authority of New York and New Jersey
Committee on Finance Transcript
November 15, 2007

Commissioner Silverman: [Begins in progress] -- Committee on Finance will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Internet via the Port Authority's website for those interested in viewing today's proceedings remotely. We have one item for discussion on the agenda -- the Port Authority Plan of Financing -- and Anne Marie Mulligan will present that to us.

Anne Marie Mulligan: Thank you, Commissioner. Today's authorization is being requested to comply with the process that's required by the federal tax law as it pertains to the issuance of tax-exempt obligations for private activity purposes, which for the Port Authority is mainly for funding capital projects at airport and port facilities. Under this process, we are looking to establish specific series of bonds and notes for issuance in the future that will only occur after the proposed issuance is discussed with the Committee and also to continue authorization of our other obligations.

Although we are seeking approval to establish these series, it may not be necessary to issue all of the series of bonds and notes that are included in the authorization. This process is merely being done to comply with the federal tax law and to provide flexibility in our financing over the next three-year period. The last such plan was authorized in November 2004, and under the federal tax law these plans generally have a three-year life.

This process has been required by the federal tax law since 1982 to provide a public approval process to ensure that the public is made aware of upcoming projects and financings that are of a private activity nature. As I said, this pertains to capital projects at the airport and marine terminal facilities such as security upgrades, building and terminal construction, paving and utility improvements. However, we include information for all major projects that may occur during this period, because at this point we don't know what the purpose of each individual series of bonds will be until we schedule its issuance.

The first step in this process is the publication of a public notice for a public hearing providing details of the significant capital projects and forms of debt covered under this plan. This notice was published on October 22 in The New York Times and the Star-Ledger. The next step in the process is to hold the public hearing. The hearings were held yesterday, November 14, in New York at the Park Avenue South offices and in New Jersey at the Journal Square Transportation Center.

The final step of this process is the approval of the plan. This process of authorizing a designated series of bonds, notes and other obligations in advance of the specific sale is essentially similar to a corporate shelf registration and allows the maximum flexibility in advance of the specific need to schedule and execute the sale of bonds and notes for financing capital projects and for refunding higher interest debt.

Similar to prior authorizations, this plan of financing would establish 15 new series of consolidated bonds for potential issuance and sale. Each series would be authorized with a maximum principal amount of $500 million at a true interest cost of up to 8% and for a term not in excess of 35 years. In addition, the authorization would also provide for five series of notes, with each series being authorized at a maximum principal amount of $300 million at a true interest cost of up to 8% and for a term not in excess of three years.

There is --

Commissioner Blakeman: How did you arrive at the 8 percent?

Anne Marie Mulligan: That is a maximum amount that we've been including for the last several plans of financings. In the past it had been higher, but based upon current market, current rates, we have been coming in around the 5 percent area, and for taxable a little higher.

Commissioner Blakeman: I see.

Anne Marie Mulligan: There are other limitations that are also included within this authorization. The amount of the bonds and notes that are issued for authorized purposes in connection with Port Authority facilities will not exceed the amount necessary to effectuate the applicable budget in any year. In addition, prior to scheduling any sale of bonds or notes, staff will review the upcoming issuances with the Chair of the Committee on Finance, and whenever feasible with the other members of the Committee.

This action also delegates to the CFO and Treasurer the authorization to take the necessary actions to issue debt on a competitive nature. Any bonds on a negotiated basis would need to come back to the Board for further authorization.

In addition to authorizing the additional series of bonds and notes, the following obligations will continue to be authorized and sold in connection with this plan of financing: versatile structure obligations, variable rate master notes, commercial paper notes and equipment notes.

Based upon the details that we have presented, we request that you recommend this item to the Board for approval.

Chairman Silverman: Thank you, Ann Marie. Do we have any questions? You reviewed this with First -- First Albany is still our financial advisor?

Anne Marie Mulligan: Yes, they are.

Commissioner Silverman: And you reviewed this with them?

Anne Marie Mulligan: Yes, we do.

Commissioner Silverman: And they concur in this recommendation?

Anne Marie Mulligan: Yes, they do.

Commissioner Silverman: Okay. Do we need an action?

Commissioner Steiner: Is there anything we have to do with legal to make sure that it's okay, that we comply all the legal requirements?

Commissioner Silverman: I don't know. Ask Darrell.

Darrell Buchbinder: This complies with all legal requirements.

Commissioner Silverman: This is your compliance.

Anne Marie Mulligan: This is the compliance.

Commissioner Steiner: -- (inaudible) compliance and we're not going to have any difficulties that we're at full compliance from your point.

Board Member: This is TEFRA, I take it.

Anne Marie Mulligan: Yes, it is.

Commissioner Steiner: Excuse me. I just -- I'm inquiring -- Commissioner Steiner is inquiring of our Counsel General -- General Counsel Darrell Buchbinder if this is all in compliance with all applicable rules, regulations and laws of any governing body having jurisdiction?

Darrell Buchbinder: Yes, it absolutely is. And the purpose for doing a plan of financing in this fashion is for compliance.

Commissioner Steiner: And, Ann Marie, we're in compliance with all your requirements, all the financial requirements that you're aware, we're in compliance with the best practices of all agencies and governmental regulations from the -- from an accounting point of view?

Anne Marie Mulligan: Yes, we are.

Commissioner Steiner: Thank you.

Darrell Buchbinder: -- this authorization is the equivalent of a shelf registration, and that prior to the issuance of any bonds the staff would have to come back to the Chairman of the Committee, and, to the extent feasible, the Committee.

Commissioner Steiner: That would be in each instance?

Darrell Buchbinder: Yes, as it has been in the past.

Commissioner Steiner: Thank you.

Commissioner Silverman: Okay, so we're not taking any action on this.

Karen Eastman: No, you're moving it to the full Board.

Commissioner Silverman: Fine. So moved. Any other items?

Commissioner Steiner: Do you want a motion on this?

Commissioner Silverman: Do we need a motion? No, we don't need a motion. Okay. All right. We're adjourned. Thank you.

The Port Authority of New York and New Jersey
Committee on Finance Transcript
December 18, 2007

Commissioner Silverman: Today's meeting of the Committee on Finance will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Internet via the Port Authority's website for those interested in viewing today's proceedings remotely.

Anne Marie Mulligan: Good afternoon, Commissioners. At today's meeting I am seeking the Committee's approval to extend the current brokerage agreement for the Public Liability Insurance Program with Marsh USA Inc. for one year at the existing brokerage fee of $800,000. This would allow Marsh to place and service the 2008 Public Liability Insurance Program, which will be renewed effective October 27, 2008. During 2008 staff would initiate a combined RFP process to select a single broker to handle both the liability and property damage insurance programs commencing in 2009.

Prior to 1996 the Port Authority retained one insurance broker to handle all major insurance programs, both operational and construction. In an effort to diversify, staff advertised separate RFPs for three major insurance programs: liability, property and contractors' insurance program, which initially resulted in three firms providing brokerage services to the Port Authority. During the ensuing decade, five subsequent RFPs were issued on these three programs as well as the contractors' insurance program for the World Trade Center redevelopment and environmental programs.

Two firms -- Marsh and Aon -- have consistently been selected as demonstrating the highest quality and effectiveness to the Port Authority for our complex programs. Consistently, Marsh has been chosen on the operational coverages and Aon has been preferred for the construction insurance programs. These selections have been recommended by both staff and Deloitte Consulting.

The terms of the operational insurance placements are conducive to utilizing one broker, with property renewing annually on June 1 and liability on October 27. Currently the property program is serviced by Marsh under a separate competitively procured agreement, which will expire following next year's June 1, 2008 placement. The renewal dates of these programs would not be affected by a single broker arrangement, and we will continue to seek your authorization for each insurance program renewal.

Market changes over the years have also impacted the effectiveness of the multiple broker model. Dividing the contracts between brokers no longer provides either a capacity or cost benefit. Rather, the market places higher value on stability and offers the greatest benefits on accounts where a consistent brokerage arrangement is set over time. This affords the broker and the Port Authority the ability to establish a combined known presence with the carriers and allows them to understand the intricacies of the account.

Broker competition would not be negatively impacted by implementing this change and in fact could be enhanced. By combining the brokerage RFP process for liability and property, all brokers will retain the ability to compete for the one contract. This may result in more aggressive competition to obtain the business, as the brokers may devote even greater attention to their responses given that the two programs are under consideration.

Consolidating the brokerage arrangements would allow staff to pursue certain potential benefits or opportunities, including enhancements to insurance coverage and policy terms. If a single broker was committed to both operational placements, that broker could explore innovative avenues concerning program structures such as combining terrorism or other excess coverage layers; potential multiple-year policies, which are historically less expensive than annual renewals but are not available in hard insurance markets; lower overall premium cost; and policy term benefits attendant to consistent coverage.

Another benefit would be coordinated administration and service. By maintaining a single contract, the Port Authority would have one client service representative that would be responsible for all aspects of managing the Port Authority's operational insurance programs. This arrangement would aid in the coordination of administration and service for both programs, including such issues as changes in the Port Authority's risk exposure, billing and policy provisions, reviewing completed coverage issues, issuing certificates of insurance and advising on the totality of the Port Authority's risk profile. There is also the potential to reduce the overall brokerage fees by negotiating a single fee under a combined agreement instead of two separate fees under two separate agreements.

Another benefit would be greater stability in the market. As mentioned on the prior slide, the insurance market places great weight on account stability and rewards accounts it views as secure with increased capacity at lower cost. Moreover, the broker would be able to utilize its market presence on both areas of the account concurrently to leverage the best deal for the agency. In recent years obtaining coverage for the bridges and tunnels has presented the most difficult aspect of both placements. A single broker could have greater market influence in its negotiations with the carriers in one area with the assurance of marketing the other coverage to that carrier, which may be more attractive.

This approach of having a single broker is common for large public agencies and is the method employed by both the MTA and New Jersey Transit. Staff reviewed this concept with Deloitte Consulting, and they have offered their concurrence with the approach. Deloitte specifically advised that they have seen a variety of public and private entities marry brokerage agreements across different lines of coverage in recent years to adjust to market trends, seek enhanced coverage parameters and for ease of administration.

For these reasons. we request your approval to extend the existing brokerage agreement with Marsh USA for the public liability program for one year at the existing fee of $800,000 to enable Marsh to place and service the 2008 program. During this term staff will conduct a combined RFP process for both the liability and property damage programs in order to have a single broker in place for the 2009 renewals.

Commissioner Blakeman: Anne Marie, has the market softened since last year?

Anne Marie Mulligan: It has softened to a degree since last year. The Port Authority still is a difficult risk because of the nature of its operations.

Commissioner Blakeman: Do you think they'd do it for $700,000?

Anne Marie Mulligan: They are currently -- the $800,000 is based on the prior RFP, and it was stepped up over the term. So we are in fact holding them to the fee that was in the last year of the RFP.

Commissioner Blakeman: Well, the only point I would make is that we may or may not be approving a toll fare increase, and I think that it's important to demonstrate to the public that we are cutting costs wherever we can. And it seems to me that if they're getting a renewal on the existing agreement without having to go out with a separate RFP that they potentially could give something back. So I would not be averse to approving up to $800,000, but I would like you to go back and see if they would cut their fee a little bit.

Anne Marie Mulligan: We'll go back and talk to them.

Commissioner Blakeman: It's not a lot of money in the grand scheme of the Port Authority, but I think it sends the right message to the public that we're trying to save money.

Commissioner Silverman: Commissioner Steiner, anything from you?

Commissioner Steiner: Nothing.

Commissioner Silverman: I would only say that I would not expect the presentation next -- when you come to us with a recommendation for a single RFP, you've already made the presentation, so there's no need to repeat it again next year. Thank you. It was a good presentation, but sort of academic, because we're only -- we're not approving one broker. We're simply approving this extension, correct?

Anne Marie Mulligan: Just one extension for one year.

Commissioner Silverman: Okay, so when you make that presentation next year you can refer to this one.

Anne Marie Mulligan: Very good.

Commissioner Silverman: Save yourself 15 minutes. Okay. All in favor?

Commissioners: Aye.

Commissioner Silverman: Okay, fine. The next is our debt issuance plans for 2008.

Anne Marie Mulligan: Next I'll briefly summarize the consolidated bonds and versatile structure obligations that were issued in 2007 and our financing plans for 2008.

During 2007 we issued approximately $2.1 billion through three issues of consolidated bonds and two series of versatile structure obligations. Of the $2.1 billion of proceeds, approximately $870 million was used to fund capital construction and almost $1.2 billion was for redemptions and refundings. The true interest cost of the consolidated bonds ranged from 4.629% to 4.847%, and the major factor in the spread in the true interest cost is due to the market conditions at the time of the sales.

The versatile structure obligations were issued in auction rate mode. Since versatile structure obligations are variable rate interest instruments, true interest cost calculations do not apply. However, Versatile Structure Obligations, Series 8, was issued in connection with a forward interest rate swap that fixed the interest rate at 3.9461% over the term of the series.

This slide presents the specific series that were refunded and the associated present value savings. The $1.2 billion of consolidated bonds refunded during 2007 generated savings of approximately $51 million. Also, the proceeds of Versatile Structure Obligations, Series 7, were used to redeem Consolidated Notes, Series XX and YY, at maturity. Finally, the proceeds of Versatile Structure Obligations, Series 8, were used to refund the 120th Series bonds. With the forward interest rate swap, which locks in the interest rate on the versatile structure obligation at 3.95%, a present value savings of $24 million was achieved on the refunding.

Next year proceeds from borrowings will be one of the various sources of funds that will be used to support the 2008 capital program. This slide recaps information that you've been provided with the 2008 budget. We estimate that capital cash available at the beginning of the year to be about $760 million. Included in this amount are bond proceeds from the 149th Series that was just issued on December 5th. A portion of these proceeds will be used for the refunding of the 109th Series in January of 2008.

The remaining cash on hand will be supplemented with approximately $740 million of borrowings, and these borrowings will include various debt obligations, including consolidated bonds, versatile structure obligations and commercial paper obligations. The commercial paper are short-term obligations that are issued to fund capital expenditures and then are ultimately refunded with long-term obligations. We will continue to advise the Committee of our issuance plans for each specific series during 2008 prior to the actual transactions.

Other sources of funds that will be used for the capital program will include $230 million of collections of passenger facility charges and $1 billion of direct investment of facilities. This is comprised of many areas: $450 million of insurance proceeds related to the Freedom Tower, Tower 5 and the World Trade Center retail at the World Trade Center site; $270 million of federal funds for the World Trade Center transportation hub; $90 million of contributions from third parties related to the redevelopment; $240 million of Port Authority investment; and $33 million of miscellaneous funds. After payment of $2.6 billion in 2008 for capital expenditures, we expect to have available at the start of 2009 about $89 million.

Commissioner Silverman: A couple of questions for me. Do you know what the average interest rate was on the bonds that we redeemed during 2007? We know what we issued new bonds at. What were the average rate of the ones that we redeemed?

Anne Marie Mulligan: They would have been over 5%, or approximately 5%, given the savings that we've achieved. Each one of them had interest rate savings on their own, and then for some of these structures we were able to stretch out the maturities for the refundings in order to level out or get service over time due to the shortened maturities:

Commissioner Silverman: The other question I had is, the principle amount of our debt today is how much?

Anne Marie Mulligan: Total debt is about $11 billion.

Commissioner Silverman: So this would indicate it's going up by roughly seven -- or I guess about $600 million net of what you're showing refunded?

Anne Marie Mulligan: Well, we would also be paying down debt throughout the year, so we would be paying down about $200 million. So in effect the debt service principle would be going up about $500 million.

Commissioner Silverman: Okay. Thank you. Any –questions? Go ahead.

Chairman Coscia: Is there a target number of cost savings on a refunding that is your benchmark for whether it's worth doing it or not?

Anne Marie Mulligan: In the past, the Port Authority preferred doing refundings with at least 3% present value savings, but our goals have been to structure the debt service to match the assets that are being financed, and we had shortened the maturities of some of our debt, so now we are bringing them back to the structure we would naturally have used.

Paul Blanco: Part of our goal over the last couple years has been to bring down the highest debt service here so that we can accommodate more capital capacity. And so we really -- we look at the debt service curve as really being flattened out as opposed to having this very large peak that would have occurred in '07 and '08.

Commissioner: Were some of those shorter-term maturities a function of the New York leases not having been renewed? So we went through a period of like three or four years where we were artificially shortening maturities just because of the issue.

Anne Marie Mulligan: From about 1994 until we finalized the negotiations with the city in about 2004, we had shortened the life of the AMT or private activity issues. We are virtually finished with doing the refundings of all of those series. Next year in total we have about $600 million that are eligible for refunding, and we have come to the end. After that we have a period of about three years where there are no bonds available for refunding due to the call dates.

Chairman Coscia: I understand.

Commissioner Silverman: Any other questions? Okay. There's no action on this, correct?

Anne Marie Mulligan: No, just for information.

Commissioner Silverman: Motion to adjourn?

Commissioner: So moved.

Commissioner Silverman: Thank you very much.

The Port Authority of New York and New Jersey
Committee on Finance Transcript
March 27, 2008

Commissioner Silverman: Today's meeting of the Committee on Finance will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Internet via The Port Authority's web site for those interested in viewing today's proceedings remotely.

The first item for discussion is the Downtown Restoration Program. Anne Marie?

Anne Marie Mulligan: Good morning, Commissioners. Today I would like to present an item to authorize the selection of an underwriter to assist The Port Authority with financing One World Trade Center, the Freedom Tower, and the retail components of the World Trade Center site. Last February, the Board of Commissioners authorized 1 World Trade Center, LLC to construct the Freedom Tower at an estimated total cost of $2.877 billion. And earlier this year, the Board authorized the development of the retail components of the site through a joint venture of World Trade Center Retail, LLC, and Westfield America Limited Partnership. The projects will be funded through various…

Commissioner Chasanoff: Excuse me, $2.877 billion included the retail?

Anne Marie Mulligan: No, that is just for the Freedom Tower.

Commissioner Chasanoff: And what's the estimated cost of the retail?

Anne Marie Mulligan: The retail elements are still being developed and the amounts will be brought back to the Board in the future.

Commissioner Chasanoff: May I ask another question?

Commissioner Silverman: Yes.

Commissioner Chasanoff: Is there any reason for looking for funds now prior to any leasing? And also in this uncertain credit time, this uncertain time, aren't we going to possibly be paying more money for money than we might be when things stabilize? What is our need? If our - if we were a private development, I could understand the need. What's our need?

Paul Blanco: Well, they would help us to look at the various bonding structures that are out there, the different types of issuances, and get a handle as to what the market conditions are, what's the best timing to do the issuance… And then the actual mix of what we do, that would be part of what this process would kind of guide us towards in terms of Liberty Bonds Special Project Bonds, Port Authority financing.

Anne Marie Mulligan: And the Freedom Tower is currently under construction, the source of the funds currently being used to fund these construction payments is an allocation of insurance proceeds. It's currently expected those insurance proceeds will be large enough to fund

construction through the end of this year, possibly very early next year. So in order for us to have funds available to continue the construction of the Freedom Tower, we need to start the process to look to borrow funds for the future.

Commissioner Chasanoff: So you're saying we have enough for one year?

Anne Marie Mulligan: For the rest of this year.

Commissioner Chasanoff: Then we don't have any funds? We don't have nothing more? We have to get outside funds?

Paul Blanco: We need to begin to fund beyond the insurance.

Commissioner Chasanoff: So we are subject to credit conditions as they presently exist?

Anne Marie Mulligan: Our issuance will be in the future, so…

Commissioner Chasanoff: Well, within the year.

Paul Blanco: Within the year.

Chairman Silverman: But presumably we'd go back, and that's why we raised the tolls, we would presumably go back to our bonding abilities. And what you're asking for is Citigroup to advise you as to is there something better than simply selling tax-exempt bonds?

Paul Blanco: When we did the financial plan for the Freedom Tower, we looked sources being insurance. We looked at the sources being Special Project Bonds. We looked at the Liberty Bonds, and even the combination of for example some Port Authority equity in terms of the New York State components. The mix of that is what would help us determine based on market conditions.

Commissioner Silverman: Okay. I think Commissioner Chasanoff's question is to the point, which is why is the staff together with the Finance Committee or the whole Board for that matter not adequate to make that determination?

Anne Marie Mulligan: We would use the underwriter to help us identify what would be the best type of borrowing for the Freedom Tower, work with us with the rating agencies if it's a different type of issuance, and also to market to different investors. During the proposal, some of the innovative alternative plans that they presented may have changed between when we did the RFP process and the ultimate issuance, but they were suggesting collateralized mortgage securities, conduit issuances, breaking… Right, but breaking out, too, elements of the project so that it can be funded on a taxable versus - a tax-exempt versus a taxable basis.

Commissioner Silverman: Okay. So why - what - two questions. One is you guys know that as well as they do… ...or even better, question one. And two is what is there - I didn't notice when I got this proposal or got this resolution, I didn't notice what their fee, what their proposed fees were.

Commissioner Chasanoff: What's that going to cost?

Anne Marie Mulligan: Their fees, underwriter fees for types of borrowings are based on a rate of per $1,000 of bonds issued. Their rate is $3.14 per $1,000. They were half of the highest ranked bidder and the lowest of all of the short-listed firms.

Commissioner Silverman: So if we never sold a nickel's worth of bonds through them, we'd pay them nothing?

Anne Marie Mulligan: Correct.

Paul Blanco: That's right.

Chairman Silverman: So it’s a success fee.

Paul Blanco: That's right.

Anne Marie Mulligan: Yes.

Darrell Buchbinder: Effectively, what it does is it selects an underwriter to help you create a marketing plan.

Commissioner Silverman: We're not paying them anything for their -- upfront -- because normally an underwriter, to get the right to market, they would normally charge a success fee. And if there's no transaction, they get nothing. They burn some time.

Paul Blanco: That's exactly it.

Commissioner Silverman: I understand.

Paul Blanco: …there isn't any management fee.

Commissioner Silverman: So you're getting some added resources at no – at potentially at no cost.

Darrell Buchbinder: There is an added time sensitivity as under the Congressional legislation authorizing the New York Liberty Bonds, they must be issued by the end of 2009 so that is an added time sensitivity…

Commissioner Chasanoff: And this all leads to another question, I mean, an obvious one, and that is after you've done all this, after we've determined which is the best method to go, we then get a new cost. We get a cost unlike that which was ever computed before. Isn't that true? Because it's going to be current interest rates. I mean, we did a projection some time ago and we had estimated interest. Now we're going to find out what it's going to cost …

Paul Blanco: Well, the interest rates that we calculated when we did the financial analysis was 6.75%.

Commissioner Chasanoff: Okay. Well, now let's assume it's some higher amount.

Paul Blanco: If it's a higher number, then obviously they're going to have …

Commissioner Chasanoff: Then we have to go back to our projections and see how much…

Paul Blanco: And we'd have to revise it.

Commissioner Chasanoff: Revise all that. But is there not a lease outstanding with the federal government…if anything happened with that, the fixed rental?

Commissioner Silverman: The GSA lease, I don't know if that's been signed or if we just have an MOU on that.

Darrell Buchbinder: It's still in the works.

Commissioner Chasanoff: Well, it's been a long while. But that's a fixed rental. Now let's assume our…

Commissioner Silverman: …New York State's a fixed rental also, right?

Darrell Buchbinder: Yes.

Commissioner Chasanoff: All right, but then let's assume our cost's going to be much higher. And we end up with a negative cash flow. What do we do then?

Commissioner Silverman: Well, we borrow more money.

Commissioner Chasanoff: We'd need more.

Commissioner Silverman: No, we borrow more money. That's how everything is done.

Commissioner Chasanoff: And it gets more and more negative.

Commissioner Silverman: Yes. Welcome to the Finance Committee.

Paul Blanco: Well, as of right now, looking at all of the numbers that we have on the Freedom Tower, the Freedom Tower continues to be coming in at $2.877 billion. The interest rates that we calculated when we ran the financial plan was 6.75%. Those are the two numbers that we continue to track and depending on how all of this financing comes out, if it comes in within the 6.75% we'll be on budget.

Commissioner Silverman: Well, can I make a suggestion? Why don't we deal with the resolution and then continue this not in the public session, okay?

Commissioner Pocino: Sure.

Commissioner Silverman: Any - do you have any questions, Commissioner Pocino or Commissioner Chasanoff?

Commissioner Pocino: No.

Commissioner Silverman: Do you need a resolution on this or is this…

Anne Marie Mulligan: This we don't need a resolution. We were presenting it to you for information and requesting that you recommend it to the full Board for their approval later today.

Commissioner Silverman: All in favor?

Commissioner Pocino: Aye.

Commissioner Chasanoff: Aye.

Commissioner Silverman: Okay, that concludes the public session. Thank you very much.

The Port Authority of New York and New Jersey
Committee on Finance Transcript
April 24, 2008

Commissioner Silverman: Okay, we're going to start with the public session, the first portion of today's meeting, the Committee on Finance will be held in public session. Afterwards the committee will meet in executive session. In addition the public portion of this meeting is being broadcast live on the internet via the Port Authority's website for those interested in viewing today's proceedings remotely.

The first item for action is the WTC Owner's Controlled Insurance Program, the insurance premium authorization, Anne Marie Mulligan will present.

Anne Marie Mulligan: Good morning Commissioners. At today's meeting I am seeking the Committee's authorization to include the construction of the Vehicular Security Center, Tour Bus Parking Facility, and West Bathtub Vehicular Access Projects at the World Trade Center's site and the existing owner's controlled insurance program for a 4-year period effective July 1, 2008 at a total estimated premium of $31.5 million. As you may recall, in February 2007 after discussions with staff and Deloitte Consulting, the Committee agreed that it was in the best interest of the Port Authority to maintain all World Trade Center site insurance through a single broker under a consolidated program.

An owner's controlled insurance program, or OCIP, was established for Port Authority sponsored construction projects at the World Trade Center site, including the transportation hub, Freedom Tower and memorial complex. As with the other projects in the World Trade Center OCIP, this insurance is necessary for the Vehicular Security Center projects to provide the appropriate protection to the Authority from financial liability attributable to losses sustained during the construction. The insurance placed will be for the benefit of the Port Authority and all Port Authority enrolled contractors and sub-contractors working on these projects.

The estimated construction value of these projects is $525 million over the course of the 4-year construction term. Based on the exposure presented by these projects, the coverage limits reflected on the slide were pursued under the OCIP. Aspects of this coverage are being endorsed to the existing OCIP for the World Trade Center projects, including builder's risk, terrorism and environmental liability. Other portions of the coverage will be specific to the Vehicular Security Center projects such as worker's compensation and general liability, but are part of the site-wide OCIP program to maintain stability of coverage.

Consistent with the other site projects, the brokerage services will be provided by Aon Risk Services, which was approved last February. Aon will market the placement and provide essential services for the full term of construction, including site-wide safety and loss control, uniform administration, dedicated claims handling, an on-site medical trailer and legal defense. Aon will earn a total broker fee not to exceed $1.7 million.

The limits were sought based on the nature of the risk posed by these projects and the capacity available in the market. All proposed limits were shared with the Federal Transportation

Administration by World Trade Center construction for their review and approval, since the FTA will be providing reimbursement for approximately 80 percent of the insurance premium.

When comparing the cost of this coverage to the premiums associated with the Hub and the Freedom Tower and Memorial Complex projects, the Vehicular Security Center project has consistent pricing overall with the other site projects. Based on the above we request that the committee authorize the inclusion of the Vehicular Security Center, Tour Bus Parking Facility, West Bathtub Vehicular Access Projects into the World Trade Center Owner's Controlled Insurance Program effective July 1, 2008 with the foregoing terms and conditions.

Commissioner Silverman: Thank you, Anne Marie. Are there any questions.

Commissioner Sartor: Just on the fee, Mr. Chairman, is that consistent with the premiums that they have been charging us before; the $1.7 million is consistent.

Anne Marie Mulligan: That would be the fee for the broker's service, yes it is consistent.

Commissioner Sartor: It is consistent with the $6.2 million I guess that the –

Anne Marie Mulligan: Based upon the amount that was agreed to when it was authorized.

Commissioner Blakeman: Is that a negotiated fee or is that an industry standard fee.

Anne Marie Mulligan: It was negotiated down from the original amount and it was set at 5 percent of the premium written.

Commissioner Blakeman: Yes, I remember at the last meeting –

Anne Marie Mulligan: We negotiated it down.

Commissioner Blakeman: So it is a discounted commission.

Anne Marie Mulligan: Yes it is.

Commissioner Silverman: Is that also reimbursed 80 percent by the FTA?

Anne Marie Mulligan: Yes it is.

Commissioner Silverman: Any other questions. If not we need a motion.

Commissioner Blakeman: Moved.

Commissioners: Second.

Commissioner Silverman: All in favor.

Committee Members: Aye.

Commissioner Silverman: Motion is passed, thank you. That concludes the public session. Thank you very much.

The Port Authority of New York and New Jersey
Committee on Finance Transcript
May 22, 2008

Commissioner Silverman: Let's start. And this meeting, the Committee on Finance, will be held in public session in its entirety. In addition this meeting is being broadcast live on the internet via the Port Authority's website for those interested in viewing today's proceedings remotely. We have one item on the agenda; it is a purchase of property, damage and loss of revenue insurance and Anne Marie Mulligan will present it.

Anne Marie Mulligan: Good morning Commissioners. At today's meeting I am seeking the Committee's authorization to renew the Port Authority's property damage and loss of revenue insurance program for one year, effective June 1, 2008 at a total estimated premium not to exceed $28 million. This program protects Port Authority owned and leased property, including coverage for losses arising from acts of terrorism. It also covers business interruption losses which includes loss of revenues. Marsh is providing brokerage services under the final year of a three-year brokerage agreement. As previously approved by the Committee, staff will initiate a Request for Proposals process in late 2008 to select a master program for both this program and the public liability placement for subsequent insurance renewals.

This slide provides a summary of the expiring program and the anticipated coverage at renewal. Marsh will continue to work with the various carriers on the program's structure and pricing up to the June 1 renewal date. While certain aspects of the property market have softened, accounts seeking to expand limits and those with catastrophe exposure still have capacity and pricing challenges.

As the Port Authority is based in New York City, it continues to be characterized as a tier 1 risk for wind, flood and terrorism. Introduction of the Port Authority's Captive PAICE to the program has alleviated some of these issues as the Captive provides the terrorism and fire following exposure from the underlying all-risk coverage which is purchased through the commercial market.

The expiring program provides $900 million of all-risk coverage, per occurrence in excess of a $5 million deductible and an aggregate $25 million self-insured retention in the primary layer. For the renewal Marsh anticipates increasing all-risk capacity by $200 million to a total program limit of $1.1 million with the same deductible levels. This is the highest limit under the program since 2001 when the all-risk coverage totaled $1.5 billion.

For terrorism, the initial $250 million full terrorism coverage is being purchased through the market and $250 million in TRIPRA Terrorism Risk Insurance Program Reauthorization Act protection is being purchased through PAICE similar to the expiring program. For the first time since 9/11 a $25 million sub-limit for biological and chemical terrorism risk has been offered to the Port Authority from the commercial market.

Commissioner Blakeman: Excuse me, Mr. Chairman, is that in addition to the $250 million or is it separate just for biological and chemical.

Veronica Biddle: It is a separate sub-limit for biological and chemical under the $250 million. So $250 in full terrorism plus $25 – correct.

Commissioner Blakeman: And TRIPRA, is that the program formerly known as TRIA.

Anne Marie Mulligan: Yes, it is. And the biological and chemical terrorism is not covered under TRIPRA and will furnish expanded terrorism coverage.

Commissioner Blakeman: Is that because TRIA didn't cover domestic terrorism.

Veronica Biddle: TRIA didn't, TRIPRA does cover domestic terrorism now.

Commissioner Blakeman: But TRIA did not.

Veronica Biddle: TRIA did not, right, but none of it covered biological terrorism or chemical.

Anne Marie Mulligan: The total premium for the renewal program is estimated at $28 million for the increased capacity. The actual premium for the expiring program was $27.4 million. Based on the above, we request that the Committee authorize the purchase of the property damage and loss of revenue insurance program for a one-year term effective June 1, 2008 based upon these terms and conditions.

Commissioner Silverman: Any questions.

Commissioner Pocino: Do we have other competitive bids.

Anne Marie Mulligan: The broker is working under a three year agreement and we are tapping all of the available coverage in the insurance market. We utilize both London, European, Bermuda and US domestic markets in order to achieve these limits.

Commissioner Pocino: There seems to be a reasonable increase in terms of the additional coverage that we get.

Paul Blano: It's the highest amount that has been added since 9/11 (inaudible), at one point $5 million. (Inaudible).

Commissioner Blakeman: Any program like this is going to be layered program with a lot of different carriers participating and reinsurance carriers as well.

Commissioner Silverman: It will. But I had a couple of questions first, very briefly. First I want to say for the record, since we generally tell the staff all of the bad things you do, I would like to commend you on the fact that I think this is very good. You are getting us more coverage at about the same price. So you should be congratulated for that since that is a rare occurrence by the Commissioners.

The two questions I have, first of all, Deloitte & Touche is still consulting with us on insurance.

Anne Marie Mulligan: No, they are not. Their agreement expired.

Commissioner Silverman: Expired, okay, so they didn't weigh in on this.

Anne Marie Mulligan: No they did not.

Commissioner Silverman: And the other question is, it just seems pragmatically, I don't know what we are paying for the biological/chemical coverage, but I would wonder whether if there were enacted biological or chemical terrorism, whether $25 million is a worthwhile amount to buy. Because it is going to clearly be much more than that if it were to occur. Wouldn't it. It just seems like common sense.

Anne Marie Mulligan: It's the first time it is available and the price of it, it is $260,000 for the $25 million of coverage. And since it is available it seems worthwhile given the types of facilities we have and the exposures that we could have.

Commissioner Silverman: I understand that. I'm just wondering – basically you pay 1 percent, whether it is enough, yes to Commissioner Blakeman's point, is that really enough.

Anne Marie Mulligan: It is the only amount that is available.

Commissioner Silverman: Oh, so that is it.

Anne Marie Mulligan: It is the one and only carrier that has started to offer it.

Commissioner Silverman: Well then you answered my question. So we need action Karen.

Karen Eastman: Yes.

Commissioner Silverman: Do I have motion please.

Commissioner Pocino: Motion to approve.

Commissioner Blakeman: Second.

Commissioner Silverman: All in favor.

Commissioners: Aye.

Commissioner Silverman: Motion is carried. Thank you very much.

The Port Authority of New York and New Jersey
Governance and Ethics Committee Transcript
December 17, 2008

Chairman Coscia: Today's meeting of the Committee on Governance and Ethics will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

Our first item of discussion is a review of financial disclosure statement compliance and I'll call on Howard Kadin to do that. Howard?

Howard Kadin: Good morning, Mr. Chairman, members of the Committee, ladies and gentlemen. Today I'd like to speak with you about two aspects of the Committee's responsibilities, as set forth in article VIII, Paragraph G of the By-Laws. Specifically, these two items are staff compliance with the financial disclosure filing requirement under the employee code of ethics, and recommendations to the Board for the establishment of policies and practices that would aid in identifying qualifications for prospective appointments to the Board.

Before I continue I would like to take care of a few housekeeping details. First, I will tell you that at the conclusion of this presentation, we're fortunate to have Inspector General Robert Van Etten here to provide you with a report on OIG's independence and its freedom from interference in the conduct of its responsibilities.

In addition, please be advised that staff is poised to work with the Committee in the next several months at its pleasure regarding various periodic actions, reviews, and evaluations the Committee is required to undertake pursuant to the By-Laws in contemplation of a Committee report to the Board on the date of the next Annual Meeting.

And with that, this first slide details statutory requirements with respect to qualifications for prospective appointments to the Board. As you can see, the statutory requirements that are listed forth here are set forth in the compact between the two states creating the Port Authority and the legislation subsequently enacted in each state with respect to manner of appointment, term, and removal or suspension from office.

You know well six resident voters from each state are to be appointed to the board, at least four New York Commissioners must be resident voters of New York City. Four New Jersey Commissioners at least must be resident voters from the New Jersey portion of the Port district.

Appointment, as you know, is by the Governor, with the advice and consent of the respective state senate to a fixed six-year term, and there is continuance in office on the part of the Commissioner after expiration of term until successor is appointed and qualified.

Several things to note with respect to appointment: The six-year term provided to an appointee filling a vacancy by reason of expiration of term runs from the date of the expiration of the term of the appointee's predecessor. So the term is always a six-year term.

The period during which an appointee is a holdover after expiration of his or her term for which that person was appointed does not extend the holdover's term of office for computing the date on which the successor's term expires. We're always talking about a six-year term.

Except with regard to interim appointments made when the respective state legislature is not in session, appointments made to fill a vacancy or an occurring or existing by reason other than expiration of a term are for the unexpired term of the appointee's predecessor.

Now a so-called ad interim appointment made to fill a vacancy occurring or existing when the respective state legislature is not in session is for a term expiring at the end of the next session of the legislature or upon appointment of the appointee's successor, whichever comes first.

While the matter is not entirely free from doubt, it appears that in New Jersey an ad interim appointment can be a holdover beyond the expiration of his or her term and can be succeeded by another ad interim appointee, whereas in New York, there can be no holdover by an ad interim appointee and no subsequent ad interim appointment can be made with respect to that particular vacancy.

With respect to removal from office, both states provide that a Commissioner may be removed upon charges and after a hearing. In New York, that hearing would be by the Governor; in New Jersey, the hearing would be by the state senate.

Finally, I would like to note in passing that the by-laws also assign this Committee a role in the ascertainment of certain Commissioner qualifications. Specifically, the by-laws require that at least one member of the Audit Committee be determined by this committee to, quote, "possess a high level of financial expertise," close quote, which may be demonstrated on the basis of various enumerated factors that are set forth in the by-laws. Please.

I would now like to briefly report to you regarding staff compliance with the financial disclosure requirement for the 2008-2009 filing year. As you can see, there were 1,720 required filers and under the staff code of ethics and financial disclosure, required filers must submit a financial disclosure statement to the law department on or before May 1st of each year.

A new employee subject to the filing requirement must submit a statement within 30 days after commencing employment. The form calls for disclosure of information regarding income, financial interests, personal property, blind trusts, gifts, reimbursements, debts and liabilities, business interests, agreements for future employment, and interests in government contracts.

I am pleased to report that we are fully compliant with the exception of one individual who's union president advised her not to complete the form, and staff is beginning the process to bring disciplinary proceedings for noncompliance with the financial disclosure statement filing requirement. Thank you very much.

Chairman Coscia: Let me open it up to questions on Howard's presentation.

Commissioner Bauer: None.

Chairman Coscia: Howard, who are the Commissioners that were resident outside of the Port District in the states? You're one in New Jersey. Is there another one in New Jersey?

Howard Kadin: Ray Pocino.

Chairman Coscia: Ray Pocino, okay. And on the New York side? I'm just curious as to whether or not the vacancy on the New Jersey side is not, so the vacancy in New Jersey would have to be filled with someone who lives in the Port district, and New York no longer has any vacancies, so okay -- I guess that sort of answers that.

Board Member: (Inaudible)

Board Member: David.

Chairman Coscia: David, okay. Okay? All right? Any other questions? All right. Before we move on to the next part of our presentation, and I will formally introduce him when we are in a much bigger group, but I welcome to the meeting Stanley Grayson.

It's very opportune that you should show up because we just listened to a presentation on the appropriate qualifications to be a Commissioner of the Port Authority, which based on Howard's description, we think Governor Paterson did an excellent job in selecting you. So welcome, and you'll probably be hearing this four or five times this morning, but welcome to this Committee.

Our next portion of the presentation is a report by our Inspector General, Bob Van Etten, who I know is here with his great crew, and it's good to see you guys.

Bob Van Etten: Good morning, Mr. Chairman, Commissioners, staff. The commissioners are aware the office of the Inspector General is charged with the responsibility of receiving and investigating, where appropriate, all complaints regarding wrongdoing of fraud, waste, and abuse by Commissioners, officers, and employees of the Port Authority or third-party individuals or organizations doing business with the Port Authority, under the general direction of the Chairman and the Executive Director and consulting with the Board of Commissioners, the Audit Committee, Executive Director, and General Counsel, as appropriate.

Pursuant to Section VIII of the by-laws, the Governance and Ethics Committee is responsible for ensuring that the Inspector General continues to be independent and free of interference in the conduct of IG's responsibilities. I'm happy to report that during the last year -- I am pleased to report that the Office of Inspector General has remained independent and free of interference or influence on all matters in the process of conducting its business and investigations.

In addition, the OIG has not encountered any difficulty working with staff or audit committee, and has a good working relationship with the Audit Committee and keeps the Audit Committee apprised of all matters of significance on a regular basis.

In addition, I would note that the New York State Governor's office recently referred a private consultant to us on how our office functions and to research the functioning of an effective OIG office in a state agency. We are assisting them in this endeavor. Thank you very much.

Chairman Coscia: Thank you, Bob, and I have two questions. One is that it's been, I guess, about a year since we consolidated the audit function within the IG's auspices, and just curious as to whether or not, now that there's been some sort of operating history, whether or not you're comfortable with the way it's been integrated, the ability to oversee it, et cetera. And I know you have a lot of interaction with the Audit Committee, which myself and the Vice Chair at least are not a part of.

So I wanted to take the opportunity and just kind of get a year later kind of perspective from you as to whether you think it turned out to be a good idea and whether it's worked well.

Bob Van Etten: It works very well, and as you and I have spoken frequently about, it follows state organizational structure as well as the federal module. It's completely independent. Prior to that, it reported to the Chief Financial Officer and it was kind of difficult to go up and look at your own. And I think Mike and John Brill and I have had many discussions and this structure works very, very well because there's almost daily interaction between the two departments.

Down at the World Trade Center, where we have the independent monitors, okay, John has put together a separate managing division that does audits down there, and there is great

Commissioner Bauer: Excuse me -- can you describe who that is, for those of us who don't know? Who is John?

Bob Van Etten: John Brill, who is our Director of Audit. There are two directors -- John Brill is not with us, or is he? No, okay. He's in charge of our Audit Department, which has, like, 70 or 80 internal auditors. Mike Nestor is our Director of Investigation, and he has a staff of about 40, 45 people, composed of law enforcement folks and some forensic auditors. And their interaction is almost on a daily basis, Commissioner.

Commissioner Member: Thank you.

Commissioner Holmes: We just had an audit committee and got a report from the inspector general and the auditor, and I concluded for the first time hearing it that they're doing an excellent job, and covering all our properties and particularly the World Trade Center.

Chairman Coscia: That's great.

Bob Van Etten: Thank you.

Commissioner Sartor: I wanted to reiterate what was just said by Commissioner Holmes. The ability of the Inspector General to oversee what's going on in the World Trade Center has been a tremendous asset to the Port in terms of the projects that are going on down there. I think the

money that we've spent for monitors on that particular project has been well spent, and it's going very, very smoothly from that perspective.

And with John Brill's group doing independent audits on T&M and other issues, I think they're working very, very well together and the structure is a very good structure.

So again, I happened to sit in on the Audit Committee meeting this morning and I made some comments there, and I just want to commend the Inspector General and his staff for a job well done.

Commissioner Bauer: Excuse me. Will the monitors continue now and will the process stay on?

Bob Van Etten: Yes, they will, through the duration of the construction at the World Trade Center. We also have monitors in other locations on different capital programs. Most of those are indicated when there's some problems.

Chairman Coscia: Okay. I think everyone agrees that as we deal with constraints in terms of our capital spending, there's going to be more and more of an emphasis on making sure that we are very careful with the resources that we have, because there are just fewer of them to go around. And so the work you're doing is very valuable in giving everyone the confidence that the places where we are spending money, we're getting value out of it and that it's being managed carefully.

Bob, one final question I have for you, and I don't know if anyone else has anything else, and then we can wrap up, is that -- and this is -- I've served on a number of governance and audit committees in the public and private sector, and what's most critical relative to your position in my view is that you feel comfortable that you have independent access to individuals within leadership and management in order to express concerns and voice things.

And I guess I both am asking you if you feel comfortable that you do, and also sort of saying to you that certainly, I know, speaking as the Chairman of this Committee and also as the Chairman of our Board, that we want to make sure that you have that tool available to you.

So consider this, and you and I have talked about this many times, even privately -- it's a sort of, again, sort of public open door to say that your ability to go where you need to and where you and Michael's work requires you to go to do your job, it's important from our Committee standpoint to make sure that's available to you.

Bob Van Etten: I've always felt the support from your office and the Executive Director as well as the Audit Committee has been outstanding, and hopefully that will never change.

Chairman Coscia: Glad to hear it. Anyone else have any other questions? We may actually, despite me being late, stay on time. Okay, I guess I'd ask for a motion to adjourn.

Commissioner Sartor: So moved.

Commissioner Bauer: Second.

Chairman Coscia: All right. Thanks again, Howard and Bob and Michael, and thank you. We're adjourned.

The Port Authority of New York and New Jersey
Governance and Ethics Committee Transcript
February 21, 2008

Commissioner Silverman: All right, good morning, everybody. This is the first meeting of the Governance and Ethics Committee. We are meeting in public session in its entirety. In addition, this meeting is being broadcast live on the Internet via The Port Authority's web site for those interested in viewing today's proceedings remotely.

And we're going to start with a brief introduction by the Chairman. And then our General Counsel is going to take us through - Darrell Buchbinder's going to take us through the agenda. Would you like to start, Tony?

Chairman Coscia: Thank you, Commissioner Silverman. Again, I welcome everyone to the first meeting of the Governance and Ethics Committee. This Committee in its formation is part of a process that's been going on for the past year and a half to two years here at the Port Authority of responding to the need to update the way we conduct our business and provide greater transparency and a more complete understanding of exactly how our decision process works, and also to generate standards of conduct for both staff and Commissioners that gives this agency the kind of credibility going forward that we believe is critical to the enormous projects that we're undertaking. A lot of what we've pulled together here are things that were part of the practice of this authority but never fully codified. And our recent amendment by the bylaws, as well as other affirmative actions that this Board has taken, has been with the idea of creating the highest standard and taking advantage of thought that's gone on in both the public and private sector as to how to create that kind of transparency and strength of governance process.

As part of that, there's a number of specific things that we're proposing to do. Certainly it doesn't end with the creation of this Committee, but rather with the work that this Committee's expected to do. And in a moment, I will hand it over to our General Counsel. But in order to ensure that we're actually fulfilling the mandate that was directed by the Governors in their correspondence with this agency and the Board and the adoption of revised By-Laws, this Committee begins with the establishment of a charter that outlines the scope of what this Committee is expected to cover, but one of our first orders of business is to create an actual code of conduct. And I guess, Darrell, I will turn it over to you at that point to outline I guess the issues that we should be considering and how this sort of is formed in doing that. Darrell?

Darrell Buchbinder: Thank you. Good morning, Commissioners. Actually for the first meeting of the Governance and Ethics Committee in 2008, we do have a couple of items as the Chairman outlined to discuss with you.

Taken in order, we will discuss with you first the charter and then a proposed agenda for the balance of this year. Consistent with a best corporate practices approach for governance committees, we have prepared a charter for the Committee's consideration. And I believe you have received copies of it previously.

In essence, the charter translates the Committee's By-Law responsibilities into an action plan for Committee activities. The charter divides the Committee's responsibilities into three broad areas with some degree of overlap. The areas are governance oversight, ethics oversight, and compliance oversight.

In terms of governance oversight, we really are focusing on the organization and operation of the Board, the review of governance trends generally, the development of governance policies and practices for recommendation to the Board, and the review and evaluation of the Board's performance on an annual basis, the effectiveness of the Committees, and the Executive Director's performance as well.

In terms of ethics oversight, we are focused there on a review of ethical principles of conduct applicable to the Commissioners and staff. And by setting the tone at the top by ensuring that the Board and staff are familiar with and committed to the ethics principles and programs adopted by the Authority, by reviewing the independence and objectivity of the Board by reviewing ethics trends generally in the states of New York and New Jersey.

And the third major areas is compliance oversight, which includes both compliance with law, rules, and regulations applicable to the Authority's activities and with the internal policies and programs of the Authority other than for matters related to accounting, auditing, financial reporting, and internal controls, which are the responsibility of the Audit Committee.

We've also prepared a preliminary agenda providing for four meetings of the Committee this year, including this meeting. And the preliminary agenda includes discussions, reviews, and reporting on activities consistent with the Committee's By-Law responsibilities, and the charter.

Of course, as set forth in the charter, in addition to these four meetings, the Committee would meet on an as-needed basis throughout the year and would add matters to the agenda as appropriate.

As part of the next meeting -- and I think this gets into a little bit of what the Chairman was mentioning -- as part of the next meeting, to facilitate the Committee's assessment of the adequacy of The Port Authority's ethics standards, we'll be providing the Committee with an analysis of ethics standards currently applicable to Commissioners and staff and also a review of general ethics standards in the States of New York and New Jersey. Thank you.

Commissioner Silverman: Any questions for Darrell? Tony?

Chairman Coscia: Just a couple things to go over. One is that I assume that in the compilation of the charter that you looked at -- excuse me -- charters for similar entities that exist in the public sector and possibly even the private sector. I know that there's a

lot of discussion in the private sector and there's a lot of precedent in the private sector relative to SOX (Sarbanes-Oxley) compliance and charters that articulate basically a work plan for committees consistent in - and I'd say that this area is probably second only to audit committees in terms of just how much is out there. And I'm just curious as to how much work your staff has done at looking at some of those things in compiling this?

Darrell Buchbinder: Effectively staff has kicked the rock on the issue. The difficulty in trying to find charters that deal with governance committees is trying to find governance committees. As you indicated, the SOX provisions tend to focus more on audit committee responsibilities. And it's been a long, evolving trend in terms of audit committee charters. And, in fact, we developed the first audit committee charter for the Port Authority's Audit Committee. When you blend that together, you do have a few public agencies that have some governance charters or some governance committees. And we did do a survey. Primarily the focus of this charter, though, derives very specifically from the Port Authority's By-Laws and the Committee's responsibilities under the By-Laws.

And what you really have, as I said earlier, is the effort to take the Committee's responsibilities and build them into an action plan. And the charter becomes pretty much of a tick list for the Committee throughout the course of the year.

And we also have in the charter the concept that much like the Audit Committee, the charter should be subject to at least an annual review because it is an evolving, dynamic document. It's not something that you adopt and then put up on the shelf, that it requires constant focus.

Chairman Coscia: Which I guess leads to my one other question, which is that given the fact that - given the newness of this whole approach to us, we do have an ability to amend the charter through action of this Committee?

Darrell Buchbinder: Correct.

Chairman Coscia: Is that how that would work?

Darrell Buchbinder: Correct.

Chairman Coscia: We would approve it, but we'd also have the ability to amend it from time to time if we thought…

Darrell Buchbinder: Absolutely.

Chairman Coscia: So long as those amendments were consistent with the By-Laws' delineation of what our responsibilities are.

Darrell Buchbinder: Correct. And, in fact, in adopting the charter, it really does not take a formal action of this Committee. I mean, it really becomes the sense of the Committee that these will be its operating rules.

Chairman Coscia: Okay. And then my last question is if you read the - if you read through what's been expressed about the responsibility of this committee in the By-Laws or in the charter and you then do the same with audit, there is a certain amount of sort of potential overlap that exists between the two. And I guess I'm just - I'm partly asking a question, but also maybe sort of just stating for further sort of attentiveness, trying to keep these two Committees sort of clear of bumping into each other more than is necessary and is there any other Committee where we're going to have that same issue?

Darrell Buchbinder: Practically speaking, the Governance Committee serves, I think in my view, as an umbrella because compliance and regulatory issues can affect any committee because they can affect any aspect of the Port Authority's operations.

In the drafting of the By-Laws, there was a very specific focus on the overlap between the Governance Committee and the Audit Committee. And, in fact, we delineated those roles such that the Governance Committee, this Committee, does not necessarily consider matters that the Audit Committee considers, but there is at least the concept that on a periodic basis, the Audit Committee and this Committee would meet to make sure that they're not really driving down parallel tracks and allowing something to slip in between. So there's a fair amount of coordination that's required.

Chairman Coscia: And I take it that in affecting that coordination, you and Larry and your staff will focus on the sort of distinction between the two Committees relative to the exclusion of membership of myself and the Vice-Chair. So to some degree, when you orchestrate that, you have to orchestrate it consistent with the fact that we can't really participate in their deliberations.

Darrell Buchbinder: Correct.

Chairman Coscia: Although presumably they could in ours, so.

Darrell Buchbinder: They can, but you can also participate in not so much their deliberations as an audit committee, but you can participate in a dialogue between this Committee and the Audit Committee, again to make sure that the operations of both Committees are efficient and support the Port Authority's needs.

Chairman Coscia: Okay. All right. That's my - all my questions.

Commissioner Silverman: Any other Commissioner or anyone else have any questions?

Commissioner Silverman: Mr. Shorris, anything from you?

Anthony Shorris: That's about it.

Commissioner Silverman: Anything else on this agenda, Darrell?

Darrell Buchbinder: No, that's it for this meeting.

Commissioner Silverman: All right, then we stand adjourned. Thank you.

Commissioner Mack: Thank you.

The Port Authority of NY and NJ
Governance and Ethics Committee Transcript
May 22, 2008

Commissioner Silverman: We will start our public session. Today's meeting of the Governance and Ethics Committee will be held in public session in its entirety. In addition, this meeting is being broadcast live on the internet via the Port Authority's website for those interested in viewing today's proceedings remotely. Now before we start are there any members of the public here today? Or any members of the press? No. Okay. But we are live via the Internet and our agenda item is a discussion of ethics policies by Howard and Steve.

Howard Kadin: Thank you Chairman Silverman, members of the Committee. Ladies and gentleman, I would say it is a pleasure to be able to speak before you today. Mark Twain always said, "You should tell the truth always because you will please some people and astonish the rest." And I am here to tell you one truth which is that ethics is not very sexy. Unlike building a new rail passenger terminal, developing downtown, acquiring a new airport, ethics is not in that vein. Those are projects that serve to enhance the physical infrastructure of the region. I think, however, that a decent argument can be made that ethics is vital for this agency's internal infrastructure.

We are talking about doing what is right and fair with respect to the organization and the public that it serves. And I think the importance of this subject matter was underscored by the fact that last summer when the Board adopted, Amended and Restated By-Laws, there was in those By-Laws the creation of this very Committee. And this presentation, which I am about to give to you, will be in three parts.

In the first part I am going to discuss sources of authority for Port Authority ethics which will provide a brief recent history of ethics at the Port Authority. I'm then going to discuss a little bit about the Law Department's role in terms of ethics administration. And finally I am going to talk a little bit about a possible model for an effective compliance and ethics program.

In terms of sources of authority for the Port Authority ethics administration, I bring to your attention several resolutions of the Board of Commissioners that started in 1979 and 1980. Those resolutions did three things. The first thing they did was to tell the Executive Director that he was to promulgate a code of ethics and financial disclosure for the staff.

In addition, the financial disclosure regime was set up under which certain members of the staff were required to file. And the third thing that that did was to set up an ethics board which was management's tool for administering and overseeing the organization's ethics code.

Why did they do two resolutions, one in '79 and one in 1980? Well, after the 1979 resolution, in 1980 they determined that in fact the financial disclosure statement should be filed with the Law Department instead of with the Office of the Secretary because under the code the Law Department is responsible for determining conflicts of interest in the first instance. And they also determined that financial disclosure statements at the Port Authority should be subject to the

Authority's Freedom of Information Policy. Originally in '79 when the first resolution came out it was determined that they should be confidential.

And finally with respect to the creation of an ethics board to administer on behalf of management the code of ethics, rather than having the Chair of the Audit Committee along with General Counsel in one designated Department Director, it was determined that the Executive Director would designate three members from Port Authority's staff. So that is why you had this slight change between '79 and '80.

The next important –

Commissioner Mack: (Inaudible)

Howard Kadin: That is correct. In 1988 the Board adopted an update to its ethics policy and that update basically said, among other things, that the Commissioners agreed to adhere to the ethics standards applicable to unsalaried officers of their respective State.

And that policy indicated that the Board recognized the importance of upholding conduct that would hold the confidence and respect of the public and that would allow the public to know and be assured that no conflict existed between individual's personal interests and their official duties.

Also importantly in that update to the ethics policy the Commissioners agreed to continue to provide and furnish General Counsel with a list of private financial interests.

Now we fast forward from 1988 to 2007. It has been 26 years since the By-Laws were last amended in 1981. The last update to the Commissioner's Code was 19 years ago. And the Code of Ethics and Financial Disclosure for staff had last been amended and is currently in effect; that code for staff was revised as of 1996. So that is an 11-year period.

And we have a joint letter that was sent to the Port Authority by Governor's Corzine and Spitzer in June of 2007. And that joint letter said, among other things, that the Port Authority should establish a Governance and Ethics Committee. That Committee would establish and oversee compliance with ethics policies; it was going to promote appropriate staff and Commissioner conduct. That Committee would also review ethical standards in the two States and corporate trends and best practices, and make recommendations to the Board of Commissioners including an understanding as to the possible adoption of the higher standard where the standards between the State of New York and New Jersey differ.

The Governor's letter also called for certain ethics policies in three particular areas. One area dealt with outside business dealings with the Agency and it said that there should be disclosure of such outside business dealings both with respect to Board members, executive staff, their employers and their immediate family members.

Importantly, that disclosure should be made according the Governor's letter pursuant to a certification to the Board with copies sent to the two Governors on, and posting on the Port Authority Website.

The second ethics topic that the Governor's letter specifically dealt with was a prohibition in participating in contracting decisions affecting relatives, family members, and entities in which a family member had a substantial affiliation or interest.

And finally the third ethics topic that the Governor's letter specifically dealt with was a prohibition on Commissioners or Officers requesting or demanding political campaign contributions with respect –

Commissioner Mack: Can you say that again?

Howard Kadin: Prohibition on Commissioners or executives or officers requesting or demanding political campaign contributions being made to their campaigns if they were running for some sort of office, and also prohibiting Port Authority employees from making such contributions.

Commissioner Silverman: (Inaudible).

Commissioner Bauer: You can't solicit on behalf of anyone, right?

Howard Kadin: You should not be soliciting in terms of political activity, absolutely. Yes, yes.

Commissioner Mack: (Inaudible).

Howard Kadin: Well when you say "a friend of mine" –

Commissioner Mack: Answer the question.

Howard Kadin: I'm sorry?

Commissioner Mack: (Inaudible). Are you trying to tell us it prohibits us from helping each other outside of this agency?

Howard Kadin: I think the prohibition in the letter says that Commissioners and Officers should not demand or request that Port Authority employees make contributions. You're welcome.

And then subsequent to the Commissioner's letter in June of 2007, the Board adopted, Amended and Restated By-Laws and in those By-Laws there is a section which establishes the Governance and Ethics Committee. And the duties of that Committee implement, in large part, the elements that were mentioned in the Governors' letter.

And certainly the Committee is given broad oversight authority as you can see in the slides that we have here. It is empowered to oversee questions relating to the development of and

compliance with ethics principles, and again to make recommendations including the development of a code for the Board and for staff.

The Committee is also required under the By-Laws to ensure that the Board and staff are familiar with and committed to ethics principles and programs. The Committee is supposed to review corporate trends and best practices and to make three annual assessments. The Committee is supposed to annually look at the adequacy of the code and compliance with it. In addition, the Committee is supposed to look at the independence and objectivity of Board members and Committee members.

And finally the Committee is supposed to review ethical standards in the two States, again with the idea of making recommendations in the event that there are differing standards where one particular State's standards are higher with respect to a particular situation.

And finally, in February of this year the Governance and Ethics Committee accepted the Charter that governs its behavior and that really does reflect, among other things, the foregoing responsibilities. I should also mention briefly that that charter deals of course with the other half of the Committee's mandate which is the governance half which I'm not going to be talking about today.

I would like now to talk a little bit about the Law Department's ethics role. And in accordance with the staff's code of ethics and financial disclosure, the Law Department has the responsibility for identifying possible conflicts of interest and other breaches of ethical standards. I should say that we get inquires from many staff and former employees with respect to different aspects. To some extent it is seasonal. In the spring it is time to file your tax return and therefore it is time to do your employee financial disclosure. When summer starts to roll around, people who have children who are college age or graduating from college see those children do summer internships or get their first job. And there have become a lot of questions about possible conflicts of interest as these children move to positions in organizations and corporations.

In the fall with elections we have questions that we deal with with respect to political activities from time to time. And in the winter as you might expect with holiday season we get a lot of questions about gifts and gratuities and also post-employment questions as people contemplate retiring.

We do conduct an annual financial disclosure statement exercise. We get about 1,600 or so forms each year. And we do serve as a liaison to the ethics boards that I mentioned before that are management's tool for administering and overseeing the Code. There is one ethics board for the Port Authority and a separate one for PATH. And we are involved in helping them to develop their agendas and write their minutes. The ethics boards meet generally once every other month.

The Port Authority Law Department is involved in ethics training. We do ethics training both in conjunction with the Human Resources Department for supervisory and field maintenance personnel at the various facilities. Different departments within the Port Authority request that we come and speak to their members from time to time. That has, for example, happened in the

recent past with respect to the Comptroller's Department. It has happened with respect to Aviation. And it has happened in Port Commerce. We do sometimes speak to new hires in that regard.

And I should mention that the training is broad. It covers a great deal of ground. It is not simply conflict of interest. It is also a general discussion of the whole notion of what constitutes ethical conduct. We cover other topics such as gambling, use of Port Authority property, solicitation with respect to Port Authority property and other Port Authority employees. We do cover conflict of interest which I think in some sense is the heart of Port Authority ethics. But we also deal with outside employment, employment of relatives and referrals, ethics in the procurement process and financial disclosure.

The Law Department is involved in dealing with certain procurement and contract administration issues that relate to ethics. We are involved in the maintenance of integrity language that is found in standard contract revisions. We were involved in the development of procurement disclosure policy for contacts by persons attempting to influence the procurement process.

With respect to Commissioners, the Law Department collects information on individual affiliations and interests, maintains a database for that purpose. We also review Board items and Memorandum of Justification, which come before the Board for their review so that potential conflicts may be identified. And we send you that letter that you get each month that reminds you if we believe there may be an item for which you should be recused and/or we don't see anything that is so required. We do also review ethics legislation and opinions of the two States' ethics bodies.

And now for the final part of my presentation I would like to discuss a little bit a model for an effective compliance and ethics program. This model is based on the federal sentencing guidelines. Those guidelines apply to all organizations private and public, profit and non-profit. Originally drafted in 1991 and revised in 2004, they contain various tests to determine the appropriate range of sentencing for an organization where criminal conduct is involved.

One of the mitigating factors is whether the organization has an effective compliance and ethics program. And in that regard I offer this model for consideration of some possible things to think about as we go forward. And I note that we talk about promoting a culture that will encourage ethical conduct, and that means that we have to start with the tone at the top. We have to look at the behavior and the way that the Commissioners and senior level staff conduct themselves because everybody in the organization is looking to them and they will set the standard and the tone which will be something for everybody else to aspire to.

The exercise of due diligence means that you really have to know the agency; you have to understand the way we operate. You have to be able to look at our different areas of operation and assess possible risks. Implementing the standards and procedures to prevent non-compliance means in large part implementing a code. You have to be knowledgeable about the content and the operation of the program. And you have to oversee its reasonableness. It is important that high level personnel be involved in the administration of the program and that adequate resources be devoted to it. It's one thing to have a wonderful ethics and compliance system on

paper, but it is not enough, as we know from some of the information that we have gotten post-Enron, you can have as a corporation or an entity the most wonderful code of ethics and compliance on paper, but if in fact you are not really communicating these standards, promoting them and ensuring through follow-up that the standards are being adhered to, then you really haven't done the job; you just have window dressing.

You have to conduct effective training. And I should say that in the course of the Law Department's training efforts we see over the last three years maybe 400 people on a face-to-face basis. We also try to utilize electronic means; on the employee net we have an ethics spotlight feature that promotes particular topics from time to time. And we are in the process of dealing with the procurement department to try to work up a more comprehensive electronic ethics training program.

And with that, I would defer to Steve Pasichow who will present for the Inspector General. Thank you.

Steve Pasichow: Good morning Commissioners. I just wanted to give you briefly what the IG's role in ethics is. As I'm sure you know we are here to promote integrity, economy and efficiency through criminal investigations that we conduct and some administrative investigations we conduct into wrong-doing, fraud, waste and abuse, and also conflicts of interest. And those allegations might come from the public; it might come from employees or supervisors. It might come from the ethics board. We can effect our, at the disposal of the ethics board and their investigative body.

After we investigate we will forward our findings to the ethics board for a determination whether a violation occurred and what penalty would be imposed. What comes out of our investigations, as again you know, could be criminal prosecutions, disciplinary actions, contract dispositions and civil actions against companies and individuals. We also provide a strong preventative program. The IG's office is not so much into only detection, but prevention is as, if not more, important.

And things, as you heard from Howard, we have an integrity awareness training that we do. Over the last 3.5 to 4 years we have already touched about 3,500 employees. That training covers some of the ethics which is what Howard does, but also covers a lot of the integrity corruption issues that employees are confronted with doing their jobs. We've also amended that recently to apply to contractors. And we are providing similar training to contractors at the Trade Center. And hopefully in the future we will roll it out to other job sites.

Other preventative programs. The fraud prevention program we are doing at the Trade Center is one good example of how we are trying to get ahead of the curve and provide some advice to the agency execs and managers on how to prevent problems.

The vendor integrity check program. Security inspections program. These are all areas that we are working preventative with the agency, not just waiting for things to happen.

One of the things that is most important with any type of investigation prevention and detection is a whistle blower policy. Employees need to know that they will be protected if they come forward with information of wrong-doing. And last year a whistle blower policy was implemented at the Port Authority. It simply states that no adverse personal action shall be taken against an officer or employee solely as a result of his or her making a truthful report to the IG of corruption, criminal activity, conflict of interest and so on, objection to and or refusal to participate in misconduct or cooperation with an investigation by a public body. Any of these allegations of retaliation are investigated by the IG's office and we then report back to the Executive Director and your Committee with our findings and recommendations.

The only other things I would sort of really cover, and Howard has already done it, is really the corporate culture. What we try to do when we meet with these employees and supervisors and managers to the agency is try to instill in them the corporate culture that we all want – what ethics is all about; turning a blind eye is not the way managers or even employees should proceed. We want them to, to set an example, supervisors serve as role models, maintain an environment of open disclosure, open dialogue with their employees, be vigilant to prevent and detect. Again, not worrying so much about, well if I report something it is going to look at me badly. But think about the whole picture, think about the agency. We also in our trainings try to instill upon people the downside to going down the wrong path. Not just through job and your pension, but the embarrassment to family, if you can be arrested, legal fees and so forth. So we try to instill all of this; a little bit is fear obviously – a little fear is good and healthy, but again, that they should be part of the Port Authority team and family. And ultimately that working with us and Port Authority manages that we can be successful in having ethical behavior be the core of the organization's DNA. Thank you, Commissioners.

Darrell Buchbinder: We have one more piece.

Howard Kadin: Very quickly, you have here a comparative chart of New York and New Jersey ethics laws. And as you can see as a general matter in most respects the standards in New York and New Jersey are similar. One thing that I would like to point out, however, is with respect to financial disclosure whereas in New Jersey as the New Jersey Commissioners know, financial disclosure is required of them in accordance with Executive Order Number 1 from Governor Corzine; in New York multi-state Authority board members are exempt from financial disclosure. And that is a substantial difference in the standards that apply to the two States.

There is a slight difference with respect to the post-employment restrictions; one State has a one-year bar with respect to immediate dealings with the former agency after you leave. The other state has a two-year bar on such immediate dealings. Generally this was put together just in rough fashion to give you a rough idea. Ethics is not something that is new. It has been around for a long time. The two States in substantial aspects do have similar standards but I did want to let you be aware of the fact that there are certain differences. Thank you.

Commissioner Silverman: Any questions from any of the Commissioners? Go ahead, Mr. Chairman.

Chairman Coscia: Just two things, briefly, and I think this was a lot of very helpful information, so I commend both of you. I think it is very, very useful. On the financial disclosures, financial disclosure made by New Jersey Commissioners pursuant to New Jersey law, my recollection is that we also provide a copy of that to someone here – is that correct? So you are able to then also use that information as well.

Darrell Buchbinder: Yes, it is also accessible on the web in New Jersey. It is provided to me; Howard runs the analytics on it. We also monitor externally your activities through web and other public information. We then compile a list and that is what we use to monitor Commissioner's interests in the context of Board activities.

Chairman Coscia: My question actually in some ways was more as sort of the simple mechanics of it, that the New Jersey Commissioners are they all aware of the fact that when they – because this just happened in the middle of May – when we submit our annual financial disclosure form to the ethics office in New Jersey, that we are also providing your office with a copy?

Darrell Buchbinder: Yes.

Chairman Coscia: So we all know that?

Darrell Buchbinder: Yes. And the New York Commissioners also provide us with continuing lists of their interests even though there is no requirement that that they file in New York.

One of the areas that we will be moving to as we continue this dialogue with the Committee is the evolution of a common Port Authority Commissioner's Code of Ethics which would synthesize the requirements in both states and come up with one unified standard which I think will be somewhat less complex. The concept was to pick the higher standard. As you can tell from the chart, the standards are very close with the exception of financial disclosure. We will be in the next several months providing you with more draft information and ultimately some thoughts on what the elements of the Commissioner's Code would be from the Port Authority perspective.

Chairman Coscia: Okay, and that leads to my second comment which applies to whatever codes are promulgated for Commissioners as well as staff which is I think the need for there to be as much clarity as to obligation as possible. That, at least in my experience, problems have evolved as much out of ambiguity as anything else. And that creates a lot of problems. For people who may not have the best of intentions it is cover to hide behind. For people who do have good intentions it creates a fear of having not complied, even though there is an intention to comply. So we have an opportunity here since we are developing this, to develop it in a way where our drafting and expectations are all done with the view toward trying to create a level of clarity that makes it easier for people presumably who want to comply to comply.

Darrell Buchbinder: One of the elements in our compliance programs is the concept that we don’t subject any individual to self compliance and risk. If you have a question we provide a variety of different methods for the question to be raised, and for guidance to go back and forth which is a dynamic process. So no one has to take the risk regardless of how well or clearly

drawn any code of ethics is of making an independent determination. And we do that fairly frequently. And it is supposed to dialogue with Commissioners and with staff that is ongoing.

Commissioner Silverman: I had a question about the whistle blower. Do we have a hotline where people can call on a no-names basis and report?

Steve Pasichow: Yes, we have a full hotline at the IG's office that they can call and we have been advertising it.

Commissioner Silverman: And do you, so the hotline is manned internally as opposed to an external third party source?

Steve Pasichow: It's internally, that is correct.

Commissioner Silverman: And since we have implemented our whistle blower policy, have you received a number of allegations or inquiries or reports?

Steve Pasichow: Commissioner, allegations we get everyday. We've only had one allegation of retaliation and that has been investigated and reported back to the Audit Committee.

Commissioner Silverman: And what about allegations of wrong-doing? Not retaliation but somebody says, "I want you to know my supervisor is doing ‘x’; I don't think it is the right thing."

Steve Pasichow: We get those everyday.

Commissioner Silverman: We get those everyday.

Chairman Coscia: Just out of curiosity, order of magnitude, I mean whatever you can appropriately tell me in terms of you say you get them everyday. I mean you get 10 a week, 20 a week?

Steve Pasichow: Probably 20 to 25 a week on average.

Chairman Coscia: And it spans the whole --?

Steve Pasichow: It spans. It could be service related where we refer things to the agency, line departments, or it could be outright corruption.

Chairman Coscia: Good, thank you.

Commissioner Silverman: Okay, if there are no other questions, this was the only item on the agenda, correct? And we stand adjourned.

The Port Authority of New York and New Jersey
Committee on Operations Transcript
October 2, 2008

Chairman Coscia: Good morning, everyone. I think we'll get started. We've got a tight schedule to keep up on so, if I can have everyone's attention. The first portion of today's meeting of the Committee on Operations will be held in public session after which the committee will meet in executive session to discuss matters related to the purchase, sale or lease of real property or securities where disclosure would affect the value thereof or the public interest.

In addition, the public portion of this meeting is being broadcast live on the Port Authority's web site for those interested in viewing today's proceedings via the Internet. The George Washington Bridge. Mr. Francois?

Michael Francois: (Technical difficulty) Sorry. The George Washington Bridge Bus Station - hopefully I've projected enough. The bus station serves 20,000 passengers per day as well as the local Washington Heights community through its services and retail tenants, parking facilities and public meeting space.

A request for proposal for the redevelopment of the bus station was issued in February 2006. Four proposals were received with Development Venture receiving the highest overall rating. In December 2006, the Board authorized an exclusivity agreement of 120 days to allow Development Venture to complete due diligence and to allow the Port Authority to negotiate a number of business terms. Development Venture is a joint venture between Acadia Real Estate Trust and PA Associates.

During the exclusivity period staff engaged in productive negotiations on a wide variety of issues including safety and security requirements, the retail layout, and the development of a conceptual plan that would balance the efficiency of the bus operations with the proposed development. Development Venture originally proposed to fill in the shell and overbill the entire East building to create 385,000 square feet of retail space.

However, extensive analysis determined that meeting the required National Fire Protection Association standard would be cost prohibitive. As a result, staff worked closely with Development Venture to identify more cost effective development approach which maintained the transportation improvements and reduced the scope of the commercial space to approximately 120,000 square feet of first-class retail within the existing East and West buildings.

Through this JV relationship with Development Venture they will design, redevelop, lease and maintain approximately 120,000 square feet of new retail space as well as design and construct improvements to the bus operation space on behalf of the Port Authority.

To implement this major redevelopment project, we are recommending that the Board authorize the Executive Director to do two things. Number one, enter into an interim agreement with Development Venture for an initial period of nine months with one nine-month extension

followed by a six-month extension if required. Each extension is dependent upon the satisfaction of certain conditions during the previous period.

Also, enter into a net lease and related agreements with Development Venture to lease and develop approximately 120,000 square feet of new first-class retail space. The proposed net lease is a 49-year term and provides for five 10-year extensions at Development Venture's option and will commence within 30 days after the conditions set forth in the interim agreement are satisfied.

In more detail, during the first nine month period upon signing the agreement, Development Venture must pay the Port Authority $1 million, which is one year of prepaid guaranteed base rent plus $160,000 for administrative fees for design, review and construction monitoring. Development Venture must finalize the terms of the net lease within this nine month period and place it in escrow. Also, they will prepare preliminary design documents for development and construction work and to consolidated bus operation space and other areas not leased by Development Venture and they must submit all these plans to the Port Authority for its approval.

Lastly, the cost estimate for the bus operations should not exceed $49.5 million. If the cost exceeds $49.5 million the Port Authority may terminate the agreement.

During the second nine month period of this interim agreement Development Venture must provide evidence of financing for the project that is satisfactory to us, must complete final design and construction documents that meet the Port Authority's requirements for the entire project including the consolidated bus operations area. Again, the cost of this for our space must not exceed $49.5 million. And they must secure all permits and approvals required to proceed with development of this space including TAA approvals from the Port Authority.

During the interim period the Port Authority will be required to review and approve all TAAs, Tenant Alteration Applications, within a timely manner. We must vacate the George Washington Bridge Bus Station of tenants of which there is approximately 11. If there are any remaining tenants at the end of this second nine month period, the Port Authority may decide to pay Development Venture up to $200,000 for reasonable out of pocket fees including legal expenses for removal of any tenants. If Development Venture accepts this payment they will be responsible for the removal of any remaining tenants.

The interim agreement may be extended at the end for an additional six months under two conditions. Number one, if they have already prepared all the design documents, submitted it to us, but we need more time to review, we will extend it. And if they have accepted the responsibility to basically relocate the tenants at that time it's needed, we will also provide a six month extension.

The economic terms as I stated previously - it's a 49-year lease with five 10-year options. The base rental from years one through 10 is prepaid over a period of approximately 36 months from the execution of the interim agreement and it's $6.44 million. From years 11 through 49 the base rent will be $1 million annually and it will be subject to 5% increases every five years after year 11.

The aggregate rental, base rental, is $53 million for the initial 49-year term. There will also be additional rent that the Port Authority may receive from this. In years six through 10 we will receive additional rent on 8% of any gross that exceeds $12 million. We will also, beginning in year 11, the amount in which 8% of the gross revenues exceeds the base rent for that year. Let me explain this.

We are getting $1 million a year guaranteed base rental which will go up 5% every five years. So, we will get an additional amount of additional rent if 8% of those gross rentals exceed that base rental number.

Commissioner Steiner: Gross rent or gross revenues?

Michael Francois: Gross revenues; I'm sorry. Gross revenues.

Commissioner Steiner: Of any source?

Michael Francois: Right. Any source. In addition, we have a 10% -- we will receive 10% of net proceeds from capital transactions, which include refinancing, assignments, transfers; any beneficial interest in the property.

Commissioners, the redevelopment of the George Washington Bridge Bus Station through a net lease arrangement with Development Venture would create an opportunity to improve the efficiency of the bus station operations, improve customer service and bring new retail to the underserved surrounding community while substantially decreasing the Port Authority's future investment obligations in this facility. Therefore, I'm recommending that you approve and move to sign it to the Board today.

Anthony Coscia: Thank you. Is there a motion to approve?

Commissioner Holmes: I have a question.

Anthony Coscia: If I can just get somebody to put a motion. Sorry. What can I tell you? They give me these rules and then they tell me I have to follow them. Is there a second?
Commissioner Steiner: Second.

Chairman Coscia: All right. Sorry.

Commissioner Holmes: Are there going to be opportunities for minority and women owned businesses in the retail and also local businesses?

Michael Francois: Yes, there will be. As a matter of fact PA Associates and Acadia Real Estate Trust is more or less noted for a substantial amount of, you might say, neighborhood community retail development facilities throughout New York City and actually have a very good track record in executing them and working with the local community board. The local community is very much in favor of this particular development.

Commissioner Holmes: Thanks.

Commissioner Bauer: You've been to the community board?

Michael Francois: We have had -- not on a formal. I think we have preliminary, but yes.

Commissioner Hochberg: Tenant removal is a very polite term, but what's going to happen? That's always a hot political issue. We've got a borough person who is fiercely defending small retailers. I'm sure there's a city council person or two in that area. So, how are we managing that aspect of it?

Michael Francois: From a legal perspective, which I will get into the more sensitive issue, we are not renewing any leases at the George Washington Bridge Bus Station. We're having all of them on a hold over basis.

Commissioner Hochberg: So, all the leases have expired or will have?

Michael Francois: Well, for the most part all of them, but for the most part most of them have expired. We have also had extensive discussions with the local community in this regard. We understand that -- we've explained to the community that some of these tenants that do serve the local community will have to be relocated. They fully understand that. They fully support our position. There is one particular tenant that has some unique community services in regard to financing that the local developer has agreed to work with him and actually include him back in the facility afterwards. So, we're very sensitive to that.

Susan Bass Levin: At the 42nd Street bus terminal where we have a project in the works as well, the tenants as their leases expire we are keeping them in hold over status and not renewing any of those leases. So, a large number of those leases show up on the lease report and it's just in a hold over status that's been intended.

Commissioner Hochberg: Do we know how many actually -- leases we will have to break?

Michael Francois: I don't know that specific number off the top of my head.

Commissioner Hochberg: Those are the ones that are going to be the problem, obviously.

Commissioner Steiner: There's only one, I believe. I spend a lot of time on the project with them. There's one tenant I don't think he's even paying the rent and he's the one that wants to stay.

Michael Francois: Well, one of them we are and you're right. One who has a lease we're pursuing for nonpayment of rent for an eviction and for termination.

Commissioner Hochberg: That's a good deal.

Commissioner Steiner: He's the one that's probably friendly with the councilors.

Commissioner Hochberg: And to the question in terms of local women and minority business is it a good faith effort or what's the actual outreach to do that?

Michael Francois: It's more or less a good faith effort on the part of the developer. But I think one of the reasons we selected them to begin with is their track record on this.

Commissioner Bauer: Michael, one other question. You made reference to the finance and the developer. In light of the economic climate we're in have you had to make any adjustments to this?

Michael Francois: No. We've had constant communications with the developer on that. I think I talk to them on a daily basis in view of the credit crisis that we're experiencing. The project basically in round numbers is $150 million project. $50 million in round numbers, $49.5 million precisely is work that he will be doing on our behalf for the Bus Station improvements. The other $102 million specifically is his budget development budget for the renovation of the retail space of 120,000 square feet.

Of that $102 million, they are securing or hope to secure -- and that's why the approval of the Board at this point in time is critical, $43 million worth of Upper Manhattan Enterprise own money, which is basically triple tax-exempt bonds. Obviously, going forward, there will be a combination of debt and equity on this project. Most of the equity will be coming from Acadia Real Estate Trust. They are an extremely strong real estate investment trust. They maintain profitability throughout this period and they're prepared to put in whatever combination of debt and equity is necessary to finance the project.

In addition the developer hopes -- the financing won't have to be secured, locked down for about 18 months and the developer already had with our approval and (inaudible) approval a lot of discussions with retailers. So, he hopes to have these leases basically done by that time to help secure ties to debt.

Chairman Coscia: Any other questions?

Susan Bass Levin: You may have said this, but what's the anticipated construction start time?

Michael Francois: The anticipated construction start time is at the conclusion of the interim agreement, which is anywhere from 18 to 24 months. The developer intends to execute the lease that will be held in escrow and immediately proceed into construction. The construction time is estimated approximately 30 months plus or minus.

Chairman Coscia: Anything else? All right. All those in favor.

Commissioners: Aye.

Chairman Coscia: Any opposed? Okay. Thank you. I guess we will now go into executive session and I'd ask if members of the public could excuse us. Actually, yes, could I have a motion to go into an executive session?

Commissioner Bauer: So moved.

Chairman Coscia: Second? All those in favor?

Commissioners: Aye.

Chairman Coscia: Thank you.

The Port Authority of New York and New Jersey
Committee on Operations Transcript
October 23, 2008

Chairman Coscia: Attention. I think we will get started since I have been informed that we are running about 20 minutes late. So to keep us on board, today's meeting of the Committee on Operations will be held in public session in its entirety. In addition the meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet.

Our first item for discussion is the Lincoln Tunnel and the declaration of surplus property and transfer of title of a portion of West 30th Street property. And for that we turn to Michael Francois.

Michael Francois: Good morning Commissioners. Today I am seeking your approval for a real estate transaction involving the sale of excess Port Authority property in the Hudson Yards development district of Manhattan's west side. This authorization supports the Port Authority's strategic initiative to extract the maximum value from its real estate investments while ensuring our real estate assets are used to their optimum potential.

First, we are recommending that the Board authorize the declaration of approximately 1200 square feet of vacant land as surplus property. The property is located between West 30th and 31st Streets and between 9th and Dyer Avenues in the Hudson Yards development district of Manhattan.

The property was originally acquired by the Port Authority in 1952 for Lincoln Tunnel related purposes and now consists of the western most portion of a bus parking lot and vacant land. The triangular shaped property is located on the north side of the Lincoln Tunnel access road that runs parallel to West 30th Street and contains a total land area of approximately 1,200 square feet. The disposition of this property would not impact the amount of bus parking on the lot but will require that the bus parking lot exit be reconfigured.

Under current zoning regulations, the property's development rights with limited exceptions can only be transferred to a contiguous property owner. No other adjacent property owners have expressed an interest in this parcel.

Second, we are recommending that the Board authorize the Executive Director to enter into a contract of sale for the property with Arisa Realty for $4,155,120. In 2007, Wilrock Appraisal and Consulting appraised block 728, lot 1 at $290 per zoning square foot. Within the past 60 days we had Wilrock review their appraisal and determined that the property is consistent, the value of the property is consistent with the previous appraisals.

Arisa will pay $290 per zoning square foot for 1,200 square feet of floor area ratio of 12 which equates to, again, $4,155,120. In addition the Port Authority will financially benefit from a future capital events transaction fee for the property whereby we will receive 50% of any increase in the raw land value.

If Arisa does not sell more than 50% of its ownership interest, a reappraisal will automatically be triggered within 25 years of the closing date.

Arisa will also reimburse the Port Authority up to $175,000 for the cost of reconfiguring the bus lot so that the current capacity of 21 buses is maintained. The required reconfiguration includes moving a fence line and modifying the size of the curve cut so that buses can properly turn out of the parking lot onto the Lincoln Tunnel Expressway.

Arisa is a subsidiary of Shushana Company. Today Shushana and its subsidiaries, Morel Operating Company and Arisa Realty, own and operate numerous residential, retail and industrial properties throughout the Tri-State area.

The adjacent property to the North is being acquired by Arisa, which is planning to construct a 211 room hotel on the site. So this is an opportunity for us to obtain full market value by conveying title to the developer at this time. I therefore request that you recommend this item to the full Board.

Commissioner Steiner: Mr. Chairman, question. Without this can they build the hotel?

Michael Francois: No.

Commissioner Steiner: So it is essential if they are going to go ahead with it?

Michael Francois: If they are going to go ahead with the hotel.

Commissioner Steiner: If they are going to (inaudible), they need this piece.

Michael Francois: Yes, it is a 211 room hotel, so they need this to make the hotel. In our understanding, a financially viable project.

Commissioner Steiner: Thank you.

Chairman Coscia: Anyone else have any other questions? Alright, we don't need to vote on this here. It is being all referred to the consent calendar. Okay, the next item is the FAPS lease supplement.

Rick Larrabee: Good morning Commissioners. Today I would like to discuss with you an action included on today's Consent Calendar that requests authorization to supplement an existing agreement with FAPS, Incorporated, one of the Port's major auto processors to include the letting of approximately 20 acres in Port Newark for processing of vehicles.

As background, FAPS has been a vehicle processing tenant at the Port since 1956 and currently employs approximately 435 individuals on a full time basis. Under prior authorizations, FAPS currently leases approximately 141 acres on the north side of Port Newark shown here in red on

this slide and occupies approximately 57 acres on the south side of Port Newark Channel, illustrated in dark blue, under the two agreements that expire in December of 2019.

FAPS currently pays approximately $12.7 million in annual basic rent. FAPS' operation also generates additional revenues to the Port Authority of approximately $4.1 million annually from the collection of dockage and wharfage fees from vessels discharging vehicles for FAPS at our public berths. This equates to approximately $84,000 per acre in 2008.

Under an operating agreement, FAPS also processes vehicles for Wallenius Wilhelmsen Logistics, a vehicle processing service, another processing tenant on approximately 60 acres at Wallenius' leasehold at Elizabeth Port Authority Marine Terminal.

Mazda Motors of America is currently a customer of Northeast Auto Marine Terminal and a tenant at the Port Authority Auto Marine Terminal in Jersey City. Since NEAT will cease operation at the AMT in November of this year, Mazda initiated a national search for a processor of its vehicles which included a requirement for 50 acres. In order to secure Mazda's commitment to stay in the Port, FAPS leased a 30-acre parcel off port to relocate its longer dwelling vehicles, and the Port Authority agreed, subject to the Board's approval, to provide 20 additional acres to FAPS. The combination of the off-site lease and the proposed 20-acre commitment satisfied Mazda's requirements, which was one of the factors that resulted in Mazda selecting FAPS for its auto processing business.

In early October of 2008, the Port Authority made two large parcels comprising on approximately 15 acres of open area at Port Newark available to FAPS for approximately one month on a space permit. Commissioners, today your authorization is requested to supplement FAPS existing south side lease to include the letting of 5 parcels consisting of approximately 20 acres at Port Newark, the 2 parcels currently occupied by FAPS under the space permit, and 3 additional parcels that total approximately 5 acres.

The proposed supplement would be coterminous with the base lease through December of 2019. FAPS will lease approximately 17 acres effective November 1, 2008 and the remaining approximately 3 acres will be added to the leasehold upon the demolition of Building 291 which is scheduled to be completed by the end of this year. Rents will escalate annually based on the regional consumer price index. Over the full term of the supplemental agreement FAPS will pay the Port Authority a minimum aggregate basic rental of approximately $14.9 million. In addition FAPS projects that an additional $10 million in dockage and wharfage will be generated over the 11-year period.

Commissioners, the proposed lease supplement with FAPS to include the additional acreage will help retain and accommodate commerce through the Port which will result in the retention of approximately 50 direct jobs and 80 indirect jobs in the region. In addition FAPS projects that Mazda shipments through the Port will grow at a rate of approximately 5% annually over the 10-year term of the agreement thereby generating an additional revenue to the Port Authority. Commissioners, I request that you advance this item to the full Board for approval today. Thank you.

Chairman Coscia: Thanks, Rick. Any questions?

Commissioner Steiner: Question.

Rick Larrabee: Yes, sir.

Commissioner Steiner: What is the total rental FAPs pay?

Rick Larrabee: Well that was the number, that was $12.7 million.

Commissioner Steiner: For all the properties?

Rick Larrabee: That is the entire. Yes.

Susan Bass Levin: Plus dockage and wharfage, right?

Commissioner Steiner: What about security?

Rick Larrabee: We have a $2.1 million letter of credit.

Commissioner Steiner: Irrevocable Evergreen?

Rick Larrabee: Yes.

Commissioner Steiner: Thank you for preparing the summary chart cause it enables us (inaudible) ground rents, then you are saying are comparable.

Rick Larrabee: Probably a little bit more.

Rick Larrabee: You are welcome. And we have some more information coming on -

Commissioner Steiner: I have no problem with this item.

Chairman Coscia: Any other questions? Okay, I think this is a step in the right direction. It is very good. Okay, we don't need a vote on this either; it is on the consent calendar. That's it, unless, Karen is there anything else we need to cover?

Karen Eastman: No, that is it.

Chairman Coscia: Okay, is there a motion to adjourn?

Commissioner Bauer: So moved.

Chairman Coscia: All right. All those in favor?

Commissioners: Aye.

The Port Authority of New York and New Jersey
Committee on Operations
December 18, 2007

Commissioner Silverman: The first portion of today's meeting of the Committee on Operations will be held in public session. Afterwards, the Committee will meet in executive session. In addition, the public portion of this meeting is being broadcast live on the Internet via the Port Authority's website for those interested in viewing today's proceedings remotely.

Are there any members the public here today? Okay. Why don't we begin. Michael, you have the first item, the bus terminal. Michael's not here. So we will get back to Michael. So we will go on to JFK and La Guardia, Bill DeCota.

William R. DeCota: Thank you, Commissioner. Today I am going to review two contracts that were included in the Report of Actions that you have before you. One is to provide continued intra-airport shuttle bus service at Kennedy and LaGuardia. The other is for the purchase of 20 hybrid diesel electric buses to provide ground transportation services at JFK.

As you know, we use these buses to facilitate travel by many of our customers, and what this item will do is continue that as well as advance our commitment to the highest levels of sensitivity to the environment.

Just to give you a little context on buses at the three commercial airports, the Port Authority, through bus contractors at each airport operates a fleet of 71 buses. They do take passengers and their baggage on various routes, and at Kennedy and Newark the services convey passengers to locations not served by AirTrain.

They also provide backup to the air train when the air train's not working. At LaGuardia there is no AirTrain, so the airport's reliant on those buses to connect passengers from the parking lots to the terminals and to make connections between the terminals. There's about 2.4 million passengers on the airport bus service, which is currently operated under two distinct contracts at Kennedy and LaGuardia.

Earlier this year we discussed with you our plan to combine the on-airport ground transportation bus contracts at Kennedy and LaGuardia and to manage them as one. That really has a lot of benefits.

It would enable La Guardia to use the Port Authority-provided maintenance facility at JFK to service those buses, it provides flexibility in staffing, the ability to meet bus requirements that may be needed to address emergencies by allowing those buses to be used at each airport. In addition, a consolidated operation would provide an environment conducive to very efficient management, maintenance, and refurbishment of the new and existing bus fleet.

To consolidate those bus contracts at Kennedy and LaGuardia, there was a request for proposals that was publicly advertised in August of 2007. It was sent to several vendors known to provide busing services and there were four responses that were received and evaluated by a committee based upon the criteria that you see here. Cost of service, the management approach and customer service plan, the technical expertise, and the staffing management.

Based upon the criteria, the evaluation of the responses received, Servisair was deemed the highest rated proposal. There were many factors that went into that decision. It included the comprehensiveness of the proposal, for instance, related to staffing and benefits. They have a very robust incentive program, and they also comply with PA policies concerning wages and benefits.

They also had the most experience of any proposer with hybrid vehicles, including an extensive track record of having performed maintenance and warranty work. And they have contracts right now with the MTA and Long Island Railroad that are very similar to this.

Also, in conjunction with this, Commissioner, we want to exercise an option to purchase additional hybrid diesel electric buses for the JFK fleet. Right now there are 20 buses in the JFK fleet, they're known as New Flyer buses but they're approximately 17 years old. They're well beyond the 12 year useful life of transit buses.

They will be refurbished under the Servisair contract that we're recommending that's on your Report of Actions which I just discussed. That will extend their service life for approximately two years. That would give us time to procure and have constructed the new buses that we discussed.

You may recall that last year we purchased a number of buses that meet the highest levels in environmental sensitivity. At that time we had recommended purchasing 30 clean diesel and 21 hybrid diesel electric buses with a company called Orion Bus Industries. They were the highest rated lowest cost proposal at the time.

The contract for those buses had a provision to allow the Port Authority to purchase more buses and basically the replacement of the 20 1991 model diesel buses at JFK. Replacing them with all diesel and electric hybrid buses will result in huge environmental benefits. We're estimating it will reduce greenhouse gas emissions by 520 tons per year.

This is the new operating contract and the summary of the new bus purchase that we'd like you to advance. As I said, it has customer service benefits, environmental objectives. You can see the contract with Servisair would be for five years at a cost of approximately $44.3 million. There would be two two-year renewal options associated with that. In the case of the purchase of the 20 additional hybrid electric buses from Orion, the cost would be approximately $11.4 million.

We see that this has a number of efficiency and reliability benefits. It has tremendous emissions output benefits. Very consistent, these buses, with the Port Authority's cost and serviceability objectives. And therefore, as I said, these are on your Report of Actions for approval later, so we ask your consideration.

Commissioner Silverman: Any questions for Bill? Bill, the bus purchase, that's about $570,000 per bus. That number shocks me. Does it shock you? Or, I guess it doesn't.

William R. DeCota: No, because this is based upon the same purchase award that we went through last year for these buses. There is an incremental cost above normal cost of just a straight diesel bus to get the hybrid diesel electric buses, but they do have great performance and reliability.

There are also operating savings in terms of fuel, because of the nature of the way the hybrid bus works. This is really the cost that was originally proposed under the last competitive procurement, and it's just the cost escalated by the Producer Price Index. So we're really getting the same price that we had agreed to under the previous agreement.

Commissioner Silverman: And how many people do these buses carry?

William R. DeCota: There's about 2.5 million people at the three airports.

Commissioner Silverman: No, I mean per bus.

William R. DeCota: They're transit buses, basically. They have room for about 30 passengers and their bags.

Commissioner Silverman: So they look like a New York City bus?

William R. DeCota: Yeah. Actually we had a picture earlier in the slide. But they're a transportation bus, yeah, exactly like that.

Commissioner Ferer: Can I ask another question relative to the airports in general?

Commissioner Silverman: Throw your mic on, Christine.

Commissioner Ferer: Okay. I've been questioned repeatedly about this, and I know we touched on it before, but it seems like a small item, but the luggage carts that we charge people for the airports, because many other airports don't charge for that.

And what is a revenue analysis on that? How much does that really bring us? And how do you weigh the benefits to the public by charging them – and benefits to us by the resources we get from it and the benefits to the public. How do you balance that?

William R. DeCota: There's no – for us, there's actually a net cost to providing the baggage carts, even though the service is being paid for in most areas of the airport by the customer. There's an enormous cost associated with labor and equipment, both to purchase the carts themselves – like a shopping cart they costs $500 or $600 apiece. Many of them, for some reason, walk. They don't stay at the airport. You find out that they disappear, the fleet has to be replaced, they get broken.

There's also an enormous cost associated with labor for shuttling, if you can imagine the airport and all the places that they have to be dispensed from. Manually they have to be returned to the dispensers from parking lots from other areas of the terminal. We provide the carts in the international arriving area. That actually costs us money.

So for the Port Authority, there is no financial benefit associated. In fact, there's a net cost associated with the program. And if you look at the cost because of the number of carts that are rented it's really significant, it's more than $10 million a year.

Commissioner Ferer: And how much would it cost if we had to underwrite the entire program?

William R. DeCota: Well, if you were to make the carts free for everyone – that's something that we had looked at in the past – the cost exceeds the $10 million number significantly. And part of the reason is once the carts are free, the trip parties often take multiple carts, and therefore you have additional costs of more carts in the inventory, more dispensers, more people to return them.

We can give the Commissioner a more detailed breakdown, but the cost becomes quite substantial. The price, which is somewhat nominal compared to the benefit of getting the cart really serves as somewhat of a demand control component.

Because of the difficulty when you've got a very congested airport system, 107 million people working through 16 different terminals, it often discriminates between who really needs to have a cart because they're willing to pay it, versus who just wants to have a cart. So we've looked at it in the past very carefully, and it is an issue that we've considered. And the benefit that we do provide is free in the international arrivals area.

Commissioner Ferer: But that's an interesting point that you make. Perhaps the airports that do offer the service for free are less dense than our airports at this point. Would you say that?

William R. DeCota: A lot of the more modern airports have been built with the concept of baggage carts in mind. We actually pioneered the concept here, but of course our airports often are the first airports in the world. Our terminals date back, in the case of Newark's terminals, to 1973, in the case of Delta's terminals, 1961. So they probably do have a greater ability to handle it.

And also the level of demand at different airports is different. We have a heavy concentration of international passengers. That's where the demand is greatest. Some international airports – like in the shuttle terminals at La Guardia you don't get any cart demand whatsoever. So the nature is very different at every airport and you have to look at the supply and demand in light of the airport itself.

Commissioner Ferer: I would love to see that number.

William R. DeCota: I'd be happy to provide it.

Commissioner Ferer: Because I get asked that question all the time.

Commissioner Silverman: Okay. Do we require action on this Karen?

Karen Eastman: No.

Commissioner Silverman: Okay. So we'll move back to our first item on the agenda, which is Michael Francois about the Port Authority Bus Terminal.

Michael Francois: Thank you. Today I am recommending several actions in connection with the development of air rights over the Port Authority Bus Terminal, an improvement on Port Authority's terminal North Wing, and the potential redevelopment of retail in the terminal's South Wing.

The requested authorizations support the agency's objective to provide a facility that will meet the metropolitan areas near and long-term transportation demands. The actions I am recommending today will leverage one of our most valuable and well known assets to create a state of the art transportation facility with revenues generated by the project.

By way of background, the Port Authority Bus Terminal opened in 1950 and was operating at full capacity by 1966. The North Wing was completed in 1981 and added approximately 30% more bus capacity. The bus terminal is comprised of 1.4 million gross square feet, and today approximately 2.2 million buses and 60 million passengers pass through the world's busiest bus terminal annually.

As a result of a competitive Request for Proposal process, the Port Authority designated 20X Square Associates to develop the air space above the North Wing of the Port Authority Bus Terminal. 20X Square is a joint venture of Vornado Realty Trust and Lawrence Ruben Company. Both firms have extensive experience in developing and operating office and retail space.

Six months ago the Board approved an exclusivity agreement as part of a Port Authority Bus Terminal improvement initiative. This agreement provided 20X Square with a 180 day exclusivity period to negotiate a term sheet for the air rights development over the North Wing, and retail development within it. I am pleased to report that we have agreed with the developer upon a term sheet for the project.

20X Square will develop an office tower over the North Wing of the Port Authority Bus Terminal as well as renovate and improve the retail space within that section of the bus terminal.

The developer will also finalize design and construct Port Authority improvements in the bus terminal as part of the proposed project. The current proposal from the developer includes approximately 1.3 million square feet of office space and 60,000 square feet of retail space.

To implement this major development and renovation project, we are recommending that the Board authorize the Executive Director to:

1) Enter into leases and related agreements with the developer. To develop, lease and operate an office tower above the North Wing of the bus terminal, and redevelop the retail complex within the North Wing consistent with the term sheet.

2) Enter into an agreement with the developer to effectuate Port Authority-approved plans for improvements to the public and bus operation areas of the terminal in conjunction with the project and consistent with the term sheet, and funded by revenues from this lease transaction.

Lastly, to enter into a separate, concurrent, 180 day exclusivity agreement with the developer to negotiate a potential transaction involving the leasing, renovation, and management of the retail portion of the South Wing. Which, if advanced, would be subject to further Board authorization.

Part of this project includes Port Authority improvements to the North Wing that enhance transportation improvement facility and overall environment for our customers. These improvements include 18 additional bus gates, security hardening, new interior concourse areas, new lighting, new restrooms, new

interior signage, and new systems including mechanical, electrical, plumbing, fire protection, and information technology systems.

Funding for all bus terminal improvements will be derived from revenues generated by the North Wing Air Rights Project.

20X Square and the Port Authority will enter into a 99 year lease for 1.3 million zoning square feet of space to build a new office building above the Port Authority Bus Terminal North Wing. 20X Square will also act as a developer of the tower, the retail, and Port Authority public space and bus improvements within the North Wing.

We estimate that the aggregate value of this transaction to be $511 million, or $390 per zoning square foot. The project completion is estimated in four years from the lease effective date.

Commissioners, advancing this item at this time will enable the Port Authority to renovate the Port Authority Bus Terminal while fostering a public private partnership that achieves the Agency's transportation mission, and positively supports the revitalization of the Hudson Yards district at midtown Manhattan. Therefore I recommend your approval.

Commissioner Silverman: Any questions for Michael? All right, Michael, I have a couple of questions. The first is, this is the transaction that was announced a few weeks ago?

Michael Francois: Yes.

Commissioner Silverman: Okay. So we're sort of doing the horse after the cart, which I recognize is not your decision, above all of our pay grades. But just to say nothing's changed since the announcement, I would say.

Michael Francois: No. This is that transaction.

Commissioner Silverman: My recollection is Vornado was involved in this deal many years ago and walked away, and then we got in a lawsuit. And the reason they walked away was they couldn't get financing, as I recall. Am I correct, or is that your recollection?

Michael Francois: No. I think the previous transaction was based on a term sheet, which was just a few pages. And also I think it was predicated on the fact that they required a major tenant, or anchor tenant, for the project.

Commissioner Silverman: Well, that was the reason they couldn't get financing.

Michael Francois: Correct.

Commissioner Silverman: So my concern is that the commercial real estate market, the mortgage market has now started to resemble the residential market. There's a significant slowdown, lenders are being very cautious. So what happens? I'll ask the "what if." What if Vornado is unable to find a tenant again, or unable to get a mortgage again. Where are we going to be?

Michael Francois: The difference between this transaction and previous transaction is Vornado has committed. And the reason we were interested in pursuing negotiations with them is that they committed to build this more or less on speculation.

We have secured the project through two different mechanisms. One is a $50 million evergreen letter of credit that will secure us through the point in time if they should walk away. Then beyond that, once they begin construction we will have a guarantee, full faith and credit, from the parent corporation of Vornado to bring us through the completion of the project.

So if, for example, after we basically execute a lease between that time, which is called lease effectiveness and construction, should they walk we are secured by a substantial letter of credit.

Chairman Coscia: Can I just add, Henry, that what Mike said is true. And I think that the transaction as they've structured it is infinitely more secure than the transaction that was executed before in 2000, I guess it was.

Michael Francois: I got through it before 2001, correct.

Chairman Coscia: But what we've essentially done is we will enter it into a Letter of Intent with Vornado. Until the terms of that Letter of Intent actually find their way to a definitive lease agreement, all the protections Michael mentioned are best intentions. But we're not there yet. So this agreement's ability to find its way to a final lease agreement is really a point at which we know that all those protections are in place.

Commissioner Silverman: My concern is – I understand. So Vornado's paying $50 million for an option on the site once you get the lease signed. Essentially what they're doing, right?

Michael Francois: Correct. And this agreement is only good for another six months, the term sheet once it's signed.

Commissioner Silverman: Are we losing any other opportunities during this six months while we are negotiating with Vornado? Because the market's clearly getting worse, not better. The financing market. I can't speak for the leasing market, but the financing market's getting worse.

Michael Francois: I'm not sure – what do you mean by opportunities?

Commissioner Silverman: Have any other developers approached us since this was announced to say, "Wait a minute. I'll do better, I'll pay more, I'll pay higher lease rentals?" No?

Michael Francois: No other developers have approached us on this project, and one of the reasons that we felt this particular joint venture held promise was because they had done a substantial amount of work, prior due diligence. It's not an easy environment to construct an overbuild in, and they do have obviously substantial experience as well as good credit.

Commissioner Silverman: Okay. Any other questions for Michael? All right, again, not an action item, correct?

Karen Eastman: Correct. It will be for the Board's consideration later today.

Commissioner Silverman: Okay. Fine. All right. This concludes the public portion of today's meeting. The Committee will now adjourn to executive session to discuss matters related to the purchase, sale, or lease of real property or securities where disclosure would affect the value thereof or the public interest.

The Port Authority of New York and New Jersey
Committee on Operations Transcript
February 21, 2008

Chairman Coscia: Good morning. Good morning, everyone. And I think we'll get started. Sorry for keeping you waiting. This, of course, is the Committee on Operations in the public session. The first portion of today's meeting of the Committee on Operations will be held in public session, after which the Committee will meet in executive session. In addition, the public portion of this meeting is being broadcast live on the Internet via The Port Authority web site for hose interested in viewing today's proceedings remotely.

The first item for action I guess is Michael Francois and a Hudson-Raritan Estuary Program. Michael?

Michael Francois: Yes, good morning, Commissioners. Today I am requesting your authorization to fund the acquisition of the Bachstadt property located in Monmouth County, New Jersey under the Port Authority's Hudson-Raritan Estuary Resources Program.

The Port Authority's objective is to fund property acquisitions within the Hudson-Raritan Estuary that may be suitable for conservation, ecological enhancement, public access, or environmental mitigation in support of Port Authority redevelopment, economic, and other Port Authority capital programs.

The Bachstadt property meets the requirements of the program as established by the Board. The acquisition will preserve key ecosystem assets and provide public access in coastal zone management plans and local waterfront revitalization plans.

By way of background, funding for the Hudson-Raritan Estuary Resources Program was approved by the Board in July 2001 for a total of $60 million, $30 million each for New Jersey and New York, and was certified by the Board as a facility in November 2002.

In New Jersey, a memorandum of understanding was executed with the New Jersey Meadowlands Commission that sets aside up to $10 million of New Jersey's $30 million acquisition for land acquisitions within the Meadowlands District, which is a 30.4 square mile area comprising 14 municipalities in both Hudson and Bergen counties.

To date, the Board has approved reimbursements to the New Jersey Meadowlands Commission totaling $2.8 million for a total of 105 acres for acquisitions of the Murray Hill property in East Rutherford, the Meadowlark property in Bergen County, the Barge Club property in Bergen County, and the Boulevard Tire property in Secaucus.

The Board has approved reimbursements to the Trust for Public Land for five property acquisitions on Staten Island in New York totaling $18 million. These include the Blissenbach property, the Wiman Avenue property, also known as Great Kills, the South Beach wetlands property, the Butler Manor Woods property, and the North Mount Loretto woods property, again totaling $18 million for 108 acres.

Presently we are asking your authorization to acquire and fund the Bachstadt property, which is located on approximately 12.8 acres in Monmouth County. The property is a program priority acquisition since it contains a number of fresh and brackish wetlands along with a variety of migratory birds and other wildlife.

The Port Authority will provide $1.38 million of the total purchase price of $1.83 million. Additional funds of $250,000 will be provided by Holmdel. Friends of Holmdel Open Space, and the Raritan Baykeeper are each providing an additional $100,000 each. And that will be funded via the New Jersey Department of Environmental Protection Green Acres Program.

The Baykeeper will assign its current purchase rights for the property to Holdmel, who will then purchase the property directly from the owner. The Port Authority will provide funds directly to Holmdel.

The Baykeeper is a nonprofit conservation organization established in 1989 for the purpose of protecting, preserving, and restoring the ecological integrity and productivity of the Hudson-Raritan Estuary.

Protecting this property will provide public access to the community and protect a variety of wildlife species. In addition, this acquisition will advance the Port Authority's sustainability goal of 50 acres per year of land protected from development. Commissioners, your approval of this action is requested.

Chairman Coscia: Thank you. Can I have a motion to approve?

Commissioner Bauer: So moved.

Chairman Coscia: Hear a second?

Commissioner Steiner: So moved.

Chairman Coscia: All right. Does anyone have any questions or comments? Michael, are the properties free of all liens?

Michael Francois: Yes. There are no title issues associated with the property.

Chairman Coscia: Okay. No other questions? All those in favor?

Committee Members: Aye.

Chairman Coscia: Any opposed? Okay. We're passed. The next item is for discussion is the PATH Washington Street Powerhouse. I take it by for discussion, we're not voting on it in this Committee?

Karen Eastman: Correct.

Anthony Coscia: Thank you. Michael, you're on.

Michael Francois: Okay. Today I'm here to present another item that would authorize a memorandum of understanding that would allow us to take certain actions that would advance the transfer to Jersey City of PATH's interest in the Washington Street Powerhouse in exchange for the transfer to PATH of a suitable parcel of land upon which a new PATH substation could be constructed.

This authorization meets two objectives. It advances reinvestment in critical PATH electrical and air compressor equipment and enables the redevelopment of the historic powerhouse by the City of Jersey City.

By way of background, the Washington Street Powerhouse was constructed by the Hudson & Manhattan Railroad between 1906 and 1908. It is located on the corner of Washington and Bay Streets in Jersey City just west of the City's waterfront commercial district on a parcel of land of approximately 1.5 acres. It provided power to the railroad and did so until 1929 when it was abandoned.

After 1962 when PATH took over operation of the system, a new outdoor substation was constructed in the northwest corner of the property. A one-story structure connected to the original powerhouse was built to the west. That structure and an adjacent yard contained critical electrical and air compressor equipment that support the PATH railroad system.

PATH owns approximately 55percent and the City of Jersey City owns approximately 45 percent of the powerhouse property. In 2001, the original powerhouse structure was placed on the National Register of Historic Places.

The proposed memorandum of understanding among the Port Authority, PATH and the City of Jersey City would do several things. It would provide for environmental, engineering, and architectural analysis of two or more parcels near the existing powerhouse to determine their suitability for the location of a new powerhouse. Second, it would provide for environmental testing and review of the powerhouse to identify any environmental contamination and an estimate of costs that may require remediation on the property. Three, it would permit the City to enter a portion of the powerhouse owned by PATH to perform basic work needed to preserve the structure of the powerhouse. And lastly, it would permit the City to reallocate the repayment of a previous Port Authority grant of up to $1.7 million for this analysis, testing, review, and preservation work.

Should PATH identify a site for a new PATH substation, additional authorizations will be requested as appropriate from this Committee and the Board. If PATH does not identify a suitable parcel, the MOU will expire with no further responsibility required from either party.

The powerhouse has been identified as the focal point of Jersey City's Powerhouse Arts District redevelopment plan. Major redevelopment initiatives are in various stages of completion near the powerhouse. An execution of this MOU would be a critical first step in the redevelopment of the historic powerhouse and help PATH finalize the strategy for substation improvements. Therefore, Commissioners, I request you advance this item to the full Board for approval today.

Chairman Coscia: Okay, there's no need for us to vote on that issue, but if anyone has any questions?

Commissioner Silverman: The building you said is a historical landmark, so it can't be demolished.

Michael Francois: It would be very difficult for it to be demolished, yes, because it is on - placed on the National Register.

Chairman Coscia: As you can see, it's right in the middle of a fairly significant urban renewal effort.

Michael Francois: Yes, it is. It is the keystone of the City's redevelopment district that bears its name.

Chairman Coscia: All right. Any questions or comments from anyone? Okay. Thank you, Michael.

I guess the next thing we'll move to is Diana Beecher and the authorization for a pilot program for regional testing of contactless bank cards for fare payment.

Diana Beecher: Good morning, Commissioners. I'm here to present an item that would provide for a regional test to make the commuting experience easier and more comfortable for our customers.

Each day, more than 9 million passengers travel on Port Authority, New Jersey Transit, and MTA transit services throughout the region. The three agencies are working cooperatively to make traveling easier for our customers. And one of the things that we're doing is trying to find a single fare card that would work on all three transit systems. As part of these efforts, we are seeking authorization for an agreement with New Jersey Transit and MasterCard for a regional test of contactless banking devices on the PATH system and on two New Jersey Transit bus lines.

Customers are beginning to use contactless tap-and-go devices for many different goods and services. Some of them are pictured here. I think gas stations is the most commonly understood. The MTA is also in the midst of a pilot program with contactless bankcards on their system. Other trials along these lines are happening throughout the world. We are trying to figure out which method of payment is going to be most preferential for customers. And all three agencies are very interested in coming to a conclusion on this question. Because PATH is relatively compact and connects with - connects the New Jersey Transit and MTA systems, it's central for the region and it's important for us to be sure that we can handle this kind of payment mechanism.

We accepted pay-per-ride MetroCards starting in 2003 and last year we introduced a smart card, which is another form of contactless card. These mechanisms also have the ability to be expanded to serve the region. But as banks and other financial institutions have come into this market and have begun to issue these kinds of cards, we all believe that it's important to cooperate with them and to see whether this form of payment is acceptable as customers use this form of payment for many other kinds of purchasing.

We went through a procurement process, which the request for the proposals was issued in December of 2006. We advertised it publicly. And we had some interest before the actual proposals were received from a number of people. At the end of the day, four proposals were actually submitted to us. And after an evaluation process, it was determined that the MasterCard proposal was both highest rated and lowest cost. So what we are proposing today is an eight-month public test. MasterCard

would invest approximately $3 million in the pilot and operate it for general use for an eight-month period.

The public pilot would be open only to MasterCard holders for the first two months after the launch. For the remaining six months, MasterCard would allow the acceptance of contactless bankcards that are provided by other vendors. Customers would be able to use this kind of card at any PATH station and on two specific connecting New Jersey Transit bus lines during the test. They would be able to pay for a single ride by just tapping the contactless bankcard at a turnstile. And they could also purchase discounted multi-trip fares by visiting a web site or by calling an 800 number.

MasterCard Worldwide has proposed that they will develop and conduct the test at no cost to either The Port Authority or to New Jersey Transit. Port Authority staff estimate that internal planning and the engineering costs of approximately $400,000 and administrative costs of approximately $160,000 would be required to support the initiative. In addition, in this item, we are requesting a contingency of $250,000, which we would use if we decided to expand the testing to other places other than what is proposed for the pilot time.

This pilot would be completely compatible with the pilot that the MTA is conducting on the subways so that we are not introducing a different standard that would be not applied to the whole region. We expect to take approximately one year to develop and implement the system, which means that the test period would start in February of 2009. This chart shows the dates.

The proposed pilot offers our customers an opportunity to buy these tap-and-pay cards at PATH turnstiles and on New Jersey Transit busses. If the test is successful, then staff plans to discuss the desirability of partnering on an RFP to implement the technology on a permanent basis with New Jersey Transit and MTA.

So the MTA's program is a pilot and this is a pilot and we do not expect either to be the thing that goes forward until we have an opportunity to do an RFP and find the appropriate vendor to do it across the region if it's acceptable to our customers. So I would request your authorization to advance this item today to the Board.

Chairman Coscia: Thank you. Any questions for Diana?

Commissioner Bauer: Why wouldn't a pilot be done with New Jersey Transit trains.

Diana Beecher: They've chosen to do it with the bus because they want to test the ability to do this wirelessly. On the trains, they have to change some of their fare collection mechanisms. And that would be difficult to do for a pilot program. But they can equip the buses with wireless technology so that you tap on the thing when you get onto the bus. And that test is an important part of making sure that the technology will work across the region.

Commissioner Bauer: Okay.

Commissioner Silverman: Could you describe the scope of work that would cost us $700,000 or $800,000.

Diana Beecher: The $160,000 piece is a project management piece to ensure that we are aware through the year about the progress that MasterCard is making and, you know, whether it's going well and whether they're having any issues. The other piece…

Commissioner Silverman: Let's just stay with that. So we're going to pay $160,000 for someone to manage the project for us?

Diana Beecher: No, it's internal. It's…

Commissioner Silverman: So this is just an allocation?

Diana Beecher: Yes, it is, exactly. The other piece is related to the fact that we have to make some electrical changes to the cash collection devices that are in the PATH stations. On the end of each row of turnstiles, there's a turnstile where you can currently use cash. The plan is to equip that with the equipment that would read the contactless card. And we are not willing to allow MasterCard to hire an electrician to just go into that equipment, but rather we need to use our PATH electricians to ensure that they do it correctly. And some of that work will have to be performed on overtime. So again, it's allocation and overtime charges for the PATH electricians.

Commissioner Silverman: Thank you.

Commissioner Steiner: Mr. Chairman, does MasterCard have any inherent rights to continue the project when they start over, and if so, is there any advantage for them doing this program? If not, why are they doing it?

Diana Beecher: The advantage would be whatever learning curve that either they would experience. The contract does not give them any rights that are over anybody else's rights. But it seems to me that the learning curve is somewhat important. The second reason that I personally believe that they are interested in this is that in order for them to grow their business, they need to find ways for the public to buy smaller and smaller items using a MasterCard. And this is a good proof of concept for them.

Commissioner Steiner: Okay, further question -- during this thing we're going to keep records of the study and the problems that occurred. Is that information going to be made available to all of the bidders?

Diana Beecher: We didn't actually decide that. But if in the procurement…

Commissioner Steiner: Or would it be proprietary to MasterCard?

Diana Beecher: No, it's not proprietary to MasterCard.

Commissioner Steiner: Are you sure of that, that we…

Diane Beecher: I'm positive that the language that we have with them makes it so that that is not proprietary. The issue about how we share that information in a subsequent RFP is not - we haven't discussed that or worked on that.

Commissioner Steiner: But we have the right to do that?

Diane Beecher: If we wanted to, yes.

Commissioner Steiner: Okay.

Diane Beecher: As a matter of fact, we were meticulous about ensuring that we had a right to this information.

Chairman Coscia: Diana, what can you tell us about individual commuters who are chosen or somehow brought into the pool to participate in the pilot? How does that happen?

Diana Beecher: MasterCard intends to advertise and it - for that first period when it's only MasterCard, one has to have a MasterCard that is equipped with this contactless device. And then in the ensuing period, it's any card that has the contactless chip in it. So MasterCard plans to run basically a public relations and advertising kind of program around it to get people to sign up for their card, you know, and then to tell people later that they can use other cards that have chips in them.

Chairman Coscia: So if you have a MasterCard, but it's not - it doesn't include the chip…

Diana Beecher: You can't use it.

Chairman Coscia: …you have - you can't use it unless you go back to MasterCard and have them reissue a card that includes it.

Diana Beecher: Right. Right.

Chairman Coscia: But MasterCard is a - is MasterCard limiting who's eligible to do that? Or is anyone…

Diana Beecher: No.

Chairman Coscia: …who wants to can do it?

Diana Beecher: It's anyone who applies to them who has a card and they'll give a chip card to any customer of theirs.

Chairman Coscia: Okay.

Diana Beecher: Okay.

Chairman Coscia: Any other questions anyone? Okay. Thank you, Diana.

Chairman Coscia: Very good, thank you. I guess our final issue in public session is an update on our sustainability initiative and Chris Zeppie's here for that. Chris?

Christopher Zeppie: Good morning, Commissioners. Today I would like to update you on the status of our Sustainability Program, especially the efforts to reduce greenhouse gas emissions from our seaports, airports, and other Port Authority facilities.

As you may recall, the Sustainability Program began in July 2006 with the adoption of the policy on sustainable design. Critical milestones in 2006 centered upon renewable energy, energy efficiency, and LEED standards for World Trade Center reconstruction. In 2007, the Chairman announced that The Port Authority would seek to reduce greenhouse gas emissions at our airports and seaports by 80 percent from 2006 levels by 2050. At the same time, the Executive Director has sought to make sustainability a strategic part of our business operations by introducing several performance measures and targets in our business plan and budget.

The metrics address greenhouse gas emissions and energy, the emissions of pollutants that affect air quality, as well as water, waste, and open space. We began to collect the baseline data necessary for tracking performance. We conducted a greenhouse gas emission inventory and began work on an inventory of criteria pollutants.

An important goal of our sustainability program is to provide the necessary framework for proactively addressing the most salient environmental dimensions of the Port Authority's 10-year Capital Plan. In essence, our capital plan will become an important tool in reducing greenhouse gas emissions and emissions of other pollutants while lowering the Authority's long-term operating and maintenance costs. By making capital investments in our facilities, we will modernize aging or inefficient equipment, develop the onsite generation of renewable energy, and expand the use of alternative sources of energy. A number of such important projects began last year. We are proceeding with two LED lighting projects. The first project is replacement of the existing necklace lighting at the George Washington Bridge. The second is a change of the interior lighting of the Holland Tunnel. LED lights consume less electricity and they last longer, so we expect to see both cost savings and significant reductions in greenhouse gas emissions.

The Port Authority fleet is also going greener. By the end of 2008, we expect to reduce the fleet's greenhouse gas emissions by more than 8 percent. We will achieve these reductions by replacing part of the existing fleet with 152 new clean fleet vehicles, including 75 hybrids. We also plan to add another 20 hybrid diesel/electric shuttle buses at JFK Airport in 2009, which will bring the total number of hybrid buses at our airports to 41. These purchases are making our fleet one of the greenest in the public sector.

At Stewart Airport, we have committed to going carbon negative, which means that we will undertake projects that will yield a net reduction in carbon dioxide emissions. We are also continuing the energy efficiency and conservation work at JFK International Airport, which began in 2006. The benefits of this work are tangible. We have seen a reduction of more than 1 million kilowatt hours of electricity at JFK since the first quarter of 2007. We expect to complete the projects that are currently underway later this year.

We are also preparing to break ground on the first geothermal project at any airport in the United States. This project will use the Earth's constant temperature to help heat and cool Building 254, resulting in substantial energy savings. We expect to complete this project by the end of 2008.

Aside from these projects, the Sustainability Program is measuring The Port Authority's performance along several key environmental indicators. Late last year, we began to analyze The Port Authority's greenhouse gas emissions, looking at the emission sources under our management control, as well as the emission sources that we may influence, those sources associated with our tenants and patrons. A similar inventory is underway for pollutants that affect air quality. We are also putting data collection systems in place that will help us better track and manage our consumption of energy and water.

We plan to finalize our report of the greenhouse gas emissions shortly and to complete the inventory of air pollutants by the second quarter of 2008. The report findings will represent an important tool in identifying and prioritizing both short- and long-term emission reduction strategies.

But as indicated, we are not waiting for the numbers to begin working on emission reductions. The projects I discussed at JFK and the George Washington Bridge and the Holland Tunnel are all underway. At the same time, the Engineering Department is assisting line departments to identify and develop additional energy efficiency projects in all facilities. A set of 14 such new projects have already been identified within the Aviation Department.

We are continually looking for ways to bolster our performance and sustainability and look forward to consulting with the Board and identifying effective ways to meet our sustainability targets. Thank you.

Chairman Coscia: Thanks Chris. I know I feel strongly and I know many of us - all of us do that this work is critical on a number of different levels. I think it is actually a very strong positive statement about this agency that we've taken upon ourselves to make this such a priority as opposed to reacting to the obvious role that we play in carbon emissions regionally and if not nationally.

One other aspect of the work I know that you're working on, and by the way, I've spent time with Tony and his staff on the issue of mapping our carbon footprint and understanding exactly where we play in all of this. But an interesting aspect of it that we focused on is we certainly are emitters of enormous amounts of greenhouse gases that we directly impact by virtue of the facilities we operate.

But what's also an issue for us to think about and look at in terms of providing help for those solutions are the fact that there are so many others who frankly are part of that -- people who use cars at our bridges and tunnels, airlines, people who travel to the airports, ships that are berthed at our various docks, et cetera. We are far more in the center of this issue than one might think unless you really reflect on how that happens. And our overall plan should reflect not just how we incentivize ourselves and frankly hold ourselves accountable, but how we become a positive influence toward those who use our facilities to provide the similar kind of positive movement.

And I'm very encouraged by the steps that we've taken. And I recognize the fact that there's certainly a cost associated with everything we do. But I think we also have to realize there's a cost associated

with not doing anything and they have to be balanced. But I'm complimentary of all of the work that's been done and I hope that there's continued emphasis and focus on this in the future.

I don't know if anyone else has any other comments? Okay. That being the case, if I can have a motion to go into executive session, we have one labor matter to handle there. All right, second. All those in favor. Thank you.

Port Authority of New York and New Jersey
Committee on Operations Transcript
April 24, 2008

Chairman Coscia: Okay, all right. Okay, welcome to the Committee on Operations' public session. Today's meeting of the Committee on Operations will be held in public session, after which the Committee will meet in executive session. In addition, this meeting is being broadcast live on the Internet via the Port Authority's website for those interested in viewing today's proceedings remotely.

Our first item of business will be the FAPS supplemental lease agreement at Port Newark and presented by Richard Larrabee.

Richard Larrabee: Good morning, Mr. Chairman, Commissioners. I'd like to discuss with you three actions included on today's calendar that relate to the leasing of certain properties in our New York and New Jersey marine terminals. The first item requests authorization to enter into two supplemental agreements with FAPS, Incorporated, one of the Port's major auto processors, to extend the letting of approximately 200 acres in Port Newark.

As background, FAPS has been a vehicle processor and a tenant in our Port since 1956, and currently employs about 435 individuals on a full-time basis. Under prior authorizations, FAPS currently leases approximately 141 acres on the north side of Port Newark Channel, shown in red, and approximately 59 acres on the south side of the Port Newark Channel, illustrated in dark blue, under an agreement that expired in November of 2007.

FAPS currently pays approximately $12.7 million in annual basic rent. The FAPS operation also generates additional revenues to the Port Authority of approximately $4.1 million annually for the collection of dockage and wharfage fees for vessels discharging vehicles at our public berths. This equates to approximately $84,000 per acre in 2008.

Under an operating agreement, FAPS also processes vehicles for Wallenius Wilhelmsen Logistics, another auto processing tenant, on approximately 60 acres at Wallenius' leasehold in Elizabeth.

Commissioners, today your authorization is requested for the Executive Director to extend FAPS' north side lease for four years, from December 2015 to December 2019, and FAPS' south side lease for 12 years, from December 2007 to December 2019. This action would provide for FAPS' lease to be coterminous with Wallenius' lease with the Port Authority, and will put them in a favorable position to attract new business to the port.

Rents will escalate annually, based on the regional consumer price index. Over the full, extended term of the north and south side leases, FAPS will pay the Port Authority a minimum aggregate basic rental of approximately $98.3 million. In addition, approximately $50 million will be collected in dockage and wharfage over the 12-year period.

In order to better utilize its space, FAPS will also provide off-port locations for vehicles that remain on the north side and south side leaseholds beyond a specified period of time, and lastly, in order to

accommodate the expansion of an adjacent tenant, FAPS will surrender approximately 1.5 acres of its south side lease.

Commissioners, the proposed lease supplements with FAPS will help to retain and accommodate commerce being brought to the Port, thereby enhancing the Port's competitive position and ability to attract additional auto business to Port Newark.

Commissioners, the second item that I'd like to --

Commissioner Steiner: (Inaudible-).

Richard Larrabee: Yes, sir.

Commissioner Steiner: Is an open session?

Karen Eastman: Yes, it is.

Commissioner Steiner: I want to commend those who negotiated the lease and worked on the lease for doing a good job, because I want to point out to the Commissioners that this has been a new approach. We are now getting escalations where we weren't getting them before. We're now getting paid for a building that traditionally has been given free. We've cleaned up; in order to sign the lease, the tenant will pay up or has already paid up all outstanding matters. There were some discussions, and it was decided not to give them the lease until all these matters were paid. So we're going on with a clean slate, and the leases will be improved with our new policy, our policy that the Law Department has been putting in of holdover rent at double the market rent. We will be paid a penalty for late payment plus interest, and I think this is all a step in the right direction and I hope it's going to be a template for us to do in all the future things. We're not giving anything away. We want to keep the tenants, but we want to make a fair deal, a fair market deal for the Port Authority, and I commend all of you who worked on it. Thank you.

Richard Larrabee: Commissioners, the second item that I'd like to discuss with you requests authorization to enter into an amended and restated agreement with McLester Realty, LLC, which is a joint venture of ASA Apple, Incorporated, and 2-64 Realty, LLC, for the leasing of approximately 8.1 acres of open area at the Elizabeth Port Authority Marine Terminal for approximately a 24-year period, as well as the termination of certain lease agreements associated with the property.

As background, ASA Apple is a public warehouse and distribution company which specializes in the handling of overweight containers. ASA Apple currently leases 2.74 acres of open area in Elizabeth Port Authority Marine Terminals, under an agreement that expires on November 30 of 2008.

2-64 Realty currently leases 2.65 acres of adjacent open area at Elizabeth under an agreement that expires on October 1, 2032, and sublets the space to ASA Apple, as allowed under its agreement.

Under the proposed action, the two tenants have agreed to form a joint venture known as McLester Realty and lease the total amended acreage and leasehold footprint, shown here as parcels one and two, under a combined lease. In order to accommodate the widening of McLester Street and the South Bay Avenue project, parcels one and two must be shifted to the west, which will result in a net loss of an estimated 1/10th of an acre of property to McLester Realty.

To replace this loss of property and provide additional storage, McLester Realty an additional adjacent 2.78 acres of open area, which is the area shown as parcel three -- this area right here -- on this slide is currently being used as a construction staging area, will be added to the McLester Realty leasehold on or about November 2008, following the completion of the Express Rail Elizabeth's second lead track, and South Bay Avenue relocation project.

Staff believe that this deal is in the best interests of the Port Authority to lease the newly configured footprint, totaling approximately 8.1 acres, under this one agreement in order to resolve property issues and provide for the critically needed widening of McLester Street and the completion of the South Bay Avenue relocation project.

Commissioners, today your authorization is requested for the Executive Director to enter into an amended and restated agreement with McLester Realty for the leasing of three parcels, consisting of a total of 8.1 acres. The agreement will commence on January 1, 2008, and will run for approximately 24 years, expiring on April -- I'm sorry, on October 1st, 2032.

Susan Bass Levin: '32 or '23?

Richard Larrabee: I'm sorry -- 2032.

Susan Bass Levin: 2032?

Richard Larrabee: Correct.

Susan Bass Levin: Okay.

Richard Larrabee: 24 years.

Susan Bass Levin: That says 2023, it's just transposed.

Richard Larrabee: Yes, apologize.

Susan Bass Levin: That's okay. Just so we know.

Richard Larrabee: Over the full term of the lease, McLester Realty will pay the Port Authority a minimum aggregate basic rent of approximately $17.3 million. It's currently anticipated that McLester Realty will invest approximately $2 million to construct a 12,000-square-foot maintenance facility on parcel three, where repairs on its trucks and tractor-trailer vehicles will be performed.

The Port Authority will reimburse McLester Realty for costs of paving parcel three, and costs associated with fence, relocation grading, paving work, and associated soft costs for shifting the eastern border of its leasehold approximately 12 feet to the west to accommodate the widening of McLester Street. Reimbursement to the tenant will be based on actual, verified costs.

Commissioner Steiner: Point of information, Mr. Chairman. Now that we have a joint venture, is this lease going to be guaranteed by the participants in the joint venture? Because you have a joint venture with no assets. Are the other people going to remain liable for the terms of the lease? Can we possibly get that included? Because we have a company with no assets.

Susan Bass Levin: Do you (inaudible)

Christopher Hartwyk: The lease obligations are not currently guaranteed by any of the entities. There is an LLC posted under the new provisions that we negotiated in the name of McLester Realty.

Commissioner Steiner: Is the -- what's the size of the letter of credit?

Christopher Hartwyk: The standard LLC, which should cover approximately three to four months' rent for McLester.

Commissioner Steiner: Okay, that's satisfactory to me. Thank you.

Richard Larrabee: Commissioners, the last item that I'd like to discuss with you requests authorization to enter into a new agreement with American Stevedoring, Inc., for the leasing of properties in Brooklyn and Port Newark, and a stipulation and settlement with ASI's affiliated company, American Warehousing of New York, Incorporated, in connection with two landlord-tenant proceedings in civil court, filed by the Port Authority against American Warehousing, and two Federal Maritime Commission complaints filed by American Warehousing against the Port Authority.

As you recall, in December of 2005 you authorized a Memorandum of Understanding with the New York City Economic Development Corporation to transfer Pier 7 through 12 to the City of New York. However, last October, you were advised that the City was no longer interested in acquiring the property and withdrew from that MOU.

American Stevedoring, Inc. has been a terminal operator at Red Hook Container Terminal since 1994, and handles a combination of containerized, break bulk, and bulk cargoes. Under various agreements that expired on March 31, 2007, ASI currently operates the 65-acre Red Hook Container Terminal, Pier 8, temporary fabric storage buildings, and a garage on the upland of Pier 6 in Brooklyn.

The Port Authority estimates that ASI employs an average of about 160 full-time and part-time workers at Red Hook. In addition, American Warehousing has been a holdover tenant at Pier 7 in Brooklyn since April of 2003, pending two landlord-tenant proceedings in civil court and two Federal Maritime Commission complaints.

ASI also operates an approximately 39.5-acre terminal in Port Newark. This area includes approximately 20 acres and Berth 6, which are used as a satellite terminal for the Red Hook Container Terminal barge operation as well as Building 138, an additional open area, and Berths 2 and 4.

Under the proposed Port Newark lease, ASI will surrender approximately 9.4 acres of open area, and also surrender Berth 2.

Commissioners, today your authorization is requested to enter into agreements with ASI for the leasing of approximately 446,000 square feet of warehousing space in Piers 7 and 8 in the Brooklyn Port Authority Marine Terminal, 65.6 acres at the Red Hook Container Terminal, and approximately 30 acres in Port Newark, including Buildings 138, open area, and Berths 4 and 6 to support the barge operation. In addition to that premises, the Port Authority will lease six cranes and two barges to ASI.

ASI has been a holdover tenant since April 1, 2007, and will pay rent in accordance with its holdover lease through April 30, 2008. The proposed new agreements with ASI will commence on May 1, 2008, and will expire on April 30, 2018. ASI's proposed rental for Red Hook will be based on container and cargo volumes. Expected 2008 revenue for this lease, based on 62,000 containers, would be approximately $2.1 million. An additional $3.9 million will be generated in the first year from ASI's other leases. Over the 10-year terminal lease, ASI will pay the Port Authority a minimum of $69.8 million.

The Port Authority will be responsible for dredging, maintenance, and repair of the berths and the substructure of the piers, the underground utilities for water and sewage. ASI will be responsible for all maintenance and repair, structural or otherwise, including the underground storage tanks. ASI has only paid rent intermittently over the last year. This situation has forced the Port Authority to draw down ASI's letter of credit in its full amount of $2 million to cover the delinquencies.

At this point, ASI and AW have not paid rent since November of 2007, accumulating a combined arrearage of approximately $2.6 million, which does not include the rent associated with Pier 7 that's been in litigation, and ASI has not restored its letter of credit.

As part of this lease agreement, ASI must provide a $2 million letter of credit to the Port Authority by August 1, 2008, and the rent arrearages will be paid. Authorization is requested for a settlement agreement with American Warehousing in connection with two landlord-tenant proceedings, instituted by the Port Authority in civil court in 2004, for the southern and northern portions of Pier 7 against AW to evict it from pier seven, and two separate Federal Maritime Commission complaints that were filed by AW in 2004 and 2005 in response to the Port Authority's actions.

The proposed settlement agreement with AW would dismiss the two landlord proceedings by the Port Authority, including the release of Port Authority's claims for use of occupancy fees in the amount of $1.5 million, and the two FMC claims by AW, including the release of its $15 million claim in reparations.

Commissioners, these proposed actions with FAPS, McLester Realty --

Commissioner Steiner: (Inaudible-). You should know that I'm going to have something to say about this. Question, are we getting all the money that's owed to us paid at the commencement of the lease or immediately thereafter?

Richard Larrabee: We'll shed some more light on that, but the answer is yes.

Commissioner Steiner: Okay. Is there any outside party guaranteeing the payment in addition to the letter of credit?

Richard Larrabee: Partially, and we'll talk more about that.

Commissioner Steiner: Okay. The third issue, is there a provision that if the tenant rents the facilities to others not related to its business, like he's been doing, that we will participate in the overages?

Richard Larrabee: Let me defer to counsel.

Christopher Hartwyk: (Inaudible-).

Commissioner Steiner: What's that?

Christopher Hartwyk: There's an outright prohibition against it.

Commissioner Steiner: And what's the penalty if he -- ?

Christopher Hartwyk: Termination.

Commissioner Steiner: Very good, thank you.

Richard Larrabee: Well, let me finish my thought.

Commissioner Steiner: Sorry, didn’t mean to interrupt you.

Richard Larrabee: That's fine.

Commissioner Steiner: It's just I couldn’t hold myself in. It's a red-letter day and we're getting these things.

Chairman Coscia: This is the lease police here.

Richard Larrabee: No, I'm used to it.

Susan Bass Levin: We should get him a t-shirt.

Richard Larrabee: Commissioners, we think all three of these deals are in the best interests of the agency. It creates additional jobs in Brooklyn, it keeps revenue streams up, and as Commissioner Steiner said, we think we have a better mousetrap with what we've done with FAPS.

The last item that I'd like to talk about, Commissioners, is a request of authorization to amend the terms of the Master Dredging Agreement with New York State Empire State Development Corporation to broaden the scope of eligibility for projects that would include waterfront economic development, job retention, financial subsidies, and cost recovery projects at the Port Authority facilities in New York.

As background, in May of 1996, the Board authorized a $130 million Port Authority fund for New York and New Jersey, dredging related projects, with $65 million allocated to each state. There's currently $24.6 million of New York's share of the $65 million remaining. The State of New York has requested that the scope of the agreement be broadened to include waterfront economic development, job retention, financial subsidies, and cost recovery projects at Port Authority facilities.

I'd like to, at this point, turn it over to Chris Hartwyk, who has just recently been involved with negotiations, to sort of summarize the rest of the deal.

Susan Bass Levin: It's on.

Chris Hartwyk: Thank you. Good morning, Commissioners. The State of New York has requested that the agreement be amended, and specifically requested that the following allocations of funds be made. Approximately $1.5 million would be made available immediately to the Empire State Development Corporation in furtherance of certain economic development initiatives at the Brooklyn waterfront. Specifically, this relates back to the approval for ASI, which is the item that Rick discussed before.

Secondly, there would be $4.1 million made available for future economic development initiatives at the Brooklyn waterfront for the operation of the container and bulk cargo facilities, also on the ASI and AWNY leaseholds.

Finally, $2.6 million would be allocated as a credit against all rent arrearages that have accumulated, and other costs incurred by American Stevedoring as a result of their failure to abide by leasehold provisions with the Port Authority under our current leases.

The amendment to the Master Dredging Agreement would permit all of these allocations and would, in addition, provide additional security during the time period that we wait for the letter of credit to be posted.

Chairman Coscia: Okay. These are all on the public agenda for the full session, and if anyone else has any comments on it, I guess all four separate items that were outlined by Rick Larrabee with Chris' help. Any other questions? Okay, we won't be voting here, we'll be voting there, but what I do need is a motion to go into executive session, because we have one other item that is in executive session.

Commissioner Steiner: (Inaudible-).

Commissioner Bauer: Second.

Chairman Coscia: Second? All right, all those in favor?

Committee Members: Aye.

Chairman Coscia: Thank you. Excuse me, I guess we are not completely done. This concludes the public portion of today's meeting. The Committee will now adjourn in executive session to discuss an act on matters related to the purchase, sale, release of real property or securities where disclosure would affect the value thereof or the public interest, and matters related to the development of future Port Authority facilities or projects when public disclosure may impact on property values.

Thank you, and we will now go into executive session.

The Port Authority of New York and New Jersey
Committee on Operations Transcript
May 22, 2008

Chairman Coscia: Today's meeting of the Committee on Operations will be held in public session in its entirety. In addition this meeting is being broadcast live on the internet via the Port Authority website for those interested in viewing today's proceedings remotely.

Our first item is Michael Francois on the Hudson –Raritan Estuary Resource Program. Michael.

Michael Francois: Good morning. Today I am requesting authorization under the Hudson–Raritan Estuary Resources Program to fund the acquisition of property known as South Plainfield Holdings, LLC, located in the borough of South Plainfield and Middlesex County New Jersey.

As you know the Port Authority's objective is to make property acquisitions within the Hudson–Raritan Estuary Resources Program that may be suitable for conservation, ecological enhancement, public access or environmental mitigation. The South Plainfield property meets the requirements of the program and the funding that we are proposing will achieve the intended ecological enhancement of this property.

By way of background, funding for the Hudson–Raritan Estuary Resources Program was approved by the Board in July 2001 for a total of $60 million, $30 million for each state, New Jersey and New York, and was certified by the Board as a facility in November 2002. To date the Board has approved reimbursements of $4.2 million for 5 properties in New Jersey totaling 118 acres. In New York the Board has approved reimbursements of $18 million for 5 property acquisitions totaling 108 acres.

The South Plainfield property is approximately 69 acres of woodlands and wetlands located in South Plainfield. The property is a program priority acquisition since it contains over 40 acres of fresh water wetlands and is home to a wide variety of bird and wildlife species. The Raritan Baykeeper, New Jersey Audubon Society, Edison Wetlands Association and the New Jersey Department of Environmental Protections Green Acres Program all support this acquisition.

The Port Authority will provide $1.7 million of the total purchase price of $1.8 million. The balance will be provided by Middlesex County Improvement Authority. This acquisition will advance the Port Authority's sustainability goal of 50 aces per year of land protected from development. Commissioners your approval of this action is required.

Chairman Coscia: Okay, can I have a motion to approve?

Commissioner Steiner: So moved.

Chairman Coscia: Is there a second.

Commissioner Bauer: Second.

Chairman Coscia: Alright, any other questions. Okay, all those in favor.

Commissioners: Aye.

Chairman Coscia: Any opposed. Alright, next item of business is Michael, actually I guess Chris is going to handle this, also from the Hudson-Raritan Estuary Program, an amendment to the MOU with the Meadowlands Commission regarding fund improvements for the river barge in Carlstadt. Chris.

Chris Zeppie: Good afternoon Commissioners. Today I would like to present to you an item that would authorize an amendment to a Memorandum of Understanding with the New Jersey Meadowlands Commission to enable the Port Authority to provide reimbursement to the Commission for improvements to the Barge Club property in Carlstadt, New Jersey. This property was acquired in 2006 pursuant to the MOU as part of the Hudson-Raritan Estuary Program.

In 2005 an MOU between the Port Authority and the New Jersey Meadowlands Commission was executed authorizing up to $10 million of New Jersey's share of the Hudson-Raritan Estuary Program funding for acquisitions in the Meadowlands district.

Since that time the Port Authority has funded 4 acquisitions pursuant to the MOU, including the Barge Club site, totaling approximately $2,817,000.

Before you is a schematic of the proposed River Barge Park. When completed, these improvements to the Barge Club property will create a fully accessible public waterfront. The project features sustainable design elements such as solar panels, reclaimed wood, LED lighting, native drought resistant plantings, indigenous thatch for the roof of the environmental education pavilion and bio-infiltration basins for cleaning storm water runoff.

The incorporation of these design elements will also promote and enhance public awareness regarding the issue of a sustainable environment. The proposed amendment to the Memorandum of Understanding with the New Jersey Meadowlands Commission will enable the Port Authority to provide up to $5,047,000 as reimbursement for the cost of improvements to the Barge Club property.

These improvements will create a fully accessible public waterfront supporting amenities and diverse environmental education resources. The project components for which the Port Authority would reimburse the Meadowlands include sheet pile bulk head, a public boat ramp and promenade, roads and parking, fishing piers, wetland salt marsh restoration, an outdoor environmental education pavilion and a public paddle center, a winter boat storage building and a boat sewage disposal system.

River Barge Park will create enhanced public access to the waterfront and water trails as well as region wide accessibility. The parks facilities and signage will provide unique educational

opportunities. Moreover, the site is unsurpassed for the vantage point it offers both viewing restored wetlands in the Hudson-Raritan Estuary and its returning fish and wild life.

The project is anticipated to be completed by the end of 2009. Commissioners I request that you advance this item to the Board for approval today. Thank you.

Chairman Coscia: We need a motion?

Karen Eastman: No, it is on the Consent Calendar.

Commissioner Silverman: Can I ask a question Mr. Chairman. With respect to any of these projects, including the ones we buy, how do they come to us. Are these presented to us by brokers, by the land owner or by the municipality or --.

Chris Zeppie: Commissioner they actually come through the US EPA's Harbor Estuary Program. There is a habitat workgroup that nominates these properties based on the features that they present and their value as habitat. And then once they are nominated we work in New York with the Trust for Public Land and in New Jersey with Green Acres and they do the initial negotiations usually with the land owner and then the Port Authority's Development Office takes over and does the work in terms of appraisals and so forth to verify --

Commissioner Silverman: How does the Committee that is nominating this know that the land is available.

Chris Zeppie: They don't know it. Quite often it is not available. There are many on the list that are just not available. So when we actually are able to do a deal, it is really tremendous.

Commissioner Silverman: So sorry, they nominate a site which is attractive for the purpose, and for the mission of this program, but that site may or may not be available.

Chris Zeppie: Correct.

Commissioner Silverman: Okay, thank you.

Susan Bass Levin: The initial program goes back to 2001, right?

Chris Zeppie: Correct, yes.

Susan Bass Levin: So we have been on the list for quite some time, a couple of years.

Chairman Coscia: Okay, any other questions on that. Our next item is the hotel management agreement at JFK.

Susan Bass Levin: If I could just say that Chris and his team have done an excellent job. These are not easy projects to work through. You have to work through the New Jersey or New York

state agencies as well. It really takes a lot of diligence in terms of pushing them through to the end. And he has done a great job of that.

Chris Zeppie: Thank you.

Chairman Coscia: That's good. Thanks. Mr. DeCota.

Bill DeCota: Thank you, Mr. Chairman. Today I am going to ask for the Board's approval to enter into a short term management and franchise agreement for the on-airport hotel at JFK. The 50-year ground lease for that facility which was developed as one of the first on-airport hotels anywhere in the country expires at the end of October. Staff have been exploring a lot of options for possible renovation of the existing hotel for the development of a new hotel at the airport to provide for the overnight stays, the meetings and the event space and other hospitality requirements at the airport. And the request of extension of these agreements will allow the existing hotel to continue to operate while staff further undertake various analyses of supply and demand, the kind of hotel concept, the financial projections and then how best to solicit proposals in order to meet the hotel needs at JFK.

This is a view Commissioners of that hotel that is located on airport property. It is right at the entrance of the airport. It was built back in 1958 as part of the 1950s master plan for expanding JFK as the gateway to the world that it has since become. It was originally built as New York International Hotel. It was a modern design for its time; it was intended to complement the architecture of the terminal city and the imposing structures of the terminals that got built. And over the years the management of the hotel really transitioned to a variety of different companies and brands. It has been marketed as the JFK Viscount, the JFK Travel Lodge, it has been the Ramada Plaza for a number of years and the expiration of the lease really marks a turning point for us to decide what to do.

The hotel contains about 475 rooms. There is about 13,000 square feet of conference and banquet space. There is a restaurant and lounge. And like any 50-year old public structure, despite investments over the years in furnishings and fixtures, the structure really doesn't reflect the original intent as a premium hotel accommodation.

Back in September of 2007 staff engaged Jones Lange LaSalle Hotels to undertake a market demand study and financial analysis for a full service hotel at Kennedy Airport with the presumption that this hotel would probably close. The purpose of the study was really to try to determine what kind of size and concept hotel, what kind of market and economic feasibility would there be, and Jones Lange LaSalle Hotels analyzed a historic performance of hotels in the JFK market, the anticipated growth and demand, estimated construction costs for different hotel sizes and types. And the final report indicated that the market may be able to support a new hotel development at the airport but it is dependent upon a lot of things including the location, the type, the investment, etc.

With respect to this hotel, the consultant really looked at the benefits of doing something with it, maybe renovating it, and they basically recommended that we not renew the long term lease but

that instead we solicit proposals possibly for upgrading and rebranding of the hotel. And so the recommendation that we have before you is consistent with that.

So what we are asking you for is a two-year extension of the hotel management agreement with Westmont Hospitality Group, they are the current operator, and a franchise agreement with Ramada to maintain the brand name. Westmont is one of the world's largest privately held hospitality organizations. They manage over 400 hotels including many of the world's largest brands. Under the terms before you, you see that the Port Authority would basically transition from a lease-hold to a management agreement. We pay them a management fee based upon the gross revenues of the hotel. There would be an incentive fee based upon the net operating income of the hotel. They will pay us ground rent for the site. We will get 95 percent of all the net operating income. We have to post working capital because it really in essence becomes our hotel which we get back at the end of the lease. There is also a need for a capital reserve fund of about $1 million to do the maintenance obligations of the hotel. And that is about two months of working capital to take care of that.

And we would also be entering into this franchise agreement. The Ramada name accounts for about a third of the revenues that are at the hotel. We would like to maintain that continuity. To do that we have to pay royalty fees based upon a percentage of room revenue, reservation fees equal to a percentage of the total revenue and some loyalty program fees. Those are all outlined in the item that is before the Board.

And basically when you consider all of the revenues, all of the expenses in maintaining it, this agreement is expected to continue to generate revenue, about $2 million a year annually. And there would be some one-year extensions we are also asking you for in the event that the determination is that we should build a new hotel, we would want to keep this open to the extent possible and make sure that we have a hotel available at the airport.

With the full Board's approval of these agreements, this would provide for the hotel needs I said of the customers. This is the time frame you see here. We would like to define the hotel concept in the fourth quarter, issue an RFP in the fourth quarter and then recommend an alternative due somewhere in the middle of the year, perhaps the third quarter of 2009 depending upon the negotiations with the hotel operator and how they proceed. So what we are asking you Commissioners is to advance this item to the full Board for approval.

Chairman Coscia: Bill, just one question I have is, do we, I know you referenced it, a Jones Lange LaSalle analysis, but do we have any kind of an updated demand study for hotel rooms at that site or is that something that you are sort of contemplating as the next level of due diligence to figure out what our real options are post this extension.

Bill DeCota: Yes, the Jones Lange LaSalle study identified many different hotel concepts that could possibly work, everything from a high end boutique hotel to a nice mid-line hotel. A lot of the new hotel concepts were dependent upon size of hotel and location of hotel. Most of the new hotel concepts want to be right in the central terminal area. But what the study also identified was, there is a need for another level of hotel. The extended stay traveler, some of the

economy travelers, and there is a possibility here of actually monetizing this hotel, finding somebody to come in, make an investment, keep this open and exist side by side.

So we do have those analyses, but I think the only way to determine that is to test the market. Hotels need a lot of years in order to be able to amortize their investment. And it is more a matter of us trying to just do a little more market study, figure out what is the right thing and then send it out to the market. In both cases I think we would like to do RFPs for both of these sites and see what kind of concepts we get back and then see if we can have something viable to recommend to the Board.

Chairman Coscia: Any other questions. Okay, next item, Bill is also yours, Terminal 2 and 3 redevelopment program.

Bill DeCota: Yes, thank you Chairman. This is a request for a planning authorization to advance the redevelopment of Terminals 2 and 3 at Kennedy. Those two terminals are over 40 years old. They currently handle about 20 percent of the traffic at JFK. They are the home of Delta Airlines. As we have discussed with the Board more recently there is going to be a need in the future to advance major redevelopments of hotels, I'm sorry, of airport terminals at our airports. We have already committed as you know $20 million at Newark Airport. We are looking at planning for the redevelopment of Terminal A. We are doing something similar at LaGuardia with $15 million this Board has approved. This would advance a similar initiative at Kennedy for Delta's Terminal 2 and 3.

When Jet Blue moves into their new terminal sometime this fall, Terminal 2 and 3 will be the last two terminals at JFK that have not been significantly replaced or upgraded. And so the redevelopment of this is really a modernization of aging facilities, but it is also a capacity initiative, customer service initiative.

This is an aerial view of the Terminal 2 and 3 site and also has respective renderings of the two terminals. Both of them were constructed all the way back in 1962 as part of that original terminal city concept for JFK. Terminal 2 is now Delta's domestic Terminal A, it was constructed in the days of Northwest Orient and later became Pan-Am and then Delta when Delta bought out Pan-Am's routes.

Terminal 3 houses Delta's international traffic. It was built by Pan-Am. It has this elliptical shape with a very dramatic 4-acre cantilever umbrella roof. It originally allowed airlines to actually park under the roof, but of course that is not the way planes actually operate today. Pan-Am made a major investment to create their world port facility. They added what is sometimes referred to as the butterfly wing in the past, back in 1973 to try to fix it. But both terminals show clear signs of age; they are obsolete. In building systems they have deteriorating infrastructure and they have increasing maintenance.

Most significantly, the antiquated design and the configuration were built for a very different era of passenger aircraft, of screening, ticketing, services. They don't provide the capacity really now adequately for the 9 million passengers who use that and the significant growth expected.

Aside from the fact that Delta has to split its operation between two terminals which is huge logistical problems for customers, the size and the configuration of the terminals is totally inadequate. The arrival and departure frontage of the terminals are undersized and confusing. They cause significant congestion in the frontage. There is inadequate space inside, on the air side we have all kinds of problems. The biggest problem also is just there are not enough gates. There are only 25 gates in the terminal right now. 38 are required. And when you look at the split of international and domestic, there is only 12 international gates whereas Delta really needs 22. And to meet that current summer schedule Delta has been forced to lease additional site including the Terminal 4 lease-hold. And the aging capacity's negative impacts unfortunately on customer service. These two terminals routinely garner the lowest customer service rankings. And despite a stop gap effort, Delta has been putting some money into these terminal upgrade services if ultimately the physical capacity and condition of these terminals needs to be replaced.

Now as you know, you have seen the rapid growth at our airports, particularly at Kennedy Airport, and Delta is pursuing an aggressive growth strategy internationally and domestically, similar to the one that Continental followed at Newark Airport in Terminal C. Delta handled 5 million passengers back in 2002. By 2007 the number was 9 million. The projection is 18 million by 2017. And again, representing about a fifth of the traffic today, Delta's business plan calls for a lot of growth, very important international markets. And the merger with Northwest that they have announced would only feed that growth.

And not only is the volume important, it is the destinations. As you can see Delta's network from this slide at JFK serves far more destinations than the other two big carriers at the airport. Delta offers service to 46 domestic destinations. That compares to 43 for Jet Blue and 15 for American. But more significantly is its international service. Delta offers service to 33 international destinations compared to 24 for American. And it is in every continent, its Atlantic, Africa, Middle East, etc.

Now Delta has spent about $5 million of their own money looking at redevelopment options for the Terminal 2 and 3 site. Alternate plans were integrated in some way with the Terminal 4 site adjacent next door. As you know there are expansion capabilities on that site because there are very large space requirements here beyond the size of this site. You can see in light blue the scope of the project which would involve an expansion of the east and west concourses of Terminal 4. All the Terminal 4 airlines would be relocated to the East Concourse, that would give Delta the West Concourse, the 2 and 3 site would be demolished and replaced. We are developing business and financing plans for the project which would incorporate a lot of outside funding, things like PFCs, public/private partnerships, and Delta would be of course the anchor tenant of the project. So conceptual planning that Delta has done is now at a point where we need to advance this to a little bit more planning for refinement of the program.

We are asking you for $20 million as you see in the authorization before you. That would take the project to a stage 1 level of development. $7.5 million would be advanced to Delta. That would be on a reimbursable basis. We will either get it back if the project proceeds through the project financing or if it doesn't we would get it back as additional rent from Delta under their lease. That complements the $5 million that Delta has already spent. And to match their commitment we are asking for $12.5 million of planning funds to advance the project by the Port

Authority; that will be all related to the offsite infrastructure requirements. Delta's money is going to terminal planning, we would be looking at the roads, the utilities, the expansion of the parking garage and other aspects of what needs to be done to interface with that.

This is a concept rendering of that diagram you just saw. It is how the new Terminal 2/3 integrated with 4 could look like. The scale is a huge undertaking. We would really be looking to maximize the air side and land side capability, make sure that we could accommodate all size aircraft designs, we would improve air side access to the gates to make sure there is dual taxi lanes to get in and out.

The capacity of the terminal nearly would double. And on the land side the planning goals would be to equally provide that kind of efficiency of use to make sure that the air train station interfaces that there is adequate parking.

So what we are asking you to do Commissioners is to advance this item to the full Board for approval.

Chairman Coscia: Okay, Karen is this going to be handled normally here.

Karen Eastman: It will be handled in the public Board meeting.

Chairman Coscia: Questions?

Commissioner Bauer: Bill, are you talking about combining both the terminals, is that why you combine 2 and 3 together and make double the capacity of what is at each terminal.

Bill DeCota: Yes. It is a fascinating design Commissioner. When Terminal 4 was built it was built as a first phase with 16 gates. And that 16 gate terminal can be doubled to 32 gates. And because of its adjacency to the Terminal 2 and 3 site you literally can put another front end as we would refer to as a head house. That would be the Delta head house adjacent to the head house that is serving the International Arrivals Building. And you would be able to build a lot more gate concourses. You could use them very flexibly. The International Arrivals Building carriers that are there now would use the East Concourse. The West Concourse would go to Delta, but that is so flexible because ultimately it would become very common use. The majority of the expansion space would be Delta/Northwest. But there is about 40 other carriers that use that building. And so it would truly become a common use terminal with all of this additional expanded space. And that is really the way we need to go as this Board has talked about to maximize utilization capacity really is common use.

In the old days of exclusive use we had so many at a gate, but they only used it a few times a day. It was very inefficient. Now gate assignments can be made and terminal equipment can accomplish every airline services. So that is exactly what we are proposing.

Commissioner Bauer: I hate to ask this though, if you are talking about we are going from a 9 million to 18 million by 2018, that is doubling already. Will this be able to fulfill that capacity in 2018. That's doubling –

Bill DeCota: Yes.

Commissioner Bauer: You believe it will?

Bill DeCota: Yes, the terminal has been sized to be able to accommodate it and it has been sized to accommodate it recognizing that right now at JFK the FAA has capped the number of flights. Delta has one of the largest number of slots under the cap order. They have 400 of them. Delta will have to up gauge to provide more people on basically the same number of planes in order to be able to feed the terminal and that is where the growth is ultimately going to come. Because until the FAA redesigns the air space completely and does some of the next gen air traffic control, implements things that were in the Chairman's flight delay task force, we are not expecting to have significant growth in the number of flights; what we are expecting to see is bigger planes. And Delta has plans for up gauging. But this terminal will be able to get to that ultimate design capacity of 18 million.

Commissioner Bauer: Thank you.

Commissioner Silverman: Bill, as you know I have had a very negative view of the airlines for the last 'x' number of years. And unfortunately I was proved correct, so let's make certain in the planning process we don't plan this for Delta but we plan this for any airline – I know your concept which is people have to fly, they may be flying a different carrier. I would agree with that, but I would like to recommend that we not specifically say this is a Delta terminal, because Delta may not be around again by the time this done.

Bill DeCota: Yes, and the Vice Chairman is exactly right. We are following the Board's direction. We will build based upon the passengers and not the individual operating or financial condition of any individual carrier. And we will make sure that they can handle a wide range of activity. We have had a lot of experience unfortunately with changing fates of airline industry since the deregulation act of 1978.

Commissioner Silverman: Yes, thank you.

Chairman Coscia: Okay, any other questions. Alright, I think that is it for the meeting. We are adjourned. Thanks everyone.

The Port Authority of New York and New Jersey
Committee on Operations Transcript
June 30, 2008

Commissioner Silverman: In the absence of the Chairman, the Vice Chairman has been asked to substitute. So we will begin the public session. Today's meeting of the Committee on Operations will be held in public session in its entirety. In addition this meeting is being broadcast live on the internet via the Port Authority's website for those interested in viewing today's proceedings remotely. And I understand we also have two members of the public here today, so welcome to the Committee on Operations' public session. So with that we will move to the first item. Michael.

Michael Francois: Thank you, good morning Commissioners. Today I am requesting authorization under the Hudson-Raritan Estuary Resources Program to enter into an agreement with the Trust for Public Land to fund the acquisition of property known as Idlewild Marsh located in Brookville, New York in Queens County. As you know the Port Authority's objective is to make property acquisitions within the Hudson-Raritan Estuary Resources Program that may be suitable for conservation, ecological enhancement, public access or environmental mitigation.

The Idlewild Marsh property meets the requirements of the program and the funding that we are proposing will achieve the intended ecological enhancement of the property. By way of background, funding for the Hudson-Raritan Estuary Resources Program was approved by the Board in July 2001 for a total of $60 million; $30 million each for New Jersey and New York, and was certified by the Board as a facility in November 2002.

The Board has approved reimbursements of $5.9 million for 5 properties in New Jersey totally 187 acres. In New York the Board has approved reimbursements of $18 million for 5 property acquisitions totaling 108 acres.

The Idlewild Marsh property is approximately 0.65 acres located in Queens County and is within the Port district. The property is currently owned by Promax Realty and is vacant land. The purchase price and the reimbursement to the Trust for Public Land which is a national non-profit land conservation organization is $950,000 based on an appraisal prepared for the Trust for Public Land.

As a condition of reimbursement, once the Trust for Public Land acquires title to the property it will convey the property to the City of New York Department of Parks and Recreation subject to a perpetual encumbrance in a manner satisfactory to the Port Authority through a restrictive deed covenants for the benefit of the Port Authority. Those covenants restrict the property's use for development in the future and it must be retained for conservation purposes. This acquisition will advance the Port Authority's sustainability goal of 50 acres per year and protect the land from future development. Commissioners, your approval of this action is requested.

Commissioner Silverman: Any questions? We need action on this, is that correct?

Michael Francois: Yes.

Commissioner Silverman: Okay, we will have a vote. All in favor?

Commissioners: Aye.

Commissioner Silverman: Any opposed? Motion passes. Thank you, Michael.

Michael Francois: Thank you.

Commissioner Silverman: Okay the next item is for discussion and it is Terminals A and B concessions at Newark Liberty International Airport. Lysa.

Lysa Scully: Good morning, Commissioners. Last year you authorized staff to enter into an agreement with Westfield, one of the world's largest shopping center and mall developer operators to develop and manage all of the retail food and beverage operations in Terminals A and B at Newark Liberty International Airport. The concessions at our airports are vitally important to our customers and you charged us with developing a program that would include a new design criteria, new concession concepts, small business participation, labor harmony and unsurpassed service.

I am pleased to report that staff is ready now to seek your approval for the first phase of redevelopment and remerchandising the spaces whose leases expire in the next few months.

As you will recall Commissioners, Terminals A and B at Newark now serve 13 million domestic and international passengers out of 36 million passengers served overall at the airport. All the airlines at Newark have an operation in these two terminals. There is currently more than 52,000 square feet of concession space devoted to the retail food and beverage needs of our customers in these terminals. These services currently generate in excess of $109 million in sales annually with $72 million in net revenues to the Port Authority, making Newark Liberty one of the highest grossing airports in the country.

The concessions agreement storefront designs and concepts that are currently there were all put into place approximately 7 years ago. With the expiration of the existing agreements in 2008 through 2010 and the addition of new concession space as part of the redevelopment of Terminal B, the Board recognized the opportunity to revitalize our concessions program with the best national, international and local brands and ensure our customers get the most out of their travel experience.

When we partnered with Westfield last year we charged them with the following objectives as noted above – high customer satisfaction, enhanced product offerings, improved brand recognition, revenue maximization a very robust disadvantaged business participation and upgraded store designs and layouts. To achieve these goals Westfield undertook a competitive process to seek proposals from the best concessioners anywhere and evaluate their customer service and marketing programs, product mix, brand awareness and loyalty, financial proposal, the extent of disadvantaged business participation, their compliance with the Port Authority

Labor Harmony Policies and their investment in facilities including new store front designs and layouts.

Today I am here to seek your approval of leases recommended by Westfield that have met the objectives that we established.

Commissioners you have before you the detailed terms for 14 agreements staff are recommending to you today. Listed above are the types of brands the program entails, including Hudson News, Yushi, Sbarro, Sandella's Flatbread and Papyrus to name a few, all of which are leading industry concession concepts. The total of these agreements cover 23,000 square feet, or approximately 44% of the total space that Westfield will ultimately redevelop and manage for us. All of these leases are structured under the same framework of terms. The length of each agreement is 5 to 7 years. Tenants have 60-days to fit out the space with an investment in their space dependent on the type of concession that is being placed there. Each pays a minimum annual guarantee and then a percentage rent as specified in their proposals as well as promotional fees and common area maintenance charges.

The PA also has the right to terminate each agreement on 30-days notice by buying out their unamortized investment. Approval of these leases achieves the objectives that we established. All have high customer service and operating standards. 56 percent of the revenues from this program would be derived from disadvantaged business participation and all of the leases before you today comply with the Port Authority's Labor Harmony Policy. In total these leases minimally would generate $95.6 million in guaranteed revenues over the term of the lease plus percentage rentals. This deal is 90 percent higher than the minimums under the existing agreements. Together they comprise the first step in what is a best in class concessions program.

Commissioners, here are renderings of the new storefront designs. As you can see the concept calls for elegant, minimal, well-detailed design, dramatically open storefronts and innovative merchandising that will bring our passengers closer to the products. We hope to create a unique sense of place for Terminals A and B, complement the tenant finish and also create an exciting and dynamic shopping environment and experience for our customers.

Commissioners the hallmark of this and all of our airport concession programs are really the right concepts, the most relevant products and services and the highest customer value. The program we are outlying today understands the importance of time to our customers, and at the same time encourages a positive shopping experience to ensure the highest levels of satisfaction. We expect that the renovation of these concessions will be completed between the end of this year and the summer of 2009. We will also be bringing you additional leases as new spaces are ready for remerchandising.

Today we ask your approval of these 14 agreements under the terms outlined before you.

Commissioner Silverman: As I understand it we don't need action on this. Is that right? Please. Excuse me, Ginny; turn your mic on, please.

Commissioner Bauer: I'm sorry. How many jobs would this create? Do you have any indication?

Lysa Scully: We are currently working with the proposed tenants before you on their business plans to determine the total number. But I am not available with that number today. I can get that back to you certainly.

Commissioner Steiner: Ms. Scully I want to compliment you on the presentation. I want to compliment you on working with Westfield. You have chosen the best people and I have read each and every one of the agreements over and I think you have the best people working with you and you are doing a good job and I hope this is the beginning of a whole approach to our retail concepts and I think you are to be commended, you and your staff. Would you pass that on? When they satisfy and they are really doing a good job.

Lysa Scully: Thank you. Thank you very much.

Commissioner Silverman: Okay, any other comments from any of the Commissioners? Okay, that completes our agenda for today. Our meeting is adjourned.

The Port Authority of New York and New Jersey
Security Committee Transcript
October 2, 2008

Commissioner Blakeman: Good morning everybody. Today's meeting of the Security Committee will be held in public session in its entirety. In addition this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet.

Good morning. Bill, do you want to start off.

Bill DeCota: Thank you very much Commissioners. I'm here to review an item with you that would authorize the next phase of our airport perimeter intrusion strengthening program. It is the installation of additional fortified barriers at the airports. As you know, there are a lot of measures that are in place to secure the airport perimeter. They use a variety of different measures. They use technological surveillance, they use physical presence, they use police, they use guards, they use fencing, they use guard post hardening barriers and other barricades.

And I'm going to be discussing the barricades with you today. And in July 2006 you took the step of authorizing staff to further fortify selected high priority perimeters and strengthening those barriers around secure areas of the airport where we thought additional fortifications based upon risk assessments were necessary. Today I would like to seek your approval to advance the next phase of that effort.

As this Security Committee well knows, federal regulation over airport security does require the Port Authority to have a security program that outlines the secure areas of every airport; that is basically the airfield facilities, where the aircraft are and a program to prevent the unauthorized entry and presence and movement of individuals and ground vehicles into that area who are not supposed to be there.

To meet that regulation and to assure that our airports are secure from unauthorized presence, all airports have to carry out measures for controlling entry to those secured areas.

As the Security Committee is also very well aware, anti-ram barriers are used to prevent the illegal intrusion not just at airports but any kind of secure building like military installations and government buildings, etc. And from our past discussions you will recall that perimeter barriers have crash ratings and those crash ratings are based upon the ability of those barriers to disable a vehicle that attempts to breach the perimeter of the airport. The ones installed at our airports follow a United States Department of Defense criteria. There are specific definitions that indicate the performance of a barrier and that is based upon varying weights of vehicles traveling at different rates of speed on the geometry and the access to the area.

It is kind of a basic Physics 101 approach. You take the weight of the vehicle that potentially could access the area and the speed – and it is a very detailed calculation. And as you can imagine if you had a very heavy vehicle moving very slowly, it doesn't have as much hitting power as a very light vehicle that could travel very quickly. And so different barriers are used at different locations on that basis.

This is the design you will recall that the Port Authority chose for some areas of the airport perimeter. It has been certified, tested and proven to work under extreme conditions; it is one of the most effective counter terrorist barriers anywhere in the United States. The authorization you gave us back in July of 2006 provided

$25 million for Phase 1. That basically installed these barriers along about 5 to 6 miles of perimeter in selected locations. Those areas were specifically chosen to be installed first because they involve areas that are impacted by the very sophisticated perimeter intrusion detection system that is being put in place. And at that time when you approved that staff told you that work was nearing completion on those and that we would come back for the next phase of installation.

Today what I am recommending to you as you see on the right is Phase 2. It recommends installing these in the 38 miles of additional areas, other parts of the perimeter at JFK, Newark and LaGuardia where the threat also would require some fortification. And what I am asking you for is $12 million for that installation and also about $1 million to evaluate and plan for additional phases if they are deemed necessary based upon the kinds of assessments.

As you know, with the guidance and leadership of this Committee we continue to look for ways to increase the safety and security of the airport and these anti-ram barriers that we are asking for your approval for today are one of those mechanisms that we think are very important to the fortification of our airports and they are just obviously one of many, many measures that this Committee has endorsed and pursued.

So we are asking you for approval of the program that I just described.

Commissioner Blakeman: Let's also hear your presentation on the closed circuit television cameras because I think they go hand in hand in the layered approach to intelligence. Unless you want to ask a question.

Commissioner Sartor: Yes, I do want to ask a question. $12 million. Have you selected the contractor yet, Bill.

Bill DeCota: We have not awarded this contract per se for this amount of work. Obviously the existing work is being done under an existing contract. But the answer is no.

Commissioner Sartor: Who is the existing contractor?

Bill DeCota: Peter can you take – it's Tishman Technologies.

Commissioner Sartor: Are you going to do the same sort of thing with this – go the – okay.

Peter Zipf: Yes. It works very effectively.

Bill DeCota: Thank you. I'm also here to review another authorization that was a prior authorization that this Board approved. And this deals with an expanded scope and functionality for check point digital Closed Circuit Television program. Originally this Board authorized a program back in February of 2005. It was somewhat of a limited scope. It was basic surveillance. It was remote monitoring of passenger screening checkpoints at the airport. And since that time as we have looked at surveillance requirements at the checkpoints, we have talked to the TSA in great detail and worked out other planning parameters and we have begun to pilot a different scope of this as a result of some TSA support for this project. It really resulted in a redefinition of what might be more optimal and for reasons I will describe we are really asking you to expand the scope of the CCTV program and take advantage of technology that is now available as well as just make the system more robust.

This Board has talked many times about the critical role of surveillance as part of the overall airport security program. So in addition to those physical enhancement type things we just talked about, making sure that we can monitor and control access to the airfields through surveillance, through CCTV is one of those critical elements and it is particularly critical at the security checkpoints. In February 2005 you authorized staff $14 million to install what you see here – 240 cameras, 34 locations, 4 fields of view for those cameras. They are high definition color cameras. They can focus on some minute detail and they can also be remotely adjusted pan tilt and zoom.

Subsequent to that authorization, as the full scope of the project was being developed there were a lot of discussions with the Transportation Security Administration and the Public Safety Department about how the CCTV system might be able to serve even more maximum needs of deterrence and interdiction. And that would require additional fields of view. The TSA provided the Port Authority with a $5 million grant in August of 2007 to install this more robust system on a pilot basis in Terminal B at Newark Liberty International Airport.

The additional cameras really have proven to provide the kind of views we really would like to really very positively identify as much of the minute detail, including the faces of passengers, their actions and their activities. So you can imagine things are not a straight line so they allow you to actually track a passenger from the security checkpoint if there was some reason to be able to follow them to the gate. And so they can be positioned to really track even the movement of people in terms of turning their face and provide better detection.

That takes us really to the authorization we are asking you for today. We would like to implement that standard at all the terminals and upgrade what we are installing now of the CCTV at the security checkpoints and it requires an approval of $25 million for what is a total of 1,100 cameras. There are now 39 locations; that's just because of the opening of the new Jet Blue terminal and terminal modifications that have occurred. The standard also calls for upgrading the camera resolution to the latest standard that is now available since the last authorization. It also provides some modifications to the video analytics feature that enables us to track more suspicious movements of people and as the technology evolves it will provide for an integrated module which we are not recommending at this point for facial recognition and a computer application that could automatically identify and verify people from a video image going back to a video database.

This total cost also includes for fiber optic installation and it permits the transmission over longer distance, higher bandwidth and is just a better method to be more integrated with other electronic security detection devices.

This would be the total cost of the CCTV program at the security checkpoints and those costs would be shared with the TSA that provided the grant obviously initially for the expanded scope. Other funds would be provided by the FAA under the Airport Improvement Program and the remainder would be shared with the airlines and the Port Authority. This is a revised scope in order to be able to install these things – you see the schedule would have all of the terminals completed by the fourth quarter of 2010.

And we believe that the installations of these things is really a very important next step and that detection has been really one of the most effective means of making sure that we can prevent unauthorized access and

people who are intent on doing harm to our airports and we very much have appreciated your past support of CCTV and as for your endorsement of this project to be approved by the Board.

Commissioner Blakeman: Thanks Bill, good presentation as usual. I have a question. The Port Authority has always taken a layered approach to security which includes the hardening of assets through engineering and construction, technology like these cameras, patrol and intelligence. My question is I assume that these cameras are being used by people who are trained to identify suspicious activity and I am wondering whether there is any data collection and sharing of intelligence with PAPD and any federal or other agencies that might be working with us on an integrated basis and security at the airports.

Bill DeCota: Yes, thanks Commissioner. The camera feeds go back to both the central police desk as well as to the security operations control desk. So the camera feeds are being monitored periodically. Every screen obviously can't be monitored by an individual, so in some cases they are being used in the event that there is an alarm triggered or there is a suspicious act that somebody witnesses we can go back immediately and check the camera and then be able to pursue and interdict.

So law enforcement officials are part of the entire process. Many of them have been trained in behavioral recognition technology. It is the same thing with the TSA who have also been able to watch for patterns of behavior to try to detect whether there is something suspicious. And that would give an alarm or a queue back to the camera desk so that somebody would actually track and monitor.

So that is happening and that information does end up getting shared. It is used by the law enforcement agencies, not only at the Port Authority but also with others. In the event that we take pictures of individuals who we then interdict and we are trying to identify who those are – they are matched up against major databases of people to begin to confirm who people's identities are to determine whether there was an intent to do something that would create harm.

Commissioner Blakeman: So in other words if there is let's say repetition – a suspicious person, a suspicious vehicle appears on a frequent basis that we would be able to pick that up and share it with our own police department and Joint Terrorism Task Force and any other agencies that are working with us.

Bill DeCota: And the hope is, yes, that as the technology evolves it is not quite ready. In the future we may be back to this Board; I can't tell you when that would be where you could automatically be able to take the camera feed and the photograph, send them to a centralized database and match them up automatically.

Commissioner Blakeman: On a facial recognition basis.

Bill DeCota: And it happens, yes. So that is how sophisticated much of this technology has gotten. Also—

Commissioner Blakeman: And we will be able, if that new technology is available we will be able to incorporate it into this technology.

Bill DeCota: Yes, one of the upgrades is to make sure that this is very compatible and also very compatible with motion detection software that is now getting very sophisticated where instead of a human being trying to detect us of suspicious behavior, the technology can identify things ranging from the darting of eyes to just

unusual movements that don't represent what would be a normal passenger movement on somebody who is just going though a security checkpoint.

Commissioner Sartor: Bill, how far in the future is that. I remember reading something about that recently that indicated – you have got dozens of screens up there. For one individual to monitor that is a problem. This technology is becoming available. What is the timeframe.

Bill DeCota: The technology, when we look at in the last seven years how far technology has come with regard to different kinds of biometric analysis, it has been revolutionary. And it is available right now, but my understanding is it still sends out false alarm rates at rates that would be greater than what one would really ideally want.

And if you are trying to resolve lots of movements and the movements don't prove to be truly someone who is a suspicious person who you would really want to intervene with, then that is not going to really help our law enforcement efforts at all. It is just going to send a lot of people looking for things that really they don't need to look for.

So I would think at the rate that we are going in the next couple of years at most you would have a fairly sophisticated system that we may be prepared to come back and ask the Board for an expansion of the technology for.

Commissioner Sartor: A mundane question. How do you go about selecting the vendor for the $25 million you are going to spend.

Bill DeCota: We have used, I'm looking to my -

John Drobny: CMGC Contract are who we are dealing with.

Bill DeCota: Yes, we have used the CM – right.

Commissioner Sartor: And you guys are comfortable with that. Do you bid in that process. Do you go to two or three.

Peter Zipf: Yes, they go out and they solicit bids and it is an open bidding and –

Commissioner Sartor: from the preapproved list.

Peter Zipf: Yes, and compared against our estimates.

Commissioner Holmes: I did have one question. There is really no real-time review of these cameras, the additional cameras, is there.

Bill DeCota: No, it would really be impossible given the number of checkpoints to have that many people watching and watching that number of views. However there is virtually real-time access to any of the views.

This has a very quick access. So that if someone who is for instance a TSA agent at a security checkpoint who is doing passenger screening determines that there is a person of interest. Now that could be because the person ran through the security checkpoint and there are now people trying to pursue that person. Immediately that camera can be – there is direct feed communication going from the checkpoint, back to the desk where this is being monitored.

And immediately the person could be identified, the clothing that they are wearing and where they are going because of the expanded field of view of cameras could be tracked.

Commissioner Holmes: So what is the program of review. How often?

Bill DeCota: The system is going to be used on an exception as needed basis. So that if it is needed to be called up it will. And it has retention so there will be a great deal of time, you would be able to say 30 days out be able to go back and look at something if for some reason there was something that somebody wanted to investigate.

So the system itself is intended to be there as another window on things that people with their eyes couldn't be able to look at real-time or wouldn't even have the memory to recall because often when events happen like that people see 3 different things.

So that is really what the entire purpose is. And somebody will be there with the cameras on and monitoring just like in the operations control desks at the airport and there can be times when people actually focus in on things based upon their casual view of the screens. But most of the time it is going to be because they have been specifically asked to call up an image.

Commissioner Blakeman: Anything Ray. Do we need a motion on those two items. Okay, does anybody have objections to either one of those items. It is going to the full board – motion. Second.

Commissioner Sartor: Second.

Commissioner Blakeman: All in favor.

All Commissioners: Aye.

Commissioner Blakeman: General, anything that you want to bring to our attention.

Robert Van Etten: No, I just wanted to say that this also helps with theft at the screening point.

Commissioner Blakeman: Good point.

Robert Van Etten: grabbing laptops and heading out and also the screeners that from time to time have stolen articles. So –

Commissioner Blakeman: So as a law enforcement function as well.

Robert Van Etten: Yes.

Commissioner Blakeman: Great. Very good. Ernesto, anything.

Ernesto Butcher: No, I was going to add same comment.

Commissioner Blakeman: Good. Okay. Motion to adjourn.

Commissioner Sartor: So moved.

Commissioner Blakeman: Okay, thank you.

Port Authority of New York and New Jersey
Security Committee Transcript
November 20, 2008

Commissioner Blakeman: Good morning everybody. Today's meeting of the Security Committee will be held in public session in its entirety. In addition this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. We are going to have a presentation by our Superintendent of Police, an update on the Port Security Grant Program. Sam?

Sam: Thank you, Commissioners. Today I am here to seek authorization to enter into a sub grantee agreements for the supplemental Port security grants totaling $14.9 million for fiscal year 2007 and $47.5 million for fiscal year 2008 grants, as approved by the United States Department of Homeland Security and the Area Maritime Security Committee.

In 2007, DHS authorized supplemental funding for port security of which the Port Authority of New York and New Jersey share was approximately $14.9 million. In 2008 DHS allocated an additional $45.5 million to the Port of New York and New Jersey and $2 million to the Port of Albany under the fiscal year 2008 Port Security grant program to provide for efficient and centralized administration the grants were to be awarded by DHS to the Port Authority to manage and administer as DHS's fiduciary agent.

In September 2007 and March 2008 the Board authorized the Port Authority to act as fiduciary agent of DHS to manage and administer both the fiscal year 2007 supplemental and fiscal year 2008 Port Security grants with the award of sub grants from those funds to be subject to further approval by the Board.

There are approximately 18 sub grantee agreements to be awarded. The sub grantee awards are structure so that a regional security consensus in conjunction with the port-wide risk management, mitigation and business continuity plan will continue to be implemented. The programs to be funded are consistent with the regional leadership position in port security that the Port Authority has been cultivating in recent years. The programs are also in line with the recommendations of the Port Security Task Force. The Port Authority as the grantee and DHS's fiduciary agent is responsible for DHS for the proper management, administration of the grants and consequently may be held liable to DHS with respect to among other things the sub grantee's use of the funds in violation of the sub grant agreements or federal requirements.

The Port Authority ensures compliance with sub grant agreements before seeking reimbursement of funds for the sub grantee. The grant awards will require the sub grantees to fund 25% of the allowable costs of the project. Today, staff is seeking authorization to award, manage and administer sub grant agreements under the Port Security Grant Program totaling approximately $59.4 million. Projects for consideration were reviewed by the members of the grant review team who were selected from the Area Maritime Security Committee or AMSC and managed by the United States Coast Guard Sector New York.

Each project submitted for funding consideration was reviewed and scored by each member of the grant review team. The final score sheets were included as part of the port-wide management mitigation and business continuity plan that was approved by the Department of Homeland Security. The sub grantee awards include funding for initiatives such as first responder training, harbor patrol boats, communications equipment, infrastructure security and emergency response equipment. Under the program the Port Authority would receive $4.6 million in funding for training, blue force tracking and surveillance equipment.

Other regional entities receiving awards include the NYPD, the New Jersey State Police, the FDNY, the New Jersey Office of Emergency Management Security Task Force, among others. Commissioners, I request that you advance this item to the full Board for approval today.

Thank you very much.

Commissioner Blakeman: Thank you very much, Sam. Anthony, Sidney, do you have any questions? Anybody have anything else they want to add? So there is no Board action required. Okay, very good. On the next item I am going to recuse myself, I may have a conflict, so I'm going to turn the meeting Commissioner Sartor and recuse myself and leave the meeting. Go ahead Anthony.

Anthony Sartor: The next item on the agenda is the Security Capital Program (inaudible – microphone inaccessible).

John Drobny: Thank you, Commissioner. Good morning Commissioners. As you are aware, the Port Authority continues to execute its Security Capital Program to enhance security at its facilities, operations, employees, contractors and patrons. In order to facilitate the implementation of these projects, I would like to review a call-in program to retain the services of architectural and engineering design consultants on an as-needed basis. As you may recall in July of 2003 staff reviewed with the Board the use of architectural and engineering “on-call” design services for implementation of the 2003 to 2007 Security Program. At that time, 5 firms were selected on the basis of their qualifications and awarded design contracts for a combined total of $45 million. The 5 selected firms at that time were URS, DMJM Harris, Louis Berger Group, Washington Group International and HNTB.

These contracts were successfully used for design and construction support for the security initiatives in the '03 to '07 security program and as a result in July of '07 staff reviewed with the Board the need to extend the existing contracts for one year and increase the authorization by $34 million.

On August 31 of this year the current design contracts expired. As a result no new contracts can be undertaken with our five previously selected firms and a new solicitation for technical service was required. As stated previously, we are continuing to upgrade our facilities in order to enhance public safety and security. Ongoing and future initiatives include asset strengthening, the installation of additional perimeter security systems such as guard posts, protective barriers and electronic surveillance, upgrades to access control and alarm systems using the latest

technology including bio-metrics, enhanced closed circuit TV systems and installation of equipment to detect the presence of hazardous materials such as explosives at our facilities.

To meet the design needs of the security capital program and execute this work, the use of architectural engineering and design firms possessing the technical knowledge and expertise of the latest industry innovations is required. To procure the required services a request for proposal was publicly advertised in several publications and newspapers including the Engineering News Record, the Contract Reporter and Newark Star Ledger. In response to this request for proposals, a total of 12 firms submitted proposals which were reviewed on September 22, 2008. Proposals were reviewed by an internal evaluation committee and were rated against predetermined evaluation criteria which included the quality and depth of the staff to be assigned to the effort, the experience of the firm in designing similar types of projects and technical complexity in size, and their management approach and their cost.

The evaluation committee selected the firms that best satisfied the criteria and provided the best buy to the Port Authority in terms of expertise and costs. The top six rated firms selected by the evaluation committee are URS, DMJM Harris, HNTB, the Louis Berger Group, STV and CH2M Hill. It is recommended that we award contracts to these six top rated firms for a total, combined value of $25 million.

Commissioners, I request your concurrence of this action.

Anthony Sartor: (Inaudible – microphone inaccessible).

John Drobny: Thank you, Commissioners.

Anthony Sartor: We’re adjourned.

The Port Authority of New York and New Jersey

Security Committee Transcript
December 18, 2007

Commissioner Mack: We're going to start right now. Okay. Good morning, everybody, and welcome to the Security Committee, which is a public session. This meeting of the Security Committee will be held in public session in its entirety and in addition, the meeting is being broadcast live on the internet via Port Authority website for those interested in viewing today's proceedings remotely. I want to take the opportunity to wish everybody a Merry Christmas and a happy, healthy New Year, and the usual joke is - we'll see you next year, but I want to see you next year in health, good health and prosperity.

Today, we have an item for discussion. The multi-facility consolidation of unarmed uniformed guard services and Sam, could you make that presentation for us.

Samuel Plumeri: Thank you, Mr. Chairman. Commissioners, protecting our customers, our employees and facilities is a crucial component of the Port Authority security plan. The Port Authority has an aggressive security plan, as evidenced by the $649 million allocated for security in 2008. I will now discuss recommendations to award a contract in furtherance of these efforts for unarmed, uniformed security guard services as various Port Authority, PATH facilities, and leased properties, which is part of the overall security plan. These services are necessary to maintain certain posts and to provide these services in areas where it has been determined the expertise of members of the highly trained Port Authority police force is not required.

By way of background, the proposed contract would provide for uniformed security guard contract services in accordance with Port Authority security requirements and federal security regulations. This multifacility contract provides these services at 12 Port Authority facilities, certain PATH buildings, and properties leased by the Port Authority in both New York and New Jersey. The Port Authority has a separate contract covering the two New York airports, which I'm sure you will recall, which are not included in this contract. Contract security guards are used in a variety of roles and duty locations. These include staffing fixed security posts at vehicle and pedestrian entry points, conducting inspections of facility perimeters and infrastructure, providing construction site security and fire watch, monitoring video surveillance, access control, and alarm systems, and performing other security related services as defined in individual facility security plans, to include administrative functions in facility security identification card offices.

The contractor will provide the following: approximately 635 security staff personnel, vehicles, training of guards in accordance with federal and state requirements, communications equipment, uniforms, liability and automotive insurance. An RFP was publicly advertised and issued to over 20 vendors and 5 responsive proposals were received. The five protocols were evaluated based on pre-established, weighted criteria.

These included five years of continuous prior experience, one contract of similar scope and complexity, gross revenues of at least $20 million per year for the last two years, and a valid and current license from both the New York State Division of Licensing Services and the New Jersey Division of State Police.

As to the cost of services, I should note that consistent with the Port Authority's policy for wages and benefits in non-trade Port Authority service contracts, all vendors that submitted proposals were required to meet minimum wage and health benefits for full time, hourly positions, providing services under the contract.

Based on the evaluation of the responses received, FJC Security Services were deemed both the highest rated proposer, and the vendor whose proposal represented the lowest cost. FJC is also the incumbent contractor and has demonstrated successful performance throughout the term of its existing contract. FJC presented excellent industry references and demonstrated a clear understanding of the requirements of the Port Authority's security challenges and mission. FJC's proposed management strategy was highly responsive to all aspects of the RFP. They have demonstrated that they possess the management talent and organizational infrastructure to support and administer a security guard contract of this size and complexity. FJC proposed a cost of $126.7 million over the base four-year term of the contract. This was $29.2 million lower than the next highest rated proposer.

Commissioners your concurrence is requested to award this contract to FJC Security Services, for an estimated cost of $126.7 million for this four-year base term, beginning March 1st, 2008. Thank you very much.

Commissioner Mack: Thank you, Superintendent. Who is going to monitor these in our facilities?

Samuel Plumeri: There are, Commissioner, three layers, if you will in terms of oversight. FJC has their own security of their own supervision on site. There is then a Port Authority designated manager or security operator on site, as well as our Sergeants, PAPD Police Sergeants during the course of their patrol function, take a look at what they're doing as well.

Commissioner Mack: I think - and do we have to vote on this? What do we do? Well, before I even recommend this contract, I think we really should look at whether a facility manager is qualified for security to oversee this instead of our police department, who works on a day to day basis. And I think this is a serious concern for the Port Authority as well. And I think that - my fellow Commissioners, I think that this is an important factor. A Sergeant is good, he supervisors, but he has enough to supervise - who's looking after the National Guard as well?

Samuel Plumeri: The National Guard if you will, are married to police officers. By virtue of their mission, they have no law enforcement power. So, in terms of what they are doing at our PATH facilities, --

Commissioner Mack: -- or any facility --

Samuel Plumeri: -- used as an example, --

Commissioner Mack: Yes.

Samuel Plumeri: -- when they are on our facilities, they are partnered with a police officer in the event that they have to take action.

Commissioner Mack: Well, these guards also have no police powers as well, so I would put them in the same category as the National Guard and I think we should look into this.

Commissioner Sartor: I'm not quite sure what you're saying in terms of --

Commissioner Mack: Well, you see a Sergeant is not their supervisor and they don't answer to the Sergeant. The Sergeant has his own responsibility; he's a line supervisor for the patrolman and for the National Guard. So, you need a little more supervision, and you need the police department - has to oversee with the facility manager who also has no experience in security at all. Unless I'm wrong, if they've taken courses and they have degrees - and I don't think they're professional police officers or law enforcement officers or have any law enforcement experience.

Secondly, as you know if you look in the past, the facility manager of Kennedy, and all the other airports - they were in charge of the police before, the police department now is in charge of all of their men. So, each facility manager was directing police with no experience and I just can't think - I don't think that that's advisable or feasible to have some facility manager who has absolutely law enforcement background, has no degrees and is not a professional law officer to oversee all of these individuals and direct them. Do I have a comment from my Commissioners?

Commissioner Pocino: Sam, did you say that basically they're operating under your department

Samuel Plumeri: They report to a security supervisor that is on site. They then report to-

Commissioner Pocino: Well, who is the security supervisor?

Samuel Plumeri: For FJC.

Commissioner Pocino: For FJC.

Samuel Plumeri: Yes, sir.

Commissioner Pocino: Well, who do they report to?

Samuel Plumeri: They report to the operational manager or security manager at the various facilities.

Commissioner Pocino: Which is your person?

Samuel Plumeri: No, sir. That's the operation's - if they're at PATH, they'll report to PATH operations manager. Our Sergeants during the course of their tours check and make sure that they're doing their job and acting in a professional manner, etc.

Commissioner Pocino: So, they're accountable to your Sergeants, who are aware of what their duties are, where their stations are, and -

Samuel Plumeri: Our Sergeants will report anything that they think is not in accordance with their job.

Commissioner Pocino: And they're totally aware of what they're mission is, and their duties, and everything else, okay.

Samuel Plumeri: They are. Yes, sir.

Commissioner Pocino: So, the Sergeants are the ones that they are accountable to, and then in turn accountable to you as -

Samuel Plumeri: Sergeants are accountable to me, obviously, if there is something that is not in accordance to their mission - to the security guard's mission, that then is reported certainly through chain of command, and obviously, to the Sergeants' operational tour commander, who will then let us know if there is anything - and there is a reporting function, etc.

Commissioner Pocino: Is this normal operational procedure in terms of security guards in all of our airports and other facilities that require security guards for the purposes of the mission we're talking about?

Samuel Plumeri: Yes, sir. And obviously the missions are different according to -

Commissioner Pocino: what the facility is.

Sam Plumeri: Yes, sir.

Commissioner Mack: But, remember what I just said. Prior - the facility manager managed the police officers at their facility not knowing anything about security more than they've picked up over the years. I think that we have to look at this so that we can see where we can fine tune it where the police department can help direct or personally oversee - or if you want, even share with the facility manager, who really is not a law enforcement individual, or has any law enforcement background, or has taken any law

enforcement courses. So, I think we should take a look at this. Do you have any questions on that?

Commissioner Sartor: The intent would be, Commissioner?

Commissioner Mack: The intent is that you have -

Commissioner Sartor: increase the police presence? or - I'm not sure where you're going with this?

Commissioner Mack: Well, no, what the intent is - that you have someone in charge of a uniformed officer that has no background in law enforcement at all. Now, the Sergeant, if the Sergeant is aware of anything, he has to then tell his Lieutenant, and then his Lieutenant can't even make a correction, he has to go to the facility management. Where, I think, if we want to bend, we'll give the facility manager the responsibility which he has now with the police department. That's a fair solution.

Commissioner Pocino: Mr. Chairman, I just want to say one other thing, that these are security guards, they're not law enforcement officials, that's a different -

Commissioner Mack: Yeah, but they've got to be guided.

Commissioner Pocino: Well, from my understanding they are going to be.

Commissioner Mack: His men overlook it - as you said, that's what my question was before. The Sergeants oversee them in their normal course of business. But, the Sergeant has other business and can't watch them as well as if it was his responsibility, or a Lieutenant.

Anthony Shorris: By that meaning, you're right.

Anthony Shorris: Are we on public session?

Commissioner Mack: Yeah, we're on public, sure.

Anthony Shorris: Okay, thank you. I just want to make sure I say that phrase appropriately. One of the things we are wrestling with is this question all the time. Because you're right, this is a source of complication in the relationship that we have to go back and forth on. On the one hand, we want to be sensitive to the role of the police officers and the Sergeants, and the command hierarchy to not spend too much of their time dealing with non-policing issues. And a lot of what the security guards are doing is actually fairly mundane and administrative and having our police commands spend a lot of time dealing with them has a price to be paid and we want to be thoughtful about whether we want to do that. On the flip side, we definitely want to make sure that there is integration at the right level between what the security guards are seeing and hearing and conversely what the police department's using as intelligence basically to make sure

their resources are deployed effectively. So, I think we do wrestle with this a lot and we're continuing to think about it. I just - my only point is to say that they are counterbalancing factors here. We do, as you say, want to make sure the civilian hierarchy that supervises the security guards has the ability to control their facilities and manage their facilities and we also want to make sure that the police command isn't spending time working on things that actually aren't essential to policing, and some of what the security guards do is of limited importance. So, we want to in some respects keep them separate, on the other hand, we have to keep them together because information has to flow smoothly back and forth between them, and if the police department feels that a better allocation of resources in security guards might be this way, they need to make sure that that is honored by the facility operator. So, I don't disagree in any way that this is always something we need to be watching attention on - as you mentioned, we took the police officers and put them all in under the central command, which is I think a very important thing and a good thing to do. On the security guards, I think the argument is grayer, but I think it calls for a more subtle answer. Sam has articulated what I think is what we're trying to do now. It's always worth - always worth a look at. Definitely a fair question.

Commissioner Mack: Why don't we do -

Anthony Shorris: I just wouldn't want to readily just shove something one way or the other, because it's a complicated issue.

Commissioner Mack: I agree and the only issue that I have is that it shouldn't be a Sergeant. The facility manager should share some responsibility with the inspector, who is the highest ranking officer -

Anthony Shorris: Captain, yeah.

Commissioner Mack: --at that facility, or a Captain, and that's part and parcel, because - what I said before - what does the facility manager know about security at all or managing a security force that guards building's or whatever. But, if they jointly oversee it. If a Sergeant or Lieutenant, or police officer sees something, they'll correct it, they won't have to go to a facility management official and say, hey, you know, this is not that important. That's a decision for the police department to make on a day to day basis.

Anthony Shorris: At the end of the day, they have to work together. The facility -

Commissioner Mack: Well, that's what I'm saying -

Anthony Shorris: The facility guys -

Commissioner Mack: You're saying the same thing, but it's not that way. In other words, they don't have a part. The facility manager runs all of the hired security individuals.

Anthony Shorris: But I think - I hope as Sam was trying to lay out, that we do try and have a pretty good role - not maybe strong enough, something we should look at, but we try and have some role right now for the Sergeants and the other police command that's there to make sure that there is communication and that there is direction and that there is reporting.

Samuel Plumeri: If I may?

Anthony Shorris: Yes, sure.

Samuel Plumeri: There had been some bumps a year or two ago in one of our facilities and the dialogue between the facility security manager and the police command was better. Their conversations were better. The oversight by the Sergeants and, to some extent, our Lieutenants that were the tour commanders at the time - they used the George Washington Bridge as that example, got much better. In terms of our officers, maybe I didn't articulate this properly or better - if they see something that isn't in accordance to what their mission is, that is their security guard's mission, they will take action immediately. That's their charge from us and I think the collaboration along with not only the security manager, but also the facility manager.

Commissioner Mack: Great. Then, we'll move it forward and Tony, why don't you as the Executive Director, because that - the shoe fits on your foot, look into a sharing of the power. And Sam, your inspectors should have a little more input. Okay, so we'll move this forward Sir. Okay, are there any questions before we give a consent or vote, any questions on it? Okay, well Sam, thank you, and thank everybody and we hope to see you shortly, and happy, healthy New Year and Merry Christmas again. Thank you.

The Port Authority of New York and New Jersey
Security Committee Transcript
May 22, 2008

Commissioner Mack: [Audio starts in progress] on the internet via the Port Authority website for those interested in viewing today's proceedings. First item is an update on Airport Security and we will talk to Bill DeCota.

Bill DeCota: Thank you very much, Mr. Chairman. As you know, we have talked a lot about security in the past and the fact that our security program is structured as a very multi-layered approach. And the goal of all of the programs that we have in place is to deter, delay, detect, respond and interdict to potential acts before any acts occur. And in essence there are these concentric rings of security around our airports that make sure that we are protecting vulnerable targets on the air side and on the land side.

And today I am going to update you on two aspects of airport security, terminal frontage protection and baggage screening. And I will be asking for your approval to advance the next steps with regard to both of these security programs. First I am going to discuss frontage protection. Last year you will recall that you directed staff to proceed with advancing the physical protection of the terminal frontages at our airports using bollards. Bollards assure an adequate standoff distance and prevent penetration of a terminal by any vehicle that could be armed with an improvised explosive device. And your approval that you gave us last year was based upon security and risk and threat assessments that we have discussed with you. They indicate the need to protect the terminal frontages and at that time we discussed with you that based upon very careful study of all of the available mitigation techniques that the primary strategy would be the protection of the frontages with bollard systems.

Similar bollards like the ones that you see in this photograph have been installed at other airports like Boston Logan and Dallas-Fort Worth, Washington Reagan, and of course you know from our prior discussions that I say these are primary deterrents because there are certainly other multi-layered approaches to protecting terminal frontages and we have come up with a design standard that would resist a certain vehicle weight, a certain vehicle speed and a maximum penetration which is the basis on which we are proceeding.

Commissioner Mack: Bill, you took into consideration because you know we already had in the United States we already had a vehicle, not at our airport, but I think it was in Maine or – where was that.

Bill DeCota: There was the one that happened in Glasgow, Scotland.

Commissioner Mack: Glasgow, you're right. Where they just drove the car right in.

Bill DeCota: Exactly.

Commissioner Mack: So this will avoid that. And I think – good. Okay.

Bill DeCota: Yes, everything about the design, the height, the way that they are fabricated, the way that they tie together to provide so that they resist stresses, it was all designed exactly with in mind what would be a vehicle that would use a frontage of a terminal, the kind of explosives that they might use, the explosive force so that it does provide the kind of protection we need.

Susan Bass Levin: The Aviation group already had this in the works before Glasgow, although subsequent to Glasgow they did try to expedite all of this and –

Commissioner Mack: Speed it up. Great.

Bill DeCota: And so it was on the basis of that discussion that we had last year that you gave staff authorization to advance the strategy that you see here. Basically last July you authorized staff to proceed to advance the bollard system at the LaGuardia Marine Air Terminal and also at the grade level areas of Newark Terminal B at a cost of $10 million.

The contracts were awarded, the one to Tishman Technology dealt with the Marine Air Terminal, the one to Conti Construction for Terminal B – that work is underway and it is expected to be completed by the fourth quarter of 2008. Now at that time you also authorized us to proceed with planning for $3 million of Phase 2. Phase 2 was to design a bollard system for the Central Terminal Building at LaGuardia and the remaining areas of Terminal B. As you recall, there are a lot of elevated roadways associated with those areas and that is a much more complex design solution. The roadways are cantilevered and I am pleased to report that that design is now complete and we are ready to ask for your approval of that project. So with that design complete, with the cost estimates now developed, what I would like to do is get your approval to install the bollards at the LaGuardia Central Terminal Building and the upper level of Terminal B.

This is the estimated project cost. This is $28.4 million. This includes the $3 million in planning. This is right along the lines of the cost estimates we sent you last year. The work would be completed under existing security work order contracts under Tishman Technologies contracts that we have for construction and protective measures.

You also see a schedule here. We want these installed obviously as quickly as possible and so we would like to bid and award the contract in August and have all the work done by April of 2010.

Now as we ask you to advance this to the full Board for approval, I also want you to know we have been working with the airline terminal operators to be able to install bollards in tenant supported areas. You will recall that you gave us direction that these should be installed at all of our airport terminals. There are 12 other terminal operators who basically operate in total the 16 terminals out there and we notified them of the need to install bollards. We amended our airport security plans to make it a federal requirement. Two of the terminals are essentially completed. Three of them have a design schedule with milestones. Planning is underway for six of them. There is one that hasn't made as much progress as we would like. We are working with them and we are actively working with the Transportation Security Administration and our legal department to communicate the need to install these things and we have requested that each

terminal operator make sure that there is a defined plan, a defined timeframe. The goal is to get these done by December 31, 2009 on all of the terminal frontages. And we will report back to you in the future on how we are progressing with those.

Commissioner Mack: Bill – before I say are there any questions that the Committee has.

Commissioner Blakeman: No, I would just like to say Bill that if there are any terminal operators that are dragging their feet, obviously we would like to know about it because we want to maintain that schedule because it is so important to the traveling public and aviation is our core business at the Port Authority and we have to be mindful of what effect not only from a human standpoint and a property damage standpoint, but from a business standpoint any kind of incident would have. So – keep us informed if anybody drags their feet.

Bill DeCota: Thank you Commissioner, and we will. And we have a multi-faceted approach. Our legal counsel is not only using the strength of the Airport security plan and the Transportation Security Administration backing, but we also have several lease provisions under which we can demand that this be done. And now we are putting a full court press to make sure that those plans are developed and that those bollard systems are implemented.

Commissioner Mack: And of course anything that can be done at night we should – even if we have to give them an incentive. Because that construction will also impede the flow of traffic and inconvenience our passengers. So also it should be, after you give out the contract, and by Board if they all agree, recommends an incentive if they finish early.

Bill DeCota: Okay, thank you. Thank you, Commissioner.

Commissioner Pocino: And I would like to add to that, Mr. Chairman, in the sense and I concur with Commissioner Blakeman completely. And I think that we should look to implement a plan if we see resistance and time is going by that we could do the installation and the contract work and just back charge them so that we can get this done on a timely basis I think it is very important.

Bill DeCota: Thank you very much, Commissioner, that would be very helpful.

Commissioner Bauer: Who is being difficult.

Bill DeCota: Well right now we are not making as much progress in Terminal A at Newark. We would like to put some pressure – that is a multi Terminal use facility. It has got a number of different airlines who are in there so we have to bring them to coalesce. Some terminals have immediately put together plans, so for instance, Jet Blue is part of the new construction, already has the retrofit plans to do it. US Airways has a plan. So they are all in various stages and it is a matter of I think just putting that kind of pressure to make sure that we are proceeding according to that timeframe.

Commissioner Blakeman: Bill, just amplifying and supplementing what Chairman Mack had to add with respect to the construction work, could you get back to us and let us know what portion

of that work is going to be done on off-hours and whether or not there is something that we could do to increase the amount of work done on off-hours, because I think that that is a great point about interrupting the traveling public; we certainly want to try to minimize that.

Bill DeCota: Sure.

Commissioner Mack: Construction people, they have vehicles, they have machines, they have compressors, and in this situation we don't need daylight. You could have mobile lights that would work just as well as daylight. All you need is two, one on each side, end. So you are not talking a large expense, but it would certainly help, especially in the traffic of the airport and the people coming in and out and the noise level as well.

Bill DeCota: Yes, and thank you Commissioners. And actually I think the guidance is helpful, the notion that we might progress some of these and then back charge is a good one. I think certainly the observation on doing this at night is a good one. We will follow the Commissioner's direction. And we will report back to you on progress very shortly.

Now as we have also discussed, bollards are just one measure to safeguard airports, and another one of course that is very important is baggage screening. I am happy to report that the Port Authority's airports are being offered $400 million in funding from the Transportation Security Administration for inline baggage screening improvements at Kennedy, at Newark and at LaGuardia Airports. Because of the need to secure commitments, in order to allocate that congressionally appointed funding by the end of the fiscal year I am coming to you to ask you for a sense of the Board, it is not an official authorization but as much as just giving staff direction as to whether we would be willing to accept the funding which will require a $40 million local match to be paid for either by the PA or the airlines.

Commissioner Mack: Let me make a comment on that, to my Committee. As you know, there are many, many thousands of bags that have gone lost, and this here will help the situation and not only help with lost bags because remember we are a service and we have to provide a service. This will expedite the bags going through. So that is a lot less handling from the TSA or other people. And, it probably would assure that the bags would make the flight that they were designated to be on.

And as you know, or maybe you don't know, I travel twice a week on a minimum, and if a bag is pulled to the side, it doesn't make that flight. So this would be a great enhancement. I recommend it to my Commissioners and –

Commissioner Pocino: And $400 million is a great incentive to do that.

Commissioner Bauer: You like that, huh.

Commissioner Blakeman: Yes, and Mr. Chairman if I might just be heard on that. Not only will it enhance security but as you indicated it will speed up the process, which is important as well. And it will also provide greater security for the luggage to get on the plane. So I think it is a win-win-win. Bill, you are going to try and get as much of that $40 million back from the

airlines as possible because I understand that they might ultimately be responsible for that $40 million. And although it is not guaranteed and we are certainly going to recommend this to the Board with the knowledge that we may not get the $40 million, but we are certainly going to try and get it.

Bill DeCota. Thank you, yes, Commissioner. And what the next step is now with your agreement that we should move forward, we will work with the TSA. We will look at each individual terminal. We will have them conduct what are 30 percent designs to come up with estimates of cost to make all of the baggage screening inline. Separately in addition to this funding TSA will provide for the equipment under another allocation and then once we come up with that spend plan our plan is to come back to you within the next month to two months, no later than your July Board meeting to ask you for the approval of the specific spend plan and how we plan to go forward.

Commissioner Mack: Well move forward on a rapid basis so that we can do it – if we can get it in June I think that not only do I have the consensus from this Board? Yes, not only this Committee but I think the Board as a whole this is a terrific, terrific plan to help modernize and expedite.

Bill DeCota: Thank you, Commissioner.

Commissioner Mack: Are there any questions on that. Anything else Bill? Okay, well thank you very much. This concludes the public portion of today's meeting. The Committee will now adjourn to executive session to discuss matters involving public safety and law enforcement. Thank you.

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

WTC REDEVELOPMENT SUBCOMMITTEE TRANSCRIPT
October 18, 2007

Commissioner Sartor: Good morning, everybody. Today's meeting of the World Trade Center Redevelopment Subcommittee will be held in Public Session in its entirety. In addition, this meeting is being broadcast live on the Internet via the Port Authority's website for those interested in viewing today's meeting remotely.

There are three items on the Agenda and we'll start with an update on Real Estate Matters, Michael Francois.

Michael Francois: Good morning, Commissioners. Today, I am requesting that the Board authorize an agreement for real estate brokerage services to assist staff in the marketing and leasing office space in One World Trade Center, the Freedom Tower.

Brokerage services include analyzing and assessing the competitive real estate market, securing tenants for available office space, recommending leasing parameters and transaction structures, developing a leasing plan and implementing a marketing campaign in conjunction with the Port Authority. Under the terms of the agreement, the broker would provide exclusive real estate brokerage and related services for a three-year period commencing on or about January 1, 2008. The Port Authority would also have the right to extend the agreement for two consecutive one-year terms.

The Port Authority began leasing activities for the Freedom Tower soon after the Agency assumed control of the One World Trade Center net lease in late 2006. Lease negotiations with New York State Office of General Services for approximately 412,000 square feet, rentable square feet on Floors 36 through 46 were completed earlier this year. Consistent with the Board's previous approval of three Memoranda of Agreement staff is negotiating with the U.S. General Services Administration to finalize a lease for approximately 653,000 rentable square feet on Floors 20 through 35.

Finally, we are negotiating lease terms with Metropolitan Television Alliance and its member stations for occupancy of the entire 89th and 90th Floors, as well as a right to broadcast from the building's rooftop antenna.

Although the Port Authority is in serious negotiations with tenants in occupying approximately 40% of the building's 2.6 million gross square feet, there still remains approximately 1.5 million gross square feet of uncommitted space available for lease.

In June, we issued a publicly advertised RFP seeking proposals for real estate brokerage services, to market and lease available office space in the Freedom Tower. The selection process considered the experience of the firm in successfully leasing similar-size buildings, the qualifications of staff assigned to the project, the firm's technical approach to a marketing plan,

and the firm's management approach to ensuring the quality of work being produced. We also evaluated the cost of the brokerage services on a "Best Buy" basis.

In July, we received written proposals from Colliers, ABR, Cushman & Wakefield, GMAC Real Estate, Jones Lang LaSalle and Newmark Knight Frank. Staff evaluated the respondents' written proposals as well as oral presentations were made.

Cushman & Wakefield was determined to be the most qualified firm. Cushman provided a knowledgeable and experienced project team, competitive fees and prices, commitment of senior staff to the Freedom Tower project, the most experienced in leasing buildings of this size and complexity, proven results in similar type of buildings, a very aggressive lease-up plan for the buildings, and key strategic resources dedicated to the management of the project.

Cushman & Wakefield is the largest privately-owned, fully-integrated real estate services provider in the world with over 12,000 employees worldwide. Cushman's global experience is extremely broad with over 200 offices in 55 nations and they have completed more than 16,000 lease transactions globally last year. The firm is also focusing on its agency team for this particular project, which comprises approximately 30% of their Manhattan staff. Cushman & Wakefield is the exclusive agent for 50 million square feet of office space in Manhattan. And as I said, they will be focusing approximately 31% of their Manhattan office staff on this particular project.

Utilizing their vision and market strategy, Cushman & Wakefield expects to have the Freedom Tower substantially leased by the building's completion date at rental rates that exceed our pro tem assumptions. Advancing this agreement with Cushman & Wakefield will ensure that the Port Authority achieves its goal of quickly leasing the remaining uncommitted office space at market rates to high-quality tenants, thus enabling the Port Authority to meet its financial objectives for the Freedom Tower.

This initiative is in addition to efforts underway to raise equity investment and financing for the project, which are both underway in a parallel effort to this particular project. This item has been placed on the Consent Calendar and later today I will request Board approval for this.

Commissioner Sartor: Thank you.

Commissioner Blakeman: Michael, is Jones Lang LaSalle still our consultants on the retail aspect of development of the World Trade Center?

Michael Francois: They are consultants on a variety of aspects, vis-à-vis the World Trade Center, but yes, they are consulting on the retail as well.

Commissioner Blakeman: Was there a reason, other than the fact that Cushman & Wakefield is a great organization, was there a reason why you wanted to separate the Freedom Tower from the work that Jones Lang was doing?

Michael Francois: The Freedom Tower is a – yes, it requires a focused effort in regard to the marketing of this particular building. It's obviously the largest office building in the U.S., potentially the world. There are unique marketing challenges associated with this and the particular services at hand from a transactional basis necessitated us to focus these particular services just for the Freedom Tower.

Commissioner Blakeman: Are they also going to explore the possibility of finding a master tenant, a master tenant/developer, who may want to take the project over as a developer?

Michael Francois: Cushman & Wakefield will be working in tandem with some of the other financial advisors we have on the Freedom Tower. As you're well aware, we've also retained through Jones Lang LaSalle Deutsche Bank to help us in evaluating various equity structures for the project. I would – We anticipate that the potential inclusion of a developer in the project would be more along the lines of an equity participation as opposed to an occupant of the building.

Commissioner Blakeman: Right. That's what I'm talking about.

Michael Francois: Right. So, I think that particular element would be more focused on the Deutsche Bank area versus the Cushman & Wakefield. That's not to say, within their focus of soliciting interested occupants or tenants, that something may not come up and we'd obviously be very interested in seeing what those are.

Commissioner Blakeman: I'm sure they have those relationships.

Michael Francois: Absolutely.

Commissioner Blakeman: And they would know. One other question, the OGS Lease with New York State, we were locked into a certain rental price?

Michael Francois: Correct.

Commissioner Blakeman: I understand the market has gone up quite a bit. Are we still locked in there or are we negotiating that rental price? And, does it make sense if the market has gone up and we are locked in, does it make sense to abandon that and look for a market rate tenant?

Michael Francois: We are committed at this point in time to the OGS Lease. We already signed it. This was -.

Commissioner Blakeman: Wasn't that subject to further approvals?

Michael Francois: It's subject to approval of the State, and I think the AG's office and potentially the Comptroller, but you know that's my understanding, and -.

Commissioner Blakeman: They would do a U-turn on that if you know we gave them a viable economic reason why we wanted to go out to market wouldn't they?

Michael Francois: In other words, they would not execute the lease?

Commissioner Blakeman: Yes.

Michael Francois: Potentially. We haven't had those discussions.

Commissioner Blakeman: Well, it's not speculation what the rental market is. Where is the rental market vis-à-vis the price we're locked in to?

Michael Francois: Well, right now we understand the rental market is somewhere in the $65 to $70 per square foot range.

Commissioner Blakeman: What are they $58?

Michael Francois: They're at $59.

Commissioner Blakeman: $59?

Michael Francois: Yes, at $59, so at the same point in time, you know, that is a commitment we made a while back and it is obviously subject to normal government approvals. So there was, obviously, within the time that we approved it which was probably approaching a year at this point, versus right today there has been some shifts in the market.

Commissioner Steiner: Mr. Chairman, I'd like to point out that this is quite common in real estate development and I would not think of abandoning any lease as long as I had nearly a million and a half other square foot to produce. And with respect to not choosing Jones Lang, I think there's a great benefit to the Port Authority in having diversity. Because the truth of the matter is that Cushman & Wakefield, or whomever we would select, including Jones on the retail, works with other brokers and we have a provision in the contract for paying the full commission to the outside broker and an override for handling it with our main broker.

So I don't think that we're losing anything. I think we're gaining something because everybody who comes to Jones will also come to us, and everybody who comes to Cushman if they have a retail they'll go to Jones Lang, and that's the way the business is run. I think I'd like to compliment our staff on the job they did in negotiating the contract and I certainly don't want to go into the details of the contract. But I think they went beyond the call of duty and have gotten us a very fair business deal that's fair to both parties and certainly in the best economic interest of the Port Authority to proceed with this.

Commissioner Blakeman: David, if you're happy, I'm happy.

Commissioner Sartor: I just had one point of clarification. You had professional services in there and that's related exclusively to tenant fit-out, right?

Michael Francois: That's correct.

Commissioner Sartor: Okay.

Michael Francois: Right. It's important that obviously when the broker identifies a tenant, there's a variety of issues relative to the lease and the tenant fit-out that needs to be clarified. But yes, Commissioner, you're correct.

Commissioner Sartor: Okay.

Commissioner Bauer: Well, when does this contract commence?

Michael Francois: We're anticipating services to commence on or about the first of the year of next year.

Commissioner Sartor: Any other questions from Board members?

Commissioner Steiner: Do you need an approval from this Committee?

Commissioner Sartor: We just need the recommendation to move it.

Commissioner Blakeman: So moved.

Commissioner Steiner: Second.

Commissioner Sartor: All those in favor?

Commissioners: Aye.

Commissioner Sartor: Done.

Michael Francois: Thank you, Commissioners.

Commissioner Sartor: Mr. Plate.

Steve Plate: Good morning, Commissioners. Today, I will be presenting items for two smaller yet significant contracts for the advancement of construction for the Freedom Tower, along with an addition to the common infrastructure for the Memorial.

The first contract is for below-grade iron for the Freedom Tower. This work includes a fabrication and installation of all miscellaneous iron, metal stairs and railings residing within the below grade envelope of the building.

Staff recommends award of this contract to Hillside Ironworks, the lowest responsive bidder at a total estimated cost of $1,563,840, which includes the 8% allowance for extra work. Commissioners' authorization to award this contract will facilitate continued construction for the

Freedom Tower project. As a point of reference, over 50% of all Freedom Tower contracts have been bid to date.

Progress at the Freedom Tower continues and I'm pleased to report that final form work and concrete pours are being made for the core foundations. I am also happy to report that the first core pour of 14,000-psi concrete is scheduled for early next week.

The next contract includes -.

Commissioner Sartor: Wait a minute. Let's see if there's any questions on that. Seeing none, go ahead.

Steve Plate: Okay. The next contract includes an addition to common infrastructure as we recommended an advance purchase of additional trees that will be planted along Fulton, Greenwich and Liberty Streets. The "Swamp White Oak" trees selected will be purchased through an existing agreement with the National September 11th Memorial and Museum on comparable terms and conditions in the amount of $2.5 million. By acting on this contract today we will ensure the quality and uniformity of trees across the entire site. The following animation will provide you with a rendered look of the Memorial Plaza Grove crossing from West Street to the base of the Freedom Tower.

Commissioners, I request that you advance these two items to the Board for approval.

Commissioner Sartor: On the trees, it's my understanding that the Memorial Foundation is in agreement with the selection and this process?

Steve Plate: Absolutely, and they're actually encouraging us to move forward. This way they're the same height, the same caliber. They're being literally nurtured alongside the trees that are already in place that they have selected; almost nearly 400 trees that they'll be planting.

Commissioner Blakeman: Who's maintaining the trees?

Steve Plate: Actually, the nursery. We went out and handpicked with our experts the trees, along with their people, so it’s truly a collaborative effort. We've relocated them to a nursery where they're actually tagged and boxed and they'll be nurtured for the next several years and then brought to the site. At which time we'd also, besides brought to the site and they'll be very mature trees at that point. They'll be 4" to 6" caliber, 25' high, and they'll be planted and then nurtured for two years after that to make sure that they -.

Commissioner Steiner: Under the terms of this contract the vendor is responsible for the survival and maintenance for two years?

Steve Plate: Yes. In fact, he's allowed for some landscaping services, maintenance, watering, fertilization, transportation, and the purchase is just a small part.

Commissioner Sartor: It's not only for these trees, but it's for all the trees on the site.

Steve Plate: All trees; it's over 400 trees, and this is in line with the vision of the Mayor and the architect, Michael Arad, and Peter Walker.

Commissioner Bauer: Is there any significance to the kind of tree that was chosen?

Steve Plate: Actually, as I understand it and the architect could do much more justice to it, but the look of the tree has a type of a trident look to it, as it grows. It grows upwards. Some trees grow horizontal, but these trees actually grow in more that trident look of the Freedom Tower. So, I mean the concept is really to – even though to remember those who were lost in the pools in that end with the names, and there's some great work going on in the actual work of the names along the perimeter. But the trees are to bring the concept that there's a rebirth, a re-life and people can sit and remember those who were lost, but also engage each other at lunchtime and be a very vital plaza.

Commissioner Sartor: Thank you.

Commissioner Steiner: I would also point out the use of the trees is certainly going to help in the reduction of carbon dioxide and all other pollutants. It's very healthy to have these trees. They help the atmosphere and it's really a contribution to the environment. It's very wise and it's going to be productive over the years and ensure better health for all the people in the area. They actually scrub the air.

Commissioner Sartor: Any other comments?

Commissioner Blakeman: So moved.

Commissioner Sartor: Okay, it's on. Steve, I'm going to put you on the spot. We've got so much time left and Karen won't give it back to me next month for the Committee meeting. So can you give us an update as to what's going on at the site?

Commissioner Blakeman: Mr. Chairman, if I might?

Commissioner Sartor: Sure.

Commissioner Blakeman: Specifically, can you go into the budget and timeline in the Transportation Center? Where are we budget-wise? Where are we time-wise and why?

Steve Plate: Okay.

Commissioner Sartor: There's one more addition? Okay, we'll come back to that question.

Staff: [inaudible]

Commissioner Sartor: No, that was it. We went through the two of them, yes.

Steve Plate: As far as the work on the site –

Anthony Shorris: Why don't you do the overall first.

Steve Plate: Okay, let me do the other overall first. Obviously, the work on all locations are moving very aggressively as you've seen and heard in different forms. Walking around the site very quickly. The East Bathtub we're obviously the critical date is the end of this year. We're working very diligently. We have a situation where we have two shifts working. We have almost I call it symphony because we have dirt being removed, close to 280,000 tons of dirt, as well as putting in tiebacks to support the slurry walls which are all complete as well as removal of the existing structures; the old H&M, Hudson and Manhattan, structure terminal that was located there.

We're working very closely with the contractor. We continually have to day-to-day meetings to make sure that he maintains that schedule and everything's been going exactly according to plan in a general sense. There's moving to the West Bathtub, the Freedom Tower, if you go down there you'll see almost the or nearly the topping out of the top of the structure for the east-west connector which will go across to the Battery Park City structure. It used to be a bridge. Now, it will be an underpass under 9A. We actually relocated the West Street structure to make way for that to put in the proper structure of the secant piles.

The Freedom Tower itself we're pretty much nearing completion on the foundation work. There's only a handful of that. Now, we're really focused on the core of the building. As I said in my presentation, we're about to pour next week the first pour of the core which will be several feet thick and will be very, very high-strength concrete. We're all poised working with engineering to receive that and make sure that the quality is what was spec'd, and that's a pretty interesting engineering challenge and something that I think we could be very proud of because the work by staff has been tremendous in ensuring that working with the contractor who's done a very good job.

On the Memorial, we've pretty much – we're getting near the completion of the foundation work, 150 foundations. Thanks to you we've awarded the slurry wall, which is the one that'll be exposed where people can touch and remember. The original slurry wall will be in a pristine condition in its original state. They're actually beginning that work. They mobilized and are beginning to do corings because they have to underpin it. It's a very interesting and engineering, tremendous engineering challenge, which we've designed very carefully working with all the top people in the world. The steel for the structure is under fabrication. Presently, to be delivered to the site in a phased approach we're working through. The concrete slabs for the Memorial are out for bid. We expect bids shortly and the rest of the work is continuing to be designed.

The same thing is true of the Freedom Tower. We've awarded close to a billion dollars, about $1.5 billion, $1.6 billion, so we're pretty far along now. Now, we have to do the heating, ventilation, air conditioning, electrical, that type of work.

And on the Hub we continue to work through the different packages. They're working on right now as far as construction goes, besides East Bathtub they're putting in the fourth platform which

will enable us to grow to an ultimate capacity of 160,000 passengers a day up from roughly about 100,000-120,000 we have now. Its growth continues to happen at the site relative to passengers. We were at about 80,000 when we opened and we're closing in – I think we just reached 100,000 per day in and out through that facility.

And to preserve and protect those people what we're building is what we call "North Temporary Penthouse," which is a building which will be located adjacent to Tower Seven which we hope to open early next year, or second quarter of next year to relocate those people and all those passengers and redirect them northerly towards Tower Seven, towards Vesey Street and enable us to begin construction in earnest on the Calatrava structure, as well as the Silverstein Properties to begin work on Towers Three, Four and Two. So that will open up the whole site. Just to give you a reference frame in a macro sense, on the West Bathtub, we're coming up out of the ground which is down about 80-90 feet. On the East Bathtub, we're going down about 80-90 feet, 100 feet to get down to the rock so they can put a proper foundation.

Commissioner Blakeman: Any adjustment in the timeline for the transportation hub and where are we at on a budget basis?

Anthony Shorris: [inaudible]

Commissioner Sartor: Yes, that hasn't changed. That's been there. We've seen some recent reports about 2009 date that I'm not sure what the genesis of that was.

Board Member: [inaudible].

Commissioner Blakeman: So 2011 is the correct date. I know we had talked before about 2009 as a possibility or a hope. I guess -.

Board Member: [inaudible]

Commissioner Sartor: No, we never said we'd open it up by 2009. No way. I mean it was impossible to have made that statement. I don't recall that at all.

Commissioner Blakeman: Maybe other people said it.

Commissioner Sartor: That's very possible. That's very possible. I've been living – I've been living this thing for a long time.

Commissioner Blakeman: No, I told you and believe me, and I want to congratulate you on all the work that you've done with respect to that and keeping the Board informed. If you say it's 2011, then it's 2011.

Commissioner Sartor: It's the latter part of 2011 is what we've said for many years now.

Commissioner Blakeman: How are we doing budget-wise?

Anthony Shorris: We are in this process of trying, as you know, to bring – as we told you some months ago actually, of trying to bring the costs down to the $2.2 billion.

Commissioner Sartor: Yes. Maybe I can hit that question also.

Bruce Blakeman: We built in a contingency, right?

Anthony Shorris: Including that, but the truth is there's a process going on a very detailed process, Tony can talk to you about that too, that will continue to work.

Commissioner Sartor: I've been working with staff and looking at the situation. We have – we have gotten three independent numbers in-house. We're now taking to the contractor of Phoenix and we're getting the numbers very close, and I would say within a couple of months, Steve?

Steve Plate: Right.

Commissioner Sartor: We should be able to address that issue and report back to the Committee at that point in time, but we need that time for the negotiations that are taking place right now. And I'm satisfied with what's been going on.

Commissioner Steiner: Mr. Chairman?

Commissioner Sartor: Yes?

Commissioner Steiner: Are you finished, Steve on that one?

Steve Plate: Yes sir.

Commissioner Steiner: Could you tell us how many employees, how many people are employed on the site other than your own staff? Do you have any idea the number?

Steve Plate: Well, the actual laborers, there's close to 600 and it's growing at a rapid rate.

Commissioner Steiner: That includes all the equipment operators and everybody?

Steve Plate: Yes.

Commissioner Steiner: But not the outside support of companies?

Steve Plate: Oh no, then you're into – I would say you would easily double that. I mean you're in the thousands when you add it all up.

Commissioner Steiner: Everyone, I call your attention to where we were a year ago at an empty site, and I think you guys have done a yeoman's job of putting together one of the most complex projects that I have ever seen. And you know, based on my engineering background and my

study of the history of civil engineering [technical difficulty – audio lost for remainder of meeting].

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Meeting Transcript
October 8, 2008

Commissioner Sartor: Today's meeting of the World Trade Center Redevelopment Subcommittee will be held in public session in its entirety. In addition this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. A series of discussions today concerning the World Trade Center Construction trade contracts and Steve Plate is going to take us through that.

Steve Plate: Thank you, Commissioners. Good morning. Commissioners, today staff is seeking authorization related to a trade contract for the World Trade Center Memorial, a review of trade contracts awarded since our last meeting and an update on the Lower Manhattan Construction Command Center.

Today staff will be seeking your approval to accept assignment of a trade contract for the World Trade Center Memorial Museum for the electrical branch distribution systems. Staff recommends the award go to Five Star Electric for the supply and installation of electrical branch wiring work at an estimated amount of $37,260,000 including the allowance for extra work. This trade contract consists of state of the art electrical systems for lighting and branch work and will include the radio systems for emergency first responders.

Bids were received ranging from $34.5 million to $48.9 million. The award is recommended to the lowest responsive bidder. In addition a partial assignment is requested of the contract with Bovis Lend Lease for performance of construction management and general conditions work for an estimated cost of $5,117,592. Commissioners I request you advance this item to the full board for approval.

Commissioner Sartor: Are there any questions?

Commissioner: Yes, how many bidders did we have?

Steve Plate: We had three bidders. They was a very good distribution. We went to a BAFO and one of the questions we always ask is during the BAFO stage with the lowest bidder we saved over close to $2.5 million. With the highest bidder we were up over $10 million. So we had a good distribution of savings relative there.

Commissioner Steiner: Now these were plans that were drawn on behalf of the Memorial, not by the Port Authority.

Steve Plate: Yes, they were prepared by the –

Commissioner Steiner: So we are really taking their position; we might have done things differently but we are accepting whatever they did because that is the terms of our deal, the deal for the Memorial.

Steve Plate: Yes, Commissioner. Yes.

Commissioner: So you are really not responsible for the adequacy of design, or that it was the best possible design cost with [inaudible]; we are really taking someone else's position than (inaudible). I just want to make sure that the public understands –

Steve Plate: That is correct. As you recall when we made this arrangement with the Port Authority and the Memorial Foundation the agreement was that at the highest levels of Port Authority and Memorial Foundation that we would be solely responsible for the construction and that is utilizing Bovis Lend Lease, and they were responsible, the Memorial was responsible for the design.

Commissioner Sartor: Any other questions. If there are none I would like take a motion to move to the full board.

Commissioner Blakeman: So moved.

Commissioner Sartor: Second.

Commissioner Bauer: Second.

Commissioner Steiner: Done. Other item is on the Lower Manhattan Construction Command Center funding.

Steve Plate: Actually I have a delegation of authority, I just need to – it's a part of – even though we awarded this we are supposed to inform the Board as to where we are relative to three contracts on the Memorial and one contract on the Freedom Tower. Pursuant to the delegation of authority that was authorized in April of this year for contracts up to $10 million, the following construction trade contracts have been awarded since our last meeting.

The specifications and deliverables for each of these trade contracts either meet or exceed NYC building code requirements and all contracts have been awarded to the lowest responsive bidders. For the World Trade Center Memorial trade contract for spray-on fire proofing was awarded to Patty and Sons, Inc of Brooklyn, NY in the amount of $5,024,160 in direct trade contracts and an allowance for extra work.

The second trade contract includes furnishing and installation of all unit masonry fire-stop and joint sealers, it was awarded to Speranza Brickwork Inc. of Whitehouse Station, New Jersey in the amount of $8,394,840 in direct trade contracts and an allowance for extra work.

The third trade contract is for the north hoist and loading dock, south hoist and loading dock, two temporary egress stairs and two suspended work platforms. The contract is awarded to Atlantic Hoisting and Scaffolding in the amount of $4,806,000 in direct trade contracts and costs and allowance for extra work.

Each of the Memorial contracts include partial assignment to Bovis Lend Lease for performance of construction management and general conditions work. At One World Trade Center, the Freedom Tower, a trade contract for heating and ventilating and air conditioning work for the base building, life safety, fuel oil and generator systems and was awarded to Tri-State Mechanical of Yonkers, NY, a certified PA MBE firm with a total contract amount of $2,160,000 including extra work.

Commissioner Blakeman: Steve, were these within a reasonable range of our internal estimate.

Steve Plate: Yes, for example I will give you the first one. The spray-on fire proofing. Our estimate was for a little less than $4.8 million. The bid, the final number came in at $4.6, so it was a very good spread. And the other people were very clustered in that area, so that is a good indication, a good understanding of what the scope is.

Commissioner Blakeman: So the $5 million includes the additional costs.

Steve Plate: It includes extra work, yes. It includes 8%; that's why I always caveat that. Okay. The last item staff seeks your approval of a payment of $867,686 to support the Lower Manhattan Construction Command Center's, known namely LMCCC budget for the period of October 1, 2008 through December 31, 2008. This budget amount is based on a true up of actual expenses paid to date. In July 2008 the Port Authority paid $2.2 million towards the fiscal year 2009 budget. Actual expenditures for the period were less than what was budgeted resulting in a balance forward of $150,000 which has been applied against a third quarter estimate resulting in the amount before you.

During the past quarter LMCCC has contributed resources to support the recent World Trade Center reassessment effort and will support the site logistics group going forward. I request your concurrence of this expenditure.

Commissioner Sartor: I just want to say that the CFO, Paul Blanco, has been very much involved in reviewing these and he is very comfortable with it and recommend we do sign off on it at this time.

Commissioner Steiner: I have a question, Paul. Do they owe us money for anything.

Paul Blanco: Do they owe us money.

Commissioner Steiner: Yes.

Paul Blanco: Well the money that was advanced that exceeded their actual expenditures was $150,000, so we are deducting –

Commissioner Steiner: You were going to – I want to make sure we offset –

Paul Blanco: We are deducting that for the third quarter advance. That third quarter advance would normally have been about $1 million and that has been deducted.

Commissioner Steiner: So you have taken that off.

Paul Blanco: Yes we have.

Steve Plate: That is correct.

Commissioner Steiner: Good.

Commissioner Sartor: Move it the full board.

Chairman Coscia: Ask for a motion to adjourn.

Commissioner Sartor: Motion to adjourn.

Commissioner Blakeman: So moved.

Commissioner Sartor: Done.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee
November 15, 2007

Commissioner Sartor: –The World Trade Center Redevelopment Subcommittee will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Internet via the Port Authority's website for those interested in viewing today's proceedings remotely.

There is one item on the agenda, and we have two people handling it -- Steve Plate and Michael Francois. I don't know what -- in what order, but go ahead and kick it off.

Michael Francois: Well, I guess I'll go first. Good morning, Commissioners. Today I would like to update you on several aspects of the World Trade Center redevelopment. I will cover our progress with Deutsche Bank in attracting private investment to One World Trade Center, or the Freedom Tower. I will also brief you on the progress we're making vis-à-vis our retail development.

As you are aware, we are working with Deutsche Bank to explore potential equity capital investments in One World Trade Center. We have previously identified and contacted potential investors who may have an interest in a project of this type and size. As we continue the development process, we will, number one, complete the first round of preliminary discussions with investors and develop a short list of investors according to their degree of interest in this particular project. We will also continue to discuss the parameters of a partnership structure with these interested parties. And then, finally, we'll assess the benefits of bringing on a development partner, or investor partner, I should say, versus the Port Authority as the independent developer. And as we move ahead we will keep the Committee apprised of our progress.

Let me briefly go over some of the progress we're making in our retail development. Retail design is progressing at a rapid pace. In the East Bathtub 100% design documents were finished on September 3 and 50% construction documents are targeted for completion in December 10. Weekly coordination sessions are ongoing with Silverstein, World Trade Center Construction and covering every aspects of the design, from the location of utility ducts to the elevation of retail entrances, as well as the alignment -- specific alignment -- of various escalators and vertical transportation.

One of the retail-sponsored projects is the design and development of Cortlandt Way, which is a public open space between Towers 3 and 4. Originally, you may recall, Cortlandt Way was designed as an enclosed galleria space that connected the retail in both Towers 3 and 4. At the request of the City, the design is being modified by Peter Walker Associates or Partners Landscape Architects to be an open pedestrian thoroughfare that acts as a gateway to the Memorial.

We have included trees to create a more human scale to this space and a series of terraces along the buildings to allow easy access into the stores as well as provide public space for outdoor café-like seating amenities. The final design of this space needs to be approved by the City

Planning Department, which has been very active participant in the design process. We believe we are very close in finalizing the plans for this particular area.

You may also recall based on my last presentation that the Port Authority has recently issued a major Request for Proposals for retail development consulting services, and this was issued in October -- just last October 29, basically about a few weeks ago. The RFP requests consulting services for property management, business planning, operations planning, leasing, design management and the option to have construction oversight services for tenant fit-out in retail work. Proposals will be due on January 19. These consulting services are intended to provide additional support and resources to our internal staff for the development of the retail project, which is entering a very critical stage.

While the RFP process is moving forward, as an alternative to consulting services we are also simultaneously continuing discussions with Westfield with respect to a possible joint venture approach for the development of the retail project. It is the intention of both parties to move on an aggressive schedule with the aim or hope of concluding these discussions by the end of the year. We will, again, keep this Committee and the Board apprised of our progress in regard to this area.

I'm now going to turn it over to Steve Plate, who is going to review the award of early action construction items in the East Bathtub being managed by Silverstein. This is the first of a number of construction contracts by Silverstein for improvements to the East Bathtub. As you may recall, a little over a year ago you approved the execution of a number of real estate and development agreements with Silverstein Properties for development of the World Trade Center site. One of these agreements, the Master Development Agreement, allows Silverstein to manage improvements for the Port Authority in areas where the space is shared by both the Port Authority and Silverstein Properties. There are a number of projects, again, or contracts that will move forward, and we'll continue to keep the Board apprised of the details of this.

Commissioner Sartor: Before we get on, Steve, basically Silverstein will be constructing part of the retail space for us since it's part of their facilities is basically what you just said, right, just to translate it for me?

Steve Plate: Yes.

Commissioner Steiner: Excuse me, that's the shell construction, not the completion of the --

Michael Francois: That's correct.

Commissioner Steiner: -- They have nothing to do with the fit-out.

Commissioner Sartor: The core and shell.

Michael Francois: Just the core and shell.

Michael Francois: That's correct.

Commissioner Steiner: Okay.

Michael Francois: Just the core and shell.

Commissioner Sartor: Okay, and now, Steve, you're going to tell us something about what we need to approve today.

Steve Plate: Yes, sir. Commissioners, in support of Development's presentation, I'm here today to update you and seek your concurrence on three Silverstein Properties contracts in the process of being awarded for Towers 3 and 4. This slide shows Tower 3 on the left and Tower 4 on the right, and their ground-level floor plan. To illustrate, the blue color is part of the SPI office program. Pink, or salmon, indicates part of the retail program. And, lastly, green is part of the PATH Hub.

Silverstein Properties has engaged Port Authority staff, both World Trade Center Construction and World Trade Center Development staff, in the development of their bid documents, bid openings, scope reviews and discussions on best and final offers. The allocation of costs among the various stakeholders is based on the methodology outlined in the Master Development Agreement executed by the Port Authority and Silverstein Properties last year. Staff have worked intensively to develop detailed cost allocation matrices for the various building elements, including such things as foundations, plumbing, electrical and fire protection systems, the majority of which are in the process of being procured by Silverstein.

These are the three early action contracts that have been or are in the process -- are in the final stages of being awarded. These contracts for Tower 3 and 4 include foundations, plumbing and electrical. My staff have done their own independent estimates of these items, and we believe these SPI contracts reflect current market conditions and are fair and reasonable. The Master Development Agreement calls for a multiplier on actual cost to cover the design, construction management and other soft costs.

Commissioner Steiner: Point of information.

Steve Plate: Yes, Commissioner.

Commissioner Steiner: Would you tell me again which color is the retail?

Michael Francois: On this one?

Steve Plate: Actually, this one's a little different. You have to go back to the prior one.

Commissioner Steiner: Well, what is it on this one?

Steve Plate: This one is intermingled with different -- this is not the same color code.

Commissioner Steiner: Okay, great.

Board Member: Great.

Steve Plate: Okay. You have to go back to the other one --

Board Member: Never mind.

Steve Plate: -- if you want. Okay.

Board Member: (Inaudible).

Steve Plate: It's this, the salmon is the retail, the blue --

Commissioner Sartor: They're not coming out that way.

Board Member: (Inaudible).

Steve Plate: No?

Commissioner Sartor: Salmon (inaudible).

Steve Plate: Do you have a pointer?

Ernesto Butcher: Salmon is the beige. It looks beige.

Steve Plate: Beige? (Inaudible). I don't have a pointer. Do you have a pointer?

Karen Eastman: Beige, yeah. And then there's lime green and blue.

Steve Plate: This is the retail, Commissioner.

Commissioner Sartor: All right. Okay. This is (inaudible).

Steve Plate: This is Silverstein and the core of the building. So if you -- as you remember Mike's presentation, you saw the clear glass where there was open expansion.

Commissioner Steiner: And the green is what again?

Steve Plate: The green is some PATH space, but you can see it's very minimal. There are some vent shafts and things --

Commissioner Steiner: Okay. Fine.

Steve Plate: -- that go throughout the -- rather than put a vent shaft free standing --

Commissioner Steiner: Okay. Fine.

Steve Plate: -- so we did a very detailed cost allocation, staff did, to represent --

Steve Plate: What's the -- this -- this portion?

Commissioner Bauer: The pink.

Steve Plate: That's the retail.

Commissioner Bauer: No, to the right.

Commissioner Bauer: The right. (Inaudible).

Steve Plate: Oh, that's a staircase. That's for the PATH transportation hub.

Commissioner Bauer: I see. Thank you.

Steve Plate: That supplies your access. So what this is doing -- not to digress, but this is doing is providing clean access to Wall Street. So now what'll happen is as you come through the Oculus you'll proceed down a series of connections through this and ultimately out towards Wall Street, which is going to -- interesting enough is going to represent about 40% of the traffic heading out. If you watch during the day you could see that happening, except it'll be underground going through a retail space and through the tower space. So it'll be a very functional, very useful connection. Okay.

Just a closing, the Master Development Agreement calls for a multiplier in actual costs to cover the design and construction management of the soft costs. We estimate our maximum exposure is $15 million on these three contracts. Silverstein Properties has a number of other contracts in the procurement process that the Port Authority will share in, including the curtain wall procurement for all three towers, which we will be back to you over the next several months for further discussion.

Thank you.

Commissioner Sartor: You're comfortable with -- you are comfortable with this number? Your staff has vetted it and --

Steve Plate: Yes. Since we received direction from all of you, I -- we have a very strenuous process, and we had all these steps involved, and each one was a significant step. We brought in outside -- I've been, under the support of the Executive Director, the Chair of this Committee and Bill Goldstein, I was able to bring in some additional people who are on the construction side of the house. So now we have people who can talk the same language, look at the costs. We have a lot of costs now coming in from both the Memorial side of the house as well as the Freedom side as well as the Hub. So we can look at dollars per cubic yard for concrete, we can look at steel. So this all boils down to -- I can go on all -- very extensively.

Commissioner Sartor: You've got actual bids to back up the numbers.

Steve Plate: We've got actual bids. We've sat in the room. We've worked very intensively with their groups. We have our estimators across from their estimators. We've look at the -- used the guiding principles of the Master Development Agreement as a framework. But then, you know, it gets into the gray area. We went back --

Commissioner Steiner: Have you got agreement with Silverstein? Does he accept our --

Steve Plate: Yes. Absolutely. He has accepted --

Commissioner Steiner: My other question was, you made a comment that you'll be back to us with things like curtain wall. Why does that affect us on this building? We don't have any responsibility for the skin, do we?

Michael Francois: Yes, we do.

Commissioner Steiner: Because it faces -- we have retail on the -- okay.

Michael Francois: That's correct. Wherever --

Steve Plate: -- wherever there's retail we cover our share.

Commissioner Sartor: Now, you've established a procedure --

Commissioner Steiner: (Inaudible) our retail facing only.

Steve Plate: Yes. That's right.

Commissioner Steiner: So whatever that percentage (inaudible).

Michael Francois: That's correct.

Steve Plate: That's correct.

Steve Plate: And they're out for bid right now and they're coming in with bids, and they're looking at the --

Commissioner Steiner: I would just suggest that when we do that that the glass on the first floor is a lot cheaper than the glass on the (inaudible) floor. Cause you cannot take an average unit price, I would start that negotiation that way.

Steve Plate: Yes, sir.

Michael Francois: The retail glass has to be very sensitive to security issues, as well.

Commissioner Steiner: I understand that.

Commissioner Steiner: There -- we heard you (inaudible).

Commissioner Sartor: We'll discuss that at a later point. I just want to make sure that the procedure you followed here will be what we will -- what you will come to us with in the future. You will vet it --

Steve Plate: Yes.

Commissioner Sartor: You will vet it very thoroughly. You will have cost estimate. You will have bids, and then come to this committee and --

Steve Plate: And just so you know, it --

Commissioner Sartor: -- to review it with us.

Steve Plate: -- it doesn't end here. Yes. The answer is yes to your question. About a month or two ago you directed us to proceed. We set up a team. They've gone through it very rigorously, looking at drawings, looking at the methodology. Once they get the bids and go through a BAFO process, we're right there at the table with them making sure --

Commissioner Sartor: You're sitting with them.

Steve Plate: -- because we only have a portion of it, but we want to make sure that it's a fair portion, that it doesn't all of a sudden go up in size. We watch that. If there's any change -- as they negotiated the best and final, we wanted some of the credit. We had a reduction in cost of several percentages across the board. It wasn't just to their side. It was across the board, and appropriately handled.

And as we go through change orders, as we sign off -- as invoices come in, we sign off on our portion of the invoices. We also get all the paperwork. We have our people checking from a construction point of view, also from a work-in-place point of view. And lastly if there's any change orders and such, we have the right of refusal and the right of acceptance on that. The challenge for all of us is obviously because it's moving so rapidly throughout the whole project -- and I say "whole project" meaning the whole World Trade Center site -- we need to do this in an efficient and effective manner, and timely manner. So --

Commissioner Sartor: Okay.

Steve Plate: -- we have a very rigorous process, and what I just described is basically outlined in this document.

Commissioner Sartor: Okay. Any other questions, committee members? If not, we don't need a motion on this, correct?

Karen Eastman: No.

Commissioner Sartor: Okay. That would conclude this meeting. Thank you.

The Port Authority of New York and New Jersey

WTC Redevelopment Subcommittee Transcript

November 6, 2008

Chairman Coscia: -- Good Afternoon everyone, and I apologize for keeping everyone so late. Obviously we've got a lot of work to do and the board is sort of taking advantage of the opportunity to be here at the site to go over a number of background things that we've needed to do in terms of our executive discussion.

Today's meeting of the World Trade Center Redevelopment Subcommittee will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

I am substituting for Committee Chairman Anthony Sartor, who's not able to be here today, and there are several matters that we will present for a brief presentation and then ultimately act upon them in the public season of our full Board meeting which will immediately follow this meeting.

The first is an update on real estate matters and in particular certain agreements regarding construction and mechanical, electrical, plumbing, fire protection, tenant vehicle parking areas in Towers 3 and 4, and for that I would call Michael Francois.

Michael Francois: Good afternoon, Commissioners. Today I'm requesting authorization to enter into a reimbursement agreement with Silverstein Properties for mechanical, electrical, plumbing, and fire protection work for tenant vehicle parking areas under Towers 3 and 4 within the East Bathtub of the World Trade Center.

The cost of this work and the reimbursement to Silverstein will be $6.7 million. This work has been reviewed, or costs have been reviewed and approved by both the World Trade Center Construction Department and World Trade Center Redevelopment staff.

In the Master Development Agreement, the Port Authority agreed to provide Silverstein with approximately 300 tenant parking spaces located within the East Bathtub. In addition, the Port Authority's going to receive 85 spaces in the East Bathtub. And again, the costs for these spaces are to be borne by the Port Authority, and that was agreed to in the Master Development Agreement.

Silverstein is completing the core and shell work for the Port Authority under all their towers as well as they are executing all the mechanical, electrical, and plumbing and fire protection work within those towers, which is substantially their space.

It therefore makes sense -- Silverstein is out to bid right now; they have already bid the work within Tower 4 and Tower 3 together -- and therefore, it would make sense, since they have already bid that work, for them to basically act as our contractor, and we have provisions within the Master

Development Agreement that allows for that, for the MEP and fire protection work for the parking, and our cost is, again, estimated at $6.7 million.

We feel this action will ensure that the work is properly coordinated with the parking layout and will help maintain the overall construction schedule within the East Bathtub.

Commissioner Chasanoff: May I ask a question?

Michael Francois: Yes?

Commissioner Chasanoff: Why don't we wait until he gets his figures in before we authorize $6.7 million?

Michael Francois: My understanding is he's already gotten those figures in.

Commissioner Chasanoff: Have we seen them?

Michael Francois: Yes, we have.

Commissioner Chasanoff: We have all that?

Michael Francois: Yes, we have. And that's why -- so there's three costs that have been secured. They have actually provided us detailed cost estimates. Those costs have been analyzed by both World Trade Center Construction and World Trade Center Redevelopment -- our own consultants. And we're basically content, happy, feel those numbers are fair, reasonable.

Commissioner Chasanoff: We've seen those bids?

Michael Francois: Yes, well, we've -- yes, we've seen the bids and actually, the costs are based on -- let me clarify that. The costs are based on, you may say, final construction documentation. When the bids are received and before we reimburse them, we will be able to review all documentation will be present at all bid openings, etc.

Commissioner Chasanoff: Well, the bids have been opened, haven’t they? Haven't you seen them?

Michael Francois: No, the construction documentation costs.

Commissioner Steiner: Mike? I presume that they would have a completion and payment bond.

Michael Francois: Yes, they will.

Commissioner Steiner: So in case something happens to the contractor or to the developer that we are covered that the job will get done, and the people will be paid, notwithstanding whatever happens.

Michael Francois: Correct -- all bonds are part of our contract with them

Commissioner Steiner: I want to make sure that we're beneficiary of the bond, not just Silverstein. We're an added beneficiary, since it's our money.

Michael Francois: I will check into that. I'm sure there are bonds; I'm not sure of the performance allows us to step into their shoes or not.

Commissioner Steiner: Well, I suggest that you make sure that we only go --

Michael Francois: I'll look into that.

Commissioner Steiner: -- into it on that basis, to protect our interests.

Commissioner Chasanoff: Can't we say, or can we say that we're authorizing an expenditure not to exceed $6,700,000? Can we say that, rather than just an open bid, and it's $10 million and we're --

Michael Francois: I'd be amenable to that. I think that's fair and reasonable.

Commissioner Chasanoff: Okay.

Unidentified Board Member: (Inaudible)

Michael Francois: Yes.

Chairman Coscia: All right, we're actually not -- the resolution is on the table, but the resolution open in public session before the full board will include that limitation on the authorization. Okay? Mike, you're done?

Michael Francois: That's fine.

Chairman Coscia: Okay. The next is a item regarding retention of professional real estate advisory services, Don Free.

Don Free: Good afternoon, Commissioners. Today I'm seeking authorization to enter into an agreement with Jones Lang LaSalle for professional real estate advisory services for the redevelopment of the World Trade Center. This agreement would be on a task-order basis for a three-year period with one two-year option period in an amount not to exceed $36 million.

In addition, I'm also seeking authorization to continue the engagement of Cushman and Wakefield for consulting services in an amount not to exceed $2 million.

On May 21st, a publicly advertised Request for Proposals was issued for real estate advisory services on a task order basis. As a result of the RFP process, proposals were received from C.B. Richard Ellis, Cushman and Wakefield, Grubb & Ellis, and Jones Lang LaSalle, and were evaluated based on staff qualifications and experience, firm qualifications and experience, and management approach for the performance of required services.

The cost of consultant services was evaluated on a best-buy basis. Jones Lang LaSalle was the highest-rated proposer based on the criteria previously mentioned.

Under the proposed agreement, Jones Lang LaSalle will provide a wide range of services that will vary with project requirements. Some of those include strategic and financial support of negotiation efforts with a variety of public and private partners, audit and review of cost-allocated SPI construction contracts for retail, parking, and other items, advisory services for planning, security, operations, and maintenance, and consistent with the previous real estate consulting contract with Jones Lang LaSalle, 50 percent, approximately, of the contract expenditures will go to subconsultant payments.

JLL will bill for subconsultant expenses at cost with no mark-up. In addition, Cushman and Wakefield will provide consulting and financial services as it relates to the changing real estate market -- the changing market conditions.

The continued retention of real estate advisory services will permit a seamless flow of World Trade Center real estate work for operations, finance, retail, and the Freedom Tower development, thereby providing substantial specialized expertise to the Port Authority that will allow the site to be restored as quickly as possible.

Commissioners, I request that you advance this item to the full Board for approval today.

Chairman Coscia: Anyone have any questions on this?

Commissioner Chasanoff: Are you -- are there any items now that you're immediately going to talk to them about? Are you going to contract with them to do anything today?

Don Free: Well, our current contract with Jones Lang LaSalle for real estate advisory services continues through the end of December, so we would continue on the existing contract and get the new contract in place for January.

Chris Ward: In terms of your question, we're talking to them today under the existing contract about possible real estate tenant options within the One World Trade Center?

Commissioner Chasanoff: So we're covered until the end of the year under the old contract.

Don Free: For Jones Lang LaSalle, for Cushman and Wakefield, we would need their assistance from now on to work on a variety of real estate --

Commissioner Chasanoff: Okay, but the Jones Lang LaSalle contract, we're covered until the end of December, you would say? Jones Lang LaSalle, we're covered?

Chris Ward: The contract goes to the end of the year, but the amount of funding pursuant to that contract is quickly being spent. So in order to make sure that we have a provision, should we spend

more between now and the end of the year that was in the earlier contract, we'd ask for approval today.

Commissioner Chasanoff: Wouldn't they just bill us for -- couldn't we make an agreement to do that? Just to bill it? Give us a little more time --

Chris Ward: I think that's effectively what the next --

Commissioner Chasanoff: To give us a little more time to analyze this and to --

Chris Ward: I think that's effectively what the contract is doing, since it's a job order contract, that we would be asking them to do services we require to provide information back to the board.

Commissioner Chasanoff: But couldn't this wait another three, four weeks?

Chris Ward: I wouldn't want to be in a position that we wouldn't these expert services available to us should the information required to assess --

Commissioner Chasanoff: You think that any real estate broker is too busy to handle it now? Do you think they're making too many deals and they wouldn't be in a position to do that? I don't think so.

Don Free: Commissioner, we also have the ability to cancel this at any point with five days' notice, so once we enter into this we can stop it at any point.

Vice Chairman Silverman: So it's like hiring a law firm -- you're just paying for the hours.

Chris Ward: Yes. That's the work that we would end up needing.

Commissioner Chasanoff: Well, for my part, I can't see why we couldn't wait a month just to enable us to evaluate the situation.

Chris Ward: Well, I guess given the fast-moving world that the Board sees us in, particularly in the questions that have been asked about the real estate industry and how it's going to function within the World Trade Center site, we've just asked your support in order to provide those expert services.

Commissioner Chasanoff: I think it's unnecessary, frankly, to do it this quickly, but so be it.

Chairman Coscia: Anyone else have any other questions? Okay, moving on to the restoration program, the first issue is planning authorization for the Vehicle Security Center. Steve Plate?

Steve Plate: Yes, thank you, Chair. Thank you, Commissioners. I have a total of four items which I'll run through quickly. Commissioners, through prior authorization, construction has commenced at the Vehicular Security Center site. Today's staff is seeking authorization of $6 million in planning for the design of the World Trade Center Vehicular Security Center, inclusive of an

increase to Liberty Security Partners in the amount of $4 million for additional expert professional, architectural and design consulting firm of engineering and architects for the VSC.

To advance progress in the design and preconstruction phases related to the World Trade Center East Side Tour Bus Parking Facility, which will accommodate parking for the tour buses, staff seeks advancement for an increase in planning to advance the design and final design of this facility and its roadway network in an estimated amount of $2 million; $1 million of which is to increase the compensation under the existing agreement with the consultant, Liberty Security Partners.

The next item, third item, staff seeks authorization of a $2 million increase for early action, final design of the Transportation Hub, track level foundations for the West Bathtub Vehicular Access, and the Performing Arts Center located at the northern end of the World Trade Center site, which will result in a revised total planning authorization of $4 million.

Authorization will allow us to advance design to coordinate with planned Hub construction in the PATH track area. The requested increase includes an additional amount for an existing agreement with Liberty Security Partners for expert professional architectural and engineering services in connection with this work.

Commissioner Chasanoff: How much is that?

Steve Plate: It's $1.3 million, sir. Under the last item, this item seeks authorization for the Executive Director to enter into agreement with the New York State Department of Transportation, which will allow the Port Authority to pay and reimburse New York State DOT an amount not to exceed $35.5 million for the design and construction of the Port Authority's World Trade Center Fulton Street sewer within the Route 9A right-of-way, and a hardened slab adjacent to the South Projection.

Additional items of work as are required for the New York State DOT to accommodate their revised schedule for the Port Authority work, the services of New York State DOT, who would also help manage this effort, and costs for any change conditions and acceleration for NYS-DOT to complete the work.

Commissioners, that completes my request and I ask that you advance these items to the full Board for approval today.

Chairman Coscia: Okay. Anyone have any questions on any of the four matters that Steve just outlined? Okay. Can I have a motion to adjourn the World Trade Center redevelopment subcommittee meeting?

Subcommittee Member: So moved.

Chairman Coscia: Is there a second?

Subcommittee Member: Second.

Chairman Coscia: Okay, all those in favor?

Subcommittee Member: Aye.

Chairman Coscia: Okay, we are adjourned.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Transcript
December 17, 2008

Commissioner Sartor: Good morning. Today's meeting of the World Trade Center Redevelopment Subcommittee will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceeding via the Internet.

For those staff members who have not met him yet, Stan Grayson, I welcome you again, for the fourth time, I think.

Commissioner Grayson: Thank you.

Commissioner Bauer: I don't think I got this many welcomes.

Commissioner Sartor: Well, I remember when I got on, it was 1999 and Lou Eisenberg.

Commissioner Chasanoff: We got on together, (inaudible).

Commissioner Sartor: We got on the same day.

Commissioner Chasanoff: That's right.

Commissioner Sartor: And Lou Eisenberg introduced me to the Commissioners and said, "Welcome to your first and maybe last meeting of the Port Authority of New York and New Jersey," because at that time there was a war between the states going on.

Commissioner Grayson: Oh, oh.

Commissioner Sartor: But Stan, I won't say that.

Commissioner Chasanoff: He never introduced me.

Commissioner Sartor: Mr. Plate, you're going to give us an update on the downtown restoration program, and you've got a construction trade contract you're going to discuss.

Steve Plate: Yes. Commissioners, today's staff is seeking authorization to accept assignment of a construction trade contract for the National Memorial and Museum. In addition, I will provide a construction progress update.

The contract I'm requesting approval for is the fire protection system for the memorial and World Trade infrastructure project in an estimated amount of $15,676,200, including contingency. The allowance for Bovis Lend Lease construction management and general conditions work is at a total estimated price of $2,153,097, with the Port Authority's cost share in an amount of $7,939,391.

The Port Authority's program share will be divided among central chiller plant, car parking, and World Trade Center facility offices. The memorial fire protection system will meet or exceed New York City building code requirements and is designed to provide all fire department connections, fire standpipe risers, horizontal and branch piping, hose valves, floor control assemblies, sprinkler heads, in addition to the flow and tamper systems, fire hose racks, and the central fire hose cabinet. Commissioners, I request your approval and advance of this item to the full board.

Commissioner Sartor: Steve, what was the engineers' estimate on this budget estimate?

Steve Plate: The engineers' estimate was a little under $12 million, and if you take out the contingency that I put in, it's a little less than $14 million, is what the bid -- we BAFO -- we went to three --

Commissioner Sartor: Okay, you did a BAFO? What was the original bid?

Steve Plate: It ranged from the $13 million, $14 million to about a little over $16 million. Or actually, the highest one was $18 million, so.

Commissioner Sartor: All right. And this firm has done work for the agency before?

Steve Plate: Yes. In fact, they're doing it for the Freedom Tower at the present time. This is their specialty.

Commissioner Sartor: Okay. Any questions? Seeing none, we can advance this to the Board for approval. Steve, you'll give us an overview?

Steve Plate: Yes, sir. Commissioners, the portion of my presentation includes a construction update highlighting progress made since the last reporting. Final fabrication of structural steel for under the 312 elevation is being completed for the north temporary access with delivery expected in January.

An east-west roadway is being developed at the MTA #1 line underpinning to facilitate the demolition and bracing of the Day Street underpass. Welding of the Calatrava Arches is proceeding within the east-west connector and is approximately 60% complete. Rebar and form work were installed in preparation of the concrete pour from elevation 240 to elevation 267 at the route 9A project.

Over 12 truckloads of steel have been delivered to the memorial job site this past week, and sector two steel is now in the process of being erected.

At One World Trade Center, the Freedom Tower concrete was placed at several locations. An additional section of the B3 level floor slab was cast in the northeast quadrant area, as well as a section of the Vesey Street liner wall in the northeast corner.

Carpenters and lathers are nearing completion of the first 90 feet of the false work for the spandrel beam at column line G. This beam will facilitate construction of Fulton Street above the east-west connector. In the final image, you will see the north tower crane was successfully jumped 60 feet in preparation for the next series of pours.

The central chiller plant is a 12,500-ton system designed to provide cooling for the World Trade Center transportation hub, memorial museum, retail space, and other occupied spaces at the site. The plant will use river water as a heat exchange medium. The installation of the river water line piping is ongoing and completion of the final phase of this relocation is anticipated for the end of this year.

The second crane for the memorial has been mobilized and is being used for steel deliveries and steel erection. The steel erector is utilizing both cranes at sector two, northeast corner of the memorial area. This section has already reached street level.

The southwest footing work and construction of the shear wall between the PATH tracks and the slurry wall is ongoing. New footing, piling, adjacent to the PATH tracks are currently being grouted. The first section of the PATH shed has been removed at Tunnel F. Electrical relocation work is taking place during weekends in the PATH right-of-way.

And this is a momentous occasion -- the first section of the Acrow bridge was successfully removed over the weekend of December 13th -- this past Saturday and Sunday. The ramp must be removed since it sits in the middle of the memorial quadrant, a critical location required for the cranes erecting steel. It will take approximately one month for the ramp to be completely removed from the site, facilitating construction of the memorial.

On Thursday, December 11th, the Vesey Street stair remnant was successfully relocated by crane to its permanent and final location within the memorial museum. The stairway is the first historic artifact moved into the site and is now located near the future entrance of the museum.

Commissioners, this concludes my update. Thank you for your ongoing support.

Commissioner Sartor: Could you also please give us an update as to the status of the bidding process associated with the PATH train station?

Steve Plate: Let's start with the most important one, and the one that both Chris and Dave are very focused on, and that's namely the purchase of the steel and some ancillary work. That RFP was -- the first step was issued on November 21st, and if you followed the process -- and I'm going to need your support; when I say your, the Board's support -- is an anticipated contract award of March 17th with the closure March 31st with the actual signing of the contract.

We had the pre-qual meeting with -- and when I say we, Phoenix did. And at the meeting there were probably 80 to 100 different vendors, of which there's probably 10 to 13 teams that we see, viable bidders, and we're very excited about that.

And frankly, they're very anxious and they came from all parts of the world. I think it was well presented and well orchestrated. We had Phoenix as the builder walk through the details of the project, of the construction as well as the procurement process. And we were able to successfully get Santiago Calatrava at the meeting, which I think really added a tremendous amount of esprit de corps to the effort, because the different people he's worked with and want to be part of his work were very anxious to be a part of that.

Christopher Ward: Yes, obviously, this was perhaps the most critical milestone in terms of progress that we had when we put the program together (inaudible). And I think three things are happening -- one, as you ask, Commissioner, that we had the pre-qual, we had a significant turnout. We had the turnout from Calatrava's steel partners that have been fabricating and erecting elsewhere around the world, looking to team locally with a contractor who knows how to do work with the local trades, which is always a complex issue.

And I think the excitement of the steel procurement, one advantage of this financial situation that we're in is commodity prices have dropped, and we are then optimistic that this procurement will take place and capture this steel price contract at a good time for us. So one, we're pleased to hit the milestone; two, it was a great turnout with the right team and Calatrava there, and by meeting the market within the timeframe that you directed; hopefully we'll get great steel prices.

Commissioner Sartor: What about other packages? What's the timing on other packages going out, and how many are you going to have?

Steve Plate: Right now they're looking at approximately five to six different packages, and I can walk you through it, but I'll just leave it at that. Specifically, what we're doing now is repackaging the drawings, realizing the size of this job. We're somewhere -- the last issue was somewhere around 3,400 drawings, which obviously if anybody's been in this business, that's a huge amount of drawings.

So now they're breaking it down into five to six different discrete packages they feel that will generate the most interest and target the market. That's what they're going through right now. Well, that's ongoing. I'm working closely with Dave and Frank Lombardi and his staff to make sure that the drawings are as tight as we possibly can make them, and as complete to minimize any changes, also to encourage people when they see a tight set of drawings, it encourages people to bid on them because they have a full understanding of the project and it reduces the amount of uncertainty in their bid.

So there's an ongoing process of that, and that's going to happen over the next series of months. And I'll be coming back to you periodically with updates and looking for your approval relative to those awards.

Commissioner Sartor: Is engineering here? Peter or Frank?

David Tweedy: Frank's here.

Frank: Right here, sir.

Commissioner Sartor: Oh, right behind me. Are you comfortable with the drawings, Frank?

Frank Lombardi: Not exactly. There's still some issues with the architectural, mechanical, electrical, and plumbing, as far as coordination is concerned.

Commissioner Sartor: Mm-hmm. Okay. What's the timeframe on resolving those issues?

Steve Plate: Well, right now we have a team -- now, the drawings we were talking about earlier were the steel drawings.

Commissioner Sartor: Understood.

Steve Plate: We've issued all the drawings to Phoenix. We had Frank's staff, who are full-time embedded in my office -- John (inaudible), John Lizzo and Ray Sandiford, just to name a few -- looking at those drawings. We also have our guys looking at the drawings, we have Phoenix looking at the drawings, and I think Dave and I are even looking at other ways to make sure they're as tight as humanly possible.

Commissioner Sartor: Okay.

Steve Plate: They're not out for bid. We're in the process of scrubbing them right now.

Commissioner Sartor: What's your timeframe for bid? Just ballpark.

Steve Plate: It's over the next -- I think the final bid, we're anticipating about nine months or so, the last package.

Commissioner Sartor: To go out?

Steve Plate: To be actually awarded.

Commissioner Sartor: Or to be -- awarded, okay.

Steve Plate: (Inaudible) somewhere about the fall of next year. But there'll be a series of four to five large bids over the next year, and we're going to do it in a thoughtful way that we don't -- because sometimes there's no point in bidding something if you're not ready to receive the structure on top of it. So we're going to try and stage it such that it coincides with the master plan.

Commissioner Sartor: Commissioners, any other questions?

David Tweedy: Let me just add one point, Commissioners. The approach we're taking on procurement will require some contract modifications that we're working closely with our legal staff on, and we're working very closely with the FTA to make sure that they're comfortable with the approach we're taking around pricing.

Commissioner Sartor: Now when you say contract modifications, you mean modifications beyond what the Port Authority normally does? It's something that we've done on the Freedom Tower, I know.

David Tweedy: That's right.

Commissioner Sartor: Something comparable.

David Tweedy: Nothing radical, but really clarification to allow Phoenix, in partnership with us, to be as effective as they can around procurement.

Commissioner Sartor: We did that successfully on the Freedom Tower, I know that.

Steve Plate: Yes.

David Tweedy: And Steven is staff.

Commissioner Bauer: (Inaudible - microphone inaccessible) what would be (inaudible)?

David Tweedy: A good example would be the approach that we allow Phoenix to take in terms of dealing with subcontractors. If we're working towards lump-sum packages on these series, four or five series of packages, which we are for price certainty, allowing them to have as much flexibility as they can in terms of how they approach subcontractors and making sure our contract language, in concert with the FTA, is very clear around that, gives them flexibility, potentially, while retaining competition. It makes them more effective in terms of --

Commissioner Sartor: And as we did on the Freedom Tower, purchasing and the IG's office is in the middle of this also, right? With you guys.

David Tweedy: Absolutely.

Commissioner Sartor: Okay.

Steve Plate: We've got them involved on a real-time basis.

Commissioner Sartor: Other questions, comments? Seeing none, entertain a motion that the meeting be adjourned?

Commissioner Chasanoff: So moved.

Commissioner Sartor: Second?

Commissioner Bauer: Second.

Commissioner Sartor: Done.

The Port Authority of New York and New Jersey

WTC Redevelopment Subcommittee Transcript

December 18, 2007

Commissioner Sartor: The WTC Subcommittee met in Executive Session prior to the public session to discuss matters involving ongoing negotiations or review of contracts or proposals. The second portion of today's meeting of the WTC Redevelopment Subcommittee will be held in public session. In addition, this portion of today's meeting is being broadcast live on the internet by the Port Authority's website for those interested in viewing today's proceedings remotely.

We have one item on the agenda today, and that's for Steve Plate to give us an update on what's going on downtown, Steve.

Steven Plate: Commissioners, good morning and thank you for this opportunity to appear before you today. The Port Authority has seen a great deal of progress over the last year at the World Trade Center and I wanted to take a few minutes this morning to provide you with an update of where we are, where we were, where we are now, and where we will be over the next several years.

As you can see, this is what the site looked like in 2006. And here is what it looks like now. At One World Trade Center, the Freedom Tower, we placed 14,000 PSI concrete in the core area, a first for New York City. We have already awarded approximately $1.1 billion of contracts and our remaining procurement will be completed by mid 2008. Also in 2008, you will see the structure rising above grade.

We have made great progress as well on the East/West Connector next to the Freedom Tower with over 3,000 cubic yards of concrete poured to date. The Memorial's foundation work is close to completion, with 135 of 150 footings done and we have started on the slurry wall liner. The structure for the north temporary access is essentially complete with work on elevators, escalators, and interior finishes underway.

By early 2008, this facility will serve over 80,000 passengers who will use the World Trade Center PATH station each day. With its opening we can begin the demolition of the existing PATH station and thereafter, start construction of the iconic Calatrava oculus in the east bathtub. Fifty-three slurry wall panels, and over 300 tie backs have been completed, and about 270,000 tons of soil have been excavated. We have demolished most of the H&M structure and began rock removal, working on a 24/7 basis.

Now, I would like to switch from the individual projects and instead, give you a year by year perspective of the progress that we can expect using our 4D capability to depict how the project will look by the end of 2008, and each year from then to 2012.

Starting with 2008, you can see the Freedom Tower structural steel above grade. There is steel erection and concrete slab construction ongoing in the Memorial area along with the slurry wall

lining being completed. The north temporary access to PATH on Vesey Street has been completed and the temporary PATH station entrance on Church Street has been demolished. We have finished installing temporary underpinning supporting the 1 and 9 subway structure. We have completed the excavation of the east bathtub and the PATH transportation hub oculus foundations are underway and close to completion. SPI has begun construction of their office towers.

Here is what you will see in 2009 with the Freedom Tower structural steel and concrete core progressing well, with similar progress on the curtain wall. By this time, steel erection for the memorial is complete to grade with construction beginning on the visitor orientation and education center. Construction of the central chiller plant that will serve the PATH transportation hub, the retail areas, and the memorial is underway. The below grade structure for the oculus will begin to rise with work on the mechanical and electrical systems ongoing. The excavation of the south bathtub is ongoing as well. You can also see the rise of Towers 3, 4, and 2 more advanced.

In 2010, the Freedom Tower has reached the rooftop level and work has begun on the antenna structure. Mechanical and electrical, as well as plumbing installation are underway. The memorial plaza is complete and the museum pavilion construction is ongoing, and the oculus is taking shape with its distinctive form. The permanent underpinning of the 1 or 9 subway is complete. The high voltage power distribution system for the site is operational. Construction of the vehicle screening center is well underway and Towers 2, 3, and 4 continue to rise.

By the end of 2011, the towers will have topped out. The Freedom Tower will have reached its full height of 1,776 feet with interior work continuing on systems and finishes. The memorial and visitor orientation and education center are complete, along with the oculus, the new PATH transportation hub terminal hall, and platforms are finished. Its essential chiller plant is operating. Curtain walls for Towers 2, 3 and 4 have been installed.

Finally, looking towards 2012, the Freedom Tower structure and its mechanical electrical systems and finishes are complete. The PATH transportation hub, including the oculus and the north-south connectors are complete and in use by the public. Retail tenants continue to build out their stores and open for business. Towers 2, 3 and 4 expected to be completed as well.

Finally, in 2012, work will continue on the interior architectural finishes of the Freedom Tower and other office towers. We will also raise the north temporary access to make room for the new Performing Arts Center. Commissioners, I would like to conclude this presentation with my thanks to you for your leadership in providing the resources to make this progress possible and for your steadfast support for the ongoing and planned development of the World Trade Center site. With that, the World Trade Center Construction Division has had the resources to help turn those plans into development that I have projected for you and to provide the legacy that we will leave for the Port Authority, this great city and region, and for our country. Thank you.

Commissioner Sartor: Steve, that was a great presentation. Your progress over the last fifteen months has just been astounding, and probably the most difficult construction project if not in the country, maybe in the world. You and your staff have to be commended, and Bill for a great job.

Commissioner Ferer: And you too Tony, for making this your part time job.

Commissioner Steiner: Imagine if you worked full time.

Commissioner Sartor: Any other comments? You know Steve, what I'd like you to do is maybe give copies of this presentation to each of the Commissioners. You can do that?

Steve Plate: Sure. If I could digress a minute, if you could just go back to one of them? One more. If I could just share with you - it's pretty neat the capability that's been developed over time. If you look at what's been done here, what they did, what my staff did working nights and through the weekend, basically took the outline of the existing map and took the actual drawings - when I say the actual drawings, the actual drawings provided from Silverstein Properties on Towers 2, 3, and 4, the Calatrava structure, and the Freedom Tower, and superimposed them into the computer, and then put the integrated master schedule and attached that to each activity. So, what you saw was a snapshot in time at the end of each year as to where the activity would be. So, they were able to develop what I think is a - obviously I'm a little partial, but I think a great representation of what to expect over the next five years or so.

Commissioner Sartor: Okay. Steve, you have some added starters that you wanted to bring before the Committee in terms of awards?

Steve Plate: Yes sir. Okay. Commissioners, I'm here today to seek your authorization to advance the development of the World Trade Center Central Chiller Plant and River Water System, as well as the construction contracts for masonry and asbestos removal. As shown here and highlighted in yellow, the Central Chiller Plant and River Water System is located in the southwest quadrant of the site and within the memorial area. The Chiller Plant will provide 10,000 tons of cooling to the complex and includes a chilled water distribution system, the upgrade and renovation of the existing River Water Pump Station, the River Water piping, and all permanent and temporary electrical power required for the facility. Staff recommends that the Board authorize the completion of the final design and the award of pre-purchase orders for long lead plant equipment, including mechanical, electrical, and plumbing fit out systems as budgeted in the Capital Plan. The estimated total project cost is $200 million. In close coordination with the memorial team, staff is now entering into cost reimbursement and sharing agreements with the project's stakeholders. In 2009, we shall seek to award the construction contract and it is anticipated the chiller plant will be in full operation by mid 2011.

In addition to the chiller plant authorization, the staff seeks -

Commissioner Sartor: Just hold off - any questions on the chiller plant?

Commissioner Steiner: There's going to be time - we'll have that in time for the buildings?

Steve Plate: Yes sir. Actually, it's keyed off of - that date is keyed off of the completion of the memorial. They need to have us about six months before start to temper the air to be prepared for the artifacts, so we've geared it off of that.

Commissioner Steiner: You meet all those requirements, right?

Steve Plate: Yes sir.

Commissioner Steiner: You won't have to accelerate the chiller plant then?

Steve Plate: No. We seem to be in pretty good shape on that schedule. We are going to pre-purchase some of the chillers. We just have to do it just in time that we don't order things too early, because we have to have the structure there to receive it, and that's being built - some of the space is being built and fit out by the memorial folks.

In addition to the chiller plant authorization, staff seek Board authorization for the following two construction contracts. To date, there have been 17 trade contracts awarded, valued at approximately $1.1 billion in construction on the Freedom Tower alone. 50 trade contracts remain to be awarded for a construction value of approximately $550 million. Five bids are currently being reviewed, and 23 trade contracts are presently out to bid. All procurement is expected to be completed by mid 2008.

Today staff recommends that the Board authorize through its construction manager, Tishman Construction Corporation, the construction trade contract for below grade masonry and the superstructure masonry at One World Trade Center, the Freedom Tower. In addition to the masonry awards, staff request authorization for asbestos removal contract to the lowest responsive bidder at an estimated cost of $5 million. Thank you.

Commissioner Sartor: Any questions on these awards?

Commissioner Steiner: Question, are we below - are we within budget for the masonry?

Steve Plate: Yes sir. Our budget was $9.6 million, and we're including extra work worth $7.4 million, $7.5 million.

Commissioner Steiner: Without the extra work compared to the budget would we be below $7 million, so you're substantially below our estimate, so we're coming in much better than we figured.

Steve Plate: That's correct.

Commissioner Sartor: And your estimate on the asbestos removal was?

Steve Plate: $5 million.

Commissioner Sartor: $5 million. Okay, and you haven't got those bids in yet, so we don't know-

Steve Plate: No, they are coming in within the next few weeks.

Commissioner Sartor: Okay. Do we need a -

Commissioner Pocino: Is that bid going to the Port Authority or is that going to the GC?

Steve Plate: That's to the Port Authority as part of the - this is actually in the Phoenix contract for the hub. They asked that they didn't want to be directly responsible for asbestos removal. That was something we did two years ago because of all the environmental regulations. So, we have agreed to remove, and have been over a period of time. And this is asbestos that we found in the old H&M terminal in the north side of the site.

Commissioner Steiner: The answer to the question is that it will be directly with the Port Authority and not through another contractor, is that correct?

Steve Plate: Yes.

Commissioner Steiner: Thank you.

Commissioner Sartor: Okay. Seeing no other questions, the meeting is closed. Thank you.

The Port Authority of New York and New Jersey
WTC Site Redevelopment Subcommittee Transcript
February 21, 2008

Commissioner Sartor: I have to put the mic on. In addition, this meeting is being broadcast live on the Internet via The Port Authority's web site for those interested in viewing today's proceedings remotely. We're going to start with Mike Francois to give us an update on the real estate matters associated with the World Trade Center.

Michael Francois: Thank you. Good morning, Commissioners. Today I will provide you with an update on the restaurant program at the Freedom Tower. The current plan for the location of the restaurant is floors 100 and 101. While the 101st floor is technically a full floor and has openings on four corners to the 100th floor, so we call it a mezzanine level, our current design calls for a designated entrance for the restaurant on the north side of the Freedom Tower so patrons will have a dedicated security check-in.

The security screening will be depending on the various threat levels in line with screening requirements for all building visitors. Access to the top floors will be by five shared, dedicated, nonstop express elevators, two for the restaurant, three for the observation deck. Depending on the demand, the elevators can be used by either program.

The capacity for the restaurant is 360 people per floor with a total capacity of 720. Actual designs for the restaurant have not been determined, as we do not want to limit the potential proposals. However, we will have qualification requirements in place that will screen out fast food and lower price options.

We would assume that a similar program as the former Windows would be a successful program with a blend of fine dining, bar/lounge, and banquet space.

A request for expression of interest was issued for development of the restaurant and posted on The Port Authority web site on January 29, 2008 and was very well publicized as appeared January 29 to February 4 in the Bergen Record, Cranes, Nation's Restaurant News, The New York Times, Restaurant Business Weekly, The Star-Ledger, and Wall Street Journal. The request for expressions of interest was also made - mailed directly to a select list of firms.

The RFEI or request for expressions of interest included an option allowing proposers to include ideas for combining the restaurant and observation deck options. That was one of the suggestions of the Commissioners at previous meetings. A combined procurement process may have an impact on the currently proposed schedules. The responses to the RFEI will allow us to refine a request for qualifications and proposals that is currently being developed. While staff has general ideas on a mix of services that would lead to a successful restaurant program on the top of the Freedom Tower, industry insight would be very valuable.

We will continue to work with Procurement and Law in developing the request for qualifications and proposal documents and coordinate with Public Affairs to ensure that the RFP/RFQ is afforded maximum media exposure.

The RFQ/RFP is scheduled to be issued in the second quarter of 2008 and we will continue to keep you apprised of the progress in this area.

Commissioner Sartor: Thank you. Any questions?

Commissioner Blakeman: Have you gotten any feedback from the industry?

Michael Francois: It's somewhat - well, the industry, yes. We have retained - as you're well aware, we've retained Jones Lang LaSalle to assist us in a variety, so they provided some due diligence, some pro forma modeling. And based on the various - the select list that we have prepared, there's been some very - a lot of interest in this particular program.

Commissioner Bauer: Would this just be for one restaurant? Or can this be subdivided in two?

Michael Francois: Based on the cost, it's going to be a very expensive restaurant to fit out, and because of the proximity in the mezzanine, it will probably just be one operator. There will be restaurants obviously elsewhere in the complex, but on this particular location, just one operator would be the more efficient way to go.

Commissioner Sartor: Thank you, Michael. Anything else?

Michael Francois: No.

Commissioner Sartor: Thank you. We'll turn it over to Steve Plate concerning a number of downtown restoration issues. First of all, Steve, I just want to congratulate you and your team on the incredible job you were able to do in being able to turn over 3 and - Towers 3 and 4 to Silverstein. I know it was a yeoman's job to get it done, but your efforts are most appreciated. And please tell your team that we feel very strongly about their efforts and appreciative of their efforts.

Steven Plate: Thank you, Commissioner.

Good morning, Commissioners. I'm here today to seek your authorization on several contracts that will advance redevelopment at the World Trade Center. This includes contracts for the Memorial, three construction trade contracts for One World Trade Center, the Freedom Tower, in addition to an authorization for the relocation of the Vesey Street Stair Remnant.

Memorial crews have completed over 90 percent of the spot footings as foundation work continues in anticipation of structural steel erection. Monitoring devices for the existing slurry wall have been installed and the contractor continues to core holes in preparation

for caisson installation. Today staff recommends an increase in authorization of $15 million to the existing trade contract with EE Cruz & Company, Inc., along with an increase of $3 million to the construction management services for Bovis Lend Lease, Inc., to perform additional foundation and other structural work in the west bathtub for the Memorial, Cultural, and related infrastructure project. Commissioners, I request that you advance this item to the full Board for approval today.

Commissioner Sartor: Any questions on that item?

Commissioner Bauer: No.

Commissioner Blakeman: My only question would be are those additional expenditures in line with the budget?

Steven Plate: Yes, sir. Yes, Commissioner. There's a number of items that we're including in here that are supplemental to the contract, but because EE Cruz is in the location and working in the immediate vicinity, it makes no sense to bring another contractor and will cost the Port Authority more money. So this is the most cost-effective way of doing it. And we negotiated with them and feel comfortable with a series of estimates that the number is a reasonable number.

Commissioner Sartor: Any other questions? All right, Steve. Next item?

Steven Plate: At One World Trade Center, installation of core foundations and structural steel columns continue. To date, most trade contracts for this project have been put out to bid. I am here today to seek your approval of the following three awards.

Staff recommends that the Board authorize the contract - trade contract for below grade waterproofing go to the lowest responsive bidder, Wolkow-Braker Roofing, at $540,000, and the award for superstructure roofing and waterproofing going to Jobin Organization, the lowest responsive bidder, at $4,482,810.

Commissioner Blakeman: How many bids did you receive for each?

Steven Plate: It varied, but at least four bids. And we had a pretty healthy market. And…

Commissioner Blakeman: What was the spread?

Steven Plate: It ranged…

Commissioner Blakeman: Just percentage-wise.

Steven Plate: It's on average about 10 percent to 20 percent, in that range.

Commissioner Blakeman: And these were both the lowest?

Steven Plate: These were the lowest, yes.

Commissioner Blakeman: So there was nothing shocking or nothing that stood out with respect to it?

Steven Plate: No.

Commissioner Blakeman: Maybe the bids were too low or not in line?

Steven Plate: No. We - because we have Tishman as our construction managers, we pretty well vet that out. I mean, we get a low bid and then we go to what we call a BAFO, best and final. We hear from the different contractors, understand their issues relative to the contract documents we put out, and then we react to that as appropriate to fine-tune the bids. And what happens is everybody really comes into the right range and it weeds out those kind of things where you have someone who may not have understood the job. They either fall away or basically line up.

Commissioner Sartor: And this is the third?

Steven Plate: Yes. The third award is for convector enclosures. These are the steel and aluminum covers, grills and floor closure pieces to be installed adjacent to the curtain wall, podium wall, and other walls of the building. Staff recommends the award go to Portfab, d/b/a the Wenig Company; excuse me, the lowest responsive bidder at $3,862,440. Commissioner, I request that you advance this item to the full Board for approval today.

Commissioner Blakeman: And again, this fell within the range of the budget?

Steven Plate: Yes. There were - actually it was below the budget.

Commissioner Blakeman: Okay.

Commissioner Sartor: Okay, any other questions on this? All right, we'll - we don't need a motion, do we?

Karen Eastman: No.

Commissioner Sartor: Just move it to the Board, okay. And you have one more item, Steve?

Steven Plate: Yes, Commissioner. As soil removal and site preparation continues in the Tower 2 area, the preservation of the Vesey Street Stairs Remnant is advancing. A final mitigation plan was issued by the Lower Manhattan Development Corporation in the fourth quarter of 2007. And this has allowed staffing, collaboration with the Memorial Foundation, the Lower Manhattan Development Corporation, the New York State

Historic Preservation Office, and our work order contractor, J.H. Reed, to provide for the comprehensive removal and reinstallation plan.

Today we request $2 million increase for the preservation of this important and original World Trade Center artifact. As the photo illustrates, steel beams have been erected to support the staircase as it is ready for relocation to an interim site in early March of this year. Your concurrence on this action is requested.

Commissioner Sartor: Again, any questions from the Board? Okay.

Steven Plate: Commissioners, with your continued support and guidance, staff continues to move forward with the redevelopment of this very important project at World Trade Center.

Commissioner Sartor: Thank you. Any questions?

Commissioner Blakeman: Nope.

Commissioner Sartor: Comments, concerns? Okay, that concludes this meeting. Thank you.

The Port Authority of New York and New Jersey
WTC Site Redevelopment Subcommittee Transcript
March 27, 2008

Commissioner Sartor: Can I have your attention, please. Today's meeting of the WTC Redevelopment Subcommittee will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Internet via the Port Authority's web site for those interested in viewing today's proceedings remotely.

We have a number of items of discussion, for discussion today, and Steve Plate is going to be the individual making the presentation for all of them, so I know it will go very efficiently and very quickly. But prior to that, I just want to compliment everybody working on the World Trade Center site. All one has to do is go down there to see the activities that are going on and we're making a lot of progress and you're to be commended, all of you, for what's been going on.

Steve, why don't you take it from there.

Steve Plate: Thank you, Commissioner. Good morning. Today I will be discussing six items for your approval, which includes funding for ongoing planning and design and professional services agreements for the redevelopment of the World Trade Center site and the award of four trade contracts.

Commissioners, ongoing project development efforts include World Trade Center site planning and design coordination. The increase we seek today includes work for sub-grade planning and infrastructure coordination.

We come to you periodically for planning money and this is for the next one-year period within the established budget. Staff recommends an increase in authorization of $4.2 million that will result in a total authorization of $56.7 million to continue design and redevelopment coordination efforts through March 2009. Commissioners I request you advance this item to the full Board for approval today.

Commissioner Sartor: This money is for internal people, as well as some external consultants?

Steve Plate: Yes, sir.

Commissioner Sartor: Okay. And it's a continuation of what we've been doing?

Steve Plate: Yes. And it's a support effort to support a number of different activities, whether it be sustainable guidelines, which as you know we're complying with, or working with the Tower 5 people to coordinate those efforts, and a whole host of different items.

Commissioner Sartor: Any questions from the Commissioners?

Commissioner: I was going to say…can we expect other increases down the road as we move along and…

Steve Plate: Somewhat. But if you've been tracking it, it's actually been fading away because as we get more into construction, it's less and less of an activity. So it was much more substantial in the prior years.

Yes, Commissioner?

Commissioner Bauer: This increase is just until March of 2009?

Steve Plate: It's a year, yes, yes. And my staff is getting less and less and moving over to the construction side of the house.

Commissioner Bauer: Would you mind giving me just a couple more examples of what this money is being used for.

Steve Plate: Well, we would - different coordinations with our working…

Steve Plate: Different coordination issues specifically with the city, we work with city planning. They obviously are very interested in seeing how the site gets coordinated relative to the overall city master plan. We also work on design guidelines, which are critical to the host site to make sure that all comes together in a cohesive package, but yet also maintaining the integrity of each structure unto its own, working on things such as security, continuing to upgrade because of technology is changing in such a way. As those get worked out in guidelines and criteria, that gets fed into the design and construction process. So that's just to name a few and there's a whole laundry list of items that are - we work on.

Commissioner Bauer: Thank you. That's helpful.

Steve Plate: Thank you.

Commissioner Sartor: Okay, so there's no need for a vote here. We'll just recommend it to the full Board on the Consent Calendar. Okay. The next item, Steve.

Steve Plate: Yes, Commissioner. At 1 World Trade Center, staff is seeking additional funding that we'll be distributing among 19 consultant services firms covering design, planning, technical, peer review, testing, inspection, and specialty advisory services, all of which are included in the overall budget for these agreements.

The current slide is a list of the effected consultant agreements that would be covered by this authorization. Staff recommends that the Board authorize an additional $5.925 million, which bring the total authorization to date to $31.818 million.

Commissioner Sartor: Now, Steve, you should point out that these contractors or these consultants were inherited as a result of us assuming responsibility for the - for World Trade Center Number 1.

Steve Plate: Yes. Over a year ago in September of '06, we were handed these consultants. We inherited them from Larry Silverstein and Silverstein Properties. What we did over the last year or so is work out precise contracts with them based on our agreements. And also as that was going on, we also defined precisely what the exact scope of their work was. And as we did that, we resolved any open issues. And this is a culmination.

Commissioner Sartor: So now all of the consultants who were associated with World Trade Center 1 have a contract with us with the exception of SOM. And you're still negotiating those…

Steve Plate: That's correct.

Commissioner Sartor: …that particular contract.

Steve Plate: That's correct. And we're hopefully coming to closure on that very shortly as well.

Commissioner Sartor: Okay.

Commissioner Bauer: Excuse me, Steve. And I think you're - Tony basically asked the question, all of these consultants are necessary. You've done your work. You feel that…

Steve Plate: Yes.

Commissioner Bauer: …it's important that we continue to work with them?

Steve Plate: Traditionally and just to give you a little more background, what would have happened if we had probably - if we had initiated this project from the outset is we would have hired one prime who would have hired all of these subs. And the way the Silverstein Property had done it, he actually hired each one individually. So rather than - no one firm was interested in bringing under their umbrella, so we actually - it was a lot of work for staff, but I think it worked out best for The Port Authority because we were able to negotiate a very fair settlement with each one individually. But if you look at the size of some of these firms, they range from hundreds of thousands to tens of millions, depending on the amount of work.

Commissioner Sartor: Normally what would happen is the architect would be responsible for hiring most of these consultants.

Commissioner Steiner: Point of information, who will be managing these people?

Steve Plate: Actually the Port Authority staff is. They've been doing it over the last year. And I have to say, they've been doing a very fine job and it's been working out rather well.

Commissioner Steiner: So the previous thing we voted for includes funding for supervising these people?

Steve Plate: Yes, sir.

Commissioner Steiner: Okay, so in other words, the one that we passed, the first - for the first motion we heard provides for a staff payment to oversee this?

Steve Plate: Actually it was in a different one. It wasn't this one. It wasn't the one today. It was a prior one.

Commissioner Steiner: Previous - prior one?

Steve Plate: Prior one, yes, sir.

Commissioner Steiner: Thank you.

Steve Plate: Yes, sir.

Commissioner Sartor: Any other questions? If not, we'll refer this - this will be a Board item. Steve, the next item.

Steve Plate: To date, 90 percent of 1 World Trade Center trade contracts have been bid or are ready to award. The following three construction trade contract bids have been received and staff recommends that the awards for hollow metal and finished hardware go to Long Island Fireproof Door, Inc., the lowest responsive bidder at $1,790,640. The award for direct expansion air conditioning system, also known as DX units, goes to McQuay, International, the lowest responsive bidder, at $15,189,754. And finally, the third award for superstructure fire protection systems go to Rael Automatic Sprinkler at $37,260,000. The fire protection system for the Freedom Tower has been designed to meet and for certain elements exceed New York City codes in consultation directly with the FDNY. Throughout the design/development phase, open communication with the FDNY has been maintained, including several design review presentations to the Fire Department of New York City.

Commissioners, with all these authorizations today, we are still within budget. I request that you advance these items to the full Board for approval.

Commissioner Sartor: All right, Steve, let's take them one at a time. What was the engineer's estimate for the hollow metal doors and finished hardware? Do you recall? And how does it compare to the number that we have here? And the same question is going to be applicable to the other two.

Steve Plate: I don't have those numbers in front of me, Commissioner.

Commissioner Sartor: All right, what I'd like you to do is get that to us before the Board vote today.

Steve Plate: Yes.

Commissioner Sartor: Yes?

Commissioner Steiner: I'd like to ask a couple of questions on the first one about the water-cooled units we've been in communication and I know we haven't worked this out, but I suggest you reexamine your purchase of spare parts. You haven't provided any spare parts because you have an estimated five-year consideration. I'm concerned that in five years, somebody won't be manufacturing this equipment and I think you ought to provide an adequate supply of spares, even if it's an investment, because you will rue the day later on when something goes and you don't have the equipment. You have an ongoing business. You can't wait for a manufacturers to come repair. You have to be able to immediately replace and I think you ought to rethink that.

And the other point that I want to make is on the sprinkler, on the fire protection, I think we ought to have a paragraph in that contract with the contractor that we're relying on his expertise and he warrants and represents to the best of his knowledge that his system meets all - meets or exceeds any requirements of all governmental agencies having jurisdiction or otherwise. I think that's an important thing for him to make that representation since in a way we're really relying on their expertise when they do the shop drawings and everything else. So I would hope that we could include something like that in the contract.

The other thing that I wanted to talk about on the DX units, I wonder if we couldn't include something. Is the HVAC contract given out already?

Steve Plate: We're in the process of bidding it now.

Commissioner Steiner: I would hope that you might be able to get something included in the HVAC contractor that he - we're relying on his expertise and he agrees that these are the proper units to be installed and that he assumes responsibility as if he purchased it himself, even if we have to give him a little bit of money. I don't want to have a fight. The equipment didn't come in right or that once he accepts it, he's responsible as if he purchased it himself, except that we are paying for it. So I'd like you to look at that in the contract provisions, please.

Steve Plate: Yes, Commissioner.

Commissioner Steiner: Thank you.

Steve Plate: We'll take a look at that and make that happen. Back to your original question on the engineer's estimate versus the three contracts, on the first one, the engineer's estimate was significantly higher. If you want the precise number, it was over $4 million.

Commissioner Sartor: Okay.

Steve Plate: So we were able to…

Commissioner Sartor: That was on the finished hardware and the doors.

Steve Plate: Yes, sir.

Commissioner Sartor: Wow.

Steve Plate: On the…

Commissioner Steiner: I thought we changed the number of doors.

Steve Plate: Yeah, on the automatic sprinkler, it was within 10 percent. The engineer's estimate was close to $32 million versus the $34 million. And on the last one…

Commissioner Steiner: So we're paying more than the engineer's estimate. Is that correct?

Steve Plate: Yes, sir.

Commissioner Steiner: Thank you.

Commissioner Steiner: And how old was the engineer's estimate?

Steve Plate: Sorry?

Commissioner Steiner: Now long ago did we make the engineer's estimate?

Steve Plate: Two months ago.

Commissioner Steiner: So we really have a 5 percent increase.

Steve Plate: Yes.

Commissioner Steiner: That's understandable.

Steve Plate: Actually what we did is we received the bids, if I just step back a minute, we received the bids, several bids in this case, in each of these cases between three and four. Then we sit with the contractors, with Tishman in the room, who's our CM firm, we

understand better what their concerns are. And as a result of that, we get better educated and work closer to developing a plan, a project, a construction contract that is a win-win for both of us and enables them to reduce their price. So we've been able to…

Commissioner Steiner: Yes. I would like to add I know those two suppliers, McQuay, you're buying one of the best units in the business. They're reputable people. They've been in business for a long time. And I've had personal experience with Rael. I've used them. They're very good. I think they're one of the best in the business. So I think you've made a good choice.

Steve Plate: Thank you, Commissioner. And the last one, just to close out, on the DX units, the engineer's estimate, again, was higher. It was in the neighborhood of $22 million.

Commissioner Sartor: It was a $7 million difference?

Steve Plate: Yes, sir.

Commissioner Sartor: Wow. Okay. So that's about 30 percent...

Steve Plate: Yes, sir.

Commissioner Sartor: …lower? Okay.

Steve Plate: Yes, sir.

Commissioner Sartor: Thank you.

Steve Plate: And we're in the process of now taking the remainder of the bids for the mechanical, electrical, plumbing, so we're working through that.

Commissioner Sartor: Steve, when do you expect that to come in?

Steve Plate: They're actually in already and…

Commissioner Sartor: When do you come back to us with a recommendation?

Steve Plate: Over the next three months. We're going to break them down. We're breaking them down and negotiating with each one of them as we speak. And what we're looking at, just to prepare you and I've got the direction from the Executive Director, as well as yourself, to look at our terms and conditions and understand exactly what issues are near and dear to the contractor's heart and things that we could be flexible about that could possibly make the job go faster and less expensive. So we're working through that and we're really - it's been a very effective process because, you know, when you just get the bids, there's a lot of - there's a lack of communication because you're sending documents out and they don't fully understand the job. When you sit in a room under a

very controlled environment led by our procurement people and their guidelines, Lillian, and we're able to work through that and she set up a very strict procedure that we follow but yet it enables us to communicate in a very rigorous way, so.

Commissioner Steiner: Are you considering with the purchase of the electrical contractors purchasing major pieces of equipment ourselves to avoid the approval disputes with going back and forth? You've done it with the HVAC equipment. Are you considering doing it with the electrical, like…

Steve Plate: We're looking at that.

Commissioner Steiner: …distribution equipment, bus ducts, the major pieces of equipment, and the light fixtures where you always have a big hassle back and forth where they're trying to buy a lesser figure - fixture and then you fight back and forth and instead of your getting the benefit of it, the contractor does.

Steve Plate: Yes.

Commissioner Steiner: So I suggest you look into that.

Steve Plate: Yes. As - we had that discussion with the mechanical equipment.

Commissioner Steiner: Yes. I just want to point out I always like to have a representation that they examine and are comfortable with the plans and they have no problems with them.

Steve Plate: Yes, sir.

Commissioner Steiner: Because that's always a source of contention in the game.

Steve Plate: Okay. Commissioners, the next item, I'm very pleased to report today that we have made great progress in advancing construction for the National September 11 Memorial &Museum. We have awarded or are ready to award over $200 million in construction trade contracts with over $115 million in contracts already out for bid. Combined, that represents over 70 percent of the total value of construction trade contracts for this very important project.

Here you can see the memorial steel photos taken at Owen Steel fabrication shop and yard in Columbia, South Carolina. Approximately 1,425 tons of structural steel have already been fabricated, of which 150 tons have been delivered to the marshaling yard in Camden Yard, New Jersey. Steel erection in the northeast quadrant is planned to begin this summer.

Today, staff seeks approval to award the structural concrete trade contract that will encompass all slab on-grade topping slab on deck hardened walls, steel member

encasements, and certain sheer walls for the memorial and cultural project contract and World Trade Center infrastructure projects.

The memorial will cover approximately 60 percent of the costs and staff recommends the total award go to Navillus Contracting, Inc., the lowest responsive bidder, which with Bovis Construction Management is $103.9 million. Commissioners, I request that you advance this item to the full Board for approval today.

Commissioner Sartor: Yeah, I was just going to ask the same question that we asked before. How does this compare to the engineering estimated budget?

Steve Plate: The engineer's estimate, well, the actual bid came in at $89 million and our estimate for this same work is a little over $90 million.

Commissioner Sartor: So it's close.

Steve Plate: It's very close.

Commissioner Steiner: How do you account for the other $14 million, $15 million? What's that attributable to?

Commissioner Sartor: That's Bovis.

Steve Plate: That's - it's a combination of extra work and Bovis's markup as the CM firm.

Commissioner Steiner: Uh-huh. Is this contractor presently working for us on the site?

Steve Plate: No. This would be the first.

Commissioner Steiner: So we'll have fresh people?

Steve Plate: Yes, sir. In fact, the other positive about this is even though the industry has been somewhat restrained, in fact, we're hearing many jobs where they're only getting one bidder for concrete, we actually had three bidders, which was very competitive. And we were able to work through - actually I stand corrected. We had four bidders.

Commissioner Steiner: Yes.

Steve Plate: And we were able to work with them.

Commissioner Steiner: I would think with the current slowdown in the construction industry, perhaps we'll be able to attract more people as the residential business slows up.

Commissioner Sartor: And hopefully see the numbers come down as you have in certain instances here today.

Steve Plate: Yes, Commissioner?

Commissioner Bauer: Steve, I just wanted to thank you for moving forward on this project. Obviously everybody understands why I have a personal as well as a professional gratitude for all (inaudible).

Steve Plate: Thank you. It's actually getting very exciting. It's - when you go out there, you see the slurry wall that we are preserving. And that's well underway. And the steel will be arriving soon. And we just keep building on itself. It's actually even exciting for me when I go down and walk around the site. Things change almost daily. And it's a great, great thing.

Commissioner Sartor: Yeah, I'd like to encourage the Commissioners to go down and see what's taking place. Steve is going to give us an update now on the construction activity on the site, but you've really got to go down to feel and see what's happening there. It's just an incredible accomplishment to date and more to come.

Go ahead, Steve.

Steve Plate: Okay, thank you, again, Commissioner.

Commissioners, the following sequence of slides will demonstrate what Commissioner Sartor is saying, namely the construction progress and ongoing work across the entire World Trade Center site.

Starting with the Freedom Tower foundation, the contractor continues to excavate within the PATH right-of-way for footings and the crew is now modifying rock anchors to accommodate installation of the reinforcing steel.

Coordination with the Transportation Hub Project is ongoing to ensure that access is preserved at the north projection for structural work to be performed by the Transportation Hub Project at a later date. Reinforcing steel installation at the liner walls abutting the Vesey Street and the West Street slurry walls is nearing completion as adjustments are made to accommodate embedded utilities. Carpenters are constructing form work for the B4 level slab at the southwest corner of the Freedom Tower site.

The curtain wall contractor and subcontractor, namely Benson Industries, has completed construction of the curtain wall markup at the test facility in California. The markup sections are undergoing a variety of tests to demonstrate fulfillment of performance requirements. And as of late - as of yesterday, we were told they pretty much passed all the tests, so.

Here you see the east/west sheer wall that makes up a portion of the east/west connector passageway that will connect the World Trade Center Financial Center to the PATH Transit Hall. This wall will also support the installation of structural members and enable the full scale erection of the Calatrava Oculus arches to proceed.

The PATH temporary access will replace the current PATH entrance on Church Street, moving it to Vesey Street across from Tower 7. Contractors are finishing the structure, which is expected to be open for us within the next few days.

Both entrances will remain open for a short period to help with commutation and commuter transition and switchover to the new facility. Once this is done, demolition of the temporary entrance on Church Street will begin.

The 9A underpass will provide pedestrian traffic to pass under West Street, enter the east/west connector and into Transportation Hub. Secant piles continue to be drilled and poured in this location and will make up the wall structures needed to excavate across the roadway. On the north projection, roof bracing steel was installed and demolition has begun.

Progress at the MTA 1 line underpinning continues. To date, 410 of the total of 440 PATH underpass mini-piles have been installed, cored, and sleeved. Excavation along the sides of the subway structure and removal of protection concrete to allow for installation of underpinning steel is continuing on a two-shift, six-days-a-week basis. Work continues on installation of steel bridge beams, channels, and tension rods in the station area, in addition to cutting and capping of mini-piles is ongoing in the North Station area.

To date, the Memorial team has completed 94 percent of the footings and foundation contract and approximately 4,965 cubic yards, 95 percent of concrete has been placed, and 1,040 linear feet of concrete hardened wall foundation has been poured.

Approximately 96 percent of the contract work, which includes column footings, hardened wall slabs, and sheer wall footings, pits for elevators, sumps, and escalators, under-slab plumbing, and drainage piping have been completed. The counter-fort (pilaster wall) activities continued for the exposed slurry wall and the Memorial Museum with coordination of bentonite slurry and the de-sanding operation, drilling and coring, installation of the 26-inch diameter and 12.75 inch diameter caissons, including video inspections of the rock sockets are now 100 percent complete.

In preparation of moving the Vesey Street Stair remnant, contractor JH Reid completed the saw-cutting of the stairway remnant and demolished the concrete bulkhead to expose the granite stairs. The contractor then installed protective coverings in preparation for craning and transporting of this precious remnant.

The following video taken on March 9 shows the Vesey Street Stair run and its new steel supporting structure being lifted by a 500-ton crane and placed onto a 12-axle transporting vehicle. It was then rolled approximately 200 feet west to its interim location on Vesey Street in front of the temporary north access head house.

The stair run will remain on cribbing in this location until it is ready to be permanently installed in the Memorial Museum.

I have to take my hats off to the men and women, not just of the Port Authority staff, the consulting staff, but also of the labor unions, who actually took a very special attention to the detail. I watched them that day. And I couldn't have thanked them enough. And they were very proud to be a part of this. It went within a - we had placed to be conservative eight-hour slot. It took about an hour to make this move. One hour.

And there it is sitting, if you'd like to visit, waiting to go to its permanent location.

Commissioner Steiner: Steve, have we done anything to get this out on TV in the PR - could our PR department, I think it's a great news story.
Steve Plate: We should take a look at that.

Commissioner: I really think - in addition, you know I've always felt what the Port Authority is doing with all of its staff and all of the people helping us, should be the subject of a book later on. I've seen all of the stories about Robert Moses and all of the so-called master builders. You people are the master builders of today. This is such a world-class project and there's so many lessons to be learned from this project and it ought to be preserved in the form of some kind of a book and movie for generations to come. It's a crowning achievement for the Port Authority, notwithstanding all of the complaints you hear from people who don't have any understanding of the complexity or magnitude of this enterprise. This is one of the wonders of the world. And I compliment everybody and I think it ought to be preserved for posterity.

Anthony Shorris: (Inaudible) Robert Moses (inaudible).

Commissioner Steiner: Him, too. We'll include him in the…

Steve Plate: So in short, I'm very proud to report today that every element of the World Trade Center is now under construction -- the Freedom Tower, Silverstein Properties Towers 3 and 4, the Memorial, the east/west connector, and the PATH station to only name a few. Thank you, Commissioners.

Commissioner Steiner: Mr. Chairman, a question -- how many people are employed on that site now? Do we have any idea about the rough quantity and order of magnitude on a daily basis?

Steve Plate: We're - without - I haven't taken a count from Silverstein, but we're about 700 without Silverstein, so…

Commissioner Steiner: Our people, about 700.

Steve Plate: About 700.

Commissioner Steiner: And we have a log of how many major pieces of equipment?

Steve Plate: Yes, I think it was close to 100.

Commissioner Steiner: Okay. In keeping with that, Mr. Chairman, I wondered if we could be brought up to date what, if any, special measures you've taken or are about to undertake to check the security and well-foundedness of the cranes and our operating procedure? We've all heard of that unfortunate accident and I know that we're much more safety conscious, but I wonder if you could bring us up to date on what we're doing?

Commissioner Sartor: Sure. Steve can do that. We've had inspectors down there. We're looking at all of the - Steve, go ahead. Why don't you go ahead and…

Steve Plate: Well, I happened to be on the site the moment that event happened and we were erecting the two cranes for the Silverstein property. And we obviously were watching over that with Silverstein staff ourselves. But there's a very rigorous certification process that we follow and it's inspected and I - we actually have it documented, which we follow very closely. In light of the accident, we're continuing to look at it even closer to learn from that. We're also in direct communications with Bill Goldstein and the DOB to ensure that any new developments -- and they are coming out with new information and new developments -- we'll include that in our inspection and we'll continue to upgrade that and make sure that anything other than what we're doing, which we are watching very closely, will further enhance our safety at the site.

Commissioner Steiner: Yes, I would add one thing that I know we are very safety conscious and I can't understand - and I hope that we won't make that mistake of not having redundant bracing on cranes and not to depend on one point of support.

Steve Plate: Yes, we're looking at that.

Commissioner Sartor: You know what we may want to do at one of these - one of the Subcommittee meetings is just have a - our concern for safety onsite is a tremendous effort that's underway. Maybe we can summarize for the Commissioners what that effort is and how we're going about it, both safety and security issues.

Steve Plate: We have a very rigorous program and I'd be happy to share that with you.

Commissioner Sartor: Yes, I think it would be a good presentation.

Chairman Coscia: Which, by the way, Mr. Chairman, I would just add that after the accident happened on the Eastside, I was - not surprised. I was pleased to - in my discussions with Tony Shorris how on top of the entire situation he and his staff were. I mean, they were very, very knowledgeable of all of the various issues that were relevant to it. It's very clear that our staff has thought about these things for some time and that as

horrible and as unfortunate as that event was that people here were very prepared and our Executive Director was very much on top of it.

Commissioner Sartor: Do we have any other items that we want to discuss? I see none. the meeting is convened.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee
May 22, 2008

Commissioner Sartor: Good morning. The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee will be held in public session, after which the Subcommittee will meet in executive session to discuss matters related to the purchase, sale or lease of real property or securities where disclosure could effect of value thereof of the public interest, or the public interest. In addition, the public portion of this meeting is being broadcast live on the internet via the Port Authority's website for those interested in viewing today's proceedings remotely.

The first item on the agenda is update on World Trade Center real estate matters. Michael.

Michael Francois: Thank you. Good morning Commissioners. Today I am requesting additional funding in the amount of $5 million for an existing agreement with World Trade Center Properties at Silverstein Properties for professional architectural and engineering services to complete the final coordinated design phase for the East Bathtub Retail fit out and for related work at the World Trade Center site.

This would bring the total authorized retail planning funds to $38.4 million. Let me provide some background.

In April 2007, World Trade Center retail executed an agreement with Silverstein for the design of the East Bathtub portion of the retail space. Let me explain a little bit why Silverstein did it, because the retail space is integrated into the base and the above grades Towers of 2, 3 and 4. So it is essential that one firm coordinate a lot of this design work.

So now there is a need to complete this design work since construction is about to begin. And certain design revisions that we need to address will increase the value and subsequent return on the retail asset. The scope includes the completion of construction documents and bid packages for retail in the East Bathtub, for new design work including the incorporation of the modified concourse below grade in Tower 2. And changes to the main North/South Corridor, as well as Tower 2 transit retail lobby modifications.

And lastly, the resolution of retail, background conflicts which basically mean because it is such a complex project where there are multiple parties such as not only retail, World Trade Center, the Hub project, as well as Larry's buildings, we need to resolve various design conflicts that will evolve.

The total requested funding we are seeking today is $5 million.

As this design work progresses the joint venture between World Trade Center Retail and Westfield is being finalized. The Board authorized this joint venture in January of 2008 and Westfield is spending funds to prepare and evaluate designs for the retail project along with us, as well as providing significant resources for marketing, leasing and construction oversight.

Both parties, World Trade Center Retail and Westfield will invest over $600 million as equity into this project as you probably recall previously.

Commissioners, I request that you advance this item to the full Board for approval today.

Commissioner Sartor: Any questions from Commissioners?

Commissioner Bauer: When you talk about the design coordination Michael it is just simply because you have to have some uniformity so you don't have duplicate retailers in the same complex, is that what it is.

Michael Francois: From the standpoint of design uniformity, it means more or less that we need to make sure that our basic specifications relative to retail coordinates more with the Hub as well as with Silverstein, so we don't have any conflicts, especially in mechanical, electrical and plumbing areas.

Commissioner Sartor: Yes, the basic reason for this is when we go out for bids, Silverstein is going to be overseeing this and it has to be consistent with the packages that exist in his buildings because 2, 3 and 4 are being designed by Silverstein's architects and we need to have that coordination so we are eliminating –

Commissioner Bauer: Any potential problems down the road.

Commissioner Sartor: Conflicts. Yes. Next item.

Michael Francois: The next item Commissioners I want to update you today on our recent activities related to the Port Authority's office space in 4 World Trade Center. Included on the May Report of Actions is a contract with Studios Architecture for expert professional architectural engineering and interior design services for the build out of approximately 600,000 square feet of Port Authority office space in 4 World Trade Center. As a result of the conceptual framework authorized by the Board in April 2006, the Port Authority leased 627,000 square of office space on 15 floors in 4 World Trade Center via an agreement that was authorized by the Board in September 2006 and executed by the Port Authority and Silverstein in November 2006. This was a critical requirement of the various documents that may comprise a conceptual framework.

The scope of work for this project includes preparation of conceptual design package based on the Port Authority's preliminary programming and stacking plan. A design development package, final design and contract documents as well as post construction contract award services is required and will be secured through Studios Architecture.

In a response to a publicly advertised Request for Qualifications and a Request for Proposals, 6 pre-qualified firms submitted proposals in February 2008. These proposals were evaluated on a best buy basis based on these weighted criteria: Staff experience, firm experience, technical approach, management approach and cost. All six firms were evaluated based on their written proposals as well as oral presentations. Studios Architecture received the highest technical

score. The past experience of the firm and the lead designer demonstrated Studios' strong design excellence philosophy along with the ability to be creative within the confines of a strict design criteria as well as being able to look at creative designs for atypical office buildings.

Studios' proposal and oral presentation demonstrated an understanding of the complexity of the Port Authority's requirements and addressed our commitment to sustainability. The selection committee concluded that Studios' proposal was the best buy. The total cost of the contract will not exceed $4.2 million plus contingency.

This new office space will consolidate a large number of Port Authority staff in one location and will enable the Port Authority to demonstrate its commitment to the World Trade Center by its presence as an anchor tenant in the project. I request that you concur with this action today.

Commissioner Ferer: I just want to know, how many people answered the RFP.

Michael Francois: There were 17 firms in total that responded to the RFP.

Commissioner Ferer: I'm looking at the selection process – that when you were doing this was there anybody else close to Studios.

Michael Francois: Actually Studios in the final evaluation of the six finalists, nobody was really close to Studios.

Commissioner Ferer: Really. Okay.

Michael Francois: Not only from a quality but also from an economic standpoint.

Commissioner Ferer: Okay, I see. And when they bid on this scope of work, do they give you any kind of ideas or sketches or --

Michael Francois: There was, they did to the degree of previous, how can you say, projects that they had more or less designed themselves. I don't think they got into any real prototypical design for our space. Although we are familiar with them to the degree that they actually were involved in the design of some of the retrofit I should say at this particular building for us. They have also done Bloomberg as well.

Commissioner Ferer: That's good to know. And what else in New York besides Bloomberg.

Michael Francois: I don't have all of the other offices in New York –

Commissioner Sartor: Why don't you get that --

Commissioner Ferer: That's alright. I was just curious what other –

Commissioner Sartor: Michael, why are we doing this 4 years ahead of the completion of the building.

Michael Francois: There are a few critical elements more or less lead elements that we feel would be appropriate to address at this point in time. We had a preliminary program and stacking plan prepared through Callison via Jones Lange Salle. But now that Silverstein is moving ahead with the construction of Tower 4, there are certain special work items, tenant special work items that would be desirable for us to address early on in the game in order to basically save some costs. Such things as the design and placement of an 8,000 gallon fuel tank for an emergency generator, electrical upgrades specifically vertical to the closets, gas risers, the dedicated telecom conduits, steam taps to the base building, high density file structural upgrades to the building, and the placement of interior staircases within the structure. I can go on to a few other things, but those are some of the highlights.

Commissioner Sartor: Okay.

Commissioner Bauer: All of those sustainable.

Michael Francois: Yes, some of it sustainable, but some of these things, if you can provide direction to Silverstein at this point in time you will be able to reduce cost.

Commissioner Sartor: The most cost effective

Michael Francois: Right.

Commissioner Sartor: Michael, in the absence of Commissioner Steiner, I see a blended multiplier of 2.73 which is significantly higher than some of the contracts that we have given. Can you give us an explanation for that.

Michael Francois: This work was actually procured through, I think if you look at the combination multiplier as well as the base cost of the people that will be assigned to this project, it is very competitive. And Studios' overall multiplier, although it is higher than the 2.4 we would like to see, it is definitively the lowest of all the design firms.

Commissioner Sartor: Thank you. Any other questions.

Commissioner Bauer: Not from me.

Commissioner Sartor: Thank you, Michael.

Michael Francois: Thank you.

Commissioner Sartor: Mr. Plate. We saved, you're second spot today.

Steven Plate: Yes sir.

Commissioner Sartor: Go ahead.

Steven Plate: Commissioners, today I will be presenting the following World Trade Center construction items for your approval, including funding for a World Trade Operation Command Center and Radio Communication Systems planning authorization, an increase in planning authorization for the street's utilities and related infrastructure in addition to seeking the award of two trade contracts for 1 World Trade Center, namely the Freedom Tower.

An independent security review of Lower Manhattan has been conducted with external security partners and a consistent theme throughout has been the need for a World Trade Center site wide command control communications and information sharing and for stakeholder and adjacent sites to have the ability to communicate and share security information.

The radio systems will be designed as a site wide underground system that will tie into the office towers and World Trade Center transportation hub systems which are expected to be out for bid shortly. The recommendations of both the 9/11 Commission and the National Institute of Standards and Technology will be incorporated into the plans.

As important, we have also had initial meetings with numerous stakeholders including the Port Authority Police, NYPD, FDNY, New York City EMS, FBI, Secret Service and New York City Department of Information Technology and Telecommunications. They all support the need for a radio system that will allow them to communicate within the World Trade Center site whether inside the hub or up in the office tower. This planning authorization is a next step in the Port Authority ensuring that the communication systems at the World Trade Center meet the needs of the first responders. Previously the Port Authority and Silverstein Properties collaborated with the Fire Department and installed a wireless system in 7 World Trade Center.

Similarly, at the interim World Trade Center PATH Station and tunnels under the Hudson we have installed repeaters so the FDNY can use their radios. We have also installed Port Authority 800 megahertz radio systems at the World Trade Center site so that the Port Authority Police from other facilities can utilize their radios if sent to World Trade Center.

Finally, we will continue to work with NYPD as we develop the overall plan and discuss potential locations for the operations command center. Once completed we will have 10 NYPD radio channels and 10 FDNY channels plus additional EMS talk and mental telemetry. These are in addition to PAPD radio channels and the 5 nationwide neutral aid 800 megahertz channels that every agency using 800 megahertz radios must program into their radios for interoperability purposes. Commissioners I request that you authorize $5 million for planning system design and advance this item to the full Board for approval today.

Commissioner Sartor: Any questions.

Commissioner Ferer: Just for the planning and design.

Steven Plate: Yes, this is really getting people in a room to understand the needs, coordinate that, makes sure we have everything captured and then look at the best technology available and technology is growing very rapidly.

Commissioner Ferer: $5 million seems like so much money for the planning and the design I guess.

Steven Plate: It is the design; it's laying out the entire systems; it is communicating tremendous – it is, to develop a communication system you really have to communicate well with all of the different agencies and last year we did a very good job on 7 World Trade and I think everybody is very comfortable with that. We want to use that as a model to step off.

Commissioner Ferer: Maybe we can amortize what we learned over there for this so that –

Steven Plate: Yes, we will. We have the same team, the same people on our side, and we will be looking for consultant help in that regard.

Commissioner Bauer: I think $5 million is money well spent if it provides the most efficient and sophisticated technology.

Commissioner Ferer - Also, so this system, like at 7, is not centralized. Will it have some wireless components so the same kind of messaging that is going over the system on site will also be able to be received elsewhere.

Steven Plate: Yes.

Commissioner Ferer: Kind of like – so if something happens to that site –

Steven Plate: What will happen is, and not to get into too much detail, what will happen is each component, 7 World Trade Center will have their locations for example, Hub will have their locations. Each facility will have their location. This is the overall control center for the entire site as well as for the private owners as well as the public owners and it will go into one location. It will be a place that they can actually work as a command center during a very significant operation. And it will be – and that is the part that we are going to be –

Commissioner Ferer: But if that command center is destroyed where is the backup.

Steven Plate: To this one? Actually ties in to the NYPD system as well. So we have backups with a primary in the buildings, there is a secondary in the control center area, there is a tertiary in this area and then there is an NYPD one which backs it up. So we will have tremendous amount of backup. And that is to your question, which is a very good question, that is the part of it we have to struggle with, where best to put it. And that is – do you put it in near the site, do you put it above ground, underground, and we will be looking at all of those different components.

Commissioner Ferer: Put it offsite. Any consideration for offsite.

Steven Plate: Yes, we are looking at that as well. And we are talking to the experts and there is debate on how close, if it is offsite should it be in the immediate vicinity offsite or further away.

So that is all part of the analysis; they bring in the worldwide experts as to what the latest technology, what people have found relative to how best to handle that.

Commissioner Ferer: And will this – is there any advantage to having it be kind of a protective location where it is not widely known where the command center is.

Steven Plate: That's why I'm not saying –

Commissioner Ferer: Right, right.

Steven Plate: There are a number of locations that are ready, being looked at. But I am obviously not sharing it in a public forum.

Commissioner Ferer: Just to clarify, if you have an offsite location for this communication – wherever the primary location is, there could be a duplicative command center location somewhere else.

Steven Plate: Yes.

Commissioner Ferer: So if one were destroyed, the other stands.

Steven Plate: Yes.

Commissioner Bauer: And you said the NYPD would also have backup.

Steven Plate: They have a Lower Manhattan [inaudible].

Steven Plate: Tremendous amount of redundancy. But we will continue – and I can't emphasize enough that the technology is changing so rapidly and the systems are growing so much more robust in this area that it is almost changing daily.

Commissioner Sartor: Any other questions.

Thank you Steven. Next item.

Steven Plate: As you may recall we established a planning authorization that was not to exceed $10 million. Today we seek an additional $3 million which will result in a total authorization of $8 million which is still less than the $10 million. This funding will be used for expert professional architectural engineering services provided and a contract with Downtown Streetscape Partners, DSP, which will include continued planning of the preliminary design of the World Trade Center streets, utilities and related infrastructure. This includes development of additional options for pre-configuration of the World Trade Center site including street utilities, bollards and sewer locations. Commissioners I request that you advance this item to the full Board for approval.

Commissioner Sartor: Are there any questions on this item.

Okay, Steve, (inaudible).

Steven Plate: To date, 90 percent of 1 World Trade Center, the Freedom Tower trade contracts have been bid already or are ready to award. The following two construction trade contract bids have been received and staff recommends the award of plumbing packages 1 and 2 go to WDF, Inc., the lowest responsive bidder at $90,612,000, inclusive of extra work. These packages include plumbing work for the core and shell and the tenant floors 20 through 88 of the Freedom Tower.

The second trade contract we seek to award is for heating, ventilation and air conditioning. Ventilation packages 5 and 6 to ASM Mechanical Systems, the lowest responsive bidder at $72,360,000, inclusive of extra work. Package 5 provides for the installation of HVAC systems for the ground floor through the 57th floor and Package 6 provides for the installation of HVAC systems equipment for floors 58 to the roof. I request that you advance these items to the full Board for approval today.

Commissioner Steiner: Point of information.

Steven Plate: Yes, Commissioner.

Commissioner Steiner: Do you have appropriate unit prices for changes and modifications included -- sometimes with the number of changes we have, I know it's a lot of work, but I'd feel comfortable if we have appropriate unit prices for as many items as possible to avoid the discussion and negotiations later on.

Steven Plate: We do, but let me take another look at that before we wrap up the final contract.

Commissioner Steiner: Thank you.

Steven Plate: Thank you, Commissioner.

Commissioner Steiner: I have another question. What do we know about ASM. I don't recognize the name. Do we –

Steven Plate: They are a very good firm. They have done work in the city. We have actually got to working closely with Tishman and this worked well because on both of them, both WDF and ASM. Both firms were brought through a process, a very rigorous process, watched under Lillian Valenti's group, Procurement, to make sure we follow all of the rules and regulations. But in balancing that we were able to bring forward a very competitive environment and make sure we had people who could do that.

Commissioner Steiner: I am not interested in so much, I know you will get the best price, but have they done jobs of this order of magnitude and they have the staff and capability to do it.

Steven Plate: Yes we have looked at that. We had a BAFO process of best and final and we went through that in great detail and I could share those details with you.

Commissioner Steiner: But they have done jobs of this order, of this magnitude, and the people thy have worked with have been happy with them.

Steven Plate: Yes.

Commissioner Steiner: Thank you.

Commissioner Sartor: You may want to share with the Commissioners the level of effort that went into this with procurement and legal in terms of getting the numbers to where we wanted them, Steve.

Steven Plate: Well actually, several months ago in our discussions when we received the bids and this particular area, as we have pointed out, the mechanical, electrical, plumbing area, prices are throughout the city being found to be very high. And under your direction, the Commissioners, we, Procurement and World Trade construction took a step back and looked during the baffle stage very closely at the contracts, particularly looking at how on a design and construction side how we configured it as well as looking at the terms and conditions. We got a lot of very good input from the contracting community. They were helping us to inform us as to relative to what areas were adding a lot of money but yet were not giving us much in return.

And we really took a hard look at that and made some significant reductions relative to the final price. So we were able to make some reasonable terms and conditions reductions as well as reducing the price and coming up with an area that we feel that we are in a fine balance relative to protecting the Port Authority and protecting the Agency.

And we, by the way, we are continuing to do that on all fronts. The Freedom Tower was the first. We are also doing it with the Memorial and we are also looking at doing that with the Hub. And it is very helpful because the contractor community actually comes along with you; you do it in a very formal process so you make sure that everything is done properly but yet it gives you good impact and is good feedback back and forth. And they take ownership in a bit of the design as well as some of the terms and conditions. And if you look at the terms and conditions, and we have had these discussions, they date back to when people can't remember when some of those came from. And we look at them and say, "Why do we still ask for that" So we have backed away from a number of those strategically.

Commissioner Sartor: And Lillian is here and she can, she had people participating in this effort. So it is sort of a new paradigm that we have entered into here in order to get the numbers down from where they were. Any other questions on this item. If not, let me welcome our incoming Executive Director, Christopher Ward.

Christopher Ward: Thank you. (Inaudible – microphone inaccessible). And I am delighted to be here. Some of you know I have been with the Port Authority before and –

Commissioner Sartor: You are on TV by the way, sir.

Christopher Ward: I'm delighted to be back. As some of you know I have been at the Port Authority before. I think my role here is a fairly simple one, perhaps not easy and that is to build out all the work that has been done before and help take the Port Authority into the next decade in a way that makes all of us proud of how we continue to serve the region, in particular for this location, provide the leadership for Lower Manhattan. And I really look forward to working with all of you through what will be hopefully fun and exciting, but obviously difficult issues.

Commissioner Ferer: There's something that I would like to say about Chris. After September 11th, I had never met Chris before in my life. And after that day we became intimately involved in dealing with the issues that followed and he was – well no—but he was –

Christopher Ward: We were close; let's just leave at that.

Commissioner Ferer: We were close. Okay, not intimately involved. But I would just like to say that – I'm trying to add some humor to a sad memory. But you're participation around that time was so crucial and so important to this agency that it is, kind of warms my heart to see you back here.

Christopher Ward: Thank you very much. I appreciate it.

Commissioner Ferer: And I just feel that you have the heart and soul of this agency in your soul. So welcome back.

Christopher Ward: Appreciate it; I look forward to it.

Commissioner Sartor: And likewise we do. Are there any other items in open session. If not the Subcommittee will now adjourn to executive session to discuss matters related to the purchase, sale or lease of real property or securities where disclosure could effect to value thereof or the public interest. Thank you.

The Port Authority of New York and New Jersey
World Trade Center Redevelopment Subcommittee Transcript
June 30, 2008

Commissioner Sartor: First portion of today's meeting of the World Trade Center Redevelopment Subcommittee will be held in public session. Afterwards the Subcommittee will meet in executive session to discuss matters related to the purchase, sale or lease of real property or securities where disclosure would affect the value thereof or the public interest in matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the internet via the Port Authority's website for those interested in viewing today's proceedings.

We have two items for discussion today. The first of which Michael Francois, The China Center in New York, LLC lease agreement.

Michael Francois: Thank you. Good morning Commissioners. Today I am seeking authorization for One World Trade Center to enter into a lease agreement with The China Center New York, LLC in accordance with the terms outlined to the Board. The China Center would be the first private sector office tenant for the Freedom Tower or One World Trade Center, sending a strong signal to the commercial real estate market about the viability of Tower One as a premier downtown office building that anchors the redevelopment of the World Trade Center site.

It is expected that The China Center New York will become the primary location for Chinese businesses looking to expand their organizations in the United States. The China Center will also provide a seamless real estate and service solutions to businesses who are either engaged or wish to engage in the expanding world of Sino-US business and culture. The main components of The China Center program include an executive China Club an executive China Club, a conference center, and a business center with various office suites.

Here are some of the key terms and conditions of this proposed transaction. The China Center would lease approximately 190,000 rentable square feet of mid-level office space on parts of the 64th floor and on floors 65 through 69. The initial term would be for approximately 23 years with two 10-year renewal options. Office rental rates start at $80/rentable square foot with escalations every five years. Storage space rentals start at 50% of the office rental rates. Furthermore, The China Center will provide the Port Authority with in kind services such as the use of China Center facilities abroad. Commissioners I request that you advance this item to the full Board for approval today.

Commissioner Sartor: Any questions from the Board? Yes, Bruce.

Commissioner Blakeman: Would you tell us what the escalations are with respect to this lease over the 22 years and 9 months? You are starting off at a rental of $80/foot.

Michael Francois: $80/square foot, correct. It is a $5 increase every five years that eventually gets us up to $100.

Commissioner Blakeman: So let's do the math. That is a 1 percent increase a year.

Michael Francois: Approximately $5, yes. Well, it would be, actually 10 percent is $8. So 1 percent would be, if I have my math correct, that would be $0.80. So 6 percent.

Commissioner Blakeman: 6 percent per annum?

Michael Francois: Right. So yes, correct.

Commissioner Steiner: No, it's 6 percent over the 5-year term.

Michael Francois: Every five years.

Commissioner Steiner: Every five years. There is no annual increase.

Commissioner Blakeman: But it is a little over 1 percent per year.

Commissioner Steiner: It doesn't work out that way, because it is not compounded. It is not – it's compounded on a five year basis. So the next thing would be $85 and it is $5 on $85 so the percentage goes down every time. It is not a percentage; it is a flat dollar amount.

Commissioner Blakeman: If you had to work out the percentage, what would it be?

Commissioner Steiner: Starting out about 6 percent or about – on an annualized basis, I don't know what it is. But every five years it is about a 6 percent increase the first time. The second time it is about a 5 percent increase; it would go down a little bit each time because of you are working on a larger amount.

Commissioner Blakeman: How does that relate to the market as it currently exists?

Commissioner Steiner: I think that's fantastic.

Commissioner Blakeman: Good. Coming from you that is a great endorsement. Do you concur Mickey?

Commissioner Chasanoff: Yes.

Commissioner Steiner: Mickey and I have been smiling about this.

Commissioner Blakeman: No further questions.

Commissioner Sartor: Mickey, go ahead.

Commissioner Chasanoff: China, the tenant is The China Center New York, LLC. You have obviously investigated their finances, have you not?

Michael Francois: Correct.

Commissioner Chasanoff: I've never seen them. May I see them?

Michael Francois: Sure, we could forward the –

Commissioner Chasanoff: There is a parent company, is there not?

Michael Francois: There is a parent company, Vantone, in China.

Commissioner Chasanoff: Have you attempted to get Vantone as the tenant?

Michael Francois: Vantone is basically the major majority holder of the China Center. They are probably one of the largest real estate holding companies in China. We do have financials on them and we have agreed to a security arrangement with them over the term of their lease to secure the investment here.

Commissioner Chasanoff: How is it secured? Not with a guarantee. Is it a letter of credit, cash or what?

Michael Francois: It is a letter of credit.

Commissioner Steiner: Irrevocable letter of credit, Evergreen.

Michael Francois: Correct.

Commissioner Chasanoff: But that doesn’t run for 22 years?

Michael Francois: No, it's –

Commissioner Chasanoff: Isn't the letter of credit one year?

Michael Francois: That letter of credit will go up to a price of $50 million and it would decrease over a period of time as the term burns off on the lease.

Commissioner Steiner: Question as to what the $50 is the percentage of a year – how many years rent is that? One year's rent, or less?

Michael Francois: I'm not sure off of the top of my head. I will have to get back to you on that.

Commissioner Steiner: Well you have the total rent for the year.

Commissioner Silverman: It's just about three year's rent.

Commissioner Steiner: Three year's rent.

Commissioner Steiner: And this is essentially a net deal, they pay everything – is that correct?

Michael Francois: Correct.

Commissioner Steiner: All the (Inaudible), everything else.

Michael Francois: Correct.

Commissioner Chasanoff: Having said that, is the letter of credit not a one-year, is the letter of credit not good for one year and then has to be renewed? Or does the letter of credit extend for 22 years?

Michael Francois: The letter of credit keeps on extending over a period of –

Commissioner Chasanoff: Automatically?

Michael Francois: Yes.

Commissioner Chasanoff: Are you sure of that? That it is –

Michael Francois: Yes.

Commissioner Steiner: That's what I meant by Evergreen.

Commissioner Silverman: If it doesn't extend then it turns into cash.

Commissioner Steiner: Turns into cash. You have to call it if you don't – or you call it before it expires. The question is, what bank is it drawn on?

Commissioner Chasanoff: That's true to – is it an American bank?

Michael Francois: Right now it is anticipated to be drawn on HSBC.

Commissioner Steiner: And you will have the right of approval of the bank that it isn't some dummy bank?

Michael Francois: Correct.

Commissioner Steiner: -- in China where we won't get –

Michael Francois: We have the approval over the bank to make sure it is a reputable bank within the Port district.

Commissioner Steiner: I made a couple of comments on some of the leases with the staff which I will bring, nothing that would really affect the deal, just some comments on some of the structure which I met with Karen and Susan to discuss.

Commissioner Sartor: Any other questions? If not, we will advance to – we don't need to vote, do we?

Karen Eastman: No, we don't.

Commissioner Sartor: We will advance this to the full Board. We have one more item on the agenda, but before that I would like to welcome Commissioner Holmes to – I think it is your first Board meeting, say it was the second one, okay. We welcome you again.

Commissioner Holmes: Second.

Commissioner Blakeman: First Construction meeting.

Commissioner Sartor: And the next item on the agenda deals with the Lower Manhattan Construction Command Center update. Steve Plate.

Steve Plate: Commissioners, I am here today to provide you with a brief update on the funding status with Lower Manhattan Construction Command Center. Based on the authorization received from the Port Authority Board, we will be releasing $1.1 million very shortly based on the balance billed for the first two years as outlined in the original authorization.

Commissioner Sartor: Okay, my understanding early on this year we advanced some additional dollars based on the initial funding. And we were supposed to have an agreement in place with the Lower Manhattan Triple C prior to the advancing of any of the monies. Do we have that agreement in place, Mr. Plate?

Steve Plate: No, sir. We have sent them a final draft and to my knowledge they are going to be signing it in the next couple of days. Once they sign it, it is coming back to our CFO for execution.

Commissioner Sartor: Is the World Trade Center Subcommittee going to be able to review that? As I recall, when we authorized this money two years ago it was an item that received careful consideration. And there were a number of issues that had to be incorporated into the agreement. And I would really like to see that agreement.

Commissioner Steiner: I would suggest then that that agreement not be executed until it is reviewed by the members, certain people on the Committee here, and also there should be a clear understanding without the agreement and a concurrence by the members of this Committee that no money be expended. No payments made.

Steve Plate: Yes, sir.

Chairman Coscia: Mr. Chairman, if I could weigh in on that subject for a second. I think what is being asked here is to allow the $1.1 million payment that I think is authorized by our Committee and by our Board prior to our past action. The sense I have in discussions with our Executive Director is that he fully understands our interest in making sure that we have an agreement with the LMCCC that actually creates the right level of coordination between what we do and what would be

an important role for them as part of our full funding of the full obligation. So I think there will be a lot more discussion about that subject, and I think after today there will be a lot more discussion about how we better coordinate the activities that we do in Lower Manhattan with other agencies. And I think this discussion is part of it.

So as of today, the $1.1 million allocation I think is something we already were comfortable with and I would suggest we see that through and then further allocations of funds and a full sort of understanding of the relationships and responsibilities of the party – I think we have a good opportunity now to flesh that out in a way that everyone will be comfortable with. So I would suggest that we go ahead at this stage.

Commissioner Sartor: I'm okay with that. Anybody else? Comments? David?

Commissioner Bauer: I agree.

Commissioner Steiner: I am not in agreement but will pass it.

Commissioner Sartor: Okay, alright then we will move this as the Chairman has suggested and I will entertain a motion to close the open session.

Commissioner Blakeman: So moved.

Commissioner Steiner: Second.

Commissioner Sartor: Meeting is adjourned.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Transcript
Thursday, July 24, 2008

Commissioner Sartor: Good morning everyone. We have a rather lengthy agenda this morning, and Steve Plate usually goes slow. So the first potion of today's meeting of the World Trade Center Redevelopment Subcommittee will be held in public session. After which the committee will meet in executive session to discuss matters involving ongoing negotiations or review of contracts or proposals. In addition the public portion of this meeting is being broadcast live on the internet via the Port Authority's website for those interested in viewing today's proceedings remotely.

The bulk of the discussion, well I guess all of the discussion in open session will be handled by Steve Plate, giving us an update on the Downtown Restoration Program and a number of contracts that he is recommending be let. So Steve, why don't you kick it off.

Steve Plate. Thank you, Commissioner. Good morning, Commissioners and everyone else. Commissioners, today I will be recommending several contract award authorizations that will advance construction at the World Trade Center site.

Today, staff is seeking authorization to enter into agreements with the Lower Manhattan Development Corporation and the Hellenic Orthodox Church Street, Saint Nicholas, to implement the conceptual framework for the redevelopment of the southern site. This will enable relocation and rebuilding of the church and acquiring access and property rights necessary for the construction and operation of the World Trade Center's Vehicular Security Center. The Port Authority will provide a $20 million payment to the church toward construction. We will also provide an additional $20 million, up to a maximum of $40 million, depending on the actual size of the church for associated infrastructure costs.

We have recently negotiated with representatives of the church to provide for a transfer of property so that the southern bathtub construction can begin in the current church parcel in exchange for a new parcel above the VSC.

Commissioners, I request you advance this item to the full Board for approval today.

Commissioner Sartor: Any questions.

Commissioner Steiner: I have a comment and a request for your consideration. I note in there that there that we are going to deposit $20 million in an escrow fund to be used for construction; and if it is not used for construction we get it back. May I suggest that that money only be paid out if, as and when rather than put it out there now. You can give a letter of credit for it that we hold on to the funds to make sure that they are done for construction and are not used for any other purpose rather than having to fight for it later on.

And that will put the pressure on them to spend the money for the right purposes and we will pay the bills on our account. But somehow like that. Michael, what do you think of that.

Michael Francois: I agree 100 percent. Will you try to take care of that in the documentation with legal. Thank you.

Steve Plate: Thank you Commissioner.

Commissioner Sartor: And the other item would be, if anything does go into escrow, interest associated with the escrow should stay with the Port.

Steve Plate: Yes, Commissioner.

Commissioner Sartor: Mr. CFO.

Paul Blanco: I believe that that was included as part of the agreement. We spoke about that yesterday.

Commissioner Sartor: Okay.

Commissioner Steiner: It is not in the document.

Steve Plate: Yes, we need to work with them on that.

Commissioner Sartor: Okay, any other questions. Then we should move this to the full Board. Okay, next item.

Steve Plate: The World Trade Vehicular Security Center project will be performed in three phases. The following authorization for Phase I work includes a new basement structure area south of the existing World Trade Center site, including a below grade level to support approximately 28 future parking spots for busses transporting visitors to downtown Manhattan, an entrance on Liberty Street and internal access ramps which will include a Vehicular Screening Center as part of the Security Center for busses and service vehicles.

As progress is made in the design in pre-construction phases related to the World Trade Center Vehicular Security Center, staff recommends a major award of construction to EE Cruz and Company, Inc. and Nicholson Construction Company, EE Cruz, a joint venture, for construction of the exterior perimeter foundation walls of the World Trade Center VSC Phase I facility at an estimated cost of $88,643,160, including an 8% allowance for extra work, and to increase the authorization for an existing agreement with Liberty Security Partners in the amount of $1 million for early action, expert professional, architectural and engineering construction services for the duration of the World Trade Center VSC Phase I construction contract.

The scope under the proposed contract provides for the construction of the exterior south basement perimeter foundation wall bordered by Liberty Street, Greenwich Street, Cedar Street and West Street or known as Route 9A, including but not limited to slurry walls, tie backs, temporary wall supports and excavation down to bedrock. LSP will provide construction support

services to support and facilitate construction including shop drawing review, responses to contractor questions, site visits and resolution of design changes due to field conditions.

Commissioners, I request that you advance this item to the full Board for approval today.

Commissioner Steiner: Mr. Chairman.

Commissioner Sartor: Yes.

Commissioner Steiner: Question. When we are done with this contract, what do we have. We have the outside walls, is that it. And then we have to build a structure within that.

Commissioner Sartor: Exactly. This is just the shell so we can build.

Steve Plate: Exactly.

Commissioner Steiner: Does any of this work form a permanent part of the structure or is this just so we can construct.

Steve Plate: It becomes a permanent part but integrated with the permanent construction or as you would say filling in the whole. If I use the analogy –

Commissioner Steiner: Yes, I understand.

Steve Plate: -- of the east bathtub for everybody, that is basically what we are building –

Commissioner Sartor: Basically you are constructing the slurry wall so you can construct inside.

Commissioner Steiner: Just a point of information – where do we stand on the plans for the rest of the garage. Are they underway.

Steve Plate: We are finished with preliminary engineering and we are looking at some modifications which we need to work through. Once that is done we will begin in earnest on them.

Commissioner Steiner: And one more question. In our experiences as a new venture, Cruz and Nicholson, do we have any problems with them in the past on construction, you know the usual thing about overcharges or anything? Have they all been – is there nothing? I couldn't find anything in my records.

Steve Plate: No.

Commissioner Steiner: I just want the record to show that they are okay because in some cases we have had problems with contractors in the past and we would like to monitor it to make sure that we are getting people who we are not going to have trouble with. So you are satisfied Mr. Lombardi.

Frank Lombardi: Yes, Commissioner. I'm very satisfied.

Commissioner Steiner: Thank you.

Commissioner Sartor: My understanding is that both these companies have worked with us on the site both in the west and east bathtub on the memorial and their quality. One question I have is how does this compare to budget and what kind of numbers did you receive in terms of bids, other bids.

Steve Plate: We had three bidders, all top notch firms. And I will say that staff worked very hard and really tried to understand the contracting industry. The engineers estimate was a little over $90 million. The engineer, you have to take out of this the extra work allowance, it comes in a little over $82 million. The second bid was at $85 million to $86 million. And then the last one was higher.

Commissioner Sartor: How much higher.

Steve Plate: $121 million. So we have two very close bidders –

Commissioner Sartor: Who was that.

Steve Plate: That was Kiewit.

Commissioner Sartor: Kiewit. Okay.

Steve Plate: And then the second was Halmar. And the net effect of that is that we feel we have very good competitive bids. EE Cruz and Nicholson were working at the site. They also did the Goldman Sachs job in Jersey City which was an identical job, which they did slurry walls, tie backs and excavation. They have been vetted by our integrity monitor and we have been working with them; they are working throughout the site and a very good firm.

Commissioner Sartor: I think it is a good contractor –

Steve Plate: 17% MBE as Paul pointed out.

Paul Blanco: They also had 17% M/WBE participation.

Commissioner Steiner: I'm glad you pointed out that the real bid is like $80 million, but the other $8 million is an allowance for extras on where we think are going to come out. So in essence you were way below the budget which is a good trend for us because –

Steve Plate: I need to clarify one thing. I never answered that. Engineer's estimate was $90 million, the budget was close to $80 million, so we are in that –

Commissioner Steiner: Close to what.

Steve Plate: $80 million, in that range.

Commissioner Steiner: So we are very –

Steve Plate: We are pretty good. Considering the market conditions that is a very good bid.

Commissioner Sartor: is that indicative that the market conditions may be changing. We'll see with other bids.

Steve Plate: Too early to tell but let's hope.

Commissioner Sartor: With respect to HVAC I know that is not the case.

Steve Plate: At least in the heavy civil I think that may be the case, but Frank do you want to –

Frank Lombardi: I think this is a very unique type of work and for that particular reason you got very tight bids with the first two. And it is a specialty work that they know very well. Also, EE Cruz worked on JFK for the light rail system, one of the underpasses over the bridges that take aircraft over the Van Wyck so he has done a very good job.

Commissioner Sartor: Both of them are quality contractors as all the bidders were. Okay, any other questions?

Commissioner Steiner: And were there four of them?

Commissioner Sartor: Yes. The next item.

Steve Plate: As progress is made in the design in pre-construction phases related to the World Trade Center Vehicular Security Center Phase II, staff recommends additional funding of $2.5 million to Liberty Security Partners, LSP, to provide advanced design coordination services associated with SPI. Under prior Board authorizations through October 2006 the Board authorized a total of $25 million for preliminary engineering and certain early action design and construction contracts for the WTC VSC.

Previously the Board authorized an award of contract to LSP to provide preliminary engineering and design services for Phase I and II including design of the VSC perimeter basement foundation we just approved in the estimated amount of $16.2 million.

Under the proposed increase in contract authorization, LSP will provide additional engineering for long lead mechanical equipment required for the WTC VSC, civil construction coordinate documents for the tour bus parking facility shell and design of the integrated fire alarm control system.

It is vital that this work be advanced at this time to ensure integration with other stakeholders currently advancing construction packages for the Hub transportation center and Towers 2, 3 and 4. Commissioners I request that you advance this item to the full Board for approval today.

Commissioner Steiner: Are there any questions.

Commissioner Sartor: Next item.

Steve Plate: Commissioners, staff is also seeking your approval to enter into an agreement with NY State Department of Transportation, NYSDOT which when executed will allow the Port Authority to pay NSDOT for the services of its designers for the World Trade Center Central Chiller Plant river water lines for the services of the general contractor, Tully EE Cruz, who will construct the work and for the services of the NYSDOT who will manage the effort at a cost not to exceed $16 million. I request that you advance this item to the full Board for approval today.

Commissioner Steiner: Mr. Chairman, question. How is our access to the water guaranteed? Do we own the fee or is by easement?

Michael Francois: It is an easement that existed when the World Trade Center was constructed initially along with a permit that has since been revised to effectuate the new condition.

Commissioner Steiner: The permit is for use and occupancy of the space, is that it.

Michael Francois: The permit is for the taking in the water –

Commissioner Steiner: What about the land access. You have a pipe going through – do we have an easement for that or do we own the fee?

Michael Francois: We have an easement.

Commissioner Steiner: And the easement is good, there's not problem with that. Okay, thank you.

Commissioner Sartor: Steve, could you explain to us why we are going to the Department of Transportation on this? Why the design services are, not our design services but are associated with the NY State Department of Transportation?

Steve Plate: Surely.

Commissioner Sartor: And what is our overall exposure potentially here in terms of using this team to do work for us?

Steve Plate: Well the answer to the first question is that we have been working very closely with the NYSDOT folks to progress both projects, and I say both projects, the World Trade Center projects which are 5 or 6 different projects including the Freedom Tower, Memorial, the VSC to only name a few.

And the other side, if you drive down West Street, they are progressing very rapidly with the rebuilding of the West Street 9A property.

As we got into this we saw there were other ways that we could progress this and expedite the work on both sides by redesigning and relocating the original design for the river water line which will supply the water necessary for the chiller plant which is being built and designed at the site.

That being said, because of the intermit knowledge of their designer, namely Stantec, formerly Vollmer, they knew where all the utilities were. They came up with a reconfiguration that was more easily buildable and the net effect of that we felt rather than us jump back in and redesign, we felt that since they were so intimately familiar with it, make it more of a design build operation where they actually design it and then build it and give us one lump sum and do that component which is all within their zone. So we are very carefully trying to structure as we manage through the project different zones.

Commissioner Steiner: Excuse me, will the reconfiguration require any additional land easements or will it fall within the easement? You say you are going to find alternate routes and I just want to ensure Mike that we have that. I would like to make sure that we have the proper easements and now is the time to get it, not later when we have done the work.

Michael Francois: I would anticipate it probably will.

Commissioner Steiner: Thank you.

Commissioner Sartor: The other part of that question was how much more work do you anticipate the NY State Department of Transportation doing for us and what I would like to see if it is significant, and I believe it is significantly more, I would like to see an overall master plan for what they will be doing and what the estimates are before we advance any more money other than the $16 million.

Steve Plate: I will put together a presentation.

Commissioner Sartor: There is additional, I just want the Commissioners to understand that.

Steve Plate: Yes, there is additional work and we don't have an exact number yet. We have –

Commissioner Steiner: What is that work for?

Steve Plate: It is basically relocation of utilities and working in harmony to keep us both coexistent.

Commissioner Steiner: Under DOT property.

Steve Plate: Under DOT property, yes sir.

Commissioner Sartor: Okay, I just want everybody to understand that.

Steve Plate: So I will put something together for the next Board Meeting we can go over that.

Commissioner Sartor: Okay, next item.

Steve Plate: It is a work in progress. You want to add some.

Frank Lombardi: Commissioners, if I could remind you that 9A was a project that was almost complete prior to 9/11. So this is a program, a project that they have been waiting so long to finish. And it requires some cooperation and collaboration with the Port Authority in order to have them have windows to do work so that it would mutually benefit both them and ourselves.

So they have done some studies and that is the study that Steve is referring to that should be back to you to have you see what analysis they have done to optimize the construction of both 9A and the World Trade Center site simultaneous.

Commissioner Sartor: I'm – go ahead.

Commissioner Steiner: How does the working schedule for the DOT comply with our requirements for preparation of drawings and actually doing the work? Does it fit within our schedule time or are we going to require an extension?

Frank Lombardi: No, they are looking at windows of opportunities that they could have for themselves so that they could advance their program as well. And that is what this particular piece is all about. And there will be others in the future that would offer an opportunity to do work simultaneously so that you could benefit both 9A advancement as well as the World Trade Center program.

Commissioner Steiner: I appreciate that but I just want to make sure it is not going to be cause for any delay in the completion of our facilities. That should be a paramount thing that time is of the essence for the work with them.

Steve Plate: Commissioner we are working very closely. For example, in the river water line they have expedited the schedule to get within a certain window. So we are going to have to continue to do that as time goes on.

Commissioner Sartor: The last question I had is that $16 million number is pretty much comparable to what it would have cost us to do it?

Steve Plate: Yes. And we are still negotiating with the contractor, so that is not done yet.

Commissioner Sartor: Okay, on to the next item.

Steve Plate: Commissioners, staff seeks approval to enter an agreement with the Metropolitan Transportation Authority Capital Construction Company, which the Port Authority will reimburse the MTACCC costs in the amount not to exceed $1.2 million for the MTACCC to design a soil stabilization pilot program to mitigate impacts to the R and W subway lines at the Cortland Street Station. I request that you advance this item to the full Board for approval today.

Commissioner Sartor: Any questions on this item? Okay, if not, move on to the next.

Commissioner Steiner: The next item is the World Trade Center site work order contract and increase in authorizations.

Steve Plate: Yes, Commissioner. The next one I have is the DDP.

Commissioner Steiner: Increase authorization expert professional architecture –

Steve Plate: The next one after that, it is the next one after that.

Frank Lombardi: Increase in authorization for all architectural engineering services. I'm sorry.

Steve Plate: That's alright.

Commissioner Steiner: I looked at the wrong cue.

Steve Plate: That's alright, there's about 20 of them, so even I am having trouble keeping track.

Commissioner Steiner: When you get older your eyes, when you get to my age.

Steve Plate: Don't worry, mine are going very quickly. Alright. Commissioners, the joint venture of DMJM Harris Inc. and STV created the Downtown Design Partnership whose responsibility is to provide architectural and engineering services for the World Trade Center site. Today we are seeking funding of $36 million for professional architectural engineering services through the completion of final design coordination efforts at the World Trade Center site. The analysis performed includes coordination among the many stakeholders and addresses security requirements, ventilation, relocation studies, the SPI program changes affecting the transportation hub as well as retail, site infrastructure and in addition to accommodating the requests of our other stakeholder and other partners, namely the MTA and NYCT Transit to only name a few.

Commissioners I request that you advance this item to the full Board for approval today.

Commissioner Steiner: Any questions? I have a question. How does the cost of this compare percentage wise as to the other cost of construction as we are doing in other jobs? Is it in line with it? Is it in excess?

Steve Plate: It's in line but I will tell you there is some concern because as we continue to value engineer and react which we are doing rightfully so to the different stakeholders and their changes it is causing the percentage to go up higher than –

Commissioner Steiner: The percentage is going up because we are putting in the work in for a lower price. That is the whole goal so I don't mind that. I just want to make sure the work orders are in line with what Frank has been spending or we have been spending. We have to keep control. It is not a free party for the consultants.

Steve Plate: We understand.

Steve Plate: That's an excellent point. What we have been doing to work with the design partners, we have been reducing staff. As work gets completed we make sure people move off to another project. Working with procurement, their multiplier got reduced from 2.6 to 2.4 which is getting lower and lower and that is pretty aggressive. And we have also worked with them on out of pockets as far as what we reimburse them for. So we are really trying to share pain, I guess the best way to describe it.

Commissioner Steiner: No, it's not a pain, it's being effective in your job and doing your work at the best possible cost to meet our fiduciary responsibility to the public to bring this in at a low price and I compliment you for doing that. That is our job to do and it is up to you to do that.

And I think that the engineers should be very happy to work for us because they get paid with us and they get paid promptly. That is not always the case in private industry. They are not hung out here and Frank your whole payment schedule has worked out alright; I understand you proposed something. So I'm very happy to report that. Thank you.

Next item.

Steve Plate: On a lighter note, earlier in the year authorization was provided to fund the initial Vesey Street stair remnant relocation to help expedite site preparation and excavation in the Tower 2 area of the World Trade Center site.

Today staff recommends replenishing funding in the amount of $1 million for the performance of a general site work order contract which will increase the value of the existing contract from $7 million to $8 million. Use of this work order, contract expedited transport of the stairs into the West Bathtub prior to the installation of the Memorial Steel and freed up a critical area bordering Vesey Street.

Today, we are proud to report the successful move and relocation of the Vesey Street stairs remnants that took place on Saturday, July 19. The stair was jacked from its location adjacent to the PATH entrance along Vesey Street and placed upon a multi-axle transport vehicle operating on city streets and moved to a location on the Haul Road. From there a crane lifted the remnants, relocated it and reloaded it onto the transport and moved it to the new South Tower location.

It is anticipated to remain in this location until it moves once more to its permanent location within the Memorial Museum.

Commissioners, I request your concurrence of this action. If I can add, if you look at some of these pictures, they are really exciting. Our staff has worked through the night to move this structure up across and down West Street, underneath a structure that the bridge out there which cleared it by four inches and everybody was nervous but the men and the women of the contracting industry said we will take care of it. They actually placed a person, volunteered to go up there and watch and they said we cleared it by four inches. And then we did a major lift on Saturday morning of this 62-ton structure down into its almost final location which will be, it's right adjacent to it. We dropped it from that station. The very carefully placed it from the street level which was about 60 feet to 80 feet above the final location down in the pit. So it went very well.

Commissioner Bauer: How long did it take?

Steve Plate: It took, well people took great care. So I would say it took, they started at about 10 o'clock at night and finished in the early morning hours. That is to bring it to the location for the lift. Then they brought in a 500-ton crane which we started at 7 in the morning and completed in putting on the cribbing about 3 o'clock, 3:30. So it took all of two shifts.

We got a very competitive price on the contractor. We were able to work with him and as a result.

Commissioner Sartor: We want to commend staff on that. The initial estimates were $2 million. They did it for under $1 million. And a great job.

Steve Plate: And actually the memorial right by our side with it and Bob Sillman who represented the historical preservation people were there as well. And they were very pleased with the work that the Port Authority has done to take special care of this important artifact.

Commissioner Sartor: Any other questions? If not, move on to the next.

Steve Plate: I think this discussion is very timely, so Commissioners I thank you for your ongoing support acknowledgment of the critical requirement to keep the World Trade Center site free of ground water as construction progresses. Today staff recommends an increase in authorization in the amount of $10 million from approximately $32 million to $42 million with the additional funding going to Guardian Services Industries of New York, NY. The current contractor providing de-watering services in the West Bathtub for the Memorial, Transportation Hub and the Freedom Tower projects.

As construction of the World Trade Center site has intensified, there has been a greater need to install and maintain additional de-watering equipment. Initially 3 major sump pumps were installed to collect accumulated water via existing underground drains.

To accommodate construction needs in the West Bathtub we have had to add a significant equipment feeding into these sump pits, including as many as 65 pumps, piping systems, generators, settling tank and other equipment as well as staff to operate and maintain this system on a 24/7 basis.

Commissioners, I request your concurrence of this action.

Commissioner Steiner: Point of information. Where do we dump the excess water? Is it back to the river?

Steve Plate: It goes into a general outfall which eventually ends up in the river.

Commissioner Steiner: It doesn't go through sewage treatment?

Steve Plate: No.

Commissioner Steiner: Thank you.

Commissioner Sartor: Again, I want to commend staff on this. This was a great judgment call early on to put ourselves into a position whereby we could de-water and keep the site dry especially in light of some of the recent rains we have that we are still working through all of this as a result of this system.

Recommended approval. Recommend to move to the Board. Okay. Next item.

Steve Plate: Commissioners, also included on the July Report of Actions is an item for additional funding and a contract option with the Louis Berger Group. Lewis Berger provides project management support services to all phases and programs of the Downtown Restoration Program including technical support to complete the final design and construction of the World Trade Center Transportation Hub, World Trade Center Vehicular Security Center, Freedom Tower, World Trade Center Museum and Memorial, common infrastructure and other World Trade Center site redevelopment projects.

Berger provides the following services which are critical to the success of the program. These include such services as financial monitoring budgeting and invoice reviews, document control, executive reporting and presentation, program and project level scheduling to include most importantly the integrated master schedule. Staff seeks additional funding for a two-year period under this agreement in the estimated amount of $20 million which would increase it from $27.5 million to $47.5 million.

This authorization also exercises the option to extend the contract for a 5-year period as outlined in the original agreement. Commissioners I request your concurrence of this action.

Commissioner Sartor: Any questions.

Commissioner Blakeman: Yes, Mr. Chairman. Could you tell us how many people are dedicated to performing these services on behalf of the Port Authority?

Steve Plate: This is for the, the Berger is providing these services.

Commissioner Blakeman: Right, tell us a little bit more about the services and how many people there are dedicated to this. Because $20 million is a lot of money for these type of services.

Steve Plate: It ranges, but in the neighborhood of 30 to 40 people, and they provide, they have a series of different people. We have people who track the costs, they track the invoices; when I say invoices, all the consulting invoices, all the contractor invoices, as well as provide tremendous amount of technical support relative to construction cost estimating. They also do the integrated master schedule, and when I say the integrated master schedule they do that for the entire program, and they include portions as well as on the site, they include Freedom Tower, the Memorial, the Hub, the 3 different towers of Silverstein, the VSC, the streets and roads, the chiller, 9A, Deutsche Bank and all that goes into a master schedule which has, I think right now we are up to 6,000 activities. We track that very closely with a core group of people.

We have one person who pulls it together. Each project has assigned to them a cost engineer and a schedule engineer living with the project, understanding trending, tracking, nudging the PMs when they see trends that they don't like, to say, "Listen guys, the schedule seems to be having a problem here or the cost needs to be watched and monitored."

So from that perspective. Then we roll it up to financial reports and we work closely with our own folks to make sure that we are compatible with our own systems, TSD and such to make sure that we are looking at new technologies. Commissioner Sartor for example asked us to look at the latest version of Primavera which is P6 which also gives you an ingredient of cost so you will be able to, if everything the way we are going now is, besides having the schedule, the costs will feed in as we make payments to contractors and to consultants. So we will have a total compendium of costs loaded schedule.

I mean when you look at the numbers, just off the top of my head we probably pay about $80 million a month in payments right now, and it is growing very rapidly because obviously as construction accelerates the work accelerates. They also keep all the records. We keep it on hard copy. We also keep it on a disk where it can closely – when I say disk, in the computer medium so we can retain it god forbid we have any alternate sites.

They also help us with managing the contract. They also help us with these type of presentations which are helping communication. That's only to name a few; I don't want to go on.

Commissioner Blakeman: No, you have given us a lot of information.

Steve Plate: Commissioner Sartor is going to let us know.

Commissioner Blakeman: Steve, the question that comes up I think is basically we do have some cost overruns there and we also have some deadlines that haven't been met. Have you found that they have been setting off the alarms or the trip wires or whatever to you when these situations occurred? Have they been on top of it is really what I'm saying?

Steve Plate: Yes, they have been on top of it. I think as everything they can do better. The project is say a once in a lifetime project in the sense of so many inputs and so many outputs, so not to be dramatic but the Secretary of the Navy came to visit us to see how a project of this magnitude is being built because he is about to move the marines from Okinawa to Guam if I have it right and he wants to know how to do a project like this because it has never been done before to this level; I mean $15 billion to $20 billion is a lot of money moving around so we are putting in new systems, we are essentially being forced to be cutting edge and writing the book as we go through an unchartered territory.

But am I 100% happy? No. But in every area we continually need to challenge ourselves to raise the bar to succeed in this project. So –

Commissioner Sartor: Okay, any other questions. Steve, I do have some questions. how do we monitor the $10 million a year that we are spending here? There are timesheets that these people fill out. How are you going about that? How do you know that we are getting $10 million worth of work here?

Steve Plate: In every invoice and every both consultant and contractors it goes through a very rigorous process that is reviewed by staff. And it goes down to the level of invoices. We also, we look at that, it rolls up. And actually I have seen them, it is not uncommon as anybody is in this business if you have an item which is not allowable per a contract, because they check the contract, if you are allowed or not allowed, if you are not allowed they cross it out, even if it is a $1 item. I have seen on a half million invoice, $5,652 taken out because it wasn't allowed. And it wasn't done in any bad sense. It was done because the person who put it together didn't watch it.

So they go down to the finest level, and then we have the integrity monitor who checks as well to make sure that we haven't missed anything. And then we have John Brill from audit who comes in and we welcome him and if we find something we just react accordingly.

Commissioner Steiner: You have to expect that there are going to be some errors and errors in putting the right numbers in for rage rates and hours in a job of this complexity. If you are within 1% or 2% you are fantastic. I mean it is just so many items, so many things to make a human error. And I think you are doing a good job and I am happy that John Brill has not reported to me and you of any deficiencies as we are watching that very carefully.

Commissioner Bauer: Steve you mentioned that you weren't 100% happy; I guess no one is 100% happy. But where could they improve? Where do you see a gap? I mean, how happy are you, how pleased are you that (inaudible)?

Steve Plate: Well, I guess the area I would like to see a little more attention, we are working towards that, is as Commissioner mentioned, the bells and whistles. As we see six months out, we see that. We have to get further out and see where things are trending and tracking and I want to get –

Commissioner Bauer: Catch it earlier.

Steve Plate: Catch it earlier but also have a trending that we could make it corrected. I constantly instill in all the Port Authority and the consultant staff, it is not just reporting a problem, it is analyzing a problem and make a recommendation for corrective action before it is too late.

Commissioner Bauer: Proactive.

Steve Plate: Yes, and I am constantly pounding it; it's not just, "oh we have a problem." We have a problem, these are the options. We have analyzed and our recommendation is move forward. So I need --- and I don't want to just focus on one firm. It is the whole team needs to continue to do that and we need to raise the bar off the charts as far as I mean, you have other project people come in and they say, "Wow, we can't believe you are doing this." But we are still not happy. And I think to get the success is to encourage and nurture but also to challenge them, the team in general, to continually think out of the box and do different things.

And just, I'm sorry to go on, but some of the other things, the other challenge we have is paying them. With all of these checks and balances guys are going through taking a $1 out, meanwhile you are holding up an invoice of several million dollars. So we have to balance –

Commissioner Sartor: Well that goes to the construction issues as well as the engineering issues. Let me cut you off, because you will go on.

Commissioner Blakeman: Next slide, please. Where's Paul.

Commissioner Sartor: I also want to commend Steve and his staff but also Louis Berger. I have interacted with them over the last 4 years quite significantly and they are doing a good job. I attest to that myself. Go ahead, Steve. Next issue.

Steve Plate: Commissioners, we have reached the final agreement for the final consultant for the World Trade Center. As you will recall in September of 2006 we took over the Freedom Tower from Silverstein Properties and the Board authorized us to assume the agreement with one of their items with Skidmore, Owings and Merrill as namely SOM from Silverstein Properties in order to continue architectural design services for the Freedom Tower until a negotiated agreement was executed. Through April 2007 the Board has authorized $21.25 million for these services. And these funds were intended as an interim measure to provide sufficient funding to allow work to progress when negotiations with SOM and the other 23 firms that we were dealing with needed to be resolved.

On May 13, 2008 One World Trade Center, LLC and SOM executed a final agreement for One World Trade Center, the Freedom Tower, including all services expended from October 1, 2006 to February 29, 2008, plus those services needed to complete the building's inner and outer surf structure. The executed agreement significantly limited reimbursable expenses, reduced hourly rates by approximately 24% and incorporated additional Port Authority contract terms and conditions and released the Freedom Tower intellectual property rights to the Port Authority who has full rights at this point.

Today staff recommends authorizing an additional funding of $10.2 million. This proposed authorization would provide for retention of SOM services which would include planning, design and construction administration for basic architectural services and associated expenses.

Commissioners, I request that you advance this item to the full Board for approval today.

Commissioner Sartor: Steve, can you give us an overview as to how much the contract that Skidmore had on this project was starting with Silverstein? Do we have that information?

Steve Plate: Yes, the total contract that Silverstein had paid was to date prior to us taking it was $14 million. When you add this component we are going to end up paying them a little less than $40 million, about $37 million. The overall design is for $70 million. That includes the mechanical –

Commissioner Sartor: With all of the consultants it is up to $70 million.

Steve Plate: All the consultants. We are running –

Commissioner Sartor: Does that include construction services also? Or will there be additional?

Steve Plate: Yes.

Commissioner Sartor: That does include construction services.

Steve Plate: Yes. Yes. When you look at the percentages they are well below industry standards. Industry standards for a project of this magnitude is somewhere around 4% to 10%, we are running about less that 4%. And when you look at the SOM portion that is as well below – it is supposed to be over 2% and it is below 2%.

Commissioner Steiner: Mr. Chairman, what are we getting for the $10 million? That's what I want to know. What are they going to do specifically? The plans are done. What do they have to do? Is this tenant fit-up or is it part of the original contract that was never paid?

Steve Plate: It was both. It was both. It was closing out the original contract. There were numerous changes. As you recall we took it over from Silverstein Properties. We had tried to wrap it under the one consultant and they chose not to go there so we essentially had to develop 23 different contracts as we were designing. They continued to work in good faith. In that good

faith we needed to pay them for the work that they had done and also we need to project it out for the Stage 4 construction services.

Commissioner Steiner: Does their work include mechanical - MEP?

Steve Plate: No, that is being done by a different firm.

Commissioner Steiner: Okay, so that is not included in their work. That is separate and distinct.

Steve Plate: That is separate and distinct.

Commissioner Steiner Sartor: Thank you.

Steve Plate: Thank you, Commissioner.

Commissioner Blakeman: Steve, could you put into perspective for us what the various architectural firms are doing? David Childs is working with us. We inherited him from Silverstein. Is Libeskind still involved with the wedge of light? Obviously, Calatrava at the transportation center.

Give us an idea of what they are doing and how they are coordinating together. Hopefully they are coordinating together.

Steve Plate: As you pointed out, Commissioner, obviously David Childs is still actively involved in the Freedom Tower and he continually watches it and nurtures it as far as making sure that the details meet his expectations and expectations of you folks.

Calatrava is fully engaged, fully engaged in a pragmatic way, looking at ways of, and David maybe you want to speak more to this but engaged in the sense of looking at the design and how he can continue to value engineer and reduce the cost, but also getting associated with the contractors to make sure he understands as to how best to build this. So as the means and methods evolve it is more compatible with the concept.

Commissioner Blakeman: Steve, let me just stop you there. My understanding of many of the time issues and the dollar issues at the transportation center are more about the underground issues, the infrastructure issues than they are about the above ground design. Is that accurate? Why don't you explain that to us?

Steve Plate: I think the answer is it is all of the above, but what you are referring to Commissioner is basically if you look at the Calatrava structure – very few people really focus on this – but on what I call the West Bathtub or the Great Hall right above the track area, that is what we call the ribs. That is basically underground and that is a large portion of the work and has to be built over the track way as we move 100,000 people through there safely each day through a very sophisticated design and construction process.

On the east side we have to bring what we call the structures to grade. The street is about 325. We have to go down to 225. If you go out there you will see they are starting to bring it down. That has to come up obviously based on that math about 80 feet to 100 feet.

Once you are at grade then you have the actual Oculus which is the last portion. So a large portion of the project and a large portion of the money associated with the project and the schedule ties into the below grade work or structures to grade.

Commissioner Sartor: And that is the Calatrava design.

Steve Plate: Yes.

Commissioner Blakeman: Are we looking at reducing the size of the Oculus?

Steve Plate: Everything is on the table. It is being led by Dave Tweedy with Calatrava heavily involved –

Commissioner Blakeman: I was rebuked for saying that that was on the table about 6 months ago by the administration.

Commissioner Steiner: That was six months ago.

Commissioner Sartor: Times change.

David Tweedy: Commissioners, could I comment on that. It is David Tweedy. Good morning and I apologize for being late. There is a lot of work being undertaken right now in parallel. We have four working groups, just to give you a quick update, on the aftermath of the assessment that was done. And one of the working groups that will report back to this Steering Committee next Tuesday morning is focused on the Hub and generating an array of ideas, very exciting ideas for how you can trim costs and bring schedule back.

But in parallel, Mr. Calatrava and the design team are also busily at work and will come back mid-August with their own version and we saw a preview of that yesterday and it is quite exciting. And it is everything from structural changes below grade to very interesting, smart construction phasing ideas. And the result of that are going to be, I think, some very significant possibilities for how to deliver schedule in a way that the stakeholders are requiring, but also to trim costs.

And I think it would be appropriate to update this Committee certainly monthly if you would like or on an appropriate basis.

Commissioner Sartor: Could I ask a question please?

David Tweedy: Sure.

Commissioner Steiner: Are we done now with the possible changes that Silverstein had asked us to do below grade because of the Merrill Lynch deal which is now defunct? That had delayed what we were going to do and is going to pose some additional costs that everybody had kind of glossed over but I think that its gone away. Silverstein asked for a lot of changes, questions about distance, and everybody seems to forget any changes – that really should have been attributable to the Merrill Lynch deal if it went ahead and not to the Hub.

Steve Plate: The way I respond to that is that Mr. Calatrava is undertaking with a design team a look at not only cost trimming but functional changes that would meet certain desires that the Transit Authority have requested us to look at, and also access to the ultimate Silverstein buildings, Merrill or no Merrill. And all of that is on the table. He seemed very happy yesterday how that progress is going in terms of not compromising some things he is trying to achieve. So more on that. But I think some of those functional issues are also being looked at.

Commissioner Ferer: I'm just curious. As far as Calatrava has suggested changes, he was pretty chauvinistic about his design originally. How much is he proposing to alter that?

Steve Plate: He was much less chauvinistic for the last three weeks and we would expect that to continue.

Commissioner Ferer: So I mean do we still have –

Steve Plate: I wasn't here, so I'm not going to say he was chauvinistic.

Commissioner Ferer: But no, it is interesting. Can you tell us a little bit about how he might be altering his design to fall in line with a tighter time schedule and reduced budget?

Steve Plate: I'd really prefer to wait till mid-August. But what I would say is I think everyone at the meeting yesterday was very impressed with how he has accepted the challenged that he was given several weeks ago which is we need a project that costs less and can be delivered on a tighter schedule. We are leaving it to you to figure out how, but here are some functional requirements that we are asking you. And they have clearly met that challenge head on and we are excited about the process.

Commissioner Ferer: I just want to ask real quick, one of the most beautiful things about his design, which in my mind made it iconic, was the wing concept and the retractable roof which is the most lengthy thing to build and the most expensive. So is any aspect of that, in your opinion, going to be able to be retained at all?

Steve Plate: Yes.

Commissioner Ferer: That's great. That's great.

Commissioner Blakeman: Just to give some historical perspective to this discussion, basically when we were talking about the Calatrava design, which is a beautiful design, it occurred to some of the Commissioners, certainly to me, that the temporary station was doing the job for a

lot less money. And I think the Board was convinced to go forward with the Calatrava design in the new transportation hub because we were told that it was not going to cost more than "x" amount of dollars for the Port Authority, that the federal government was picking up the vast majority of the cost of that project. So, we went along with it.

Just like there were some of us who felt that $100 million or a $150 million Memorial would be just as appropriate as a $500 million Memorial. And I'm just wondering now whether we need to go back to the drawing board and look at what are our needs and what can we afford. And approach it on that basis rather than be totally married to that design, which I will tell you, I think is a gorgeous, beautiful design, but I think we have to take it in the context of what we can afford because again I think the members of this Board voted for that because we were given a number of what our contribution would be and I think 80% or 90% of it was picked up by the federal government. And I hope that that same proportion is going be –

Commissioner Sartor: Maybe I can address that Bruce. We have had detailed discussions with Calatrava concerning cost issues and he is going to address those issues as of the August meeting. We are also looking at an alternative design should we find that the numbers here are significantly more than what the Board has agreed to. He understands where we are at, where the Board has been at in terms of the dollars and is fairly comfortable with the fact that he thinks he can meet that. We don't know that yet. We won't know that until we bid it.

Commissioner Blakeman: Mr. Chairman, in other words right now we are on track to stick to the same investment that we approved before, without increasing the Port Authority's investment?

Commissioner Sartor: That is our intention, yes.

Commissioner Blakeman: Great.

Commissioner Sartor: And if it goes over we have an alternate that we are looking at that we believe would be more cost effective if necessary.

Commissioner Steiner: Mr. Chairman I would also like to point out that Mr. Calatrava, unlike most architects has been very cooperative in trying to – well I'm a developer I know what they go through. They are all building monuments. But he has searched around Europe and spoken with people who have worked for him before. He has induced them to come bid in the New York market and I think that is going to be very effective in bringing our costs down because these are people who are very slow in Europe and want to come here to work and I think the contractors here have been very busy. And we have been paying the price for that and I think a little outside competition wouldn't hurt.

After all, Santiago has worked with these three or four contractors in some of the most complex train stations and structures in urban areas that any other architect I know. We have been to see his things. And I think bringing these people in will give a new air of competition, but more importantly, experience in doing this. This is a very tough structure to build. We went out to Milwaukee. We saw it; we saw how complicated it is. And we are best served by bringing

people in who have done it before. They know the problems. And we can have a lot of the work done prefabricated in Europe and much less expensive than where we contemplated.

Commissioner Blakeman: And the work will still be done by American trades people, our local -

Commissioner Steiner: In conjunction with some of the foreign workers –

Commissioner Sartor: Steve, why don't you discuss what is going on with the arches that are being put up right now and where they were fabricated?

Steve Plate: That's the last slide. I will end on it if that's okay. I have a couple more I have to go through –

Commissioner Sartor: Oh okay. Why don't you go to the last slide now why we are – Commissioner Blakeman would like to see that right now.

Steve Plate: I guess those are approved, for the record.

Commissioner Sartor: This is the east-west connector Bruce.

Steve Plate: I want to share with you today an exciting construction update, and by the way we didn't practice this. In this series of photos you can see the installation of the steel arch structures and columns to the east-west connector. 24 of 48 arches and 5 columns have been erected across this concourse. Designed by architect Santiago Calatrava and the Downtown Design Partnership, the corridor will contain retail and provide a below grade pedestrian connection from the Transportation Hub between the West Street an onto the World Financial Center.

We actually on this one we went out internationally. We encourage European bidders to bid as the Commissioners just pointed out, Commissioner Steiner, and as a result we had a significant reduction in cost and they did it on time and it is being erected and it is going up very nicely.

Commissioner Sartor: And this was fabricated overseas, was brought in and is being erected by an America erector.

Steve Plate: Correct.

Commissioner Sartor: The costs associate with this project are something like $6.45/lb which is comparable to the other steel that is being erected on site. It is significantly lower than the estimates from Phoenix, which were probably double that, so I am really encouraged by what I see here. It is a small demonstration but an important one that you can do the rib structure at a very cost effective method.

And until we bid this, we are not going to know what the actual numbers are. I know Calatrava will come in with numbers in August, but until we get the bid documents that is when we will know where they really are.

I think David points out that there will be significant amount of competition because they are European contractors who have worked with Calatrava in the past, are very interested in coming in here they will associate with American firms, I'm sure, in order to work in the NY market. And I think we will have a very competitive situation.

I think the costs associated with constructing in NYC right now hopefully are trending downward. We will find out.

Commissioner Bauer: Does this cost include the cost of transporting?

Commissioner Sartor: Yes, all in site. I would like to point out one other thing. You said there are materials coming from overseas as is most of the steel in the World Trade Center. The difference is we are getting raw shapes, although some fabrication, most of the fabrication is done by transporting it to jobs in the south and then schlepping it up to New York. When we get the delivery we have the finished product so we are going to save all of that. So nobody should infer that as a big change that we are getting all foreign steel. We are only getting steel that is competitive because the US market does not make that kind of stuff. I wanted to point it out; it's not an anti-American thing. I wish we had the capability of doing it here but we don't have it.

Steve Plate: That is correct.

Commissioner Sartor: Why don't you go back to where you are? Sorry to have interrupted your presentation that way. The next issues? I'm sorry, let me make sure that we are all okay with the increase in authorization for our connection with design services for Skidmore. Okay, so we will advance that to the Board.

Steve Plate: The last, the next three items which are the final items are basically the awards for the Freedom Tower, which is (inaudible) very close to being completed for that project. The next several months will be pretty much done. Over 90% of all trade contracts for the Freedom Tower are awarded or out to bid. The following construction trade contract bids have been received for the Freedom Tower, and staff recommends the award of heating and air conditioning, Package 3, to Megrant Corporation, the lowest responsive bidder at $12,668,400, inclusive of extra work. This package includes the heating and air conditioning work for the perimeter hot water system throughout the Freedom Tower.

Commissioner Blakeman: Steve can you give us some comparable jobs that they have worked on – well, there is nothing probably comparable to the Freedom Tower, but can you give us some other major projects that they have worked on and also what was the next highest bid?

Commissioner Steiner: Don't ask.

Commissioner Blakeman: Don't ask, then I will ask.

Commissioner Steiner: Double.

Commissioner Blakeman: Well that is concerning.

Steve Plate: They have done numerous amount of work, but I will provide you with that information. I will email it to you.

Commissioner Blakeman: We vetted them and –

Steve Plate: Yes, we did. Just so you know we had 9 bidders. We got down to 6 who got into the BAFO, the Best and Final Offers.

Commissioner Blakeman: And the next highest was how much.

Steve Plate: The next highest was, this bidder was about $11.7, the next bidder was $19.

Commissioner Blakeman: Isn't that a cause of concern for you that there is such a spread that maybe these guys got it wrong and they may be coming back to us for a lot more money.

Steve Plate: We feel, the staff went through this exhaustively. They reviewed this three times with the firm. They know the firm. Tishman has been by our side or actually taking the lead. They know the firm, it is not a new firm.

Commissioner Blakeman: Will there be a performance bond.

Steve Plate: We will look at that.

Commissioner Blakeman: Well, if there is almost an $8 million spread between the two, either all the other bidders got it wrong, or this guy got it wrong.

Commissioner Steiner: Bruce, it doesn't mean they got it wrong. The market is so busy, in my experience, we are paying much more for HVAC than we are used to paying as the contractors have been having a holiday and we are overpaying in all of the other jobs because they are all too busy to do the work.

Commissioner Pocino: Steve, in your examination –

Commissioner Blakeman: But that may be the case, but I would just like to make sure that (a) they are getting, that they are responsible, that it is not their turn to get the bid kind of situation, and that this isn't a situation where it is $12.6 million now and then 9 months from now we are so locked into them and we are so married to the deadlines and the schedules that they come back to us and say they need $10 million and the Port Authority is behind the 8-ball.

Commissioner Pocino: Steve, in your review of the bids did you determine where the basic significant differences were?

Steve Plate: Yes, our estimate was right on with their estimate. We compared it exhaustively. In fact, they went and had numerous meetings with them. In fact, Megrant has done work for us at LaGuardia Airport of similar size. So we are familiar with the firm.

We also looked at their workload and found it to be satisfactory relative to the amount of work that they have in shop. Because you can have a great firm, but if they are overloaded as you well know, and they are in good shape relative to that.

They also have shown technical capability relative to performing this work. But I will take a look a the performance –

Commissioner Steiner: Steve, this is not a sheet metal job, it is primarily a piping and equipment job.

Steve Plate: Yes. Yes.

Commissioner Steiner: And would you say that at least half the bid is equipment and not labor?

Steve Plate: Yes.

Commissioner Steiner: So that is a pretty well fixed thing that you can tell and the only variable is really in the labor and the markup.

Commissioner Bauer: So the labor is the gap?

Steve Plate: Yes.

Commissioner Sartor: Next item.

Steve Plate: Yes. The second trade contract we seek to award is for the fire alarm system, electrical package to Firecom JV, a joint venture of Mike Mazzeo Electric Corp. and Firecom Inc., the lowest responsive bidder at $12,096,000.

Commissioner Steiner: Million.

Steve Plate: I'm sorry, $12 million, I'm sorry. I know, it has been long morning sir. Responsive bidder at $12,096,000 inclusive of extra work. Electrical package 5 provides for the installation of all fire alarm related work associated with making the fire alarm system complete and operational in all respects. The system will be in full compliance with NYC building codes, NYC fire codes and the Port Authority Engineering Department's quality assurance division guidelines.

Commissioners I request you advance this item.

Commissioner Sartor: How many bids did you get on this one and what was the comparison?

Steve Plate: We had 5 bids. We went to BAFO with 4, all top name firms. Very close bids. They were all in the neighborhood of $11,$12, low $12s.

Commissioner Sartor: It was a good grouping.

Steve Plate: A very good grouping. So they are all consistent with the engineer's estimate as well as our expectation. Plus they all stayed in to the very end. So our estimate for this work was a little less than $13 million.

Commissioner Steiner: Have we worked with those people before.

Steve Plate: Yes, sir.

Commissioner Steiner: It's a joint venture of people we know.

Steve Plate: Yes.

Commissioner Sartor: Okay, we will move this to the full Board. Move to adjourn the meeting. Do I have a second to that.

Commissioner Steiner: Second.

Commissioner Sartor: The Committee will now adjourn to executive session to discuss matters revolving ongoing negotiations or reviews of contracts or proposals. Thank you.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Transcript
August 14, 2008

Commissioner Sartor: Good morning. I would like to start the meeting. Today's meeting of the World Trade Center Redevelopment Subcommittee will be held in public session in its entirety. In addition this meeting is being broadcast live on the internet via the Port Authority's website for those interested in viewing today's proceedings remotely.

Today we have for discussion a number of construction contracts that pretty much conclude what is going on at the World Trade Center Freedom Tower. And Steve, I will turn it over to you.

Steve Plate: Good morning, Commissioners. Commissioners, today I will be discussing payments to the Lower Manhattan Construction Command Center for budgeted operating costs as well as several contract award authorizations that will advance construction at the World Trade Center site.

Staff seeks your concurrence to fund the Port Authority's share of the Lower Manhattan Construction Command Center known as LMCCC budget for the period April 1, 2008 through September 30, 2008, which includes a reimbursement of the first quarter of LMCCC's current fiscal year 2009/2008, an advance for the second quarter of their current fiscal year. Specifically staff is seeking your concurrence to reimburse $1.186 million for LMCCC's first quarter and to advance $1.018 million for its second quarter.

The first quarter amount is based on actually LMCCC's expenditure while the second quarter amount is based on the Port Authority's pro-rata quarterly share of LMCCC's 2008/2009 budget.

By way of background, in November 2006 the Board authorized payments of $2.8 million for 11/06 through March '07, and $5 million for April '07 through March '08, and subject to review in concurrence of the World Trade Center Redevelopment Subcommittee, up to an additional $13.8 million through 2011 totaling $21.7 million.

To date we have paid $3.9 million, representing actual expenditures for fiscal year 2007/2008. Going forward, subject to review and concurrence of the World Trade Center Redevelopment Subcommittee, the Port Authority will continue to advance appropriate funding one quarter at a time while reconciling those payments with the actual invoices for the previously ended quarter.

The LMCCC's 2009 budget continues to fund the agencies core activities, namely coordination of Lower Manhattan construction, traffic, and safety logistics, navigation of inter-governmental permitting process by acting as a single point of contract for all city agencies, community outreach providing construction related outreach to residents, businesses and property owners through regular meetings with the community and through the website, Lower Manhattan info, environmental compliance, noise and air quality monitoring adhering to the environmental performance criteria, and last, fraud prevention, a 24-hour fraud prevention hotline.

I request your concurrence to these expenditures.

Commissioner Sartor: Questions from anybody on the subcommittee?

Commissioner Steiner: Question, have we received all of the documentation necessary for us to proceed with them? I understand there was a time when we hadn't received all of the contracts, the bills, and what have you. Do you have that all? Are you satisfied with what you have now?

Paul Blanco: Yes, we received a budget for the entire year. We also received their actual expenses for the first quarter of which we have not – as Steve mentioned the $1.1 represents our share of it. We are also –

Commissioner Steiner: Excuse me, that's money that has already been expended?

Paul Blanco: That's money that has already been expended.

Commissioner Steiner: Expended by them?

Paul Blanco: So we will be paying them for their actual expenditures for the first quarter, and then we will be advancing them the second quarter and then at the end of the second quarter, at the end of September we will be coming back to this committee to reconcile that amount with the actual before we give the third quarter amount.

Commissioner Steiner: Okay. Do we have the right of audit. Are we auditing it.

Paul Blanco: I believe that we do in the letter agreement.

Commissioner Sartor: In my understanding that letter agreement does give us the ability to audit.

Commissioner Steiner: And I would hope that we will audit that just to ensure the information is correct.

Chris Ward: They have been very responsive to our request for information and have been working very closely with us.

Commissioner Sartor: That took us awhile but I think we are there.

Commissioner Steiner: Thank you.

Commissioner Sartor: And the information is free flowing at this point in time. And I assume it will continue. We have a procedure in place right now. The only question that I had was there are other agencies who were involved in supporting the LMCCC. Have they been paying their share, do we know.

Paul Blanco: Well the City is the next biggest player and what they do is they provide in-kind services And perhaps I'll let the Executive Director speak on that point as I know that he has been in discussions with them.

Commissioner Sartor: Well the FTA and the MTA is supposedly providing funds.

Steve Plate: And I know NYS DOT has paid in full.

Commissioner Sartor: MTA has paid also?

Chris Ward: They are in the midst of paying. They have not paid in full.

Commissioner Sartor: They are in the midst of paying.

Commissioner Steiner: I would hope that when you audit you will find all of these things out and verify that. Particularly in view of our experience with them and the hesitancy in releasing documents in the past.

Chris Ward: Yes, we will do that and come back to you with our findings.

Commissioner Sartor: Okay, thank you. Any other issues. Okay, Steve you want to continue.

Steve Plate: Yes, Commissioner. Commissioners, approximately 97% of all trade contracts for the Freedom Tower are awarded or out to bid. Construction at the site continues to advance today. Foundation, concrete now 97% complete with approximately 12,560 cubic yards poured. Below grade steel is approximately 70% complete with over 13,000 tons installed.

Below grade steel is approximately 70% as well. Below grade concrete is ongoing with 12,148 cubic yards placed. Fabrication of the curtain wall panels –

Commissioner Sartor: It is awfully difficult for us to see that. Could we get copies of this distributed to the committee afterwards.

Steve Plate: Sure.

Commissioner Sartor: Thank you.

Steve Plate: Fabrication of the curtain wall's panels which you awarded some time ago are well underway and have been tested. Fabrication of above grade tower steel has commenced with the third floor node connections. And approximately 20,000 of the 46,000 tons have been rolled to date.

Today I will be presenting several significant construction trade contract bids that have been received for the Freedom Tower and that staff recommends to award. The first trade contract is for heating and air conditioning, packages number 1 and 2, at an estimated total cost of $126,036,000, including an allowance for extra work. The contract covers heating and air

conditioning work from grade through the roof, furnishing an installation of all equipment and materials for the hot water heating system, secondary condenser water systems and all work as it relates to the fuel oil supply and return piping as well as the emergency generator exhaust flows.

Staff recommends the award to F.W. Sims Inc. a WBE firm, the lowest responsive bidder. Commissioners, I request that you advance this item to the full Board for approval.

Commissioner Steiner: Mr. Plate, how many bidders did you have on this.

Steve Plate: 4 bidders. 4 bidders went to BAFO. We had a difference –

Commissioner Steiner: Why don't you tell the public what BAFO means.

Steve Plate: I'm sorry, it is a process, the process for bidding as we set it up to get the best value for the Port Authority and for the public; provides for a bidding process where we develop a list working very closely with Tishman, our construction managers, and under the watchful eye of our Procurement Department. And what they do is they go out for bid to a select list of bidders who are capable of handling this with the experience and the complexity of this type project.

Once the bids are received they start a process that is very closely watched which involves a best and final offer process where they talk to the contractors, understand what their issues are that may be a misunderstanding and vice versa so we get on the same page and all of the bids are on the same level.

Quite often in that process we also include any changes relative to design that they may suggest and it helps tighten the packages so after you award you don't get hit with a sudden rush of changes.

Commissioner Steiner: But when you get something, cost saving alternative proposals you open that up to all of the bidders. It's not just – if you discover something in the bidding process, an opportunity to save money, you ask everybody else to bid on it so they are all on the same – I want to make sure that nobody has a favored position.

Steve Plate: Yes, absolutely.

Commissioner Steiner: So the best and final offer is after they have seen all these conditions and all the things that we maybe come up with some cost saving alternatives and solutions, there are substitute materials, but everybody is on a level playing field.

Steve Plate: Absolutely, Commissioner.

Commissioner Steiner: Thank you.

Steve Plate: In fact, don't forget we have the integrity monitor who watches over all these processes and if we see any irregularities we bring them in and they scrub it very thoroughly.

Commissioner Sartor: Do they participate in the BAFO process?

Steve Plate: In more of an audit type function, but if we see something that may come to light we actually have them focus on it and they –

Commissioner Sartor: What was the budget for this package?

Steve Plate: The budget was a little over $52 million and the engineer's estimate was about $100 [million], and the award is, without the extra work it is $116 –

Commissioner Sartor: Explain that budget number – wasn't that the Silverstein budget number?

Steve Plate: That was the number that we inherited, I guess, the best word from Silverstein's properties in 2006 as part of the conceptual framework. It was done in present day, present day meaning in 2006 dollars; did not have escalation. And obviously with the changes you have seen lately relative to the cost of things over the last two years, just last month alone some of the steel prices jumped percentages. So we are seeing tremendous amount of escalation.

Commissioner Steiner: So the question is, you've got a $50 million budget from Silverstein. Is this representative of the other things we are finding that his budget estimates were considerably lower that we found were able to buy the job for.

Steve Plate: No, I don't think across the board – no. We have in the last, particularly the last few phases, in particular, obviously steel and concrete have gone up by a percentage.

Commissioner Steiner: I'm not talking about the escalation portion, just whether they were completely misunderstood the scope of the work and gave us erroneous information.

Steve Plate: Well I think their number was generally low. I wouldn't make a general assumption – in this case it was significant. In some cases it was –

Commissioner Steiner: Yes, 2.5 times.

Commissioner Sartor: Yes, I think what you are finding in the HVAC is the numbers are going to be much higher than that which we have experienced in the past because some of the numbers, some of the bids that have come in are being pretty much comparable to where Silverstein was with their estimates, David. But I think the packages that you are going to see today are probably significantly in excess of what the initial budget estimates had been.

Commissioner Bauer: Why is that -

Commissioner Sartor: Variety of reasons. I think the biggest reason is the fact that the HVAC trades in New York City today are in demand with the number of projects that are around and the numbers are just, across the board, out of sight with various projects, not just this project. I think other projects are experiencing comparable numbers in terms of the excess. The other question I had –

Steve Plate: In fact to support what you say, Commissioner, we are also looking at Silverstein's prices he's receiving for Towers 2, 3, and 4 because we are in that mix too with real estate and redevelopment. And we are seeing the same trends.

Commissioner Sartor: Same trends there. What did the BAFO system save you in this. You were at $126 million; I assume you've got a 7% or 8% number in there for overruns.

Steve Plate: Yes, an 8% factor.

Commissioner Sartor: An 8% number. Okay, where did they come in initially for this project? Were they at $150 million – you BAFO'd them down to $105 or whatever the number is? Do you know that?

Steve Plate: Yes, I do, and you must have seen my sheet –

Commissioner Sartor: I didn't, I'm just guessing.

Steve Plate: $147 million is the original number that they came in. So through the BAFO stage we were able to save close to $30 million. And plus –

Commissioner Sartor: More than that because you are under $126, so you take 8% off of that –

Steve Plate: Okay, $116 versus $146 roughly, the ballpark.

Commissioner Bauer: How much does the BAFO process actually cost?

Steve Plate: It's probably in the neighborhood of hundreds of thousands in the sense, or tens of thousands. Because what we do is for a month or two we lock our experts in a room with Tishman as well as our own people and is probably 5 to 10 people for a month or two. So whatever staff time for that which is minimal. So you are saving a huge –

Commissioner Steiner: I'd like to add you do that with all the contractors anyway to make sure that they understood the specifications besides rebidding them, that you would not give out $100 million contract without going through and seeing that everything was included, that there were no discrepancies or questions, otherwise you leave yourself open to litigation. That is typical in the business. So it isn't only just a BAFO. You have to go through most of that process anyway, wouldn't you say, Ray.

Commissioner Pocino: It is a worthwhile investment, yes, I agree.

Commissioner Sartor: Yes, the dollars are *de minimis* compared to what you save.

Steve Plate: Yes, that is exactly right. And I will tell you that for a government agency, usually it is low bid, lowest. And in this case, because of the size of the job, the Board gave us direction with the Executive Director to look at a different means and methods and that is why we brought

Tishman in, working very closely with Procurement watching, as well as Law to make sure that we are following all – because that is the way Commissioner Steiner says is the way private industry does it. Agencies usually go low bid. But this is one of the benefits. Aside to the lower price you also have a good understanding of what the job is about. People don't get frustrated right out of the box.

Commissioner Sartor: Staff had worked very closely with Tishman on this situation and I think we are reaping the benefits and with purchasing also. Purchasing has been in the middle of this along with legal and I think it has been a good process.

Steve, are you going to be able to tell us what number we are at in terms of overall costs associated with the Freedom Tower after you give us – we have three more you have to go through, electrical, the glazing and the hoist?

Commissioner Steiner: Are they included in that chart he gave us.

Commissioner Ferer: The one we couldn't read.

Commissioner Steiner: The one we couldn't read.

Commissioner Sartor: Is there tabulation at the bottom of that?

Chris Ward: Those were historical, previous awards.

Steve Plate: No, they are not. You are looking for the bottom line. I presume you know versus the 2877.

Commissioner Sartor: Yes.

Steve Plate: What I propose after we go through this, we have a month or two of finalizing some of the rest of the contracts and then I come back to you with –

Commissioner Steiner: Or couldn't you come back to us and tell us, for example you've got 85% of the contracts done here so we appear to budget and we estimate the balance. We use your budget and your estimating numbers. So we don't have to wait till the end to see where we are at. We would like to see as you go along on a regular basis where we stand to where we think we should be. Right.

Steve Plate: Yes, and we actually track that so we can give you a forecast to where we are as of today with these awards.

Chairman Coscia: Yes, I wanted to add to that Steve. Because I think that is sort of a growing area of concern. It has been for while which is that we approve projects at a very preliminary phase and there is a project number associated with it. So the Board operates under the assumption that the Freedom Tower is a $2.87 billion project, yet at this stage I don't think there is anyone here who thinks that we are going to stick to that number.

Now it sounds as though, at least in the phases up to the more recent purchases that we have stayed pretty close to what those budget numbers are, and this comment is intended maybe more so for other elements of the rebuilding effort than for this one in particular. But I think there is a concern that we operate under the assumption that there is a budget number that we are sort of working toward and then individual contracts come up that may exceed those numbers. But I think we have to come up with some methodology and I don't want to dictate what that is because I think that you have got to work with Dave and Chris and others at coming up with how we can stay in a more real time way informed as to what happens so that we are not faced with a situation where all of a sudden a project that we thought was going to cost X cost some substantially higher percentage than that. And we have already made too many decisions to be able to revisit options that we might have.

Because when we make decisions on overall projects, if we decide we are going to build the Freedom Tower for $2.8 billion, we have made a decision that that is the level of resources that we want to put into it. Not $3 billion, not $3.1 billion, not $3.2 billion. And when the decision is sort of made for us by virtue of incremental pieces being put together, and it could be that there is just no way to avoid it. If we want to build that project that is what it is going to cost.

But we sort of owe it to our process to make that decision. And I would say that we should do that not just for the Freedom Tower but for the Hub and for Memorial and for all the other elements of it; we have to find a way in a real time basis to say we now are at the point where this is what this project is going to cost. And presumably, even beyond the rebuilding effort downtown, generally in projects that we do that is going to give us an ability to make a decision at our level that this level of expenditure is worth it, if not the decisions being made by the market place for us. We are not making it.

Commissioner Steiner: Mr. Chairman, I would like to add, that is what all developers do. They have a contracted amount and a budgeted amount. And then they have a contingency based on the budget they have been awarded because they know they might [not] make it, so you have a contingency but only on what is not contracted for. And then you get an idea of where you are going. We are looking not at the particular dollar but whether we are coming close to the general concept.

Chairman Coscia: I'm not sure if that on Day One, the Freedom tower costing $3.1 billion would have reached a different conclusion. All I'm saying is that if you look at all the projects we have and the budget numbers we are now facing, I'm not sure we would have reached all the same conclusions on all of those projects.

And in some ways it clearly was not predictable on Day One what those numbers would have been, but at some point that picture starts to get clearer. And we have to find a way of making, as that clarity becomes available making it sharable so that we sort of know what we are getting into.

Chris Ward: We will definitely do that. Steve and David and I and Frank have been talking about that, not only for all of the projects that you reference in Ground Zero, but as a

fundamental reporting overall for our capital plan. But we will start within this process to come back with you on what we call the Burn Rate on where we are with project costs, what the budgets were and where the contingencies so you can see how each part of this project adds up to a potential budget at the end.

But I think overall, Chairman, that needs to be institutionalized throughout all of our capital planning and that is something we started but is not completed yet.

Chairman Coscia: And I will add one other thing which sort of swings the pendulum somewhat in the other direction but I know that I feel strongly about this and I think others do, but they can speak for themselves, in that projects take different turns and require different resources. And so the benefit of the approach that we are talking about also gives the Board an ability to provide the kind of resources and support to make sure that the job is being done right and being done as well as it should be. And in some instances, the sort of suffering in silence results in people trying to get something accomplished without the resources necessary to get it accomplished which produces another very bad result that none of us really want.

So at the end of the day, the more we are making judgments based on being fully informed and recognizing that if we want to pursue this particular capital project here is the cost, here is what it is going to involve, and if you want to do it correctly here is the resources that are going to have to be put into doing it, an ability to understand that and make a decision is one that you are just a lot more comfortable living with long-term. Thanks.

Commissioner Steiner: That's why you get the big bucks, right?

Steve Plate: If I could just add to that, Dave and I already implemented something that we will be sharing in the next few weeks which has a form that deals with that kind of issue, especially with the Freedom Tower.

Okay, the second construction trade contract covers electrical packages 1 though 4 for work associated with the construction of the Tower 1. Electrical packages 1 covers the core and shell at a contract amount of $119 million. Package 2 is for medium power distribution from the core and transformation to low voltage at tenant spaces in the amount of $20 million. Package 3 is the medium voltage switch gear and spot networks valued at $22 million. And Electrical package 4 is for the emergency power system at $22,000,500.

The total cost of these packages is $198,180,000 including the allowance for extra work. The scope of work for electrical package of 1 through 4 will provide power and emergency power for all the electrical subsystems such as fire alarm and security as well as the mechanical, electrical elevator and plumbing systems to support the base building operation and the future tenant fit out of the building.

As we have advised before, the fire alarm system that the electrical system is being authorized here in would support, will meet or exceed building code requirements. Staff recommends the award to Five Star Electric, the lowest responsive bidder. Commissioners, I request that you advance this item to the full Board for approval.

Commissioner Sartor: Same question, Steve.

Steve Plate: There were 9 bidders. There were 5 that went to BAFO. The budget was close to $100 million. The estimate was $170 and the low bidder was $183, a little over $183 million without contingency.

Commissioner Sartor: And what was the original bid and what you BAFO'd them down to.

Commissioner Steiner: What was it before the results of the BAFO.
Steve Plate: Yes, I know. I'm just – it was actually, on this particular bidder it was $214 million and some of the other ones it was $225 and dropping. So, again, you saw a significant 10%, 20% in that range.

Commissioner Sartor: Yes.

Commissioner Steiner: Mr. Chairman, I note that you made an effort to get different contractors in there, which probably might have been a good thing from an operational point so we are not dependant on one person. I see that you had people submit packages. There was no way that you can have this broken down to more than one contractor to come in at the better price, the best price.

Steve Plate: Actually, we did exactly what you said Commissioner. In fact, I think you asked us to do that. We broke it down into 4 packages. Low and behold, after we did all of that we had a potpourri of them bidding different packages. But the one that was actually the low bidder was low bidder on every package. Plus he gave us an economy of scale bids, so we had to go with him. That was the recommendation of staff. So we did break it into 4 packages as you asked and it has still brought us to the same –

Commissioner Sartor: Did the agency work with this?

Steve Plate: By the way, that doesn't happen across the board, sometimes –

Commissioner Sartor: Has the agency worked with this contractor before?

Steve Plate: Yes, in fact we just used them for north temporary access. They are personally committed to the job. They assign one fulltime person to the job. They make sure they make their deadlines. If you remember, the north temporary access was date certain. It opened the same day we promised it to open. And they were totally committed to make that happen. So they do have a very strong team and they are at the site. Not to say that the other teams weren't as strong, but this one came with the best price and the best team.

Commissioner Steiner: Point of information – have they ever done jobs of this size and magnitude?

Steve Plate: Yes.

Commissioner Steiner: Where. And for whom?

Steve Plate: They have done NYC DEP, Newtown, I'm sorry, Newtown Creek, Water Pollution Control Plant –

Commissioner Steiner: What was the order of magnitude of that job?

Steve Plate: $105 million.

Commissioner Steiner: $105?

Steve Plate: Yes.

Chris Ward: They are a substantial company.

Commissioner Steiner: Do you have the financial assets?

Steve Plate: Yes.

Commissioner Steiner: My next question then is, what is the gross square foot area of the building that we are building here?

Chris Ward: . About 3.1 million.

Steve Plate: Somewhere in that range.

Commissioner Steiner: 4 million?

Chris Ward: 3.1.

Commissioner Steiner: So that comes out to about $60/square foot, plus the tenant electric fit up.

Chris Ward : Not bad.

Commissioner Steiner: Not bad at all. Plus the tenant – the other thing we have to add is outlets and fixture and receptacles, right.

Steve Plate: Yes.

Commissioner Steiner: That's your normal –

Chris Ward: And we need fluorescent light bulbs.

Commissioner Steiner: You are giving them light bulbs. I thought candles – we are supplying foot candles. I think that is pretty good.

Steve Plate: They have done work for the MTA, the US Courthouse –

Commissioner Steiner: Okay, I'm satisfied.

Steve Plate: Freedom Tower.

Commissioner Ferer: That's good. Why did we have a budget of half the amount? Why was it half the amount?

Chairman Coscia: It goes back to the same issue, I think.

Commissioner Steiner: Yes, I don't know if you were here Commissioner –

Commissioner Steiner: Don't forget, you change the whole thing, you've got all of this security stuff that we never had before. We are building the building differently. It is not the same building you had that we originally contemplated.

Commissioner Holmes: The budget for all of this is related to 2006?

Chairman Coscia: Probably before that.

Steve Plate: It was before that, Commissioner.

Commissioner Holmes: Just another question, why when you look at where we are with the amounts for the 2008 bids, did we rely on 2006 numbers?

Steve Plate: Well, because we have to go for authorization on the project back in 2006 to say to the Board that this is what we anticipate the project to cost so you have a point where you could say before we proceed any further and make any awards – because once you start pouring concrete we are kind of committed. It gives you the ability to say yes or no.

After that, then we start getting the bids in. As you know, the market has turned significantly as far as relative to costs of especially commodities. Labor is somewhat predictable. And then because of the nature of all the different contracts, we are struggling. And it is a good thing that we got 8 or bidders here. It shows that they want to be there. But even with that, as Commissioner Sartor pointed out, the mechanical/electrical/plumbing seems to be the most problematic relative to costs.

Commissioner Bauer: There was no way to gauge the costs. .

Steve Plate: That didn't answer you. I'm sorry. Let me try again. No, no, no, I will try again. I'm sorry, you want to help.

Chris Ward: The other way to do it, Commissioners, Silverstein did an estimate awhile ago. We do an engineer's estimate. And then we go out for bids. So there is a moving up within certainty

before you enter the market. And Silverstein was doing his on a sort of blue sky, this is where we think it is going to be. And our engineer's estimate then gives us a better sense of it and it is a ballpark that you shoot for when you end up getting the bids back and you see how they reconcile.

Commissioner Holmes: From what I understand, the budget in the 2006, related to the actual cost a year and a half later, bring us to where we are now.

Steve Plate: That's the engineer's estimate. You are asking versus – the engineer's estimate is very close to what the bids came in. But the question was budget, and the budget was established in 2006 and I am just being true to the budget.

Commissioner Sartor: You didn't include escalation because they didn't know when it was going to be built, right?

Steve Plate: Yes. That's what Chris said. The details weren't there yet.

Commissioner Bauer: Steve, you had mentioned facing 92 million as a security option. Why was that not budgeted in 2006? (inaudible).

Commissioner Steiner: I wasn't sure of my facts. I thought that perhaps that might be –

Steve Plate: You should ask Commissioner Steiner that question.

Commissioner Steiner: Perhaps.

Steve Plate: I'm sorry, I'm being a little smart.

Commissioner Steiner. Perhaps. It does.

Commissioner Bauer: Okay, I understand.

Commissioner Steiner: Let me tell you, what happens, it would cost you a lot more to get people on the job. You lose time with everybody coming and they work with all the security; you don't get a full – you never get anyway – but you certainly are going to lose time because of all the added security and bringing new people on.

Commissioner Bauer: But that wasn't factored in. –

Commissioner Steiner: I don’t know whether they took it.

Commissioner Bauer: Okay, I see.

Commissioner Sartor: There was –

Commissioner Ferer: The NYPD came back with additional requirements –

Commissioner Sartor: Yes, there was an 18-month redesign period. That redesign is what we bidded here with those costs added.

Commissioner Steiner: It wasn't in the original.

Commissioner Sartor: It wasn't in the original. When Kelly came back and made those concerns known.

Commissioner Steiner: I took a flyer, you know. Not usually.

Steve Plate: Next slide please, as Paul Blanco would say. Next slide please. Please, next slide.

Commissioner Steiner: I'm never right.

Commissioner Sartor: Please.

Steve Plate: Staff recommends that the third construction trade contract for Tower 1 is for the glazed enclosure at podium wall work at an estimated total cost of $82,080,000 including the allowance for extra work to be awarded to the joint venture of Solera Construction Inc. and DCM Erectors, the lowest responsive bidder.

The scope of work provides the furnishing and installation of all prismatic glass and bar screen panels for a complete glazed enclosure system at the base of the building from the grade level through the sixth floor mezzanine. It should also be noted that the glazed enclosure is an aesthetic cover that surrounds the structural enhancements designed into the base building per security requirements and the glass being installed will meet or exceed safety requirements.

Commissioners, I request that you advance this item to the full Board for approval.

Commissioner Sartor: Same question, Steve.

Steve Plate: 4, down to 3. Budget was 52. I will point out that we went out for bid for this sometime ago, and it was well over $100 million, $120 million. My guys killed themselves to come up with a design that got into the contractor's head and got something that was practical and pragmatic, albeit we are not at the budget. It is obviously, with the numbers we just talked about, much reduced down to the lower number.

Commissioner Sartor: You worked with Skidmore on this, right?

Steve Plate: Skidmore is on Board with it. They are comfortable because I guess they are not calling you to complain.

Chris Ward: Clearly one of the design questions following the difficult security discussions at the base of the Freedom Tower was how do you make a world class building have the appearance of a world class building when you have had to strengthen the amount that you did.

This prismatic treatment of the glass allows the base to have a kind of light feeling rather than the heavy armored feeling that it had before and working with David Childs and his team, we advanced this aspect of the project because we do think it is important that the Freedom Tower have that sense of architectural quality.

Chairman Coscia: Chris, in going through the process have we found other projects that have a similar kind of base design construction that bring these different elements together or is this something that is a case of first impression. Because I thought the bidding process might reveal that, particularly this contract.

Chris Ward: Well, I think this is definitely a one of a kind unique situation. I think what we have found is that once people begin to look at it and get more comfortable with it and understand what in fact the Childs' vision really was, we got a much better price than we originally thought. But on the same token, to be clear, when we were first staff, internally we were first looking at this, to a certain extent we didn't really understand how this type of glass gets built within this unique building and framework. So you will see both, what other people first thought it would be and what we first thought it would be. And I think that we are finding that we are landing pretty much in the middle and the BAFO process got us with Solera the right price.

Commissioner Steiner: What would you say the thought that if we didn't have this heavy security situation, as was imposed on it, we probably wouldn't have spent this $82 million. It wouldn't have been necessary had we had the normal type of building.

Steve Plate: You wouldn't have the concrete wall.

Commissioner Steiner: I wouldn't have those concrete walls to hide. So it is really part of the security thing the way I look at it. Without the heavy security requirements, the couple hundred feet of concrete, all that, we never would have had to spend the $80 –

Commissioner Sartor: You would have had a different curtain wall.

Steve Plate: And you wouldn't have the concrete that had to go behind as well, Commissioner.

Commissioner Sartor: So you are right, that is –

Commissioner Ferer: Tony, do we have a total for what the additional security is costing us when it comes to the added elements.

Steve Plate: We have some ballparks but I haven't looked at it in awhile, so I would have to refresh.

Commissioner Ferer: Because that was not anticipated in our original budget. Neither were things like inflation.

Chairman Coscia: It wasn't the 2.8 we approve, because , that is one of the reasons why I asked Chris the question because we are building an enormous office building in a very highly charged security environment and using methodologies to make the building as safe as possible that probably have never been used before.

The conditions associated with that were actually imposed on Silverstein Properties before we acquired the project from them. And in fact there is a significant amount of money that NYS reallocated to the project in exchange for the fact that he took on those responsibilities. I think the number was $250 million. I don't know if you remember, is that it.

Steve Plate: Actually, it ended up to be slightly less than $200.

Commissioner Blakeman: And we are the beneficiaries of the additional allocation from the state.

Steve Plate: Yes.

Chairman Coscia: Yes.

Commissioner Steiner: Is it with Silverstein, and Silverstein is coming to us, or just stay with Silverstein.

Steve Plate: No, it came back to us. Came to us.

Michael Francois: It’s part of the financial structure.

Chairman Coscia: The point is that we are building a building of this magnitude and to security standards that exceed anything that people have built before. And so there is a lot to be learned in this process that probably is a valuable information, not just to us but to anyone who is building an office building anywhere in the United States because it seems as though we are in some ways the leading edge on that.

And that is going to unfortunately also reflect itself in cost, it would seem.

Commissioner Bauer: So it is totally unprecedented.

Chris Ward: One, it is totally unprecedented and you have seen the cost, the $250 million of it. You have seen the design complexity then addressing that security, and I would just remind the Board that we will be back, continuing to discuss this very issue as we implement the security plan with NYPD as it relates particularly to the design criteria for the Larry Silverstein buildings and the set-back glass strength of his design and the design blast threat assessment of the Vehicle Screening Center.

So the very questions that you are asking today will be back to us when we begin to go through those project authorizations as well.

Commissioner Steiner: Chris, from your experience, and all of us here know, that you could do a suburban type office building or a residential building in NYC for not more than 2 or 3 times multiplier of what we are spending for the security. That is a very big cost. And the difficulty is going to be achieving it in the rental. It is something that is imposed on us by the conditions, the political considerations, certainly not the economic consideration. That it would be virtually impossible to ever recover that kind of money from a rental structure that is competitive.

Commissioner Blakeman: I think that basically what Chris is saying is part of the negotiation process will be, the tension between having a commercially viable project and secure project in a secure development site. So that is going to be the give and take. And the fact of the matter is that I suspect that the City, and rightfully so, NYPD will come down with certain requests that may not be commercially viable but to put them out on the table for discussion. And I think that we have to bear in mind that we are not going to be in a position to make it 100% foolproof and safe. And we have to take into consideration that people have to live, lives have to go on; that it has to be commercially viable or people won't go there. It has to be a situation where people who work there and tourists who want to go to the memorial can get in and out relatively quickly.

Are airports are a very vulnerable point and they are certainly not even close to being fool proof. So I think it is going to be a real negotiation process as to what the final product will be and I think that we have to be very concerned that whatever we build there is commercially viable.

The one thing that I have learned from Homeland Security in my experience is that you can have all of the technology, you can have all of the engineering, construction. You can have law enforcement personnel, whatever, the bottom line is the best way to stop any kind of terrorist attack is through good intelligence. And it is not so much the number of feet you have on the ground or the technology you have or the type of building that you build.

So I think we have to bear that in mind when we discuss this and that is going to be Chris's task with the help of the Board to come up with a plan that is not only safe but commercially viable.

Commissioner Steiner: Well the point of argument was I think that now that we know all of these costs are down and whether it is out of order, I think we are going to have a lease with a department of the United States government, the GSA, and with the State of New York. And it would seem to me that we should maybe reconsider and ask them to bear a larger share of what this cost is to make the rest of the building more competitive. I don't know whether that is possible, but it occurred to me that we are doing it because the government requires that they insist on it; let them bear the share of it wherever they charge it to instead of trying to get a normal market rate. That was the point of my whole discussion, where I was leading up to from day one.

Commissioner Ferer: Will the $250 cover it, or are we beyond that.

Commissioner Sartor: Well beyond that.

Commissioner Ferer: How much beyond the $250 additional dollars.

Chris Ward: I think what we would like to do is come back and give you, before we start throwing numbers out on the table and we all start talking about numbers that we are not sure of. I think we should come back and give you a fixed sense of where we are today with security numbers and our exposure potentially for security issues.

Commissioner Sartor: That would be a good thing to do for the next meeting of the subcommittee.

Commissioner Blakeman: And it is important that the Board get those numbers. I know they are not at your fingertips now but the Board should have those numbers because obviously when we were told that the additional costs would be in the neighborhood of $250 million for additional security, engineering and construction, if we are going way over that I think we have to look historically at the process and see where the flaws were in the process on our part because obviously if it is coming in way over, those estimates weren't correct when they were made. And that is something that should be corrected.

Commissioner Sartor: Steve, you want to go on to the next one.

Steve Plate: Next slide, please.

Commissioner Sartor: You should rethink whether or not you are going to do 4 of these next time.

Steve Plate: The price of success.

Steve Plate: The fourth Tower 1 contract is for the hoist and sidewalk sheds at the estimated total cost of $51,732,000, including the allowance for extra work. The hoist and sidewalk sheds will be the means by which workers will access the structure and design to meet or exceed the safety and security requirements for high rise office construction.

The scope of the work of this contract includes constructing and maintaining six temporary hoisting complexes, utilizing 18 hoist cores. The composition of the hoist complexes include common platforms at each floor level, structurally integrated with the hoist tower mass and attached to the building's structure.

Contractors must have the engineering expertise as well as the necessary field labor to maintain the hoist complexes and to respond and to breakdown including the carpenters to repair and maintain all common platforms, ramps and loading docks, and mechanics to repair and maintain all components of the install system.

Standby engineers will be ready, available. If any issues arise, as will spare parts and equipment for repairs to ensure a safe environment for all those working in and around the Freedom Tower site. Staff recommends the award to Atlantic Hoisting and Scaffolding, LLC, the lowest responsive bidder. Commissioners, I request you advance to the full Board for approval.

There were 4 bidders, 3 BAFO; the budget was $23, the estimate was $45, and the final bid was $48.

Commissioner Sartor: That's better, Steve.

Steve Plate: And it went down, some of the bidders were up at $55, $48, $50, so it dropped a million or two. We worked this very hard with the contractors. I will tell you that we have our Vendex check and some of the bidders were not allowed to bid. So we watched through that under the watchful eye of the integrity monitor and Procurement, but still we had very good competition, good exchange. And we have a system that we are comfortable with that has been designed very closely.

For example, on the transports for the personnel, after a certain floor goes internal to the building because of the high wind loads and such. So we have actually looked at that very closely and feel comfortable. We have a very good, solid system from which to work from.

Commissioner Blakeman: Steve, to a layman like myself, this seems like it is probably one of the more dangerous aspects of construction. Would you agree with that.

Steve Plate: I hate to – everything is challenging. And I don't want to say it is the most. It is something that you have to watch very carefully. It's why you have to have firms that have done this before. These firms are very solid –

Commissioner Blakeman: Yes, I was going to ask, do you have an example of a major project that Atlantic worked on.

Steve Plate: George Washington Bridge, JP Morgan Chase, Hearst Building, and 270 Greenwich.

Commissioner Steiner: One question. That means that Atlantic operates this thing. Do we have any chance of recovery; we are paying for the lifting for all the contractors, or do we get a chance of recovery for use of the lift. Or is that included free in everybody else's contract.

Steve Plate: That's included in their contract. In fact, we had to work very closely because there is some anxiety on the contractor's part – what is the access – and we had to make sure that they are all comfortable. So there was a lot of give and take in making sure that this system would be efficient and effective.

Commissioner Sartor: My understanding was that we saved money on the other contracts as a result of going after this and opening it up to all the contractors.

Steve Plate: Absolutely, because then you would have had a series of potpourri of different –

Commissioner Sartor: But you are going to have a traffic situation that has to be controlled there very closely.

Steve Plate: And that is why it is important, why I spent the time going through the maintenance end of it. And we have the ability to add in the contract too if we need as we see forward. But we feel very comfortable that what we have now is sufficient.

Commissioner Ferer: Given the sensitivity to cranes and hoisting and all that has happened in the past history of this year, how is Atlantic related to any of the accidents the city has had, and are they or are they not involved.

Steve Plate: They are not. In fact, that is one of the firms that weren't allowed to bid was one of the firms that were involved in with that situation.

Commissioner Ferer: Okay, and what codes are applicable to the state or city codes.

Steve Plate: Well we start with our own Frank Lombardi and Engineering Department who watches over what we are doing, but also Frank and ourselves have worked very closely with the Department of Buildings because we feel that we want to make sure that we have as many eyes as possible on this. And Frank and I have worked on an agreement – I don't know if you want to jump in Frank –

Frank Lombardi: It's an MOU that is being prepared, Commissioners, with the DOB as far as the cranes and derricks portion of it so that we are following building code requirements on that.

Commissioner Ferer: Okay, thank you.

Commissioner Steiner: I think that's a good story that ought to get out to the public of how the Port Authority is going beyond the normal to protect the crafts and the people, and I hope you will use this or get this in the paper because the public needs assurance that we of all people are doing the right thing. I think we are setting a good example for others to follow. But I don’t want to give it a blessing, because god forbid something happens.

Chairman Coscia: Commissioner, I think we should do the right thing and keep doing it and I think people will notice.

Commissioner Ferer: I don't think that is It is not going to hurt unless something happens.

Commissioner Sartor: I see Mr. Sigmund back there. He will take that under advisement I'm sure.

Just one comment. Just adding up what the BAFO process saved us on these four bids, I come up with close to $90 million. Is that right– so the BAFO is working very, very well.

Steve Plate: Yes, very much. In fact it is something –

Commissioner Sartor: As opposed to the pure bid situation.

Steve Plate: Yes.

Commissioner Sartor: Okay.

Steve Plate: And we are looking at it in other applications as well.

Chairman Coscia: You know, on that point, and I know that I have at least had it explained to me as a lay person the interaction between the BAFO process and the FTA oversight of that, I take it that on each of these agreements since they are substantial, that if there are any independent entities that have any responsibility for it and obviously the FTA is not applicable here, but that we have gone through whatever checking we need to there. If there are any other entities that have some oversight in how any of this money is expended either contractually to third parties or to other government entities, I can't think of anything that would be applicable, but I assume that that has been thought through.

Chris Ward: Yes, as you said in reference, Chairman, that there are none applicable for this particular facility, and one of the challenges that we are working very hard on is to find the efficiencies within the various competing procurement, budgeting and payment process that the FTA requires and where the Port Authority is, and we have recently found some ways to make that more efficient in terms of payments.

Steve Plate: Yes.

Commissioner Steiner: Do you need a motion to approve it.

Commissioner Sartor: No, I think it will be at the public Board. Next.

Steve Plate: Now we are shifting to the memorial. Construction progress at the memorial continues with over 9600 cubic yards of concrete poured which represents over 80% of foundation and liner wall concrete, and approximately 3,150 tons of structural steel being fabricated to date. A total of 1800 tons of steel delivered to the marshalling yard in Camden, New Jersey, and steel erection is scheduled to begin in September and the northeast corner of the memorial site.

Today staff will be seeking your approval to accept assignment of 2 additional trade contracts, the first of which is for the HVAC air system related to the construction of the World Trade Center Memorial Museum and World Trade Center infrastructure projects. This essential component of the project allows the construction of the memorial and museum and World Trade Center infrastructure development required to proceed and facilitate scheduled milestones for these projects.

Staff recommends the award go to Celtic Sheet Metal for the purchase, fabrication and installation of HVAC systems at an estimated amount of $21,162,280 including the allowance for extra work. In addition, a partial assignment is requested for the contract with Bovis Lend Lease for performance of construction management and general conditions work at an estimated cost of $2,906,600.

Commissioners, I request you advance this item to the full Board for approval.

5 initial bidders. 4 went to BAFO. The estimate was $24 million, the budget was $14 million. The BAFO ended up at a little over $16 million, so we are in the same ballpark relative to budget and below the estimate. We had very tight bids. As I said, there were 5 bidders, dropped to 4.

I think I got – oh, what have they done – Chelsea Landmark Building, American Airlines Terminal, Time Warner, Fairmont Hotels. Bovis has worked with them; very solid firm and very comfortable. And they went through the BAFO process.

Commissioner Sartor: We are going to want to see the same thing that we asked for with respect to the $2.877 number for the memorial. We want to see what the 5-10 is how it compares to that. And the sooner the better, because we still have a ways to go in terms of the bid process here.

Steve Plate: We'll take care of it.

Chairman Coscia: On that issue, I mean is there a sort of timeframe when we think we might be able to have a session on what sort of anticipated costs of the memorial are going to be. Because as Commissioner Sartor mentioned, we are actually not as far along on that. So maybe this is an opportunity here.

Chris Ward: Well, I think one of the things we should talk about is, we would be prepared to come back in two weeks to do that. We have the meeting that you have set up for the 16th I believe is the date now, which is the World Trade Center Focus. I propose that we have that discussion at that meeting and you see the Burn Rate as I call it for all of the projects downtown.

Chairman Coscia: That would be great. That is very responsive. That's great.

Commissioner Blakeman: I would just like to note that if we are early on the process and there are ways to scale it back to come within budget, I think we should look at it. The $21 million – I know everybody thinks it's funny, but the fact of the matter is –
Commissioner Ferer: We don't think it's funny.

Commissioner Blakeman: Well, you know what, the bottom line is the $20 million that we are spending on the HVAC is probably more than we have spent on the Vietnam Veteran's Memorial, and that is an emotional place, and I think it strikes the right tone and the right chord. And again, I just think it is obscene to spend $0.5 billion on a memorial. And if it can be scaled back we should. And I am speaking as a relative of a survivor and a first responder.

Commissioner Sartor: Next item, Steve.

Steve Plate: Yes, Commissioner. The second memorial trade contract we seek is to accept assignment of is a construction trade contract awarded by the National September 11th Memorial and Museum at the World Trade Center Foundation to Hugh O'Kane Electric Company for the purchase, fabrication and installation of an electrical high voltage power wiring system at an estimated amount of $40,442, 926 including the allowance for extra work. In addition a partial

assignment is requested of the contract with Bovis Lend Lease for performance of construction management and general conditions work at an estimated cost of $5,554,761.

Commissioners, I request that you advance this item to the full Board.

There were 4 bidders, 4 went to BAFO. The original bids ranged from over $40 million to low $30s. The BAFO was at a little --- was at $29 million. And what have they done. They worked on the Port Authority Red Garage at JFK Airport; they worked on the NYS Bronx Criminal Courthouse and Morgan Stanley in Brooklyn.

And we are very comfortable with them. In fact, some of our staff will work with them very closely on these projects and feel very good about this selection.

Commissioner Holmes: Was there a budget amount.

Steve Plate: $22 million, close to $23 million was the budgeted amount. The estimate was close to $33 Commissioner. And we are at $29.

Commissioner Steiner: My favorite question, Steve, how large is this for a memorial type facility.

Chris Ward Square feet.

Steve Plate: 162,000 some square feet.

Commissioner Ferer: That's for the museum.

Steve Plate: Yes, the underground portion.

Commissioner Ferer: No, but above the pavilion.

Commissioner Steiner: The pavilion is above, outside.

Steve Plate: No, this is not the pavilion, this is actually the museum itself.

Commissioner Ferer: The museum itself is 162,000.

Steve Plate: Yes.

Commissioner Steiner: We are spending $40 million for the museum –

Commissioner Ferer: Does that include the underground as well.

Steve Plate: Yes.

Commissioner Ferer: So both the building and the museum.

Steve Plate: No, no, that does include the building is about somewhere around 20-30-40,000 in that range.

Yeah, it is about 40-50. It was 500.

Commissioner Steiner: Does this include the building.

Steve Plate: I'm sorry. That is a separate contract.

Commissioner Steiner: 162,000 for a museum.

Steve Plate: Yes. But it is multiple levels throughout. It is, obviously it goes from, it is about 100 foot, 80 foot, because you are going from elevation 240 to street level which is 305/310. So basically it is going to be open expanse under the wells, under the footprints with the water features.

Commissioner Steiner: Well, it’s obviously costing a lot.

Commissioner Sartor: Steve, both in this contract as well as the last contract you have split out Bovis's contract. And the numbers seem excessively high for construction management services. Could you expand upon that please.

Steve Plate: Yes, that is based on the contract they presently have with the Memorial Foundation, that is the 2.54%.

Commissioner Sartor: Well $5 million is a lot more than 2.54%, as well as the number for the last one was significantly higher. It's like 14%.

Steve Plate: Let me double check that then. It should be 2.54 – I'm sorry, it includes also overheads, I'm sorry, the fix general conditions, so it is 12% plus the 2.54%.

Commissioner Sartor: Okay, so it includes general conditions and overhead.

Steve Plate: I'm sorry, I'm thinking percentage of – I thought you were asking me the profit on that. But it includes the general overheads and the profit.

Commissioner Sartor: And the profit was 2.5% you say.

Steve Plate: Yes, and the 12% for the overheads, general conditions, general overheads. And now we are still, just so you know, we are negotiating with them to assume the contract Commissioner. And we are working with them to see –

Commissioner Sartor: I mean the number we have with Tishman for the Freedom Tower is significantly lower than that number, than 2.5%.

Steve Plate: Yes, it is 1.5%. We have met with Bovis several times and they are negotiating the price down and we are looking to do a wrap up at the right moment.

Commissioner Steiner: My question is how does this compare to the costs of other similar museums around the country. . Do we have any idea.

Chris Ward: No. I mean –

Commissioner Steiner: This design was given to us and actually with purchasing in most cases was done by the Memorial Foundation – thank you – (inaudible – microphone inaccessible).

Chris Ward: I mean let's be clear. The chronology that you just described leaves us with a design, a vision of the memorial and we are bidding and building it. This is a completely –

Commissioner Steiner: The cost saving alternatives – were never thrown into the press.

Chris Ward: Well, we have been negotiating with the museum and the city to find ways to make it more efficient, going back to Commissioner Blakeman's point, there is candidly not a lot of opportunity to do that once you assume the design that the memorial has come up with. So there is no other comparable museum/cultural institution that would reflect the complexity of this memorial. So to find an analogous ratio of high voltage substructure is just not going to be found. This is the project that we are building and with it comes all of its – maybe they are calling you with an example.

Commissioner Bauer: Why weren't we part of the process to design the memorial. (inaudible).

Commissioner Sartor: We tried to get involved in that and we were told that we couldn't get involved in that because the memorial was going to control that. That was the City.

Commissioner Bauer: The City. .

Commissioner Sartor: The memorial was going to control the design process. When we took control of the construction, it was my suggestion that we be given responsibility for the production documents and to oversee the design going forward. And we were – the push back was, 'no, you can't do that.'

Commissioner Blakeman: I think the reason, and I don't want to speak for Commissioner Steiner, but we are talking about $300/foot for just wiring. That seems high. That seems way high.

Commissioner Steiner: $250, excuse me. Not $300..

Commissioner Blakeman: With the construction management –

Commissioner Steiner: No, without them, that is as different –

Commissioner Blakeman: $250, that seems excessively high.

Commissioner Steiner: Well, I don't know. I have no experience in museums, and I haven't done a museum except my house –

Chris Ward: I think the reaction to the price is definitely legitimate. Unfortunately, as Steve went through both the budget, the engineer's estimate, the market response of 5 credible electrical contractors, Hugh O'Kane is really one of the premier electrical contractors in the city.

We saw how the market responded within that framework and this is the best possible price it yielded for us. Unfortunately there is no other alternative for providing high voltage service to this complex project. Just think of the air conditioning load, the water circulation load, the humidity control that is going to be required. The lighting associated with the museum.

Steve Plate: And it also includes 2 spot networks which are essentially two substations.

Chris Ward: Right. So we have double feeders –

Commissioner Blakeman: I have no doubt –

Commissioner Steiner: Why double feeders. .

Chris Ward: Because of the redundancy of the museum is fool proof for an electrical outage that might in some ways strand people below grade, otherwise we would lose the memorial.

The only thing that I would say Commissioners is that staff has demonstrated an ability to take what was previously been decided and manage it to the degree of delivery that gets us the kind of cost savings and quality of construction that we need to build it.

Unfortunately this is, as Commissioner Sartor was referencing, the product that we were asked to build and that is what we are building.

Commissioner Blakeman: I don’t find any fault with staff with respect to this issue. But if there was a way to push back on the design in order to meet budget, in this early stage, I think we should consider fighting very hard for that. These are dollars and cents that could be spent in areas that product revenue for the Port Authority, in areas where the Port Authority needs to strengthen their security and we are allocating funds and assuming responsibility for a design that however well intentioned may not be practical anymore.

Chris Ward: In response to that I can tell you that with Dave Tweedy we are meeting regularly with the Memorial and all the stakeholders to push back and find all of the cost savings and time savings that we possibly can. And I just don't want to in some way over promise, Commissioner, how much we can in fact push back against the Memorial design and where it is.

Commissioner Sartor: One of the things that I would like to remind the Commissioners as well as the Executive Director and staff is that we agreed to a certain number with the Memorial.

And this is not an open book. And if the costs exceed where we are at, it is not going to come out of the Port Authority. Darrell, you are, we should maybe be briefed at the next subcommittee meeting as to what our exposures are here because I feel that the numbers that we have been talking about are going to be exceeded and the question is where are the additional funds going to come from.

We are capped. We are capped.

Darrell Buchbinder: We can do a refresher on the agreement.

Commissioner Sartor: Yes, what is the number.

Chris Ward: The cap number.

Steve Plate: It's 530 for the –

Commissioner Sartor: What is our number.

Steve Plate: $130 million for the Museum.

Commissioner Sartor: I think we are exposed to $150.

Steve Plate: $150, plus there is the other contingency money.

Commissioner Sartor: $45.

Steve Plate: $45 and $45 –

Commissioner Steiner: Percentage of the total cost. So if the total cost is $150 you can't get our number down and not bring everybody else's share down.

Chris Ward: This is exactly the kind of discussion that we want to have. When you see the material and data for the September –

Commissioner Sartor: One of the things that I would like you to include in the September 16th presentation is a review of all the numbers.

Commissioner Steiner: So we can all drink the Kool-Aid.

Chris Ward: Flavors. I'm open. Orange.

Commissioner Sartor: One of the additional items I would like you to include –

Chris Ward: Let me get the orders down. Strawberry –

Commissioner Sartor: What you need to include is the increased costs that we are experiencing at the hub as a result of the directives from the Memorial. There are some significant increased costs that we are exposed to there because of the trees in one particular instance and a number of others.

I think it is done, but it is a number that is associated with it that we need to put a box around and bring to this committee so we are aware of what that is.

Commissioner Bauer: And none of that is renegotiable at this point?

Chris Ward: No.

Commissioner Ferer: We are still negotiating the trees, aren't we?

Chris Ward: No, no, the trees are done.

Steve Plate: Trees are done. Amanda Burdenin NYC Planning is bought off on the trees. Well you remember we had the glass plaza.

Chris Ward: Given the schedule, for the schedule today, when we give the presentation on the 16th, we need to be clear that there are certain things that were not within our control, in terms of assuming the design. There will be some very troubling conclusions as a result of how the Memorial was designed, as Commissioner Blakeman is referring to, and as Frank Lombardi could and Steve could lay out for you the trees and the negotiation of the trees, the necessary earth and weight of those trees – we can go through all of that but I would just remind everybody that there were design decisions that were made awhile ago.

Commissioner Bauer: But it wasn't really a decision. We were just told.
Chris Ward: Not amongst us.

Commissioner Bauer: No, that's what I understand.

Commissioner Sartor: We were dictated the situation.

Susan Bass Levin: But again if the Port Authority's financial obligation is intact –

Commissioner Steiner: Is limited –

Susan Bass Levin: At this point, the Board made that decision as to what that number is; there may well be a debate as to who pays for the rest of it. But the Board certainly has the option to (inaudible) they have decided.

Commissioner: Well that is why we think the money is wasted. If there are those who are going to push the costs, let them bear the cost for the extra.–

Unidentified Commissioner: It's going to be very simple –

Commissioner Steiner: (Inaudible) and therefore we certainly want to bear any of the responsibility. Let the people who pushed it all – the City knows (inaudible) that they think they know how to do everything. Let them bear the cost of the overruns, because we never would have spent $250/square foot on electric and $125/square foot on a HVAC. We never would have had double ended substations. We would have had a generator which every other place has for emergency lighting. We wouldn't have thrown out all that money. And I don't know what this one tree is costing –

Commissioner Bauer: $50,000 a tree.

Commissioner Bauer: How many trees.

Steve Plate: 600.

Commissioner Bauer: That's ridiculous.

Steve Plate: 600.

Commissioner Ferer: There is no way of going back on it. Steven worked really hard and his whole group, I've been in on those meetings. But is there any way to say the Board is putting their foot down.

Commissioner Blakeman: Well, it gets back to who is going to pay for what. I mean are we going to produce a ¾ built museum and memorial and then start to debate as to who pays for what. The City's financial condition is in jeopardy right now because of certain economic issues, and the State's is as well, New York State. I assume New Jersey is the same. And the fact of the matter is, I'm not sure we are going to get bailed out. I don't know if there are enough private donations available out there to add more money to the pot.

But we should have that discussion now because eventually we are going to get ¾ built and there is going to be this tab to pay. And I think it is in everybody's best interest, the Port Authority, the State and the City that we take a very close look at reducing those costs. And if people push back against it then they should be responsible to come up with the money necessary to complete the project and do it now so we are not put in the embarrassing position of having a ¾ built memorial and museum that we are going to get blamed for.

Commissioner Bauer: I think you're right. I think it is an obscene amount.

Chris Ward: If I may, we will be in closed session on the 16th discussing these very issues. And I think that the types of all the issues that you raise needs to be a part of that September 16th briefing and with the data and information so we can actually see where it is and have a private discussion amongst the Commissioners and staff on where we are.

Commissioner Blakeman: The interesting thing is this Board has three people on it who have close relatives who perished on September 11th, and I think we are all in accord that this is an

obscene amount of money and that the design is way too extravagant and really doesn't do justice to the memory of the people who died that day. In my opinion I think it does a certain amount of violence to their memory.

Commissioner Bauer: I think you are right.

Chairman Coscia: On a less emotional level I will say that since coming here I think Chris has been very receptive to hearing the concerns we have about some of these issues essentially happening at the PA. And here we as the governing body seem to be limited in terms of our ability to influence it or even understand it on some levels. And I am hopeful that a lot of that I think will take a new direction and I think the meeting that Chris alluded to on the 16th will be I think the beginning of an opportunity to do that.

But I share a lot of the concern about projects that are fundamentally PA projects where the PA's role in key decisions relative to their outcome is in some ways limited. But as I said, I think we are turning what is a much better corner and hopefully that will make changes that we will all be pleased about.

And I think Chris has been very, very receptive to hearing about that, which is somewhat of a change in attitude.

Commissioner Blakeman: Listen, I think we all recognize that the team that is assembled here had this imposed upon them and they are doing the best they can under the circumstances, and I think it is up to us as the policy board to send messages out to the State and the City and to all the other stakeholders that there are big, big financial issues here that need to be resolved now, whether it is a change in design or an allocation in responsibility to pay for that, it should be held now. And it should be done now. And I have no fault with staff. I can tell what a great job they are doing and how hard they are working. I can see how tired they all look.

Chris Ward: Speak for yourself. That was not –

Steve Plate: Probably because I've been off for an hour and twenty minutes.

Commissioner Blakeman: Yes, I do work 24/7.

Commissioner Steiner: I know this authority would be delighted –

Commissioner Steiner: I'm sure it will cost you at least less than $30 million to support (inaudible), the additional amount transferred down to the foundation – (inaudible – microphone inaccessible).

Commissioner Bauer: You are going to get a shovel, too.

Unidentified Participant: Most definitely, Commissioner.

Steve Plate: Pursuant to the delegation of authority, it was authorized in April of this year, up to $10 million per contracts. Since our last meeting, a construction contract has been awarded for Resilient Flooring, the scope of work for this contract includes furnishing and installation of all vinyl composition tile resilient bases, resilient tile reducer strips, leveling of patching compounds, adhesion, cement primer wax finish and accessories. For example this flooring is the type typically used in freight elevator lobbies. The contract was awarded to R&S Floor Covering Corporation of New York, New York, an MBE firm, the lowest responsive bidder with a total contract amount of $385,560, including extra work. Five bidders, 5 BAFO's and they were all in the same range.

Commissioner Steiner: Budget.

Steve Plate: $300,000. Estimate was $332,000.

Commissioner Sartor: Any other questions? If not, that I think concludes it unless Mr. Plate has something else.

Steve Plate: No, Commissioner.

Commissioner Sartor: What is going on at the site? Maybe you can give us an update of – not yet – can you give us some direction on what is happening with respect to T2 and the sliver. .

Steve Plate: Yes, Commissioner, on the Tower 2 site they are pretty much coming to closure. They are forecasting – when I say they, Phoenix Team—is forecasting our projection based on what we see is for late August, August 28th to be precise. And I call it, the acronym we use it T4 Sliver, which is a portion – let me point out – the area in this area which is adjacent to the Tower 3 and Tower 4 site – is taking somewhat longer and should be done, they are still targeting late August, but based on our projections it might be early to mid-September. And the reason for that is there is obviously an operating railroad that is where the number 1 line is. And we are watching it very carefully relative to ourselves and working very closely with the MTA to ensure that we keep a safe environment.

And then we have to remove rock. So we are almost at rock right now and blasting will begin in the next week or so. So we will have to keep a close watch on that, but we have a plan in place and we will continue to push. We have raised it to the highest levels – the Executive Director and Dave have raised it to the highest levels of Phoenix and actually they have their president walking around and seeing what they could do to expedite it as well. So it has not gone for lack of attention.

Chairman Coscia: Steve, I would just add that I was inquiring about the status of it and Dave Tweedy got back to me with some very good information and brought me up to speed on it. And I have to say that we have some concerns about what is happening down there and I know you share those concerns. And the extent to which the performance of our contractors at the site, these are substantial penalties that we are paying on a daily basis. And every day that goes by it is money that is not being deployed to the rebuilding effort, but to paying a penalty. And you don’t need me to echo the same frustration I know all of you have, but this is clearly a problem.

Commissioner Sartor: Okay, any other questions, comments. Meeting is adjourned.

The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning
December 18, 2007

Commissioner Sartor: The Committee on Capital Programs and Agency Planning will be meeting in public session today in its entirety. In addition, this meeting is being broadcast live on the Internet by the Port Authority's website for those interested in viewing today's proceedings remotely.

We have an item for discussion, John Drobny. John.

John Drobny: Thank you. Good afternoon, Commissioners. I'm here today to discuss the planning authorization for the design and rehabilitation of the George Washington Bridge main span upper level steel deck components and supporting structural members.

As you know, the Port Authority has a comprehensive bridge inspection and maintenance program that includes federally mandated biennial inspections, accessing the findings of the inspections, developing repair and rehabilitation projects to address the inspection findings and implementation of the repairs.

The George Washington Bridge upper level concrete deck from 1931 was replaced by a steel deck in 1978. The steel deck is supported by structural members that were built as part of the original bridge construction in 1931. The age of the structure, combined with the effects of the deicing salts and heavy loads related to the post-9/11 ban on truck traffic on the lower level and subsequent increase in truck traffic on the upper level has resulted in accelerated wear of the deck and supporting components. Current conditions do not compromise the load-carrying capacity of the George Washington Bridge but must be addressed to maintain the bridge in a state of good repair.

The proposed planning authorization is consistent with our inspections and our comprehensive program to maintain the George Washington Bridge in a state of good repair. The total project cost for this planning authorization is estimated at $5.5 million and includes the required planning to develop a comprehensive rehabilitation of the upper level deck and supporting steel members. Work performed under this planning authorization includes expert professional engineering services, consisting of field inspections, evaluation of field conditions, preparation of reports with recommendations, design drawings, construction cost estimating, an assessment of the present day truck loading on the future life of the deck, including the life cycle cost analysis for capital planning purposes to determine the most cost-effective plan for both near-term and long-term rehabilitations.

Commissioners, we request that you recommend this action to the full Board for approval at today's meeting.

Commissioner Sartor: John --

John Drobny: Thank you.

Commissioner Sartor: -- you're going to go out with an RFP for this? Or is it already in place?

John Drobny: We already have an RFP which went out and we selected a firm back in the April Board which was for a total of $2.8 million, Commissioner, and about --

Commissioner Sartor: Who was that firm? Who was that firm, John? I don't recall.

John Drobny: This was Parsons and --

John Drobny: -- HNTB.

Commissioner Sartor: And HNTB. Okay.

John Drobny: And that's the technical outside work. The $2.9 million, approximately, for the inside is us, project management, engineering and other associated soft costs such as financial expense, etc. So that's already done, and this will mature into the recommendations just described.

Commissioner Sartor: And so now did we award the $2.9 million in April of last year? Is that what you're saying?

John Drobny: Of this year.

Commissioner Sartor: Of this year.

John Drobny: Yes.

Commissioner Sartor: April of this year. Okay. So you're asking for a delta of between 5.5 and -

John Drobny: We're going to come back for a more aggressive project authorization in the spring, but the earlier use of those inspections is starting to approach the $500,000 mark, so we wanted to come back for full disclosure to the Board to get a full planning authorization and disclose that because of the comprehensive nature of what we see happening we would do a detailed project design, the inspection as discussed, and we'd be ready for a return for project authorization later next year. So this is a planning authorization today, just to continue our work on the George Washington Bridge.

Commissioner Pocino: John, are we in-house working on our own estimating? Do we -- we're going to come up with our own engineer's estimate on this project?

John Drobny: Absolutely, Commissioner.

Commissioner Pocino: Have we moved along with that, or have we started that or --

John Drobny: We have a number which is in the plan currently, which was a preliminary budgetary order of magnitude estimate. But as we progress with the consultants and ourselves and engineering, the future design and estimating will all be done jointly, and in most cases we have at least two levels of estimating.

Commissioner Sartor: Okay.

Peter Zipf: Commissioner, if I could add, part of this program is to assess the bridge, to do onsite inspections. And then based upon that we'll put the --

Commissioner Pocino: You'll add that criteria into what you're doing.

Peter Zipf: -- estimate -- give a solid estimate.

Commissioner Sartor: Okay. Thank you.

Commissioner Bauer: How long will that take in terms of the assessment?

John Drobny: Well, right now we see us coming back with a plan next summer, I think. Paul?

Paul Crist: Actually a project authorization sometime in 2009, John.

John Drobny: Oh, for the project authorization.

Paul Crist: Stage one will be finished sometime in the first half of next year. We will have a better estimate at this point, and a proposal on how we'd like to proceed, the type of repairs.

John Drobny: And as we're looking at that we're looking more at the long life of the bridge rather than just do the repairs that'll be identified in the inspections. So maybe for a more comprehensive approach there might be a larger deck rehabilitation plan to do a partial replacement. So those kinds of details with a cost/benefit analysis will also be part of this planning effort.

Commissioner Sartor: Okay. John, off-line I'd like you just to -- maybe you and Peter just to let me -- brief me on what those numbers were in terms of the actual engineering contract, what the multipliers were. I've just forgotten. Getting old.

John Drobny: We'll take you through that as soon as you're available today.

Commissioner Sartor: Okay, thank you.

John Drobny: Thank you, Commissioner.

Commissioner Sartor: All right.

John Drobny: Commissioners.

Commissioner Sartor: Any questions, additional? Thank you, John.

John Drobny: Thank you, sir.

Commissioner Sartor: That concludes our meeting.

The Port Authority of New York and New Jersey
Committee on Operations Transcript
September 24, 2009

Chairman Coscia: Good morning everyone. The first portion of today's meeting of the Committee on Operations will be held in Public Session after which the Committee will meet in Executive Session to act upon matters related to the purchase, sale or lease of real property or securities where public disclosure would affect the value thereof or the public interest. In addition, the public portion of today's meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

Our first subject will be Port cargo-handling equipment fleet modernization incentive and program and the ocean-going vessel low-sulfur fuel program.

Commissioner Bauer: Say that three times fast.

Chairman Coscia: Exactly. I actually know what they are but reading the words is actually more complicated. So Mr. Larrabee?

Richard Larrabee: Good morning Chairman, Commissioners. Last November the Board affirmed its support of the Port Authority's continuing environmental improvement initiatives by adopting a statement of principles that demonstrate its commitment to reducing port related emissions that affect air quality in the region and contribute to climate change. I previously discussed with you the development of a clean air strategy for the port affecting both ships, cargo-handling equipment, trucks and rail. In July the Board approved a $32.9 million program to replace older trucks that call at the port with newer trucks that have lower emissions. And also a $3 million project to retrofit two diesel locomotives with GENSET technology.

Today I would like to discuss with you two new initiatives that support our clean air strategy – they are the ocean-going vessel low-sulfur fuel program; the cargo-handling equipment fleet modernization incentive programs. As illustrated on this slide the baseline emission inventory determined that ocean-going vessels contribute significantly to the overall port related emissions. If these vessels utilize low-sulfur fuels while operating in New York and New Jersey harbor, sufficient emission reductions could be realized thereby improving the regions air quality.

Commissioners, today your authorization is requested to establish a $6.36 million program that would provide an incentive to ocean-going vessel operators that call on the port to burn cleaner, less polluting fuel. Under the proposed program the Port Authority would reimburse vessel operators up to 50 percent of the cost differential between high sulfur residual fuel they now

utilize and the low-sulfur fuel they would agree to utilize in their main and auxiliary engines when the vessels enter the harbor and are at berth.

The operators would fund the remaining 50 percent of the cost differential and would be required to reduce the speed of their vessels when entering and leaving the port. As part of this program authorization is also requested to enter into an agreement with Starcrest Consulting Corporation, a firm that has managed similar programs for the ports of Los Angeles and Long Beach, to provide technical and administrative support for the program for a three-year period at an estimated cost of $672,000 and an agreement with the United States Coast Guard to obtain vessel tracking data at no cost to the Port Authority that is necessary for Starcrest to verify vessel speed and fuel usage compliance with the program's requirements for reimbursement.

The proposed program would run until December of 2012 when an international regulation in sulfur content for fuel would take effect.

Commissioners, the second proposed initiative on today's calendar relates to the equipment used by our marine terminal tenants for port operations. Our baseline emissions inventory determined that cargo-handling equipment also contributes to the overall port-related emissions, although at a much lesser degree than the ocean-going vessels.

Commissioners, today your authorization is requested to establish a $2.24 million program that would provide an incentive to our marine terminal tenants to replace approximately 125 pieces of existing cargo-handling equipment with new equipment that meets the most recent federal on-road and off-road emission standards. Under the proposed program the tenants would purchase the new equipment and the Port Authority would reimburse the tenant 20 percent of the replacement cost upon verification the old equipment had been removed from operations at our port. The proposed program would run until December of 2013 or until authorized funds are exhausted.

Commissioners, the proposed ocean-going vessel low-sulfur fuel and cargo-handling equipment fleet modernization programs represent our effort to implement two actions in our clean air strategy which will improve regional air quality. I request that you advance these items to the full Board for approval today. Thank you.

Chairman Coscia: Okay, can I have a motion to approve?

Commissioner Bauer: So moved.

Chairman Coscia: Is there a second?

Commissioner Steiner: (inaudible).

Chairman Coscia: Okay, is there a second?

Vice Chairman Silverman: Second.

Chairman Coscia: Okay. Mr. Steiner?

Commissioner Steiner: I want to ask a question, when we talk about the replacement value we are talking about the net replacement value so we're not just paying 20 percent of the new equipment less than any credits or turn-ins or anything like that? We ought to be sure that the contracts do say that – that it is net replacement value after all credits. I just want to make sure that we cover that. And the other question I want to ask is are there any ships that now burn low-sulfur coal – are they going to ask for reimbursement too? Are they going to be entitled if they are complying with it or is it only for people who are not complying?

Richard Larrabee: It is only for vessels that currently there is no requirement to burn low-sulfur diesel.

Commissioner Steiner: I understand that.

Richard Larrabee: And I can't tell you today – I know that on the West Coast there is a similar program so they are burning low-sulfur fuels. Typically the low-sulfur fuel is at a higher cost.

Commissioner Steiner: I understand that but what I am saying to you, if there is a company that is presently burning their low-sulfur are you prepared to give them a rebate too?

Richard Larrabee: Yes.

Commissioner Steiner: Thank you.

Chairman Coscia: David, I think as a practical matter the fact that we are putting money into incenting people to burn low-sulfur fuel means that those who have for whatever reason on their own been doing it already are going to get a value out of doing this because there is really no way for us to distinguish the two. And on some level it is probably not fair for us to incent those who were not doing it on their own.

I'm guessing though, and Rick and others could probably know better, that given the cost differential between the typical bunker fuel that is used in low-sulfur fuel, I doubt there is anyone

who is actually doing it. But to the extent that there are, they are going to get a windfall out of what we are doing. But, again, there is a likely regulatory window that will close in 2012 –

Richard Larrabee: Yes. End of 2012.

Chairman Coscia: And so we are sort of getting ahead of a curve here for very good reasons in terms of air quality contributions and that is basically our real direct incentive.

Richard Larrabee: I mean this is really the lowest hanging fruit in terms of all of the programs that we have talked about over the last two months. The ships are really the largest contributor to both greenhouse gases and criteria pollutants. The modest amount of money that we will put into this will dramatically improve the overall –

Commissioner Steiner: Do we have any idea what, any estimate of what this would cost us?

Richard Larrabee: Yes, I will give you sort of some of the statistics. An average ship in its transit into the port and while it's here operating its auxiliary engines would burn about 2,400 to 2,500 gallons of fuel.

Commissioner Steiner: I'm only interested in the dollars.

Richard Larrabee: And the dollar difference of burning low-sulfur fuel is about $880 of which we would repay them $440.

Commissioner Steiner: Do you know how many ships we might get doing it? Do you have any estimate?

Richard Larrabee: We could handle over the three-year period 12,000 ships with the amount of money that you would authorize.

Commissioner Steiner: Okay.

Commissioner Bauer: How many ships, I mean 12,000 ships, what do you –

Richard Larrabee: We get on average about 3,500 ship calls at our facilities a year. If everyone were to take advantage of it we could cover every ship for that period of time. And then at the end of 2012 the IMO standards will then require these ships to burn that low-sulfur fuel.

Commissioner Bauer: But now less than half of the traffic we see. Is that correct?

Richard Larrabee: No, we could handle every single ship that calls at one of our facilities with the money that you will authorize. We could handle 12,000 ship transits – we are talking about a three-year period. So that is 9,000. So we still have some margin.

Commissioner Bauer: Thank you.

Chairman Coscia: And Rick if you could share with the Board you have had discussions with a steamship company and terminal operator representatives on both of these initiatives so this is something that represents a fair amount of discussion with them about – because their willingness to carry the rest of what needs to be done here is part of it. So –

Richard Larrabee: I met with the president of APL which is the fifth largest carrier in the world this morning. He is doing this on the West Coast, he is ready to do it here as soon as we initiate the program. I think you will find that most of the lines that are calling on our port have experienced this same system and operation on the West Coast and have shown a level of cooperation that we think is going to be significant. I mean it's a real win-win for everybody in terms of our business. And the good news in all of the things that we have talked about today is that unlike the West Coast ports we are not putting in place a user fee. From a competitive standpoint this gives us a huge advantage over a lot of other ports that are having to use a user fee or some other form to get compliance. So I think we are going to put ourselves in a very good position with the decisions that you all have made over the last couple of months.

Chairman Coscia: Any other questions? Comments? All right, all those in favor?

Commissioners (group): Aye.

Chairman Coscia: Okay, it is advanced to the Board. All right, that is our only item in public session. This concludes the public portion of today's meeting. The Committee will now adjourn to Executive Session to act upon matters related to the purchase, sale or lease of real property or securities where public disclosure would affect the value thereof or the public interest. So I assume that we have a motion to go into Executive Session.

Commissioner Bauer: So moved.

Chairman Coscia: Is there a second?

Vice Chairman Silverman: Second.

Chairman Coscia: We are all in favor. I really should have done that before I read that, but –

The Port Authority of New York and New Jersey
Audit Committee Transcript
May 28, 2009

Commissioner Steiner: Good morning. The first portion of today's meeting of the Audit Committee will be held in public session after which the Committee will meet in Executive Session to discuss matters involving external or internal investigations or audits. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. For the record my name is David Steiner; I'm the Chairman of the Audit Committee. And two members of the Audit Committee are here, Mr. Holmes and Mr. Grayson.

So our first discussion I call for, it's on the retention of the external auditors for 2009. Mr. Blanco, would you give us the background information please?

Paul Blanco: Sure Mr. Chairman. Commissioners, today I would like to discuss with you the retention of external auditors to conduct the 2009 audit and related services for the Port Authority of New York and New Jersey. As background, I would like to mention that under the Port Authority By-Laws, the Audit Committee is responsible for the selection and retention of independent auditors to audit the accounts and financial statements of the Port Authority. Deloitte & Touche has been the independent auditors for the Port Authority since 1981.

In the latter part of 2003, the Audit Committee directed staff to issue a request for proposal to select a firm to perform these professional expert financial services. After reviewing the proposals the Committee recommended the retention of Deloitte & Touche, subject to an annual approval. In addition to conducting the audit of the financial statements, Deloitte also performs the reviews of the passenger facility charge program, the rental calculations for the New York City airports under our various City leases and financial and statistical database information for the FTA, for the National Transportation database. They also perform services under the single audit act for the federal assistance that we receive in terms of funds received by the Port Authority.

Billings for Deloitte over the last several years have averaged about $1.2 million a year, and billings for 2008 will be approximately $1.4 million. Your consideration of their retention for the next year is now being requested.

Commissioner Steiner: Excuse me, question. About the rate, how has that rate been? From my reader record there has not been a basic increase in the rate, what, for 3 years except for scope of work additions.

Paul Blanco: Yes, the basis for the increase has been scope of work. As you know they have done a lot more work this year in terms of auditing some of the additional information on our receivables on the balance sheet which was directed by this Audit Committee. They look carefully at some of these receivables and they have also done some work for us as well under the post-employment benefits to see that we are properly estimating our liabilities in terms of future obligations to employees.

Michael Fabiano: And Commissioner one other point, the first three years after the RFP selection they held no increases in the first three years. So it is just now in the last two years or so that they have actually had 3 percent increases I believe on average. But the first three years they held to no increases.

Commissioner Holmes: But they bill by the hour?

Michael Fabiano: Yes for services.

Commissioner Holmes: What is their rate?

Paul Blanco: The rate varies and we can, I don't know that we have that with us, but it depends on whether it is a senior partner, a manager, an auditor, but it is clearly very competitive and that all came through when we did the RFP. Under the RFP there were 5 firms that had applied and they were rated the highest with the best price.

Commissioner Steiner: You want to put on your mic please?

Commissioner Grayson: When do we do the RFP again?

Paul Blanco: It was done in 2003. It was for a 5-year period. So this would be the last year under that RFP. The Audit Committee can make a decision next year as to whether they would like to continue with this firm or issue a new RFP.

Commissioner Steiner: If there are no other questions I would like to close the portion of the –

Karen Eastman: This matter is for the Committee's consideration today.

Commissioner Steiner: I want to, okay, is there any discussion about?

Commissioner Grayson: No.

Commissioner Steiner: Can I get a motion?

Commissioner Grayson: I will make the motion to –

Commissioner Steiner: Second?

Commissioner Holmes: Second.

Commissioner Steiner: Favor? Aye. Thank you. Now I want to close the portion of the public meeting.

The Port Authority of New York & New Jersey
Committee on Construction Transcript
October 22, 2009

Commissioner Pocino: Good Morning. Welcome to the Committee on Construction. Today's meeting of the Committee on Construction will be held in public session in its entirety. In addition, this Committee is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. We have a couple of discussion items. The first one is the PATH Signal Project, Phase II, Project Reauthorization and Award of Contracts. Michael DePallo will give us the presentation.

Michael DePallo: Good morning, Commissioners. Chairman: Good morning. Today I am here to discuss a-- [Tape is Inaudible]

Michael DePallo: --in system capacity in order to meet forecasted peak hour demand. As you know, the PA has committed $3.3 billion for PATH capital improvements over the next 10 years. Included in these improvements is the PATH Rail Car and Signal System Replacement Program, which will modernize the PATH system and increase capacity. The PATH Rail Car Replacement Project provides for the replacement of PATH's entire rail car fleet of 340 cars, which is currently under way. The PATH Signal System Replacement Project provides for the procurement and installation of a new PATH Automatic Train Control system. The goal of the Signal System Replacement Project is to replace the current antiquated fixed block signal system with a state-of-the-art Automatic Train Control system using the latest communication-based train control technology. The ATC system will help us to ensure long-term signal system viability, improve reliability, and avoid obsolescence. This new system will permit us to run trains closer together, thereby reducing headways and increasing throughput, which has the potential to result in an increase in overall system capacity by up to 20 percent. It will enhance system safety by providing continuous over-speed protection, which can prevent trains from exceeding speed limits. We will also be able to improve customer service, with the capability to provide real time train location information to our customers. Automatic Train Control will improve passenger comfort by smoothly controlling train operations between stations. The ability to increase system capacity provided by the communications-based train control technology can have a positive environmental impact to the region by permitting additional passengers to use the PATH system in lieu of their automobile, thereby reducing CO2 emissions. The existing PATH signal system operates with a fixed block design, which uses train stops, known as trippers, and wayside signals to control the movement of trains throughout the PATH system. The current relay-based technology dates back to the early 1900s and the signal system is beyond its useful life. Some critical components that have been in service range from the early 1900s to the 1940s. The majority of the signal system components are obsolete and no longer supported by the original manufacturers, and many spare parts are virtually nonexistent. As a result, in recent years, repairs, failure incidents, and related service delays are increasing. Automatic Train Control, or ATC, is a proven and reliable signaling technology. ATC is installed as the signal system technology of choice for newly designed rail transit systems throughout the world. The ATC technology to be installed at PATH will use Communications Based Train Control, or CBTC, which uses a computer controlled data radio network to communicate trackside and car borne processors, which can

optimally control the movement of trains throughout the rail system. CBTC technology is also installed on older transit properties for signal system replacement. Some of the older transit properties that are converting from the fixed block system to CBTC include New York City Transit, the MUNI in San Francisco, Toronto Transit Commission, the London Underground, and Paris Metro. In reaction to recent rail system fatal accidents, culminated by the Los Angeles Metro Lake accident in 2008, Congress promulgated the Rail Safety Improvement Act of 2008. The legislation was signed into law on October 16, 2008, and requires FRA-regulated properties to install some form of positive train protection, which is designed to help prevent train collisions like the one in L.A. It would also help prevent over-speed derailments by limiting the speed a train can travel in a given track section and improve protection of maintenance workers working in the right-of-way. The design of the proposed new ATC system for PATH will be compliant with the new regulations, which require compliance by December 31, 2015. It should be noted that PATH would be required to upgrade its existing system under this legislation at a total estimated cost of $247 million if the proposed ATC project was not to be completed. The scope of work for PATH's signal project includes the replacement of signaling equipment on all of PATH's 43 miles of track, 13 interlockings and 13 stations, communications-based train control equipment to be installed on 130 PA-5 A-cars which are the cars that have the operating engineer's cab, installation of all communications equipment for PATH's primary and secondary control centers, equipment rooms, new data communication system, and signal power system, all hardware and software, documentation, training, and safety certification. The contractor will also be responsible to decommission and remove a portion of the existing signal system. In October of 2007, the Board authorized this project at $390 million. It is necessary to reauthorize this project at this time in order to accommodate additional construction requirements and scope changes that are necessary to minimize the impact on PATH service and work activities. This reauthorization would accommodate actual construction requirements for work in the tunnels and other restricted areas, establish temporary equipment locations, provide for additional dedicated fiber optic cable lines, and allow for additional signal interlockings and zoning in order to maintain normal passenger and work train service. In addition, since this project was authorized, the new Federal Railroad Administration requirements for positive train control have been instituted that we must comply with. The overall project is scheduled to start in November of 2009. The contractor would begin its mobilization plan and commence design and field assessments in 2010. The early stages of manufacturing would start in 2010, midway through. Installation of the required signal car borne equipment on the PA-5 rail cars, and installation of the wayside material and equipment would commence in 2011. In 2013, testing and commissioning of signal equipment will be initiated, and the first segment of the new rail system will become operational. Over the next two years, additional segments of the new rail system, a signal system, will become operational. There is also a two year warranty period that follows the final acceptance of the new signal system, and we expect the project will be completed by the end of 2017. Today, we are seeking authorization to reauthorize the PATH Signal Project, Phase II, at an estimated total project cost of $580 million and award contracts to the Siemens Team, a consortium composed of Siemens Transportation Systems, Inc., Safetran Systems Corporation, and D/A Builders L.L.C., the highest rated and lowest cost proposer for the design, manufacture, and installation of a new Automatic Train Control System at a total cost of $321 million. An award of a contract to Booz, Allen, Hamilton, Inc., the highest rated and best value for expert professional program management services at a total cost of $21 million. And an

award of a contract to the Rail Safety Consulting, L.L.C., the highest rated and best value for the FRA-required independent safety assessment service and certification of safety standards and procedures at a total cost of $2 million. Commissioners, I request you advance this item to the full Board today.

Commissioner Pocino: Well, it certainly sounds like a great system, particularly in its safety enhancements, obviously, and something we can't get done too soon. Can I have a motion from the Commissioners and references?

Chris Ward: If I may, can I just speak to this item?

Commissioner Pocino: Absolutely.

Chris Ward: Obviously, we are seeking your approval on this item. This is an item that has been undergoing considerable assessment and scrutiny within the Port Authority and Mike's team. This is obviously a critical safety project for the agency as well as service, but we must acknowledge that we are heading into a project which is bringing new technology into the PATH system and we need to be clear that the risks associated with these types of projects are high. We have built in project contingencies at a higher level than we normally would to address the potential complexity of this project. We are going to need to manage this absolutely as close as we possibly can. My commitment to the Board is that we cannot afford to see, as other transit systems have seen, the introduction of new technology into old style systems to be projects that get significantly delayed and cost escalations that were not anticipated within the project. You saw a very cautionary summary report from the Citizens Budget Commission on the MTA and their experience with signal systems. We are not the MTA. We are not New York Transit. But this is a project that there are considerable risks on and that we will need to manage very, very closely to make sure the budget, with the extensive contingency that we already have in it, is in fact managed and that Mike and I are not back to you a year from now because of unforeseen circumstances.

Commissioner Chasanoff: How much is the contingency?

Chris Ward: 20 percent, and I would also add--Mike and his team, Bill, have an incredibly complex PATH tube system management issue during this project, because there are three other projects that are occurring concurrently within the PATH system. We have the strengthening for safety; we have the PATH system support for downtown; and we also have the floodgates as part of the security system for maintaining that.

Commissioner Chasanoff: Are we going outside the system for further analysis and review?

Chris Ward: Yes, that's what Mike was talking about in terms of the Booz Allen study of looking at the logistics within the tunnel and when you would have the blackout periods when this Siemens contract would be slotted into that. But I want to be clear, because the Board has time and time again talked about management and managing risks, and not having projects that are under-scoped and then having projects rise in costs as we've built something and suddenly you feel like we bought it for a dollar and now you're telling him it's three. I'm telling you that

the risks Michael and his team have been told - this has to managed with his team very, very closely; and we put a significant--Paul Blanco put a significant contingency on this-- but you should expect reports and accountability on where this project is throughout its duration.

Commissioner Pocino: That's great. That's reassuring to all of us, I'm sure.

Commissioner Grayson: Chris hit on a point that I mentioned earlier, that even the short time I have been on the Board, the conversation has been, how do we not find ourselves in a position where we've approved a project for a dollar, and time and time again it gets adjusted and ends up costing us five dollars? I guess what I'm hearing from Chris is that the team has looked at this contingency and feel comfortable today that, with proper management, that is, in fact, sufficient to get this done. I'm going to be very disappointed if a year from now or two years from now, we've got to approve a $200 million increase because we forgot something or something we thought cost $100 cost $200. But, that aside, I understand the importance of the project and the security and safety associated with it.

Commissioner Pocino: Any other comments? Do I have a motion?

Commissioner Grayson: So moved.

Commissioner Pocino: Second?

Commissioner Chasanoff: Second.

Commissioner Pocino: All in favor? (

Committee Members: Aye.

Commissioner Pocino: Okay. We have another item on the agenda. The Newark Liberty International Airport, Terminal B Modernization Program, Mezzanine and Upper Lever Improvements and award of that contract. John Jacoby?

John Jacoby: Thank you. Commissioners, I'm here today to update you on the progress of the Terminal B Modernization Program and discuss the award of a key contract to advance its completion. The program is now well under way. Five of the seven contracts have been awarded, and many elements of the program are already completed and being enjoyed by our customers. The contract I'm bringing to you for your consideration today will provide for significant improvements to our customers at Newark Airport. As you recall, the Board authorized the Terminal B Modernization Program at a total project cost of $324.6 million. The program is designed to accomplish a major expansion of the terminal to accommodate the growth in international passenger travel by transforming the domestic terminal from two levels into a three level facility handling both international and domestic service. Most importantly, the program improves customer experience by reducing congestion at ticket counters, security screening checkpoints, roadways, improving baggage screening systems expanding concessions, providing new airline lounge areas, and improving back office operations of the terminal. To date, three major components of the program have been completed. The first of

these is the installation of the in-line baggage screening systems in B2 and B3 areas of the terminal of the international facility, and that was completed in September. This upgrade improved the passenger experience by moving baggage screening machines out of the passenger areas, reducing congestion in public areas. The new systems allow baggage to travel directly from baggage check-in areas in to behind-the-scenes screening areas and following TSA screening onto departing aircraft, resulting in improved baggage throughput and processing. The second component of the program includes the expansion of the lower level of the terminal and vertical circulation improvements in B1 Satellite. In August, the Port Authority opened the new domestic baggage claim hold, pictured here on the left. New entry vestibules and lower level ticket counters, which is pictured on the right, opened to the public earlier this year. Work on vertical circulation improvements including new escalators and elevators serving the south end of the terminal, is well under way, and some currently operating. This component is scheduled to be fully completed in the 1st quarter of 2010. Infrastructure improvements associated with these elements of the program, including the installation of new generators, frontage roadway and drainage improvements, are also under way and will be completed by the middle of 2010. Already, portions of the frontage roadway are open, along with the new stormwater pumping stations. The third piece included expansion of three areas connecting the entry hall to the gate area of the terminals, and the expansion of these areas provided additional space for post security concessions and airline lounge space. Some of these new concessions spaces have already been bid. The leases are advancing for your approval this month. In addition, we've coordinated with the TSA for deployment of their next generation passenger screening equipment in these locations. The B1 Connector Expansion, pictured on the left, is nearing completion and is expected to open in November before the holidays. The B2 and B3 Connectors will be completed by the first quarter of 2010. Commissioners, as you can see, a lot of work has been accomplished on this program to date. Today I would like to present to you the sixth of seven major contracts involved in the program. Here are renderings of the planned mid and upper level improvements. These improvements mark the centerpiece of the Terminal B program and will result in some of the most visible improvements to the terminal for our customers. It will transform the mid and upper levels of the terminal. The reconfigured upper level will be dedicated to international departures designed to create greater potential for new entrant airlines. As part of the work, check-in counters will be relocated, entry vestibules consolidated and provide additional space for passengers, and especially for queuing. The existing mid level will be converted from a domestic baggage hall to a domestic check-in hall, and finally a new mezzanine level will be constructed to provide space for airline offices overlooking the upper level international departure hall. The contract before you today provides for the construction of these improvements, including new ticket counters on the mid and upper levels, new airline ticket offices, and new upper level entry vestibules. Along with these improvements, the heating and cooling systems will be replaced, improving the overall feel and function of these areas. Commissioners, here is the schedule for the remaining elements of the program. Included in the October Report of Actions is a $52.7 million contract, which recommends award to the lowest bidder, VRH, to accomplish the mid and upper level improvements. Construction would begin this November, and would be expected to be completed in the 2nd quarter of 2012. The work has been staged to facilitate construction and minimize impact on airport operations. A portion of the work will be performed during night time hours and on weekends in order to minimize inconvenience to the public and avoid any interference with essential

facility operations. The work associated with this contract is fully recoverable, with the majority of the contract funded through PFCs. The final contract in the program will be to improve the meeter greeter areas for international arrivals on the mid level. We expect to bid and award this final contract in early 2011 and expect completion of the Terminal B Modernization Program by the end of 2012. Commissioners, with the ongoing work, we continue to enhance the customer experience in all areas of the terminal, and I request your concurrence with this contract award.

Commissioner Pocino: Do the Commissioners have any comments or questions?

Commissioner Chasanoff: Just so I'm clear on what has transpired--In 2004 the Board authorized an expenditure of $280 million. Is that correct?

John Jacoby: Correct.

Commissioner Chasanoff: And then in 2008, we authorized the further increase of $45.4 million. Is that correct?

John Jacoby: Yes, that is correct.

Commissioner Chasanoff: And now you're coming back in 2009. Is this to handle the same space?

John Jacoby: No –

[Cross-chatter]

Paul Blanco: This is a contract for the one that didn't get authorization.

John Jacoby: Correct. This is the sixth of seven contracts.

Commissioner Chasanoff: It won't exceed the $279 million?

John Jacoby: No.

Paul Blanco: But it's going to stay within the $324 million that had been authorized. This is a contract within that $324 million.

Commissioner Chasanoff: Okay. How much within that $324 million do we still have left?

John Jacoby: The amount for the meeter greeter hall--The last contract. [Cross-chatter] I think it’s about $72 million.

Commissioner Chasanoff: So we still have an additional $14 million that you can come back for?
John Jacoby: Yes.

Commissioner Chasanoff: Okay. And this is reimbursed, as you say, but it's payable by Delta Northwest through increased rentals? Rentals for their—

John Jacoby: Not for this contract. This contract is specifically related to--is being funded through PFCs and user fees of the international carriers. There's a per capita fee for every arriving international passenger and the departing.

Commissioner Chasanoff: Do they emanate through the leases to Delta and Northwest?

John Jacoby: No. This portion is for the international carriers who-- the international facility is B2 and B3 in Terminal B, and rates and charges there are based on an arrival fee per passenger and a departure fee for every passenger.

Commisisoner M. Chasanoff: Okay. But that emanates from their leases, does it not?

John Jacoby: No.

Chris Ward: Only in the sense that they are-- the international carriers who lease the terminal assess the charges against the passengers.

Commissioner Chasanoff: Right. And if Delta Airlines goes bankrupt, what happens to these charges?

Chris Ward: I feel as if I'm channeling my good friend Bill DeCota here. [Cross-chatter] We are confident, even with the downturn of the market today and the challenges we face as the international market restores itself and that the necessary fees that will be assessed by a replacement to a Delta or any other international carrier, will reimburse us for this work.

Susan Bass-Levin: He would be so proud of you.

Chris Ward: He would. I know. It is important. It's a good question.

Commissioner Chasanoff: Well, it's a valid question.

Chris Ward: It is. That's why I said it's a good question.

Paul Blanco: In fact, it's the domestic carrier --domestic traveler that's declining at a greater rate than international because domestic has shorter flights with less passengers and they can make—

Commissioner Chasanoff: Have you seen what's happened to the dollar lately? Have you seen it versus the Euro, for example? I don't think it's going to continue. I don't think that international flights are necessarily going to continue, but that's another issue.

Chris Ward: The only reason that mild repayment schedule might change--it's clear that this traffic will come back to Newark and we will recover with full-- [Cross-chatter]

Commissioner Chasanoff: Did we go to Delta and Northwest before we planned these?

John Jacoby: Yes.

Commissioner Chasanoff: And they are on board?

John Jacoby: Oh, totally.

Chris Ward: This is their house. This is helping. We're rebuilding their house.

John Jacoby: And they are part of the ongoing process as the construction takes place, in terms of how the space is configured and how the operations will work.

Commissioner Pocino: In terms of the overall cost, are you experiencing any bid reductions in terms of the economy being the way it is?

John Jacoby: Yes.

Commissioner Pocino: As far as your estimates are concerned?

John Jacoby: Yes. In fact, this bid came in very aggressively for this contract.

Commissioner Pocino: Good. That should be helpful as we go along. Any other comments or questions or do I have a motion?

Commissioner Chasanoff: So moved.

Commissioner Pocino: Second?

Commissioner Grayson: Second.

Commissioner Pocino: All in favor?

Commissioners: Aye.

Commissioner Pocino: Opposed? [No response]

Commissioner Pocinio: That's it for the agenda. Do I have a motion to adjourn?

Commissioners: So moved.

Commissioner Pocino: Meeting adjourned.

The Port Authority of New York and New Jersey
Committee on Construction Transcript
November 19, 2009

Commissioner Pocino: ...public session. The Committee on Construction met in Executive Session prior to the public portion of today's meeting to discuss matters involving ongoing negotiations or reviews of contracts or proposals. The committee will now meet in public session, which is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. For discussion, LaGuardia Airport Police Crisis Command Center and Aircraft Rescue and Firefighting Facility project re-authorization. Susan Baer.

Susan Baer: Thank you. Commissioners, today I am seeking re-authorization of the LaGuardia Aircraft Rescue and Firefighting Facility, or ARFF, that will be completed next year. As I will describe for you, when the project was authorized in September of 2005, it was recognized that there was a great deal of complexity and risk, given the nature of the project, which is very high tech, security oriented, and constructed in the secure area of the airport's airfield. However, in hindsight, the nature and complexity of this project was not fully reflected in our risk assessments and original cost estimating, especially with regard to the extraordinary level of technical effort required. Today I would like to describe to you the risks that impacted this project, mitigation steps we have taken and will take, and to provide you with the latest status of the project.

Commissioners, here is an overview of the ARFF Facility. It's an approximately 52,000 square foot building that's replacing an inadequate structure that was built in the 1940s that, over the years, has been supplemented by remote offices and temporary trailers and sheds that no longer serves the Aircraft's Crisis Rescue anti-terrorism and day-to-day policing activities. The new building will serve as police headquarters, house 200 police staff and all equipment and facilities, including prisoner holding cells, communications and dispatch areas, training rooms, hazmat, and the canine area. It will also house the specialized fire apparatus that is required for the ARFF function in an airport and personal protective equipment for the staff. The building supports a complex network of security, technology, and communications systems, including 24 separate systems used to interact with internal departments and external agencies such as United States Department of Homeland Security, the U.S. Secret Service, the Federal Bureau of Investigation, the U.S. Department of State, New York City Police Department, Fire Department, and Emergency Medical Services. There are also a number of high tech features such as redundant utilities, layers of high tech security, like Perimeter Intrusion Detection System, and the computerized access control system.

The facility's location had to be carefully selected. Expedient response time is critical in the event of an aviation emergency and is actually part of our airport certification requirements. As such, the building's location provides access to the aeronautical areas and is close to the airport's two runways. As this project developed, the complexity of the project drove up costs. At the initial stages of the project, staff addressed unfavorable site conditions by splitting the project into two construction contracts-- one for the foundation and utilities work and one for the building and technology systems.

The first contract, bid in 2006, was completed on time and on budget. However, the second contract was bid in June of 2007 during the height of a construction boom that resulted in high demand for contractors and materials. The result was that bids exceeded the initial project construction estimates by $9 million. Staff responded by undertaking a comprehensive value engineering effort to reduce the costs and modified the contract specs to reduce costs while maintaining the functionality of the building. The contract was re-bid, and the low bid was $4 million lower, for a total cost of $39.5 million, albeit still more than $5 million over the original engineer's estimate.

To maintain the budget, staff applied the full contingency for the project of $5.4 million. Ultimately, the complexity and coordination associated with the building's technology and security systems had a significant impact on overall project costs. The effort involved field and operational testing and the management of the needs of multiple stakeholders, whom I mentioned earlier. There were also internal policy changes, like the introduction of a voice over IP telephone system. Additional coordination was associated with the integration of the new Port Authority Security System, like PIDS. The combined effect of these changes resulted in a near doubling of staff time and cost. In addition, this complexity was not reflected in the original project budget. Engineering costs were allocated far below the norm at only 18 percent. Typical engineering costs for this type of project range from 20 to 33 percent, and in fact, the engineering costs are now estimated to be $16.7 million. The project, originally authorized at a total cost of $62.6 million, is now approaching 75 percent completion, as you can see here. While the construction cost estimates that were reassessed in 2007 remain on budget, as discussed, the level of engineering effort has proved to be greater than the revised 2007 projections and is now estimated to be an additional $9.1 million to complete the project. We are also seeking $2.5 million in contingency dollars to address unknowns associated with the last major element of the project development: the systems integration. This final stage will include testing, commissioning, and troubleshooting of the 24 technology and security systems in the building.

Therefore, I am requesting your approval for $11.7 million in additional funds for this re-authorization and estimate the revised total project cost will be $74.3 million. Eighty percent of the costs associated with the project are recoverable through passenger facility charges, and the remaining costs are about 50 percent recoverable through LaGuardia flight fees. Commissioners, with your approval we will complete the replacement of the existing outdated, antiquated, and inefficient facility that's simply not adequate to meet today's needs. The project is on target to meet the project schedule and is expected to be completed in spring of 2010.

Commissioner Chasanoff: When did we last get an estimate on the cost of construction?

Susan Baer: I don't know. Maybe, Frank, you know.

Frank Lombardi: Commissioner, the cost of construction was always around $45 to $50 million, and now it's tapping off at $50 million.

Commissioner Chasanoff: Now it's what?

Frank Lombardi: $50 million, construction.

Commissioner Chasanoff: We estimated it at $36 million?

Frank Lombardi: It was always at around $45 million in the construction dollars. The original authorized, with all the extra work, was $45 million. So it only went up $5 million, and a lot of the engineering and staff costs...

Commissioner Chasanoff: ...$12 million.

Frank Lombardi: It was because the soft costs went up in order to coordinate.

Chris Ward: ...soft costs, systems integration, which has really driven up the cost of this project. There has been some, but it has not been the hard construction.

Susan Baer: The additional...

Commissioner Chasanoff: You said this is the standard. This is the ultimate. Why don't we just go back and redo it and make it not the gold standard but make it the silver standard, and thereby reduce the cost and bring it down to what we originally authorized. We don't have this kind of money. We just don't have that.

Chris Ward: I think as I was mentioning, Commissioner, this is a project that we understand wasn't managed well in terms of its actual final budget and notification to the Board. It was born at a time when the Board and the public was looking for a level of security and safety that, God forbid, there ever be an incident and that we somehow have an inadequate facility that was not up to what was necessary to ensure the public's safety. At that time there was a level of performance that perhaps might not be that level of performance today as we begin to see the world settle down into a slightly more reasonable time frame. This is the challenge that staff faces. How do you build a security safety facility post-9/11 world that meets its needs, which is in a constrained financial environment which is bringing in the complex technology of security and safety?

Commissioner Chasanoff: What I would merely say is if this were in private hands-- If it were in my hands, I would immediately go back and redo the whole thing and save the $11 million. I would never just say, "Okay, here's $11 million, and we're building the gold standard." That's just the way I would do it. Now, that's private. I understand. We're not private. But I think that maybe this gives evidence of other projects. Maybe there are other projects in similar situations and it's not $11 million. Maybe it's a lot more than that. These are times when we have to be conservative with our money. We just have to be. I would think I would take whatever steps necessary to get back into the flow of things and to not build these super, super, super gold standards.

Commissioner Pocino: Commissioner, that makes sense. Let me ask a question. In reference to the total cost, including the additional funding, how much of these contracts have been negotiated or let up to this point?

Susan Baer: The majority of the contracts have been let.

Commissioner Pocino: The reason why I asked the question is that perhaps maybe back in 2007, we were in a different economic place in this, but today we're not, so if there's any additional costs to be negotiated or contracts to be negotiated, maybe we can do them under today's existing conditions.

ChrisWard: Unfortunately, the construction market, which is obviously in a much better place, the construction contracts for this project have been let and are going forward for...

Commissioner Chasanoff: How can they be let without our approval? I don't understand that.

Frank Lombardi: There were two projects, if I may; One was the foundation, and one was the super structure. And the sum of that is what we're talking about.

Commissioner Sartor: I thought the issue was on budget.

Frank Lombardi: Yes.

Commissioner Sartor: How much have you spent to date? You're coming in here now asking us for an additional $11.7 million. How much has been spent of the $62.6 million to date?

Frank Lombardi: At least $62...

Commissioner Sartor: And how much has been spent of the $11.7 million that you're now asking us for approval?

Susan Baer: We're approaching the authorization. We are not over the authorization, but we are approaching the authorization. [Committee member chatter]

Commissioner Sartor: It's going to be done by...

Susan Baer: June.

Commissioner Sartor: That's five months from now. So you're going to spend $11 million over the next five months? You haven't spent any of that yet?

Paul Blanco: Some of it has already been spent. [Committee member cross-talk]

Commissioner Sartor: You're not spending $11 million in construction costs. You would have ordered that equipment already. It has to be put in place.

Frank Lombardi: The construction cost is being maintained at the $50-$51 million.

Chris Ward: Again, we will come back and give you the kind of detailed accounting that you're looking for. This is for the purposes of integrating the technology associated with the systems that were built into this program. Those what I would call soft costs as opposed to hard construction dollars is what has escalated. As Sue mentioned, there is a $2.4 million contingency in that $11

million figure to literally bring all of that data collection, sensor awareness, Perimeter Intrusion Detection System into an integrated computer based program system. That is not construction costs; that is systems integration of soft cost.

Commissioner Chasanoff: May I ask what would happen-- I'm just being totally arbitrary here-- what would happen if we didn't approve it?

Chris Ward: You would have a building, you would have hard infrastructure, and you would have built three-quarters or five-eighths of a technology system.

Commissioner Chasanoff: What, then, is the point of asking us now? Why expend all this money and then come to us, because then our approval is meaningless. You're not giving us a choice.

Chris Ward: Pardon me. To the extent that Paul had indicated, the vast majority of the soft costs for completion of this project are out ahead of us. I think in private session I made clear that the notification of cost escalation due to unforeseen risks should occur earlier. The framework for authorizing this amount is for completion of work that we had earlier recognized was integral to the system that, unfortunately, is more expensive than we had previously scoped. So we've recognized that what we are buying is of safety security aviation value.

Commissioner Chasanoff: We have no choice.

Chris Ward: To the extent that you want to complete this system, you don't.

Commissioner Chasanoff: You don't want to build half a building. You've got to finish the building. So to that extent, we have no choice.

Chris Ward: We're back for project completion.

Commissioner Chasanoff: That's what you're saying.

Chris Ward: That's what I'm saying.

Commissioner Chasanoff: Okay. Let the record show that we're approving something that they didn't have to make a presentation on. We just had to say yes.

Commissioner Pocino: I think, Commissioner, we find ourselves in that place today because of the fact that we didn't receive updated information along the way. But this project is of a nature that needs to be completed. It has to be done to its full potential. So I think that we need to approve this. But I also think that we should get what we are asking for in terms of the detailed information as to why it costs what it costs.

Chris Ward: We will do that.

Susan Baer: Thank you.

Commissioner Pocino: Do we need to...

Karen Eastman: You have to move it to the full Board.

Commissioner Pocino: Do I have a motion to move it to the Board? Commissioner Chasanoff: So moved. Commissioner Pocino: Second? Commissioner Grayson: Second. Commissioner Pocino: All in favor? Commissioners: Aye. Commissioner Pocino: Opposed? [silence] The ayes have it.

Commissioner Pocino: The next item is the Holland Tunnel rehabilitation of the 14th Street exit roadway and Jersey Avenue project re-authorization and contract claim settlement. Victoria is up.

Victoria Kelly: Thank you, Commissioner, and good morning. Today I'd like to discuss the re-authorization of and a claim settlement for a project to rehabilitate 14th Street in Jersey City. 14th Street is the Holland Tunnel exit roadway in New Jersey that connects the tunnel's New Jersey bound traffic with local roadways and major highways, including Routes 1 and 9 and the New Jersey Turnpike. This project was originally authorized in 1998 for a total of $21.8 million. The design drawings and backup material were lost on September 11, 2001, before the contract could be sent out to bid. In 2003 a publicly advertised construction contract was awarded to Bishop-Sanzari for $10.4 million. Work under this contract is essentially complete.

The original contract was scheduled to take 18 months, which took into consideration the known risks at the time. Some of these risks involved the need to coordinate and reach agreement with numerous third parties, including the need to maintain two lanes of traffic and maintain access to local businesses at all times as well as the need to coordinate with and reach agreement with numerous entities, including the City of Jersey City, Public Service Electric & Gas, the New Jersey Municipal Utility Authority, New Jersey Department of Transportation, the New Jersey Turnpike Authority, United Water of Jersey City, and the Jersey City Water Bureau. Other known risks involved site conditions. Underground field conditions can greatly affect the required design and construction costs.

Typically, some upfront field investigation is performed in order to mitigate the risk, including reviewing as-built drawings, having utility locations marked out, and doing some subsurface exploration. However, as-built drawings are not always available, and when they are, the information is sometimes incorrect. Some utility companies do not do utility mark out locations in the field. Test pits are not feasible in some locations. Utility relocations sometimes require greater amounts of field modifications and greater involvement of third parties than originally anticipated as the work gets under way.

Beyond these known risks, however, there were also significant issues affecting the pace of the project that were unanticipated. The construction sequencing had to be revised because of utility work required to be performed by PSE&G. An existing PSE&G gas main had to be deactivated to determine the locations for five sign structures along 14th Street. PSE&G had originally planned to relocate and replace the low pressure gas main with another low pressure gas main. However, after our contract was bid, they advised us that gas service along 14th Street was being changed to a high pressure main. Staff had to negotiate and reach agreement with PSE&G for the design and

construction of a new gas main in the area affected by our contract to be installed by PSE&G. It took one and a half years for the conversion to the high pressure gas service, including modifications to the Port Authority Technical Center, to accept that high pressure gas service. Construction could then resume along 14th Street. A Jersey City sewer line was damaged when the contractor was excavating for a sign structure foundation. The sewer line was not exactly where the as-built drawings indicated that it would be. This issue took six months to resolve with Jersey City before a permanent repair was performed by a Jersey City contractor. We also had to redesign the footings for three sign structures because of inaccurately located underground utilities and existing conduits owned by other entities. In all, it took an additional 30 months beyond the original 18 months to resolve all the project issues and to reach substantial completion.

Some of the costs of the risks were addressed in 2005 and 2006 by increases in extra work totaling $1.1 million to address unforeseen field conditions. As a result of the cumulative impacts on the contractor while the risks were being addressed, the contractor presented a claim for $3.7 million for impact costs based on the extended contract duration, wage and material escalation, additional costs for equipment storage, and repeated mobilizations. This claim was negotiated to a settlement of $1.9 million. Additional staff costs were incurred because staff were required to perform the redesign work, resolve the issues with the outside entities, and administer the contract for the extended project duration. In order to limit these types of increases in the future, as we've been discussing, these projects will undergo a much more rigorous risk analysis as part of the project authorization process.

Today we are seeking additional funding for the project from $21.8 million to $26 million. In addition, we are seeking authorization for the Executive Director to take the necessary action to settle the claim by Bishop-Sanzari for $1.9 million, which is included in the requested funding. Including the claim, the estimated total contract cost is $12.9 million. Commissioners, we request that you recommend this action to the full board for approval at today's meeting. Thank you.

Commissioner Pocino: Any comments or questions from the Commissioners?

Commissioner Chasanoff: This is not a happy meeting, is it?

Commissioner Grayson: I've got a question. In connection with the drawings that were not accurate or correct, whose responsibility is that? Is that the Port Authority's, or is it the utility's responsibility?

Victoria Kelly: I'm not really sure. I don't think we're able to go back to the utility. Frank, can...
Frank Lombardi: Utility record drawings are the responsibility of the utilities unless they're ours; then they're our responsibility. In this particular case, there were other utilities involved. So where there were drawings, they may not have been indicated where they actually were.

Commissioner Grayson: So we don't have a claim against the utilities for our cost or loss or additional cost as a result of their incorrect drawings?

Frank Lombardi: That would be a legal matter. No.

Commissioner Chasanoff: Did we check with PSE&G prior to the construction as to what kind of line they were going to maintain?

Victoria Kelly: We expected at the time that...

Commissioner Chasanoff: You expected. Did you check with them?

Victoria Kelly: Yes. It would be a low pressure gas main. They did not...

Commissioner Chasanoff: You usually check.

Victoria Kelly: We did. [Committee chatter]

Commissioner Chasanoff: We went there, and they said it's going to be a low pressure line.

Chris Ward: Right.

Commissioner Chasanoff: Then a couple of weeks or months later they said, "No, we're going to change it."

Victoria Kelly: I think it was several years later, but they did change. After we awarded the contract, they changed their plans to make it a high pressure gas main.

Chris Ward: And they came back and were quite clear about the requirements of Jersey City and the volume of residential development and the need to provide that gas level of service to that line.

Commissioner Chasanoff: How many more of these do we have today? Is this it?

Commissioner Pocino: This is it. Any other comments, questions? Do I have a motion for moving it to the Board? Commissioner Chasanoff: So moved. Commissioner Pocino: Second? Commissioner Grayson: Second. Commissioner Pocino: All in favor? Commissioners: Aye. Commissioner Pocino: Opposed? [silence] The ayes have it. That fulfills the agenda. Thank you very much. I appreciate your participation.

The Port Authority of New York and New Jersey
Committee on Construction Transcript
January 22, 2009

Commissioner Mack: Good morning, everybody, and welcome to the Committee on Construction. Today's meeting of the Committee on Construction will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority website for those interested in viewing today's proceedings via the internet.

First for discussion is the Port Authority Bus Terminal. And, Cedrick, why don't you start that off?

Cedrick Fulton: Good morning, Commissioners. Today I'd like to discuss an increase in project funding for the seismic retrofit program that will allow for the completion of the structural modifications at the Port Authority Bus Terminal.

In June 2004, the Board authorized a $75.9 million project and award of contract for seismic retrofit program to strengthen the New York approach ramps at the GWB and provide structural reinforcements at the PABT based on a total project cost of $26.7 million at the GWB and $49.2 million at the PABT. It was anticipated that $46.3 million would be reimbursable pursuant to a Federal Emergency Management Agency hazardous mitigation grant, which was approved in 2003.

The GWB project was completed in February 2008, on schedule, at a total project cost of $12.3 million, approximately $14.4 million under budget, primarily due to eliminating scope.

The PABT project is currently 70 percent completed and is expected to be completed in the fourth quarter of 2009. In this photo, you can see the steel bracing trusses that were installed on the side of the building along 40th Street.

To date, FEMA has reimbursed the Port Authority $5.9 million at the GWB and $22.1 million at the PABT. The total cost to complete the PABT portion of the project is now estimated at $86.4 million.

During the course of the PABT seismic retrofit work, there were quite a few unanticipated challenges. The structural modifications were quite complex, requiring the opening up of major walls and columns, which exposed existing utilities. While we knew beforehand that these utilities existed, their relocations required significantly more work than anticipated. Additional increases were required for engineering and design and construction management to perform the work in tenant areas and for the additional time required to obtain agreements from New York City Department of Transportation to erect the structural supports on the exterior of the PABT, as well as permits for street closures.

Additionally, certain structural modifications as a result of this project will alter various existing floor layouts at the PABT, and, therefore, agreements with tenants to allow for reimbursements or rental credits need to be negotiated.

Today we are seeking a $22.8 million increase in project authorization for the seismic retrofit program, including an additional $8.5 million for the existing PABT construction contract with Koch Skanska from $52.5 million to $61 million to complete the work. The revised total program cost is now $98.7 million.

Considering the $18.3 million of FEMA grant payments yet to be reimbursed, a $22.8 million increase will result in a net impact of $4.5 million to the Port Authority.

In addition, we are seeking authorization to enter into agreements with PABT tenants to effectuate the project at an aggregate cost of up to $350,000. These agreements are necessary to provide reimbursements related to tenant alteration costs or rental credit, as certain impacts to the tenants will require them to modify their existing store layouts.

Commissioners, we request that you recommend this action to the full Board for approval at today's meeting.

Commissioner Mack: Any questions?

Commissioner Sartor: Same problem with-- The same problem with this as I had with the earlier one today.

Commissioner Mack: (Inaudible).

Commissioner Sartor: No. Don't mean to. Again, I'm looking at a 20 percent to 25 percent increase in costs on a project that I would happen to be here for in '04 when it was initially authorized. And I hear some of the explanation. But the $22 million is really $34 million, because you saved $12 million on the bridge. So there's a huge cost overrun on what happened at the bus station. I heard what you said. I just--

Frank, maybe you can address this from an engineering and design perspective and the estimates that took place years ago coming back for this type of increase in a budget environment that's quite challenging.

Francis Lombardi: I think there are lessons learned to be had, Commissioners, from this perspective in terms of project development and how to define the scope as accurately as possible and, at the same time, not only to take a look at the scopes associated with the project but also to look at what are the potential risk analyses that would try to mitigate some of these risks and manage these risks. And I don't think we really, and I'll be the first one to say it, looked at the complications that this particular project would entail, especially when we knew that the utilities were there. And then we had to relocate them and then somehow find it and then work around an operating facility. And that's part of the problem and part of the lessons learned - to be able to do that risk analysis up front. And this is one of these lessons learned to be going forward - to be able to sit down and-- What could go wrong? And whether or not there's a risk associated with a cost or a risk associated with the schedules, these are things that I think have to be almost a rigorous product in what we do when we look forward to these complex projects.

Commissioner Sartor: I concur. But it hasn't changed since '04. You know, you guys have been around for a long time. This is not a new organization. And the fact that it wasn't considered at

that time is very disturbing. When new projects are coming forward to us, we're going to be asking these questions now, because it was a 40 percent increase on a project this morning, there's a significant increase here, there's another project coming that you're going to present shortly that, based on what I read, is going to have a significant increase. And you start adding that up, and it becomes real money. You know, I mean.

Francis Lombardi: Commissioner-- You're absolutely right, Commissioner.

Paul Blanco: I'm not-- I'm not going to defend this. But I guess--

Commissioner Sartor: Paul, I'm not looking for defense. I just want to make my concerns known.

Paul Blanco: You're absolutely right. I think I need to take a step back and recall that, in 2004, we were working with FEMA. And FEMA had a hazard mitigation program. And they gave us a very short window of opportunity to put in projects by which we could qualify for the hazard mitigation program.

As you remember, we ran around identifying projects that really needed to be done, that fell under the definition of hazard mitigation, which is really to prevent future disasters and to minimize loss of human life.

These were two projects that were put together for the submission under the FEMA application, from which we got $105 million of FEMA money under the program. It's very possible that at that time, staff, in their desire to file the application, did not do all of the due diligence required to really think about the cost of this project. So that's probably how the original number was developed.

The other question is: Even if the number was wrong, we should have come back to you sooner. And I think that's something that we need to do a better job of so that, if there's going to be an overrun and if our initial estimate is not totally complete, then you ought to know about it not four years later but six months later.

Commissioner Sartor: Exactly, sooner than later. You know, even when you save $12 million, we should know that, too. That's a compliment. That's again, an indication of what you just said - the fact that the numbers were put together in a rapid fashion. And I remember that. I remember those days. I was here.

Paul Blanco: Yeah. You remember we got over $500 million. There was $400 million for downtown and $100 million for the--

Commissioner Sartor: I remember.

Paul Blanco: That's probably—that’s probably one of the primary projects that we did; this one, the Port Authority Bus Terminal, and George Washington Bridge.

Commissioner Sartor: I remember it well.

Paul Blanco: And, also, there was the ITS at the tunnel.

Commissioner Sartor: But the point you make is: come back to the Board sooner. Don't surprise us.

Francis Lombardi: That's another lesson learned, Commissioner - that it requires us to come back to you. Unfortunately, we have a couple of projects today that have this kind of overrun. And I understand and appreciate the concerns that the Board has.

Commissioner Mack: Do we need an action on this?

Linda Handel: Just to move it forward to the Board.

Commissioner Mack: (Inaudible).

Paul Blanco: And I'm sorry I was late, but the net to us, because we would--

Commissioner Sartor: Yeah. It doesn't make it any better, but--

Commissioner Grayson: Paul, I think that's my question. Is the proposal to increase the project by $22 million, of which $18.3 million--

Paul Blanco: -- will come back.

Commissioner Grayson: -- will be funded from grant monies, or do we hope it--?

Paul Blanco: It hasn't been done yet. What we want to be able to do is transfer the FEMA money that was with the George Washington Bridge over to this project so that the net cost to us after the reimbursement is the $4.5 million.

Commissioner Grayson: There's no risk that that won't be permitted, right?

Paul Blanco: At this point, it's-- We've gotten every indication that it will happen. But it doesn't happen until-- You need to understand. It doesn't happen until FEMA signs off on the bottom line. But we're working with New York State, NYSEMA, because all the funds flow through the state of New York.

Commissioner Grayson: So, are you going to be asking the Board to authorize $22 million of expenditure or $4.5 million?

Paul Blanco: You're really authorizing the $22 million, with a reimbursement of--

Commissioner Mack: Okay. We'll move on. Frank, you're next.

Francis Lombardi: Thank you, sir. Good morning, Commissioners. I would like to provide you with a status update of the Battery Park City ferry Terminal that is currently planned to open to the public in the first quarter of 2009 and request an increase in project authorization to cover additional funds necessary to complete the project.

By way of background, Commissioners, the Ferry Terminal project is quite complex. It involves building a 28,000 square foot boat/ferry terminal structure on top of a 12-foot-deep, floating barge, all of which are new structures. The terminal provides critical downtown connection for commuters from New Jersey, who are currently served by a two-slip, temporary barge.

The new terminal is designed to accommodate additional ferry service to improve rush hour service and to handle increased commuter traffic, including visitors to the World Trade Center Memorial. The new terminal will serve 8,000 passengers per day. Of that number, an estimated 400 will visit the World Trade Center Memorial each day.

Ferry transportation also serves as a primary backup to the PATH system and other trans-Hudson crossings and will continue to be a redundant means of trans-Hudson travel during PATH system closures during the next few years of World Trade Center reconstruction.

The terminal consists of a 12-foot-deep, floating barge that supports the terminal and serves as a pavilion for ticketing, seating, concession areas, and restrooms. The entire public area is enclosed by glass windscreens and covered by a canopy structure. A pair of glass-enclosed gangways carries pedestrians to the esplanade of Battery Park City.

I would like to mention that the ferry terminal received recognition for construction and design excellence by *New York Construction* as the 2008 Public Works Project of the Year. The project was also named as a finalist at the national level for the 2008 McGraw-Hill Construction Best of the Best Award for Civil-Public Works. Winners will be announced in March in the *Engineering News-Record.*

Commissioners, this project had a multitude of complex issues, and these are issues that we did not envision in the beginning, and I'm the first to admit that.

First, due to steel fabrication problems at a local shipyard. The barge fabrication was moved from the area, successfully completed at a state-of-the-art facility in Texas. So, it had to go from a local facility to Texas. Then, in September--

Commissioner Sartor: (Inaudible)?

Francis Lombardi: I'm sorry?

Commissioner Sartor: When did that happen?

Francis Lombardi: That happened back in 2006 timeframe.

Commissioner Sartor: And we provided additional funds for that.

Francis Lombardi: Right. Then, in 2006, the barge had to be towed from Texas, 2,500 miles to New York. The barge was allowed to be berthed at the 39th Street pier in Brooklyn, where the terminal superstructure fit-out began in January of 2007.

Now, an unobstructed view of the harbor was a requirement of the design of the project, and the new facility had to blend seamlessly with the waterfront area, with no physical rooftop

appurtenances visible to the tenants of Battery Park City. We had engaged with Battery Park City at the time for these criteria.

These criteria created several design and construction challenges. Glass windscreens formed the basis of the design solution, which consists of tubular steel sections, fiberglass fabric roof, and skylights to ensure that the roof would not block river views. The frames at the two ends leaned forward to provide canopy coverage for the passing loading ramps and the steel members connecting the extended frames to the mainframe, where it was articulating so that it could expect movements of the barge, because the barge is allowed to float. Furthermore, the maximum delta in the tidal movement can be as high as eight feet at the Battery.

Upon completion of the superstructure in June 2008, the ferry terminal was towed to its permanent location at Battery Park City. This is the photograph of it at 39th Street. The one prior to that was the one at Battery Park.

At this time, we are requesting an increase of $22 million in the authorized amount to cover requirements by New York Waterways for additional piles to enhance ferry mooring and utility and platform modifications. These items add up to $2.2 million.

More importantly, this authorization increase also covers a potential claim by the contractor for disputed items. We will negotiate aggressively with the contractor to minimize this amount to ensure it is of merit. At this time, this increase includes the potential for a claim.

In addition, this increase includes staff and financial expenses, which have increased due to the contract time extension that has elapsed.

After a phase-out by New York Waterways of existing temporary terminal, the opening of the public, new, permanent terminal will occur in the first quarter of 2009. We have already provided a temporary permit to occupy on this facility.

Our goal is, at the end of January/February-- beginning of February, we expect construction, including work to install the two additional monopiles to be completed by midyear, followed by completion of the punch-list items and construction closeout by the end of the year.

Commissioner, I request you advance this item to the full Board for approval today.

Commissioner Mack: (Inaudible)?

Francis Lombardi: Yes. There are heaters that are--

Commissioner Mack: Space heaters.

Francis Lombardi: -- space heaters that are there. And there are windscreens that are made out of glass.

Commissioner Mack: I understand that.

Francis Lombardi: So, if you're walking on the esplanade, you'll be able to actually look through it and, while you're there--

Commissioner Mack: And stay relatively warm.

Francis Lombardi: Right.

Commissioner Mack: And air? Do you have any fans or anything like that going on that project-- you know, to move the air around in the corridors.

Francis Lombardi: There are no corridors. It's an open structure. It's an open structure for that.

Commissioner Mack: Yes, but--

Francis Lombardi: But there's the-- from the heaters.

Commissioner Mack: There's a roof ventilation?

Francis Lombardi: It's not roof. It's a heater that would--

Commissioner Mack: Okay. So the same heater would move air around? That's what I'm saying. Okay. And the toilet facilities?

Francis Lombardi: They're below. So you don't see them at the barge platform level. They're within the 12-foot depth.

Commissioner Mack: So you've got to go down?

Francis Lombardi: Right.

Commissioner Mack: You go downstairs.

Francis Lombardi: And there's a lot of mechanical space there because of all the requirements of not to have anything on the roof.

Commissioner Mack: Right. And what about--? So we have a pump-out? Is that what we have?

Francis Lombardi: There are-- You have cells that allow you to control the movement of the barge as it floats.

Commissioner Mack: Okay. And what about the sewage? What happens to that?

Francis Lombardi: That's tied into the Battery Park--

Commissioner Mack: It is tied in?

Francis Lombardi: Yes, with electric; coming in from Battery Park.

Commissioner Mack: Okay. That was a key question. That would be a maintenance nightmare. Okay. Do we have any questions?

Commissioner Sartor: Yeah. The $22.4 million, Frank-- $10 million of that is for a construction claim for extras? Is that correct? I remember some documents that were sent to us, and that seems to be-- I was here. Again, I was here in '05 when--

Francis Lombardi: It's an allowance for a claim. But, being that it was a public session, I didn't want to get the number out, to be--

Commissioner Sartor: I understand. Okay.

Francis Lombardi: Commissioner, forgive me for not--

Commissioner Sartor: What's the other $12 million for?

Paul Blanco: It mostly is $10 million for a claim, $7.5 million for increased financial expense. This project has been ongoing for seven years. We have continued to accrue interest (inaudible)--

Commissioner Sartor: $7.5 million is for finance issues?

Paul Blanco: It was really financial expense. So, when you look at those two components, they're $17.5 million.

Commissioner Sartor: Okay.

Paul Blanco: The other $5 million is a--

Commissioner Sartor: Then again, why wasn't this brought to us earlier, as you said earlier?

Paul Blanco: Right.

Commissioner Sartor: It's the second one today.

Frank Lombardi: You're absolutely right, sir. Move?

Commissioner Sartor: Frank, I'd like to talk to you off-line as to what the issues are with the set-aside.

Commissioner Mack: You don't want to--

Commissioner Sartor: No. No. I said off-line.

Commissioner Mack: Okay. Great. Okay. Are we okay with that? Everyone okay? First? Second? Okay. All in favor, Aye. Okay. We'll Move it.

If there are no other questions, then we'll adjourn. I think-- And, Frank and Cedrick, thank you for the update and the presentation. Okay.

Paul Blanco: Thank you, Commissioner.

Commissioner Mack: Okay. See you all next month.

The Port Authority of New York and New Jersey
Committee on Construction Transcript
February 19, 2009

Commissioner Pocino: Good morning everyone. Welcome to the Committee on Construction. Today's meeting of the Committee on Construction will be held in public session in its entirety. In addition this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

For discussion today we have the John F. Kennedy International Airport Runway 13R-31L reconstruction and delay reduction program Phase II project authorizations. And Bill DeCota is going to run us through that. Bill?

Bill DeCota: Thanks Commissioner. Today we are seeking your authorization for a $376 million project at JFK. It is essentially an entirely new Bay Runway, has a lot of delay reduction elements. And together these are going to enhance the capacity of the airport – they have great potential to reduce delays. It is an enormous project. When you think about it, it is the complete replacement of the existing runway with Concrete instead of Asphalt. It is all the associated infrastructure; it's drainage, it's electrical, it's safety areas, it's widening, it's taxiway improvements, it's got a lot of operational efficiencies I will talk about. And it has enormous economic benefit which we will talk about both in terms of construction as well as operation.

And through close collaboration with a lot of parties, the FAA, the engagement of stakeholders, the airlines, we have negotiated some selected runway closures that would have to be done at different times and different durations necessary to try to accomplish the work and to also minimize the disruption to the airport while that is happening. I'm going to describe the scope for you, I will talk about the enormous delivery effort that is involved here and I will talk about the five years of planning that went into developing the scope of this project.

This is an overview of the Bay Runway. It is 150 feet wide right now. That is a typical runway width in the United States for commercial runways. It is almost 3 miles long. It is 14,500 feet long and it is paved in asphalt. It is one of the nine runways in our commercial airport system and more importantly it is very critical to the airspace capacity of our region just because if you think about it our nine runways handle about 3 arrivals and departures every single minute. So when you take one runway out it obviously has enormous impact. In this case, this runway is 54 percent of the departures and 11 percent of the arriving flights at Kennedy Airport it handles. That is a total of about 143,000 flights last year that this runway handled. The last rehab of this runway was done in 1993 although there have been periodic interim repairs as recent as 2004. This is the complete removal and replacement of the pavement, in addition as I said, it is drainage, infrastructural, electrical, safety and many delay reduction projects.

The planning because of the size and magnitude of this began back in 2004. We began working with the airlines, the FAA and our planners. There were long term considerations as to how to make maximum capacity of this runway but also short term issues that dealt with construction, staging and phasing and how to accomplish this. So we did a lot of very meticulous planning. You will recall that back in 2004 you authorized a series of aeronautical improvements at

Kennedy, some of those were to accommodate the new large aircraft, some of those were for delay reduction. That was when we began to look at this project from those perspectives. Then in May of 2008 you also granted an additional planning authorization that allowed us to take it to where we are now and that also led to the conclusion that concrete instead of asphalt should be used. There were a number of peer reviews that were handled. They looked at the delivery method, the choice of materials, contractor procurement. And then there were environmental reviews. And as a result of that some design changes and now that the design has been completed we are ready to bring it to you.

The planning sought to mitigate in particular the construction effort. As part of this we are completing previous projects you authorized called Phase I delay reduction, some of the taxi way work – that is now underway – prior to beginning this because when we take the runway out we want to do everything we can to maximize the capacity of the existing airfield. And also the project schedule limits the runway closures and I will talk about that in a second.

So, here is an overview of the scope that gives you an order of magnitude of what this is. So first of all we are looking at combining the notion of a rehabilitation with the engineering of an entirely new runway. Normally we would be bringing you what would be called an overlay and groove project. We might make other infrastructure upgrades. In this case it is a complete redesign. And it is really there also to enhance the capacity to handle an 8380 aircraft. Every part of the runway as I said is being replaced and three miles of pavement is being replaced also.

The project is going to have a lot of delay reduction benefits also built in. There is some taxiway work, extension of Taxiway K, Runway X has some improvements to Taxiway J, sequencing and queuing capability. Each of those taxiways themselves has 1 to 2 minutes for each departing flight of benefit in terms of delay reduction. That is basically widening some taxiways, enhancing turning radii, airfield improvement to enhance the ability of aircraft to get on and off the runway much more quickly. If you look at the combined impact of those delay reducing parts there is an estimated $60 million in savings to passengers and to flights and that is about 10,500 hours of delay reduction that come as a result of that.

Delay will also be improved because the FAA is replacing all the navigational aids, the lighting, the landing systems, the marking and the guidance signs.

Scope of the project suggests that there are huge economic benefits associated with this. It is not only significant in terms of reducing delays once the runway is operational but also really huge in terms of employment during construction; the investment of this magnitude will have benefits of about 2,500 jobs, nearly $800 million in wages and economic activity. And as we have said there is really no clearer linkage between a transportation investment in the airports and the road to recovery than airport infrastructure. And so you can be assured this will have that.

A lot of thought went into the choice of the materials to provide maximum capacity. Traditionally we have always used asphalt. All of our runways right now are asphalt. A lot of other airports have gone to concrete; it has a higher initial cost but has a much longer life. Airports like Los Angles, like Singapore, Chicago O'Hare, they have used concrete. We are estimating that the life of concrete runways could be as long as 40 years which if you project

over time has about a $500 million lifecycle cost savings. Asphalt because of the intense use of asphalt we have been getting typical lives out of asphalt of anywhere from 8 to 12 years. The Bay Runway would be the first – the concrete will give you much more flexibility for that reason, yes.

And this would be the first concrete runway in our entire system. And because it is concrete and because we are replacing it we are going to have to close part of the runway for a period of time which I will describe. So there was a lot of planning and phasing done. So there is a very ambitious schedule for the project that was worked out with the airlines. The goal is to try to manage the cost and revenue implications both of the project as well as to the airlines who are taking flights out of service, but really to minimize the runway closure period time and to make sure that a high quality product also results when the construction happens.

As I said, we will be doing the delay reduction projects that the Board previously authorized and have those in place prior to the Bay Runway construction so that will help us. We have also secured airline agreement to take some flights out during the period necessary to reconstruct the runway. There is a 120 day closure period, so essentially 4 months from March 2010 to June 2010 and we found that taking the runway out of service is a much better product than trying to work around it. The airlines have agreed to adjust their schedules accordingly. They are already planning to publish schedules in the official airline guide taking down some of their flights – the goal, to get timely restoration and re-commissioning given that as I said there are only 9 runways in our system and their intense utilization. The schedule is so intense that we have created something we think is fairly innovative, which is a website that allows the Port Authority, the airlines, the FAA, air traffic control to communicate on a real-time basis.

Contractors that have the capability and performance are really key to the mobilization effort. There was an RFQ that was conducted to prequalify contractors; you see on the left the basis of that prequalification. We wanted people who had successful completion of projects of similar size and scope and complexity compared to this. They needed to demonstrate the installation of 1,800 tons of asphalt per day because there is asphalt concrete here; demonstrate installation of 3,000 cubic yards of concrete per day; demonstrate installation of 21 or more center line light fixtures per 12-hour shift. The experience of the contractor, superintendent and general manager became key as well as a number of other criteria. There were six contractors as a result of that RFQ that were determined to be eligible to bid – you see their names that are here. And they are, we have held a number of forums with the contractors to make sure that they would have the required information and get feedback from them before the bid documents are issued.

The project also includes contractor incentives to finish the work and penalties for delay. The bottom line is if the runways don't open when the contractors say there will be enormous penalties. For instance, in the cases where there are nighttime closures there could be liquidated damages of as much as $5,000/minute for not reopening. That is how intense this is. If the flight schedule is going to be in at 6:00 am, the contractor has to make sure the runway is available at 6:00 am. There will also be incentives to complete early. The airlines essentially pay for this project which we will talk about through the flight fee plus some federal aid. And the airlines have agreed that if they can get a 2-week early completion and they can avoid some of the issues

associated with closure that it is worth it – so for instance a 2-week early opening would allow the contractor incentive of as much as $5 million.

Now, normal contract mobilization of any project is enormous. Normally there are all of these issues that have to be done like contract drawings and staffing mobilization like security guards. On this contract the mobilization effort is far greater than anything I guess I have seen in the aviation side of the business.

The hope is to secure your authorization and to get a contract awarded in June. The contractor needs 9 months in order to mobilize because of various work that has to be done. They have to construct a concrete plant on site as an example. They need to pre-purchase materials. The materials are enormous; there's like 260,000 yards of concrete that have to be fabricated and procured. That's enough from what I understand to pave every NFL football field with 2-feet of concrete.

There is 260,000 tons of asphalt – I'm told that weighs the same as 6 Titanic's. There are miles of dowel bars and duct work that have to be procured. There's a patrol road that goes around the perimeter that has to be relocated. It is a 0.5 mile long. There are test sections of the materials that have to be installed. There is drainage that has to be completed, so there is an enormous amount of work. And there is also a concurrent underground fuel remediation program that is underway by Buckeye Pipeline under a consent order with the Department of Environmental Conservation and we are closely monitoring that because that can also interfere with the progress. And all of that, much of that has to be completed during good weather.

So this is the cost. As you can imagine building a new runway is expensive. It is $376 million. That cost does include an estimated contingency of 10 percent for unforeseen conditions on contract and staff costs. The project is very high on the FAA's priority list because of the delay reduction benefits of doing this. They have agreed to provide money under a Letter of Intent that it is estimated at about $35 million for the delay reduction portions of the project. I talked about a lot of the operational benefits that will come out of this when it is done in terms of mitigating delays, improving access for big planes – a lot of environmental benefits associated with reducing emissions and fuel consumption because of all of the elements tied together. It is expediting the flow of aircraft.

Commissioners, I would like to recommend that this project go to the full Board for approval today.

Commissioner Pocino: So, as I understand it, it is delay reduction; it is economic and cost beneficial; its environmental impact enhancement is good. And I might add that in terms of economic recovery it is going to be very labor intensive as far as that is concerned. And it is all recoverable in terms of the costs through or fees policy. Sounds good to me. Commissioners, any comments or questions?

Commissioner Sartor: Yeah, I do. Bill, what is the procedure from here? You will get approval on this, I have no doubt that we will recommend it to the full Board. You have 6 contractors. You are going to go out for bid to these 6 contractors, you will BAFO it among the top 3 or 4 or

whatever, and then you will come back to this Board to let us know what happened and get approval?

Bill DeCota: I would ask Frank Lombardi, but it is going to be a low bid award of the contract and then we would be prepared to come back to you. We are doing everything we can to get the contract documents finalized and the inaudible done so we can get this out on the street, so that we can bring you back a contract in time to seek your approval so that the contractor can mobilize in June.

Commissioner Sartor: So they can mobilize in June. Okay. Frank?

Frank Lombardi: We didn't plan on it, Commissioner, to have a BAFO on it. This is basically a low bid.

Commissioner Sartor: You're just going to go low bid on this?

Frank Lombardi: Low bid on this. They have already been pre-qualified. They will have all the information that they need. All the incentives are there, the disincentives are there. And they are very familiar. We brought them to the airport. They were –

Commissioner Sartor: You have 6 quality contractors; there's no question in my mind about that.

Frank Lombardi: So I think it is a simple, simple low bid.

Commissioner Sartor: Low bid. Okay.

Commissioner Chasanoff: Tell me about the airlines giving us reimbursement on this. To what extent will be reimbursed? Is this total cost?

Bill DeCota: Yes. The way all airfield paving works, the way all airfield related work goes, it will be amortized over the life of the project and that amortization would go into the airline fees and charges recovered from the airlines through the flight fees that we charge when they take off out at the airport. Netted against that would be whatever federal aid is received and right now so far the FAA has committed $35 million towards that project.

Commissioner Chasanoff: How do you build this? Based on the number of flights they have or some other basis?

Bill DeCota: It is a formula where the numerator is the total cost to build, operate and maintain all of the airfield facilities and associated infrastructure. And the denominator is the total takeoff weight of aircraft. And so the airlines get a bill when they take off based upon the certified takeoff weight of their plane which says that if you own a, for instance, 200,000 pound plane times $5 as just an example of the cost per thousand pounds. They would get a bill for the takeoff of their aircraft on the basis of that. If there is less aircraft weight, the cost obviously in the numerator hasn't changed. The billing rate for each carrier would go up if there is – if there

is more weight it would go down, but basically it is a zero sum game – we get our money back from the airlines.

Commissioner Chasanoff: What would happen if an airline, as is the case, if an airline goes bankrupt? That renders their lease ineffective and there is no lease anymore.

Bill DeCota: The cost for the airlines goes back and gets redistributed through what is called the Freedom Agreement which is the flight fee calculation. It is a joint and several commitment that they agree to pay.

Commissioner Chasanoff: Isn't it true that if 2 or 3 airlines go bankrupt than the burden is going to be rather extraordinary for the remaining airlines?

Bill DeCota: Well our experience is that when airlines go bankrupt, if they do see service at our airports they do not usually see service and just left. There is usually someone else who has acquired them and that has been our – we have had certainly some reductions in takeoff weights at the airport at times when major carriers have changed and transformed. But normally there is another carrier that picks up the bulk of the service so the flight fee does change. It does go up. But over time that weight is recaptured. So we have never had an issue where we haven't been able to fully recover in our history.

Commissioner Chasanoff: It's just this is really not germane to this particular – I'm fully in favor of this – but I just wonder whether we ought not to reconsider always saying that we are going to get the money back and the money is coming back, the money is coming back. Should we not take a step backwards and look to the liability of those fees being paid down the road in the economic climate that we are in?

Bill DeCota: Well, the history for us is because you have the world's largest origin and destination passenger market, what is driving the payment of those fees isn't the existence of the specific airlines, it is the existence of the air travel market for passengers and cargo. That has been really resilient. We have seen a little bit of a drop off in passengers; we may see a little more because of the economic climate. But the projection is we are going back up. We wouldn't really have any basis for making the assumption we wouldn't get paid because so far our market has proven to be very strong.

Commissioner Chasanoff: Okay.

Commissioner Pocino: Any other Commissioners? Can I have a motion for authorization?

Commissioner Chasanoff: Moved.

Unidentified Commissioner Second.

Commissioner Pocino: All in favor?

Commissioner Sartor: Aye.

Commissioner Pocino: Opposed? The Ayes have it. The next item we have for discussion is the PATH replacement and upgrade of Substation No. 7 and DC Switchgear and Switching Station No. 6 Project Authorization required here. Michael DePallo?

Michael DePallo: Good morning Commissioners. Today I will be presenting an item that would authorize a project to replace and upgrade PATH's Substation No. 7 which converts high voltage power into usable levels for train operations and the Direct Current Switchgear in Switching Station No. 6 which delivers the converter power to the DC powered third rail. This is an estimated total project cost of $47.6 million.

This project is necessary to support future PATH electrical requirements for the Journal Square to Newark line and is part of the multi-billion dollar planned investment to modernize the PATH system.

A critical component of PATH operations is the traction power required to move the trains. In August 2005 a DC power study Newark to Jersey City portal was completed by the Port Authority. The study evaluated whether the existing wayside traction power system could deliver adequate power and voltage to serve the new PA-5 rail cars during normal and future PATH service demands. In April 2007 the PATH Board authorized $4.5 million in planning for the replacement and upgrading of PATH's Substations No. 7, 8 and 9 and the DC Switchgear in Switching Stations No. 6 and 10. And these locations of these facilities are indicated on the map between the Newark and the Journal Square line; as you can see SS is Substation 10, Substation 6 here at Journal Square, I'm sorry, Switching Station 6 and 10 and then Substations 7, 8 and 9.

Switching Station No. 6 is located at the Northeast corner of Journal Square PATH station in Jersey City, New Jersey. And that is indicated right here outside of Journal Square. And the existing PATH Substation No. 7 is located in Jersey City approximately 1 mile west of Journal Square. That is located right there.

The Substation provides traction power to a portion of the PATH Journal Square to Newark line. Traction power substations and switching stations are strategically located at close intervals to overcome the need for heavier transmission medium and loss of voltage, providing safe and economical power.

Sub 7 equipment is over 35 years old and nearing the end of its useful life. Replacement parts are no longer available from the original manufacturer. The power study identified the need to replace and upgrade the existing PATH Substation No. 7.

The 27 KV equipment used for Substation No. 7 is presently outdoors and exposed to the elements. The power study also recommended placing this equipment indoors, thereby further protecting the equipment and providing better security and ease of maintenance in operations.

The new Substation No. 7 would be built in the vicinity of the existing Substation and requires property acquisition from Conrail for the new Substation location. Staff is presently working to acquire Conrail property and a Letter of Understanding from Conrail concerning the acquisition

of this land is pending. The acquisition of this property would be subject to future approval of the Board.

A Building Conditions Assessment Report for Switching Station No. 6 was completed in September of 2008. The report found the Switching Station No. 6 building to be in sound condition. Only minor building repairs are required. However, the switchgear equipment inside the building is over 35 years old and near the end of its useful life. Spare parts are no longer available from the manufacturer. And the 2005 DC Power Study recommended that switchgear equipment be replaced.

The replacement of Substation No. 7 and the DC Switchgear in Switching Station No. 6 will provide long term viability and improved reliability for years to come. The equipment will be placed indoors providing enhanced security and the ease of maintenance and operations. Sub 7 capacity will be increased by 50 percent to accommodate the future electrical power demand as a result of projected increases in PATH service. The new traction power substation shall provide output voltages of 650 volts DC to support the existing railcar fleet and will also have the capability to accommodate potential 750 volt servers for the new PA -5 car operations. This project will provide for future implementation of potential PA-5 railcar regeneration and energy storage technologies should the technology prove to be feasible for use in the PATH system.

Commissioners, the total estimated project cost is $47.6 million. We anticipate that the design would be completed in the first quarter of 2010 and work would commence in the second quarter of 2010. The project is expected to be completed in the fourth quarter of 2013. The proposed project will support the future PATH system requirements that will result from a series of PATH projects designed to enhance customer service. Commissioners, I request that you advance this item to the full Board for approval today. Thank you.

Commissioner Pocino: Commissioners you have heard the proposal. Any comments or questions?

Commissioner Sartor: Just again to go back to some of the questions I had earlier. The design is out and it is underway right now? You have got the monies for that?

Michael DePallo: Yes sir.

Commissioner Sartor: This total project cost – how much is the construction, how much was the engineering? Do you have that?

Michael DePallo: The construction – yes, I have that information available I think, the breakdown.

Francis Lombardi: I believe it is $28 million Commissioner.

Michael DePallo: That's right.

Commissioner Sartor: For construction?

Michael DePallo: $28 million for construction.

Commissioner Sartor: And your soft costs are the balance? Okay. So you will come back once you award; you will come back here to get award for approval.

Michael DePallo: For approval, yes.

Commissioner Grayson: Michael, what is the likely cost of the acquisition?

Michael DePallo: We don't have a firm number yet but I think it is probably in the vicinity of $500,000.

Commissioner Grayson: Was that for the 1.3 acres?

Michael DePallo: Right.

Commissioner Grayson: And why such a large track? Is it just because it is available and opportunistic?

Michael DePallo: That is the property that is available to us, yes.

Commissioner Grayson: Okay. But the site we are on now is substantially smaller than that, right?

Michael DePallo: That's right.

Commissioner Pocino: I hear a motion for approval of authorization?

Commissioner Chasanoff: So moved

Commissioner Sartor: Second.

Commissioner Pocino: All in favor?

Commissioners (group): Aye.

Commissioner Pocino: Opposed? The Ayes have it. That concludes our agenda. Thank you very much. Meeting adjourned.

The Port Authority of New York and New Jersey
Committee on Construction
May 28, 2009

Commissioner Sartor: (Audio begins mid sentence) will held in public session in its entirety. In addition, the meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. The item at today's discussion is our airport rehabilitation of runway 6-24. Mr. William DeCota.

Bill DeCota: Thank you very much Commissioner. As you mentioned I am here to review a proposed runway rehabilitation and navigational improvement project at Teterboro. Now as you know we have a lot of state of good repair projects at the airports. This one is a very critical one because it is going to ensure compliance with FAA requirements; it represents a very critical part of our state of good repair program. It is a part of our infrastructure improvement. And in addition it represents one of the shovel ready projects that are in Aviation's capital plan and it is going to create jobs, it is going to create economic benefits for the region. And it is going to really stimulate the kind of local economy that this agency is about doing.

Now, as you see here, this is the runway. It is about 6,000 feet long. Runway 6-24 is one of two runways that are at the airport. It is 150 feet wide. It is equipped with an instrument landing system at both runway ends. It has lighting systems, navigational systems, and on average this runway is pretty intensely used. It handles about 6,000 aircraft movements every single month.

The last rehabilitation of the runway occurred in 1995 and subsequent repair work has been done periodically since that time. However the existing pavement for the runway and its taxiways is basically at the end of its useful life. It was identified in our 7-year pavement maintenance plan as needing rehabilitation. And in addition the infrastructure requires various kinds of improvements to things like drainage, to navigational aids, to electrical systems. This is the scope of work associated with the project. It is basically a standard runway rehabilitation project in Phase 1. It is the milling and repaving of the pavement for the entire length of the runway. It is the associated taxiways. It includes regrading, it includes grooving of the runway, new pavement markings, drainage improvements, improvement of the electrical systems and the runway lighting. So very much like any of the other runway rehabilitation projects that we brought to you in the past.

The second phase includes the installation of navigational aid improvements to ensure compliance with the Federal Aviation Administration requirements and that will happen later as a subsequent part of this. The completion of the work is going to enhance the safety of the runway. It is going to reduce the maintenance costs at the airport.

The project authorization that you have before you is for a total project cost of $26.7 million. What I am seeking your approval for today is both the total project as well as the award of the first contract for Phase 1 of the project, that includes the runway and taxiway rehabilitation that I talked about. The bidding of the contract was following a competitive bid RFQ process. Tilcon New York was the lowest qualified bidder. They have been selected as the recommended

awardee. The estimated cost of that contract is about $12 million, that is inclusive of extra work and net cost work.

For Phase 1 we anticipate receiving a grant from the FAA of $5 million for funding. That comes from the American Recovery and Reinvestment Act. The second phase of the project will be eligible for also some discretionary funding from the Federal Airport Improvement Program.

The project represents significant economic benefits for the region. For just the construction alone you see on this slide the project will generate an estimated 140 jobs, $50 million in economic activity in the form of total wages and sales. That is reflected by both direct, indirect and induced effects related to construction employment and also materials purchased.

This is the schedule for the project. Phase 1 would begin in June after award of this contract. It would be completed by 2010. There are several airport closures that are going to be required for completion of the paving work. Staff has carefully scheduled the closures to minimize the impact to our customers. Basically they are all on weekends. There will be a couple of 36-hour closures, a 24-hour closure and I think about five 7-hour closures; all, as I said, have been carefully sequenced with the type of users that are at the airport and to minimize the downtime.

For Phase 2, staff anticipates coming back to you in January of 2012 for contract award. We would then expect to begin installation of the navigational equipment by Spring 2012 after the required environmental permits are received for that scope of work and then project completion overall would be scheduled for 2013.

I'm asking you to approve the authorization of this project, to recommend it to the full Board for approval today.

Commissioner Sartor: Any questions? Bill, so the other runway would allow you to keep the airport open?

Bill DeCota: Except for those 8 closures when we would have to do the same thing because the two runways intersect with each other and because of that intersection you can't do the work, yes.

Commissioner Sartor: Recommend that it be moved to the full Board?

Commissioner Grayson: Second.

Commissioner Sartor: Done. Meeting over.

The Port Authority of New York and New Jersey
Committee on Construction Transcript
June 25, 2009

Commissioner Pocino: -- Committee on Construction. Today's meeting of the Committee will be held in Public Session in its entirety. In addition the meeting is being broadcast live on the Port Authority website for those interested in viewing today's proceedings via the Internet.

For discussion today we have JFK International Airport, Runway 13R-31L, reconstruction and access improvements, award of contract and Bill DeCota is going to give us all the information we need.

Bill DeCota: Yeah, thank you, Commissioner. Actually, I was kind of hoping this meeting was yesterday, because it was my birthday and I'm asking you for a $240 million birthday present, so --

Commissioners (Group): Happy birthday.

Commissioner Pocino: Happy birthday.

Bill DeCota: Thank you. And then fortunately I heard that the Commissioner's are in a very generous mood so I don't have to use my powers of persuasion on you, but you're going to remember that back in February you authorized a $376 million project for the total reconstruction of the Bay Runway. Normally we do overlays, we do millings, but this project is a truly significant investment in Kennedy Airport.

It is a critical state of good repair project; it's very critical to the airport's infrastructure. But more importantly it's going to enhance capacity, it's going to reduce delays and today I'm going to review with you the award of the contract for that. It's included on the June Report of Actions and it's going to provide for all the construction of these improvements that we talked about earlier this year.

Just to always give you a perspective, since we have so many airports, so many facilities, and so many runways, you'll recall that the Bay Runway is the longest runway of any of our commercial airports, and in fact any commercial airport in the world. It's 150 feet wide, so that's a wide runway, and it's 14,500 feet long, and it serves as the primary departure runway.

It accommodated 143,000 flights last year, so if you think about that, that's over a third of the airport's total traffic and if you were to work it out just on this one runway it's about every 30 seconds there's an arrival or departure so it's really significant to the region's airport capacity.

The last rehab of the runway occurred back in '93; that was the basic overlay and groove-type rehabilitation, and now it really requires a complete reconstruction and upgrade. It needs all of the supporting infrastructure replaced and staff identified a lot of other runway access improvement projects.

As you recall in the discussions we've had about delays at the airport, we've talked a lot about trying to get planes more quickly on and off the runways to mitigate delays and to mitigate taxiway congestion and make sure that that's not one of the congesting factors at the airport, and that was the subject of a

lot of the discussion when we did the project authorization back in February. So I'm now pleased to report on the award of the construction contract that would serve to implement the project. The scope of the project is truly enormous.

It provides for the replacement of almost three miles of asphalt pavement. You'll recall that we talked about it's going to be replaced with concrete. This is the first use of concrete at our airports for a runway and it's anticipated to have a service life of about 40 years versus eight-year service life that we've been experiencing, given the heavy use and the heavy wear and tear on our runways from all of the activity and the heavy planes, and because of that, because of that decision to replace the asphalt with concrete, we're going to have savings of $500 million over the lifecycle of the project.

The project also includes widening the runway from 150 to 200 feet. This Board had the wisdom to build out some of the infrastructure to handle the A380. We're going to see an influx of those planes coming in the next year. We have some airlines that have announced air service that will come, and there's completely new infrastructure.

Things like the runway lighting, the electrical infrastructure, the electrical feed, the switch houses. Even the FAA is replacing the instrument landing system, the markings, and the guidance signs.

We're going to have the shoulder overlays at the edge of the runways, drainage systems replaced, future navigational aids as they begin to evolve will be able to be accommodated. We're going to re-grade the safety areas.

And the delay reduction projects, you see three of them right here. Those are important, as I said, to the access improvement. We all think in airspace, we've been talking a lot with this Board about encouraging the federal government to do next-generation air traffic control improvements to go from radar to satellite systems, but what we can do on the ground truly also can have some impact.

And you see some of those where the extension of some taxiways, new taxi lanes at different taxiways, you see the kind of things, their hold pads -- they truly can also have a big impact because the faster you get a plane on or off the runway means the faster they can get in the airspace.

So to select a contractor capable of completing something like a three-mile-long runway replacement -- as much as we call it a rehabilitation, it's a replacement -- we had to go through a really extensive pre-qualification process. You'll recall that we have discussed this with you in the past. We had to ensure the contractor had the capability and performance to do this kind of work.

There was an RFQ issued early on in the process that pre-qualified contractors on the basis of things that you see here. One was just successful completion of a project of this magnitude, because obviously success in the past really implies that that contractor has the ability to do it, and so we looked at contractors and what they did in the last five years.

Another one was the demonstrated performance of the level of intensity of this work. In the past we talked about that -- in order to do this quickly, and we'll talk about schedule and runway closures in a second, the contractor had to demonstrate the installation of 1,800 tons of asphalt per day, as an

example, and to install 3,000 cubic yards of concrete per day. That's a lot of movement of materials, and you can imagine also the logistics of getting them on the secure side of the airport in order to do it.

They had to have the staff expertise, because no company is as good as anything unless they have the staff and the capability to do it. They had to show that they could complete projects on time. It wasn't just enough to do the ability, but it's critical, as I said, given the level of intensity of use of this runway, that our contractors get this done on the schedule that has to be done, and so that was important.

We've also, through this Board, we've really committed to participation by MBEs, by minority and women business enterprises, by small business enterprises, so we were looking for aggressive participation in those trades where we could find and identify that as opportunities, and they of course had to have a performance bonding capability because they had to have that ability to show that something was backing them up.

Commissioner Sartor: Bill, are you going to ask for a performance bond on this?

Bill DeCota: Yes.

Commissioner Sartor: You are?

Bill DeCota: Yes. So staff were pre-qualified, basically, through the RFQ process -- six different contractors who were able to bid on the work. Those firms met with us several times after the pre-qualification process. We solicited feedback, we provided information before the bids were put out so that we're all very clear, so that we made sure that the procurement would be -- the contractors that we wanted them to propose met our requirements, and as a result of that we received four bids back in May.

I ask you then today, I guess I'm recommending the award to the lowest bidder of the four bids. The lowest bidder is Perini Corporation, the bid was a good price compared to the engineer's estimate of what we thought it was -- $204 million. When you add the extra work, you add the net cost work, the total authorization for this contract is $240 million.

Assuming that we award, which of course is what is being recommended, the scope of actions is going to -- it's on the Board's Report of Actions to act on -- it would begin in July. There would be extensive site preparations. We talked to the Board about pre-purchase of materials and mobilizing and getting staff and putting out field and material testing labs -- all that has to be done.

And then, of course, the work will begin and the intent is to complete the work by November 2011, which is a very fast schedule considering that we can only do it at certain times. There are several planned runway closures that have to be very carefully coordinated and they vary. There's a total closure of the runway of all 10,700 feet, which is the majority of it from March 1st of next year to June 29th -- that's about 120 days that it has to be done.

And there are several other program closures of segments of the runway. Work is going obviously have to be done largely at night, particularly the closures, and we've coordinated that very carefully with the FAA and the airlines, because we've asked the airlines to adjust their schedules, modify accordingly. According to that we've asked the FAA to do everything they can to manage the traffic at Kennedy through the other three runways. So we anticipate that the project scope, assuming everything goes well, it's been very well planned, is November 2011.

I can't underestimate, as you consider this award, the significant delay reduction benefits that come out of this program, the benefits to our customers because of those runway access improvements which reduce queuing and give us the ability to move more aircraft on the runways.

The combined delay reduction benefits, just to calculate it for you, have been estimated at about $60 million annually. Now, where does that number come from? It comes from the 10,500 hours of delay reduction that when this is finished it will enable -- that includes direct operating costs to the airlines in terms of fuel and labor that they now have to incur. It also includes the value of passenger time.

And so what we're asking you to do is concur with the award of the contract, which is as I said on the Report of Actions --

Commissioner Michael Chasanoff: So I don't understand -- well, first let me say that I hope -- I'm always in accord with your recommendations and I think you're terrific. I think if everybody at Port Authority was as efficient and effective as you are, we'd be in a lot better place, and I mean that, and I mean it sincerely.

Bill DeCota: Thank you.

Commissioner Chasanoff: I'm certainly in favor of it, but I take great issue with this delay reduction. I don't see how, out of one airport -- one airport -- and there's a certain amount of departures that can occur -- you can't have planes taking off every which way out of one airport -- how in God's name can there be a delay reduction? Takeoff -- I'm talking about taking off. I don't mean sitting here instead of sitting at the gate, or sitting on a runway instead of sitting there, but the delay reduction is a different matter.

I don't think it's really relevant -- I don't think it's relevant to this. I really don't. I think this is vital for the well-being and the functioning of an airport like ours and we certainly should do it, and I would vote for it. But I don't think that it does anything towards delay reduction.

Commissioner Mack: Bill let me just answer Mickey, as you know I'm at one of our airports at least once a week, and on a beautiful day we still have a line-up because you have to leave space for incoming, outgoing, and so forth.

I honestly believe, contrary to what you're saying, is that if we have the proper equipment, including, hopefully, this concrete slab will be heated underneath -- I don't know if that's in the spec or not.

Bill DeCota: No, heating is not, but the snow clearance capability will be part of the normal snow --

Commissioner David Mack: If you can, we could take a lesson from Denver Airport. They have heating coils underneath their concrete, and they got concrete, but -- and I don't know why on a beautiful clear day that we have just a runway full of those planes, even in the morning.

Bill DeCota: Yeah, it's --

Commissioner Mack: And if this would help, even if you made a mistake of 10 percent or 20 percent, any reduction, anything we can do to reduce it, again, the airlines, everybody -- the fuel that you burn, pollution, everything.

Bill DeCota: Yeah, actually, to go to I guess the specific answer to Commissioner Chasanoff, the fact is the FAA capped flights at our airports, over the objections of this Board that says you have to add capacity. They've capped them at a level that's really relatively low for an airport that has four runways. They've capped them at 81 to 83 flights an hour, which is absolutely ridiculous, because the air traffic control system can't deliver the flights.

And of course that's why we briefed you last month on the creation of the National Alliance to Promote NextGen, why we're on the Hill, why we've asked the world to sign up for advocacy of getting federal funding. But even at that level of cap we suffer incredible delay and a lot of that is up in the space.

But some of that is on the ground. Kennedy Airport has these four runways and what happens is, if you can imagine if you just had a runway that only had one taxiway off of it and it's at the end of the runway and a plane lands and it has to go all the way down to the end of the runway to get off, then what that means is that the FAA can't sequence another plane three miles away to have it land on that runway till the plane gets off.

So things like a high-speed taxiway turn-off -- get that plane off the runway faster -- makes that runway available for the next plane, because that plane can't do it.

Commissioner Chasanoff: I'm talking about the average delay on a flight to Europe is an hour and 15 minutes. So what you're just saying would help -- maybe it'll give you two minutes, three minutes, four minutes.

Bill DeCota: It will.

Commissioner Chasanoff: It doesn’t get to the essence of the hour and 15 minutes.

Bill DeCota: No, it's building blocks. It's like being a carpenter and continuing to add tools to the toolbox. And every one of those things can help you build that house a little faster. If all you have is a hammer, a screwdriver, and a wrench, you're going to be really slow.

And as you begin to bring a saw in, as you bring lots of wrench sizes and lots of screwdrivers, and that's what it is -- it's building blocks. On departure it's the same way. We have planes that get to the end of a runway and they can't depart for whatever reason. Maybe they're going out a gate that's going

out to the west and there's some of that convective weather coming in from the west; it can't leave, it's blocking.

We create a taxiway hold pad, it can move over to the hold pad and another plane could get in front of it because it's going out to the east and it can avoid the weather.

So these will have -- and what our consultants have done is modeled when those situations on the ground have created obstacles, and they took the highest priority of those, where those obstacles created the greatest percentage of the delays, when it wasn't a problem of air traffic control, and those are the things we incorporated.

And I believe it was you who asked the question when we first began doing the delay reduction on the ground program, how do we know these make sense? And we said we will only do the highest priority. We can't do every one of them because they're expensive, but once you do them they are going to be part of the solution.

And then the ultimate, which you have pointed out, it's the evolution of air traffic control -- we cannot use radar, we cannot use radio waves that were created in the 1880s when satellites, which have been around since Sputnik in 1957, are available. And that creates efficiency and maintains the safety of the system.

Commissioner Chasanoff: Shouldn't our pressure be directed in that vein? Shouldn't it be --

Bill DeCota: It absolutely is. It's a parallel track.

Commissioner Chasanoff: Is it?

Bill DeCota: Yeah. The things that this Board has done where you've endorsed capacity as the first measure but then relented to caps as a short-term expediency to try to keep delays within a certain boundary were one, you supported the implementation of 77 technical and operational improvements by the FAA, like an additional departure route out of Newark and some technical approaches called things like simultaneous offset instrument approach, and we run roughshod over the FAA to try to get them to implement as many of those as possible, and they evaluate each one individually.

And I call that buying the tools in the Craftsman toolkit. It's like it's a 77-tool kit; we don't have all 77 tools yet. Then we went the other way, which is the longer distance, which is promote NextGen, and we're out on the Hill on a regular basis promoting that this Congress, through the FAA Reauthorization Act, allocate as much as possible in the near term to get as much of the $20 billion the federal government needs for air traffic control.

Then we've taken sort of the middle-of-the-road approach. As you remember, you've authorized a Ground-Based Augmentation System at Newark; that's sort of a form of NextGen on the ground, and we're also going to begin to develop some metrics that we can publicly hold the FAA accountable for that say how well they're doing in using the capacity they've got. So we've got this multifaceted -- we're just relentless, and we're out there.

Commissioner Chasanoff: Isn't the fact -- I think it's a fact; I'm judging from personal experience -- but wouldn't you say that the average, the ordinary, on a typical night, no weather problems, no weather problems whatsoever, the typical flight delay to Europe is an hour and 15 minutes, typically?

Commissioner Mack: Mickey, don't say Europe because they've all got to go on the same runway. Just say at that time of the evening when we leave.

Commissioner Chasanoff: Is that right?

Commissioner Mack: And I agree with him. Because I leave in the evening to Europe, I have to (inaudible).

Commissioner Chasanoff: All right, so forget -- yeah, just the average delay --

Commissioner Mack: At that time.

Commissioner Chasanoff: -- at that time is an hour and 15 minutes. Was it measurably different 10 years ago? It must have been less.

Bill DeCota: Yeah, it was, and --

Unidentified Board Member: Much less.

Bill DeCota: Well, and one of our complaints back to the FAA has been that we've invested billions of dollars on the ground and the flight situation has gotten worse, and we've lost capacity. Where did it go? This is sort of the mystery of the box, we're trying to figure it out.

Because we've all experienced perfect weather days when -- and you have to always take a broader view of the region. Just because it's beautiful here doesn't mean it's beautiful everywhere and so that causes a problem.

But we have looked at days where it's very clear it's an absolutely perfect weather day and we're suffering delays. And we have to figure out what that is, and every day has a different story.

Commissioner Chasanoff: Are they unwilling to consider these things or are they intransigent and won't discuss them?

Bill DeCota: No, no, they've -- we've got a new administration now, and they seem more than willing. Remember that last year's administration wanted to auction off capacity at the airport, keep the money, and do whatever they wanted. We fought that in court. The new administration realizes we may need caps on a short-term basis, but they got away from auctions.

We're hopeful that the new Secretary of Transportation, Ray LaHood, and the new FAA Administrator, Randy Babbitt, we're going to get them here in the next few weeks, hopefully. They're

going to talk about things, they're going to work more cooperatively, they're going to focus on capacity.

I can't promise you all of it's going to be over soon because I ask you for something and you look at the delay situation, but it's all cumulative, it all builds.

Commissioner Chasanoff: Just in part, and this is my last comment on it, but it seems to me there are far fewer flights going out than under different circumstances.

Bill DeCota: Right.

Commissioner Chasanoff: And as, when, and if the economic conditions are restored, there's going to be many, many, many more flights. We're going to be in a -- we're going to be so tied up and so locked in, flights will take two and three hours to get off the ground.

Bill DeCota: Well, the caps are going to stay -- right now there's an -- the caps were supposed to expire in October; they were short-term. The FAA's put out a notice of proposed rulemaking to extend them.

Our comments back were we'll relent to them as a last resort because we've got no other choice, and we don't think a year extension makes sense. You should just extend them until you think the system can actually handle the traffic.

So the caps will keep the flights where they are now. What I have to figure out how to do is start putting pressure on why at this level. These levels are ridiculous. Kennedy Airport has four runways. What do you mean you can only handle 81 to 83 flights? It's got the same capacity rating in theory as LaGuardia, with two intersecting 7,000-foot runways, and about the same capacity as Newark, with two narrowly spaced parallel runways and one short crosswind runway.

Commissioner Mack: Where's (inaudible), because I've seen two planes (inaudible) at the same time.

Bill DeCota: Yeah. Yeah, if the runways are far enough apart, and the FAA's got a statistic of a couple of thousand feet, I don't remember the exact number, you can do parallel and simultaneous approaches. We can do it at Kennedy on two of our runways. Yeah, on two of our runways.

One of our things we have to keep getting the FAA to do is use all of our runways at Kennedy. Frequently there's only two runways in use when at least three should be in use, if not four. And we understand winds and things like that will dictate. That's why what we're looking for, we're looking for a metric that somehow encapsulates a whole variety of things.

Like if equipment happens and something -- we understand that has to be isolated. If weather is the situation, we understand. But there's an overall effectiveness evaluation that needs to be done of how well is the air traffic control system functioning, even with the technology it's got, and that's what I hope we'll be able to come back to you.

And it doesn’t do anything more than -- we don't want to declare victory because we had the FAA implement a technology, and we don't want to declare victory because you gave us some money and we did a GBAS because if the delay situation gets worse all we've done is buy some tools.

We want to declare that we want performance, and you have a right to expect that just like every other traveler in the region. And I hear it from the Commissioners frequently. I just got feedback from Commissioner Mack about this recent experience going through one of my terminals at Kennedy, so.

Commissioner Mack: I've got to tell you, we took care of it right away because two directors in Florida were at an opening that I was at for JetBlue, and I wouldn’t have paid any attention to it but the manager of the airport, who I knew from Delta came over to me and he said, "David," he just saw me checking in, he said, "Look at this." And I don't know the feedback, but that's the kind of thing -- if you see something, don't hesitate to call.

I didn't call him, I called his assistant because it was so evident he didn't have to explain it (inaudible). But he's been terrific. And anything we can do to help alleviate these delays on the runway, not only is it people's time, it's money, it's everything. It's fuel and -- I'm with you.

Commissioner Pocino: Commissioner Sartor?

Commissioner Sartor: Yeah, I've just got a couple of mundane questions as opposed to these esoteric things. The size of the bond, what are you going to ask for?

Bill DeCota: Frank, they had to have a bonding capability of over two --

Francis Lombardi: Two hundred million.

Commissioner Sartor: You're going to ask him for that size bond?

Francis Lombardi: Yeah.

Commissioner Sartor: Okay. The other question I have -- what was the engineer's estimate versus the 240?

Francis Lombardi: 201.

Bill DeCota: Well, 240 was the -- that includes extra work and the net cost work.

Francis Lombardi: 201 versus 204.

Francis Lombardi: We got 204 with the bid.

Commissioner Sartor: Okay. I got you, I didn't see that. Okay, thank you.

Bill DeCota: Thank you.

Commissioner Holmes: What was it about this project or the process that allowed the bid and the engineers' estimate to be so close? I've seen a few where the gap is extremely wide. What is it about this one that --

Bill DeCota: Well, I think as we went into it it was adjusted to reflect some level of what we had been experiencing on civil projects like this.

Francis Lombardi: We actually had a higher engineer's estimate but because of some of the previous estimates that were coming in for aeronautical work we actually lowered it because of the good bids that we were getting, and because of the economy there is an increase in the number of bidders as well.

But in this particular case it is obviously restricted to the pre-qualified number of bidders, and I think it's also a matter of how hungry you are as a bidder to make sure that you keep your staff.

Commissioner Anthony Sartor: Frank, what was your original estimate, just out of curiosity. Was it 20 percent higher?

Bill DeCota: No, no, it wasn't that high. It was around $230.

Commissioner Chasanoff: You realize that of the four bidders, only one bid $204. The others were $236, $269 (inaudible).

Commissioner Sartor: Yeah. No, no, and $359 -- no, I saw that. Because we're getting -- the agency's getting other bids in that are 20 percent to 30 percent lower than the estimates that have been put forth, so I was surprised that it was so close. I thought your engineers -- it's a good thing. I'm not -- this is good.

Commissioner Pocino: That's one of the pluses (inaudible).

Commissioner Sartor: It's better that you're closer than -- yeah. Now's the time -- now's the time to get as much bidding as you can, right now.

Commissioner Pocino: And with the savings, you push that along to other projects. Bill, a question in reference to the 143,000 flights that this runway was using last year.

Bill DeCota: Yeah.

Commissioner Pocino: Are you going to have the ability to move those to other runways or are you going to combine that with the fact that the scheduling may be reduced?

Bill DeCota: There will be some adjustments to schedule, we hope, because that's been the cooperative spirit we've dealt with the airlines in the past. They're aware the runway's going to close, they're aware of the potential customer inconvenience. But the adjustments to the flight schedule will be fairly minor. The blessing at Kennedy is we have three other major runways, not all of which get used at the same time and the FAA will have to get creative in its use, but your point is very well taken.

I always liken this -- because sometimes it's hard for people to understand with runways -- we have nine runways at the commercial airports, which sounds like a lot, and of course we have this delay situation, but we also have 1,200,000 flights using them. And they sometimes say think of the issue if you were closing down the New Jersey Turnpike express lanes or you were closing down the Garden State Parkway.

This is really like closing down a major roadway when there's only nine major arteries that exist in the system. But it somehow works and we managed to do it, and Newark went through a major runway rehab. A little delay, but the airlines were really aggressive there, especially led by Continental because they dominated much of the airport in taking down the schedule rehab.

Commissioner Pocino: Another question is in reference to the actual start of the construction work after the preliminary stages take place, when do you estimate that would be?

Bill DeCota: The actual, I guess, site --

Francis Lombardi: In the Spring of next year.

Bill DeCota: Yeah.

Francis Lombardi: The major, because they have to mobilize and they have to get their operation. They're going to get into a militaristic type of approach in order to construct that 10,000 foot in 120 days, so they have to get their concrete plant up and operating, they have to really plan this project as if they were doing a military operation.

Commissioner Pocino: Of course, there's removal of the existing as well.

Bill DeCota: Exactly.

Francis Lombardi: Yeah, but it's only the top milling of the top; we’re using the base as a foundation, so it's not removal of the entire construction.

Commissioner Pocino: So that hasn’t deteriorated to any degree?

Francis Lombardi: No, no. So it's really using the existing foundation. You're just milling the top six inches off and you're using that as a base, which is a good base.

Commissioner Mack: Frank, as you know, you're in the meadows there, the bog, and you've compensated for that. Concrete weight versus the macadam, asphalt, is it basically --

Francis Lombardi: It's not as significant.

Commissioner Mack: Excellent.

Bill DeCota: And the pavement depth there, I mean, I'm not the expert, but it is --

Francis Lombardi: It's already thick.

Commissioner Mack: Yeah.

Bill DeCota: It is hugely thick, yeah.

Commissioner Mack: So whatever you're going to mill, you're going to replace it.

Commissioner Sartor: You do have a lot of new construction, though, because you're expanding it by 50 feet.

Francis Lombardi: Yeah, but the loads on that side are not that significant. They don't see that much --

Commissioner Sartor: (Inaudible)

Francis Lombardi: Yeah, there's plenty of --

Commissioner Pocino: Any other comments or questions, Commissioners?

Commissioner Mack: No.

Commissioner Pocino: Okay, thank you, Bill, for the presentation.

Bill DeCota: Thank you.

Commissioner Pocino: That concludes our agenda for this morning. Thanks very much.

Commissioner Holmes: Thank you.

The Port Authority of New York & New Jersey
Committee on Capital Programs/Agency Planning Transcript
October 22, 2009

Commissioner Sartor: --Capital Programs and Agency Planning--Excuse me. Today's meeting of the Committee on Capital Programs and Agency Planning will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. First of all, I'd like to welcome Susan Baer in her new position as Director of Aviation. She's going to give us a presentation on Newark International Liberty Airport, Terminal A, redevelopment.

Susan Baer: Thank you. I'm here today to update you on planning efforts that have been underway for some time for the redevelopment of Terminal A at Newark Liberty International Airport and to ask for your approval to continue with the next phase of this planning. Staff have undertaken a significant preliminary planning effort to assess alternatives for the redevelopment of Terminal A. As a result of this effort, staff is recommending a complete redevelopment of the terminal in order to accommodate future growth and activity and replace this aging facility. This authorization would allow staff to complete planning for this alternative. This effort would be fully funded through Passenger Facility Charges and submitted as part of the Port Authority's upcoming application with the FAA. Commissioners, as you know, Terminal A was built in 1973, as was Terminal B. Over the past 15 years, we've made significant investment in Newark Airport. The redevelopment of Terminal C was completed as part of the Global Gateway Project in 2001. And, currently, Terminal B is undergoing a modernization effort to both expand the terminal and update the facilities, leaving Terminal A as the last of the passenger terminals at Newark to be upgraded. Over time, Terminal A has become outmoded in terms of its ability to handle the current and forecasted passenger levels, the available public space to accommodate new security equipment and terminal amenities, and the gate and airside facilities are not designed to handle the modern generation of aircraft. The result has been a significant increase in congestion throughout the terminal and inadequate facilities for both the needs of the airlines and our customers. In addition to these physical limitations, the terminal's mechanical infrastructure is aging and requires updating and replacing. Recognizing the need to address these concerns, in 2004 the Board authorized $20 million for staff to undertake a planning study of Terminal A to assess the need and feasibility for its redevelopment. The Board also authorized $20 million in PFCs to fund that effort. The objectives of the preliminary planning work were to define the terminal expansion concepts and develop initial designs for an expansion of Terminal A. The whole program here was to come up with something that met the forecasted demand, enhanced the security procedures, reduced passenger congestion, increased the interior circulation space, and accommodated new carriers to promote competition. To meet these objectives, staff undertook a series of analyses to assess the capacity needs. They looked at the condition of the existing facility. They looked at airside capacity. They did a cost/benefit analysis of several possible alternatives for the terminal's redevelopment; and these included rehabilitation, modernization, replacement, and a no build option. We also did preliminary financial analyses, and we studied the terminal access needs, including a preliminary look at how the AirTrain would interface with the new terminal.

Commissioners, our preliminary assessments indicate that the current terminal is inadequate to handle future needs and will continue to require costly investment to maintain this aging facility.

Capacity assessments have forecasted an increase in passenger demand at the terminal. Even our revised pessimistic forecast adjusted to reflect our current economic reality, passenger levels in the terminal are projected to exceed terminal capacity within the next five years. Staff also fully assessed the possible alternatives for terminal redevelopment, as I mentioned, including the no build, rehabilitation, modernization, and replacement. The no build was deemed not viable as costs associated with undertaking the necessary system repairs and upgrades to the current facility would cost close to $1 billion and would have no benefit in terms of addressing the capacity needs or the physical limitations of the terminal and particularly its airside facilities. Similarly, rehabilitation or modernization, which would cost about twice that much, would require a multi-year effort with continuous operational disruptions, provide little capacity improvement, and would not address the airside limitations. Therefore, the new terminal option was deemed to be the most cost effective and would allow for the required service and capacity improvements. We're now seeking your approval for the second phase of planning for the modernization and expansion of Terminal A. Staff is currently looking at a replacement terminal as pictured in this slide-- a bi-level terminal which would meet the capacity needs, update the facility to accommodate modern aircraft, and result in terminal capacity enhancement with the addition of five gates. This scheme also allows for some flexibility in that it could be expanded with the addition of 12 more gates when passenger demand requires it. Staff currently estimates this effort would be in the same cost range as modernizing the existing terminal. In addition, the program would be developed to include sustainable technologies and design. The Phase 2 planning effort we are requesting would result in finalizing the preferred alternative, completion of the infrastructure and master site plan analysis, validation of the estimated program cost, identification of the preferred business and financing model, completion of program design, and completion of a comprehensive access study for the alignment of AirTrain. Upon conclusion of this effort, staff would be prepared to provide a recommendation for project authorization. Commissioners, I am asking your approval for Phase 2 planning for Terminal A at an estimated cost of $30 million. We would expect to begin the approximately three-year planning effort next year following selection of project management and design services. Final selection of professional and technical services would be subject to further approval by the Board. As with the first phase of planning, we anticipate this planning effort will be fully recoverable through PFCs. Under a separate item today, we will also be seeking Board approval for the inclusion of this project in the Port Authority's 2009 PFC application. I request that you advance this item to the full Board for approval.

Commissioner Sartor: Any questions?

Commissioner Bauer: Sue, can you explain a little bit more about the cost from the PFC? What would that be? Do you have any information?

Susan Baer: For the planning, the whole planning cost is recoverable--under the PFC rules it is recoverable. When you approve that we go forward with the application, then we will include this in the application. We have always had preliminary discussions with the FAA and they indicate that this is an item that meets all the requirements of the PFC rules. So the $30 million would be recovered by PFCs. Part of this effort will be to look at how you finance this terminal, including the use of PFCs. There are limitations on how PFCs can be used, but you can use them for common use terminals. You can use them for a variety of roadway and airside improvements. So

we anticipate the project that we bring to the Board three years from now will include--it has to include--a financial package with it, which we anticipate would include some PFC use.

Commissioner Bauer: Okay, so it would be under that umbrella. Thank you.

Commissioner Grayson: Who are existing tenants in Terminal A?

Susan Baer: Terminal A has Continental, Jet Blue, American, America West, United, Air Canada--I'm probably forgetting somebody--but those are the major ones in Terminal A. So Continental has a significant--they have increased their operation there as well. And that's part of the business discussion going forward--working with existing tenants in Terminal A which would be replaced by this--and look at their participation in the terminal project. We've already begun that discussion.

Commissioner Sartor: Sue, why wouldn't you go out for project management and design services at the same time? Different firms--but at the same time? Why do you stagger it two months--three months?

Susan Baer: It's a question of getting the RFPs prepared and on the street. It's just that simple. If we could do them the same month, we would. But we probably can't.

Commissioner Sartor: Okay. Any other questions? If not, recommendation that we move to the full Board for approval?

Commissioner Bauer: So moved.

Commissioner Grayson: Second.

Commissioner Sartor: Okay. Thank you.

Susan Baer: Thank you.

Commissioner Sartor: I think that concludes our business. Thank you.

The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Transcript
November 19, 2009

Commissioner Sartor: Today's meeting of the Committee on Capital Programs/Agency Planning will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. The first item for discussion--Susan.

Susan Baer: Good morning. Commissioners, as you know, our airports' infrastructure, like its roads, support the day-to-day operations of our airports, and they are critical to ensure our customers experience safe, fast, and reliable service. Today I'd like to discuss with you a critical piece of infrastructure: two service road bridges which support the smooth and safe operations at JFK. These bridges provide for the movement of vehicles on the airport and are now reaching the end of their useful life.

Today I'm seeking your approval to begin planning for the replacement of these bridges. As you know, JFK Airport is supported by over 30 miles of roadway, providing access to the airport on the land side and providing for the movement of vehicles on the air side. This is necessary to support aircraft operations, respond to emergencies, and allow access for the repair and maintenance of the airport itself. Vehicles on the air side operate along Restricted Vehicular Service Roads that at times run parallel to the airport's system of taxiways at distances that allow for clearance from the aircraft to ensure safe operation of both aircraft and vehicles. They're very critical to efficient operations so that you don't have to use taxiways as roadways for vehicles.

You can see here that JFK's roadways are intertwined with the Van Wyck and the JFK Expressway, which are the main arteries into the airport. At the two points that are circled up here, Taxiway A and the Vehicular Roadway cross both the Van Wyck and the JFK Expressway. These crossings are the subject of the authorization we are seeking approval for today. These photos show the locations of the Taxiway A and the Vehicular Road bridges where they cross over the Van Wyck and the JFK. These bridges are J2 and J8. They were built in 1955 and 1962, respectively. The bridges are nearing the end of their useful life, and staff is seeking to replace the bridges and attain a number of operational efficiencies and safety improvements at the same time. Both bridges don't provide the capacity or clearances required of the roadways by modern vehicles. Therefore, a number of our heavier vehicles operating on the air side, including some of the latest emergency response vehicles and construction vehicles, are restricted from using these bridges. Instead, they have to take circuitous alternate routes to access certain areas of the airport. The service road bridges are also lower than the taxiway bridges and necessitate height restrictions on the roadways below. Replacement of the bridges would upgrade the infrastructure and remove these restrictions. In addition, the roadway bridges don't allow adequate clearance for the largest aircraft operating at JFK, including the Airbus 380 and the Boeing 747-800. To ensure adequate safeties, vehicles and aircraft operate under an approved FAA restriction. While safe, this adds to the operational inefficiencies for vehicles and larger aircraft, disrupting the flow of traffic along the roadway and taxiways. Replacement of the bridges would provide for adequate clearance and allow us to remove this FAA operating restriction.

Commissioners, today I am asking for approval for $2.5 million to undertake the planning for the replacement of J2 and J8. Planning will allow staff to evaluate the appropriate area for relocation of the bridges and any infrastructure that would be impacted and undertake the initial design for the bridge replacement. With your approval, we expect that planning will be completed by the end of 2010, at which time we will be coming to you for project authorization. Construction of the bridges is expected to take approximately one year and would be completed by the first quarter of 2012. Costs associated with the planning of the project are fully eligible for recovery through the Passenger Facility Charge. I ask that you recommend this important safety and operational improvement project for approval by the full Board.

Commissioner Sartor: Any questions?

Commissioner Grayson: One quick question. What do you estimate the total cost of this project?

Susan Baer: In the neighborhood of $50 million.

Commissioner Bauer: For both bridges?

Susan Baer: For both bridges. Total cost of $50 million.

Commissioner Grayson: Will we do them at the same time?

Susan Baer: We would not do the actual construction at the same time. We would do the authorization together because they really are connected.

Commissioner Bauer: ...how you did the bridges?

Susan Baer: Yes.

Commissioner Sartor: How is the planning going to be handled? Is that going to be done in house, or are you going to go with consultants?

Susan Baer: Initially, it will be managed in house, and we often use consultants for specific parts of an effort like this for certain kinds of technical expertise that we may need.

Peter Zipf: Our planning for engineering would be to go with an RFP.

Commissioner Sartor: You're going to go out with an RFP on that?

Peter Zipf: That's our plan.

Commissioner Sartor: Will that come back to us to look at?

Peter Zipf: Yes.

Commissioner Sartor: I'd like that.

Peter Zipf: It's going to come back for project authorization.

Susan Baer: Project authorization.

Commissioner Sartor: Would the engineering contract be part of the project authorization, or would that be a separate contract?

Peter Zipf: It would be noted in a project—

Susan Baer: It would be part of project authorization.

Commissioner Sartor: Would you have given out the engineering on that by then, or would-- You will not. Okay. That's fine.

Susan Baer: No, not for the engineering work to design the bridges. This is a preliminary design that we're asking for here, which you need to be able to look at the constructabilities.

Commissioner Sartor: So, for the most part, that will be done in house?

Peter Zipf: Yes.

Commissioner Sartor: Okay. Thank you. We'll move that to the full Board for approval. Thank you.

Susan Baer: Thank you.

Commissioner Sartor: Michael.

Michael DePallo: Yes, sir. Good morning, Commissioners. Today I will be presenting an item that would authorize additional planning in the amount of $2 million for conceptual design, design development, and support of property acquisition for the replacement and upgrade of PATH's Substation Number 8. This will bring the total authorized planning to $6.5 million in connection with the replacement and upgrade of several PATH substations and switching stations located in New Jersey. This project is necessary to support future PATH electrical requirements on the Journal Square to Newark Line and is part of the multibillion dollar planned investment to modernize the PATH system.

PATH substations serve to convert high voltage power received from PSE&G to usable electrical voltage and to deliver the power to the PATH trains via a third rail. In April of 2007 the PATH Board authorized $4.5 million in planning for the replacement and upgrade of three PATH substations. They are PATH Substations Numbers 7, 8, and 9, as you can see, along the Newark World Trade Center Line, and Switching Stations Numbers 6 and 10, all of which are located in New Jersey. Substation Number 9 is nearing completion of the planning effort, and Substation Number 7 is currently in final design. The authorized planning dollars were based on the conceptual electrical design, taking one substation out of service at a time, followed by the

demolition of the structure and construction of a new substation on the same property. It was determined that taking a substation out of service for an extended period of time would create an unacceptable risk since there might be insufficient backup if one of the other substations fail. As a result, the planning effort then focused on selecting new site locations to build each of the new substations. Substation Number 8 is currently located just east of the New Jersey Turnpike in Kearny, New Jersey, and provides traction power for a portion of the PATH Journal Square to Newark Line. Sub 8 is approximately 40 years old and nearing the end of its useful life. Spare parts are no longer available. As a result, there is potential that service disruptions will occur if PATH does not replace and upgrade this equipment. The 27kV equipment used for Sub 8 is presently outdoors and exposed to outside elements.

A prior study recommended placing this equipment indoors, thereby further protecting the equipment and providing for better security and ease of maintenance and operations. The new Substation 8 would be built in the vicinity of the existing substation and requires property acquisition from New Jersey Transit for the substation's new location. The availability of appropriate sites in the area is limited. Numerous concepts for placement of Sub 8 were evaluated, and eliminated due to constructability issues and operational impacts. A concept of construction for a new substation on the north side of the tracks has been determined to be feasible but will require further planning. The effort of identifying and evaluating multiple sites exhausted available funds. Thus, an increase in planning funds is required for conceptual design, design development, and support of property acquisition.

Commissioners, the requested funding of $2 million will provide for the completion of the planning associated with the replacement and upgrade of PATH Substation Number 8 to provide a reliable, secure, and fully enclosed substation. I request you advance this item to the full Board. Thank you.

Commissioner Sartor: Any questions?

Commissioner Bauer: Michael, did you actually find the right site, then? Is that what you're saying?

Michael DePallo: No. We found the site. It's adjacent to where the current substation is, and the property is owned by New Jersey Transit.

Commissioner Bauer: How much property is that? How much—

Michael DePallo: I don't have the square footage. It's not a big site. It's a small site that the building would fit on. It's not a large site.

Commissioner Bauer: Thank you.

Commissioner Sartor: Michael, who is the current consultant that you're using on this?

Peter Zipf: It's in house.

Commissioner Sartor: Do we get in house? Okay. I'll entertain a motion we move it to --

Commissioner Grayson: So moved.

Commissioner Sartor: Done. That concludes this meeting. Thank you.

The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Transcript
February 19, 2009

Victoria Kelly: (Audio begins mid sentence) environmental policy act or NEPA process, at a total estimated cost of $47 million. In February of 2004 by a policy MJ] the Executive Director authorized an agreement with the joint venture of Louis Berger and Parsons Brinckerhoff Quade & Douglas for the preparation of the Environmental Impact Statement for the Goethals Bridge Modernization Program at an estimated cost of $6.8 million.

Commissioner Sartor: Part of the $47 million?

Victoria Kelly: Yes it was. In July of 2008 we completed our preliminary planning design for the replacement bridge. This particular rendering that you see shows a replacement cable-stayed bridge to the south of the existing bridge location which was the Port Authority's original proposal to the United States Coast Guard, the Coast Guard being the Federal lead agency, to start the EIS process. The EIS is also evaluating several alternative alignments on the north side of the existing bridge.

In October 2008 formal EIS committee meetings were held with representatives of various technical, environmental and stakeholder agencies and other interest groups. And in December of 2008 the preliminary draft Environmental Impact Statement was issued to the US Coast Guard and the three main federal cooperating agencies, that is the Army Corps of Engineers, the US Environmental Protection Agency and the Federal Highway Administration. Moving forward we anticipate issuing the draft EIS in April of this year. The draft EIS will be made available for a 45-day review period which will lead to public hearings in the spring or early summer of this year. Following the public hearings, questions and comments will be documented and addressed, again following the NEPA process, and a final EIS is planned to be issued in the fall of 2009 followed by a Record of Decision from the US Coast Guard in early 2010.

During the course of the preparation of the EIS a number of key unforeseen issues arose which required significant efforts as well as a fair amount of time to resolve. The resolution of the Goethals transportation model, which is used for traffic demand forecasting required consensus from New York and New Jersey planning officials in order for us to be able to develop a final model.

The economic growth data for Staten Island provided by New York planning officials was overly optimistic and so we had to develop a new, more moderate set of growth data in cooperation with several New York City agencies.

Further, an additional bridge concept, that is the tied arch design, needed to be examined to ensure that the cable-stayed bridge was still the most cost effective option, which by the way it is. And lastly, ongoing discussions with New York State Department of Transportation regarding their future improvements to the Staten Island Expressway required additional traffic modeling and analysis as New York State DOT's improvement plans evolved.

The City of Elizabeth has long sought a more direct connection of the Interstate 278 and US Routes 1 and 9 partial interchange with construction of a set of ramps better known as the missing links. As you may be able to tell from the photo in the lower left corner of the photo, the existing partial interchange between 278 and Routes 1 and 9 which is located in Linden does not provide direct connections from southbound 1 and 9 to eastbound 278 which leads to the Turnpike and the Goethals Bridge, nor from westbound 278 to northbound 1 and 9. That results in significantly heavy traffic on Bayway Avenue which you see around the center of the screen.

While the challenge of the traffic analysis for the Goethals Bridge replacement project is to keep it within bounds of the NEPA EIS process, additional coordination planning and preparation of necessary environmental documents for regional traffic issues are needed for the Goethals Bridge project. The scope of the preliminary planning phase for the missing links project entails an environmental analysis and some design support work which will be performed by the current Goethals Bridge replacement EIS consultant. We are recommending a multi-step approach for the authorization to enter into a Memorandum or Memoranda of Agreement with New Jersey Department of Transportation, Union County, Elizabeth and Linden. Under this item we are also requesting authorization to enter into that Memorandum or Memoranda of Understanding for this early planning phase for the missing links.

So, today we are requesting a $13 million increase in planning authorization for the Goethals Bridge Modernization Program to a total of $60 million. Included in that is a $2.2 million increase for the EIS consultant, which as I mentioned at the outset is a joint venture of Louis Berger and Parsons Brinckerhoff Quade & Douglas for additional planning and preliminary design to complete the Goethals Bridge replacement Environmental Impact Statement, preliminary planning, environmental analysis and design support for the I-278/Routes 1 and 9 interchange ramps, and authorization for the Executive Director to enter into that Memorandum or Memoranda of Understanding with the appropriate entities and technical management and funding support for traffic demand management or TDM initiatives on Staten Island such as bus, high occupancy car pool lanes, employee ride share, transit shuttle services and trip reduction programs. And Commissioners we request that you recommend this action to the full Board for approval at today's meeting. Thank you.

Commissioner Sartor: Thank you, Vicky. Any questions?

Commissioner Bauer: I do. Victoria can you explain to me why – I understand it is the missing link where we need additional funding, but why do we need additional planning and design funding for the bridge if we already have the draft done?

Victoria Kelly: Because as we go through the final steps of review of the preliminary draft Environmental Impact Statement, and as we prepare for the public hearings, we are going to need additional time for staff, money for staff, and additional work with our environmental consultant joint venture to both prepare for the hearings on the draft Environmental Impact Statement but more importantly to take the comments that we hear at that public hearing and working with the Coast Guard figure out how we are going to address those comments through the NEPA process requirements in preparation for issuing a final EIS later in the year.

Commissioner Bauer: So from draft to final you are anticipating that funding necessary?

Victoria Kelly: Right, absolutely, really to get us through this preliminary review process now to even get a draft completely done, as a draft, in April and then as you said go through the public hearing process to work with the stakeholder agencies and to address the comments that come up at the public hearing and to put together a final EIS.

Commissioner Sartor: Vicky, my understanding is that the initial EIS was a $6.8 million number for the EIS? Is that correct because I read that somewhere.

Victoria Kelly: The – yes. That was in the $47 million was $6.8 million.

Commissioner Sartor: For both parts and now you are asking for an additional $2.2 million for the EIS in and of itself?

Victoria Kelly: $2.2 million, $0.6 million of that is for the missing link project and –

Commissioner Sartor: That's new?

Victoria Kelly: Right. The balance is for the EIS process.

Commissioner Sartor: So why wasn't that initially included in the EIS assessment upfront?

Victoria Kelly: Well, the fact is that it took us longer to get to this stage than we thought it would. And for some of the reasons that I outlined in the presentation there were a number of issues that related to the traffic modeling and the traffic forecasting that we had to address with various planning and transportation agencies in New York as well as in New Jersey. They had two separate models. And we had to basically create our own transportation model for the region, if you will, with the set of data that we felt was defensible and that took longer to put together that model, to revise the data and to vet it through the respective agencies in both States than we had originally thought it would.

Commissioner Sartor: Of the initial $47 million, $6.8 was for the EIS. The balance was for planning and who did that go to? Did that go to staff? Did that go to consultants?

Victoria Kelly: There were two other consultant agreements that were approved and the balance of it was for staff. There was $16 million for a design consultant which is a joint venture of HNTB and FIG and there was $5 million for a program management consultant which is URS. So those roughly add up to $28 million to $30 million. The balance of the $47 million was staff costs.

Commissioner Sartor: Well, the $13 million on the $47 is a significant increase. It’s on the order of magnitude of being excessive (inaudible), and that’s of concern when staff comes back for a 25 percent increase on an initial number like that. I understand where you’re going, I know this business quite well, but it’s a big number.

Francis Lombardi: Commissioner, if I may add, in 2003 we presented a $69 million budget. And it was with this Committee's request to cut it back to $47 million and that we would come back to you at a future time if we needed more funding.

Commissioner Bauer: That's a significant difference.

Commissioner Sartor: Show me that memo. I honestly don't recall that and I chaired that Committee back then.

Francis Lombardi: Yes. No, I recall it. It was Anthony Cracchiolo that made that request if you recall back then. So you took a hard stand, the Committee took a hard stand, and said come back if you need more; and now we are coming back.

Commissioner Sartor: I don't recall, I honestly don't.

Francis Lombardi: Yes. Sir.

Ernesto Butcher: I think an important thing is that one of the elements that Vicky mentioned was the Tied Arch and the ability to go look at that alternative because that was not something that we had anticipated would be a part of this process. So the review of the Tied Arch and the effort that went into that was significant and beyond what was anticipated. So I think that that is an important element.

Commissioner Sartor: We are not asking for additional design fees, though because here HMTV did come in at the 16 million dollar number. (Inaudible).

Victoria Kelly: Yes, but it did cause some delay and it did cause an increase in the staff costs because that work was done largely by internal staff.

Commissioner Sartor: Okay, any other questions?

Commissioner Grayson: I'm intrigued by the cost of going from preliminary EIS to final, and it has been a long time since I have been involved with EIS's, but what you said you anticipate that there will be comments during the preliminary stage and you will have to address that. Is your expectation that there will be an inordinate amount of comments, a normal amount of comments? What is our expectation that drives that sort of cost estimate?

Victoria Kelly: It is certainly hard to say. I will say that we have had a lot of communication with the transportation agencies, the elected officials throughout this process, that is on both sides of the river. We have had two public open houses in New York and two public open houses in New Jersey, which have been fairly well attended. So there has been the opportunity throughout this process for both transportation officials as well as environmental officials to weigh in. There has been the opportunity for elected officials to weigh in and there have been several opportunities for the public to weigh in.

Part of me wants to say that I hope that all of those issues that they might have raised at a public hearing have been brought out on the table and therefore will be addressed in the draft EIS. But to be honest with you it is a little hard to be completely sure about what kind of comments we are going to get. There has been a lot of support for the project so I am anticipating not a lot of comments but again it is a little hard to say for sure.

Commissioner Grayson: Okay.

Commissioner Sartor: More out of curiosity than anything else, how much has been spent to date on the project?

Victoria Kelly: Just shy of the $47 million.

Commissioner Sartor: Okay. Any other questions? If not I will entertain a motion to move it to the full Board.

Commissioner Bauer: So moved.

Commissioner Grayson: Second.

Commissioner Sartor: Done.

Victoria Kelly: Thank you very much.

Commissioner Sartor: Adjourned.

The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Transcript
March 26, 2009

Commissioner Sartor: Good morning everyone. Sorry for being late. Today's meeting of the --

Commissioner Mack: Did you start?

Commissioner Sartor: I'm going to start.

Commissioner Mack: Okay.

Commissioner Sartor: Today's meeting of the Committee on Capital Programs and Agency Planning will be held in public session in its entirety. In addition this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

Vicky, you are up for the second time today. Go ahead.

Victoria Kelly: Thank you. Good morning again, Commissioners. As you know the Port Authority has an ongoing preventative and remedial maintenance program to ensure that our bridges and tunnels remain in a state of good repair. I'm here this morning to discuss a planning authorization to replace the suspender ropes and to rehabilitate the main cables and the cable strands in the anchorages of the George Washington Bridge. We are also seeking authorization to enter into a professional services agreement for design services.

The Port Authority's comprehensive bridge inspection and maintenance program includes federally mandated bi-annual inspections, assessing the findings of these inspections, developing repair and rehabilitation projects to address the inspection findings, and implementing the repairs.

The main cables and suspender ropes on the George Washington Bridge date from its original construction. Each rope loops over the main cable and has two legs. The exteriors of the suspender ropes are inspected every two years. A more detailed program to assess the condition of the ropes was undertaken in the late 1990s. That program involved the removal, testing and replacement of six of the suspender ropes. That program and subsequent preliminary inspections and structural assessments performed indicate that the George Washington Bridge suspender ropes will require replacement and a comprehensive program needs to be undertaken at this time to begin that process.

The age of the suspender ropes combined with the effects of deicing salts and heavy traffic loads have resulted in the recommendation to replace the suspender ropes. While current conditions do not compromise the load carrying capacity of the bridge, they must be addressed now to maintain the bridge in a state of good repair. Engineering studies based on the testing performed on the same ropes in 2000 and 2005 now project that all ropes will need to be replaced over the next 5 to 15 years.

Each suspender rope is composed of approximately 300 wire strands grouped into 7 bundles as you see in the upper left of the slide. In the picture of the main cable you can see the cable bands in which the suspender ropes sit as they pass over the main cable. As ropes are being replaced the cable bands under the ropes will be removed and the entire length of the main cables will be unwrapped, inspected and rehabilitated as necessary, including upgrading the corrosion protection system to prolong the life of the main cable. In addition the handrail adjacent to the main cable needs to be replaced during the performance of this work.

Engineering studies of the cable strands in the anchorages indicated that corroded and broken wires need to be rehabilitated and the conditions that cause them need to be corrected to prevent further deterioration.

Today we are seeking a planning authorization for $4.5 million to develop a comprehensive program to replace the suspender ropes and to rehabilitate the main cables and the cable strands in the anchorages. Work performed under this planning authorization includes field inspections, documenting and evaluating the existing conditions, conducting a value engineering study and recommending appropriate replacement or rehabilitation methods to maintain the structural integrity of the George Washington Bridge. We would also like your approval to award a professional services agreement to Ammann & Whitney and to spend up to $2.5 million under this agreement. This is included in the $4.5 million total being requested. This agreement with Ammann & Whitney was procured via a publicly advertised Request for Proposals process and they were the highest technically rated proposer.

Commissioners we request that you recommend this action to the full board for approval today. Thank you.

Commissioner Sartor: Do we have any questions?

Commissioner Pocino: I have one Tony. Is the funding for the maintenance of these cables out of our regular maintenance funds? Will it provide funds for maintenance?

Victoria Kelly: Yes, the project that we are proposing here which we will come back to the Board for project authorization will be capital funds though.

Commissioner Pocino: And how soon would the replacement of these cables take place?

Victoria Kelly: Well we would start around 2014 and be completed around 2021.

Commissioner Pocino: Thank you.

Commissioner Mack: How often do you feel it would be required to replace the cables? When was the last time?

Victoria Kelly: They were never replaced. This will be the first time since the bridges original construction.

Commissioner Mack: Okay. And the bridge is how old there?

Victoria Kelly: 78 years.

Commissioner Mack: 78 years, okay.

Commissioner Sartor: Okay, recommendation that we, oh sorry Fred, I didn't see you.

Commissioner Hochberg: I actually meant to email this. When, since there is a high bidder, how do we, which is unusual, but how do we balance in terms of quality in this case with the high bidder in terms of either our legal mandate or any other regulations that we normally employ to make that judgment?

Victoria Kelly: Sorry. We went through a Request for Proposals process so that during that process we evaluated the responses of the various proposers based on the staff qualifications and their experience, the firm's qualification and their experience, and the technical approach that they propose to use. The firm that we are recommending received 94 points which was significantly higher than the points received by either of the other two bidders.

Commissioner Hochberg: I read that, I can see that. But I haven't seen us employ that metric in other contracts up to now. It is the first time I have noticed it.

Victoria Kelly: It is a fairly common process when we do a Request for Proposals for this type of work.

Commissioner Sartor: Maybe I can speak to that also. This is pretty much standard practice among other agencies –

Commissioner Hochberg: But I haven't seen it on the things we have approved before.

Commissioner Sartor: I think in the last two years the policy was somewhat different. I think they are going back to the highest rated proposal now. I think that is where it should be from an engineering perspective. When you are dealing with professional services I think you have to look at the overall proposal, the cost component being one of them.

Commissioner Hochberg: No, I agree. What I am trying to understand why is this one – I know it’s the past overseen, but why is this contract now different from others?

Commissioner Sartor: Do one of you want to take that?

Commissioner Hochberg: I think I don't object to it, I think it is very thoughtful; rarely do public agencies do so. But I am trying to understand why, now why on this contract when I haven't seen – I'm only on the board six months, but this is the first time I have seen this change in approach on the awarding of a contract.

Ernesto Butcher: Well this is really not unusual. This may have been one in the recent times you may not have seen one, but this is pretty typical in terms of the ways we go about doing this.

Commissioner Hochberg: Okay it may be typical, but what is it about this work versus all the other – I mean we probably approved 80 or 90 different contracts since.

Ernesto Butcher: I will defer to Frank on this one but I would suspect that the technical requirements here are such that going through this kind of proposal and looking at the firm and staff experience and qualifications is what really drove this one more than anything else.

Victoria Kelly: Yes.

Francis Lombardi: To answer your question, this is a professional service firm agreement as opposed to a construction contract. So I want to differentiate two different approaches as to how we procure services. From a construction point of view you could actually go out and ask for and we have done that in the past for best and final offers of what have you, you can negotiate with them. But for professional service firms you have to basically focus on some qualification based selection process.

And in the past, to be honest, we have sort of veered away from that to try to save some money. This is the first time; we have now gone back to what we were doing prior to 9-11 as far as selections of professional service firms to have a qualification based process.

Commissioner Hochberg: And what prompted – it sounds very thoughtful. I'm just curious, what prompted that change that you haven't triggered that up to now?

Francis Lombardi: I have been a proponent of qualification based selection process in the past. And there were forces to try to save money and why aren't we accepting lower priced proposals. And I think at the end it has been my contention that we wind up paying more for those kinds of services. And this is the first time that I think Commissioner Sartor brought the issue to bear in terms of why aren't we doing it based on qualification based selection process. And we are now moving back to that kind of process.

Commissioner Hochberg: So this is something you initiated?

Commissioner Sartor: I endorse this. I endorse everything that Frank just said. I think that engineering services, professional services, be they legal, be they accounting, any professional service should be purchased under this type of procedure. If you are bidding construction contracts, that is a different angle.

Commissioner Hochberg: And I'm not disagreeing, I'm just saying we haven't done this and you have now made a change. I'm trying to understand why the change and therefore going forward is this something that we are going to be doing?

Commissioner Sartor: My understanding is that this will be the process going forward.

David Tweedy: And outside this authority, I know the City agencies and the big capital, in terms of the City agencies, have also been moving in this direction.

Commissioner Sartor: Well I think they have been there. I think we were there a couple of years ago and as Frank very aptly stated we deviated from that a number of years ago just in the engineering end and I think we may have paid the price on a couple of projects whereby with change orders and things.

David Tweedy: This falls in the category of penny wise, pound foolish, often.

Commissioner Hochberg: That is a technical term.

David Tweedy: When you don't get the best.

Commissioner Hochberg: And are we applying this to all contracts or just professional services at this point? Just so I understand when Board members see this going forward so we –

Francis Lombardi: The qualification based selection process should be used for all professional services.

Commissioner Hochberg: Professional services?

Commissioner Sartor: Correct.

Commissioner Pocino: I don't think it should be entirely eliminated from construction agreements either, but I do think that we handle that mostly in our specifications for qualified contractors prior to the bid process that helps us along those lines. But it is something that we can't forget in the whole system.

Commissioner Sartor: We do pre-qualification. We try to get the best possible contractors on board from a construction view point also. And you are right the RFPs that go, or RFQs that go out address that issue.

Commissioner Pocino: With quality and safety it is very important.

Commissioner Grayson: Let me just add, listening to comments, I sort of very much agree with this approach in terms of professional services. As one who is in professional services, sometimes price is not, and should not be, the be-all end-all in connection with that. But I do think that as a Board member when we deviate from lowest price probably in the write ups we ought to kind of be a little more expansive as to why. Because I think from our point of view it would be very helpful to know your thinking as to why you've gone this route.

Victoria Kelly: Explain our process.

Commissioner Grayson: Yes.

Commissioner Hochberg: I think this, if we are going to make this change and I endorse it, but it feels like it was just sort of slipped into this one contract and not sort of discussed as a policy for the Port in a separate fashion. Maybe that should be in its own session.

Commissioner Sartor: You make that point. I think we should probably discuss that today.

Commissioner Hochberg: So we are all on the same page going forward.

Commissioner Sartor: Sure, I would suggest that we do discuss that today in the executive session with the Board.

Commissioner Pocino: Mr. Chairman, I recommend or I move that we recommend this to the board.

Commissioners (group): Second.

Commissioner Sartor: All those in favor?

Commissioners: Aye.

Commissioner Sartor: Move ahead. Next item, Rich Larrabee is going to talk to us about the Port Roadway Improvement Program.

Richard Larrabee: Good morning Commissioners. This morning what I would like to do very briefly is to give you an overview of this roadway program, a comprehensive look at the marine highways in and around our ports. I want to underscore the idea that these projects will be phased consistent with the fiscal realities of where we are these days. And sitting across from Dave who is going through a pretty extensive effort to do that right now. So keep that in mind as we talk about some of the projects that I will mention.

You probably are aware of the fact that we have doubled the amount of cargo that we have brought into this port since 1998 from about 1.5 million containers to about 3 million containers. And despite the current economic turndown, we believe that international cargo will continue to grow over the next couple of years.

Today most of our investments have been focused on our waterways, our dredging program, increasing rail and increasing terminal capacity within our port. Our ExpressRail system is moving more cargo these days and each year that number of containers increases. It not only is improving congestion in the port but is having a tremendous affect in terms of our environmental programs. I'm sorry.

Over 80 percent of the port's containers move out by truck. I think you are aware of that; we are a truck dependent port. Most of our customers remain within a truck distance of the port and that is going to be that way for a long time to come. Although the specific improvements to each of our project elements of the program may vary, the basic objective of our roadway improvement program are pretty much the same and are shown here on the slide. We are really trying to just

increase capacity, improve safety and travel times, as well as our environmental concerns and avoid transportation costs particularly as they relate to congestion.

Over the past few years various analysis of the port's roadway network were performed to determine which roadways would be required to capacity improvements to provide a seamless goods movement network for our port traffic. Various interim low cost operating improvements have been implemented to improve safety and traffic flow on the roadways serving our port terminals. Examples of which are shown on this slide. To date these interim measures have helped us deal with our continuing growth, but it is now clear that more significant capital improvements need to be made to handle the kind of growth that we expect over the next 15 to 20 years.

I would like to now provide you with a more comprehensive programmatic picture of the on-port and off-port roadway improvements that will be needed to meet our future demands in both New York and New Jersey.

I will start with New Jersey. This slide, very briefly, are the kinds of projects that we believe need to be undertaken over the next couple of years. Three of these projects have already been authorized by the Board, improvements to North Avenue which is the main south entrance to the port, the McLester Street Curve Project, and the project at Port Street here which has also been approved.

The next slide, this is an example of the kind of projects that we are talking about. As you probably are aware, in January the Board authorized a $31.5 million project to improve this curve, expand the curve. This has been a particularly difficult area for the port from a safety and congestion standpoint over the last several years. And we are about ready to let a contract in May that will begin construction on this project. This will have a dramatic improvement in our overall access and safety issues on the port.

The next slide shows the next part of our program. This is a widening of McLester Street. This is an area where we have seen considerable congestion over the last couple of years. And right now APM Terminals, one of our major terminal operators, is about ready to complete design of their new gate system. So this will be done in conjunction with that system. And this expansion will tremendously improve flow through the southern portion of our port.

We would expect to come to you in May for approximately $2 million in planning to do the design for this. And then in January of next year come back to you and ask for construction dollars.

In New York, in conjunction with the improvements to the Goethals Bridge, we are looking at a more direct access into this terminal. As you probably are aware Staten Island and the New York Container Terminal has been our fastest growing terminal in the port and access into this terminal, particularly if we make the improvements to Parcel C over the next couple of years, we will almost double the capacity of this terminal. We really need to improve the roadways around here. This is a long term solution in conjunction with the improvements to the Goethals Bridge.

In the interim we are working with the City of New York. This is Forrest Avenue. Trucks come off the bridge and have to make this circuitous route into the terminal. There are a variety of improvements, short term improvements, that should take us through the next ten years in terms of improving access and egress from the terminal.

Commissioners, in order to implement many of the proposed roadway improvement projects, there are numerous planning issues that need to be resolved over the next several months to complete the engineering design and cost estimating process. These issues which are typically complex and are dependent on third party inputs include relocation of certain tenants or leasehold modifications, acquisition of property utility relocation work and agreements with municipalities. In conjunction with the agency wide review of the capital plan, a cost benefit analysis will be done on all of the proposed port traffic improvement projects so that we can provide agency staff and the Board with more information concerning the environmental and economic benefits of these initiatives. With this information and the timing of the Project and Planning Authorizations can be determined in conjunction with our continued monitoring of the agency's financial situation.

Commissioners, thanks for allowing me the opportunity to brief you this morning on this important program as it will allow us to achieve our goal of maximizing throughput and revenue within the context of a safer roadway system. Thank you.

Commissioner Sartor: Any questions? Okay, Ginny?

Commissioner Bauer: Rick, when you talk about widening the road, are you talking about going from one to two lanes or just making them –

Richard Larrabee: Increasing the number of lanes and adding turning lanes in locations where they are necessary. So yes, it actually doubles the 8 projects that I talked about in New York, in New Jersey would actually double the roadway capacities.

Commissioner Bauer: I know it. Thank you.

Commissioner Grayson: Rick, in your remarks you mentioned that 80 percent of the containers leave the port by truck. Has that been a constant number? I mean we have doubled capacity. Has that 80 percent been constant?

Richard Larrabee: It has. It is just a factor of distance. The predominant customer of this cargo is the local customer. And as cargo buyers have increased it is because local consumption has increased. And when you look at the most efficient and effective way to move cargo in that short distance, and we are typically talking about distances of less than 150 miles, the truck ultimately is the most efficient way to move it and there is just no getting around it. And even with rail and even when we tried to move cargo by barge in distances even a little further out, ultimately what we found was the trucks ultimately have to deliver that cargo to its next point of destination. So I think from the standpoint of our overall program, it is just the recognition that that is the way that we are going to be.

When you look at West Coast ports for instance, Los Angeles and Long Beach, about 45 percent of their cargo goes out by rail so they might have a much higher percentage of rail. We may see the percentages of rail increase somewhat over the next couple of years, particularly as we see all-water services increase. But this ratio isn't going to change all that much.

Commissioner Hochberg: Two questions, actually you just hit on. One is, do we have a plan to migrate more to rail? And the other question is, how do we evaluate what is within the jurisdiction of the port to pay for these improvements versus New York or New Jersey – everyone is strapped and obviously the two states would like us to pick up more of it, but how do we – what is the criteria we are able to apply?

Richard Larrabee: It is an arm wrestling contest actually. No, I'm being facetious.

Commissioner Hochberg: So how are your arms?

Richard Larrabee: North Avenue is a good example of that. That North Avenue is the southern corridor into the port. And it is a roadway that we believed, at least up until very recently, would fail in about 2011 or 2012. It is a complex project because although some of that roadway system is ours, a good deal of it belongs to either the Turnpike or the local community or the State of New Jersey. So we have sat down with that group, with Chris Hartwyk's help, and put together an MOU which has been a bit of a frustrating process but I think it is a good example of the complexity of looking at a project, determining what needs to get done and in that case what we are trying to do is separate our traffic and the airport's traffic from commercial traffic and civilian traffic.

The bottom line though is that we can now I think with some analytical methods determine not only what the costs are but who gets the benefits and how do we share in those benefits. Now in that case each one of those agencies is going to sharing in cost of doing that project. Along with that, particularly now with federal money becoming a little bit more available for highway improvements, with projects like Liberty Carter that Senator Menendez has been sponsoring, we believe that there are other sources of funds that could be helping us. And we are working real hard through a number of different avenues to try and acquire those kinds of monies.

Commissioner Mack: Those are Federal funds, right Rick?

Commissioner Hochberg: Rick, another question, in terms of – do we have a longer term plan to migrate more traffic to rail? Because when we are at 80 percent and Los Angeles is 45 percent, at some point we are going to be under pressure. We don't want to be the most truck dependent port.

Richard Larrabee: The key to this is going to be, putting the right rail infrastructure in place, which you know because you were out to see the port. You know that we are doing. We will spend about $650 million to go from about 350,000 lifts last year to 1.5 million lifts by the time we are finished in the next couple of years. So getting that service in place and all of the things that we are doing in our rail program is the first step. The second step has to do with the market and the economy, because as the economy comes back the cost of fuel is going to go back up

again. And what we saw was a dramatic shift to more efficient ways to move cargo when we saw gasoline go to $4.50 a gallon. That is not going away; that is coming back and when it comes back the demand for rail is going to go up.

The strategy is very simple – we need to be in place and ready to take advantage of that when it happens. And it will.

Susan Bass Levin: But I think part of what Rick is saying is while the number of containers taken by rail has increased over time, express rail makes that happen, the percentage is not likely to go much beyond 20 maybe 25 percent just given the nature of the market. So the number of containers will go up, the percentage may not go up –

Commissioner Sartor: So even at 1.5 million the percentage won't go up?

Richard Larrabee: Yes, that is consistent with what we believe will happen. Because this is, keep in mind now, Los Angeles has a local market, but at least 50 percent of the market for Los Angeles and Long Beach is in places like Chicago and New York. That's where people live; that's where the consumption takes place. In our world, the cargo is coming into this highly populated, fairly affluent area and it is staying here. It makes no sense. And we have tried; we are looking at ways to move large volumes of cargo more efficiently maybe by rail shorter distances, but the economics have to work for people to do it.

Commissioner Pocino: Rick, how much capacity do we have in terms of increasing the rail physically?

Richard Larrabee: Well I just said, today we can physically handle about 400,000 lifts. This summer, when we finish this phase of our rail development that will go to 1 million. By the time we are finished with the programs that you have authorized, it will go to 1.5 million. So we believe rail capacity in the port and service on rail is going to dramatically improve and we think we can take advantage of it.

Commissioner Bauer: I think the point that you made very well Rick is how important the port is to our economic vitality and that we want to keep our consumer base local as well because it is very important to our region. If we have it too far we are losing that consumer base and that is essential to us. That is one of the advantages, and even though we are using the roads rather than the rail, like you said, unless we can do it short term we want to continue to capture that consumer base.

Richard Larrabee: Right. I guess the other point that I would make from a business perspective is that rail doesn't create the kind of jobs and economic activity that a box that stays here does. What we believe though from a business standpoint is that we can make money off of rail. You well know that the rail system is financially self supporting. Every box that gets loaded on a rail car is providing us with $52.50 of revenue. So that is the model that we are following. The rail business has increased despite the fact that we are charging that user fee and it is because we are adding more value to the business model that these people are using.

Commissioner Mack: I think also most of the stuff coming into the West Coast, they transport it by rail even to New York or to the East Coast because it is cheaper than coming around.

Richard Larrabee: I would argue with that but actually where we have seen growth over the last 10 years has been because the all-water services have dramatically increased. Part of that has to do with reliability, but part of it has to do with cost and again when fuel was going up at the pace that it was going up, the all-water services became more and more popular by shippers because it is a cheaper way to send their goods here.

So that part of it, the Suez Canal has become a more popular route and we will see the Panama Canal through a $5 billion undertaking over the next couple of years expand its capacity. So we will see more all-water services. I think there is no question about that.

Susan Bass Levin: And bigger ships.

Richard Larrabee: And bigger ships.

Commissioner Sartor: Good presentation, thank you for the update. Any other questions?

Commissioner Mack: Do we need a vote –

Commissioner Sartor: No, this was just up for discussion. Meeting is adjourned. Thank you.

The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Transcript
April 30, 2009

Commissioner Sartor: Good morning. Today's meeting of the Committee on Capital Programs/Agency Planning will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

We have one item today -- Elizabeth Port Authority Marine Terminal McLester Street widening. And Rick, can you take us off?

Rick Larrabee: I will. Good morning, Commissioners. Today I'd like to discuss with you an item on today's calendar that requests authorization for planning and preliminary design work for the widening of McLester Street at the Elizabeth Port Authority Marine Terminal at an estimated cost of $2 million. Planning for this project is necessary to enhance safety for the vehicles entering and exiting the Port, increase roadway capacity, and improve traffic flow.

Despite the current economic turn-down, the demand for international goods is expected to continue to grow over the long term. As I discussed with this Committee last month, various analyses of the port's roadway network were performed over the past few years to determine which roadways would require capacity improvements to provide a more efficient network for the movement of port traffic in the future.

As a result of those studies, the eight locations shown on this slide at Port Newark and Elizabeth Port Authority Marine Terminal were identified as requiring infrastructure capacity enhancements as part of the comprehensive roadway improvement program to meet the future needs of our marine terminal facilities.

Three of these projects, identified as 1, 2, and 3 on this slide, have already been authorized by the Board to improve access to the Port at its southern end and at its northern ends -- the North Avenue project --

Commissioner Sartor: Which two? Oh, there, I see -- I've got it.

Rick: This is the Port Avenue project; this is the North Avenue project right down here. The project that we're talking about this morning is this project here, and last month we approved this project, the McLester Street curve. That project will be awarded this month and will get started with construction in June.

Today's requested action relates to area four, as I just showed you, and it'll build upon the previously authorized projects by providing for a planning and a widening of McLester Street.

Just as some background, in January the Board authorized a $31.5 million roadway improvement project, illustrated here, to realign the curve at North Avenue East and McLester Street. Award of that contract to construct this project will be requested next month and will be provided -- and will provide for the realignment of the sharp 90-degree turn into an engineered 30-mile-per-hour designed speed turn.

The construction of an additional lane of inbound and outbound marine terminal traffic, new signalized driveway connections to adjust property owners and tenants, the installation of an improved pavement surface, center traffic barrier, and storm drainage, and the relocation of sanitary sewers and water supply systems.

The work to be performed under the curve realignment project, which is expected to be completed in October of 2011, is the precursor for the planned project covered in today's requested action.

Commissioners, today your authorization is requested for approximately $2 million in planning funds for the preliminary design of the widening of McLester Street from Polaris Street to 500 feet beyond Tripoli Street, and that's this area right here. This proposed project, which is highlighted in yellow on the slide, would consist of adding a third lane of traffic in each direction, constructing jug handles to control U-turn and left-turn movements, and improving signalization to reflect new traffic patterns on the roadway.

Work to be completed under this planning effort includes field inspections, documentation of existing conditions, analysis to determine the approximate methods of rehabilitation or replacement, preparation of preliminary design documents, development of construction cost estimates, and analysis of different staging options. The McLester Street Widening Project is currently estimated to cost approximately $35.3 million and we expect to seek project authorization to implement this phase of our roadway plan in the first quarter of 2010.

It's anticipated that the McLester Street widening project, when completed, will improve the marine terminal roadway system by enhancing safety to vehicles entering and exiting the Port, increase roadway capacity, reduce congestion at tenant driveways, and better access and egress to the Port are also expected.

The proposed traffic improvements will also result in more efficient traffic flow, which will reduce vehicle travel and idle time, thereby reducing overall fuel consumption and associated air pollution.

Commissioners, I request you advance this item to the full Board for approval today. Thanks.

Commissioner Sartor: Thank you, Rick. Stan just walked in. No, not a problem, not a problem at all. Did you have any questions?

Commissioner Bauer: No. No, clearly, I think this is something we feel is essential for our road traffic to get (inaudible). Oh, I'm sorry. I forgot.

Commissioner Sartor: Yes, I'm fine with it. This is something that I know has been on the Board's mind for a long time, and especially the safety aspects of this are critical. So I would recommend that we move it to the full Board. I don't know if you had a chance to -- you want to take a look at that, Stan, and --

Commissioner Grayson: I'm okay, I'm okay.

Commissioner Sartor: Okay. Then we'll move it to the full Board, thank you.

Rick: Thanks very much.

Commissioner Sartor: Good presentation -- clear, concise, and to the point.

Rick: Thanks.

Commissioner Sartor: Thanks, Rick.

The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Transcript
May 28, 2009

Commissioner Sartor: Good morning. Today's meeting of the Committee on Capital Programs/Agency Planning will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet.

The item we have on the agenda today for discussion, the George Washington Bridge Rehab of certain ramps and spans. Vicky?

Victoria Kelly: Good morning Commissioners. I'm here today to discuss a planning authorization for the George Washington Bridge to rehabilitate the 178th Street and 179th Street ramps, the bus ramps, the bus turnaround, and the upper level spans over the New Jersey Anchorage and Hudson Terrace. In addition I'm seeking authorization to enter into a professional services agreement for design services for this work and for the rehabilitation of the George Washington Bridge sidewalks. The proposed planning authorization is consistent with our inspections and our comprehensive program to maintain the George Washington Bridge in the state of good repair.

The Port Authority has a comprehensive bridge inspection and maintenance program that includes federally mandated biannual inspections assessing the findings of those inspections, developing repair and rehabilitation projects to address the inspection findings and finally implementing the repairs.

The upper level spans over Hudson Terrace and the New Jersey Anchorage which you see here and here were constructed in 1931. These structures were partially rehabilitated in the mid-1990s. A recent deck condition assessment for these structures concluded that deck rehabilitation is needed to maintain the integrity of these structures.

A recent condition assessment of the sidewalks, shown here, revealed deficiencies including spalling, delamination, cracking and hollow concrete. This requires that the two sidewalks be rehabilitated. The sidewalks were last rehabilitated in the mid to late 1990s – 1980s, I'm sorry.

The bus ramps and the bus turnaround structure were constructed in 1958 and were last rehabilitated in 1991. Finally, the 178th Street and 179th Street ramps were constructed in 1938. These structures were last rehabilitated in 1991. A recent deck condition assessment of just the 178th Street ramp concluded that deck rehabilitation and replacement is needed in order to maintain the structural integrity of the ramp.

The age of these structures, combined with the effects of de-icing salts and increased truck traffic on the upper level since September 11, 2001 have caused some deterioration of the structures.

Since the partial rehabilitation of the 178th Street and 179th Street ramps in 1991 and the New Jersey spans in the mid 90s, additional repairs have been performed on the 178th Street ramp and the New Jersey Anchorage over the upper level in order to maintain safe riding conditions.

Based on recent assessments it is now necessary to commence the effort under this planning authorization to develop plans for future rehabilitation or replacement of these structures.

The scope of work under the proposed planning authorization includes field verification, field testing and investigation of areas not previously inspected, load ratings, investigation of rehabilitation and replacement alternatives, environmental evaluation, construction staging and estimating, value engineering and preliminary design for the rehabilitation of the 178th Street and 179th Street ramps, the bus ramps, the bus turnaround, and the rehabilitation of the upper level spans over the New Jersey Anchorage and Hudson Terrace.

This item authorizes - requests authorization for $4.9 million in work to support the rehabilitation of the infrastructure at the George Washington Bridge, including $1.6 million for planning and engineering services for the rehabilitation of 178th Street and 179th Street ramps, the bus ramps and the bus turnaround; $1.7 million for planning and engineering services for the rehabilitation of the upper level spans over the New Jersey Anchorage and Hudson Terrace; $1.6 million for consulting services to support the rehabilitation of the upper level sidewalks; and finally the award of an agreement to URS Corporation in an amount not to exceed $6 million. Of that $6 million we are asking to spend $3.1 million now for this work; and that $3.1 million is included in the figures that I just cited.

The proposed authorization would advance efforts to maintain the structural integrity of the George Washington Bridge and its ancillary roadways. So Commissioners, I request you advance this item to the full Board today for its approval. Thank you.

Commissioner Sartor: Vicky, the process you used to select URS Corporation – could you tell us about that?

Victoria Kelly: Yes, there was a publicly advertised request for proposals. The responses were evaluated based on the staff's qualifications, the firm's qualifications and its technical approach. And URS was the highest in several of those categories and had the lowest multiplier.

Commissioner Sartor: Any questions?

Commissioner Grayson: Multiplier, what does that mean?

Victoria Kelly: In terms of the multiplier that is applied to their staff costs, to present a cost for us because we asked them to do specific pieces of work they don't have a guarantee commitment to the full work. So as they do work and expend money, that multiplier is applied to how we reimburse them.

Commissioner Sartor: And again, this was a qualification-based selection.

Victoria Kelly: Yes, that's correct.

Commissioner Sartor: That's the point I want to make. I read through the documentation you gave us, you did a great job.

Victoria Kelly: Thank you.

Commissioner Bauer: So, it wasn’t a cost-based?

Victoria Kelly: No that's not; that's correct.

Commissioner Sartor: Qualifications. Any other issues?

Christopher Ward: This may be totally unrelated but have we heard when State DOT is going to open the rest of 9A just north of the George that – with the collapse of where the wall was? Have we heard anything on that?

Victoria Kelly: I have not heard anything in quite awhile on that, no. We can find out.

Ernesto Butcher: I don’t know if they have completed much of those repairs.

Commissioner Sartor: Motion to move this to the full Board? Approved. That's the end of the meeting. Thank you.

Victoria Kelly: Thank you.

The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Transcript
July 24, 2009

Commissioner Sartor: [Audio begins mid-sentence] Committee on Capital Programs and Agency Planning will be held in public session in its entirety. In addition this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

And for discussion purposes, Rich Larrabee is going to talk to us about agreements for the retrofit of two diesel switcher locomotives with ultra-low emitting "GENSET" technology and a port drayage truck replacement program. Okay Rich.

Richard Larrabee: Good morning. Last November the Board reaffirmed your support for the Port Authority's continued environmental improvement programs and adopted a statement of principles that demonstrates its commitment to reducing Port related emissions that affect both air quality in the region as well as climate change. Today I would like to discuss with you air quality challenges that we face in the Port and talk about two proposals, the truck replacement program which Chris was just talking about and the switcher locomotive generators retrofit program which we will call the GENSET Program that will substantially reduce Port related emissions.

We have talked about the fact that the Port is an economic engine for the region, however, many of the Port operations involve the use of diesel engines that produce emissions containing pollutants that impact air quality and contribute to global warming. The challenge we face as the Port grows is how to accommodate that growth with all the economic benefits that it brings and do it in a way that protects the environment and specifically our air quality.

In our commitment to improve air quality, the Port Authority will continue to use its best efforts to reduce annual Port related emissions by 3percent and greenhouse gas emissions by 5percent with the goal of achieving 80percent reductions of greenhouse gases as measured in 2006 by 2050. The Port Authority is also leading the development of a clean air strategy for the Port that will identify actions to proactively reduce Port related diesel and greenhouse gas emissions.

And before I go any further I would like to introduce Bill Nurthen who is with us. Bill is leading up our environmental programs, has been for the last 4 years; is doing a great job, is leading this effort that I just talked about, this effort by the two States, the EPA and the industry to lead this voluntary program. Bill has also just helped us achieve ISO 14001 certification for the Port Commerce Department which I guess in our minds helps us sort of lead by example.

The two actions are the truck replacement program and the switcher locomotive or the GENSET Program that I will talk about now. As illustrated on this slide, our baseline 2006 emission inventory determined

that trucks contribute significantly to the overall Port related emissions. Replacing about 90percent or about 636 of the 700 pre-1994 trucks that frequently call the Port with 2004 or newer vehicles will result in net reductions of 1700 tons a year of greenhouse gases, 120 tons/year of nitrogen oxides and 14 tons/year of particulate matter. The truck replacement program provides a way to encourage owners and operators of these trucks to replace them.

Commissioners, today your authorization is requested to establish a $32.9 million program that would provide an incentive to eligible trucking companies and individual owner operators to replace approximately 636 trucks serving the Port with model year 2004 or newer vehicles. $7 million of the proposed truck program would be funded through a federal grant that would be used to cover 25percent of the cost of the replacement truck. The truck owner would secure financing for the remaining 75percent of the purchase price via a Port Authority-backed incentive program that would be repaid by the trucker to the Port Authority over a 5-year term. The trucker will be required to turn in the old vehicle for scrapping and commit to continuing to serve the Port with the newer truck for a 5-year period.

Authorization is also requested to invest up to $28 million in Port Authority operating funds in the incentive program to make payments to participating truck dealers for qualified truck purchases and to enter into sole source agreements with Accion USA, an experienced micro lender to administer the program funds at an estimated cost of $2.7 million and with Tetra Tech, an organization that has helped the west coast ports in a similar program to manage the overall truck replacement program at an estimated cost of $2.1 million.

Now all of this is included –

Unidentified Participant: (Inaudible – microphone inaccessible).

Richard Larrabee: They are a micro lender. They would manage the lending process. We plan to implement the truck replacement program in an expeditious manner since the federal stimulus program timeline requires that all grant funds be committed by September 30 of next year.

Commissioners, I would also like to discuss the second proposed initiative on today's calendar regarding locomotive generator set retrofit. As illustrated in this slide, our baseline 2006 emission inventory determined that rail locomotives also contribute to overall Port related emissions although at a little bit lesser degree. The generator set or "GENSET" retrofit involves replacing the constantly running single large engine generator with a set of 3 small US EPA certified ultra-clean diesel engine generators which run only as needed. This is a proven technology used for freight rail operations at several other US locations.

The proposed GENSET retrofit program provides a way to replace the engines of two switcher locomotives, serving the Port with this technology which will result in emission reductions of about 3900

tons of greenhouse gases, 186 tons of nitrogen oxide, 14 tons of volatile organic compounds and 5 tons of particulate matter over a 5-year period. The proposed item would authorize a Memorandum of Understanding with the New Jersey Department of Transportation to obtain and transfer up to $1.8 million of federal congestion mitigation air quality or CMAQ funds to support the retrofit of two diesel switcher locomotives, one owned by CSX and the other by Norfolk Southern with ultra-low emitting GENSET.

Authorization is also requested to enter into an agreement with CSX and Norfolk Southern to provide for the Port Authority to transfer the CMAQ funds to the railroads and contribute up to $600,000 in Port Authority funds for the project. The railroads would each contribute up to $300,000 and would be required to utilize the retrofit locomotives in the Northern New Jersey shared asset area for a minimum of 5 years. It is currently anticipated that the retrofit work will be completed by December of this year, I'm sorry next year, which will allow for the GENSET locomotive operations in the shared asset area to begin in early 2011.

Commissioners the proposed truck replacement and locomotive GENSET retrofit programs are a first step in the implementation of our clean air strategy. Through these programs we seek to leverage federal monies to implement key environmental initiatives that will benefit the operations of our Port facilities. We realize that the truck replacement program contains some risks. It will be closely monitored by staff throughout its duration to ensure that it meets the desired goals and objectives and you will be kept apprised of our progress on both programs.

Commissioners, I request that you advance this item to the full Board for approval today. Thanks.

Commissioner Bauer: It sounds like a wonderful program.

Commissioner Sartor: It certainly does, Rich. I do have one question though. Give me an example of what it would cost a trucker to replace a truck.

Richard Larrabee: $44,000.

Commissioner Sartor: $44,000 to him?

Richard Larrabee: To replace a…..That is the cost of a truck –

Commissioner Sartor: Yes, but you were paying 75 percent of that, aren't we, from what I understood?

Richard Larrabee: 25percent is a grant, so that comes off the top. And then he would get a 5 to 6 percent loan from us for a period of 5 years.

Commissioner Sartor: For the balance?

Richard Larrabee: Right.

Commissioner Sartor: Okay.

Richard Larrabee: So we will provide the money and we will invest the money in that program. That money will be returned to us over a 5-year period. We are looking at a loss rate of about 25 percent, that was sort of our best guess. So we think we can recover from that about $16.5 million.

Commissioner Bauer: So there is nothing they put upfront, then they just have the 5-year loan, right?

Richard Larrabee: Right. Now they do have to surrender the old truck; that is the one –

Christopher Ward: That, Commissioner, is what Accion is really skilled at, which is marrying this micro loan with a trucker and really managing that for us. That is a real personal relationship almost for a lot of these independent truckers.

Commissioner Sartor: So these independents would be paying on the order of magnitude of $500/month, so $6,000 a year would be their cost, per truck? Wow, I think it is a great program.

Richard Larrabee: And you are talking about a truck that is now 18 years old, so it is a truck that is going to have to be replaced.

Commissioner Sartor: Has this been done on the West Coast?

Richard Larrabee: It has, a little bit different model, but the same people, Gen Tech, this other organization –

Commissioner Sartor: Tetra Tech.

Richard Larrabee: Tetra Tech has been involved with that program out there and it has been very successful.

Commissioner Bauer: They run a efficiently as other, the older truck?

Richard Larrabee: They are more efficient in terms of both maintenance as well as fuel consumption. So it really is, and part of this obviously is going to be trying to educate the truckers and the companies that could take advantage of this?

Commissioner Sartor: What's the downside on either one of the truckers or with the GENSET? I don't see any downside. I think this is –

Christopher Ward: For us the downside will be, is the economy such that the pre-1994 truck owner simply can't afford to avail themselves of the new truck because even with a low cost loan that approval rate for them is greater than continuing to drive the older, dirtier truck –

Commissioner Sartor: That's been paid off?

Christopher Ward: That's been paid off.

Commissioner Sartor: Right.

Christopher Ward: That's what, as Rick said, that is what we will evaluate. We can't price the market exactly and that is what we will come back to the Board if it is not really getting the penetration rates that we want.

Commissioner Sartor: Then you can make an adjustment and make it more attractive.

Commissioner Bauer: (Inaudible) the federal grant anyway, right?

Richard Larrabee: Right.

Unidentified Participant: (Inaudible).

Commissioner Sartor: And with respect to the locomotive, I don't see any downside there at all.

Richard Larrabee: It is a technology that has been proven. There are a number of these that have already been done.

Commissioner Sartor: Okay, this should be moved to the whole Board. Thank you.

Richard Larrabee: Thanks.

The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Transcript
August 13, 2009

Commissioner Sartor: Good morning. Today's meeting of the Committee on Capital Programs/Agency Planning will be held in public session in its entirety. In addition this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. We have two items for discussion. The first is the Bayonne Bridge. Victoria Kelly?

Victoria Kelly: Good morning Commissioners. How are you? I'm here today to discuss an item that would authorize planning and conceptual engineering services and a preliminary alternatives analysis of options to address the navigational clearance limitations posed by the Bayonne Bridge.

The Bayonne Bridge has a navigational clearance of 151 feet at mean high water. Once the project to expand the Panama Canal is completed, much larger container ships will be able to transit the canal and are expected to call at the Port of New York and New Jersey. The expanded canal is scheduled to be completed in 2014. As you know we have made a sizable investment in our port facilities. Since January of 2000 we have invested over $1.8 billion in capital funds to maintain and enhance the port's infrastructure, and to improve its competitiveness. And yet the existing height clearance of the Bayonne Bridge poses a limit on some of the larger container ships currently in use and will limit more ships from accessing terminals west of the bridge in the future. Such a limitation could risk a reduction in port competiveness in future years.

The diversion of cargo could also have negative environmental impacts, resulting from increased pollution and congestion associated with the additional truck trips into and out of the region that would be necessary to pick up and deliver cargo that had been diverted to other ports. It could also deny regional customers the opportunity to realize significant transportation cost savings that would result from the use of the larger vessels.

The Board, at its meeting in March 2008, authorized the Port Authority to enter into an agreement with the US Army Corps of Engineers to conduct an independent assessment of the impact that the current 151 foot navigational clearance has on port trade, navigational safety and security and national transportation economics. And that study is currently underway.

Preliminary information from that study indicates that due to economies of scale, shipping companies are expected to utilize much larger ships in the future, but the use of these ships would be restricted by the current navigational clearance.

The bridge replacement and modification alternatives being considered to date indicate that there is a positive cost benefit ratio of increasing the navigational clearance of the Bayonne Bridge in terms of the national economic development benefits.

Several conceptual designs and associated order of magnitude cost estimates and construction schedules are under development. All options include an expansion of the roadway geometry to

provide two 12 foot wide lanes and partial or full width shoulders in each direction. Alternative number 1 involves modifying the existing structure by either raising and replacing the roadway within the confines of the arch or actually jacking the arch and replacing the roadway.

Alternative number 2 involves replacement with a new bridge. And a third although less likely alternative involves replacing the bridge with a new tunnel. And I should also note that these don't preclude other engineering options as well. The proposed planning authorization being requested today would augment efforts currently underway and would provide for the refinement of the feasibility of these options and cost estimates as well as determine the feasibility and impacts of alternatives other than the modification or replacement of the bridge.

This item authorizes $10 million for planning and conceptual engineering services for preliminary alternatives analysis of options to address the navigational clearance limitations posed by the Bayonne Bridge, including performance of the following: First, a conceptual engineering study to identify and narrow down alternatives, determine the feasibility and risk of construction alternatives and establish associated conceptual construction cost estimates and schedules; secondly, a preliminary alternatives analysis which would include identifying a wide range of alternatives, establishing environmental baseline conditions and identifying the impacts of those alternatives. This process would then lead to a formal national environmental policy act or NEPA environmental process in 2010. Thirdly, a regional cost benefit analysis will be undertaken to identify and assess what regional economic effects would occur under either a no-action alternative and under various alternative scenarios to address the height limitation. This analysis in conjunction with the national economic analysis being performed by the Army Corps will provide a complete economic evaluation of the need and will assist us in identifying the alternatives that should be advanced to the NEPA process.

And finally, this effort will include a review of potential statutory and regulatory issues associated with the various options.

The approximate schedule for this preliminary planning work is 1.5 years. Staff would then return to the board following this initial planning effort to discuss our progress and seek your authorization for additional planning that would be necessary in connection with the formal NEPA environmental process.

Commissioners, I request that you advance this item to the full Board for their approval today. Thank you.

Commissioner Sartor: Any questions?

Commissioner Bauer: I would just like to comment that I am so pleased we are moving forward with this, because it is absolutely essential in order for our ports to be competitive that we provide the access for larger ships. And I'm very, very pleased to see us moving forward.

Commissioner Grayson: In your comments and the write-up you talked about the Panama Canal expansion, saying a completion date of 2014. My colleagues probably know about this, can you tell me a little bit about what is being done at the Panama Canal?

Victoria Kelly: I'm going to ask if Rick can address that.

Richard Larrabee: Good morning Commissioner. The Canal made a decision two years ago that they would go forward with an expansion project. Today the Canal is restricted in the size of the vessels that can pass through the Canal and the largest container ship that can now transit the Canal is about 5,500 TEUs. The Canal has started this project. It will be completed in 2014 and when completed it will be able to handle ships that are as large as 12,000 TEUs. So we are talking about a vessel that is more than twice the size of the current vessel.

The reason why the Canal made that decision and the reason why we have expanded our port facilities is because the economy of scale associated with these larger ships is so significant that most of the world fleet is moving in the direction of much larger vessels. So by the time the Canal is finished, we believe that there is going to be a significant increase in the numbers of ships that will be of a size and a range of about 6,000 to 8,000 TEUs that would like to be able to call on the Port.

Now, the current economic situation is probably going to slow down that trend, but the reality is that probably in the next ten years or so there is going to be a significant pressure to bring those size vessels in. The air draft of the current bridge is such that those ships would be restricted. Most of them.

Commissioner Sartor: Any other questions. Seeing none I would entertain a motion to move it to the full Board.

Commissioner Bauer: Second.

Commissioner Sartor: Okay. On to the next topic: 50-foot Dredging. Rich?

Richard Larrabee: Thanks Mr. Chairman. Good morning Commissioners. Included in today's consent calendar is an item that is critical to ensuring that the harbor deepening project remains on an accelerated schedule to complete our 50-foot port-wide channel by 2014, two years ahead of schedule and within the budget that was approved by our Board. The item seeks authorization for a final cost sharing agreement with the New York City Department of Environmental Protection for the relocation of two DEP-owned auxiliary water lines under the Anchorage Channel that are impacted by the harbor deepening project.

As background, in July of 2001 the Board authorized the Port Authority be the local sponsor of the $2.3 billion harbor deepening project which is being constructed by the US Army Corps of Engineers with the Port Authority's local sponsor share estimated at $1.1 billion. As the local sponsor the Port Authority is also required to assure the relocation of the utilities impacted by the harbor deepening project and to pay 50% of the cost to relocate those utilities.

In that regard, in July of 2003 the Board authorized cost sharing agreements with the utility owners for the relocation of utilities impacted by the harbor deepening project at an estimated cost to the Port Authority of $21 million based on a very preliminary needs analysis conducted

by the Army Corps of Engineers that identified four utilities that potentially required relocation. Detailed investigations that were subsequently performed and concluded that the only utility that required relocation is the two DEP auxiliary water lines that extend under the Anchorage Channel from Brooklyn and Staten Island which needed to be relocated. And this shows the location of those two lines right here.

Realizing that field and operating conditions were vastly different than those originally assumed by the Corps, the NYC DEP analyzed alternatives and determined that the most timely and cost efficient method to relocate the utilities is to replace the existing 36 and 42-inch water lines with the new single 72-inch line shown in dark blue. So we would replace the two lines that exist today with a single line in that location. The 72-inch line will be installed inside a lined 12-foot tunnel that will be constructed at least 75-feet under the Anchorage Channel which will avoid any further impact if the channels were ever to be deepened to be greater than 50-feet.

Based on a 90% design of the project by DEP's consultant, the results of a multi-agency value-engineering workshop and an independent Port Authority staff review of the cost estimate, this complex utility relocation project is estimated to cost $294 million. The Corps, the DEP, Port Authority Staff have determined that the proposed construction plan is the most efficient in terms of scope, schedule and cost.

The proposed item would authorize the final cost sharing agreement with the NYC DEP for the relocation of the two owned water lines at an estimated cost to the Port Authority of $147 million. This expenditure could be credited against our obligation as a local sponsor to pay the Corps an additional 10% of the total harbor deepening project construction cost after the project is completed. And that is one of the requirements of the project cooperation agreement that we signed with them. The local sponsor at the end of the project is required to pay a 10% additional fee. This project, the $147 million if you were to approve it would be used as a credit against that.

In addition I am pleased to report that as a result various cost reduction strategies that were implemented earlier, the construction of our harbor deepening project which was originally estimated at $2.3 billion is currently estimated at approximately $1.8 billion with the Port Authority's local share including this utility relocation estimated to be at least $100 million below the Board authorized amount of $1.1 billion.

Therefore, sufficient funds are available within the total funding already authorized by the Board to cover this relocation project. The DEP will be responsible for all elements of construction. Work is expected to commence in the second quarter of 2010 with a goal of completion by the year-end of 2012. Since this relocation project is critical to ensuring a clear 50-foot pathway for larger container ships calling at the port, a multi-agency executive steering committee has been established to create a closely tracked project and make sure that we make sure the progress is maintained.

Commissioners, your authorization for this action will contribute significantly to the timely completion of our harbor deepening project which will result in improved efficiencies at the Port

and enhance our competitive position. I request you advance this item to the full Board for approval today. Thank you.

Commissioner Sartor: Any questions from the Board on this item?

Commissioner Pocino: Mr. Chairman I would just like to say that I think it is obvious that these two projects, this deepening and also the Bridge is absolutely necessary for us to maintain our competitive position in the Port's market. It has been estimated that if we don't do anything we could be impacted as much as 240,000 jobs in this region. So I think this is a step forward that needs to be done and I make a motion that we move forward with it.

Commissioner Sartor: Do I have a second in that motion?

Commissioner Bauer: Second.

Commissioner Sartor: Any other comments? If not, we will move it to the full Board. Thank you. Meeting is adjourned.

The Port Authority of New York and New Jersey
Committee on Finance Meeting Transcript
October 22, 2009

Commissioner Silverman: Excuse me for being late. My apologies. We're going to get going. It's a public session. Today's meeting of the Committee on Finance will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

The first action item is purchase of public liability insurance. Anne Marie Mulligan will present.

Anne Marie Mullligan: Good morning, Commissioners. At today's meeting, I'm seeking the committee's authorization to renew the Port Authority's public liability insurance program effective October 27, 2009. This program protects the Port Authority against losses related to bodily injury and property damage claims or suits brought by third parties. Coverage for losses arising from terrorism is also included in the program. This slide coming up--this slide here--provides a summary of the expiring program and the anticipated coverage at renewal. Marsh is the broker on the program, and they will continue to work with the various carriers on the program structure and pricing up to the October 27 renewal date. The program includes coverage for both the aviation and non-aviation portions of the placement. On the aviation program, the current limits of coverage are $1.25 billion per occurrence and in the aggregate for both the aviation liability and aviation war risk, which is the terrorism coverage. Last year, Marsh successfully negotiated the self-insured retention for the aviation liability from $5 million to $3 million at renewal and eliminated the entire self-insured retention for the aviation war risk at no additional premium. For the renewal, capacity and retention are expected to remain at similar levels. Staff and the broker are vigorously negotiating a reduction in the total cost as well. The expiring non-aviation portion of the program furnishes a $1 billion per occurrence and in the aggregate limit in excess of a $5 million per occurrence deductible. In addition, the Port Authority retains 30 percent of the first $25 million in purchase coverage. For the renewal, the overall program structure is to remain consistent with the expiring program. Marsh continues to market the account to the widest array of insurers possible in order to maintain capacity and deductible levels. The expiring non-aviation terrorism program provides for $300 million of Terrorism Risk Insurance Program Reauthorization Act of 2007, or TRIPRA coverage, purchased through PAICE, the Port Authority's Insurance Captive Entity. For the renewal, TRIPRA coverage will be offered through PAICE, and Marsh continues to seek additional stand-alone capacity to provide reinsurance to PAICE for elements not currently protected by TRIPRA. If this can be achieved within the current pricing parameters, there is the potential for PAICE to increase its terrorism limits. The following slides provide an overview of the anticipated non-aviation and aviation program structures, including the non-aviation terrorism and the aviation war risk coverage. This slide illustrates the participating carriers and their participation per layer on the non-aviation program. The program consists of a layered structure with various domestic, European, and Bermuda carriers, furnishing coverage up to $1 billion, excess of a $5 million self-insurance deductible. As I mentioned previously, the Port Authority does retain 30 percent of the first $25 million in purchased coverage. Under the anticipated program, PAICE will continue to provide at least $300 million of federally-backed TRIPRA coverage, excess of the $5 million self-insured retention, with the potential for additional reinsurance to PAICE for elements not currently protected by TRIPRA.

Commissioner Chasanoff: Could we just go back for one second?

Anne Marie Mulligan: Sure.

Commissioner Chasanoff: Did you say that was federally-backed?

Anne Marie Mulligan: Yes, it is. As shown on this slide, the anticipated aviation liability program provides a quota share structure with the various domestic and European carriers sharing a percentage portion of the total $1.25 billion limit, excess of a $3 million self-insured retention. The aviation war risk program supplies a limit of $1.25 billion as well. The primary $150 million of the aviation war risk coverage is written by the underlying aviation liability program, with the remaining $1.1 billion excess provided for under a stand-alone structure. There is no self-insured retention or deductible on the aviation war risk program.

Commissioner Holmes: What is that--the aviation war risk program?

Anne Marie Mulligan: That's the aviation terrorism coverage that you buy in the commercial market. They call it war risk rather than terrorism coverage. As the renewal is still a few days away, these charts supply the anticipated program parameters. The total premium for the renewal program, including the terrorism coverage, is estimated at $22.5 million, which is the same premium that was paid for the expiring program. Based on the above, we request that the Committee authorize the purchase of the public liability insurance program for a one year term effective October 27, 2009, with the foregoing terms and conditions, at a cost estimated at $22.5 million. Following the actual placement of the program, we will notify the Committee of the final placement and terms.

Commissioner Silverman: Before discussion, we'll get a motion and a second before we open to discussion. Do we have a motion?

Commissioner Holmes: I move it.

Commissioner Silverman: Do we have a second?

Commissioner Chasanoff: Second.

Commissioner Silverman: Thank you. Okay. Any questions or comments? I have one, Anne Marie. Did we use our consultants from Deloitte or did any third party triangulate this?

Anne Marie Mulligan: We did not use any outside consultant. The agreement with Deloitte expired a couple of years ago and wasn't renewed.

Commissioner Silverman: Okay. So we only are working with our broker?

Anne Marie Mulligan: With our broker.

Commissioner Silverman: Any other questions? [no response] Okay. All in favor?

Commissioners: Aye.

Commissioner Silverman: Okay. Authorized.

Commissioner Silverman: The next item is not for action but for discussion, which is the review of our portfolio based on the third quarter.

Anne Marie Mulligan: Commissioners, here I have an update for you on our investment portfolio balances and earnings as of September 30. As of the end of the quarter, the investment balance of $4.4 billion provided a realized return of 1.84 percent and earnings of $50.3 million, excluding market value adjustments. These earnings are about $900,000 over budget. For the final quarter of 2009, we estimate that the average yield will continue to decline as investments mature and are reinvested at current lower yields, bringing the average yield for the year to 1.7 percent with earnings of $66 million, which we estimate will be about $2.6 million over our budget. Staff continues to invest in compliance with the Port Authority's requirements. and we've used a combination of U.S. Treasury notes and bills, investments under the temporary liquidity guarantee program, including NOW accounts and collateralized certificates of deposit. The United States government is now winding down its NOW account program under the temporary liquidity guarantee program at the end of 2009. Although the program has been extended through June 30, 2010, the fees assessed on banks to continue to participate in this program have increased substantially, so many of the banks are either withdrawing from the program or reducing earnings rates substantially. Because of this, staff has been actively researching alternative investments as the customary U.S. Treasury securities continue to earn extremely low rates of return. Collateralized bank accounts are being utilized for their higher return and because they maintain the requisite liquidity. Earlier this month, $600 million was withdrawn from NOW accounts and deposited into two new accounts, one with HSBC and one with J. P. Morgan Chase, that currently have interest rates of 55 to 60 basis points. As we pursued these alternative investments, we started our discussions with HSBC and J. P. Morgan Chase because we have collateral agreements in place with these banks. These requirements have the bank post 110 percent collateral of the amounts on deposit in their bank. We will continue to seek other alternatives for the funds to position the NOW accounts prior to year end.

Commissioner Chasanoff: What are the JFK International Air Terminal obligations?

Anne Marie Mulligan: Back in 2001, JFKIAT needed additional money to complete construction of Terminal 4 at JFK. The Port Authority, in essence, loaned JFKIAT the funds at a return of 6.75 percent and then on the interest payments, the portion of that is at 8.75 percent.

Commissioner Chasanoff: And what is the security on that obligation?

Anne Marie Mulligan: The terminal.

Commissioner Chasanoff: So it's tantamount to a mortgage?

A.M. Mulligan: Yes. Or a private note placement; similar to that.

Darrell Buchbinder: It's actually better than the lease.

Commissioner Chasanoff: Yeah. Would you consider that an investment of the same quality as a United States Treasury notes and Treasury bills?

Anne Marie Mulligan: No. We did get authorization from the Board at the time to invest in this.

Commissioner Chasanoff: Oh, I'm sure you did. I'm sure. But, I mean, it's not-- It shouldn't be construed as that being of the same quality as the first three categories.

Anne Marie Mulligan: It's not. We don't consider that. That's why we typically use Treasury securities.

Commissioner Chasanoff: If you took that 6.48 percent out, it would reduce our realized return.

Paul Blanco: Well, a little bit because it's not a big amount

Commissioner Chasanoff: It's not a big amount.

Anne Marie Mulligan: It's not a significant portion.

Paul Blanco: It's a big percentage on a small amount

Commissioner Chasanoff: Yeah. Yeah.

Darrell Buchbinder: Practically speaking, if there's difficulty on that repayment, there's more problems.

Commissioner Chasanoff: Oh, yeah. Sure.

Commissioner Silverman: It would be helpful if we could have the schedule on a quarterly basis where you show us your cash balance so you can show the balance as reported before.

Anne Marie Mulligan: Okay.

Commissioner Silverman: so we can see whether our cash flow is going down, and then, obviously, what the prior quarter's rate was compared to the current rate.

Anne Marie Mulligan: Okay.

Commissioner Silverman: That would be more helpful. This is helpful, but it would be more helpful to see some sort of comparison. And, if it's not too much work, most variance analyses usually are compared to the quarterly report or the yearly report, whichever you want to choose. And if we budget this, is this a budget item as well?

Paul Blanco: We budgeted the total financial income based on 1.88 percent.

Commissioner Silverman: Is it budgeted quarter by quarter or annually?

Paul Blanco: We make the adjustment every month.

Commissioner Silverman: All right. Just some variance so we can see. And I think that the cash balance is more valid.

Paul Blanco: Some of it is based on borrowing, isn't it?

Anne Marie Mulligan: Right. This will include capital borrowings as well.

Paul Blanco: The cash could change quarter to quarter based on when we issue debt. One of the things we could do then if there is a significant variance is say how much of that is a reduction.

Commissioner Silverman: Right.

Anne Marie Mulligan: Okay.

Commissioner Silverman: Anything else for this committee? [no response] If not, we're adjourned. Thank you.

The Port Authority of New York and New Jersey
Committee on Finance Transcript
November 19, 2009

Commissioner Silverman: Today's meeting of the Committee on Finance will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. First item is our Plan of Finance, which will be led by our treasurer, Anne Marie Mulligan.

Anne Marie Mulligan: Good morning, Commissioners. Today I am seeking the Board's authorization of additional series of Consolidated Bonds and Notes for future issuance. Such authorization is necessary to comply with federal tax law as it pertains to the issuance of tax exempt obligations for private activity purposes, which, for the Port Authority, is primarily projects at our airport and port facilities. The Port Authority is required to establish specific series of bonds and notes for issuance in the future as part of its overall Plan of Financing and to continue authorization of our other obligations. It may not be necessary to issue all of the series of bonds and notes that are included in the authorization. This process is required by federal tax law and is being done to provide flexibility in the Port Authority's financing over the next three-year period. The last such plan was authorized in November 2007 and pursuant to the federal tax law, these plans have a life of about three years.

The Plan of Financing process has been required by the federal tax law since 1982 to provide a public approval process to ensure that the public is aware of upcoming projects and financings that are of a private activity nature. As mentioned previously, this pertains to capital projects at the airport and marine terminal facilities, such as security upgrades, building and terminal construction, paving and utility improvements. Nevertheless, in our public notice we include information for all of the major projects that are currently anticipated during this period because we don't know what the purpose of each individual series will be until the specific issuance is scheduled.

The first step in the process is publication of the public notice for a public hearing and providing details of significant capital projects and forms of debt included under this plan. This notice was published on November 3 in the "New York Times" and the "Star-Ledger." The next step is to hold a public hearing. Hearings were held yesterday in New York City at the Park Avenue South offices and at the Journal Square Transportation Center offices. The final step of the process is approval of the plan. This process of authorizing a designated series of bonds and notes and other obligations in advance of the specific need for the sale is essentially similar to a corporate shelf registration and allows the maximum flexibility in advance of the specific need to schedule and execute sales of bonds for financing capital projects.

Similar to prior authorizations, this Plan of Financing authorization would establish 15 new series of Consolidated Bonds for potential issuance and sale. Each series would be authorized with a maximum principal amount of $500 million at a true interest cost not to exceed 12% and for a term not in excess of 35 years. In addition, the authorization would also provide for five series of notes. Each series would be authorized with a maximum principal amount of $300 million at a true interest cost not to exceed 12% and for a term not in excess of three years.

There are certain other limitations that are included in this authorization. The amount of bonds and notes issued for authorized purposes in connection with Port Authority facilities will not exceed the amount to effectuate the applicable capital plan in any year. Further, prior to scheduling any series of bonds or notes, staff will review the upcoming issuance with the Chair of the Committee on Finance and, when feasible, with the other members of the Committee. This action also delegates the authorization to take actions necessary for issuances that are sold on a competitive basis to the CFO and treasurer. Any negotiated transaction will require further authorization from the Committee. Finally, in addition to the additional series of bonds and notes, the following obligations will continue to be authorized and may be issued and sold in connection with this Plan of Financing. Versatile Structure Obligations may be issued in various denominations, with total principal outstanding not to exceed $3 billion. The market for variable rate demand bonds has decreased significantly because of the scarcity and cost of liquidity. Although there are no plans to issue Versatile Structure Obligations in the immediate future, continued authorization of the prior resolution is necessary to maintain this form of obligation for possible use in the future. Variable Rate Master Notes may be issued in various denominations, with total principal outstanding not to exceed $400 million. Commercial Paper Notes may be issued in various denominations, with total principal outstanding not to exceed $500 million. And Equipment Notes may be issued in various denominations, with the total principal amount outstanding not to exceed $250 million. I request that you advance this Plan of Financing to the Board for approval today.

Commissioner Silverman: I think, as our Chairman, I probably would propose to have a motion made and seconded.

Commissioner Pocino: Motion.

Commissioner Chasanoff: Second.

Commissioner Silverman: I do have a question. You may have said this and I missed it, but I recall that before we can issue debt, the CFO has to issue a certificate that we are within our compliance ratios. That is something that we used to do. Do we still do that?

Anne Marie Mulligan: It's part of our documents that are necessary for an issuance that we have to certify that we pass a 1.3 test that our net revenues exceed future maximum debt service.

Commissioner Silverman: Did you mention that when you were talking about the limitations?

Anne Marie Mulligan: I didn't mention that. That's part of the covenants within the issuance, not part of this authorization.

Commissioner Silverman: From a governance standpoint, that's our way of assuring that we're just not going to issue debt on an indiscriminate basis, so to speak.

Commissioner Chasanoff: Are we within those limits now?

Anne Marie Mulligan: Yes, we are.

Paul Blanco: Yes, we are using all sources of revenues for the Port Authority.

Commissioner Silverman: Okay. I have no other questions. Any other questions? If not, all in favor.

Committee members: Aye.

Commissioner Silverman: Approved. Are we—

Anne Marie Mulligan: That item is going to the full Board later today; that it be presented.

Commissioner Chasanoff: What are the interest rates today?

Anne Marie Mulligan: We just issued the 161st series with a 4.75% for a 30-year term.

Paul Blanco: The last one before that was 4.45, I believe.

Anne Marie Mulligan: Yes.

Paul Blanco: So there was a 30 basis points only within a few months.

Commissioner Chasanoff: Two months?

Anne Marie Mulligan: About -- Yes.

Commissioner Silverman: What's the shortest term of issue in the last 12 months? Are they all 30 years?

Anne Marie Mulligan: They've been 30 years. The taxable bonds that we did issue, they were for a maximum of 20 years.

Commissioner Chasanoff: Do you expect the rate is going to go up? It just did go up.

Paul Blanco: The budget provides that we-- The budget you're going to be seeing later on is 5.25%.

Commissioner Silverman: Okay. We have an action item which is also, Anne Marie, the sale of bonds and notes for the WTC.

Anne Marie Mulligan: Today staff is seeking approval from the Committee for the sale of Consolidated Bonds and Notes on a negotiated basis for capital expenditures in connection with certain elements of the World Trade Center site. This is consistent with the discussion with the Committee earlier this year that separate authorization would be requested prior to the issuance of debt obligations for these purposes. In April 2009 the Committee authorized the issuance and sale of up to $750 million of Consolidated Bonds and Notes on a negotiated basis for purposes of the Port Authority's capital expenditures in connection with One World Trade Center, the retail components of the World Trade Center site, and other site-wide World Trade Center infrastructure.

Citigroup Global Markets provides the underwriting services in connection with the negotiated sale of these debt obligations. Staff is required to seek authorization from the Committee prior to these negotiated sales. The initial sale of $750 million of Consolidated Bonds 157th, 158th, and 159th series for the World Trade Center site was successfully completed in June 2009. Capital expenditures in connection with these elements for 2010 and the first half of 2011 are currently projected at about $1.9 billion. Once the funds on hand are expended, additional debt issuance will be necessary to support the capital expenditures for these various projects. Therefore, authorization is being requested for future issuance and sales of Consolidated Bonds and Notes in an aggregate principal amount not to exceed $1 billion on a negotiated basis for capital expenditures related to the World Trade Center site. Because these projects are not tax exempt eligible, the bonds issued would be subject to federal taxation, in accordance with the tax laws. This authorization would pertain to Consolidated Bonds and Notes and will provide adequate funding to meet the anticipated expenditures through 2010 and potentially into the second quarter of 2011. Further authorization would be requested in the future to issue obligations to meet subsequent capital needs for these projects. Consolidated Bonds and Notes continue to be the Port Authority's most effective and efficient means of financing, particularly since the variable rate market remains extremely constrained due to the lack of liquidity support for these obligations.

The advantages of issuing Consolidated Bonds for the World Trade Center site on a negotiated basis were demonstrated with the sale of the three series of Consolidated Bonds. Staff worked closely with Citigroup, who employed an aggressive marketing effort of the Port Authority's bonds to traditional and non-traditional buyers of taxable municipal bonds. Since this was the first time the Port Authority issued a taxable Consolidated Bond on a negotiated basis in 11 years, we were able to introduce the agency's strong credit to a different investor base in the taxable market. This deal was so well received that staff was able to move up the pricing to take advantage of strong and diverse investor demand, which resulted in pricing with tighter spreads to treasury and lower yields to the Port Authority.

There were over $2 billion in orders for the $750 million of bonds issued in three series from more than 65 different institutional investors, resulting in yields of 5.30, 5.85, and 6.04 for the 157th, 158th, and 159th series, respectively. The underwriting syndicate included four MWBE firms, with 19% of the sales credit allocated to these firms. The firms were Loop Capital Markets, Cabrera Capital Markets, Ramirez & Company, and Siebert Brandford Shank & Company. Currently, we are using the proceeds from the issued series of Consolidated Bonds and prior insurance settlements to fund ongoing capital expenditures. These funds are expected to last until June 2010. This slide details the anticipated quarterly spending levels for these project elements from mid 2010 through mid 2011. The $1 billion in total aggregate principal being sought through this item would be spent by the end of the second quarter of 2011. Staff will work with city to determine market capacity for the principal amount to be issued for each transaction and timing to access the markets under the most favorable conditions. Based on the above, we request authorization of $1 billion in total aggregate principal amount of Consolidated Bonds and Notes to be sold on a negotiated basis. This will sufficiently cover spending levels while allowing us to access the markets sometime during the first half of 2010 for future requirements. Staff will seek specific authorization prior to the additional borrowing needs. Commissioners, I request your approval of this item.

Commissioner Silverman: Why don't we do the formalities to approve the motion? Go ahead.

Commissioner Chasanoff: Why do we have to approve the total amount? Why can't we do it in smaller segments?

Anne Mulligan: What we're just asking is authorization for up to a billion, and we will be back separately prior to issuing the debt. We don't know if we'll be doing the $1 billion immediately. It depends on the market and the potential of future interest rates, so the spending flow of the projects as well as market conditions.

Commissioner Chasanoff: You're going to come back to us anyway. What's the purpose of approving the billion dollars at this point?

Anne Marie Mulligan: This allows us to start the preliminary work that will be needed prior to actually scheduling the sale and start laying out the maturity structure for the bonds and the different series that will be needed.

Commissioner Silverman: Is that a legal requirement, or is that simply a policy requirement or a policy request?

Anne Marie Mulligan: The negotiated transaction is a requirement based upon the prior Plan of Financing authorization. It's a policy for us to come back through that to advise you of what our plans are on the actual issuances.

Commissioner Silverman: I meant do we need to authorize a billion dollars as opposed to coming back-- Say you authorized $200 million and you came back in three months and asked for another $200 million. Why would that not be—

Anne Marie Mulligan: It limits the amount that we can go to market. If we see the spending of the projects going very quickly, the $200 million may not be sufficient, so we'd need to come back for authorization prior to being able to move forward on the transaction.

Commissioner Holmes: I think the question is legality, whether you need this authorization now. The answer, I guess, is—

Darrell Buchbinder: The answer is it facilitates dollars more. Much as the prior Plan of Financing shelf authorization, this has the same basic effect.

Commissioner Holmes: Technically, you don't need it.

Darrell Buchbinder: Technically, you don't need it. You could come back at each instant, but what that does, then, is it delays market timing because it requires a full Board meeting. As we've done in the past and as we did with the $750 million authorization, this is a delegation to staff, but it's conditioned on staff's review, the Chairman of the Committee, and is that practical for the rest of the Committee prior to taking any action in connection with a sale. But this effectively would provide authorization to staff to go forward.

Commissioner Silverman: This is the next 19 months. I think Commissioner Chasanoff's point is it is an authorization for 19 months of funding. You wouldn't take the money down tomorrow.

Anne Marie Mulligan: No.

Commissioner Silverman: It's leveraged.

Anne Marie Mulligan: No. We expect to be going out towards the end of the first quarter, first part of the second quarter, but just to work through the authorization process, we thought we would come simultaneous with the other item.

Commissioner Silverman: So if we broke this down into every quarter, coming back with $250 million, you could live with that.

Anne Marie Mulligan: The market for taxable bonds tends to be larger chunks of principal amount, so it's easier to access the market, not necessarily at $250, but maybe at $500 or greater.

Paul Blanco: We wouldn't be going to the market without having a conversation with the Committee, so even though the authorization is there, each individual transaction would be based on your approval.

Commissioner Silverman: Okay. Should we draft the resolution in that format? As I read it last night, I'm not sure it's drafted that way.

Karen Eastman: Your approval or a review?

Commissioner Silverman: Either the Board or the Committee's approval. Otherwise, we're basically writing a blank check.

Anne Marie Mulligan: It's already required.

Darrell Buchbinder: The resolution has -- It's in the last paragraph. Prior to scheduling.

Commissioner Silverman: Usually I read this stuff—

Darrell Buchbinder: At least it serves a purpose. [Committee member discussion]

Commissioner Silverman: I have no further comments. Commissioner Chasanoff?

Commissioner Chasanoff: No, no.

Commissioner Silverman: All in favor?

Committee members: Aye.

Anne Marie Mulligan: Thank you.

The Port Authority of New York and New Jersey
Committee on Finance Transcript
January 22, 2009

Commissioner Silverman: Okay. We're going to get started on the Committee on Finance. Today's meeting of the Committee on Finance will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

And there are two items on the agenda, each of which will be covered by Anne Marie Mulligan.

Anne Marie Mulligan: Good morning, Commissioners. Today, staff will be seeking approval from the Board to amend previously approved Resolutions related to the sale of Consolidated Bonds and Notes to ensure that Port Authority issuances will be able to compete in the current financial market environment. As a result of the continuing volatility in the capital markets, the resolutions adopted by the Board in November 2007 with respect to the sale of Consolidated Bonds and Notes may not provide staff with sufficient flexibility to achieve efficient market access in support of the Agency's planned $3.3 billion Capital Budget.

As such, staff is seeking authorization to implement a strategy that will preserve the Agency's ability to access the capital markets as needed. The focal point of the strategy involves increasing the maximum interest cost from 8 percent to 12 percent.

In November 2007, the Board approved various series of Consolidated Bonds and Notes and specific limitations related to the sale of these Obligations. Today's action will provide the necessary flexibility to adapt to the current interest rate environment and attract buyers for Port Authority debt for the remaining series of Consolidated Bonds and Notes that have not been issued under that Authorization.

At the end of 2008 and into this year, long-term municipal obligations-- the rates on them have increased significantly. Rates climbed to over 7 percent at the end of 2008 for debt issued subject to the alternative minimum tax, which we use for financing airport and port projects. Interest rates on issuances for public purpose projects, such as works at the tunnels, bridges, and PATH, are at the 5.5 percent to 6 percent rate, and taxable municipal rates are currently about 400 basis points over U.S. Treasuries, or in the 7 percent to 8 percent range.

While issuing bonds at this level is not preferable, as it will increase the cost of debt to the Agency, staff will take all steps necessary to attain the lowest interest cost available at the time of issuance. Market circumstances, however, may dictate that the Agency assume interest rates above the current 8 percent level in order to fund its capital plan. The rates that we are currently seeing have been included in this year's budget. However, if interest rates rise 1 percent above what we've budgeted, that will add another $15 million of interest cost to our programs.

The other limitations related to the maximum principal amount for each of the series or for the term of the series bonds and notes will not be amended. Further, the other requirements that were authorized under the previous authorization will also remain in effect that are-- that the amount of bonds and notes issued in each year will not exceed the amount necessary to carry out the

budget for that year; prior to scheduling any sale of bonds or notes, we would advise the Committee on Finance or discuss it with the Committee, if feasible; and that authority has been delegated to the CFO and Treasurer to take the necessary the actions to issue the bonds in a competitive sale.

This item will be going forward to the Board for authorization at today's meeting.

Commissioner Silverman: Any questions from any of the--? Yes, Ginny?

Commissioner Bauer: I'm not sure I understand. If you're saying 8 percent is in the budget and we would exceed that at $15 million, how would be able to afford going from 8 percent to 12 percent?

Paul Blanco: 8 percent is not in the budget. 8 percent is the most that we can issue in terms of the interest rates. We want to increase the interest rate in case it is above the 8 percent.

Commissioner Bauer: I understand that.

Paul Blanco: For every 1 percent, it basically increases our debt service by $15 million.

Commissioner Bauer: Right.

Paul Blanco: So, therefore, if we're issuing debt, we would have to reduce our capital plan because interest-- the debt service is higher. And, because the debt service is high, we can afford less.

Commissioner Bauer: Right. I understand.

Paul Blanco: We could be talking anywhere between $500 million to $700 million in capital based on what that $60 million annual could yield, because, if you're talking a 4 percent spread on $1.5 billion, that's $60 million.

Commissioner Bauer: I think you answered my question. You would be reducing the capital plan. I thought you said you weren't. And that's what I was trying to figure out.

Paul Blanco: Eventually, you would have to reduce your capital.

Commissioner Bauer: I understand. Thank you.

Paul Blanco: So of the things that we're concerned about on the capital side is not only the net revenue reduction but also the increase in debt service.

Commissioner Bauer: Exactly. Thank you.

Commissioner Hochberg: Paul?

Paul Blanco: Yes. A few months ago-- I think it was in November we had-- We tried to issue-- I think it was $300 million through Citibank-- and had difficulty.

Anne Marie Mulligan: It was a competitive.

Paul Blanco: It was a three-year, taxable note of $300 million, and we did not get any bids. And so, one of the things that we've been doing is holding off in terms of issuing any debt. We probably would be going out to the market-- We need to go out to the market sometime by the end of the first quarter. We're looking very carefully at our cash, and we had shared with the at the Finance Committee the amount of cash that we have, the amount of reserves, funds available, and what the burn rate is. So we need to monitor that very closely.

Right now, we're monitoring the competitive market as well as the kinds of deals that are being made. And it looks like the competitive market is beginning to soften, and they're doing more deals. So we will be going out to see what happens with that shortly. We're optimistic that we'll be able to do a deal by the time we need it. If not, obviously, we'll be coming back to this Committee right away.

Commissioner Holmes: I have a question. At the last meeting, we were talking about going out with an RFP for underwriters in the event we needed to do a negotiated sale. Is that being worked on?

Paul Blanco: That gets to the point that I-- We would like to be able to go out with a competitive sale. That's been something that we've always done as a policy. We believe it gives us our best rate. If for some reason that doesn't happen, then we have to come back to this Committee and get additional options.

Commissioner Holmes: But I thought--

Paul Blanco: That obviously would be one of the options.

Commissioner Holmes: But I thought that we were talking about having the option-- you know, starting the process--

Anne Marie Mulligan: We are prepared. We have everything in place if the need arises for us to issue an RFP. Everything's prepared. Our goal is to go forward with competitive. We will be monitoring the markets over the next couple of months. And, when we do go out, we will be adjusting our issuances to be more similar with what we're seeing coming to market - lower principal amounts, shorter-term maturities - in order to meet the demands and the ability of the market to absorb the issuance.

Commissioner Holmes: Should we just have a list of underwriters anyway-- not to use them but just have them, so we wouldn't have to go through an approval process?

Paul Blanco: No. We're ready to go with--

Commissioner Holmes: You're going to send it out--

Paul Blanco: We're ready to go with an RFP if we have to.

Commissioner Holmes: That's what I'm saying. Even if you don't have to, wouldn't it be a good idea to just have the list-- you know, choose underwriters. Don't use them.

Paul Blanco: Well, you need to go through an RFP process to select the underwriter. If you go with an RFP process, then you make them go through this entire RFP selection process. Then you decide not to go that route-- I think you're creating a certain level of expectations whether they're going to get business that they might not be getting. I think the best thing to do is to go with the competitive. Obviously, if that fails, then we immediately issue an RFP to select the underwriter to do a negotiated deal by sometime in June.

Anne Marie Mulligan: And we do have enough capital proceeds on hand to fund our capital construction through that period. That's why we're timing our strategy in order to see how the market develops.

Commissioner Bauer: Between now and June, you think?

Anne Marie Mulligan: Yes.

Commissioner Bauer: So, by the second quarter, we have to-- irregardless of market conditions.

Anne Marie Mulligan: If necessary.

Paul Blanco: We need to settle that by June.

Commissioner Holmes: I just thought that the process-- When we talked after the last meeting, I thought the process took a long time. That's why I was concerned.

Paul Blanco: No. We worked very closely with Procurement. They did an excellent job working with Treasury. The RFP is ready. The list is ready to go. I just do not want to signal that until we do go out with the competitive.

Commissioner Holmes: I understand.

Commissioner Grayson: Paul, I think, just if it's any comfort to you, there are a number of AAA states in the country now who've done most of their business competitively in today's market and have given themselves the flexibility to go negotiate, just because of the confusion and difficulty in today's market. So, I think, to the extent you have an RFP ready, that's probably a good thing.

I think, on the competitive side, I understand going from 8 percent to 12 percent, any strategy about decreasing the size of your bond issues, because there certainly is market access, it's just not quite as deep and as thorough as it has been in the past and it may be, from a strategy point of view, to look at smaller issues more frequently.

A. Paul Blanco: We're looking--

Commissioner Grayson: -- more frequently issued.

A. Paul Blanco: That's exactly right. We're looking between $50 million and $125 million, maximum. So we'd be doing more issues during the year, as opposed to the $300 million or $400 million that we've done in the past.

Commissioner Grayson: Right, because, frankly, with the players in the market today, there are very few who have the capacity to bid on a $400-million or $500-million bond issue.

Paul Blanco: They want it all placed in advance.

Commissioner Grayson: That's right.

Commissioner Silverman: Do you have a sense--? I know we've increased the upper limit. Do you have a sense, if we went to market both on a taxable and non-taxable basis, what the interest rate would be today, hypothetically?

Paul Blanco: I think we're looking at about 100 basis points.

Anne Marie Mulligan: Today we're basically seeing for the public-purpose type bonds about 5.5 percent or closer to 6 percent for the AMT. And taxable is about the 7 percent to 8 percent range.

Commissioner Silverman: Okay. Thank you.

Commissioner Silverman: Any more questions on the first item? If not, we'll move to the quarterly portfolio performance report.

Anne Marie Mulligan: Commissioners, today we have an update for you on the Port Authority's investment portfolio for 2008.

This slide presents the allocation of the portfolio by investment type at the end of 2008, together with the realized return for year-to-date. On December 31, the investment balance totaled $3.4 billion, and the realized return was 2.99 percent, which generated realized earnings of $105 million in 2008.

The far-right column on this slide represents the weighted investment yield of the securities on hand at December 31st and does not correspond to the year-to-date performance.

The portfolio continues to be invested primarily in U.S. Treasury notes and bills. However, as the financial crisis continued, Treasury bills became very expensive as the market moved to the safety of U.S. government instruments. Because of this, increased investment in commercial paper and agency securities was used throughout the fourth quarter to maintain the return on the portfolio as much as possible without taking excessive risk.

Also, as a consequence of the rally in Treasury bills, the repurchase agreement market came to a standstill as yields decreased to zero on short-maturity Treasury bills with scarce availability. All short-term investments were in extremely high demand due to the global financial crisis, complicated with greater than normal year-end pressure.

In December, recent amendments to the Temporary Liquidity Guarantee Program enacted by the federal government included certain modifications that provided for the inclusion of NOW accounts in the Transaction Account Guarantee Program. This element of the program provides unlimited 100 percent FDIC insurance coverage for NOW accounts, which pay interest up to 50 basis points. We were able to capitalize on that program by setting up NOW accounts for our portfolio's short-term investments, decreasing the use of U.S. Treasury bills, commercial paper, and agency securities and investing the funds that would have been invested there in these FDIC-guaranteed accounts and increasing the yield by about 40 to 45 basis points.

This slide represents the Rates of Return for each month of 2008, as well as the adjustments to the federal funds rate during the same time frame. For the year, the average earnings yield for the overall portfolio is 2.99 percent, based on a combination of existing holdings and the earnings rate at reinvestment. Earnings rates have been declining due to the reinvestment of funds made at lower current market rates. The Fed reduced the Fed Funds Rate to 0 to 25 basis points on December 16th, deemphasizing the importance of a particular target rate, since they deem their programs like TARP, TLGP, and others to be more important to correct the fragile-interest financial marketplace. It will take some time to stabilize the market as the world economy struggles along. And, as a result, rates are expected to be in the 0 percent to 12 percent basis range on short-term, high-quality Treasury securities. The use--

Commissioner Hochberg: You said 0 percent to 12 percent?

Anne Marie Mulligan: Yes. The use of NOW accounts is a great asset, and staff will continue to use them, as well as begin to invest in securities under the Debt Guarantee Program, also under the Temporary Liquidity Guarantee Program, TLGP, where the FDIC will guarantee 100 percent of newly issued, unsecured obligations of FDIC-insured participating financial institutions. These institutions are issuing debt that's being guaranteed. They're about two- to three-year maturities. The program from the federal government will be through June of 2012. And participating in that, purchasing those securities, will provide increased yield over U.S. Treasuries of 50 to 85 basis points.

Commissioner Bauer: Is there a cap with them on what you can purchase?

Anne Marie Mulligan: We are limited in our portfolio of the types of investments that we can use-- not specifically caps. We would expect that the NOW accounts in these would each have about $500 million in each of the different programs invested over the year. The NOW accounts provide great access. They're similar to a demand deposit, so we have access for short-term cash needs and for funding capital programs. And the reserve funds are more longer-term funds, so that's where we would expect to use these as our securities are maturing in the portfolio now.

Commissioner Bauer: Thank you.

Anne Marie Mulligan: And, for 2009, we expect that, using these different programs, the earnings on the portfolio will be in the 1 percent to 1.5 percent range.

Commissioner Silverman: So, if I do the math in my head, we're down about 200 basis points from last year on roughly $3.5 billion of funds?

Paul Blanco: We're down about $65 million or $70 million--

Commissioner Silverman: Right. Okay.

Paul Blanco: -- although these programs are going to be good-- If you put another $1 billion in, we can probably get about $5 million to $10 million of that back.

Commissioner Grayson: Do your investment guidelines allow you to invest in municipal obligations?

Paul Blanco: Of the State of New York and New Jersey.

Anne Marie Mulligan: Only in certain funds.

Paul Blanco: And Port Authority.

Commissioner Grayson: Okay. Have you looked at buying in primary market sales municipal bonds as part of your investment strategy?

A. Paul Blanco: We've stayed with Treasuries.

Anne Marie Mulligan: We've been using primarily the Treasuries.

Commissioner Grayson: So we're-- flight to quality means solely Treasuries from our point of view. We're in an anomaly, as you well know, where high-quality, municipal credits are paying in the 4 percent, 3 percent, or 5 percent range, and Treasuries at 1 percent. So you've got kind of an opportunity for positive arbitrage. But I understand.

Paul Blanco: We've been looking at that.

Commissioner Silverman: Any other questions from any of the Commissioners? Those are the two items?

Paul Blanco: Yes, sir.

Commissioner Silverman: Okay. A motion for adjournment?

Commissioner Bauer: So moved.

Commissioner Silverman: Thank you very much.

The Port Authority of New York and New Jersey
Committee on Finance Transcript
April 30, 2009

Commissioner Silverman: Okay, we're going to get started with the Committee on Finance. This is the public session. After the public session the Committee will meet in an executive session to discuss matters related to the purchase, sale, or lease of real property or securities where public disclosure would affect the value thereof or the public interest. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

The first action is a report by the Treasurer, Ann Marie Mulligan.

Anne Marie Mulligan: Good morning, Commissioners. Today staff is seeking approval from the Committee related to the sale of consolidated bonds and notes on a negotiated basis for capital expenditures in connection with certain elements of the World Trade Center redevelopment. This is consistent with a discussion that we had with the Committee earlier this year when we were discussing access to the capital markets and our ability to finance the capital plan.

In March of 2008, the Board of Commissioners authorized the selection of Citigroup Global Markets to provide underwriting services in connection with the negotiated sale of debt obligations in connection with One World Trade Center and the World Trade Center retail components.

At that time, it was recognized that separate authorizations would be required prior to the issuance of such debt obligations. Based on the progress of the capital construction it's necessary to begin to issue debt for these projects to have the necessary funds available for capital expenditures.

Therefore, authorization is being requested for authorized officers to take the necessary actions to issue and sell consolidated bonds on a negotiated basis for capital expenditures related to One World Trade Center, the retail components of the World Trade Center site, and other World Trade Center site infrastructure projects.

Because these projects are not tax-exempt eligible, the bonds would be issued subject to federal taxation in accordance with the tax laws. This authorization would pertain to the currently authorized but not yet issued consolidated bonds and notes and would provide funding for the anticipated expenditures into early 2010.

Today's action will provide the ability to achieve access to the taxable capital markets where there is currently a lack of interest in competitive deals and provide greater certainty of a successful sale. We will continue to issue consolidated bonds for tax-exempt projects on a competitive basis.

This slide details the anticipated spending levels by quarter for the project elements through 2010. Currently we're using insurance proceeds to fund ongoing capital expenditures and depicted here are the expenditures after the insurance proceeds are depleted for the respective projects.

This item is seeking authorization for the sale of up to $500 million in aggregate principle amount of consolidated bonds on a negotiated basis, and staff would seek further authorization prior to further borrowing needs. Based on the expected spending, this would be prior to the first quarter of 2010.

Since the time we prepared the item for approval there's been increased market interest in taxable municipal bonds in large part due to a couple of large Build America bond issuances -- one by the state of California and one by the New Jersey Turnpike. Also, it's anticipated that taxable borrowing rates will be increasing significantly in the future.

Although these projects do not qualify for Build America bonds, it may be in the Port Authority's best interest to secure a greater amount of bond proceeds in these favorable market conditions, especially since the projects will be demanding further borrowings over the course of the construction period.

Therefore, we're prepared to go forward with the current authorization of $500 million, or if the Committee concurs, increase the amount to $750 million and this would provide sufficient funds to cover the spending levels through the first quarter of 2010 and provide the first quarter to access the markets for subsequent periods.

Commissioner Chasanoff: How much more did you want for that one?

Anne Marie Mulligan: Originally we were looking for $500 million. We'd like to raise it to $750 million just to gather the proceeds in these market conditions and then prepare to go out early next year.

Commissioner Silverman: Do you have a sense of what the rate might be if we were to --

Anne Marie Mulligan: Talking to Citibank, they're estimating based upon a 20-year maturity, about 6 percent to 6.5 percent.

Commissioner Silverman: And these are taxable?

Anne Marie Mulligan: Taxable, taxable.

Commissioner Chasanoff: And why are they taxable?

Anne Marie Mulligan: The projects at the World Trade Center site don't qualify for tax-exempt financing based on the tax law, so these would be subject to federal taxation.

Commissioner Chasanoff: And New York State?

Commissioner Silverman: No.

Anne Marie Mulligan: No, not in New York or New Jersey. They're tax-exempt in the two states.

Commissioner Holmes: When do you plan to access the IDA bonds?

Anne Marie Mulligan: We are waiting for authorization, or pursuing extension of the Liberty bond authorization, and we would be pursuing that after that extension.

Commissioner Holmes: They can issue them now, I think, but we're not ready now for those?

Anne Marie Mulligan: To do the Liberty bonds, we need to securitize a revenue flow so after execution of lease agreements those revenues would be used to securitize the Liberty bonds.

Commissioner Hochberg: I know (inaudible). We had a Citibank bond offering last fall that we couldn't complete.

Anne Marie Mulligan: It was not a Citi bond issuance.

Commissioner Hochberg: What was it?

Anne Marie Mulligan: We had gone to market with a taxable consolidated bond on a competitive basis, and that transaction did not go in December of last year.

Commissioner Hochberg: Okay. And how is that different from this one?

Anne Marie Mulligan: This one would be a negotiated sale that Citibank would be helping us structure it and accessing the market to sell it.

Commissioner Silverman: Do we need an action?

Anne Marie Mulligan: Yes.

Commissioner Silverman: Okay, can I have a motion, please, any questions? (Inaudible) second?

Various Commissioners: Second.

Commissioner Silverman: The motion is carried. Thank you, everybody.

The next item is a discussion item. Again, our Treasurer will review of the quarterly investment portfolio.

Anne Marie Mulligan: Commissioners, here we have an update on our portfolio investments for the first quarter, March 2009. This slide delineates the allocation of the portfolio by investment type and the weighted average investment yield at cost as of March 31st, the end of the first quarter. At that time, the investment balance of $3.5 million provided a realized return of 2.05 percent and earnings year-to-date of $17.2 million.

Consistent with the Port Authority's requirements the majority of the portfolio is comprised of U.S. Treasuries in notes and bills. However, staff has been actively pursuing decreasing the allocation to these securities as we've introduced new products to the portfolio with higher yields and they have become available for us to use during the first quarter of this year.

As we previously discussed with the Committee, due to the extremely low interest rates on U.S. Treasury securities, in 2009 staff has taken steps to improve the agency's financial income by investing in two aspects of the temporary liquidity guaranty program which was put in place by the federal government to stimulate the financial institutions.

Under one aspect of the program, we've been able to participate in NOW accounts where the federal government's providing 100 FDIC insurance to balances in these accounts, and under the second aspect of the program, the federal government's providing FDIC coverage to certain debt being issued by financial institutions that are participating in the program.

Commissioner Chasanoff: Can I interrupt you for a minute?

Anne Marie Mulligan: Sure.

Commissioner Chasanoff: Did you say that these monies are invested in FDIC paper? Is that what you're saying?

Anne Marie Mulligan: Yes.

Commissioner Chasanoff: And that's the sole guarantor on those obligations?

Anne Marie Mulligan: The federal government is backing that.

Commissioner Chasanoff: Well, is it federal government or FDIC?

Anne Marie Mulligan: It's FDIC --

Commissioner Chasanoff: Well, that's not necessarily the Federal government.

Anne Marie Mulligan: -- through the federal government.

Commissioner Chasanoff: Well, I don't think that's the case.

Commissioner Silverman: Well it has the full faith and credit. Yes, it is the Federal government.

Anne Marie Mulligan: It's being -- it is on --

Commissioner Chasanoff: It is?

Commissioner Silverman: Yes.

Anne Marie Mulligan: Yes.

Commissioner Chasanoff: The FDIC is the full federal government?

Commissioner Silverman: Full faith and credit of the federal government.

Anne Marie Mulligan: We've pursued it and also had the Law Department confirm --

Commissioner Chasanoff: Yes.

Anne Marie Mulligan: -- our judgment on it.

Commissioner Silverman: Yes.

Anne Marie Mulligan: So. During the first quarter, with the financial market --

Commissioner Silverman: That doesn’t mean that the government couldn’t default (inaudible).

Commissioner Chasanoff: Yes, I understand (inaudible).

Anne Marie Mulligan: We'd have a big problem. In the first quarter with the financial markets remaining in crisis, short-term Treasury securities continued to offer low return and remain very expensive as the demand for the safety of U.S. Treasury securities remained elevated.

Investment in NOW accounts, which are short-term investment vehicles which carry the FDIC insurance through December of 2009 provide the necessary liquidity to support short-term funding while still maintaining the safety of the portfolio in generating greater returns than would be achievable with U.S. Treasury securities under one-year maturities.

Where possible, staff has also capitalized on the use of the debt guaranty aspect of the temporary liquidity guaranty program, and locked in interest rates on longer maturities, which provide higher rates of return as compared to the treasuries.

Since the general reserve fund is invested in longer-dated investments as the Treasury securities held by this fund mature, we are actively seeking opportunities to invest in the temporary liquidity guaranty notes to increase the earnings potential.

With the NOW accounts, the banks have the ability to reduce the earnings rates on these based upon their need of funds. So in order to minimize our exposure to such fluctuations, we are also pursuing commercial paper being issued under the temporary liquidity guaranty program and the commercial paper aspect is very limited in its availability because most of the financial institutions are trying to invest longer-term at the lower interest rates.

In addition to the investments under the temporary liquidity guaranty program that we have pursued, we're continuing to seek other investment opportunities that could increase the financial earnings of the portfolio. In reaching out to various financial institutions, staff has found an additional investment vehicle that is permissible for use with all of the Port Authority funds, although we haven't used it in several years.

This investment -- collateralized certificates of deposits -- is a form of bank time deposits with a short-term maturity of three to nine months and is paying significantly better than a NOW account. Consistent with the agency's policies, collateralized CDs must be collateralized up to at least 110% of the balance on deposit. These CDs have not been used for several years because Treasury securities had been providing greater earnings.

In our discussions with different financial institutions, we're currently pursuing a collateralized CD with HSBC based upon the rates shown on this slide. HSBC will meet our collateralization requirement through the use of Ginny Maes. These securities are guaranteed by the full faith and credit of the U.S. government.

Because we're limited based upon the bank's collateral availability we will seek to invest the maximum amount available of approximately $200 million. With this we'll continue to pursue executing additional transactions of this type where possible

Chairman Coscia: Anne Marie, can I interrupt you for a second?

Anne Marie Mulligan: Sure.

Chairman Coscia: How did we end up with HSBC?

Anne Marie Mulligan: We've been calling around to any -- all different financial institutions to see what opportunities are available that meet our stringent requirements and are providing greater earnings than NOW accounts or U.S. Treasuries.

Chairman Coscia: But in terms of collateralized CDs, they're -- we haven't gone through any kind of a sort of process that would determine whether or not there are institutions that are interested in deposits in a way that would give us some sense that we really have a feel over the marketplace -- or have we?

Anne Marie Mulligan: We've been trying to access whatever is available. Most banks don't have the collateral available to meet our requirements of 110 percent.

Chairman Coscia: Yes.

Anne Marie Mulligan: So we've just also reached out to TD Bank. They've come back; they're willing to do a collateralized CD for nine months, but at 75 basis points. The 110 percent is a very limiting factor, but it's our policy that we have to follow.

Chairman Coscia: How much are we talking about would be invested in collateralized CDs?

Anne Marie Mulligan: Right now, the HSBC, they have $200 million in collateral available, so that would be the amount we would do with them.

Chairman Coscia: But from a portfolio management standpoint, do you have any sort of sense as to how much we would ultimately put there, or is that totally rate-driven?

Anne Marie Mulligan: We would not put much more than the $200 million to $300 million because of short-term funding needs. We would be locking it up for a periodic period. We're trying to stagger it based upon our cash needs.

Chairman Coscia: We're staggering maturities up to six months, is that what you're --

Anne Marie Mulligan: Six to nine months.

Chairman Coscia: Okay. I'm just wondering -- at $200 million, maybe the point is moot -- as to whether or not even finding a 5 or 10 basis point difference within the limitation of what we can accept as an appropriately collateralized CD, whether or not if enough people knew that we were out there there are those who are looking to build deposits who would be willing to do that.

Anne Marie Mulligan: We've been contacting all banking institutions to see what is out there. Citibank will not meet these rates or even do these. They don't have the collateral. We've talked to JP Morgan.

Chairman Coscia: Yeah.

Anne Marie Mulligan: I don't know the full list, but I know that they've been calling around to any of the major banking institutions.

Commissioner Holmes: What about regional banks? Did they call the regional banks?

Anne Marie Mulligan: We've been calling all of the different banks any place where we have contacts or just working our way down.

Darrell Buchbinder: The difficulty is the collateral.

Unidentified Board Member: Right.

Commissioner Coscia: Yes.

Board Member: And it takes a number of smaller regional banks out of the market.

Chairman Coscia: That's always been the case.

Anne Marie Mulligan: Mm-hmm. And this last slide here represents the realized returns by month for the last 12 months as well as the adjustments to the federal funds rate during the same period. As I said, the average earnings for the quarter is 2.05 percent and that's based on a combination of the existing holdings in the portfolio and reinvestment at lower earnings rates.

Commissioner Silverman: What was it last year?

Commissioner Chasanoff: Yes, what was it last year?

Anne Marie Mulligan: Last year it was about 3.5 percent. Actually --

Commissioner Chasanoff: What does that come to in terms of dollars?

Anne Marie Mulligan: -- through here -- for the full year, it was about, like, 3.5%.

Commissioner Chasanoff: I'm sorry?

Commissioner Silverman: How much was it?

Anne Marie Mulligan: I'm just looking it up. I'm sorry. It's back here.

Chairman Coscia: What was the question, what was last year's?

Commissioner Silverman: Yes, I'm (inaudible).

Anne Marie Mulligan: Yes, mm-hmm.

Commissioner Hochberg: in dollars.

Commissioner Chasanoff: in dollars.

Anne Marie Mulligan: Total return -- the realized return -- I don't have the percentage -- it was $105 million for the year. I don't have the percentage with me, but I believe it was

over 3 percent -- between 3 and 3.5 percent. It has declined, but it's a factor of the U.S. Treasuries.

Commissioner Hochberg: It's about $100 million to us over the year.

Anne Marie Mulligan: Yes.

Commissioner Hochberg: Estimated -- '09 versus '08, $100 million drop in revenue.

Anne Marie Mulligan: Yes.

Chairman Coscia: Yes.

Susan Bass Levin: And there you have it.

Anne Marie Mulligan: And that's the end of --

Commissioner Silverman: Any other questions?

Commissioner Holmes: Yes, I just had one question. Are we not allowed to invest in state and local obligations?

Anne Marie Mulligan: We are allowed to invest in obligations of New York State and New Jersey.

Commissioner Holmes: And we don't?

Anne Marie Mulligan: We have found that the earnings rates on them, based upon the maturities that we would be looking for, the yields on that would not be -- would not meet what we're doing here.

Commissioner Holmes: You have been investing in notes, is that why, or --

Anne Marie Mulligan: Even if we purchased the bonds based upon the maturity that we would be looking for in the shorter structure, the yields do not meet the yields that we're seeing here based -- when you buy them in the secondary market.

Darrell Buchbinder: Especially cause they typically would be tax-exempt (inaudible).

Anne Marie Mulligan: We have been looking at that as well. Every possible avenue we could take, we've been pursuing.

Commissioner Silverman: Okay, that concludes the public session of today's Committee meeting. The Committee will now adjourn to executive session to discuss matters related-

The Port Authority of New York and New Jersey
Committee on Finance Transcript
May 28, 2009

Commissioner Silverman: …….viewing today's proceedings via the Internet and we have one item for action, which is the Property Damage and Loss of Revenue Insurance Program for a one-year term.

Anne Marie Mulligan: Good morning Commissioners. At today's meeting I am seeking the Committee's authorization to renew the Port Authority's Property Damage and Loss of Revenue Insurance Program for a one-year term effective June 1, 2009 at a total estimated premium of $28 million. This program protects Port Authority owned and leased property including coverage for losses arising from acts of terrorism. It also covers business interruption losses which includes loss of revenues.

Marsh USA is providing brokerage services under the first year of a three-year brokerage agreement with the Port Authority as approved by the Committee in February. This slide provides a summary of the expiring program and the anticipated coverage at renewal. Marsh will continue to (inaudible) various carriers on the program's structure and pricing up to the June 1 renewal date next Monday.

The property insurance market is experiencing notable fluctuation this year based on economic factors and 2008 losses, particularly for accounts seeking to expand limits and those with catastrophic exposures, wind, flood and terrorism. Insurers have been seeking price increases between 10 and 20 percent for incumbent relationships and the initial quotes received by the Port Authority were in those ranges. Some of the drivers affecting this year's market are poor underwriting results, investment losses, lack of capital market support, increased scrutiny by the rating agencies and more conservative changes to modeling software.

The expiring program provides $1.225 billion of all risk coverage per occurrence in excess of a $5 million deductible and a $25 million self-insured retention in the primary layer. This was the highest limit under the program since 2001 when the property coverage totaled $1.5 billion.

Despite the initial quotes, Marsh and staff were successful at holding the line on premium cost while achieving greater coverage. As indicated the upcoming renewal will have all-risk limits of $1.24 billion with the same deductible and self-insured retention which is a $15 million increase over the expiring program.

More notable, the terrorism coverage increased from a total of $500 million with a $25 million sub-limit for biological and chemical terrorism to a total of $1.24 billion to match the underlying program. This was achieved through a combination of TRIPRA coverage, the federal government's program for the Terrorism, Risk Insurance Program Reauthorization Act and offered their PA ICE and the standalone market providing reinsurance to PA ICE, the Port Authority's insurance captive for the elements not currently protected by TRIPRA.

The total estimated premium for the renewal program including terrorism coverage is $28 million. As of this morning, the actual premium figure sits at $27.6 million, however negotiations are continuing on one layer that may ultimately drive pricing up slightly. Based on the above we request that the Committee authorize the purchase of the property damage and loss of revenue insurance program for a one-year term, effective June 1 based upon the foregoing terms and conditions.

Commissioner Silverman: Thank you. Are there any questions? All right, hearing none, we need action on this; we need a motion please?

Commissioner Holmes: So moved.

Commissioner Steiner: Second.

Commissioner Silverman: All in favor? The motion is carried. Thank you very much Anne Marie. That concludes our meeting.

Anne Marie Mulligan: Thank you Commissioners.

The Port Authority of New York and New Jersey
Committee on Finance Transcript
July 24, 2009

Commissioner Silverman: In the first potion of today's meeting of the Committee on Finance will be held in public session. After which the Committee will meet in executive session to discuss matters related to the purchase, sale or lease of real property or securities where public disclosure would affect the value thereof or the public interest. In addition the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

The first item is a review of our quarterly investment portfolio report by Ann Marie Mulligan.

Anne Marie Mulligan: Good morning Commissioners. Today we have an update for you on the Port Authority's investment portfolio balances and earnings for the first half of 2009. As of June 30th the investment balance of $3.3 billion provided a realized return of 2 percent and earnings of $34 million. These earnings are $1.8 million over plan. For the second half of 2009, we estimate that the average yield will decline as investments mature and are reinvested at lower rates, bringing the average return to 1.6 percent for the year. We are estimating earnings of $62 million which will be approximately $1.4 million under budget.

Staff has actively decreased the percentage of treasury investments as the introduction of new products with higher yields have become available to include in the portfolio. We have taken steps to improve the agency's financial income by investing in securities under the Temporary Liquidity Guarantee Program, one of the Federal Government's programs to stimulate the economy.

Under one aspect of the program the Federal Government provides 100 percent FDIC coverage to NOW accounts which pay up to a maximum of 50 basis points. Under the second area of the program the Federal Government provides FDIC insurance to certain debt obligations of financial institutions that are participating in the program. In addition we entered into collateralized Certificates of Deposits with short term maturities paying higher earnings rates that the NOW accounts.

This slide compares the yields of treasury securities between the end of the first quarter and the end of the second quarter and provides the current yields of the securities under the Temporary Liquidity Guarantee Program. Continuing into the second quarter the financial markets remain volatile and with historically low Rates of Return.

Investments in the NOW accounts which are the short term investment vehicles which carry the FDIC coverage through December of 2009, provide us the necessary liquidity to support short term funding needs but still provide higher returns than treasury securities up to 1 year maturities.

Chairman Coscia: Anne Marie, this seems like a good time to ask you and I am just not that familiar with NOW accounts, is there a maximum amount of insured deposits that are permitted under that program?

Anne Marie Mulligan: The FDIC is providing coverage for full balances under that program regardless of the amount. But it is only certain types of institutions are able to be in NOW accounts and government agencies are. So it works for us but any –

Chairman Coscia: Regardless? So the depositors are limited to those identified under the program and are primarily government deposits?

Anne Marie Mulligan: Right, NOW accounts would probably not be available to the public but to government agencies.

Chairman Coscia: And in terms of where the deposits are placed is that prescribed in the program as well?

Anne Marie Mulligan: No, it is the different banks that are –

Chairman Coscia: Anyone who is FDIC insured?

Anne Marie Mulligan: Anyone who is providing NOW accounts; not all of the banks are providing NOW accounts or rates up to 50 basis points. The bank gets to set the rate – 50 is the maximum under the program.

Paul Blanco: When does it expire?

Anne Marie Mulligan: It expires December 2009 the FDIC coverage.

Chairman Coscia: I've heard that. Okay, thanks.

Anne Marie Mulligan: And this slide here presents the realized Rates of Return for the portfolio by month over the last 12 months and also the adjustments to the federal funds rates during the same time frame.

Commissioner Chasanoff: How much less, the difference between 2008 and 2009 in terms of our total investment?

Paul Blanco: In terms of the interest earnings? We were netting in 2007 about $160 million –

Commissioner Chasanoff: And now?

Paul Blanco: Drop that to $104 million last year and this year –

Commissioner Chasanoff: $104 million?

Paul Blanco: And this year we would be somewhere in the $60 million to $65 million range.

Chairman Coscia: He just gave you '07/'08 numbers.

Paul Blanco: So we have really since this started we have lost about $100 million in interest income and that equates to a substantial amount of capital capacity loss, take it 15 to 1 or 1.5 billion. So this is a big issue.

Commissioner Chasanoff: That’s a lot.

Chairman Coscia: It's a big issue. I mean I'm sure that the average return in '08 was probably close to 4.

Paul Blanco: And it was even higher than that in '07, closer to 5.

Anne Marie Mulligan: Right. 5 to 6.

Commissioner Chasanoff: That investment was the same? Comparable?

Anne Marie Mulligan: It basically is comparable.

Paul Blanco: Yeah, about $3 billion, $3.4 billion.

Commissioner Holmes: Well one positive thing is that (inaudible). A lot of agencies have lost a lot –

Chairman Coscia: Because they are not, their reserves can be deposited in things other than treasuries. Our sort of golden shackles, bond covenants prohibit us from doing anything (inaudible) colossally stupid. Darryl, that certainly (inaudible)?

Anne Marie Mulligan: That's true.

Darrell Buchbinder: Well we would never do anything colossally stupid.

Unidentified Participant: (Inaudible – microphone inaccessible).

Paul Blanco: It is a big issue in terms of our net revenue and deductions.

Anne Marie Mulligan: And that is basically what we were just covering here that the realized Rates of Return are declining. We expect it to continue to decline in the last half of the year which will bring our overall return for the year to about 1.6 percent.

And the next topic I have to cover today is a status update on the Port Authority Insurance Captive Entity, PAICE. As you recall, PAICE is a wholly owned insurance company, a wholly owned subsidiary insurance company of the Port Authority that was set up to insure the risks of the Port Authority. PAICE was incorporated in Washington, DC in October of 2006, following authorization from the Board in March of 2006.

During its operations to date, PAICE has achieved the goals that were projected when it was originally formed. PAICE has reduced the premiums that were paid to the commercial markets by $84.3 million. PAICE's participation in the Property Insurance Program allowed the Agency to increase its all-risk coverage from $600 million in 2006 up to $1.241billion on the program renewal in June of 2009. Terrorism coverage increased on the property damage and public liability programs and PAICE reinsures this risk through the Terrorism Risk Insurance Reauthorization Act – TRIPRA – provided by the Federal Government. Through premium earned and investment income, and as a result of lower than anticipated claims activity and expense, the Port Authority's initial investment of $8 million has grown to $52.9 million. By providing such coverage, PAICE assumes risk and is exposed to loss. To date, the amount of insurance

underwritten has been conservative and the loss history has been below expected levels based upon the Port Authority's claims history.

PAICE balances the risk assumed against its financial ability to absorb loss so as not to over burden its reserves or expose the Port Authority to unanticipated cost. On an actuarial basis, PAICE has sufficient reserves to meet its anticipated losses.

As long as PAICE continues to experience lower than anticipated claims and the reserves grow, the captive could ultimately add other lines of coverage or further reduce the premiums paid to the commercial markets. However, should losses increase and the reserves become reduced through the payments of claims, PAICE will not have the ability to furnish greater coverage to the Port Authority than it does presently.

Since 2006, PAICE has issued policies for terrorism coverage for the Port Authority's property damage program and public liability program. For the public liability program PAICE continues to provide $250 million in TRIPRA insurance and for the 2009 property renewal, staff achieved terrorism limits up to $1.241 billion to match the all-risk limit by utilizing PAICE in both the commercial markets and the reinsurance through the Federal Government.

Also as a domestic insurer, PAICE furnishes the PA with access to the reinsurance market which has significantly increased the overall capacity on the property coverage.

Lastly, the captive provides $1 million of worker's compensation, the primary $1 million of worker's compensation and $500,000 of general liability insurance to the Port Authority's master's contractor insurance program.

PAICE's 2008 financial statements were audited by Deloitte & Touche. The underwriting income for the period totaled $25 million with a net income of $29.4 million for the same period. Total assets were $147.6 million and member's equity was $45.6 million which is more than 5 times the Port Authority's initial investment of $8 million.

Huggins Actuarial Services provides the required actuarial opinion and they opine that as of December 31, 2008 PAICE carried $39 million of reserves and that the captive meets the Washington DC regulatory requirements to make reasonable provision for estimated unpaid losses and loss adjustment expense.

Chairman Coscia: Is that the exact requirement, I mean is there a way to determine to what degree we exceed that requirement?

Anne Marie Mulligan: Huggins does an Actuarial Review; based upon their review the reserves are set at the level based upon their review. And –

Chairman Coscia: But the benchmark provided for, by the regulations is not, it is not a benchmark you can look to and determine that you exceeded or exceeded by a small amount, a great amount. I guess I am wondering to what degree did the actuarial analysis result in the determination that we were substantially over-reserved or at the mark or –

Veronica Biddle: The way the actuarial analysis was written they rated that we are sufficiently reserved based on our exposure and our potential exposure. Our biggest exposure for PA ICE is the terrorism under the public liability program and we are continuing to build reserves for that. So I don't know that Huggins would say that we are over reserved at this point.

Chairman Coscia: They don't determine the reserve in a financial sense by determining some sort of a percentage of potential claims based on loss that is insured. They don't look at the insurable risk and then do a calculation based on the percentage of the insurable risk. They look at it subjectively in terms of what a prudent reserve would be given the amount of exposure.

Veronica Biddle: They look at the insurable risk, they look at the claims to date and they look at our historical claims activity under the various programs and say in essence either yes you are sufficiently reserved or no you are insufficiently reserved and you should increase your capital contribution by whatever. But they wouldn’t say to us we think you are $10 million over-reserved or something to that effect or X-percentage over-reserved.

Darrell Buchbinder: In essence, it is a bit of a retrospective analysis. It doesn't predict the future.

Chairman Coscia: And given the fact that it covers risk of terrorist activities and given the fact that thank God they are not things that occur with any kind of regularity, it is really, I mean it is comfort but it is comfort only to the extent that you can really get it because one occurrence would make that reserve so it is entirely inadequate by any reasonable standard.

Paul Blanco: And that is why we are going slowly. (Inaudible – microphone inaccessible).

Paul Blanco: And going in we didn't bring (inaudible) to take on this liability solely as opposed to taking on too much –

Chairman Coscia: I understand. It seems like it is being managed well.

Commissioner Chasanoff: On the slide that is on the board today, how much investment, how much of the $87.4 million is involved in corporate stocks?

Anne Marie Mulligan: The PAICE investment policy is very similar to the Port Authority's where the only exception is that it can invest in AA corporate bonds and stocks. So off-hand I don't know the percentage, probably about 50 percent is in fixed income securities for corporate.

Commissioner Chasanoff: And has it been at that same level?

Anne Marie Mulligan: Yes it has.

Commissioner Chasanoff: Up to that level?

Anne Marie Mulligan: Yes. And we just started with the investments through TD Bank North as the investment manager last January. They were selected through an RFP process in October of 2007. Our

policy was devised and implemented beginning in January 2008. And through this year so far the earnings have been $1.4 million on the investment.

Commissioner Chasanoff: Who would use that? Who is our representative to review that with our investment counsel?

Anne Marie Mulligan: We have set the policy and PAICE has a Board of Directors and they are the Officers of the Port Authority as well. The Board consists of the Executive Director, Deputy Executive Director, General Counsel, CFO, Comptroller, myself and the Director of Risk. We review that and we provide the updates to the Finance Committee.

Commissioner Chasanoff: And how often would you meet in order to review it?

Anne Marie Mulligan: We meet at least annually and we have had one to two meetings in addition to that each year since PA ICE has been established. But staff internally review the investments that TD Bank North is investing in. We get the reports from them and we have online access to the investment activity that they perform. And that pretty much wraps up – what we were going to do here is just bring you up to date. From December 31 through May the investment activity was the largest area and just to mention that as with all other insurance carriers, PA ICE has and will continue to sustain claim losses during its operation. To date none of the claims have been terrorism based and under the Contractors Insurance Program we have a total of 48 open worker's compensation claims and 26 open general liability claims are active to date. None of them, all of them, the actuarial review has confirmed that we have sufficient reserves to provide for these losses.

Chairman Coscia: Is there a precedent with captives where the founder of the captive was a governmental entity, where the sale of the captive insurance entity at some point in its lifecycle?

Anne Marie Mulligan: Since the captive is a wholly owned subsidiary of the Port Authority, it rolls up into our financial records as well. So in essence it is the Port Authority by combining it into it; it just segregates it in order to provide the access as an insurance company for reinsurance and for the Federal Government's program.

Chairman Coscia: Right, I guess my question was forget us for a second – captives are being created by lots of entities I have seen in the marketplace, I have been involved with them. I'm trying to think if there was ever an instance where an entity or captive is created by a governmental entity that has the same kind of premium synthesis that we are doing which is obviously working well. But at some point based on having an accumulated loss history and reserves and a member equity component that looked meaningful, is there a point when they say put a sale sign on it and allow private investors to buy it? Or are we—

Anne Marie Mulligan: You can't. Under the regulations.

Veronica Biddle: It couldn't be PAICE; you would have to dissolve it.

Chairman Coscia: The DC regulations that we were organized under or our statute?

Anne Marie Mulligan: DC's.

Commissioner Holmes: What was the initial equity investment?

Anne Marie Mulligan: $8 million.

Paul Blanco: And it has grown to $52 million, so 650 percent return. It has been a good investment.

Chairman Coscia: Thank God we don't have one occurrence. That is really the issue.

Commissioner Silverman: But the $8 million to $52 million increase has been through contributing capital investments.

Paul Blanco: It has been the payments that we have made less any claims that we have had to pay out. So as of right now there is –

Commissioner Silverman: Also our investment has acuity of –

Paul Blanco: Well it is money that we would have paid to an insurance company that would have been an expense. At least now it stays in one place.

Commissioner Silverman: Every insurance company that doesn't have any claims can make money. So I don't think we should be patting ourselves on the back, yet.

Paul Blanco: Well, yes.

Chairman Coscia: I think the better analogy here is, and I do think that it was at least it appears in the absence of those claims have been a good move to create it, but the better analogy is to say we decided to hone rather than rank and now we are looking at accrued equity in our real estate as opposed to rental expense that is gone. At the end of the day though we are parked under a tree which we hope will remain standing.

Commissioner Silverman: I think we all agree that this was a good thing and congratulations to all who are doing it; I just want to make sure that we don't self congratulate ourselves for that 650 percent return. To me that is like buying a piece of land for $1 million and selling for $6.5 million, and that is a return.

Commissioner Holmes: This is not analogous.

Chairman Coscia: That is actually Henry why I asked the question about whether or not you are (inaudible) because at some point (inaudible) you modify whatever (inaudible), but apparently not.

Darrell Buchbinder: (Inaudible – microphone inaccessible).

Chairman Coscia: Because the value of the incremental premiums probably wipes out whatever you get back.

Darrell Buchbinder: (Inaudible – microphone inaccessible).

Commissioner Silverman: All right, so that concludes the public portion of today's meeting. The Committee will now adjourn to Executive Session to discuss matters related to the purchase, sale or lease of real property and securities where public disclosure could affect the value thereof or the public interest.

The Port Authority of New York and New Jersey
Governance & Ethics Committee Transcript
February 19, 2009

Chairman Coscia: Okay, good morning everyone. Today's meeting of the Governance and Ethics Committee will be held in public session, in its entirety. In addition this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. Our first item of business will be the Code of Ethics, and I will call on Howard Kadin. Howard?

Howard Kadin: Thank you. Good morning Mr. Chairman, members of the Committee, ladies and gentlemen. Today I present for your consideration a proposed Code of Ethics for Port Authority Commissioners. In addition, I will discuss briefly several aspects of the Committee's responsibilities as set forth in Article VIII, Paragraph G of the By-Laws with respect to the review and evaluation of the performance of the Board of Commissioners and the effectiveness of its Committees.

Members of the Committee, before you today for your consideration is a proposed Code of Ethics for Port Authority Commissioners. You have received a draft of this proposed Code which contains three sections, Standards of Conduct, Disclosure, and Campaign Contributions. The general Standards of Conduct update and formalize the Commissioners' Ethics Policy set forth by the Board in a resolution on December 8, 1988, thus incorporating applicable requirements of law which where substantially similar in the States of New York and New Jersey with respect to unsalaried public officers. In practice, this means that Commissioners will continue to conform to the laws, rules and regulations applicable to unsalaried Officers of their respective states.

In addition, the stated requirement that a Commissioner notify General Counsel about actual and potential conflicts and lobbyist's attempts to influence the procurement process is generally consistent with and serves to recognize and reinforce existing policies and practices. Similarly the Disclosure requirements in the proposed code refine the long standing Port Authority practice of Commissioners periodically providing General Counsel with information on their corporate and other interests and involvements, as well as other specific relationships with actual or potential business partners of the Port Authority and its wholly-owned subsidiaries so that potential conflicts of interest may be identified and avoided.

Finally, the prohibition in the proposed code on Commissioners asking or demanding that Port Authority employees make certain political campaign contributions for Commissioners' campaigns or benefit, reflects and codifies the reality that Commissioners simply do not engage in such activity and it is consistent with Port Authority policy that the organization carries out its responsibilities under the Port Compact in an objective and non-partisan manner for the common good of the Port District, and with certain Federal and State laws providing for restrictions on certain governmental officials engaging in partisan political activity.

Accordingly, if a Commissioner is engaged in a political campaign, neither the Commissioner nor any of his or her colleagues on the Board may ask or demand of a Port Authority employee that such employee make a monetary contribution to the Commissioners' political campaign or to any political campaign committee for the specific benefit of a Commissioner.

Members of the Committee, if there are no questions it is requested that the Committee in accordance with the mandate under Article VIII, Paragraph G, sub-section 5 of the By-Laws recommend the proposed Code of Ethics for Port Authority Commissioners to the full Board of Commissioners for its consideration and adoption.

Chairman Coscia: Okay. Well I would support that recommendation, but do we need a vote in this committee or are we just forwarding it? We are just forwarding it.

Commissioner Sartor: Just one question.

Chairman Coscia: Sure.

Commissioner Sartor: The New Jersey Commissioners filed with the State Commission on Ethics in May. Is that sufficient disclosure in filing, for filing purposes here?

Darrell Buchbinder: As you are aware, we also have a quarterly update process that we have put in place so that we ask you on a quarterly basis to give us any changes. But yes, we do in the case of the New Jersey Commissioners follow what you file publicly.

Commissioner Sartor: Thank you.

Commissioner Holmes: I'm on another state board and file annually as a result of being on that board. I think it is the same question here that you had sent me.

Darrell Buchbinder: Correct. Well we sent you the New York State questionnaire for reference. And again, we would track your interests from what you file on an annual basis. But ask that it be updated on a quarterly basis.

Commissioner Holmes: So just give you that file?

Darrell Buchbinder: Right. And then we will continue to follow up with you.

Chairman Coscia: Darrell, I think it might, just as a practical matter, and just sort of a small comment leading to a larger comment; but as a practical matter I think it might be helpful if your office can, on a regular basis, maybe on a quarterly basis – I don't know that it is necessary to remind people of their obligation because I think they know it. I don't think that is really being fair to the Commissioners who know it. But to the extent to which that tickler becomes something that kind of gets Commissioners to make sure that they look back at the quarter that has just passed to determine whether or not there are any tangential relationships they may have that they want to bring to your attention even if it is just to discuss whether or not it is applicable.

Anyone who is a Commissioner here I think is very, very knowledgeable of what their obligations are and the extent to which something that is clearly a direct conflict with their role as a Commissioner will bring that to your attention immediately. It is those sort of subtleties of things that happen where once a quarter it is probably worth reminding people to take a look at things and just make sure something hasn't slipped through the cracks. I have a greater concern about the inadvertent oversight in a very busy schedule that everyone has than anything that is sort of obvious because I think those things people are very willing to do.

And that kind of leads to my, I guess, broader question or broader comment which is that our adoption of this Code of Ethics in my view is part of a dynamic process as opposed to a stagnant one which is to say that the ability to engender the kind of confidence and ameliorate concerns people have about the transparency and openness of any public body is something that you never sort of finish. We are recommending, this Committee may be recommending that the Board adopt a Code of Ethics, but it certainly doesn't mean we sort of wait another 10 or 11 years to take another look at it. I think that it is kind of a work in progress and remains a work in progress because people come up with creative and innovative ways of ensuring that kind of transparency. And if there is someone in New York or New Jersey has said, "Wow, here's a way of really getting people comfortable – that there is an arm's length relationship – that there is openness and transparency and full disclosure." And I know both Governors, this is an issue that is important to them and if their offices come up with something that is something worth considering our view shouldn't be – okay well we did it in February of '09 so we will wait until the next round. We ought to – and I think this Committee, at least speaking for myself, is very receptive to hearing new concepts as they come up. So I sort of say that. And I know that we are ably represented by your office and you and Howard and I know that our Inspector General is vigilant about looking at these things, but I want to encourage you not to consider this sort of a done deal but something that we continue to improve on.

Darrell Buchbinder: Well I seem to recollect even under the By-Laws if we wanted to consider it a done deal we couldn't because the Committee's responsibility is to review the adequacy of the code at least on an annual basis. And that creates the constant dynamic flow in terms of ethical management at the Port Authority. And ethical management is also picked up on and we do the tickler system actually on a monthly basis in connection with Board meetings because we try and engage in a dialogue with the Commissioners in terms of identification of interests with respect to items that would be considered by the Board. The plan this year and going forward would be on a quarterly basis as well to actually send the list of interests that we track for each Commissioner to that Commissioner and ask for updates, which is the process we have used on the annual basis.

Chairman Coscia: That's good.

Darrell Buchbinder: To see if that works and fits in terms of the ability to exchange information. Otherwise of course we will adjust it accordingly.

Chairman Coscia: That's good, good. Thank you. Anyone else have any other questions? Okay, I guess we will move on then.

Howard Kadin: Mr. Chairman, members of the Committee, the By-Laws provide for certain reviews and evaluations to be undertaken by the Committee including an assessment of Board performance and Committee effectiveness. Very briefly in order to facilitate your evaluation I will tell you that staff will provide you shortly with materials regarding the activity of the Board and the function, structure and activity of the Committees during 2008. And based on discussions with the Chairman it is presently anticipated that the Committee will report out its findings to the Board of Commissioners at its Annual Meeting currently scheduled to take place in April 2008, excuse me 2009.

Chairman Coscia: Nine. Yes, that's fine. Thank you. That's good. Alright, that's fine, unless anyone has any other concerns or objections about that? Okay. Is there anything else? No? Okay, well that is all of the business that we have for today.

But we will allow Mr. Silverman to join in the adjournment motion. So is there a motion to adjourn?

Commissioner Silverman: So moved.

Chairman Coscia: All those in favor? Thank you very much.

The Port Authority of New York & New Jersey
Committee on Operations Transcript
October 22, 2009

Commissioner Steiner: The meeting of the Committee on Operations will be held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. I'd like to take up the first item for action. Michael Francois?

M. Francois: Thank you. Good morning Commissioners. Today I am requesting your authorization to enter into an agreement-- --with The Trust for Public Land--which is a national nonprofit conservation organization-- to fund the cost to purchase approximately 1.1 acres of property located in Hammels or Rockaway Beach-- of Queens County, New York, under the Port Authority's Hudson Raritan Estuary Resources Program. The agreement will provide funding to The Trust for Public Land in the amount of not to exceed $1.925 million. At closing, the property will be conveyed to the New York City Department of Parks and Recreation for public park purposes. The site is also known as 88th Street Beach. The Port Authority's objective is to fund property acquisitions-- within the Hudson Raritan Estuary and Port District that may be suitable for conservation, ecological enhancement, public access or environmental mitigation in support of port development, economic development, and other Port Authority capital programs. This property has been identified as a natural resource and meets requirements of the program established by the Board. The acquisition will provide multiple benefits to the public including providing vital public recreational space --waterfront access to an underserved community, in Rockaway. By way of background, funding for the Hundson Raritan Estuary Resources Program was approved by the Board in July 2001 for a total of $60 million, $30 million for each state, and was certified by the Board as a facility in November, 2002. To date, the Board has approved reimbursements of approximately $19 million for 6 property acquisitions, totaling 108 acres in New York. In New Jersey, the Board has approved approximately $23 million for acquisition and improvements of over 241 acres. This property contains, as I said, 1.1 acres, consists of wetlands, waterfront property, and vacant land. The property will be converted to a nature park, including the installation of a canoe and kayak launch, which will provide recreational access to Jamaica Bay for area residents. Currently, the property is owned by Hudson-on-the-Bay LLC. The Trust for Public Land will acquire the property from Hudson Bay for approximately $1.925 million with the Port Authority funding The Trust for Public Land for that full amount. The acquisition cost of the property is less than both The Port Authority's appraisal and The Trust for Public Land's appraisal. The agency has been contacted by several community groups, most notably Community Board 14, which abuts the airport, seeking public access for Jamaica Bay for recreation use for its residents. In addition, the property is located under the extended central line of both Runway 4R22L and 4L22R at JFK. Protecting this property from future development has particular importance for aeronautical operations at JFK. The Port Authority will not be responsible for any environmental cleanup costs in the event there are any. Protecting this property supports our mission of creating sustainability goals of specifically 50 acres per year, and reserving them from development Commissioner, your approval of this action is requested today.

Chairman Coscia: Okay. Can we have a motion to approve? Commissioner Steiner: So moved. Chairman Coscia: Is there a second? Commissioner Bauer: Second. Chairman Coscia: Alright, anyone have any questions for Michael?

Commissioner Holmes: I just have a question-- I think this is a great project, the whole program, I just have a question of it. Do we purchase any land within the urban areas or is it just in wetlands and areas around water?

Michael Francois: We do purchase lands in the urban areas. Probably the most recent one that was brought to the Board-- --let me back up. From New York, most of the property acquisitions have occurred in Staten Island around where there are wetlands, around the southern rim and that would be the eastern--or western end of Staten Island. This obviously is an area near Jamaica Bay that's critical. In New Jersey we've purchased a substantial amount of property within the Hackensack/Meadowlands area, working with the Meadowlands Commission, and just recently we approved, not only funding for the acquisition, but for improvement for a park in Jersey City-- --very urban, and reclaimed from an industrial use. So there is very urban locations.

Commissioner Holmes: Thank you.

Chairman Coscia: Thank you. Any other comments? Okay. All those in favor? Commissioners: Aye. Chairman Coscia: Any opposed? Okay.

Chairman Coscia: Next item is for discussion. Newark Liberty Airport, Terminal A and B concessions, Phase 3.

Susan Baer: Thank you. Today I'm here to discuss with you the latest phase of the Terminal A and B concessions program at Newark Airport. As you know, staff has been working with our concessions manager, Westfield, on an effort to enhance the concessions program in these two terminals. The first two phases of the program are underway, and I'd like to update you on those efforts. I'm also seeking your approval for the third phase of the leases which will introduce new concession spaces for our terminals, for our customers in Terminal B and enhance our concessions revenue. As you know, under the Board's direction, staff undertook a complete rebranding effort of terminal concessions in order to improve our overall customer experience for the passengers. This program introduced leading concessions concepts that provide for a mix of retail, food and beverage, news and gift, and duty free, that meet the Port Authority's high standards for customer service. Under the program, Westfield, a leading concessions management company, has undertaken a request for proposals for concession spaces in Terminals A and B as the leases expire or new spaces become available for leasing. Under this RFP process, Westfield seeks competitive bids for each space. To date, we've brought two phases of the program to you for your approval with new brands, some of which are shown here, and an enhanced mix of concessions. The first two phases of the programs have resulted in minimum annual guarantees of $106 million about 51 percent higher than the current minimums for these spaces, in addition to the percentage rentals. In addition, each new lessee is providing significant investment to update their existing space. Commissioners, to date, many of these new spaces are already open to our customers. Pictured here are some of

the newly opened spaces, including a Hudson News in Terminal A, and a duty-free shop in Terminal B. Of the 17 concession spaces in Phase 1, 13 are already open, 2 are under construction, and 2 in design. Phase 2, which you authorized in June, are all in design and are expected to open on schedule next Spring. Today I'm seeking your approval for a Phase 3 of this program.This will enhance the dining options and retail services for our customers in Terminal B. Five of the 6 spaces in this phase have been newly developed under the Terminal B modernization plan as part of the connector expansion project. You'll recall that that project expands the screening points at each terminal, but also provided an opportunity for us to add concessions post screening. Three of the concession leases for the 4 new food and beverage concessions have a variety of casual dining options. These include a Counter Burger--that's its official title, pre-security, and Sora Japanese Cuisine and Mediterranean Bistro, and then a small subset of the Mediterranean Bistro, all of which will be located post security. These agreements will be managed by Midfield Concession Enterprises, a concessionaire new to us, but which is an experienced nationwide airport concessions operator. In addition, this phase will add 2 new specialty retail concessions which provide for designer brands. These will be operated by a current duty-free operator, who currently operates in both Terminal A and B. All of the leases in this phase are certified minority and women-owned business operations. Commissioners, you have before you the detail terms for each of the 5 agreements staff are recommending to you today. These agreements cover nearly 9,000 square feet of concession space. The life of each agreement is 7 to 10 years, tenants pay a minimum annual guarantee as well as a percentage rent, as specified in their proposals. They also pay promotional fees, common area maintenance charges to the concession operator who then operates the area for us. In total, these leases would minimally generate $4.72 million in guaranteed revenues over the terms of the leases, plus percentage rentals of between 10 and 16 percent. The Port Authority, of course, has the right to terminate each agreement on 30 days' notice by buying out the unamortized investment. Each will comply with the Port Authority's Labor Harmony Policy. Since these are new raw spaces, each lessee will provide a significant investment to fit out the space with new fixtures and finishes. We expect that the renovations of these concessions will be completed in the 3rd Quarter of 2010. I ask that you advance this item to the full Board for approval today.

Chairman Coscia: Okay. We don't need a motion--just --yeah?

Commissioner Bauer: How many jobs do you estimate that this will create?

Susan Baer: Well, because these are new these will be in-addition jobs--I'll have to get a number for you, but the typical-- a food operator brings in a lot more. A concession operator might bring in 10 to 15 for a retail shop--a food operator could bring in--depending on the size of it--anywhere between 25 and 50 new jobs. So we'll get you the numbers that they are estimating.

Commissioner Steiner: First of all, I want to welcome you in your new job.

Susan Baer: Thank you. Thanks.

Commissioner Steiner: --we look forward to working with you. I know from working with you in the past that you're very competent.

Susan Baer: Thank you.

Commissioner Steiner: It's always good to see a woman have a job like that too.

Susan Baer: Solidarity here.

Commissioner Steiner: But with the kudos comes a little word of caution. In the past, we've had a great deal of difficulty getting lessees in the terminals signing their agreements. And I want to tell you that I expect that you will take a new stance. If they don't sign, they don't stay. If they don't renew, they go. And we have, you know, we've gotten bitten on some of these things, and I expect under your administration we'll have a new enforcement policy and that you will have a long talk about that.

Susan Baer: We're ready. We have it underway, but we should talk about it.

Commissioner Steiner: Thank you.

Chairman Coscia: Susan, one question that I think we may have touched on this at some point in the past, maybe a couple of years ago or so, it would be helpful, not in connection with this particular item, but, it would be helpful to get some kind of a benchmark analysis of how we do in the concession business at the airports relative to our peer group.

Susan Baer: Excellent.

Chairman Coscia: Because we've, you know, we've all had some experience in the retail industry, but this is sort of a unique type of a retail environment, so I think it would be helpful to know how O'Hare, and Atlanta-Hartsfield, and others do, and I don't know if the metric is, you know, retail revenue per square foot or per passenger.

Susan Baer: It's per passenger, and we do extremely well. We can get you those metrics because we do very, very well and the one that's used in the industry, typically, is revenue per enplaned passenger because that, that is the only thing that equates. That and how long people stay at an airport. Those are the factors that play into how much money you generate from retail. Because, as you know, part of the difficulty here is that you need a mix of operations and they don't all generate the same amount of revenue, but you can't have all newsstands and so you need to come up with this mix, partly why we hired some experts to help us, who do that elsewhere and really have their fingers on that pulse.

Commissioner Steiner: Mr. Chairman, I have been watching the leases, and per square foot, I have a different measure, because I don't understand that business. I only understand as a landlord, and of course Mr. DeCota had provided comparables with the other areas, and in most cases, except where there's a special reason or specialty area, we are doing as good, or better than most other areas.

Susan Baer: Yeah.

Commissioner Steiner: We do and I've looked at everyone on the list. So I feel very confident that we're getting the right prices, because you have to understand sometimes you have to put someone there for service and you might not get the revenue.

Susan Baer: Right, that's absolutely true.

Commissioner Steiner: But in the overall mix you're doing very well.

Susan Baer: Thank you. This, even with these new-- these are new spaces, untried, we think they're great spaces, but there's a huge investment required because they have to fit them out completely and we did better than we might have expected in this economic climate, so- the concessionaires want in to our airports, but we'll get you that metric, and maybe we'll, next item, or we'll just give it to you separately.

Commissioner Steiner: I would say that the fast food business, I mean, that is the one industry that has picked up and not gone down because people have changed their eating habits, so it's not inexpensive to eat at the airport-- No, no.

Susan Baer: But we do have street pricing, so—

Commissioner Holmes: Ms. Baer, I echo Commissioner Steiner's words--and welcome aboard.

Susan Baer: Thank you.

Commissioner Holmes: I was interested in the Westfield's actions on recruiting minority businesses in the airports. Do you have statistics on that?

Susan Baer: Yes, we do.

Commissioner Holmes: In the New York Airports as well?

Susan Baer: Yes, we do, and we can provide them to you. We have the FAA mandates a certain percentage. Our good news is that we exceed it regularly.

Commissioner Holmes: Good.

Susan Baer: That's always been our goal. One of the good news stories here today is that EJE Holding is the specialty retail operator for those two spaces is a tenant that does duty free, minority, local-business owned enterprise that we actually helped facilitate his going into this business many years ago. He continues to be a very competitive performer in our duty-free area and these were competitive proposals here, these were not set asides, and both of them are DBE is what the federal government uses, but these are both, both meet those criteria for us, so we're very pleased about that.

Commissioner Holmes: One last thing, one of my pet projects is the Central Terminal Building at LaGuardia—

Susan Baer: Good.

Commissioner Holmes: I had a lot of meetings with Bill DeCota on it, and I plan to meet with you.

Susan Bauer: Good. But you like the retail, you just don't like the rest of it. [general laughter] That was my first airport. I love it dearly.

Chairman Coscia: Okay. We don't need to take action. Everyone I guess is in accord that it'll go to the full board for approval?

Karen Eastman: Yes.

Chairman Coscia: Okay. That's all we have for finance, unless anyone has anything else? We have a move for,--that's operations We are adjourned. And WTC is next.

Susan Baer: Thank you.

The Port Authority of New York and New Jersey
Committee on Operations Transcript
January 22, 2009

Commissioner Silverman: --on the Port Authority's website for those interested in viewing today's proceedings via the Internet. The first item is a discussion of our airports, and that will be by our Director of Aviation, Bill DeCota.

Bill DeCota: Thank you, Commissioners.

Today I am here to bring you some money, but I'm also here to request that we spend the money, so-- but at least I'm bringing you a source of funding.

I'm here to ask your approval to submit an application to the Federal Aviation Administration to use additional Passenger Facility Charges. As you know, staff have identified certain projects at JFK, Newark and LaGuardia that support the Agency's capacity, security, operational objectives that would benefit from funding. The application would also add Stewart Airport to the Port Authority's collection authority.

In addition to being able to advance those important projects, the application would also assure that our collection authority doesn't expire while we await congressional action on a bill that would increase the allowable collection rate from the current $4.50 per enplaned passenger. And once that legislation passes, which is expected in the Spring, we would begin discussions with the Board on how to bring additional funding capacity and how that could be used for other important projects.

Commissioners, I just want to remind you of some of the legislative history of the PFC. As you know, the law that allows us to collect $3.00 per enplaned passenger, which is called the Aviation Safety and Capacity Act, was enacted by Congress in 1990. The legislation was intended to assist airports in funding major infrastructure development projects. We have to apply to the FAA for approval in order to be able to do that. The projects themselves must meet very significant tests in terms of safety, capacity, security, enhancing competition, noise mitigation or other projects. The funds are collected by airlines. They're remitted to the airport and then used by us for those projects that we apply to collect for. In the year 2000, the AIR-21 Bill was passed, and that allowed us to increase the PFC collection rate to $4.50. Basically the same objectives associated with the program. The only difference is they must meet a significant contribution test in order to qualify for $4.50; otherwise, we can only collect at $3.00.

More recently, there's been a lot of discussion in Congress about the possibility of increasing the Passenger Facility Charge collection rate to a $7.00. Some people are even calling for $7.50 as part of the FAA Reauthorization Act. The House did pass its version of that bill back in 2007. Unfortunately, the Senate didn't act. We expect that legislation will be considered again sometime this Spring.

Now, under the PFC collections that we have done -- we've applied six times for collections, starting back in 1992. There's a total of $2.6 billion that we are collecting under that program. There are about 50 projects --

Commissioner Holmes: That's since '92?

Bill DeCota: 1992, yes.

And we have collected right now about $2.2 billion of the $2.6 billion. When we have collected the $2.6 billion, if we do not have additional projects, the collection authority expires.

Those projects that that $2.6 billion is being applied to amount to about $3.6 billion in total cost. You see the biggest categories here of what we've spent. JFK Airtrain, we applied about $1.3 billion against a total project cost of about a $1.9 billion. Airtrain Newark, we applied about $400 million against a total cost of about $850 million. We've got some airfield projects. Terminal projects, like some money going toward the Terminal B modernization and planning for the Terminal A expansion and renovation as well as the Central Terminal Building make up the balance.

The last application that we had approved in 2006 was when we went up to $4.50 for collection. We collect about $220 million a year. Based upon that, if we don't act, our collection would expire the first quarter of 2011.

So there's some projects that we'd like to suggest now that meet all of the objectives that the Board had previously laid out in other authorizations about capacity, operations, security, and also maintain State balance. One of the objectives of the Board was that PFC's collected in one State stay in that State, and so the distribution of whatever we collect in New Jersey goes to Newark, the New York PFCs go to the New York airports.

The first one is the Bollard Program. The Board will recall the Board has previously authorized us to advance the Bollard Program. It was part of our threat and vulnerability risk assessment. Some work has gone underway. You can see some bollards here installed in front of a couple of the terminals. The airlines heretofore have not been able to indentify internal funding in light of the economic downturn, the challenging financial outlook. The airlines are a key part of the consultation process in approving the PFC. They have a lot of input with the FAA as the FAA reviews the application. It was deemed to be prudent, in light of the expense of this program and its importance, to request that we apply $125 million in PFCs to finish that program at every single terminal.

Also, you'll recall, as part of the Flight Delay Task Force effort, we identified a whole bunch of ground improvements at JFK. This Board has approved several programs against a budget allocation of $150 million for taxiway -- hold pads, taxiway access and other projects at Kennedy. We've identified similar projects at Newark. There's about $45 million worth of projects, which we describe in the Authorization before you, for the construction of taxiways and hold pads, and that was not programmed in the Capital Plan, and it seems desirable, in light of

the delay reduction benefits and the fact that we operate the most delayed airports in the country, that we apply $45 million in PFCs to that project.

There's also a need for a deicing facility at Kennedy Airport. As part of our state pollution emissions discharge permit, the Port Authority has to submit a Best Practices Management Plan. We also have to reduce discharge of deicing fluids into waterways. We already have one centralized deicing facility. We'd like to explore and develop another one, and therefore we're recommending that this project, which is also not funded, be included in the application for $75 million.

This project was included -- this runway rehab of Runway 422 at LaGuardia was included in a previous PFC application but at a smaller amount of money. The Board had previously approved it. As we began to rehabilitate the runway, there was a determination that the entire electrical system needed to be upgraded and modernized to the current standard, and so the cost has increased. What we're asking is that we fund this now at $62 million. It was previously funded at approximately $30 million in the previous application.

And lastly, as I mentioned, we would be adding Stewart to our collection authority. That would give us a unified expiration date also on Stewart and add them to the $4.50 collection rate. There's a need for a lot of equipment up there. The previous operator did not modernize the equipment. There's a need in particular for snow equipment because of the age and condition of that, and so we're requesting that you also include $5.8 million for airfield and snow equipment in this application.

So this is a recap of what I'm asking -- $4.50 collection rate that we would apply for use and collection authority for these projects. It's about $312.8 million. We would be adding Stewart. Based upon that, it would extend our authority to collect through approximately the third quarter of 2012, and as I said, if there is an increase legislatively to $7, we would be coming back to the Board. That would generate significant capacity, and we'd have to have discussions, really, about a very comprehensive program of how that capacity could be deployed. If you --

Bill DeCota: Yes?

Commissioner Steiner: Do you have a list being prepared now, a study of how (inaudible) the $7? It won't be a surprise? You'll have a list ready?

Bill DeCota: Yeah. The list would be fairly extensive because if we were to go from $4.50 to $7, it generates over $200 million a year. Plus, since this collection authority would expire in 2012, and if we were to leverage that, there's a number of years of the existing base. So we're talking about probably a pool of money that approaches $5 billion that would be available for projects. Of course, those projects have to meet eligibility and need, and they have a variety of conditions that the FAA applies, and the FAA would have to approve them.

Commissioner Bauer: Would they have to be used by 2012?

Bill DeCota: No. No. This would just be -- these projects are estimated to finish by 2012. In the event traffic decreases and our collections drop from the $220 million a year we get now -- our collection actually expires whenever we've reached the limit of the total value of the projects the FAA has approved for collection. And then the application would continue if we had more projects in the capital plan that we could use it for.

Commissioner Steiner: My question -- maybe I didn't make it clear. You have a waiting list. We're not going to be caught in surprise if you get a $7 thing. You'll be ready to go. You'll have a list of --?

Bill DeCota: Yeah. Yes, we will come (inaudible) unfunded needs and where it would be appropriate and get the Board's guidance on (inaudible) priorities would be for funding.

And this is just the schedule. We would hope -- it takes, as I said, about a year. If the Board recommends this for approval, we would start the application process in March. We would hopefully get an answer back by December of 2009, and then these projects would go into the unified collection pot. So what we're asking you to do is to advance this to the full Board for approval.

Commissioner Hochberg: So, Bill, a couple of quick questions. Are we approving the going forward on the PFC application process or approving these projects?

Bill DeCota: These projects are specifically mentioned in the application because these are the projects that the public will comment on for the use of PFCs. So you're really agreeing that this would be the use of the PFCs. As I said, these maintain the State balance. They are -- they're basically accretive to Port Authority financial capacity. They're needed projects, and they represent, as you can see, a balance at each airport.

Commissioner Hochberg: All right. Can you identify briefly for us what didn't make the cut, just so we understand your thinking and judgment? Obviously these -- I lost track, four or five, were included. What didn't get included, generally speaking?

Bill DeCota: Well, right now there's a $4.4 billion Aviation Department Ten-Year Capital Plan. The Board has approved the next year of that Capital Plan. And the question would be would you apply PFCs to any of those projects that are already in the Capital Plan, and generally no. I mean, some of these projects have a little bit of funding. Because if you were to include those projects that are already in the Capital Plan, it would not be additive to capacity. So these were identified as basically unfunded, necessary and meeting the tests. There really weren't other projects that were really shovel-ready, I suppose, that could go forward on this basis where we could apply now.

And keep in mind, the key for these projects is really timing. It's to get the approval by the beginning of 2011 since the application that we now have expires somewhere in the 2011 timeframe, keep the collections moving. If the PFC collection rate increases, this is only really nine months of PFCs. So this really a -- this is a filler application as opposed to something that truly -- you know, it accomplishes important things, but it's not really a wholesale PFC

application like the thing we would go through with the Board where we'd go through all the needs and we'd go through the money.

Commissioner Hochberg: And if you could -- it's my first time, I think, on this Committee -- explain, since we make money on our airports, if I can use that term, how do we square the revenue received from PFCs to do this work versus the profit we remove from the airport for other Port Authority operations --

Bill DeCota: Any project funded with PFCs, with the sole exception of a terminal project, is just paid for with PFCs. It's almost like receiving a grant. It's an offset to the capital investment.

Commissioner Hochberg: So PFCs only goes towards capital.

Bill DeCota: It has to be capital projects. And --

Susan Bass Levin: And it can only be spent on airport.

Bill DeCota: It can only be spent on airport, and the airlines cannot pay for them. The exception is if we use PFCs for terminal investment -- and there are very strict conditions as to where you can use it in terminals, the length of lease, the common use of the nature of the things -- then we are actually required to charge the airlines for that investment and charge them a competitive, non-discriminatory rate based upon what anyone else would pay if that terminal was funded with other sources of funding, like consolidated bonds.

Commissioner Hochberg: So if we were like other airports in the country, could not make profits from operations, we would be using that money in the terminals and perhaps would either have more projects or less need for the PFC revenue. Is that accurate?

Bill DeCota: Well, in our long-term plan, there's an assumption that you will probably want to use PFCs toward terminals. It's kind of -- the choice of where to use PFCs is less dependent upon our ability to fund or our ability to commingle and support other operations and more based upon where is really the need the greatest, where is the funding lacking, where would this be additive to capacity. Because that was the intent of the law. The law was very specific. This was another independent source of funding, controlled by airports with approval by the FAA with only input from the airlines where you could grow your capacity and build things that otherwise couldn't get built. And that's really the practice that we follow.

Commissioner Holmes: Has it been our practice to leverage the PFCs on airport projects?

Bill DeCota: To date, we have not needed to leverage. We have paid everything on a pay-as-you-go basis. If there's a $7 PFC enabled and we have a bold Capital Plan to support that, we would have to probably go out and leverage it in order to be able to accomplish those projects and take full value. But we have not yet.

Commissioner Bauer: (inaudible) You still-- this is an elementary question. Everything has to be approved by the FAA?

Bill DeCota: Yes, it's a very detailed application process. Public notice, projects put out. Port Authority actually holds public hearings. Information is gathered. FAA reviews. Checks not only the justification and the eligibility, reads all of the public comments. Must decide whether it requires an environmental assessment of some type. So that's why it takes a very long process and takes as much as a year in order to get approval.

Commissioner Bauer: Has it ever not been approved?

Bill DeCota: We have had some projects that were approved for collection but not yet used, and that's only because the projects weren't at a state yet where the FAA felt that use was appropriate. Maybe there was environmental work or more planning that needed to progress. But we've never been ultimately rejected. We've always managed to come up with a solid justification. We're usually very ready when we go into the process.

Susan Bass Levin: Bill, once the FAA approves this and you have some specific projects, you still need to come back to the Board as you proceed on these projects -- planning and project authorization.

Bill DeCota: Yes, that's a very good point. As the Deputy Executive Director mentioned, we would have to come back to you and actually say, "We would like to authorize this project. We would like to approve this project." You would award contracts for these projects. Absolutely.

Commissioner Silverman: Is there any scenario where we would expend the funds and then not receive the PFC reimbursement?

Bill DeCota: The PFC Law has provisions that have not been used in this country that I'm aware of that would allow the Federal government to terminate an airport operator's collection authority for PFCs in the event it violates certain rules or regulations that the Federal government has established. Like if we were to violate the Noise Act, if we were to have some kind of a Federal finding against us, say under a Federal -- what's known as Part 16 Complaint. But those are generally always resolved, and I've not heard of anyone actually having their PFC collection authority suspended as a result of that. It always is a process of discussion.

Commissioner Silverman: Any other questions for Bill? If not, we'll move on to the next items, which is involving our ports, and Rick Larrabee -- is Rick here?

Richard Larrabee: Chairman, good morning.

Commissioner Silverman: There you are. Hi.

Richard Larrabee: Commissioners. Good morning.

Our economy's facing extraordinary times, these days, and as the saying goes, "Extraordinary times require extraordinary measures." Today your authority is requested for a unique program that under different circumstances might be considered an extraordinary measure, but in light of today's fiscal climate seems a very appropriate one for the Port Authority to take.

Before I get into the details of the proposed program, which would implement a $25 per container incentive to be paid to those ocean carriers who expand their use of our Express Rail facilities, I'd like to first provide you with a little bit of background. You're all fairly familiar with this slide. We're basically creating on-dock facilities at all of our container terminals, supported by two large support areas -- storage areas for containers. When this system is fully built out, we'll have the capacity to go from where we are today of about 370,000 lifts to 1.5 million lifts, a significant improvement in service.

While our port enjoys a high growth rate for container and rail activity in the last few years, the future is more uncertain. Or what I should say is the near-term future is more uncertain, given the current economic environment. Most ports would -- most ports globally and in the U.S. expect to see a negative container growth for 2009 and possibly 2010.

So 2009's going to be a highly competitive year, with many ports vying for a stagnant or shrinking cargo pie. This is especially true for our rail cargo, which is very price sensitive and moves in an increasingly competitive market called the Discretionary Cargo Market. Approximately 20 percent of the port's container traffic has a domestic origin or destination of more than 250 miles from the port. We call these containers discretionary because they are port blind. We do not enjoy the natural geographical advantage we have for cargo for our metropolitan region. It does not matter to a shipper in Chicago if his container is shipped through a port -- our port, or any other port. What does matter to that shipper is the price is right and that the cargo gets to where he wants it to go on time.

Discretionary cargo is very price and service sensitive. Due to the distances, this is a primary intermodal rail market. This geographic shows that those destinations served by the rail from our express rail. And as you can see, we service areas all the way out to Minnesota and Kansas City and have very good service to these areas.

Other East and West Coast ports in the United States are adding rail capacity, some of which is being financed with Federal and State funds, and have directly targeted our rail market. We also see other ports, as the depth and breadth of the economic turndown has become apparent, taking measures to attract cargo. Charleston and Los Angeles have recently implemented incentives to attract new cargo, and to our knowledge, other competing ports are currently offering between $50 and $100 per container incentives specifically for new rail cargo

Despite this challenge, we have a new opportunity to better compete in this market because our Express Rail construction is nearly complete. By the third quarter of '09, two additional projects will be completed that will almost double the capacity of our port's rail system to approximately 100 -- I'm sorry, a million containers.

The second lead track to Express Rail, Elizabeth, will allow for the simultaneous arrival and departure of two, two-mile-long trains, adding both capacity and operational flexibility to the Elizabeth facility.

And the completion of Phase 1B of Corbin Street Support Facility will provide additional working track, allowing us to simultaneously handle four direct 10,000-foot trains. This means that we can build one train for a specific destination, such as Chicago or Detroit, which will not only decrease transit times but will also reduce per-unit costs for train movements.

The net effect of this is to improve cost competitiveness of our port versus others. The proposed program is designed to take advantage of this opportunity.

Commissioners, in view of the increasingly competitive market in '09 and '10, and the additional intermodal rail capacity that will come online in '09, your authorization is requested to implement an Intermodal Rail Incentive Program at the Port of New York and New Jersey. The proposed program will promote the use of our Express Rail facilities, providing a $25 incentive in '09 on all eligible containers to ocean carriers utilizing our rail facilities.

An eligible container is defined as an ocean-borne, internationally traded container in excess of 107 percent of the ocean carrier's 2008 container volume handled by our Express Rail facilities. The $25 per container incentive represents approximately one-half of the intermodal lift fee that the Port Authority normally receives for any container that is loaded or unloaded at one of our facilities. This level of incentive should provide both an inducement to the rail carrier and increased revenue to the Port Authority. We propose payment of the incentive to the ocean carrier because it is the ocean carrier that normally chooses the port of entry or exit for discretionary cargo, and it is the ocean carrier that normally contracts for the railroad or rail carriage of the container.

Should the program provide to be successful, authorization is also requested to extend the program for an additional one year.

The Intermodal Rail Incentive program is intended to stimulate the use of our Express Rail facilities. Staff forecast that the incentive could result in an increase of approximately 2 percent to 4 percent in containers moved through the port, which could result in an increase of revenue between $460,000 and $930,000. And although it is not anticipated, there is also the possibility that one or more carriers might increase their '09 rail volume by more than 107 percent, but the overall port rail cargo could increase by less than 107 percent, which would have a negative impact on the port that is currently estimated to not exceed $500,000.

Promoting the movement of containers via rail will mitigate an environmental impact caused by highway congestion and will allow more containerized cargo to reach its destination with fewer trucks. Lastly, the movement of additional cargo through the port will not only increase the amount of cargo that we handle but will increase employment opportunities for the region.

Commissioners, I request that you advance this item to the full Board for approval today.

Commissioner Steiner: I have a question. As I understand it, there's a floor of 107 percent of 2008 traffic, and yet you're projecting a 2 percent increase, which would bring it 102 to 104. How do they get the money? It doesn't make sense to me. They're not going to get any incentive

if they have to do -- if they have to have a 7 percent increase before they get any rebate, unless I'm not understanding it.

Richard Larrabee: Our rail model is built on a growth rate of about 7 percent, and we have been enjoying about a 14.5 percent year-on-year increase in our rail business over the last 10 to 15 years. The plan, very simply, is to encourage each one of our carriers to exceed last year's volumes -- their volumes -- by more than the 7 percent that we would project. If they're able to do that, then we would be willing to give them an extra $25 -- or take $25 off the lift fee.

If that cargo were to come, the additional cargo, we would still be getting a $25 to $27 profit --

Susan Bass Levin: I don't think that's the question.

Commissioner Steiner: You're right. That's not.

Susan Bass Levin: The question is, if you're only projecting 2 percent or 3 percent growth --

Richard Larrabee: No, no, no. What we're saying is that we believe this incentive program could induce an additional 2 percent to 4 percent growth.

Susan Bass Levin: I see.

Commissioner Steiner: That's on top of the 7 percent.

Richard Larrabee: Correct.

Commissioner Steiner: Okay. That's what wasn't clearly stated in the --

Richard Larrabee: I'm sorry.

Commissioner Steiner: And I didn't understand that.

Richard Larrabee: I have this incredible head cold. If I don't sound like I'm here today, it's because I --

Commissioner Steiner: A lot of us are here but not in entirety. You're not alone. I wanted to ask you a question. You were asking for permission to extend it another year. Would you increase the base by another 7 percent, or would it still be the original 2008 base?

Richard Larrabee: No, it would be the additional. It would be --

Commissioner Steiner: So in other words it'd be --

Richard Larrabee: There'd be a comparison between --

Commissioner Steiner: So over 114 percent of the 2008 would be the base.

Richard Larrabee: Correct.

Susan Bass Levin: Would that be correct, or would it be the 2009 numbers plus 7 percent, which might not be 14 percent. It might not be.

Richard Larrabee: It might not be. In other words, a carrier may not have exceeded it in 2009 but might exceed in 2010, and it would be based on their 2009 figures.

Commissioner Steiner: Not the 2008. Thank you.

Richard Larrabee: Right.

Commissioner Holmes: I have a question. Do you have a test period for this incentive program? In other words, what happens if it doesn't work?

Richard Larrabee: Well, by the time we get it implemented, Commissioner, we're probably only going to get about nine months in this first year to actually test it. We're obviously going to -- we monitor rail traffic on a monthly basis, so we'll have a fairly good idea of where we stand, both in terms of overall rail business and the business that any one particular carrier brings to the port. So we'll have a good sense. But the program, if you approve it, is for one year, so we wouldn't have any options during that one-year period. The option comes at the end of 2009 when we decide whether we're going to do it again.

Commissioner Holmes: How do you know the $25 is enough? Because you cited $100 at other places.

Richard Larrabee: Well, this is always a challenge from the standpoint of looking at the balance between revenues now, the potential loss of business because of the economy, and the potential for gaining carriers. We've had some discussions with rail carriers and with our ocean carriers, and we feel at this point that this kind of a gesture, although not $100 a box, that the example that I've given in the case of one of our ports to the south, is that for the last two or three years, they've been giving their customers $100 a box incentive. Our problem, of course, is that we're competing with ports where the capital improvements to those rail systems are not having to be captured in the kind of fee that we're charging. And so it makes it a little bit of a unlevel playing field. So we're sort of caught between the need to continue to bring in revenues to cover our capital costs, and the need to provide some incentive and acknowledgement on the part of our rail carriers, or our ocean carriers.

So I think from our standpoint, this is our attempt to demonstrate to our customers that we understand their current economic situation. And it is an incentive. It is saying to them, "If you decide to bring more cargo here, there is an incentive associated with it." And what it would really mean, and particularly in this down market, is shifting containers from another port to bring it here.

Susan Bass Levin: Maybe after six months you can report back to the Committee, maybe, as to what the numbers have been.

Commissioner Holmes: Yeah.

Richard Larrabee: We'd be happy to do that.

Commissioner Bauer: How does that compare to other ports? You're talking about other ports don't have to do this because they have the funding. How competitive will we be even given the subsidy? I mean, what advantage is there --?

Richard Larrabee: Well, the advantage that we have -- because we're typically the first-in or last-out port. If a carrier comes into New York with a box that wants to go to Chicago, even though we may have not quite as much of a price advantage, because of the kinds of increases in service that I talked about earlier, his advantage is to take the box off in New York because he's got a two-day advantage over a port like Norfolk, put it on that rail car here, get the $25 incentive and get it to their customer two days earlier. That's the advantage that we're trying to take --

Susan Bass Levin: It's not a price advantage. Just to be clear -- Norfolk and perhaps some others, right, are offering these incentives, and they're offering better incentives.

Commissioner Bauer: Right. But our competition is our efficiency.

Richard Larrabee: So we're -- yeah, we're really offering two things here. We're offering a more efficient system this year because of the increased capacity, and we're offering somewhat of a price cut for those that are willing to bring more cargo here.

Commissioner Steiner: Another question. What do you anticipate -- you say port business is off. So what you're saying if 2008 was 100 percent, what would you expect our traffic to be? You still think it will be 107 percent, or in view of the change in the economy, wouldn't it be less than 100 percent? It'd be a decrease rather than an increase? And the point of that is if the traffic's going to go down anyway, you're not giving anybody anything unless you give a better break, tie it to the 2008 rather than 7 percent more. How do you expect to get an increase when port traffic is down? So I think it's illusory, and I don't see that it's any kind of incentive at all. And anybody who's intelligent on the shipping industry will say, "What are you giving me? You're not giving me anything." The best thing I think that you should do is rethink it about tying it to the 2008, especially since you believe there's going to be a decrease.

Richard Larrabee: The opportunity that an ocean carrier has, Commissioner, is that they can divert cargo from another port, and we've seen carriers do that over the last couple of years. We've enjoyed additional cargo, particularly when our facility opened in Staten Island last year, because we did see major carriers shifting that cargo back to New York.

So I think it's not just a direct relationship between the amount of containers that we'll bring in in 2009. There are other factors at play here that allow an ocean carrier to take advantage of this. One is better service, and the second is this incentive, and I think the combination is something we'd like to try.

The problem we have if we go to a straight incentive, a per-box incentive without tying it to volume, is that it substantially interrupts our overall rail program in terms of --

Susan Bass Levin: But I don't --

Commissioner Steiner: You misunderstood me. That isn't what I said. And I'm-- notwithstanding what you said about the increase in efficiency, why they come here. What do you believe, on the normal run of business, our port traffic will be, up or down, without this incentive?

Richard Larrabee: I believe it will be down.

Commissioner Steiner: By how much?

Richard Larrabee: Probably about 2 percent to 3 percent.

Commissioner Steiner: So, in other words, in order for anybody to get this benefit, they have to pick up the 2 percent or 3 percent plus 7 percent. That's a 10 percent increase. I think that's unrealistic, and I think you ought to go back and think about, "Why don't we just try to think, at least for this first year, just do better than you did last year," without the 7 percent increase. It's not realistic.

Commissioner Steiner: I think it's no skin off our back if we give it to them, an increase over 2008 because we think 2009 is going to be 98 percent. So you're giving them a better incentive, and it doesn't really cost us anything 'cause it's coming from incremental income that we wouldn't otherwise have. So I agree with your principle, but I just think you've set the bar too high.

Commissioner Hochberg: If I could ask -- when we had our tour last week -- this is late for this kind of conversation, but how do we evaluate whether this extra discretionary freight is really good for the region in terms of -- we're space and capital constrained, and whether it's worth taking -- do we generate enough revenue and ancillary employment that it's worth competing for that discretionary cargo? And also, what value cargo? You showed us, if I recall, the banana processing plant that's a very low margin business. So that's a longer term conversation, but I don't see how is that factored into this?

Richard Larrabee: It's important to us, I guess, for a couple of reasons. First of all, what's happening today is that as a ship arrives here from Asia, it wants to maximize its operating time, which means it wants to stay in one port a shorter period of time, and it wants to make less -- fewer port calls. If we can provide good rail service here, that's an inducement for that carrier to drop that box here, and we've seen -- as we've talked about the statistics in this, we've seen over the last 10 to 15 years a 14.5 percent increase in our rail business year-on-year. That business has not only paid for itself, but it has encouraged ocean carriers to bring more containers on that ship, and that eventually affects the container that's actually being delivered locally.

So the fact is that it's a much more efficient operation for them. Their inducement is to come to New York with not only that discretionary cargo but to bring more of the local cargo here, and

that's what's happened on the West Coast. It's taken the cargo off the West Coast, put it on an all-water ship and brought it to New York because it's a much more efficient way to deliver all of those boxes.

Commissioner Hochberg: Let me ask you one other question. It's a rare moment to see you and Bill side-by-side, and Bill talked about, in the airports, a degree of parity between New York and New Jersey, but that does not apply to the ports. Am I correct?

Richard Larrabee: Parity in the sense of?

Commissioner Hochberg: Investment, operations.

Susan Bass Levin: Just to be clear, what Bill talked about was that PFCs that are collected in one state are spent in that State, versus -- because they're actually Passenger Facility Charges, so they're -- and that's the parity that they're talking about. It's parity, but in a limited way.

Commissioner Holmes: Revenues aren't done that way.

Susan Bass Levin: No, it's just PFCs, just to be clear.

Commissioner Hochberg: Because essentially all of our port infrastructure's on the New Jersey side. I'm not trying to pick sides, but I'm just trying to understand where we --

Richard Larrabee: Well, I would say about 20 percent of it -- 20 percent to 25 percent of it is on the New York side.

Commissioner Bauer: New York.

Commissioner Steiner: Mr. Chairman? First of all, let me preface this by saying I think our Port people are doing a wonderful job in generating traffic, and I think they're right with it, and they're all working very hard, and I think you'll see the results of the careful planning of the admirable -- admiral's admirable group and what they've done. I might have some limited disagreements on some of their leasing, but in general, I think they do a great job, and this just points out the type of thinking that they're doing.

But as a business man, I would suggest that we drop that 107 percent, you consider dropping it to 102 percent to make it more palatable, that they just have to get what they did last year plus 2 percent more. It's all incremental business anyway. So I think it's a real -- I think it's a better teaser than 107 percent. I'd like to know how the Board feels about that.

Commissioner Bauer: I agree. Rick, I just wanted one point -- because I'm sure you know the answer to this, because I think Fred had referred to the economic development that comes from the port activity. And do you know, off the top of your head, the amount of jobs that are generated by each percentage of increase of activity in the port about -- it's significant --

Commissioner Steiner: Ginny, that's rail traffic that comes in and goes out right away, so the only --

Susan Bass Levin: No, I think she meant in general.

Commissioner Bauer: In general. Just Port activity. But still if we're getting him here, I understand the rail, but you're still getting more ships here, and what does that mean?

Richard Larrabee: Today it's about 240,000 jobs that are either directly or indirectly linked to the Port, and about $25 billion in regional economic activity.

Susan Bass Levin: And I would just say, to the extent that you can track these numbers of the increases and perhaps how it compares to other ports, that would be helpful for the Board as they move forward to look at this number.

Richard Larrabee: I'm very supportive of the idea of going back to 100 percent.

Commissioner Holmes: I actually like 100 percent myself, but I'll leave it to your expertise.

Richard Larrabee: So we'll come back to you and do this --

Susan Bass Levin: I think the Board should prepare to move forward.

Commissioner Steiner: I think we should decide right now.

Richard Larrabee: Oh, okay. Great.

Commissioner Bauer: What's your recommendation?

Commissioner Steiner: I'm with you.

Susan Bass Levin: What? What are you with us, at 100 or --

Richard Larrabee: At 100 percent.

Commissioner Holmes: Yeah, that's what I think. Yeah. It makes sense because we're competing with other folks. We don't want to lose because we're not priced right.

Commissioner Steiner: And besides, it's all additional business. If you don't get it, you don't pay. If you get it, you pay.

Commissioner Holmes: I don't know if it's additional.

Commissioner Steiner: Well, no, if they bring you extra cargo --

Commissioner Holmes: It's not going to be extra cargo now. If we do 100 percent, it's not extra cargo, right?

Commissioner Steiner: Over 100 percent.

Susan Bass Levin: No, I think it's an increase over 100 percent.

Commissioner Steiner: Increase over 100 percent.

Commissioner Holmes: Okay.

Susan Bass Levin: I think last year's number. They only get it on an increase.

Commissioner Holmes: Any increase. Got you.

Susan Bass Levin: So it encourages them to --

Commissioner Holmes: That's fine.

Susan Bass Levin: Really what it does is encourages them to move their discretionary cargo here, which is the whole point.

Commissioner Holmes: Right.

Commissioner Steiner: Can we amend this motion?

Karen E. Eastman: Yes, we'll amend the -- if the Committee's in agreement, we'll amend it and recommend it to the Board at the 100 percent level.

Commissioner Holmes: But also track it so that we can look at the results.

Richard Larrabee: Absolutely.

Commissioner Steiner: You think we can get a report every three months.

Commissioner Holmes: And even the results against last year because we got to look at whether we're actually losing, period.

Commissioner Silverman: Why don't we move on -- because we have a busy agenda this morning -- to the lease at Port Newark. Rick?

Richard Larrabee: Commissioners, I'd like to discuss with you an action that's included on today's calendar that requests authorization to enter into a new agreement with FAPS, Inc., one of the port's major auto processors for the letting of approximately seven acres at Port Newark for the processing of automobiles.

As background, FAPS is a vehicle processing tenant at the port since 1956 and currently employs approximately 435 individuals on a full-time basis. Under the prior authorizations, FAPS currently leases a total of approximately 218 acres on the north and south sides of Port Newark Channel, illustrated on this slide in light blue and red under the two agreements that expire in December of 2019, and these areas are noted.

FAPS currently pays approximately $14.7 million in annual basic rent. The FAPS operation also generates additional revenues to the Port Authority of approximately $4.1 million from the collection of dockage and wharfage from vessels discharging vehicles for FAPS at our public berths. This equates to approximately $86,000 per acre in 2009.

Under an operating agreement, FAPS also processes vehicles for Wallenius Wilhelmsen, another auto processing tenant, on approximately 60 acres that Wallenius is lease hold in Elizabeth Port Authority marine terminals.

In early 2008, the previous tenant occupied a 7-acre parcel. This was a leaseway auto carrier operation shown in dark blue on this slide, and they declared Chapter 7 bankruptcy. In August of 2008, the Port Authority issued a Request for Expressions of Interest to two existing auto processors at the New Jersey marine terminals -- FAPS and Toyota Motor Sales -- for the expansion of their operation in Port Newark.

Both auto processors responded to the RFEI. Staff evaluated the responses based on revenues generated from the base rent, minimum annual guaranteed throughput, the proposed lease term, respondents' financial standing and business operational commitments. Ultimately, FAPS' response was rated the highest based on the stated criteria.

As a result of the weak economic conditions facing the auto industry, vehicles are moving off the port to dealerships at a much slower rate. FAPS identified an immediate need for the 7-acre parcel and requested early entry into the property to accommodate an influx of vehicles scheduled to be shipped to the port. As a result, FAPS was granted a Right of Entry Agreement for a 1-month period effective January 17th, 2009, to prepare the property for long-term occupancy.

Commissioners, today your authorization is requested to enter into a new agreement with FAPS to least the 7-acre parcel effective 15th February, 2009. The proposed agreement would be coterminous with FAPS' existing lease through December of 2019. Rents will escalate annually based on the regional consumer price index, with a minimum annual increase of 3 percent and a max percent of 4.5 percent, with the exception of December 1st, 2013, at which time all rates will escalate at a one-time fixed increase of 25 percent. Over the full term of the proposed agreement, FAPS will pay the Port Authority a minimum aggregate basic rent of approximately $6.5 million.

Commissioners, the proposed lease agreement with FAPS will generate and accommodate commerce brought to the port and will generate revenue to the Port Authority on property that is currently vacant. The action is also consistent with our land use principles and will devote seven acres to a direct waterborne use.

Commissioners, I request you advance this item to the full Board for item today.

Commissioner Steiner: Mr. Chairman, I've had numerous discussions with the real estate people and with the port people, and they've been very responsive, and they've made a very good deal, and from a real estate point of view, I think it's the right thing for us to do. I approve of their action. I commend them for negotiating a good deal. They're really working very hard to bring everybody in line with the current market rates, and they've been saddled with some past leases which were terrible for the Port Authority, and I think they're working very hard to remedy this, and I recommend we approve this.

Commissioner Silverman: Any other questions or comments? Do we need any action on this, Karen?

Karen Eastman: No, (inaudible) it will go to the Board.

Commissioner Silverman: All right. We're now going to enter into a special interim meeting of the Committee on Operations, which will be again held in public session and again broadcast on our website. And the first matter is the Elizabeth Port Authority Marine Terminal. Dennis?

Dennis Lombardi: Yeah, good morning, Commissioners. I'd like to discuss with you two items on today's calendar that relate to a proposed roadway improvement project at the Elizabeth Port Authority Marine Terminal.

The first item requests authorization of a project to realign the curve at the main southern entrance to the port at North Avenue East and McLester Street, which is necessary to enhance safety for vehicles entering and exiting the port, increase roadway capacity and improve traffic flow along both streets.

The second item requests authorization to declare certain properties as surplus and enter into various agreements with North Avenue East, a private land owner, to acquire and transfer properties that are needed to construct the curve realignment project.

Over the past several years, various traffic studies of the port's roadway network have been performed to determine which roadways would require capacity and safety improvements to handle the projected traffic growth at our port over the next 15 to 20 years. Several short-term, low-cost operating improvements identified in the studies have already been implemented. Examples of these are on the slide in front of you.

These interim measures have helped us manage the near-term growth, but it is clear now that more significant capital investments will be needed to handle the forecasted long-term cargo growth.

As background, in 1994, the Board authorized the Port Authority's participation in a $12 million project, known at the time as the North Avenue East Improvement Project, to improve certain portions of North Avenue East. This is North Avenue East along here. Since the project was

established prior to completion of the design and determination of construction, utility relocation and property acquisition costs, the work was divided into three phases.

Phases I and III have been completed. That's the yellow and green here. It's a little bit hard to see, but this phase of the roadway is done. The remaining phase of the project is highlighted in light blue here on the turn and consists of realigning the curve at North Avenue East and McLester Street.

In 1998, the Board authorized $5 million to design and construct the North Avenue East/McLester Street curve realignment. The original realignment concept was to soften and lengthen the existing curve from North Avenue East to McLester Street. This is the original roadway here. The original concept was to take the corner off this piece of property here to make the 90-degree change in the roadway traffic flow easier and reduce the number of accidents.

However, advancement of the project was delayed due to numerous project site obstacles that required resolution, including project-related issues with the City of Elizabeth's vacation of portions of North Avenue East and McLester Street, changes in ownership and development requirements of adjacent property owners such as the Catellus purchase and marine terminal operators, the acquisition of certain properties needed to advance the project and some wetland mitigation issues.

In addition, as port growth continued, it became evident that an entirely new project scope would be required to provide the permanent changes required to the curve to improve safety and meet the needs of new property owners along the roadway, and to accommodate future growth.

Commissioners, today, your authorization of a project is requested to realign the curve at North Avenue East and McLester Street at a total estimated cost of $31.5 million. The project will provide for realignment of a sharp, 90-degree turn, construction of an additional traffic lane inbound and outbound, new signalization of driveway connections of adjacent property owners and tenants, installation of improved pavement surface, center traffic barriers and storm drainage, and the relocation of sanitary sewers and water supply systems.

Authorization is also requested to enter agreements with Public Service Electric & Gas and Verizon New Jersey at a total estimated cost of $4.1 million.

As I previously mentioned, the acquisitions of various property is required in order for the curve realignment project to advance. The remaining crucial property transaction involves North Avenue East, NAE, a private landowner of property abutting the Elizabeth Port Authority Marine Terminal, in the red square right here.

In the 2004, the city of Elizabeth passed an ordinance to vacate portions of McLester Street and North Avenue East, and the Board authorized the Port Authority to accept fee title from NAE for their interest in the vacated road beds at no cost to the Port Authority so that they could be designated as marine terminal highways. Subsequent to that authorization, NAE indicated it would like to purchase certain property from the Port Authority that would no longer be required for marine terminal purposes upon completion of the curve realignment project.

Commissioners, today your authorization is also requested to enter into a Contract of Sale with North Avenue East prior to commencement of construction., There are a number of puts and takes, property wise, but by the end of the project, the Port Authority will have spent $8,000 acquiring two small pieces of property, totaling two-hundredths of an acre -- they're actually shown bigger than they are on this, and they include the easement for construction -- and will sell one acre to NAE for approximately $400,000. That's this pinkish area here. NAE will also grant certain easement rights to the Port Authority for construction and access with respect to the NAE property.

The North Avenue East/McLester Curve Realignment Project, when completed, will improve our marine terminal roadway system by enhancing safety for vehicles entering and exiting the port. It will increase roadway capacity and provide better access and egress to the port. And the proposed traffic improvements will result in more efficient traffic flow, a reduction in vehicle travel time and idling time, and this in turn will reduce overall fuel consumption and associated air pollution.

Commissioners, I request your approval of these items today. Thank you.

Commissioner Steiner: Mr. Chairman, let the record show that I recuse myself from this because of an interest in one of the companies that is involved in the transaction.

Commissioner Silverman: We'll so note that. Any other questions or comments? Yes, sir?

Commissioner Hochberg: One question. Since this is public land, do we get any reimbursement from DOT? What's the DOT --?

Dennis Lombardi: In earlier parts of this project, we actually had DOT participation because of the adjacent property owners. And we got -- when we did -- I don't have the slide up here, but further over, closer to the turnpike, when we did the bridge widening and the road widening, DOT participated. This is actually -- when you get down to this corner, this is really the entrance to the port, and it's all going to be marine terminal highway, all sole Port Authority land, and we won't get any participation from DOT.

Commissioner Hochberg: But otherwise we normally would if --

Dennis Lombardi: We normally would, and when we can, we do.

Commissioner Silverman: Okay. So we will recommend this to the Board if there are no other questions, and then we'll go on to the last item, which is Michael Francois, agreement with the town of Harrison.

James McCoy: Commissioner, you're actually acting on this item.

Commissioner Silverman: A vote? All right, I guess I'm informing you to vote. All in favor?

Committee members: Aye.

Vice Chairman Silverman: Any opposed? Okay. So carried. Michael?

Michael Francois: Good morning, Commissioners. Today I'm seeking authorization to enter into an agreement with the town of Harrison and the Hudson County Improvement Authority to assist in the development of a parking garage in Harrison, New Jersey. Under the proposed agreement, PATH will provide up to $9.1 million towards land acquisition and the development of a five-level, 1,440-space parking deck located adjacent to PATH's Harrison station.

In addition, we are seeking authorization to acquire fee ownership of a 2.76-acre site purchased for the parking deck, and at the completion of the project, an authorization to enter into a 99-year ground lease with the Hudson County Improvement Authority, and subsequently with Harrison, for the land.

The PATH Harrison station is located at the center of the Harrison Waterfront Redevelopment area. This mixed use redevelopment plan includes residential, retail and office space as well as a professional soccer stadium for the Red Bulls. The new Harrison station will include four new station houses, plaza areas and will be able to accommodate PATH's new ten-car program. The station is projected to be completed by 2014.

The overall redevelopment will eliminate much of the surface and street parking which is currently and mostly used by PATH commuters. The proposed parking deck, which will be located next to the northwest side of the station, will provide commuter, residential, retail and stadium parking. The project developer anticipates that the construction of the parking deck will take approximately nine months to complete and should be done by the end of this year.

The overall project cost for the site acquisition, construction, hard and soft development costs and financing insurance will be $47.2 million. Hudson County Improvement Authority will contribute approximately $38.1 million in direct general guarantee obligation bonds, and PATH will contribute $9.1 million.

This new parking deck will support the redevelopment plans for the PATH Harrison station as well as the larger Harrison Waterfront Redevelopment area. Enhancement of commuter parking at Harrison station will eliminate parking congestion at other PATH stations, especially in Newark and Jersey City. It will also help to reduce the environmental impacts of traffic congestion by minimizing the use -- by maximizing the use of PATH public transit system.

Commissioners, I am requesting that you approve this item today at this meeting.

Commissioner Silverman: Are there any revenues to us on our $9.1 million investment?

Michael Francois: The-- we anticipate that the $9.1 million investment-- let me answer that in two ways. We'll be paid back through the anticipated revenues and on an interest rate equivalent to what the bond is, about 5.2 percent in 20 years. In 35 years, at the end of when the overall general obligation bond is paid back by the county, we anticipate that we will generate approximately 7.4 percent, 7.5 percent interest. And basically, at the end of the entire lease term, we should generate a return of around 9.4 percent. In addition to the fee, we have all air rights

above the parking deck. So at a later date, when appropriate, we'll be able to -- we may be able to utilize that for further development.

Commissioner Silverman: Pardon me for being dense, but I've lost you.

Commissioner Holmes: Where's the income coming from? Ground lease?

Michael Francois: The income is coming from revenues, parking revenues.

Commissioner Holmes: Ground lease payments?

Michael Francois: Parking revenues.

Susan Bass Levin: Parking.

Michael Francois: I'm sorry.

Commissioner Silverman: Okay, so we receive the parking revenues?

Michael Francois: Yes.

Commissioner Grayson: A share. A share.

Commissioner Silverman: A share, and we share that with HCIA and the parking operator, presumably?

Michael Francois: Correct. The waterfall is first for debt service, operating costs, then to us, and then a split between us and Harrison after our debt is paid off.

Commissioner Silverman: So we are a landlord, but we are not -- there's no -- we are not issuing bonds, so we're not the obligee here. Is that right?

Michael Francois: That's correct.

Commissioner Silverman: Okay. So you're saying that the lease payments over time will produce a positive return to us.

Michael Francois: Correct.

Commissioner Silverman: Okay.

Commissioner Holmes: So are we at the bottom of that waterfall?

Michael Francois: We're in basically -- more or less near the bottom. Yes. I mean, obviously, the Improvement Authority and the operating costs come first, then our equity investment, if you would. And then after our equity investment is paid off, we share it with the town of Harrison.

Commissioner Grayson: What's the share?

Michael Francois: 50/50.

Commissioner Grayson: 50/50.

Commissioner Steiner: Question. Does the fee revert to us at the end of the lease?

Christopher Hartwyk: Actually, the fee goes to us immediately upon completion of the structure.

Michael Francois: Right.

Commissioner Steiner: So we're actually going to own the fee, and we're leasing it to these -- to this Improvement Authority and the operator, but we're the fee owner, so we retain all the rights of fee ownership as subject to the lease. Is that correct?

Michael Francois: Right.

Commissioner Steiner: So in the long run it's ours.

Commissioner Holmes: We get ground lease payments.

Commissioner Steiner: Yeah.

Commissioner Silverman: Okay, any other questions? Karen, do we need an action on this?

Karen E. Eastman: We do need an action.

Commissioner Hochberg: We have the air rights, but you cannot -- it's not the construct; it's the build as a platform.

Michael Francois: Not at this point in time. Correct.

Commissioner Silverman: Any other --?

Commissioner Hochberg: (inaudible) an advantage in terms of how you build a parking structure, whether it's going to be a platform or whether you're just going to utilize the air rights.

Michael Francois: Well, at some point in time, should the market generate this, you can make renovations to the parking deck. And also, as part of the station -- it's hard to see. Well, actually, if you look at the upper left hand corner, you can see the deck, and you can see a portion outlined in white as being basically the entrance to the PATH station. That could potentially accommodate not only vertical transportation for a project above.

Christopher Hartwyk: And just to be clear, Commissioner, the current design -- engineering design for the facility would support an additional one-and-a-half story parking addition to the existing structure which would be ours if we decided to develop it.

Commissioner Silverman: Okay, if there are no further questions, can we have a motion please?

Commissioner Bauer: So moved.

Commissioner Silverman: All in favor?

Committee members: Aye.

Commissioner Silverman: All right, thank you very much. That adjourns our meeting.

The Port Authority of New York and New Jersey
Committee on Operations Transcript
February 19, 2009

Chairman Coscia: Okay, welcome everyone to today's meeting of the Committee on Operations will be held in public session in its entirety. In addition the meeting is being broadcast on the Port Authority website for those interested in following the proceedings via the internet.

Our first item of business will be Stewart International Airport, selection of a long term operator. Ms. Ehler? Good morning.

Diannae Ehler: Commissioners I seek your approval – thank you – Commissioners I am here to seek your approval of an agreement for a long term operation and maintenance of Stewart International Airport. As you recall, the Port Authority assumed operation of the airport in 2007. The Port Authority put in place a core management team of 3 staff to provide leadership and direction to the airport capital plan, management practices, regulatory accountability and community relations.

It then secured a contract with a private operator to provide the staff and resources to operate and maintain the airport. Staff has now completed an RFP and is prepared to recommend to you a long term operating contract pursuant to that process. Just to refresh your recollection, Commissioners, in January 2007 the Board authorized an asset purchase agreement with SWF Airport Acquisition Inc. As seller and National Express Corporation and shareholder related to the acquisition of Stewart Airport's lease and other assets.

The authorization included entering into an interim operating agreement for a period of up to 1 year on a sole source basis with a qualified airport operator. In September 2007, we entered into an agreement for an interim operation of Stewart with Macquarie a contractor that was pre-qualified under the New York State call-in contract. Macquarie provided for a transitioned phase which ended on October 31, 2007 when we took over the airport, and a one-year interim operating phase with two six-month renewal periods. The agreement provided for reimbursement of direct operating costs plus a management fee estimated at $530,000 annually.

In May 2008, a Request for Proposal was issued for a long term operator. However, due to the dramatic changes in the airline industry that took place during the response period, the RFP was cancelled in order to revise a new RFP document that would provide additional flexibility in the contract and respond to changes.

During that time Macquarie entered into an asset purchase agreement with AFCO to sell and transfer Maguire airport management operations to AFCO AvPORT Management LLC. In June 2008 the Board authorized staff to extend the existing operation and maintenance agreement with AFCO AvPORT Management for two six-month periods to continue to provide maintenance and operations service at Stewart International Airport under the same conditions, namely reimbursement of operation and maintenance costs, plus a management fee, at an estimated total amount of $9 million.

The extension of the agreement with AFCO allowed continual services at the airport without disruption until such time a long term operator was selected through a revised RFP process. On October 15th the RFP was reissued. Under the terms solicited, the Port Authority was seeking an operator under essentially the same terms as the base contract, the reimbursement of the operating and maintenance expenses, plus a management fee. Also, because of the weaker outlook for traffic, the RFP asked the proposal to participate in the development of an air service development and retention program. The term of the contract was five years with a five-year renewal option exercisable at the Port Authority's discretion.

Pre-determined criteria was established to evaluate the proposals which included technical expertise, experience of the proposer, including the successful performance of similar operations and maintenance services and a plan and management approach, as well as cost to provide those services. An extensive advertising effort to potential operators included 20 national and international companies was undertaken in order to secure a long term operator for Stewart. Two proposals were received in December 2008. Staff believes that the relatively small size of the contract contributed to the low response rate, since the agreement calls for the reimbursement of expenses plus a management fee.

After review, the RFP evaluation committee deemed that the submission received from one proposal was non-responsive due to its failure to meet the required prerequisites; namely it lacked the experience in operating and maintaining a large, commercial airport for a minimum of five years. The remaining proposal by AvPORTS successfully responded to the requests outlined in the RFP. AvPORTS has significant experience as an airport operator. As the incumbent it has knowledge of the needs of Stewart Airport. Further, AvPORTS submitted a quality proposal and demonstrated their ability to manage the airport.

As you know, AvPORTS has already done an excellent job of operations and maintenance of the facility. They have over a year's experience at Stewart in all routine and preventative maintenance and airport equipment and facilities and to ensure the safe and efficient operation and to perform all tasks required by the Federal Aviation Regulatory agencies.

As operator, they have been responsible for the environmental regulatory compliance which includes glycol and other de-icing containment systems and fuel farms. They work with the Port Authority staff to ensure the highest levels of both safety and security. Along with the Port Authority they will continue to ensure the operation and infrastructure at Stewart are in compliance with all federal, state and local laws and regulations and ultimately the safe operation of the airport.

Chairman Coscia: Thank you, Diane. A couple of questions on AvPORT. You mention that we hold their work in high regard. And I guess that is in part based on a review of what they have been doing at Stewart since we have been there and also the period prior to that when they were managing the airport. Do you have something sort of that is a standard that you go by to determine that? I mean we are sort of judging their performance at Stewart as having been very good. And I guess I am trying to look for some sort of comfort in how you decide that – a benchmark, a metric or something?

Diannae Ehler: Well, there are a couple of ways I would like to answer that. One is AvPORT actually has an expertise in airport management. They have been operating Teterboro for us since 2000 and they also are the operators for Albany Airport, Tweed which is in Connecticut, Westchester, Atlantic City, Republic on Long Island. Clearly they have the expertise and the breadth of experience. That, coupled with the fact that I have been up there with them for the last 18 months – they have really been an outstanding partner for us.

Chairman Coscia: Do they have specific individuals assigned? Do you have a counter part at AvPORTS who sort of runs their show up there?

Diannae Ehler: Yes I do. I have a gentlemen named Eric Bilowitz; he has more than 20 years of experience in the aviation management field and he is a true partner in every way.

Chairman Coscia: And that is a relationship that you have with Eric that allows for pretty effective interaction between us and AvPORT relative to issues and protocols to develop for emergencies and safety protocols and things like that?

Diannae Ehler: Eric is the top individual from AvPORT specifically located at Stewart and he has a team of individuals under him. And yes I have that relationship. In addition, AvPORT is actually headquartered, one of their headquarters is in Teterboro; there is a vice president there, John Harden who I also have frequent contact, as well as other individuals in that company.

Chairman Coscia: Any other aspect of AvPORT's history either with us, and I was familiar with the fact that they are working at Teterboro also; anything in AvPORT's history either working with us or any other airport that they service that raised issues of concern, even issues that were explained or understood? Is there an issue that ever came up with the FAA or some other party? Is there something to your due diligence that at least sort of came up that we should be aware of?

Diannae Ehler: Actually there is nothing negative that I have to report. In every way they are more than capable to do this. In addition they bring an experience to our management of Stewart that we don't have, it is the experience of running an airport of a similar complexity and size of Stewart. So that is going to actually be a big benefit for us.

Chairman Coscia: Two final questions and then I will let you go at least to others. Our ability to police the agreement through termination – how does that work?

Diannae Ehler: As in most typical Port Authority contracts we have got at our discretion to cancel this contract if there is any cause to do that.

Chairman Coscia: And secondly, do you have input on the amount of personnel that they put up there? I mean do you have some sort of an ability to say you don't have enough people or you do have people? And is our sort of pricing with them affected by that?

Diannae Ehler: Yes, what we have is really a fixed management fee; it is a set management fee that is escalated in accordance with the terms of the contract. All staffing and procurement processes are things that have to be vetted through the Port Authority staff up at the airport in

accordance with the budget that would be approved by the Port Authority in advance as part of the annual budget process.

Chairman Coscia: Thank you. Anyone else have questions?

Commissioner Steiner: Question – does our contract, and I presume that the operator pays the operating maintenance expenses and we reimburse them?

Diannae Ehler: That is correct.

Commissioner Steiner: Do we have the right of audit?

Diannae Ehler: Absolutely.

Commissioner Steiner: Okay, the next question is, it refers to the procurement process. You said there was another bidder that was deemed unresponsive because of lack of experience. They were probably a smaller operator. What was the difference in the management fee between them? How much are we paying for the experience level?

Diannae Ehler: Actually they did not meet our minimum standard to manage the airport.

Commissioner Steiner: I understand, I was just interested in what they bid, what the number was.

Diannae Ehler: I don't remember the specific number.

Commissioner Steiner: Was there a big difference?

Diannae Ehler: We didn't get that far in the process, to be honest, because we had gone back to them twice to try to clarify their bid and they could not respond so we did not pursue with them.

Commissioner Steiner: Maybe I didn't make myself clear. What was the first bid?

Diannae Ehler: Yes, they did. I do not remember what the prices are.

Commissioner Steiner: I was curious what the difference was; what we were paying for this expertise. I'm not saying that you should have given it to them, I just wondered what we are paying for that level of experience as opposed to starting with a new vendor that we have to train. And obviously we don't have the staff to train them at this time. But I would also like to see us encouraging new people in the industry so we are not dependent on one vendor which it appears we are right now. Thank you.

Diannae Ehler: Thank you.

Vice Chairman Silverman: I had a few questions. The first is, Bill DeCota, is he still – I mean usually he makes these presentations.

Karen Eastman: He's in Construction.

Vice Chairman Silverman: Alright, I just wanted to make sure that he was still –

Karen Eastman: He's still around.

Vice Chairman Silverman: But actually, the first question had to do with actually the slide you have up. Is the operating and maintenance expenses designed to be a reimbursement of their cost, or is there a profit built into that as well?

Diannae Ehler: No, the operating and maintenance expenses are a pass through to the Port Authority. We reimburse them. AvPORT is only entitled to the management fee that was negotiated.

Vice Chairman Silverman: And I think Commissioner Steiner asked you this – we can audit to make sure that if we are paying them $11 million for example that that $11 million does not include any markup?

Diannae Ehler: Yes we can.

Vice Chairman Silverman: The other question I had was the operating and maintenance expenses are going from about $11 million in the first 5 years to about $15 million in the second 5 years which seem to be, maybe I'm wrong on the math, but that seemed to be more than a 3 percent compounded escalation.

Diannae Ehler: Yes it is. What it does is it takes into account what we hope will be the growth of the airport. So we had actually put in language in the RFP that gave the contractors a projected growth and the operating and maintenance expenses would meet that growth. So for example, if we were much busier we might need to add additional operations staff or maintenance staff in order to keep the facility up or enlarge the cleaning contract. The costs – the pass through costs – and the estimates include that.

Vice Chairman Silverman: So if we continue in this recession and traffic continues to decline, would the O&M be significantly less than you have forecast?

Diannae Ehler: Yes it would be.

Vice Chairman Silverman: So it is not a fixed amount, it is simply your estimate of what we would reimburse them?

Diannae Ehler: Right. It would be a maximum of what we would reimburse them. The fixed amount is only the management fee which is escalated but only in important CPI.

Vice Chairman Silverman: I understand; thank you.

Diannae Ehler: You're welcome.

Commissioner Hochberg: You mentioned safety and I thought about the tragedy in Buffalo. Just who has that responsibility for the whole de-icing and things at that level of safety? Is that this operator? Is that ultimately us? Is that the airline?

Diannae Ehler: Actually the airlines contract out the de-icing of the aircraft.

Commissioner Hochberg: Okay, that's all.

Commissioner Grayson: What's your projected growth passenger throughput?

Diannae Ehler: We were projecting in year three we would be back up to 1 million passengers. In year five 1.5 million passengers. And in year seven, 2 million passengers.

Commissioner Grayson: And how does that compare to Teterboro or similar airports?

Diannae Ehler: Well Teterboro is a general aviation airport.

Commissioner Grayson: What about the one in Long Island or whatever is similar. I don't know what is but is anything close to it?

Diannae Ehler: Well, right now Westchester handles about 1.5 million passengers. Albany, 3 million. And Bradley, 5 million. So we intend to develop Stewart as a strong regional airport, but it is going to take time to do that. We project over the next three years some growth.

Commissioner Bauer: How are we on target with that in light of what Commissioner Silverman just mentioned about the economy down and traffic slower? You are talking about 1.5 million, but do you think we are going to get there at this point?

Diannae Ehler: We are doing everything we can to do that. In 2006 there were 310,000 passengers. And in 2007 there was a significant increase due to service in Air Train and Jet Blue. Unfortunately due to the recession both Sky Bus went out of business. They were there and Air Tran pulled out at the end of the summer. So our projections this year are somewhat more modest, maybe about 500,000 to 550,000 passengers. However we are in the process – with your approval – we had hired an air service development consultant who is helping us try to target airlines who are there to try to grow their business and then also new airlines so that we can meet those projections.

Commissioner Grayson: And my last question. Are there any considerations on any transportation ideas that would help get people to and from these target areas?

Diannae Ehler: That's a great question. When Sky Bus actually joined us up there we worked very closely with the MTA and NY Department of Transportation and quickly took a 5-day-a-week bus shuttle service between the airport and the Beacon Train Station that was run by the MTA and converted it to a 7-day-a-week shuttle service. And actually in March, 20 percent of

their customers were using the shuttle. After they left the use of that shuttle has gone down but we are working with all of the carriers to promote that, and that will be key – the access to the airport using mass transportation will be key.

In addition, Commissioners, you have also approved our participating in the West of the Hudson Rail Transportation Study for a potential rail link or other mass transportation link that will service this airport.

Chairman Coscia: Okay. Are we – we are not approving it. It is all being done in session. Alright. Diannae, thank you. And by the way, we appreciate, you are sort of at the forward edge of our territory, so we appreciate you sort of coming back to the home base and bringing us up to speed. And I know that Bill speaks very highly of the work you are doing up there. I realize it is sort of new ground but we have big hopes for Stewart notwithstanding what is going on in the economy and appreciate what you and your team are doing up there.

Diannae Ehler: Thank you very much. It's a great opportunity; I'm grateful for it.

Chairman Coscia: Okay, on to what I am sure will be a popular topic.

Commissioner Hochberg: The Lewis and Clark.

Chairman Coscia: Exactly. Airport luggage carts. Susan Warner Dooley?

Susan Warner Dooley: Yes. Commissioners I am here to ask for approval of a two and a half year extension for our agreement with Smarte Carte for the provision of baggage carts at our 4 commercial airports. Staff is recommending that these agreements be extended in light of the favorable terms that we have in our current agreements for these services.

Also, as part of the extension, Smarte Carte has agreed to provide substantial new investment at JFK. At this time we are also recommending an increase in the fee for the customer convenience to pay for the carts and to continue this critical customer amenity at our airports.

As background, Smarte Carte, our luggage cart operator is the leading provider of baggage cart services at airports and bus stations in the United States. They have been in business more than 40 years and in addition to luggage carts they have electronic lockers, strollers, massage chairs, cell phones and internet charging stations and baggage storage facilities. While there are many manufacturers and suppliers of carts, our experience has shown in past RFP's that there are very few if any viable airport baggage cart competitors.

Smarte Carte has been operating at the Port Authority airports under a variety of competitively awarded agreements. They were selected as part of an RFP for baggage cart services at JFK in 1998. They originally entered LaGuardia Airport in 2001 when they purchased their only –

Vice Chairman Silverman: (Inaudible – microphone inaccessible) advertising revenue. Is it all (inaudible) that you are showing us on this slide or just the rentals?

Susan Warner Dooley: This is the – I will explain this first. The advertising revenue as part of the new arrangement would be a different arrangement. It would be a 40 percent. No, this is the gross revenues from the cart services themselves. Okay.

So they also entered the Newark market in 2003 when their only competitor in that RFP, Airport Carts, LLC, ceased operations. They operate at Stewart pursuant to an agreement entered into by National Express Group, the previous operator. And the Port Authority assumed those contracts when we assumed operations in 2007.

Under these agreements Smarte Carte owns and operates all of the equipment, makes the capital investment, and pays the operating expenses. It manages and maintains the service and then shares the revenues with the airports. The percentage fees that you noted on this slide, they are significantly above what other major airports are obtaining now, and in fact have attained in the past. RFP's at major airports right now are yielding 10 percent to 15 percent as far as percentage fees. Again, this would be the cart sales. I will explain the advertising revenues in just a minute.

Unidentified Commissioner: (Inaudible – microphone inaccessible).

Susan Warner Dooley: These are older contracts. That is the market overall; with more roller bags we are seeing some decline in the sales. So that Smarte Carte just as they go out and bid for new permits they have been offering lowering percentages. We also have a high concentration market. Our airports are very valuable for the operators.

The total revenues that Smarte Carte paid to the Port Authority last year was $2.8 million. And the current permits are scheduled to expire on March 31st.

As I mentioned, Smarte Carte is willing to make a major investment. We have over 7,000 baggage carts at JFK. Those existing carts were installed before the Air Train opened in 2001 and we have been having problems. The small wheels can be problematic when you are negotiating the gap between the Air Train and the station platform. So Smart Cart has agreed to invest $3.1 million to purchase Bright Cars with larger wheels that will allow the carts to make the transition easier. They also have agreed to invest in new baggage vending units and a renovated cart conveyor system in Terminal 4. So that will be a total investment of $3.1 million.

Along with the extension at this time we are recommending two revenue enhancements to pay for the service. First, we are proposing an increase in the baggage fee from $3 to $5. The last increase was five years ago and since that time several other large airports have increased their rates to meet rising costs including Houston, Los Angeles, Orlando, Seattle, San Francisco and Salt Lake City.

We are also proposing to allow Smarte Carte to place advertising on the carts. Currently it is our airport advertising concessionaire who has been placing advertising on carts. But we have been realizing only about $328,000 per year from our current advertising. That is $164 for each one of the 2000 carts that they have advertising on it. Smarte Carte has had much more success at other airports with advertising on carts. They believe that the advertising could be sold for $22 to $30 per cart, per month. And the Port Authority would realize 40 percent of those revenues.

Smarte Carte would receive 30 percent and then the advertising agency would receive 30 percent.

So the combination of these two initiatives, the increase in fees and the advertising we believe would generate more than $2.9 million during this extension period.

Commissioner Steiner: Just only on the advertising?

Susan Warner Dooley: No, that is on the two. That is the combination. Thanks, 1.5.

Commissioner Steiner: Does that mean they have ads on every cart?

Susan Warner Dooley: I believe they are going to look at the number of carts that are out in circulation but – right.

[Inaudible Cross Talk]

Susan Warner Dooley: 7,000 carts, right.

Commissioner Steiner: At JFK only.

Susan Warner Dooley: At JFK and with the other airports.

Commissioner Steiner: What about all the other airports, there are more than 7,000 carts in total, right?

Susan Warner Dooley: Yes, but I think the placement. There is $22 to $30 per cart. But currently we have advertising only on 2000 carts. So I think it is very much going to have to be gradual implementation. This is, as we have talked about with this environment – I mean in coming.

Commissioner Steiner: (Inaudible).

Susan Warner Dooley: No, I do not know off the top of my head. I'm sorry.

Chairman Coscia: (Inaudible) about the advertising on the cart rentals at Heathrow?

Susan Warner Dooley: At Heathrow? Let me see if I have – I think the information I have is only US airports. My apologies.

Chairman Coscia: I think Heathrow did have (inaudible).

Susan Warner Dooley: Right, yes, there are Canadian. Right.

Chairman Coscia: Definitely our travelers who would use it who generally arrive at JFK are more international than domestic travelers, (inaudible).

Vice Chairman Silverman: [Inaudible Cross Talk]

Chairman Coscia: Alright, any questions, comments?

Commissioner Hochberg: A few of us I know were concerned about this sharp increase. And this is the kind of thing that would be in the NY Post for sure. "Carted Away." I can just hear the headlines already. We ought to really do some communication around you know, that it makes it easy to use the AirTrain and talk about some of the service enhancements. And maybe Steve can find a way to promote that just because otherwise their concerns about the transit fee, the subway fare, everything going up. Unless we can talk about somehow that there is some benefit to the consumer versus purely our desire – I mean we are going to put the cash to good use but nonetheless that is not how -- If I'm getting off an airplane I am not thinking about that. So it just seems like I understand why we are doing this but I am a little worried about how we present this to the broader public so that they are a little more aware of benefits and so forth.

Susan Warner Dooley: Yes, I would think at JFK we can easily talk about the new improved service that is coming with the new carts.

Commissioner Steiner: (Inaudible – microphone inaccessible) I would prefer they would not do that (inaudible).

Commissioner Hochberg: Yes, I think –

Commissioner Steiner: (Inaudible) perception.

Commissioner Grayson: The wheels – they are going to buy new carts with larger wheels to get on and off the AirTrain. Do they take the carts off the airport grounds?

Susan Warner Dooley: No, they do not. It is just the Air Train between the terminals and they can take them to the Jamaica AirTrain Station. But they have to leave them before they leave our system.

Commissioner Grayson: Alright.

Commissioner Steiner: So you can get a cart at Jamaica and ride it all the way to the airport and use the cart on the AirTrain?

Susan Warner Dooley: Yes, you can. Yes. And I have seen it personally that passengers will load a lot of bags on the carts and –

Vice Chairman Silverman: A motion sir?

Chairman Coscia: If everyone is comfortable it will be advanced to the full Board. Okay, that is our agenda. Thank you very much. That is our agenda. I don't think we have anything else. Okay. Motion to adjourn.

Commissioners: So moved.

Chairman Coscia: Second? All those in favor? Thank you very much.

The Port Authority of New York and New Jersey
Committee on Operations Transcript
March 26, 2009

Chairman Coscia: Good morning everyone. The first portion of today's meeting of the Committee on Operations will be held in public session after which the Committee will meet in Executive Session to discuss matters related to collective bargaining negotiations. In addition the public portion of this meeting is being broadcast live on the Port Authority website for those interested in viewing today's proceedings via the Internet.

The first subject is the Queens West project agreement and amendment with our agreement with the City of New York. Michael Francois.

Michael Francois: Today I am requesting that the Board authorize amendments to two agreements with the City of New York. The first agreement executed in 2004 obligates the Port Authority to provide a total of $100 million for capital projects chosen by the City of New York and approved by the Port Authority in the Borough of Queens. The second amendment authorized in 2006 allowed the Port Authority to declare two stages of the Queens West Waterfront Development as surplus property and to sell this property to the City of New York for $100 million.

We are proposing a swap. The City would assume the Port Authority's obligation regarding the $100 million investment in capital projects instead of making a direct payment to the Port Authority for the Queens West property.

First some background on the airport agreement. In 2004 the Board approved an amended and restated lease with the City of New York to continue operation of JFK and LaGuardia Airports by the Port Authority. Among the other things our lease established rental payments and other financial obligations of the Port Authority to the City in connection with these properties. Under the lease the Port Authority also committed to invest $100 million in capital projects in Queens County to benefit the communities in which the airports operate.

The projects were to be identified by New York City and approved by the Port Authority. The Port Authority further committed to begin these projects within the first five years of the lease. The $100 million investment in Queens has been included in our Ten Year Capital Plan.

Since 2005 staff has worked closely with representatives of New York City Economic Development Corporation to identify and approve projects that could be expended through the PA's Capital Program to benefit the communities surrounding both airports, including Flushing, Jamaica and Far Rockaway. They include streetscape improvements, road access improvements and funding for redevelopment of such projects such as a station plaza redevelopment and studies related to the Willets Point redevelopment shown above.

Since the proposed capital projects would ultimately remain City property, staff recommends a swap of equal value that would allow the City to complete these projects directly and ensure a

timely investment of the $100 million in Queens. New York City and the Port Authority's staff have identified projects valued at $100 million.

Queens West is a $2.8 billion mixed use commercial, residential, recreational development on approximately 74 acres of Waterfront land directly across the East River from the United Nations. The 19 parcel development site is divided into 4 stages, three residential and one commercial. Currently Stages 1 and 2 of the project are owned by the Queens West Development Corporation and leased to developers via long-term agreements.

Stage 1 is nearly complete and Stage 2 development is ongoing as we speak. And Stages 1 and 2 has been leased to developers all the parcels. The Port Authority's own property consists of Stage 3 of approximately 14 acres and a portion of Stage 4 approximately a little bit less than 7 acres. The property, a total of 24 acres, is currently unimproved and has been held by the Port Authority continuously for approximately 24 years.

In 2006 the Board authorized the sale of Stages 3 and 4 to the City of New York for $100 million plus reimbursement of project costs for Stages 3 and 4 incurred between October 2006 and closing of the transaction. The current estimate of these costs is estimated at approximately $770,000 and will be reimbursed to us by the City at closing.

To date the Port Authority has expended approximately $156 million for the entire project. The Port Authority will continue to participate in and receive revenues from Stages 1 and 2. In addition the Port Authority and the City will execute a Revenue Sharing Agreement for Stages 3 and 4.

Before the closing of the transaction, the Port Authority and Empire State Development Corporation will execute a new Project Management Agreement outlining the roles of the Port Authority, Empire State Development Corporation and Queens West Development Corporation relative to the remaining build-out of Stages 1 and 2 of the project. We hope and expect closing to occur later this year.

So this proposed transaction will allow the investment of $100 million in infrastructure projects in the region to advance without delay resulting in the improvement of communities surrounding the airports and the creation of construction jobs. So Commissioners I request that you advance this item to the full Board for approval today.

Chairman Coscia: All right. Is there a motion to advance it?

Commissioner Bauer: So moved.

Chairman Coscia: Is there a second?

Commissioner Grayson: Second.

Chairman Coscia: All right. Does anyone have any questions for Michael?

Commissioner Silverman: Michael, if you can just help us understand the process. Does the City come to us? Who in the City comes to us to say we would rather not pay you the money but we would rather redo the deal? Do we earn any brownie points for going along with this?

Michael Francois: The City did come to us and I think it is important to note that one of the objectives in the Queens West transaction was the creation of affordable housing within the City of New York. And so the City came to us in 2006 for that particular transaction. We agreed upon the price and the City also obviously as part of the lease transaction for the airports the proposal, the element of the $100 million investment was part in parcel of that, recognizing that we were kind of at cross purposes to a certain degree. It was felt, the City suggested, that we effectuate a swap. It would basically accommodate both our objectives rather quickly.

Christopher Ward: The reason why this works for us is it is a clean way of meeting our obligation without having to go through all of the rigamarow of transferring money from one account to another account. It is just a clean swap which makes the transactions go forth faster than before.

Commissioner Silverman: But it is also an accommodation to the City because it delays or stretches out their payment obligation right, because instead of paying us $100 million now they put $100 million into the project over the next “x” number of years, 5 years. So my point is that is a good thing for the City presumably, obviously the City has budgetary issues. If you look at the present value of cash it is not a good thing for us. So I am trying to understand the dynamic of what we are getting for this?

Michael Francois: But we also will expedite truthfully to a certain degree some recognition. No we are not getting cash value for Queens West. And the development of that, even in the best of times had issues relative to its highest and best value, now it is even more challenged. But there is an NPV credit, I understand what you are saying.

Commissioner Silverman: And it may not be relevant or material financially but I know Chris you have many dealings with the City, starting from downtown and going all the way through the list. And I just wonder whether people at the City level, Lieber or whomever you are dealing with are aware of the fact that we are making this accommodation?

Christopher Ward: Yes. They are and you are right, there is a long list of accommodations.

Commissioner Silverman: This is an accommodation. If this were in the private sector, you would say, "Give me the money." Exactly. Okay, I just wanted to understand that.

Commissioner Hochberg: When does the lease payment end, like LaGuardia, the ground lease?

Christopher Ward: It is not separate; it is a master agreement that include both Kennedy and LaGuardia.

Commissioner Hochberg: And what is that? Do you know that number?

Christopher Ward: It is $110 million this year. $106 million.

Commissioner Hochberg: Per annum.

Michael Fabiano: It's a formula based on a percentage of gross revenues. It's recalculated every five years. But there is a floor that it can never go below the level of (inaudible). So every five years certain revenues were included or excluded (inaudible).

Chairman Coscia: We went through a 14-year period of chicken with the City on the issue. So our rent went from $3 million a year to $100 million a year, but it reflected the fact that for 14 years we beat up on them and more accurately, they beat up on us.

Christopher Ward: Well this was the Giuliani privatization of the airports for twelve years. It was right at the end of the Dinkins administration. We were very, very close to consummating a deal but the administration changed and Giuliani broke off all negotiations and initiated the privatization effort.

Commissioner Silverman: I think we paid $500 million up front as well besides the increase in rent.

Chairman Coscia: Okay. Any other questions? Okay, all of those in favor?

Commissioners: Aye.

Chairman Coscia: All right. Any opposed? Okay, we will advance that to the Board. The next presentation is Rick Larrabee on the 2008 Port Cargo Summary. Rick, it is all yours.

Richard Larrabee: Good morning Mr. Chairman, Commissioners. Today as the Chairman said I would like to take just a minute to talk about 2008 cargo statistics for the Port which we released to the public last Friday. Container traffic at the Port in 2008 was basically flat. And I'm sorry to say for the first time in 15 years that we didn't see any growth and that our cargo growth was a negative 0.6 percent in terms of our container business. Imports were down by about 2 percent while exports rose by about 9 percent. Our 2008 market plan, which was completed last December, estimated a drop of up to 2 percent for a total container traffic through the Port last year. So we did a little better than expected.

On the other hand vehicle trade at the port was up by 11 percent supported by a 40 percent increase in exports of vehicles which consisted primarily of used automobiles. As with containers, vehicle exports were fueled by the low value of the dollar through most of the year. Imports of vehicles were also down slightly.

We are not as optimistic for 2009 as we were for '08. Our Port is essentially a conduit for consumer products that are demanded by consumers mostly in this region, but also across the US and Canada. As the consumer goes, so goes our business. We know that the consumer is struggling today with the economic environment. In addition the recent rise in the US dollar and the global economic malaise will not provide support in 2009 for our exports. This is reflected in

the fact that the containers were down by 10 percent in January compared to January of 2008. We believe that this decline will moderate as the year progresses in which we forecast a range of between minus 3 and minus 6 percent for the entire year for our container business. However, this might be called a dynamic forecast and we will provide updates on a monthly basis going forward.

Prior to 2008 the Port was growing at a compounded annual rate of about 7 percent or double that of the gross domestic product. As we look to the future we believe that our growth rate will more closely mirror that of our GDP growth.

There is, however, somewhat of a silver lining in this cloud which falls under the philosophy of let no crisis go un-wasted. While our Port's total container traffic was down by 0.6 percent in '08, the total decline of the top 10 US Ports was down by over 5 percent. We are doing better than most ports not only because of our location in the middle of this consumer market but also because of the investments authorized by this Board in the Port's infrastructure, which are now paying significant dividends.

However, now is not the time for us to sit back and count containers coming though the Port. The trend has been for a larger share of Asian imports and exports to enter the US through the US East Coast and our ports. These are the all-water services that we talk frequently about. This graph shows the increase in market share of Asian cargo for the US East Coast and the New York/New Jersey area. Now is the time for us to provide even more aggressive and secure a large portion of the market share for the port and the region. Now is the time for us to push the trend. The intermodel rail incentive program that the Board authorized in January is an example of this and it should be noted that other ports have followed our example by offering additional incentives to their customers. We must also focus on how we not only can provide for sufficient cargo handling capacity but also how we make the infrastructure and the investments we have already made more efficient. There are many major importers who do not use our port.

Every company is looking now at how it can consolidate its operations in order to cut costs and make its supply chain more efficient. Now is the time for us to intensify and aggressively develop an outreach program to make sure that these importers and exporters have the ability to understand the benefits of coming through our port to this region.

In summary, 2009 is going to be a difficult year. We don't expect to see a major recovery to pre-2008 cargo levels until sometime after 2012. As we move forward we will intensify our efforts to grow our market share. Commissioners, thanks for allowing me to have this opportunity this morning.

And the one other comment that I would make to you is that when we talked about statistics this morning, I talked in sort of generalities. Keep in mind that each one of our container terminals is competing with a terminal across the dock from it. So we have seen a variety of either growth or deterioration of business by each one of our tenants. This is business that typically moves around in large blocks. As they compete for this business typically one of these consortiums will move its business because they get a better price at one of the terminals or the other. And so you see large blocks of cargo actually moving around on a regular basis. So the one thing that I

would say to you though is that in this current market with all of the Port interests sort of at the same point which is everybody sort of trying to survive this current turn down, there is I think some concern on our part and the ability of some of our tenants to survive this period.

Chairman Coscia: Thanks Rick. I don't know if anyone else has any comments. I think Rick's last point is particularly important. We can make decisions based on what we see our public role is in supporting goods movement and those decisions are made based on our role from a policy standpoint as a governmental entity. But we essentially have a, for lack of a better term, we have a largely privatized port system and that the terminal operators are private companies that have balance sheets and income statements and in a declining market their likelihood to increase the level of cap ex is probably not there.

Commissioner Silverman: Do we have an empirical data that shows whether to support the thesis that we are going to see an improvement by year end?

Richard Larrabee: I read a great quote the other day in the Times that said that the reason that we do economic forecasting is to justify astrology. I think we are beginning to see some glimmer. I will give you an example. This morning we found out that Chrysler, who had suspended shipment of parts to Eastern Europe last fall, has now started that again and now they are shipping 100 containers a week through Maher. And what this means is that 100 empty containers are getting shipped out by rail to Detroit every week and 100 full are coming back. That's an example of, I guess an anecdotal example.

It is going to come back because I think what we are seeing is that supplies and inventories are going way down and people are going to have to begin to resupply. There are some glimmers but I don't think, my comment was that I don't think that we are going to see pre-2008 volumes come back until after 2012. You know more about what is going on in the economy than I do. My sense is that if we are dependent on the US consumer it is going to be awhile.

Commissioner Silverman: Thank you.

Commissioner Bauer: Rick, you mentioned that our port has done better than other ports throughout the Country. What have we done right and what do we do in the future that will allow us to continue to be in a better position than others?

Richard Larrabee: We have aggressively marketed all-water services for the last 10 years. Those all-water services have grown and have been the source of our growth during that period of time. Those services, particularly in the contrast between what is going on in the West Coast and here are providing a more reliable, lower cost and now getting better in terms of competing on time service to the shippers. And we are seeing people shift their business back here because this is where the market is. And keep in mind, that his the greatest advantage we have. It is still the consumer that is within our region.

Commissioner Bauer: Thank you.

Chairman Coscia: Okay, if no one else has any other comments I'm going to ask for a motion to adjourn to executive session and we have a labor negotiation matter to discuss. Is there a motion to adjourn into executive?

Commissioner Hochberg: Aye.

Chairman Coscia: Second?

Commissioner Henry Silverman: Second.

Chairman Coscia: All those in favor?

Commissioners: Aye.

Chairman Coscia: Thank you very much.

The Port Authority of New York and New Jersey
Committee on Operations Transcript
April 30, 2009

Chairman Coscia: -- everyone's attention and we'll get started with the public session of the Committee on Operations. The first portion of today's meeting will be held in public session, after which the committee will meet in executive session to discuss matters related to the purchase, sale, or lease of real property or securities where public disclosure would affect the value thereof, or the public interest.

In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing the proceedings via the Internet.

The first item for action is the Hudson-Raritan Estuary Resource Program, and I guess I'll turn to Mike Francois.

Michael Francois: Thank you. Good morning, Commissioners. Today I'm requesting your authorization to enter into a Memorandum of Agreement with the City of Jersey City to partially fund the acquisition of property located in Jersey City, New Jersey under the Port Authority's Hudson-Raritan Estuary Resource Program.

The Port Authority's objective is to fund property acquisitions within the Hudson-Raritan Estuary and the Port District that may be suitable for conservation, ecological enhancements, public access or environmental mitigation in support of Port development, economic development, and other Port capital programs.

The property meets the requirements of the program as established by the Board. The acquisition will preserve key ecosystem assets and will provide public access to coastal zone management plans and local waterfront revitalization plans.

By way of background, funding for the Hudson-Raritan Estuary Resources Program was approved by the Board in July 2001 for a total of $60 million -- $30 million each for New Jersey and New York -- and was certified by the Board as a facility in November 2002.

In New Jersey, a Memorandum of Understanding was executed with the New Jersey Meadowlands Commission that set aside $10 million for New Jersey's $30 million allocation for land acquisitions within the Meadowlands district. To date, the Board has approved approximately $11 million for acquisition and improvements of over 187 acres in New Jersey.

Funding of approximately $6 million was provided for six properties. Four of these properties were purchased in partnership with New Jersey Meadowlands Commission and an additional $5 million has been authorized for improvements to the River Barge Park in the Hackensack Meadowlands. In New York, the Board has approved reimbursements to the Trust for Public Land for six property acquisitions totaling approximately $19 million for over 108 acres.

The property being presented to you today is approximately 32.5 acres located along the Hackensack River in Jersey City. The property has been approved as a program priority acquisition by the Hudson County Open Space Advisory Committee. It is also a Superfund site and planned remediation and closure of the landfill is necessary.

Currently the land is mostly vacant with approximately two acres occupied by a truck stop, a fueling station, and a commercial building. Jersey City is committed to developing the site for public recreation and waterfront access and to opening it up for public use as the Hackensack Riverfront Park within three years of the acquisition date of the property.

The New Jersey Department of Environmental Protection has indicated that it would be receptive to the city's improvement plans, including construction of a park on the former landfill site. The creation of the park requires an amended closure plan which will be the environmentally equivalent of an amended closure plan. The city has agreed to provide a copy of an amended closure plan for the site together with a certified New Jersey Department of Environmental Protection and US EPA approval of the amended plan as part of the Memorandum of Agreement.

The Port Authority will provide $4 million of the estimated purchase price of $12.5 million. The balance of the purchase price will be the responsibility of Jersey City. The Port Authority will not be responsible for any environmental clean up costs.

Protecting this property would provide a vital public recreation space and waterfront access for the community, which is significantly lacking in open space. In addition, this acquisition will advance the Port Authority's updated 2007-16 capital investment plan sustainability goal of protecting 50 acres of land per year for development.

Clean up and closure of a once-designated Superfund site to standards that will allow its reuse as a significant public amenity is a noteworthy environmental accomplishment. This project has also been endorsed by the Hackensack River Keeper and the New York-New Jersey Bay Keeper, two nonprofit conservation organizations.

Commissioners, your approval of this action is requested today.

Chairman Coscia: Okay, I have a motion to advance this. Is there a second?

Vice Chairman Silverman: Second.

Chairman Coscia: All right. Does anyone have any questions or comments for Michael? Okay, all those in favor? Any opposed? Okay.

Chairman Coscia: Next item of business is for discussion purposes, and frankly with everything that's going on relative to the swine flu and the public's reaction to it, certainly our agency is taking certain measures and we're operationally impacted by it. So Ernesto Butcher is going to provide an update on our efforts. Ernesto?

Ernesto Butcher: Thank you, Mr. Chairman. Commissioners, good morning. I'm going to take a brief moment to talk to you about what we're doing as it relates to the H1N1 virus, or as commonly known, the swine flu. We are clearly a customer-intensive organization in which over 200 million people a year use our facilities as Ports of entry, not only for aviation but for ports as well as our mass transportation facilities.

And as such, it's important for us to be in touch with the federal agencies as well as the local and state agencies that govern the behavior that's required under these kinds of circumstances.

So over the last several days and past week we have been in touch with all of these agencies, including -- which is not included on here -- the World Health Organization, on a daily basis, sometimes several times a day, to talk about what is happening around the swine flu infestation, and basically what we've gotten from them are the instructions to be concerned, but not alarmed, and I think we've also heard that from the President himself.

And basically, that says that we can, in fact, working with Customs and Border Protection, as well as the TSA and our staff, be able to at our facilities approach individuals who appear to be ill. We can approach them and we can ask them if they would like to have -- to go to a hospital if they aren't feeling well, but we cannot do anything that's not voluntary. In other words, involuntary containment is not a part of this exercise so far.

So in fact what the agencies have been saying to us is this is something that we should be concerned about. We should be observant and vigilant, and all of our staff, including primarily our field staff, are to be observant about what happens around them and to intercede where they think necessary.

The most important piece, however, is what we do with our internal staff, because as a transportation facility one of the things that's also mandated by the CDC and others is that people who are involved in infrastructure management should have a plan -- emergency plans that deal with their employees so that in the event these situations deteriorate that these employees at least are protected and can maintain those facilities operational.

So it's very important for us to have a plan to deal with that, and we have sought to do that. Internally, our medical department has, in fact, sent out bulletins to all of our employees which basically describe the situation -- what is swine flu, what precautions should one take, how can you protect yourself -- and very simply, the instructions that are being used not only internally but across the country is the very simple things of washing your hands frequently, keeping your hands away from your mouth, avoid people who are sick, and if you're in fact sick you should take time away from work so that you do not infect others.

I should also let the Board know that in addition to the things that are happening over the last week, since 2004 we had organized internally a pandemic influenza working group, which is basically the Office of Emergency Management, the Office of Medical Services,

the Procurement Department, and others, and the focus is to in fact create this kind of an emergency plan that speaks to what individual employees should do and how we should react.

In keeping with that, we have provided for employees from the standpoint of their protection N95 masks, which are masks that are very, very strongly filtered, as well as latex gloves for those instances when they are required.

It's important to note that under current conditions we do not advocate our employees to appear in public with masks and gloves unless so directed as part of a national effort, because in doing so we move from beyond the point of concern to alarm, so it's important that we do not do that.

So I can tell you that insofar as our involvement with external agencies, we have been in touch and we know what they're saying. Just this morning, we were told that the pandemic situation has gone to level five, which is the second-highest level, but that still does not require at this point any additional efforts from us, but we should maintain vigilance not only with our customers but internally.

That's basically all we have around this particular event.

Commissioner Steiner: Mr. Chairman?

Chairman Coscia: Sure.

Commissioner Steiner: Point of information. What arrangements do we have to ensure that our key employees have access to the vaccine, should it be necessary? I know there's so many units in New Jersey, but it would seem to me that we ought to be able to have immediate access for people that we identify that are necessary to keep the infrastructure going. Do you have that?

Ernesto Butcher: Yes. Currently, the vaccine that's being considered is called Tamiflu. There has been no real indication that that is preventative. It clearly can help if you contract it, and we have made arrangements as part of this pandemic effort to get enough for all 7,000 of our employees within 48 hours.

Commissioner Steiner: It's reserved?

Ernesto Butcher: Yes, that's correct.

Commissioner Steiner: That's good.

Ernesto Butcher: Yes.

Chairman Coscia: Okay. Does anyone else have any other questions? Thanks, Ernesto, and I'm sure you know that if you need any support on any of this that we're certainly very happy to provide that. Okay. I guess that concludes the public portion of today's meeting, and the Committee will now adjourn into executive session to discuss matters related to the purchase, sale, or lease of real property or securities, where the public disclosure would affect the value thereof.

The Port Authority of New York and New Jersey
Committee on Operations Transcript
May 28, 2009

Commissioner Henry Silverman: (Audio begins mid sentence) Committee on Operations, and today's meeting will be held in public session in its entirety. In addition this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

The first item for discussion is about our marine terminal business. Richard Larrabee, please?

Richard Larrabee: Commissioners, good morning. I would like to discuss with you today two items included in today's calendar that relate to the New York Marine Terminal facilities. These proposed actions are consistent with our strategic plan to promote economic growth and increase productivity of our marine facilities while operating in a financially and environmentally self-sustaining manner.

The first item, requests authorization to extend the lease with the City of New York for the Port Authority's letting of the Howland Hook Marine Terminal on Staten Island for an additional 35-year period through June 2058.

The second action seeks authorization to enter into a new lease with the New York City Economic Development Corporation for Piers 11 and 12 in Brooklyn for the operation of the Brooklyn Cruise Terminal. That lease including the optional periods would also expire in 2058.

As background, pursuant to prior Board Actions, the Port Authority leases 202.5 acres of Howland Hook Marine Terminal from the City under an agreement that expires in July of 2023. The Port Authority in turn subleases the terminal to the New York Container Terminal under an agreement that expires in December of 2019. In December of 2000 the Port Authority acquired the adjacent 124 acre Port Ivory site to allow for expansion of Howland Hook Marine terminal and the development of an intermodal rail facility. As shown on this map, the Port Ivory site consists of three parcels.

The first phase of the Express Rail Staten Island was constructed by the Port Authority on Parcel A outlined in green. The New York Container Terminal currently operates Express Rail Staten Island under an agreement that expires in 2016. Parcel B outlined in blue is currently leased to the New York Container Terminal and RPM Warehousing for warehousing and distribution purposes. The approximately 38 acre Parcel C, outlined in red, is currently under-developed. New York Container Terminal is exploring the possibility of expanding its operation by developing Berth 4 at Parcel C as a deepwater container terminal space. This project could potentially bring significant increases in economic activity to the City and to the Port Authority.

Commissioners today your authorization is requested to extend the Port Authority's lease with New York City for the Howland Hook Marine Terminal for a 35-year period from July 19, 2023 to June 30, 2058. This long-term lease extension would enable the Port Authority to maintain its strategic control of the Howland Hook Terminal and realize the benefits of prior investments.

Under the proposed terms the Port Authority currently, current annual rent rate for the Howland Hook Terminal will remain fixed at approximately $3.4 million through July of 2023 with no escalations. The Port Authority will commit to make a capital investment of $110 million, which is already planned to the benefit of the Howland Hook Marine Terminal prior to July of 2023 which includes the deepening of the shipping channels serving Howland Hook to 50 feet.

If, however, the Berth 4 at Parcel C is developed by the New York Container Terminal, the Port Authority would only be required to deepen the channel to 50 feet up to that Berth, and the remainder of the channel to 45 feet thus reducing our dredging costs by approximately $20 million.

If the Port Authority meets its full capital investment commitment of $110 million by 2023 then the Port Authority will pay a reduced fixed annual rent of $1 million, plus 25 percent of the Port Authority's annual revenues threshold amount starting at $25 million in 2024 and escalating to $60.6 million in 2058.

Under this option the aggregate rental payments to the City for the proposed lease extension, subject to rents received from the Port Authority's tenant at Howland Hook total a minimum of approximately $85 million to a maximum of $201 million through 2058. Staff is confident that we can meet the investment requirements since the Port Authority is financially obligated under the Project Cooperation Agreement for the Harbor Deepening Project to provide Howland Hook with access channel depths of 50 feet which are included in our Capital Plan.

However, if the Port Authority's full capital investment commitment is not made by July of 2023 then the Port Authority will pay a fixed rental of approximately $4.5 million annually increasing at 2percent or the Port Authority will have the right to terminate the agreement effective July 2023 with 18 months prior notice.

In the event the Port Authority does not meet its capital spending commitment and does not terminate the agreement, the annual rentals will increase to $4.5 million in July of 2023 and escalate at 2percent per year thereafter.

In consideration of the Howland Hook lease extension and the reduced rental obligations, the Port Authority will enter into a new long-term lease with the New York City Economic Development Corporation for Piers 11 and 12 in Brooklyn for the operation of the Brooklyn Cruise Terminal and reduce the current rental rates for Piers 11 and 12.

As background in September of 2004 the Board authorized the 5-year lease with New York City Economic Development Corporation with a two 5-year renewal options for the development of a passenger cruise terminal. In 2006 the New York City Economic Development Corporation exercised its first 5-year option and the current agreement expires in December of 2014. EDC developed the Brooklyn Cruise Terminal at an estimated cost of $56 million and the full cruise season at the world class facility commenced in the Spring of 2006. Pursuant to Board authorization, the Port Authority currently operates the facility for New York City under an agreement that provides for compensation to the Port Authority for its labor and expenses associated with the operation of the terminal.

In '08 the Brooklyn Cruise Terminal handled 61 cruise vessels and approximately 282,000 passengers.

Commissioners today your authorization is requested to enter into the new lease with New York City for the letting of Piers 11 and 12 for the operation of a passenger cruise terminal. The new lease will be for an initial term of 20 years commencing in January of '09 and expiring in 2029. New York City would have three options to extend the lease through 2058. New York City will pay rental consistent with the current agreement for Pier 11 Shed, an open area at Pier 12 Shed with escalations annually.

EDC will also pay passenger fees and will guarantee minimum levels of passenger volumes. In addition EDC will pay a percentage of gross parking receipts and a percentage of its gross revenue from ancillary activities and subleases. Both the passenger and percentage rentals will increase on specific dates throughout the terms of the lease.

Consistent with the existing lease, EDC will continue to be responsible for all operating and capital maintenance on Piers 11 and 12 and receive an annual rental credit of up to $200,000 for actual expenses under deck of Pier 12. The New York City EDC plans to sublease the Pier 11 Shed, an adjacent open area to Phoenix Beverage for a warehousing and distribution operation. In addition to rental, Phoenix will also sublease arrangements with New York City and will be obligated to pay $3.8 million in capital investments to Pier 11. Total aggregate rental over the term of the lease including the extension periods is approximately $204 million.

Commissioners, extending the Howland Hook lease agreement at this time provides for the Port Authority to pay a reduced annual rent to the City for the remaining term of the existing lease and provides for significant reduction in annual rent payments through 2058.

The lease extension with the City will also enable the Port Authority to maintain a long-term strategic control over container terminals in the port to realize the benefit of previous investments and to allow for the future investments at Howland Hook. The new lease agreement for the operation of the Brooklyn Cruise Terminal will enable the City to grow its cruise business.

And lastly, both actions provide the potential for increased economic activity in New York/New Jersey Harbor as a result of possible developments of Berth 4 which has the potential to enhance the Port's competitive position by increasing trade to the region and long-term subleases with Phoenix which could potentially increase container volumes at Red Hook.

Commissioners, I request you advance this item to the full Board for approval today.

Chairman Coscia: Thank you. Is there a motion to advance it?

Commissioner Steiner: Question –

Chairman Coscia: Can we have a motion first?

Commissioner Bauer: So moved.

Chairman Coscia: Is there a second?

Commissioner Silverman: Second.

Chairman Coscia: Now your question.

Commissioner Steiner: Question. Will you go back to the slide about the payments that went up to the first section? Oh, I'm sorry. I didn't realize this – I was on the air. I want to go back to – that's the one. You note there on the first paragraph there you have 25 percent of the PA annual revenue over a minimum threshold. Is that capped anywhere?

Richard Larrabee: It is capped – it starts at $25 million and it is capped at $60 million.

Commissioner Steiner: So we can never pay more than $60 million on that first paragraph?

Richard Larrabee: The threshold increases from $25 million to $60 million. So it is only, it is not capped in the sense that if we get more revenues they still get 25percent of it. So there is no cap on that. The cap is the 25percent.

Commissioner Steiner: So they get 25percent of all of our revenues over a minimum threshold?

Richard Larrabee: Correct.

Commissioner Steiner: How does that compare to the rent that we are paying now. Is it possible that we could be paying a lot more than we are paying now? Is that correct?

Richard Larrabee: We would only be paying more rent if we were making more money.

Commissioner Steiner: I understand that. But –

Steve Borrelli: Even if we got, achieved say market rates, right now, if we got what we consider market rates today we would not pay more than we do – the way the formula is set up is that using a market rate, $1 million plus 25 percent over the threshold, we would not be paying more than what we would be paying the City today.

Commissioner Steiner: It will not exceed what we are paying today?

Steve Borrelli: Exactly. Never exceeds that.

Commissioner Steiner: Okay, but that is not spelled out in the agreement that we will never pay more?

Steve Borrelli: Well it all depends on how well we do with the substantive –

Commissioner Steiner: I understand. But there is no – could you get a statement that it will never exceed what we are paying now?

Commissioner Bauer: I don't think that will happen.

Commissioner Steiner: I don’t know what will happen. Nobody knows what will happen.

Christopher Ward: The question is Commissioner that the relationship of volume drives more revenue for us and that we are then, they are collecting more as well so there is this upside that we are both participating in.

Commissioner Steiner: I understand, but there is no cap on their upside.

Richard Larrabee: Correct.

Commissioner Steiner: But you just said to me the cap on their upside will never exceed the rate that we are paying now?

Richard Larrabee: If we get market rates, today's market rates.

Steve Borrelli: If I got today's market rate, if I am able to get say 40 percent, 50 percent beyond today's market rate, I could pay more than I would have paid.

Richard Larrabee: This is basically allowing us to reduce the rates.

Commissioner Steiner: I understand what it does. I just asked and you answered it, so it's not capped. The second part is, if we don't make the $110 million by 2023 our rental goes up. Could we get a provision if at any time we do reach the $110 million if there is something that delays us from getting it to 2023 that we revert back to the other rent? Say in 2022 we haven't made, we are short $10 million or $20 million dollars that we can get additional time to get back on that old formula?

Christopher Ward: Unfortunately no.

Commissioner Steiner: You understand what I am driving at?

Christopher Ward: Totally.

Commissioner Steiner: So you have a provision – if sometime in the future we do make it that the rates go back.

Christopher Ward: We didn’t structure that way and we can't go back and reopen it. But let me reassure you that the funding commitment to meet the $110 million threshold is one built into our Capital Plan and it is pursuant to a schedule set with the Army Corps of Engineers for the deepening of the channel. So we are already locked in –

Commissioner Steiner: We are obligated to this. I understand some money is already spent – what is that amount that we spent?

Richard Larrabee: We have already gotten credit for $14 million; that was money that was spent last year.

Commissioner Steiner: So we really have $106 million to go.

Christopher Ward: And we are working under Army Corps of Engineers.

Commissioner Steiner: What is the Army Corps of Engineers' contract to that?

Richard Larrabee: We have $128 million in our Capital Plan that is directly attributable to the harbor deepening as it is associated with Howland Hook. So now we are up to $134 million.

Commissioner Steiner: So it looks like we will be able to make it.

Richard Larrabee: Plus we have another $60 million –

Commissioner Steiner: Okay, I was just concerned. If we didn't make it (inaudible).

Christopher Ward: Since we don't think there is any risk that we won't make it we didn't reopen that, right.

Commissioner Steiner: Okay and the money that you say is allocated for the dredging, where is that?

Christopher Ward: In Rick's Capital Plan.

Richard Larrabee: Right.

Commissioner Steiner: And we have the funds available in our Capital Plan?

Christopher Ward: Correct.

Richard Larrabee: It's in the approved plan.

Christopher Ward: I would just, let me just add, at the public session Rick will be presenting this item and we will likely have one or maybe two speakers from the community. We have largely been following the City's development agenda for the Red Hook Container Terminal and the adjacent piers and facilities. This is largely a ministerial action of the Port Authority, allowing the City's plan going forward and with how Phoenix Beverage and the cruise ship operation will go forward. We have been working closely with them to address environmental and community concerns. But this is largely, not solely, the City's Economic Development Corporation agenda.

Commissioner Steiner: That other operator, that longshoreman company is not involved in this site at all? The one that you have been having trouble with?

Christopher Ward: No.

Chairman Coscia: Okay, any other questions?

Chairman Silverman: Just a couple which are really more in context, not the transaction. First, on the cruise ships. Are we actually getting usage by cruise ships?

Richard Larrabee: Yes, this cruise facility has turned out to be very popular, both on the part of the passengers as well as the industry. Carnival which home ports most of their major ships in Brooklyn has found this facility to be very useful to them. And we are going to see a fairly significant increase over the next couple of years in activities over there. As a matter of fact they are now looking for some expansion opportunities.

Commissioner Silverman: That's good because that is obviously part of our core mission. The other question relates to the transaction with Howland Hook, if I am pronouncing it correctly. The net present value of what we are getting back or what we are – the rent concession that the City is making to us – have we calculated that relative to the $110 million contribution. I understand the $110 million is something we would spend anyway. But I'm just trying to understand the financial aspects of the transaction.

Christopher Ward: To clarify, you are asking for the net present value of the net reduction in the rental?

Commissioner Silverman: Right, the rental concession that they are making. So if we are paying $110 million whether we would have to do it anyway; I would just like to know –

Richard Larrabee: It's between now and 2023, the net present value of the savings is about $4 million.

Commissioner Silverman: $4 million. Okay. I have nothing else Mr. Chairman.

Chairman Coscia: The net present value in savings is not what motivates a transaction. I take it - what motivates this transaction is site control over a longer period of time.

Richard Larrabee: Well I think it is both. We have committed an awful lot of money to that facility to begin with and we felt that any future commitments we want to have a longer term to –

Chairman Coscia: To amortize the investments that we have.

Richard Larrabee: Number one. And secondly in order to do that we felt that it was justified to ask for a reduction in rate by the City because we are making all of the investments. And they actually benefit. They have become the number one employer in Staten Island. They employ

550 people. They have had the most significant growth in the container business over the last couple of years. So it is really to the City's benefit.

Chairman Coscia: Okay, any other questions? Okay. All those in favor of advancing it?

Commissioners: Aye.

Chairman Coscia: Any opposed. Okay. Next item – Vicky Kelly.

Crosstalk: (inaudible).

Chairman Coscia: Public session. Okay. Vicky, you are up?

Christopher Ward: If I may in the spirit of full disclosure, if anyone has concerns as to why Vicky is presenting this, it was really at my urging. I think this is a story within a story for the Port Authority that the Commissioners should see, so if you are wondering why, it was at my urgent call to recognize Vicky for all the hard work her team has done.

Victoria Kelly: Thank you Chris. Good morning Commissioners. I'm here today as Chris just said to describe the support that our staff has provided to the MTA since 2003 regarding their project to extend the Number 7 subway line and to highlight how we have managed the project's impacts at the Port Authority Bus Terminal in order to minimize the impacts to the traveling public.

The MTA's project involves extending the Number 7 subway line from its current terminus at 41st Street and 8th Avenue west along 41st Street and then south, sorry, west along 41st Street to 11th Avenue and then south along 11th Avenue to 25th Street and is forecast to be completed in 2011.

As the new track alignment crosses under the sub level of the Port Authority Bus Terminal, it became imperative that the Port Authority closely coordinate with the MTA to ensure minimal disruption to the operation of the bus terminal.

Here you see the bus terminal and the below grade Greyhound operations area in yellow and the tunnel that the busses use to and from the street. You can see how close the new Number 7 subway tunnel is to this underground operating area. Staff has worked closely with the MTA and their engineer of record, Parsons Brinckerhoff, as they designed the subway tunnel to have the least impact to our facility and bus operations given the potential impacts of such a massive project. Final design, development and contract drawings were prepared in full coordination between the MTA and the Port Authority.

During design the staging details were coordinated with bus terminal staff and Greyhound since the construction called for the closure of 7 of Greyhound's gates.

The initial plans that the contractor presented to the Port Authority permitted the contractor to work daily from 11pm to 6 am without affecting the daily operation of the bus terminal gates.

The contractor needed to excavate a 40 foot deep hole in the lower level of the bus terminal. The plan was feasible as it was presented but it resulted in additional staging costs, extensive disruption to bus operations, and quite a bit of customer inconvenience since the construction would have taken 2 to 3 years depending upon the amount of rock excavation required.

To help mitigate the impact to the facility and to bus operations, we coordinated with Greyhound to propose a more aggressive construction staging plan which allowed for the full closure of 7 of Greyhound's gates for 6 months during their slower time of year, from January through June or to June and the reversal of the direction of bus movements. This minimized the impacts to operations while at the same time maximizing contractor access to the work area.

You can see in the top picture busses entered and exited this area from the tunnel and moved in a clockwise direction around the floor. And these little gray areas are actually busses parked at bus loading gates. Greyhound agreed to temporarily relinquish 7 gates shown down here and we rerouted buses to enter from the south wing to move in a counterclockwise direction and to exit through the tunnel. Thus, the contractor readjusted his plan and initiated three shifts around the clock rather than the one shift that was authorized for overnight work with limited hours. This reduced the impact to the bus terminal from a 2-to-3 year original timeframe to a period of 6 months.

This January a 200 foot by 50 foot bus loading area as you see here was sealed off from the public and was turned over to the MTA contractor. Working around the clock the contractor was able to advance the excavation and clearing of the site. Controlled blasting occurred during the day, the clearing of rock debris during the second shift and drilling for the next days blasting during the third shift. This coordinated sequence allowed the contractor to complete the excavation and blasting of the rock in only 33 days.

Due to the nature of the work, continues construction inspection and coordination was provided by Port Authority staff to accommodate the 24-hour construction operation over the 6-month period. Ventilation and utilities were provided from the bus terminal's building systems into the excavation area. The blasting was monitored by the NY Fire Department and Port Authority staff.

You can't really appreciate the full size of the excavation in this small photo, but this is a full size excavator. And what you are seeing here is a depth of 40 feet from this level is the original bus loading area that you see here. And as I said this is a 40 foot excavation below that.

After more than 130 separately controlled blasts, there were no complaints from customers, no impacts on bus operations and no damage to the bus terminal or its systems.

Commissioner Steiner: Amazing. Move them down to the World Trade Center. Just kidding.

Victoria Kelly: Right. In fact virtually all of this work is being done without any impact at all or even an awareness on the part of bus customers who are actually continuing to load on busses just behind a wall which is just at the very upper corner of this picture. In some cases only yards away.

Here are some snapshots of the area in which the blasting operation was conducted inside the plywood fenced construction zone. And again here you are looking at the original bus loading level, and this is the 40 foot drop. Here you are looking from the bottom of the excavation area, up the 40 foot wall to the bus loading, the original bus loading area which was up here.

During blasting the contractor's personnel were placed with our staff on different floors of the bus terminal to monitor the blasting meters when blasting occurred. Signs reporting that blasting was in progress were placed inside the terminal and we received no complaints or comments from the public at all.

Currently the blasting and excavation inside the bus terminal is completed and the precast concrete decking which you see being installed here, you are now up at the bus level again and the hole is below you. The precast concrete decking is being installed in preparation for returning the area to facility operations. The next steps this year at the bus terminal will require close review and evaluation of the construction methods planned to reinforce the ground under the bus tunnel to prepare for the arrival of the tunnel boring machines. Next year we will continue to work closely with the MTA and the contractor and monitor the installation of a permanent concrete slab which will replace the precast panels that you see in the photo.

At the Lincoln Tunnel, the tunnel boring machine will cross under the tubes in the first quarter of next year. Close monitoring again will be required by Port Authority staff to ensure the structural integrity. And Commissioners, I just want to introduce two of our staff, Joe Jebeili and Kevin Vesely behind me who had a large hand in making this work. Thank you.

Commissioner Steiner: I just want to make a statement. If anybody said that the Port Authority doesn’t know how to do major work, they ought to come look at this thing because we are the best; our people are experienced. I've been reading in the paper that there is some kind of contractor or developer says we are not equipped and we don’t have the experience. This is just one small part of what we have done from the George Washington Bridge to the Goethals Bridge to the building of the tunnels. We still have the skill. We still have the people. We have the experience. And we have the energy to do it.

Christopher Ward: I really have to say that while on a tour with Vicky (inaudible – technical difficulty).

Chairman Coscia: Thank you. Thank you Kevin, Joe. Thank you. Thanks Vicky. And I am sure you will let us know all those who sort of were involved so we can express our gratitude to them as well. Thank you. Anything else on the agenda? Is that it? All right, can I have a motion to adjourn? Thank you. Thanks everyone.

The Port Authority of New York and New Jersey
Committee on Operations Transcript
July 23, 2009

Chairman Coscia: [Audio begins mid sentence] takes place in public session, after which the Committee will meet in Executive Session to discuss matters related to the purchase, sale or lease of real property or securities where the public disclosure would affect the value thereof or the public interest. In addition the public portion of this morning's meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

Okay, our first order of business is the Hudson-Raritan Estuary Resource Program – Mike Francois.

Mike Francois: Good morning Commissioners. Today I am requesting your authorization to enter into a Memorandum of Agreement with Essex County to fund the acquisition of property located in Newark under the Port Authority's Hudson-Raritan Estuary Resources Program. The site will be known as the Riverbank Park Extension. The Port Authority's objective is to fund property acquisitions within the Hudson-Raritan Estuary and the Port District that may be suitable for conservation, ecological enhancement, public access or environmental mitigation in support of Port development, economic development or other Port Authority capital programs.

By way of background, funding for the Hudson-Raritan Estuary Resources Program was approved by the Board in 2001 for a total of $60 million; $30 million for each State, and was certified by the Board as a facility in November 2002. In New Jersey a Memorandum of Understanding was executed with New Jersey Meadowlands Commission that set aside up to $10 million for New Jersey's $30 million allocation for land acquisition within the Meadowlands district.

To date the Board has approved approximately $15 million for acquisition and improvements of over 219 acres in New Jersey. Of this, approximately $6 million was provided for 7 properties which were purchased in partnership with the Meadowlands Commission. An additional $9 million was authorized for improvements to the River Barge Park in Hackensack Meadowlands, as well as a Hackensack Riverfront Park in Jersey City, which you approved just recently.

In New York the Board has approved reimbursements to the Trust for Public Land for 6 property acquisitions totaling approximately $19 million for over 108 acres in the State.

In regard to the Riverfront Park Extension, the properties consist of approximately 12.25 acres that are predominantly vacant. They are located to the North of the intersection of Raymond Boulevard and Brill Street and south of the Passaic River in Newark as you can see from the map there, they are highlighted in Green. Essex County is committed to developing this site for public recreation and waterfront access and opening it up for public use. The Port Authority will provide $7 million for the acquisition of the property and will not be responsible for any environmental cleanup in the event that there is any environmental issues that may arise in the future.

Protecting this property supports, the Port Authority's sustainability goals of protecting 50 acres of land per year from development. Commissioners, your approval of this action is requested.

Chairman Coscia: Okay, is there a motion to approve?

Commissioner Steiner: So moved.

Chairman Coscia: Is there a second?

Commissioner Silverman: Second.

Chairman Coscia: Okay, any questions or comments? Okay, all those in favor?

Commissioners: Aye.

Chairman Coscia: Any opposed. Okay, next?

Mike Francois: This item we are seeking authorization to enter into a long term lease agreement with New Jersey Transit for space within the historic Hoboken Ferry Terminal to accommodate passenger ferry services. This agreement will memorialize the final term of the Port Authority's $60 million commitment towards a $119 million rehabilitation of the terminal by New Jersey Transit –

Chairman Coscia: Excuse me Mike. I just want to point out that this item and the item you are going to present I guess, or I guess Rick will present right after this are not for action. So the final two items on this agenda are for discussion only today. Thank you.

Mike Francois: Okay, the rehabilitation of the terminal will be done by New Jersey Transit and this action will also formalize a mechanism for sharing future retail and advertising revenues with New Jersey Transit.

By way of background, in October 1988 the Board authorized an agreement with New Jersey Transit for development of Ferry operations at the terminal for the construction of a temporary Ferry Terminal and for the eventual long term property lease and construction of a permanent Ferry Terminal.

In February 2002 the Board authorized a Memorandum of Understanding with New Jersey Transit which provided for the Port Authority's continued lease of the temporary space in the terminal to accommodate ferry services rent free. Also, the Port Authority would fund the construction costs associated with that portion of the terminal that would be used for ferry services on a more permanent basis.

And then in June 2005 the Board authorized a supplemental Memorandum of Understanding that provided the Port Authority with the ability to recover a portion of its investment through future retail space. The current estimated project cost is $119 million with the Port Authority committing $60 million.

To date the Port Authority has provided $37 million which includes the reallocation of $17 million in federal grant monies. The remaining $23 million is part of today's authorization.

In regard to the area for the ferry terminal, the premises, the first floor of the renovated ferry terminal consists of approximately 65,000 to 190,000 square feet. The Port Authority will lease approximately 15,790 square feet which is shown in blue as the demised premises. The team concourse retail area shown in yellow will be approximately 34,000 square feet. And finally the common area of 15,000 square feet for passenger circulation is shown in green.

New Jersey Transit has entered into a Master Development Agreement with LCOR Hoboken Rail Station Redevelopment LLC for commercial and residential development over and around New Jersey Transit's Hoboken rail yards, including the retail development of the Hoboken Ferry Terminal. It is an extensive development project that LCOR is looking to develop. It accommodates almost 60 acres of land.

New Jersey Transit will negotiate with the Port Authority's support, the terms of a revenue sharing agreement with LCOR for this portion of the project, the ferry terminal, of which the Port Authority is a financial beneficiary. In addition the lease will provide the Port Authority with the right to develop the retail portion in the future if LCOR fails to do so.

The terminal is expected to be completed in late 2010, early 2011. At that time operations will be transferred from the temporary space in the terminal to the rehabilitated terminal. The lease between the Port Authority and New Jersey Transit will expire June 30, 2069. The Port Authority will retain retail and advertising revenues within the demised premises which are expected to be minimal; however as an improvement over the previous terms, the Port Authority and New Jersey Transit will share the net revenues within the team concourse retail area on a basis equal to our respective pro-rata investment share. At this point it is approximately 50/50.

The Port Authority's remaining $23 million contribution will be reimbursed to New Jersey Transit for the completed work at the terminal. In the event New Jersey Transit is successful in receiving federal funding for the project, this authorization will allow a portion or all of our $23 million contribution to be utilized for regional ferry transportation assets such as vessels and equipment.

The restored terminal is being designed to enhance customer service experience for users of Hoboken Ferry Facilities by accommodating additional ferry services, improving current rush hour service, effectively interconnecting with other modes of transportation and handling increased commuter traffic. Commissioners, I request that you advance this item to the full Board for approval today.

Commissioner David Steiner: Mike, what happens in the event that the New Jersey Transit is successful in getting the federal funding? Does that diminish our share of the real estate profits which were shared pro-rata by what was put in? Who gets the benefit of the federal funding?

Mike Francois: It's not anticipated that that would diminish our share because we are committed to contributing $60 million. If we put our money for other purposes it will still be, at this point in time, 50/50. It is a possibility you should be aware that New Jersey Transit share may go beyond $50 million ultimately.

Commissioner Steiner: Well that doesn't buy – I just wanted to make sure that – because of federal funding.

Susan Bass Levin: We might need to, if they get the federal funding and then this is swapped out, it could affect the formula and so you may need to put an amendment to the agreement that just makes sure that the $23 million counts towards our pro-rata share.

Commissioner Steiner: Yes, thank you Susan. And I want to add one other point. This is a deal with LCOR. Refresh my memory – didn't Elcore default on something, one of their LCOR companies? At Kennedy haven't we had a lot of problems with them?

Mike Francois: I'm not sure if, they were involved in a partnership at Kennedy Airport.

Christopher Ward: They were the Terminal 4 developer. The original financial transaction with LCOR is simple; we acquired a subsequent refinancing to restructure the debt to get them through a period where the traffic did not match what they had anticipated, but that project ultimately was successful and is now paying us substantial revenues. But they did hit a trough of traffic which required some financing. They also were the originally designated developer for the commercial component of Queens West and subsequently withdrew their development commitment.

Mike Francois: Correct.

Commissioner Steiner: Thank you.

Commissioner Silverman: One of the most credible points in this, do we have to put any money if this project never gets done? Or did you say it is all contingent on completion?

Mike Francois: The funding that we are contributing is for basic public infrastructure improvements for the ferry terminal. And actually the improvements are proceeding faster than our contribution at this point. The private commercial development may or may not proceed in the future. But we are very confident that our improvements along with New Jersey Transit will enable the ferry services to be operational, whether or not there is commercial development around it may or may not occur.

Commissioner Silverman: So the two are not contingent.

Mike Francois: No they are not. We would obviously like it to occur, but –

Commissioner Steiner: Is there any other discussion. If not we will move onto the –

Mike Francois: Okay.

Richard Larrabee: Good morning Commissioners, included on your consent calendar today are two items that relate to our New Jersey Marine Terminals. These actions are consistent with our land use plan to consolidate auto processing on the river side of Port Newark Channel. The first item authorizes a new lease with FAPS for approximately 201 acres at Port Newark through December of 2019. FAPS will also have the ability to add an additional 30 acres to its leasehold sometime in the future.

The second action seeks authorization to enter into a Surrender and Termination Agreement with WWL Vehicle Services America where approximately 60 acres of property at Port Elizabeth Marine Terminal.

Before I review the proposed terms of these agreements I would like to provide a little bit of background regarding our auto processing tenants and the current state of the automobile business.

There are currently 4 auto processors in the Port shown on this slide. They occupy about 400 acres. They are part of our ability to claim the number 1 Port in the United States for handling this kind of business. Last year we handled about 640,000 vehicles in the Port which resulted in approximately $35.5 million of revenue to the Port Authority. Clearly the economic turndown has had a dramatic effect on the automobile business. During the first six months of this year as compared to the same period last year, we saw 53 percent reduction in our number of vehicles processed and our projections are that this business will not come back until about 2012.

The current weak economic conditions in the automobile industry provided an opportunity to execute a lease restructuring with FAPS in conformance with our land use plan for Port Jersey to consolidate autos on the north side of Port Newark and will also allow us to put this lease on the same basis as our other leases with the other three processors.

FAPS currently leases approximately 224 acres under 3 separate agreements. The areas comprise 16 non-continuous parcels shown here in red and blue. A pretty inefficient operation to be honest. Approximately 154 acres are on the north side and about 70 acres on the south side of Port Newark shown here; 40 acres here and about 20 acres here.

Under the proposed new lease, FAPS would occupy about 201 acres shown in red and upon demolition of buildings and surrounding streets closures by the Port Authority shown in the green areas, which comprise of about 30 acres – this will be added to their lease hold resulting in one large continuous area upon which FAPS will build a new state-of-the-art processing facility and multi-level storage garage.

FAPS will surrender the four parcels on the south side of Port Newark shown in blue, about 28 acres, and will be used to consolidate some of our current bulk operations, reducing the number of non-continuous bulk areas and allowing for the relocation and expansion of other tenants. The proposed lease term is from June of this year until December of 2019. FAPS will pay an open area rent for its entire lease hold. These terms are consistent, as I said, with the three other auto processors in the Port. FAPS will also provide a minimum annual vehicle guarantee of 1480 vehicles per acre. The Port Authority will provide $4.25 million to FAPS for the demolition of several buildings for which the rent will continue during the demolition process.

If FAPS has not begun construction of a multi-level vehicle and storage facility by December of 2013, there are several penalties that will be put into place, including going back to a building rent as well as a 25 percent increase on the 40 acres on the south side of Port Newark.

Under a separate action being advanced concurrently, authorization is being requested, the surrender and termination of WWL's lease in Elizabeth effective September 1, 2009. WWL operation will be integrated into the approximately 35 acres of the FAPS leasehold in Port Newark under a 10-year processing agreement between FAPS and Wallenius.

The proposed FAPS lease over the 10-year period when comparing the current lease to the new lease has a negative NPV, however if we are assuming that the surrendered areas, approximately 20 acres, can be

re-let within the next 12 months at market rate, thereby resulting in a breakeven transaction, and we already have to date about 22 acres already being asked for, so we are very confident that that property can be let fairly quickly.

Today your authorization is also requested to enter into a Surrender and Termination Agreement and Mutual Release with WWL Vehicle Services covering the letting of approximately 60 acres of open area in Elizabeth. And this is the 60 acre site that we're talking about. The problem with this site historically has been, as you can see, they don't have access directly to a berth and this has been a very difficult situation for them for the last couple of years. As a result of that in 2004 we actually allowed one of the terms of that lease to allow them to terminate the lease with one-year's notice if they could find a better situation. In May of this year they asked us to terminate that lease. They advised us at that point that they wanted to become a customer of FAPS and so that's the arrangement that is being made.

This eliminates a lot of problems because their first point of rest was in Maher terminals, it was a very contentious situation because Maher obviously as a container facility was not able to easily handle the Wallenius business as time went on. So we are really eliminating a significant problem here.

While Wallenius' terms in their current lease allowed them to give us notice with one year and pay a $500,000 relocation fee, we are anxious to keep Wallenius as a customer in the Port as a result of this deal which will keep Wallenius on a 10-year operating agreement with FAPS, keeps that business in the port and is an arrangement we think is in our best interest.

This deal also has a negative Net Present Value. If you don't consider re-letting the property, basically we are allowing them to move without the $500,000 relocation fee and to pay $1.64 million of rent before they move in September.

Authorization for these actions will advance the Port Authority's land use objectives to consolidate auto processing on the north side of Port Newark, retain critical jobs and provide for increased operational efficiencies for both FAPS and Wallenius. In addition the surrender of these areas will allow the Port Authority to re-let the properties for new rentals at market rates, consolidate and improve land use efficiencies for current bulk tenants and provide additional area for expansion and relocation of tenants.

Commissioners, I request you advance this Item to the full Board.

Commissioner Steiner: Any comments or questions? I have some. Surprise. Now WWL is going to become a subtenant of FAPS?

Richard Larrabee: I would say they are going to become a customer. Now what they are providing though is a guarantee for 35 acres of property.

Commissioner Steiner: What you mean by that?

Richard Larrabee: If in the event FAPS were to declare bankruptcy for some reason, WWL would step in and become a tenant on that 35 acres and would guarantee that.

Commissioner Steiner: So that is really a Non-Disturbance Agreement for them. They can stay. In the meantime the money that they are paying to FAPS, is there any way that we could get that money directly in case FAPS gets in trouble that we should get paid every month?

Steve Borelli: Well that is the way it is set up that in essence if FAPS is at fault for whatever reason –

Commissioner Steiner: I'm talking about prior to FAPS going into default that we should get the money paid to us so we don't lose a month or two in case FAPS goes broke, in which case the court can set aside all the guarantees and everything.

Chris Hartwyk: The answer is during the negotiations we attempted to structure such a transaction but we couldn't get the three parties, ourselves, FAPS and Wallenius to agree on (inaudible).

Commissioner Steiner: Would you give it another try? I think that you ought to go back and say that the Board wants to make sure that they have that money. I think there is a big risk being we all know what is happening with the auto industry. And I think that we would be in a far stronger position if that money were paid directly to us. And I don't see what the problem with FAPS should be; it's only a wash to them anyway. And whatever we get paid from WWL would offset their rent. I just would feel stronger about that – I know we had that discussion and you all said you can't do it. But that was then and this is now. This is the 11th hour. They want to make the deal and you tell them you got this Commissioner that is really a hard rock and he really is very difficult to deal with and you are lucky that's all he is asking for.

Christopher Ward: Can I ask the Commissioner that we are advancing this item for approval and then we would like to – we would like to have Chris to have some form of communication with Wallenius but continue to advance this item?

Commissioner Steiner: Right, I have no problem with that. But I don't want you to go in there and lie down. I want you to have all the authority to go ahead to make the deal, but I really need your best efforts. Particularly write a nice letter in your 201 file for when your promotion comes up. You all understand that?

Christopher Ward: I look forward to that letter in my file. Thank you very much. We will guarantee –

Susan Bass Levin: I think you are talking about (inaudible).

Commissioner Steiner: They weren't in the army? Nobody was in the army? Okay, well they are too young, right. But I just think that knowing the – I was discussing with Commissioner Silverman who is very interested in the financial analysis and I understand you are satisfied pretty much?

Commissioner Silverman: I am if you are.

Commissioner Steiner: I know, but I appreciate your interest. The point is, I wanted to tell you all landlords are doing and making this accommodation. The last thing we want to do is to lose FAPS. This doesn't mean that we are not going to lose them, but at least we will have a good chance of keeping them and particularly as Larrabee and, the Admiral and I discussed, that with the change in the auto

market, with foreign cars coming in, perhaps we have a chance to pick back up by getting it with a number of cars. We think that the foreign autos are going to play a much bigger part in the American economy. So that is my comment. Other than that I think we should move it forward.

Chairman Coscia: I take it that is it for public session? Okay. This concludes the public portion of today's meeting. The Committee will now adjourn to executive session to discuss matters related to the purchase, sale or lease of real property or securities where the public interest would be affected or the value thereof would be affected. Thank you.

The Port Authority of New York and New Jersey
Committee on Operations Transcript
August 13, 2009

Commissioner Steiner: This is the Committee on Operations, the public session. I want to make the usual statement first. I'm filling in for the Chairman who will be along momentarily. The first portion of today's meeting of the Committee on Operations will be held in public session after which the Committee will meet in executive session to discuss and act upon matters related to collective bargaining or negotiations. In addition the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet.

The first matter that we have is the Hudson-Raritan Estuary Resources Program for the New Jersey property acquisition and I call upon Michael Francois.

Michael Francois: Thank you, Commissioners. Today I am requesting your authorization to enter into an agreement with Middlesex County to fund up to $1 million on a reimbursement basis to cover a portion of the cost to purchase certain property located in South Plainfield under the Port Authority's Hudson-Raritan Estuary Resources Program. The Authority's objective is to fund property acquisitions within the Hudson-Raritan Estuary and Port District that may be suitable for conservation, ecological enhancement, public access or environmental mitigation. This property meets the requirements of the program. The acquisition will provide multiple benefits to the public including preservation of a significant habitat for endangered species, protection of the ecological integrity of the Dismal Swamp, and to provide public access to green space.

By way of background, funding for the Hudson-Raritan Estuary Resources Program was approved by the Board in July of 2001 for a total of $60 million. $30 million was appropriated to each state and was certified by the Board as a facility on November 2002. To date, the Board has approved reimbursements of approximately $22 million for acquisition and improvements of over 230 acres in New Jersey. In New York the Board has approved reimbursements of approximately $19 million for six property acquisitions totaling over 108 acres.

This property is part of a 660 acre Dismal Swamp natural area. In May of 2008 the Board authorized the acquisition of approximately 69 acres, and that is outlined in blue, lower left hand corner in the slide, in the dismal swamp area for $1.7 million; again, we worked with Middlesex County on that as well. The current property which is outlined in yellow contains 9.7 acres, including approximately 8 acres of wooded uplands and wetland that will be preserved as open space. The property also contains a 2-story residential dwelling which is currently being occupied by the current owner of the property who is 91 years old. The property owner will retain the right under a separate lease to Middlesex County to live in his house on a 100 x 100 portion of the property for the rest of his life.

The Port Authority will provide $1 million towards the purchase price of $2.45 million. The balance will be provided through a combination of funds from New Jersey Department of Environmental Protection Green Acres Program, the Raritan Baykeeper and Middlesex County.

The Port Authority will not be responsible for any environmental cleanup costs in the event that there are any environmental issues that may arise later on.

Protecting this property supports the Port Authority's sustainability goals of protecting 50 acres of land per year from development. So Commissioners, your approval of this action is requested.

Commissioner Steiner: Are there any questions or comments? On microphone please?

Commissioner Bauer: Thank you. I just want to be clear you said that we would not be responsible for any environmental repercussions?–

Michael Francois: Any environmental issues that may exist on the property.

Commissioner Bauer: Okay, that's good.

Michael Francois: It was strictly a funding mechanism on this; the title will be transferred to Middlesex County so we are providing that –

Commissioner Bauer: Oh, I see. Thank you.

Commissioner Steiner: And the funds are available?

Michael Francois: Yes.

Commissioner Steiner: Do we need a motion here?

Karen Eastman: Yes, it will be actually acted on by this Committee.

Commissioner Steiner: Can I get a motion?

Commissioner Bauer: I will move it?

Commissioner Holmes: Second.

Commissioner Steiner: Second. All those in favor?

Commissioners: Aye.

Commissioner Steiner: The motion is carried.

Michael Francois: Thank you.

Commissioner Steiner: This concludes the public portion of today's meeting. The Committee will now adjourn to executive session to discuss and act upon matters related to collective bargaining or negotiations. Thank you.

Port Authority of New York and New Jersey
Committee on Operations Transcript
June 25, 2009

Chairman Coscia: Good morning. Sorry to keep everyone waiting. The first portion of today's meeting of the Committee on Operations will be held in public session, after which the committee will meet in executive session to discuss matters related to the purchase, sale, or lease of real property or securities where the public disclosure would affect the value thereof, or the public interest. In addition, the public portion of this morning's meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

Our first item for discussion is Newark Liberty Airport, Terminal A and B concessions. Susan Baer. Susan?

Susan Baer: Morning. Today I'm here to request your approval for the next phase of the concessions program at Terminals A and B Newark. As you know, under your direction we've been undertaking a complete rebranding effort of our terminals and the concessions there in order to enhance the overall customer experience for our passengers.

The program includes introducing leading concession concepts and new brands that will provide for a mix of retail, food and beverage, news and gifts, and duty-free that meet the Port Authority's high standards for customer service. The first phase of this program is under way and today I will discuss with you the next set of concession agreements.

As you recall, for Terminals A and B at Newark we partnered with Westfield Concession Management to lead the rebranding effort and the management of the concessions. Westfield has conducted a competitive RFP process to select successful proposals that meet our criteria for customer service and marketing, product mix, brand awareness and loyalty, financial return to us, and disadvantaged business participation as well as investment in the new facilities. All leases in this rebranding are subject to Board review and approval and we bring them to you today as the current leases in these terminals approach their end dates.

In June of 2008, the Board approved 14 new agreements for the first phase of the concessions program. These included new leases for concessions providing some food and beverage, specialty retail, and duty-free. Some of the concepts are shown here.

However, due to changes in the economic conditions, declines in passenger traffic in these terminals and lack of available private financing, four of the selected proposers were not able to meet the terms of their original financial proposal. For these spaces agreements have been negotiated with the second-highest proposer or have been solicited and are included among the phase two agreements for your approval here today.

For the remaining Phase One agreements, construction is now under way and we expect concessions in this phase to be open by the third quarter of this year.

You have before you the detailed terms for each of the 14 agreements staff are recommending to you today. These agreements cover more than 27,000 square feet of concession space. Each of the selected proposers represent the highest financial return to the Port Authority for each space.

Eleven of the concessions provide for food and beverage, including a variety of casual dining options. You can see here the types of brands that the program entails, including Subway, Champs, Jamba Juice, and Villa Pizza, all of which are leading industry concession concepts, particularly for airports.

In addition, this phase includes agreements for seven Travelex locations and five Hudson newsstands as well as a bookstore. Eight of the total spaces will be operated by Areas USA, a leading global food service provider with experience serving airports in Europe, Latin America, and Asia. Areas will include a 20% disadvantage business participation throughout.

In total, these leases minimally will generate $47 million in guaranteed revenues over the terms of the leases, plus percentage rentals of 8 percent to 24 percent. These minimums are about 54 percent higher than the minimums under the existing agreements for the spaces. The length of each agreement is seven to 10 years. Tenants will have 60 days to fit out the space with an investment in each space dependent on the nature of the concession.

Each pays a minimum annual guarantee and a percentage rent, as specified in their proposals, as well as promotional fees and common area maintenance charges. The Port Authority also has the right to terminate each agreement on 30 days' notice by buying out the unamortized investment. Each will comply with the Port Authority's Labor Harmony Policy.

We expect that renovations of these concessions will be completed by the end of this year. We will be bringing the next phase of these leases which will be up for renewal, and we'll include some new concession spaces scheduled for completion in Terminal B as we build out the screening points later this year, and we ask that you recommend these agreements to the full Board for approval.

Chairman Coscia: Thank you. Can I have a motion to --

Commissioner Steiner: I want to make a comment first, Mr. Chairman.

Commissioner Bauer: He wants a motion first.

Chairman Coscia: Actually, well, you're still -- you'll still have a chance.

Unidentified Board Member: Oh, okay -- go ahead.

Commissioner Bauer: So moved.

Chairman Coscia: Okay, and a second?

Commissioner Silverman: Second.

Chairman Coscia: Okay, comments.

Commissioner Steiner: Susan, I want to compliment you on the excellent job you've done. I read every one of the lease agreements, as you know, and went through the dollars.

Susan Baer: Yes, you did.

Commissioner Steiner: I think you've done a wonderful job and I hope it's the beginning of a whole new approach with us in real estate and maximizing the return to the Port Authority with the highest quality of operations.

Susan Baer: Well, thank you. It was a challenge during these economic times, so thank you very much.

Commissioner Steiner: Yes, especially so today.

Susan Baer: Thank you.

Commissioner Silverman: (Inaudible) if I may ask, we've had a number, as you know, of people that have shown up at our Commissioner meetings, public sessions, asking about union representation in these stores or restaurants. Have we contemplated that in these lease agreements?

Susan Baer: Every one of the proposers will comply with our Labor Harmony Policy. So that should --

Commissioner Silverman: Okay. So we should not have lots of people in red t-shirts at the meetings, protesting these lease agreements?

Susan Baer: Not for these.

Commissioner Silverman: Okay, thank you.

Commissioner Bauer: Can I make one comment? Along the lines of what Commissioner Steiner said, 54 percent higher than current minimum, that seems amazing to me. So just in the renewals you can make (inaudible)?

Susan Baer: Well, they -- we actually went out and asked for new proposals and when these proposals -- a number of them were done, some of you may recall, when we had the BAA agreement with a private developer, and so some of them were holdovers from that agreement. And so some of the minimums were probably lower than they needed to be, but even though traffic is at a decline now, the traffic at Newark has grown remarkably in the seven years since these leases were originally assigned -- seven to 10 years since they were originally signed.

So I think it's based on that, and it's based on that this is still a very strong market and we bring a relatively affluent customer to the airport.

So all of those factors together -- Westfield does a very good job. As you know, they're in shopping centers, they really know their business. So, with them as a partner we were able to do this, so thank you.

Chairman Coscia: I think one thing that's sort of a follow-up on that comment, and the seven-year time period that Susan references is relevant for a lot of reasons because two things have happened here during that time frame. One is that our capital program has become far more ambitious than it was, and so the need to be able to preserve, the need to be able to effectively manage our financial resources, including operating income and including recognizing revenue from sources where we can, there's just that much more pressure on us.

First, because we went through this period of time where we dramatically expanded our capital plan to take on some very substantial regional projects, and so that puts a lot of pressure on just being a lot more aggressive about pulling more financial resources out of the businesses that you do operate, and then on the heels of that very ambitious capital plan, we came into probably the largest peacetime decline in the economy since the Great Depression and so now there is equally as much pressure on us being able to maximize revenue from the places where we do generate revenue, and even conserve operating expenses where possible because of that reason.

So we effectively, for the past six years, for two separate reasons actually very different from each other, have been in a mode of trying to be a lot better at being able to generate it. And we have not been successful at each attempt we've tried, but this is an example of where we've done a lot better.

I think you'll see and this Committee will see over the coming weeks a lot of very aggressive efforts about trying to control operating expenses as we go forward for all the same reason -- trying to manage our Capital Plan in a way where we're effectively using our financial resources.

So hopefully what we're sort of seeing is necessity being the mother of invention, and first because we wanted to support a major Capital Plan and now because we want to deal with the fact that revenues are declining at our facilities, that we've just got to be a lot smarter and a lot better at the businesses that we run, and hopefully this is an example of those things happening.

Commissioner Bauer: Tony, excuse me, one more point. Economics aside, do we ever look to -- thank you -- take advantage of venues that provide nutrition and health? With so much talk about obesity and being more health conscious, do we try to find restaurants that fit that mold?

Susan Baer: Yeah, we indeed do. Jamba Juice is an example of one which provides a very full range of healthy alternatives. We do look at that; we look at the product mix. And in an airport, you actually specify some of the things like that that you have an expectation. For example, a restaurant location in one of the food courts has to serve breakfast, lunch and dinner. They can't just specialize in one or the other. They have to have a fuller range of menu options, and healthy choices are one of the things that we actually put in and then monitor. So there are some good alternatives.

Chairman Coscia: We need to take a vote on advancing this. All those in favor?

Commissioner Silverman: Aye.

Chairman Coscia: Aye. Any opposed? Okay. Thanks, Susan.

Next order of business is the Rail Incentive Program. Rick Larrabee.

Rick Larrabee: Morning, Mr. Chairman, Commissioners.

In January, you authorized a unique program to increase the competitiveness of our Port by implementing a $25 per container incentive fee to be paid to ocean carriers, who increased their business in 2009 over 2008. And I'm happy to report this morning that that program is -- we're beginning to see some success.

We have nine ocean carriers that as a result of the first quarter statistics are showing an increase in business now. This is a program that extends through the entire year so it's only a projection, but we think that program's been successful despite the fact that as you are aware, our cargo volumes are down about 15 percent year-on-year and rail volumes are down about 20 percent. So these kind of incentive programs, we think, are important.

Today we're asking you to authorize a second incentive program that would attract cargo to new origin and destination points, locations that weren't previously served by our ExpressRail system.

As you well know, we've invested to date about $557 million in our ExpressRail system. We now can boast I think the most impressive rail system within the east coast ports and certainly may compare to all of our terminals around the United States.

By the time we're finished in the next couple of years we'll be able to handle 1.5 million lifts a year, and we serve the major population bases in the United States here on the east coast and in eastern Canada, and this system, combined with the fact that we are the first in-port call for most of the services that call on east coast ports gives us a tremendous advantage in terms of growing this business.

While we've seen about a 17 percent per year growth rate in our business, the current economic situation has pretty much changed that. Overall container volumes throughout the United States are down about 20 percent and this certainly has affected our rail business. Like ports, the railroads are directly affected by this, and as a result we're seeing railroads be much more aggressive about marketing their services, and this is where we want to focus on today.

Both of our Class 1 railroads are looking at new strategies. What they're basically looking at is new origins and destinations that have never been served before by rail. In the case of Norfolk Southern, they've just recently initiated a new service to Harrisburg, Pennsylvania. This is significant because Harrisburg is only 175 miles from our Port.

Traditionally, rail has only been really popular in distances of greater than 400 or 500 miles. So this is a significant step on our behalf in order to capture some of this market, and this is a market that heretofore has been primarily served by truck.

Likewise, CSX has just informed us that they're going to start a similar service to Buffalo, and basically what this is is a direct service to a location like Harrisburg. It's a train that goes through Harrisburg. They would block portions of the train for Harrisburg cargo and would drop that directly and then continue on to another location like Pittsburgh.

Both NS and CSX have also told us that one of the services they'd like to see started this year is a direct service to Boston. Today we serve Worcester, but not directly into Boston. So these are examples, I think, of the kinds of things that the railroads are trying to do to promote their business.

We think it's important to support the railroads and we think it's important because we have also been aggressively growing our capacity. This summer we're going to bring on Phase 1B of our rail program. That, along with our second lead track into ExpressRail Elizabeth will allow us to now handle a capacity of about a million lifts a year, almost doubling where we've been up until now.

So with that additional rail service available to our users, with the need to sort of grow our market, we really do think that this incentive program to these new locations will be effective. What happens in our industry is there's a good deal of what we call path mentality, which is every day you get up and sort of follow the same path that you've been following; what worked yesterday is what we're going to use today. And we think this kind of an incentive program would begin to influence lines' thinking about how they move their cargo.

So what we're basically asking for is a $25 per box incentive. It would be for only eligible containers, and an eligible container is defined as one that would be going to a new origin or destination that didn't exist before this year. So in the case of Norfolk Southern, where they started this service in April, this would be a program that would be applied to every box going directly to Harrisburg for 12 months since April. And if the Buffalo service starts later this year, we would have a 12 calendar month period.

Now if you combine the incentive that we created in January with this incentive, there is a chance that one of these lines could actually take advantage of both. What we've basically said to them is that we'll not allow for any incentive, combinations of incentive, to exceed our lift fee, so it would never exceed, in this case, $50, and I think from our standpoint this is the kind of thing that we think will dramatically improve our ability to bring more cargo to the port.

The other point that I would make is that if at the discretion of the Executive Director this program looks like its working, we would like to give him the authority to extend it for an additional year. So that would mean, for instance, if the Boston service were to start in January of 2010, it would give us the ability to provide that incentive to Boston for one year after that.

So in summary, basically what we'd like to try and do is put this incentive in place. We think it will stimulate growth to our ExpressRail system. As we're well aware, putting cargo on rail versus truck dramatically improves our environmental footprint, and we think with every additional box we gain the ability to retain jobs and maybe even increase them. So we're asking for your approval for this today.

Chairman Coscia: Okay. Can I have a motion to advance this also?

Commissioner Bauer: So moved.

Chairman Coscia: Second?

Commissioner Steiner: Second.

Chairman Coscia: Okay. Anyone have any questions or comments?

Commissioner Silverman: Yes, I do. Have we prepared a financial model to show what the P&L implications of this reduction is or are?

Rick Larrabee: Again, I'll give you an example. If we look at the statistics for the first quarter we believe we've increased our business by about 13,200 containers. If that's new business, that would give us an additional $360,000. If it's business that was coming here anyway, it's about $330 of loss because that was the incentive that we would pay on that.

What I think we would say is that if we're successful at this, we're basically attracting new business to our rail business and we'll be able to show a positive result as a result of that.

The other point that I guess I would make, and it's not so much on a financial analysis as it is on the notion of retaining and growing our market share, this is the part of our business which is in direct competition with other ports around the United States. Norfolk comes to mind, and we've had this discussion before.

For every box that Norfolk takes away from us because they're creating today we believe about a $100 incentive, it's a box that likely will stay in Norfolk for a long time to come, particularly in this market.

So our strategy I think is as much about retaining and perhaps marginally growing the business as it is -- and getting through the next couple of years as it is, trying to find a financial justification for it.

Chairman Coscia: Rick, and I'm going to take the liberty of maybe rephrasing Commissioner Silverman's question, because I actually agree, and I think you've very accurately stated the policy reasons for why we would do this, the business policy reasons -- because I do think we're trying to break into a business, and we were somewhat late to the game in terms of having on-dock rail service, we've now done what I think is a phenomenal job at building it and getting good market reception for it.

And now we've got to get people to utilize it so that those discretionary cargo routes that maybe we weren't as competitive for, now we can be more competitive for. And that, over the long run, allows us to amortize our capital costs over a much bigger piece of business and will work for all of us, not to mention all the people who are employed and everything else.

I think what is sort of being asked, and I think it's something that's helpful to know in understanding where we are in this, is that when we started the ExpressRail program we had a financial model based on our assumptions relative to how many lifts we're going to do per year.

I guess the question I'm sort of kind of restating to ask is whether or not the incentive programs, this one and the one we previously built in, how do they impact what had been our proforma P&L on that business now that we've sort of laid this on top of it? So there was a certain expectation as to revenue and expenses and how much money we'd bring to the bottom line. We're now adjusting it.

To some degree we're going after incremental cargo that we would not otherwise have. To some degree, we're giving a price break to cargo that our proforma had always sort of expected. And do you have any sense to sort of share with us as to how much is really what we had already expected but now we're kind of discounting versus what is true incremental and we had never really expected it?

Rick Larrabee: The original model showed a positive $120 million net present value to that model. That was a model that was based on a growth rate of about 5 percent a year. Obviously with cargo volumes down 15 percent and with rail volumes down 20 percent, that model has dramatically been disrupted. It's difficult to predict right now exactly how long this current recession is going to last and what it will look like in terms of growth rates in the future.

Right now we're estimating growth moderating to about 3 percent per year for at least the next 10 years. I don't have with me the analysis. I'd be more than happy to provide that to you. But I think in our case the proposal that we've offered today is not one so much in terms of improving that model as it is preserving our current volume of business, and I think from the communications that we're having with our lines -- one of our problems, very frankly, is that a lot of our business comes from a small number of companies. And I won't use names, but one of the companies which brings about 80,000 lifts a year is looking at their situation and saying to us unless we can find ways to improve our costs in New York we're going to have to look at alternatives.

And I think that's the kind of feedback that we're getting these days that makes us want to do the kind of programs that we've offered.

Chairman Coscia: I'll speak for myself, and I know Henry may have some comments -- I want to do this. In fact, I want to do this and I want to approve it and I'm about to vote yes on it. I guess in sort of an attempt to try to get a handle on the numbers, had we never thought about a discount we would have had a financial model that said here's what we expect to generate in terms of profit on the ExpressRail Program in 2009 and 2010 and 2011, we had some expectation of it.

Now we're factoring in two different things -- one, that we have to readjust what our assumptions are because there's been a general economic decline that presumably has had an impact on the amount of business we do, so that's a negative number, and now we're making a decision, which, as I said, I agree with, that we're going to offer a price incentive to try to defend the business that we have and also try to lock people into the path you suggested so that as the economy rebounds, we've got a whole bunch of people using our routes and not other people's routes.

But there ought to be a dollar figure associated with what we think our bet is, is what I guess I'm saying, so that you're comparing what we're now going to do to the proforma we did when we started making this investment so that we get sort of a sense as to how many dollars we're actually putting in this game.

Rick Larrabee: I understand the question.

Chairman Coscia: And that's what I think is sort of the analysis --

Rick Larrabee: I don't have the analysis with me but I'd be more than happy to provide it, and will.

Chairman Coscia: And I hadn't thought of it that clearly myself either, or I would have said something about it before this.

Commissioner Bauer: I was just going to say regardless of the economics, though, it's essential that we take some type of proactive stand. The alternative is to do nothing, and if we miss out on the retention of the containers we're getting and obviously new containers. Right?

Chairman Coscia: I think everybody's doing that -- any business today is looking for ways to stay price competitive.

Commissioner Steiner: Aside from that, and I agree wholeheartedly and I'm in favor of it, I think one thing we should not overlook is what it's going to do to the congestion -- diminishing the congestion on our highways, the air pollution, the amount of air pollution particularly at the port with all those trucks that come in and idle.

The motor's idle and we get all that pollution, we won't need as much room for them, and our highways will be much better off, the traffic will be lighter, and the wear and tear on our highways.

I think we should not overlook that at all. It's an important consideration.

Rick Larrabee: Thanks, Commissioner, and we've talked about that, and we'll come back in the next couple of months and talk about our air quality programs and some of the things that we're going to be doing to affect that.

But rail, as we've talked about, has always been a part of our clean air strategy in the port, particularly if you look at places like Harrisburg. And again, it's been a truck route for a long time. If we can improve the service to Harrisburg by providing rail, we can take a lot of those trucks off the road.

Commissioner Silverman: I would just like to say the following, since one of the hats I wear is Chairman of the Governance Committee – G&E Committee -- it is not good governance to come in and propose a price reduction and not tell your Board of Directors, or in this case your Board of Commissioners, what the financial impact of that price reduction is.

And it's not good governance, it's not prudent for us to approve that without knowing what the financial impact is. So I would hope that the next time anyone in this room makes a presentation to us we'll also get a financial model which shows what the impact of, for example, a price reduction is.

Chairman Coscia: It's a good point.

Commissioner Silverman: Can this be deferred for a month until we see that analysis? Because as I say, Mr. Chairman, this is not good governance.

Chairman Coscia: Rick, do you have a view on that? I mean, in terms of peoples' expectations?

Rick Larrabee: Well, we haven't created a -- we've made no public announcement about it yet. We could defer it for a month. I'd like to get it started. I mean, our discussion in January suggested at the outside these kinds of programs put us at risk of about $500,000, but I don't have the analysis.

Chairman Coscia: Is this an exercise you would do with Paul Blanco's shop? Is that sort of how you would do this analysis?

Rick Larrabee: We would really need to sort of update the entire model and show you the entire model. What will have a greater impact is the loss of cargo volumes over the last year and the expectation that those cargo volumes will diminish over the next couple of years. This will have a de minimis impact on that model.

Chairman Coscia: Order of magnitude of the impact that you're expecting is?

Rick Larrabee: At the outside risk we're talking about something less than $500,000 for both programs.

Chairman Coscia: I would make the following suggestion. Of course, defer to my fellow Commissioners as to whether or not it's appropriate or not. You and Blanco's shop should get together and try to put something together on this item that gets us comfortable that you have properly estimated what the potential impact of it us.

Henry, I'll speak for myself -- I'd be happy to review that in advance of the July Board meeting, and if we are both comfortable with it as both Operations, Finance, and the various other committees that we represent that assuming that this Board and the full Board are comfortable delegating the responsibility for us to give a green light, then we will do that and that will save you perhaps a couple of weeks until the July Board meeting, but I'm not promising that that'll happen because if there's still some holes and we need to work this through, it may take us until the July board meeting to get that.

But that really is a function of how quickly you and Paul's shop can get through this and provide us with what we need, so I think it's a fair comment and frankly if it takes a week or two to do that, and Henry, I don't want to impose on your time beyond what you're willing to do, I'd be willing to do that and that will save you at least some of the time.

And if for some reason this information can be pulled together in 24 hours, then I assure you we'll review it quickly and then we'll -- but we'll make the approval, Karen, subject to that sign-off and --

Rick Larrabee: Karen --

Commissioner Silverman: Is it possible (Inaudible) to track volumes from existing customers versus new customers? In other words, the question I would have is are we cannibalizing our existing

business. Giving a price reduction to a current customer is a very tricky item, as we all know. You may just be reducing your profits or eliminating your profits, because that business would have come to you anyway. And so that's really the question -- how do we (inaudible) retaining additional customers or obtaining new customers? Because if what we're doing is having the same people paying us $25 per box less, that's not very good business.

Rick Larrabee: Well, it is the same people. The question really comes down to what would happen to that box if you didn't -- and it's very difficult to determine that, to be very honest with you.

As I said earlier, we've looked at the first quarter, we know that if you consider the fact that our overall cargo volumes are down by 20 percent, our rail volumes are down about 23 percent, and you look at nine of the lines that call on this Port you know that those lines have increased their business.

I don't know how you analyze the decision-making process within that line other than to say that in a time when their business is down as much as it is that they're bringing more cargo to the port.

Now, is that cargo that would have come here anyway, or would it have gone to Norfolk as opposed to here? I can't answer that question. You know, it's going to be very difficult.

Chairman Coscia: Rick, my understanding of it is that what we're talking about here in terms of what would be qualifying cargo for the incentive would be cargo that is truly incremental to the point that those lines are not being serviced from our port today.

Rick Larrabee: Right, and that's the point.

Chairman Coscia: So they're truly incremental, and I thought the thought process behind it was that it's a defined limited amount that we're putting into it and we already have the CapEx. We've made the investment so the function is trying to create a broader revenue base to amortize that investment over. But that we really are truly talking about lines that up until now we haven't had.

Commissioner Silverman: If this is *de minimis*, we can not go through this approval process. It sounds like we're talking about an immaterial amount of money.

Ernesto Butcher: About $200,000.

Rick Larrabee: Yeah, we're talking about $200,000.

Commissioner Silverman: And if we had -- if you guys had identified that for us, I would have been happy to keep my tongue in my mouth.

Rick Larrabee: Okay. Well, I should have. We've done the calculations, it's in the cash flow statement. It's --

Commissioner Silverman: Okay. I withdraw my qualification, Mr. Chairman.

Rick Larrabee: But I think your point --

Rick Larrabee: -- on the larger issue of where are we in the rail model is a good one, and I'm more than happy to bring that back to the Board and lay that out in an organized way so that you have some idea where we stand.

Chairman Coscia: (Inaudible) Okay, so we're back to approving to advance. Can I have a motion. All those in favor?

Committee Members: Aye.

Chairman Coscia: Any opposed? Okay. All right, and we're going into -- this concludes the public portion of today's meeting. The Committee will now adjourn to Executive Session to discuss matters related to the purchase, sale, or lease of real property or securities where the public disclosure would affect the value thereof or the public interest. Thank you.

The Port Authority of New York and New Jersey
Security Committee Transcript
March 26, 2009

Commissioner Mack: Today's meeting of the Security Committee will be held in public session in its entirety. In addition the meeting is being broadcast live on the Port Authority website for those interested in viewing today's proceedings via the Internet. Okay. And for discussion today we are going to talk about the George Washington Bridge and Bus Station, Holland Tunnel, Lincoln Tunnel, Port Authority Bus Terminal Access Control System Enhancement. Victoria, you are on. Okay. Good morning Victoria.

Victoria Kelly: Good morning Commissioners. Thank you. The George Washington Bridge and Bus Station, the Holland Tunnel and the Lincoln Tunnel utilize critical equipment such as closed circuit television cameras, motion sensors and access control systems to ensure the security of the traveling public, our own employees and our infrastructure. I'm here today to discuss the planning authorization to upgrade and expand the existing access control and intrusion detection system capabilities at these facilities. We are also seeking authorization to enter into a professional services agreement to assist with this planning effort.

The existing access control system is comprised of card readers, motion sensors, closed circuit television or CCTV cameras, video recording equipment and electronic door locks. All of them are integrated within a network configuration and were installed in the late 1990s following a risk assessment that was conducted for all Port Authority facilities. Based on ongoing risk and operational assessments, staff has identified the need for additional access control intrusion detection and video equipment to enhance surveillance capability. Some of the existing equipment is no longer supported by the manufacturer. The replacement of this equipment is necessary to maintain serviceability, improve protection and provide interoperability with new equipment.

Additional cameras and access control and intrusion detection will enhance the capability for facility staff to monitor and protect the public, our employees and our infrastructure assets. Upgrading and replacing access control equipment that is not longer receiving manufacturer support will maintain the serviceability of the access control system.

Today we are seeking a planning authorization for $4 million to develop a comprehensive program to upgrade and enhance the existing access control systems at the George Washington Bridge and Bus Station, the Holland Tunnel and the Lincoln Tunnel. Work performed under this planning authorization includes an effort by both Port Authority staff and consultants which will consist of field inspections, review of existing documents, the preparation of draft design documents including construction cost estimates and the preparation of final design and contract documents. Our recommendation is to award a professional services agreement to URS Corporation and to spend up to $2 million for work under this planning authorization. This $2 million is included in the $4 million being requested. The URS agreement was procured via a publicly advertised Request for Proposals process. URS was the highest technically rated proposer and overall best buy for the agency.

Commissioners, we request that you recommend this action to the full board for approval. Thank you.

Commissioner Mack: Thank you, too. Are there any questions on this? Oh, sure.

Commissioner Sartor: Just a quick question Vicky, in terms of the URS contract, that is on a T&M basis with a not to exceed upset number? Is that how you have done it? You said up to $2 million; I wasn't sure what that meant.

Victoria Kelly: No, not exactly Commissioner. There is actually a little bit more in the URS agreement that we are not asking for your authority today to spend that we will engage once we come back for Project Authorization, if you approve that. We have a little bit more in the URS contract for that phase of the work.

Commissioner Sartor: Thank you.

Commissioner Mack: Okay. Are there any other questions? This is vital and important. We don't have to belabor the fact how important security is today and electronic security especially. Sam or Bob do you have any, besides recommending it, do you have any comment?

Sam Plumeri: No, Commissioner, we do not.

Commissioner Mack: But you have seen it, am I right? And you endorse it?

Commissioner Mack: You endorse it? Good. And Bob you endorse it as well? Very good. Okay.

Robert Van Etten: Yes.

Commissioner Pocino: I recommend we bring this to the Board.

Commissioner Mack: Take a vote. Okay.

Commissioner Grayson: So moved.

Commissioner Sartor: Second.

Commissioner Mack: Second. All in favor? Aye. Okay if there is no other business then we will adjourn the meeting and thank you again.

Victoria Kelly: Thank you.

Commissioner Mack: And naturally we want to do this in a speedy manner so we take care of it. Thank you everybody.

Commissioner Hochberg: Thank you Vicky.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Transcript
October 22, 2009

Commissioner Sartor: The World Trade Center Redevelopment Subcommittee public session will now be open. The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee will be held in public session, after which the Committee will meet in executive session to discuss matters related to the purchase, sale, or lease of real property or securities where public disclosure would affect the value thereof or the public interest in matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. We have a number of items for discussion, and I see Mr. Plate's name next to most of them. So Steve, start it with the Construction Management Services, please.

Steve Plate: Yes, sir. Good morning, Commissioners. We continue to demonstrate significant progress at the World Trade Center site as we move forward with our aggressive construction schedules. Today we're requesting your approval of several major items necessary to maintain our progress and advance critical construction activities at the site. Our first item recommends a negotiated award of a Construction Management Services contract for the World Trade Center Vehicular Security Center, Eastside Tour Bus Parking Facility, West Bathtub Vehicular Access, and the World Trade Center Streets Program to Tishman Construction Corporation at an estimated amount of $47.3 million including a $6.6 million management fee. I'm pleased to report that this amount is more than 15 percent below our staff estimate. Awarding the contract to Tishman, a construction manager well-established at the World Trade Center site, will provide the on-site expertise necessary to advance these projects towards a timely completion. Tishman will be responsible for the procurement of the necessary contract packages for the development of the projects in addition to project coordination, estimating, quality assurance, and other general administration services. Tishman's involvement with other projects such as One World Trade Center and the World Trade Center Transportation Hub provides them with immediate knowledge and familiarity with the site. Very simply, they're on board, they'll be ready to go, they actually are already working at the site, and they're well below the estimate that we provided.

Commissioner Sartor: Do we have any questions concerning that matter? [no response] Commissioner Sartor: Seeing none, I accept the recommendation that we move it to the full committee, full board. Commissioner Bauer: So moved. Commissioner Sartor: Second? Commissioners: Second. Commissioner Sartor: All those in favor? Commissioners: Aye. Commissioner Sartor: Steve, the next one.

Steve Plate: I would like to request your authorization for Phase II of the World Trade Center Streets Program. As you may recall, Phase I of the program was authorized in January of this year at a total project cost of $55 million. Phase II will provide for final design and construction of street and sidewalk surface finishes, trees, paving, bollard, streetscape furniture, and additional design services for Liberty Park at an estimated total project cost of $140 million. This amount includes $5 million to Downtown Streetscape Partners for

additional architectural and engineering services through Stage 4, final design and construction. The final phase of the program, Phase III, which is subject to future board authorization, will provide for a 60,000 square foot Liberty Park, located at the south side of the site. The program in its entirety will provide for the restoration of streets, utilities, and sidewalks, implementation of traffic measures, and development of public space within and around the site. Advancing this phase, namely Phase II, at this time will enable us to meet our commitment to provide access to Memorial on 9/11/11 and in particular, primarily, Greenwich Street is the primary access to the memorial during that period, and this will provide us and enable us to move forward to complete that on time and on budget.

Commissioner Sartor: Any questions from the commissioners on this item? [no response] Commissioner Sartor: I entertain a motion that this be moved to the full board for approval. Commissioners: So Moved. Commissioner Sartor: Second? Commissioners: Second. Commissioner Sartor: All those in favor? Commissioners: Aye. Commissioner Sartor: Opposed? [no response] Next item, Steve.

Steve Plate: Yes, Commissioner. As you know, we have informed Silverstein Properties that we are developing a proactive alternative option for the various site-wide projects should SPI defer the constructions of Towers 2 and 3. This plan requires the modification to designs that would provide structural support to the World Trade Center Transportation Hub, One World Trade Center, the Vehicular Security Center, and other infrastructure projects in order to ensure that construction on public aspects of the development at the site proceeds while unimpeded, minimizing the impact to the milestone in the October 2008 World Trade Center report. This slide shows the major areas impacted by this plan. In the event Silverstein Property defers construction, many of the mechanical, electrical, and plumbing components that were installed in Towers 2 and 3 would require relocation to alternate locations. Modifications of the structural design of the World Trade Center Transportation Hub would also be required since Towers 2 and 3 would no longer provide lateral support. The underground roadway that previously provided access to all components of the site would no longer connect to Towers 1, 2, and 3. For this reason, a separate loading dock would be provided at One World Trade Center. Additionally, an independent electrical service would be required for One World Trade. Although impacts to the Transportation Hub superstructure and the infrastructure would be necessary, this alternate construction option would not impact the transportation benefits of the station or the signature elements of the Calatrava design. Today I'm requesting your authorization to increase the compensation on the various existing professional architectural and engineering agreements to initiate this alternative construction option at an estimated amount of $20 million.

Commissioner Sartor: Do we have any questions on this item? [no response] Commissioner Sartor: Seeing none, I entertain a motion that we move it to the full board. Commissioner Chasanoff: So moved. Commissioner Sartor: Second? Commissioner Bauer: Second. Commissioner Sartor: All those in favor. Commissioners: Aye. Commissioner Sartor: Opposed? [no response] Steve, the next item. I think you're going at a world pace here.

Chris Ward: Fasten your seatbelt.

Steve Plate: I could go faster. Okay. Next slide. I would now like to recommend for award two construction trade contracts for One World Trade Center, basically two: the purchase of lighting will provide Five Star Electric, One World Trade's existing electrical contractor, with the lighting fixtures for major areas, including the podium walls, pavers, lobby, and the lighting used to illuminate the structural steel spire. The second contract, Facade Maintenance Equipment will provide a fully automated system for the necessary inspection, maintenance, and repair of the exterior facade, interior face of the podium wall, and perimeter areas of various mechanical floors. Both of these contracts include extra work and were competitively bid with the recommended award to the lowest responsive bidder. Including the proposed awards, 94 percent of One World Trade contracts will be awarded to date.

Commissioner Sartor: Any questions on this item?

Commissioner Steiner: I have a question.

Commissioner Sartor: Yes?

Commissioner Steiner: Excuse my ignorance. I see that an electric supply company is selling a particular manufacturer's fixtures, I presume. Aren't we able to buy direct and bypass the supplier, or is that part of the contractual arrangement?

Steve Plate: That's part of the contractual arrangement. We're purchasing through-- There's a series of different elements in the entire building, and each one is a little different, and they're basically coordinating and pulling it together for us, as opposed to us doing that.

Commissioner Steiner: Okay, thank you.

Steve Plate: Thank you, Commissioner.

Commissioner Sartor: Any other questions? [no response] I would entertain a motion that this be moved to the full board? Commissioner Chasanoff: So moved. Commissioner Sartor: Second? Commissioner Holmes: Second. Commissioner Sartor: All those in favor? Commissioners: Aye.

Commissioner Sartor: Steve, one more.

Steve Plate: I would also like to recommend the assignment of a construction trade contract for the Memorial. The plaza roofing and waterproofing will ensure that the Memorial interiors will be amply protected from weather elements. The performance of this work will keep us on schedule with our 9/11/11 commitment. This contract includes extra work and was competitively bid with the recommended award to the lowest responsive bidder. This item also includes a total aggregate payment to Bovis in the amount of approximately $800,000 for general conditions and construction management fees. Advancing this package would represent over 80 percent of the Memorial contracts awarded to date. Commissioners, I request that you advance this item to the full board for their approval.

Commissioner Sartor: Any questions on this item? [no response] Commissioner Sartor: Seeing none, I entertain a motion to move it to the full board. Commissioner Bauer: So moved. Commissioner Sartor: Second? Commissioner Holmes: Second. Commissioner Sartor: All those in favor? Commissioners: Aye. Commissioner Sartor: Opposed? [no response] Okay.

Commissioner Sartor: The next item is integrity monitoring services for the Vehicular Security Center.

Commissioners: There's one more.

Commissioner Sartor: Was there one more? Did I miss one?

Steve Plate: The last request from me is for the concurrence to provide additional funding under existing contract with Guardian Services Industries to perform additional maintenance and operation services at the World Trade Center site at an estimated amount of $13 million, resulting in a total authorization of $55.3 million. Guardian was originally retained via a publicly advertised Request for Proposal process in 2006 to provide general site operations, maintenance, and the watering services. The additional scope of work provided for in this authorization will provide for the operation of the interim Primary Electrical Distribution Center, which supplies 30 megawatts of power to Port Authority and Memorial projects including power for the operation of the Memorial fountains. This increase also provides for tasks previously performed by Phoenix Constructors including the watering services in the East Bathtub and site-wide maintenance and logistical services such as replacement of barriers, relocation of fences, signage, traffic control measures, and other general services. Guardian will perform these services to the expiration of their contract which is in June of 2012. Commissioners, I request your concurrence.

Commissioner Sartor: So in large part, this is to replace Phoenix—

Steve Plate: There's a shift of money-- I just want to keep you aware because we were believing they were providing all of the dewatering in the East Bathtub—

Commissioner Steiner: Was this negotiated or bid?

Commissioner Sartor: This was a bid contract back in '07, I believe.

Commissioner Steiner: This is a change order to that contract?

Steve Plate: That is correct.

Commissioner Silverman: Could you explain, Steve, at least to me, what they do. This seems like an awful lot of money for guys—

Steve Plate: It's actually a 5-year period, and what they do around the clock is If you recall several years ago, you folks authorized me to hire a firm called, through Phoenix, Moore

Trench, and they have basically moved several hundred thousand gallons a day out of the site even though it's a sealed site because it I'm talking engineering, but through the rock it comes up. You have to keep that water out. If we actually turned this off, you'd see the water continue to rise. And basically, they provide for that. They continue to pump it per permits to the City.

Commissioner Steiner: 24/7?

Steve Plate: 24/7 basis for the next 5 to 7 years.

Commissioner Sartor: Any additional questions on this item? If not, I entertain a motion to move it to the full board for approval. Commissioner Holmes: So moved. Commissioner Sartor: Second? Commissioners: Second. Commissioner Sartor: All those in favor? Commissioners: Aye. Commissioner Sartor: Opposed? [no response]

Commissioner Sartor: Now we're on to the next item. Inspector General?

Robert Van Etten: Good morning, Commissioners. I want to introduce to you our Program Manager for Integrity Monitors, Ron Calvosa. Ron comes to us after 23 years with DOI, Department of Investigation in New York City, and his last position was the Inspector General for construction, design, and also transportation for that department. Ron?

Ron Calvosa: Thank you. Good morning, Commissioners. I'm here seeking your approval for the retention of an integrity monitor for the World Trade Center Vehicular Security Center project, Eastside Tour Bus Parking Facility, and Streets, Utilities, and Infrastructure Programs, which I will collectively refer to as the VSC Project. As you are aware, as part of the overall World Trade Center Fraud Prevention Program integrity monitors have already been approved and are working on the Hub, One World Trade Center, Memorial, and Central Chiller Plant Projects. The Office of Inspector General is now seeking your approval to enter into an agreement with SafirRosetti, part of the Global Options Group, for the VSC Project. This will be a four-year agreement with two, one-year option periods. The agreement is an estimated $5,755,600. SafirRosetti is the recommended awardee as the result of a publicly advertised Request for Proposals that was released on July 6, 2009. Fourteen firms submitted proposals. An initial review disclosed that two of the firms did not meet the prerequisites contained in the RFP. Twelve firms were evaluated based on weighted scores in the following four categories: firm qualification and experience, staff qualification and experience, technical approach, and management approach. After the initial round of scoring by the Evaluation Committee, four firms were short-listed and invited to give formal presentations including SafirRosetti. After the presentations, clarifying questions were asked of the short-listed firms, and upon receiving their responses, the Evaluations Committee rated the four short-listed firms. SafirRosetti was the highest rated firm. Since cost was determined on a best value basis, SafirRosetti's cost proposal was reviewed, and it was lower than the other three short-listed firms. Through negotiations we were able to obtain a lower price from SafirRosetti, and the cost proposal was also less than the OIG's independent cost estimate. SafirRosetti has also proposed meeting or exceeding the M/WBE goals for this project through the use of certified subconsultants. I will gladly answer any questions.

Commissioner Sartor: Any questions from the board?

Commissioner Grayson: Yes. The respondents seem to be a wide range of service providers from law firms to accounting firms to-- Why? Do a lot of different groups do this business?

Ron Calvosa: Yeah, a lot of different groups are venturing into the integrity monitoring business. As you indicated, some have specialties in auditing, some have specialties in the legal practice. What we were seeking for this RFP was a totally encompassed package, people who could bring the various disciplines to us such as investigative, audit, engineering, and so forth.

Commissioner Grayson: And Safir's expertise is in that area?

Ron Calvosa: They have put together a team that encompasses all the things that the OIG was looking for.

Commissioner Sartor: Any additional questions? [no response] Seeing none, I would entertain a motion that we move this to the full board for approval. Commissioner Grayson: So moved. Commissioner Sartor: Second? Commissioners: Second. Commissioner Sartor: All those in favor? Commissioners: Aye.

Commissioner Sartor: This concludes the public portion of today's meeting. The Committee will now adjourn to executive session to discuss matters related to the purchase, sale, or lease of real property or securities where public disclosure would affect the value thereof or the public interest in matters involving ongoing negotiations or reviews of contracts or proposals. Thank you.

The Port Authority of New York & New Jersey
WTC Redevelopment Subcommittee Transcript
November 19, 2009

Commissioner Sartor: Good morning. The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee will be held in public session, after which the Committee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. The first item for discussion is the World Trade Center site retention of professional real estate and financial advisory services. Michael.

Michael Francois: Thank you. Good morning, Commissioners. Today I am seeking authorization for the continued retention of Cushman & Wakefield for future professional real estate and financial advisory services in an amount not to exceed $2 million to advise on various financing and joint venture structures associated with our renegotiation of the existing World Trade Center agreements with Silverstein Properties. By way of background, in August 2008 the Executive Director authorized retention of Cushman & Wakefield to provide financial analysis and modeling of potential real estate scenarios associated with Silverstein's development plans for Towers 2, 3, and 4 at the World Trade Center site. These services were retained as part of and subsequent to negotiations with Merrill Lynch regarding a long-term lease with Silverstein for Tower 3. These services were secured in recognition of the challenges that Silverstein would face in funding the development of three office towers and the need for the Port Authority to possibly assist in the financing of the buildings and potential joint venture structures.

We are now seeking continued retention of Cushman & Wakefield to help in the ongoing negotiations with Silverstein and to advise on potential structured finance relationships with them. The services rendered by Cushman & Wakefield are provided by their investment banking group, which is part of their capital banking department, which has extensive experience in real estate partnership and capital structures. They will provide financing scenario modeling of outcomes of potential business structures with Silverstein, provide market comparables as an integral part of the analysis of the structural feasibility of projects, participation with internal strategizing, decision making, and briefings, assistance with term sheet formulation and drafting, and assistance in the preparation for and participation in negotiations with Silverstein. We are therefore seeking authorization for continued retention of Cushman & Wakefield in an amount not to exceed $2 million, bringing their total authorized contract amount to $4.5 million. Payment will be structured as a retainer in an amount of $150,000 per month, and this engagement will continue for approximately one year, coinciding with the anticipated successful conclusion of our negotiations with Silverstein.

Commissioner Sartor: Any questions, please?

Commissioner Chasanoff: To the extent that not a whole lot is going on at the moment that they're going to produce, why don't we make a deal with them as needed?

Michael Francois: Basically--

Commissioner Chasanoff: $2 million.

Michael Francois: The retainer basically, for all intent and purposes, is almost like that. We can terminate their services on basically no more than five days' notice. And for the $150,000 a month they have at least three, potentially more, folks, and they have been devoting a substantial amount of time, obviously, to this assignment for a number of months, and we anticipate their services for the foreseeable future.

Commissioner Chasanoff: To what extent are we using them now?

Michael Francois: Right now we're using—

Commissioner Chasanoff: Right now and looking to the foreseeable future.

Michael Francois: Right now we're using them extensively to anticipate potential relationship, joint venture relationships, with Silverstein Properties as well as what sort of financing Silverstein may have to secure, what type of financial structures we may need to anticipate in putting together a new relationship with Silverstein. There's a myriad of possibilities that could evolve out of these negotiations, and we need to be prepared when we re-engage, if you would.

Commissioner Chasanoff: I would think that the real estate brokers are not all that busy at the moment, and I would think that as, when, and if we need them, I think we could get them here in about 12 seconds.

Michael Francois: Let me clarify that. We're not procuring services for their transactional group. This is their investment banking group, and specifically, they are focused on just financial structuring, financing, and joint venture relationships. We're not retaining them on any transactional functions.

Commissioner Chasanoff: I don't think those people are particularly busy at the moment either, and I just foresee why not save this money up until the time we need it and then call them in and let them do their work.

Chris Ward: I think what Mike was trying to get across, this is effectively a call-in contract; that it's for services as required. It has, obviously a—

Commissioner Chasanoff: We're paying them anyway.

Chris Ward: $150,000 retainer on a monthly basis, but should we not utilize that contracted amount and find that there's no services necessary, we can terminate with five days' notice.

Commissioner Chasanoff: We may.

Chris Ward: What I was going to tell you is that we are now actively utilizing Cushman & Wakefield's investment services in anticipation and in current discussions with both the City administration and in anticipation of potential outcomes following the arbitration into being a ready, proactive position when the arbitration concludes or the City takes another position.

Commissioner Steiner: Mr. Chairman, do I understand from that - that you're not actually giving them a flat $150,000? When I do a retainer with a law firm, the hours are charged against that. They don't get the $150,000 until they use it up.

Michael Francois: We are funding them at $150,000 per month.

Commissioner Steiner: So it's not on an hourly basis of what they do. You're giving them a flat $150,000, whether they do zero or a thousand hours. Is that right?

Michael Francois: That is correct.

Commissioner Steiner: Then I don't call that a retainer.

Michael Francois: A monthly retainer.

Chris Ward: It's a monthly retainer, and we are currently meeting that utilization rate of $150,000 a month. They have within the arbitration, for example, provided significant testimony and qualitative and financial analysis for our case within arbitration. As we will discuss, there are ongoing anticipatory-like frameworks for a renegotiated Silverstein transaction that require their expertise to provide guidance to us.

Commissioner Chasanoff: If you gave this to the marketplace, do you think you'd have to pay $2 million in a competitive situation?

Chris Ward: Candidly, I think we are getting an excellent service and price from Cushman & Wakefield.

Commissioner Chasanoff: We might get it for less than half.

Chris Ward: I think right now, from my perspective on what they have done and the quality of people they've brought, we've had stellar service from Cushman & Wakefield throughout this entire contract. Their efforts in the arbitration were singular in defining downtown. Their capacity to provide guidance on multiple financial structures for what is a very complex transaction has been more than its money's worth.

Chairman Coscia: I have to say I've been in a bunch of meetings with Rotchford.

Michael Francois: Yes. Michael Rotchford.

Chairman Coscia: Who I thought was very sharp, on top of things, prepared at every meeting, had answers, and frankly, had to do some fairly heavy lifting in support of our arbitration efforts. Among real estate brokers, that's not always a given. I thought he did a pretty good job.

Commissioner Steiner: I would also remind you that as a continuity thing you can't just go bid that. Once you start with someone, you're hooked in. They just want to make sure that we're getting the value

for it. I didn't know they were doing the arbitration, so that's a lot of work, and I don't know what it is. I was just concerned whether it was a flat fee or whether they were charging us by the hour. That's all.

Commissioner Sartor: You think this is a better fee arrangement than doing a T&M basis with them?

Chris Ward: Yes. It gives us the dedication that we want on a monthly basis. Calling them in, really, at 9:00 at night or 7:00 in the morning gives us the embedded capacity for what we need to do.

Michael Francois: We've been tracking the hours, and I think that if we were paying this on a time and material basis, we'd be paying a lot more. With the exception of one month, I think, we've gotten our money's worth all along.

Commissioner Sartor: Any additional questions? I entertain a motion that we move this to the full Board. Commissioner: Motion. Commissioner Sartor: Second? All those in favor? Committee members: Aye. Commissioner Sartor: Carried. Mr. Plate. Construction trade contracts at the World Trade Center site.

Steve Plate: Good morning, Commissioners. Today I will be requesting your authorization to accept assignment of three trade contracts necessary to advance construction activities at the World Trade Center Memorial and Memorial Museum. These critical items will keep us on track to meet the scheduled opening of the Memorial Plaza on 9/11/11. Our first construction trade contract is for plaza pavers for the World Trade Center Memorial. This contract was competitively bid, with Port Morris Tile and Marble Corporation being the lowest responsive bidder at a cost of $13,479,480, inclusive of extra work. The plaza pavers will establish a finished surface on the Memorial Plaza, enabling commuters, residents, and visitors to view the North and South Falls. The Port Authority's share of this contract is $2.5 million, or about 17 percent of the total cost, which includes the work associated with the sidewalks we are committed to do. This contract also includes a payment to Bovis in the amount of $1,241,000 for the construction management services. Commissioners, this package will pave the Plaza and enable family members to remember their loved ones for years to come.

Commissioner Sartor: Mr. Plate, what was the engineer's estimate on this? What kind of bids did you get?
Steve Plate: The engineer's estimate was $17.6 million. That provides for the engineer's estimate being 30 percent above what we actually BAFO'd down to. The three bidders were very close in that range. The next bidder was a little over a million higher at $13.5.

Commissioner Sartor: Commissioner Steiner.

Commissioner Steiner: Chairman, question. You said that we were paying what percentage of that? Is it a total of $14 million or just of the contract?

Steve Plate: No, $2.5 million or 17 percent, and that's—

Commissioner Steiner: Of the total $14.7?

Steve Plate: Yes, sir.

Commissioner Steiner: And how are we doing with getting the money for the rest? Who's laying out that money? Are we laying that out, or are we supposed to be getting that from the Memorial? Will you tell us whether we're getting that money?

Steve Plate: With regard to this money, that has been allocated and funded by the Memorial, and how we do it is a very strict formula. It's put in an escrow account based on who uses what, and there are two keys. One key is Joe Daniels on the Memorial, and the other is mine. Once we both sign, then the money comes out from who plenished it. So it's direct dollar for dollar from the Memorial.

Commissioner Steiner: What's our record? Have we been getting paid on a monthly basis?

Steve Plate: Yes. In fact, I've aggressively pursued that. We're down to approximately two to three weeks after the close of the period. How do we accomplish that? We ask for a pencil copy three weeks into the month. So let's say, for example, October.

Commissioner Steiner: I don't care about the details.

Steve Plate: I'm sorry.

Commissioner Steiner: I just wanted to make sure—

Steve Plate: Yes. The answer is yes. Approximately two to three—

Commissioner Sartor: We still have issues. We'll discuss that at a later point in the meeting, Commissioner. Any other questions on this particular contract? If not, I'll entertain a motion that it go to the full Board. Commissioner Pocino: So moved. Commissioner Sartor: Second? Next item, Steve.

Steve Plate: Next slide. The next construction trade contract is for electrical services for the World Trade Center Museum Pavilion building. This contract was competitively bid, with Forest Electric Corporation being the lowest responsive bidder at a cost of $7,202,520, inclusive of extra work. Work will include the furnishing and installation of all electrical systems for the Pavilion, including temporary power and light, permanent electrical, telecommunications, security, fire alarm, and distributed antenna systems. Utilizing LEED standards, this package will illuminate the Pavilion while ensuring compliance with safety and building codes. The Port Authority's share of this trade contract is $350,000 or about 4.5 percent of the total cost. This contract also includes a payment to Bovis in the amount of $663,165 for construction management services.

Commissioner Sartor: Same question: Engineer's estimate on the bids.
Steve Plate: The engineer's estimate was approximately $9.2 million. Again, it's slightly under 30 percent under the engineer's estimate.

Commissioner Steiner: When you tell us engineer's estimate, are you talking about the direct contract or the grand total, including the extra on the construction manager's fee?

Steve Plate: No, it's apples and apples on the contract trade cost from the bidder.

Commissioner Steiner: So it doesn't include the Bovis fee?

Steve Plate: No.

Commissioner Steiner: Or the extra work?

Steve Plate: No.

Commissioner Steiner: So in essence, what were the other bids?

Steve Plate: The low bidder was approximately $7 million, the next bidder was $8.6, and they all clustered around $9 to $10 million--most of them.

Commissioner Steiner: I just wanted to know what the engineer's estimate was. So engineer's estimate is to the top line less the extra work.

Steve Plate: Yes, sir.

Chairman Coscia: You compare $7 to $9.

Steve Plate: $7.2 includes extra work. They asked me to show that because you're authorizing 8 percent extra.

Chairman Coscia: The lowest bid pursuant to what went out was around $6.9, you said.

Steve Plate: $6.7 was the lowest bidder, and it was versus the $9.2 engineer's estimate.

Chairman Coscia: ... the lowest bidder?

Steve Plate: Yes, sir. And we BAFO'd this. And it's Forest Electric, who is an excellent contractor.

Commissioner Sartor: The $7.2 includes the extra work.

Steve Plate: Yes, sir.

Commissioner Steiner: What percentage is it?

Steve Plate: Eight percent, sir.

Commissioner Steiner: So if we take $1.08 of what the contract is, the base contract is less than $7.2. We're not actually awarding the contract for $7.2; that's what we're putting aside.

Steve Plate: Exactly.

Commissioner Steiner: Our contract is $6.7.

Steve Plate: $6.7, plus I have the discretion of using the extra work as necessary.

Commissioner Steiner: I would hope that next time you put it up, you would put the base context so we wouldn't have to ask these questions.

Steve Plate: Okay. Fair enough.

Commissioner Steiner: And then put an add-on below it.

Steve Plate: Okay. That's fair enough.

Chris Ward: I think we can end.

Commissioner Sartor: Any additional questions for Mr. Plate on this item? If not, I'll entertain a motion that it go to the full Board.

Steve Plate: The last item is a construction trade contract for concrete, also for the World Trade Center Museum Pavilion. This contract was competitively bid, with Sorbara Construction being the lowest responsive bidder at a cost of $8,721,000, inclusive of extra work-- the 8 percent, as I referred to earlier. Work includes the placement of structural concrete for the Pavilion, including steel reinforcement, cast in place concrete, column and beam enclosures and encasements, and the placement of all structural slabs. The Port Authority's share of this contract is $1.4 million, about 15 percent of the total cost. This contract also includes a payment to Bovis in the amount of $802,978 for construction management services. And $8.7, again, includes the 8 percent. The actual bid which we're signing them up for is a little over $8 million. The engineer's estimate on this was $8.9 million, and we're about 10 percent below the engineer's estimate.

Commissioner Sartor: You're getting better.

Commissioner Steiner: Next time put it on the chart; it'll go faster.

Steve Plate: Yes, sir.

Commissioner Grayson: I have a question. You've shown us three contracts. In each one our participation is a different percentage. As a new member of the Board, why is that?

Steve Plate: It's geared towards what we utilize, and specifically, in each one of these cases whatever portion of the building or structure or contract that is assigned to us, we actually have formulas that go in and carve that out. For example, let's use the plaza pavers. We always committed, a long time ago, to provide a 25-foot swath on three sides of the plaza. That comes to a certain surface area. You compare that to the total surface area, and that's how we prorated it. In the building we're using that for an opportunity to put a vent shaft. Rather than put another building with a vent shaft, we're putting a vent shaft through there for the Hub. We've come up with a mathematical format--a metric that calculates precisely how we assign the money based on that. It's quite an interesting and sometimes tedious process because everybody's looking at it very carefully, but it works.
Commissioner Bauer: And there's always agreement with that, Steve?

Steve Plate: It's a lot of drama, if I could use that word.

Dave Tweedy: It rarely starts with agreement, but we get there.

Commissioner Sartor: Basically, they are doing some construction work for us, and in some of our contracts we're doing construction work for them, and that's how it's negotiated.

Steve Plate: What we do for the good of the project is whatever makes sense from a construction design point of view is what we work at, and the money follows after that. But we do keep very close to that because there's a point, as Commissioner Steiner was referring to, to get that done upfront rather than wait until the end and sort it out.

Commissioner Sartor: Okay. Any additional questions? If not, I'll entertain a motion we move this to the full Board. Commissioner Grayson: So moved. Commissioner Sartor: Second? Commissioner Pocino: Second. Commissioner Sartor: Done. That concludes the public portion of today's meeting. The committee will now adjourn to Executive Session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. Thank you.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Transcript
December 10, 2009

Commissioner Sartor: Attention, please. We're starting a little bit late, so Plate, you're going to have to be fast. The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee will be held in public session, after which the Committee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. For discussion purposes, World Trade Center construction trade contracts. Mr. Plate.

Steve Plate: Good Morning, Commissioners. Our redevelopment efforts at the World Trade Center site are moving forward at a rigorous pace, and today I will request your authorization to accept assignment of various trade contracts necessary to advance construction activities at One World Trade and the Memorial. I would first like to recommend the assignment of two construction trade contracts for the Memorial. The first Memorial trade contract is for landscaping. This contract was competitively bid, with Kelco Landscaping and Construction being the lowest responsive bidder at a cost of $3.6 million, excluding extra work. Work will include all topsoil and plantings necessary to occupy the surrounding space and a complete drip irrigation and sprinkler system, which would be supplied from two on-site harvest tanks located in the northwest corner of the site. This package will enable the completion of the Memorial Plaza in time for the 9/11/11 ceremony. Funding for this work will be provided by the Memorial Foundation. This contract includes a payment to Bovis in the amount of $357,984 for construction management services.

Commissioner Sartor: Any questions? Seeing none, move on to the next one.

Steve Plate: Our next Memorial construction trade contract is for maintenance and utility corridors. This contract was competitively bid, with Navillus Contracting being the lowest responsive bidder at a cost of $15,850,000, excluding extra work. Work will include the installation of all masonry utility maintenance corridors, which will provide easy access to utilities and the irrigation system located beneath the Memorial Plaza. The contract also includes the placement of a protection slab above the masonry corridors and all anchor bolts, mechanical, electrical, and plumbing sleeves and blockouts required to coordinate the installation of irrigation, mechanical, and electrical systems. Funding for this work will be provided by the Memorial Foundation solely. This contract included a payment to Bovis in the amount of $1,576,124 for construction management services. Commissioners, the award of these two packages will bring us to over 90 percent of the Memorial contracts awarded to date.

Commissioner Sartor: Do we have any questions on this one? Seeing none, let's move on to the next one.

Steve Plate: I would now like to recommend for award two construction trade contracts for One World Trade Center. The first contract is for beam and column cladding. This contract was competitively bid, with Kenneth J. Herman, Inc. being the lowest responsive bidder at a cost of $7,450,000, excluding extra work. The beam and column cladding work includes furnishing and

installing of the composite aluminum panel cladding at the perimeter beams and columns located on the mechanical floors of One World Trade Center. Commissioners, as per your direction, we were able to reduce the cost of this package through value engineering from over $20 million to approximately $7.4 million while working closely with the architects to maintain the aesthetics and architectures of the cladding system.

Commissioner Sartor: I do want to comment on that. This was an issue early on with the architects, who were most interested in maintaining the original design. I think what you've come up with here is a solution that's cost-effective and maintains the integrity of the design. So, kudos to everyone involved.

Steve Plate: Thank you.

Commissioner Bauer: Excuse me, Steve. Did I understand it's $20 million to $7 million?

Commissioner Sartor: Yeah, it's a different design now.

Steve Plate: It went from over $20 million to a little less than $7.5 million.

Commissioner Sartor: That's because of the revised design.

Steve Plate: Changed the design, changed the materials, and looked at it in many different ways.

Commissioner Sartor: Yeah. Excellent. Excellent. Commissioner Pocino wants more of those opportunities, Mr. Plate.

Steve Plate: The second One World Trade Center trade contract is for Plaza finishes. This contract was competitively bid, with Crimson Construction Corporation being the lowest responsive bidder at a cost of $11.4 million, excluding extra work. This work includes Plaza finishes, installation of stone paving, permanent waterproofing, and concrete irrigation, plate gradings, and lighting fixtures in the East and West Plazas of One World Trade Center. This contract also includes protection of the Plaza and lobby slabs during construction with waterproofing, fill, and concrete. Commissioners, including these awards, approximately 95 percent of One World Trade Center contracts will have been awarded to date.

Commissioner Sartor: Any questions on this particular authorization? Seeing none, move on to the next one.

Commissioner Pocino: Do we need a vote?

Commissioner Sartor: We're going to do them all at once unless we have a problem.

Steve Plate: Our last item requests your authorization to enter into an agreement for the placement and construction of the Liberty Street liner wall located south of the existing PATH substation at a total value of $5,348,200. This work was originally part of the Phoenix Constructors scope and is necessary to commence steel erection in Section 6C over the PATH tracks. The Liberty Street liner

wall is located within the Memorial work zone, and the use of Bovis and associated Memorial contractors provides the most timely and cost-effective performance of this work. The agreements, including a supplemental agreement with Bovis for construction management services in support of the construction of the Liberty Street liner wall in the amount of $445,000, a new construction trade contract with Navillus Contracting for construction and placement of the liner wall itself in the estimated amount of $2.54 million, excluding extra work, and a supplemental agreement with Hugh O'Kane for electrical work, including the relocation of conduits and the millennium feeder in the estimated amount of $2 million, excluding extra work. The Liberty Street liner wall will provide foundation and reinforcement to the existing slurry wall and enable the erection of steel in the southeast corner of the site, which is integral to the opening of the Memorial Plaza on 9/11/11. Commissioners, I request you advance these items to the full Board for approval.

Commissioner Sartor: Any questions on this?

Commissioner Pocino: In terms of these contracts, do they continue to come in on their engineers' estimates?

Steve Plate: The cluster I just went over with you were, on average, at least 10 percent and even greater below—10 percent to 15 percent. Just to add a little more, in response to us looking at the estimates, we've got our estimators to react to the market. Remember, a few months ago I was saying 30 percent and 40 percent? Now I've had them adjust their unit prices to be more competitive with the market. So now you're hearing 7 percent to 15 percent on average.

Commissioner Pocino: Okay, thank you.

Commissioner Sartor: Any other questions? I would entertain a motion to move all these of these items.

Commissioner Pocino: I make that motion.

Commissioner Sartor: Second? All those in favor?

Committee members: Aye.

Commissioner Sartor: Done. This concludes the public portion of today's meeting. The meeting will now adjourn to executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. Thank you.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Transcript
January 22, 2009

Commissioner Sartor: In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. The first item would be World Trade Center Streets, Utilities, and Related Infrastructure Phase 1 project authorization, Steve Plate.

Steve Plate: Commissioners, today we'll provide you with an update on funding for the Lower Manhattan Construction Command Center. In addition, staff is seeking a project authorization for the first phase of the World Trade Center Streets, Utilities and Related Infrastructure Program.

Commissioners, today we are seeking authorization for Phase 1 of the World Trade Center Streets Program, estimated at $55 million. The program, which is divided into three distinct project phases, is estimated at a total of $254 million.

Phase 1, estimated at $55 million, consists of utilities, below-grade structures, and interim sidewalks and roadway surfaces at the World Trade Center site. Downtown Streetscape Partners will prepare the final design and construction documents, namely, Stage 3, and construction services, Stage 4.

Phase 2, estimated $139 million, listed on this chart, will include all final street and sidewalk surface finishes, trees, paving, and streetscape furniture, as well as elements of work to implement portions of the World Trade Center security plan. This work will also include completion of the Wedge of Light and Washington Place. Staff anticipates seeking authorization for Phase 2 work by year-end.

Phase 3, estimated $60 million, will include construction of a new 60,000 square foot Liberty Park that will be located on the southern site and includes pathways, benches, landscaped areas, lighting and other furnishes, and hardscape elements. Both Phase 2 and Phase 3 will be subject to further authorization.

Advancing the Phase 1 work directly supports a scheduled milestone set forth in October 2008 World Trade Center Assessment Report for meeting the September 11, 2011, opening of the Memorial. This project will also provide for utility connections as well, as part of the master development agreement with Silverstein Properties. Therefore, staff is seeking project authorization of $55 million for this phase, which consists of $25 million for utilities, $10 million for backfill, $10 million for below-grade structures, and $10 million for interim sidewalks and roadway surfaces. The authorization also includes exercising the option for $2.7 million for Downtown Streetscape Partners for Stage 3 and Stage 4 design services.

Commissioners, I request you advance this item to the full Board for approval.

Commissioner Sartor: Any questions? Steve, will there be discrete projects that you're going to come back to the Board with once you bid this?

Steve Plate: Yes, exactly. This will give you the overall plan as to how much we feel it's going to cost, and we'll be back contract-by-contract for awards. That's the plan.

Commissioner Sartor: Thank you. Entertain a motion to move this to the full Board?

Commissioner Bauer: So moved.

Commissioner Sartor: Second?

Commissioner Grayson: Second.

Commissioner Sartor: All those in favor? Next item.

Steve Plate: Finally, I would like to update you on funding for LMCCC, or known as the Lower Manhattan Construction Command Center. LMCCC expenditures for the period of April 2008 through December 2008 were $4,760,547, of which the Port Authority share is $2,975,342. However, because LMCCC's actual expenditure continued to run under budget, Port Authority actual payments for this period were $3,071,581, resulting in a credit of $96,238, that will be applied against our first quarter 2009 obligation. Our quarterly contribution for the period of January 1, 2009, through March 31, 2009, therefore, is $921,859 net.

The 2009 Budget continues funding to support city operations functions, which include a single point of contact for all city agencies, environmental compliance activities, including air quality monitoring, ensuring adherence to environmental performance criteria, as well as the 24-hour fraud prevention hotline, and minority and women-owned business programs. And community relations, marketing, Web staff will continue to provide construction-related outreach to residents, businesses and property owners through regular meetings with the community and through lowermanhattan.info. I request your concurrence.

Commissioner Sartor: Any questions on this item? I want to commend Paul Blanco, our CFO, for monitoring this and making sure that everything is done appropriately. Thank you. Motion to move this to the full Board?

Commissioner Bauer: So moved.

Commissioner Sartor: Second?

Commissioner Grayson: Second.

Commissioner Sartor: Done. Next item?

Steve Plate: Commissioners, the last item covers the Memorial Building's Management System referred to as a BMS. These systems are designed to control and monitor the building's

mechanical and electrical systems such as ventilation, lighting, power, fire and security systems. The Memorial Foundation authorized contracts for Johnson Controls, Inc., the lowest responsive bidder, for the furnishing and installation of its computer-based building, management system in an estimated amount of $4,482,540, including a contingency. The allowance for Bovis Lend Lease Construction management and general conditions work is at a total estimated cost of $615,669.

Commissioners, I request you advance this item to the full Board for approval.

Commissioner Sartor: Any questions? Yes.

Commissioner Steiner: (Inaudible)

Commissioner Sartor: Yes, it is.

Commissioner Steiner: Could you tell me how that construction management services for Bovis Lend Lease compares to what we charge on our jobs? That appears to be about a 12 percent charge. Isn't that a little heavier than what we customarily charge ourselves on our projects?

Steve Plate: On similar jobs, like the Freedom Tower, we've been running for the same type of services between 8 percent and 10 percent. It's important to note, though, we are in active negotiations with Bovis prior to assignment to us, as the Board has directed and the Executive Director has directed us to sit with them. And we are in the process of looking at those numbers as well as their fee.

Commissioner Sartor: Any other issues? Questions?

Christopher Ward: Mr. Chairman?

Commissioner Sartor: Yes.

Christopher Ward: If I could ask your indulgence to recap the earlier discussions as it relates to the plumbing contract, and recap the earlier discussion as it relates to the Silverstein T2, T3 and T4, just for the purposes of putting this in the public record?

Commissioner Sartor: Certainly.

Steve Plate: Do you want to read it? Okay. Commissioners, today staff also seeks your approval to accept assignment of two major plumbing trade contracts of advance construction of the Memorial and its iconic fountains. The Memorial fountains are a complex plumbing project that is more comparable to a chiller plant. It required stainless steel piping varies from 6-inch to 24-inch in diameter, a large portion of which is welded. Fountain components include large pump -- piping, filtration, heat exchanger, and control system. It further includes eight pumps per fountain, which are 3,500 gallons per minute, as compared to the 500 to 1,000 gallon-per-minute pumps typically used in a high-rise building.

When completed, it will be one of the largest manmade fountains in the world, and has been designed to address conservation by utilizing a rainwater collection system that will store runoff from the site, thus reducing potable water requirements up to 50 percent.

The Memorial Foundation authorized contract for 4J's LLC, an LLC comprised of the 4J Plumbing and Heating Corporation and Fresh Meadows Mechanical Corporation. One contract is for the mechanical plumbing system, and the second contract is for the fountain plumbing system, at a total estimated amount of $77,322,891, including contingency.

Commissioners, I request you advance this item to the full Board for approval.

Chairman Coscia: Motion?

Commissioner Grayson: I'll move it.

Chairman Coscia: Is there a second?

Commissioner Holmes: Second.

Chairman Coscia: All right. Anyone have any questions or comments? Okay, all those in favor? Aye. Okay.

Stve Plate: Commissioners, fountain foundation construction is progressing at the Tower 4 site, and today staff seeks your authorization to advance a reimbursement agreement with Silverstein Properties for the Superstructure Concrete Trade Contract, the World Trade Center, Tower 4. This contract also includes a portion of the subgrade substructure for Tower 3 under Cortlandt Way that will advance work related to retail, the transportation of the Vehicle Security Center and the Streets Program.

The scope includes the construction of four slabs, columns, stairs and their enclosure and core walls from B4 to the fifth floor. The scope is shared by the transportation hub, retail, and a host of different partners.

Staff recommends that the Board authorize the reimbursement to SPI for work performed on behalf of the Port Authority under construction trade contract with Rogers & Sons Concrete in the estimated total amount of $113,018,108. The Port Authority allocated contract amount to Rogers & Sons is $64,581,776, with the balance of $48,436,332 to SPI based upon the design construction fee multiplier of 1.75, as outlined in the Master Development Agreement.

Commissioners, I request you advance this item to the full board for approval as well.

Commissioner Sartor: Any questions on this item, Commissioners? Seeing none, let's hear a motion that we move this to the full Board?

Commissioner Grayson: So moved.

Commissioner Sartor: Second?

Commissioner Holmes: Second.

Commissioner Sartor: All right. Done. The meeting is now adjourned.

The Port Authority of New York and New Jersey
World Trade Center Redevelopment Subcommittee Transcript
March 26, 2009

Commissioner Sartor: The World Trade Center Redevelopment Subcommittee will be held in public session in its entirety. In addition this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. I'm going to suggest that we change the order and let's do update on the World Trade Center construction first with Mr. Plate, this way you have enough time and then we will give Michael enough time too.

Steven Plate: Okay. Good morning Commissioners. I have one item today and I feel that it is a very critical item. It is a very exciting item. And specifically it revolves around the reassessment process and as a result of that reassessment process we initiated a redesign process that simplified the construction as well as the means and methods. We added columns. The net effect of that is we have been able to proceed with a procurement which I will be walking you through in a minute, as well as the award recommendation. This recommendation will enable the Port Authority to move ahead in larger steps with schedule that we outlined very clearly in our reassessment process.

Specifically it will also enable the Port Authority to help deliver the 9/11/11 completion of the Memorial. Just to walk you through very briefly what this encompassed; basically, it is all the structural steel associated with the PATH Station, over 22,300 tons of structural steel. Just to walk you through very quickly what it incorporates, I can use this slide, basically the PATH hall which is about 13,000 tons which also includes the passageway underneath the Number 1 line which is the MTA's Number 1 line – it passes through the World Trade Center site. And lastly what we call structures to grade or the transit hall which is about 9,000 tons. We will be back to you next year, I'm sorry, latter part of this year to bring to you the Oculus which is the above grade portion. But essentially what this does, it puts immediately the steel in play to be rolled, fabricated and erected over the next year so we can move forward and follow with subsequent contracts that will enable us on a critical path to get this job done.

What was the process? Well, the process was led by Phoenix Constructors, our general contractor, who managed the procurement process very closely. I must point out though with the support of the Inspector General's Office who monitored very closely, as well as Lillian Valenti and her Procurement division, my own World Trade Center Group, as well as the support of the Engineering Department, we feel and we monitored it very closely and made sure that everything was done in a very efficient and effective way. The bidding contractors, the process was a worldwide both domestic and international search. It was publicly advertised. There were numerous meetings with the contractors to solicit interest. We got down to three prime contractors. When I say three prime, each one of them had their own team and it involved a team of people who rolled the steel or manufactured the steel, people who fabricate the steel and people who erect the steel.

Once that was done and we received the technical proposals, they were shortlisted and we had, as I said, the three bidders. It went to a commercial price, which we received and we had a number of BAFOs which we were able to result in a very successful bid which I will go over with you.

The recommendation on a best value award involved and is recommended to go to DCM Erectors for $338 million, $338.8 million. Also we have some pro formas as far as providing for as per contract to Phoenix Constructors and some allowance for extra work and support during construction. What this will enable us to do is to move forward in a very effective and efficient way now; this is a major step forward and a major contract and a major milestone on this project. Just as a side note it is important to note that as I said it is being, steel will be manufactured both domestically and internationally. In fact some, a good portion of the steel will be fabricated in the South Plainfield, New Jersey plant. So work that is going to affect this region very directly.

Commissioner Steiner: Do you know the name of that plant?

Steven Plate: It is the Harris Plant. The old Harris Plant sir.

Commissioner Bauer: Steve, what is the percentage of international versus domestic.

Steven Plate: It is about 50/50. The portion, and how it is done is the portion that is more conventional in the sense of the I beams and the simpler structures will be done in the US. The more Calatrava shapes that you have seen on the arches are being done by the firms, the very firms that have done his work many times before. And that is what made us very comfortable because they really know Calatrava, they understand Calatrava and they understand his work and they really know how to attack it.

Commissioner Bauer: So that work couldn’t be done by -

Commissioner Steiner: They don't have the experience. The other thing, where is the painting that is going to be done? Here in the United States or at each respective plant?

Steven Plate: At the United States sir.

Commissioner Steiner: So that is a good chunk of it. Tell them what that special paint is, a fire proof paint, and that is a significant portion of the cost, isn't it?

Steven Plate: Yes, sir. It is called intumescent paint, where you fire proof a structure; typically is you encase it in concrete. In this case it is very efficient and effective when you have an architectural member that you put a coating on that will provide an equivalent substitute for the concrete. So then that in effect is the same. And as the Commissioner points out, it will be done in the United States.

Commissioner Bauer: Is it percentage of the cost (inaudible – microphone inaccessible).

Steven Plate: It is about 20 percent or 30 percent of the cost.

Commissioner Steiner: It couldn't be. 20 percent or 30 percent of the final cost? No way. Maybe 8 percent or 10 percent.

David Tweedy: Yes, I would say 8 percent or 10 percent.

Commissioner Steiner: And the other thing, I presume that you have arranged with the steel that you are requiring of the shipper through the Port of New York docks?

Steven Plate: I'm sorry, I didn't –

Commissioner Steiner: That the steel must arrive through the Port of New York, our docks, our thing so we get, in our ports. Is it going to be received here to the Port? I want to make sure that everything we get from overseas has to come through; that should be a condition of all contracts. So keep the business here. I don't like it going down south and then being shipped up here. It should be a requirement that, well, anything that we buy for our stuff comes through the Port of New York.

Commissioner Pocino: Steve could you describe to us what the Downtown Design Partnership support services would be?

Steven Plate: Yes sir. Basically that involves as the engineer of record, a DDP or the Downtown Design Partnership, they are going to provide complete support services during construction. That will involve shop drawing review, the production of as-builds, request for qualifications. In addition, what we are doing on this project which as worked very effectively on our other projects, what we have done is brought people right to the site. I will use an example; on One World Trade Center what we have done is assign the engineer of record to the site and as questions arise we have a whole team ready to jump on a question; it really saves a tremendous amount of time and money. So they will be providing support services during that whole process over the next several years. Thank you, sir.

Commissioner Steiner: My next question is, the amount that you are giving for that, I think that number is excessive. When you take out the paint where they do no support services on the paint, and if the paint is say $20 million or $30 million and with your 8 percent it is an excessive percentage and I am willing to give you the right to go that high, but I think it is excessive. You ought to reduce it. It is unconscionable and uncalled for.

Steve Plate: Okay, we will take a hard look at that Commissioner. We haven't negotiated that with them yet. I want to point out though one thing about this is a lot of temporary construction. It's important to note that obviously we have an operating station and there is a lot of means and methods that will go into the erection process. But I hear you very loud and clear and we will take a hard look at that as we meet with the Downtown Design Partnership.

Commissioner Steiner: There are plenty of people out of work today; prices should be cheaper the way you bought the steel cheaper. The engineering drawing review and the field inspection should be reduced too. It is a new economy and we can't give the money away. We have to

fight for every dollar. This isn't a matter of finding $5 million. It is a matter of finding $1,000 and $10,000 there and $100,000 there; that's how you are going to bring the cost down.

Steven Plate: Commissioner we totally agree and we are doing that with every project. We are actually going – after we come back to you with an award we actually go back. For example, one thing to point out on this, this DCM firm has offered to us up to $10 million in savings. They want to get to the table with us and see if there are other ways of doing this because they think there is potentially an additional savings of $10 million. So my staff hears you very well and we are aggressively pursuing that.

Commissioner Steiner: I would also point out that I think that Phoenix Constructors contract should be renegotiated as it is absolutely outrageous and I think we ought to reconsider that whole situation with Phoenix and perhaps going to a construction manager because there's no reason to be paying 10 percent for these services. It is out of order in today's market. It was out of order then and it is certainly out of order now. And I'm sorry if I am making problems for everybody by saying that but it is time to cut down in everywhere we can and that is a particularly – that has been sticking like a bone in my throat all the time. We are overpaying for that, and I know why we did it – we wanted to lessen the risk – but we are way passed that now. It is time to reconsider it.

Commissioner Sartor: Continue Mr. Plate. Anything else?

Steven Plate: That's it, sir. Thank you.

Commissioner Sartor: Any other questions that we might have? Seeing none , I'm sorry, I would entertain a recommendation this be presented to the full board.

Commissioner Bauer: Second.

Commissioner Sartor: Second. Done. Steve I want to just commend you for a great process here. I think the bids are three very strong firms, three very strong bids. You had the international market involved in this and your groups should be commended for an excellent job.

Steven Plate: Thank you Commissioner.

Commissioner Sartor: The next item is, Michael Francois, I switched the process. So Michael you got two minutes now. No, I'm only kidding.

Michael Francois: It's all good news. It will only take a minute. Good morning Commissioners. You will recall that in June of 2008 the Board authorized negotiation of a lease with the China Center New York and One World Trade Center. Today we are pleased to announce that One World Trade Center has reached a final agreement with the China Center. This is the first private sector office tenant for One World Trade Center sending a strong signal to the commercial real estate market that Tower One is a viable and attractive office building for international tenants. It is expected that China Center New York will become the primary location for Chinese businesses looking to expand their organizations in the United States. The

China Center will also provide seamless real estate and service solutions to businesses that are either engaged or wish to engage in the expanding world of Sino-US business and culture. The main components of the China Center New York's Program include an executive China Club, a conference center, event and catering facility and a business center.

China Center's New York Program within One World Trade Center will consist of a reception area on the 64th floor adjacent to the sky lobby, catering area on the 65th floor an executive club on the 66th floor, conference facilities on the 67th floor and office suites on the 68th and 69th floor.

Here are some of the key terms and conditions of this proposed transaction. China Center would lease approximately 190,810 rentable square feet of mid-level floors at Tower One. This represents portions of the 64th floor as well as the entire 65th through the 69th floors. In addition, the China Center would lease approximately 5,000 square feet of storage space and mechanical space. The initial term would be for 20 years with two 10-year renewal options at 95 percent fair market value. China Center has a right to add up to two additional floors, the 70th and the 71st if exercised by the end of this year.

Office rates will start at $80 per rentable square foot with $5 escalations in years 7, 11 and 16. China Center will be the recipient of the Empire State Development Corporation's World Trade Center Rent Reduction Program over the term of the lease this value is estimated to be approximately $15 million.

Commissioner Steiner: Question, is that above the $80 million? Do we get $80 million, $80 a foot net or is that after the effect of the reduction?

Michael Francois: That is $80 square foot net, they get that. It basically reduces their cost.

Commissioner Silverman: Michael is this the same tenant that was originally going to do 7?

Michael Francois: Yes it is.

Commissioner Silverman: Do we know why they never were able to make a deal with Larry?

Michael Francois: I don't know the details of that but there are a number of people who were not able to make deals with Larry. So I don't think this is, you know. In addition to the China, to the office storage and mechanical space, rental payments the China Center will pay commencing in the second rent year through the end of their lease term a participation in gross receipts related to the catering facility.

Furthermore, the China Center will provide the Port Authority with in-kind services of approximately $250,000 per year. What we are anticipating is that subject to availability, these services will be limited or will include but not limited to the use of China Center facilities for our basically marketing and promotion purposes in China.

And a $10 million Evergreen letter of credit has been issued as a security deposit and will be delivered to the Port Authority at lease execution.

Commissioner Steiner: Excuse me, before you go further, I do hope that within, having some experience – that we will have the right of audit. We have to be very careful in that business. And I was also concerned how we are going to provide access to those floors. Are there going to be separate and dedicated elevators to get up there so it is not comingled with our other space?

Michael Francois: For the China Center office?

Commissioner Steiner: Yes.

Michael Francois. Everybody will use the sky lobby on the 64th floor so their personnel will go into – there is a dedicated set of elevators for the sky lobby. So their tenancy –

[Cross talk]

Chairman Coscia: Shall we continue with this public meeting?

Michael Francois: Thank you. So everybody will, in that upper stack everybody enters a separate set of elevators which will include those floors leased to the China Center. So they will not have a dedicated anymore than anybody else above the upper stack will have.

While the previous proposed final terms are substantially in accordance with the previous approved term sheet, the key difference is between the prior agreement with China Center and the current lease include an increase in rentable square feet from 189,438 rentable square feet to 190,810 of rentable square feet. The initial lease period was previously 22 years, it is now 20 years. China Center's expansion rights previously expired on June 30, 2009. We have extended that to December 31, 2009. Base rent escalations were originally in years 6, 11 and 16 and 21. And this has been revised to our current years 7, 11 and 16. An increase in tenant improvement allowance from $65 per rentable square foot to $80. And the current terms also provided an additional free rent under certain circumstances which were not included in the original agreement. For example, China Center would be entitled to extensions of a free rent period if delivery of the premises do not occur by December 31, 2014. The lease would also terminate if delivery of the premises do not occur by December 31, 2015.

In addition we are recommending –

Commissioner Steiner: Another couple of comments. I'm sorry to hog the floor. But I would hope that we are giving them a fit up allowance. Are we going to do the fit up? I don't want anything to delay, I know how this works about tenants fitting up completion as a delay and we have been through this experience a number of times. And any delay in the fit up that is caused by them, it is their responsibility that the lease should commence, you have a drop dead date and you don't want to give them the opportunity of using the failure to complete the fit up for some reason, whatever they can do to get by that drop dead date.

Michael Francois: Correct, the improvements are being done by them and there are –

Commissioner Steiner: And any delay in that completion doesn't –

Michael Francois: Correct.

Commissioner Steiner: And they have the right to work. You are giving them the right to come in and work alongside us during the construction period, is that correct?

Michael Francois: Well, it will be turned over to them at the completion of core and shell. So I mean we can't allow any improvements, tenant improvements in the building.

Commissioner Steiner: I understand that.

Michael Francois: Prior to a TCO for core and shell. But after that point they will be able to –

Commissioner Steiner: And I presume the lease will commence even though the rent might not commence during that fit up period. Is that correct?

Michael Francois: Correct.

Commissioner Steiner: Thank you.

Michael Francois: In addition, we are recommending the authorization of a real estate brokerage agreement with Jones, Lang LaSalle for professional real estate brokerage services in connection with this transaction for approximately $8.3 million. This commission would increase up to approximately $3.3 million if the China Center exercises its right to add up to two additional floors to its premises under the terms of this agreement.

Commissioner Silverman: When is the commission payable?

Michael Francois: The Commission is payable 60 percent on lease signing, 20 percent on turnover of the space and 20 percent on basically I guess I think it’s 9 months after that period.

Commissioner Silverman: Is it possible when the lease is signed it is sufficient to cover the commission (inaudible).

Michael Francois: Yes. It is $10 million, yes it is, more than sufficient. Right. So Commissioners I request that you advance this item to the full Board today for approval.

Commissioner Sartor: Any questions from the board? Yes.

Commissioner Grayson: It seems like (inaudible), but where is the tenant coming from. I don't know much about them.

Michael Francois: Yes, this is a new tenant. They do not presently exist.

Commissioner Grayson: They are not a presence in the U.S.

Michael Francois: No, they basically have operations throughout China. This is, I hesitate to use the word business incubator, but it is a large, substantial you might say incubation for Chinese companies who not only want to basically do business within the United States, or also any domestic companies that would like to encourage business actions in China. And obviously since China is a huge international trade partner with the US, we think this has great opportunities for us.

Commissioner Silverman: It is my understanding that the major stumbling block for 7 was the letter of credit issue. What have we done to address that issue?

Michael Francois: I think we have a substantial letter of credit that increases over a period of time to cover –

Paul Blanco: Irrevocable letter of credit; it comes in the $10 million on signing and increases to $25 million after 9 months. And it goes up to $46 million when they actually take over and begin occupancy. After 6 years it drops down a little bit to about $20 million.

Michael Francois: I also –

Commissioner Steiner: What bank is that on? An American bank?

Michael Francois: It's on the Bank of China/New York branch. We have looked at all the financials so it is secure.

Commissioner Steiner: You feel comfortable enough with that, in fact, because the government of China owns the Bank of China. So you are really dealing with one entity because nothing in China is independent of that order of magnitude.

Michael Francois: Our credit and collection folks have done their due diligence and I asked that same question and they feel confident that that letter is secure. That letter of credit is secure.

Commissioner Steiner: I would feel more comfortable if we were an American bank, not a Chinese bank.

Chairman Coscia: So the New York branch you said?

Michael Francois: Yes.

Commissioner Sartor: Any other issues? If not I would accept a motion to recommend this to the full board for approval? Second. All in favor?

Commissioners: Aye.

Commissioner Sartor: Approved.

Christopher Ward: Take a moment on this action between Mike and (inaudible), putting this transaction together was a long time coming or (inaudible) and has had any reference, but think to secure Vantone from the private sector, at these rental rates have been incredibly strong signal on the viability market for One World Trade Center. So congratulations to both of them.

Commissioner Sartor: Good job. Very good job. .

Michael Francois: Thank you.

Commissioner Sartor: I meant to say that also. This meeting is adjourned. Thank you.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Transcript
March 5, 2009

Commissioner Sartor: Can I have your attention please. The World Trade Center Redevelopment Subcommittee met in executive session prior to the public portion of today's meeting to discuss matters related to the purchase, sale or lease of real property or securities where public disclosure would affect the value thereof or the public interest in matters involving ongoing negotiations or reviews of contracts or proposals.

The Subcommittee will now meet in public session. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. The first item is Steve Plate – would you pick that up, Steve?

Steve Plate: Yes Commissioner, thank you. Today staff is seeking authorization on items critical to meeting our aggressive schedule. Next slide.

Commissioners, the South Projection is an existing below grade structure that services as a World Trade Center PATH portal for PATH trains via Tunnel F. This structure also houses mechanical and electrical equipment critical to PATH operations. Today staff seeks your authorization to secure Bovis Lend Lease Construction Management Services for the structural rehabilitation of the South Projection at an estimated amount not to exceed $42.46 million. This estimated amount includes all trade contracts, Bovis Lend Lease general conditions, fees and extra work allowance. The South Projection is located within the current Memorial work zone and Bovis has been selected because as construction managers also for the Memorial project they are poised to provide overall management of the worksite and can move effectively provide the required level of coordination between the agencies and in support of our 9-11-11 date. By the way, in support of what you have asked us we did go back to Bovis very aggressively and we have reached agreement and reduced their fee to 2 percent and we reduced their general overheads. I'm very proud to report to something in the 7 percent to 8 percent range.

Next slide please.

Commissioners, ongoing project efforts at World Trade require us to keep doing some additional planning and design work throughout the redevelopment process to purport, to respond to –

Commissioner Sartor: Hold on Steve. I just want to make sure there are no questions on the first item.

Steve Plate: Sorry. I'm sorry.

Commissioner Sartor: I'm seeing none; now you can proceed.

Steve Plate: Okay, to support the ongoing changes and subtle changes that are happening over time, we seek this money today; it includes work for continuing work on the master plan

updates, sub-grade planning, security operations working with both the NYPD and the PAPD, infrastructure coordination and cost in funding analysis for anticipated work efforts over the next year. Staff recommends an increase of $4 million that will result in a total authorization of $60.7 million to continue this work.

Commissioner Sartor: Steve, I understand that this planning authorization originated 9 years ago, 8 years ago, correct?

Steve Plate: Yes sir.

Commissioner Sartor: Okay. Just wanted to put that in perspective.

Steve Plate: And it has been going down each year significantly. We are down to just a few of the items.

Commissioner Sartor: Okay, any questions on that? Next item.

Steve Plate: Commissioners, the next item is in support of our very aggressive schedule which we are in the process of implementing and as you saw in discussions earlier relative to our aggressive plan to award projects by this year for the Hub in a very proactive way. We need the services of the Downtown Design Partnership, a joint venture of AECOM and STV, the firms necessary for providing professional architectural and engineering services for the development of the World Trade Center Hub. Today staff is seeking additional funding of $50 million, bringing the total authorization to date to $294.5 million and to extend our agreement from December 2011 to match our date of 2013.

This will provide us the capability and support us in our efforts to both address the changes that were significantly made during our reassessment but in total resulted in significant savings in costs in the hundreds of millions of dollars as well as years taken off the schedule in total, as well as ability to support the 9-11-11 opening for the Memorial. I offer this item.

Chairman Coscia: Thanks, Steve. Anyone have any questions?

Steve Plate: Why don't you go two slides ahead. Next slide.

Chairman Coscia: Okay, anything else?

Steve Plate: Just to show you very quickly, there is a metric. We took a look at it relative to, and look at the last corner of the slide. Very simply metrics in the industry, as well as in our handbook, show projects ranging 15 percent to 25 percent; obviously because of the size of this project it should be less, but we are well within as you can see a little over 10 percent mark within the numbers that we feel are appropriate for this type effort. Next slide please.

The next item is a request for additional funding for professional services, a reallocation of money for design services to support the efforts that we are doing on One World Trade Center, specifically there are a number of different items in response to supporting Michael's efforts,

Michael Francois' efforts for marketing and things of that nature, is a reallocation of funding of $17,825,000 out of our contingency pot within the framework of the original authorization. I offer this item.

Chairman Coscia: Does anyone have any questions?

Steve Plate: The next three items are authorizations for the One World Trade Center as well as for the Memorial. The first of which is three construction trade contracts, covering the stone and ceramic tile work for which 4 bids were received. Port Morris is the lowest responsive bidder and we are currently recommending the work be awarded as one lump sum for a total of a little over $21 million, including an extra work allowance. Just so you know we went through numerous BAFOs and in response to your request in light of the change in the market conditions we went back yet again and were able to get additional money from the contractors and as the Executive Director is involved with – if there are any changes in work conditions and with the unions that we would get a dollar, they committed to giving us a dollar-for-dollar savings on that. So we are following your direction, the Executive Director and I in making sure that we comply with your request to keep challenging them on the numbers and we are seeing in the range of about 5 percent additional savings after all the BAFOs are complete.

Commissioner Steiner: Question. That is only reduction. There are no increases if the rates go up?

Christopher Ward: No.

Steve Plate: No increase, yes.

Commissioner Steiner: I just want to make sure.

Steve Plate: It already bakes in the union agreements. Yes.

Commissioner Steiner: Thank you.

Steve Plate: Next slide please. A similar contract, the award of architectural metal for One World Trade Center is divided into 2 separate contracts. The scope of work includes metal panels, plates, floors, wall grades and grills metal, glass hand rolls, etc. This work will be awarded to two lump sum contracts for a total of $11,226,598.

Paul Blanco: inaudible.

Steve Plate: Sorry. Okay, thank you. I'm glad you are here. I'm glad you are here for me Paul. I'm running.

During the BAFO negotiations from the initial bid, I just want you to get a sense how aggressively we are pursing it, that we were able to reduce the price by nearly $3 million and again the same commitment from them. They did reduce their direct costs an additional amount

and also committed to, agreed to pass on all labor concessions to us as an owner. And they have baked in the full amount of their present labor agreements. Next slide.

This one is for the Memorial. It involves architectural metals and stair contracts which includes the fabrication and installation of a similar amount of metal decks, grading, etc. It is critical to advances for the installation to maintain a safe egress from the project. We are progressing with this. The Memorial Project authorized a contract to Post Road Iron Works, the lowest responsive bidder for furnishing and installation, at an estimated amount of $7,352,538. And again, there was a significant savings from the original numbers and we got an additional 5 percent off the price in going back to them for yet another BAFO after you told us last month. We also are providing for Bovis Lend Lease to provide construction management services in this as well as the Port Authority's share of the trade contract.

As a sidebar we are continuing to negotiate. Now that we have negotiated with Bovis on the earlier contract we also will be back to you shortly with a Bovis agreement to handle the full –

Commissioner Sartor: But this number reflects the old contract, right?

Steve Plate: Yes, Commissioner. And we will true that up as time goes on. Last slide. Commissioners –

Commissioner Sartor: Any questions with respect to that?

Commissioner Holmes: I'm seeing none.

Commissioner Sartor: Okay, go ahead.

Steve Plate: Commissioners, staff seeks your authorization to advance funding with the MTA and its affiliate NYC Transit for work associated with the Number 1 Line Cortland Street Station and to advance a supplemental agreement with DDP for planning and designing construction support to support work on behalf of the MTA. We seek your authorization today for $150 million, contingent on the transfer of an existing FTA grant of $70 million for this work to the HUB resulting in a net amount to PA of $80 million. The FTA agreement would also provide for reallocation of grant funds from the World Trade Center Vehicular Screening Center and to the World Trade Center HUB.

In addition the Port Authority funding is contingent on the MTA providing necessary construction access rights that are required by the Port Authority to meet certain conditions of the World Trade Center Master Development Agreement. Staff recommends that the Board authorize this work to be performed by the Port Authority and by DDP. The Port Authority would enter into a supplemental agreement with DDP for $10 million to support this work.

Commissioners, I request you advance these items to the full board for approval. Thank you for your support and for your (inaudible)

Commissioner Sartor: Any question on this last item concerning the MTA? I'm seeing none. I will accept a recommendation to move this to the full board.

Commissioner: Move it.

Commissioner Sartor: Okay. Meeting to adjourn. Motion to adjourn. Thank you. Bye.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Transcript
April 16, 2009

Commissioner Sartor: Can I have your attention please? The World Trade Center Subcommittee met in Executive Session prior to the public portion of today's meeting to discuss matters related to the purchase, sale or lease of real property or securities where public disclosure would affect the value thereof or the public interest. The Subcommittee will now meet in Public Session. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

We have two items for discussion. First is World Trade Center construction trade contracts. Steve Plate?

Steve Plate: Good morning Commissioners. Next slide. I have a number of contracts for your consideration today. The first of which involves the Memorial/Memorial Foundation. We have received and gone through a very rigorous process relative to award of a contract for 7 elevators and 5 escalators and we are making a recommendation, staff is, to you folks to award it to Thyssen Krupp. The Memorial is proceeding with their authorization to the lowest responsive bidder for the amount of $5,130,000, including an extra work contingency of 8 percent. This will provide for the furnishing and installation of elevators and escalators for the Memorial project. It also provides for the construction management fees associated with Bovis Lend Lease.

Commissioner Sartor: Any questions on this?

Commissioner Pocino: Was there an estimate on that project?

Steve Plate: Yes there were, sir.

Commissioner Pocino: What was it?

Steve Plate: It was $9.2 million. Now you are going to ask why was the difference. Thyssen Krupp is all the elevators and escalators for One World Trade Center which is a very large contract. We had three very strong competitive bids. Obviously with them being on-site it provides for us, it provides for them an opportunity to have economies of scale, to add only –

Commissioner Steiner: What was the spread on the bids was the question, right? (inaudible).

Commissioner Pocino: No, I just asked what the estimate was.

Steve Plate: The next bidder was $7.7 and the last was $11 million, sir. We did look at this very carefully, very thoroughly, and based on our analysis, and the analysis of Bovis and our staff we feel comfortable and confident that they will be able to accomplish that. They are building numerous elevators and escalators at One World Trade and this would be a minor add to that project.

Commissioner Pocino: In terms of bids are they coming in under the engineer's estimates, considerably?

Steve Plate: That is an excellent point, Commissioner. In fact you asked us to go back again, what I call another bite during the BAFO and they were able to reduce their price another 5 percent as the private developers are doing as well. And they were willing to accommodate our request and again reduce it by the 5 percent number I just referred to.

Commissioner Pocino: Thank you.

Steve Plate: Thank you sir.

Commissioner Steiner: Are you going back to Bovis and try to lower their fee?

Steve Plate: We are in very strong negotiations. In fact, I am down to personally leading it with Jim Aberdy. Jim Aberdy is being very flexible. He has reduced his numbers significantly. And we hope to come back to you at the next Board Meeting to make a very favorable recommendation for both ourselves and one that will provide Bovis with what they need to effectuate this contract. So we have heard you and we are executing.

Commissioner Sartor: Next item.

Steve Plate: The next item enables us to meet the critical 9-11-11 commitment. It involves structural steel work for the Memorial which is on schedule. In fact, we are tracking it so closely; it is a few days ahead of schedule. And I have paper to prove that.

We are approximately 50 percent complete in the placement of steel. These additional costs represent a number of different items. A principal portion of it is to restage and rephase and re-sequence the project as well as accelerating the steel installation, providing for the Local 40 workers, iron workers have agreed to work extended hours, weekends, and have done a great job of really hitting it hard.

As a result of that and work associated since they are working in that area we felt to add some additional work to their contract, provide work for the Hub, some redevelopment retail, and also the Memorial. The total estimated cost of this amount is $17.81 million.

Commissioner Steiner: Point of information, that’s all that could be attributable for the Memorial or to the hub?

Steve Plate: It is a combination, approximately between the Port Authority and the Memorial, we think, our estimates are it is approximately a 50/50 split.

Commissioner Steiner: And this was not anticipated in the original plans?

Steve Plate: Some of it was. It is in the base budget and the base economics. It is peppered throughout the different projects, whether it be the Hub retail or the Memorial project.

Chris Ward: The point of this is to amalgamate the steel acquisition to expedite the new construction schedule that we established to deliver the Memorial.

Commissioner Steiner: So they are things we contemplated but haven't awarded yet?

Steve Plate: Yes sir, yes sir. It is also important to point out that this is an MBE firm and provides for a large portion of our goal relative to that.

Commissioner Sartor: Any other questions? Steve, the next item.

Steve Plate: The next item is award for carpentry work and dry wall partitions, shaft walls, mechanical ducts, piping enclosure, chase walls, riser enclosures, fascia, soffits, installation, etc, etc, I could go on for quite awhile. We had significant BAFOs and they were led by our Tishman team, our CM, with us by their side. We felt they have done a great job of looking at different ways to package and repackage to get as much competition as they can. The net effect of that is that we are offering this recommendation to award as two independent lump sums, a total amount of $89,115,080, including an extra work allowance.

Also, at your request and the Executive Director's request, we renegotiated with this firm and they have offered us a dollar for dollar savings and reduction in labor costs in anticipation of labor wages being frozen from both these firms. So that is a huge give back. Also, Curtis Partition, one of the winning bidders, is also a certified MBE.

Commissioner Sartor: Again, to go to Commissioner Pocino's question, how does this compare to our estimates?

Steve Plate: It is actually slightly below.

Commissioner Sartor: Slightly below?

Steve Plate: 2 percent to 3 percent below our estimate. 2.6 percent to be exact.

Commissioner Sartor: Any questions? Okay, next item.

Steve Plate: The next contract for your consideration is reinforced waterproofing work of which four bids were received. MFG Corporation is the lowest responsive bidder. This provides for the furnace installation and applying of waterproofing for all wet areas within the tower as you can see in the upper right corner. The lump sum price is $1.792 million including an extra work allowance. Again, we went back per your request to renegotiate after we finished the BAFO and we got yet again another 5 percent. So we are beginning to see the same savings that you are hearing about with the private developers. Besides seeing the prices going down somewhat and softening, besides more bidders, besides more competition across the board during the BAFO

stage, we are also seeing after we go back and saying, 'Listen we want you to step up and look at ways of reducing,' they are stepping up and reducing it as well.

Commissioner Sartor: Any questions on this item? Okay, I think that concludes that portion Steve, and now you are going to discuss the reimbursement to Silverstein Properties for work performed on behalf of the Port Authority.

Steve Plate: Commissioners, the framework of what I am about to present is basically as you asked we come back to you quarterly to project for you what we will be awarding over the next quarter. This is outlined, when I say awarding, awarding through Silverstein Properties because as we talked about over time the buildings are totally enmeshed and once column which supports retail will also support hub as well as the building. So the net effect of that is we all have a proforma for providing that sharing of costs and the net effect is what I am going to present to you in a minute.

And this is outlined clearly in the MDA that we signed in September or Fall of 2006. So today staff is seeking your authorization for reimbursement to Silverstein Properties for Tower 2, 3 and 4 contracts anticipated in the second quarter as I just outlined for advancing the work particularly at Tower 4 and the Tower 3 area. It is outlined in the slide. I can get into a lot of detail but basically the focus is on Tower 4 which if you visit the site you will see a tremendous amount of activity that rises out of the ground. It is approaching getting to street level very quickly. And you can see the work involved with that, things such as foundations, mechanical, electrical, plumbing. Maybe just to pause on that in a positive way, we have set up a Tiger task force which is working very closely with Silverstein Properties to make sure that when we need a pipe to go through a certain area, when you have high strength concrete such as 10,000 to 12,000 pounds per square inch concrete which is very hard, it is better to provide a sleeve now than try and drill it later. So we are in the process of working very closely with an integrated team to accomplish that.

In Tower 3 there is a liner wall and foundation anchors that will be provided as part of finishing up the work in that area and made sense to have them do it; and that we were very close to them during these processes of making, during the bid, advertise bid, award process. Our team was fully embedded and we're part of the work as it is awarded and also will be part of any change orders that we have assigned.

Commissioner Steiner: Point of information, is that work going on in Tower 3 or is that prospective work?

Steve Plate: It is just about to begin sir.

Commissioner Steiner: Contracts have been awarded?

Steve Plate: Yes, it's actually, Yonkers is going to do the work. They are doing the foundation work –

Commissioner Steiner: For Silverstein?

Steve Plate: Yes sir.

Commissioner Steiner: Is that applicable, too, for Tower 2?

Steve Plate: Yes sir.

Steve Plate: That one is a number of firms, Helmark, and a number of other.

Commissioner Steiner: And that work has not been awarded?

Steve Plate: Has not – it has been awarded but not started.

Vice Chairman Silverman: For your information, the resolution provides that Silverstein be reimbursed for work inclusive of multpliers included in the MDA, but does not mention the multiplier amount.

Steve Plate: Yes, the multiplier is 1.75 if they do the design for us. If we do the design and give it to them it is 1.65 on top of whatever the construction costs are. So you take the – if it is $1, it becomes $1.75; if the construction costs are $1, it becomes a total price we reimburse them for all of their management, processing, administration is $1.75.

Vice Chairman Silverman: So am I correct that of the $723 million that you are reimbursing, roughly, if I do the math in my head, about 40 percent of that is fees to Silverstein that would be roughly $300 million. Is that a fair estimation?

Steve Plate: Those costs, I wouldn't call them necessarily fees to Silverstein because there are construction management fees, there is insurance, integrity monitoring, all the add-ons we put on a construction dollar.

Vice Chairman Silverman: They are called revenues. $723 million in round numbers reflects $400 million to be paid and $300 million available in revenue to pay out his liabilities as he sees fit.

Steve Plate: Yes, yes. That is correct.

Vice Chairman Silverman: Which based on my experience is significantly less than $300 million so the delta represents profit. Significant profit I think and based on the silence of your senior colleagues here -

Steve Plate: Yes sir. Yes sir.

Chairman Coscia: If Silverstein wasn’t doing the work what would we be paying?

Vice Chairman Silverman: There is profit in there.

Steve Plate: We think these are competitive numbers. We looked at them very carefully.

Michael Francois: And to the degree we do work for Silverstein, it is a similar situation.

David Tweedy: The multiplier are 2 and above.

Chris Ward: Our multipliers are higher.

David Tweedy: These are not high multipliers. But yes, but yes there is overhead so if he can get done cheaper, which –

Steve Plate: Yes, the answer is –

Chairman Coscia: If Silverstein were not there, we would have a CM.

Steve Plate: Yes, we would have a CM. We would have inspectors. We would have insurance. We would have everything that went along with that and typically our number is probably at least that if not slightly higher.

Michael Francois: This is off the trade costs.

Commissioner Steiner: We would pay that to a CM?

Chris Ward: Yes.

Steve Plate: Yes. The answer is yes.

Commissioner Chasanoff: Approximately how much work have we done for Silverstein?

Steve Plate: We are doing, right now, approximately as outlined in the MD, $140 million.

Vice Chairman Silverman: This isn't 2% it's more like 60 or 70 percent. I think it's important for us to know, in terms of dialog, we have.

Chris Ward: It's a ratio.

Steve Plate: Sure, actually we went through that during the MDA process. I think that is it.

Commissioner Sartor: Any other questions on this item? Seeing none, that concludes the public portion of this meeting for the World Trade Center Subcommittee for today. Thank you.

Steve Plate: Thank you, Commissioners.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Transcript
May 28, 2009

[technical difficulties - no audio]

Chairman Coscia: (Audio begins mid sentence) the firm of Baker & Botts in Washington, DC to serve as special counsel to the Board in connection with its compliance issues. That essentially is the resolution. If I could have motion to approve it?

Commissioners: Approved.

Chairman Coscia: If I can have a second to approve it?

Commissioner Sartor: Second to that.

Commissioner Sartor: All in favor? Opposed? Motion carried.

Commissioner Sartor: Next item for discussion – (technical difficulties—no audio)

Steve Plate: (Audio begins mid sentence) specifically what we are doing is we are looking for work arounds to continue the progress, the great progress that we have been making. As you know our contractor that we awarded a few months ago is well underway and has installed four slurry wall panels, namely E. E. Cruz and Nicholson. As a result of that we need additional money to continue to make those adjustments to accommodate ourselves to work arounds as well as moving with design.

As you can see on this slide we are looking for $7.9 million to continue that progress that we have done to date. Next slide.

The next topic of discussion involves a design fee reconciliation of monies that are due the Memorial Foundation. As you know we do work for them, they do work for us. And over time we have reimbursed them, they have reimbursed us. This is a truing up of the work associated with the work they have done for us namely on things such as the chiller and other infrastructure associated with the site. Slide back. That's the wrong slide. And based on the item in front of you I ask to move this resolution. This is purely a truing up – it is not a transfer of money, because it is money owed us. And Paul and I are working very closely to stay on top of those numbers.

Commissioner Sartor: Any questions on this? Move it. Okay.

Commissioner Mack: I'll move it.

Commissioner Sartor: Second?

Commissioner Holmes: Second.

Steve Plate: The next item involves the construction manager associated with the Memorial Foundation. The Port Authority will be taking over that work associated with them. And we have had very strong negotiations as you asked, very productive ones for both us and for Bovis. And we are recommending to move forward with this item. We negotiated the fee from 2.53percent down to 1.8percent; that's a tremendous, over a 40 percent reduction in fee. There is also an agreement that any change orders they would not receive fee on and that is a tremendous for both of us not to spend that money.

We also have disincentives for them removing key staff without our approval. So the net effect of this is that it is very comparable to the one that we received from Tishman on One World Trade Center. So I am very proud to report that staff has accomplished what you have asked for.

Commissioner Sartor: Any questions on this item. Seeing none we will make a motion to move it to –

Steve Plate: Next it will be presented by Alan Reiss –

Commissioner Steiner: Second.

Commissioner Sartor: Okay done.

Alan Reiss: Thank you Commissioners. This item requests an increase in the original contract authorization by $55 million for the general site work order for $63 million for the 7 early action work packages that you see here on the slide. This will enable us to maintain the schedule for the PATH station roof in support of the September 11, 2011 opening of the memorial plaza and is fully contained within the project budget for the Hub. The original $8 million contract performed general site work that included things like the access roadway, slurry wall maintenance and moving of the Vesey Street Stairs. The item also includes the issuance of a supplemental agreement to the existing contract so we can make it compliant with FTA requirements for the early, early action work which we also call Phase 1. And there will also be Master Agreements to contractors eligible to perform the Phase 2 early action work under a new contract. Lillian in Procurement is doing a request for prequalification. We have 13 contractors that we are going to vet. And they will be awarded some of these packages. And the action is necessary Commissioners because we are transitioning from Phoenix Construction as a General Contractor to these individually competitively bid portions of work. So I request that you advance this item today to the full Board for approval.

Commissioner Sartor: Any questions on these packages? Motion to move to the full Board? Second?

Commissioner Mack: Second.

Commissioner Sartor: Done.

Commissioner Sartor: Mr. Plate, I understand you are going to present us an overview on the Hub and where we are.

Steve Plate: Very quickly Commissioner. We have issued the early action work packages to support and transition from Phoenix to us. They were issued on May 15. Bids are due in early June. People have been working through the nights to accomplish that. Now we have early action, second set of packages that are going to be going out. The construction management RFP is out on the street and as a result of that we have seen a tremendous amount of interest, 85 different people were at the pre-conference with 50 different firms and we look for those proposals to come in very shortly.

On the remaining work items, on the Greenwich Street, the support of the Number 1 line, that will be going out in the next week. And we look to get bids over the next month with the structures to grade and oculus as well. Design status – we are managing very closely – the drawings are very close to being complete on all levels as well as our closeout for Phoenix. There are intensive meetings going on to accomplish that. So we have made, we have dedicated teams for each item. We are making great progress on each front and have transitioned very well and we continue to supplement staff as necessary.

Commissioner Sartor: Any questions of Steve; seeing none, thank for the update. I will extend a motion to close the meeting. Sorry. Okay. I'm sorry.

Karen Eastman: We are going to do the Hub.

Steve Plate: Oh, you want me to read. Okay. The actions that we have taken since October 2008 have helped us attain greater certainty and control over the World Trade Center Hub Project. Exceptional cooperation from the FTA has facilitated a cost plan going forward that addresses the needs and risks of the project for the upcoming 5-year period. Total costs for the Hub project as stated in the October report is $3.26 billion. This item is meant to update our authorization to reflect that cost. As we have discussed previously, alternative procurement and execution strategy is being pursued by the Port Authority to ensure timely completion of early action work of the PATH hall roof in support of the opening of the Memorial Foundation by September 11, 2011 as well as to ensure we take advantage of very favorable market conditions that should give us great certain cost certainty. The revised FTA share includes transfer of unspent funds originally allocated to the Vehicular Security Center project and an allocation from the Lower Manhattan Recovery Funds. This will allow us to further streamline the different government roles on both projects.

The original FTA agreement which was allocated in 2003 does not address escalation and construction in commodity pricing since the original Board authorization in 2005 and the continuing evolution of the design and goals of the project. As noted on the chart at the bottom, the FTA will continue to maintain a $280 million project risk reserve for the World Trade Center Hub project. Three weeks ago staff was authorized to proceed with the procurement, fabrication and erection of the steel for construction of the PATH station and transit hall to street level. This was the first and most critical work package to start us towards the building of what will be truly a spectacular transportation facility in downtown Manhattan.

Best of all, it came in at our budget estimate. We request that you advance this item to the full Board today to continue the momentum gained.

Commissioner Silverman: A question on the FTA project reserve. If it ultimately costs $3.36 billion, that $100 million would be used to cover the shortfall? So they take the next $280 million above the $3.26 billion. –

Steve Plate: Yes, that's correct.

Commissioner Silverman: Above the $3.26 billion. And then above that total we would have to provide the completion of funds.

Chairman Coscia: We have to provide further authorization. [Cross chatter] We did it at the outset.

Commissioner Sartor: We have already approved this, right. Motion to adjourn.

Commissioner Silverman: Second.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Transcript
July 24, 2009

Commissioner Sartor: (Audio begins mid sentence) today and the first effort will be in public session. The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee will be held in public session. After which the Committee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals and matters related to the purchase, sale or lease of real property or securities where public disclosure would affect the value thereof or the public interest. In addition the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

There are a number of items that we have for discussion and the first one is Steve Plate, World Trade Center Transportation Hub Construction Management Support Services. Steve?

Steve Plate: Good morning Commissioners. Today staff will be seeking your authorization on several Board items that will enable the Port Authority to achieve critically important milestones that will drive forward the Downtown Restoration Program.

Staff is very proud to bring forward its recommendation to award a Construction Management and Services Contract for the World Trade Center Transportation Hub. The Phoenix Constructors transition created a need for these services. To fill this critical void a publically advertised RFP was released on May 15. 4 highly qualified joint ventures representing industry leading CM firms submitted proposals. These proposals and subsequent joint venture team presentations were reviewed by a multi-department Port Authority team. This review process narrowed the field to two joint ventures. Based on further review of organizational experience, staff qualifications, technical abilities and management approach, a final selection was made based on technical expertise and value.

As a result of this intense and competitive process we are pleased to recommend that the Construction Management Services Agreement be awarded to Tishman/Turner Joint Venture in the amount of $105 million. It is important to note that the Tishman/Turner joint venture was not only the highest technically rated firm, but submitted the lowest bid. A bid which is well below and within the competitive range of industry standards and one that fell below our estimates. The Tishman/Turner joint venture has extensive experience as a joint venture as evidenced by their successful completion of numerous projects such as Jet Blue Airline Terminal, the new Yankees Stadium, New York Sports and Convention Center, and the Continental Airlines Air Cargo facility at Newark Airport. These firms have unparalleled industry and metropolitan area expertise and experience. They are intimately familiar with the World Trade Center site and have the ability to hit the ground running.

Commissioner Sartor: Do we have any questions on that presentation? Any comments? Go ahead, I'm sorry.

Commissioner Chasanoff: Does Tishman/Turner still operate individual?

Steve Plate: Yes.

Commissioner Chasanoff: And on various projects they work collectively?

Steve Plate: Yes sir.

Commissioner Silverman: So this is just a fee for services? They have no financial risk, is that correct?

Steve Plate: That is correct. It is identical to what we have done on One World Trade and plan to do on the Memorial.

Commissioner Silverman: Have we ever considered taking this in-house? We could pay a lot of people for $105 million. There is a huge profit built into that for them.

Steve Plate: We did look at that, Commissioner. After we looked at it from a practical point of view, we felt that we couldn't ramp up fast enough and couldn't get the expertise in that short of a time period. So what we felt is we'd balance – we still have our in-house staff by the way which we have the expertise to deliver this project on a programmatic basis. What we are utilizing this team to do is provide the gray hairs, the experience, to give us the depth, to give us the knowledge of the industry as well as the knowledge of this type of work and the procurement process, working very closely with Lillian Valenti and her procurement team. So we felt we have the perfect marriage relative to private and public.

David Tweedy: We are also replacing a lot of Phoenix resources.

Commissioner Silverman: What did you say?

David Tweedy: We are replacing a lot of Phoenix resources as we downsize Phoenix and reduce their scope considerably. But I think it would have been a real challenge to run this job with internal resources. Even with a better marketplace we are not staffed, the Port Authority is not staffed to run this in terms, overall.

Commissioner Sartor: I think they should make a comment on that. Henry I think if we had tried to do this internally I think Steve makes a good point. You wouldn't have the seasoned team that is working together for over a period of years which you have here. One of the things that I would like to do is compliment Lillian Valenti and the whole team on this selection process. They were four world class teams without a doubt. They are I think the best that you could bring to a table. I think it is indicative of the interest in what is going on down here.

I pushed initially to have this awarded in June. Lillian came to me and said we really need some more time. I'm glad they took the additional time. It was a procurement, one of the best that I have seen in the times I have been here at the Port. And I think it was the right way to go as opposed to trying to staff up to do it.

Commissioner Steiner: Mr. Chairman? This is going to be a tremendous improvement over the last deal we had with Phoenix. I know it is something that you have been pushing for a year. I think we are going to get more bang for the money and we are going to save a lot of money giving up the previous relationship we had. And I think they are good construction managers. And we are going to have enough to watch them.

Commissioner Sartor: Mr. Executive Director, you want to say something?

Christopher Ward: No.

Commissioner Sartor: Any other questions or comments? If not we will move on to the next item, World Trade Center site construction trade contracts. Steve?

Steve Plate: Yes, Commissioner. Staff has negotiated a Supplemental Agreement with EE Cruz and Nicholson that will enable us to quickly clear the T3 construction site, thereby reducing ongoing penalty payments to Silverstein Properties. Our plan is to have the excavation support wall completed no later than the end of September as you asked. With the implementation of a bonus based incentive program, we expect that we will do even better than that. The estimated amount of this contract of $6,860,000 is inclusive of this early completion bonus. The work involved setting back a portion of the wall by approximately 10 feet to clear the footprint of the Tower 3 construction site.

Completion of this wall along with the obtaining of the MTA access agreement, which the MTA will approve in the next week at their next Board meeting, will fulfill our remaining obligations under the Master Development Agreement and eliminate the requirement for future payments of the $300,000 a day. Cruz Nicholson who is already working at the World Trade Center site in support of the Vehicular Security Center project is currently constructing this wall on an expedited fashion. In fact, working at times 24/7. Due to the ongoing delays – yes, I'm sorry.

Christopher Ward: That was a rather dry summary of a very key strategic decision that we made which will allow us to significantly advance the turnover of site 3 to Mr. Silverstein, relieving us of the $300,000 and his sole obligation is to pay us the ground rent. So that would be, and the work done to date has expedited that by hopefully up to 2 months.

Commissioner Chasanoff: That is the end of September you are saying?

Christopher Ward: I am always reluctant to give dates because I'm hopeful that conservatively it would be mid-September with the incentive program that Steve just set out; hopefully it could be as early as the beginning of September, maybe late August.

Commissioner Sartor: Steve said something about better than that – what did you mean by that time-wise?

Christopher Ward: What I just said.

Steve Plate: Which Chris just said.

Commissioner Sartor: These two people are being very conservative based on the conversations I have had with the contractor. He is a lot more optimistic and I hope he is right.

Steve Plate: We do too sir.

Commissioner Silverman: I think you need to understand the sensitivity of this item – this is the public session. I don't want to comment on the (inaudible).

Commissioner Sartor: I think this is a very good job. Very good thing - absolutely. You can go on to the next item.

Steve Plate: Okay, due to the ongoing delays of the abatement and deconstruction of the former Deutsche Bank building, which is being supervised by the Lower Manhattan Development Corporation, our staff has developed a construction solution in order to keep our contractors, EE Cruz and Nicholson progressing on the Vehicular Security Center's perimeter wall. Without this solution the VSC would experience significant delays. Our proposed solution is divide the site into two smaller bathtub areas with the demising wall outlined in yellow. The wall will allow excavation to start in the western half of this site. Even before the former Deutsche Bank building is completely demolished. Once the demolition is complete, the remainder of the site can then be excavated. Without this work around the contractor would have needed to stop and demobilize once the slurry wall work had proceeded to the edge of the Deutsche Bank building site. This work is estimated at a cost of $6.9 million.

Unidentified Commissioner: (Inaudible – microphone inaccessible).

Christopher Ward: (Inaudible – microphone inaccessible) sorry, it is our understanding that LMCCC and LMDC are driving hard for the end of this year. We were struggling with working through the decontamination, deconstruction, but that is their current estimate.

Commissioner Silverman: Any work being done there now?

Christopher Ward: They are doing decontamination.

Steve Plate: They are just about complete, if I could add more details. They are just about complete with decontamination. They are removing the window wall and hope in the next month or two to begin the actual deconstruction of the steel, starting with –

Commissioner Silverman: The last time I was there I didn't see anybody there.

Steve Plate: They are inside; they are down to the last few floors. They pretty much have it clean. There were some areas that failed when the DEP went in and investigated and evaluated and they had to go back and re-clean it. And that is where they are at right now.

Commissioner Steiner: Why couldn't they start demolition from the top (inaudible)?

Steve Plate: That was the change after the last incident that was significant. Before they had both going on at the same time and the direction from the Federal Government and the Agency was they could no longer do that, so they separated both those activities.

Commissioner Sartor: Again, I think this is a proactive step on the part of staff to comply with the schedules that have been imposed on us and it is a good move.

Commissioner Silverman: Are we going back to JP Morgan at any time (inaudible) by the way actually to (inaudible) and see if there is any way (inaudible)?

Christopher Ward: Your question, I wouldn't want to confirm that the second half of your question has reignited anything.

Commissioner Sartor: Any other questions on this? If not, Steve, the next item?

Steve Plate: At One World Trade we have awarded 93 percent of the contracts to date. One of the remaining contracts is to design, test, furnish and install the radome antenna enclosure which we would like to advance today. This iconic and integral element of the Tower which will retain the ability to support future demands for transmission and bring the tower to its final height of 1,776 feet.

Two contractors submitted bids that ranged from $18.2 million to $20.3 million, not including the allowance for extra work. Through the BAFO process we were able to reduce the bid price by nearly 25 percent. IBK, Fibre-Tec, DCM Erectors Joint Venture became the lowest responsive bidder and is the recommended awardee. The estimated total cost including allowance for extra work is $17, 199,000 and falls within the budget that we have set for this. Staff seeks authorization for this work.

Commissioner Sartor: Any questions on this item? This was all part of the original design, Steve?

Steve Plate: Yes Commissioner. Yes.

Commissioner Sartor: Seeing no questions go on to the next one.

Commissioner Silverman: I do have (inaudible).

Commissioner Sartor: Oh, I'm sorry.

Commissioner Silverman: (inaudible) we have no tenants for this (inaudible) who want to use this antenna (inaudible).

Steve Plate: That is correct Commissioner.

Commissioner Silverman: Okay, so suppose the lay person could ask is there a cheaper way of doing this where we don't have this ability to use it as an antenna; if we are just doing this as a piece of sculpture basically, is there a cheaper alternative?

Steve Plate: That's how we got to this number. We significantly reduced it; that is why the number I mentioned was over $20 million to begin with. What we did is only very selectively working with Michael Francois and his group allowed for some transmission potential in the future, but essentially eliminated a large portion of it based on the business plan that he outlined. So we pretty much reduced it to the bare bones at this point.

Commissioner Chasanoff: Can it be done at a later date?

Steve Plate: No, it would cost, you wouldn't be able to erect it at this level because at the height you have to do it with the cranes that are up there now and it would be a significantly different feature. They did it at the Trade Center, the original Trade Center, and it looked a lot different and was a lot –

Commissioner Chasanoff: What have we done to try to get a tenant?

Christopher Ward: We are continuing to talk with the original consortium. They have continued to express interest; they are negotiating with the Empire State Building as their preferred location but that deal has not been consummated so as Steve said this amalgamation of reduced telecommunications component plus the architectural component would allow them to come back and wouldn't be as large as they had originally proposed so we are continuing to talk to them. And at some point when this is erected given the telecommunications requirement and the height of this building, we believe there will be a market interest. Just right now that is not (inaudible).

Commissioner Chasanoff: Absent that particular tenant, are there other prospects for this now? Or is it all –

Michael Francois: We are looking at other telecommunications folks besides just TV, FM radios, cell phone users, etc.

Commissioner Silverman: Are we competing with satellites? Is it another land-based location or is the technology moving to where satellite transmission has replaced the need for this?

Michel Francois: That is a good point. Most of the technology is moving more towards the satellite type of situation. The land-based antenna is not something that is more or less a cutting edge technology function in the future. There are I think opportunities for revenue sources in the future but at this point in time the only reason we were looking to get into an arrangement with the TV stations is they had certain specific, particular infrastructure requirements we had to build into the construction at this point in time. Since they are no longer in the picture I think we can wait and focus the marketing for other telecommunications folks once we have a more definitive time horizon and basically the structure is more or less up?

Commissioner Bauer: There is no real functionality for it right now (inaudible).

Christopher Ward: Here's the conundrum. First when the original market opportunity was there it wasn't realized. The Consortium wasn't able to put together the deal that they were all collectively comfortable with. Second is it is clearly an architectural requirement of the building, that the image of the building, the style and grace of the building and the height of the building. Since we lost the anchor tenant who was financing the more, the robust antenna, we have stripped it down to the basis of an antenna that will service local FM, television distribution requirements that is not competing with satellite communications as Commissioner Silverman is referring to but gives you a broadcast feel, whether it is FM radio or other television communications within this market. And we believe the way it is constructed, there will be market interest to come back and help defray the cost of the Tower.

Commissioner Bauer: Sort of like rabbit ears?

Commissioner David Steiner: You never know what is going to come up –

Christopher Ward: Yes, and we believe –

Commissioner Steiner: Some fiber people will find a use for it –

Christopher Ward: Exactly.

Steve Plate: Exactly. Next item?

Commissioner Sartor: Next item.

Steve Plate: As a companion item to a presentation soon to be made by Michael Francois for redevelopment, we are requesting an increase of $22.5 million for several construction trade contracts previously awarded for work at One World Trade Center. This increase is necessary to perform design and construction work on behalf of several projects adjacent to One World Trade Center. This expenditure will be covered under the budget of the respective World Trade Center projects on whose behalf this work is being performed for, which includes primarily World Trade Center retail but also the World Trade Center Transportation Hub, Memorial, tenant parking and common site infrastructure. Basically we are in the physical area, you are pouring 14,000 PSI pound per square foot concrete of 4 foot thick. You want to make sure you put that pipe through before they do that because it is not easy to drill. So what we have essentially done is used our One World Trade Center contractor to do the work on behalf of Michael and a number of different stakeholders within our site.

Commissioner Sartor: Any questions on this item? Next item Steve?

Steve Plate: Commissioners, as per your request I would like to update you on funding for LMCCC or the Lower Manhattan Construction Command Center. In November 2006 the Board authorized up to $21.7 million to support LMCCC's operation until 2011. To date the Port Authority has paid $7.9 million to LMCCC. In the fiscal year ending April 1, 2009 the Port

Authority paid nearly $4 million to LMCCC whose actual expenditures for this period were just over $3.8 million, resulting in a credit of $149,000 to the Port Authority that will be applied against our first quarter 2010 fiscal year obligation. Our quarterly contribution for the period April through June 2009 therefore is $1,185,781 net. We request your concurrence to make the payments to LMCCC as outlined. The Port Authority only advance this payment share subject to the payments of other stakeholders and based on our knowledge to date, one stakeholder has not paid and that's name was the MTA. Until they pay, we will not pay.

Commissioner Steiner: For my edification, I'm confused by all of these letters and numbers. Would you tell me what LMCCC actually does, what their charge is and whether they have been doing it?

Steve Plate: From an overall point of view, LMCCC is responsible for all of the coordination and oversight of construction in Lower Manhattan. What they do specifically for us and interact with us is they have been dealing specifically with the place they have helped us the most on is inter-stakeholder meeting, including the community. That has been very effective; it is a venue for all of the stakeholders to come in and talk to us about their needs, their wants and it gets a lot of good communication going.

In addition recently we have asked them to do some traffic modeling to support the work that we are doing during the re-phasing of the project to some extent as a result of the October assessment. They have actually done the work, done the computer modeling and provide us with the information and incorporated their information. Things like obtaining permits on Church Street. We had to actually, if you remember, now it is past us, but it was a challenge to get us to be able to close the west side of Church Street because of all the activity. There was a lot of concern about that and they stood by our side in working with the different government agencies to help us accomplish that. That is to only name a few, but they are very interactive. We are working very closely with them.

David Tweedy: They provide some independent schedule review as well which we all draw upon for service.

Commissioner Steiner: They don't have anything to do with the Deutsche Bank takeover?

Steve Plate: Actually they are supporting LMDC in doing –

Commissioner Steiner: (Inaudible), but they didn’t give out the contracts?

Steve Plate: No, that was through LMDC, Commissioner.

Christopher Ward: But they are project manager to LMDC for the taking down of 130 Liberty.

Chairman Coscia: You mentioned that, there are obligations – do we have an agreement? Are we making these payments pursuant to some binding agreement –

Steve Plate: Yes, there is an agreement that we worked out several years ago –

Chairman Coscia: That requires us to fund on these quarterly payments –

Steve Plate: Yes, in fact that was the condition of the Board when they agreed to it; they said we should come back quarterly and chew it up and report back –

Paul Blanco: Actually the agreement requires us to do it on an annual basis but the Board has decided that we should do it on a quarterly basis and then take credits for any differences between what we advanced and their actual expenditures.

Chairman Coscia: But it would be a default under that Agreement if we were not to make these payments?

Paul Blanco: I would defer to the Law Department on that.

Darrell Buchbinder: Yes.

Commissioner Silverman: Does the LMCCC have a staff that they actually have a staff that they (inaudible) to work there?

Steve Plate: Yes, they have a staff located in One Liberty Street.

Commissioner Steiner: It should be who are employed there, not necessarily who work.

Commissioner Silverman: How many people (inaudible)?

Steve Plate: About 10 permanent and then some consulting staff. So maybe 20 total.

Commissioner Sartor: Our portion of the budget is $21.7 million for a 5-year period of time. What is their total budget for that period of time?

Steve Plate: I haven't looked at it in a few years but I think it was about over $70 million.

Commissioner Sartor: Tony, as part of our Agreement it was my understanding that we have the ability to review their budget process and I know that Paul Blanco and David Tweedy have been in the middle of that, have been interacting with them. I have had some strong feelings about this operation from Day One. I will choose not to say anything more than that.

Chairman Coscia: $21 million out of –

Commissioner Sartor: Out of $70 million.

Steve Plate: Yes.

Paul Blanco: And we have already paid the $7.8 million.

Chairman Coscia: Are we on the Board of LMCCC?

Commissioner Sartor: That was one of the requirements. Is there a Board? I'm not sure if they ever established the Board.

Steve Plate: There is a Board. It was actually staffed at the time when you set it up by Bill Goldstein and subsequently replaced by Dave Tweedy. And they are ready to meet.

Commissioner Steiner: Do you sit on the Board Dave? Do you know numbers?

Dave Tweedy: That's news to me, but I would be happy to.

Steve Plate: You actually are on the Board.

Dave Tweedy: There is an executive committee that it was stipulated that we would have membership on, but it is my understanding though that it has not been (inaudible).

Paul Blanco: The Agreement required the Port Authority to be entitled to have a representative when Bill Goldstein –

Chairman Coscia: I mean we are putting a certain amount of money and we should have a seat at the table. I'm very comfortable with David in that seat. I think he should be comfortable as well. So we should probably do it because I think that will help this process going forward.

Commissioner Sartor: I agree. I think we should definitely suggest they convene a Board meeting and have David sitting at the table.

Commissioner Steiner: And I would hope you would change the emphasis on a construction manager that Deutsche Bank which has been a disaster, if they are the construction manager, they should be fired. If they worked for me they would have been fired for the lack of performance, bad performance, bad management.

Commissioner Holmes: Does he have to fire himself?

Commissioner Steiner: He's not on the Board yet.

Commissioner Sartor: Well Paul and David have been interacting and I have been asking a number of questions that –

Dave Tweedy: (inaudible) sure that the fiscal budget for 2010 is lower than 2009.

Paul Blanco: Last year's budget was $20 million and this year's is $17 million. However, our share has gone up slightly because of the types of projects that we are doing. But we held up on the first quarter payment which was due on April 1st. Asked for a lot of information and based on conversations with Commissioner Sartor, we are also not making any payment until the other

agencies put up some money. For example the MTA has to put up $3 million and they haven't yet joined that on the FTA fund, which is about 8 million. So when the MTA-

Commissioner Silverman: We may be beating on a very small horse compared to the size of the project, but it just sounds to me like $17 million for 10 employees and 10 consultants is an awful lot of money. I would assume that we could look at the budget and try to understand. I think every $2 million counts, and –

Christopher Ward: We will, through the Executive Committee.

Commissioner Sartor: Any other comments or questions on this? If not, Michael?

Michael Francois: Thank you. Commissioners today we are seeking Project Authorization for $55 million for the first of several phases of the World Trade Center retail program, which when completed will provide 460,000 square feet of gross leasable area in both the East and West Bathtubs. The area includes both below grade and above grade locations. Let me provide you with some details on this.

In 2003 as you are aware the Port Authority reacquired the retail development rights at the World Trade Center from Westfield who holds the right of first offer. The Board in 2008 also authorized the non-binding term sheet for a joint venture agreement with Westfield. However, a final agreement has not been completed due to changes in the development of World Trade Center site. This current Board item will have no effect on our ongoing negotiations with Westfield, but it does move the retail project forward, which is critical. This project authorization focuses on the design, construction of core and shell work in areas adjacent to One World Trade Center in the West Bathtub. It also includes construction of certain retail specific mechanical, electrical and plumbing work in the same area.

Phase I work covers approximately 10 percent of the total gross leasable area of the retail project, or approximately 43,000 square feet. It includes two levels of below grade leasable area and two levels of support space below those tenant areas. Upon completion of this work the retail shells will be ready for tenant fit out. After negotiations are concluded with Silverstein under development of the East Bathtub, we will seek authorization from the Board for Phase Two of the project which will involve the retail areas around World Trade Center Transportation Hub, allocated site wide infrastructure and those areas underneath Towers 2, 3 and 4.

As owner of World Trade Center Retail LLC, the Port Authority is committed to the development of retail on the site. Today's authorization is requested for $55 million for Phase I to ensure this key component of the World Trade Center site will move forward. I am requesting you advance this item to the full Board for approval today.

Commissioner Sartor: Any questions from the Board on that? Seeing none, that's the end of this session. I entertain a motion to close and go into closed session?

Commissioner Steiner: So moved.

Commissioner Sartor: Second?

Commissioner Chasanoff: Second.

Commissioner Sartor: Thank you.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Transcript
August 13, 2009

Commissioner Sartor: Can I have your attention please? The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee will be held in public session. After which the Committee will meet in executive session to discuss matters related to the purchase, sale or lease of real property or securities where public disclosure would affect the value thereof or the public interest. In addition the public portion of this meeting is being broadcast live on Port Authority's website for those interested in viewing today's proceedings via the Internet.

Our first item is the downtown restoration program World Trade Center Hub Project, Greenwich Street Corridor construction, a huge win for the Agency as you will hear. Steve.

Steve Plate: Good morning Commissioners. Today we request the authorization of two major initiatives necessary to continue to move World Trade Center reconstruction forward. The first initiative is the award of the Greenwich Street Corridor contract which will utilize state-of-the-art construction techniques to rapidly push completion of the permanent underpinning of the active Number 1 subway line as well as support Greenwich Street above.

The second initiative involves the design and construction of the Vesey Street pedestrian bridge extension which will safely separate thousands of pedestrians that transit the Vesey Street Corridor from the constant flow of trucks that delivers construction materials to the site.

Our next major milestone for the World Trade Center Transportation Hub is the award of the Greenwich Street Corridor contract. This project removes over 170,000 cubic yards of soil and rock while constructing a major substructure for the Number 1 subway line, providing for space below the box as well as supporting the Greenwich Street above. This contract incorporates state-of-the-art construction techniques that enables the Number 1 subway line to remain operational and to continue to provide service to over 4 million passengers annually.

This complex construction will occur in the shaded areas illustrated on this slide. Six highly qualified contractors submitted bids with the recommended award going to the lowest responsive bidder, Tutor Perini Corporation at an estimated cost of $192 million, inclusive of extra work. Tutor Perini Corporation is an industry leader with extensive experience in top-down construction techniques. The savings as compared to our engineer's estimate of $248 million validates our procurement strategy to solicit bids on a competitive basis. Furthermore, an incentive provision of up to $10 million has been provided for in this contract. This item also includes a recommendation for authorization of $5 million to the Engineer of Record, Downtown Design Partnership, for ongoing construction support services as it relates to this contract.

The award of this critical contract will enable the Port Authority to continue to achieve its scheduled milestones, but most importantly its 9-11-11 commitment. Commissioners I would like to point out that this outstanding outcome was achieved as a direct result of a very competitive procurement process that was well managed by a multi-departmental Port Authority effort.

Commissioner Anthony Sartor: Thank you. Any comments from the –

Commissioner Mack: Steve, I commend you on the job you have done, you did on this. And the incremental incentive for them to finish earlier I think is something that every government agency should be doing because not only is time money, but the inconvenience to the people and to the City of New York, and to all of us, the quicker it is done, the better off we will be. Thank you.

Commissioner Sartor: Other comments?

Commissioner Bauer: I too would just like to commend you and the staff for an outstanding job. And I also repeat what Commissioner Mack had suggested that, especially could you maybe elaborate a little bit more on the incentive for completing early? Just explain that a little bit more to me.

Steve Plate: Sure. Just to take you through a little of the detail – basically we developed an integrated master schedule that ties all of the pieces together – namely if this has to happen before this, something else happens. We looked at six major milestones that were critical to the success of not just the Memorial but also the other work, the streets and roads and such. We identified those as hard dates. This contractor now is committed to meet those dates; that gives us just–in-time completion. Obviously we are really driving to meet the schedule of 9-11-11.

To give us a little float as Chris directed us to do, what we did is we provided for an incentive as we did in the last month with the support of excavation wall of up to $60,000/day on each one of those milestones. So basically it allows for each milestone pulling back about 30 days, which will buy us float and enable the next contractors doing the next work to come in and start early and give us some time if and when something happens we have a little cushion.

Commissioner Sartor: Any other comments? Yes, Stan.

Commissioner Grayson: In the short time I have been on the Board I have seen that you have been pushed to the test of explaining why something you thought was going to cost $1 really costs $1.10. So it is nice to see here in the presentation that it comes in less than it costs. Certainly a good job (inaudible). I was just wondering in light of the process and certainly market conditions involved in this process, whether there is an opportunity now to look at other aspects of the project that maybe we have got a bid six months to a year from now accelerated a little bit in order to take advantage of, to be stable at the top.

Steve Plate: Exactly that. And I have been working with Dave and Chris, and now that we have the Tishman Turner team in, the next contract that is in play is structures to grade. And right now we have it out as a major contract. We are looking at possibly breaking it down to encourage competition and get more bidders. Because when you break it down into smaller components you get much more excitement, much more interest. And if you look at what we did here by breaking this down into a $200 million contract as opposed to giving it to one major contractor, we encouraged and got response from the industry in total, and very excited about

this project if I may say. This is a cutting edge project that they all want their name on. Frankly, it is not all about the money; it is about being on a signature project like the 63rd Street Tunnel. They want to come here now; they see that the Port Authority is very serious about encouraging people to come here and Lillian Valenti with her staff has done a tremendous job with Frank and his staff and my staff to encourage that and we are continuing to do that. So the answer is absolutely and –

Christopher Ward: We will likely be back to discuss this with Commissioner Sartor on how we best procure the next large structure to grade given the positive bids that we saw, given the enthusiasm of the heavy construction industry. So we will be back discussing just what those options might be.

Commissioner Steiner: You mentioned that getting this done will enable the next project to go forward. What is the next project – are we ready to go forward? Has that been bid? What is the status? You said it will get ready for the next project to fit in. Are we ready with the next project?

Christopher Ward: Yes, this is the structure to grade project that Steve –

Commissioner Steiner: So we are not just going to get done and find out we have to start looking for that other project? That will be ready to bid –

Christopher Ward: It's ready to go now under one framework which is a large $1 billion single GC-like project; we are evaluating and nothing is slowing that down. We are evaluating, as Commissioners raised, as to whether or not there might be some advantages to restructuring that. But nothing has been delayed because of this evaluation.

Commissioner Steiner: And if I might comment. I would prefer for you to seriously consider having ten smaller contracts so we can open up because if one contractor gets the billion job he's only going to go around and parcel this thing out and we will get more competitive bids by putting it in the reach of contractors. They don't have to have a billion worth of funding capacity. I think that should be our principle from here on in. Small contractors, small as possible, to get as many people – because you are going to have those same contractors whether it is under your aegis or under the aegis of a general contractor.

Christopher Ward: That is exactly what we are pursuing.

Commissioner Sartor: I think we are going to have a conversation with Tishman Turner on that exact topic. And what we have to look at is budget and timeframes also in terms of how we can procure that and we will have those conversations as Chris said over the next week or two.

Steve Plate: In those discussions we have been told anything we change has to either improve the schedule and reduce the cost. They understand.

Commissioner Sartor: I also wanted to commend staff, particularly Steve Plate and his team and Lillian Valenti and her procurement team for doing a wonderful job here. I also want to commend World Trade Center Construction for getting that demising wall up and done two months ahead of time. Kudos to you on that. And I'm sure we will hear more about that later. Any other questions, comments? Okay, I will entertain a motion to move this to the full Committee.

Commissioner Mack: Move it.

Commissioner Sartor: Second?

Commissioner Bauer: Second.

Commissioner Sartor: Done. This concludes the public portion of today's meeting – the Committee will now –

Steve Plate: No. One more item.

Commissioner Sartor: I thought we talked about that. Oh, the Vesey Street Bridge. I'm sorry. I'm sorry. Steve, you are up again.

Steve Plate: Yes, Commissioner. The next item developed by the Port Authority Office of Logistics aids in easing the impact of construction on the surrounding community. As we continue to increase activities at the site, thousands of pedestrians will share the Vesey Street Corridor with approximately 200 delivery trucks daily or as many as one truck every two to three minutes. To deal with this in a proactive way we request authorization for $7.1 million to extend the Vesey Street pedestrian bridge.

Included in the authorization is $525,000 supplemental agreement with Tishman Construction who is working in that area to provide CM services. And they recommended award of $4.91 million to the lowest responsive bidder, Atlantic Hoist & Scaffolding, for the design and construction of the bridge including an allocation for extra work. Construction begins this autumn and will be completed in early 2010. Once open the bridge will safely separate thousands of pedestrians from hundreds of trucks along one of the busiest thoroughfares in Manhattan.

Commissioners, I request that you advance these items to the full Board for approval as they represent the next critical milestones for the redevelopment of the World Trade Center site.

Commissioner Mack: I'll move it.

Commissioner Steiner: Well, when are going to have a discussion? After the move?

Commissioner Sartor: Right now. Go ahead. You can do it now.

Commissioner Steiner: What was the range of the bids and I understand this fellow was very low. Could you explain why?

Steve Plate: He was – the range of the bids were between $4.5 million to there was one at $12 million and there was one at $19 million. We evaluated it very closely. Atlantic Hoist, this is a temporary bridge, Atlantic Hoist is the firm that is doing work –

Commissioner Steiner: So we are not going to own this? They are just putting it up and then they are going to take it down? Is that part of the contract? And ownership of the materials rests with them?

Steve Plate: It's a temporary bridge. Yes sir.

Commissioner Steiner: Okay, that explains a lot.

Steve Plate: Okay. That's exactly right.

Christopher Ward: I really can't emphasize enough the importance of this project though. If you've been down to the PATH station and the barrier against the volume of trucks that are moving. The public safety aspect of this is absolutely critical.

Chairman Coscia: In fact, one question I had is I assume that in designing this we have had I guess a thorough enough study as to the volume of people you are now channeling through the bridge for an extra, whatever that length is, that they now have the bottlenecks being extended, basically.

Steve Pate: Yes, what we did was we had our traffic engineers with outside help on the engineering department, Dave Caruth, do a computer analysis working with Sam Schwartz who is an expert in this field.

Chairman Coscia: Everybody who is west of 9A on that segment is going to climb up and through this. There isn't any other foot traffic coming from any other direction on that piece of Vesey is there?

Steve Plate: No.

Chairman Coscia: I mean there is no other way to access that other than if you are west of 9A coming across.

Steve Plate: No, that is primarily –

Chairman Coscia: If you are coming south, construction goes right to the road, so there are no pedestrians there.

Commissioner Steiner: Doesn't show on the drawing.

Christopher Ward: Are you asking if there are people crossing at grade, west to east? Yes, there are. There are, unfortunately.

Chairman Coscia: And so they are going to continue to walk after it, if they can?

Steve Plate: Yes.

Chairman Coscia: Okay.

Commissioner Steiner: But there will be no access to the bridge from our side of the highway. It would have to be at the World Financial Center to get on or at the other end. It is closed access.

Christopher Ward: Once the truck volumes appear people will be taking this bridge. Because literally it is two to three minutes per truck. We have a timed sequence with Sam Schwartz and the logistics team in place at the site, and we literally have a valet of truck deliveries and closures. So this bridge will be, I think, the only alternative for people who are going to either east to west or west to east.

Chairman Coscia: But you are still going to have the people who are crossing at grade, crossing through the truck paths?

Christopher Ward: That's why we have Sam Schwartz's model of closure strategy so we can direct grid, the crossing guards that we have now for Chamber Street would be available here.

Steve Plate: And just to point out the details of it, at one point we will have on a 600 cubic yard pour, which is average – we have had even bigger – we have to have 60 trucks that come through here in one day. And obviously you can't hold concrete, especially at that high strength otherwise you have to send it back. So you are very time sensitive there. And you can see the volumes of the people. We gave a couple pictures of what is out there daily. One of the most densely –

Christopher Ward: To be clear we are actually evaluating whether or not the extension would go all the way across Church Street given the construction and work that needs to be done on Vesey Street is not physically feasible.

Steve Plate: Okay.

Commissioner Sartor: I would entertain a motion we move to the full Board?

Commissioner Steiner: So moved.

Commissioner Sartor: Okay. Done. Now I can read it.

Steve Plate: No, not yet.

Commissioner Sartor: This concludes the public portion of today's meeting –

Steve Plate: Hold on. One more.

Commissioner Sartor: Not done yet? Wait a minute?

Christopher Ward: It's your favorite part of the projects.

Commissioner Sartor: Wait a minute. Oh, this one. That's not even on the agenda.

Commissioner Steiner: See Steve, you can't talk.

Steve Plate: Sorry.

Commissioner Steiner: It's not on the agenda.

Commissioner Sartor: I'll entertain it.

Steve Plate: Your wish is our command.

Commissioner Steiner: Just kidding.

Steve Plate: Alright. Commissioners, last month I reported to you that we were working to accelerate the schedule for completing the T3 area support of excavation wall from the end of the year to the end of September, bringing it back three months. Today I am proud to report to you that due to the tremendous efforts of the contractor, namely EE Cruz and Nicholson, and the Port Authority team, we were able to complete this highly critical work by July 31, two months ahead of our most recent schedule.

Completion of this part of excavation wall now eliminates all construction interferences with Silverstein Properties within the Tower 3 area. Silverstein Properties has accepted the Tower 3 construction area and we are working on final details to complete the Tower 2 turnover.

Yesterday we saw another momentous achievement as the first of 24 super columns was placed along the eastern perimeter of One World Trade Center. Today we erected yet another column. This 60-foot tall over 70-ton column was transported from South Plainfield, New Jersey over the George Washington Bridge early Wednesday morning and placed by a 10-story high, 440-ton crane that was assembled on site this past weekend.

This complex but extremely well orchestrated operation was completed satisfactorily. Super column placement is continuing even as we speak. Currently over 600,000 square feet of space has been constructed below grade at One World Trade Center, an amount of square footage equal to approximately half the total square footage of the Chrysler Building.

Commissioners, thank you for your continued support. And just to give you a little sound byte, the weight of that column every foot is essentially the weight of a car, to give you a sense of the weight of that column – 2,000 pounds. Thank you. Now I'm finished.

Commissioner Sartor: Any comments? I again want to commend staff for a tremendous job meeting your milestones this last quarter, and anticipating the fact that you are going to reach your milestones in the coming quarter and for this year, in spite of some of the reports that have been put in the papers lately. Kudos to you. Any other questions. If not, I will read it now for real. This concludes the public portion of today's meeting. The Committee will now adjourn to Executive Session to discuss matters related to the purchase, sale or lease of real property or securities where public disclosure would affect the value thereof or the public interest. Thank you.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Transcript
September 10, 2009

Commissioner Sartor: Sorry for the delay. Welcome to the World Trade Center Redevelopment Subcommittee Public Session. The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee is being held in Public Session after which the Subcommittee will meet in Executive Session to discuss matters related to the purchase, sale or lease of real property or securities where public disclosure would affect the value thereof or the public interest in matters involving ongoing negotiations or reviews of contracts or proposals.

In addition the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

We have a number of items for discussion. Steve Plate will address the first which is authorization to enter into an agreement for construction of a Route 9A Pedestrian Underpass. Steve?

Steve Plate: Okay, good morning Commissioners. Staff continues to demonstrate unprecedented efforts to meet our obligations and advance construction progress at the World Trade Center site. To continue with these efforts we are requesting your approval to advance several items critical to maintain our progress and meet the significant milestones set forth in the October 2008 assessment report.

In an effort to advance the underground network of pedestrian connections at the site, the first item requests authorization to enter into an agreement with Brookfield Properties for the construction of the Route 9A Underpass at a cost not to exceed $100 million. The World Trade Center Transportation Hub's Route 9A Underpass is a climate controlled passageway located beneath the West Side Highway. It will provide a seamless transition for the anticipated 100,000 people per day traveling below ground between the World Financial Center and the World Trade Center Transportation Hub – a vision that will now become a reality.

Staff evaluated several options to determine the best manner to complete this work, including having entities working adjacent to the proposed construction work perform this work. As Brookfield is planning to construct a pavilion on the west end of the Underpass below the World Financial Center, it was determined that retaining Brookfield to perform the remaining Underpass construction would ensure that this work is performed at the most effective and time efficient manner possible.

Work is expected to begin in the last quarter of 2009. Entering into this agreement with Brookfield will take advantage of a competitive bidding process through their Construction Manager and enable an accelerated completion of this work over one year ahead of the original schedule.

Commissioner Silverman: Steve, would you just mind showing us on that picture where the West Side Highway is – it is hard to see.

Steve Plate: Okay, surely. Very simply, this is the 9A West Side Highway as you asked. They will be just working across from West to East. There will be a pavilion which will be a new structure

being built by Brookfield and it will encompass the escalators and retail space and bring out the Winter Garden into that space. In fact, they are doing a major renovation within the building as well.

Adjacent to that is the escalators going down, and the passageway to about midpoint of Route 9A, so essentially it is this area as shown here from basically the face of the Winter Garden to about midpoint of West Street.

This picture is looking north.

Christopher Ward: Then the World Financial Center, because of the fact that you are no longer entering the Winter Garden at the second story, they have to remove that massive set of stairways – remember you used to come in at top but now that is going to be completely removed and they need to connect into this. So since they are going to be doing that construction work, this allows them to do the work that we were going to do in an earlier fashion.

Commissioner Sartor: Steve would you tell the Commissioners who is taking from the center line into the site. Who is doing that work?

Steve Plate: The center line into the site is being done by Phoenix. There were three portions of work that remained with them; this was one of them. They are already under construction and have reduced the elevation by 20 feet and are continuing to work.

Obviously we have a challenge and we have already looked at it at the first level. We are going to continue to look at it to make sure we are all there at the same time so when we go operational –

Commissioner Sartor: That was going to be a question. The schedules on both sides will be consistent?

Steve Plate: They are right now. We are going to look at it in much more detail.

Commissioner Sartor: You said you would be saving a year by going this route with Brookfield from the previous schedule.

Steve Plate: Yes, yes. And actually working with both firms we are prepared, one firm or the other will help the other one, whichever one needs the help. So we are prepared – it puts us in a very strong position because the goal is to get this thing operational as quickly as possible. And from a business point of view it couldn't be in a better place because Brookfield really wants to make their property much more attractive, much more marketable. And this will do a lot to do that. And they are totally incentivized from that perspective. And it will have an open book policy with us relative to looking at the costs and the buys working through Turner who will be their CM at the site.

Commissioner Sartor: Any other questions? If not I will entertain a motion to push this to the full Board.

Unidentified Commissioner: So moved.

Commissioner Sartor: Second?

Commissioner Grayson: Second.

Commissioner Sartor: Okay, Steve the next item – World Trade Center construction trade contracts.

Steve Plate: Commissioners I would like to recommend for award four major construction trade contracts for the Memorial. Structural steel and curtain wall represent the two major contracts that will enclose the Memorial Museum Pavilion Building. The fountain stone will line the two fountains located in the footprint of each tower. Finally, the carpentry and drywall package will transform the concrete and steel structure of the below-grade museum into a definable public space.

Each of these contracts was competitively bid with the recommended award to the lowest responsive bidder as outlined in this slide. In total these four awards as outlined above represent an overall savings of between 5 and 10 percent of the total staff estimate.

Commissioners, we are aggressively pushing forward with this award and the award of significant contracts with regard to the Memorial. Your continued support of these critical packages will allow us to continue to meet our commitment, not only for 9/11/11 but for its ultimate opening.

I think just to point out in addition to what I just read to you, is that this brings us to about 80 percent of the contracts awarded. Progress is being made each day; we are meeting our commitments; and we are very proud to report that the families will, actually you will see tomorrow for those of you who come down, you will be able to walk onto the plaza to see the progress which I think even the most skeptical people never believed would be done this quickly. And if you remember the ramp was there as late as December/January of this year. And now we will have about 80 percent, 90 percent of the steel in place for the large portion of the deck for people to witness.

And on the cost share it has been worked out. We are paying $2.25 million of the $40 million which we feel is very fair. We worked that out with the Memorial folks. And that puts that to bed. So of the $40 million, we represent about 4 percent to 5 percent of the total cost.

Commissioner Sartor: Any questions on these items? Ginny?

Commissioner Bauer: As a Commissioner and certainly as a family member I just want to thank you and your staff for an outstanding job. (Inaudible – microphone inaccessible). Thank you.

Steve Plate: Thank you.

Commissioner Sartor: Our staff is doing a phenomenal job and I want to recommend that sometime over the next month, Commissioners if you can make some time, just take a tour of the site. I think you will just be very favorably impressed as to what is going on down there. And accolades go to our staff in accomplishing what they have been able to accomplish.

Commissioner Sartor: If there are no other questions I will entertain a motion that this be moved to the full Board?

Commissioner Grayson: So moved.

Commissioner Sartor: Second?

Commissioner Grayson: Second.

Commissioner Sartor: Okay, done.

Steve Plate: Lastly, I request your concurrence to award a contract for the fit out of the 12,500 ton central chiller plant and river water pump station to the joint venture of KSW Mechanical Services and Five Star Electric in the amount of $49.9 million including extra work. This contract was publicly advertised with recommended award going to the lowest bidder.

The plant is designed to provide cooling for the World Trade Center Transportation Hub, Memorial Museum and retail spaces. Through aggressive procurement management, favorable market conditions and cost synergies related to firms such as Five Star already working at One World Trade Center. We are proud to say that this award represents a savings of over 30 percent, 3-0 percent, from our staff estimate.

To date our staff has awarded over 80 percent of the total contracts for this project as well. Commissioners I request you advance these items to the full Board for approval and as always thank you for your unwavering support.

Commissioner Sartor: Any other questions, any questions on this issue? Second?

Commissioners: Second.

Commissioner Sartor: Done. Steve could I ask that maybe at the next meeting you give us an update as to what the total costs are with the chiller plant and also an update on the Memorial and where we stand cost wise?

Steve Plate: Yes, the chiller is, the simple answer on the chiller is it is $200 million is what you are authorized and we are still tracking that.

Commissioner Sartor: So that's $30 million off of the $200 million is what you are telling me?

Steve Plate: I know what you say, yes sir.

Commissioner Sartor: Okay.

David Tweedy: We will bring a full presentation.

Steve Plate: And we will bring a full presentation on –

Commissioner Sartor: Please. I would like to know.

Steve Plate: It will be a little more complicated because you have many buckets –

Commissioner Sartor: I understand. I was just pulling your leg.

Steve Plate: I know, sir.

Commissioner Sartor: This concludes the public portion of today's meeting. The Subcommittee will now adjourn to Executive Session to discuss matters related to the purchase, sale or lease of real property or securities where public disclosure would affect the value thereof or the public interest in matters involving ongoing negotiations, contracts and proposals. Thank you.

The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Transcript
October 21, 2010

[Comm. V. Bauer] Good morning. The first portion of today's meeting of the Committee on Capital Programs/Agency Planning is being held in public session, after which the committee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

And I believe we have for discussion our Greenville Yard-Port Authority Marine Terminal Intermodal Container. Rick? Thank you.

[R. Larrabee] As you know, rail remains a very important element in our overall strategy for growing our Port business. Today I'd like to discuss with you an item on the calendar requesting authorization for planning and preliminary design work for the development of the Intermodal Container Transfer Facility at the Greenville Yard-Port Authority Marine Terminal at an estimated cost of $3 million. Planning for this project is necessary to extend our ExpressRail System, increasing rail mobility and capacity and allowing for greater ease and efficiency in movement of container cargo at the Port Jersey-Port Authority Marine Terminal.

As background, the Port's Intermodal Rail Development Program consists of the design and construction of various elements of the ExpressRail System, providing on-dock and near-dock intermodal rail facilities for our New York and New Jersey container terminals. The ExpressRail System currently consists of ExpressRail Elizabeth, including the ExpressRail Lead Tracks in the inner ExpressRail Port Newark Facility, ExpressRail Staten Island, including the Chemical Coast Connector, and the ExpressRail Corbin Street Intermodal Rail Support Facility. These improvements have resulted in the ExpressRail System currently having a capacity to handle approximately 1.1 million rail lifts per year. The development of an Intermodal Container Transfer Facility at the Greenville Yards, which will be known as ExpressRail Port Jersey, would serve the recently acquired Global Container Terminal at Port Jersey. That's the facility that we're talking about right there.

In April of 2009, the board authorized the acquisition of the 100-acre Global Terminal, and the Port Authority entered into a 37-year lease with Global for the site and the 70 acres of property at the Port Jersey-Port Authority Marine Terminal which is adjacent to the Greenville Yard with an alternate new expanded container terminal. Port Jersey does not have direct rail access today. Containers leaving that facility must be trucked to the regional rail facilities, adding to roadway congestion and air pollution as well as to cost. The ideal location in the area to create an Intermodal Container Transfer Facility is at the Greenville Yards shown here. Pursuant to the lease agreement, the Port Authority is obligated to design and construct an operational Intermodal Container Transfer Facility at Greenville Yards with a minimum capacity of 125,000 lifts annually by July 1, 2014. The full build-out of ExpressRail Port Jersey requires the capacity to handle approximately 250,000 lifts annually.

Commissioners, today your authorization is requested for the approximately $3 million in planning funds for the preliminary design of ExpressRail Port Jersey. The proposed project as illustrated on this slide will consist of eight working tracks, two lead tracks, seven support tracks, and six arrival and departure tracks. Work to be completed under this planning effort would consist of the preparation of preliminary design documents including site planning, detailed track alignment, connectivity to adjacent or nearby facilities, additional property acquisition and permitting requirements, and development of storm drainage, water supply, and electrical distribution systems, analysis of construction, staging options, and the development of a construction cost estimate.

We expect to seek project authorization to construct ExpressRail Port Jersey in the third quarter of 2011. Expanding the intermodal rail system would result in improved efficiency, enhanced competitiveness of the marine terminal facilities, added capacity for intermodal cargo growth, increased revenue to the Port Authority, and growth of other necessary rail freight activities. In addition, moving cargo by rail would reduce environmental impacts caused by roadway congestion, including air pollution, and allow more containerized cargo to reach its destination with fewer truck trips. Commissioners, I request you advance this item to the full board for approval today. Thank you.

[Comm. V. Bauer] Thank you, Rick. Any questions, discussion? [silence] No.

[Comm. J. Moerdler] I think it's a great project.

[R. Larrabee] Thank you.

[Comm. V. Bauer] I was just going to say the same. I'm delighted that we're moving forward with this. I think the design phase is a wonderful kick-off to this project. And for the reasons you just outlined, Rick, this is a huge benefit to the region, and there's just a lot of reasons it makes sense. How long will the design take, would they anticipate, to--

[R. Larrabee] We'll come back to you the third quarter of next year with a request to go ahead with construction.

[Comm. V. Bauer] But hopefully, it should not be too complicated.

[R. Larrabee] Yeah. And the design will be done in house primarily.

[Comm. V. Bauer] Oh, terrific. Okay, great. No further questions? [silence] Okay. I guess that's it. So we'll just move this to the full board. So this concludes our public portion of today's meeting, and I guess we'll go into executive session. Okay? Great. Thank you.

The Port Authority of New York and New Jersey
Committee on Governance and Ethics Transcript
October 21, 2010

[Comm. H. Silverman] Today's meeting of the Governance and Ethics committee is being held entirely in public session. In addition, the meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. We have 3 items for discussion, and Howard, you're going to lead all three, I believe.

[H. Kadin] Thank you very much and good morning, Mr. Chairman, members of the committee, ladies and gentlemen. If I could have the first slide, please. Today I would like to speak with you in connection with the committee's oversight responsibilities under Article VIII G of the Port Authority's bylaws. With respect to compliance on certain ethics and legal regulatory requirements, specifically financial disclosure and ethics training, a brief review of New York and New Jersey ethical standards, and adequacy of the Commissioners' Code of Ethics, along with a quick review of some governance and ethics trends in the two states, as well as a quick survey of some corporate trends and best practices.

Next slide, please. Now, as you know, all Port Authority Commissioners are required under the Commissioners' Code of Ethics on an annual basis and periodically throughout the year to provide General Counsel with financial information, consistent in format and substance with the information required to be filed by unpaid officers who hold policy-making positions in their state of appointment. Accordingly, commissioners are requested to provide General Counsel with information on their business, corporate, and other involvements, as well as any substantial interests they may have.

Now, in New Jersey, Governor Christie, on April 27th, earlier this year, continued the financial disclosure process for certain New Jersey public officials, including the New Jersey commissioners on substantially the same basis as Executive Order No. 1 of Governor Corzine, which has been rescinded. Executive Order 24 does not require any new actions by the New Jersey commissioners or impose any new additional limitations on their activities. Under the executive order, New Jersey commissioners were required to file their financial disclosure statement with the state Ethics Commission within 120 days of the executive order's effective date, and I believe that was August 25th. And they were required to file on each May 15th thereafter. I'm pleased to say that all New Jersey commissioners have met the filing disclosure requirement for 2010.

Next slide, please. Now, with respect to ethics training, all commissioners in New York and New Jersey received briefing materials regarding general ethical considerations and applicable statutes and related material. There is a New Jersey statutory requirement in the Conflicts of Interest law that certain New Jersey state officers and employees are required to complete a training program on ethical standards. This training is also relevant for New Jersey commissioners, who are required under the Code of Ethics for Port Authority commissioners, adopted by the Board on February 19th of 2009, to comply with all applicable laws, rules, and regulations applicable to the commissioner as an unsalaried public officer from his or her state of appointment.

In the case of New Jersey commissioners, questions with respect to their actions are generally reviewed in the context of provisions of the New Jersey Conflicts of Interest law, applicable to special state

officers. The New Jersey financial disclosure statement form for public officers requires filers to indicate if they've completed ethics training. All New Jersey commissioners have received New Jersey ethics training.

If I could have the next slide, please. This slide presents a very brief overview of a comparison of New York and New Jersey ethics laws. Although the precise language in the applicable Conflicts of Interest laws of the two states differs, the essence of what constitutes prohibitive activity and the rationale over such prohibitions is consistent. The public officer should avoid participation in transactions involving the officer's agency under circumstances where the officer has an interest or involvement that is in conflict with the proper discharge of official duties. The public officer should not use or attempt to use an official position to secure unwarranted privileges or advantages for himself, herself, or others. The public officer should not disclose confidential information gained by reason of his or her position. The public officer should not act in such a way as to reasonably create an appearance of impropriety. And generally speaking, underlying all of these prohibitions is the principle that public officers should be independent and objective in the exercise of their official duties in the public interest.

If I could have the next slide, please. In reviewing compliance with ethical standards as applicable to the commissioners, the Commissioners' Code, through its incorporation of applicable laws, rules, and regulations, its notification requirement, with respect to conflict issues and contacts with lobbyists regarding procurements, and its financial disclosure requirement, addresses each of the following considerations: What standards apply, what risks are addressed, are third-party actions addressed? Is the Code understood and accepted by those covered?

Now, the Port Authority has a traditional and long-standing commitment to the highest standards of integrity in the public service. With respect to New York commissioners, we look to Section 74 of the New York Public Officers Law and Section 410 of the New York Education Law. And I should point out that Section 73 of the Public Officers Law also provides guidance. As previously stated, for New Jersey commissioners, we look to the New Jersey Conflicts of Interest Law. I should add, at this point, that a discussion regarding the adequacy of the Code of Ethics and Financial Disclosure for staff is presently expected to be on the agenda for the next meeting of the committee, which I believe is scheduled for December of this year.

Next slide, please. Now, with respect to trends in the state of New York, the 2009 Public Authority's Reform Act was signed into law by Governor Paterson in December of last year and took effect this past March. The 2009 act builds on the framework established by the Public Authorities Accountability Act of 2005, which was a comprehensive set of reforms designed to help insure more stringent and uniform standards of transparency, accountability, and professionalism, with respect to New York public authorities. And the 2009 act provides enforcement language to help insure compliance, improve board member performance, and strengthen the oversight role of an independent authority's budget office.

I should note as an aside, that at the outset, Port Authority practices and policies predate this particular reform legislation and address the concerns that underlie it. Directors are required to acknowledge, under the 2009 New York legislation, that they have a fiduciary obligation to their particular authority to act in its best interests and those of the people of the state served by that particular authority to perform the duties and responsibilities to the best of their abilities, in good faith, with proper diligence and care consistent with the enabling statute, the particular authority's mission, its bylaws, and the New York State

law. Directors have to indicate an understanding of the obligation to become knowledgeable about their authority's mission, purpose, functions, responsibilities, and statutory duties and where necessary, to make reasonable inquiries of management and others with knowledge and expertise, so as to make informed decisions. Of course, they agree to exercise independent judgment on all matters before their particular board. They agree to participate in training sessions, attend board and committee meetings, and engage fully in board and committee decision making. They further agree, of course, not to disclose confidential information and they are provided--well, let me back up and say that as far as the Port Authority is concerned, our commissioners are provided with substantial briefing materials upon joining the board, which familiarize them with the Port Authority's business, its governance, and their responsibilities. The Port Authority's commissioners' personal activities, as indicated before in the discussion on financial disclosure, are screened by General Counsel's office through that disclosure requirement and through questions raised directly by commissioners to insure commissioner independence, objectivity, and freedom from conflict of interest and the appearance of such conflict.

Now, with respect to annual self-evaluation, which is another requirement of the New York legislation, according to the legislation, it is to be measured against the Authority's mission statement, goals, and values, and the expectation of those served by the Authority and New York State. I should point out that the Port Authority's bylaws mandate annual review and evaluation of board performance and committee effectiveness. Debt-issuing authorities, under the 2009 New York legislation, are required to have a finance committee, among other things, to review proposed issuances, make recommendations to the full board with respect to the nature and appropriate level of debt, and regarding appointment and compensation of bond counsel financial advisors and underwriting firms. As you well know, the Port Authority Board has had a finance committee literally for decades. As to new reporting responsibilities, in addition to providing the Authority's budget office with mission statements and performance reports, there is information required by the various New York authorities, with respect to organizational structure, composition of committees, background information on the formation of the Authority, professional experience of board members and management. And the Port Authority, of course, is statutorily required to allow the respective states to examine its accounts and books, and Port Authority's Minutes are sent to the governors of the two states, who have authority to veto actions recited in such Minutes.

If I could have the next slide, please. With respect to New Jersey trends, as previously mentioned, Governor Christie promulgated Executive Order No. 24 in April of this past year. This is an example of his commitment to maintaining high standards of integrity and transparency in connection with the operation of government. This is a commitment that the Port Authority shares and has had for many years. In terms of governance, one priority of the current administration in Trenton is transparency, including financial transparency. And accordingly, Governor Christie's Executive Order No. 8 mandated, among other things, publication of regular reports on state expenditures and revenue, and the establishment of a website to provide a central location for commonly-sought documents related to state finances. Several guiding principles associated with this initiative are that the information should be easy to locate, the data should be user-friendly and make meaningful comparisons, and public documents should be available electronically.

The Port Authority, of course, as you know, Commissioners, has undertaken a number of actions to promote greater transparency and accountability in its dealings and communications with the public,

including revisions of the Agency's Open Meetings policy, amending and restating the bylaws, and by making certain changes to the Agency's policy and procedure relating to Freedom of Information to provide open, timely, and uninhibited access to the Agency's public records.

Now, with respect to corporate trends, I can tell you that earlier this year in the spring, the United States Sentencing Commission approved some significant changes to the federal sentencing guidelines, which, as you know, applied to organizations convicted of criminal offenses. These amendments affect the requirement for being able to show that you have established an effective compliance program as a means of mitigating institutional punishment in the wake of criminal conduct. These proposed amendments, barring congressional rejection or amendment, will take affect this November 1st. The proposed amendments expand the availability of sentencing benefits for organizations that provide a direct communication channel between compliance personnel and the organization's governing authority, including expressed authority for the individual or individuals with operational responsibility for the compliance and ethics program to communicate personally with the governing authority. This personal communication must occur promptly on matters involving actual or potential criminal conduct, and no less than annually, with respect to implementation and effectiveness of the compliance and ethics program.

I would take this opportunity to say that at the next meeting of this committee-- again, presently scheduled for December-- I believe the Office of Inspector General will provide you with a report on OIG's independence and its freedom from interference in the conduct of its responsibilities. The sentencing guideline amendments clarify that to qualify as having an effective compliance and ethics program, an organization must respond to detected criminal conduct by taking reasonable steps to remedy the harm caused by that conduct and appropriate measures to prevent further similar criminal conduct in the future, including assessments of the compliance program and modifications, as necessary to insure effectiveness. Reasonable remedial steps made, but are not required required to include restitution, self-reporting, and cooperation with federal authorities. As to prevention, it is interesting to note that the commission rejected a proposal mandating the retention of an independent monitor. And finally, the commission declined to adopt or propose an amendment focusing on the role of document retention policies in an effective compliance program.

I'd like to talk a little bit about the Dodd-Frank Wall Street Reform and Consumer Protection Act, which fastly expanded the SEC's whistle-blower reward program. The existing program was limited to insider trading cases, and capped rewards at 10 percent of the funds collected as sanctions. The new expanded program provides for a greater incentive of a reward between 10 and 30 percent of what has been collected of monetary sanctions imposed for a greater range of SEC enforcement activity. Now, the Dodd-Frank Act also requires publicly-traded financial companies supervised by the Board of Governors of the Fed, and publicly traded bank holding companies with a total consolidated assets of $10 billion or more, to set up risk committees responsible for the oversight of enterprise risk management practices. Each risk committee must have at least one "risk management expert" defined to mean a person having experience in identifying, assessing, and managing risk exposures of large, complex firms. As we look briefly at the National Association of Corporate Directors Effective Risk Oversight principles, I'd like also to mention to the committee members that at the next scheduled meeting of the committee, it is my understanding that there will be a briefing and an update on the Port Authority's Enterprise Risk Management program. Members of the committee will recall that the

committee received a debriefing on this last year. And, as you look at these principles of effective risk oversight, I think the important takeaway here is that these principles represent a distillation of common sense practices that responsible boards, such as the Port Authority's, would, of course, follow. And I'm not going to recite them. And finally, with regard to best practices, you have the NACD Key Agreed Principles to Strengthen Corporate Governance for Publicly Traded Companies. Note that in each case, the principle relates to formulation and design of appropriate governing structures and practices. And, again, this is very common sense and the kind of thing that responsible boards, such as the Port Authority's, would, as a matter of course, do. Thank you, Commissioners.

[Chair H. Silverman] Are there any questions? I actually have one. Do we--? I'm sorry, did I interrupt you? Have we detected any breach of our policies, in terms of compliance and ethics policies? Have there been any breaches? Because I don't recall that you have reported any to us.

[H. Kadin] With respect to...staff, there are occasional issues under the staff's code of ethics and financial disclosure. And I deal with those as an attorney designated under the code of ethics appointed by General Counsel. We have a Port Authority ethics board and also a separate one for PATH. And when these matters are disclosed, the employee is informed, and the code requires that I let the employee know and work to amilerate the situation, as necessary. The Ethics Board oversees this process as well.

[Chair H. Silverman] Thank you.Tony?

[Vice-Chair A. Coscia] A couple of things. One is that I know the commissioners go through respective training requirements under the individual state laws. Do we have any kind of a training process or a sort of a refresher process for commissioners, relative to Port Authority standards for ethical conduct and conflict of interest? I mean--I know--we get written materials, but is there any sort of thought, or have we in the past, ever had sessions on some basis, whether it is every other year or every year, etcetera, so that individual commissioner's understandings of their requirements don't grow stale?

[H. Kadin] I believe that there have been some briefing sessions in the past. I don't know that there is a regular schedule for providing such briefings. And as commissioners come up with situations that concern them, I know that they have, from time to time, consulted General Counsel, who has provided guidance to them.

[Vice-chair A. Coscia] I think it might be helpful to consider. And certainly this is a decision that the board should make collectively, but it would be helpful to get your input on this, and that, at some regular interval, there will be sessions available for commissioners to be brought sort of up to speed on the various requirements and standards that they're expected to adhere to, not for those things that are obvious, but those things that maybe are a little bit more subtle. And since the composition of the board changes from time to time, everyone gets a briefing when they join, but I think those sort of regular refreshers on some level would be helpful in terms of giving everyone a better understanding. Those on this committee, I think, see a lot of it because we participate in this committee, but there are those who are not on this committee who don't actually see this, so that would not be a bad idea. It's going to be a little bit redundant of what people are getting in their individual ethics training sessions at the state level, but I do think that there is a gap between what the PA standards provide for and what the individual state standards provide for.

[D. Buchbinder] There actually was a point that we were considering putting a program in place with the New Jersey commissioners because it was an easy way for the New Jersey commissioners to come up to speed and satisfy the state requirements. And the state ethics commissioner gave us the final approval to put a web program in place within the given year. As Howard said, most of this is handled one-on-one basis because I spend a fair amounts of time, as you well know, in dialogue with the commissioners over there on typical issues and other trite issues as well. It doesn't hurt to centralize it.

[Vice-Chair A. Coscia] We could certainly do it on Board days, and it doesn't have to be longer than necessary, but I think keeping it in mind is probably a healthy thing. The other--

[D. Buchbinder] We're also going to do a fairly frequently publication of our treasurer's manual as a refreshers course.

[Vice-Chair A. Coscia] Yeah, I noticed that. I noticed that. The other question I had relative to Dodd-Frank is whether or not-- whether there were any specific recommendations that were being made, relative to requirements that we should impose on ourselves, notwithstanding the fact that we're obviously not subject to the jurisdiction of Dodd-Frank. Because we issue securities in such a high level, are there things that we're not doing that Dodd-Frank sort of highlights that we ought to consider potentially adopting?

[D. Buchbinder] Actually, the fact of the matter, on most of what Howard had up on the board, up on the slides, we've been ahead of the curve. We are very focused on this. Thank you--and really much of the common sense type of ethics requirements that are being put into place on a formal basis, the Port Authority's board has had in place for decades. This is inside the Port Authority's DNA and the Port Authority's culture. The reception we have in the capital markets, I think, is a demonstration of that confidence in Port Authority processes, whether they're on an audit process or a financial review process or on a board governance process. So it's a good place to be to be able to say that everything we've seen does not come up with anything we haven't thought of and that presently is not in place.

[Vice-Chair A. Coscia] That's good. And then the only final question or comment I had is that--and I know we're going to receive your presentation at our next meeting from the Inspector General--but it is maybe not expressly stated in your comments, but the Inspector General's jurisdiction clearly extends to commissioners, without equivocation, as far as I understand.

[D. Buchbinder] Yes, and in fact, in the last bylaws restatement, we made it clear that independence of the Inspector General's office was something that was paramount, and this committee is vested with the responsibility of insuring that independence.

[Vice-Chair A. Coscia] I know there is a number of us who feel very strongly about that subject, so I think it's important. Yeah, thank you. That's all I had, Chairman.

[Chair H. Silverman] Okay, any other questions? Ginny? Jeff? No? All right. Then, if not, we're adjourned. Thank you.

The Port Authority of New York and New Jersey
Committee on Finance Transcript
October 21, 2010

[Chair. H. Silverman] So, we'll start. Today's meeting of the Committee on Finance is being held in public session in its entirety. In addition, the meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

We have one action item, which is the purchase of public liability insurance, which our Treasurer, Anne Marie Mulligan, will walk through.

[A. Mulligan] Today's meeting, I'm seeking the Committee's authorization to renew the Port Authority's public liability insurance program, effective October 27, for a one-year period. This program protects the Port Authority against losses from bodily injury and property damage claims brought by third parties against the Port Authority. Coverage for losses arising from terrorism are also included in the program.

This slide provides a summary of the expiring program and the anticipated coverage at renewal. Marsh, who is our broker for this program, will continue to work with the various carriers on the program structure and pricing up through the renewal date of October 27. The program includes coverage for both aviation and non-aviation programs, including terrorism coverage for all Port Authority facilities. The current limits of coverage on the Aviation Program are $1.25 billion per occurrence and in the aggregate for both Aviation Liability and Aviation War Risk or the terrorism coverage.

For the renewal, capacity and retention levels are expected to remain as expirings. Current limits on the non-aviation portion of the program are $1 billion per occurrence and in the aggregate in excess of a $5 million per occurrence deductible. The Port Authority also retains 30 percent, or $7.5 million of the primary $25 million in purchase coverage. The current Non-Aviation Terrorism Program provides for $300 million dollars of federally-backed coverage under the Terrorism Risk Insurance Program Reauthorization Act of 2007, which is purchased through the Port Authority's Captive Insurance Entity. For the renewal, the coverage is expected to remain as expiring.

Marsh continues to market the program to the widest array of insurers in order to maintain capacity and deductible levels, and they are also working vigorously to negotiate a reduction in premium costs. Recently, staff was asked to provide some benchmarking information for comparable entities. Due to the nature of the Port Authority's diverse operations included in the Non-Aviation Program, tunnels, bridges, bus terminals, rail, ports waterfront, and industrial development operations, no other peer entity provides a true benchmark. To conduct a peer analysis, the staff compared the Port Authority to similar entities based on a homogeneous exposure type--tunnels, bridges and rail, ports, and airports. Initially, it's important to note that other entities have been reluctant in sharing their premium costs for their programs, so the analysis is limited.

Overall, the results show that the Port Authority purchases higher limits than the entities surveyed. The limits are appropriate given the catastrophic loss potential presented and the multiple lines of business covered by the insurance programs. Total program limits purchased by the Port Authority's Public

Liability Program cover all facilities. Limits purchased by the peer entities surveyed only represent the total limit purchased for a single-exposure type and, in some cases, for a single location. Differences in premium levels take into account individual underwriting experiences, retention levels, and claims experience. When accounting for the differences in the program types, premiums paid by the Port Authority for comparable exposures are as lower or similar to peers.

For the airport, this slide highlights the results of the Port Authorities program as compared to the Chicago Department of Aviation, which operates O'Hare and Midway International Airports. The coverage limits for the Port Authority's Aviation Program exceed the limits purchased by Chicago and the premiums are comparable. For the Port Authority's Non-Aviation Program, the coverage is $1 billion dollars for all Port Authority operations excluding airports.

Premium allocations are generated for each line of business noted based on the revenue and activity levels within each area. Given that the tunnel, bridge, rail, and port operations comprise the majority of the risk exposures under the Non-Aviation Coverage, those lines of business are allocated the largest percentage of the premium. For a tunnel, bridge, and rail comparison, above you will see the that the results for the Port Authority's program are compared to the MTA. For the Port Authority's program, the allocated portion of the annual program amounts to approximately $11 million. And what we did was take the non-aviation premium of $16 million and allocated about 70 percent to the tunnels, bridges, and rail. Individual coverage parameters between the MTA and the Port Authority are highlighted on the screen. For the port operations, we received information from the Port of Los Angeles.

As noted, the Port Authority's program covers all non-airport-related operations, while the Port of Los Angeles represents a single exposure at a single location. As we said, overall, when accounting for the differences between the operations, the program's cost, and the premiums paid by the Port Authority for comparable exposures, are lower or similar to our peers.

[Comm. D. Steiner] Point of information.

[A. Mulligan] Mmm hmm.

[Comm. D. Steiner] I thought the annual premium appears to be more than ten times the Port of Los Angeles, not comparable.

[A. Mulligan] Well, what our problem is, we took the total premium and allocated 70 percent of it to the tunnels and bridges, which leaves the remaining amount to go against the ports. And we have six port facilities, we've added the express rail to the different facilities, we've added--

[Comm. D. Steiner] I'm not arguing with that. So if you adjusted this, if you made this last week, we'd be paying more on the--?

[A. Mulligan] On the tunnels and bridges.

[Comm. D. Steiner] So what's the basis of this comparison? It's meaningless.

[A. Mulligan] Well, all we could get from 3 or 4 different ports that we contacted was this information. We couldn't get it from anybody else.

[A.P. Blanco] This also has six ports compared to one and ours includes a much higher liability in terms of what the coverage is.

[A. Mulligan] It has workmen's comp. It's all in there.

[A.P. Blanco] There's much greater coverage and many more ports.

[D. Buchbinder] It's a bit apples and oranges.

[Chairman A. Coscia] Yeah, it looks very apples and oranges.

[A. Mulligan] It really is.

[D. Buchbinder] It allows you to see what's out and about and comparable operations.

[Chairman A. Coscia] But the Port of Los Angeles, from a volume standpoint, is comparable to our ports, isn't it? (inaudible; everyone speaking at same time)

[A. Mulligan] Volume, but it's just one facility.

[Chairman A. Coscia] I don't know. I'm not sure. I'm sure those numbers don't give me more reason for concern. I don't know.

[A. Mulligan] Well, prior--

[Chairman A. Coscia] It seems like there's a real sort of lack of organization to the market as it relates to insuring these kinds of assets. I'm just basing it on what little we've seen here.

[D. Buchbinder] It's also the philosophy of insurance, if you look at the limits of coverage, would you be satisfied with $150 million for the Port? Authority.

[Chairman A. Coscia] Yeah, it's very low. No.

[V. Biddle] And all facilities.

[A. Mulligan] And prior to--and it's all facilities. Prior to 9/11, the Port Authority bought the market capacity of $650 million for all non-aviation facilities. In 2002, a study was done by Deloitte Consulting, and Port Authority purchases catastrophic loss coverage. They identified about 6-8 different potential catastrophes, and the potential loss, your claims on them, in 2002 dollars, were billions of dollars. So their recommendation was that the Port Authority should pursue the maximum capacity the market will provide at reasonable cost. The top portion of your Liability Program, for the top $500 million of coverage, you're paying about $2-$2.5 million for $500 million of excess coverage, which provides great protection if there is a catastrophic loss. The top $300 million is about $1 million for that level of coverage, so that's why the Port Authority has always pursued the maximum level to protect our exposure given any instance that could happen.

[Chairman A. Coscia] It seems obvious that, for whatever reason, the Port of Los Angeles decided to only buy insurance for smaller claims.

[A. Mulligan] A lot of the entities are also supported by the local government or a city or state so that they can raise taxes if they have a catastrophic loss or very, very large claims. We don't have the ability to do that, so the Port Authority would be bearing the full brunt of any exposure if we're not covered.

[Comm. H.S. Holmes] Yeah, that's the difference there, because the Port of Los Angeles is a city agency.

[A. Mulligan] Right.

[D. Buchbinder] It's also a question of market, because the NY market, regardless, is still very hard to get coverage in and the premiums, just by region, tend to be higher.

[A. Mulligan] It's--the insurance markets look at New York as the highest risk area and highest cost when it comes to claims, jury verdicts, and the litigious nature of the New York region.

[V. Biddle] Also, over the course of the past few years on this program, we've rolled in facilities--Stewart Airport, Battery Park City Ferry Terminal, additional port facilities-- and we haven't had an increase in premium each time we've added a very large facility, so we've assumed these new facilities, or expanded facilities, without additional premium cost and over the course of the time since 9/11, we've seen obviously there's a big spike in premiums post 9/11, but then subsequently we've seen premium reductions all along.

[A. Mulligan] And we also have sought the greatest limits we could. We have the World Trade Center Site that will become operational. When it does, that will then also be rolling under this program. So to absorb all of the Port Authority's facilities and the liability attendant to it, the limits seem appropriate.

[Chairman A. Coscia] I think I'm the one who asked to try to find comparable information. And candidly, simply because we pay a huge number, and I was looking for some kind of an anchor to feel comfortable that that number represented the right number. And I'm not sure we can get that from this, and it's probably because either there aren't comparables, or the comparables that exist, we don't have adequate or full disclosure. So how can we kind of--can we get comfortable the other way around? Is there enough competition in the marketplace that will drive to a correct pricing because of that? Or can we not really rely on that either because everyone buys into this?

[V. Biddle] We do rely on it.

[Chairman A. Coscia] You see what my problem is? I have no clue whether or not--(speaking at same time)--$22 billion dollars is the right number.

[V. Biddle] We do rely on market competition, and this year, in fact, we've changed some of the carriers providing coverage on the program, notably in the lower primary layer, to obtain cost savings from the prior carrier we had. So we absolutely go to the market each time we have new markets on the program, as they come along every year that are interested in writing our business, new markets definitely put pressure on existing markets. Existing markets, because of the state of the liability insurance market right now, are somewhat soft to begin with. The pressure of the new markets that we have in changing the allocation of line size of coverage to each individual market, we do all that every year too to ensure we are getting the most competitive pricing we can that's out there.

[Comm. D. Steiner] Mr. Chairman, I've always felt that the more people you have the bidding open to, the better chance you have of getting a good rate, and the more segments, smaller issues, smaller pieces of the pie that we insure, the wider the marketplace. And I was never in favor of having just one guy like Marsh do that. I don't know why we don't take-- I don't have the list. Up there you had all the other workman's comp--why these things aren't broken down and bid out separately to open it to companies that are competitive in that area? And if the terrorism is more, bite the bullet on terrorism. Could we back up one slide?

[V. Biddle] We do buy different types of coverage. Workman's comp is separate. This program offers excess worker's comp above the Port Authority's self-insured worker's comp.

[Comm. D. Steiner] So it's not our workman's comp? It's just the excess workman's comp.

[V. Biddle] It's the excess worker's comp above the Port Authority's $5 million self-insured program.

[Comm. D. Steiner] Do we know what these various segments cost us or is it all lumped together?

[V. Biddle] You get economies of scale with the Port Authority by going out as one group.

[Comm. D. Steiner] That isn't what I was asking you.

[V. Biddle] This is all lumped together as one premium.

[Comm. D. Steiner] So we have no way of identifying what each of these cost?

[V. Biddle] We allocate premiums based on--

[Comm. D. Steiner] I understand what you do, but you have no way of knowing what the people are really charging for each segment?

[V. Biddle] No, because we are such a diverse and large organization that we go out as one non-aviation piece. We break it down between aviation and non-aviation--

[Comm. D. Steiner] What I was saying is maybe there's another way of breaking it down further to get more competition, that's all.

[D. Buchbinder] It's something to consider--one of the other things to consider is the fact that you buy pretty much of the available capacity of the market.

[Comm. D. Steiner] But if you broke it down--

[V. Biddle] But you're going to be paying more broker fees if you break it down.

[A. Mulligan] You would likely be buying less limits for each individual segment, where here you have the ability to go up to a billion dollars if you have a large loss at a tunnel facility and a large loss at a PATH facility.

[Comm. D. Steiner] Yeah, but we all know they don't like to pay anyway. Insurance policies are license to sue; that's all it is. It's like a bond; you always have to sue the bonding company. That's the trouble you have collecting from insurance companies. I think that's specious argument, but I'm in the minority.

[Chairman A. Coscia] Well, here's where I think we are at the end of the day is that we're paying a lot of money for insurance. I'm confident that we've done as much homework as you can do when you try to sort of hammer that number into a number that we are comfortable with. We may be in the sort of position of being a unique insured, and as a result of a unique insured, the pricing on that is one we're never going to be 100 percent comfortable with. I'm okay with this, and I'll sign off on it. I just have to say that this is going to be a tough pill to swallow every year. And we're going to keep churning this thing around in circles, so if there is any way for us to find a way of either improving what we do based on the assumption it can be improved, or at least getting comfortable that there isn't an ability to take advantage of our unique position in the marketplace that results in us paying higher premiums for the coverage that we're getting. It doesn't do us any good to have one of these meetings every couple of months where we try to sort of kick the crap out of you guys to do something that you're not doing, and then you go back and do it and we're still uncomfortable. Because we're kind of going around in circles here a little bit, and, I admit, I'm causing a lot of it myself. It's just that there's a sort of a basic uncomfortableness with the number, but we may just have to live with it.

[Comm. H.S. Holmes] I'm not uncomfortable with the number. I think the number is okay for all the insurance that we're getting and all the facilities that are subject to catastrophes.

[Comm. D. Steiner] How do you know that's so? Because it looks good? But it's not based on any comparable experience.

[Comm. H.S. Holmes] No, because one of the most comparables was MTA, anif you extrapolate that one particular one to the other and it comes out to be pretty much the same.

[C. Ward] Obviously, there's a certain unknowable --for the Port Authority because we're clearly unique in the market. There's three data points that I sort of focus on. The size of what was bought, the inherent competitiveness of the subsets that we are out pricing within how this gets packaged, and then, as Veronica said, the most relevant one, is that we've added 5-6 major facilities. Two of them I would consider to be significantly high risk. One of them an airport, Stewart, and the other one the risk associated with the Military Ocean Terminal. that, and our premiums haven't increased, so we have three data points there that give you some sense that we're bringing it down while we're adding, we do competitively bid throughout the season the subsets, and we bought a lot of insurance because we can the way it gets structured, buying the big one for a certain amount and then the increments to go to the full disaster insurance is money well spent, because, God forbid, as we have experienced, that when things do go wrong around here, they go wrong in a big way. That's how I got comfortable with it.

[Chairman A. Coscia] I think that all makes sense, Chris.

[Chair H. Silverman] Okay, we need a motion to take this to the board.

[A. Mulligan] Right. We're seeking the authority to renew the program at the existing coverage limits and parameters, and we're estimating that this year's premium will be the same as last year's premium,

$21.5 million. Given that Marsh is still working with the market, we will get back to the board, to the committee, with a final premium amount after the effective date of October 27.

[K. Eastman] And we'll vote on it in Committee

[Chair H. Silverman] Any other comments or questions? Let's hear a motion, please. [Comm. H.S. Holmes] So moved. [Chair H. Silverman] Second? [Chairman A.Coscia] Second. [Chair. H. Silverman] Any other comments or questions? All in favor? [Chairman A. Coscia & Comm. H.S. Holmes] Aye. [Chair. H. Silverman] So moved. We are adjourned. Thank you.

The Port Authority of New York and New Jersey
World Trade Center Redevelopment Subcommittee Transcript
October 21, 2010

Commissioner Steiner: The World Trade Center Redevelopment Subcommittee meeting is being held in public session, after which the subcommittee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. The first item will be the World Trade Center construction trade contracts. Mr. Steve Plate, please.

Steve Plate: Good morning, Commissioners. I have two items to present to you. The first one involves the World Trade Center Hub's hoist and scaffolding trade contract, which will facilitate the critical movement of workers, material, and equipment between the street and below grade levels during construction of the Transit Hall. It was publicly advertised with Atlantic Hoist and Scaffolding being the lowest price qualified proposer at a cost of $3 million, excluding extra work, which compares favorably to the staff estimate of $3.9 million. It also includes an increase of $200,000 to Downtown Design Partnership for architectural and engineering services during construction and an increase of $200,000 to Tishman/Turner for associated construction management services.

Our next contract for the World Trade Center Hub's miscellaneous metal, which includes such things as metal stairs, railings, and specialty doors for the Transit Hall, was publicly advertised with Capco Steel being the lowest price qualified proposer at a cost of $4.7 million, which compares favorably to the staff estimate of $4.9 million. It also includes an increase of $200,000 to Downtown Design Partnership for architectural and engineering services during construction and an increase of $300,000 to Tishman/Turner for associated construction management services.

Commissioners, your authorization of these items today will provide for 85 percent of the Hub's contracts awarded to date. I request that you advance these items to the full board for their approval.
Commissioner Steiner: Procedurally, we have a motion before we discuss?
Karen Eastman: That's what we generally do.

Commissioner Steiner: Okay. Can I have a motion? Commissioner Holmes: So moved. Commissioner Steiner: Second? Commissioner Silverman: Second. Commissioner Steiner: Any discussion? I have a question. How does the bidding on Capco, for example-- What's the range of bidders? I mean, he's the lowest bidder and I know what was the staff estimate, but what were the other bidders? What was the range, and how much lower is he than the next bidder? It seemed to me there was something there about another bidder who was lower but conked out of the bidding or something.

Steve Plate: Yeah. Some of them dropped out.

Commissioner Steiner: Hillside or something? I seem to recall-- What was that all about?

Steve Plate: Hillside stayed in to the end. He actually was always the second bidder throughout, and he ended up on the--initially he was $5.2 and then during the BAFO raised it to $6.2 million.

Commissioner Steiner: Uh-huh. So how many bids were there for this trade?

Steve Plate: Ultimately, there were 11 firms submitted. There were three bids that went towards the end.

Commissioner Steiner: Okay. And how about the other contract?

Steve Plate: The other contract was six firms submitted and we ended up with four bidders.

Commissioner Steiner: Okay. Would you just give a two-minute rundown about how you do the BAFO and how you use that to negotiate the price so the record will show what you do.

Steve Plate: Okay. What we first do is obviously with the final contract drawings that go out, that's sent out in a public way with procurement by our side making sure that Tishman/Turner, our consultant, issues it with a very formal protocol. Then the bid is received in a very formal way. Once that's done, it's opened. Then they look at the bid array and then they call in the contractors and what they call de-scope first, which basically is to understand that everybody has a true understanding and a common understanding of the project. They go through that process, shake out all the uncertainty--

Commissioner Steiner: You don't do that when the bids go out, have a meeting. You wait until the bids come in for the discussion?

Steve Plate: That's correct.

Commissioner Steiner: Have you ever considered having that intelligence briefing before the bids are prepared?

Steve Plate: We used to at times, but the problem is we find pragmatically, contractors don't like to tip their hand so they hold back asking questions. Once we go through the BAFO--

Commissioner Steiner: Explain to everybody on the call what a BAFO is.

Steve Plate: It's a best and final offer. Basically, what it does is it enables us to sit down with each individual contractor separately and understand—

Commissioner Steiner: And buy better.

Steve Plate: And buy better.

Commissioner Steiner: And it's been successful?

Steve Plate: There's also more certainty around it, so you don't get right out of the box the person saying, "Oh, that's not what I bid. It's completely different." So you really have a meeting of minds technically to understand the job and the means and methods and how they're going to approach it.

Commissioner Steiner: Are you happy the way that's been working?

Steve Plate: Yes, it's been working very well.

Commissioner Steiner: Has that diminished the number of lawsuits at a later date as to scope of work?

Steve Plate: Yes. What it does is it basically puts us all on an even keel.

Commissioner Steiner: Okay. Does anybody else have questions or comments? Thank you for the explanation.

Steve Plate: Thank you, sir.

Commissioner Steiner: I call for a vote. All those in favor? Commissioners: Aye. Commissioner Steiner: Opposed? [silence] Motion is passed. Mr. Plate, will you remain on base and talk to us about the construction update, please?

Steve Plate: Yes, sir. I would now like to take a moment to outline the substantial progress that has been made at the site. While 100,000 commuters pass through the temporary PATH station each day, construction on the permanent Calatrava designed station continues to be realized. During the last several months, we have installed massive steel plate girders that will support the PATH station roof as well as the smaller rib arches that will form the station's mezzanine level. Today I am pleased to announce that we will begin in December to install massive Calatrava designed arches and steel that will support the PATH station roof, including pieces as large as 80 tons. These arches are being manufactured and fabricated in various locations throughout the world, including New Jersey, Pennsylvania, North Carolina, Canada, and Spain. We are presently working to construct the new Platform A and Tracks 1 and 2. Once complete, PATH patrons will be able to utilize the reconstructed platform. Commissioners, as you know, in June of this year you awarded more than $100 million in contracts to build a foundation of concrete slabs for the Oculus, the centerpiece of the Hub. Next month, work under these contracts will begin with the installation of the foundations. Presently, procurement for Oculus steel and various other trade contracts is under way. Your approval of today's construction trade contracts will further our major efforts in the Transit Hall area. Substantial progress continues within both the Memorial Plaza and Museum space. In just three months, over 50 percent of the Plaza has been captured to allow for construction of final Plaza finishes. To date, over 35 swamp white oak trees have been planted. Over 80 percent of Pavilion steel has been erected, which is being completed at night to minimize any disruption to PATH service. The South Pool work is progressing with vertical stone paver installation and a majority of the fountain plumbing now in place. More importantly, the North Pool is rapidly nearing completion. At One World Trade Center, our one floor per week pace continues as steel has climbed to the 44th floor. In only 15 months since erection began at this landmark building, workers have installed over 19,000 tons of steel, which is quickly approaching the amount of steel in the entire Chrysler Building. With concrete following close behind, this has allowed for additional trades such as mechanical, electrical, plumbing, spray-on fireproofing, and elevators to begin work on the lower floors. Commissioners, I'm very proud to update you on these critical efforts, and I look forward to reporting our progress as we move ahead with this important construction.

Commissioner Steiner: Is there a motion required on this or is it strictly a report?

Karen Eastman: (inaudible) it's an update.

Commissioner Steiner: Questions? Any questions? What floor are we up to on the tower?

Steve Plate: Forty-fourth.

Commissioner Steiner: With the structural. And how about with the floors?

Steve Plate: They're about 32.

Commissioner Steiner: And when will they be starting the outside skin?

Steve Plate: Next month.

Commissioner Silverman: When do you expect the Calatrava terminals to be completed?

Steve Plate: Late 2014.

Commissioner Silverman: Okay.

Commissioner Steiner: Are there any problems that we should be aware of that might hold us up?

Steve Plate: No. There's day to day challenges, hour by hour...

Commissioner Steiner: Other than the usual.

Steve Plate: minute by minute, depending on how you look at it. I think right now, if I could say, the one we're living with-- and Chris knows fully about it--is the issue of the steel. We have to make sure that's fabricated to the quality we need. When I say steel, the Calatrava steel for the station. It's being done, and as I pointed out, in many countries, and communication is probably the biggest challenge--different languages. We have totally blitzed it as far as making sure that the problem is solved, and we've made some great strides recently.

Commissioner Steiner: What problem is there? You mean ensuring that we make the quality of the steel?

Steve Plate: Quality and the schedule, and make sure that the deliveries come on time and basically shipping it. Having to get it quality approved, process being done, shipped over--

Commissioner Steiner: And then hope it all fits together.

Steve Plate: It will fit. Actually, we do a test fit before we ship it, so that's--

Commissioner Bauer: Excuse me, Steve. It's all pre-purchased too, correct? So in terms of price fluctuation and value—

Steve Plate: Yes. We locked in on the price. We didn't put a variable.

Commissioner Bauer: ...volatility of--

Steve Plate: That's correct. Actually, we inherited from--if you remember, we actually purchased it under Phoenix and assumed that as part of the Port Authority--

Chris Ward: If you could, Steve, just go back and show the Commissioners the slide of where that work is taking place. I appreciate Steve highlighting this because—

Steve Plate: Go back.

Chris Ward: No, the next one.

Steve Plate: That one.

Chris Ward: Keep going. Keep going. This one.

Steve Plate: Okay.

Chris Ward: This is really what Steve is referring to, and there are three [microphone scraping - inaudible] There's the delivery of the steel, which is at the back spans, then there is the delivery of the steel which is in the main spans, then there's the previous installation of the four Calatrava columns, which we insisted, if you remember, in the redesign of the station, which allows us to incrementally advance this work to reduce the construction risk of hanging unsupported steel throughout the entire mezzanine. The multiple fabrication points and the technical requirements of the Port Authority for the quality of the steel is really the challenge to get that out of these various steel fabricators that meet our weld standards, meet our specification standards. Candidly, the quality of steel inspection that takes place in Europe and Canada is far less stringent than what we do. That's something we really had to meet.

Steve Plate: And just to support what Chris is saying, we have a phone call every day at 9:00 with all the fabricators, all the designers, and I have Santiago Calatrava on the phone, and he's been a tremendous help in helping to expedite on many levels, whether it be anything as simple--not simple, but as important as getting a boat to get the steel over here, he's able to pull strings with different officials in Spain to make sure the priority is set, and he's been a tremendous help.

Commissioner Bauer: Steve, if there's variations in the quality of the steel, why are we getting it from different places? Why don't we just buy American steel?

Chris Ward: We want to diversify the delivery risk. If it was all in one plant or limited plants, all our risks or eggs would be in one basket. They diversified it and then they allowed us to produce more of the same--

Commissioner Steiner: And if they meet certain standards, it doesn't matter where it's made. You just have to keep the pressure on them to meet the standards.

Steve Plate: And that's been the challenge.

Chris Ward: We've diversified it so that we're doing multiple fabrications concurrently, whereas a single or two plants wouldn't be able to do as much, and it diversifies the risk.

Commissioner Steiner: This is a herculean job, really. I don't know how—

Chris Ward: I was going to say if the commissioners want to go down and have a tour, this is probably really the most fascinating part of this project because this is where you see where the PATH is operating, you see where the PATH station is getting built, you see where the Pavilion steel is rising up above you, you see where the back spans and the main spans are, you see where the Calatrava columns are, you see the one box that's getting taken down right over this. This is really the heart of the project right now.

Steve Plate: I mean, this is one slide. Just to walk you through the complexity of it, as Chris alluded to, we had to get the Calatrava arches in here in time, as of July 15th. We accomplished that. That immediately kicked off the building of the Pavilion, which we're going to be done this month or early next month, which gets us--we're at 80 percent. That was perfect hand-off. Perfect. To the day. We look at this. We're rebuilding the entire Platform A while 100,000 people move in a protected shed in this area. This is the beginning of what we call false work. That will cradle the massive truss that goes in there, the box girder, and that's being shipped and will start being installed next month. While that's going on, we're taking out hundreds of feet of the existing box while thousands of people are moving from basically Chambers Street on the Number 1 Line to--

Commissioner Steiner: That's Governor Pataki's tunnel?

Steve Plate: to South Ferry. So just in this one area alone, you could just see the amount of coordination that goes on. It's just a tremendous challenge. The specific answer in addition to what Chris said to why the split was, to dole out, to reduce the risk but also, if you remember, we were pleased that it went to Spain because they're very familiar with--

Commissioner Steiner: They've done the same arches a few times before.

Steve Plate: So that helped as well.

Commissioner Silverman: Is there a weather risk that you are building into your projections?

Steve Plate: We are. I will tell you that at times, like the last few weeks, we've had a tremendous amount of rain, and if anybody knows iron workers, that's pretty much a rule if it rains, you just don't put up iron. But I will tell you, the contractors have really stepped up, and they're working Saturdays and Sundays. I walk around Sunday and there's ten trucks ready to feed One World Trade Center. So if you look, every week I come it's simple math. I come back and say--every two weeks I come back and tell you we did two floors, so that's telling you we're hitting our mark. But where the challenge becomes even more complex is as you get over the other buildings and you hit the winter--

Commissioner Steiner: That's something the contractors are used to. I want to tell you that's okay, that's good, but the real great job you're doing is everything below grade. Anybody can put the building up in the air. There are 20 guys that know how to do that. But what you people and your staff has demonstrated, the ingenuity and the attention to detail to make the thing put together, nobody sees what goes underneath. They say, "Oh, look what you did." "You were fooling around for two years, and you put up the first floor in a week." "Why didn't you do that before? You would have been done." People don't understand it, and it's okay, but we understand what you've put into it. And I think you and your staff and all the contractors deserve a round of applause for the work you've done.

The Port Authority of New York and New Jersey
Committee on Operations Transcript
November 18, 2010

Chairman Coscia: All right, gentlemen, ladies, we can get started. The first portion of today's meeting of the Committee on Operations is being held in public session, after which the Committee will meet in executive session to discuss matters related to the purchase, sale, or lease of real property or securities where the public disclosure would affect the value thereof or the public interest. In addition, the public portion of this meeting is being broadcast live on the Port Authority website for those interested in viewing today's proceedings via the internet.

Chairman Coscia: Our first item is the Bathgate Industrial Park --a new lease agreement--Mike Francois.

Michael Francois: Thank you. Good morning, Commissioners. I am seeking authorization to enter into a new lease agreement with Perrigo, Inc. for approximately 270,000 square feet of industrial, laboratory, and manufacturing space at our Bathgate Industrial Park in the Bronx. In addition, this authorization includes a surrender agreement for Perrigo's three existing Bathgate leases and a brokerage agreement with CB Richard Ellis and Perrigo for payment of a broker commission in the amount of approximately $440,000.

Perrigo is a leading global healthcare supplier that develops, manufactures, and distributes pharmaceuticals, nutritional products, active pharmaceutical ingredients, and consumer products. Perrigo has facilities in Israel, England, Mexico, Germany, China, India. In the U.S., Perrigo has manufacturing facilities in the Bronx, Vermont, Ohio, South Carolina, Michigan, and Florida. The Bathgate facilities are used for manufacturing and distribution of products throughout the Northeast United States. Perrigo retains CB Richard Ellis as their exclusive broker to assess their real estate interests in the United States and to identify opportunities to reduce their operating costs by relocating their facilities to more cost-effective locations.

By way of background, in 2005, Perrigo bought out Clay Park Labs, which had been a tenant at Bathgate since its inception in 1984. Perrigo is the anchor tenant at Bathgate, occupying the majority--approximately 2/3 of the rentable space, or approximately 270,000 square feet of lab, manufacturing, and office space in 3 buildings. Perrigo employs approximately 420 local residents and a total of 6,000 employees worldwide. In 2009, Perrigo and CBRE saw to extend and restructure the lease with the Port Authority for its Bronx operations. Recognizing that the present rent is above market, the company asked for concessions in exchange for a lease extension. Staff determined that maintaining Perrigo as a tenant has several benefits and was in the best interest for the Port Authority and the region. Retention of the company would eliminate the need to market the space for only a 6-year term and would retain approximately 400 jobs, which represents again, about 2/3 of the employment at Bathgate. Negotiations concluded with an agreement to keep the rents in place throughout the end of 2014--their lease expiration date-- and then adjust the rents to $6.15 per square foot through the extension period, expiring in 2020. We feel $6.15 is approximately what fair market rent right now is for industrial space in that area. Perrigo's 3 existing lease agreements expire in December 2014 and will be surrendered under separate agreements. The proposed new lease agreement would extend Perrigo's lease through October 19, 2020, with a 5-year option to extend through 2025, subject to the Port Authority extending its ground lease with

the City of New York, which expires October 20, 2020. Perrigo's existing base rent is $8.25 per square foot, which will remain in effect through the end of 2014 with annual escalations. In January 2015, the rent will be adjusted to $6.15 per square foot net; thereafter, the rent will increase by 2.5% per year. Aggregate rent over the 10-year term is $19.7 million. The NPV of this deal is $12.8 million, of which 4 million in revenues will be received between 2015 and 2020.

Consistent with market standards, the Port Authority will assume responsibility for the reasonable costs associated with the maintaining, repairing, and replacing structural elements of the lease premises as necessary. Given the sensitive nature of the laboratory space within the building, Perrigo will perform the required structural maintenance and the Port Authority will reimburse Perrigo. The Port Authority will also reimburse Perrigo for certain structural work that Perrigo performed under its existing lease, retroactive to July 1, 2009 in an approximate amount of $106,000. 2009 is when we started bona fide negotiations with them. The Port Authority will provide Perrigo with rental credits for the structural repairs performed by Perrigo but at no time will the amount of the rental credits exceed the amount of the rental payments made by Perrigo. We estimate the total cost of these structural improvements over the term of the lease as well as the lease in commission to be approximately $2.9 million. Perrigo will also pay a brokerage commission to CBRE in the approximate amount of $440,000 and Perrigo will receive rental credits from the Port Authority equal to the amount of the brokerage commission. The proposed new lease will enable Perrigo to continue manufacturing operations in the Bronx.

Extending this lease will ensure long-term viability of the Industrial Park by maintaining the presence of a strong, financially secure tenant and manufacturing facility with over 400 jobs in the Bronx. I request you advance this item to the Board for full approval.

Chairman Coscia: Thanks, Michael. Can I have a motion to advance this--do I hear a second?
Commissioner Steiner: Second. Commissioner Bauer: Second.

Chairman Coscia: All right, does anyone have any questions or comments?

Commissioner Steiner: I would like to point out I think this is a good opportunity to-- I think they've done a good job because it'll enable us to get out of the--owning a leasehold interest in Bathgate as soon as possible at a minimum of expense and get back to putting our assets in transportation-- where our business is--and I commend you for doing it and I look forward to getting out of that and other real estate deals as soon as possible.

Chairman Coscia: Thank you. Any other comments? Okay, all those in favor? Commissioners: Aye.
Chairman Coscia: Any opposed? Okay, we'll advance it to the Board.

Michael Francois: Thank you, Commissioner.

Chairman Coscia: All right.

Jeffrey Pearse: Commissioners, I'm here to request your approval to acquire a 4.13 acre parcel of land in order to implement runway safety area improvements for Runway 4 Left, 22 Right at JFK. Please note that the purchase of this property is fully recoverable via the flight fee formula at JFK.

In 2005, Congress mandated that airports enhance passenger safety by improving Runway Safety Areas, or RSAs, no later than December of 2015. The safety area is the surface surrounding the runway that is cleared and graded in order to reduce the risk to aircraft in the event of a runway excursion. Current FAA-designed standards call for 250 feet from both sides of the runway centerline and 1,000 feet beyond each runway end. In order to comply with these standards and improve safety, staff has been coordinating with the FAA and state-level transportation and environmental agencies to implement RSA improvements at our airports.

This item will support the implementation of RSA improvements for Runway 4 Left, 22 Right at JFK. While the runway's width is up to standards, additional off-airport space is required to accommodate the safety standard area at each end. Plans include extending the runway's paved area to the north, moving up the runway thresholds, and installing 1,000 foot RSAs at each end. To accommodate these improvements, the property located north of the runway must be acquired.

Logan Property, Inc. owns the site outlined in green and is in the process of developing the site to provide Logan Bus Company and its affiliates a consolidated Corporate Headquarters, Bus Maintenance Operation, and additional parking for its New York City yellow school buses. This item seeks your approval to acquire the 1.43 acre parcel outlined in red in order to secure the required parcel of land before it becomes completely developed.

Staff negotiated its purchase from Logan earlier this year and appraised value for the 4.13 acre site was estimated at $2,435,000. Commissioners, the Logan site will be used to relocated North Boundary road and the aeronautical patrol road, shown in purple, in order to accommodate the runway safety areas. In addition, the navigational aids on each end of the runway will be relocated. We request your approval to purchase the land from Logan at an estimated value or cost of $2.4 million dollars.

As part of this transaction, Logan will use airport roadways to access its property until a planned traffic light on Rockaway Blvd. is installed. Under an easement agreement, Logan will provide the Port Authority with access to its future driveway, up to the traffic signal on Rockaway, in order to provide airport staff and police easier access to Rockaway Blvd. In support of its operation, Logan will connect the airport water and sanitary lines at its own expense and pay for water usage on a metered basis. In order to minimize the impact to airport operations, the RSA improvement work will be completed as part of a project to rehabilitate the runway.

Staff expects to seek planning authorization for the rehabilitation in 2011. Commissioners, advancing this item at this time will allow staff to purchase the land that is necessary to perform the runway safety area improvements at JFK in accordance with FAA requirements. I ask that you recommend this item for full approval by the Board. Thank you.

Chairman Coscia: Thanks, Jeff. Can I have a motion to approve? Commissioner Holmes: So moved. Chairman Coscia: Is there a second? Commissioner Bauer: Yes.

Chairman Coscia: All right, does anyone have any questions, comments?

Commissioner Bauer: What was the appraised value, did you say?

Jeffrey Pearse: The appraised value was $2,435,000, and our cost is $2,400,000.

Commissioner Steiner: I just want to point out it's all recoverable, so it's no cost to us. That was my initial question when I--the evaluation-- it's really not as pertinent to us. We're gonna--we did the best we could--we got the best deal, but we're gonna get the money back so whether it's $2,300,000 or 400-- it's really not of issue here.

Chairman Coscia: Yeah, I think that's true, but not entirely. I mean, to the extent that the cost basis for operating at the airport gets higher, then our landing fees get higher and as a function of that, it has an impact on I guess the economics of the airport, and ultimately the cost to the passenger, so I mean--it's--you're right in that it's not expenditures that we're directly responsible for, but it's somewhat in our interest to keep the cost environment-

Commissioner Steiner: I didn't mean to infer that it wasn't in our interest, but I was thinking about our capital commitment.

Chairman Coscia: Yeah. Which is-

Commissioner Bauer: (inaudible)

Jeffrey Pearse: Right, and the cost is amortized over the life of the lease with New York City, which is up to 2050.

Commissioner Bauer: (inaudible)

Chairman Coscia: Any other questions? Okay, all those in favor? [Commissioners] Aye. Chairman Coscia: Any opposed? Okay, I now need a motion to go into executive session? Commissioners: So moved. Chairman Coscia: Second? Commissioners: Second. Chairman Coscia: All those in favor? Commissioners: Aye. Chairman Coscia: All right, thank you very much.

The Port Authority of New York and New Jersey
Committee on Construction Transcript
November 18, 2010

Commissioner Pocino: We've been kind of cut in half in terms of the time we have to deliver our presentation, so if we can move it along as quickly as we can it would be beneficial. I also want to say congratulations to Peter Zipf, who is our new Chief Engineer of the Port Authority. Peter, congratulations. [Applause]

The first portion of today's meeting of the Committee on Construction is being held in public session, after which the committee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

For discussion today in this session is the Teterboro Airport rehabilitation of Runway 1-19 project authorization. William Radinson.

William Radinson: Thank you, Commissioner. Commissioners, I'm here to request your approval for a project to rehabilitate Runway 1-19 and a portion of Taxiway G at Teterboro Airport. The project will maintain Teterboro's aeronautical infrastructure in a state of good repair, minimize maintenance cost, and improve the runway lighting system to comply with FAA lighting system standards and enhance safety.

Teterboro Airport is our system's corporate reliever airport, serving general aviation customers from Northern New Jersey and the New York metropolitan area. By accommodating general aviation flights, Teterboro provides capacity for the agency's major airports to serve commercial aviation. Runway 1-19 is the longer of the two runways at Teterboro. It is 7,000 feet long by 150 feet wide and receives about 84,000 aircraft movements per year, or about half of the airport's operations. Taxiway G, East of Runway 1-19, is approximately 475 feet long and 80 feet wide. This portion of the runway is used for aircraft engine run-ups, to test engine performance, aircraft holding, and overnight or daily overflow parking. Both areas have been identified for rehabilitation work, and, in an effort to reduce cost and impact to airport operations, construction will be performed under one project. The other runway, Runway 6-24 was rehabilitated in late 2009.

The last rehabilitation of Runway 1-19 was in 2000. The pavement is nearing the end of its expected service life and is due for rehabilitation. Work on Runway 1-19 will include milling and asphalt overlay of the runway, as shown in yellow. The scope will also include pavement markings, drainage improvements, and regrading of the grass area. The electrical work includes replacement of runway edge lights, new guidance signs, and the installation of new runway end lights. The lighting improvements will enhance safety and meet FAA lighting system standards. This portion of Taxiway G has not undergone a major rehabilitation. Although several interim repairs have been performed, the airport closed this portion of the runway last March due to poor pavement conditions. Work on Taxiway G will be full-depth asphalt rehabilitation from Runway 1-19 to the eastern end of Taxiway G. At a length of 474 feet, this is shown in green.

The project represents significant economic benefits for the region. The total economic impact of the project is estimated to include 150 jobs, $10 million in wages, and nearly $36 million in economic activity over the life of the project, including indirect effects, such as construction employment and materials purchased. The total project cost is estimated at $23 million. The cost associated with this project are eligible for Federal Airport Improvement Program Funding, which would be pursued separately.

Staff are working carefully to develop a schedule that would minimize the impact to airport operations. The electrical work at the intersection of the two runways will require four, twelve-hour airport closures during non-peak activity periods. All other work that requires runway closure will be performed at times when Runway 6-24 can handle the overflow to allow for minimal disruptions. Construction is expected to commence in spring 2011 with project completion by the end of 2012. I ask that you recommend this item for approval by the full Board. Thank you.

Commissioner Pocino: William, I have a question. The eligibility for FAI funding, would that be 100 percent or a portion?

William Radinson: Seventy-five percent.

Commissioner Pocino: Seventy-five. Thank you. Any other Commissioners have any questions?

Commissioner Sartor: Has design started? Is that why you can finalize it by 2012?

William Radinson: Yes.

Commissioner Sartor: It has started already? Ok.

William Radinson: The finalized design document is December 2010.

Commissioner Pocino: Can I have a motion to move it to the Board? Commissioner Sartor: So moved. Commissioner Pocino: All in favor? Commissioners: Aye. Commissioner Pocino: Okay, the ayes have it.

Commissioner Pocino: Next item is quarterly construction update on major projects. Ernesto?

Ernesto Butcher: Thank you, Commissioner. As is our practice, Commissioners, I'd like to share with you today the progress on some of our significant projects in our capital plan. Among those projects would be the All-Electronic Tolling Program, the rehabilitation of the Lincoln Tunnel Helix, the rehabilitation of the steel deck of the George Washington Bridge, a roadway project at Port Commerce, a PATH signal system, as well as the final stages of the JFK Bay Runway Reconstruction Program.

The first item is the All-Electronic Tolling System. As you know, you authorized back in February 2010, $175 million for the replacement of the existing toll system with a new toll system that would provide us, also, the capability for video tolls. That project is well underway. We issued a request for pre-qualifications back in March, and we finalized the list of seven vendors in May and issued requests for proposals. The proposals were due in November. We received them, and we are in the process now of going through that so that we can come to you with a contract award in the second quarter of 2011. We anticipate completion of this project in 2014. As you know, in addition to working on the physical

aspects of replacing the toll system, in order for us to go live on the video system, there are a number of legislative and public affairs issues that we need to deal with. And we hope that bill's concluded by 2012 so that we will be able to, in fact, be video toll ready by 2012. This project is on schedule.

Next project. The rehabilitation of the Lincoln Tunnel Helix, which is the approach roadway to the Lincoln Tunnel off of 495. You authorized, back in October 2008, the first phase of the rehabilitation of this helix. We've spent $3.8 million to date. I should state that while we would be rehabilitating this helix, we will need to come to you at some much later date for phase two, which would be the complete replacement of this helix. But that's probably a decade away. What we are working on right now is doing the interim pavement replacements so that we can at least continue working on the design for the rehabilitation of the helix. We've completed that design, actually, in September, and we are looking at the comments that we've received on that design. We will be coming to you next month to authorize the project for the rehabilitation of this helix.

At the George Washington Bridge, we received authorization from you in June for $199 million to rehabilitate the deck of the upper level of the George Washington Bridge--that's the steel deck. We need to have that deck rehabilitated. It's been decades now of use. And, in fact, since 9/11, the wear and tear on that deck has increased because all trucks are now using the upper-level deck. We have spent, so far, over $5 million dollars moving towards preparing the contract documents. We have received bids, and we will also be coming to you with this project in December so that we can move forward to begin construction, which we hope to have completed by 2015, as well.

The next project is a roadway project that was approved back in 2008 for $31.5 million to deal with McLester Street in Port Newark. It's a curve realignment of-- the realignment of that curve of McLester Street. Heretofore, McLester Street and the severity of that curve has been a problem from the standpoint of accidents and the like, and it was important for us to begin to reshape that curve as a precursor to widening of the entire McLester Street, which is a project that you'll be hearing of subsequently. You authorized $31.5 million for that project. We have spent close to $22 million of the project so far. Sixty-five percent of the project is complete. It's on schedule. We hope to have much of that done by August 2011.

Next project, please. The PATH Signal System Replacement. You will recall that we came to you late last year to authorize this $580 million project for the replacement of the entire PATH signal system. And one of the things that we said to you when we brought this project forward was that we would come back to you frequently because of the size and the nature of this project to let you know how we're doing. So far, we remain on schedule. We've completed the conceptual design reviews. We've received approval from the Federal Railroad Administration on our rail safety program plan, which is an essential part of completing this project. We have also began the construction of the automatic train control wayside base equipment. When we've got this new PATH signal system in, one of the things that it would allow us to do with the new cars that we are acquiring is to provide for automatic trains, so this is a piece of what we're doing here now in terms of the preliminary construction. As shown here, we have finalized preliminary designs, and we have completed the compliance review of the quality assurance plan, among other systems. This project continues to be on schedule with no problems thus far, but we will continue to bring this project to you. As we noted when we first brought it, again, there

are a number of risks associated with this project, including the nature of the technology, so we will be keeping you abreast of what happens there.

Next, please. Finally, we've spoken to you about Runway 31L/13R at Kennedy Airport, and it was significant because earlier in the year we had closed down a significant part of the runway to be reopened in June. We met that schedule, and what we'd like to tell you now is that the complete runway is now fully paved. The full length of the runway is completely paved. We are only missing Taxiways M and B, which are the small portions--if you can see in the light yellow portion of the diagram in the center. But for all intents and purposes, this $370 million authorized project is going extraordinarily well, and we will certainly be on track for completion on time and within budget.

Commissioner Sartor: I'd like to extend my congratulations on this project, in particular. If you could conclude the other five that you mentioned in the same fashion, kudos. This has been a great project, a most difficult one, and it's been managed well. Your contractors performed. I can't say enough good things about this.

Ernesto Butcher: Thank you, sir. Hopefully we will be able to come back to you with good news on all of the projects, not only the five that we showed, but others that we're working on in the portfolio, as well.

Commissioner Pocino: Thank you, Ernesto. I want to say I think these updates are very useful. They help us avoid some of the meetings that we had to go back recently in the past year or so, going over some of the problems. This keeps us aware of the progress, it keeps us aware that things are on schedule or if there are problems, we talk about them on a current basis. It's good that they're on budget, as well. Thank you again. This concludes the public portion of today's meeting. The committee will now adjourn to executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. Thank you.

The Port Authority of New York and New Jersey
World Trade Center Redevelopment Subcommittee Transcript
November 18, 2010

Commissioner Sartor: Not good morning. Good afternoon. I'm used to saying, "Good morning." I apologize for that. Today's meeting of the World Trade Center Redevelopment Subcommittee is being held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. We will start with Mr. Plate -- World Trade Center Infrastructure program.

Steve Plate: Good morning, Commissioners. Today I'm requesting your approval of several actions necessary to continue the significant progress being made at World Trade Center each and every day. A critical need for the initial operation of One World Trade Center is to provide truck access to facilitate scheduled tenant occupancies. Today I'm requesting $2.5 million dollars for the planning necessary to evaluate alternatives for truck access to One World Trade Center that would best support the current leasing plan. Working closely with the Durst organization over the next several months, our goal is to balance costs and marketing needs to determine an efficient solution to effectuate this strategy. For the next item, the Memorial Pavilion carpentry contract, which includes such--

Commissioner Sartor: Hold on. Let me just make sure there are no questions with respect to that item from the Board. Okay, continue.

Steve Plate: Again, for the next item, the Memorial Pavilion Carpentry contract, which includes such items as drywall, wall panels, and ceiling tile, was competitively bid, with Island Acoustics being the lowest responsive bidder, at a cost of $2.2 million dollars, excluding extra work, which compares favorably to the staff estimate of $2.6 million. The total cost of this trade contract will be borne by the Memorial Foundation.

Commissioner Sartor: Any questions on this item? Seeing none, move on to the next one.

Steve Plate: The heating and cooling contract for the Bronze Name Parapets which will regulate the bronze surface temperature during the winter and summer months, was competitively bid with KSW Mechanical Systems being the lowest responsive bidder, at a cost of $3.25 million dollars, excluding extra work, which again, compares favorably to the staff estimate of $4 million. The total cost of this trade contract will be borne by the Memorial Foundation. Your authorization of these items will provide for over 96 percent of Memorial contracts awarded to date.

Commissioner Sartor: Any questions on this item? If not, I'll entertain a motion to move all three items to the Board. Commissioner Pocino: Motion to move. Commissioner Steiner: Second. Commissioner Sartor: Okay.

Steve Plate: Proceed?

Commissioner Sartor: The last item?

[S. Plate] Your concurrence is also requested to enter into a supplemental agreement for both the design and purchase and installation of a 1,000-ton chiller to provide cooling capacity to the Memorial Project, which will accelerate the fit-out of below-grade finishes and provide long-term flexibility to manage partial load demands at the site. KSW and Five Star joint venture, the existing contractor for the fit-out of the central chiller plant, can meet our aggressive schedule and furnish and install this new chiller at a cost of $1 million, which compares favorably to our staff estimate of $1.2 million. AKF/WM Group will provide professional architectural engineering services during construction to support this work at a cost of $77,000. The Memorial Foundation is responsible for 85 percent of this work, with 15 percent to be borne by the Port Authority. Commissioners, I request your concurrence of these supplemental agreements.

Commissioner Sartor: Any questions on this item? I entertain a motion that it be moved to the full Board. Commissioner Pocino: Motion to move. Commissioner Sartor: Second? Commissioner Bauer: Second. Commissioner Sartor: Done.

Steve Plate: One last item--I would now like to update you on funding for lower Manhattan Construction Command Center. In November of 2006, the Board authorized up to $21.7 million to support LMCCC's operation for the fiscal year 2011, which namely is March 2010 to March 2011. Relative to our commitment, the Port Authority has paid to date $12.3 million. At this time, we request your concurrence to make our regular quarterly payment for the period of April 1st through December 31st of this year in the amount of $1,147,776. This payment is based on an actual expenditure for the first 2 quarters from April 1st to September 30th, and an estimated payment for the third quarter, namely October 1st to December 31st, while applying a credit forward of $801,500 from 2010.

Commissioner Sartor: As I understand it, you're asking for approval to pay the $1.1 million?

Steve Plate: That's correct.

Commissioner Sartor: Okay, the quarterly payment. And my understanding from David is that all other agencies involved have also paid their portion of the share?

Dave Tweedy: That's correct. The agencies that you requested paid before we have paid for this period of time.

Commissioner Sartor: Okay. Any questions on this item? If not, move it to the full Board?

Karen Eastman: Excuse me, in concurrence.

Commissioner Sartor: In concurrence with the committee, right. Okay. Done. Any other items? No? I'll entertain a motion that we adjourn.

The Port Authority of New York and New Jersey
Committee on Construction Transcript
December 7, 2010

[Comm. R. Pocino] Today we're sitting here at the Committee on Construction. Today's meeting of the Committee on Construction is being held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. For discussion we have five items, beginning with the Elizabeth-Port Authority Marine Terminal - McLester Street Widening - Project Authorization. Dennis?

[D. Lombardi] Good morning, Commissioners. Today your authorization is requested for a project to construct the final phase, Phase II, of the North Cargo Area and Port Street Improvement Program, which will provide for the widening and realignment of the Port Street and Brewster Road and their associated connecting ramps and intersections. These improvements are necessary to increase traffic capacity and safety and alleviate traffic delays during peak periods on roadway network serving Port Newark and Elizabeth-Port Authority Marine Terminal in the vicinity of Newark Liberty International Airport's north entrance and exit. Rats! Can I have a do-over? I have too many to do. Sorry. I have three. Can I have a do-over? Today your authorization is requested for a project to design and construct the widening of McLester Street at Elizabeth-Port Authority Marine Terminal, which is necessary to meet roadway demand and capacity projections, improve traffic flow and enhance safety. As background, a comprehensive in-house study on the entire roadway system at Port Newark and Elizabeth-Port Authority Marine Terminal identified numerous locations that require road realignment, widening and traffic signalization improvements to increase capacity and enhance safety. In that regard, in January 2009, the Board authorized the North Avenue East McLester Street Curve Realignment Project at the Elizabeth-Port Authority Marine Terminal to make permanent changes to the Curve Roadway Project-- that's this right here-- at an estimated project cost of $31.5 million. Construction of the curve improvements is currently under way and expected to be completed by December 2011. That work is a precursor to the proposed widening of McLester Street, which is also recommended in the traffic study. The proposed McLester Street Widening Project, as illustrated here in yellow, would include the construction of an additional traffic lane in both the northbound and southbound directions, improvements to the pavement surface, consolidation of access driveways and the installation of traffic signalization, a center traffic barrier, new driveway access, overhead signage, jughandle turns and storm drainage. The proposed project was also designed to complement gate relocation and expansion projects currently being undertaken by APM Terminals, a container terminal operator at the Elizabeth-Port Authority Marine Terminal. The completion of the McLester Street Widening Project would improve traffic flow, reduce fuel consumption and associated air pollution, increase safety for trucks entering and exiting the Elizabeth-Port Authority Marine Terminal complex, reduce congestion and enhance safety for tenant traffic entering and exiting McLester Street. In addition, the results of an economic impact assessment indicate that 180 direct and indirect jobs would be supported over the life of the project, with a total economic impact of approximately $11 million in wages and over $48 million in economic activity. Commissioners, today your authorization is requested for a project to design and construct the widening of McLester Street at the Elizabeth-Port Authority Marine Terminal at a total estimated project cost of $30 million. Included in this item is the authorization for the Executive Director to enter into agreements with Public Service Electric & Gas Company and Verizon New Jersey at a total estimated

aggregate amount of $1.1 million to provide for the relocation of overhead and underground utilities, with funding for both agreements included in the amount of the proposed project authorization. Construction of the McLester Street Widening Project is expected to be completed by January 2014. Commissioners, I request you advance this item to the full Board for approval today. Thank you.

[Comm. R. Pocino] Commissioners, any comments, questions? If not, I'll entertain a motion to move it on. [Comm. A. Sartor] So moved. [Vice Chair S. Grayson] Second. [Comm. R. Pocino] All in favor? [Commissioners] Aye. [Comm. R. Pocino] Always, the ayes have it.

[Comm. R. Pocino] The next item we have is the Port Newark and Newark Liberty International Airport - North Cargo Area and Port Street Improvement Program - Port Street and Brewster Road Improvements - Phase II - Project Authorization. And Dennis Lombardi, you're going to do that again for us.

[D. Lombardi] Yes, sir. For the second item today, we're asking your authorization for a project to construct the final phase, Phase II, of the North Cargo Area and Port Street Improvement Program, which will provide for the widening and realignment of the Port Street and Brewster Road and their associated connecting ramps and intersections. These improvements are necessary to increase traffic capacity and safety and alleviate traffic delays during peak periods on the roadway network serving Port Newark and the Elizabeth-Port Authority Marine Terminal in the vicinity of Newark Liberty International Airport's north entrance and exit. As background, the Port Street and Brewster Road are the main arteries from the major highways that provide the only access to Newark Liberty International Airport's North Cargo Area and serve as one of the two main access points to Port Newark and Elizabeth-Port Authority Marine Terminals. As illustrated in these photos, a section of Port Street narrows down from three lanes to two lanes in both directions just west of the New Jersey Turnpike overpass to Port Newark. This contributes to traffic delays through Newark Liberty's north area entrance, particularly on Brewster Road. A comprehensive in-house study of the entire roadway system at Port Newark and Elizabeth-Port Authority Marine Terminal identified numerous locations that require road realignment, widening and traffic signalization improvements to increase capacity and enhance safety. Improvements to certain roadways serving Port Newark, the Elizabeth-Port Authority Marine Terminal and the North Cargo Area at Newark Liberty International Airport are required to ease congestion, enhance safety and accommodate additional traffic as cargo volumes grow over time. In that regard, Phase I of the North Cargo Area and Port Street Improvement Program, shown here on this slide in blue, was authorized in November 2008 at a total estimated project cost of $32 million. Phase I will be substantially completed in late 2011 and includes the reconfiguration and rehabilitation of parking lot P6, construction of a new entrance and exit toll plaza, installation of new bus stops and utility improvements. The proposed Phase II work, illustrated here on the slide in red, would more specifically provide for the realignment and widening of Port Street, the realignment of the north entrance and exit to Newark Liberty International Airport and the installation of a retaining wall along Brewster Road to accommodate the widening of Port Street. The work would include full-depth pavement removal and replacement, relocation of traffic signals, signage and lighting, installation of a new bus stop convenient to Port Street and Brewster Road, improvements to the existing drainage system, installation of new electrical service and relocation of underground utility lines. The completion of the Port Street and Brewster Road improvements would provide a more efficient traffic flow from Route 1 and 9 and Interstate 78 ramps and travel to and from Port Newark, enhance traffic safety at the North Cargo Area

entrance and in the vicinity of the airport's maintenance complex and reduce fuel consumption and associated air pollution. In addition, the results of an economic impact assessment indicate that 240 direct and indirect jobs will be supported over the life of the project, with a total economic impact of $14.5 million in wages and over $59 million in economic activity. Commissioners, today your authorization is requested for a project to construct Phase II of the North Cargo Area and Port Street Improvement Program to provide for the widening and realignment of Port Street and Brewster Road, including their associated connecting ramps and intersections, to improve the roadway network serving Port Newark and Elizabeth-Port Authority Marine Terminal in the vicinity of Newark Liberty International Airport's north entrance and exit at a total estimated project cost of $34.5 million. Included in this item is authorization for the Executive Director to enter into license agreements with the City of Newark, the New Jersey Turnpike Authority and the New Jersey Department of Transportation to effectuate construction of the project and Memorandum of Understanding with New Jersey Transit Corporation for the maintenance of New Jersey Transit of a new bus shelter and with the City of Newark for the maintenance by the Port Authority of new traffic signals and roadway lighting to be installed as part of the project. Construction of Phase II improvements is expected to be completed by September 2013. Commissioners, I request you advance this item to the full Board for approval today.

[Comm. R. Pocino] Thank you, Dennis. Commissioners, any comments, questions? Jeff?

[Comm. J. Moerdler] Just to put this in geographic perspective, am I correct that this roadway is the east-west roadway at the north side of the port, the main entrance roadway coming from the Turnpike and the airport?

[D. Lombardi] Yes, it is. It's at the north end.

[Comm. J. Moerdler] Okay. It's right now, I think, mostly, as I recall, one lane in each--

[D. Lombardi] Two lanes in each direction, but it's sort of a bottleneck. As you come off the Turnpike and you come from 1 and 9 and the lanes merge, that's where it gets--

[Comm. J. Moerdler] The overpass and then it gets narrow after the overpass.

[D. Lombardi] Yes. That's where it gets a little ugly, in that spot right there.

[Comm. J. Moerdler] Okay. [Comm. R. Pocino] Commissioner Sartor, do you have something?

[Comm. A. Sartor] Yeah. I assume that design is done on this already, right, Dennis?

[D. Lombardi] Yes.

[Comm. A. Sartor] You started this how long ago from a design perspective?

[P. Zipf] [siren wailing outside- inaudible]

[Comm. A. Sartor] Did you do that in-house?

[P. Zipf] Yes. Most of it is in-house. We had some call-ins to provide some... [inaudible]

[Comm. A. Sartor] Okay. Thank you.

[Comm. R. Pocino] Can I have a motion to move it on? [Comm. A. Sartor] So moved. [Vice Chair S. Grayson] Second. [Comm. R. Pocino] All in favor? [All Commissioners] Aye. [Comm. R. Pocino] The ayes have it.

[Comm. R. Pocino] Next item we have for discussion is the Port Newark and Elizabeth-Port Authority Marine Terminal - ExpressRail Corbin Street Intermodal Rail Support Facility - Phase 2A - Project Re-authorization. Dennis, you're up again.

[D. Lombardi] Last item, Commissioners. Thank you so far for your attention. We discussed this item briefly last month. Rail remains a very important element of our overall strategy for growing our Port business. Today your authorization is requested for additional funding that will provide for the continued construction of Phase 2A of the ExpressRail Corbin Street Intermodal Rail Support Facility, which will provide for the full build-out of ExpressRail Port Newark. As background, the Port Intermodal Rail Development Program consists of the design and construction of various elements of the ExpressRail System, providing on- and near-dock intermodal rail facilities in New York and New Jersey. Rail improvements constructed to date have resulted in one of the most modern on-dock intermodal rail facilities in the country. The ExpressRail System currently consists of ExpressRail Elizabeth, including ExpressRail Lead Tracks, the interim ExpressRail Port Newark Facility, ExpressRail Staten Island, including the Chemical Coast Connector, and Phases 1A and 1B of ExpressRail Corbin Street Intermodal Rail Support Facility. These improvements have resulted in our ExpressRail System having the capacity to handle approximately 1.1 million lifts annually. A new intermodal container transfer facility to be called ExpressRail Port Jersey is also being planned to serve the recently acquired Global Container Terminal. As a result of the Port's rail business growing at a rapid pace, in October 2006, the Board directed staff to accelerate the authorization of Phases 2A and 2B of the ExpressRail Port Newark and ExpressRail Corbin Street Intermodal Support Facility while construction of earlier phases continued. For a variety of reasons I will review with you shortly, I am seeking re-authorization of Phase 2A to increase the authorized funding from approximately $66 million to approximately $97 million. As shown in blue on this slide, Phase 2 includes the full build-out of the ExpressRail Port Newark, which is now operating at full capacity, which is approximately 120,000 lifts annually. The project calls for adding approximately 30,000 linear feet of support track, two new loading tracks, a truck flyover bridge highlighted on this screen in green and an administration building to support ExpressRail Port Newark. At the completion of Phase 2A, the ExpressRail Port Newark will have the capacity to handle approximately 250,000 lifts annually. Phase 2B of the ExpressRail Support Facility, shown in red, would include 26,000 linear feet of additional support track for the three ExpressRail facilities, for a total capacity of approximately 1.3 million annual lifts. However, staff has determined that construction of Phase 2B, which would increase overall system capacity for all ExpressRail facilities by another 130,000 lifts, can be deferred for at least five years. The funds requested under the October 2006 authorization were based on an order of magnitude estimate that was prepared prior to the completion of detailed planning studies or engineering design. As the design process proceeded, certain site-specific conditions and stricter operating criteria developed that have resulted in numerous changes to the project's original design, scope, operational needs and cost. First, due to a finding that Corbin Street would need to be widened to provide an additional lane of traffic, a redesign of the flyover was required in order to provide for an increased bridge span over Corbin Street. The flyover's proposed proximity to the Federal Aviation Administration's ground radar tower and a gas line owned by Public Service Electric & Gas Company precipitated further considerations, such as a more extensive pile foundation system and

additional tenant and facility operational requirements. Second, the Consolidated Rail Corporation, Conrail, requested modifications to track alignments that require additional changes to the track design. Third, geotechnical investigations revealed that soil conditions demand a more extensive engineering design. Fourth, additional detailed construction staging and coordination with Conrail and Port Newark Container Terminal is necessary in order to maintain the container terminal intermodal rail operations during construction. Lastly, due to site congestion, extra precautions were required to protect existing underground utilities during construction. Other improvements were also added to the Phase 2A project scope. We will provide additional capacity and more operational flexibility through the addition of approximately 3,000 linear feet of new track called Track 5, an upgrade of approximately 3,000 linear feet of existing track known as the Corbin Street Runner and the alignment of tracks at the Portside Yard. At the completion of these improvements, ExpressRail Port Newark will have the capacity to handle approximately 250,000 lifts annually. Commissioners, today I request you re-authorize the project for the final design and construction of the full build-out of ExpressRail Port Newark at a total estimated cost of $97 million. Authorization is also requested for the Port Authority to enter into agreements with Consolidated Rail Corporation to provide a maximum reimbursement to Conrail of $1.35 million for costs associated with providing flagmen to ensure the safety of workers in areas where Phase 2A construction will be performed adjacent to active train tracks, reviewing contract documents and providing related engineering services to facilitate work on the Phase 2A project. Construction of the Phase 2A projects is expected to commence in March 2011 and be completed in early 2016. Commissioners, the various elements of our Intermodal Rail Development Program have done so much to improve the competitiveness of the Port and economic vitality of New York-New Jersey region. Your re-authorization of the Phase 2 project would fulfill the program's objectives to increase rail mobility and capacity, allow for greater ease and efficiency in the movement of containerized cargo, especially in light of additional container traffic that is expected to come to the port as a result of the Panama Canal expansion. I request you advance this item to the full Board for approval today. Thank you.

[Comm. R. Pocino] Okay. Thank you, Dennis, again. Any comments, questions from the commissioners? If not, I'll entertain a motion to move it on. [Comm. A. Sartor] So moved. [Comm. R. Pocino] Do I have a second? [Vice Chair S. Grayson] Second. [Comm. R. Pocino] All in favor? [Commissioners] Aye. [Comm. R. Pocino] Opposed? The ayes have it.

[Comm. R. Pocino] Next item is the Lincoln Tunnel Rehabilitation and Replacement of the Helix - Phase I - Structural Rehabilitation and Repaving - Project Authorization. And it's my pleasure to welcome our newly appointed Director of Tunnels and Bridges. Congratulations to Cedrick Fulton.

[C. Fulton] Thank you, sir. Good morning, Commissioners. I'm here today to discuss a request for project authorization for the structural rehabilitation and repaving of the Helix approach roadway located on the New Jersey side of the Lincoln Tunnel. This project will serve as Phase I of a program that ultimately will result in the replacement of the Helix. The Lincoln Tunnel Helix plays a key role in the regional transportation network, as it connects Lincoln Tunnel to several major New Jersey highways, including New Jersey Turnpike, Routes 1 and 9, New Jersey Route 3 and I-495. The Helix carries the exclusive bus lane which provides a vital link to Midtown Manhattan for 63,000 passengers or more than half of the total number of customers that use the Lincoln Tunnel each day during the morning period. The Helix was constructed in 1937, and while it's structurally sound, it is nearing the end of its useful life. In addition, it is functionally obsolete with narrow lanes and no shoulders. A recent structural

assessment and field investigation confirmed that the Helix structure requires rehabilitation. While the current conditions do not compromise the load-carrying capability of the Helix at this time, they must be addressed under Phase I to maintain the Helix in an operational condition over the next 10 to 15 years as planning is undertaken for its eventual replacement. Failure to perform the Phase I rehabilitation and repaving will lead to costly emergency repairs and unplanned lane closures and could result in future load restrictions on the Helix. The level of facility maintenance resources required to maintain the Helix pavement has significantly increased in recent years. It has become increasingly difficult to maintain a smooth riding surface due to the age and condition of the underlying structural deck. At its meeting of October 2, 2008, the Board authorized a $5.2 million planning effort, which is nearing completion, for the Helix Structural Rehabilitation and Repaving Project and a $5 million planning effort, which is ongoing, for the Helix Replacement Project. At that time, the Board was advised that staff had developed a program for the Helix to address its short-term needs--pavement repairs, mid-term needs--structural rehabilitation and repaving, and long-term needs--a replacement. A risk analysis has been performed for the Structural Rehabilitation and Repaving Project to assess the risks, develop mitigation strategies as necessary and include appropriate contingencies in the project cost and schedule. The proposed project for the structural rehabilitation and repaving of the Helix will address varying levels of wear to the existing structure, components and roadway pavement. The scope of the rehabilitation will include concrete repairs to the structural deck, beams and columns, repairs to support steel, replacement of expansion joints, roadway pavement and upgrading of the median barrier. Miscellaneous traffic and safety improvements are also included. The completion of the structural rehabilitation and repaving of the Helix would provide a safe, reliable and well-maintained roadway and ensure customer confidence and satisfaction. In addition, the results of an economic impact assessment indicate that 490 direct and indirect jobs will be supported over the life of the project, with a total economic impact of $33 million in wages and $139 million in economic activity. Today we are recommending that the Board authorize a project for the structural rehabilitation and repaving of the Lincoln Tunnel Helix at an estimated total project cost of $98.1 million. The final design for the rehabilitation is under way. It is anticipated that the contract will be issued for bid March 2011 and bids received in May. We expect to recommend a contract award in July of 2011. Construction is expected to start in the fourth quarter of 2011 and will be completed by the fourth quarter of 2015. During construction, an outreach program will be implemented to notify our customers of this project. This will include press releases, traffic advisories and full coordination with our TRANSCOM partners. This Phase I program will ensure that the Helix is maintained in an operational condition over the next 10 to 15 years until the replacement of the Helix is undertaken under Phase II of the program. Commissioners, I request that you advance this item to the Board for approval today.

[Comm. R. Pocino] Commissioners, any comments or questions? If not, I'll have a motion to move it on. [Comm. A. Sartor] So moved. [Vice Chair S. Grayson] Second. [Comm. R. Pocino] All in favor? [All Commissiners] Aye. [Comm. R. Pocino] Opposed? The ayes have it.

[Comm. R. Pocino] The last item we have is the Lincoln Tunnel Rehabilitation of New York Approach Bridges - Increase in Authorization. Peter?

[P. Zipf] Good morning, Commissioners. Included in the December Report of Actions is additional funds for a contract currently under way that is rehabilitating the New York approach bridges at the Lincoln Tunnel. Before I begin, I'd like to point out that this is an example of a contract that was

awarded before we had our risk contingency procedures in place. In the future, we expect that contracts like this will have an appropriate contingency risk included in the authorizing documents to help ensure that appropriate risks are adequately provided in terms of project cost and schedule should they materialize. Commissioners, the contract for the rehabilitation of the New York approach bridges at the Lincoln Tunnel was awarded to Acme Skillman Concrete Company in March 2008 for $4.76 million, with a completion date of May 2010 and a total project cost of $7.97 million. The scope of work was based upon findings from our bi-annual Bridge Inspection Program and includes the replacement of expansion joints, rehabilitation of concrete abutment walls, rehabilitation of electric utilities and rehabilitation of concrete encasement steel columns at five Lincoln Tunnel New York approach bridges. The contract is approximately 70 percent complete at this time. This slide identifies the location of the five bridges being rehabilitated. By way of background, the bridges were built in 1937. The work was staged so that the three bridges shown on the right were started first, and they're over 37th, 38th, and 39th Streets. This was done to allow time to finalize a right of entry agreement with Amtrak for the bridges in the Galvin Plaza area, which is shown on the left. These bridges are over the Amtrak rail tracks. It needs to be emphasized that the extent of the rehabilitation associated with this type of work typically cannot be fully assessed until the contract is well under way and the contractor physically starts the removal work. In this case, after the areas of work were accessed, it became apparent that the full extent of the deterioration and required repairs were more than originally anticipated and additional funds would be necessary. Commissioners, it should also be noted that over the last five years, only 3 contracts out of 48 for this type of work required additional funding. This demonstrates that, in general, our contract documents for this type of work is appropriately prepared. This slide shows primarily the three types of repairs. The top left picture is a bridge abutment. You can see the arrows. That was the originally anticipated extent of repairs that were needed. And you can see the extent that really was done once the contractor was out there chipping away. The other area was in concrete-encased steel columns. Once the concrete was removed, the actual steel had deteriorated-- what we couldn't see by eye--and we have to beef up those steel columns. And the third area was there was actual electrical duct banks and sidewalks under the bridges. When we pulled out the concrete, we realized that those duct banks were encased in concrete as opposed to just sitting in it. So we had to repair the concrete, repair the steel and actually do some of the slab work on the bottom as well. So those were the three primary areas. The major issues and resulting construction cost impacts is summarized on this slide. The repairs for concrete on the five bridges were more than twice as extensive as what was originally estimated from the inspection reports. The amount of concrete repairs were increased by $960,000. The cost associated with the electrical conduit replacement was increased by $1.04 million, and the cost for the steel repairs increased by $750,000. Overall, the construction amount--$4.76 million-- was increased by $2.75 for a total of $7.51 million. Staff did consider other options, including the deferral of additional repairs for a future project. But due to the extent of the underlying deterioration and the long-term process required to negotiate future access agreements with Amtrak, the recommendation is to proceed with all of the work under this contract. This additional work has resulted in a construction forecast end date of July of 2011. Commissioners, this slide summarizes the overall project budget, which was approved for $8.2 million. As I mentioned on the previous slide, major construction issues resulted in a cost impact of $2.75 million. The additional construction work also increased the cost for other project components, as shown on this slide, resulting in a total project budget increase of $4 million and for a total project cost of $12.2 million. This number includes $200,000 project contingency for potential increase in staff costs due to unforeseen structural issues on the Galvin Plaza areas, as this work will be closely coordinated

with Amtrak. We are requesting to increase the approved project cost to a total of $12.2 million, which is $4 million above the approved project budget. Commissioners, your concurrence is requested for the additional funds.

[Comm. R. Pocino] Okay. Thanks, Peter. Commissioners, you heard the presentation. Do you have any comments, questions?

[Comm. A. Sartor] Yeah. When I see a 50 percent cost increase, I get concerned, Peter.

[P. Zipf] Yes, yes

[Comm. A. Sartor] And I understand that this was done under a different set of circumstances.

[P. Zipf] What happened also was we had, prior to repairs, identified under our bi-annual program and we had to defer work. And what we learned from this is that when we started the work, some of those repairs were identified years ago. So as we do new work, we're going to always go back and double check those prior repairs that were identified in previous reports to make sure that it's current.

[Comm. A. Sartor] Thank you.

[Comm. R. Pocino] Anyone else? Can I have a motion to move it on? [Comm. A. Sartor] So moved. [Comm. R. Pocino] Second? [Vice Chair S. Grayson] Second. [Comm. R. Pocino] All in favor? [All Commissioners] Aye. [Comm R. Pocino] Opposed? Ayes have it.

[Comm. R. Pocino] Before we close this session, I'd just like to make a comment that we approved to move on several projects here today that are going to amount to over $200 million in terms of improvements to our facilities throughout the Authority, which of course are going to provide our users with safer access and other enhancements to the traveling public. But there's a larger issue here as well. It's going to provide much-needed influx of jobs in terms of the economy in this region, both to New York and to New Jersey. The multiplier effect is going to provide other people outside of this Authority but also the direct jobs that will be required directly through our construction contracting. So I want to commend the staff and everyone that's worked on these projects that helped to bring them forth and get them to our attention so that we could act on them today. I know that both of our Governors are going to be very happy to have this stimulus into the economy, not to mention the much-needed jobs that are out there that our unemployed people are looking for out there. So again, I want to commend you. Congratulations. And Commissioners, I thank you for moving these issues along. With that, a motion to adjourn. [Comm. A. Sartor] So moved.

The Port Authority of New York and New Jersey
Committee on Finance Meeting Transcript
December 7, 2010

[Comm. H. Silverman] And we've already given the disclaimer about the Public Session. We have one item; it's the OCIP to be presented by Anne Marie Mulligan.

[A. Mulligan] Good morning, Commissioners. We've been meeting to discuss the World Trade Center--the Extension of the World Trade Center Owner Controlled Insurance Program. Where all of this projects are covered under the OCIP and Veronica will take you through the status of the negotiations that the broker has had with the market since its approval.

[V. Biddle] Thank you, Anne Marie. Basically, Jim, could you go back one slide, please, to slide nine? This summarizes where we were from the initial quotes all the way up to the negotiated quotes, the final quotes based on staff's recommended options, to bind all projects at this point. Jim, if you could go to the next slide? What you'll see is the final cost with a combination of guaranteed cost and PAICE Fronted coverage. Guaranteed Cost on the Environmental, Worker's Compensation and General Liability, with PAICE Fronting the Builders' Risk and Terrorism for the premium savings that would be provided without undue risk being assumed by the Agency. Finally, we have a Fixed Broker Fee with Loss Control services for the full five-year term of the program of 7.6 million brings us to around $217.5 million total for the full five-year extension for the Hub, Tower One, and Memorial Projects going forward.

[Comm. H. Silverman] Any questions, comments? Mr. Moerdler?

[Comm. J. Moerdler] No, I was just making a motion.

[Comm. H. Silverman] Please, thank you so much. Second, all in favor?

[Comm. S. Grayson] Aye.

[Comm. H. Silverman] Motion is passed, meeting is adjourned. Thank you.

The Port Authority of New York and New Jersey
Committee on Governance and Ethics Meeting Transcript
December 7, 2010

[Comm. H. Silverman] A portion of today's Governance and Ethics meeting is being held in Public Session, after which the Committee will meet in Executive Session to discuss matters involving on-going negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interesting in viewing today's proceedings via the Internet. The first matter is presented by Howard Kadin.

[H. Kadin] Today I would like to speak with you about the adequacy of the code of ethics and financial disclosures for staff, and about staff compliance with the financial disclosures statement filing requirement in the code of ethics. At the conclusion of my report, Inspector General Robert Van Etten will provide you with a report on the Office of Inspector General's independence and freedom from interference in the conduct of its responsibilities. The code of ethics for financial disclosure for Port Authority staff governs the conduct of Port Authority employees, former employees, and persons doing business with the Port Authority. There is a companion code of ethics for PATH. The code provides general standards of ethical conduct and contains certain specific provisions regarding conflicts of interest, post-employment restrictions, gifts and gratuities, and offers of employment, use of confidential information, and financial disclosure requirements. The code also discusses the function of the ethics board, comprised of employees appointed by the Executive Director, which is charged with reviewing certain specific questions of staff and general ethics policies. Personal integrity is the cornerstone of the code of ethics. And each employee bears primary responsibility for avoiding financial and other interests, which create a conflict between their Port Authority employment and their personal affairs. The code has been incorporated into agency-wide instructions, including, among other things, reference in the general rules and regulations for all Port Authority employees and incorporation of integrity provisions governing contracts. Management takes steps to insure that the code is understood and accepted agency-wide through periodic ethics training administered in conjunction with the Human Resources Department, and dissemination of ethics-related materials to staff, including the code of ethics and the guide to Port Authority ethical standards. Periodic bulletins and instructions to staff will also reference the code and its provisions. Staff code waivers are dealt with through the ethics board, which is empowered to determine, in an appropriate instance, that a significant reason exists to waive a provision of the code in the interest of the Port Authority. Finally, annual certifications are required from financial disclosure statement filers, to the effect that they have read the code of ethics, and they will not and have not transferred any asset, interest, or property for the purpose of concealing it from disclosure, while retaining an equitable interest therein. I would like now to report on staff compliance with the financial disclosure filing requirement for 2010-2011 filing year. This compilation on statistics includes 3 individuals accounted for on leave, either sick, or absence, and 4 individuals who have terminated service, transferred to a different department and/or who have been reassigned to duties not requiring filing designation. The Port Authority uses a number of methods to focus attention on our ethical responsibilities, among which is the financial disclosure statement filing requirement under the code of ethics and financial disclosure. This statement allows employees to consider and document their outside financial and other interests and serves to remind employees about the importance of avoiding situations where certain aspects of their private lives may come into ethical conflict with their duties and

responsibilities as Port Authority employees. The form calls for information about income, financial interests, tangible personal property, blind trusts, gifts, reimbursement by non-governmental sources of travel-related business expenses related to official duties, debts and liabilities, business interests, agreements for future employment, and interests in government contracts. Under the code of ethics, employees in positions at or above certain service levels and other employees designated from time to time by their department director, based on the nature of the employee's job responsibilities, must complete a financial disclosure statement and file it with the Law Department on or before May 1st of each year. Employees who have not previously filed the statement must file within 30 days of hiring or promotion as well. I am pleased to report that staff is fully compliant with the financial disclosure filing requirement, with the exception of one individual with which we are following up at the present time. Thank you very much.

[Comm. H. Silverman] Any questions for Mr. Kadin? If not we'll move on to..sorry.

[Chair A. Coscia] One quick one, Mr. Chairman. Could you give us some sense of the level of detail that these disclosure forms require, just sort of a general sort of sense of it?

[H. Kadin] Well, in terms of financial interests, for example, we would want to know the identity of a particular firm in which an individual had stock, for example. We do not require particular dollar values, but we would want to know the nature and the source of a particular financial interest. If an individual had income in excess the thousand dollar reporting threshold, we would want to know the source of that income, be it rental income from property or from outside employment, then we would want to know who the employer is. Debts and liabilities in excess of the filing threshold of $5,000, the nature of the obligation, be it credit or debt or be it mortgage, and the name of the financial institution that is involved in the debt transaction. Those are some examples.

[Chair A. Coscia] Thank you.

[Comm. H. Silverman] Anything else? Okay, we'll move on to the report of the IG.

[R. Van Etten] Good morning, Commissioners. Commissioners, as you know, the Inspector General of the Port Authority is charged with the responsibility of receiving and investigating, where appropriate, all complaints regarding wrongdoing, fraud, waste, and abuse by Commissioners, Officers, employees of the Port Authority or third-party individuals or organizations doing business with the Port Authority. Under the general direction of the Chairman and the Executive Director, the Inspector General consults on a regular basis with the Board of Commissioners, the Audit Committee, the Executive Director, and General Counsel as appropriate. Pursuant to Section 8G2 of the Bylaws, the Governance and Ethics Committee is responsible for insuring that the Inspector General continues to be independent and free of interference in the conduct of the Inspector General's responsibilities. During the last calendar year, I am pleased to report that the Office of the Inspector General has remained independent and free from interference in its investigations and other activities. In addition, the Inspector General has not encountered any difficulty in working with staff or in relationships with Audit Committee, and provides regular reports to the Audit Committee, with respect to its activities.

[Comm. H. Silverman] Anything else, sir? Okay, any questions for the Inspector General? I do have one. What body oversees accountability? You're looking for waste, presumably, but where are we

accountable as an institution for it? I'll call it basically incompetence. As an example, we have billions of dollars of overruns in rebuilding lower Manhattan. Is there any group that looks into that and tries to determine accountability, responsibility, why we have--for example, in that instance--$3 or $4 billion of overruns from the original proposal--maybe $5 or $6 by now?

[R. Van Etten] Commissioner, most of that function, unless it rises to criminality, --you know--where there are people getting paid, other gains from these actions on change orders or other transactions. Our Audit Department conducts audits, has findings that are very, very high, and that's how we have our accountability structured within the IG's office.

[Comm. H. Silverman] Okay, so who does look into--what you described fraud and waste. I understand fraud. Who looks into waste? The gentlemen around the table and Ms. Bauer, we are aware, as I said, of billions of dollars of waste, of overrun in projects. Where is that accountability? If it's from the Audit Department, I'll ask Commissioner Steiner. Is that something reported to the Audit Committee?

[Comm. D. Steiner] No.

[Comm. H. Silverman] So there's really no--this is a governance issue and not really an ethics issue. There's nobody here which is responsible for accountability of the various groups. Is that right, Darrell?

[D. Buchbinder] Well, actually, there is. It's a function of a variety of things because it comes up in terms of periodic reports to the Board's Construction Committee. It can come up in periodic reports to the Board's Operation Committee. It is certainly a function of the capital plan and budgeting process, both in terms of a look back and a going forward, so that level of accountability is really at Board level.

[Comm. H. Silverman] At our level?

[D. Buchbinder] Yes.

[Comm. H. Silverman] I would argue that we have no opportunity to make any meaningful or even non-meaningful participation in that process. We learn about an overrun when it's already well into the--already done, well into the hundreds of millions or billions of dollars, as the case may be. And then I don't see any accountability, so the person or persons responsible for the overrun are generally working on the next project.

[D. Buchbinder] The accountability is a different issue, but in terms of the overruns, and that has been a point made at the Construction Committee in terms of performance. And a variety of reporting measures have been put in place for earlier identification and better intervention in that process, both from staff level and also at the Board level.

[Comm. H. Silverman] So the question is should we--I think what Mr. Van Etten is doing is great, but you're finding pennies, and we're talking about hundred dollar bills or maybe thousand dollar bills. Should we change the governance and ethics oversight to the IG to include the IG's purview a--perhaps working with the Audit Department-- a periodic report to this group as to waste in the classic sense, how it happened and why it happened, how do we remediate it going forward, and who is responsible because human beings do this. Men from Mars don't come down and create billions of dollars in overruns.

[Comm. J. Moerdler] Henry, one of the things that we talked about at the Audit Committee was the audit process expanding to performance audits from not just monetary audits. I actually just showed David, after we walked out of the meeting, I made a note to go back and talk to Bob Sudman about one of the performance audit areas might be why are there so many cost overruns and what can be changed in the process for approving budgets for projects to mitigate against cost overruns. Are there types of projects that we're inherently seeing larger cost overruns, and maybe the additional work contingency factor ought to be larger, but I think that is a concept that the auditors ought to look at to see if there are factors on a performance level, rather than on a dollar and cents level that ought to be mitigated.

[Comm. H. Silverman] I don't know, and I think you're right, and I'm certainly not suggesting that this Committee versus the Audit Committee undertake the responsibility. I'm not sure if--

[Comm. J. Moerdler] I'm saying not the Audit Committee--the internal audit staff when they go around and audit the departments, one of the performance functions would be are you hitting your budgeted targets or are you regularly seeing cost overruns? If you're seeing cost overruns, why, and what can we do in the budgeting process to mitigate against cost overruns going further? Do we need on certain types of projects to, instead of having whatever it is-- an 8% or a 10% additional work and contingency, maybe it ought to be 15% for certain types of projects. I don't know. I'm just guessing.

[Comm. V. Bauer] And then we could take a more proactive stance, rather than—

[Comm. J. Moerdler] Right, but what I was going to suggest was that they look into it and try and analyze and see if there are consistent themes in the cost overruns.

[D. Buchbinder] Well, Commissioner, following up on your point, I think it's a fair one to bring the Inspector General into the loop in his Committee, especially because one of the reporting departments to the Inspector General is the Audit Department.

[Comm. H. Silverman] Exactly.

[D. Buchbinder] So it can pyramid up to this Committee as well.

[Comm. H. Silverman] Perhaps you might--I think it's the sense of this group-- and someone correct me if I'm wrong--that you ask the Executive Director for a recommendation at our next meeting, as to how we are going to monitor this. I don't know the Chairman's Governor as well as I know the New York Governor. I know the New York Governor is vitally concerned about the fact that we are pissing away--his words, not mine--billions of dollars. And I assume that Governor Christie has the same concern.

[Chair A. Coscia] I'd say that's a fairly equally shared sentiment.

[Comm. V. Bauer] I think he would use that word.

[Chair A. Coscia] The only thing I would add to it and in terms of that point, is that I think as a Board, we have actually on multiple occasions expressed deep reservations about escalating costs, particularly as it relates to downtown. I think maybe where we need to focus some of our effort--if I can see justice--is that we not only identify those areas, but that we create some kind of a monitoring mechanism to insure that when we've expressed concern about costs that start to escalate, we don't sort of see the next chapter of the story, where well, okay, nothing really could have been done. I get the impression that where

we're sort of lacking here is on the execution side of it, not that we're not showing alarm when costs start to come in because I think we've done that multiple times, but we need to find a better way of monitoring the way our instructions are being executed relative to the management of costs. And I don't think that that's necessarily happening.

[Comm. H. Silverman] Okay, so action item, please. Anything else for this meeting? That concludes the public portion, and the Committee will now adjourn to executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals.

The Port Authority of New York and New Jersey
Committee on Security Meeting Transcript
December 7, 2010

[Comm. A. Sartor] The first portion of today's meeting of the Security Committee is being held in Public Session after which the Committee shall meet in Executive Session to discuss matters involving public safety or law enforcement. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. We have a number of items for discussion. Susan Baer will start with the JFK, Kennedy International, Newark Liberty, and LaGuardia Airports - Bollard Protection.

[S. Baer] Thank you so much. Commissioners, consistent with the Aviation Department's Security Business Plan, today I'd like to discuss a recommendation to approve Phase III, project authorization for installation of bollards at tenant terminals at JFK, LaGuardia, and Newark Liberty International Airport. This is the final phase of the installation of bollards at our airports, and this project authorization is fully recoverable through passenger facility charges, PFCs. First, let me discuss frontage protection. In July of 2007 and again in May of 2008, you will recall that you directed staff to proceed with advancing the physical protection of the Port Authority Terminal Frontages using bollards. Bollards maintain standoff distances and prevent penetration of the terminal by vehicles that could be armed with improvised explosion devices--explosive devices. The prior approvals you gave staff were based on security and threat assessments which indicate the need to protect the frontages of airport terminals. At that time, we discussed that based on careful study of available mitigation techniques, the primary strategy to address the protection of terminal buildings should be the use of a bollard system. Similar bollard systems, like the one in the photo, have been installed across the country at airports like Boston Logan, Dallas Fort Worth, and Washington Reagan. I say "primary" because consistent with our multi-layered approach to security, staff, as you know, are pursuing other aspects of terminal protection. In 2007, you authorized staff to advance the construction of the bollard systems at LaGuardia Marine Air Terminal and the Grade Level areas of Newark Liberty's Terminal B at a cost of $10 million. A contract was let to Tishman Technologies Corporation for these two areas. The MAT went to Tishman Technologies and Conte Enterprises got Terminal B's lower level. This work was completed in 2008 on schedule and within budget. The picture you see shows a portion of the completed bollards at the Marine Air Terminal at La Guardia. At the time, you approved the first phase of the program. You also authorized $3 million for the planning and design of Phase II of the Project, which included the Central Terminal Building at LaGuardia and the remaining areas at Newark Terminal B. The elevated roadways require more complex design solutions because the upper roadways are cantilevered. In May of 2008, you authorized Phase II, which included installation of the bollards at LaGuardia CTB and the upper levels of Newark Terminal B, which completes the installation of bollards at all Port Authority operated terminals. The total project cost of this was $28.4 million, which included $3 million in planning that you approved in 2007. The work is being completed under the existing security work contractor, Tishman Technologies. Work at Newark was completed in September of 2009 and the work at LaGuardia will be completed by the third quarter of 2011. You will recall in 2007, staff notified the 11 tenant terminal operators of the need to install bollards. Since that time, staff have been actively negotiating a solution with all tenant unit terminal operators. The outcome of the negotiations was a recommendation for the Port Authority to implement the Project on behalf of all unit terminal

operators and use PFC funds to pay for the installation of the bollards at tenant operated terminals. This request for authorization would allow for project authorization for the installation of bollards at all tenant-operated terminals at an estimated cost of $120.4 million. This project is fully recoverable through passenger facility charges. Terminals included in this authorization are for LaGuardia, USAir, and Delta main terminals; for Newark: Terminals A and C; and for JFK: Terminals 1-5, 7, and 8. This project represents significant economic benefits for the region. Total economic impact of the project is estimated to include 730 jobs, $44.6 million in wages, and nearly $192 million in economic activity over the life of the project, including indirect effects, such as construction employment and materials purchased. Design for this project commenced at the end of 2008. We planned to award a design consultant at the beginning of 2011 under our security design call-in agreement. Toward the middle of next year, we will select a construction manager general contractor through a public solicitation process. Construction will commence in 2012 and will be completed by the end of 2014. Work will be staged to maintain passenger access at operations of the terminal frontages during all stages of construction. Commissioners, at the completion of this project, all terminal frontages at JFK, Newark, and LaGuardia Airports will be protected with bollards. I ask that you recommend this project for approval by the full Board. Thank you.

[Comm. A. Sartor] Any questions from the Commissioners on this issue? If not, I'll obtain a motion that we- [Comm. R. Pocino] I'll move it. [Comm. V. Bauer] Second. [Comm. A. Sartor] All those in favor? [Commissioners] Aye. [Comm. A. Sartor] Done, moved to the Full Committee. Susan, the next item?

[S. Baer] The next item is JFK and LaGuardia Airports-- the security guard services. As you know, part of the Agency's mission is to protect our customers, employees and facilities. Today I'd like to discuss an item included in the December Report of Actions for the award of a new, unarmed, uniformed security guard services contract for Kennedy and LaGuardia Airports. By way of background, a fundamental element of our airport security program is the prevention of unauthorized entry or activity at our airports. The Transportation Security Administration mandates Access Control and related security measures for all commercial airports. To ensure this level of security, unarmed uniformed security guard contracts at our airports provide the staffing we need to meet those requirements. Guard duties and deployment include fixed post, on-site patrol of premises and construction sites on the airport operations area. Guards also monitor video surveillance equipment, issue security ID cards, and at JFK they patrol the employee and the public parking lots. All security guards must meet minimum standards established in the contract to assure protection of aviation facilities. As part of these standards, they must possess a valid New York State Security Guard License, pass a criminal history background check, and undergo appropriate training. In addition, the contractor must have a valid state license in order to operate as a security guard company. The existing guard contract for JFK and LaGuardia commenced in 2007 and will expire in January of 2011. This past August, staff initiated a publicly-advertised two-step bid process for this contract. In the first step, a request for evaluation of qualification information was issued in order to evaluate qualifications to produce a suitable group of bidders for the second step. We received eleven submissions from major security guard service providers meeting the prerequisite of at least $20 million in annual gross revenues for the last two years. Staff evaluated these submissions on the basis of three criteria: technical expertise and experience, management approach including training, customer service, and performance measurement, and staffing management. Subsequent to the evaluation of the qualifications, three providers were deemed qualified to submit bids. Based on a thorough evaluation of qualifications and a low bid process, FJC Security Services, Inc. is recommended

for this contract. FJC has an intense background screening plan and an employee retention rate of 96%. FJC also has extensive aviation experience and similar contracts of this size throughout the New York Metropolitan area, including a consolidated contract with the Port Authority covering 12 facilities. Commissioners, here are the proposed terms. The four-year contract will start in February of 2011 and include two 2-year renewal options and a 120-day extension. The total contract award, including extra work, is estimated at $108.9 million over the 4 year base term. Annual CPI adjustments will be capped at 3% during the option periods. Awarding this consolidated guard service contract for both New York airports fosters a coordinated management approach to larger-scale security issues, standardization of performance measures and training programs, and increased flexibility when responding to changing security requirements. I request your concurrence of this contract award. Thank you.

[Comm. A. Sartor] Any questions on this issue? Stan?

[Comm. S. Grayson] You mentioned you had 11 proposals for this? And 3 were found qualified?

[S. Baer] Right.

[Comm. S. Grayson] Of the 8 that were unqualified, was there any single reason why they-?

[S. Baer] I would say they were "less qualified" as opposed to "unqualified." Two didn't actually, really, under reflection--didn't meet the requirements, so two were knocked out right away. The rest of them didn't have the same level of experience, expertise, management approach, training--in-house training knowledge and that sort of thing. So it was--it's something that Purchasing had recommended, and it's worked very well for us, that you reduce the number so you're not dealing with this huge universe of responders and then, in the second round, you really are focused on price. So we get the best economic value for the Port Authority once you can note that these are the most qualified people.

[Comm. R. Pocino] Somewhere in your list of qualifications is there-- our Labor Standard Policy included?

[S. Baer] Yes, it is.

[Comm. R. Pocino] Okay.

[S. Baer] It is, including health benefits.

[Comm. A. Sartor] Any other questions? Seeing none, I'll obtain a motion that we move this to the full Committee? [Vice-Chair S. Grayson] I'll move it. [Comm. H.S. Holmes] Second. [Comm. A. Sartor] Done. You're all done, Susan.

[S. Baer] Okay, I'll turn off my-.

[Comm. A. Sartor] John, you want to--speak to the Construction Manager?

[J. Drobny] Good morning, Commissioners. Thank you. You may recall in 2003, the Port Authority initiated the Security Capital Program in an effort to enhance security at our facilities and improve safety for our employees, contractors, and patrons. In order to facilitate the implementation of these programs, and accelerate progress of our security program we had previously retained the service of a Construction

Manager General Contractor, CM/GC, to partner with the Port Authority, to manage and deliver the security projects that are critical to this program. Today we'd like to review an item that would authorize the award of a new CM/GC contract for this purpose. Since 2005, the Board has authorized 3 contracts for CM/GC services for the security capital program totaling $285.9 million. These actions represented an innovative approach for project delivery with the goal of providing consistent management and expediting construction in projects for the Security Capital Program. This contracting approach is proven to be very successful. In order to continue the timely execution of our security capital program to meet our Agency security objectives, it is recommended that the CM/GC contracting approach be continued. As shown, the 3 existing CM/GC contracts have been very successful and the authorized funding for these 3 contracts has been fully committed. Combined, approximately 94 work orders have been ordered with a construction value of $247 million. The new CM/GC contracts structured after this successful approach previously employed will permit us to continue to expedite the construction of the remaining projects. The next several slides will show examples of projects that have been performed by our previous CM/GC contractors. These projects are similar in nature to the types of projects that we have previously discussed with the board. This slide shows the insulation of barriers around the George Washington Bridge New York and New Jersey Tower bases. Also shown are modifications to the Bayonne Bridge Arch Chord and installation of pilings around the Bayonne Bridge New York abutment. This slide illustrates the insulation of the texture equipment within the PATH stations. Further illustrated are examples of perimeter-strengthening projects at our airports in addition to construction projects for the upgrade of vehicular entrances, the aeronautical operations area at JFK, with the installation of guard booths and barriers. In order to continue this success, experience in the execution of identified security projects, it is recommended that a fourth CM/GC contract be awarded. We have reviewed the security projects scheduled to go into construction and anticipate that the work proposed for the new CM/GC will have a construction value of approximately $52 million. Examples of projects that are forecast to be performed by this CM/GC are listed on this slide. For this procurement, a publicly-advertised Request To Qualify was released on October 12, 2010, which was responded to by 4 firms. Two firms that were previously pre-qualified for earlier CM/GC contracts were also invited to submit proposals for the subject contract. The qualifications submittals were reviewed by an evaluation committee. Five firms were deemed qualified and invited to submit cost proposals. Two proposals were received on November 18, 2010.

[Comm. V. Bauer] Excuse me, John. Can you just go back to the projects that they're going to be doing, please? Right there--I just wanted to look at that a little bit more.

[J. Drobny] Yeah, these are representative examples of the kinds of projects and locations.

[Comm. V. Bauer] Just examples--not firm--okay. Thank you.

[J. Drobny] Sure. Okay, staff recommends the award of this contract to Tishman Technologies, the lowest bidder, at an estimated amount of $56.5 million, which includes a contractor fee of 0.99% and a multiplier on direct labor of 0.58. Tishman Technologies is very familiar with our facilities, information security protocols, and the general nature of security work the Port Authority's been progressing to date. Commissioners, we thank you for your continued support in the delivery of these critical programs and ask that you advance this item to the full Board for approval today.

[Comm V. Bauer] Thank you, John. Does anyone have any questions? Can I have a motion? [Vice-Chair S. Grayson] Here. [Comm S. Bauer] Second? [Comm. R. Pocino] Second. [Comm V. Bauer] Okay, all in favor? [All Commissioners] Aye. [Comm V. Bauer] Good, I'll move it forward. Thank you.

[J. Drobny] Thank you.

[K. Eastman] Commissioner, can you read the closing statement at the bottom?

[Comm. V. Bauer] Thank you. This concludes the public portion of today's meeting. The Committee will now adjourn to executive session to discuss matters involving public safety and law enforcement.

The Port Authority of New York and New Jersey
World Trade Center Redevelopment Subcommittee Meeting Transcript
December 7, 2010

[Comm. A. Sartor] Today's meeting of the World Trade Center Redevelopment Subcommittee is being held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website, for those interested in viewing today's proceedings via the Internet. We have a couple of items for discussion. Steve Plate, World Trade Center Construction trade contracts.

[S. Plate] Good morning, Commissioners. Today I have approximately 5 contracts for your approval. And also I'd like to spend a little time and do the year in review. Two thousand and ten has been a very productive year. To begin with, the hub electrical system, which will provide for normal and emergency power distribution switch gear and equipment was publicly advertised with Gilston Electrical and Five Star Electric, Joint Venture being the lowest price qualified proposer at a cost of $63.3 million, excluding extra work, which compares favorably to the staff estimate of $70 million and includes payments of $4.7 million to the Downtown Design Partnership and $5.1 million to Tishman/Turner for the design and construction management services, respectively. The HVAC system, which includes air and water distribution systems, was publicly advertised with A&A Industrial Piping being the lowest price qualified proposer at a cost of $49.3 million, excluding extra work, which compares, again, favorably to the staff estimate of $52.2 million, and includes payments of $3.5 million to Downtown Design Partnership and $3.9 million to Tishman/Turner for design and construction management services respectively. The next item, the fire protection contract--

[Comm. D. Steiner] Back up on those slides. You're 2 slides ahead of us.

[S. Plate] Thank you, sir. The fire protection contract consists of various comprehensive fire suppression systems, which was publicly advertised with Rail Automated Sprinkler being the lowest priced qualified proposer at a cost $5.9 million, excluding extra work, which, again, compares favorably to the staff estimate of $6.8 million, and includes payments of $400,000 to Downtown Design Partnership and $450,000 to Tishman/Turner for design and construction management services respectively. The plumbing contract, which will provide a modern—

[Comm. D. Steiner] Back up please.

[S. Plate] You've got two on each slide, that's why. Sorry. The plumbing contract, which will provide a modern green building plumbing system, was publicly advertised, with WDF being the lowest priced qualified proposer at a cost of $10 million, excluding extra work, which, again, compares favorably to the staff estimate of $13.1 million and includes payments of $600,000 to downtown design partnership and $650,000 to Tishman/Turner for design and construction management services, respectively. The last contract for the hub involves the purchase of light fixtures for the interior and exterior areas of the transit hall, path hall, and oculus, which was publicly advertised with Cooper Electric Supply being the lowest priced qualified proposer at a cost of $5.4 million, excluding extra work, which compares favorably to the staff estimate of $8.2 million, and includes payments of $400,000 to Downtown Design Partnership and $500,000 to Tishman/Turner for design and construction management services respectively. Commissioners, your authorization of these items today will provide for 88 percent of Hub

contracts awarded to date. I request that you advance these items to the full Board for their approval. Thank you.

[Comm. D. Steiner] Is a motion required on this, Karen?

[K. Eastman] To the full Board. You just need to recommend that the items advance.

[Comm. D. Steiner] Okay, can I get a motion?

[K. Eastman] Yes, please.

[Comm. J. Moerdler] Certainly.

[Comm. H.S. Holmes] Second. [Comm. D. Steiner] All in favor? [Commissioners] Aye. [Comm. D. Steiner] Any discussion? Motion is passed. The second item would be Mr. Plate. Would you talk about the second issue?

[S. Plate] Yes. I would now like to update you on the significant progress we have achieved at the World Trade Center site in the year 2010. Last December, we had reached the fifth floor at One World Trade Center. As of today, we have already achieved their commitment of reaching the 50th floor by year end. The concrete core is being followed closely by the fireproofing, mechanical, electrical, plumbing, and curtain wall work. One World Trade Center is clearly establishing its prominent position in the New York City skyline. In December 2009, excavation of the Greenwich Street corridor had only just begun. Today working over 100 feet below street level, Tutor Perini is completing the excavation under the number one subway line, as the top-down construction continues to progress. The transit hall roof continues to take shape, as over 150 pieces of the sweeping Calatrava steel arches have already been erected. With over 2,800 tons of permanent steel already erected, this Calatrava signature design station is continuing to take shape. In December of 2009, the 27 slurry wall panels, which form the concrete bathtub walls had been installed. Despite the on-going challenges posed by the delay of the 130 Liberty demolition, we continue to make significant progress on nearing completion of the excavation and tieback installation in the western portion of the site. Yonkers is prepared to begin rock excavation foundation work early next year in the western portion of the site, and will continue with the excavation of the eastern portion, immediately upon turnover of the 130 Liberty Street site, anticipated for early next year. The structural steel contract has been awarded for fabrication beginning, and the mechanical, electrical, and plumbing design is nearing completion. Last December, steel erection on the 911 Memorial Museum was still underway with work in the north and south pools just beginning. Last year the schedule was to capture 40% of the plaza for finish work and substantially complete 25% of the plaza prior to the end of this year. The current accelerated plan has allowed us to capture 80% of the plaza for construction, with 50% to be substantially complete by the first quarter of next year. This aggressive plan has provided an opportunity install 75 additional trees, almost 40% ahead of our original plan. The west vent structure is complete, with the freight elevator operational. The west spot network has been energized. East spot network core and shell has been turned over. The north pool was filled with water and tested over 10 months ahead of schedule. And the museum's pavilion steel is substantially complete with concrete operations in the building starting this week. Commissioners, we will continue to take advantage of all opportunities available as we work towards our commitments for 9-11-11. Thank you.

[Comm. S. Steiner] Before I turn it back, I want to compliment you and your staff on exceeding the goals. I know how dedicated the people are, and you all deserve a vote of appreciation for what you have done and continue to do, and I look forward to an early completion of the project. You need a motion to bring this to the board?

[Comm. A. Sartor] I'll entertain a motion to bring it to the full Board. [Comm. S. Grayson] So moved. [Comm. A. Sartor] Second? [Comm. J. Moerdler] Second. [Comm. A. Sartor] All of those in favor? Okay. Any other items to come before the committee? Seeing none, I adjourn the meeting. Thank you.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Transcript
February 3, 2010

Commissioner Sartor: Today's meeting will be held in public session after which the committee will meet in executive session to discuss matters relating to the purchase, sale, or lease of real property or securities where public disclosure would affect the value thereof or the public interest in matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. Our first order of business will be World Trade Center construction trade contracts. Steve Plate. Steve?

Steve Plate: Commissioners, we continue to demonstrate significant progress at the World Trade Center site as we move forward with our construction and procurement schedules. Today I request your approval of several actions necessary to support the continued implementation of our overall redevelopment plan. I would first like to recommend for award three construction contracts for One World Trade. The first contract is for spray-on fireproofing. Our staff estimate for this work was $31.7 million. This contract was competitively bid, with Island International Industries, Inc. being the lowest responsive bidder at a cost of $28,625,000, excluding extra work. The contractor will provide, furnish, and install and apply spray-on fireproofing material to structural steel members as shown above throughout One World Trade Center.

Commissioner Sartor: Any questions on this? [silence] Seeing none, I recommend we move it to the full committee.

Commissioner Pocino: Motion? Commissioner Sartor: Second? Done.

Steve Plate: The next One World Trade Center trade contract is for steam utility service. Our staff estimate for this work was $2.32 million. The contract was competitively bid, with Fresh Meadow Mechanical Corporation being the lowest responsive bidder at a cost of $2.3 million, excluding extra work. The contractor will provide and install the necessary equipment, including the installation of risers, point of entry, valve rooms, various piping, duct work, electrical system, structural supports, and firestopping mechanisms associated with the construction of the steam utility service for One World Trade.

Commissioner Sartor: And any questions on this item? [silence] I entertain a motion to move to full committee. Commissioner Pocino: Motion to approve. Commissioner Bauer: Second. Commissioner Sartor: All those in favor? Commissioners: Aye. Commissioner Sartor: Done. Next one.

Steve Plate: The third One World Trade Center trade contract is for cable-net wall and canopies. Our staff estimate for this work was $18.9 million. This contract was competitively bid, with American Architectural, Inc. being the lowest responsive bidder at a cost of $15.4 million, excluding extra work. The cable-net wall and canopies will serve as the four entrances to One World Trade Center. The scope of work under this trade contract includes engineering,

furnishing and installation of the cable-net walls, canopies, and storefronts, including all glass, cable, stainless steel fittings, structural supports, and sealants. Commissioners, including these awards, approximately 96 percent of One World Trade contracts will be awarded to date. Commissioner Sartor: Any questions on this item? [silence] Seeing none, we'll move it to the full committee. Commissioner Pocino: Motion to move. Commissioner Bauer: Second. Commissioner Sartor: Done. Steve, anything else?

Steve Plate: Yes. Next I would like to recommend the assignment of a construction trade contract for bronze name plates for the Memorial. This contract was competitively bid, with DCM Erectors, Inc. being the lowest responsive bidder at a cost of $9,561,500, excluding extra work. The parapets will be installed around the perimeter, the North and South Memorial Pools, and will list the nearly 3,000 names of those who lost their lives on September 11, 2001, and February 26, 1993, as a result of the attacks on the World Trade Center. DCM will utilize KC Fabrications and Service Metal Fabricators as a subcontractor for the performance of this work. Funding for this work will be provided solely by the Memorial Foundation. This contract will include a payment to Bovis in the amount of $950,796 for construction management services.

Commissioner Sartor: Steve, did you say how this compared to the engineering cost estimate?

Steve Plate: It was actually very close. It was almost identical, sir.

Commissioner Sartor: Okay, thank you. Any other questions on this? [silence] Seeing none, we'll move it to full committee. Commissioner Pocino: So moved. Commissioner Sartor: Okay. Next item, Steve.

Steve Plate: Okay, Commissioner. Next I would like to request an increase in planning work under two separate authorizations to further advance the VSC and Eastside Tour Bus Parking Facility projects, including steel design and additional design services to Liberty Security Partners. The first request is for authorization in the amount of $13.5 million for the Vehicular Security Center, inclusive of $11.3 million for LSP expert professional services to provide for revised construction staging and redesign services for a temporary demising wall to mitigate delays caused by the deconstruction of 130 Liberty Street, which has limited access to the construction site. In spite of these delays, we have made significant progress by concentrating our efforts on the west side of the site. As a result, this proactive approach will directly result in net savings in costs and schedule to the overall project. The second is for the authorization in the amount of $1.5 million for the Eastside Tour Bus Parking Facility, inclusive of $1.2 million for additional LSP services to provide for final design for the fit-out of the sub-grade network that will connect to the loading docks of Towers 2, 3, and 4 as well as to the World Trade Center Transportation Hub. This will enable us to move forward with this major project. Including these authorizations, it will result in a revised total authorized agreement in the amount of $47.6 million to LSP.

Commissioner Sartor: Any questions on this item? [silence] I entertain a recommendation--

Commissioner Silverman: (inaudible) ...when the deconstruction will be complete?

Steve Plate: We're tracking it very closely. We feel that it'll be the latter part of this year, probably the end of the year. LMCCC has said somewhere around January 19, but they have made some improvements lately. We designed this execution plan around that date, and we'll be tracking it very closely.

Commissioner Sartor: Steve, you may want to add that with respect to our schedule, the fact that you put the wall up, we were able to proceed with part of the Bathtub while the other building is being pulled down, and it's not going to have a dramatic effect on our schedule as of right now from what I remember.

Steve Plate: If we had continued the way we were going simplistically, we would have lost years. As a result of you allowing us to put the demising wall up and doing several other things, we've been able to capture those two years back, which is significant to the project as well as the cost.

Commissioner Steiner: Mr. Chairman, is there any chance of recovering the cost of that wall from the Triple C or whatever you called that company because it's their fault they delayed us. Shouldn't we be entitled to the recovery of the cost of that wall? Had they been on time, we wouldn't have had to spend this money forgetting the loss of time, which if it was private industry, you would have had a big, fat lawsuit.

Chris Ward: Though a claim may be just, unfortunately, LMCCC would not have the financial resources to reimburse us even if we so thought because of their current financial structure.

Commissioner Steiner: That presupposes that they're not able to get any other money. I think we ought to assert a claim. I'm in favor of asserting a claim.

Commissioner Sartor: Darrell, could you look into that for us?

Darrell Buchbinder: I certainly will.

Commissioner Sartor: Okay.

Commissioner Steiner: Thank you.

Dave Tweedy: We are tracking monthly now, working with the Bovis project team on 130 Liberty. We're invited to the meetings, and we're seeing real improvements now.

Commissioner Steiner: One of the things I think the public should know and we have to be very active in letting them know why we're not done-- and we get a lot of heat for not being done and I've seen some good articles--is certainly a condition way beyond our control where the failure to act or slow action of a third party has delayed the entire project. And we've been getting the blame in the past, and it's really not our fault. I think that story has to be gotten out more.

Chris Ward: I would agree with you. I would just ask you to read the recent "New York Post" which was struggling with trying to figure out how the Port Authority should be held

accountable for that delay. And as tortured as the writing may have been, it inevitably had to conclude it was the result of LMCCC and a third party.

Commissioner Steiner: I read that, and that's what encouraged me to get some more. You're doing a good job, but I think now that you've got them on the run, you've got to take advantage of it.

Chris Ward: All right. Darrell, follow up.

Commissioner Sartor: All right. Any questions on these awards? [silence] I recommend approval to the full board.

Commissioner Pocino: So moved.

Commissioner Chasanoff: Second.

Commissioner Sartor: Okay, done. Steve?

Steve Plate: My last request is for your authorization to increase planning work to support ongoing project efforts at World Trade Center site. The scope of work includes specific projects related to site security, maintaining continued coordination efforts with external agencies and law enforcement, updating security information protocols and training techniques, and work to determine final space for configurations and coordination of interfacing for projects such as the Performing Arts Center, commercial office towers, and various World Trade Center development scenarios in light of uncertainties in the progress of the commercial office development by Silverstein Properties. We have come to you periodically for planning funds since the commencement of the redevelopment program in 2001, and this request is for the next 1-year period. This increase in authorization will result in a total authorization of $64.7 million since the beginning of this work to continue design and redevelopment coordination efforts through March 2011. Commissioners, I request that you advance these items to the full board for approval.

Commissioner Sartor: Any questions on this item? [silence] Commissioner Pocino: Motion to move. Commissioner Sartor: Second? Commissioner Bauer: Second.

Steve Plate: Thank you, sir.

Chris Ward: I would just frame this next item under the context of ongoing business relationships rather than the particular issue of where LMCCC has been with us vis-a-vis taking down 130 and our goal of requesting funding for the demising wall.

Commissioner Steiner: I'm open to any sort of negotiation on this. But it really bothers me because the Port Authority has done such a spectacular job of [inaudible] for everybody and it hurts me, and I'm sure it's a bad reflection on our staff who have done a yeoman's job in pushing this job forward, and I just hate to see them and us get the rap for somebody else's

inefficiencies. And I'd like to have something--a club--in my backpack for when the other guys start to ask for things for trading.

Chris Ward: Unfortunately, we are asking for one now, so I'd ask your forbearance for approving this particular item as business as usual.

Commissioner Steiner: I trust your judgment, and I will defer my request.

Commissioner Sartor: This next item, as you'll see, is a request for funding for Lower Manhattan Construction Corp. [laughter] so that's why the Executive Director is usually-- [laughter]

Commissioner Steiner: Thank you. Sorry I was so premature. [laughter]

Steve Plate: I will defer this to Michael Francois. [laughs] Oh, I thought you were going to go to the big guy, the Executive Director, on this one. I've learned from Paul. Thank you, Paul. [laughter]

Paul Blanco: Actually, I can take this.

Commissioner Sartor: Yeah, Paul. Why don't you do that? Paul and I have had extensive discussions on this.

Paul Blanco: As you know, we have provided $20 million more in total funding, and at the direction of this committee, we have not been paying LMCCC. We had a budget of $5.3 million this year, but we were waiting for New York State and the MTA to provide funding so that we would not be the only ones out there. We've gotten certification and documents from them, New York State and the MTA, that say the fiscal year starts on April 1st of '09 and ends on March 31st of 2010, so we have not given them anything at all for the first three quarters. The actual expenditures through December 31 was $5.2 million of which our share is 62½. So we took those actual expenditures of $3.2 million and deducted a credit that was due to us from last year and we're going to pay them the actual and then give them one quarter's advance. And that's what gets you to the $4.4 million that we're recommending now. So this really will be the total payment to them. At the end of March, beginning of April, they will give us the actual expenditures for the fourth quarter, and then we will be mature once again. So I think that we've been very diligent in making sure that we get actuals, making sure that all of the other agencies have given their share, and that we've been monitoring this very closely.

Commissioner Sartor: Do any of the commissioners have a question on this? I do. I just want an explanation for the commissioners as to what we're getting for the money. What services are being provided? What is going on?

Steve Plate: Okay.

Commissioner Sartor: As I recall, the initial agreement that dates back, Darrell, a number of years, there was supposed to be a board overseeing their operations. We were supposed to have a representative on that board. I don't know where that stands right now.

Dave Tweedy: You approved my joining that...

Commissioner Sartor: You were on the board, David?

Dave Tweedy: ... to come to meetings, and I'm still waiting to be invited.

Commissioner Sartor: You have not been invited to a meeting? Maybe we shouldn't pay anything until you're invited to a meeting.

Dave Tweedy: Their function really is a hybrid. They do ongoing construction coordination, which is a valuable function beyond our site, for all Lower Manhattan. They're doing permitting, they call in all disparate agencies, getting together to look at our needs compared to Department of Transportation work going on and that's an ongoing function. Do they do it perfectly? They do it. It is a valid function. The second function is more problematic, and that is providing some oversight to both the Governor and City Hall on our schedule. And there's been some tension there. From my point of view--and Steve, jump in--I think we've gotten to a pretty good point on that, and in fact, their input now on our ongoing scheduling is, in my view, not negative but can be positive. They've got good technical people there. They sort of triangulate between us and Silverstein, where no one-- People get tired of hearing of the back and forth between us and Silverstein because it's so caught up in the legalities. They can come in and sort of provide a third point of view. And as long as we manage that effectively, my argument is that there is some value there, and it's certainly of value to the Governor's office who, like it or not, rely on them for another point of view as well as City Hall. Those are the two basic functions they're providing.

Commissioner Bauer: David, if you're not involved and we're not represented, why should we pay? I mean, it's great for the Governor that they're--

Dave Tweedy: We're certainly involved in their day-to-day function. I'm just saying that we requested to come to any board meetings--oversight board--and I'm not sure, but I don't think they have an ongoing working executive meeting that's meeting regularly. I don't know if you know better.

Chris Ward: It made it sound like we're being precluded from their board meetings.

Steve Plate: They're not having meetings.

Chairman Coscia: They do not have board meetings?

Commissioner Sartor: That might even be a little bit worse is they don't have any oversight, especially based on their past performance and their reviews of our schedules that have created a lot of problems for this agency, and now I gather they're finally getting on track and are in agreement with where we're at.

Commissioner Steiner: Mr. Chairman?
Commissioner Sartor: Yes.

Commissioner Steiner: I'd like you to go the board when they have a board meeting and if they want to get the money, you'll bring them the check. That's always very effective. If they want the check, have a meeting, and you'll bring the check.

Darrell Buchbinder: At the risk of jumping into this, let me just say their board does not function in the same way that this board functions, providing an oversight performance role. Their board functions in an advisory capacity. Their Executive Director has a vastly different function.

Commissioner Pocino: So do we have detailed information as to what that $21.7 represents?

Dave Tweedy: We do.

Commissioner Pocino: When we get a bill, it's all accountable and transparent?

Dave Tweedy: We've laid that out in painstaking detail for Commissioner Sartor as well as for Paul, and they've been relatively responsive. But again, we did make the formal request to join their executive oversight, and--

Commissioner Sartor: I was part of the funding agreement when this board agreed to move ahead with this back a number of years ago.

Chris Ward: Is it clear they will not receive the money until David--

Commissioner Sartor: If you look at their total budget, I bet you their total budget is on the order of $50 million for a 5-year period. Is that correct?

Paul Blanco: They're running about $17-$18 million a year.

Commissioner Sartor: So for five years, it's a lot more than $50 million. That's a significant amount of money to be spending. Okay. Thank you. Well, I guess we have to deal with this.

Chris Ward: You approve it, but we will not deliver the check until the appropriate executive staff level meeting has taken place.

Commissioner Sartor: Any questions on how you want to proceed with this, commissioners?

Commissioner Pocino: I think leave it up to the Executive Director to handle.

Commissioner Sartor: Okay.

Commissioner Bauer: Under the conditions that we are involved and that there are meetings and we're represented.

Dave Tweedy: That's great.

Commissioner Sartor: Okay. I'll entertain a motion--

Comm. D. Steiner: I think if we're paying, you've got something to say about it.

Commissioner Sartor: I'd entertain a motion to move to the-- Commissioner Pocino: So moved. Commissioner Holmes: Second. Commissioner Sartor: Okay. Done. This concludes the public portion of today's meeting. The committee will now adjourn to executive session to discuss matters related to the purchase, sale, or lease of real property or securities where public disclosure would affect the value thereof or the public interest in matters involving ongoing negotiations or reviews of contracts or proposals. Thank you.

The Port Authority of New York and New Jersey
Security Committee Transcript
February 25, 2010

Comm. A. Sartor: Today's meeting of the Security Committee is being held in Public Session in its entirety. In addition this meeting is being broadcast live on the Port Authority's web site for those interested in viewing today's proceedings via the Internet. For discussion purposes we have an update on security. Ernesto?

E. Butcher: Thank you. Good morning, Commissioners. [no sound] As part of that update we remind you of the process that we have followed in developing and implementing the program, present you with some accomplishments to date and finally will bring you up to date on some recent incidents that have been highly publicized and advise you on how we have managed them thus far.

First we will begin with an overview of the challenges we face as we seek to implement agency security programs. It goes without saying that our facilities are truly unique in the vital role they play as major gateways to the nation and in their contribution to the economic vitality of this region, a region that is among the greatest in the world and one that has come to symbolize the best of American values, culture, and economic strength. Perhaps no other public agency faces a similar range of security challenges across such a diverse set of businesses. Our facilities are critical to the vitality of the metropolitan area, and are situated within densely populated urban communities. The George Washington Bridge, John F. Kennedy International Airport, and the Lincoln Tunnel are not only heavily traveled public infrastructure, but are also internationally known and have great symbolic value. And of course Port and Transit facilities have also proven to be lucrative targets for terrorists. These facilities rank among the very top of the Nation's critical infrastructure target list. Our challenge is great since it is our mission to facilitate the free flow of people and goods. Therefore, it is essential that we continue to seek a balance between the often competing demands of security and mobility. And of course this complex security challenge comes at a considerable cost.

Providing security for this complex array of facilities has not been easy or, as I said earlier, inexpensive. Through the end of 2010, the Port Authority would have spent upwards of $5 billion since 2001 to provide for security needs. A significant portion of the Agency's resources has been reprogrammed to meet this important need. The costs include operating as well as capital efforts. As we have identified capital projects which would serve to reduce risk associated with our facilities, we have moved to put them in place at an accelerating rate. Expenditures have increased each year since 2003. In 2009, security capital expenditures totaled $280 million and we are continuing our commitment in 2010 with planned capital expenditures in excess of $300 million.

The greatest single operating investment in security that this Agency has made thus far has been in significantly expanded police operations. Police costs have increased by well over $100 million a year from base year of 2001. This chart depicts the efforts the agency has taken over the years since 2001 to right-size the Port Authority Police Department. We have been careful

to ensure that the deployment of the additional police staffing reflects our awareness of the risk associated with some of our facilities. As you can see, the increases in staffing focus on those areas which we have found to be of greatest risk potential. Increased staffing levels which represent the right-sizing of the force have been followed with addition to the specialized units such as the valuable canine units, which is one of the largest in the Country. Our Public Safety Department, anchored by the Police Division, is the cornerstone of our security posture. Our Police officers are now better equipped and trained to deal with the new realities of policing and transportation facilities. In addition to Police activities, there have been other operational changes that we've had to make to ensure the safety of the facilities and the customers who use them.

For example, at the George Washington Bridge we have had to restrict trucks from the lower level to remove the likelihood of an incident on that level, which would be far more damaging than one occurring on the completely open upper level. While this operational change has created some inconveniences, we believe that it is necessary and essential as part of our security process. Changes in the security environment post-9/11 and the lessons learned in the months thereafter led us to create the Office of Emergency Management in January of 2002 which, along with the Police Division, formed the Public Safety Department.

Since its creation the Office of Emergency Management has managed a comprehensive program of security audits, developed and employed a national model for vulnerability and risk assessment, guided development of our 5-Year Security Plan, conceived and implemented ground-breaking test bed programs in partnership with the Department of Homeland Security, and is the Agency's primary point of contact with local, State, and Federal Homeland Security agencies. The Office of Emergency Management has spearheaded efforts to improve our preparedness to respond to crisis events. It has managed the implementation and now staffs the Agency's new emergency operations center, prepares response plans, administers emergency management training programs, and directs corporate level and interagency drills and exercises. The office is also responsible for the continuity of operations planning and programs, as well as a weapons of mass destruction detection, response and recovery program in cooperation with local, state, and Federal agencies.

On the capital side of our investment, we have over the past several years completed a significant number of projects in the areas of facility hardening, access control, and perimeter protection. This slide is a representation of some of those efforts which range from the protection of the tower bases, both land side and water side, of the George Washington Bridge, installation of crafts rated ballards at terminals of airports and at the Port Authority Bus Terminal in Mid Town Manhattan, secure gate controls at access points to air side operating areas, improved perimeter control fencing, securing the cables at the George Washington Bridge with innovating housings which protect them without compromising the bridge's appearance or design structure, did installation of state-of-the-art laser intrusion detection systems at PATH tunnel entrances.

Securing the perimeter of our facilities is among the most critical things that we have undertaken. Next slide please. Controlling access to the air side operating areas of the airports remains one of the priorities in the agency's overall security plan. The Perimeter Intrusion

Detection System, or PIDS, is a fully-integrated security system, the purpose of which is to seek, to detect, any intrusion by unauthorized personnel or vehicles into the airport operating areas. Using a network system of sensors on fences, cameras, and radar, this system, when fully deployed, will alert security personnel of intrusion, establish the location of the intrusion, visually display the location, as well as track the movement of the intruder or intruders in order that Police personnel can be dispatched and guided to the precise location of the intrusion. The infrastructure and most sensors to be utilized in PIDS are fully installed at all airports and testing is now being conducted. There remains, however, some concerns about quality and performance of certain elements within the integrated system which are important in providing indepth coverage required by the contract. We have been closely working with Raytheon, the contractor, to ensure that all elements perform according to the specification. Raytheon has committed to providing the system as designed. They have recently introduced a new team to the project, who are experienced in resolving technical problems. We remain confident that we can add this project into our airport protection arsenal within the coming months.

Commissioners, in this section of the updates we will brief you on separate incidents which received significant public attention, understandably, given the sensitivities that always accompany air travel and airport security. Airport security has received significantly more attention than any other transportation venue or infrastructure security areas. We address separately the events cited here at a Newark Airport and at JFK Airport breaches that occurred in the month of January. However, before doing so, I think it's important to place these incidents in proper perspective. It is important to note that airport security is a series of shared responsibilities that has been established through regulation and agreements. These agreements are all Federally-sanctioned with each party fully aware of their roles. The parties in this instance are the Federal government in the form of a Transportation Security Administration, the airlines, and the Port Authority as Airport Operator. The Federal security role at airports is carried out by the Transportation Security Administration, or TSA. The primary responsibilities of the TSA include the screening of passengers and cargo. The screening of passengers and their luggage is the most notable of these responsibilities. They are also responsible for monitoring all activities in the screening areas, including the monitoring of lanes entering and leaving the screening areas. The TSA also works with the airport operators to ensure that overall Federal security directives are met.

Because the Port Authority does not, with limited exception such as essential terminal building at LaGuardia, Terminal B at Newark Airport, and the terminal at Stewart Airport, operate any of our terminals, the responsibility for operating the terminals, including security, is the responsibility of the airline that owns the terminal. The security responsibility is established by security plans that airlines develop, and are approved by the Federal government, and must contain very specific provisions. These agreements are referred to as Exclusive Area Agreements. Among the requirements that are contained in the airline agreements are the important need to ensure that all areas within the secure area that are within the airline operating area, are secure. Most importantly are the access points that go from public operating space to employee or other non-public space. Included in this responsibility is the securing of points of access to the air side sectors of the terminal which lead to aircraft and baggage loading areas. The Port Authority, as airport operator, also has defined operating responsibilities that range

from providing all credentials and performing background checks for all employees and tenants of the airports; the law enforcement in all areas of the airport.

The Port Authority Police Department is required to respond to incidents in secure areas and screening areas within 5 minutes of a call, and Port Authority personnel are deployed in a manner that ensures that that response is available. In addition to fire and rescue operations, the Port Authority Police Department also performs explosive protection support to TSA, as part of luggage and cargo checks. Patrolling terminals, terminal frontages, and airport perimeter are also among the duties performed by the Port Authority Police Department.

Monitoring access to the air side operating areas for vehicles and personnel are added responsibilities of Port Authority personnel. As to the incidents themselves, on January 3 an individual who had accompanied a friend to the airport breached the secure area beyond passenger screening at Terminal C, operated by Continental. This breach resulted in an extended evacuation of the terminal. Following the incident, at the direction of Chairman Coscia, the Agency undertook a comprehensive audit of our airport security procedures and conducted meetings with the TSA and our airline partners to jointly review their procedures as well. This review led to agreements to sharpen attention to certain procedures, including immediate notification of Port Authority Police at the time of an incident.

The Port Authority will also begin the installation of alarms and cameras that will send immediate notification to Port Authority maintenance personnel that a unit requires maintenance. There are approximately 37 cameras at each of 3 screening locations at the 3 terminals at Newark airport. The current schedule for installation of the cameras indicates that by the end of March most of the monitoring equipment will be in place. Once completed, all alarms will be sent to the Airport Operations Desk which is staffed around the clock. All other airports also commenced a review of their security plans and procedures in the aftermath of the Newark breach. These reviews included Port Authority Police Department and operations staff as well as the appropriate regulatory agencies including the TSA, Customs, the Air Marshall Service, and others. We are paying particular attention to security check points and doors in restricted areas. We have also scheduled additional drills to enhance preparedness in these areas. At Kennedy Airport, on January 16, an arriving passenger at Terminal 8, the American Airlines terminal, entered a secure area restricted to American Airlines personnel, resulting ultimately in evacuation of the terminal. The door that was entered by the passenger was clearly marked, "Do Not Enter, Restricted Area, Authorized Airline Personnel Only." "Violators Subject to Fine or Prosecution." It also indicated that an alarm will sound. In reviewing the incident with the airline, the airline agreed to further upgrade the messages on that door and other doors as required, using pictograms or multi-lingual messages to make the messages clearer. They also agreed to install locks on non-fire access doors to further prevent unauthorized access. The airline has also agreed to add, where possible, additional cameras to ensure wider coverage of the area within the secure areas. We continue to work with our airline partners to develop similar improvements for other airport locations.

We continue to conduct formal monthly security and operations meetings with all terminal operators, and recommend the use of the improved signage for all similar airport locations. It should be clear also that staff communicates on a daily basis with all of our terminal operators

concerning various operational and security matters to ensure the airport is functioning in a safe, secure, and efficient manner. Commissioners, I hope that today's update has provided you with the assurance that the Port Authority continues to make security a top priority to ensure the safety and security of the Agency's facilities so that the public and commerce may be assured of dependable, trustworthy, and safe passage throughout the region.

Comm. A. Sartor: Thank you, Ernesto. Any questions or comments?

Comm. H.S. Holmes: I have a couple of questions. I don't know if I missed it, but did we cover the tunnels in the presentation?

E. Butcher: Some of the tunnels, we did mention the fact that we've got increased surveillance in the tunnels, additional cameras, and that sort of thing.

Comm. H.S. Holmes: And, do we have a backup plan for the PIDS Program should a vendor or contractor not be successful?

E. Butcher: So far as the PIDS Program is concerned, the piece of that currently of concern is just one piece of the entire effort, and potentially if that piece turns out not to be functional, we believe that all the parts of the system will provide us with a much more robust protection of the perimeter than we've had heretofore. It would not be the full effort that we were considering, but we believe that it would provide significant support for the perimeters.

Comm. A. Sartor: Yes?

Comm. S. Grayson: Ernesto, do our partners share our sense of urgency and need for enhanced security?

E. Butcher: It is my sense that they do, but we're talking about human nature, and there are times when individuals do things that are not according to procedure but I think that we can say without any concern that in all of our interactions with all of our partners, they have expressed as much a sense of urgency on these issues as we have.

Comm. S. Grayson: You mentioned the 37 cameras at Newark-- most will be operational the end of March. When will that process be complete?

E. Butcher: The cameras themselves are operational. What we are concerned about are the recording devices that were attached to the cameras. And what we are trying to do there is to ensure that in the event that a device is not working that it will send an alarm. For all intents and purposes the cameras and the recorders are working. What we are doing is putting an alarm on them in the event that one was about to fail then we will be notified in advance.

Comm. A. Sartor: Anything else? [silence]. Very informative and much-appreciated. Anybody else have any comments? [silence]. If not, the meeting is adjourned.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Transcript
February 25, 2010

Comm. A. Sartor: Today's meeting of the World Trade Center Redevelopment Subcommittee is being held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. Today we have the Steve Plate show. [laughter] We'll start with the PATH Hall construction, Steve.

S. Plate: Good morning, Commissioners. Today I will recommend your approval of several actions necessary to continue our construction efforts at the various World Trade Center site-wide projects, including a major contract to advance World Trade Center Transportation Hub project. First I request your approval of a major contract for the construction of the PATH Hall for the World Trade Center Transportation Hub project. This contract was competitively bid with Skanska USA Civil Northeast, Inc., Granite Construction Northeast, Inc., Skanska U.S. Building, a joint venture of Skanska and Granite, being the lowest bidder at an estimated cost of $542,325,000, excluding extra work. This amount is approximately 5% under our engineer's estimate. Procurement and the Inspector General's Office are working closely with Skanska Granite to ensure the appropriate conflict of interest mitigation plan being implemented.

The Port Authority's October 2008 World Trade Center report identified the construction of the PATH Hall as critical for the delivery of the World Trade Center Memorial Plaza on September 11, 2011. The scope of work will include such items as the construction of all four platforms and installation of HVAC, mechanical, electrical and plumbing systems, and associated life-safety systems such as smoke management and emergency ventilation systems. This item also includes additional funding on the existing agreement with Downtown Design Partnership to provide related construction, architectural and engineering and services at a cost of $27 million. Commissioners, it is my intention to update the full Board today on this award as well as the progress on the World Trade Center Hub project.

Comm. A. Sartor: Any questions or comments on this particular award? I have some. This bid was a very tight bid. I think there were three firms within 5% of the bid--of this particular bid--and I think it's reflective of the fact that the documents that went out were very well done, and as a result of that, we got an excellent bid and it is 5% under what our engineering estimates were. Steve, the one question I had, this is very intense MEP. Did they name who their MEP group was going to be?

S. Plate: I actually met with them two days ago, and in that discussion we talked about a number of things, including the key staffing, but also the MEPs, because approximately half the project is MEPs. They provided us and Procurement with a list of the preferred vendors that they're talking to, we've dealt with them, they're all quality vendors, many of them--most of them--worked at the site, so we feel comfortable they're headed in the right direction.

Comm. A. Sartor: You're comfortable with that? Because that's critical.

S. Plate: And they've also said that they're looking for the quality firm, because they realize that this is such an integral part of it.

Comm. A. Sartor: You talked to them about the A-Team here--

S. Plate: Yes, sir--

Comm. A. Sartor: that we have to have the A-Team in order to do what we need to do.

S. Plate: We're actually actively talking about people, because we've known them for 20, 30 years and we know-- we've grown up with many of them as far as their abilities and what they can do, and they're a quality firm--both Skanska and Granite--and we're confident they'll get it done.

Comm. A. Sartor: And one of the things that I'd like to see is this Committee be briefed on the progress, maybe on a quarterly basis so we know where all of this is headed.

S. Plate: Yes, sir.

Comm. D. Steiner: Point of information: so the only thing that they're not doing is they're not handling the structural steel, is that right?

S. Plate: They're not handling the structural steel, yeah, that's correct, and--

Comm D. Steiner: And the roof.

S. Plate: Which is the structural steel, yes. They'll be actually pouring the concrete.

Comm. D. Steiner: Are they doing the roofing too?

S. Plate: Yes.

Comm. D. Steiner: So the only thing out is the structural steel. They'll be doing the glazing and everything else.

S. Plate: Yes. All the architectural finishes, the four platforms, all the civil structural—

Comm. D. Steiner: And the HVAC?

S. Plate: HVAC. Yes, sir, temporary and permanent because obviously, we have to keep the place operational during this whole-- This pretty well completes everything on the West Side of the Number One Line, and now you'll be hearing in the next few months of us moving into the East Side.

Comm. A. Sartor: What's your timing on the East Side in terms of going out with a bid?

S. Plate: We're actually out for interest right now for pre-qualifying firms, and we hope to go out in the next few weeks on at least the excavation and foundation and what I call structures to grade--the concrete structure to support the Oculus. And there will be a BAFO process, so it'll take a few months to get through that. We want to make sure we get the right firms, the quality firms.

Comm. A. Sartor: Okay. Any other questions on this?

Comm. H. Silverman: Are we still looking at a $3.7 billion total construction cost, Steve?

S. Plate: Yes, sir. Yes, sir. We're tracking that very closely.

Comm. H. Silverman: What's the point? I don't recall.

S. Plate: It's actually $3.26 plus there's some third party work, which is a billion, so it ends up to about $4.2-$4.3 billion total when you add in party for third parties.

Comm. H. Silverman: Is that just for the Hub, or does that include infrastructure?

S. Plate: It includes infrastructure, sir. Yes.

Comm. H. Silverman: So the Hub itself is—

M. Francois: $3.2.

S. Plate: $3.2 is directly related to the Hub.

Comm.H. Silverman: If we never built the Hub, we would not have spent $3-- just so we all understand what--

S. Plate: I haven't done that in a while, but we'd actually have to carve out a portion of it. I know what you're asking. If you actually look at the station versus the infrastructure, you still would have to spend a significant portion of that $3.2 just to provide the life-safety services throughout there.

Comm.H. Silverman: ...timing recently where the media is reporting the FTA has indicated that our timing has slipped, is that--

C. Ward: Could I answer that?

S. Plate: Yeah, sure.

C. Ward: The FTA was highlighting the risks not associated with our construction schedule and our delivery but rather the risks associated with the adjoining two Silverstein sites. And they are very concerned that if there's not concurrent development of the Silverstein sites, that could affect the project. That was not on our--

Comm. H. Silverman: And we have not shared with them any potential workarounds?

C. Ward: We have been talking to them about potential workarounds.

S. Plate: Yes, and that's making them more comfortable. But they still see some uncertainty, as Chris points out.

Comm. H. Silverman: Thank you.

Comm. A. Sartor: Any other questions? [silence] Seeing none, I entertain a motion that this be presented to the full Board for approval. Comm. H. Silverman: Motion to present. Comm. A. Sartor: Second? Comm. S. Grayson: Second. Comm. A. Sartor: Done. Steve, next item. You've got a series of issues with site logistics.

S. Plate: Yes, sir. Next I would like to recommend several actions under the Office of Program Logistics which will facilitate the safe movement of tens of thousands of pedestrians and hundreds of construction vehicles in and around the World Trade Center site.

To give a sense of the volume, the congestion on Vesey Street alone reaches 14,000 pedestrians traveling during the morning rush hour. This makes it one of the busiest streets in Manhattan. The first item to resolve that authorizes a Memo of Understanding with the New York City Police Department to provide for Traffic Enforcement Agents, or known commonly as TEAs, to mitigate these impacts of construction on vehicular traffic congestion on each of the five intersections on Church Street. TEAs are civilian members of NYPD with specialized training in traffic management and rules and regulations, intersection control, and ticketing. These services are for a 6-year period at a cost not to exceed $6 million. The Port Authority is required to retain these services as a condition of the New York City Department of Transportation permits concerning operation at the World Trade Center site.

The next two contracts authorize transportation planning and engineering services and site-wide logistic support services. The transportation planning and traffic engineering services contract was competitively bid, with Sam Schwartz Engineering being the highest rated and the lowest cost proposed at a cost of $3 million, excluding a 6% extra work allowance for a 2-year base period. The scope of work includes developing solutions for the frequent relocation of gates, on-street staging, coordination with construction managers on logistics, and obtaining required New York City DOT and New York State DOT permits as required. The last item, the site-wide logistic support services contract, was competitively bid, with Guardian Services Industries, Inc., being the lowest responsive bidder at a cost of $4,180,235, excluding a 6% extra work allowance for a 2-year base period. The scope of work includes work that was previously performed by Phoenix Constructors, such as placement of concrete barriers, signage and traffic control measures, lighting, paving, and numerous general services to maintain overall site logistics and security measures.

Comm. A. Sartor: Any questions on these three items?

Comm. S. Grayson: Steve, you talked about Traffic Enforcement Agent services.

S. Plate: Yes, sir.

Comm. S. Grayson: You said it's a 6-year obligation we have?

S. Plate: It's during the construction period, yes.

Comm. S. Grayson: And the $6 million, is that spread over 6 years?

S. Plate: It's one million a year roughly, so if we finish early, we just turn them off. It's not just to us; they do that throughout the City, and especially Lower Manhattan because of congestion.

Comm. S. Grayson: Thank you.

Comm. A. Sartor: I'll take a motion to move it to the full Board. Comm. R. Pocino: So moved. Comm. A. Sartor: Second? Comm. S. Grayson: Second. Comm. A. Sartor: Done. Next item.

S. Plate: Switching gears, I would now like to recommend an award of contract under Phase I of the World Trade Center Streets Program to provide for the installation of permanent utilities, interim sidewalks, and roadway services at Fulton, Greenwich, and Liberty Streets to enable us to meet September 11, 2011, deadlines. As you may recall, Phase I of the program was authorized in January 2009 at a total cost of $55 million. This contract was competitively bid, with CAC Industries being the lowest responsive bidder at a cost of $9,057,262, excluding extra work. The overall World Trade Center Streets Program, comprised of three phases, provides for the restoration of the streets and sidewalks, implementation of traffic measures, and development of public space.

Comm. A. Sartor: Any questions on this item? [silence] If not, I'll entertain a motion to move to the full Board. Comm. R. Pocino: So moved. Comm. D. Steiner: Second. Comm. A. Sartor: And Steve, you have another one.

S. Plate: Yes, sir. Moving over to the Memorial Museum Pavilion - HVAC, next I would like to recommend the assignment of a heating, ventilation, and air conditioning trade contract for the World Trade Center Memorial Museum Pavilion. This contract was competitively bid, with PJ Mechanical Corporation, Inc., being the lowest responsive bidder at a cost of $5.2 million, excluding extra work. The total contract also includes a payment to Bovis in the amount of $517,088 for construction management services. The scope of work includes the installation of the entire HVAC system as well as the purchase and installation of an emergency chiller that will service the Memorial Museum and Pavilion. The Port Authority's share of this contract is $280,000, excluding extra work and Bovis's general conditions, with the balance to be paid by the Memorial Foundation.

Comm. A. Sartor: Any questions on this item?

Comm. D. Steiner: Question. You said an emergency backup chiller. But that means that primary cooling is coming from the central plant?

S. Plate: Yes, sir. In fact, they're going to provide some of the-- Some of the building is for us too, so that's why we pay the prorated share of that.

Comm. D. Steiner: What do you mean by that?

S. Plate: We have some rooms in the building that--

Comm. D. Steiner: Okay, where the Port Authority is retaining control?

S. Plate: Yes, sir.

Comm. D. Steiner: Thank you.

Comm. R. Pocino: Motion to approve. Comm. D. Steiner: Second. Comm. A. Sartor: Move on.

S. Plate: Okay.

D. Tweedy: Keep spending money, Plate.

S. Plate: The next item requests ratification increase to the existing Memorial Foundation's trade contract with E.E. Cruz for additional work performed for the West Bathtub Foundation at an estimated amount of $3,395,215 resulting in a total authorization of $44,395,215. This authorization was necessary due to additional excavation to reach suitable rock for foundations and work performed on behalf of the World Trade Center Hub. This action will enable E.E. Cruz to close out their existing contract and mitigate impacts to the overall construction schedule. The scope of work included removal of soil, grading the site to prepare for steel erection, and clearing of the site to perform work at the Memorial and World Trade Center Transportation Hub. The Port Authority's share of this work is $1,937,588, with the balance to be paid by the Memorial Foundation.

Comm. A. Sartor: Any questions on this item? [silence] Seeing none, I recommend we move it to the full Board. Comm. H.S. Holmes: So moved. Comm. A. Sartor: Okay.

S. Plate: Our last item requests your approval to increase extra work allowances under seven trade contracts awarded for the construction of One World Trade in the amount of $17 million. This amount will be offset by unused extra work funds reallocated from other One World Trade Center trade contracts. The One World Trade project has been procured on a trade by trade basis in order to fast track construction. To date, 55 contracts have been awarded with a total aggregate extra work allowance of approximately $152.9 million. Some of these contracts will not require the full authorized extra work allowance. This action allows staff to continue to manage authorized funds in a proactive way and support the construction activities at One World Trade. Commissioners, I request that you advance these items to the full Board for approval.

Comm. A. Sartor: Just a point of information. You are taking these monies off of some other additional funds?

S. Plate: Yes. We're managing it as a total pot--the $152.9-- and we're balancing the books so it's exactly what you said.

Comm. D. Steiner: So there's no additional money? We're just rearranging the allocations.

S. Plate: Exactly.

Comm. A. Sartor: That's correct. Okay, I just wanted to make that clear. It wasn't.

S. Plate: Yes, sir.

Comm. A. Sartor: Okay.

S. Plate: We have already identified those.

Comm. A. Sartor: Not in here though. You have not identified them.

S. Plate: No. They're in a--

Comm. A. Sartor: You and I have talked about them, but I don't know where they come from.

Comm. D. Steiner: So the authorization is not for any additional funds but just the ability to rearrange within the contracts already given.

S. Plate: Yes, within the 55 contracts.

Comm. D. Steiner: Put that on this then.

S. Plate: Yes, sir.

Comm. A. Sartor: I entertain a motion that this be moved to the full Board. Comm. R. Pocino: So moved. Comm. A. Sartor: Second? Comm. D. Steiner: Second. Comm. A. Sartor: Done. I think that concludes our business for this Committee in record time.

Mr. Plate, not bad. Thank you.

D.Tweedy: Thanks, Commissioners.

The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Meeting Transcript
February 25, 2010

Commissioner Sartor: Today's meeting of the Committee on Capital Programs and Agency Planning is being held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

For discussion purposes, Susan Baer is going to talk to us about the LaGuardia Airport Central Terminal Building modernization program and retention of expert planning, architectural, and engineering services. Susan?

Susan Baer: As you know, we are currently undertaking the Phase II planning effort for the redevelopment of the Central Terminal Building at LaGuardia Airport. To advance this effort, we are seeking award of a contract for architectural and engineering services to provide for the conceptual design and analysis for the project. Today I'd like to review with you our recommended awardee for these services and to provide you an update on our progress to date and an overview of how we will be moving forward to complete planning for this critical project.

As you will recall, we have completed Phase I planning for the CTB, which included evaluation of possible options including no build, partial renovation, and complete reconstruction. The analysis showed that the redevelopment of the terminal would best meet the needs of passengers and airlines and would be the most economically viable option. Following the completion of the preliminary planning in November of 2008, you authorized $40 million for the Phase II planning effort. The objective of this planning effort is to complete the initial design and business plan for the redevelopment of the Central Terminal Building. Components of the planning effort include confirming the project scope and budget, advancing negotiations with the airlines on space utilization and fees and charges, determining economic feasibility. The work also includes value engineering, environmental reviews, preliminary design drawings, and detailed construction estimates.

Since 2008, staff has worked to advance the business and financial plans for the terminal through discussions with the airlines. Staff has also worked to advance the most critical element of the program: assembling the right team to complete this work. Following your review in June of 2008, we awarded a contract for up to $10 million to URS for as needed project management services. In conjunction with the project management team, staff has advanced the design development of the support infrastructure for the terminal. This includes designs for the replacement of the central electrical substation, replacement of the central heating and refrigeration plant, and taxiways. Staff is also working on utility management system updates, geotechnical base information development, landside access traffic modeling studies, and a sustainability plan. We expect that these studies will be completed by the summer.

To complete the team, last fall we issued an RFP for architectural and engineering services to facilitate completion of the conceptual design of the terminal and other elements of the redevelopment program. I will review the results of that RFP selection process with you today. Staff conducted a publicly advertised solicitation for the selection of A&E services. We received 13 proposals and rated each in terms of their firm and staff experience and qualifications as well as their proposed management

approach. The seven highest rated firms were asked to submit a more detailed proposal to allow staff to assess the technical approach of each firm. I have to say that the proposals were excellent. It's a tough environment out there, and we received a great number of excellent proposals. Skidmore, Owings and Merrill--SOM--received the highest rating and demonstrated the best overall experience, management, and technical approach. The SOM team has extensive experience with complex terminal redevelopment projects, has demonstrated an understanding of the CTB business model, and proposed an innovative approach to planning for the project.

SOM will provide services including program scheduling, airside, terminal, and landside planning, they will complete conceptual design of the terminal infrastructure including interline baggage screening, gates, and loading bridges, and building energy management systems. They will also work on the connectors and roadway structures. Other services will include a basis of design report, which provides the specs and code guidelines used by the engineer and architect to develop construction drawings. building information modeling, which will provide a 3D computer model of the project, construction staging analysis--very important at LaGuardia-- environmental review and support, all services necessary to comply with FAA standards and incorporate lead elements into the initial designs for the terminal. The total estimated cost for these services is $30 million, which we expect will be fully recoverable through PFCs.

As you know, Commissioners, redevelopment of the CTB at LaGuardia would enhance the overall operations of the airport and significantly improve the airport experience for our customers. Award of this contract for A&E services will assist us to complete the planning of this redevelopment program. With these services, we expect Phase II planning to be completed by the end of 2010 and completion of Stage I conceptual design by the first quarter of 2012. I request your concurrence with the award of this contract.

Commissioner Sartor: Thank you, Susan. Stan, any questions?

Commissioner Grayson: No, I don't think so.

Commissioner Sartor: Susan, what's the estimated cost of construction?

Susan Baer: That's one of the things we need to narrow down.

Commissioner Sartor: Yeah, I just want a ballpark number.

Susan Baer: The first construction numbers were up over $4 billion, which included the terminal design as well as taking down the existing garage and replacing all those parking places. What we're doing with this next phase is evaluating the need to do all of that, especially with the parking, as parking numbers have declined at LaGuardia. And also a lot of those dollars are in staging, and so we're looking at ways we can reduce the staging numbers so that we can bring that cost down because our goal is to get that cost down significantly.

Commissioner Sartor: So at the end of 2010 we'll have an indication of what the costs are.

Susan Baer: You'll have a much better indication.

Commissioner Sartor: Okay.

Susan Baer: And we can do an update along the way.

Commissioner Sartor: Okay, that would be good. I'd like that. Anything else, Stan? If not, I recommend we move this to the full Board. Commissioner Grayson: I second. Commissioner Sartor: Done.

Susan Baer: Thank you. [inaudible]

Commissioner Sartor: Yeah. Okay, thank you.

Susan Baer: Thank you.

Commissioner Sartor: By the way, you've got the ‘A team’ here on each one of these.

Susan Baer: Yeah, and by doing this second phase they provided us with all sorts of [audio stops]

The Port Authority of New York and New Jersey
Committee on Construction Transcript
February 25, 2010

Commissioner Pocino: Welcome to the Committee on Construction This is going to be a public session. Today's meeting of the Committee on Construction is being held in Public Session in its entirety. In addition this meeting is being broadcast live on the Port Authority's web site for those interested in viewing today's proceedings via the Internet.

For discussion today we have Replacement Toll Collection and Audit System with capability for future all electronic tolling. Victoria is going to tell us about that to start off with.

Victoria Kelly: Thank you, Commissioner, and good morning. I'm here today to request your authorization for a project to deploy a new toll collection system with the capability for all electronic tolling which is also known as Cashless Tolling.

The Port Authority's toll facilities are comprised of four bridges, the George Washington, Goethals and Bayonne Bridges and the Outerbridge Crossing and two tunnels, the Lincoln and Holland Tunnels. The George Washington Bridge has three toll plazas one on the upper level, one on the lower level, and one serving the Palisades Interstate Parkway. Each of the other facilities has one toll plaza for a total of 8 throughout the system. These 8 toll plazas include a total of 72 toll lanes some of which accept only E-ZPass tags and some of which accept both E-ZPass and cash.

In 2009, 243 million vehicles used the Port Authority's tunnels and bridges, generating $967 million in revenues. As I just noted, our toll collection system collects nearly $1 billion in revenue each year. The current toll system was installed in 1997 and is more than 12 years old. Other agencies in our region that installed their systems between 1995 and 2000 have either upgraded or entirely replaced their systems by now. Our system is past its useful life. Many components are no longer available from the original manufacturer and our software can no longer be upgraded. As a result of this obsolescence maintenance costs are increasing significantly.

The new toll collection system will equip the lanes so that they can function with E-ZPass and cash as they do today. However, the system we're installing will also be able to be used for Cashless Tolling. So, for example, the video equipment that we install will be used to capture images of violators, as we do today. When we go to Cashless Tolling, those same cameras will be used for our video toll customers. The current toll plaza structures will remain.

Implementing the new system in this manner significantly reduces our costs, as well as our risks, and I'll come back to this in just a moment. When installation of the new system is complete, we could continue to collect cash tolls, or we could begin Cashless Tolling using E-ZPass and video tolling either immediately or at some later date. In short, the system will be able to handle Cashless Tolling when we're ready to turn it on. This decision to deploy a new system within the existing toll lanes with the capability for Cashless Tolling, was based in large part on a risk assessment that examined how we might best replace the current toll

collection system while moving toward Cashless Tolling in a way that reduced our risk. Our initial risk assessment found that by deploying a new system with the capability for Cashless Tolling within the existing lanes, we could significantly reduce several key project risks that could have delayed implementation of the new system. For example, we need new legislation in order to implement Cashless Tolling, both to allow the use of cameras for the purposes of video tolling using license plates, as well as to strengthen the enforcement needed for billing and collection. By choosing to deploy this system in the existing toll lanes the legislation is no longer on the critical path, and any delays or potential delays in obtaining legislation will not impede our ability to implement the new system because if we need to defer the start of Cashless Tolling we can do so. We also conducted a risk assessment to tie project contingency to potential risks. The assessment identified what risks remain, how we might mitigate them and what costs they might result in should we be unable to fully mitigate them. This assessment led us to recommend an additional 15% of total project costs and contingency on top of the more customary 10%. The additional contingency is in large part related to this being a unique and complex deployment involving sophisticated software, but also takes into account some of the unknowns related to moving to a cashless system. For example, we plan to remove some toll booths once we move to a cashless sytem, but we may find that we can remove more than we expected, resulting in increased cost, but a better result in terms of traffic flow. We may also find that we need more staff time for legislation or business rules development than anticipated. While such needs are no longer risks for the actual deployment and start of operations of the new system, they do remain risks in terms of the work needed and therefore costs to move to a cashless system.

Today we're also seeking your authorization for the Executive Director to execute an agreement with PBS&J for program management and technical services to assist us in deploying the new toll collection system. The RFP was publicly advertised and PBS&J's was the highest-rated proposal. The agreement will be effective through December 31, 2013 with three 1-year extensions for a total cost of up to $10.5 million.

We are also seeking authorization for the Executive Director to clarify one of our current vehicle classes to allow this new toll collection system to classify these vehicles. Specifically, we may need clarification on how we identify what we call Class 2 vehicles. These are vehicles that have dual rear wheels which are challenging to identify without a toll collector.

Now I'd like to review a few key project dates. We plan to issue an RFQ at the end of the 1st Quarter of this year. We'll then issue an RFP for the system integrator early in the 3rd Quarter of this year with a planned award date by mid-2011. We expect to begin installing the new system in mid-2012, and plan to complete installation in late 2014. We'll be working in several lanes at two or three toll plazas at a time. While we expect some impact on our customers as a result of construction, we plan to take several steps to minimize the impact, including advance signage denoting alternate routes and a staging schedule that allows us to perform most work in non-peak periods. We will report back to you on our progress and we expect to have further discussions with you during this period to review some of the decisions that will be needed in order for us to implement the Cashless Tolling.

Commissioners, I request that you recommend for approval by the full Board a project for the replacement of the toll collection system at $175 million and the retention of PBS&J to provide program management services. Thank you.

Commissioner Pocino: Thank you. Commissioners? Any comments or questions?

Commissioner Sartor: Vicky, what process did you use in selecting Parsons Brinkerhoff?

Victoria Kelly: It's PBS&J.

Commissioner Sartor: Okay. What process did you use?

Victoria Kelly: We issued a publicly-advertised RFP and then we evaluated the responders based on a number of qualification-based criteria.

Commissioner Sartor: I want to make a suggestion because We just had a presentation made at Capital Planning concerning selection of a consultant to do planning work at La Guardia and I thought the presentation was very clear and concise. And it showed who the other people were who were putting a proposal together and what their ratings were in comparison to each other. It was helpful for me to see something like that. So I suggest you talk to Susan Baer and maybe you want to formulate that type of approach for all of these Construction and other Committees.

Victoria Kelly: I have all that information and I'd be happy to talk to you about it.

Commissioner Sartor: I'm sure you do.

Victoria Kelly: We could certainly put it in the presentation for you.

Commissioner Sartor: It was concise and it wasn't bulky or anything like that. I thought it was very well done. So I make that recommendation, Mr. Chairman.

Commissioner Pocino: I think that makes a lot of sense.

Commissioner Grayson: Having been at that meeting, I thought it was very helpful. I don't know a lot about Cashless Tolling. Are we the first to go down this road? Are we the leader in doing this?

Victoria Kelly: No, we're not. Cashless Tolling has been implemented in a number of roads, most especially in Florida and Texas. They typically have been implemented where a tolling agency or a state DOT is building a new road and faced with the choice of putting in the traditional toll collection system or a new one that collects tolls completely electronically. Those roads particularly, as I said, in those two states, have chosen to do that. But there's also a road in--there's roads in Colorado, there's roads in California, and there's many, many roads throughout the rest of the world that do it. Most of our partner agencies in this region, including the MTA, the Parkway, as well as South Jersey, are also looking at implementing Cashless

Tolling as they look at upgrading either their toll collection system hardware and software, or as they look at the need to upgrade or replace their toll plazas per se.

Commissioner Grayson: I know you talked about this in your presentation, but we've got a standard 10% contingency but you're recommending an additional 15%, and I guess in light of this being something that's been done many times around the country, I guess I'm wondering why do you think it's necessary to have such a large contingency?

Victoria Kelly: There's a couple of reasons, one of which relates to the fact that typically Cashless Tolling has been done on open roads, such as the Parkway, the Turnpike, the Throughway, as opposed to a bridge and tunnel environment. While it's been done elsewhere in the world in a couple of cases in bridge and tunnel environments, we feel that the traffic pattern that we see, for example, if you think of the Lincoln Tunnel or the Holland Tunnel during the rush period, and the congestion both at the toll plaza as well as at the tunnel portal, it's a bit of a different environment. So we want to be sure that there is a satisfactory way to be able to separate the vehicles and to read the license plates of the vehicles, in the case of Cashless Tolling, that do not have E-ZPass. That's one example. Another example of some of the risks that fall into that second 15% category have to do just with making sure that as we transition from today's system, where we collect cash and people are familiar with that, that we do it in a way that is very clear to customers. And so it may take a few extra steps compared with, again, a new road that is introducing that from the outset, from the opening of the road.

Commissioner Grayson: Thank you.

Commissioner Sartor: Do we have any indication of how much it's going to cost us for professional services project itself?

Victoria Kelly: The total project authorization is $175 million.

Commissioner Sartor: $175 million? Is professional services included in that?

Victoria Kelly: Yes. That's our estimated total project cost.

Commissioner Pocino: Has that entirely been built into our budget?

Victoria Kelly: Yes, it is.

Commissioner Pocino: What's the estimated life of the new system once it gets put in?

Victoria Kelly: Typically, what you would do with a system like this is, you would replace different components of it. So if you think about your own personal or your office computer, for example, there are software upgrades that happen every few years. There are hardware devices that over some frequency, maybe 3-to-5 or 7 years, are replaced. So it's not so much a matter of ending the entire system and replacing it new, as we're doing in this case, but really the need to continue to upgrade.

Commissioner Pocino: Maintain and to upgrade?

Victoria Kelly: Exactly. Upgrade to the newest version of the software, for example. And to be sure that that's there for support.

Commissioner Pocino: The capability of all that happening in a fairly easy manner will be built into the system and that it's interchangeable?

Victoria Kelly: Yes. Right. It needs to be part of our ongoing operating and capital budget from the time the new system is implemented going forward.

Commissioner Pocino: And of course built into the entire plan will be traffic management in the sense of avoiding massive delays when you're doing this construction?

Victoria Kelly: Oh, sure. That's the last thing we want to see happen.

Commissioner Pocino: Absolutely.

Dave Tweedy: In terms of the total project cost, Vicky's not taking credit for it, but they did an extensive alternatives analysis, and this project started with an estimated project cost over $300 million and for a larger project that probably entailed more risk, so I think this is a great example of a team going to work, given our financial constraints. And probably coming back with a project with a lot less cost but that we're very comfortable also mitigates risk, so I think that was a good part of this process.

Commissioner Pocino: That's good information. Commissioners, do I have a motion to move this on to the Board? Commissioner Grayson: Motion. Commissioner Pocino: Second? Commissioners: Second. Commissioner Pocino: All in favor? Commissioners: Aye. Commissioner Pocino: The Ayes have it.

Commissioner Pocino: The next item on the agenda for discussion is Participation Agreement in New York and New Jersey Pre-Apprenticeship Training Programs. Lash will take care of that.

Lash Green: Good morning, Commissioners. Today I would like to present to you two items recommending the Port Authority's continued participation in construction industry Pre-Apprenticeship Training Programs in both New York and New Jersey.

For the past 15 years the Port Authority, along with New York City Department of Education, New York City School Construction Authority, Building Trades Employee's Associations, and various New Jersey School Districts, and, most importantly, a number of construction industry labor unions, have supported programs that provide apprenticeship opportunities to minorities and women who want to pursue a career in the skilled construction trades.

Today we're recommending funding of $100,000 per year for the next 3 years to the New York program, the Edward J. Malloy Initiative for Construction Skills, formerly known as

Construction Skills 2000. We're also recommending funding for a combined total of $150,000 for the next three years for two New Jersey programs, The Newark/Essex Construction Careers Consortium Program, and the New Jersey Pathways Program.

Today we're also recommending to enter into a Memorandum of Understanding with several New Jersey partners on a new initiative, Construction Careers, which will provide pre-apprenticeship program graduates with systematic pathway into union-sponsored skilled trade apprenticeship positions. As part of the agreement, unions affiliated with the New Jersey State Building and Trade Council, and contractors and subcontractors associated with the Building Contractors Association of New Jersey would reserve 10% of the openings in each of their apprentice classes for Newark/Essex Construction Careers Consortium and the New Jersey Pathways Program graduates. The Port Authority would require its contractors and subcontractors working on New Jersey construction projects valued at $1 million or greater to participate in a pre-apprenticeship program registered with the U. S. Department of Labor.

The Port Authority has participated in the development of pre-apprenticeship programs since 1995. These programs address important workforce objectives. They increase the pool of minority and female apprentices by recruiting and exposing young adults from urban communities to opportunities in the building and trades. They implement institutional changes in the way the skilled trades select their apprentices. Each program is somewhat similar in that they provide high school students and to an extent other young adults with classroom instruction and on-the-job training in specific trades, summer internships, and ultimately preferred placement in craft unions.

The success rates of these pre-apprenticeship programs have been measurable and encouraging. In New York since 2001, 1,450 students completed the curriculum; 1,110 were placed in apprenticeship programs in 54 union affiliates. 89% of the students are ethnic minorities. In New Jersey, since 2001, approximately 950 young people completed the program and 700 have been placed in apprenticeship programs in 18 different construction trade unions. 91% of the participants are ethnic minorities. Commissioners, these programs continue to be among the most successful of their type in the region. Many of the graduates have gone on to work as skilled professionals on major construction projects in the region, including those commissioned by the Port Authority and our tenants, such as the Jet Blue Terminal at JFK and the World Trade Center Redevelopment Projects.

Our continued support of these programs will ensure a pipeline of skilled and motivated workers to support the region's future growth. Commissioners, I request that you advance these items to the full Board for approval today.

Commissioner Pocino: I'm going to ask that Commissioner Sartor handle this item for the Committee. I'm going to recuse myself from this discussion.

Commissioner Sartor: Any questions? [silence] Commissioner Sartor: Very well done, Lash. Recommend that we move this to the full Board if necessary. Commissioners: Motion. Commissioner Sartor: Okay. Done.

Lash Green: Thank you.

Commissioner Pocino: Thank you, Lash. The final item for discussion is the John F. Kennedy International Airport Update on Bay Runway Project, Rich Louis.

Rich Louis: Thank you, Commissioner. Today I'm here to provide you with an update on the project for the reconstruction of Runway 13 Right, 31 Left, known as the Bay Runway at JFK. The project will result in the complete reconstruction of JFK's largest runway and the addition of new connecting taxiways and improve access to the runway and reduce delays.

The Bay Runway team, which includes the FAA, representatives of the airlines, Port Authority aviation and engineering staff, and the contractor, Tutor Perini, are completing the final stages of the 2 1/2 year detailed planning effort. We are now ready for commencement of the most critical stage of the project, the 120-day runway closure period, which will begin on Monday, March 1, and during which a 2 mile portion of the runway will be reconstructed.

Today I will provide you with an overview of the planning and site preparation work that has taken place to date and describe the work plan for the 120-day closure. Staff has worked carefully to develop a schedule that would minimize the duration of time the runway will be closed, and to sequence the work to minimize the impact on the airport operations during peak summer travel.

This is a snapshot of the project schedule. Design was completed in February 2009 and following your review a contract was awarded to Tutor Perini in June of 2009. An extensive site preparation and contract immobilization effort began at that time and is nearing completion. On Monday, March 1, we will commence the 120-day closure period to allow for construction of the largest section of the runway, shown on the slide in green. We anticipate opening this section of the runway on or before June 29. The remaining sections of the runway construction, shown in blue and red, will be completed while the green section is fully operational. Taxi rework will follow and the project is scheduled for full completion by November 2011. We have worked extensively on planning for this project, particularly for the upcoming closure of the runway. Early on we engaged airport stakeholders who will be impacted to establish an ongoing program of communication and exchange of information. We have also worked extensively to ensure the best possible coordination with the airlines and the FAA. Together we have produced the revised operating plan for the airport to minimize the impact of the runway closure on our customers.

As shown in the graphic, the operating plan utilizes the remaining three JFK runways in new configurations. It also calls for voluntary reductions in flight activity by JFK's three largest carriers and utilizes new ground movement procedures to better match demand with available capacity. Steps have also been taken to address the timely completion of contract work itself. Prior to bidding the contract, we built in contract incentives to keep project milestones, and significant penalties for failure to meet project deadlines. We have also conducted detailed risk analyses of each of the project stages and incorporated various risk mitigation efforts such as the pre-purchase of long-lead time materials and the preparation of a detailed security plan to ensure ready access by the contractor to the work site. As you know, the majority of

construction work requires rapid and efficient production of paving material. Therefore a priority for the team was to ensure that required concrete production rates could be met for each day of construction. To address this the contractor built a concrete plant and a back-up concrete plant on-airport. As a further contingency the contractor has also engaged an offsite concrete plant to be used if needed. To verify the quality of the concrete paving methods and materials, in November the contractor completed the construction of taxiway Kilo Charlie, shown in the aerial photo on the right. This work served as a test section for the paving of the runway itself. The test section proved that the required level of concrete production and quality could be achieved by the on-site plant. It also validated the contractor's means and methods including the use of slip form equipment for the paving, shown on the left. Further, it demonstrated that adequate steps have been taken to minimize the impact of the construction on ongoing airport operations.

With the preparation stage complete, the Port Authority and contractor teams are ready for the 120-day runway closure period, beginning in the early morning hours of March 1. The work will require 24/7 activity by the team for the completion of the entire 10,700 foot segment of the project. You see here, again in red, the areas of work that will be completed. The blue line indicates the security fencing that will be put in place around the work area to secure the site from ongoing operations. The yellow line indicates the access road the contractor's team will use to move over 250 trucks and 300 to 400 workers each day. The scope of work includes over 260,000 square yards of milling, 151,000 cubic yards of concrete paving for the runway, and 220,000 tons of asphalt paving for the runway shoulders. In addition the work will require the installation of over 1,100 light cans, 40,000 linear feet of cable, and 17,000 feet of drainage infrastructure. Here's a cross section of the new runway. As you can see, it will include a 200 foot concrete center section for the runway itself, and 80 feet of asphalt for the shoulders on each side. Also shown are the locations of the new center line and edge light lighting infrastructure. To accomplish this work within the 120-day schedule, the contractor has prepared a detailed milling and paving plan. The paving plan calls for the placement of 2,700 cubic yards of concrete each day and the onsite plan provides for additional capacity if needed. It can produce up to 4,000 cubic yards within a 10-hour shift.

Here is the specific sequencing of the work. The gray segment is the first section that will be completed, followed by the green, pink, gold, and light blue sections. The dark blue shows the completed taxiway Kilo Charlie. During each day's shift sections will be milled, conduit and lighting will be installed, and finally the section will be paved with 18" of concrete. Preparation and maintenance work will occur during the night shifts to prepare for the next paving day. Contingency plans have been built into the schedule to compensate for bad weather days and other unforeseen conditions, and additional work shifts can be achieved by utilizing Saturday night and Sunday day and night shifts. Staff will be carefully monitoring the contractor's progress, meeting daily to assess the work that has been completed and troubleshooting issues as they arise. With the careful planning and preparation work completed to date, we feel confident that steps have been taken to mitigate potential risks of the schedule and minimize the impact of the project on the rest of the airport. We will continue to update you periodically on the progress of the project, and I would be happy to take any questions.

Commissioner Pocino: Commissioners, any questions or comments?

Commissioner Sartor: I liked the presentation. It was very helpful. Obviously there is a lot of concern about what is going on in terms of what effects this will have on our air space. I get a good, warm feeling here. I gather Tutor Perini is performing well.

Rich Louis: He has performed well on that test section and we think we have a good team that can deal with any issues that come up during this period.

Commissioner Sartor: Well, good luck, and continue to keep us informed.

Rich Louis: Thank you, Commissioner.

Commissioner Pocino: Any other Commissioners?

Commissioner Grayson: I would just echo Commissioner Sartor's comments. I think I had asked Susan about the status of this project just from sort of oversight concern. I get a good feeling that we've got it under control, so, good luck.

Rich Louis: Thank you, Commissioner.

Commissioner Pocino: Okay, with that, do I have a motion for recommendation or do we need it?

Larry Hofrichter: We don't need it.

Commissioner Pocino: We don't need it? Okay. That concludes our agenda. This meeting is finished. Thank you very much for your participation.

The Port Authority of New York and New Jersey
Committee on Finance Transcript
February 25, 2010

Commissioner Silverman: This portion of today's meeting of the Committee on Finance will be held in public session, after which the Committee will meet in executive session to discuss matters related to the purchase, sale, or lease of real property or securities where public disclosure would affect the value thereof or the public interest. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

The only item for discussion is the quarterly investment portfolio report by Anne Marie Mulligan.

Anne Marie: Good morning, Commissioners. Today we have an update for you on the Port Authority's investment portfolio as of December 31 and the interest earnings for last year. The investment balance as of December 31 was $4.3 billion and provided a realized return of 1.69%. Earnings were $65.2 million for the year, which was $1.8 million over plan. The improvement in earnings over plan was primarily due to higher investment balances associated with borrowings to support the capital program, adjustments made to the investment mix of the portfolio, and conservative earnings estimates. As the chart indicates, staff reallocated the mix of certain investments since the end of 2008 in order to earn more income while maintaining the safety and security of the portfolio. The use of U.S. Treasury securities, agencies, and commercial paper was reduced to incorporate NOW accounts, TLG Pay notes, and collateralized time deposits. The yields on traditional short-term Treasury securities were extremely low throughout 2009, as investors sought the security of U.S. government obligations. The use of NOW accounts, TLGP notes, and collateralized time deposits helped to improve the overall earnings of the portfolio. As of the end of 2009, the U.S. government had essentially reduced the NOW account aspect of the TLGP program because even though they extended the program through June of 2010, the fees that they've now assessed to the banks to participate in the program have increased substantially. So therefore, the banks have either withdrawn from the program or have reduced the earnings rates on the amounts on deposit. To replace the NOW account investments and to continue to earn a higher return than the U.S. Treasury securities while still maintaining the safety of the portfolio, staff worked with multiple banks to open accounts that would comply with our deposit requirements of being collateralized with U.S. government securities up to 110% of the amount on deposit.

This chart presents a comparison of the investment yields for 1-month, 3-month, 6-month, and 1-year Treasury bills throughout 2009. As you can see, the rates were extremely low and even the earnings rate on the 1-year bill was below 50 basis points for most of the year. The bold black line represents the earnings rates that were achieved through the investment in NOW accounts and collateralized accounts. By investing in this FDIC guaranteed program and deposit accounts, the portfolio earned on average 30 to 45 basis points, more than would have been possible through treasury securities. These accounts provided an attractive and safe alternative investment for the portfolio and provided the necessary liquidity to support our short-term

funding needs for day-to-day operations and for funding the capital program. As I've mentioned, in order to maximize financial income, three additional investment types were utilized in the management of the portfolio over the past year.

This slide depicts the additional earnings that were produced by the NOW accounts, TLGP notes, and collateralized time deposit for each month last year. As we discussed throughout the year, the use of NOW accounts and TLGP notes were made possible by the Temporary Liquidity Guarantee Program that the federal government established in late 2008. Collateralized time deposits technically are not new to the portfolio but had not been used in many years due to the uncompetitive rates as compared to other investment opportunities. The integration of these investments produced an increase in financial income of about $7 million, or 10.6% over the use of our standard investments. This slide depicts the realized return by month for the calendar year 2009 as well as the federal funds rate during the same time period. Year-to-date the average earnings rate for the overall portfolio was 1.69% based on a combination of existing holdings in the portfolio and earnings rates at reinvestment. The portfolio earnings rate has continued to decline due to the reinvestment of funds at current lower market rates. The fed funds rate remains in the 0% to 25% range, and it's likely that it will take some time for rates to increase. As a result, short-term, high quality investments will continue to earn very low returns for the foreseeable future. In 2010 financial income is estimated to be $53 million at an earnings rate of 1.5%. That's it.

Commissioner Silverman: Could you put the first slide back up, please? We have $800 million more in cash or at least of investable assets. Do we also have $800 million more debt?

Anne Marie Mulligan: It is mainly from debt borrowings that we did late in the summer and in the fall to support the capital program.

Commissioner Silverman: Okay. So that, unfortunately, produces negative arbitrage.

Anne Marie Mulligan: Yes, it does.

Commissioner Silverman: So is there a way of managing our cash more efficiently to avoid-- Let's say there's a three or four point spread on $800 million that's $25-$30 million of negative arbitrage. Is there a way of managing cash more efficiently, like a revolver, for example?

Anne Marie Mulligan: Because we need to borrow in different types of categories based upon the components of the expenses in the capital program, we do try to manage the timing of our borrowing so we don't borrow too far in advance. The World Trade Center is the biggest area where we had borrowed $750 million in the mid-summer time frame. Based upon their projected spending needs, that was going to take us through the end of last year into the first quarter of this year. Their spending hasn't been at the pace they originally intended, and we also had received some insurance proceeds from settlement of 9/11 claims for the Port Authority that we've been using and dedicating to the World Trade Center site.

Commissioner Silverman: Are we allowed to have a revolver? Is that a permitted capital event for the Port Authority, meaning which is the more efficient way of managing that delta between cash and debt?

Anne Marie Mulligan: We use a commercial paper program so that we can reduce the amount. Our commercial paper program is set at a maximum of $500 million-- $300 million for projects subject to the AMT where the borrowings would be, and $200 million for public purpose type projects.

Commissioner Silverman: Could we change that?

Anne Marie Mulligan: We will be going forward. That program expires this year, so we will be coming forward for authorization to renew that program this year. Part of the problem we might have is liquidity facilities. So we will be going out with RFPs this year to secure liquidity facilities to support the commercial paper program.

Commissioner Silverman: The first payment is backed by a bank alliance, so if we're going to get bank loans, then we could also theoretically get a revolver. The way most companies manage cash is exactly that. You have a revolver, you take it down, you pay it off, take it down, pay it off. As I said, I don't want to beat a dead horse, but $800 million of negative arbitrage is really very inefficient. I understand that you don't control the pace of spending. We should try to find a more efficient way to manage cash and debt.

Anne Marie Mulligan: Okay.

Commissioner Holmes: So can we consider a revolver?

Anne Marie Mulligan: We'll look into it.

Commissioner Holmes: Because it's basically if you don't have to have liquidity for a commercial paper [unintelligible]

Commissioner Silverman: I mean, I'm making the assumption that it's only $800 million. It could be more than that. I'm just looking at the increase in cash year after year. We really don't know how [unintelligible] So it's worth looking into.

Anne Marie Mulligan: We will.

The Port Authority of New York and New Jersey
Committee on Operations Transcript
February 25, 2010

Commissioner Silverman: ... is being held in public session in its entirety and is also being broadcast live on the Port Authority's web site for those interested in viewing today's proceedings via the Internet.

We only have one agenda item, the Stewart International Airport Agreement with the New York State Police. Susan Baer will walk us through that.

Susan Baer: Thank you, Commissioners. As you know Police coverage at our airports provides critical support for complying with Federal security regulations and ensuring the safety of our customers. Today I'm seeking your approval for an agreement with the New York State Police to continue to provide law enforcement services at Stewart International Airport and as part of this agreement I'm also seeking project authorization for redevelopment of the New York State Police Regional Crime Lab currently located on the airport.

The agreement with the New York State Police would provide Stewart Airport with required Police [no audio] since the 1970s. They currently provide these services under a 1990 agreement with the previous airport operator in exchange for occupying several airport buildings for its operations. Over time the New York State Police has relocated many of its functions off of the airport with the exception of the Regional Crime Lab. This agreement is set to expire in March of 2010. Currently the New York State Police Regional Crime Lab is located on Stewart Airport. However, the building has reached the end of its useful life and is no longer adequate for long term use. New York State contemplated closing the Regional Lab and consolidating its analysis services with their crime lab in Albany. This change would eliminate more than 20 high-skilled jobs in the Mid-Hudson Valley region and add cost to the local police, who would have to travel longer distances and possibly wait longer for evidence to be reviewed. In order to ensure continued law enforcement services at the airport, staff has negotiated a new agreement with the New York State Police that would provide Stewart with police services and allow for the redevelopment of the crime lab facilities.

The new agreement would provide for a 10-year term, commencing in April of 2010. The New York State Police would continue its law enforcement services, providing adequate staff to respond to all airport and in flight emergencies, security incidents, and conduct investigations and arrests. The staff provided would include a Sergeant and 10 Troopers covering Stewart Airport on a rotational basis 24 hours per day 7 days a week. In the event that additional law enforcement personnel resources are needed during heightened security alerts, the New York State Police will work the Port Authority to provide additional staffing and the Port Authority would cover additional costs. This agreement will allow the Port Authority to benefit from New York State Police's existing experience with Stewart Airport, and ensure the continuity of law enforcement services. For 10 years of law enforcement services the Port Authority will make a capital investment of up to $10 million to construct a new regional crime lab facility of approximately 18,000 square feet on Stewart Airport property. The New York State Police will occupy the facility rent free over the 10 year term. Under terms of the agreement the Port Authority will continue to provide for maintenance of the facility as well as snow removal and landscaping services. The New York State Police will furnish and equip the crime lab and cover utilities and building

security. To conduct its operations, New York State Police will also continue to operate out of office space located in the air passenger terminal. Incidental costs associated with police services such as radios will be covered by the Port Authority. Commissioners, staff recommends retaining the New York State Police for the 24 hour police coverage required for the airport in exchange for the use and occupancy of a new crime lab facility. I'm asking your approval to enter into a 10 year agreement with the New York State Police. In connection with this agreement, I'm also asking for your approval to design and construct a new terminal at a total project cost not to exceed $10 million for the use and occupancy of the New York State Police Regional Crime Lab over the same 10-year term. With your approval we would expect to bring a recommendation for award of this construction contract for your review in early 2011 and for construction of the building to be completed by the end of 2013. I ask that you recommend this important safety and security agreement and project for approval to the full Board.

Commissioner Silverman: Any questions?

Commissioner Steiner: One question. Why is it limited to 10 years? Are there option periods? Don't we want a longer term?

Susan Baer: They did not want a longer term than 10 years. Not knowing exactly where their budget will be and what will be happening 10 years from now, they are very amenable to continuing this agreement beyond 10 years if it is one that is useful to both of us. The building itself is a useful building on the airport. As you probably know we have many old buildings at Stewart Airport and so to have this new one on the airport will be a good thing for us. We fully expect to be able to negotiate at the end of this time for continuation of this agreement.

Commissioner Steiner: Thank you.

Susan Baer: You're welcome.

Commissioner Silverman: Have we done a cost/benefit analysis? It's going to cost us $10 million so maybe it's a use of money calculation and then we're getting 11 cops that we would have had to presumably supply. What's the answer to that question?

Susan Baer: It's that we could spend up to $12 million for the building and still come out ahead. That's the short answer to it, but we have done that. This is a good use of the Port Authority's resources. It's also an excellent opportunity for the communities because they were so very concerned. There was a big public outcry when they were closing the lab because of the distance that the local police forces would have to travel to get these services. So it's also very popular among the communities up there. That's an added win to this overall thing. It's financially good for us, but it's also good for us as good neighbors in the community.

Commissioner Silverman: It's a little off point, but Stewart was bought with a set of economic assumptions which obviously turned out to be erroneous. I know it was your predecessor who essentially recommended it. So, can you give us an update as to how far off we are from our original business forecast?

Susan Baer: I think we should, should make it probably the subject of a longer discussion, perhaps a presentation at some point of where we are. What happened at Stewart was it was an era where traffic

was growing and the economy was still in a very up mode. There was a set of expectations. Clearly those have not been realized because traffic has diminished considerably, although we're getting little inklings of good news up there and we're trying to improve that. We have made a serious effort to cut costs up there so that we weren't incurring additional costs. It was an interesting process for us because originally the idea was we were going to make this "Newark North" or something, all the Port Authority really great customer service enhancements. And while we have, I think, greatly improved customer service we are doing everything very gradually and very economically and positioning this as the economic alternative. So I can't off the top of my head tell you how far off from the original expectations we are, but we are making a very strong concerted effort to keep cost down.

Commissioner Silverman: Order of magnitude – 50 percent off? - 60 percent? - 30 percent?

Susan Baer: Passenger traffic--we're at 50 percent of what we anticipated, so that's probably a useful number.

Commissioner Silverman: That's probably a good proxy for economic activity. Anything else? Do we need a motion on this?

Karen Eastman: Just to carry it forward to the full Board.

Commissioner Holmes: Motion. Commissioner Silverman: Second? Commissioner Steiner: Second. Commissioner Silverman: All Commissioners in favor of the motion. We are adjourned.

The Port Authority of New York and New Jersey
Committee on Construction Transcript
April 29, 2010

[Comm. R. Pocino] Let's get started. Good morning to everyone. This is the Committee on Construction, and this first part will be a public session. The Committee on Construction, as I say, is meeting in public session, It's being held for the purpose of which the second part will meet in the executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. For discussion, the first part of the meeting is a quarterly update on major projects. Ernesto Butcher is going to give that for us, Ernesto.

[E. Butcher] Good morning, Commissioners. Thank you. Today I would like to provide you with the first of the series of quarterly updates that we will begin to provide the Committee on the status of significant projects that are scheduled for delivery within the agency's capital program. Specifically, today I would like to update you on the status of two projects that we previously identified as being projects with high risk and for which we committed to provide you with status reports on an ongoing basis. These projects are the new toll collections system with all electronic tolling capability and the PATH Signal Replacement Program. I'll also provide you with an update on the noteworthy JFK Bay Runway reconstruction project.

The first project is the new toll collection system with all electronic tolling capability. In February, 2010, the Board authorized a $175 million state of good repair project to deploy a new toll collection system with cashless tolling capabilities in existing bridge and tunnel toll plazas, as well as, an agreement with PBS&J for program management services to assist with the deployment of the new toll collection system. Of this amount, $7.6 million was allocated for capital spending in 2010. The project has completed approximately 30% of its design and is currently on time and within budget. The all electronic tolling request for pre-qualifications was made public on March 15, 2010, and responses have been received. Vendors that are deemed qualified will be eligible to receive the request for proposals. We expect that the request for proposals will be released to qualified vendors by August of this year. At the same time, program staff will continue to identify revisions to policies and procedures that will be needed to implement cashless tolling.

The second project, the PATH Signal Replacement program, was conducted in two phases. The first phase, which was authorized in September 2003 with the PATH Rail Car Replacement Project, required that signal suppliers demonstrate how their Automated Train Control Signal System would work in the PATH operating system and meet other deliverables, such as system safety and interface. All of the successful suppliers then submitted their proposal for phase two to design and install the automated train control system at PATH. The PATH Signal Replacement Project phase two was authorized by the Board at the October 2009 meeting for $580 million for the replacement of the existing antiquated signal system with an automatic train control system using communications-based train control technology and includes complying with new legislative regulations for installing positive train control systems. In December of 2009, an award of contract was issued to the Siemens team. A consortium of three companies, Siemens, Invensys, and D/A located in New York City and Newark, New Jersey, where they

will design and install a new automatic train control signal system for PATH. The contract is for $365 million, including net costs and extra work provisions. There is an allocation in the 2010 capital spending plan of $65 million. Port Authority staff will continue to work closely with Siemens team to monitor and oversee the project. We believe that this project is progressing on time and currently is within budget, and we expect to meet the mandate of installing positive train control by the end of 2015.

This project, the JFK Runway 13R-31L pavement replacement and delay reduction improvements was not among the projects that we indicated as high risk, but it had its particular features to it, including a 120-day closure which we thought would be important to bring you back up-to-date on our progress of this particular project. The project authorization for this project was received in February, 2009, for $373 million to reconstruct runway 13R and 31L, which is 13 right and 31 left, known also as the Bay Runway at Kennedy airport. It includes the construction of new drainage and electrical infrastructure, the widening and extending of existing taxiways, and the construction of new taxiways. There is an allocation of $147 million in the 2010 capital spending plan for this project. The Phase I portion of the project which is the replacement of the pavement on 13R-31L is authorized at $292.4 million. Beginning in March 1st, the runway was removed from service and an intensive effort known as a 120-day closure began, which will reconstruct the western end of the runway and return it to service in late June. The first stage of work provided for was the construction of Taxiway KC or dubbed the "Test Section", which is shown on the right, was completed in the fourth quarter of 2009. That project validated the slip forming method of construction that we were to use for the runway itself. So, completion of that section was an important piece of this effort, especially as it relates to our ability to complete the 120-day closure for the runway. The runway work has begun in earnest with all segments, including concrete, asphalt paving, electrical and drainage elements as shown on the left, moving according to schedule. The 120-day closure, we believe, is proceeding well, with approximately 62% of the new runway concrete paving, and 47% of the new runway shoulder asphalt paving completed to date. Progress meetings are on-going with the contractor, Tutor Perini, and frequent coordination meetings are held with the FAA and airport community. I should add, Commissioners, that this particular project, there were concerns about delays as a result of doing this project. and I'm pleased to inform you that delays have not shown themselves to be any different than prior years. We still average around a 30-minute delays. In fact, one of the important things that we've done in this effort is to provide a new metering system for aircraft that are going to the runway, as opposed to all aircraft leaving the gate at their own will, we have now established a system where they can't leave the gate until we provide them the opportunity to do so. In fact, the carriers have shown themselves to be particularly pleased with this effort, because it's saving them not only time, but significant fuel costs. There is a potential that they may be asking us to continue this after this runway project is completed. It's one of the first anywhere to use this kind of system for moving aircraft to runways.

In closing, Commissioners, we'll continue to monitor these projects as we've offered to you these are the significant projects that we've indicated that we've had some concerns with. We will come to you on a frequent basis to give you further updates on these projects.

[Comm. R. Pocino] Thank you. Do any Commissioners have any comment or questions?

[Comm. A. Sartor] It's good to hear that delays are comparable to what they were in the past.

[E. Butcher] That's right.

[Comm. R. Pocino] Good to hear also that they're all on time and within budget.

[E. Butcher] Yes.

[Comm. A. Sartor] You've got to watch that, though.

[E. Butcher] Yes, sir, we will.

[Comm. R. Pocino] Okay, our second presentation will be on the JF Kennedy International airport Central Substation Upgrade and Refurbishment project re-authorization. Frank Lombardi.

[F. Lombardi] Thank you, Committee. Good morning, Commissioners. As you know, we have begun discussion with you on the delivery on the agency's capital program. As part of those updates, it is our intent to bring to your attention the issues, successes, and difficulties that we may be encountering in the process of delivering our capital plan. While we are pleased to report to you our quarterly results on major capital projects today, we are also here to seek your authorization for additional funding, that will provide for the successful completion of the JFK Central Substation, which will insure that the necessary level of electrical service is provided to the Central Terminal Area, including redundancy in the event of power failures.

Commissioners, the subject project provides for the rehabilitation of the airport's central substation. Its location is indicated on the map to the right. The upgrade was necessary since the equipment, known as switchgear, was reaching the end of its useful life. The small graphic on the bottom is a simple photograph of what an electrical switchgear includes. Basically, it is a series of very large circuit breakers. The scope of work also included the reconfiguration of the electrical cables in the Central Terminal Area, basically providing for dedicated electrical feeders to each Terminal building.

The project was authorized in May 1994, and two contracts were awarded - one for procuring switchgear, and one for the installation of the equipment, and reconfiguration of electrical cables. Commissioners, the photograph on the right gives you a sense of the electrical complexity of this contract. The red lines are the underground electrical lines that needed to be either built in their entirety or rewired from the substation to the Terminal buildings. The graphic on the left shows in simple terms what work remains at the substation. As you can see, the vast majority of the substation work is completed.

As of today, two substations (E and F) switchgear have been refurbished and are in operation. Three (A, B, and D) switchgear have been replaced and are in operation. The last one (C) is in place but not in operation. The work to be done includes demolition of existing switchgear C, construction of electrical connection to switchgear C, reconstruction, reconnection of feeder cables as needed, and to clean and energize the equipment, as needed. The completion of the remaining work is necessary in order to ensure the level of electrical reliability and redundancy in the Central Terminal Area. The forecasted completion date is December 2011.

Commissioners, as you know, JFK has undergone significant redevelopment since the mid-1990s. Unfortunately, this extensive redevelopment had a significant impact on the completion of this particular contract, resulting in several delays since the start of the construction contract in 1996. While this electrical upgrade is critical to overall airport operations, most of the airport terminal redevelopment work postponed this particular substation work, which was essentially put on hold many times. You

can see from this slide that the redevelopment work took place from 1994 through 2008. The work included 5 Terminals, 4 parking garages, and the AirTrain system. In addition to the development work, the events of September 11th, as well as Con Ed's priorities, adversely impacted this substation construction. Throughout all of these events, system shutdowns, electrical load transfers, as well as electrical connections and re-connections were required. In summary, other airport work and events delayed the substation construction by 13 years. Nevertheless, this contract provided an effective means to provide electrical support to the airport development as it occurred.

Commissioners, the unfortunate reality of this contract is that, while the airport's re-development electrical needs were satisfied in a timely manner for several major Terminal development projects, the subject contract has experienced significant delays. This time extension had associated cost impacts on all of the project components, including a contractor claim due to time extension impact costs. While the contractor payments to date have not exceeded the authorized amount, they will increase by approximately $300,000, which covers escalation costs for the remaining work. Staff time, as well as general expenses, have gone up to cover the time extension impact costs. We are also seeking $900,000 in contingency, in the event of unforeseen coordination. Commissioners, your approval for $11.2 million in additional funds will provide for the successful completion of this project for the total amount of $32 million. Commissioners, with your approval, we will complete this Substation work in 2011.

[Comm. A. Sartor] Can you give us a breakdown of the $11 million?

[F. Lombardi] Yes.

[Comm. A. Sartor] You threw out two numbers but there's no breakdown (inaudible). There's approximately $2 million, Commissioner, for contractor payments and the claim. There's an additional staff cost of approximately $3 million. There are general administrative and financial expenses and insurance of $5.5 million. There's the project contingency of that approximately $1 million, for a total of $11 million.

[Comm. A. Sartor] The switchgear was purchased back in '95, '96?

[F. Lombardi] Yes, sir.

[Comm. A. Sartor] You've had this?

[F. Lombardi] Yes, we've had this for a while.

[Comm. A. Sartor] That's a big savings. If you had to purchase it today, I'm sure the numbers would be a lot higher.

[Comm. R. Pocino] This is a project that we've gone over before as one that has significantly overran the initial costs, if I recall.

[F. Lombardi] Correct.

[Comm. R. Pocino] Let me ask you this question. What's the feasibility of any more delays happening before December of 2011?

[F. Lombardi] That's why we've added on additional contingency items, and we've taken into account the number of electricians that would be required to do the work, and if we were to see and come across something that's unforeseen because it's underground; that's the other reason why we've added an additional $900,000. But we will be finished by December 2011. We've allowed additional time to complete this.

[Comm. R. Pocino] We'll continue to get reports in terms of where we are with this project as far as on time and within budget?

[F. Lombardi] Yes, Commissioner.

[Comm. R. Pocino] Any other comments, questions?

[Comm. J. Moerdler] What level of redundancy do you have now with the electrical systems running today, at N plus 1, or N plus 2?

[F. Lombardi] This is a triple contingency system, Commissioner, so that it's a double contingency on top of the base contingency. We always have kept that, just in case anything happens. That's basically Con Ed's policy.

[Comm. J. Moerdler] That will then increase by December, when you bring the one additional substation back on line?

[F. Lombardi] It's there, so we just want to reconnect it, because it's not connected.

[Comm. R. Pocino] Okay, everyone, we'll move on to the next item, which is the 2009 M/W/SBE results. Lash?

[L. Green] Good morning, Commissioners. Today I'm pleased to report on the Port Authorities performance in meeting last year's objectives for minority, women-owned, and small business enterprise participation and construction, procurement of goods and services, and other business activities. With the Board's support the Port Authority maintains one of the most comprehensive and effective programs in the region.

The results are that in 2009 the Agency, including the efforts of our tenants, and the construction programs of World Trade Transportation Hub, One World Trade Center and the Memorial Museum posted approximately $358 million in contracts awarded to M/W/SBE's. I would like to now share with you the makeup of this sum. I will also provide specific information. on M/W/SBE participation and construction awards. The 2009 total of approximately $358 million was made up of awards from three sources - Port Authority direct contracts and subcontracts, World Trade Center redevelopment projects, and Aviation tenant work. This represents 13% of all contract awards. By procurement category, the largest share that made up the $358 million total was construction, with $280 million in awards derived from contracts across Port Authority facilities, aviation tenant work, and most notably, the World Trade Center redevelopment projects, which generated $167 million in awards to M/WBE firms. This $167 million brings the total M/WBE awards generated from World Trade Center related projects to $577 million, which represents 14% of all World Trade Center’s contracts since initial reporting began in 2007.

I would like to emphasize the importance of the M/W/SBE spending in our region and its contribution to the creation of jobs and economic growth. The regional impact estimates of the $358 million in M/W/SBE contract awards resulted in the creation of 3,070 jobs, generated more than $165 million in wages, and $581 million in economic activity. For construction-specific spending, the regional economic impacts were estimated to have supported 2,210 jobs in the region, generated $125 million in wages, and produced $482 million in economic activity.

The Port Authority continues to play a leading role in developing and participating in programs to assist minority and women-owned businesses. Last year our mentor protege program was cited as a highly successful mentorship program by the New York State Legislature. The program matches PA's certified M/WBE's with some of the region's leading construction companies in an effort to increase capacity and ability to bid successfully on larger contracts. In 2009, there were 14 participants in the program, and a total of 35 firms that participated in the 3-year program since its inception in 2002. Seven proteges were awarded, 11 Port Authority contracts totaling $5.7 million. In 2009, a new initiative involving only a training segment of the program was implemented. Six firms participated in this pilot program, which is designed for firms grossing under $500,000 annually.

In partnership with the Regional Alliance for Small Contractors, M/WBE's were offered well over 20 management, construction, technical, and business software courses. Our programs launched in 2008 that targeted construction firms, continue to be popular choices in 2009 including a construction management certificate program for M/WBE's at Pace University, which qualifies the participants who participate in courses for 22 1/2 hours of continuing education credit. A 10-hour OSHA course certificate required by all field staff or contractors in New York, and a new seminar, “Environmentally-Sustainable Design” was introduced in partnership with New York University, offering design professionals 6 hours of continuing education credit. In 2009, nearly 600 representatives of M/WBE firms participated in courses offered by the Regional Alliance.

As part of our effort to insure a pipeline of skilled workers, we renew our participation in construction pre-apprenticeship training programs offered by Construction Skills 2000, now renamed as the Edward J. Malloy Initiative for Construction Skills in New York, and in New Jersey, by the Newark Essex Construction Careers Consortium and New Jersey Pathways. These three programs continue to be among the most successful of their type in the region. Since their creation in 2001, over 1600 New York and New Jersey residents completed the training curriculum and were accepted into union apprenticeship programs in both states.

Throughout 2009, we continue to hold bi-monthly M/WBE progress meetings with the M/WBE liaisons and construction managers for the World Trade Center Transportation Hub, One World Trade Center, and the Memorial Museum projects, to monitor progress and discuss issues related to M/WBE participation. We continue to operate and promote the World Trade Center Business Resource Center, which was opened in 2008 to support M/WBE's on World Trade Center projects, as well as the new firms interested in bidding on the projects at the site. Besides meeting with individual firms, we hosted M/WBE capacity-building courses with our partners, including a bonding and capital access workshop offered by the Jamaica Business Resource Center but held at our Business Resource Center, as well as sponsoring informational and networking events to keep M/WBE's informed about opportunities downtown.

2009 was a good year for M/W/SBE's in spite of the economic downturn and fiscal constraints faced by many, including our aviation tenants. The resulting sum of $358 million is slightly higher than the previous 5-year average of $347 million. Going forward, we are continuing to maximize M/W/SBE participation in all areas, as well as expand the capacities of our M/W/SBE's, so that they can participate in more Port Authority opportunities.

Thank you. [Comm. R. Pocino] Thanks, Lash. Any comments from Commissioners? One question, Lash, in reference to recommended goals in all of these categories that we put forth on an annual basis, do these numbers fall short, or do they meet, or do they exceed those goals?

[L. Green] Our good faith goal for the Agency is 17%, and at this point, the 13% falls a little short. The reasoning for that is the mix of contracts that we have from year to year, some are more conducive for participation. This year we had, as you heard earlier, some major paving contracts, which are a little more difficult to get participation.

[Comm. R. Pocino] It's certainly not because of a lack of effort, because I can see that there's a lot of effort out there to try to maintain what it is that those goals are. Thanks very much.

The Port Authority of New York and New Jersey
Committee on Operations Transcript
April 29, 2010

[Chair A. Coscia] Let's get started. Today's meeting of the Committee of Operations will be held in public session in its entirety. In addition, the meeting will be broadcast live on the Port Authority website for those interested in viewing today's proceedings via the Internet. Okay Karen, we are okay to proceed right? We have enough votes for whatever we need to do? Okay, and we will turn to Sue Baer who is fresh and relaxed from having dealt with people stranded by the volcano and on to more mundane things.

[S. Baer]--the half of it yeah. Thank you, we are. They're all home you'll be happy to know, all of those people who were stranded and we even got some letters back from some of them, emails from them thanking us for taking such good care of them, so that's the good news end of that story.

[Comm. D. Steiner] I would commend you for the particular care that you took of those people because you went beyond the call of duty and it was the right thing to do and it certainly showed the good intentions and actions of our staff. [inaudible] did a wonderful job in being responsive to an emergency that could have caused a lot more grief than it did.

[Chair A. Coscia] Yeah, I would echo that, and I've gotten feedback from a lot of people on that that was exactly in that vein. In fact, I have to--as much as I'd like to thank you Sue, and your staff and all the people I know worked so hard, but also, I guess, have to commendate our Deputy Executive Director Bill Baroni, who I understand at 8:00 on a Saturday morning was wandering around making sure people had cots and coffee. So, clearly at the very top we're taking care of business here.

[S. Baer] Exactly, we love staff out there checking on them.

[Comm. V. Bauer] How many passengers were stranded--I mean--?

[S.Baer] At any one time, we had upwards of 500 people at JFK and about 350 at Newark. But that was a fluctuating number as people were accommodated as it began to get better or decided that they'd be better served to go to a hotel. They really--folks kept thinking that if they were at the airport they'd really get out. And once they realized that planes weren't flying no matter what pressure you were putting on them, some of them then went, either with friends, or to hotels or etc. But it was a fluctuating number, and the good news is we managed showers at both airports which really helped everybody, [laughs] including our staff. It was a--it was what we do for snow but on a much bigger basis, so thank you all. In interest of using your time wisely, I've consolidated three of the items I'm presenting today into one presentation. And it's--Commisioners, you may recall at JFK airport celebrated its 60th anniversary in 2008, and by that time in its remarkable history, the airport had undergone a renaissance. Terminals 1, 4, and 8 were rebuilt. Terminal 5 was well underway. The airport's roadways, parking garages were expanded. AirTrain JFK was in operation. Now, as we continue to focus on improving the Central Terminal Area, we also are looking for ways to provide better service in the surrounding

cargo areas. Today I'm seeking your approval for an agreement that would redevelop the Terminal 6 site and advance Terminal 5 planning, an agreement for the development of a fuel service station and truckstop facility, and a program to undertake the demolition of obsolete structures on the airport. All combined, these efforts would set the stage for the redevelopment of both terminal and cargo areas to meet the long-term needs of all of our customers, including those who travel through and do business at the airport. As you may recall, in October of 2008, JetBlue Airways opened the doors to a new 26-gate passenger facility at the Terminal 5 site. With nearly 12 milllion passengers in 2009, JetBlue has had success and is now looking to grow its successful international service. Today, JetBlue operates all its domestic flights and international departures from Terminal 5. International arrivals are handled in Terminal 4, which offers Federal Inspection Services. To consolidate these international operations and expand service, JetBlue requires additional property to, as shown in this rendering, add to the Terminal 5 an international arrivals hall with its dedicated Federal Inspection Services facility. Terminal 6 has been vacant since JetBlue's relocation. The functionally obsolete terminal requires nearly $1 million in annual maintenance by the Port Authority. Decommissioning this terminal is not an option, as doing so would create an eyesore for the travelling public since it is right in the middle of the Central Terminal Area. Instead, staff recommends its demolition to provide for the redevelopment of the site where JetBlue intends to expand its Terminal 5 operations. Commissioners, under the proposed 5-year lease supplement and on behalf of the Port Authority, JetBlue would undertake the demolition of Terminal 6 and the appropriate improvements to the 19-acre site. JetBlue would perform this work within 12 months of this agreement and be reimbursed by the Port Authority for the actual cost up to $11.3 million. In addition, JetBlue would begin Terminal 5 expansion planning, for which the Port Authority would provide JetBlue with up to $8 million for actual cost. Over the 5-year term, the Port Authority would receive aggregate ground rental of $11.3 million for JetBlue's occupancy of the property. The Port Authority would also receive additional rental payments for the reimbursment of the planning funds provided at a rate of RBI plus 250 points. This same rate, together with the ground rent, would reimburse the Port Authority for the demolition funds provided. As necessary, the Port Authority would retain the right to recapture, on 90-days' notice, a portion of the site to park aircraft displaced as a result of the ongoing CTA redevelopment projects. Specifically, our discussions with Delta. Advancing this item at this time would contribute to the continued redevelpment of the CTA to better serve our customers, as it would advance Terminal Five expansion planning and eliminate a vacant terminal building along with the associated one million dollars in annual maintenance costs. Next, I would like to discuss an agreement that would improve—

[Vice-Chair H. Silverman] Sue, can you just go back to the last slide?

[S. Baer] Sure, sure.

[Vice-Chair H. Silverman] I'm a little confused.

[S. Baer] Okay.

[Vice-Chair H. Silverman] I'm not quite sure why the payments are arranged the way they are. As I understand it, you're trying to make this revenue mutual for each party? We're paying them, roughly, 19 million and paying us, roughly, 19 million?

[S. Baer] Plus interest.

[Vice-Chair H. Silverman] Excuse me?

[S. Baer] Plus interest. They're paying us plus interest.

[Chair A. Coscia] On both?

[S. Baer] On both. On both pieces, yes they are.

[Vice-Chair H. Silverman] Okay, so why are we doing it that way as opposed to some--I'm confused. JetBlue--our credit's a lot better than JetBlue's. One of the concerns that Bill and I used to talk about when we built that incredible first terminal for them-- that we're getting 40 million in rent from a company that could be bankrupt tomorrow morning. Now what are we going to do with this billion dollar terminal? So I'm just confused as to why we're extending any credit to them, which is, if I understand your diagram, we are.

[S. Baer] We are.

[Comm. D. Steiner] Henry, I would say I raised this issue when the real estate planner came by. I said, why don't they just pay for it as they go along?

[Vice-Chair H. Silverman] Right.

[Comm. D. Steiner] They obviously don't have the capital to do it. Is the only way we could work it out is--?

[Chair A. Coscia] Henry, you should get a really good answer to this question, because when they briefed me on this I said, "You know Henry's going to ask."

[Comm. D. Steiner] Henry, I should have included you in the correspondence. I raised the very same issue. I said, "Let them pay for it and just tell them to pay us the rent."

[P. Blanco] They just find out how much because they don't have the 19 million dollars. At the end of the day, we're going to wind up with a building that's been demolished. We're going to end up with a building that, if we took it down, would still cost 11 million, and then we're getting an RBI plus 250 basis points of 7.6 percent, which is not a bad return on our investment right now.

[Comm. D. Steiner] Provided they're still in business.

[P. Blanco] Well, if--I would hope that this would be the least of our problems with JetBlue if they went out of business--is the 11 million.

[Comm. D. Steiner] Well, it's just compounding [inaudible].

[S. Baer] Well, and JetBlue is, in the airline business, doing quite well. They've just made a big commitment to New York in keeping their headquarters, in fact, growing their headquarters here, moving people from Connecticut to Long Island City where the new headquarters are.

[Comm. H. Silverman] That was the excuse that two governors ago we heard about why we were building this terminal in the first place. The former governor said it's a great photo op. Well, it's not a great use of public capital, but all right, go ahead. I understand the issue.

[S. Baer] Okay. And airlines are keeping--there's necessary for airlines to keep a fairly large amount of cash in reserve to improve their credit ratings, so they are doing that. But we end up with a site cleared and we're avoiding a million dollars in annual costs, which is important.

[Comm. D. Steiner] [inaudible]

[S. Baer] Thank you. Next I'd like to discuss an agreement that would improve JFK's cargo area and accommodate the increasing demand for adequate fuel service and designated truck parking. To that end, I'm seeking your approval to enter into a lease agreement with GAZ Realty Inc. Staff conducted a publicly advertised Request for Proposals for the development and operation of a state-of-the-art, multi-fuel service station and truck parking facility. Of the seven firms that expressed an interest in the project, the Port Authority received one proposal from GAZ Realty in January. Based on predetermined evaluation criteria, GAZ earned a high rating and is being recommended to develop and operate the new fuel station facility. Established in 1995, GAZ Realty has extensive experience in developing superstations with automated carwashes and convenience stores. Recent projects include on-airport sites at Tulsa, Cincinnati, and Medford airports. In May 2008 the Board authorized an agreement with GAZ for a similar, but smaller, fuel station at Newark Airport that will open this summer. Today the airport counts on one small limited-service fuel station near Federal Circle to serve the general public. Under the proposed agreement, GAZ would lease a 5.74-acre site located in the north cargo area. GAZ would demolish the three vacant buildings on the site to construct a fuel station, including a convenience store, fast-food dining, a food court, and a 2-bay carwash. The truck parking facitlity would accommodate around 50 trucks for daily and overnight parking. Over the 20-year period, the Port Authority would receive a total aggregate rental of approximately 28.2 million. In addition to annual escalations and ground rentals, the Port Authority would receive participatory rentals on sales of retail, food and beverage, and fuel above predetermined thresholds. GAZ would also remit a 10 percent subleasing fee. Investments on the property are estimated at about 10.5 million, incuding 9 million for demolition and construction work, and another 1.5 million for subleasee investment. The new facility will provide an enhanced service component for our customers and the airport community. Construction on the new fuel station is expected to be completed in about 18 months. Once fully operational, the existing fuel station would be closed and GAZ would receive rental credits of up to 1.25 million to demolish the 60-year-old building. [Shows Slide: Fuel Station and Truck Stop Additional Features] Designs for

the facility would include sustainable elements such as LED lighting, solar panel power, a zero-discharge carwash that will recycle water and compress natural gas fuel. This new fuel station, in combination with the Shell/General Motors hydrogen fuel station that opened last summer, would contribute to the Port Authority's goals for increasing the sustainability of operations at our facilities. Commissioners, the proposed agreements I just described would include the demolition of five obsolete structures on the airport. For my last point in this discussion, I propose to include--I propose including these as part of Phase One of a program to demolish obsolete buildings at JFK. As you may know, JFK was developed at a time when airlines sought large, independent operations, such as separate cargo buildings, flight kitchens, and maintenance hangars. The result is nearly 2000 acres of cargo property at JFK, the largest in our system. Today, the airport has very different needs than those of 60 years ago. Airlines have begun to consolidate cargo operations and divest themselves of real estate, leaving the airport with 29 vacant and largely obsolete buildings. The airport must plan to accommodate the demand for consolidated cargo processing and security screening, as well as other operational needs. This map highlights the 29 vacant buildings I just mentioned. I'd like to provide you with an overview of the buildings and the site plans that are part of Phase One. In green, is Terminal Six. This 40-year-old terminal will be demolished to expand Terminal Five operations. GAZ Realty would demolish buildings 124, 125, 138, and 204, all of which are over 60 years old. The new fuel station site is in red at the top center of the screen, and the existing fuel stations on the far left. As you were informed last month, American Airlines will demolish building 123 at its own expense. The blue indicates buildings that the Port Authority would demolish. At the top center is building 260, which was constructed 40 years ago and hangars three, four, and five, which were built 60 years ago. All will be cleared for future consolidated cargo facility. Hangars seven and twelve were built over 50 years ago and will be demolished to serve as aircraft staging during severe weather and potentially as centralized de-icing pads. The remaining 17 buildings that are seen here in beige will be part of subsequent phases of this program. Commissioners, the program authorization before you sets the stage for a larger vision that will ensure the best use of airport property and the highest possible service to the airport community. Under this program, staff proposes a comprehensive approach to meeting the need to clean up JFK's cargo areas with the opportunities for covering the cost of this Phase One over the next 5 years. Phase One program costs estimated at 42 million would be fully recovered through revenues from the proposed JetBlue lease supplement, the GAZ Realty lease, and from maintenance cost savings of the vacant buildings to be demolished. In addition, the demolition cost for hangars seven and twelve are anticipated to be fully recoverable through passenger facility charges. We anticipate the demolition work to be completed by the third quarter of 2012. Phase One of this program would ensure that these properties are cleared or future revenue generating activities relating to cargo and other airport uses. Similarly, the the future phases we plan to bring for your consideration would include hotel development, for which proposals are currently being solicited, additional cargo sites, and possibly sites for airport support services and foreign trade businesses. As you can appreciate, these efforts will support a vision for the continued modernization of the whole airport while also providing incremental revenues to the agency and generating economic activity. I ask that you recommend this program and associated leases for approval to the full Board.

[Chair A. Coscia] Can I have a motion to advance this to the Board for approval?

[Comm. D. Steiner] So moved.

[Comm. V. Bauer] Second.

[Chair A. Coscia] All right, anyone have any questions or comments?

[Vice-Chair H. Silverman] Yeah, only because we are in such a capital starved environment, as I understand from our Executive Director, would it be more prudent to wait until we have alternative use for the building, a tenant for example, to demolish it as opposed to demolishing it, laying out the capital without knowing that we have an alternate use [inaudible]?

[P. Blanco] Can I answer that? One of the things that we work very closely with Aviation on is that this needed to be recovered all through the current period of 2015 so that it didn't have any impact to the capital plan. So we held off on, for example, developing some of these buildings-- I mean--demolishing some of these buildings, and we really feel that taking the buildings down and having cleared sites makes it so much easier to go out and get developers because they don't have to, then, deal with sites that could have environmental issues and the whole delay in actually bringing down the buildings. So, it really--it's a cost-neutral program in the short-term window. We even get a slight return on the overall program, and it makes it a lot easier for Aviation to go out and to begin to develop virgin land.

[Chair A. Coscia] Any other questions? All right, we are tearing down just these buildings, right? Not the whole airport? [laughter] Just checking.

[S. Baer] That would be true at the Northern Queens Airport, as well. [laughs]

[Chair A. Coscia] Okay, any other questions, comments? Okay, all those in favor? Any opposed? Okay, good. Mike, I guess we're up to you, right?

[S. Baer] No, FedEx.

[Chair A. Coscia] Oh, I thought you combined--that's right the lease extension.

[S. Baer] It's on the other side of the river, I've got to keep this one separate.

[Chair A. Coscia] I understand.

[S. Baer] Okay, FedEx-- Well, I'll do the best I can on the fly. This is an agreement with FedEx. I'm here to seek your approval for a new lease agreement with FedEx for express package processing and sorting operation at Newark airport. FedEx is one of the largest international shippers of air cargo and a major economic contributor to this region. In 2009, FedEx moved nearly 400,000 thousand tons of cargo. For over 25 years, FedEx has been sorting and processing express packages that will be delivered all over the world from Newark Airport. To support this operation, FedEx currently leases buildings 347, 155, and 156. The terms of this lease are up here. FedEx will lease approximately 68 acres of air side and land side property for a 20-year period. Within the first 15 years, FedEx will invest a minimum of 30 million on structural and

systems upgrades to the facilities. The proposed agreement will generate an estimated $352 million in aggregate fixed rentals over the term of the lease, which represents an approximate increase of 12.6 percent. In addtion, the the Port Authority would receive annual variable fees, consisting of airport services and other charges. We also have the right to take back 9 acres of this site should it be necessary to develop Terminal A. In addition to the benefits provided to the Port Authority, the new lease would continue to bring significant economic benefits to the region. FedEx employs approximately 2000 workers at the airport. You can see the rest of the numbers up here. I should note that based on the order of magnitude estimates for cargo growth, this number will grow over the 20-year term of the lease. It would increase by another 2000-3000 additional jobs over the term of this lease. Advancing this item at this time would provide for increased revenue to the Port Authority for the next 20 years, and I ask that you recommend this item for approval to the full Board.

[Vice-Chair H. Silverman] Move.

[Chair A. Coscia] Second?

[Comm. V. Bauer] Second.

[Chair A. Coscia] All right, anyone have any questions? Okay, all those in favor?

[Vice-Chair H. Silverman] Aye.

[Chair A. Coscia] Okay, Mike, you're up.

[M. Francois] Advertising--we're asking authorization to extend an existing permit-- [no audio] --bus terminal that will generate revenues that we have not received or very limited revenues before. CBS signed an agreement with us in 1996 to provide advertising for the exterior of the Port Authority Bus Terminal. They have invested more than $5 million on the exterior grid in order to do that. With the exception of a 6-year period between 2002 and 2008, we have received really no revenues or advertising revenues for a lot of reasons. And, basically, the slide shows you the only revenue received was from Motion Media for an LED plasma screen, and those revenues ceased in 2008. We feel that several circumstances may lead to more advertising revenues, at this point in time. First, a state-of-the-art electronic advertising that Media Mesh offers is a new type of signage in a desirable location that will attract major advertisers. Also, the cost of producing electronic advertising is more cost-effective than static ads. And lastly, the recent New York City lawsuit against outdoor billboard agencies will substantially reduce the number of illegal billboards in the City, thereby making legitimate venues such as this one much more lucrative. Under the proposed agreement with CBS, we will engage a subcontractor, Garage Media, to install and operate Media Mesh. Media Mesh is a state-of-the-art electronic signage system using a system of mesh material with LED pipes, and we will be integrating a minimum of 6,000 square feet that would be suspended from the Port Authority exterior grid facing 8th Avenue and 42nd Street around the corner. The Port Authority will approve all advertising placed on the Port Authority Bus Terminal. CBS plans to invest an additional $11.2 million to install the Media Mesh. This substantial capital investment cannot be reasonably amortized over the remaining 6 years of the current agreement, therefore authorization is being

sought to extend the agreement for an additional 2 1/2 years so the investment can be amortized over 8 1/2 years. Under the terms of the agreement, the Port Authority's obligation to reimburse CBS' unamortized investment would increase from $3 million to an amount not to exceed $14.2 million in the event we cancel this agreement without cause. In other words, for any sole reason that we want to, we can tell them to take it down, but if we do, if it's arbitrary to a certain degree, we're going to have to reimburse them their unamortized costs up to $14.2 million dollars.

[Vice-Chair H. Silverman] Have we discussed this with the City, because, if you remember, we sold a lot of advertising on the George Washington Bridge and Mayors and different cities objected and we had to reimburse the contractor who did it for us, and so- Have we cleared this with New York City?

[M. Francois] My understanding is CBS has discussed this with the City. They already have a permanent place, so—

[Comm. V. Bauer] We better be sure.

[Vice-Chair H. Silverman] I would not approve this unless and until we receive that assurance.

[M. Francois] We can—

[Vice-Chair H. Silverman] We can wait or the City--"You've got to take it down. It's offensive." Write a check for $14 million.

[M. Francois] Right, we'll do that due diligence before we commit ourselves to this investment.

[Chair A. Coscia] All prior approvals should be [inaudible].

[Vice-Chair H. Silverman] [inaudible]

[Chair A. Coscia] [inaudible]

[M. Francois] Understood. We'll make a note of that.

[Vice-Chair H. Silverman] Well, it's not even the approvals, Mr. Chairman, it's also if you've got a public policy argument there it's both sides of the—

[Chair A. Coscia] Chris is aware of it and he talks to the City all the time, so maybe you should ask Chris to put this on his agenda to make sure of it--that it's not problematic.

[M. Francois] Okay, understood. Will do. Our agreement with CBS and Garage Media will provide for a minimum annual guarantee fee plus a percentage of revenue based on established advertising sales thresholds, so Port Authority's revenues will continue to be based on 62.5 percent of CBS' gross receivables. The estimated revenues for the Port Authority are expected to range from a minimum of $3.8 to a maximum, or anticipated maximum, of $8.7 million over the term of the agreement. Today's action will also authorize a non-disturbance agreement with

Garage Media, whereby if the Port Authority terminates CBS for cause, Garage Media will be permitted to continue operating under direct agreement with the Port Authority with the same terms and conditions as the agreement with CBS. In the event that Port Authority terminates CBS for cause, Garage Media will become the direct contractor of the Port Authority and will pay us 100 percent of the MAG and a percentage fee to CBS. Which CBS, I should say, was entitled to, so, obviously, our fees would go up. Advancing this item at this time would generate new revenues by allowing CBS to commence payments to the Port Authority by the last or latter part of this year. So we are requesting that you advance this item to the full Board for approval.

[Comm. V. Bauer] [inaudible]

[Chair A. Coscia] Okay, can I get a motion to advance that?

[Comm. V. Bauer] So moved.

[Chair A. Coscia] Second?

[Comm. D. Steiner] Yeah.

[Chair A. Coscia] Okay, all right. Sorry, go ahead Ginny.

[Comm. V. Bauer] Are these ads that constantly change, so meaning--? I mean--would this seem to be more lucrative that instead of one add--I'm just trying to understand this. Because they're light ads they're constantly changing, so, to me, it seems like the revenue is not that high. It looks to me like you should be able to make more money from that.

[M. Francois] Well, this is a fairly, I would say, untested technology, but it's state-of-the-art. You're right. You have a lot more opportunities for different ads at different times, etc. And to a degree there is a minimum annual guarantee, so, to a certain degree, the sky is the limit. We've been somewhat conservative in our projections, you're right. If this is tremendously successful, our revenues could exceed $8.7 million dollars, so—

[Comm. D. Steiner] In line with that follow-up question, how does this compare if we had a regular billboard? What would the revenues be? Is this going to bring us more than if we had a regular billboard or less?

[M. Francois] I think the opportunities for the minimum—

[Comm. D. Steiner] I understand the opportunity. How about at the present time?

[F. DiMola] Commissioner, we actually spoke with CBS about, as an alternative, to put static advertising displays up. They felt that it would not be as sellable for a number of reasons. Because of the ventilation, they wouldn't be able to really maximize the utility of the grid because you have to keep at least 50 percent airflow of the bus exhaust. So, that would limit the number of displays and they felt that it would not have anywhere near the numbers that electronic advertising would provide.

[Comm D. Steiner] Thank you.

[M. Francois] It's worth noting--I'm sorry--that this technology solves a major ventilation problem that we have incurred in the past with the venting of bus--areas of the bus terminal.

[Chair A. Coscia] I was going to ask, Mike, is that actually an accurate depiction of how far down--?

[M. Francois] Of how big it is? Yeah. We made sure that--because we had some that was going all around the block, so this is 6,000 square feet. They do have an option to extend to 11,000, but this is what it's going to look like.

[Chair A. Coscia] It's--from an aesthetic standpoint it will brighten up the facade of the building, but the flip-side of that is that the rest of the facade, being as unattractive as it is, will become a lot more obvious. I mean--I think that's going to be the natural reaction. People are going to notice those girders more now that there's something nicer next to them than they did when they were just there, and I'm just curious as to what sort of, in our plan, or what kind of capacity have we put aside relative to whatever sort of improvement program, I know, had been discussed in the past. Or is that sort of, for financial reasons, on hold for the time being?

[M. Francois] No, my understanding is TB&T has some funds. Okay, I'm sorry. I don't want to answer for you.

[C. Fulton] Yes, Mr. Chairman, there is a program under way right now to do some design for the painting and refurbishment of the grid, as well as some improvements on the general fascia. And so we're hopeful that that design will be complete in June, but at that point we will have to take a look at the financial capacity to see whether or not we're able to move forward beyond that. But hopefully by the June time-frame we will have a design where we're able to advance and present.

[Comm. D. Steiner] Point of information, are you going to go mod? Are you going to bring names back from 60 years ago? Are you going to put some bright colors in keeping with what's happening in society today? Would you consider that?

[C. Fulton] Yes, sir.

[Comm D. Steiner] Bright colors and flashing lights and the whole bit.

[Comm V. Bauer] [inaudible]

[Chair A. Coscia] They'll, I'm sure, consider whatever our major budgetary limitations allow us to consider.

[Chair A. Coscia] So, anyway, thanks. Okay, any other questions?

[Vice-Chair H. Silverman] Well, I'd like to qualify the approval that we will receive all requisite, both authority and policy, approvals before we make this investment.

[M. Francois] My understanding, just to clarify, is that this is presently permanent by the City of New York. But, policy is another question.

[Vice-Chair H. Silverman] We had the right to build--we had the right to put banners on the Lincoln Tunnel and the George Washington Bridge--we didn't.

[M. Francois] I understand, I just wanted--okay.

[Vice-Chair H. Silverman] I just want to repeat that.

[Chair A.Coscia] We, at that time, did not, as we probably should have, spent more time consulting with the Mayor of Fort Lee before we decided we were going to go ahead with it, so I think Commissioner Silverman is right. Let's make sure we consult with the Mayor of New York City before we go ahead with this.

[Comm D. Steiner] Revenue sharing with those interested parties often helps with the process.

[Chair A.Coscia] Well we have not offered that, nor am I recommending that, to be candid with you.

[P. Blanco] [inaudible]

[Chair A.Coscia] Okay, all those in favor? Aye. Any opposed? Okay. I think that's all we have, so we can adjourn.

The Port Authority of New York and New Jersey
World Trade Center Redevelopment Subcommittee Transcript
April 29, 2010

[Comm. A. Sartor] I'm sorry for the late delay. The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee is being held in public session, after which the committee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. First of all I'd like to welcome our new Commissioner, Jeff Moerdler, to your first meeting of the World Trade Center Subcommittee.

[Comm. J. Moerdler] Thank you.

[Comm. A. Sartor] I beat Chairman Coscia to that. [laughter]

[C. Ward] So it's only down to 48. [laughter].

[Comm. V. Bauer] Enjoy it. They'll never say it again. [off camera speaker] If I could [inaudible]. [laughter] Also we have a representative from the Director of the Authorities Unit-- Deborah Gramiccioni. I hope I pronounced it correctly. I'm Italian, I should be able to do it. I'm sorry. Welcome Yeah, I know, I know. [inaudible]. I blew it [laughter]

[D. Gramiccioni] Thank you.

[Comm. A. Sartor] Welcome. And I think this would have been the first meeting for Bill Baroni. I don't see him at the table just yet but-- [

Comm. R. Pocino] He was here. I think he just stepped out.

[Comm. A. Sartor] He was here but just left. Okay. With that, Steve, you have a compressed time schedule here right now. So that usually bodes well for you, but we'll see what happens. Construction trade contract, Steve Plate.

[S. Plate] All right. Commissioners, construction has steadily progressed across all of the World Trade Center site-wide projects. And today I will request your approval for several actions necessary to continue our critical redevelopment efforts. In my own words. For our first item I would like to recommend the assignment of a memorial construction trade contract for Plaza architectural metals. Our staff estimate for this work was $8.3 million. The contract was competitively bid with Skyline Steel Corporation being the lowest responsive bidder at a cost of $7.1 million, excluding extra work. The total contract also includes a payment to Bovis in the amount of approximatley $700,000 for construction management services. The scope of work includes a furnishing and installation of all architectural metals for the Plaza including stainless steel railings, manhole covers, tree support system, bike racks and paver retention angles necessary to support the completion of the Plaza in time for the 9/11/11 commitment. The Port Authority's share of this trade contract is $881,670 including extra work and

Bovis' general conditions, with the balance to be paid by the Memorial Foundation. The award of this contract will bring us to nearly 93% of Memorial Trade awarded to date.

[Comm. A. Sartor] Do we have any questions on this item? Steve, when you say the staff estimate was $8.3 does that include the extra work and all this--

[S. Plate] No, it's apples and apples.

[Comm. A. Sartor] It is apples and apples? Okay. [S. Plate] Yes sir.

[Comm. A. Sartor] Thank you.

[Comm. A. Sartor] All right, seeing none we'll move that on. Next item.

[S. Plate] I would now like to recommend to award a construction trade contract for a common scaffolding associated with the lobbies and mechanical plenums at One World Trade Center, as well as sidewalk sheds. Our staff estimate for this work was $15.6 million. The contract was competitively bid with Atlantic Hoist and Scaffolding being the lowest responsive bidder at a cost of $14.6 million, excluding extra work. The scope of work under this trade contract includes engineering, furnishing installation, modification and removal of the common scaffolding within the lobbies, mechanical plenums and mechanical shafts of One World Trade Center to provide for proper coordination of work performed in these areas. In addition, sidewalk sheds will be built over the perimeter of One World Trade Center Plaza to provide for overhead protection to contractors in accordance with industry standard construction safety practices. Commissioners, the award of this contract will provide for 97% of One World Trade Center trades awarded to date.

[Comm. A. Sartor] Any questions on this item? [silence] Seeing none, move on, Steve.

[S. Plate] Our next item requests additional funding to the existing electrical contract with Five Star Electric for the pre-purchase of equipment for the revised power supply design for One World Trade Center that is required due to the delay of commercial office space development in the East Bathtub, at a total estimated cost of $5.5 million, excluding extra work. Our staff estimate for this work was approximately $5.3 million. As you will recall on October of '08 the Board authorized $20 million for design services in support of an alternative construction option independent of Towers Two, Three and Four. As part of this effort a redesign of certain aspects of One World Trade and other public infrastructure was performed. Originally, primary power equipment was to be located in East Bathtub with power distributed from Tower Two. The redesign provides for primary switchgear equipment to distribute power directly from Con Edison in lieu of Tower Two, namely to One World Trade. Power would also be distributed to secondary switchgear located beneath the World Trade Center Memorial, Central Chiller Plant, and World Trade Center Transportation Hub. This request is the first construction authorization associated with the power supply re-design work. A portion of the requested amount will be offset through re-allocated funds initially budgeted for the electrical infrastructure in Tower Two. Construction authorization will be sought in the future for the installation of the primary switchgear equipment.

[Comm. A Sartor] Steve, this will be a permanent place for this?

[S. Plate] Yes, we're basically moving it from Tower Two where it was going to be located in the basement of Tower Two. In light of the fact that that didn't move forward according to the original schedule we are now in the process of re-locating it to Tower One so we don't miss a beat.

[Comm. A. Sartor] So there will be a subsequent credit back at some point?

[S. Plate] Yes.

[Comm. A. Sartor] Okay.

[S. Plate] Yes. We're actually in active negotiations with Silverstein Properties who actually may purchase some of the switchgear that we have.

[Comm. A. Sartor] Okay. Any questions on this? Seeing none, move it forward.

[S. Plate] Okay. Next, I request your authorization to supplement the existing structural steel contract with DCM Erectors for steel painting and perimeter safety system work associated with the construction of One World Trade Center at an estimated cost of $16 million, excluding extra work. Our staff estimate for this work was $21 million. The perimeter safety system will provide for a full-building enclosure that includes horizontal and vertical cables and fabric mesh that will be fastened to the steel members of One World Trade to provide added, full protection for both contractors at the perimeter of the building, and added protection to the public and workers against potential falling construction debris. This state-of-the-art system will also provide for increased productivity during periods of high winds and mitigate shut-downs and weather delays. This scope of work includes the engineering, fabrication, delivery, installation, maintenance and removal of the perimeter of safety systems. It was 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. Furthermore, at the time of the structural steel contract award to DCM, discussions were ongoing to determine the type of paint and quantity required for application prior to fireproofing the structural steel located within the plenum spaces of One World Trade Center. Work under this authorization includes the application of primer to certain structural steel members to prevent against moisture building up on the steel prior to spray fireproofing. The additional funding under this proposed supplement remains within the One World Trade Center project budget.

[Comm. A. Sartor] Any questions on this item? These are all part of our base contract, right Steve?

[S. Plate] Yes, sir.

[Comm. A. Sartor] All right. Seeing none, move on.

[S. Plate] Commissioners, I would now like to request additional funding on the existing agreement with the Louis Berger group for--

[Comm. D. Steiner] Let's let the record note that the chairman has left the meeting.

[S. Plate] Thank you. Sorry, sir. --with the Louis Berger group for continued project management, program management support services, including technical support, through April 2012 at an amount not to exceed $30 million. Louis Berger was initially retained as the highest rated proposer pursuant to a

publicly advertised Request for Qualifications/Request for Proposals in May 2004 in the amount of $25 million with an option to extend the contract. Through subsequent authorizations, the total value of the agreement increased to $47.5 million to provide for these services, and the contract was extended through March of 2010. Services under this authorization include program and project management support to assist staff in advancing final design and construction efforts at World Trade Center site including project control management, program and project schedule management, schedule integration, cost control, risk analysis, resolution of claims and changes, earned value analysis, and Port Authority and FTA document control and reporting. The proposed authorization will provide for these services for the next 2-year period in support of our critical efforts to complete the final design and construction of various World Trade Center redevelopment projects. This funding is within current project budgets and will be allocated across the various World Trade Center projects.

[Comm. D. Steiner] Any questions? Do we need a motion?

[K. Eastman] No.

[S. Plate] The next item requests additional funding on the existing agreement with Parsons Brinckerhoff and URS Corporation for construction management services in support of the various projects at the World Trade Center site through December 2011 at an amount not to exceed $20 million. In addition, this item requests approval to exercise the first 1-year option to extend the contract from October 2011 to October 2012. PB-URS was initially retained as the highest rated proposer pursuant to a competitive Request for Proposal procurements process in October 2005. The World Trade Center Redevelopment Subcommittee authorized these services with three 1-year options to extend the contract at an amount not to exceed $90 million, including an allowance of $10 million for potential additional services subject to your approval. The estimated cost at the time of award was $79.1 million. The proposed authorization provides for the $10 million allowance and an additional increase of $10 million to continue these services. This funding is within current project budgets and will be allocated across the various World Trade Center projects. The original scope of work included two primary projects: the World Trade Center Transportation Hub and the World Trade Center Vehicular Security Center. Since 2005, PB-URS took on additional tasks including construction management services for One World Trade Center and World Trade Center Memorial projects, logistics and transportation planning, traffic management, World Trade Center Transportation Hub preconstruction commissioning and sustainability planning, and work associated with construction analyses required to support the October 2008 World Trade Center Assessment Report. As a result of the retention of new construction management teams Tishman Construction Corporation and Tishman/Turner JV to assist with this scope for the Hub, VSC, and streets projects, PB-URS has begun to considerably reduce their staffing levels, which is reflected in the proposed funding request. The scope of work includes construction auditing, inspection support for tenant construction work on Tower Four, site construction coordination, and progress reporting in concert with site logistics and site safety planning.

[Comm. D. Steiner] Any questions? If not-- [inaudible] [

S. Plate] Yes. I think he can come in on this one.

[Comm. A. Sartor] Steve, your last item on tap.

[S. Plate] Yes, sir. The last item supports a proactive approach toward the effective—

[Chair A. Coscia] I'm sorry. I need to interrupt you. As it relates to a number of these modifications to the Trade Center agreements and increases in amounts, I know we talked among ourselves about getting an update on where we are on spending. And I know that Chris and the staff and Steve and David have done a lot of work on it. We had sort of originally planned to have an update on where we are relative to spending at this meeting, but there are a lot of things that are sort of in motion. So I think we're now aiming at May. Is that still accurate? I think Chris and the staff have done a very good job of getting their hands around the costs and then I think being able to give us in May what is a sort of accurate, current representation of where we are relative to spending and authorization, etc. So I know as we see more numbers going up on the board and increases in certain amount of contracts, the comment I get from all of you all the time is, "Where are we relative to the big picture?" Because we can die a death of a thousand cuts very easily. Hopefully in May we'll sort of get an ability to assess exactly where we are relative to our authorizations and what we then expect things to be. So to some degree, we had thought we might be doing that earlier, but I think it's actually wise to wait until we're at a resting point, that the information is pretty comprehensive. So I didn't want anyone to think we sort of let that slip. Thanks.

[S. Plate] Okay. Our last item supports a proactive approach towards the efficient transportation of construction materials to and from World Trade Center Transportation Hub project. This item requests temporary easement agreements between the Port Authority and Lester M. Entin Associates, a warehouse operator located in Harrison, New Jersey, that would permit the PA to utilize property at PATH's Harrison Car Maintenance Facility for the construction of an access road as part of the PA's overall plan to develop a work transfer yard. As the current PATH Hall operator is building the roof first, the only remaining access for contractors to transport materials is through the PATH tunnels. Staff has explored opportunities for potential sites for a work train transfer yard and plans to utilize a portion of undeveloped property at the Harrison facility. However, access to this parcel requires the construction of a roadway at the facility. The agreement will permit the PA to utilize 7,000 square feet of Entin's property located on the site in blue for construction of the access road which would connect the entrance of the Harrison facility to the planned transfer yard. In turn, Entin would be permitted to utilize 15,000 square feet of PATH property outlined in yellow for the ongoing warehouse operations. The agreement would be for an initial 10-year term with renewal options that would extend the term up to 99 years. There are no costs associated with the easement. Following the completion of the Hub contract project, the yard would support ongoing PATH maintenance and capital construction requirements in the future. The yard will directly support the staging and support of materials for the PATH Hall contractor. Future authorization would be sought, however, to fund the construction of the rail transfer yard and access road, which is estimated at approximately $10 million. Commissioners, I request you advance these items to the full board for their approval.

[Comm. A. Sartor] With respect to the $10 million, you're coming back to this board for that authorization, correct?

[S. Plate] Yes.

[Comm. A. Sartor] Thank you. Are there any questions on the easement agreement? [silence] Seeing none, please move with it. Are there any other items that we're going to take in open session? If not, this

session is over, and we'll move into executive session to discuss matters involving ongoing negotiations or review of contracts or proposals.

The Port Authority of New York and New Jersey
Committee on Construction Transcript
May 18, 2010

[Chair R. Pocino] Committee on Construction. Today's meeting of the Committee on Construction will be held in Public Session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website, for those interested in viewing today's proceedings via the Internet. For discussion, we have one item, the Port Newark Berth 8, and part of Berth 10 wharf, a reconstruction project re-authorization. William Ellis will run us through that, William.

[W. Ellis] Commissioners, today your authorization is requested to provide additional funding that will provide for the successful completion of a wharf construction project at Port Newark, which will restore full serviceability, and provide a 50-year renewed service life to the wharf structure.

As background, condition surveys and evaluation reports of the 40-year-old wharf structures at Berths 8 and 10 at Port Newark, which are circled in red here on the slide, reveal that the supporting timber elements of the wharf structures have progressively deteriorated due to increased marine borer activity. Subsequent analysis of the supporting timber elements determined that future operating loads on the wharf structure would exceed the capacity of the wharf and would allow for only limited use of the deck during cargo handling and off-loading operations. In light of those results, and the anticipated on-going costs for continuing inspections, maintenance, and repair of the wharf structures, staff determined that a full reconstruction of the structures would be the most cost efficient course of action over the long term. Staff further recommended that the new wharf structures be designed and constructed to allow the berths along the southern portion of Port Newark channel to be deepened from the current depth of 40 feet to 45 feet, which would allow for deeper draft vessels to call at Port Newark in the future.

In July of 2007, the Board authorized a project to reconstruct the wharf structures at Berth 8 and Berth 10 at a total estimated project cost of $36 million. A contract was subsequently awarded to implement the improvements, which included the removal of existing low-level relieving platform, concrete deck, and timber piles, and the relocation of utilities, construction of -- this is the existing conditions up here -- and then construction of a new concrete deck supported on steel piles was recommended with the dredging to 45 feet. Transportation and disposal of dredged materials was also required in that contract. Again, the existing conditions and the new steel construction piles, the former deck construction was all timber. That was the standard of construction at the time.

Two critical issues occurred during construction that had adverse schedule impacts. First, acquiring the Army Corps of Engineers approval of soil sampling results to ensure that all contaminated dredge material had been removed took an additional 9 months to obtain, and it delayed the approval for the disposal work. The second schedule impact was due to unforeseen soil movement that occurred when the existing timber piles were removed. As a result, modifications to the steel piles and sheet pile wall were required. These modifications required additional bracing and reinforcement to these steel piles, as shown on the bottom photos here. Those two issues really delayed the construction schedule by about 13 months. Today, Commissioners, I request that you re-authorize the project to reconstruct the wharf at Berth 8 and part of Berth 10 at Port Newark, at a total estimated cost of $39.6 million.

The original authorization was $36 (million). The increase of the value of the $3.6 million additional funding needed was due to additional construction contract increase of about $.8 million from $29.4 (million) to $30.2 (million), and included in all of that was extra work allowances that were increased by $1.4 million. The reallocation of some unspent, un-utilized network funds to the extra work allowance, and the settling of a contractor claim for damages due to the project delays that I just spoke to you about. Lastly, there were some additional planning and engineering costs associated with the redesign and the delay. Completion of this wharf construction project is expected to occur in July of this year, so we're almost there, and it will result in improved operational efficiency and added load capacity for the safe cargo handling at Port Newark. Commissioners, I request that you advance this item to the full Board for approval today. Thank you very much.

[Chair R. Pocino] Commissioners have any comments or questions?

[Comm. S. Grayson] The 9-month delay by the Army Corps of Engineers, was that anticipated and was a result of this particular project or, could you shed a little light on that?

[W. Ellis] Yeah, there was some unique conditions. What we normally do in advance of a project like this is we put a permanent application in, and we get an approval by the Corps of what the soil sampling plan would be. They did approve that plan, but as we submitted the results that were coming from the sampling plan, they requested additional documentation and additional sampling. This actually went on for 3 different successive times, over and above the amount. They wanted to be absolutely assured that there was no contaminated material in any of the disposal items, so that was very --

[Comm. S. Grayson] Was there, in fact, any contamination?

[W. Ellis] Oh, there was, yes, and a large portion of the contaminated material had to go to upload disposal at an added cost, and that is standard procedure.

[F. Lombardi] Just to add to that, if you go back to the schedule, Commissioner, you can see the demarkation. The other one, Linda, where the test -- you see the differentiation between the green and the tan? The soil samples, you see that's for ocean disposal, as opposed to above the green, was for upland. That's why they want to make sure that they had that definition of that boundary, to insure that no hazardous material gets included into the ocean disposal.

[Chair R. Pocino] Do you have a number on the damages for the delay from the contractor? Do you have an amount?

[W. Ellis] $1.6 million.

[Chair R. Pocino] Commissioners have any other comments or questions. If not, I'll have a motion for moving the project? [Comm. S. Grayson] I'll move it. [Chair R. Pocino] All in favor? [Commissioners] Aye. [Chair R. Pocino] Always the Ayes have it. That's it, in terms of our agenda. Thank you very much. I appreciate it.

The Port Authority of New York and New Jersey
Committee Finance Transcript
May 18, 2010

[Vice-Chair H. Silverman] We can get started. Today's meeting of the Committee on Finance is being held in Public Session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. We have one agenda item for action. It's the purchase of property damage and loss of revenue insurance, and our Treasurer, Anne Marie Mulligan, will present the item.

[A. Mulligan] Good morning, Commissioners. At today's meeting, I'm seeking the Committee's authorization to renew the property damage and loss of revenue insurance program for one year, effective June 1, 2010, at a total estimated premium of $27 million. This program protects the Port Authority owned and leased property from physical damage or loss, including coverage for losses arising from acts of terrorism. It also covers business interruption claims which include loss of revenue.

Marsh USA is providing the brokerage services under the second year of a three-year agreement with the Port Authority. As you may recall, the Committee approved the selection of Marsh in February, 2009 after staff completed a Request for Proposals to select a single broker for both this program and our public liability program.

This slide provides a summary of the expiring program and the anticipated coverage at renewal. Marsh will continue to work with the various carriers on the program's structure and pricing up to the June 1 renewal date. Although the overall commercial property market remains stable, many insurers are reluctant to assume risk due to a large number of property related catastrophes that have occurred during the first quarter of 2010; The earthquakes in Chile and Haiti, the deadly windstorm in Western Europe, floods in the south, and the recent Gulf of Mexico oil spill. Accounts with high catastrophe exposure, such as the Port Authority, are not immune to capacity and pricing challenges. As the Port Authority is based in New York City, it continues to be characterized as Tier 1 for wind, flood and terrorism. Introduction of the Agency's captive, PAICE, to the program has alleviated some of these issues as the captive fronts the all risk program so that neither terrorism nor fire following is sought from the underlying markets. Terrorism coverage is not included in the all risk program and is offered through PAICE and the stand-alone terrorism market, under a separate terrorism program.

The expiring program provides $1.24 billion of all risk coverage per occurrence, in excess of a $5 million deductible and an aggregate $25 million self insured retention in the primary layer. This is the highest coverage limit under the property program since 2001 when the property coverage totaled $1.5 billion. For this year's renewal, Marsh anticipates increasing the all risk and terrorism capacity to $1.3 billion, at a total estimated premium of $27 million. This represents a 4.7% increase in capacity and a premium reduction of about $600,000. Marsh continues to market the account to the widest array of insurers possible in order to maximize capacity within the current premium parameters. The expiring terrorism program provides Terrorism Risk Insurance Program Reauthorization Act coverage through PAICE which is fully reinsured by the federal Government and the stand-alone market. In addition, a $25 million sublimit for biological and chemical terrorism is included in the commercial market

coverage. The total premium for the 2010-2011 program, including terrorism coverage, is estimated at $27 million. The actual premium for the expiring placement is $27.6 million.

Based on the above, we request that the Committee authorize the purchase of the property damage and loss of revenue insurance program for a one-year term, effective June 1, 2010, with the foregoing terms and conditions. Staff will notify the Committee of the final placement details at the renewal date.

[Vice-Chair H. Silverman] Any questions or comments? I do have one which really doesn't relate to this, I think it's a fine job. How do we know that the government--the federal government stands behind the terrorism coverage under the Terrorism Risk Insurance Program? Do they, in fact, provide some sort of written assurance? Or is it simply our reliance on the statute itself?

[V. Biddle] We rely on the statute which is currently in effect until December 31, 2014. It would take an Act of Congress to either eliminate the statute altogether or reduce the terms of coverage provided under it. When they renewed it 2007 there were tweaks made to the actual coverage, but what we've done to protect the Port Authority is go out and use the commercial terrorism market to basically fill in what would have been increased deductibles and retentions under TRIA/TRIPRA.

[Vice-Chair H. Silverman] Okay, thank you.

[Comm. R. Pocino] And along those lines, is that terrorism insurance, is that just for damage or is it also loss of revenue?

[A. Mulligan] That--go ahead—

[V. Biddle] That--go ahead--(both speaking at once) [Laughs]

[A. Mulligan] The loss of revenue would be under the All Risk Program.

[Comm. R. Pocino] Okay. The loss of revenue, is there specific incidences that are named on the policy where it would cover loss of revenue?

[V. Biddle] The loss of revenue follows form with the all risk, so anytime that there would be a physical damage claim, and that physical damage claim resulted in loss of revenues to the Port Authority, that would be covered under the policy.

[Comm. R. Pocino] Thank you.

[Vice-Chair H. Silverman] Any other questions or comments? We need--this is an action item, correct? So we need a motion, please. [Comm. M. Chasanoff] Motion. [Comm. R. Pocino] Second. [Vice-Chair H. Silverman] All in favor? [Commissioners] Aye. [Vice-Chair H. Silverman] The motion is carried. Any other matters for this meeting? If not, we stand adjourned. Thank you.

The Port Authority of New York and New Jersey
Committee on Governance and Ethics Transcript
May 18, 2010

[Vice-Chair H. Silverman] This meeting of the Governance and Ethics Committee is being held in Public Session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. We have one discussion item, it's the annual review of the Board, and Howard Kadin will lead our discussion.

[Howard Kadin] Good morning Mr. Chairman, members of the Committee, ladies and gentlemen. It's my pleasure to speak with you this morning about several aspects of the Committee's responsibilites, relating specifically to certain periodic required actions, reviews, and evaluations. I'll put these activities of the Committee in the context of the Committee's role with its dual core responsibilities, governance and ethics, as set forth in the Bylaws. In connection with your review of Board performance and Committee effectiveness, I will provide certain summary information regarding the activities of the Board and its Committees, including this Committee. Finally, I'll discuss steps the Port Authority takes to help ensure the independence and objectivity of Board and Committee members.

The Governance and Ethics Committee's role, broadly speaking, is mandated under Article VIII.G of the Port Authority's Bylaws, and as further expressed in its Charter. And that role involves oversight of questions with respect to development of and compliance with Agency governance and ethics principles ensuring that the Board and the staff are familiar with and committed to ethics principles and programs and assisting the Board in fulfilling its oversight responsibility with respect to compliance with legal and regulatory requirements on the part of the Agency. The Governance and Ethics Committee's required periodic activities include certain governance areas, including assessments of the performance and effectiveness of the Board, its Committees and the Executive Director, as well as certain ethics areas, including Code of Ethics adequacy, the independence and objectivity of the Board and Committee members, keeping abreast of ethical standards in the States of New York and New Jersey, and requiring executive staff to review Agency operations to identify wastes and inefficiencies and to take appropriate remedial steps and publicly report these actions.

I'd point out that there is a certain interrelatedness between some of these activities and other prior Committee activities. For example, with respect to ethical standards in New York and New Jersey, the Committee will recall that in February 2009, the Committee was instrumental in recommending to the Board the adoption of a Code of Ethics for Port Authority Commissioners. And in so doing, incorporating in the general standards of conduct and the Commissioner's code, applicable requirements of law which are substantially similar in the two States with respect to unsalaried public officers.

With respect to independence and objectivity issues, the Committee will recall that in December of 2008, there was an Office of Inspector General report on the independence and freedom from interference of his office in the conduct of his responsibilities pursuant to the Committee's Bylaw mandate that it ensure the continuance of the OIG's freedom and independence.

Now, with regard to Board activity for the year 2009, as you can see, the Board had a very active 2009 with 15 public Board Meetings, including at least one meeting in every month of the year. The Board also met in Executive Session in conformance with the Open Meetings Policy. I would point out that while each of the subsidiary corporations of the Port Authority--that is to say the Port Authority Trans-Hudson Corporation, Newark Legal and Communication Center Urban Renewal Corporation, and New York and New Jersey Railroad Corporation--while each of those subsidiaries have been organized to have their own Bylaws and Board structure, the Port Authority's Board of Commissioners, as you know, serve as Directors of these Corporations and their functions are incorporated withinin the Port Authority's activities.

As you also know, since September of 2008, the Commissioners have increased the number of Board Meetings to dedicate certain meetings primarily for the purpose of discussing matters pertaining to the redevelopment of the World Trade Center site as necessary, and there were three such meetings last year. With respect to the Governance and Ethics Committee's activity, 6 meetings overall, a Committee Charter adopted February 21, 2008, a Commissioners Code recommended for approval to the Board on February 19, 2009 and adopted by the Board on the same day, a review of staff financial disclosure compliance December 17, 2008 meeting, a report received from the Inspector General December 17, 2008, on independence, and the Committee also heard a detailed discussion on Enterprise Risk Management. In terms of Committee activity in 2009, as you know, the Bylaws have established 7 standing Committees. They are Finance, Audit, Construction, Operations, Capital Programs/ Agency Planning, this Committee--Governance and Ethics, and Security. Again, a similar Committee structure exists for each of the Board of Directors of the Port Authority's subsidiary corporations. Also from time to time, the Board has established Ad hoc Committees to deal with specific issues that may have significant impact on the Port Authority or the region. Thus, the Board has established the World Trade Center Redevelopment Subcommittee to oversee redevelopment of the Trade Center site.

With respect to Finance Committee, met 7 times, discussed various items, 17 in total, 14 topics. Consistent, as you can see with the Finance Committee's responsibility for oversight of financial affairs and insurance matters. Capital Programs/Agency Planning met 7 times. 11 items were assigned to the Committee. 11 topics were discussed. And again, these items are consistent with the Committee's responsibility for oversight of the Port Authority's capital and strategic plans and review of long-term planning for development of new facilities and initiation of new business and activities, among other things. Construction, which has oversight of all construction of the Port Authority, agreements for acquisition, purchase, lease, or use of real property, and associated rights and purchase of associated materials, met 7 times during 2009. 10 items were assigned to the Committee, and the Committee discussed 12 topics. Operations, which also has a number of this Committee's members on its staff, has oversight of all facilities and properties owned or operated by the Port Authority, agreements and contracts for acquisition and purchase of equipment, materials, supplies in connection with that, sale of real or personal property owned or operated by the PA, and personnel matters. Operations met 10 times, discussed 30 topics. 45 items were assigned to the Committee. And Operations authorized 10 items, as you can see, as well. The Security Committee keeps informed on security matters, needs of the Port Authority and Port District. It met twice. Two items were assigned to it, and numerous topics were discussed. Audit Committee, which just concluded its meeting this morning, has oversight of quality and integrity of the Port Authority's framework of internal controls. Among other things, it oversees the

activities of our independent accountants, arranges for the annual independent audit of the Agency's books and accounts. Audit meets quarterly, discussed numerous topics, notable among which is Enterprise Risk Management. Audit has discussions on a regular basis with General Counsel and the Office of Inspector General. Audit authorizes retention of Deloitte and Touche as an independent auditor. World Trade Center Redevelopment Subcommittee met 14 times. 53 items were assigned to this Subcommittee and numerous items were discussed.

Now I'd like to take an opportunity to speak with you briefly with respect to the Independence and Objectivity and Board and Committee members. The key here is we want to try and enable conformance with relevant laws on the part of the Board and Committee members. We want to avoid Conflicts of Interest and the appearance of impropriety. And General Counsel is a pivot point with respect to the flow of information to and from the members of the Board. You can see that Commissioners receive ethics materials from General Counsel when they join the Board. There are briefings on a periodic basis form time to time. And, as you know, Commissioners are asked to provide information with respect to their financial business, corporate, and other interests and involvements. And that occurs on a regular basis and there is a process that has been instituted for updating of that information on a quarterly basis, as well. So you have this information flow to and from the Commissioners. And in the Office of General Counsel, files are kept with respect to this information. A composite list of interests and involvements without identifying information is prepared for use by the staff in connection with the Port Authority's activities. Board calendars are reviewed before each meeting to ensure that any potential issues are flagged and discussed for appropriate consideration by the Commissioners. I would point out also that the Code of Ethics for Port Authority Commissioners has formalized the requirement for certain disclosures to be made to General Counsel. And, with that, I would conclude the presentation.

[Chair H. Silverman] Thank you, Howard. Any of the Commissioners have any questions for Howard, or otherwise?

[Comm. A.Coscia] I guess partly a question and partly a comment. First, Howard, I appreciate all the effort you and the Law Department and the Secretary's Office put into this. As you know, this was an initiative that was part of our Bylaw revision, which was pretty substantial in terms of modernizing the way that the Port Authority does business and addressing a lot of the concerns that existed relative to the transparency of our operations. And this Committee formed sort of the ability for that effort not to have been a formalistic effort that concluded when the new Bylaws were adopted, but something that had real, sort of, life to it that would continue to adjust as circumstances necessitated And I think that this Committee is the anchor for that and staff support of that is critical. And I appreciate just how comprehensive this has all been, and I appreciate the work that our Chairman has done in that effort, because I think that that leadership, in terms of bringing governance experience in the private sector to join with what's happened in the public sector, is valuable. So I am, first of all, grateful to the fact that we have not sort of abandoned this process, but continue to refine it. The one comment I don't think you covered, but I want to, I guess, make certain that we do this on a regular basis is that our Commissioners are separately appointed in two States, and a result of that have a compliance obligation under State Law in the State of New York and the State of New Jersey. And I guess it is important for us to make certain we have in place a mechanism through the General Counsel's Office and the Secretary's Office to ensure that apart from whatever obligations may exist based on our Bylaws and our governance structure, that the extent to which there are filing requirements or other things that happen--

that Commissioners are alerted to that and that we keep a tickler system to ensure that each Commissioner files whatever disclosure statement is required, that as changes happen-- and I raise this because the Governor promulgated a new Executive Order recently and there was some questions as to its applicability to Commissioners and in what form, and I think that that kind of guidance is relevant absent each Commissioner going out and retaining counsel to ensure that they're doing it.

[K. Eastman] We do that, as you know, and we consult with General Counsel and Howard on all the matters to get their legal opinion on that, as well. We do, particularly on financial disclosure and other matters like that.

[Comm. A. Coscia] I would suggest, and I will defer to the Chair on concurring with this, that this Committee receive a report on that issue. That, in fact, there is a docket system that requires compliance and filing so that we know well in advance that a particular Commissioner may be behind on a particular legal obilgation they have relative to filing. You know, this Committee could--I mean, I frankly don't envision it happening and I think that's a very good thing, but I think that this Committee should have a early warning system that comes from the two of you that a particular Commissioner is sort of behind in their reporting requirements or that there are certain problematic issues associated with it. And I say that without wanting to even remotely encroach on any of the jurisdiction of the IG or the Law Department. And you'll do your best to keep those things separated, as well.

[K. Eastman] Yeah, and, in fact, we have, in some instances, certifications to the State that we need to do, particularly on training and on FDS.

[Comm. A. Coscia] Okay, okay.

[D. Buchbinder] Well, in fact, we have that system in place now, as you know, since most of the Commissioners are regularly pestered by me or Howard for updates on financial disclosure information, so that we can perform the appropriate monitoring. Also, in New Jersey we work relatively closely with the New Jersey State Ethics Commission to make sure that no New Jersey Commissioner misses a filing deadline. We also monitor the filings because we use that database, as well, to monitor Commissioner's activities. In New York there is no requirement that a New York Commissioner file. What we have done over the years is suggest that Commissioners review their activities in the context of the New York State Financial Disclosure form, and either provide us with that form or provide us with comparable information. Last year we implemented a process. We used to do this annually and then periodic pestering. We implemented, last year, a formal process where we remind the Commissioners on a quarterly basis of the information that we carry for them and ask them to update that information. It's also a dynamic process, as you know, because in the context of each Board Meeting the Commissioners receive an advanced calendar to try and identify the parties and the interest that the Board may be taking action with respect to, and we discuss with the Commissioners any need for consideration and recusal. The purpose of this Committee--and I think we have that in place. Fortunately, we have not been called upon to report on any misdeeds of Commissioners, which is why you haven't heard anything. But, the purpose of this Committee--one of its purposes--is to provide a center point for just that type of reporting, to deal with just those types of issues.

[Comm. A. Coscia] Good.

[D. Buchbinder] So we're there.

[Chair A. Coscia] I think that makes all the sense in the world. So the only, sort of, housekeeping comment I would make is that included in the reports of this Committee is an affirmation that all filings are made on a timely and fulfilled basis so that we've essentially done our due diligence on that level. And then the only other thing, in terms of future work that could be done, and, again, I think that this also probably falls into the category of we do it already, but you'll also include that, and Howard will include it in the reports to this Committee, is that your respective offices, I think, should be putting in reasonable efforts to determine what public agencies do. And then, not just in the New York/New Jersey metropolitan area, but nationwide, to deal with the governance and ethics balances that are necessary for basically a corporate body politic that operates as a corporation with an independent Board. But where it is essentially an entity with one stockholder, the public. In this case, it's in the form of the State of New York and New Jersey. And that's something that is, I mean, the things that we do today are not the things we did 10 years ago and they're not the things that we did 20 years ago, which makes me believe that there are people out there wrestling with these issues. And if there is someone who has a good idea, I'd certainly like to know about it. So, a portion of your report may very well be, also, discussions that we have had, and there's no reason to wait for these meetings. The Chair, I'm sure, will entertain suggestions along these lines. So it ought to be a more continual R & D process on how we can do this better. If someone else is out there and has come up with a reasonable mechanism to give a greater level of confidence in the openness and transparency of how we operate, that would be a helpful thing. Okay, that's all I had.

[Comm. A. Sartor] I just wanted to commend both the Secretary's Office and General Counsel's Office for your efforts. I've been here about 11 years now, I guess, going on 11 years, and it's a much better system now than existed a number of years ago. So, I commend you for that.

[D. Buchbinder] Thank you.

[Chair H. Silverman] All right, is there any other business to come before this Committee? If not, we stand adjourned. Thank you very much.

The Port Authority of New York and New Jersey
Committee on Operations Transcript
May 18, 2010

[Chair A. Coscia] The first portion of today's meeting of the Committee on Operations is being held in Public Session, after which the Committee will meet in Executive Session to discuss matters related to the purchase, sale, or lease of real property or securities where disclosure would affect the value thereof or the public interest. In addition, the Public Session of this meeting is being broadcast live on the Port Authority website for those interested in viewing today's proceedings via the Internet. Our first item for action involves the Hudson-Raritan Estuary Resource Program. Mr. Francois.

[M. Francois] Good morning. Today I am requesting your authorization to amend an existing Memorandum of Agreement with Essex County to fund the acquisition of property located in Newark under the Port Authority's Hudson-Raritan Estuary Resources Program. The site is known as the Riverbank Park Extension. The Port Authority's objective is to fund property acquisitions within the Hudson-Raritan Estuary and Port District that may be suitable for conservation, ecological enhancement, public access, or environmental mitigation in support of port development, economic development, and other Port Authority capital programs.

In July of 2009, as part of the Hudson-Raritan Estuary Resources Program, the Committee authorized a Memorandum of Agreement with the County of Essex to acquire three parcels of property totaling 12.25 acres. The County plans to develop the property as a public park in Newark with waterfront access. At that time, the Committee authorized up to $7 million towards the acquisition, which was consistent with the Port Authority appraisal for fair market value of the property at that time. Subsequently, the County initiated proceedings in the Superior Court to acquire the property via condemnation. These proceedings required that an updated appraisal be performed on the properties. The updated appraisals performed on behalf of the County and the Port Authority both determined that the fair market value would be $7,660,000.

As such, staff is requesting that the Committee authorize a $660,000 increase to the amount reimbursed to the County for the actual acquisition cost of $7,660,000 through condemnation. Protecting this property supports the Port Authority's sustainability goals of protecting approximately 60 acres of property per year from development. Including this increase, the Port Authority will have authorized approximately $24 million of New Jersey's $30 million allocation for land acquisitions under the Hudson-Raritan Estuary's program. To date approximately $21 million has been authorized in New York for its $30 million allocation under the program. Commissioners, your approval of this action is requested.

[Chair A. Coscia] Thanks, Mike. Can I have a motion to approve? [Comm. D. Steiner] So moved. [Chair A. Coscia] Is there a second? [Comm. H.S. Holmes] Second. [Chair A. Coscia] Anyone have any questions or comments? [silence] [Chair A. Coscia] Okay. All those in favor? [Commissioners] Aye. [Chair A. Coscia] Any opposed? [silence] Okay, Thank you. The next item is for discussion, and that is the Greenville Yard Port Authority Marine Terminal. Mr. Larrabee.

[R. Larrabee] Good morning.

[Comm. D. Steiner] I own stock in some railroad company. I've got three chairs, so you want to [inaudible]

[Chair A. Coscia] So noted.

[Comm. D. Steiner] Do you want me to leave the room?

[Chair A. Coscia] Where is our general counsel? I don't think that's necessary.

[C. Hartwyk] It's not necessary.

[Comm. V. Bauer] I recuse myself.

[Chair A. Coscia] Okay. Just so everyone knows, the Law Department here is actually very, very good at staying on top of recusals, so they actually know it way before we do most of the time. So in any event--Okay, Rick?

[R. Larrabee] Commissioners, good morning. This morning I seek your approval of an item that represents the next step forward in the Port Authority's efforts to improve the movement of freight across the Hudson River, namely the revitalization of the cross harbor car float system operated by the Port Authority's wholly owned affiliate, New York New Jersey Rail, LLC, including the development of Greenville Yards in Jersey City, New Jersey.

The item on today's calendar builds on previous Board actions and authorizes a series of investments to ensure the ongoing viability of the cross harbor car float system, including the use of $89 million in federal and state funds to rehabilitate the car float system and to purchase certain real property at Greenville Yards to secure it for use for rail freight purposes, the consummation of an agreement with the city of New York to create a new, modernized terminal for the cross harbor car float in Brooklyn, and the further development of plans for intermodal freight facility at Greenville. The item also authorizes the negotiation of a transaction to construct and operate barge-to-rail transfer facilities for New York City containerized municipal solid waste at Greenville in response to Governor Christie's request for the Port Authority to help take trucks off the road in New Jersey.

By way of background, the operation that we're talking about today, as you can see in this slide, is the New York New Jersey Rail's car float system, which moves goods in loaded corral cars from Greenville Yards in Jersey City to the 51st Street in Brooklyn and we hope eventually to the newer and larger rail yard at 65th Street, also in Brooklyn. Historically, the decline of railroads in the Northeast, the car float operations previously operated by railroads one by one either ceased to exist or fell into disrepair. Today only one operation is left--that under the control of the New York New Jersey Rail, and it handles about 1,500 loaded cars per year.

To give you a better idea of the layout of Greenville Yards, here is the aerial photo of the Greenville Yards outlined in red and the adjacent facilities. Greenville is located near the Port Jersey Port Authority Marine Terminal and existing Global Marine Terminal and not far from the former Military Ocean Terminal at Bayonne. It lies within the boundaries of Jersey City and has been used as a rail yard for well over a hundred years. There are four lift or transfer bridges at Greenville. These devices allow the

loaded rail cars to be loaded onto or taken off from barges. Only one transfer bridge is operational today, and it requires constant care and attention due to age.

In October of 2007, the Board authorized the sponsorship by the Port Authority of an Environmental Impact Statement to examine how goods should best be moved across the harbor, including car float systems, a rail freight tunnel, a multimodal tunnel, or some combination of these measures. That effort has been started and is ongoing through August of 2011. The Board also authorized the acceptance of federal grant funds in the amount of approximately $100 million intended to support the EIS process and to improve regional rail goods movement. However, at the time, the Board only authorized the expenditure of $10 million in support of the EIS and required that the staff come back to the Board with any plans to further utilize the funds.

In August of 2008, the Board authorized the Port Authority to acquire the New York New Jersey Rail and its operating rights in Greenville and Brooklyn, and it also authorized the staff to pursue the acquisition of Greenville Yards from its owners, Conrail. Today we're asking the Board to authorize the Executive Director to execute a new operating agreement to provide an appropriate governance structure for the New York New Jersey Rail, LLC, required of a wholly owned entity of the Port Authority. We're also asking the Board to authorize a project to stabilize and improve the cross harbor car float operation, which is estimated to cost $118.1 million and includes a state of good repair investments in both Greenville and Brooklyn, the making of certain improvements to operations such as the purchase of new, larger rail barge and the ultra-low emitting locomotives and the acquisition of approximately 47 upland and 72 riparian acres of land at Greenville to assure Port Authority control over the property and its preservation for rail use.

Final terms and conditions of the property purchase would be subject to the approval of the Chair of the Committee on Operations. Of the $118 million project, approximately $89 million is expected to be covered by the remaining SAFETEA-LU grant funds and other federal and state grants. And we are therefore also asking that you authorize the application of these funds for those purposes. In addition, we're asking the Board for authorization to complete an agreement with the City of New York, subject to the approval of final terms and conditions by the Chair of this Committee, for operating rights at the city-owned 65th Street Rail Yard in Brooklyn. And finally, we are asking that the Board authorize the Executive Director to identify and negotiate with a third party operator to design, construct, and operate a barge-to-rail transfer facility at Greenville capable of handling shipments of containerized New York City municipal solid waste. New York City is in the final stage of its own project to shift the transport and disposal of solid waste from truck to water and rail. It's important to note that no specific transaction is being authorized, and any proposed agreement for the construction and operation of a barge-to-rail transfer facility for municipal solid waste at Greenville would require staff to come back to the Board for final approval.

As this slide shows, the total project to stabilize and improve the New York New Jersey Rail car float operation is estimated at approximately $118.1 million, with approximately $89 million being reimbursed to the Port Authority from federal and state grants. The net Port Authority outlay would therefore be approximately $30 million.

Commissioners, this slide shows how we intend to ultimately use the Greenville Yards to accommodate three types of cargo movement. Going from north to south, the first use would be for the traditional

cross harbor car float shipments, loaded rail cars being moved on a barge between Greenville and Brooklyn. That's this facility right here, and that's where we're going to spend the $118 million. The other two dimensions of the Greenville Yards would be a load-on, load-off facility that would be used for municipal solid waste. And then finally, this is the intermodal rail facility, which would be used in conjunction with container operations in Port Jersey and would be integrated into the remainder of the express rail system.

Commissioners, the project to stabilize and improve the cross harbor car float system and the plans to develop Greenville to handle three types of waterborne cargo both offer several important benefits to the region. These activities would further encourage the shipment of goods by rail as opposed to truck, which would reduce congestion on area roads, improve air quality, and lessen the wear and tear on Port Authority's trans-Hudson crossings. Both activities will generate additional employment during construction and for operations and maintenance. With particular reference to New York City municipal solid waste and the plan to handle barge-to-rail transfers of City waste to Greenville, the environmental benefits in particular are striking and underscore why Governor Christie has called on the Port Authority for assistance. Reduced truck traffic equals reductions in harmful greenhouse gases and criteria pollutants. Reduced truck traffic equals less congestion on our roads such as Route 1, New Jersey Turnpike, Route 78, and Route 80, less wear and tear on infrastructure including Port Authority bridges and tunnels. We know that rail is four times more efficient than truck. New York City waste shipments by truck today represent 45 million vehicle miles traveled per year, of which one-third, or 15 million miles, take place in New Jersey. Shipments of New York City municipal solid waste by barge and rail via Greenville will significantly reduce these vehicle miles traveled. Put another way, usage of Greenville to handle municipal solid waste will help take nearly 360,000 truck trips off New Jersey's roads each year. Commissioners, for the above reasons I request that you advance this item to the full Board.

[Chair A. Coscia] Thanks, Rick. Can I have a motion to-- [Comm. V. Bauer] So moved. [Chair A. Coscia] Okay. Second? [Comm. H.S. Holmes] Second.

[Chair A. Coscia] Again, we'll be advancing this to the full Board, but I wanted to open it up for discussion. Let me start, Rick, by thanking you and your staff and Mark Hoffer and all those who have been working on this very hard for a long time. I also wanted to take a minute and, as Rick mentioned, this Board approved a plan relative to trying to enhance our goods movement operation. And the use of waterborne systems in order to do that is something that we viewed as something that made a lot of sense on a lot of levels and took us to some of our roots. We've had our bumps and bruises along the way on implementation, and today is a good day in that we've gotten over that. I guess I'd also like to very much thank our Executive Director, Chris Ward, and our Deputy Executive Director, Bill Baroni, because in order to realize what the Board's vision was for enhancing our ability to move freight around the region using waterborne resources as a way of enhancing that, their ability to respectively reconcile interests on both sides of the river and highlighting the benefits of this program is the reason why we were able to do this today. It took the Governor and his leadership to get us to that point, and so I'm personally grateful after two years of sort of staring at the same picture having someone who was able to get us to that point. I think Rick did a pretty good job at presenting what we're doing here. Does anyone have any questions?

[Comm. V. Bauer] I do. Rick, I understand the environmental impact in terms of getting more trucks off the road. But in terms of the barges, my only concern is solid waste, the possibility of an accident and this waste going in the water. Is there any assurances, any protections that we have in that respect?

[R. Larrabee] The containers that hold the waste are sealed containers, and to my knowledge, we've never had an accident with one of them. What they're basically doing is containerizing the waste at transfer facilities in New York City, loading them on a barge, floating them across, and then taking them off, and then loading them on a rail car. That operation is—

[Comm. V. Bauer] They're sealed tight.

[R. Larrabee] Yes.

[Comm. V. Bauer] There's no chance of debris falling in the water.

[R. Larrabee] If the container somehow fell in the water, the whole container would go. But in general, there's no open garbage, and this is a technology that's been used very successfully for quite a while. We do it now in a number of locations.

[Comm. V. Bauer] Thank you.

[Chair A. Coscia] Okay. All those in favor of advancing it?

[Commissioners] Aye. [Chair A. Coscia] Our next item is at Kennedy Airport, the American Airlines lease. Sue Baer?

[S. Baer] Good morning, Commissioners. Today I'm here to seek your approval for a new lease agreement with American Airlines for the continued operation of an aircraft maintenance hangar and flight kitchen at JFK. The new lease agreement will provide additional revenues to the Port Authority and retain a long-term tenant whose operations contribute considerably to the region's economy.

Today JFK Airport serves as one of four hubs for American Airlines, a leading international carrier with more than 10,000 employees living in the New York area. Following nearly 60 years of operating terminal and cargo facilities at JFK, the airline has recently increased its commitment to the airport and the New York region. In 2007, American began full service from its new $1.3 billion Terminal 8. This past March, American announced plans to add 31 new flights from JFK and LaGuardia, including 7 new destinations. Efforts to further enhance the customer experience include upgraded aircraft and an interline agreement with JetBlue Airways that will leverage American's international market and JetBlue domestic market to provide customers with additional, more convenient connections out of both JFK and Boston. American's long-term operations at JFK covered under its existing lease include an eight bay, 470,000 square foot aircraft maintenance hangar, shown here as Hangar 10, a 100,000 square foot cargo building, 123, just north of the hangar, and a 54,000 square foot flight kitchen in Buildings 121 and 122, shown here on the bottom left. Leading up to this new agreement, staff has been working with American to establish a leasing strategy that is aligned with the airline's recently developed position on growth at JFK. As a result, the proposed lease provides increased rentals to the Port Authority, ensures the continued operations of aircraft maintenance and flight kitchen facilities, and retains 740 on-airport jobs that are associated with this back-of-the-house operation, the cargo and maintenance operations.

The leasing strategy also accommodates the carrier's need for a modern and efficient cargo facility. Staff consented to the relocation of American's cargo operations from Building 123 to Building 79, located in another quadrant of the airport. Nippon Cargo Airlines is currently subleasing to American this modern cargo facility, resulting in the Port Authority receiving subleasing fees from Nippon Cargo. In connection with this relocation and as part of our property demolition program authorized by the Board last month, American has begun to demolish Building 123, a 50-year-old obsolete cargo building. Its demolition will provide for future commercial development of this site. Commissioners, the proposed agreement with American will cover the rental of the 50-acre site and generate approximately $57.6 million in aggregate fixed rentals over the lease term, which represents a 12.2% increase. This doesn't include the rentals beyond year two from the anticipated lease with Sky Chefs. American would lease Hangar 10 for a 5-year period with an additional 5-year option to renew. Buildings 121 and 122, which house the Sky Chefs flight kitchen, would be leased for a 2-year period. These buildings are presently subleased to Sky Chefs, and staff anticipates entering into a direct lease with Sky Chefs at the end of this 2-year term. Advancing this item would provide for increased revenue to the Port Authority and continue American's aircraft maintenance and cargo operations, including the associated on-airport jobs. I ask that you recommend this item for approval to the full Board.

[Chair A. Coscia] Can I have a motion to recommend it? [Comm. D. Steiner] So moved. [Chair A. Coscia] Second? [Comm. H.S. Holmes] Second. [Comm. D. Steiner] Discussion? [Chair A. Coscia] Yes.

[Comm. D. Steiner] I met with Sue Baer and reviewed all the real estate aspects of the transaction and the financial, and I think it's very well thought out, and I commend you for coming up with this unique plan.

[S. Baer] Thank you.

[Comm. D. Steiner] I think it addresses our long-term real estate considerations and plans for the airport.

[S. Baer] Thank you very much.

[Comm. D Steiner] So I recommend approval.

[S. Baer] Thank you. Those aircraft maintenance jobs are the only significant numbers still at JFK, and they are 500 really good jobs. It was real important to us to work with them to make this happen.

[Chair A. Coscia] Okay. Jeff, did you have any questions? I know you had some in the interim, but they've all been-- [Comm. J. Moerdler] (inaudible). [Chair A. Coscia] Okay, good. No other questions? All those in favor? [Commissioners] Aye. [Chair A. Coscia] Any opposed? Okay. Our final item is the Port Authority Bus Terminal and the retail management agreement and amendment to the exclusivity agreement for the north wing air rights.

[M. Francois] Thank you. Today I am seeking authorization to enter into a 5-year retail management agreement with 20X Square for the management and operation of retail space in the north and south wings of the Port Authority Bus Terminal. I am also seeking authorization to extend for two years the existing north wing exclusivity arrangement between the Port Authority and 20X Square Associates, which is a joint venture between Vornado Realty and Lawrence Ruben Company, for the development, construction, and operation of an office tower above north wing of the Port Authority Bus Terminal.

In December 2007, the Board authorized two exclusivity agreements with 20X Square for the redevelopment of the Port Authority Bus Terminal. The first gave 20X Square the right to prepare a leasing, management, and improvement plan for retail in the south wing. The second provided for the development of a tower above the north wing and renovations to the retail space. Several extensions to the agreements have been executed, the last of which expired in August of 2009, although 20X Square has continued to advance this project.

20X Square has submitted a definitive schedule for project developments, conceptual design plans, and schematic level drawings, selected an architect, Richard Rogers, to design the project, and executed a completion guarantee. 20X Square has invested approximately $6.3 million in due diligence and has paid the Port Authority option fees totaling $4 million for the continuance of the exclusive negotiating rights. The Port Authority and Vornado have agreed to new plans for the overbuild on the north wing. As a result of the economic downturn, negotiations for the development of an office tower were suspended at the end of the exclusivity period. However, the Port Authority has negotiated terms of a retail management agreement under which 20X Square would manage the retail in both the north and south wings through August 2014. The Port Authority has the right to terminate this agreement without cause upon 30 days' notice. As part of this agreement, the Port Authority would extend the north wing exclusivity agreement through August 7, 2011.

We feel there are a number of benefits to extending the exclusivity agreement with 20X Square and executing a retail management agreement. There is definitive synergy between retail and office overbuild which would make it desirable for one firm to be involved in both projects. Vornado is well positioned to move the project forward with office development when the economy turns around based on its investment of due diligence and the plans that have been prepared to date. And Vornado has extensive retail experience. They're the largest retail street owner in Manhattan at 1.8 million square feet and have 22 million square feet of retail development nationwide.

As you know, the area surrounding the bus terminal has undergone a transition with substantially more residences, office space, and other commercial activity. The retail management agreement with 20X Square will reposition the retail program to capture this new market. As retail manager for Port Authority Bus Terminal, 20X Square's services would include preparation of annual retail operating and capital budgets for the Port Authority to review and approve, perform a market analysis, prepare a leasing plan, develop marketing materials, develop a website, and conduct weekly marketing meetings, conduct open houses, and review offers by potential tenants as well as ensure consistency with Port Authority terms and conditions, negotiate leases on behalf of the Port Authority, perform credit worthiness checks on prospective tenants, prepare potential tenant packages for Port Authority review and approval, and conduct bimonthly tenant meetings, review variance reports on retail revenues, prepare quarterly reports of retail performance, as well as set up an office on site with dedicated staff. Under the retail management agreement, each year 20X Square will submit estimated project costs and a leasing plan for review and approval by the Port Authority. 20X Square has estimated that over the 5-year term the Port Authority will pay approximately $3.1 million in reimbursable operating expenses, $540,000 in management fees, and approximately $2.9 million in leasing commissions to 20X Square and other brokers. In addition, the Port Authority will invest approximately $985,000, annual budget

permitting, to make vacant spaces ready for occupancy. Staff anticipates that over the 5-year term the Port Authority will receive an estimated $54 million in retail revenues. On an incremental basis, the NPV of the net revenues is approximately $1.8 million.

The fees under this agreement reflect terms not found in typical market arrangements. For example, 20X Square will receive its 5% management fee only on the additional revenue it produces for the Port Authority. In a typical management agreement, the manager would receive 5% on all revenue. Also, total leasing commissions paid on a deal are capped at 125% of full commission, which also reflects a discount off the standard market arrangements.

Entering into a 5-year retail management agreement with 20X Square will now provide an opportunity for the Port Authority to optimize revenue potential for the Port Authority Bus Terminal until the office market returns. Extending the option on the air rights above the north wing with 20X Square will enable the Port Authority to respond quickly when the market rebounds and development opportunities arise. The benefits from this proposed relationship with 20X Square include enhancement of retail and service amenities for bus patrons and the public at large. Commissioners, I request that you advance this item to the full Board for approval.

[Chair A. Coscia] Is there a motion? [Comm. D. Steiner] So moved. [Chair A. Coscia] Second? [Comm. V. Bauer] Second. [Chair A. Coscia] Anyone have any questions or comments?

[Comm. D. Steiner] The real estate aspects--I compliment you on doing a good job. I think the choice of continuing with Vornado is very wise because they're very competent and very capable in this thing. I have a lot of respect for their staff, and I think they'll do a better job than anybody else we could have chosen in this. Thank you.

[M. Francois] Thank you.

[Chair A. Coscia] Anything else? [silence] Okay. All those in favor of advancing it? [Comm. H. Silverman] Aye. [Chair A. Coscia] Any opposed? [silence] Okay. This concludes the public portion of today's meeting. The Committee will now adjourn to Executive Session to discuss matters related to the purchase, sale or lease of real property or securities where the public disclosure would affect the value thereof or the public interest.

The Port Authority of New York and New Jersey
World Trade Center Redevelopment Subcommittee Transcript
May 18, 2010

[Chair A. Sartor] ...met in Executive Session prior to the public portion of today's meeting to discuss matters involving ongoing negotiations or reviews of contracts or proposals. The Subcommittee will now meet in Public Session. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings live on the Internet. We have a number of items for discussion. Mr. Plate, start the first one.

[S. Plate] Commissioners, I have 4 items to present to you for your approval. I would first like to recommend for award a construction trade contract for aluminum lining work at One World Trade Center. Our staff estimate for this work was $4.1 million. The contract was competitively bid, with Skyline Steel Corporation being the lowest responsive bidder at a cost of $3.17 million, excluding extra work. Skyline Steel will furnish, deliver, and install the aluminum lining within 140 electrical closets and other mechanical space throughout One World Trade Center. The lining is necessary to minimize electrical interference within the surrounding areas of the building. With this award, we've awarded over 98% of One World Trade Center trade contracts to date.

[Chair A. Sartor] Do you have any questions on this item? Seeing none, I'll entertain a motion that we move it to the full Board for approval.

[S. Plate] Our next item authorizes an MOU to provide for -- I'm sorry. Go ahead?

[Chair A. Sartor] Next item, please.

[S. Plate] Yes, sir. Our next item authorizes an MOU to provide for reimbursement to MTA Capital Construction for the repair of areas directly impacted by settlement of the R-Line Cortlandt Street subway station, as a result of work performed by the Port Authority on the east side of the World Trade Center site. The amount of $10.5 million will enable us to reimburse them for the work to be done. It will pay for grouting and other structural repair work. The MTA plans to execute two additional elements of work as part of their R-Line contract, some track alignment work, as well as construction of secondary egress at the southbound R Station platform. We have not offered to pay for this work, and we are working with the MTA to evaluate alternatives, such as interim emergency egress that would suffice for 18 months until the permanent egress through Tower 4 is available. It is critical that the MTA award their contract this month in order for them to get the southbound R Station open for the 10th memorial anniversary. Because of that, we expedited negotiation of the remediation work. Once completed, this work will support the Port Authority's overall goal to re-establish critical access points to and from the World Trade Center site.

[Chair A. Sartor] Any questions? Steve, where does this come from in the budget? Is this above and beyond our numbers, or is it --

[S. Plate] This comes out of the Hub budget.

[Chair A.Sartor] It comes out of the Hub budget.

[S. Plate] This is work done by the building of the slurry wall,

[Chair A. Coscia] It comes out of the $3.2 without increasing it by $10 million is what I'm asking.

[S. Plate] That is correct, sir, on a contingency.

[Chair A. Sartor] Any questions? Seeing none, I'll entertain a motion to be moved. [Comm. D. Steiner] So moved. [Chair A. Sartor] Second? [Comm. V. Bauer] Second. [Chair A. Sartor] Okay. Go ahead, Steve, number 3.

[S. Plate] The next item requests a supplemental agreement to the existing PATH Hall construction contract with Skanska Granite to perform work in the southeast corner of the west bathtub, in support of the scheduled opening of the World Trade Center Memorial Plaza on September 11, 2011, at a total cost of $5 million, excluding extra work. Our staff estimate for this work was $5.4 million. Skanska Granite was retained in February, pursuant to a competitive bid process to construct the PATH Hall and the west bathtub. The work to be covered on the proposed authorization was originally included under the VSC program; however, schedule delays associated with the demolition of Deutsche Bank, has impacted the VSC's program's ability to complete this area in time for the Memorial Plaza opening. Work includes demolition, foundation construction, steel and concrete work to build a complete core and shell infrastructure up to street level and construction of the concrete fire tanks. Due to the adjacency of the work zone limited access and the fact that Skanska Granite has staff with intimate knowledge of the site and resources such as cranes, excavators, and other equipment already mobilized, it was found that Skanska Granite is best suited to cost effectively perform the construction while supporting the completion of the plaza. In addition, the performance of this work will facilitate the public to visit the Memorial reflecting pools.

[Chair A. Sartor] Any questons on this item?

[Comm. D. Steiner] Does this mean that $5 million will reduce the vehicle? It's not a total net gain. You're just transferring it from one place to another?

[S. Plate] Yes, sir, yes.

[Chair A. Sartor] Okay, I'll entertain a motion that this be moved to the full Board. [Comm. V. Bauer] So moved. [Chair A. Sartor] Second? [Comm. J. Moerdler] Second. [Chair A. Sartor] Done. Next item.

[S. Plate] The last item requests authorization to reimburse Silverstein Properties aimed for certain early action design and construction work for Tower Two, primarily related to foundations in an amount of $2.8 million. Due to the critical nature of various project schedules at World Trade Center site, SPI is moving forward with early action work at Tower Two. SPI will undertake this design and construction work with initial costs to be incurred pending finalization of the World Trade Center framework agreement plan for July. Total expenditures for this work are anticipated to be $5.6 million, of which $2.8 is attributed to SPI's share of the costs associated with Tower Two. The Port Authority's share, totaling also $2.8 million will be provided consistent with prior Board actions authorizing the reimbursement of SPI for certain work performed on behalf of the Port Authority in the east bathtub of the World Trade Center site. This action will enable the Port Authority to continue to make effective

progress with the execution of the World Transportation Hub project. Commissioners, I request you advance these items to the full Board for approval.

[Chair A. Sartor] Any questions on this item?

[Comm. S. Steiner] What are they doing? What are they doing for $2.8 million? Why is that our obligation, not the developer of Tower Two? Why should we be paying for something that is not an issue? How are we going to get it back from them?

[S. Plate] As part of the physical work, what we're doing is the $2.8 is actually split in two. Half of it is going to be done for work associated with World Trade Center. The other is for putting in foundation work -- the foundation work for the building to bring it to grade. We pay for that initially, and then ultimately they will reimburse us.

[Comm. D. Steiner] If they ever build a building.

[Chair A. Coscia] But the agreement that we came up with -- this is part based on the notion that we're actually going to come to an agreement with Silverstein Properties along the lines of what we've got, and we're all optimistic is what's going to happen. That proposal falls with the Port Authority to take the responsibility for insuring that the Site 2 pad is built to a podium level. We have committed to $200 million in capital expenditure in order to do that. If Silverstein does not build a building at T-2, we're obligated to bring that site to podium level, and clearly within the $200 million, this $2.8 million will be subsumed. If alternatively, Silverstein does build T-2, then we have a $2.8 million credit against ultimately the true up on the allocated partial project. I guess it was represented to me, anyway, and there are people in this room that are going to sort of have to agree with what I'm about to say. It was represented to me that this convenience -- because it is to some degree a convenience to our development partner here -- is in our interest because it represents a material benefit from a scheduling standpoint to the sequencing of our construction. So the question that was put to me is would you be willing to advance $2.8 million against an obligation that Silverstein is only obligated to reimburse us in the event that he builds his building, and in exchange for that we rapidly accelerate our program as it relates to the Hub and the Memorial.

[Comm. D. Steiner] So you want us to pay this whether or not he signs this agreement?

[Chair A. Coscia] Well, I mean the risk that we take as a group -- and let's be candid here -- is that we don't come to a final agreement.

[Comm. D. Steiner] Why don't we do something besides signing the agreement?

[C. Ward] Because the problem is that the delay of the work, of jeopardizing the actual final cost would literally mean. Larry Silverstein has actually started work prior to the signing of the agreement, expediting of the foundation of Two. We need to help reimburse that to expedite that work today.

[Comm. D. Steiner] He has started that work?

[C. Ward] Yes, he has initiated his contract.

[Chair A. Coscia] Don't do that.

[C. Ward] If we don't advance this, with the potential true up cost would be greater than the $2.8 million we're providing.

[Chair A. Coscia] Yeah, I mean I'm supportive of it for selfish reasons. Now, if I'm misinformed, then shame on us, but I see this as being in our interests and that's why I'm supporting it. It's not out of any sense of altruism toward our partner or anything to the contrary. Again, if what was represented relative to the benefit to scheduling is inaccurate, then we're making a --

[D. Tweedy] To turn it around, if the deal comes together as planned, and we don't do this, then we're going to end up spending tens of millions of dollars of what we called Plan B workaround costs which will be wasted purely because of the timing of T-2 not being able to catch up with the Hub project, and that really is the reason that we're asking you to support this. We're optimistic the deal is going through.

[Chair A. Sartor] Any other questions on this item? Seeing not, I obtain a motion that this be moved to the full Board. [Comm. S. Grayson] So moved. [Chair A. Sartor] Okay, it's done.

The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Transcript
June 22, 2010

[Chair A. Sartor] We have one item for discussion today. Vicky, you want to take us through it? [audio issue – no sound]

[V. Kelly] ...qualifications-based selection process that considered staff and firm qualifications and experience, management and technical approach and cost as appropriate. After the initial evaluation, the six firms that received the highest technical scores were invited to make presentations and answer additional questions. These six firms were then re-evaluated and ranked based on their presentations, and the additional information they provided. The top four firms were deemed equally qualified to perform the contemplated services. In an effort to reduce project costs, negotiations were then conducted with the four firms. The selection team determined that Hardesty & Hanover, LLP was the most appropriate proposer based upon their technical score and their cost of $2.4 million.

Today, we are seeking your approval for $1.7 million for planning and engineering services for a project to evaluate the need for the priority rehabilitation of the Bayonne Bridge's structural steel including evaluating the need to remove the existing paint and repaint the viaducts. We're also requesting your approval to enter into an agreement with Hardesty & Hanover up to an amount not to exceed $2.6 million, and of that $2.6 million, we're asking today for your approval to spend $800,000 under the current planning authorization to perform Stage II preliminary engineering services. Authorization of additional work valued at approximately $1.8 million to support further planning and construction would be subject to further authorization as part of future actions to implement these improvements. Commissioners, I request that you advance this item to the full board for approval today. Thank you.

[Chair A Sartor] Thank you, Vicky. Any questions? Vicky--just a point of clarification--is it $1.7 plus $2.6?

[V. Kelly] No, it's $1.7 which includes $800,000 of the $2.6. We're asking for authority to enter—

[Chair A.Sartor] Okay, so it is $1.7 plus $2.6 plus additional costs later on.

[V. Kelly] No.

[Chair A.Sartor] No--I'm misunderstanding then.

[V. Kelly] Part of the $2.6 is included in the $1.7, and we're only asking for authority today to spend part of the $2.6.

[Chair A. Sartor] $800,000--okay.

[V. Kelly] The total we're asking for authority today to spend is $1.7 anything more than the $1.7 would require your further approval. And of that $800,000, comes out of the $2.6--

[Comm. Bauer] And the $800,000, Vicky, is for the planning or for the engineering or for the painting?

[V. Kelly] It's for further evaluation of both the steel repairs as well as the condition of the paint. We're doing design work at this point basically--investigation and design. We're not doing any actual painting or construction work at this time.

[Chair A. Sartor] Okay. I guess we can't take a motion with just you. We'll just move it--we'll move it to the full board.

[V. Kelly] Okay. Thank you. That's it?

[Chair A. Sartor] That's it for business.

The Port Authority of New York and New Jersey
Committee on Construction Transcript
June 22, 2010

[Comm. A. Sartor] --via the Internet. Vicky, you win again. You've got 2 of them. You just finished one in capital planning, and now you're here in construction. [laughs] George Washington Bridge. Go ahead, Vicky.

[V. Kelly] Good morning again, Commissioners. I'm here today to discuss a project authorization for the structural rehabilitation of the George Washington bridge main span upper level steel deck components and supporting structural members. This project is consistent with our inspections and our comprehensive program to maintain the George Washington bridge in a state of good repair.

Our comprehensive bridge inspection and maintenance program includes conducting federally mandated bi-annual inspections, assessing the findings of the inspections, developing repair and rehabilitation projects to address the inspection findings, and implementing the repairs. The steel deck on the George Washington bridge was installed in 1978. This deck is supported by structural members that were built as part of the original bridge construction in 1931. The age of the structure, combined with the effects of deicing salts and heavy loads, due to the truck traffic on the upper level have resulted in the accelerated wear of the deck and it's supporting components. While current conditions do not compromise the load-carrying capacity of the bridge, they must be addressed in order to maintain the bridge in a state of good repair and to avoid unplanned closures and emergency repairs.

The Board approved the planning authorization in December, 2007, for $5.5 million to perform inspections, develop and evaluate design alternatives, and prepare a preliminary design for the selected alternative. To address the priority repairs, we have evaluated 3 different options. The first was to replace the entire upper level deck. The second option was to perform localized repairs to the cracked welds and steel plates. The third option, which is the one we selected, was to replace portions of the upper level deck and perform rehabilitation of other areas. Based on the life cycle cost analysis, we determined that the replacement of 6-foot sections around the expansion joints--which is where most of the problems occur-- along with localized rehabilitation of the remaining deck areas, is the best option. It will extend the useful life of the structure for 15 to 20 years, while minimizing capital outlay and impacts to customer service. Staff took undertook a value engineering effort to investigate the cost and scheduling-savings opportunities. These recommendations were reviewed and incorporated, resulting in a savings of approximately $7 million and a schedule reduction of about 9 months. A risk analysis was also performed to assess the risks, develop mitigation strategies, and include appropriate contingencies in the project costs and schedule.

Today we're recommending that the Board authorize a project for the George Washington Bridge main span upper level structural steel rehabilitation at an estimated total project cost of $199 million. Bids are expected this August from contractors that have been pre-qualified to bid. We expect to recommend a contract award to you in September. Construction would start in the first quarter of next year and be completed by mid-2015. During construction, an outreach program will be implemented to notify our customers of this project. This will include press releases, traffic advisories, and full coordination with

our Transcom partners. Commissioners, I request that you advance this item to the full Board for their approval today. Thank you.

[Comm. A. Sartor] Any questions, Commissioner?

[Comm. V. Bauer] No.

[Comm. A. Sartor] I don't have any either, Vicky. Good presentation. We'll move this to the full Board. The next item. Vicky, again, you win. Goethals Bridge.

[V. Kelly] Good morning again. I'm here now to discuss a project authorization and additional funding for a contract to rehabilitate the heating, ventilation, and air conditioning system, and to install fire alarm and fire suppression systems at the Goethals Bridge administration and maintenance buildings. The project is currently under construction and will require the authorization of additional funds for project completion.

Commissioners, let me begin by providing you with an overview of the project. As shown in the picture on the left, the Goethals Bridge administration buildings contain 2 distinct buildings for administration and maintenance, which are connected by a walkway. These buildings house over 80 staff responsible for many different functions associated with our operations and maintenance of the 3 Staten Island bridges, including police, automotive maintenance, operations, physical plant maintenance, and facility management. The building's HVAC and fire suppression and alarm systems are all over 40 years old. The HVAC duct work has deteriorated, and the existing fire alarm and fire suppression systems require an upgrade in order to meet current code requirements.

The scope of work for this project includes a replacement of the HVAC and the fire alarm system, and the expansion of the current fire suppression system. The contract for this work was discussed with the Board in February, 2007, and was awarded to Yonkers Electrical Contracting Corporation in March of 2007, for $10.8 million. At that time, the total project cost was estimated at $17.9 million.

Under the work plan, the administration and maintenance buildings were divided into 2 separate work areas, where each had specific hours of work in order to minimize the impact on staff. Off-hours work included the application of fire-proofing material, and the removal of asbestos-containing and lead-coated material. This was performed in contained portions of the work area. These measures were taken to avoid the need to relocate facility staff. The areas of work were cleaned and restored each night after work was completed.

Although the construction sequences were carefully planned, and were conducted in accordance with all applicable regulations, it became apparent as the work progressed that the construction staging was disturbing facilities staff and causing them to be concerned about potentially hazardous materials. Work was stopped in February 2009, to conduct environmental testing and cleaning. The environmental test results showed that no hazardous materials were present. A revised construction plan was developed that divided the buildings into 7 areas, instead of the original 2. Staff were relocated out of their work areas, and a trailer was obtained to allow for a temporary relocation. Work resumed on June 1, 2009, following a 4-month stoppage.

The project also experienced other obstacles as construction progressed. Numerous above-ceiling conduits and piping were found to be deteriorated and required replacement. Additional asbestos-containing components were found in the plumbing and roof materials. The poor condition of the existing building roof compounded the difficulties in progressing construction.

As a result of all these issues, the project was delayed 19 months. Commissioners, the delay in the construction of this project due to work stoppages, the re-staging, and the poor condition of the other building systems, all had cost impacts on this project. The overall project was approved in the capital plan at $17.9 million, and the construction contract was awarded by a Policy Review MJ for $10.8 million. The construction cost has increased by approximately $4.7 million since the contract was awarded to cover the costs related to the revised staging plan, the environmental conditions, the additional work encountered, and the resulting delays to the contractor. Staff time and general expenses have also gone up for both the extended duration and for the efforts needed to address facility staff's concerns.

As a result of these increased costs, it is now necessary to seek project authorization in the amount of $28 million to cover the actual costs to complete the project. With the continuation of the revised work plan that has been successfully followed since June 2009, we are confident that construction can be completed by the second quarter of next year and within the projected total project cost for which the additional funding is being requested today.

Specific lessons from this experience to be applied to future projects include the importance of identifying and assessing potential risks on projects upfront in order to better evaluate the far-reaching impacts of unanticipated obstacles. Appropriate provisions can then be made in the initial project contingency allowance under the guidance of the project management office. The necessity of identifying and assessing in greater detail potential constructability issues that may arise, the use of staff relocation to facilitate construction and avoid potential delays, even if it may result in higher upfront costs. The implementation of limited upfront inspection and assessment by the contractor in advance of the contractor's scheduled installation to locate and identify hazardous materials and any other field conditions that may not be reflected in existing documents. These materials can then be dealt with in advance and with reduced financial and schedule impacts. Commissioners, I request that you advance this item to the Board for their approval today. Thank you.

[Comm. A. Sartor] Questions?

[Comm. V. Bauer] I actually have a couple, Vicky. Maybe I don't understand what--and you're wrapping some of this up here. None of these issues were addressed in advance? I mean--the fact that--it seems to me like everything that could have gone wrong, went wrong. You didn't realize the extent of what needed to be taken care of, and we thought we could keep all the employees in the building and then we had to put them in trailers. It looked as though none of this was really thought out, and I don't understand the difference in the costs. I thought you said like $4.5 million--again, I don't have the paperwork-- to me it looked like it was almost $10 million.

[V. Kelly] There's a $4.7 million increase in the contract itself with the contractor. There's a total project impact of $10 million, and the balance has to do with the additional staff time and staff work that was involved. To go back to your earlier question, we did--

[Comm. A. Sartor] Expand on that a little bit--just those staff time and staff work.

[Comm. V. Bauer] I mean--that's $5 million.

[V. Kelly] Right. We essentially had a work stoppage of about 4 months. But as we began to understand the staff concerns and to address those staff concerns, we had to work with the contractor in order to re-stage the work completely. So that where it was originally scheduled to be done in 2 different stages, we divided it into quite a few additional stages that required work from our own engineering and support staff to work with the contractor to determine that. That also lead to a significant increase in the duration of the contract. There is money in that $10 million, as well, for a claim that was negotiated with the contractor.

[Comm. A. Sartor] How much was that?

[V. Kelly] I think that was about a million dollars.

[Comm. V. Bauer] How many employees are in the building?

[V. Kelly] Eighty. We did initially consider the option of relocating them to the trailer. Quite honestly, we opted to take the approach that we did because it was less expensive. Obviously, hindsight is 20-20, but we felt that it could be done both safely, and it was in terms of not exposing the staff to any hazardous materials. What we didn't really realize is the extent to which the staff would be concerned about the possible presence of hazardous materials. The work was done at night. Then the area was cleaned prior to the staff coming into their offices the following morning.

[Comm. V. Bauer] But we knew the asbestos was there. Someone should have thought that this could have been a--

[V. Kelly] Well, we always intended--and we did--that the asbestos was minor first of all, and would be handled in a way that was appropriate. There was never the intent, by any means, to expose the staff to the asbestos or any hazardous materials. The staff, however, was not comfortable with remaining in that area during the day, knowing that there was work being done at night, and that some of those materials that were being removed contained asbestos. Again, they were handled appropriately.

[Comm. V. Bauer] Right, but nobody talked to the staff before this?

[V. Kelly] Well, we did, but it's one thing to hear it in advance, and it's another thing to live through it.

[Comm. A. Sartor] Vicky, 2 questions--who did the initial planning and engineering on this? Was this in house? This was done by our in-house staff?

[V. Kelly] I believe so, yeah.

[Comm. A. Sartor] As I do the math, there's like $4.3 million in dollars that went in-- well $4.7 for construction, a million for a claim, so that leaves $4.3 million. That $4.3 million was for staff time?

[V. Kelly] Staff time and financial expense and other administrative costs.

[Comm. A. Sartor] That's huge.

[Comm. V. Bauer] I don't mean to be so--what's--

[Comm. A. Sartor] On a $27 million project, that's huge.

[Comm. V. Bauer] What's staff time? You mean just overtime?

[V. Kelly] No, no, no, just the regular time that--

[Comm. A. Sartor] I'd really like to see a breakdown on that. If we're going to move this item, we'll realize we're going to have to do it to the full Board.

[P. Zipf] Do you want to break down the dollars now?

[Comm. A. Sartor] Not now. Just send me an email or something like that, all right. I'd just like to get a flavor for what that's all about. The second was more of a comment than anything else. This building will be used with the new Goethals Bridge? There's no need to build a new building, so everyone should understand that around this table.

[V. Kelly] That's a good point. Thank you.

[Comm. A. Sartor] This is something we're all going to use. Okay, any other questions? [Comm. V. Bauer] No. [Comm. A. Sartor] Seeing that, I recommend we pass this to the full Board. [Comm. V. Bauer] Okay, so moved. [Comm. A. Sartor] All right, this concludes the public portion of today's meeting. The committee will now adjourn to executive session to discuss matters involving ongoing negotiations for reviews of contracts or proposals. Thank you.

The Port Authority of New York and New Jersey
Committee on Finance Transcript
June 22, 2010

[Chair A. Coscia] Today's meeting of the Committee on Finance is being held in public session in its entirety. In addition, the meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. Okay. Anne Marie Mulligan will talk about commercial paper obligations.

[A.M. Mulligan] Okay. Good morning. Today's presentation is about the Port Authority's commercial paper program. We've used commercial paper since 1982 to finance capital expenditures on an interim basis, which the commercial paper obligations are then refunded into long-term obligations. Today we're seeking authorization to amend the May 26, 2005, resolution to extend the commercial paper program for a 5-year period through December 31--

[Chair A. Coscia] Did you say May 2005?

[A.M. Mulligan] Yes. We usually come to the board for authorization every 5-year period. So we'll be looking to extend it through December 31, 2015, and also to authorize staff to effectuate the appropriate actions to put the commercial paper program in place. The Port Authority uses the commercial paper program to finance tax exempt capital expenditures on an interim basis as a form of bond anticipation notes. As the outstanding commercial paper program obligations reach their authorized limits, long-term consolidated bonds are issued to pay down a portion of the commercial paper notes. Use of commercial paper in this manner has provided us flexibility in scheduling the long-term bond issuances and sizing the principal amounts, which has helped to reduce the issuance cost over time.

The Port Authority's commercial paper program was established in 1982 to utilize the short-term instruments to finance capital expenditures. The program consists of two different series--Series A and Series B-- and the notes have a maximum maturity of 270 days. Under Series A, $300 million is the maximum principal amount that may be outstanding at any time, and those notes are used to finance projects at the airport and port facilities. Series B, the maximum principal amount is $200 million, and those proceeds are used at tunnels, bridges, and PATH facilities. The current program was authorized by the Board on May 26, 2005, and it's scheduled to expire on December 31st of this year. Authorization of the proposed extension at this time will provide staff with sufficient time to transition from the expiring program to the new program.

Under the administration of the commercial paper program, there are several agreements that are needed for each series of the program: A standby revolving credit facility to provide liquidity, dealer agreements to issue the notes to investors, and an issuing and paying agent agreement to register the bonds and to disburse the funds raised through the note issuance. Under the new program, the agreements will need to be put in place.

[Chair A. Coscia] I'm sorry. There will be a procurement? You're about to go through all this.

[A.M. Mulligan] I am. I'm going to cover each of the agreements now. So since the inception of the program, it's been necessary to have a separate credit facility to support the payment of commercial

paper notes of each series at maturity to maintain the highest rating and access to the broadest investor base. This credit facility, which has been in the form of a standby revolving credit agreement, provides liquidity to pay investors if the obligations cannot be reissued at maturity. Under the expiring agreement for this liquidity with the existing provider, the cost is about $600,000 per year to support the full $500 million program. With the current distressed state of the credit markets, it's estimated that the fees for the new credit facility could be in the range of $5 million or more per year. Many liquidity providers have either exited the business, suffered downgrades, or are not issuing new credit facilities. As a result, a smaller number of banks have sufficient ratings or credit capacity to support variable rate obligations. In 2009, four banks provided 66% of the credit facilities issued, and four banks have issued 81% of the credit facilities in the first quarter of 2010. Due to the current credit capacity constraints, it may be difficult and expensive to procure credit facilities for the commercial paper program.

[Chair A. Coscia] Could I stop you for a second?

[A.M. Mulligan] Sure.

[Chair A. Coscia] I'm not sure if we'll get to this. The judgment of estimating what the liquidity facility would cost is coming from where?

[A.M. Mulligan] From different banks. We've been checking with them to see what the basis points are, and based upon the information, it's anywhere from 90 to 120, and those facilities are only about 2 to 3 years. We currently had a 5-year liquidity facility.

[Chair A. Coscia] Our current 5-year liquidity facility that pencils out to annual fees of $600,000 is based on what basis point?

[A.M. Mulligan] It's 12 basis points per year.

[Chair A. Coscia] So you're going from the 12 basis points to 90 to 120 basis points?

[A.M. Mulligan] That's what's happened in the financial market.

[Chair A. Coscia] And I take it there is no alternative way for us from a credit standpoint to get the rating agencies comfortable that we have internal liquidity?

[A.M. Mulligan] That's what we're working on. Because of the high cost and limited availability, we are pursuing the more cost-effective alternative of providing self-liquidity.

[Chair A. Coscia] And it seems odd. Is there an unconventional mechanism for the providing of liquidity? In my world, we look to find someone who could provide standby facilities when we're doing a new issuance of stock or long-term debt or something like that because we want someone to tell the marketplace that if it's not fully subscribed, someone will do it. And that market has moved to places where there's just a lot of liquidity right now because in a bad economy, certain places end up being too liquid. There's a lot of investment funds and others that right now unfortunately are getting hammered by their investors because they have so much liquidity and they have no place to do it on a short-term basis. We have pretty good credit. I'm surprised there aren't a lot of alternatives for us. I understand the LC market generally is pretty anemic, but we're not the typical LC credit either.

[A.M. Mulligan] Based upon the RFPs that other agencies have gone through and the feedback from the banks, that is how the market is. We had seen the effects of this when the auction rate market collapsed a couple of years ago, and we were looking to try to convert our auction rates to variable rate. The availability was not there and also for our existing VSOs.

[Chair A. Coscia] Is the existing facility an agent bank with a syndicate, or is it individual?

[A.M. Mulligan] The facility we have right now is a German bank. It's Helaba Bank. It's a long German name. Part of the problem, the German banks have been downgraded. For our VSOs we are protected. With the German banks that we have on that, they've been grandfathered and still have the state government behind them. For this one, Helaba Bank is the only one that has not been downgraded to the extent as the other German banks.

[Chair A. Coscia] But the liquidity facility that we have is the one institution?

[A.M. Mulligan] Yes.

[Chair A. Coscia] Have we ever examined the possibility of an agent in the syndicate?

[A.M. Mulligan] We have. The commercial paper program previous to this had four different banks participating to provide the liquidity, and that's what we would do if we went out for a liquidity facility. But altogether, the cost would accumulate to about a $5 million fee.

[Comm. S. Holmes] Question. How much would the liquidity facility cover? I missed that part.

[A.M. Mulligan] We would be looking to cover the full $500 million commercial paper program.

[Chair A. Coscia] It's broken down between $300 in AMT and $200 in non AMT.

[Comm. S. Holmes] Have you talked to pension firms? I know that they--

[A.M. Mulligan] We would do an RFP. And part of the problem, many of them are not doing liquidity facilities. The ones that are being done are very small programs, and the principal amounts tend to be under $100 million.

[Comm. S. Holmes] What about [inaudible]? Have you discussed it with them?

[A.M. Mulligan] We haven't discussed it with them, but they really have not been pursuing new credit options. There's only about four banks that are providing anywhere between 75% to 80% of the credit facilities that are out there. And we have the dealer agreement under RFPs, so we've just held presentations with them, and what we're finding is that many of the money market investors are even having difficulty investing in commercial paper because they're limited based upon the number of banks that they can have exposure to. And because there are so many of them providing the liquidity, they're being limited on what they can purchase.

[Chair A. Coscia] The agreement we have now would be a personal obligation of the LC or is it a general obligation of the PA

[D. Buchbinder] It's an obligation that is tabled in the same manner as paper obligations, so it comes out of PA revenues.

[Comm. S. Holmes] Is it in parity with consolidated bonds?

[D. Buchbinder] It's actually payable [inaudible]

[A.M. Mulligan] And what we're doing to mitigate the exposure for the fees is pursuing self-liquidity using the Port Authority's portfolio to provide the liquidity for the commercial paper program. And since our investments are cash and highly liquid US government securities, we find that we should be able to do this. It's extremely manageable. We've started discussions with the rating agencies. We've provided them a lot of information for them to evaluate our ability to provide the liquidity to the program. We've talked to the existing dealers and potential dealers for the new agreement as well as the money market investors. All of the results have been favorable to date, so if we can receive the highest investment grade rating for our commercial paper program with the Port Authority providing self-liquidity, that's what we would pursue. If not, then we would immediately issue an RFP to provide liquidity to the program.

[Chair A. Coscia] What's the tax treatment of a liquidity provider who is forced to pay on an LC? Is that reimbursement obligation tax exempt?

[D. Buchbinder] Yes. It translates into a loan for the--

[Chair A. Coscia] Yeah, the reimbursement. Yeah.

[Comm. S. Holmes] How much reserves will we have to maintain in order to provide self-liquidity?

[A.M. Mulligan] For the rating agencies' criteria, they would look for us to have about $625 million available. The consolidated bond reserve fund at year-end 2009 was $1.1 billion, and it has been at that level for the last couple of years. And based upon the forecast, we anticipate it being at that level.

[Comm. S. Holmes] So we would use our consolidated bond reserve fund?

[A.M. Mulligan] The source of payments for commercial paper is the consolidated bond reserve fund, so that's what we have been using as the pool of investments to support the program.

[Chair A. Coscia] Does that mean that your fourth bullet point is really not that big of a deal? I guess what I'm asking is that the level of liquidity that we need to maintain now in the reserve fund because of the limitation on investments that that money can be placed in, and given the flatness of the long end of the yield curve, are we pretty much at four regardless of whether we did this or not--that fourth bullet point? There can't be a huge difference between what we get on 90 days and 2 years.

[A.M. Mulligan] Right now, because the interest rates are extremely low, there is no benefit going out. No. And the only problem is we need to monitor, coordinate, and administer this in a much more proactive basis than before. We need to monitor the maturities that are being placed by the dealers to the investors to limit the exposure that we could have on any day that they could not reissue that maturity to a new investor. We would be required to fund that within about an hour's notice.

[Chair A. Coscia] Do we not have internally that kind of cash management ability?

[A.M. Mulligan] We do have it. We do. We've just never had to put the steps in place to do this on such an immediate basis. So that's what the liquidity facility was for, for them to come up with the funds in 45 minutes.

[Chair A. Coscia] Yeah. It's just that at $600,000 a year, having a liquidity facility for half a billion dollars seems like a cost-efficient way of putting yourself in the position of not having to manage your portfolio. At $5 million a year, it starts to get to be an expensive luxury.

[Comm. S. Holmes] I don't see why-- [audio cuts off] whether we invest the $5 million—

[A.P. Blanco] --with an RFP.

[Chair A. Coscia] Or a syndicate, I was saying, because if you can do a book and get everybody comfortable with the risk and everyone takes a $40 million piece on a prorated basis, some agent is going to make money on putting the whole thing together. If I'm a major financial institution today, they have tons of excess liquidity. In fact, their interest rate margins are very compressed because they have so much liquidity. And if you can park $50 million in a short-term liquidity fee and earn 40 basis points, which is less than half of what you're saying the market is, I mean, I don't know. Your RFP obviously will-- It just stands to reason that the Citis and Chases and Wachovias and everybody else in the world would be far better off putting cash into a 270-day facility and get 40 basis points than what they're doing right now for what is a double A credit. Well, I don't know if you can call it a double A credit since it is subordinated to the consolidated bonds, but it's half a billion dollars in a $12 billion program.

[D. Buchbinder] The trick is to see if we can—

[Chair A. Coscia] I'd do it.

[D. Buchbinder] --get a self-liquidity program because frankly, that's the most cost-effective. The market has moved over time. In the past there has been no real opportunity for us to apply self-liquidity to the commercial paper program. If we can move in that direction, it would be much more cost-effective than even the best deal we can get.

[A.P. Blanco] Because even the 40 basis points, you're still talking $2 million versus $600,000.

[D. Buchbinder] Because you're taking the current management practice of the portfolio and continuing it without change. So if we do it, it's business as usual--no change-- but with the ability to have a greater focus on the Port Authority's credit resources supporting those of commercial paper. That's effectively a zero cost--

[Comm. S. Holmes] How often have you used the liquidity facility? Never, right?

[A.M. Mulligan] On the commercial paper, we have never used it. There was one point during the year when the German banks were downgraded and there was uncertainty about which bank was behind this that we took the commercial paper and we paid it rather than go to the liquidity facility.

[D. Buchbinder] Liquidity facilities also have the benefit of [inaudible] portfolio rules because they gave the money funds the opportunity to apply Port Authority paper or commercial paper and not be limited by concentration rules because the base of the bank and base of the credit facility would be the item that they would have to review to determine the concentration of investment to the extent the money funds are comfortable that they have enough capacity to deal with all this as well [inaudible] cost-effective basis, then there's no downside to doing it.

[Chair A. Coscia] The fee is not taxed, is that correct? Because there's all these short-term municipal funds these short maturities, because people want basically to get right in that spot that I know what all these products are because what they need is-- They need something that they can match it against, so that would have to be tax exempt.

[D. Buchbinder] Yeah.

[Chair A. Coscia] LC fee is a taxable--

[D. Buchbinder] So all you're doing is essentially providing it in the short-term.

[Chair A. Coscia] Yeah.

[D. Buchbinder] That's what it comes down to.

[A.M. Mulligan] One of the other agreements that we have is the dealer agreement that we've issued. Our current dealers are Goldman Sachs for Series A and Barclays Capital, which was Lehman, for Series B. For the new program we've issued RFPs. We received six submissions. They're currently under review, and the two highest ranked proposers would be selected to be the dealers for the new program. The last agreement that we have for the program is the issuing and paying agent agreement, and under that agreement, the issuing and paying agent issues the notes based on the Port Authority's instructions through the depository trust book entry system and processes the flow of funds between the investors and the Port Authority. JPMorgan Chase is the current agent, and their fees are about $50,000 for the year. We're recommending that JPMorgan Chase be reappointed for a 5-year term under the same terms and conditions based on their exemplary performance and also the cost savings that we achieve because JPMorgan has other banking relationships with us. They provide a streamline electronic system that we use to process the commercial paper trades and for the fund transfers to occur, and there's a limited number of firms that provide these services. With moving towards the self-liquidity, this would be a significant undertaking-- replacing the issuing and paying agent-- and could interrupt the issuance of the commercial paper. In addition, JPMorgan Chase is willing to accept the same terms and conditions with the renewal of the program. One of the provisions that we have in our existing agreement with them is with the transfer of funds, if there is any problem with the cash being in the account for the payment to the investors, JPMorgan Chase would deliver the funds, and we would provide it by the next day and be charged an overnight earnings rate. So that would provide an additional backstop if there's a problem with the banking systems and the execution of wire transfers of funds. So that would help with the self-liquidity program.

[Chair A. Coscia] The LC venue you obviously don't need if you have self-liquidity.

[A.M. Mulligan] Right.

[Chair A. Coscia] But I guess you're expected to provide and do an RFP anyway just to sort of--

[A.M. Mulligan] Right now we have all of the information with the rating agencies to get an indication from them what our rating would be if the Port Authority provided self-liquidity under the same basic program that we had had before. If that works, we wouldn't do an RFP.

[Chair A. Coscia] But you still need a dealer and you still need an issuing agent.

[A.M. Mulligan] Yes.

[Chair A. Coscia] What's your plan as to that because you're not asking for action today

[A.M. Mulligan] We are asking that the Committee on Finance recommend this item be approved by the board today.

[Chair A. Coscia] Okay, that's not what--

[Comm. S. Holmes] Yeah, but whether we approve--

[A.P. Blanco] Recommending the RFP.

[A.M. Mulligan] Recommending the extension of the commercial paper program through 2015, the $500 million program, and for staff to put the agreements in place to effectuate the program.

[Comm. S. Holmes] What about the liquidity? We're not approving either one of the liquidity methods today?

[Chair A. Coscia] Karen, did I miss this? I thought this was just a discussion item.

[K. Eastman] No. This is for action. It actually just extends the program with the opportunity to do either liquidity or under the traditional methods.

[Chair A. Coscia] Okay. The action we're taking is to extend the program for an additional five years.

[K. Eastman] Yes.

[Chair A. Coscia] Is part of that approval the approval to investigate self-liquidity versus an LC then? Or that's just something--

[A.M. Mulligan] To allow either/or under the authorization.

[Chair A. Coscia] The reason why I'm asking is because I've had conversations with Henry about what we're doing and not doing, and he's not here right now, and had I thought about that, I would have--

[A.M. Mulligan] I have transmitted the presentation to him with a summary of what the program would involve and pursuit of--

[Chair A. Coscia] Did you get feedback from him on it?

[A.M. Mulligan] No, I did not.

[Chair A. Coscia] I don't mean to be difficult. I know Henry's got strong opinions on the subject. I'm sitting in his chair for one meeting, and I don't want to usurp his good graces. Are we also agreeing to the JPMorgan Chase extension? That's part of the same agreement? And then you're going to be done with commercial paper and you're going to go out and do another procurement, or you're just going to extend the dealer--

[A.M. Mulligan] The dealer-- We have the RFP that's already under way to come up with new dealers for the new program.

[Comm. S. Holmes] Can we open that process up a little more so that we could have-- Someone called me about having dealers that had experience other than in New Jersey and New York.

[A.M. Mulligan] It was a publicly advertised RFP. It wasn't limited.

[A.P. Blanco] I spoke to Stan.

Comm. S. Holmes] Okay.

[Chair A. Coscia] I'm comfortable with everything that you've said, but I did want to give Henry a say. He hasn't talked to you about this?

[K. Eastman] He has not.

[Chair A. Coscia] Did he realize it was on the agenda?

[K. Eastman] Yes, he did.

[Comm. S. Holmes] What was his problem?

[Chair A. Coscia] I didn't say there was a problem. It's just that Henry's got strong opinions on the commercial paper program and how it works.

[A.P. Blanco] Is it okay if we advise the chair of the Finance Committee before any final decision is made?

[Chair A. Coscia] Yeah. I'm comfortable with that.

[A.P.Blanco] So we will proceed.

[Chair A. Coscia] Sid, if you're comfortable with that. You and I are like respective quorums here.

[Comm. S. Holmes] Would you come back to us on the dealers before they're chosen and on the rating agencies?

[A.P. Blanco] We can come back on the dealers, and we can also come back on whatever we get with the self-liquidity analysis.

[Chair A. Coscia] Yeah. That part I know you're going to come back with. I'm very interested in--

[A.P. Blanco] We have no problem contacting the Finance Committee later.

[Chair A. Coscia] I want him to approve everything we're approving, to sign off on it, so you're going to go through it all with him. There's no limits on that. He gets the full story and find out if any of these pieces he's uncomfortable with before you go forward. The only reservation I have is that this approval isn't an approval to spend $5 million on an LC fee. After you do your self-liquidity versus LC comparison, you'll come back and let us know.

[A.M. Mulligan] We will.

[Chair A. Coscia] I'm less concerned about the approval than wanting to know that because it's kind of hard to accept the idea that the only way we can create liquidity for this program is to pay $5 million a year to an LC venture. I could have no clue because I'm not in this world. It just seems really high.

[A.M. Mulligan] We've been getting positive feedback from the rating agencies on self-liquidity. We have heard definitely from one. Granted, we would need to provide them the final parameters of the program, but one of them has come back and said we would be getting--

[Chair A. Coscia] By the way, if we're in this shape and we're in better shape than everybody else, what the hell is every other government agency doing for short-term commercial paper obligations? They either don't have a program, or they've got to be paying through the roof because if it's $5 million for a double A credit, then imagine what it is for MTA.

[Comm. S. Holmes] A lot of them use short-term notes.

[A.M. Mulligan] They're issuing short-term notes and refunding them.

[Chair A. Coscia] That's got to cost a lot of money to go through that process. The cost of issuance on that has to be pretty high.

[A.M. Mulligan] Yes. And then refunding into the different markets as well.

[Chair A. Coscia] Okay. Sid, do you have anything else?

[Comm. S. Holmes] No. [Chair A. Coscia] Okay.

[A.M. Mulligan] Okay. Thank you.

The Port Authority of New York and New Jersey
Committee on Operations Meeting Transcript
June 22, 2010

[Chair A. Coscia] I know we have a couple of Commissioners, I think, joining us telephonically-- --and we'll get started. The first portion of today's meeting of the Committee on Operations is being held in public session, after which the committee will meet in executive session to discuss matters relating to the purchase, sale or lease of real property or securities where public disclosure would affect the value thereof or the public interest. In addition, the public portion of this meeting is being broadcast live on the Port Authority website for those interested in viewing today's proceedings via the Internet. The first item for discussion is at the Newark Liberty International Airport Continental Airline's in-line baggage screening lease supplement--Sue Baer.

[S. Baer] Thank you. Today I'm here to seek your approval of a lease supplement with Continental Airlines--

[Chair A. Coscia] I'm sorry, Sue, can I interrupt you for one second? I know we have a couple of commissioners, I think, joining us telephonically--

[K. Eastman] Commissioner Moerdler is on.

[Chair A. Coscia] Okay, so Jeff is there, and are we waiting for anyone else? Or did I--

[K. Eastman] No, it's just Jeff on there.

[Chair A. Coscia] Okay. Okay, welcome Jeff.

[Comm. J. Moerdler] Hi Tony.

[Chair A. Coscia] Okay, Sue? It's all yours.

[S. Baer] Sure. Today I'm here to seek your approval of a lease supplement with Continental Airlines for the letting of additional land for a terminal expansion that will accommodate the installation of an in-line baggage screening system at Newark Airport Terminal C. This agreement which is associated with the Department of Homeland Security Transportation Security Administration-- TSA--Grant Program, would provide for incremental revenues to the agency, and for improvements to the passenger baggage screening operations at the terminal.

As you can see in this photo of Terminal C, valuable lobby space at many of our terminals is occupied by standalone baggage screening equipment that was installed after 9/11. Although invaluable to passenger processing, the current system is inefficient and occupies significant portions of the terminal lobby. In July of 2008, the Board authorized agreements with the TSA to accept up to $400 million in federal aid to cover eligible costs of an estimated $445 million project to install in-line baggage screening and handling systems at JFK, Newark and LaGuardia. These would support TSA's next generation of explosive detection and explosive trace detection baggage screening equipment.

The proposed agreement with Continental would be the first from our airports associated with the TSA Grant Program. Staff will also bring, for your consideration, agreements with other terminal operators

upon successful completion of those negotiations. Since 1984, Continental has dedicated significant resources to develop Terminal C, which is pictured here, into one of its most important gateways.

Under the proposed agreement, Continental would lease about a half acre of land on the west end of Terminal C to build out and finish an approximate 72,000 square-foot terminal expansion which would accommodate an in-line baggage screening system. The project proposed under this agreement would consolidate check baggage screening from 26 machines in 13 separate TSA screening areas to 10 fully integrated machines in one single location within the newly constructed space. Portions of the baggage conveyors throughout the system will also be replaced, and a separate in-line screening area for oversized bags will be created. Under the proposed lease supplement, Continental would invest an estimated $100 million for the project I just described. The Port Authority would administer the reimbursement of the associated eligible project cost to Continental from the previous allocated TSA grant funds. Reimbursement will be up to 90% of all eligible costs as established by TSA guidelines. The total eligible projects costs are currently estimated at about $90 million, and the amount reimbursable to Continental is estimated at $80 million.

In addition, the Port Authority would be reimbursed by the TSA for costs associated with the administration of this grant program. As a result of leasing the additional land, the Port Authority will receive total aggregate rentals of approximately $595,000 plus annual variable fees over the 18-year term of this supplement. The expansion project is anticipated to be completed by December of 2013.

Once installed, the fully automated in-line baggage screening system will improve baggage processing throughout by more than double the current system capacity to an estimated 4,500 bags per hour. In addition, the passengers will benefit from the terminal's improved functionality as existing screening areas are taken back for enhanced passenger queuing and circulation in the lobby. Commissioners, by advancing this item at this time, we will provide the Port Authority with incremental revenue and enhance the overall passenger experience at the airport by providing for more streamlined baggage screening. I ask that you recommend this item for full approval to the Board.

[Chair A. Coscia] Is there a motion to recommend this for approval? [Comm. D Steiner] So moved. [Chair A. Coscia] Second? [Comm. S. Holmes] Second.

[Chair A. Coscia] All right. I'm not sure we need a motion, but anyone have any comments?

[Comm. S. Holmes] I'm going to ask a question. Just to see in my mind how it works, when the passengers come in, they normally go before individual screeners.

[S. Baer] Right.

[Comm. S. Holmes] Now what will happen?

[S. Baer] Well, what happened in much of Terminal C after 9/11 was you would get your boarding pass-- either you get it online, you get it at a kiosk, or you get it from an agent-- and then you would have to physically move your bag to one of the screening areas that was set up in the terminal and deliver your bag to the TSA. What will happen now is you will either get your boarding pass there, your bag will go into the system and get screened automatically through-- they take it down baggage belts to this new system, or as people increasingly check in online, when they show up they will be a large number of

spots where you can just bring your bag, and then you will scan your boarding pass, get a bag tag, bag tag will be applied, and then the bag will go and go into screening which will all be done out of the lobby, behind the scenes. And it's all done where it helps the TSA tremendously is that it's all automated now, so it goes all auto--nobody is taking bags off, no one's putting bags on which is what's happening now; so it's all automated.

[Comm. D. Steiner] --Point of information is that can they count all the passenger traffic with 4,500 bags per hour--

[S. Baer] Yes, they--yes.

[Comm. D. Steiner] So you're currently saying they're only doing a couple thousand per hour now?

[S. Baer] They're doing about between 2,500 to 3,000 an hour. The 4,500 will allow that--no, they're screening all bags now, it's just that it backs up, it creates problems with delaying flights and that sort of thing.

[Comm. D. Steiner] I understand that usage of screening manually was under 3,000--

[S. Baer] --4,500--this will increase; this gives them room for growth.

[Comm. D. Steiner] --for growth.

[S. Baer] Right.

[Chair A. Coscia] Yeah, I mean, this represents a great improvement, and in the years-- in the years, not quite immediately after 9/11 but in that sort of near term period when everybody was sort of struggling with makeshift ways of doing this, it was pretty disruptive at the airports, and disruptive in terms of slowing people down, but also the potential for error, the potential for something not being caught completely-- this is such an incredible improvement. How do we stand relative to all of our terminals at all four airports?

[S. Baer] Under the Board approved project for Terminal B we have in-line screening in Terminal B2 and B3, our international facility, we're already doing this kind of in-line screening. Some of our terminals, like American at JFK, installed it themselves--

[Chair A. Coscia] When they built it.

[S. Baer] --when they built it; the JetBlue was installed when it was built, others have retrofitted and have an interim solution. We are talking to the ones probably most in need of coming up with a similar system at our other airports, because we have this additional money to spend and we're working to--we're getting close to agreements with a number of them.

[Chair A. Coscia] Yeah, yeah. C was in a particularly difficult position because it was a relatively new terminal, but pre 9/11, so it wasn't really designed with lobby space for it.

[S. Baer] And we actually administered a grant that Continental had procured from the government, and some of their baggage screening was moved behind the ticket counters, but it's a very constrained area, it was very difficult to do, and it's not totally automated, it's only partially automated; so this moves it all

in one spot. It helps the TSA too, because they can now have an operator look at screens and do a bag resolution for a number of belts at the same time from a-- not remote, but from a room next to where the screening is actually taking place.

[Chair A. Coscia] But what about LaGuardia?

[S. Baer] LaGuardia is one of the places where we're talking about-- American's very interested in installing this in the CTB. The others have some jerry-rigged ways of doing this. Some places it's not necessary, like the shuttle terminals, there's not enough baggage to really warrant this, so--

[Chair A. Coscia] Thanks.

[Comm. D. Steiner] Do you think that will cut down on the pilferage that we've seen with TSA? Because they won't be opening these bags individually except with cause.

[S. Baer] With cause--they should only be opening--they won't be handling-- there will not be operator handling of as many bags.

[Comm. D. Steiner] I think that should cut down on the losses that people have claimed.

[S. Baer] Yeah, right.

[Chair A. Coscia] Anyone have any objections to advancing this? Okay, thanks, Susan.

[S. Baer] Sure.

[Chair A. Coscia] All right, now our next item is Howland Hook Marine Terminal, the Memorandum of Understanding with the city's Economic Development Corporation for Construction Funding of Roadway Improvements in Staten Island.

[R. Larrabee] Good morning, Chairman, Commissioners. Today your authorization is requested for the Executive Director to enter in to a Memorandum of Understanding with the New York City Economic Development Corporation to provide up to $3.5 million in funding to New York City EDC for the construction of a roadway improvement at the interchange of Interstate 278 and Forest Avenue in Staten Island which will reduce traffic congestion in the area of the Goethals Bridge and improve regional freight delivery to and from Howland Hook Marine Terminal. The funding provided to New York City EDC will be reimbursed to the Port Authority by the New York Container Terminal, a Howland Hook terminal operator, in accordance with its lease agreement.

As background, the Port Authority currently leases the Howland Hook Marine Terminal from New York City; and the Port Authority, in turn, subleases the terminal to New York Container Terminal. During peak periods of Container Terminal operations, the queuing of trucks along the current roadway network surrounding Howland Hook has negatively impacted traffic flow and inconvenienced the residents of the nearby community. Trucks crossing the Goethals Bridge utilize Forest Avenue to both enter and exit the Howland Hook Marine Terminal as illustrated by the orange and red lines on this slide. We're talking about this being the toll booth, the exit is here, and they have to use both Gulf Avenue and Goethals Avenue to enter and exit the terminal.

The Port Authority, in cooperation with Staten Island Borough President's Office, the New York Container Terminal, the New York City and State Departments of Transportation, undertook a study to identify short-term and long-term options to alleviate the traffic congestion issue. The study indicated that the existing roadway network is not configured to handle the current traffic volumes which results in a significant congestion along Goethals Road North. Based on the results of the study, staff determined that the most cost effective short-term resolution to the traffic congestion issue would be to modify local streets at the interchange of 278 and Forest Avenue.

The proposed improvements at the interchange of 278 and Forest Avenue include making Forest Avenue a one-directional, northbound roadway between Gulf Avenue and Goethals Road North, the construction of a median concrete barrier beginning at the base of Gulf Avenue ramp and extending along Forest Avenue, widening Forest Avenue exit ramp to improve the turning radius at the intersections of Forest Avenue and Gulf Avenue and Forest Avenue and Goethals Road North, and modifying the existing signal at the intersection of Forest Avenue and Goethals Road North.

Commissioners, today your authorization is requested for the Executive Director to enter into a Memorandum of Understanding with New York City Economic Development Corporation to provide up to $3.5 million in funding to New York City EDC to construct the roadway improvements I just outlined for you at the interchange of Interstate 278 and Forest Avenue. The funds provided to EDC will be reimbursed to the Port Authority by the New York Container Terminal pursuant to its lease agreement which requires the tenant to reimburse the Port Authority up to a maximum of $5 million for ramp and roadway improvements that would facilitate and/or increase access to the Howland Hook Marine Terminal. Since the plan improvements are located within New York City roadway network, the EDC will take the lead in administering and supervising the construction contract. Upon execution of the MOU, the Port Authority will provide EDC with an upfront payment of $2.5 million. Disbursement of any additional funds within the $3.5 million limitation will be provided based on EDC's actual contractual obligations and the work performed.

Upon completion of the project, New York City Department of Transportation will be responsible for the ongoing maintenance of the roadway improvements. Commissioners, the proposed action would reduce traffic congestion in the area of the Goethals Bridge and improve regional delivery to and from Howland Hook, enhance traffic safety and vehicle movement conditions in Staten Island, and result in more efficient traffic flow which will reduce vehicle travel and idling time, reducing overall fuel consumption and associated air pollution. Commissioners, I request you advance this item to the full Board for approval today.

[Comm. D. Steiner] So moved.

[Chair A. Coscia] Actually, David, it's my fault for doing this; we don't really need a motion as much as I need to allow for discussion and then any objections to moving it, so-- but I've made that mistake many times, so it's my fault. [chuckles] Any questions or comments? It sounds like it makes sense, an efficient way of doing it.

[Comm. D. Steiner] It's long overdue.

[R. Larrabee] It actually is. If you've ever gone across that bridge when traffic's backed up, it's not a good thing.

[Chair A. Coscia] Good, okay, all right. No objections? We'll advance that to the Board, and I think that's the public agenda, right? So this concludes the public portion of today's meeting. The Committee will now adjourn to Executive Session to discuss matters related to the purchase, sale or lease of real property or securities where the public disclosure would affect the value thereof or the public interest. Thank you very much.

The Port Authority of New York and New Jersey
World Trade Center Redevelopment Subcommittee Transcript
June 22, 2010

[Comm. A. Sartor] ...being held in public session, after which the subcommittee will meet in executive session to discuss matters involving ongoing negotiations or review of contracts and proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. For discussion purposes, the first speaker is Michael Francois, who is going to talk about WTC retail.

[M. Francois] Good morning, Commissioners. Today I am seeking project authorization for the design and construction of the core and shell of the World Trade Center retail space for areas within and directly adjacent to the World Trade Center Transportation Hub. The reimbursement of retail allocated portion of the World Trade Center site-wide as well as World Trade Center site-wide common infrastructure costs.

The item for World Trade Center Retail seeks authorization of $476 million for the base building design and construction in portions of the West and East Bathtubs as well as retail's allocated share of the World Trade Center Hub and site-wide infrastructure construction estimated costs. This amount includes retail design and other construction-related soft costs required to deliver these improvements, which are shaded in blue. This retail work includes Phase I improvements that were authorized under a prior board action and includes an allocated share of sitewide infrastructure workfor the chiller plant, the common electrical system, as well as some improvements that were part of construction contracts previously approved as part of the Hub project, such as portions of the World Trade Center Hub base building design, and construction of structural steel to grade. The completion of this work is necessary to advance a core and shell construction of the Retail Program space, the anticipation of mechanical, electrical and plumbing fit-out of this area.

The second item for World Trade Center Retail seeks to reallocate previously authorized costs for construction of the portion of World Trade Center Retail's pre-tenant fit-out work no longer being performed by Silverstein Properties at a total cost of $285 million. The project includes certain interior, architectural, mechanical, electrical, and plumbing work within the East and West Bathtub, including all World Trade Center Transportation Hub Retail Program areas with a pre-tenant fit-out of the World Trade Center Retail. Work was originally authorized to be performed by Silverstein. This authorization reallocates the work to be procured directly by the Port Authority. In this drawing, each color indicates a different stakeholder, MEP risers--it is to illustrate the complexity involved in the coordination of this work, therefore to the extent practicable, it is desirable to ensure a centralized accountability for the system functionality. Reallocation of funds for this work will be more cost-effective and would provide greater systems quality insurance. Commissioners, I request that you advance this item to the Board for approval today.

[Comm. A. Sartor] Any questions from the board members? Michael, these are all part of our budget that existed in 2008. This is just a reaffirmation of those numbers and a transfer of monies from Silverstein properties back to the Port, is that correct?

[M. Francois] Yes, the first item, basically--the board had previously authorized approximately $950 million for the Retail Project. This more or less brings--with a $476 million authorization-- it brings the entire Retail Project up to about $1.43 billion. The second element basically reallocates some of this $1.43 billion, if you were, that we previously anticipated Silverstein to do, and it really focuses on the MEP fit-out of the Retail Space in 2, 3, 4, as well as certain areas within the World Trade Hub, and we are going to now do that work instead of Silverstein.

[Comm. D. Steiner]...Even in the building that he's building--even in what he's Building--4?

[M. Francois] Yes.

[Comm. D. Steiner] So we'll be doing that, so we're eliminating his markup?

[M. Francois] Yes. Some of the work he's already done. We've actually had some contractual arrangements with him because some of the mechanical spaces are already putting in the penetrations, etc. But we would like to assume as much of that work as possible, and that's why we're looking to reallocate these funds to us.

[Comm. D. Steiner] Is he going to be doing any of our work at all on the $1.4? Does it still have remaining money?

[M. Francois] Yes, there will still be areas that he will need to do work for us and vice versa. There are, for example, some areas in structural, within the various buildings--2, 3 and 4--that he'll have to perform on our behalf either for Retail or for the Hub, but anything that we can control ourselves we would like to do.

[Comm. A. Sartor] Those would be foundations and structural items--

[M. Francois] Exactly.

[Comm. A. Sartor]--items like support items like this.

[unidentified male speaker] Are those different--?

[M. Francois] No, he'll do that.

[Comm. A. Sartor] It's part of his buildings, too--

[Comm. D. Steiner] It was mentioned in the Hub-- he's not been real accurate for us in the Hub, has he?

[M. Francois] Not really.

[M. Francois] No, no.

[Comm. A. Sartor] Any other issues or comments? I have spent a lot of time with Michael over the last number of months going over these items, and I'm comfortable with them. So I make a recommendation--

[Comm. R. Pocino] Do you need a motion?

[Comm. A. Sartor] Yes, please, to move to the full Committee--All those in favor? [Comm. V. Bauer and Comm. D. Steiner] I second it. [Committee] Aye.

[Comm. A. Sartor] The next item--Mr. Plate, welcome back.

[S. Plate] Thank you--

[Comm. A. Sartor] Let's hear what you've got to say.

[S. Plate] I kissed a Blarney Stone, so that should help me. My wife had me take her to Ireland, I just returned and I did kiss the Blarney Stone, so hopefully that helps.

[D. Tweedy] It should be smooth sailing--

[S. Plate] Smooth sailing, God Bless.

[Comm. A. Sartor] I wouldn't bet on it, but go ahead.

[S. Plate] Alright--and that was a challenge, that wasn't a smart move. Okay--I have a number of items for you today, but I believe very positive and moving forward on this very important project, and first would like to recommend for award 2 construction trade contracts for the World Trade Center Transportation Hub project, which represents the first major construction work for the iconic Santiago Calatrava Design Transit Hall and oculus. The first of this contract is for the Transit Hall Foundations. The contract was competitively bid with the EIC Associates, being the lowest responsive bidder at a cost of $17.8 million, excluding extra work as compared to our estimate of $20.6 million. The scope of work includes installation of rock anchors, concrete footings, and a concrete floor slab with under-slab drainage and waterproofing. Authorization is also requested to increase compensation on the existing agreement with Downtown Design Partnership in the estimated amount of $900,000 to provide for related architectural engineering services to support the continued construction of the World Trade Center Transportation Hub Project.

The second trade contract is for the Transit Hall concrete, or commonly referred to as what we call "Structures to Grade." That will bring it to street level. The contract was competitively bid with Sorbora Construction Corporation being the lowest responsive bidder at a cost of $80.2 million dollars, excluding extra work, as compared to the staff estimate of $77 million. Sorbora will furnish and install all the reinforced concrete above the foundations, and slab on grade on the East Bathtub, including concrete slabs, beams, walls, metal deck slabs, topping slabs, fills,

curbs, and pads. The scope of the work also includes the installation of 2 tower cranes to support this work.

[Comm. D. Steiner] A point of information--I mean about architectural concepts, concrete-- that these people are doing?

[S. Plate] No, no--concrete is pretty straightforward, and we've--

[Comm. D. Steiner] There are no architectural expenses?

[S. Plate]--actually any concrete--No, no. Authorization is also requested to increase compensation on the existing agreement with Downtown Design Partnership in the estimated amount of $4.9 million to provide for related architectural and engineering services to support the continued construction of the Hub. Awarding these contracts will ensure the timely progress for the construction of the Hub project. When complete, the Transit Hall and oculus will provide significantly seemless connections to mass transit subway, ferry, bus systems, and office towers, servicing 250,000 people per day. I would now like to recommend for award a trade contract for Memorial West Vent Structure Panels--basically the skin on the existing--

[Chair A. Sartor] Did we have any questions on number 2?

[S. Plate] Oh, sorry.

[Comm. A. Sator] Any other questions as we're going along I guess--? It seems not--proceed.

[S. Plate] Okay, sorry. This contract, relative to the Memorial, was competitively bid with Island Diversified, Inc. being the lowest responsive bidder at a cost of $5.3 million, excluding extra work as compared to the staff estimate of $5.8 million. The total contract also includes a payment to Bovis in the amount of $533,000 for construction management services. To a value, engineering staff was able to reduce material costs associated with this work in the amount of $1.6 million. The Port Authority's estimated share of this trade contract is approximately $3.1 million with the balance to be paid by the Memorial Foundation. Work includes the fabrication and installation of all stainless steel panels on the exterior of the West Vent Structure, including a galvanized steel roof screen. The West Vent Structure will ultimately provide ventilation to underground facilities, including the Memorial Museum, the Hub, Central Chiller Plant, and Property Management Facility. With the award of this contract, approximately 95 percent of the Memorial contracts will be awarded to date.

[Comm. A. Sartor] Any questions on this item? Seeing none, why don't you move on, Steve?

[S. Plate] Yes, sir. Our next item--Authorize an agreement with the City of New York to reimburse the Port Authority for the cost of early action, design, and construction of below-grade structures and common infrastructure for the future Performing Arts Center in an amount up to $44.02 million, including base work and an extra work allowance. The Performing Arts Center is slated to be a 180,000 square foot facility to be located at the intersection of Vesey and Greenwich Street. This work is being constructed now to take advantage of ongoing work being

performed at the World Trade Center Hub and amongst the PATH tracks. The reimbursement agreement would provide for the PA to perform all the design, construction management, and related work including footings, foundations, shear walls, and seam lines shared by various stakeholders, construction of columns and shear walls performed at One World Trade Center, and construction of remaining footings, foundations, shear walls, and columns that will be constructed as part of the PATH Hall Contract and the Subgrade Steel Contract.

[Comm. D. Steiner] When will--?

[S. Plate] Yes, sir?

[Comm. D. Steiner] What are we using the steam for--heating in that building?

[S. Plate] Yes.

[Comm. D. Steiner] Are we providing steam in all the buildings?

[S. Plate] Yes, we run under the Streets and Roads Contract, we're providing the main headers, and then we're subdividing it to each one of the tenants.

[Comm. D. Steiner] Are we using the steam completely in large office buildings?

[S. Plate] Yes.

[male speaker] (unintelligible)

[S. Plate] Yes, yes, yes--so we're an exchange system.

[off camera male speaker] Do you put (unintelligible) and that demands hot water, is that it?

[S. Plate] Yes, it becomes a hot water system, and then it's distributed throughout the buildings.

[Comm. D. Steiner] So with purchasing that state with Con Ed?

[S. Plate] Yes, that's correct. We're running the main headers, we're working with Con Edison to make sure that we meet all their standards. You'll hear me come forward, Streets and Roads, and Utilities, Contracts which run the main headers down the main streets on each one of the tenants subdivide it and meter it off of that, like we did in the original Trade Center. [

Chair A. Coscia] This is so typical--somebody thinks of the sites that are complicated, but I think staff did a very good job of reconciling a lot of these types of issues, and I think that given where they started, this is a good place for us to be, and we're in good shape here.

[Comm. A. Sartor] Any other questions on this item? I see none--why don't you move on to the last item and we'll--

[S. Plate] The last item is an administrative one, which requests partial assignment of Phoenix Constructors lease obligations, with Trinity Center for approximately 30,000 square feet of space located on the 14th and 16th floor of the building we're located in at 115 Broadway for a 20-month term in an 8-month, respectively, at a total aggregate rental of $1.76 million. As a result of the reduction of scope of Phoenix's work with the Port Authority, Phoenix personnel will no longer require the space on the 14th and 16th floor. The Port Authority reimburses Phoenix for the cost of their office under the general condition terms of their contract, which also would include additional fees. Early termination would require 95 percent of rentals to be paid for the remaining term of the lease. Excepting assignment of this space would be the most proactive approach in light of hiring the construction management firm, Tishman Construction, to manage a Streets project as well as the Vehicular Security Center project. The PA is contractually obligated to provide space to Tishman and utilization of this space, rather than leaving it vacant, would result in a savings to the PA of approximately $2 million. So basically, we're taking the space from Phoenix rather than just leaving it vacant because we have to pay for it anyway--and we're saying, "Move all the Tishman people in" and they don't have to pay for the rent. So instead of paying $4 million, we're paying net/net 2 million, so we save 2 million as a result of that.

[Comm. V. Bauer] And did we get enough money to--?

[S. Plate] Yes, yes.

[Comm. A. Sartor] I like when you save money.

[S. Plate] Yes, I know.

[Comm. A. Sartor]--very rarely do you do that.

[male speaker] (unintelligible)

[S. Plate] The first part, you did say, you've got to bring your Ireland thing.

[Comm. A. Sartor] I'll accept the motion.

[S. Plate] Okay, I'll be quiet.

[Comm. A. Sartor] --with these items to the full Board.

[D. Tweedy] Just quit while you're ahead.

[Comm. A. Sartor] All those in favor?

[Comm. D. Steiner] Can I raise the question of--I heard you say that something would be paid by the Memorial Foundation--where do we stand with--is that out of order?

[Comm. A. Sartor] No, not out of order, but we can do that at a later point.

[Comm. D. Steiner] Okay, sorry about that.

[Comm. A. Sartor] Okay.

[Chair A. Coscia] I think Chris can update us on that--the whole question of that He had a meeting with the Mayor last week, and--

[Comm. A. Sartor] This concludes the public portion of today's meeting. The Subcommittee will now adjourn to executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals.

The Port Authority of New York and New Jersey
Committee on Construction Transcript
August 5, 2010

[Comm. R. Pocino] ...Committee on Construction. The first portion of today's meeting of the Committee on Construction is being held in Public Session, after which the Committee will meet in Executive Session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. For discussion, the first item is the Newark International Airport Terminal B Modernization Project Reauthorization, and William Radinson is going to do that for us.

[W. Radinson] Commissioners, I'm here to seek your approval for additional funding to complete the Newark Liberty International Airport Terminal B Modernization Program which we expect to be offset by passenger facility charges and other sources. I would also like to provide you with an overall update of the program and discuss some of the major challenges associated with its implementation.

By way of background, the program provides for the expansion of the Terminal to accommodate international traffic and will transform the facility from two levels to a three-level terminal. The new Terminal will handle international departures at the top level, domestic departures at the middle level, and arrivals at grade level. The program goals include reducing congestion at check-in, at passenger screening, and at the front gate, and at the frontage roadway, improving the efficiency of international baggage screening, relocating an increasing domestic baggage claim area, expanding post security concessions, and providing space for airline lounges, ticketing and back office operations, along with improvements to the international meeter-greeter area of the facility.

Since the program was first approved by the Board in December 2004, six major contracts have been awarded to complete the various elements of the program. Commissioners, the program status is as follows. The Lower Level Ticket Counter Project replaced the former terminal parking area with a new lower level floor and constructed 18 new check-in counters to relieve congestion and provide swing space for future construction activities. This contract was substantially completed in the summer of 2007. The In-Line Baggage Screening Project provided for deployment of a fully automated next generation in-line baggage screening system. This contract was completed by the summer of 2009. The Connectors Expansion Project was recently completed to provide additional building space for three new passenger screening checkpoints. In addition, new space was created for post security concessions and lounges. The Lower Level Expansion and B1 Vertical Circulation Project provides for the development of a new domestic baggage claim hall, which was opened in the Summer of 2009.

The project's scope also included upgrades to the electrical substation which are partially in service, with the remaining electrical distribution elements forecasted for completion in the fall of 2010. The Mid and Upper Level Improvements Projects provides for the reconfiguration and replacement of the upper level check-in counters and for construction of a new domestic departures hall in the middle level. This contract is progressing on schedule and is forecasted for completion in the Spring of 2012. The Meeter-Greeter Project is in development and is currently scheduled for design completion in 2011. This project provides for passenger flow improvements at the point where passengers arriving on international

flights are met by friends and family. In addition, concession spaces and lost baggage offices will be reconfigured and improved.

Since construction under this program began, the Terminal has maintained operations, handling an average of about 5.7 million passengers each year. Consistent with the program goals, the completed components I just described have already improved the passenger experience. However, there have been notable challenges in delivering these projects. Four major challenges are attributed to the anticipated program cost increases. The Transportation Security Administration issued updated in-line baggage screening standards mid-project, requiring the redesign of four out of five screening systems. These changes resulted in a $3.3 million cost increase. Integrating new technology at the expanded passenger checkpoints and for the in-line baggage screening system placed a greater than anticipated demand on the existing electrical substations. The required temporary power panels, intricate staging, and numerous project changes substantially extended the contract duration and resulted in an estimated increase of $7.8 million.

Unforeseen conditions in the Connectors Expansion Project caused an anticipated increase of $7.3 million. There were significant challenges with integrating the new building structures with the existing terminal, including utility relocations and working through complications resulting from conducting work adjacent to the AirTrain system. Since the 2000 Program reauthorization, newer operational requirements call for scope changes to the Meeter-Greeter Project. An increase in Continental's arrivals in Terminal B require an expansion of the passenger recheck areas. There is also a greater need to better handle oversize baggage in this area. The estimated cost to integrate these changes is an additional $4.1 million.

Commissioners, the overall program is nearly 80 percent complete and is expected to be completed by the Summer of 2013. Full program completion, however, is expected to exceed our current authorization due to the challenges I just described. In order to bring this project to final completion, an additional $22.5 million or roughly 7 percent of the current authorized amount will be required. With your approval, we will also submit an amendment to the passenger facility charge application to allow for the collection of additional funds for the program. I ask that you advance this item to the full Board for approval. Thank you.

[Comm. R. Pocino] Any questions or discussion?

[Comm. A. Sartor] How much do you expect to get from the feds?

[W. Radinson] Thirty-nine million.

[Comm. A. Sartor] Thirty-nine million? An additional $39?

[W. Radinson] An additional $39 million.

[Comm. A. Sartor] Okay.

[Comm. R. Pocino] Any others? Can I have a motion for approval to move it on to the Board? [Comm. A. Sartor] So moved. [Vice-Chair S. Grayson] Second. [Comm. R. Pocino] All in favor?

[Commissioners] Aye. [Comm. R. Pocino] Okay, the next item is Port Authority Bus Terminal Seismic Retrofit Program Project Reauthorization. Cedrick Fulton.

[C. Fulton] Good morning, Commissioners.

[Comm. R. Pocino] Good morning.

[C. Fulton] I'm here today to discuss project reauthorization and additional funding [inaudible] In 2003, we received a $46.3 million grant from the Federal Emergency Management Agency to perform seismic retrofits at both the GWB and at the PA Bus Terminal. It's important to note that the grant was based on 75 percent of a $62 million order of magnitude estimate for the total project cost. In order to meet the grant application deadlines, the $62 million estimate was conceptual in nature without the benefit of preliminary engineering studies. In 2004 after preliminary engineering investigations had progressed, the Board authorized a $75.9 million combined program comprised of $49.2 million for the Bus Terminal and $26.7 million for the GWB.

The scope of the work at the Bus Terminal was to add interior and exterior steel bracing and reinforce concrete walls in the south wing. This photo shows steel brace trusses, known as fin trusses, and new concrete walls along 40th Street. The scope of the work at the GWB was to replace bearings, reinforce columns, and install cable restraints. Once the scope of work was fully defined and designed, less work was required at the GWB than originally envisioned, while more work was required at the Bus Terminal. Separate contracts were awarded in '04 at the GWB and 2005 at the Bus Terminal. Work at the GWB was successfully completed in 2008 under budget at a total cost of $12.3 million. The work at the Bus Terminal turned out to be significantly more complex than was originally anticipated.

In January 2009, based on the status of the work, the Board authorized a transfer of $14.4 million in unused GWB funds to the Bus Terminal and an overall increase in funds for the Bus Terminal to $86.4 million, bringing the combined program cost to $98.7 million. This increase was necessary to address conditions that were unknown at the time of original authorization, including utility relocations, additional work for engineering design and construction management required to coordinate tenant work, and delays in obtaining permits from New York City DOT.

The contract is now 95 percent complete, with all exterior concrete walls and exterior steel work finished. In order to complete the project, an increase in contract and total project award is needed as we have encountered additional costs for areas that had not yet been opened up at the time of the 2009 increase in authorization. In the remaining tenant lease hold areas, we underestimated the amount of time that we needed to negotiate with the tenants to work out the details of either relocating or reconfiguring their space and operations in order to make the work area available to the contractor. The picture on the left shows completed work in a tenant area.

Coordination with New York City MTA's Number 7 subway work at the lower bus level resulted in additional delays to the project as we had to implement temporary bus traffic flow patterns throughout the work area at the lower bus level, making those areas unavailable from early 2009 through June 2010 due to these new operational requirements which delayed work on that level. The photo on the right shows a temporary deck constructed over Number 7 subway excavation in the lower bus level. In many of the remaining work areas, we found more asbestos than was anticipated. Since it was concealed

behind finishes, the full extent of the abatement could not be assessed until it was exposed. In several tenant areas, once the asbestos present was fully assessed, it then took additional time to plan the abatement to minimize the impact to tenant operations and protect the general public.

The picture on the left shows a work area separated from the active tenant operations. Steel braces and connections could not be installed until all utilities were relocated, affecting operations and delaying the contractor. The picture on the right shows a large, newly installed steel truss with numerous relocated utilities. In several work areas, utilities could not be relocated. Instead, the steel connections had to be redesigned in order to accommodate the utilities.

As a result of all of the issues that have been occurring since the start of the contract, construction was delayed and the contractor has requested compensation for schedule impact costs. Today I am requesting additional funding in the amount of $9.3 million, bringing the total project cost to $108 million. This increase will ensure the completion of structural repairs needed to adjust seismic vulnerabilities at the Bus Terminal. PA staff have worked very closely with the contractor and tenants in resolving issues impacting progress and mitigating the delays. We now expect project completion in the fourth quarter of this year. Commissioners, I request you advance this item to the Board for approval today.

[Comm. R. Pocino] Commissioners, any comments, questions?

[Vice-Chair S. Grayson] I've got a question. This is probably more a general question which I think will help me understand these projects a little more. Initially we authorized this project at $98.7. In that authorization, I assume there was some contingency amount included therein.

[C. Fulton] Yes, sir.

[Vice-Chair S. Grayson] And now we're authorizing an increase of $9.3. Does that mean that we spent the contingency in the $98.7 and we need an additional $9.3? And in that $9.3 is there any contingency in that, or is that actual dollars that will actually be spent for the project?

[C. Fulton] There is an element of what we call risk incorporated in $9.3 additional monies that we're requesting today.

[Vice-Chair S. Grayson] Is it the same ratio? I mean, if you have a 5 percent contingency, is there 5 percent in your increase?

[E. Butcher] No. We're trying to get away from ratios. What we're trying to do is focus on what the actual risks are and try to make a determination about the value of that risk. And as we look at the $9.3 million, what we're considering the risks to be are significantly less than the risks that we had in the $98.7.

[Vice-Chair S. Grayson] Okay. My second question is, where you're doing the retrofit, were all the tenants affected or just a percentage of the retail tenants affected?

[C. Fulton] Twenty tenant areas were impacted, so there were a significant number of tenants that were touched on. The project is very invasive throughout the entire South wing.

[Comm. R. Pocino] Anyone else? Okay. Can I have a motion for approval to the Board? [Vice-Chair S. Grayson] So moved. [Comm. A. Sartor] Second. [Comm. R. Pocino] All in favor? [all] Aye. [Comm. R. Pocino] The ayes have it. The next item for discussion is the Port Newark Berth 6 Wharf Reconstruction Project Authorization. Rich Larrabee.

[R. Larrabee] Good morning, Commissioners. [

Comm. R. Pocino] Morning.

[R. Larrabee] Today I'd like your authorization for a project to reconstruct the wharf structure at Berth 6 in Port Newark to restore full operational serviceability and to provide a renewed 50-year service life to preserve the long-term value of this marine terminal asset.

As background, condition surveys of the 45-year-old wharf structure at Berth 6 at Port Newark, which is circled here in red, revealed that the supporting timber elements of the wharf structure had progressively deteriorated due to increased marine borer activities. Subsequent analysis of the supporting timber elements determined that future loads on the wharf structure would exceed the capacity of the wharf and allow for only limited use of the deck during cargo loading and offloading operations. In light of these results and in anticipation of an ongoing cost for continued inspection, maintenance, and repair of the wharf structure, staff determined that a full reconstruction of the structure would be the most cost-effective course of action. Staff further recommended that the new wharf structure be designed and constructed so that no additional work would be required on the structure should the Port Newark channel be deepened in the future from its current depth of 40 feet to 45 feet below mean low water. Commissioners, today I request that you authorize a project to reconstruct wharf at Berth 6 at a total estimated cost of $43 million.

The project provides for the removal of the existing low level timber relieving platform, concrete deck, stone, and dike and timber piles, the removal and relocation of existing utilities, the construction of a high level concrete deck support on steel piles, dredging the face of the wharf to 45 feet below mean low water, and the transport and disposal of approximately 40,000 cubic yards of dredge material and 30,000 tons of stone material. Work is expected to begin this November. It would be completed in March of 2013. As you may recall, earlier this year your reauthorization of a project to reconstruct the wharf structure at Berth 8 and part of Berth 10 was necessary due to two critical issues that occurred during the construction that adversely impacted the project schedule and its cost. These issues included the delay in obtaining approval for ocean disposal work and unforeseen soil movement that occurred when the existing timber piles were removed.

The knowledge gained during the Berth 8 project has been applied to the scope of the work for Berth 6 to ensure that the project remains within budget and is completed on schedule. The reconstruction of Berth 6 will restore full serviceability to the wharf structure, increase the load capacity for safe cargo handling, and achieve a new, 50-year service life, thereby preserving the long-term value of the asset. In addition, the results of an economic impact assessment indicates that 180 direct and indirect jobs would be supported over the life of the project, with a total economic impact of $12 million in wages and over $64 million in economic activity. Commissioners, I request you advance this Item to the full Board for approval today. Thank you.

[Comm. R. Pocino] Commissioners, comments, questions?

[Comm. A. Sartor] Is this going to be design-build, Rick? Or is it going to be design-bid-build? What's the thought process here?

[R. Larrabee] It's designed.

[Comm. A. Sartor] It's already designed?

[R. Larrabee] Just as we did with Berth 8.

[off camera speaker] Similar to 8 and 10.

[R. Larrabee] So we'll come back to you with the project.

[Comm. A. Sartor] It's always good to hear about the lessons learned. That's good.

[R. Larrabee] Basically, we've already got the permits in hand, which was a problem before.

[Comm. A. Sartor] I understand. I understand. Okay, so you're going to bid this basically.

[R. Larrabee] Yes, sir. And we'll come back to you with a—

[Comm. A. Sartor] Okay.

[Comm. R. Pocino] No other further comments or questions? [Vice-Chair S. Grayson] I'll make a motion. [Comm. R. Pocino] We have a motion. A second? [Comm. A. Sartor] Second. [Comm. R. Pocino] All in favor? [all] Aye. [Comm. R. Pocino] Opposed? [silence] The ayes have it. The next Item is the Port of New York and New Jersey Brooklyn Port Authority Marine Terminal Shore Power Installation Project Authorization. Rich?

[R. Larrabee] Thanks, Commissioner. In November of 2008, the Board reaffirmed its support of the Port Authority's continuing environmental improvement initiatives by adopting a statement of principles that demonstrates its commitment to reducing Port-related emissions that affect air quality in the region and contributes to climate change. I previously discussed with you the development of a clean air strategy for the Port and various initiatives to expand our efforts to reduce emissions from all Port-related sources which include ships, cargo handling equipment, trucks, and rail.

Today your authorization is requested for a new initiative that supports our clean air strategy through the installation of a shore power infrastructure at the Brooklyn Cruise Terminal which will enable cruise ships calling at the facility to shut down their diesel powered auxiliary engines and plug in to shore side electricity. As background, New York City Economic Development Corporation currently leases Piers 11 and 12 in Brooklyn under an agreement that expires in December of 2058. The New York City EDC developed the Brooklyn Cruise Terminal, and the first full cruise season at the world-class facility commenced in the Spring of 2006. The Port Authority currently operates the facility for EDC under an agreement that provides for compensation to the Port Authority for its labor and expenses associated with operating the cruise terminal.

In 2009, the Brooklyn Cruise Terminal handled 45 cruise vessels with two ships owned by Carnival Corporation accounting for 90 percent of those vessel calls. Carnival, through its subsidiary Princess Cruises, is an early pioneer and leader in the use of shore power for cruise ships. They were the primary users of the first US shore power installation in Alaska and currently have shore power capability in Canada, Washington State, and California. Carnival has committed to retrofit at a minimum its two primary vessels that call at Brooklyn Cruise Terminal to connect to the shore power equipment once the landside electrical infrastructure is put in place.

Commissioners, today your authorization is requested for a project to install landside electrical infrastructure at the Brooklyn Cruise Terminal to allow cruise vessels to connect to a landside electrical grid while at berth at a total estimated cost of $15 million. An approximate $2.9 million grant from the US EPA will be used to fund a portion of the project, and the Port Authority will fund the remaining $12.1 million in costs. The project will consist of an installation of the new substation, cable handling equipment for the vessel interface, and the routing of power from the new substation to the vessel interface. Authorization is also requested to enter into negotiated agreements with Cochran, Incorporated, for consulting, project development, and engineering services and the purchase, testing, and commissioning of the shore power equipment at a total estimated cost of $3.1 million, and with Lizardos Engineering, Incorporated, for the final design of the shore power infrastructure and construction support services at a total estimated cost of $660,000.

In its lease agreement, New York City Economic Development Corporation is responsible for all costs associated with the operation, staffing, and maintenance of the shore power infrastructure once installed. Since landside electrical production often emits one-tenth or less of the air emission production by a ship's diesel generators, the use of landside power can significantly reduce total emissions while vessels are in port. The proposed shore power facility will have a useful life of 20 years with a total emission reduction project to exceed 1,786 tons of nitrogen oxide, 122 tons of particulate matter, 1,800 tons of sulfur dioxide, and 40 tons of volatile organic compounds. Additionally, the project is expected to reduce fuel use by the cruise ship berthed at the Brooklyn Cruise Terminal by over 2.4 million gallons and carbon dioxide equivalent greenhouse gas emissions by approximately 28,000 tons over the 20-year life of the project. Lastly, the project will create and preserve approximately 14 local construction jobs in the region during its two-year construction period. Commissioners, the proposed Shore Power Installation Project represents our continuing effort to implement actions in our clean air strategy. I request that you advance this Item to the full Board for approval today. Thank you.

[Comm. R. Pocino] Commissioners, comments, questions?

[Comm. A. Sartor] Yeah. The document in front of me shows that you went sole source to Cochran.

[R. Larrabee] Yes.

[Comm. A. Sartor] Why?

[R. Larrabee] Engineering did an extensive search of producers of this equipment. They are the only ones that have successfully installed equipment. This will be the first installation on the East Coast. They've successfully put installations on the West Coast.

[Comm. A. Sartor] The fees are pretty steep. You're looking at 20 to 25 percent fee between the two firms.

[F. Lombardi] The construction cost is about $10 million, Commissioner. The total engineering and planning is about 20 percent.

[Comm. A. Sartor] $3.7 million on $10?

[F. Lombardi] $3.7 on $10?

[Comm. A. Sartor] Yeah. It's $3.1 plus 6.

[F. Lombardi] I have $2.2 on $10.

[Comm. A. Sartor] Go back. Show me that $2.2. $3.1 and 6.

[W. Ellis] The difference is Lizardos is going to be doing design work, so that's the $660 over the about $10 million. So the design itself is about 11 percent. Cochran is actually going to be providing construction equipment. They're doing one of the substations, so it's also construction materials, not just design. They're a provider of equipment. So Lizardos is basically doing—

[Comm. A. Sartor] Isn't that in the $15 million project?

[W. Ellis] Yes, but I'm just saying there's a difference between the design cost, which is Lizardos, plus some in-house costs. We're running about 11 percent for design services. The Cochran is really a vendor that's going to supply—

[Comm. A. Sartor] He's a vendor.

[W. Ellis] Yeah. He's providing the substation--

[Comm. A. Sartor] Because as it reads here, he's doing engineering work also.

[W. Ellis] He's providing the specific equipment because for the shipping it's a variable substation, so it's two substations. He's providing the substation that provides it to the ship.

[Comm. A. Sartor] What kind of return do we get on this $15 million investment at the port? Anything?

[R. Larrabee] No.

[Comm. R. Pocino] Commissioners?

[R. Larrabee] We've done some analysis that suggests that the overall value of this from a health perspective is in excess of $100 million. I can provide you the details of that study so I think the overall public benefit to this project I think is far in excess of what we're spending.

[Comm. A. Sartor] I was just wondering if we could charge a fee. [chuckling]

[R. Larrabee] There's a couple of other components. First of all, the total cost of converting the cruise ships is about $4 million. In addition to that, the cruise ships will take on the responsibility for

operations and maintenance for at least the next five years. The City, along with New York Power Authority, will be adding additional funding because there's a fairly significant delta between what the ship can produce electricity at, which is at about 12 cents a kilowatt hour, and 28 cents a kilowatt hour, which is what it's normally supplied at. So there is a delta that's being made up there. This is really a partnership that I think is pretty significant in terms of bringing this project to completion.

[Comm. R. Pocino] Stan, did you have something?

[Vice-Chair S. Grayson] Yeah. I just had one quick question. Rich, when these ships are docked, what's the period that they're usually there?

[R. Larrabee] This Sunday, for instance, the Queen will arrive at about 0600 in the morning. She'll disembark her passengers by about 11:00, they'll start embarkation at about 11:30 or quarter to 12, and she'll get under way sometime before 1800 or 6:00 at night. So it's about a 12-hour period.

[Vice-Chair S. Grayson] Twelve-hour window. Okay.

[R. Larrabee] And now they sit at the dock and basically run their auxiliaries to provide electrical power.

[Comm. R. Pocino] Okay, can I have a motion? [Comm. A. Sartor] So moved. [Vice-Chair S. Grayson] Second. [Comm. R. Pocino] All in favor? [all] Aye. [Comm. R. Pocino] Opposed? [silence] Always, the ayes have it. We have one more item, the Quarterly Construction Update on Major Projects by Ernesto Butcher.

[E. Butcher] Commissioners, I'd like to take a few minutes to update you on two significant projects in our Capital Plan that have significant dollar investments. Those are the PATH Integrated Railcar and Signal System Replacement Program and the reconstruction of JFK's Bay Runway.

First, on the PATH Integrated Railcar and Signal System as background, Commissioners, this program is a key component to the modernization of PATH. This integrated program will ensure the long-term viability of PATH by bringing it into the 21st Century using the latest technology and continuing to provide customers reliable and safe service. The Board authorized this Program, and it consisted of 340 new railcars, renovations to the maintenance facility, replacement of the entire PATH Signal System with a modern Automatic Train Control System with communications-based control technology. The total authorized cost for this program was $1.38 billion. Some of the advanced features that we'll find in the new PATH cars are AC propulsion in place of DC, full ADA compliance, advanced diagnostics, automated on-board train announcements, light-emitting diode destination signs, and a new safety and security feature, including on-board video recording. We will also be able to integrate Automatic Train Control technology in the future into these cars. Our current status as it relates to the procurement of these cars, their manufacturer, Kawasaki Rail Car which is based in Yonkers, New York, has initially delivered the first eight pilot cars to PATH in June 2008. After an extensive testing and initial acceptance program, production and car delivery was initiated in July of 2009. As of August 2, 2010, of the 340 cars ordered, 170 cars have been delivered, of which 151 are in service. The remaining 19 are undergoing acceptance testing. Approximately 70 additional cars are expected to be delivered in 2010, and the remaining cars are scheduled for delivery in 2011. According to our contractual schedule, we should have received 217 cars at this point in the program. Kawasaki has stepped up their production and increased the number of cars to be delivered each month. Despite that, though, we have triggered the

liquidated damage clause in the contract and valued their delay at about $6 million. Kawasaki has agreed to this number and has also agreed to provide us in-kind services that equal that value. The car portion of this program is valued at $531 million. To date we have spent $272 million, with a remaining $259 million on this program.

The next project I'd like to update you on is the JFK Bay Runway Reconstruction and Construction of Delay Reduction Taxiways. I'm pleased to report that during the second quarter, flights resumed on JFK's Bay Runway, the region's biggest and longest runway, after a four-month closure to reconstruct the runway, implement flight delay measures, increase the width to handle the world's largest commercial airplanes, and transform it into a state-of-the-art runway for the future. As you may recall, Tutor Perini was awarded the contract to reconstruct this 14,511 foot Bay Runway. To date, 10,925 feet of the runway has been completed. As you can see from the photo on the bottom--and I need to clarify that photo for you-- the lower green line on the photo represents the actual runway itself, the 10,925 feet that have been completed. Just above that are the taxiways that have been completed as part of this program. The red line focuses on parts to be constructed later on, and the yellow is in current construction. It may be difficult for you to see the yellow and the green here, but understand that on the right of the red, that's most of the stuff that's in construction, and there are two small pieces on the taxiway at the top that are still in construction. The schedule calls for continued construction, and the blue line in the middle is the closure that we're going to have to have on Runway 22R beginning in September of 2010, and the red piece will be the last piece that we will be working on. When the runway is completed, we will have completed a complete new concrete structure that will last about 40 years, and we estimate that it will produce an estimated long-term savings of $500 million and reduce the need for ongoing maintenance. The initiatives that this runway is supposed to acquire for us will be flight delays that will be reduced by 10,500 hours per year, equaling a savings of about $55 million for passengers over the period of a year. So commissioners, this runway was authorized at $373 million. We have spent $196 to date, with $319 forecasted yet to be completed. We expect overall completion by November of 2011.

[Comm. R. Pocino] Thank you for that update, Ernesto. Commissioners, do you have any questions, comments on that discussion item? [silence] If not—

[Comm A. Sartor] I want to commend--

[Comm. R. Pocino] I'm sorry.

[Comm. A. Sartor] I just wanted to commend staff on what's been accomplished at the taxiway, just a tremendous job and a very difficult situation. Kudos to you on that.

[Comm. R. Pocino] Very good. Thanks very much. That completes our public session in this Committee Meeting. So at this time, we're going to enter into executive session, so I'd ask anyone from the public to leave.

The Port Authority of New York and New Jersey
Committee on Finance Transcript
August 5, 2010

[Chairman A. Coscia] Today's meeting on the Committee on Finance is being held in Public Session in its entirety. In addition, the meeting is being broadcast live on the Port Authority website for those interested in viewing today's proceedings via the Internet. Our first item will be a discussion of the Special Project Bonds for Series 8 and Series 9 at JFK International Air Terminal. And this is for establishment and authorization of issuance and sale, and I'll turn it to Anne Marie Mulligan.

[A. Mulligan] Good morning, Commissioners. Later today your authorization is being requested for a project at John F. Kennedy International Airport in connection with the expansion of Terminal 4 and demolition of Terminal 3. In connection with this project staff is also seeking authorization to establish and issue up to two series of special project bonds to finance the expansion of Terminal 4.

The special project bond resolution was adopted by the Board in 1983. This resolution established special limited obligations of the Port Authority that may only be used for projects for a lessee at Port Authority facilities or to refund prior issued special project bonds. For each of the projects where special project bonds are to be used, a separate series is authorized and may only be issued in a principal amount not to exceed the cost of the project or the total amount needed to refund a prior series of special project bonds. The projects being financed must be separate and distinct projects not previously financed by consolidated bonds and have a discreet and separate revenue flow sufficient to support the special project bond debt service. Neither the full faith and credit of the Port Authority, nor the general reserve fund or consolidated bond reserve fund are pledged to the payment of interest or the repayment of principal on special project bonds. The principal and interest on special project bonds are payable from a special lessee facility rental that's established for that purpose. Special project bonds are secured by the Port Authority's assignment of facility rental payments, a lessee's leasehold mortgage, a lessee's personal property security interest and a lessee's corporate guaranty.

Prior issuances of special project bonds include the Delta Terminal, Passenger Terminal at LaGuardia, the Continental and Eastern Passenger Terminal at LaGuardia, which is now the U. S. Air Terminal, and the Kayak Cogeneration Facility at Kennedy International Airport. The Series 6 and Series 7 Special Project Bonds were authorized in October, 1996 up to a maximum principal amount of $1.2 billion to finance the development and construction of a new international passenger terminal, Terminal 4, at JFK. Series 6 bonds in a principal amount of $934 million were issued in April, 1997. Series 7's bonds were not issued and, under this authorization, will be rescinded. The resolution that established the Series 6 and Series 7 bonds also provided that additional series may be issued in the future to fund construction of Terminal 4, or its expansion, and would be issued on a parity basis with these bonds.

Today's authorization rescinds the Series 7 bonds and establishes and authorizes the issuance and sale of two new series of special project bonds, Series 8 and Series 9, in an aggregate principal amount of up to $1.2 billion. The proceeds would be used to finance the expansion of Terminal 4 and will include the construction of nine new international gates and expansion of the baggage and passenger processing capacity. Before the sale of the special project bonds staff will advise the Committee on Finance of the details of the issuance, and this item would delegate authority to an authorized Officer to effectuate the

sale of the special project bonds. Further, today's authorization will accomplish the next step in the public approval process that's been required under the federal tax law since 1982 for certain municipal obligations to advise the public of certain projects that will be going on, including projects at airports. As a first step, a notice was issued on July 21 that a public hearing would be held and details of the project were provided in the notice. As a second step, hearings were held yesterday, August 4, at the Port Authority's facilities in New York City and in Jersey City. And as a third step, we request that the Board approve this plan of financing for the expansion of Terminal 4, and then that authorization is followed by the gubernatorial review. Based on this, we request that you advance this item to the full Board for authorization.

[Chairman A. Coscia] Thanks, Anne Marie. In terms of this Committee's review of the issue and the item itself also being presented in Operations Committee, Karen, if I understand correctly, we're advancing this item from the Finance Committee to the full Board; will Operations do the same thing?

[K. Eastman] Yes, they will.

[Chairman Coscia] But they're advancing the same item, so I guess to some degree--and I would first say that anyone who is not a member of Operations but is here and wants to be part of or hear the full discussion relative to the project itself, I would suggest if you can do that, that you attend that meeting also, and I'll try to make arrangements so that anyone who wants to can do that. Because we're sort of having a discussion only about the bond issuance here, because I understand there are federal tax law reasons for why we need to do that.

[K. Eastman] And the primary piece at Operations will be the business side of the deal--

[Chairman A. Coscia] Right, right. I guess I say that so that our questions are focused more on the approval that is necessary for the Finance Committee on the issuance of the bonds, and that the operational questions we might have about the terminal project itself be kept for Operations. Having said that, I want to make sure that everyone gets all of their questions answered, and that distinction should make a difference. But Sue Baer and those who would answer the operational questions-- yeah, that's right--excuse me?

[Comm. H. Holmes]--should be subject to the Operations Committee.

[Chairman A. Coscia] Right, right; it is, actually, it would be, yeah. Okay, having said that, questions anyone?

[Comm. R. Pocino] Mr. Chairman, I move to pass this on to the Board--approve it, and pass it on to the Board.

[Chairman A. Coscia] Okay. Before we actually vote on it, I just had a couple of questions myself which I think we've sort of talked about partially. One is rating agencies. To what degree, given the size of this, has there been discussions with the rating agencies about drawing comfort relative to how this liability would be considered in connection with our other outstanding, long-term bond issues?

[A. Mulligan] We haven't had discussions with the rating agencies on this, and they would look to see what our numbers would look like afterwards. They would look more to the project and the project

revenues and the feasibility of the project to have comfort that the lessee's facility rental payments for the debt service would secure the bonds; so that's how they look at it.

[Chairman A. Coscia] Yeah, Anne Marie, I don't mean to interrupt you, but my question isn't--how the rating agency is rating this bond issue, that much I understand. To what degree is the issuance of special purpose bonds, where the disclosure statement fully reflects the fact that there's no recourse to the Port Authority, to what extent have we had discussions relative to any sort of ancillary or collateral consideration that the issuance of the special project bonds might have relative to the rating agency's review of our general obligation bonds?

[A. Mulligan] We haven't had discussions with them on this, and they just generally will look to what we've done in our forecast and how we've accounted for the affect on the general reserve fund for these bonds being outstanding, and look to the project, not necessarily to us.

[P. Blanco] In terms of the issuance of our bonds and the issuance of our consolidated debt, we provide the rating agencies with revenue projections, expense projections, and also capital projections. Within those projections, we have included what we believe will be the final impact of the Port Authority as a result of the waterfall payment that goes in after these bonds are paid, both on the income statement and the balance sheet. And our ratings reflect that transaction. And also, David has had, through Aviation and also our consultants, other conversations with rating agents regarding the rating of this particular debt series.

[D. Kagan] There won't be meetings with the rating agencies prior to the issuance of the bonds specific, as Anne Marie was saying, to this issue. One of the things we will do is make sure that whatever is said here is not inconsistent with what Anne Marie and Paul have said today.

[Chairman A. Coscia] Yeah, and I think the question that-- the question I think several Commissioners have also expressed to me is that in a sort of perfectly defined world, this liability should not have an impact on our capital capacity. It should only impact our financial statements to the extent that there is additional revenue generated by the project that ultimately is available for debt service. I think that's the sort of clear cut answer to the question. The question is whether or not, once you sort of peel beyond the layers, are there concerns that the rating agencies might have given the fact that a $1.2 billion financing is taking place in the middle of our property, in connection with an element of our business that's absolutely vital, and to what degree does it create some level of uneasiness relative to the impact of a default on the Port Authority that might somehow impair our ability to continue our long-term debt program in a manner that's uninterrupted by it. And I know there isn't an easy answer to it which is why I asked not for what their position is, but have we discussed it with them, and have they given us any sense as to whether or not in the sort of new world order that we deal in today on the issuance of public debt securities, is there some apprehensiveness that the rating agencies might have relative to the fact that we have a transaction that exceeds a billion dollars that's basically on our property? I just think whatever sort of view we've had of the rating agencies in the past, there's somewhat of a different one going forward.

[P. Blanco] But we have discussed with the rating agencies when we meet with them periodically, about transactions that are coming forward and that are in our plan, and they certainly have been aware of the fact that we do have this $1 billion project taking place at Delta, which they have inquired about, and

which we have discussed with them. So in all of the waiting that we've had, that information has been with them. This would not be news to them that this is going to be happening.

[Chairman A. Coscia] Good. That's good.

[D. Buchbinder] We have also used special project bonds in the past with a favorable--[inaudible]

[Chairman A. Coscia] It should be, because it's revenue without using their capital.

[D. Buchbinder] It's revenue and it's--[inaudible]

[Chairman A. Coscia] If we finance the machine that pumps air into the Lincoln Tunnel with special project bonds, the rating agency would say, "In the event of a default, you will pay the bonds, because you're not going to stop air going into the Lincoln Tunnel." Now this is obviously not the same situation, but that's the crossover that doesn't find its way into a financial disclosure statement, but in the real world becomes a liability. And that's why it sounds like you've had these conversations and--

[D. Buchbinder] The crossover is also--that is the normal perception. The crossover into that of rating and special project bonds which is dependent on the facility being financed, the feasibility studies behind the facility, and the rating agency's view on the particular market, in this case, Port Authority Aviation facilities, and how that works. So if the rating agencies are comfortable with special project bond financing, then they are also comfortable with how it fits into the Port Authority's overall structure, because they recognize that the facility has value, just not that we--our lessee. If there's an issue, somebody else in the market will step up, because the aviation market in New York is-[inaudible]

[Chairman A. Coscia] Which is an issue we've had in the past, and it's been accepted.

[Comm. H. Holmes] That's what happened to Continental Airlines.

[Chairman A. Coscia] Right, right, right. [inaudible]

[Comm. J. Moerdler] Going backwards, am I correct that on one of the prior slides it said the original JFKIAT financing is paid off now?

[P. Blanco] No, 2024; I think there's about $780 million outstanding on Series 6.

[Comm. J. Moerdler] But I assume that because of the lease of these gates, in the event of that foreclosure, it's separable.

[D. Buchbinder] These are parity bonds; the existing series is Series 6. Whatever bonds were issued--8 or 8 and 9--were issued on a parity basis, so--[inaudible]

[Chairman A. Coscia] And there's common ownership of the underlying facilities.

[A. Mulligan] Yes.

[Chairman A. Coscia] Yeah, yeah. A common owner; Delta.

[D. Buchbinder] Well, a common lessee, right-- but really it's JFKIAT--

[Chairman A. Coscia] Which is Delta controlled now.

[D. Buchbinder] Delta has a piece of the entity that controls JFKIAT. It's controlled by [inaudible]. Delta has an interest in the [inaudible].

[Chairman A. Coscia] Delta bought out what was the Lehman piece--in LCOR? Okay, any other questions? There's a motion and a second. All right, all those in favor of advancing this to the board? [Commissioners] Aye.

[Chairman A. Coscia] Okay, next item is an update on the insurance captive. Anne Marie? You're up again.

[A. Mulligan] Okay, today I'll provide you with our annual update of the Port Authority Insurance Captive Entity--PAICE. As you may recall, PAICE is a wholly owned subsidiary insurance company of the Port Authority that's dedicated to insuring certain risks of the Port Authority.

In March, 2006 the Board approved the formation and operation of PAICE, and PAICE was incorporated in Washington, DC in October, 2006. During its operations to date, PAICE has achieved the goals projected when it was originally formed. By providing certain insurance coverage to the Port Authority directly, PAICE has successfully reduced the amount of premium paid to the commercial insurance market by $123 million between 2005 and 2010. In addition, PAICE's participation in the property insurance program has allowed the Agency to increase its all-risk coverage from $600 million in June, 2006 to $1.4 billion in June of 2010. Terrorism coverage has also increased for both the property damage and public liability programs through the use of PAICE, and the availability of the federal program through the Terrorism Risk Insurance Program Reauthorization Act, also known as TRIPRA.

Through premium earned and investment income, the Port Authority's initial investment of $8 million in PAICE has grown to $81.3 million as of June 30, 2010. Of course, by providing such coverage, PAICE is exposed to loss. To date, however, the amount of insurance underwritten has been conservative, and the loss history has been below expected levels. When providing coverage, PAICE balances the risks assumed against its financial ability to absorb the loss so as not to expose itself or, ultimately, the Port Authority to unanticipated financial burdens. On an actuarial basis, PAICE has sufficient reserves to meet its anticipated losses. As required by the domicile, PAICE held its annual board meeting in Washington, DC on June 29 and reviewed its activities. Since its incorporation in 2006, PAICE has issued policies for terrorism coverage on the Port Authority's operational insurance programs.

For both the property damage and public liability programs, PAICE has provided $250 million of Terrorism Risk Insurance Program Reauthorization Act insurance which is backed by the Federal government. For the June, 2001 renewal of the property program, staff was able to achieve terrorism limits of up to $1.4 billion to match the all-risk limit by purchasing coverage to reinsure PAICE's exposure with the remainder provided through TRIPRA. As previously mentioned, PAICE, a domestic insurer, has the ability to front the property program which allows the Port Authority access to the reinsurance market.

Through this access, PAICE has significantly increased overall capacity on the property program. For the Port Authority's Master Contractor Insurance Program, PAICE provides the primary $1 million of worker's compensation coverage and $500 thousand of general liability insurance. PAICE's 2009

financial statements were audited by Deloitte & Touche. The underwriting income for the period ending December 31, 2009 was $25 million with a net income of $26.4 million for the same period. Total assets were $158 million and member's equity was $72 million which is nine times the Port Authority's initial investment of $8 million. Member's equity has grown since December to a total of $81 million as of June 30. Huggins Actuarial Services provides actuarial services for PAICE, including the annual opinion which is required to be done. Huggins has opined that as of December 31, 2009, PAICE carried $53 million of reserves on a gross basis, and that the captive meets the DC regulatory requirements to make reasonable provision for all unpaid losses and loss adjustment expense obligations. TD Banknorth was competitively selected as the investment manager for PAICE in October, 2007 and implemented the investment policy in January, 2008.

The investment policy for PAICE is similar to the Port Authority's, except that PAICE is also permitted to invest in AA or better corporate stocks and bonds. As of June 30, PAICE's cash and investment balance totaled $142 million and had earnings of $2 million so far in 2010. As with all insurance carriers, PAICE has and will continue to sustain claim losses during its operation. To date, none of the losses have been terrorism based. On the contractor's insurance program, a total of 93 worker's compensation claims are open and 55 open general liability claims are active.

As noted, the actuarial review has confirmed that PAICE's current reserves are sufficient to provide for these losses. In conclusion, PAICE continues to meet the expectations set forth for it at its inception and provides both insurance coverage enhancements and cost savings to the Port Authority.

[Chairman A. Coscia] Sounds good, sounds good. Who is the Board at PAICE?

[A. Mulligan] The Board consists of Chris Ward, Bill Baroni, Paul Blanco, Darrell Buchbinder, myself, Mike Fabiano and Veronica Biddle.

[Chairman A. Coscia] Okay, and if you could go to the slide that talks about assets; I'm just trying to understand its balance sheet a little bit. Okay, so total assets are $158 million. Owner equity is $72 million. I assume that reserves are listed as a liability on the balance sheet, and that pretty much makes up the difference?

[A. Mulligan] Right, and the assets are mainly cash--

[Chairman A. Coscia] And so if it differs slightly, it's just that-- I mean if gross reserves are $53 milllion-- I'm trying to do the math in my head and not doing a good job at it--

[P. Blanco] I get $106--$105. Yeah, $105.

[Chairman A. Coscia] Oh, I'm sorry, where did you get $105 from?

[P. Blanco] You're taking the $158 minus the $53, is that where you're getting it? So you have net assets of the $105.

[Chairman A. Coscia] Okay, so why is member's equity $72? So what's the difference between--? [inaudible chattering]

[A. Mulligan] This is December of 2009's numbers--

[Chairman A. Coscia] Right, they're all December of 2009 numbers. [inaudible chattering]

[P.Blanco] Some of the total assets includes prepayments, because you're paying premiums--

[Chairman A. Coscia] Okay, so they don't count as either reserves or member equity because it's prepayment; it's a liability on the balance sheet. I got it, okay; they're not big numbers but--

[P. Blanco] You pay a premium for a whole year and you're reflecting it as a--

[Chairman A. Coscia] I got it, okay. Okay, that's good. The only other final thing is that--this is sort of my constant question all the time is our worker's comp experience on loss and how that stacks up to others. This may not be the right forum for it, and I don't want to waste everybody's time on it. I'm still not totally comfortable, because our worker's comp numbers seem as though they're higher, on average, than my experience in other places. And I'm not exactly sure why; I know I say this to Karen once a month, and I'm not really sure I totally understand it, but I have a feeling I just need to spend a little more time understanding our worker's comp loss experience, that's all.

[A. Mulligan] Okay.

[Chairman A. Coscia] All right? Any other questions? Okay, I guess motion to adjourn. [Comm. R. Pocino] So moved. [Chairman A. Coscia] Thanks, second? [Comm. H.S. Holmes] Second. [Chairman A. Coscia] All right, we're going to Ops next. Sid, you are or are not on Ops? [Comm. H. S.Holmes] I am. [Chairman A. Coscia] You are, okay, anybody else who wants to hear the JFK thing?

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Committee on Operations Transcript
August 5, 2010

[Chairman A. Coscia] ...attention and we'll get started. The first portion of today's meeting of the Committee on Operations is being held in Public Session, after which the Committee will meet in Executive Session to discuss matters related to personnel and personnel procedures and matters related to purchase, sale, or lease of real property or securities where public disclosure would affect the value thereof or the public interest, and to discuss and act upon matters related to collective bargaining or negotiations. In addition, the public portion of the meeting is being broadcast live on the Port Authority's website, for those interested in following today's proceedings via the Internet. Today the first item is an item we're very excited about which is the expansion of Terminal 4, demolition of Terminal 3, and the use of passenger facilities charges for a significant enhancement to our facilities at JFK, and for that, I will turn to Sue Baer.

[S. Baer] Good morning, Commissioners. We also are very excited to present today a project and the associated lease agreements to accommodate Delta Airline's future terminal operations at JFK. Delta currently handles about 25 percent of JFK's operations from Terminals 2 and 3. These terminals are the last to be replaced or substantially renovated at the airport.

The item for your consideration today would expand Terminal 4 to accommodate the relocation of Delta's Terminal 3 operations. It would also demolish Terminal 3 to create an aircraft parking and staging area. As a preliminary step to this redevelopment project, you may recall that in April of this year the Port Authority consented to Delta's acquisition of an indirect ownership interest in JFK IAT, the lessee and operator of Terminal 4. As part of this consent, Delta paid the Port Authority a $9.4 million transfer fee. As I will point out in this presentation, the proposed project will expand airport capacity, enhance the customer experience, and provide increased revenues to the Agency. Terminal 2, which is shown on the left of this aerial currently houses Delta's domestic traffic Terminal 3 on the right houses the international traffic. Both terminals opened in 1960. Terminal 3 was later expanded in the early '70s as the Pan Am World Port. The facility, however, has long since become outmoded. It was designed for pre-jumbo jet age. The terminal is unable to meet the expectations of the modern traveler and the post-911 security demands.

The functionally obsolete terminal is undersized and has a problematic configuration, causing way-finding and other logistical issues for our customers. In addition, its age and condition make it very difficult to keep in a state of good repair. The air site capacity is also inadequate, requiring Delta to lease hard stand, which are parking positions from Terminal 4. In an effort to address these issues, the Board approved planning funds in May of 2008 to advance Delta's terminal redevelopment efforts. The Agency has since been working with Delta on plans to better accommodate its operations and future expansion plans.

Commissioners, this is the plan in providing an overview of the proposed redevelopment. Delta plans to become an anchor tenant of JFK IAT and construct a 3-level extension of Terminal 4's

concourse B, which is shown here in the pink. In addition, Delta would renovate 7 existing gates in the concourse for its operations and modify the terminal's head house to expand the international baggage claim hall, the Federal inspection's area, the CBP area, and add a new domestic baggage claim facility and install an in-line baggage screening system which the terminal does not now have.

Following construction, Delta would occupy up to 16 of the expanded building's 25 gates, while JFK IAT would continue as the management and operating entity for the Terminal 4, leasing the remaining 9 gates to other airlines, as they do now. This portion of the project is expected to be completed by the Spring of 2013. In addition, Delta would continue to lease Terminal 2, as the base for its domestic operations, and demolish Terminal 3 to construct an aircraft parking area with 16 parking positions to support scheduled operations at the expanded terminal. A secure side elevated connector would also be constructed to facilitate the transfer of passengers between Terminals 2 and 4. Together the terminals would function as a hub for Delta. This portion of the project is expected to be completed by the Summer of 2015. The estimated cost of this project is approximately $1.2 billion. This includes approximately $900 million in Series 8 Special Project Bonds-- which you talked about earlier--and up to $215 million in passenger facility charges, and a minimum of $75 million in Delta equity. Approximately $950 million will be used on the Terminal 4 construction and another $252 million will be used for the Terminal 3 site work and the passenger connector.

In order to support the 5-year construction period, the Port Authority would invest up to $16 million for program management resources and a project contingency funds for any undetermined infrastructure work that would fall under the Agency's obligation. With your approval of this item, an application for up to $215 million in PFCs will be submitted to the FAA. In addition, Terminal 4 lease supplement will include terms and conditions under which the Port Authority will act as a conduit for the TSA grants to reimburse the JFK IAT for eligible costs associated with the installation of the inline baggage screening system. As you're aware, your approval for the issuance of the special project's bond was requested earlier under a separate item.

Commissioners, it’s at least 3 agreements that would provide for the construction work and leasing of the facilities. A supplement to JFK IAT's lease for Terminal 4 would cover its expansion and set the lease term to 30 years from the date of Delta's occupancy of the expanded terminal. This change will effectively extend the lease term to 18 years from the current expiration in 2025. A supplement to Delta's lease agreement for Terminals 2 and 3 would cover the demolition and construction work at the Terminal 3 site, and include a 3-year extension from the current expiration date of 2017 for Terminal 2. Delta would also have preferential use of the newly constructed aircraft parking area under a new agreement, which would be co-terminus with the extended Terminal 4 agreement. The agreement would also provide the Port Authority with the right to recapture a portion of the site to accommodate future terminal developments.

The proposed lease agreements would provide the Agency with an estimated $6.3 billion in aggregate rentals. This amount includes $1.1 billion in fixed rent, comprised of ground rent from the Terminal 2, 3, and 4 sites, building rent from Terminal 2, and additional rent associated

with the proposed Series 8 Debt Service. In addition, an estimated $5.2 billion in variable rent is expected from Terminal 4. Consistent with the current lease, the Agency will receive 90 percent of Terminal 4's net revenues, after certain expenses. This project is the first phase redevelopment of the terminals that has Delta's operations at JFK. Future phases of this redevelopment are anticipated and could include the demolition of Terminal 2 and the possible relocation of its domestic flights to a further expanded Terminal 4. Commissioners, as you can appreciate, this project is a major undertaking. The benefits to the Agency are also significant, including increased revenues and an approximate investment of $1.2 billion dollars for an expanded Terminal 4 facility through removal of the functionally obsolete Terminal 3 and the creation of an aircraft parking and staging area, as shown on this rendering.

To the direct benefit of the passengers, Delta will be able to relocate its international operations to more efficient and modern space to substantially improve the customer experience for millions of passengers. In addition, the direct and indirect benefit of the project's 5-year construction period alone will generate $360 million in wages and $1.8 billion in economic activity. Commissioners, I ask that you advance this item to the Board for full approval. Thank you.

[Chairman A. Coscia] Thanks, Sue. I again compliment you and your staff and all on bringing this. I know these transactions are difficult to bring together, and I recall this transaction in a prior version that had a much greater exposure to the Port Authority than this one does, so it's great to see private capital coming into our facilities and generating this kind of activity, and as I said, I know it's a lot of years of hard work to kind of get to this, so I appreciate that.

[C. Ward] Pardon me, Chairman, may I acknowledge David Kagan, who is sitting to your left, who was the lead negotiator on this for some time and I don't see Cheryl Yetka.

[S. Baer] She's not here.

[C. Ward] Both of them have been consistently driving this deal to a successful conclusion, and I thank David and Cheryl for their hard work.

[S. Baer] They put in many long hours on this project.

[Chairman A. Coscia] That's great. That's great.

[Comm H.S. Holmes] I just had a couple of questions about it. The first one is--if you could go back to the first slide and kind of point-- I couldn't follow on the first one. I couldn't follow exactly the location of where things are vis-a-vis the airport.

[S. Baer] The terminal up in the left corner is Terminal 1, and then Terminal 2 is existing Delta, Terminal 3, which many people know as Pan Am World Port, at Terminal 3, is mostly their international operations are out of there. Just off--you can see a couple of planes on the side, that's Terminal 4.

[Comm. H.S. Holmes] The other question is could you give us a little detail about the variable rent?

[S. Baer] Well, the variable rent is basically comprised of the lease agreement we have with JFK IAT, and that lease agreement allows us to-- we are paid--under a waterfall agreement, we are paid 90 percent of the net revenues from that building. That was based on a relatively conservative estimate of growth in the building that would accrue that amount, so we think that is the conservative estimate of the variable rentals, but that's the bulk of it, is the waterfall payment that we currently now have under our lease with JFK IAT.

[P. Blanco] There is a certain structure--there is a certain ground rent that is paid now, about $18 million.

[S. Baer] But that's fixed.

[P. Blanco] That's a base ground rate—

[Comm. H.S. Holmes] That's the floor?

[S. Baer] That's in the fixed rent.

[P. Blanco] In addition to that, they paid first additional rents, which is a percentage we get under Series 6 special project bonds, which really recovers us for our costs in terms of the City rent calculation. And then all of the revenues coming in from building first go to pay operating expenses, and then they go to pay debt service, and then they go to pay us. Then there is a split, and the split is what we call the waterfall. Currently, we're getting about $28-$30 million a year on the waterfall. This year, the Waterfall projection I think in total will be about $60 million.

[S. Baer] That's the 90 percent of the--it's the net--on certain allowable operating expenses, we get 90 percent of the net revenue, and that's the variable piece.

[Comm D. Steiner] I want to tell you how excited I am about this whole new approach for financing and building the airports. I've felt for too long that we've been behind the curve. If we want to keep business coming there, we have to make it a pleasant and easy experience for people to travel, and this, staff, is a whole great, new response that I hope you will take this and translate it to other things at the airport.

[S. Baer] We're working on it.

[Comm. D. Steiner] I really think it's a good step forward, and using this as a model or a pattern, I'm sure you're going to repeat it, and I hope that other operating sections of the Port Authority will look to this and understand what we're there for. We're there to service the public, and we have to find a way to pay for these things, otherwise we're going to be out of business, and I think if you've come up with an imaginative plan, which I fully support and commend you for finding.

[S. Baer] Thank you, Commissioner.

[Comm V. Bauer] I too want to commend you and your staff. I also wanted to ask you how many jobs would this bring with this construction? How much--?

[S. Baer] Well, the construction--I think we have a dollar figure. I'm not sure exactly--I can find out how many jobs that was based on during the construction. It also--we don't quite yet have our arms around how much additional activity and how many more permanent jobs it will generate. It will do that as well.

[Comm V. Bauer] Temporary construction jobs--there's also--

[S. Baer] Temporary construction jobs for the 5-year period, and then there will be additional permanent jobs. Remember, as part of this terminal expansion, you add things like concessions and services, all of which translate into jobs, as well as the additional airline jobs.

[Comm V. Bauer] In light of this economy and the unemployment, that's encouraging to see too. Thank you.

[Comm J. Moerdler] Is Delta projecting a net increase in passage volume or is this better service alone? What's your best guess?

[S. Baer] It's actually both. There is an expectation of additional--as you know, JFK is slot constrained, so that puts some downward pressure on the volume question, but they are planning--this will allow them--one of the most important aspects of this is it will allow them to bring in larger planes. The current terminal is so constrained and built for 3 generations ago of aircraft, so that this will allow them to bring in larger planes, and that's how the growth at our airports will largely come on more efficient use of the resource, the scarce air resource, bringing in people on larger planes. This terminal will allow it, as well as the airport parking which is really important for staging operations. The growth has been in the last few years, and is projected to continue to be, much faster in the international sector, and this is the kind of terminal facility they need for the international sector. It will certainly improve the passenger experience, but it will also allow them to bring planes in, take them to the parking area after they deplane. Take them to the parking area, clean them, cater them, get them ready, fuel them, and turn them around and bring them back to a gate, so they can use the gate resources much better than they are in their current configuration. It's a much more current approach of how you can take maximum advantage of an expensive resource, the gate, by just having good staging area nearby.

[Comm J. Moerdler] One other question--what about the time table?

[S. Baer] Well, they're projecting--they're very anxious to make this happen, as you know. A lot of carriers are very interested in New York, and they want to be competitive. We're working with Delta to minimize the construction schedule. They're talking about the Spring of 2013 for opening the new terminal facility. To take down Terminal 3 and do the parking, will take another year and a half to 2 years to do that.

[Comm J. Moerdler] Will you be able to operate all the new gates before the demolition?

[S. Baer] Yes, well that's the plan. That's the plan to do it that way. There's always the possibility of doing more of a split operation. Better if they could do the other. We haven't actually worked out all of the construction--we've been so busy working on the lease deal. Now we're going to turn our attention to the construction phasing and see what we can do to make it happen faster.

[Comm J. Moerdler] A 2-year time table for a project like this--I think it's fabulous.

[Comm. R. Pocino] Yeah, I just want to say that this is a great project for this Port Authority for a couple of reasons. One, as described here by Commissioner Bauer and Commissioner Steiner in reference to the new initiative in terms of financing the project, but also the jobs that are created as a second point that will be over several, a couple of years. Hopefully, it gets started as soon as possible?

[S. Baer] Absolutely.

[Comm R. Pocino] Because employment is a problem in this economy, and also, though, it's going to serve the traveling public that we're here for. That's the purpose of this Port Authority. I also want to give our Chairman kudos for his involvement in helping to initiate this project, and I also want to say--I don't want to get parochial--but there's at least one terminal in New Jersey, Terminal A, that could use this kind of a system to do much needed improvement.

[S. Baer] There's an item, the positive review NJ right now which allocates PFC money and picks an outside firm, a consulting firm to help move forward the planning for Terminal A, exactly what you said. I have a number here that our economists said that it would result in 2,700 direct regional jobs, both on site and off site, with the payroll wages of $170 million, so that's the number that goes with that dollar figure. I knew I had it someplace.

[Comm R. Pocino] Chairman, I've got to run off to the next Committee meeting.

[Comm S. Baer] Thank you.

[Chairman A. Coscia] Sue, as Ray is walking out the door, do you have a sense as to when the construction activity will start at the site?

[S. Baer] Probably--their goal would be to start it probably next Spring. I think it will take about that long to get all of the design work done, so probably next Spring.

[Chairman Coscia] We went a little out of order, I assume--oh, I'm sorry, Stan.

[Comm R. Pocino] Stan, are there any other Commissioners on Construction?

[Comm S. Grayson] I'll be right over.

[Chairman A. Coscia] Build it without him.

[Comm S. Grayson] I just have one very quick question. Sue, in your presentation when you talked about Terminal 2, you mentioned a 3-year lease extension. I think I know the answer, but why--I mean--it's from 2017 to 2020-- what's the rationale for that period for the 3-year lease extension?

[S. Baer] We know that it would be probably not enough time to make a decision between now and 2017 that would result in them having to already vacate that terminal, but we're hoping that once this terminal is up and running, that the next phase will kick in, and that involves--I have a whole scheme of what you do with that site-- but that would involve Delta making a decision about possibly moving their terminal to operations to expand Terminal 4, and you would need 3 more years of time to be able to both decide to do it, negotiate the lease, and build the extension, and that allows that to happen. If that isn't going to happen, we'll obviously have to come back for further extension.

[Comm S. Grayson] And I assume the 3 years gives them time to amortize their expenses that they are going to incur with this project.

[S. Baer] Yeah, that's the idea, exactly.

[Comm J. Moerdler] Are they doing any work in Terminal 2 as part of this?

[S. Baer] They last--the year before--made a reasonable investment in Terminal 2. Terminal 2 was extremely--may I say it--not in the best of condition, and so they made something in the neighborhood of about a $35 million investment in Terminal 2, upgraded--they have all new concessions, new bathrooms, new gate holding areas, and so our expectation is they will continue to refreshTerminal 2, based on that investment and possible future investments to keep it looking good.

[Comm. D. Steiner] Do we need a motion to approve this?

[Chairman A. Coscia] We do, we went a little out of order. Did someone make a motion? [Comm. D. Steiner] So moved. [Chairman A. Coscia] Second? [Comm. V. Bauer] Second. [Chairman A. Coscia] Any other questions/comments?

[Comm D. Steiner] Let the record show the discussion followed the--

[Chairman A. Coscia] As I said, we went out of order.

[Comm D. Steiner] In our enthusiasm for a wonderful project.

[Chairman A. Coscia] We are consistent in our inconsistency on advancing items to the Board, so I'm sure the record will reflect that too. Okay, no other questions, all those in favor? [Commissioners] Aye. [Chairman A. Coscia] Any opposed? Okay. Thank you very much.Thank you, Sue. Thank you, David. Thank you very much. Okay, our next item is the

PATH rail car procurement contract regarding an exercise of an option for additional cars and Mike DePallo, Mike.

[M. DePallo] Thank you. Good morning, Commissioners. I'm here today to take authorization, to exercise an option under the PATH Rail replacement contract, to purchase 10 additional rail cars and provide you with a brief update on the project.

The PATH railcar and signal system replacement program is a key component to the modernization of PATH. This integrated program will insure the long-term viability of PATH by bringing it into the 21st century using the latest technology and continuing to provide customers with reliable and safe service.

The Board authorized a program consisting of the purchase of 340 new railcars, renovations to the PATH maintenance facility to accommodate the new vehicle technology, the replacement of the entire PATH signal system with a modern automatic train control system using communications-based train control technology. The total authorized cost for all of these program elements is $1.38 billion dollars. Some of the advanced features in the new PA5 railcars include AC propulsion in place of DC propulsion, full ADA compliance, advanced diagnostic capability, which will significantly improve vehicle reliability, automated on-board train announcements for better audio quality, a light-emitting diode destination signs that are clearer and more energy efficient, a new safety and security feature includes on-board video recording and an integrated design to accept the new automatic train control technology in the future.

The railcar manufacturer, Kawasaki Rail Car, based in Yonkers, New York, initially delivered the first 8 pilot cars to PATH in June of 2008. After an extensive testing and an initial acceptance program, production car delivery was initiated in July of 2009. As of August 2, 2010, of the 340 cars ordered, 170 cars have been delivered, of which 151 are in service. The remaining 19 cars are undergoing acceptance testing. Approximately 70 additional cars are expected to be delivered in 2010, and the remaining cars are scheduled for delivery in 2011. Under the past railcar contract, PATH has an option with Kawasaki Rail Car to purchase up to an additional 140 cars.

Today we are seeking authorization to exercise an option to purchase 10 additional railcars at a total estimated cost of $15 million, in accordance with the terms and conditions of the contract. The additional cars will provide PATH with greater operational flexibility while helping to maximize peak period capacity to meet future demand. By exercising the contract now, PATH can realize substantial cost savings since the production line and vehicle assembly are currently in progress. Commissioners, I request that you advance this item to the full Board for approval today. Thank you for your time and consideration.

[Chairman A. Coscia] Okay, thanks Michael. Can I have a motion to approve? [Comm. D. Steiner] So moved. [Chairman A. Coscia] Second? [Comm. V. Bauer] Second. [Chairman A. Coscia] Okay, All right. Questions? Comments?

[Comm. V. Bauer] Michael, are any of the construction of the cars done here in New Jersey or New York? Does it give any --?

[M. DePallo] There are component manufacturers that are in New Jersey, but the final assembly is taking place in New York, in Yonkers.

[Comm. V. Bauer] Okay, so our region does get the jobs. That's why I want to be sure that--

[M. DePallo] Yeah, they have also the shell assembly takes place in Lincoln, Nebraska, and then the shell is shipped over here to Yonkers, and final assembly takes place there.

[Comm V. Bauer] So our region does get some of the work?

[M. DePallo] Oh, absolutely.

[Comm D. Steiner] Mr. Chairman, a question--is 10 cars going to be enough? We have an option for 140. Why do you only want to buy 10 now?

[M. DePallo] We took a close look--

[Comm D. Steiner] You have the money to buy more than 10.

[M. DePallo] Yeah, we took a close look at our schedules, and we believe we can add--

[P. Blanco] No, the answer is no, sir (laughter).

[Comm. D. Steiner] We just chose some imaginative financing from Sue Baer. You're not going to let her do something that you can't figure out.

[P. Blanco] You can only imagine so much.

[C. Ward] If I could, let me just ask Michael to speak on 2 things. Why the additional 10 cars, that train set in the peak period provides the value that you need, given station crowding, and that Michael and Paul Blanco did have to work through a PATH capital offset for us to acquire these additional cars, so the reason why we all somewhat stepped in was this is coming out of the existing capital capacity for PATH, and Michael felt that it was critical for the overcrowding of the platforms to buy that additional morning train set.

[Comm. D. Steiner] My only question then is how long is that option for the other--will be 130 cars-- how long is that good for?

[M. DePallo] It expires in August.

[Comm D. Steiner] Can't we ask for an extension?

[M. DePallo] We can ask--

[Comm. D. Steiner] What do we have to lose by asking for it. They probably want to do good business.

[M. DePallo] We can ask for an extension, but we probably wouldn't be in a position to buy any cars for a number of years.

[Comm. D. Steiner] Let's not think ahead with it. Let's just have it in our pocket. You know how things might change. We might come up with an imaginative way of financing it. I think it is to our advantage to have the option continue, provided it doesn't cost us any money. It's just in our bag of tricks.

[M. DePallo] We can talk to them about it.

[Comm. D. Steiner] I'd like to make sure that we do that.

[C. Ward] We can do that, but I think the main thing for Michael and the PATH system has been that this train set plugs into the early morning peak period when station crowding is really at its worst.

[Comm. D. Steiner] I'd buy that, but I would say then, look, we'd like to buy some more cars, but you've got to give us an extension on the option. I mean--

[M. DePallo] We can talk to them. We'll talk to Kawasaki about that.

[Comm. D. Steiner] I think they'll do that. If not, tell them you're not going to buy the cars for awhile.

[M. DePallo] Okay.

[Chairman A. Coscia] I think, David, it's been a pretty thoughtful kind of management of needs--

[Comm D. Steiner] I appreciate that, but I just want to get something--

[Chairman A. Coscia] I have no--I don't think anyone has any objection to it. My only question is whether from a procurement standpoint, we're going to run into any issues. I mean--if we're comfortable--

[L. Valenti] They could ask.

[Comm. D. Steiner] It doesn't have to be on the record.

[Chairman A. Coscia] It is now. [laughing]

[Comm D. Steiner] Don't worry about that. I'm just telling you what any--what some of us outside businessmen would do.

[Chairman A. Coscia] David, you meant that comment, and we all interpret it as being in the best interests of the public, to get the most options available.

[Comm D. Steiner] Right, I meant with the Kawasaki, a good deal with Kawasaki.

[Chairman A. Coscia] I understand. Okay, any other questions? Okay, all of those in favor?

[Commissioners] Aye.

[Chairman A. Coscia] Okay, any opposed? Okay, thank you very much. Michael, thank you.

[M. DePallo] You're welcome.

[Chairman A. Coscia] Okay, I guess we're done with the public session, and I guess I would ask for a motion to go into executive session. [Comm. D. Steiner] So moved. [Chairman A. Coscia] Second? [Comm. J. Moerdler] Second. [Chairman A. Coscia] All those in favor? Okay, thank you very much.

The Port Authority of New York and New Jersey
World Trade Center Redevelopment Subcommittee Transcript
August 5, 2010

[Chair A.Sartor] The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee is being held in Public Session after which the Committee will meet in Executive Session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. In addition to the public, a portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. We have a number of issues for discussion today. The first one, Steve Plate, World Trade Center Vehicle Security Center, and plus Tour Bus Parking Facility Project Authorization. Steve.

[S.Plate] Good morning, Commissioners. For the sake of time, I've abbreviated this presentation somewhat. If you have a question I'll be happy to double back. I have two authorizations for projects. One of which was the, and is, the World Trade Center Vehicular Security Center and Tour Bus Parking Facility, which will provide a vital link to all the commercial tower services. As previously discussed with you, this item authorizes a project for $667 million for the total project. Also included in this award is a construction trade contract for excavation and foundation work to Yonkers, who was the lowest responsive proposer at a cost of $65.3 million, excluding extra work, as well as $2.8 million to Liberty Security Partners for continued construction support services. On this item I would like to take special note of Lillian Valenti and the Procurement Department for helping us to really get the numbers tight and the contract very efficient. The next item is the construction--

[Chair A. Sartor] Steve, could you tell us what the estimate was on this particular project?

[S.Plate] Actually, our estimate was about 20 percent higher, and in addition, the bids were all clustered in that range. There were actually 6 bidders--top bidders-- of which 4 were clustered very close to that number, sir.

[Chair A. Sartor] When something like that happens, you should tell us. Don't hide it.

[S. Plate] Yes, sir. I'm just trying to keep efficient. It was a very, very good bid, and we worked it very hard. Okay, the next item, sir, is the reauthorization of One World Trade Center, which is a critical element of the overall redevelopment of the World Trade Center site. As discussed previously with the Board, this item reauthorizes the One World Trade Center project at $3.19 billion, consistent with the 2008 assessment. It also includes in this authorization all adjustments to associated trade contracts that are all included within the budget I just outlined.

[Comm. D. Steiner] The extras-- we've been through those extras and they're beyond the extra work that was included in the contract?

[S.Plate] Yes.

[Comm. D. Steiner] And they're due to changes in positions or additional work?

[S.Plate] It was a combination of field conditions, a combination of some modifications to the design as we moved forward because of the sophisticated nature of the building and its construction-- obviously, one of the tallest in the world-- as well as being responsive to the redevelopment and leasing, relative to potential leasees who were asking for certain things done to help it more.

[Comm. D. Steiner] For example, Collavino was the concrete guy?

[S. Plate] Yes.

[Comm. D. Steiner] What was the expense of--mostly what did that consist of?

[S. Plate] His changes?

[Comm. D.Steiner] Are there any major items that we point out? I'm trying to understand--his base contract was based on--

[S. Plate] His base contract total was $352 million dollars, Commissioner.

[Comm. D. Steiner] So this is about a couple percent? [S. Plate] A couple of percent, yes. What it was, as we got through--keeping in mind we're using 14,000 pounds per square inch concrete.

[Comm. D. Steiner] I understand the pricing.

[S. Plate] We were basically holding his hand, working very close with him on very complicated mix designs. You had to have a good flow of the concrete.

[Comm. D. Steiner] Can you tell me what the extras consisted of?

[S. Plate] There was some modifications to the mix design. It was also the rebars were changed to increase the size of the rebars. They went to number 20 rebars. They were harder to handle, and they also had the splicing and the manipulation of them in the field.

[Comm. D. Steiner] Was it because of an increase in the reinforcing and the strength of the concrete?

[S. Plate] Yes, sir.

[Comm. D. Steiner] Okay, that's good then.

[Comm. D.Steiner] That's only a few points on the contract, but it's beyond the allowance that we had in there.

[S. Plate] Yes, sir.

[Comm. D. Steiner] Thank you.

[Chair A. Sartor] Okay, our next Item.

[S. Plate] Our next two items recommend the award of construction trade contracts for the Hub. First is for the elevators and escalators critical for the development of the PATH Station. This work will provide the installation of 47 escalators and 19 hydraulic elevators to allow for vital access and an ADA

accessible facility for the anticipated 250,000 commuters, visitors, and residents anticipated at the site each day. This Item includes an award of a contract to Otis as the lowest responsive bidder at a cost of $37.9 million, excluding extra work, which compares favorably to the staff estimate of $42.9 million, as well as $2 million to Downtown Design Partnership for continued construction support services.

[Comm. D. Steiner] Point of information. I note the original bid on 5-14 of Otis was $24 million. Somehow within a month and a half it jumped to $40 million. Have they made a major mistake in their--?

[S. Plate] Yes. What they did was they bid the job as if it's a traditional elevator/escalator project, which didn't include the architecturals. So during the BAFO process, Tishman/Turner worked very closely with them to scrub that and make sure it was in good shape. They went across the board with each one of the bidders, who were by the way, all the top performers in this field. They also had to make sure they met the APTA escalator criteria, and then there were some miscellaneous items relative to inclusion of the glass hoist enclosures, as well as different ornamental metals. So it was more than just provide the elevators and escalators as traditionally done.

[Comm. D.Steiner] Okay, a satisfactory answer.

[S. Plate] Okay.

[S. Plate] The next contract provides for removal of a 6-8 foot thick portion of the old Hudson and Manhattan wall to enable a vital underground link connection to the MTA's Dey Street corridor, as well as to the Hub and Battery Park City. This item includes and award of a contract with R. Baker and Sons as the lowest responsive proposer at a cost of $3.9 million, excluding extra work, which compares favorably to the staff estimate of $5.5 million. As well as $250,000 to Downtown Design Partnership for continued construction support services. With these awards, we've awarded essentially 80 percent of the Hub contracts in total.

[Chair A. Sartor] I will entertain a motion that these projects that were just described to us be moved to the full Board for approval. [Comm V. Bauer] So moved. [Chair A.Sartor] Do I have a second? [Comm. S. Grayson] Second. All those in favor? [Commissioners] Aye.

[Comm. A. Sartor] Carried.

[S. Plate] The last item, I seek your concurrence to award a contract for pedestrian management services to provide a safe environment for the pedestrians travelling through heavily utilized intersections surrounding the World Trade Center Site. The intersection of Vesey and Church Streets alone experiences a volume of nearly 15,000 pedestrians during the morning peak rush hour, which is greater than that of Times Square making it one of the busiest intersections in New York City. This contract was publicly advertised with Allied Barton Security Services being the lowest bidder at an estimated amount of $2.2 million, excluding extra work. Four additional 1-year option periods are also included in this contract for a total aggregate cost of $6.7 million. Commissioners, I request your concurrence for the award of this contract.

[Chair A. Sartor] Any questions on this item?

[Comm V. Bauer] Steve, does this-- are they there only at rush hour, or are they there all day?

[S. Plate] They're there all day. In fact, they go beyond it, and then we have special occurences we provide them. They're very efficient. Many of them are ex-law enforcement--retired law enforcement agents. They do an excellent job.

[Comm. V.Bauer] How many employees do they have, or how many people are there normally? I'm just curious.

[S. Plate] About 30.

[Comm. V. Bauer] Okay.

[S. Plate] With supervisors at each of the intersections. They're very sharply dressed, they're very proactive--sharply--they're well dressed. They have a hat. You can pick them out, and you know who they are.

[Comm. V.Bauer] Actually, I've seen that. Thank you.

[Comm. D.Steiner] Has Allied Barton worked for us before?

[S. Plate] No, but they have--

[Comm. D.Steiner] Are they a new company, or a joint venture with companies that worked for us before?

[S. Plate] No, they've not worked for us, but they're owned by Blackstone, originally. They work on the Staten Island Ferry. They also provided security for the Obama's inauguration, as well as for a number of Super Bowls, so they really have dealt at a very high-end level.

[Chair A.Sartor] Are there any other questions? If not, I'll entertain a motion to move it to the full Board. [Comm. S. Grayson] So moved. [Comm. A. Sartor] Second? [Comm. V. Bauer] Second. [Comm. A. Sartor] All those in favor? [Commissioners] Aye.

[Chair A. Sartor] Done. Michael Francois, what do you got for us?

[M. Francois] Yes. Good morning, Commissioners. In June, I presented a plan to submit two projects for your consideration, which provide critical infrastructure improvements at the World Trade Center site. Both projects include development of sub-grade infrastructure at the site, including an allocated chair of common systems and core and shell structure necessary for the development and operation of the site. The first request is a project authorization for the development of sub-grade infrastructure and parking related improvements. The cost of this project authorization is $252 million, which is inclusive of a prior Board Authorization valued at $48.5 million to support this project. These funds would provide for the core and shell design and construction of sub-grade infrastructure associated with the World Trade Center Transportation Hub, the West Bathtub, Towers 1, 2, 3, and 4, the Performing Arts Center, and Operations Control Center, the Port Authority Operational Emergency Radio Communications System, as well as allocated portions of costs associated with a permanent and temporary underpinning of the Number 1 line. These funds would also provide for approximately

parking spaces. These parking improvements were agreed to by both the Port Authority and Silverstein as part of the Master Development Agreement. In summary, the authorization includes approximately $222 million for a sub-grade infrastructure and approximately $30 million for parking related fit out improvements located in the East and West Bathtubs.

In addition, a second request is for project authorization for the development of sub-grade infrastructure at the World Trade Center site, including an allocated chair of common systems and core and shell structure necessary for the development and operation of the site, which would also house property management facilities. The property management facility is primarily being constructed in the Southwest corner of the West Bathtub below the World Trade Center Memorial Plaza, with the smaller portion to be located in the Tower 2 footprint. This authorization for $83.6 million includes a project for the design and construction of the core and shell and other allocated common infrastructure in the West Bathtub at an estimated cost of $82.2 million, $1.3 million for preliminary planning and engineering services to support fit-out of property management facilities, and a reimbursement of $100,000 for architectural engineering services provided by Silverstein for core and shell design work on a property management facilities to be located in Tower 2. Design and construction of the core and shell and other allocated common infrastructure in the West Bathtub is required to bring the area to grade no matter how the below-grades base would be used. The proposed planning authorization would assist in the interior design of the space and development of costs associated for the fit-out of a property management space in these two locations. The total improvements for the property management facility will be an additional cost.

I will be coming back to you at a later date for that authorization. Both of these project authorizations will support the operation and maintenance of the entire World Trade Center complex and support the leasing of commercial space at the World Trade Center site. Commissioners, I request that you advance these items to the full Board for approval today.

[Chair A.Sartor] Questions, Commissioner Steiner?

[Comm. D. Steiner] Question refers to the money you want to pay Silverstein Properties. Have we resolved our issues? Are we settled with Silverstein? The answer, I think, is obviously not. Why are we paying them money against things that we're in dispute about? Why should we give them anything right now until we're resolved? I can't see advancing them money because he denies responsibility for most of this stuff.

[M. Francois] I believe the $100,000 is--

[Comm. D. Steiner] I don't care if it's 10 cents.

[M. Francois] Okay, I'll try to explain why we need those funds.

[Comm. D.Steiner] I have no objection to you, I just don't want to pay them until we're resolved.

[M. Francois.] Okay.

[Comm. D.Steiner] I think it hurts our bargaining position.

[C. Ward] I would disagree to the extent that our-- I would disagree to the extent that the $100,000 allows us to advance critical infrastructure, which we need built. This is for him to be building, effectively, part of his project, which is beneficial to us. The size of this reimbursement to Silverstein pales in comparison to the overall breadth and complexity of the larger transaction. We're at a critical path now for delivering the West Bathtub. This is where his wall is the other side of our wall, and we need that engineering done or it potentially jeopardizes our critical path for our parts of our project.

[Comm. D.Steiner] I recognize all of that, but I still want to enter my objection to giving him any money until we resolve all the issues. I don't care if it's a 10-cent piece.

[C. Ward] So noted. I understand what you're doing, and I would hope that you'd find a better way. I can't see feeding the beast that's (inaudible).

[P. Blanco] Just for the record, he continues to pay rent, so to the extent that he fulfills existing obligations, he's paying his rent. We do owe him this $100,000. We should just keep that in mind because these negotiations that are going on are a little bit aside from those transactions.

[Comm. D.Steiner] So noted, but this is not a rent issue. This is a construction issue. They're two independent issues. I would expect him to pay the rent I hope that he wouldn't, then we'd have an opportunity to re-examine our relationship. It's plain principle as a businessman. You guys can do it, but I want to register my objection. I think it's bad policy.

[Comm. H. Silverman] Mr. Chairman, question. The property management facilities with respect to the memorial, is that being paid for by us or by the memorial?

[C. Ward] This is probably facilities constructed solely for the benefit of the Port Authority

[S. Plate] This is for the Port Authority.

[C. Ward] This has nothing to do with--

[M.Francois] We are, and the funds are for the fit out-- plotting of the fit out and interior design of the property management facilities so it would be in two areas.

[Comm. H. Silverman] I understand that. Is there a property management facility connection with the memorial? That would have to be managed, obviously, as well.

[C. Ward] The property management will take the place of the museum space that the memorial has funded.

[Chair A. Sartor] Any other questions? I'd entertain a motion to move this to full Committee noting Commissioner Steiner's concern. [Comm. H.S. Holmes] So moved. Let's see how we can deal with that. Do we have a motion? [Comm. A. Sartor] Second? [Comm. R. Pocino] Second. [Comm. A. Sartor] All those in favor? [all] Aye. [Comm. D. Steiner] Let the record show that I say, "Nay." [Chair A.Sartor] Okay. I think that concludes the public portion of our meeting. The Subcommittee will now adjourn to Executive Session to discuss matters involving ongoing negotiations or review of contracts and proposals. Thank you.

The Port Authority of New York and New Jersey
World Trade Center Redevelopment Subcommittee Transcript
September 14, 2010

[Comm. A. Sartor] The WTC Redevelopment Committee will be held in public session after which the subcommittee will be in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals.

In addition to the public portion of this meeting is being broadcast live on the Port Authority's website for those who wish to view today's meeting via the internet. For discussion today we have World Trade Center construction trade contracts, Mr. Plate.

[S. Plate] Good morning, Commissioners. Today I will be requesting your approval to award a number of contracts for the memorial museum and the transportation hub. Concerning the memorial museum project, the architectural metals contract, which includes installation of stainless steel handrails and wall panels, a glass bridge, and framing over the artifact footing and steel tube framing of the main circulation ramp was publicly advertised with W&W Glass Systems being the lowest responsive bidder at a cost of $5.9 million excluding extra work, which compares favorably to the staff estimate of $6.3 million.

The second contract for mill work, which includes an aluminum wall panel system for the north and south exhibit areas, a metal ceiling enclosure system for the main circulation ramp, and metal stud panels for the Vesey Street stair remnant was also publicly advertised with PABCO Construction Corporation being the lowest responsive bidder at a total cost of $6.3 million dollars, excluding extra work, which compares favorably to the staff estimate of $9.8 million. Commissioners, as background, the total cost of these packages will be borne solely by the Memorial Foundation.

[Comm. A. Sartor] Do we have any questions on these?

[Comm. D. Steiner] Yeah, I have one question. Make a note that I'm really concerned about the 20-year warranty. What the value of a 20-year warranty is, how it would be secured. And was advised that it's going to be an obligation of the memorial. I just think a 20-year warranty from a contractor is worth nothing if the contractor isn't there. I wonder if the memorial shouldn't look into securing it some way with some kind of bond or some kind of other security. Otherwise, I think they're just deluding themselves. And I say that in order to keep the cost at a later date.

[S. Plate] We received your question, Commissioner, and we agree with your assessment. We'll be directing that back to the Memorial. But they initiated the request of that.

[Comm. D. Steiner] Thank you very much.

[Chair. A Sartor] Any other questions? If not, I'll entertain a motion to move this to full committee. [Comm. R. Pocino] So moved. [Comm. A. Sartor] Second? [Vice-Chair S. Grayson] Second. [Comm. A. Sartor] Okay. Next item?

[S. Plate] Concerning the Hub project, we're in the process of awarding a number of contracts. As you can see, we're getting down quite far in the award process. The first one of which is a building management system, which operates on the Telecom Network and will monitor the control of environmental conditions throughout the World Trade Center Hub. It was publicly advertised with Johnson Controls being the lowest priced, qualified proposer at a cost of $9.9 million, excluding extra work, which compares, again, favorably to the staff estimate of $13.9 million.

The second award is to the security system, which also operates on the Telecom Network and includes an overall closed circuit television system and access control that will monitor all public and commercial space throughout the hub. It was publicly advertised with Diebold Enterprise Security Systems being the lowest-priced, qualified proposer at a cost of $20.8 million, excluding extra work. And, again, it compares favorably to the staff estimate of $22.3 million. The telecommunications system, which will include a fiber optic backbone for the hub terminal and will support four systems, including security, building management, customer information, and supervisory control and data acquisition, was, again, publicly advertised with Five Star Electric being the lowest-priced, qualified proposer at a cost of $36.5 million, excluding extra work, which, again, compared favorably to the staff estimate of $34.6. The independent and last fire alarm system, which includes the installation of conduits, control panels, redundant fire alarm command stations, and all audible and visual signaling devices was publicly advertised with, again, Five Star Electric being the lowest responsive and responsible bidder at a cost of $18.8 million, excluding extra work. This, again, compares favorably to the staff estimate of $21.8 million. The above contracts include a total aggregate increase in compensation to Downtown Design Partnership of $5.2 million for associated design services during construction and an aggregate increase to Tishman/Turner of $5.2 million for associated construction management services. Commissioners, your authorization of these items today will provide for 95 percent of Memorial contracts awarded to date and nearly 85 percent of Hub contracts awarded to date.

[Chair A. Sartor] Any questions or comments?

[Comm. R. Pocino] Yeah, I have one, Chairman.

[Comm. A. Sartor] Yes, Commissioner?

[Comm. R. Pocino] I see that the low bid prices came in under estimates, which is very good. Could you give me an idea of how many bidders were approximately on each of those projects?

[S. Plate] Yes, sir. On the building management systems there were four. On the security systems there were five. On the telecommunication network there were three. And, again, on the fire alarm system there were three.

[Comm. R. Pocino] Okay, thank you.

[S. Plate] Thank you.

[Chair A. Sartor] Any other questions? If not, I'll entertain a motion to move this to the full Board. [Comm. R. Pocino] So moved. [Comm. A. Sartor] Second? [Comms. D. Steiner and Comm. V. Bauer] Second. [Comm. A. Sartor] Done. Anything else in public session? If not, this concludes the public portion of today's meeting. The subcommittee will now adjourn to executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. Thank you.

The Port Authority of New York and New Jersey
Committee on Capital Program/Agency Planning Transcript
September 30, 2010

Commissioner Sartor: Today's meeting of the Committee on Capital Programs and Agency Planning is being held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interesting in viewing today's proceedings via the Internet. And we have Susan Baer presenting today, very slowly.

Susan Baer: Thanks, Commissioner. Good morning. I'm here today to discuss planning for the expansion of the passenger terminal at Stewart International Airport. As you're aware, the Port Authority secured a long-term lease for Stewart with the goal of positioning it as a viable regional airport for Hudson Valley residents, and as an alternate gateway to the New York-New Jersey metropolitan region. To this end, I recommend a phased terminal expansion project that, when complete, would allow for concurrent processing of international and domestic passengers and improve the overall capacity of the terminal.

Stewart's passenger terminal opened in 1997, and today includes 7 gates, 38 check-in stations, concessions, and car rental facilities. The terminal, however, is limited in its ability to process international traffic. Currently, the airport can only handle international general aviation flights of up to 20 passengers, and they do this from a hard-stand parking area in a remote location. It its current state, the terminal is expected to reach capacity at approximately 1 million annual passengers. To insure we meet our goal of developing the airport into an alternate gateway to our metropolitan region, we are planning now to address the terminal's ability to handle commercial international flights and future demand.

Earlier this year, U.S. Customs and Border Protection approved our plans to develop a portion of the existing terminal as an interim federal inspection service facility, or FIS, to process scheduled or itinerant international flights of approximately 200 passengers. Customs restrictions and physical space constraints, however, do not allow simultaneous international and domestic operations in the terminal. In addition, the interim FIS operation is limited to 2 years by CBP rules. The interim FIS is expected to be completed in November of 2010.

Stewart Airport's ability to attract and accommodate international carriers, charters, diversions, and general aviation, however, requires a more permanent solution to international passenger screening. A terminal expansion is necessary to construct an adequate FIS and to increase the terminal's capacity beyond 1 million annual passengers.

The proposed terminal expansion will be implemented in 3 phases, with the first phase consisting of an approximate 25,000 square foot expansion of the north side of the terminal, the relocation of the interim FIS operation, and the construction of additional public restroom facilities. Phase 1 of the project, which is subject to further authorization, would cover the construction of the building shell and interior fit-out. These improvements are necessary to accommodate simultaneous domestic and international arrivals. Phases 2 and 3 of the project consist of customer service improvements including an automated baggage carousel, the installation of an elevator to facilitate passenger access, and customs support space to create a fully-functioning

FIS. Commissioners, authorizations for Phases 2 and 3 would advance based on need, as passenger volumes increase.

This table illustrates our plans for implementing subsequent phases. Instead of a standard time line, we have identified international and domestic triggers for each phase. Today staff is seeking authorization that would advance $2 million for planning and engineering for Phase 1, including field inspections, documentation of existing conditions, and preparation of design documents. Preliminary design would also be conducted for Phases 2 and 3, as part of this authorization. Completion of the proposed planning efforts anticipated by December of 2011. At that time, staff anticipates seeking project authorization for the construction of the building shell, or Phase 1 of the project. The cost associated with this project will be eligible for passenger facility charges and federal airport improvement funding. Commissioners, I ask that you advance this item to the full board for approval. Thank you.

Commissioner Sartor: Thanks. Any questions?

Commissioner Bauer: Could you explain what would trigger like--you know--for international and domestic--you know--what kind of numbers are you looking for?

Susan Baer: Right now, we've actually--the last week, week before-- announced our first international operations which is a charter, a very seasonal charter, from February through April or May, but that's because we've agree-- Customs and Border Protection has actually agreed to staff an interim facility. We've also recently processed international passengers off a diverted flight. Stewart--one of the ways we're marketing Stewart and using Stewart is for diversions when we have bad weather delays at our other airports. It's been very successful. So that this expansion in the first phase would allow us to handle an additional couple of flights, a flight a day, an international flight a day, which we think is maybe a little stretch right now, but doable. If international traffic grows beyond that, we would expand--we would go into Phases 2 and 3. Or if domestic passengers grow--because the facility we're building, you can convert. You know those gym walls that you pull out, those temporary walls? That will separate it, so we'll be able--it is needed, the ultimate build-out, if we are going to grow to about a million and a half passengers in the terminal. The current gate configuration can handle about a million and a half passengers, but we don't have enough arrivals capacity. So this would allow us to either go to the million and a half domestic passengers or additional international flights.

Commissioner Bauer: You'll be able to judge. You may need more international and less domestic, or vice versa.

Susan Baer: Right, yes, and we'll be able to-- and because there's a temporary wall for now, and going forward, it would be a wall that we could move, we could make those changes.

Commissioner Bauer: Okay, terrific.

Commissioner Sartor: Sue, how did you come up with the $2 million?

Susan Baer: That's the planning costs. We've done a small amount of preliminary sketches and designs. You saw them up there.

Commissioner Sartor: Yeah, but--I mean--if it's only 25,000 square feet, $2 million is a lot of money for planning and—

Peter Zipf: It's about 9% of construction costs. Construction cost is about $18 million. So it includes construction—

Commissioner Sartor: What are you--what numbers are you using for construction costs? How much is that a square foot? It's about $500, $600 a square foot?

Peter Zipf: It's about $50 per square foot for the base building. For the baggage carousel, it's about $120 per square foot. And then for the finishing the elevators and the miscellaneous op support, it's about $180. So it's $700 per square foot total, but it's about $400 per square foot for the base building.

Commissioner Sartor: Is that typical of what it costs to put something in an airport?

Peter Zipf: Absolutely, absolutely.

Commissioner Sartor: I'm in a different realm here.

Susan Baer: And federal agencies have very specific requirements for the areas that we fit out, and we are bound by their design.

Commissioner Sartor: Yeah, I was just scratching numbers on the back of an envelope here, saying, "How did you get there?"

Susan Baer: Yeah, we've dealt with this before in some of our other facilities, but you'll do CBP guidelines.

Commissioner Sartor: Okay. Any questions, other questions? Hearing none, I'll entertain a motion to move this to the full Board? Commissioner Bauer: I'll move. Commissioner Grayson: I'll second. Commissioner Sartor: All of those in favor? Done. Okay, Thank you, a quick meeting.

Chris Ward: Great, Sue, but can you talk about some of the other interesting news that's happening at Stewart? We have some wonderful press on a biomass energy project up there that has really galvanized a lot of local interest. Stewart just did very, very well on a customer survey.

Commissioner Sartor: Tell me a little bit about that.

Commissioner Bauer: What's the biomass? I didn't hear that one.

Commissioner Sartor: No, I didn't see that.

Chris Ward: It was in the clips. We're doing a biomass energy project which is creating energy off of collection of biomass material and selling it.

Susan Baer: That's basically garbage. She thought it was something else.

Commissioner Sartor: Biomass.

Susan Baer: It does sound better, but I saw the look.

Commissioner Bauer: My daughter's room has a lot of bio mass in there.

Chris Ward: From our collection strategies at Stewart meaning, right, organic materials.

Susan Baer: Organic materials.

Chris Ward: And it's--we're doing it with a local contractor, Taylor, up there. And we're selling it back into servicing local Stewart demand load, and then selling excess energy back into the grid.

Commissioner Sartor: How much of a facility is it? How many tons is it handling a day?

Chris Ward: It's small. It's generating less than a megawatt, so it's a small project, but part of our zero-emissions growth, particularly for Stewart-- That community around Stewart is very, very ecologically conscious and sensitive, and concerns with the airport, the emissions, the airport jet fuel. This was a really good--it's a small pilot project working with Taylor and NYSERDA. And then Stewart has been—

Susan Baer: It creates a lot of jobs too, a lot of local jobs.

Chris Ward: --for local contractors. And then Stewart is showing very well on customer service surveys, in terms of what is its both inherent flaws and its inherent values, which is since there's not a lot of traffic, you get in and out very quickly, and passengers like that. So there's a trade-off there, but—

Commissioner Bauer: Do we market it enough so that people know they're there? Did I open an Pandora's box?

Susan Baer: Oh, no, Operations Committee--I will be making a proposal for an incentive program for Stewart, and at full Board we're going to talk about the whole-- where we are with Stewart because of all of the pieces.

Commissioner Bauer: People have to know you're there, in order to use it.

Susan Baer: Exactly, and we've had a lot of success so far, and we--after the economy tanked, a lot of regional airports in this country just lost all of their service. At Stewart, we are able to maintain service. It declined, in part because one of our carriers went out of business. So we

plateaued, and now we're showing some very modest growth. And we're in discussions with a number of carriers. That's why the Apple tours, while it's not a huge number, is a significant move because it's international, and they're offering great fares to Cancun from the cold weather up there, so we've been able to market that really well.

The Port Authority of New York and New Jersey
Committee on Operations Meeting Transcript
September 30, 2010

[Chair A. Coscia] We'll get started. The first portion of today's meeting of the Committee on Operations is being held in public session, after which the committee will meet in executive session to discuss matters related to the purchase, sale, or lease of real property or securities where the public disclosure would affect the value thereof or the public interest. In addition, the public portion of the meeting is being broadcast live on the Port Authority website for those interested in viewing today's proceedings. First item, Sue Baer.

[S. Baer] Thank you. Commissioners, today I am here to request a number of things from you, but the first is approval for six concession agreements that are part of the Terminal A and B Concession Program at Newark Airport.

As you know, under your direction staff has been working with our partner, Westfield Concessions Management, on the multi-phased effort to rebrand concessions in these two terminals with the goal of improving the overall experience for our customers. Today we've brought four phases of the program for your approval following request for proposals as new or existing space becomes available for leasing. These phases have resulted in aggregate minimum annual guarantees totaling $131 million, an increase of about 66 percent over existing minimums for those spaces or percentage rentals ranging from 9 to 15 percent. In addition, each new lessee is providing significant investment to update the existing spaces or to fit out new spaces.

Commissioners, of the prior phases you have approved to date, 35 concessions are now open to our customers. Pictured here are two newly opened spaces. Just the other day staff attended the ribbon cutting for a Tony Roma's restaurant in Terminal A, and the EJE duty-free shop pictured on the right opened earlier this year.

Today I'm seeking your approval for Phase V of this program which proposes six new concepts to enhance the dining and retail experience for our customers in Terminals A and B and would add a net of approximately 34 new jobs at the airport. In this current phase we're adding four retail concessions, including America!, Touch of Color, Creative Kidstuff, and Swatch. We're also adding three food and beverage options, including two casual dining restaurants and bars, The Unusual Times and The Belgian Beer Cafe, as well as Golden Krust, a local favorite Caribbean bakery and grill. Of the seven spaces, three will be post security concessions in Terminal B. The employees really like Golden Krust. [laughs]

Three concessions in this phase will be operated by a certified Disadvantaged Business Enterprise. As of 2009, Newark Airport's total participation of disadvantaged enterprises based on a percentage of total sales is 23 percent. This exceeds our stated goal of 17 percent participation for the airport.

Commissioners, before you are the detailed terms for each of the six agreements staff is recommending today. These agreements cover over 10,000 square feet of concession space. During the term of these agreements, tenants will pay the greater of a minimum annual guarantee or a percentage rent as specified in their proposals as well as promotional fees and common area maintenance charges. The proposed

leases are selected via a competitive RFP process and represent the highest financial return to the agency for each space. In total, these leases would generate a minimum of $4.5 million in guaranteed revenues over the terms of the leases or percentage rentals between 9 and 15 percent. When compared to minimum guarantees for existing spaces, the proposed leases represent a 183 percent increase over current minimums.

Tenants will make a significant investment to fit out the spaces with new fixtures and finishes as appropriate. We expect that renovations of these concessions will be completed by the end of 2011. Commissioners, I request that you advance this item to the full board for approval.

[Chair A. Coscia] Anyone have any questions or comments? [silence] Okay. Everyone in agreement on advancing it to the full board? [Commissioner] Yes, sir. [Chair A. Coscia] Okay. Very good.

[S. Baer] Thank you.

[Chair A. Coscia] Next?

[S. Baer] The next item is an agreement for a long-term operation and maintenance of Teterboro Airport. Among the Port Authority's system of airports, Teterboro is our corporate reliever airport, handling general aviation traffic. The day-to-day operations and maintenance functions of the airport are currently managed under an agreement with AFCO AvPORTS Management, LLC. Following review of the procurement options, we are prepared to make a recommendation for a new agreement.

Teterboro, one of the oldest operating airports in our metropolitan area, is located 12 miles from Midtown Manhattan. The airport consists of 827 acres with 90 acres for aircraft hangars, maintenance, and office facilities and 408 acres of aeronautical area with mostly wetlands in the remaining area. Following a 30-year lease agreement with the former Pan Am Airlines, the agency resumed responsibilities for the daily operation of the airport, and in June 2000 the board approved an O&M contract with AvPORTS. Under this contract, which expires on November 30th, AvPORTS is responsible for the daily operation and maintenance of the facility by providing an on-site manager and all appropriate personnel, equipment, and materials.

AvPORTS ensures that compliance with FAA operational safety certifications, including wildlife hazard management, identification of aircraft obstructions, snow and ice removal, coordination of air site construction activities, and management of noise mitigation efforts. Along with Port Authority staff, they ensure the continued safe operations at Teterboro.

As you may recall, the board approved a similar long-term operation and maintenance agreement for Stewart Airport in February of 2009. Before recommending the agreement for Stewart to the board, staff undertook an extensive solicitation and advertising effort which resulted in the receipt of only one qualified proposal from the incumbent, AvPORTS. Staff has also extensively canvassed the general aviation community for both the Stewart and Teterboro agreements to identify potential operation and maintenance contractors but has not been able to identify other active operators. Based on these results and AvPORTS' excellent performance and significant experience, staff determined that negotiating a new contract with AvPORTS for Teterboro would be the best approach. In a final attempt to ensure qualified contractors were provided an opportunity to express their interest in submitting a proposal, staff publicly advertised its intent to negotiate a new contract with AvPORTS and solicited a response

from interested companies. The agency did not receive any responses. Therefore, staff recommends a negotiated contract with AvPORTS for the continued day-to-day operation and maintenance of Teterboro.

Commissioners, here are the terms of the proposed agreement. The current agreement with AvPORTS provides a management fee of $343,000. Staff was able to negotiate a best and final offer that limits the increase of the management fee in the first year to $348,000. The management fee will be escalated by the CPI with a maximum of 1.5 percent in years two and three and 3 percent in years four and five. The total management fee will be capped at $1.8 million over the five-year term. The balance of the contract is $31.1 million for estimated operating expenses during the five-year base period. Expenses will include labor, contracts, materials, and supplies, telecommunications, maintenance on mobile equipment, and project work necessary to run the day-to-day operation and maintenance of the airport. The agreement also allows for one 5-year renewal option for a total estimated management fee of $2.1 million. The fee during this renewal option period will be escalated by the CPI and capped at 3 percent per annum. Commissioners, AvPORTS has already done an excellent job with operating and maintaining the facility. They now have nearly 10 years of experience at the airport with all routine and preventive maintenance of airport equipment and facilities to ensure its safe and efficient operation and perform all the tasks required for Federal Aviation Regulations compliance Part FAR 139. I request that you advance this item to the full board today.

[Chair A. Coscia] Thank you, Sue. Any questions for Sue? Comments? [silence] Okay. All in favor of moving this to the full board? [all] Aye. [Chair A. Coscia] Okay. Very good.

[S. Baer] Thank you.

[Chair A. Coscia] Sue, you're still up.

[S. Baer] I am.

[Chair A. Coscia] Wow, you're just comfortable there.

[S. Baer laughs] [S. Baer] We spend some money, we make some money, we spend some money... The third item requests your approval

[Chair A. Coscia] [indistinct] [laughter]

[S. Baer] Oh, we make much more than we're spending today. Much more. This third item requests your approval for supplemental agreements with AMB Property for its continued management and operation of multi-tenant, multipurpose facilities at JFK Airport. The new agreement will provide increased revenues to the Port Authority and retain a myriad of subtenants, including federal agencies, cargo operators, and freight forwarders on the airport. AMB manages Buildings 75 and 77, which are shown on this aerial, under leases that are set to expire in 2013 and 2015, respectively.

Federal agencies which occupy nearly 50 percent of the space at these facilities require long-term lease renewals well in advance of their expiration. In order to retain these and other subtenants, staff recommends an extension of AMB's leases under terms that will provide the agency with increased

revenue opportunities and an incentive to AMB to maintain high occupancy rates. AMB currently pays ground rent and additional rent as repayment of construction advances.

Under the proposed supplements, the Port Authority will continue to receive ground rent which will now be brought to market rates and percentage rent based on a graduated scale of AMB's building occupancy rates and residual cash flows. The percentage rent is in lieu of a building rent and subleasing fees. This revenue structure provides for an equitable sharing of risk between parties in a cyclical industry. It provides an incentive to the operator to maximize rent but also allows the agency to participate in the upside. In the event of a downturn, the agency captures an increasingly greater share of net revenue if occupancy falls below 80 percent. Also, because ground rent for Building 75 is currently well below market rates, the rate will immediately increase 20 percent.

In terms of its investment, AMB will spend within the next five years a combined minimum of $3 million in upgrades and repairs to the buildings, both of which are approximately 20 years old.

AMB is a leading owner and operator and developer of industrial property in some of the world's busiest distribution markets. For over eight years AMB has maintained its facilities highly occupied. The current occupancy rate is over 95 percent with more than 30 different subtenants. These subtenants benefit from AMB's build-to-suit service model which provides space that's customized to their operational needs, things such as shooting ranges, enhanced security features, and soundproofing. AMB manages the full build-out cycle, including tenant alteration approvals from the Port Authority and the construction. In addition, AMB operations provide 15 on airport jobs and support nearly 200 local contracted employees.

Commissioners, the proposed supplemental agreements with AMB will cover the rental of nearly 26 acres and generate an estimated $127 million in aggregate rentals during the extended lease term, which represents an approximate increase of 36 percent over the current terms. The supplemental agreements would make both leases coterminous in 2025. Advancing this item at this time would provide for a significant increase in revenue to the Port Authority and allow AMB the opportunity to execute long-term agreements with its subtenants, thereby securing the continued occupancy of these buildings and associated jobs. I ask that you recommend this item for approval to the full board.

[Chair A. Coscia] Thank you. Sue, the primary tenancies are federal government agencies.

[S. Baer] Fifty percent are federal agencies.

[Chair A. Cosica] Including law enforcement agencies.

[S. Baer] That's why the shooting ranges. [laughs]

[Chair A. Coscia] I just wanted to make that clear.

[S. Baer] FBI is in the buildings, Customs is in the building, Drug Enforcement Agency is in the building, and those tenants require a lot of customized fit-out. This operator really specializes in that. One of our concerns is that we don't-- There is a fair amount of vacant space off airport, and we would like to keep our buildings on airport occupied where we'll get a share of the revenue.

[Chair A. Coscia] Thank you. All in favor of advancing this? [all] Aye. [Chair A. Coscia] Good. Okay. Very good. Okay. One more, Sue. Stewart Airport.

[S. Baer] Okay. Here we are, Commissioner Bauer. We've got the one you asked about this morning. Okay. [laughs] This last item I would like to discuss is a two-year air service incentive program at Stewart International Airport. This program would support our long-term commitment to the airport, particularly our efforts to market the airport as an alternative international gateway for low-cost airlines and chartered tour operators.

Just for perspective, this chart illustrates Stewart's traffic for the last 12 years. Much of the rise and fall over this time period is due to the financial and operating condition of the airline industry. Since acquiring Stewart in November of 2007, passenger enplanements at the airport have decreased by 57 percent following an unprecedented spike in fuel costs, a severe economic recession, and the subsequent loss of service from AirTran Airways and the now defunct Skybus Airlines. Although this is a reality of economic conditions, you have supported our efforts to mitigate the impact. While air traffic at Stewart slowed in 2008, the board acted by approving a short-term airline retention program to stabilize service at the airport. The program allowed JetBlue to return with larger planes and helped encourage US Airways to add a daily flight. At that time the board was advised that staff would develop longer term solutions to grow air service at Stewart.

As part of our ongoing efforts to grow the airport, we continue to leverage our relationship with airlines and the Stewart community. Our goals are to persuade the local community to make Stewart their airport of choice, and we use every opportunity we have to broaden the local, national, and international awareness of Stewart. The slogan that's up here was one that the local Chambers of Commerce have come up with and promote widely. In addition, our discussions with the airlines about service to Stewart are guided by an extensive review of business and personal travel in the Hudson Valley to better determine the destinations that are popular with customers living in the Stewart Airport region.

Today, three carriers provide service from Stewart to Orlando, Fort Lauderdale, Atlanta, Detroit, and Philadelphia. In order to expand this service, we recommend a two-year service incentive program to provide passenger airlines and chartered tour operators with financial and marketing incentives to initiate nonstop service to new destinations from Stewart. The proposed program, which is designed to mitigate carriers' start-up risks during the critical first year of service, will enable Stewart to compete with similar airports in Albany, Hartford, and Westchester County.

The program would be in effect from November 2010 through October 2012, and participating carriers or tour operators would receive incentives for one year from the first date of service, which must be on or before October 31, 2012. During their first year of service, airlines would receive a credit of up to $525 per turn-- per aircraft movement--for ground handling service charges and marketing support valued at $3 per outbound seat, not to exceed $150,000 per destination. A few weeks ago, you were informed of an early success with the proposed program. Staff finalized negotiations with Apple Vacations, a leading tour operator, to provide nonstop service from Stewart to Cancun for ten weeks beginning in February. The proposed program is expected to provide air travelers using Stewart Airport with sustainable and competitively priced airline service to new domestic and international markets from Stewart, including business and leisure destinations. Revenues generated from the additional flights and passenger traffic, including flight and fuel fees, parking, concessions, and PFCs, would more than offset the cost of the program. In addition, staff estimates that each new carrier to the airport could create an estimated four to six jobs. Commissioners, I ask that you advance this program to the full board for approval. Thank you.

[Chair A. Coscia] Thank you. Any questions?

[Comm. V. Bauer] Sue, when we provide an incentive to the airlines, so they independently will market Stewart. I mean, we don't do it collectively with them? How much total marketing money is used? Is there a uniform marketing plan that is implemented?

[S. Baer] The agency has a rather small marketing program in this economic era. But we are using all of the aviation portion of that to market Stewart, and there are billboards and some local cable TV advertising that we're doing up there, including a short video that's been very popular. The billboards we've been using to advertise, the airlines said to us, "There's only three of us. Why can't all our names be up there?" So we've been doing that and putting, for example, the tail insignias from each of the airlines up there, but to promote awareness of Stewart. The new advertising incentive if a carrier comes with a new destination would market that airline, that destination, but under our control with a big tagline about "Think Stewart First" or about Stewart Airport. So it will do both things: more recognition for the airport and allow the carrier some marketing money in a new market. It is quite—

[Comm. V. Bauer] So we'll be matching that money.

[S. Baer] Indeed. In the ways that they will advertise new service, absolutely.

[Comm. V. Bauer] Thank you.

[Comm. H. Silverman] The strategic premise that we bought into was that since the major airports were more overcrowded, we needed Stewart for the access. Is that premise still valid?

[S. Baer] That premise is valid over the longer term. The short term, our airports are all currently slot controlled, so you can't grow service at our airports; you have to do it within the existing number of slots. You can bring bigger aircraft. There is capacity at our airports because a lot of the slots are being flown with smaller aircraft. So the capacity will come that way at the three downstate airports. But the premise is still true that at some point you will not have capacity to grow at the others. We're not there yet. And so Stewart is a very viable alternative. In the meantime, you grow the service for the market that's regional to Stewart so that it doesn't put more pressure on the other airports.

[Chair A. Coscia] Isn't there also a certain amount of what comes first issue, because...

[S. Baer] Very much so.

[Chair A. Coscia] the encatchment area that is commutable to Stewart is large enough that if there was service to a number of cities, chances are they would use them, and it would probably alleviate at peak periods some of the congestion in some of our other airports. But the airlines are reluctant to take that leap before there's a demand that's demonstrated and there's infrastructure that needs to be built in.

[S. Baer] That's very much the case. And the customers love it. It's not exactly the same customer satisfaction survey, but the people who do fly from Stewart love it. I mean, you park right across the street, there's lots of space, you're never delayed. So the customers are really happy who use it. The staff up there have been really good. They've marketed it as a good diversion airport, so we get the fees from the diversions up there when there's bad weather delays at the downstate airports. And some of our

airlines have a whole team they send up to handle their diversions. So it kind of keeps it in the family and also increases awareness of the airport.

[C. Ward] Sue, do you want to introduce Jeff?

[S. Baer] Oh, sure. I'd like to introduce--if we're done with this. [laughs]

[Chair A. Coscia] Any other questions? Sid?

[Comm. S. Holmes] No.

[Chair A. Coscia] Okay. So is everyone in favor of advancing this? [all] Yes.

[S. Baer] Okay. Before I end, I'd like to introduce the new Deputy of Aviation, Jeff Pearse.

[J. Pearse] Good morning, everyone.

[S. Baer] He's met a lot of you in the room. [applause]

[S. Baer] So I'm done. [laughs] Okay. Thank you.

[Chair A. Coscia] Thank you. Okay. I guess Rick, you're next. Port Newark, FAPS.

[R. Larrabee] Good morning, Mr. Chairman, Commissioners. Vehicle trade business in the port provides an invaluable benefit to the region as it creates jobs and serves the largest consumer market in the nation. The current economic turndown, however, has had a dramatic effect on the auto business. In that regard, included in today's consent calendar is an item that authorizes a new lease with FAPS, Incorporated, for approximately 104 acres at Port Newark through December of 2019 which provides for a restructuring of its current leasehold. Before I review the proposed terms of this agreement, I'd like to briefly provide you with some background information regarding our auto processing tenants and the movement of vehicles through the port.

There are currently three auto processing tenants in the port that lease a combination of about 315 acres of property. Toyota and FAPS are located in Port Newark, and BMW is located at the Port Jersey Port Authority Marine Terminal in Jersey City. FAPS is the only third party processor in the port, which means that it handles a variety of manufacturers, including Mazda, Volvo, and Nissan. New York and New Jersey has been the number one port in the United States for automobiles. In 2008 over a million vehicles were processed through our port. Total number of vehicles for the region declined to approximately 620,000 in 2009, and it's currently anticipated that the port will not reach 2008 volume levels for the next several years.

The slow economic recovery in the automobile industry coupled with an extremely competitive port environment has resulted in the need to adjust FAPS's leasehold to the appropriate acreage required to accommodate its current and projected volumes. FAPS currently leases approximately 201 acres, shown here in red, blue, and green, under an agreement that expires in December of 2019. Under the proposed new lease, FAPS will occupy 104 acres, shown in red, with 35 of those acres devoted to servicing WWL Vehicle Services Americas, a former auto processing tenant at Elizabeth-Port Authority Marine Terminal. FAPS will surrender the parcels shown in blue and green. The areas in blue would be re-let

within a 24-month period time frame at market rates. FAPS will also use the approximately 15 acres adjacent to its leasehold, the area in green, as an intermodal rail facility under a separate rail operating agreement.

The proposed lease term is from October 1, 2010, through December 31, 2019. FAPS will pay an open area rent for its entire leasehold footprint, which will escalate annually. These terms are consistent with the other auto processing tenants currently operating in the port. FAPS will pay a new per vehicle fee of $3.50 for each vehicle handled through the leasehold up to 200,000 vehicles and $2.50 for each vehicle over 275,000 vehicles, which will provide the Port Authority with the potential to realize additional revenue based on activity levels. FAPS would no longer be required to construct a processing or a multilevel storage facility at its leasehold. The Port Authority would no longer be required to provide a capital investment of $4.25 million for building demolition or supply any additional acreage to FAPS for the remaining term of the agreement. Lastly, the term of the rail operating agreement would be coterminous with the proposed new lease. FAPS would pay a per vehicle fee of $7.50 for each vehicle that moves through the rail facility, with a guaranteed minimum of 20,000 vehicles. This would escalate annually in accordance with CPI. Under the two agreements, FAPS would pay a total aggregate rent of approximately $71.9 million.

Commissioners, the restructuring of FAPS's leasehold at this time will keep the only third party processing automobile processor at the port, provide for existing tenants adjacent to FAPS to remain in their current leaseholds, thereby preserving revenue to the Port Authority, and allowing for new rentals at market rates on the areas to be surrendered under this agreement. I request you advance this item to the full board for approval today. Thank you.

[Chair A. Coscia] Thank you, Rick. Anyone have any questions?

[Comm. V. Bauer] Rick, how many jobs are there at the FAPS facility?

[R. Larrabee] Prior to the economic turndown they employed about 400 to 450 people. Today it's closer to about 300.

[Comm. V. Bauer] So it's good that we are able to work this through. Thank you.

[Chair A. Coscia] Any other questions? [silence] Okay. All in favor of advancing this to the board? [all] Aye. [Chair A. Coscia] Okay. Thank you. All right. Cruz, you're up next.

[C. Russell] Thank you, Mr. Chairman, Commissioners. Today I would like to present an item that would authorize an agreement with the Trust for Public Land, a national not for profit land conservation organization, to enable the Port Authority to fund up to $3.5 million to develop public access at 1595 Richmond Terrace, Staten Island, New York, also known as the North Shore Marina. The property, which consists of 9.7 acres, was acquired in February of 2004 pursuant to a prior agreement with the TPL as part of the Hudson-Raritan Estuary Resources Program.

The property was purchased for $2.99 million. As a condition of reimbursement for the property acquisition, TPL conveyed the property to New York City Department of Parks. TPL will be paid on a reimbursement basis for the cost of creating public access to the property formerly known as the Blissenbach North Shore Marina in the West Brighton neighborhood. Since the purchase of the property

in February of 2004, the Parks Department has moved forward with some remedial actions to bring about improvements to the property. Specifically, certain contaminated soils have been removed. This action, albeit positive, has not resulted in the public being able to access the property except on special request, and other activity is prohibited at this point. In order for the Parks Department to open a portion of the property for true public access, it has been recommended that additional fill material be put in place. The Authority, in consultation with the Parks Department, has determined that minimal and interim improvements are necessary to allow basic public access to the site, including creating a lawn along with appropriate fencing and development of an area for limited parking. The funds dedicated to this project will be used for costs incurred by TPL for its work in preparation for the start of construction as well as for construction of the following elements of the development at the North Shore Blissenbach Marina property: Number one, any necessary soil removal up to two feet of fill over about four acres of upland territory will be used; number two, the creation of a lawn and meadow on the site; number three, construction of a fence; and number four, the development of an area for public parking. Additionally, the funds will pay for pertinent landscaping and appropriate utility infrastructure improvements.

On the slide on the screen, you see a bird's-eye view of the North Shore Marina at 1595 Richmond Terrace. The marina property is outlined on the picture in the heavy yellow line. The southern boundary abuts the railroad tracks of the defunct North Shore Railroad. The area outlined in heavy blue is our proposed project area with the smaller L-shaped area at the bottom left for parking and the remainder of the site for public access. The land mass on the left of the inlet will not be included in our project and is part of the Parks Department's planned future development of the site. The marina docks and retaining walls are also excluded from this project and are part of the Parks Department's planned future development of the site. Under the proposed authorization, the PA will provide up to $3.5 million for improvements necessary to open the property to the public.

TPL will serve as project manager. New York City Parks will operate and maintain the area and will finance all further park enhancements, including items such as benches, seats, comfort stations, lighting, playground and other equipment pathways, marine and waterside access. The picture on the upper right shows the street frontage of the site. This building you see is part of the property. The second photo shows the property from the front gate looking north towards the water. The project is scheduled to be completed by October 2012.

The benefits to the Port Authority are as follows: It demonstrates the Authority's stewardship in the region, it addresses community concerns over loss of public access to the waterfront and natural resource areas, and it also is in keeping with the scope and intent of the Hudson-Raritan Estuary Resources Program. Including the proposed authorization, approximately $5.6 million remain available from the $30 million allocated to New York State under the program. Approximately $4.2 million remains of the $30 million that was allocated to the state of New Jersey. Commissioners, I request that you advance this item to the full board for approval today.

[Chair A. Coscia] Thanks, Cruz. Anyone have any questions?

[Comm. H. Silverman] I understand the public policy, but is there any public demand for this? I've been there. I've never seen anybody there. I'm just wondering whether or not there's any public demand for access to this thing.

[C. Russell] There has been, and being familiar with the area, you know that there is a limited amount of waterfront access on the north shore of Staten Island. So that was a part as we discussed in terms of what the funding was intended to do. It can either do things in terms of enhancing the general conservation of the area or it can provide that waterfront access. So in this particular case, there has been a deep concern on the part of elected officials and local residents to be able to gain access to the property. And since it's not properly prepared, the idea of having to in one way or another go through an approval process in order to access the water has been problematic. That's what we're trying to correct.

[Comm. H. Silverman] So is this one of those, "If you build it, they will come" projects where if we make it nice, people will come and utilize it?

[C. Russell] That is absolutely the case, Commissioner.

[Comm. H. Silverman] Thank you.

[Chair A. Coscia] Okay. All those in favor of advancing it? [all] Aye. [Chair A. Coscia] Everyone okay? Okay. Thank you. This concludes the public portion of today's meeting. The committee will now adjourn to executive session to discuss matters related to the purchase, sale, or lease of real property or securities where the public disclosure would affect the value thereof or the public interest.

The Port Authority of New York and New Jersey
World Trade Center Redevelopment Subcommittee Transcript
September 30, 2010

[Chair A. Sartor] Pushing us to get this started, so if I could have your attention. We've got enough people. Yes, we do. Today's meeting of the World Trade Center Redevelopment Subcommittee is being held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing the proceedings via the Internet.

And, as I look down, we have Plate, Plate, and Plate. Let's start with the first one, Vehicle Security Center.

[S. Plate] Good morning, Commissioners. I have two quick items for you this morning. The first item--in July of 2008, a contract to E.E. Cruz/Nicholson was authorized for construction of the south bathtub. Last month you authorized a project for the design and construction of the VSC and the award of a contract to Yonkers for excavation, foundation, and the remaining portion of the South Bathtub work. Today I'm requesting your authorization to award a contract for structural steel. The contract was publicly solicited, with W&W Steel being the lowest cost proposer at a cost of $42.5 million, excluding extra work, which compares favorably to the staff estimate of $52.5 million, and also includes an increase in compensation to Liberty Security Partners for associated design services during construction at a cost of $3 million. This award brings the project to approximately 50% of trade contracts awarded to date. Once completed, the VSC will provide for vehicle screening and a vital underground link throughout the World Trade Center site.

[S. Plate] Continue?

[Chair A. Sartor] Any questions on this item? I like the number, compared to the estimate. I've heard higher estimates. That's great. I entertain a motion to move this to the full board?

[Vice Chair S. Grayson] I'll move. [Chair A. Sartor] Second? [Comm. S. Holmes] Second. [Chair A. Sartor] Done.

[S. Plate] The second item--our ability to effectively monitor daily activity and access control for over 2,000 workers, hundreds of trucks, and thousands of support staff, is crucial to insure a safe and secure operation. In support of that effort, we are requesting your approval of a $5 million project to further enhance our existing monitoring and access control capabilities, including additional equipment for the site-wide logistics coordination center to support the opening of the Memorial Plaza on 9/11/11. The systems enhancements include site-wide perimeter surveillance cameras, additional Mac units for iris scanning, and field installation of CCTV and access control equipment to support construction logistics. Supplemental agreements with Diebold Enterprise Security Systems, who has developed and installed a base system, would provide the necessary support to implement this plan. This project supports the ongoing and increasing construction activities at the site, as well as, the transition to the future public openings of the various site facilities. Commissioners, I request that you advance both of these items to the full board for their approval.

[Chair A. Sartor] Any questions on this item? Steve, is this part of our project budget, or is this supplemental to it?

[S. Plate] Yes, it's included in our project budget. There's an item that we have. It's called security projects and includes this and a number of other items, such as the site-wide operations control center in the future. So it is included.

[Chair A. Sartor] Any other questions? Seeing none, I'll entertain a motion to move this to the full board. [Vice-Chair S. Grayson] So moved. [Chair A. Sartor] Second? [Comm. S. Holmes] Second. [Chair A. Sartor] Done. Steve, you had an update for us?

[S. Plate] Yes, sir. I would now like to take a moment to outline some of the substantial progress that was achieved on the site in the short 2 weeks since my last update to the board. And we have a lot of say, so that's a good thing. Steel erection at the hub is well underway. Last week DCM utilized the weekend subway outage to install four 7-ton major columns along Platform A, and multiple 10-ton precast concrete sections that form the mezzanine level of the PATH station.

We are nearing completion of the East Spot Network core and shell before the end of October, which is a critical, very critical milestone that we promised to make and we are making. Last weekend Skanska Granite began the removal of the top of the Number 1 Subway box, in order to prepare for the construction of the vital walkway link, connecting both the east and west bathtub namely the PATH Hall and the Oculus area.

Finally, a sophisticated steel support system was installed to enable the erection of the Calatrava Steel in the PATH Hall. Thousands of cubic yards of soil continue to be placed on the Memorial plaza each week, which will enable the planting of the next set of approximately 30 trees within the next month. In addition, over 50% of the plaza area has been captured, enabling waterproofing and masonry work to begin in all major areas of the plaza. Electrical work has begun in the East Spot network, in advance of the formal October turnover. And finally, the West Spot network is on target to be completed in October as well, which would energize the Memorial site.

Pavilion steel erection is over 60% complete, with erection occurring at night to eliminate any disruption to PATH service. The stainless steel weir that now fully surrounds the north pole was delivered and installed over the last 2 weeks. The last item One World Trade Center--in my last update, I reported that One World Trade Center steel had reached the 38th floor. Today steel installation has risen to the 40th floor. And I'm proud to report that we are continuing to meet our goal of 1 floor per week, as the building rises into the New York City skyline.

Commissioners, we are confident this progress will continue, and I look forward to reporting on our critical efforts, as we move ahead with this important construction.

[Chair A. Sartor] Any questions or comments on this?

[Comm. H. Silverman] A question about--has the Durst involvement in any way been beneficial to us? Has it been relevant to us? Has it been negative in any way that we can correct?

[S. Plate] It's been very positive. We've really--it was seamless, I could say. They came on board. They come with tremendous expertise. Quite frankly, they've complimented us on hitting a floor a week. They didn't think that that would be done as soon as we have. They had some challenges on their project, so they've seen that we've done certain areas even better than them, as far as they've been able to accomplish. They bring to the table abilities to also look at the operation side and the maintenance side. They're getting into the mechanics, so we're really making this very seamless relative to the hand-off at the end of the project. In fact, even looking at better ways to encourage this building to be built more on a business sense. So if they have a way of helping to market it better, we're willing to listen. And I told them that we're totally behind policing this thing as quickly and as much as possible. And we're very--we meet weekly. We have shared all of our drawings, and right now they're on overload, but they're really catching up quickly.

[D. Tweedy] I think they're also helping us strategically think about how to handle Condé Nast, in terms of certain site-wide challenges we face. But even though these projects are advancing so well, to look at the overall site, in terms of how are we ultimately going to access One World Trade Center? They've really engaged with us on how to present those kinds of issues as an appealing and positive way as we can. So I think the relationship is developing really well. Steve has done a lot of work to make that happen, though, I have to say. I mean--they arrived. They needed a lot of knowledge fast. And--you know--it's put some stress on our project management team, but I think it's a give-and-take, and we're getting value from them.

[Comm. V. Bauer] I was just going to ask, any perspective new tenants or any indications of anyone else in addition to Condé Nast interested in leasing space?

[M. Francois] Ah, no. What I think we're trying to do is figure out how Condé Nast, GSA, potentially OGS, etcetera, as well as Vantone, can fit within the existing building. We have ongoing discussions with some other financial institutions. It's no secret Bank of New York and Bank of America are out looking for space. We've had discussions with them, but obviously, we're focusing on what we really have right now and how that is going to be coordinated within the overall program and space. As I think it was noted last week, we really need to come to a decision very quickly on GSA to try to figure out how the lower stack can accommodate both Condé Nast and GSA, if in fact, we can do something with GSA.

[Chair A. Sartor] Has progress been made with GSA? Has the meeting taken place with the new consultant?

[M. Francois] No, no meeting has taken place, but the consultant is on board and getting up to speed on all of the details.

[Chair A. Sartor] Just to go back to the Commissioner's question or comment concerning Durst. My observation, Henry, is that it's working well. It's working very well. I only hope that our other partner situation will work out as well in the future. It hasn't in the past. Hopefully in the future we'll see a lot of improvement in that relationship also. And I want to commend the staff for what is happening down there. For four years, everybody was saying, "Nothing is going on, nothing is going on." Nobody realized that we were building 2 million square feet underground. And now that it's coming up out of the

ground, we're getting some very positive press on it. I commend you for that. I understand there may be something on World Trade Center One on Fox News tonight? Anybody know about that?

[C. Ward] I'm forgetting the reporter's name - Shepard Smith. We did a tour with him of One World Trade. He's on Fox news tonight. He was, I think, quite taken with the progress that Steve and his team has made with One World Trade and then the site as a whole. I think Steve went over it quickly--if you could, to go back to the--sorry-- If you could go back to the slide of the Pavilion Steel, Steve? Because this I think is really a signature achievement that we should take a lot of pride in. If you remember, when we did the 2008 assessment, we said that we'd hoped to have the Pavilion steel, the outlines that you see there, erected for the 10-year anniversary, but that we'd make no commitment whatsoever on cladding it. We were really quite clear about that, and today, with Steve noting that 80%-- or he said 60%--65% of that steel is up. We are actually now on schedule to clad that structure by the 10-year anniversary, which will really be, I think, the marker place for the Museum because it's going to be the structure that people will see externally that will represent the Museum because the Museum will be below grade. And the work that the granite and Skanska team have been able to do in and around there, this unique design, this steel and how it is cantilevered and hung, This team is literally building this building in the sky almost. There is really no foundation for where this structure is. It's on steel below steel and cantilevered out over the project. And so I think that is a real sign of the hitting the ground running and delivering this project. And I think--we had a meeting with the Mayor yesterday at the Museum downtown on some day 2 security issues, and having that clad I think will be a major statement for where the Museum is for the year 2012.

[Comm. H. Silverman] Can you give an update on the demolition of the Deutsche Bank building? I know at one point we were told that it would be done by year end?

[S. Plate] They're at the sixth floor right now? Fifth floor--and they're pretty much on target for completing by the end of the year. We've been proactive on our side for the turnover because the contract you're awarding, we need that space, the one you just awarded today. So we're working already on how that transition works, and we're working very closely with the LMDC folks to do that.

[Chair A. Sartor] Yeah, I had a conversation with someone outside of the agency today who is very familiar with what is going on at the Vehicle Security Center, and he feels very confident that they'll be able to deliver on schedule, as we move ahead. So it's early yet, I understand that, but it was good to hear that optimistic projection. Any other questions or issues? Karen, we caught up.

[K. Eastman] Thank you, Steve.

[Chair A. Sartor] I didn't ask you any questions, Steve. I just had a motion that we adjourn. (Vice Chair S. Grayson] So moved. [Chair A. Sartor] Okay, done.

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY
Committee on Operations – Public Session Transcripts
December 7, 2010

[Chair Coscia] This meeting of the Committee on Operations is being held in public session in its entirety. In addition, the meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. We have an item that Mr. Larrabee will present, regarding the ports.

[R. Larrabee] Mr. Chairman, Commissioners, good morning. As we've discussed over the past year, cargo volumes are up for the Port although not yet back to our pre-2009 levels. What vestige of the economic recession and the port industry is a greater focus on cost. Port competitiveness, particularly as it relates to discretionary cargo has become a primary concern. Increasing the operational efficiency for the movement of goods at the Port and throughout the region is a key strategic goal in our effort to keep the Port competitive. In addition as a landlord, the Port Authority is faced with a number of responsibilities and mandates. We must provide efficient and secure facilities with sufficient capacity to effectively accommodate cargo destined for our region, the nation, and international markets, while doing it in a financially sound manner. As we've re-evaluated our capital program, operational practices, and fee structures, in view of our focus on Port competitiveness, as well as our environmental and safety goals, we believe that changes are needed to better align our actions with our needs. To help achieve our goals, your authorization is requested to establish a new Cargo Facility Charge to be assessed on all cargoes that benefit from capital investments in the security, rail, roadway improvements, and, in turn, we will eliminate the Intermodal Container Lift Fee and the sea-Link Container Terminal Subscription Fee. In 2004, we implemented an Intermodal Lift Fee and a Marine Terminal Tariff to recover the capital investments in our port-wide ExpressRail facilities. Movement of cargo by rail removes trucks from our terminal gates and the Port's and region's highways, and benefits regional cargo with increased roadway and gate capacity that they provide. The ExpressRail System is an important link to our Port's logistics chain, the existence of which creates a more efficient transportation network for the movement of containers, while also mitigating negative environmental impacts on the region. As the agency continues to invest in our rail system, we must provide sufficient capacity on our Port's roadway system, since the truck is and will remain the dominant mode of transportation in our port, due to the large local market that we serve. Lastly, since September 11, 2001, the Port Authority has been and has continued to be faced with the need to make the ports safer and more secure by implementing a number of operational and physical security improvements at the Marine Terminal facilities, including those required by federal mandates, which today amounts to about $82 million. The agency accepts these responsibilities; however, in today's financial environment, the costs associated with these improvements must be shared with the beneficiaries of the ports. The proposed Cargo Facility Charge would be comprised of three components. One component of the fee would recover capital expenditures incurred to construct our ExpressRail infrastructure. In addition to those directly utilizing the rail system, given the longstanding issues of road congestion in the Port, those who ship by truck have benefited from the investment in the ExpressRail System and continue to do so. Accordingly, it is fair and appropriate that they share in the cost of the investments in the ExpressRail System. The second component of the proposed cargo facility charge would be charged proportionately to recover the cost of important roadway projects at the Port, to reduce truck idling times, and to mitigate the attendant negative environmental impact caused by idling and roadway

congestion. Under the third component of the proposed Cargo Facility Charge, all cargoes would be charged proportionately for the partial recovery of the Port Authority's non-reimbursed, incremental, post-911, security-related, operations and maintenance costs, and to recover a portion of the previously unamortized capital investments. The security component of the Cargo Facility Charge may be adjusted in the future, to reflect future investments of security-related capital costs. Commissioners, today your authorization is requested to amend the Marine Terminal Tariff to establish a new Port Authority cargo-based port infrastructure and security fee, to be known as the Cargo Facility Charge, in order to foster a more efficient, secure, and productive Port of New York and New Jersey. The proposed Cargo Facility Charge would be applied to waterborne cargo discharged from or loaded onto vessels at Port Authority leased and public berths, namely containers, vehicles, bulk, break bulk general, heavy lift, and specialty cargoes. The timing of the fee's implementation would be determined by the Executive Director and the Chairman, consistent with our by-laws. The Cargo Facility Charge would be collected by the Port Authority's Marine Terminal tenants that operate private berths, and the Port Authority would directly collect the charges at our public berths. The establishment of the Cargo Facility Charge would require the elimination of the Intermodal Container Lift Fee and the Sea-Link Container Terminal Subscription Fee from the current Marine Terminal Tariff, as cost recovered from these fees would now be recovered by the Cargo Facility Charge. In order to reflect the elimination of the Intermodal Container Lift Fee from the tariff, the railroad operating agreements with our terminal intermodal rail facility operators would be amended. Lastly, authorization is also requested for the Executive Director to approve future adoption of, and adjustment to the rates, with respect to the Cargo Facility Charge, as well as, other existing fees contained in the Marine Terminal Tariff. Commissioners, the implementation of the Cargo Facility Charge would allow a fairer and broader sharing of the cost of capital investments for the actual beneficiaries. It would provide a source of funding to increase the operational efficiency for the movement of goods at the Port and throughout the region. It would allow for the advancement of important Port roadway projects to reduce congestion and truck idling times and mitigate their attendant negative environmental impacts. It would partially recover the Port Authority's non-reimbursed incremental, post-9/11, security-related operations and maintenance costs, and it would recover a portion of the previously unamortized capital investments and future related capital costs. And, finally, would create a simplified and adjustable fee structure to meet future infrastructure needs. Commissioners, I request that you advance this item to the full Board for approval today. Thank you.

[Comm. Bauer] Rick, what would the fee be?

[R. Larrabee] It would be, on average, less than $9 per container. It would be $1.11 per automobile, and it would be 13 cents per metric ton on bulk cargo.

[Comm. Bauer] How does that compare with the--oh, I'm sorry. How does that compare with the previous fee, the Marine Tariff Fee?

[R. Larrabee] That fee was only for our rail fee, and that fee had grown to $57.50.

[Comm. Bauer] Okay, but we're comparing apples to oranges, right, so how much more revenue will this bring for us?

[R. Larrabee] The present value of the revenue stream that we've calculated is $720 million. It covers all of the current projections for the current rail fee. It covers our projections for what we need for security, and it covers the current roadway projects that are going to be advanced.

[Comm. Bauer] It should be good.

[R. Larrabee] McLester Street curve, the widening of McLester Street, and the area around the Port Street-- those three projects are covered today.

[Comm. Bauer] Then it shouldn't be obstructive to anyone because the cost seems relatively reasonable--I mean--in my mind. I don't have a—

[R. Larrabee] Our feeling is that today the cost of moving a box from China to New York is about $2,000. So we're talking about a very small increment of that cost. If you break it down to a TV, for instance, it amounts to less than a penny a TV.

[Comm. Bauer] Wow. Thank you.

[Comm. Silverman] Excuse me--is this--go ahead.

[Comm. Holmes] Among the fees we're eliminating, I assume that we'll be taking in more than we were taking in?

[R. Larrabee] That's correct.

[Comm. Bauer] That's what I meant.

[Comm. Silverman] I was going to ask is this similar to our other ports like Baltimore, or any of the ports we compete with? Do they do something similar to this?

[R. Larrabee] Today there are 70 other ports that recover a security fee, so we're in the minority, when it comes to security fees. The other example I would give you is that the ports of Los Angeles and Long Beach collect $50 per TEU, or $100 per box fee, for something called Pier Pass. It basically does the same thing that we're trying to do, which is improve the efficiency of the Port. In that case, that fee is collected for a box picked up during daylight hours. If you don't pick it up until nighttime, you don't pay that fee. In our case, we're trying to improve the overall efficiency of the Port. A good example would be today, by eliminating the $57 rail fee, we think we can make shorter rail hauls much more competitive than we've been able to do in the past.

[Comm. Bauer] So I guess the answer is it does make us more competitive?

[R. Larrabee] We believe it will dramatically improve the efficiency of the Port, and by paying this fee, we're then going to be able to do things that will improve efficiency and ultimately reduce the cost of operating here.

[Comm. Silverman] Okay, if there are no other questions, I guess we need a motion to advance it to the full Board?

[Comm. Steiner] I'll move it.

[Comm. Bauer] I'll second it.

[Comm. Silverman] All in favor?

[Committee members] Aye.

[Comm. Silverman] Any other items for this meeting? If not, we're adjourned. Thank you.

The Port Authority of New York and New Jersey
Committee on Construction Transcript
October 20, 2011

[Chair R. Pocino] Good morning, everyone, and welcome to the Committee on Construction. The first part of this committee meeting is in Public Session-- on construction is being held in Public Session, after which the Committee will meet in Executive Session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. First discussion item is the Greenville Yard-Port Authority Marine Terminal-- Intermodal Container Transfer Facility--ExpressRail Port Jersey-- Phase I Project Authorization--Early-Action Pre-Construction Work. And Richard Larrabee will give us the lowdown on that.

[R. Larrabee] Good morning, Mr. Chairman.

[Chair R. Pocino] Good morning.

[R. Larrabee] Commissioners. It's a pretty catchy title.

[Chair R. Pocino] I thought it was never going to end.

[R. Larrabee] I think most of you are aware of the fact that rails are a very important element of our overall strategy for growing our business in the Port. In 2010, rail volumes rebounded at the port, and we handled about 377,000 containers through our ExpressRail system. This is about a 22% increase over the previous year, and I'm pleased to report that rail volumes this year are up about 12.5% through August, and the numbers in August and September were the highest 2 rail months that we've had in the history of the system. So, rail continues to be a high demand part of our business. Today your authorization is requested for the first phase of a project that will provide for certain early-action pre-construction work associated with the future development of our Intermodal Container Transfer Facility in Jersey City at the Greenville Yards. The estimated cost of this work, which includes surcharging of the site, is $13.8 million. Authorization of Phase II of the project, which would cover the development of the ICTF, would be subject to further Board authorization. The future implementation of this project is expected to generate about 400 jobs, $23 million in wages, and $116 million in economic activity over the life of the project. As background--and I know as you recall from our previous discussions-- the Port Intermodal Rail Development Program consists of the design and construction of various elements of the ExpressRail system, providing on-dock and near-dock intermodal rail facilities in all of our terminals in both New York and New Jersey. Rail improvements constructed to date have resulted in one of the most modern on-dock intermodal rail facilities in the Country. The ExpressRail currently consists of ExpressRail Elizabeth, including ExpressRail lead tracks, the interim ExpressRail facility at Port Newark, ExpressRail Staten Island, including the Chemical Coast Connector, and the Phase 1A and 1B of ExpressRail Corbin Street Intermodal Rail Support Facility. These improvements have resulted in record growth of the regional intermodal rail movements, which facilitated the increased container volumes through our marine terminals. Construction of the full build-out of ExpressRail Port Newark is currently underway and targeted for completion in the 1st quarter of 2015. Lastly, the planned construction of a new intermodal facility at Greenville Yards, which will be known as ExpressRail Port

Jersey, would serve the Global Container Terminal in Port Jersey. In April of 2009, the Board authorized the acquisition of the 100 acre Global Container Terminal, and the Port Authority entered into a 37-year lease with Global for the site and the adjacent 70 acres of property at Port Jersey for the development of a new expanded container terminal. So, as you recall, this was the privately held facility here, 100 acres. Our 70 acres, which was an automobile facility, we've taken title to this property. Global Terminal's now has the ability to build out the entire peninsula, and this will ultimately be 170 acres of a continuous modern container facility. Port Jersey does not have direct access to rail today. The containers leaving that facility must be trucked to the regional rail facilities, adding to a roadway congestion and air pollution problem, as well as the cost. In that regard, it was determined that the ideal location in the area to create an intermodal container transfer facility is at Greenville Yards, this area right here, which we own. Pursuant to the lease agreement with Global, the Port Authority is obligated to design and construct an operational intermodal container transfer facility at Greenville with a minimum capacity of 125,000 lifts by July 1st of 2014, and the full build-out of this facility of 250,000 lifts 2 years later. Commissioners, in order to ready the site for construction of the proposed ICTF, your authorization is requested to allow for certain early-action pre-construction work to proceed at this time at a total estimated cost of $13.8 million. Under the proposed Phase I Project, the planned working track and gantry crane area will be surcharged in order to achieve acceptable sub-service soil conditions. Work would include the demolition of asphalt pavement, the removal of underground utilities, the placement of approximately 210,000 cubic yards of sand to consolidate the soil, the installation of dewatering devices and settlement detection instrumentation and sediment and erosion controls. Included in the proposed Phase I Project is $25,500 for the consulting services of Langan Engineering and Environmental Services, previously retained for the project from an existing call-in list developed from a publicly advertised request for proposals. Of this amount, approximately $18,000 has been expended to date. It is currently anticipated that the project authorization for the final design and construction of ExpressRail Port Jersey will be requested in the 1st quarter of next year. Providing rail services to Global, which is a critical element of the overall development of that facility, would enhance the competitiveness of the marine terminal facilities. The future implementation of this project is also expected to generate 400 jobs, $23 million in wages, and $116 million in economic activity. Commissioners, I request you advance this item to the full Board for approval today. Thank you.

[Chair R. Pocino] Thank you, Richard. They say so goes rail, so goes the economy, so maybe this is a good indicator in terms of things to come. Commissioners, can I have a motion to approve this to move onto the Board? I have a motion and a-- [Comm. A. Sartor] Second. [Chair R. Pocino] Second. Now, any comments or questions? [Comm. H. Silverman] I'm just curious. How are you going to get the containers from the Global Container Terminal to the area of the ExpressRail? [R. Larrabee] There will be a gate designed right here, Commissioner, and they'll be drayed over and put here in a storage area and then lifted on. The rail facility itself uses rail-mounted gantries, so they'll reach across, pick up a box, and then bring it over. And they'll straddle 8 tracks, so they can put it on any one of 8 cars. These are near-dock facilities. The idea that you could take a container off of a ship and immediately put it on a rail car really doesn't exist any place that I'm aware of. There's a small dray associated with all of our boxes. [Chair H. Silverman] I see. Okay, thank you.

[Chair R. Pocino] Okay, next item. Tony, did you have anything? [Comm. A. Sartor] No, no comment. [Chair R. Pocino] The next item is the PATH Newark Tailtrack Air Compressor System Project Authorization, and Michael DePallo will do that. Michael?

[M. DePallo] Thank you. Good morning, Commissioners.

[Chair R. Pocino] Good morning.

[M. DePallo] I'm here today to recommend that the Board authorize a project for PATH's Newark Tailtrack Air Compressor System at an estimated total project cost of $3.7 million. The project is expected to generate 13 jobs, $800,000 in wages, and $5 million in economic activity. Currently, Amtrak provides a compressed air system required to operate PATH signal train stops and switches. Periodically, Amtrak's compressed air system has failed, thereby creating service interruptions for PATH customers. In an effort to eliminate the need to rely on Amtrak's aged equipment, the proposed project would provide a compressed air system that includes 2 40-horsepower air compressors and necessary ancillary equipment to enable PATH to provide its own compressed air for PATH operations. This project will provide PATH with an air compressor system to serve PATH track and signaling operations between the Dock Bridge and the South Street Yard Track Termination in Newark, New Jersey. The photograph above shows the overall location of that new air compressor system. As seen in these photographs, the proposed location of the air compressor building will be at PATH's Flyover Tracks, which is above Amtrak's tracks at the McCarter Highway--that's Route 21--and Green Street. Work includes installing electrical conduits and utility cabinets to Amtrak's structure and routing the electrical conduits and the proposed compressor location above Amtrak's columns support. The air compressor system will be housed in a new prefab metal building located at the flyover at Green Street and McCarter Highway at PATH's South Street Yard. The total project cost of $3.7 million includes construction, planning and engineering and administration of financial expenses and a project contingency to account for Amtrak's review fees and Amtrak flag men when the work is near their tracks. Included in the proposed project are costs associated with consultant services from Lizardos Engineering Associates for electrical design at an estimated amount of $82,000 and Dewberry-Goodkind for structural design and Studio 5 Partnership for architectural design at an estimated amount of approximately $100,000 to support the project. Firms were selected from an existing call-in list that was developed from a publicly advertised Request for Proposals. Approximately $143,000 has been expended in connection with these services to date. Pending the execution of the Right of Entry Agreement with Amtrak, the anticipated award date is the 2nd quarter of 2012 with a construction duration of approximately 1 year. Commissioners, I request that you advance this item to the full Board today.

[Chair R. Pocino] Thank you, Mike. I have a motion. And a second? [Comm. A Sartor] Second. [Chair R. Pocino] Second. All in favor? [Comm. W.P. Schuber] Can I ask-- [Chair R. Pocino] We have time for-- we will do that now, Pat. [Comm. W.P. Schuber] Okay. I wanted to ask you-- this is just a technical question for me. The other matters on here, I understand what they do and how they operate. Please forgive my ignorance on this, but if you could explain to me, what's the connection between air compression and the operation of the rail service? [M. DePallo] Okay. Well, our switches and our train stops, they're electro-pneumatic, and so it uses-- an electrical signal goes to the air compressor, and it uses compressed air to force over the switches in alignment. And also to operate the train stops. The train stops are essentially arms that are in the field. When there is a green signal, it's down. When there is a red signal, it comes up, and there is a corresponding device on the train so that it will strike that train stop. If it's red, it will strike it, and it will cause the train to go into braking. [Comm. W. P. Schuber] To stop. [M. DePallo] To stop. And that's the connection. [Comm. W.P. Schuber] Therefore, one of the purposes for this is obviously to allow us to not have to be dependent upon the Amtrak air compression

system. [M. DePallo] That's right. Which as I understand from the memo and some of the discussions I've had on this has been somewhat defective over the course of time. [M. DePallo] That's correct, yes. [Comm. W.P. Schuber] Okay. [M. DePallo] This will make us independent, and we'll have our own destiny. [Comm. W.P. Schuber] And I'm assuming Amtrak is not doing anything with their own system? [M. DePallo] They don't do much with it. [Comm. W.P. Schuber] Okay.

[Chair R. Pocino] Okay, thanks. Anyone else? All right. Thanks Mike. The next item is the Harrison Station Replacement Demolition of Existing Building Project Authorization. Mike, you're going to do that as well.

[M. DePallo] Thank you. I'm here today to recommend that the Board authorize a project for the demolition of buildings required to accommodate long-term plans for the redevelopment of the PATH Harrison Station at an estimated total project cost of $4.8 million. The project is expected to generate 20 jobs, $1 million in wages, and $6.5 million in economic activity. The existing Harrison Station was built in 1936. The existing platforms and canopies have reached the end of their useful life. The property is approximately 2.12 acres. It includes 3 connected single story industrial buildings encompassing approximately 60,000 square feet on block 137, lot 1 in the town of Harrison, New Jersey. A companion item is advancing to the Board this month to acquire the property, which is necessary for the future redevelopment of the Harrison Station. The proposed new eastbound station house will occupy approximately 0.6 acres of the site. The remaining 1.6 acres will be utilized for construction staging for the new station. Alternatively, all of the portions or portion of the 1.6 acre remainder may be sold as access land or exchanged with adjoining owners for additional property interest needed for the proposed station. As previously mentioned, the property has 3 connected single story industrial buildings. The center building is a high bay building with an overhead crane for lifting equipment. The environmental assessment of the building was completed. Abatement work, which will be done concurrently with the demolition, will include asbestos, tar, lead, and universal waste removals and a paint shop cleanup. The total project cost of $4.8 million includes construction, planning and engineering, administration and financial expenses, and a project contingency to account for unexpected delays in abatement, demolition, and disposal work. Included in the proposed project is $42,000 for consulting services required of ATC Associates Inc. to perform an environmental survey and assessment to support the project. ATC was selected from an existing call-in list that was developed via a publicly advertised Request for Proposals. The contract is anticipated to be awarded in the 2nd quarter of 2012, and construction abatement and demolition is expected to last approximately 6 to 9 months. Commissioners, I request you advance this item to the full Board today. Thank you.

[Chair R. Pocino] Commissioners, you have a request for advancement to the Board. Do I have a motion? [Comm. A. Sartor] Second. [Chair R. Pocino] All in favor? [Comm.'s A. Sartor & H. Silverman] Aye. [Chair R. Pocino] Oppose? Anyone have any comments/questions in this regard? Okay, this concludes the public portion of today's meeting. The Committee will now adjourn to executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals.

The Port Authority of New York and New Jersey
Committee on Finance Transcript
October 20, 2011

(audio issue – sound begins while meeting in progress)

[A. Mulligan] ....terrorism is also included in this program. This slide presents a summary of the expiring program and renewal options available for the aviation portion of the Liability Program--including the Aviation War Risk Terrorism Coverage, which protects the Port Authority airports. The expiring limits of coverage are $1.25 billion, per occurrence and in the aggregate, for both aviation general liability and aviation war risk; with a $3 million self-insured retention for the general liability, and no retention for the war risk.

For the renewal, three different coverage limits were marketed, with various retentions, in order to provide the Committee with renewal options. As shown, the delivery of coverage and risk retained influences overall premium cost. Option 1 provides a $1.25 billion as expiring limit-- with a $3 million or a $5 million self-insured retention-- while Options 2 and 3 provide lower limits of $1 billion and $750 million per occurrence, respectively-- with the same retention options. The self-insured retention--from $3 million to $5 million-- will result in slightly reduced premiums, while increasing the Port Authority's financial exposure to losses.

Staff and Marsh are continuing to work vigorously in negotiating a reduction for cost of this program, up to the October 27 renewal date. Based on the recommendation of the Insurance Working Group's consultant, the insurance underwriters on the Aviation Program have also quoted $50 million of general liability coverage over the Port Authority's Construction Insurance Program, for an additional premium of $95,000. This amount's not reflected in the premium estimates above. This $50 million of coverage would be in excess of the primary $50 million on the Construction Insurance Program for all Port Authority-responsible construction projects taking place at the Agency's airports. As a result of discussion with the Insurance Working Group, it's recommended that, on the aviation portion of the program, we go forward with the renewal program similar to the expiring limits; that we also take the additional $50 million of the excess coverage to sit on top of the Master Construction Insurance Program; and staff was also requested to work with Marsh-- to see if there would be available limits in the market-- additional market capacity, at reasonable rates-- above the $1.25 billion coverage.

Moving on to the non-aviation portion of the program-- this slide shows the current expiring program and 2 renewal options. The current limits on the Non-aviation General Liability Program are $1 billion per occurrence and in the aggregate limit, in excess of a $5 million per occurrence deductible. The Port Authority continues to retain 30 percent of the first $25 million layer-- or $7.5 million--in self-insured retention from the purchase coverage. The expiring Non-aviation Terrorism Program provides $300 million of capacity through the Terrorism Risk Insurance Program Reauthorizaton Act of 2007. This coverage is purchased through the Port Authority's Insurance Captive Entity, PA-ICE.

For the renewal, 2 options received quotes from the market. Specifically, the expiring structure could be renewed or the Agency could renew the program at a reduced liability limit of $750 million per occurrence, for a reduced premium anticipated at about $14 million. The TRIPRA coverage would remain at $300 million for either option. For this portion of the program--the Non-aviation-- the market

was not able to quote excess liability coverage for the Master CIP. However, on this portion of the Program, as well, it was recommended that staff pursue additional limits-- above the expiring program-- over the next week, with Marsh-- if the capacity is available, and it's at reasonable rates.

Shown here, is a summary of the Public Liability Program with both the expiring program, as well as the program that's recommended to put in place. If it's possible, we would confer with the Chairman of the Committee-- if additional limits above the expiring programs are available between now and next week. But we would request authorization to place these programs, at these levels, at a minimum. The estimated premium for this is approximately $20.5 million, flat to last year.

[Comm. H. Silverman] Okay--are you done, Anne Marie?

[A. Mulligan] Yes.

[Comm H. Silverman] I think the way it works is we have a motion, and then we have questions. [Comm. R. Pocino] I move it, Mr. Chairman. [Comm. H. Silverman] Second? [Commissioners] Second.

[Comm. H. Silverman] Now we go to the (inaudible) ...questions. Does anyone have any questions, comments, or anything they want to speak to anybody about?

[Comm. W. P. Schuber] I wanted to know if I could get a copy of the PowerPoint on this, please?

[A. Mulligan] Certainly, Commissioner.

[Comm. A. Sartor] Yeah, there were 3 members of the Insurance Working Group here, as a matter of fact, and we did meet yesterday afternoon via conference call. I do want to advocate spending the extra $95,000 for the $50 million of additional coverage.

[Comm. H. Silverman] So directed, please?

[A. Mulligan] Certainly.

[Comm. H. Silverman] And with that, we'll take a vote. All in favor? [Commissioners] Aye. [Comm. H. Silverman] So the motion--your resolution--is granted, with the additional $95,000 premium for the additional $50 million of coverage.

[A. Mulligan] Thank you.

[Comm. H. Silverman] Thank you--okay, that concludes the public portion of our meeting. The Committee will now adjourn to executive session to discuss matters involving ongoing negotiations over use of contracts or proposals.

The Port Authority of New York and New Jersey
Committee on Operations Transcript
October 20, 2011

[Chairman D. Samson] Thank you. The first portion of today's meeting of this Committee on Operations is being held in Public Session, after which the Committee will meet in Executive Session to discuss matters related to the purchase, sale or lease of real property or securities where disclosure would affect the value thereof or the public interest in matters involving ongoing negotiations or reviews of contracts or proposals. The public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. The sole topic on today's public agenda concerns new concession leases in Terminals A and B at Newark Liberty International Airport. Sue Baer? Thank you.

[S. Baer] Good morning, good morning. Thank you. I think we're having a few technical difficulties so you'll get slides I think, but in the meantime why don't I start...

[Chairman D. Samson] Please.

[S. Baer] and tell you about these. I'm here to request your approval for 5 concession agreement as part of the Terminals A and B Concessions Redevelopment Program at Newark Airport. As you know, under your direction, staff has been working with our partner Westfield Concessions Management on a multi-phased effort to re-brand concessions in these 2 terminals with a goal of improving the overall experience for our passengers.

To date we've brought 5 phases of the program for your approval, following Requests for Proposals as new or existing space becomes available for leasing. These phases have resulted in aggregate, minimum and annual guarantees totaling $135 million, an increase of 66% over existing minimums for those spaces, with percentage rentals ranging from 9 to 16%. In addition, each new lessee is providing significant investment to update their existing spaces or fit out new spaces.

Of the prior phases, you have approved to date, which is 60 spaces all together, 53 are now open to our customers. Pic--no, not pictured here, but showing you some new spaces, there's 53 open, 5 are under construction, and just one is still in design.

[Chairman D. Samson] Here we go.

[S. Baer] Here we go. [Off camera comm.] Progress.

[S. Baer] There's the picture of this. Just the other day staff attended the ribbon cutting for Phillip's Seafood in Terminal A, and for the Swatch store in Terminal B. Commissioners today I'm seeking your approval for the next phase of this program which proposes 6 new concepts to enhance the dining and retail experience for our customers in Terminals A and B. It would add a net of 25 new jobs to the airport. In this current phase, we're adding 2 retail concessions including Tech Interaction and Voyage: A Travel Experience.

We're also adding 5 food and beverage options including 2 Tasty Delight, Jersey Mike's, Manchu Wok, and Auntie Anne's. Of the spaces, 3 will be post Security concessions in Terminal B. [Off camera comm.] Fabulous. [S. Baer] All of the concessions will be operated, at least in part, by certified Disadvantaged Business Enterprise. As of 2010 Newark Airport's total participation of DBE (Disadvantaged Business Enterprises) based on the percentage of of total sales is 28%. This far exceeds our stated goal of 17% participation for the airport.

Commissioners you have before you the detailed terms for each of the 5 agreements that staff is recommending to you today. These agreements cover over 3,000 square feet of concession space. During the term of these agreements, tenants will pay the greater of a minimum annual guarantee or a percentage rent as specified in their proposals as well as promotional fees and common area maintenance charges. The proposed leases were selected via competitive RFP process and represent the highest financial return and/or highest use to the Agency for each space. In total these leases would generate a minimum of $5.8 million in guaranteed revenues over the terms of the leases or percentage rentals of between 10 and 24%, whichever is higher. When compared to the minimum guarantees for the existing spaces, for which these are new leases, the proposed leases represent 118% increase over our current minimums. Tenants will make a significant investment to fit out the space with new fixtures and finishes as appropriate. We expect the renovations of these concessions will be completed by the 3rd quarter of 2012. Commissioners I request that you advance this item to the full Board for approval. Thank you.

[Chairman D. Samson] Thank you, Sue. Do any of the commissioners have any questions or comments? Yes, Commissioner Steiner?

[Comm. D. Steiner] I'm interested in what you said about the minority participation. What's our goal?

[S. Baer] 17%.

[Comm. D. Steiner] And where are we?

[S. Baer] 28% at Newark including these.

[Comm. D. Steiner] Including these we have now reached 28%?

[S. Baer] Right.

[Comm. D. Steiner] So we're nearly double of what we're supposed to.

[S. Baer] Double of what our goal--we have to set a goal, and that our goal was 17%.

[Comm. D. Steiner] And this is to comply so we meet all the current FAA regulations?

[S. Baer] Right, the FAA regulations.

[Comm. D. Steiner] What are we required under the FAA, and what do they suggest?

[S. Baer] They suggest the 17%, but you can do--you have some flexibility under that.

[Comm. D. Steiner] Okay, so you don't have to make the 17 if there are extenuating circumstances?

[S. Baer] If you've made good effort to achieve those goals.

[Comm. D. Steiner] Who in the Port Authority is responsible for encouraging this? Don't we have a representative or someone here at the Port Authority?

[S. Baer] We do have an office that works with us. They certify--

[Comm. D. Steiner] Who is this your talking about?

[S. Baer] Lash Green. They certify--we have our own certification that we do so they certify businesses to determine whether they meet the the requirements to be a DBE.

[Comm. D. Steiner] Well you understand what the problem with that is? You can't--you can't force big companies to use small companies ...it's a big investment required. I just wanted to let you know that I understand, and I think you're doing a good job for the small people, but you should not ever expect to get major companies to do more than the hire because the capital that's required to open a store is billions of dollars. It's very unlikely you will find an MBE to fall in that category, and I congratulate you on your efforts.

[S. Baer] Thank you. And I think you're doing a good job.

[S. Baer] Thank you.

[Comm. D. Steiner] I just want to put the thing in the right perspective.

[S. Baer] No, it's true.

[Comm. D. Steiner] And I think our effort in that department certainly should be towards developing small business and not bothering big business, but all you can do with big business is to get them to hire, and I think that that emphasis should be important.

[S. Bauer] And we do that too.

[Comm. D. Steiner] Maybe we have to sit down with Mr. Green and direct him because some of his efforts are I think to the contrary.

[S. Baer] Well some of ours are big companies that have either franchise opportunities for DBEs so they work with them and also provide capital so we do that.

[Comm. D. Steiner] I understand it's a franchise agreement, but I'm talking about where somebody will have to put millions of dollars into a business.

[S. Baer] Right.

[Comm. D. Steiner] I think if we put time in on that we're wasting our efforts.

[S. Baer] Yeah.

[Comm. D. Steiner] I think what we should do there is to try to get them to hire people and encourage people about this, and I think maybe we have to have a discussion in the future with Mr. Green directing his efforts in a correct area to reach our goals, but I think it's wonderful that we're nearly double what the goal is and I commend you for it.

[Chairman D. Samson] Do any other commissioners have questions or comments?

[Comm. V. Bauer] (inaudible).

[Chairman D. Samson] I just--Sue what is the role of Westfield in this process?

[S. Baer] Westfield was selected. There are--

[Chairman D. Samson] Actually there was two parts so let me—

[S. Baer] Oh, sorry.

[Chairman D. Samson] You can answer it all in one time. What's been the role of the Westfield in these proposed lease agreements, and to what extent has our real estate department reviewed them and concurred?

[S. Baer] They concur. When we-- The way this works in Terminals A and B-- There's many terminals. There's a number of different ways this works, but Terminals A and B are under our control.

[Chairman D. Samson] Right.

[S. Baer] Many years ago there was a a determination that we should seek outside assistance to be our professional leaf managers for the concession program. We had a different company, Unison, and then in 2007 we did an RFP. Their contract was up. We did an RFP, and Westfield was chosen during the RFP process we did with procurement.

[Chairman D. Samson] Right.

[S. Baer] So Westfield is our Manager. They go out and leverage a lot of their contacts, but they go out and they do an RFP process for each individual location. They also are the Manager. They collect the fees. They do the advertising. They do the common area cleaning. They do all of the work for the retail concessions, and so they make a recommendation about who should move into these spots. It is reviewed by us including the Real Estate Department, and we concur with that, or in the past we sometimes had questions about it, and we send it back. We find it unacceptable. They didn't meet a high enough percentage.

[Chairman D. Samson] Understand, but in terms of the lease terms themselves those are reviewed or if not proposed in the first instance by Westfield, our consultant?

[S. Baer] They are proposed by them. They use what was commonly used at airports, and they benchmark against other airports.

[Chairman D. Samson.] Yeah, I understand, but the point of all this is that--

[S. Baer] Yes, they propose it.

[Chairman D. Samson] In addition to relying on our own Real Estate Department's expertise, we're relying on Westfield's experience as well.

[S. Baer] Yes. Yes, they make the proposal. We have to approve of it.

[Chairman D. Samson] Commissioner Rechler?

[Vice-Chairman S. Rechler] Just as to follow-up with that so their sole role is as a service provider. They don't have any economic interest other than being the service provider.

[S. Baer] And they're compensated based on percentage of sales up to a certain amount. It's one and a quarter, then it jumps to 1.75, and then so—

[Vice-Chairman S. Rechler] Do you have an incentive arrangement?

[S. Baer] There's an incentive arrangement for them to bring in the highest and best uses of the facility, but we have different arrangements, and some of the airlines have different arrangements where a company would come in and also be a developer. In the case of Terminals A and B that is not true.

[Vice-Chairman S. Rechler] I mean is there a--

[S. Baer] They are managers.

[Chairman D. Samson] Mike you want to say something?

[M. Francois] No, I think we reviewed this.

[S. Baer] We did.

[M. Francois] We were involved early on in evaluating the various options for the retailers and the rents, and we're very happy.

[Chairman D. Samson] Thank you. Commissioner Steiner?

[S. Baer] Thank you.

[Comm. D. Steiner] I'd like to point out here as a good example that we're working with people who are experts in the business, and that's why I recommended we do business with Westfield because they're one of the leading shopping center, though I'm a little pimple in that business, but I know who those guys are and what they have the advantage to us is they have the leverage because they operate in so many shopping centers and so many airports that their tenants go to them, and they can say, "Look you're doing business with me, and I want you to go to Newark Airport."

[Chairman D. Samson] Yeah, sure.

[Comm. D. Steiner] And I think that's a good thing just like we're going to work with—

[Chairman D. Samson] Well it just adds to the Board's confidence in these proposals.

[Comm. D. Steiner] We don't have the experience—

[Chairman D. Samson] Exactly.

[Comm. D. Steiner] Nor do we have the staff, nor could we give it, and I think that's a good thing for us to follow with many others of our business where we can't staff up, and we can't compete.

[Comm. V. Bauer] Right.

[Comm. D. Steiner] We should make use. I mean Scott you do that too, right?

[Vice-Chairman S. Rechler] Yeah, well I would just add to that I completely agree, particularly in the retail sector. I would just say that if there's ways, and again, I'm not familiar in this instance, but I think the model of also having them have an investment themselves so to really ensure alignment versus just a service provider.

[Comm. D. Steiner] I love that if you can—

[Vice-Chairman S. Rechler] If it is as much as--

[Comm. D. Steiner] Their rear end is on the line.

[Vice-Chairman S. Rechler] Right.

[S. Baer] For example, we did that and still have an arrangement like that at LaGuardia Airport where we brought in, again, through an RFP process we selected a vendor and they provided-- they fit out space, etc. so they have an investment option. Here it was determined, again, times change that the best way to do this was to have them be a Manager. Their incentive is sales.

[Comm. D. Steiner] That's at the World Trade Center. That's the model.

[Vice-Chairman S. Rechler] Yeah.

[Comm. D. Steiner] And always good to have a partner who has skin in the game.

[Comm. V. Bauer] Yeah.

[Chairman D. Samson] Commissioner Bauer?

[Comm. V. Bauer] Just one quick question. Does Westfield look for more health conscious food?

[S. Baer] That's very much an airport trend.

[Comm. V. Bauer] I'm hopeful because we are supporting that.

[S. Baer] Yes, it is very much an airport trend, and we try to always have a range of options for people as the airlines continue to not serve food or serve only food for pay. There's much more interest in having a lot of options out there, fresh options.

[Chairmz\ D. Samson] You're not thinking of giving up cheese steaks are you?

[S. Baer] No. We wouldn't do that.

[Chairman D. Samson] Okay. Now let's not go overboard on any of this, okay?

[S. Baer] The Tasty Delight is a diet ice cream.

[Chairman D. Samson] Next time there won't be any pastrami for Commissioner Steiner. Thank you very much.

[S. Baer] You're welcome.

[Chairman D. Samson] I'd like to move this forward for approval? [Comm. D. Steiner] Approval. [Chairman D. Samson] Second? [Vice-Chairman S. Rechler] Second. [Chairman D. Samson] Okay, all in favor? Good. This concludes the public portion of today's meeting. The Committee will now adjourn to executive session to discuss matters related to purchase, sale, or lease of real property or securities where disclosure would affect the value thereof or the public interest in matters involving ongoing negotiations and review of contracts and/or proposals. Thank you.

The Port Authority of New York and New Jersey
World Trade Center Redevelopment Subcommittee Transcript
October 20, 2011

[Chair A. Sartor] The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee is being held in Public Session, after which the Subcommittee will meet in Executive Session to discuss matters involving ongoing negotiations or review of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceeding via the Internet. The first item for discussion is World Trade Center construction trade contracts, Mr. Plate?

[S. Plate] Good morning, Commissioners. Our momentum continues across all World Trade Center sitewide projects. Today, I'm requesting your approval of 3 actions necessary to move forward with our critical progress. The first contract for Architectural Finishes, which includes East Side General Contracting work such as waterproofing and painting of steel, as well as installation of specialty items, was publicly advertised with Landmark Group being the lowest-priced qualified proposer at a cost of $8.8 million, excluding extra work and clause work, which compares favorably to the staff estimate of $13.4 million and includes payments of $700,000 to Downtown Design Partners and $800,000 to Tishman/Turner for Design and Construction Management Services, respectively.

[Chair A. Sartor] Mr. Plate, why the big difference between the staff estimate and this number here?

[S. Plate] Actually, we had 3 bids, and they ranged from $9-- one was at $13, and one was at $20. This item was the contractor Landmark has worked with us. They worked on the--do you remember the Early Action Contracts? They're very familiar with the site. They're very familiar with what has to be done. They've done high-quality work and we're very pleased that they basically bid the job very aggressively, as we're finding over and over again.

[Chair A. Sartor] I just wanted the Board to understand why that discrepancy. This is a great contractor, great contract; you guys did a great job on it.

[S. Plate] Thank you, sir.

[Chair A. Sartor] I'll entertain a motion that this be moved to the full Committee. [Comm. D. Steiner] So moved. [Comm. R. Pocino] Second. [Chair A. Sartor] Second? Any questions? If not, I'll entertain the motion to approve. [Comm. V. Bauer] So moved. [Chair A. Sartor] Done, now it's done. Okay, I'm sorry. Next item, Mr. Plate? World Trade Center Site Development Agreements with the Orthodox Church of St. Nicholas.

[S. Plate] Yes, this next contract for site maintenance and operations, which includes hoist operations and debris removal.

[Chair A. Sartor] I'm sorry, we're not there yet. I apologize, go ahead. My mistake.

[S. Plate] That's alright, I didn't pay attention. [laughter]

[Chair A. Sartor] Usually, you don't, but that's okay.

[Comm. D. Steiner] What else is new, right?

[S. Plate] Thanks a lot, Commissioners, I appreciate your support. It was also publicly advertised with Manhattan Business Interiors-- by the way, a certified MBE firm--being the lowest-priced qualified proposer at a cost of $16.9 million, excluding extra work and clause work as well, which again, compares favorably to the staff estimate of $17.2 million and includes payments of $1.2 million to Downtown Design Partners and $1.3 million to Tishman/Turner for Design and Construction Management Services respectively. To anticipate your question, we had 5 bidders of which 4 of them were in the range of $17-$19, so it was very, very competitive group; a very tight bid. And by the way, this kind of bridges off of something else that you asked us to continue to look at ways of cutting costs? We actually had went out for bid with this one and the prior contract as one contract. When we got the bid, it was $30 million. I said that was unacceptable, let's go out and break it into subcontracts which we did--we broke it into 2, and the total of these 2 contracts I just shared with you are now $25 million, so we saved--

[Comm. D. Steiner] Instead of?

[S. Plate] $30 million.

[Chair A. Sartor] $30 plus, right.

[S. Plate] So we saved about $5 million for the Port Authority by doing that on our own initiative.

[Comm D. Steiner] Is that saying maybe we should do that in the future?

[S. Plate] Well, we're looking at--as we go through this, we're looking at that very closely.

[Comm. D. Steiner] [Inaudible] many more people in and breaking it up into more manageable--

[S. Plate] Yes.

[Comm. D. Steiner] --things where smaller things you can do [inaudible].

[S. Plate] Yes, and you're getting, by the way, we're seeing a lot of people, a lot of new faces, a lot of new companies, that the reputation of The Port Authority and the World Trade Center is very--.

[Comm. D. Steiner] --request this and what we know about MBI?

[Chair A. Sartor] Before we do that, let me entertain a motion that this be moved to the full subcommittee? [Comm. V. Bauer] So moved. [Chairman D. Samson] Second.

[Chair A. Sartor] Okay, now questions.

[Comm. D. Steiner] My question is, is this a phony minority company where they hired one guy over the real--you know, what we all--?

[S. Plate] No, no. It's been vetted by the IG. Everything we do is vetted.

[Comm. D. Steiner] You understand my position, they get some guy--?

[S. Plate] Yes, we're very sensitive to that.

[Comm. D. Steiner] And they hire somebody who is a minority and then they've got a company--"Is this real?" is what my question is so far.

[S. Plate] No, this is what the IG has vetted it. By the way, they've done the work for the Yeshiva University, Con Ed Substation, the Berkeley Carroll School, TD Bank, so they've done everything in that range, each one.

[Comm. A. Sartor] As Steve has said, these contracts are all vetted by the IG's office and we have a good feel for who these people are and whether or not there are any issues with them.

[Comm. D. Steiner] Well, you understand my concerns.

[Chair A. Sartor] Absolutely, and that's one of the reasons why we have the IG in the middle of all of this stuff.

[Comm. R. Pocino] So we've done our due diligence?

[Chair A. Sartor] Yes, we have. Okay, next item?

[S. Plate] The next item requests authorization to enter into an agreement between The Port Authority and the Greek Church, which will implement the necessary property exchanges, allowing the Greek Church, VSC, and Liberty Park to proceed with certainty, the details of which include the location of the church on the East Side of the site with a significantly reduced footprint, no impact to the VSC schedule, and ultimately resulting in a resolution to the dispute.

The PA will provide the necessary infrastructure to support the church at an estimated cost not to exceed $25 million.

[Chair A. Sartor] I'll entertain a motion to move this to the full board. [Chairman D. Samson] Motion. [Chair A. Sartor] Second? [Comm. R. Pocino] Second.

[Chair A. Sartor] Alright, let's have some discussion on this. I want to make an opening statement. When this was first broached maybe a month, month-and-a-half ago, I asked Steve to put together a group of our consultants consisting of our construction managers, Tishman/Turner, the engineer, STV, and a group of others who are associated with the overview of the VSC with the specific question in place--not concerned with the cost as much as I was with the schedule implications and the potential issues associated with slowing down a construction of VSC. There were assurances from the professionals around the table that there wasn't a problem with this. I'm very comfortable with the fact that there will not be an effect on our overall schedule. Steve has built into this schedule some acceleration into the $25 million, so I'm very comfortable with it. I just wanted to put that on the table and if anybody else has any questions or comments?

[Vice-Chairman S. Rechler] I'm just going to add just that I was involved with Steve on this as well, and I'm very comfortable with the time frame, and I think that it shows that if you're thoughtful about what you're trying to do and lay out a framework in which we have an ability to negotiate within, the other party also was willing to compromise, and so the reasons we're successful is because we determine, as Commissioner Sartor said, what we're capable of doing and reach out our hand to the other side and said, "If you meet us halfway, you can have this. If you can't, we can't do it," and they ultimately stuck to that limitation and were able then to have a compromise and be able to move something forward that I think relieves The Port of having a potential unknown as to what would happen with the lawsuit, and I think frankly is going to come in significantly less costly than the alternative.

[Comm. Steiner] I want to commend you for what you did. I like the whole position of we've settled and we have far too much litigation, we're fighting with too many people, we're picking fights with the wrong people, this is something--a good public service thing we have an obligation to do it, and I think we can come up with a very cost-effective system, with a solution. If we had been in courts, we would be there for 10 years, then God knows what the solution is. I'm from what you call the early settlers, you know?

[Vice-Chairman S. Rechler] Me, too.

[Comm. D. Steiner] Even though we weren't early settlers in the Country, we're early settlers in the matter. Let's get rid of all these fights and let's get something done.

[Chair A. Sartor] As the Vice-Chair said, this is significantly below the estimates that we collectively as a Board were looking at 3 years ago or 4 years ago.

[Comm. R. Pocino] A job well done, Mr. Chairman.

[Comm. V. Bauer] Yes, and job well done to you, Steve.

[Chair A. Sartor] Mr. Chairman?

[Chairman D. Samson] I wanted to just put this in a little bit longer perspective. and that is I think the Board, if I can speak on behalf of the Board, viewed it as unfortunate that this dispute got to the point where it was and that it involved litigation. I think we can all agree that most disputes shouldn't be in litigation as a place to resolve the issues and particularly the issues that were involved in this project shouldn't have been the subject of litigation, and it's unfortunate that the negotiations and agreements that were sought never got to fruition. But I think it's a perfect example of how if we ask the right questions as a Board, if we work with management on issues like this, because it couldn't have been done without Commissioner Rechler and Commissioner Sartor. And then finally, under the leadership of our Governors, this was an issue that was important to the region, Governor Cuomo, Governor Christie--their leadership and the Board's involvement with staff--everybody worked on this thing, and it ended with the right result, so everybody's entitled to take a victory lap on this thing. And I agree with you, Dave, in particular, I want to thank the Vice-Chairman and Commissioner Sartor for their leadership on this.

[Chair A. Sartor] Any other questions? Seeing none, this concludes the public portion of today's meeting. The Subcommittee will now adjourn to Executive Session to discuss matters involving ongoing negotiations or reviews of contract or proposals. Thank you.

The Port Authority of New York and New Jersey
Committee on Construction Transcript
November 15, 2011

[Chair R. Pocino] We'll call to order the Committee on Construction. Today's meeting of the Committee on Construction is being held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. For discussion, we have 2 items, the first item being the John F. Kennedy International Airport Rehabilitation of Taxiway C Project Authorization. Susan will give us that report.

[S. Baer] I will indeed. Thank you, and good morning. I'm here today to seek project authorization to rehabilitate Taxiway C at JFK Airport. This project would maintain a state of good repair and improve access for Group V aircraft to Cargo Areas C and D, which are served by the taxiway. This project will result in the creation of 120 jobs, $8 million in wages, and $32 million in economic activity.

The portion of Taxiway C being rehabilitated under this project authorization is 4,300 feet long and 75 feet wide. It's located at the end of Runway 13L-31R to just beyond Taxiway W. The taxiway is used primarily as the main route for aircraft arrivals on Runway 13L-31R heading to Cargo Areas C and D. The portion of the taxiway east of Taxiway W remains in a state of good repair. It does not require rehabilitation at this time. Rehabilitation also includes shoulders, erosion pavement, and the associated restricted vehicle service road.

The bulk of the taxiway was last rehabilitated in 1997. Based on Engineering's pavement management system, staff has determined that the existing pavement has deteriorated due to normal wear as you will see in the images before you. This taxiway rehabilitation is necessary to maintain the state of good repair. The taxiway will be rehabilitated in asphalt because it is the most cost-effective solution based on the expected aircraft usage. The work will be staged, and certain sections of the taxiway will be closed nightly but will reopen at 6 a.m. daily. Impacts on the airport operations are expected to be minimal as alternative taxiway routes will be used during the temporary closures. In addition to paving, the turning radii at fillet locations will be increased, and guidance signs will be relocated to accommodate the larger turning radii required for Group V aircraft, including the 747-400, the 777-300, the A-Airbus 340-600, and with some restrictions, the Group VI 747-800.

As part of this project, the electrical and civil infrastructure will be rehabilitated, including the airfield lighting, water, and drainage improvements. The total economic impact over the life of the project is currently estimated to result in 120 jobs, $8 million in wages, and $32 million in economic activity.

AECOM was retained in 2009 to provide project management services at an estimated amount of $130,000 to support this project. The firm was selected from an existing call-in list developed via publicly advertised request for proposals.

Planning for this project was authorized with the All Airport Aeronautical Operations Area Pavement Rehabilitation Program last May. We expect to return to the board for contract authorization in the 1st quarter of 2012. Due to the seasonal nature of asphalt paving work and required staging to keep the cargo areas operational through the construction, a 2-year construction period is anticipated. The total project cost is estimated at $20 million, which will be fully recoverable through the JFK flight fee. In

addition, an application will be submitted to the FAA to recover eligible construction costs through airport improvement program grants. Commissioners, I request that you advance this item to the full board for approval. Thank you.

[Chair R. Pocino] Thanks, Sue. Commissioners, obviously, airports are an integral, valuable asset in terms of what the Port Authority does here. Keeping them in a state of good repair is a no-brainer. Anyone have any comments or questions in reference to moving this on to the full board? [Comm. A. Sartor] I motion to move to full committee.

[Comm. W. P.Schuber] Having originally--Susan had given me the tour back out at JFK and taken a look actually at some of these runways--

[S. Baer] Actually, on this taxiway.

[Comm. W. P. Schuber] On this taxiway, and I can well understand why this is important, and I second Tony's motion.

[S. Baer] Thank you.

[Chair. R. Pocino] Okay, all in favor? [Comm. A. Sartor] Aye. [Chair R. Pocino] Oppose? The ayes have it. The next item on our agenda is the Lincoln Tunnel, the structural rehabilitation and repaving of the helix, award of the contract there, and Cedrick Fulton will give us that report. Cedrick?

[C. Fulton] Good morning, commissioners. In December 2010, the board authorized a project for the structural rehabilitation and repaving of the Lincoln Tunnel Helix at a total estimated project cost of $98.1 million. Today we are seeking your concurrence of the contract award for this project, which is included on a November action of reports. This project is expected to generate 470 jobs, $27 million in wages, and $123 million in economic activity.

The Lincoln Tunnel Helix plays a key role in the regional transportation network as it connects the Lincoln Tunnel to several major New Jersey highways, including the New Jersey Turnpike, Routes 1 and 9, New Jersey Routes 3 and I-495. The helix carries the exclusive bus lane, which provides a vital link to Midtown Manhattan for 63,000 passengers and more than half of the total number of customers that use the Lincoln Tunnel each day during the morning peak period.

The helix was constructed in 1937, and while it's structurally sound, it's nearing the end of its useful life. In addition, it is functionally obsolete with narrow lanes and no shoulders. A recent structural assessment and field investigation confirmed that the helix structure requires rehabilitation. While the current conditions do not compromise the load-carrying capacity of the helix at this time, they must be addressed under this contract to maintain the helix in a sound, operational condition over the next 10 years as work is undertaken for its eventual replacement. Addressing these issues now will avoid the potential for costly emergency repairs and the unplanned lane closures and potential failure and load restrictions on the helix.

The level of facility maintenance resources required to maintain the helix pavement has significantly increased in recent years. It has become increasingly difficult to maintain a smooth ride surface due to the age and the condition of the underlying structural deck. As a result, staff developed a program for the

helix to address its short-term needs, paving repairs, mid-term needs, this work that we're proposing today, and long-term needs, the replacement.

The proposed contract for the structural rehabilitation and repaving of the helix will address varying levels of wear to the existing structural components and the roadway pavement. The scope of the rehabilitation will include concrete repairs to the structural deck, beams and columns, repairs to the support steel, replacement of the expansion joints and roadway pavement, and upgrading of the median barrier. The completion of the structural rehabilitation and repaving of the helix will provide a safe, reliable and well-maintained roadway and ensure customer confidence and satisfaction. Another benefit of this project is it provides staff with the necessary time to put together a detailed program to replace the helix. This program includes the identification of staging and replacement alternatives, the development of conceptual and preliminary designs, the evaluation of alternatives, the selection of preferred alternatives, and conducting the necessary environmental reviews and securing environmental permits as necessary.

The contract work requires full closures of the helix in 1 direction at a time. The work will be performed during off-peak overnight shifts during the week and on weekends to minimize inconvenience to travelers and impacts on facility operations using the typical closure patterns used for routine maintenance. The full overnight closures of the helix will occur in the eastbound direction first. The anticipated start date for these closures is August 2012. Once all eastbound work is complete, the full closures will begin in the westbound direction. The westbound overnight closures of the helix will begin during the latter part of 2013. Traffic management plans will be used to minimize delays to our customers. The traffic management plan includes the use of police at signalized intersections to improve traffic flow along the detour routes. The plan also includes the implementation of a comprehensive customer outreach program including fixed and variable message signs, press releases, website information, tunnel radio, New York and New Jersey 511 travel information numbers, and regular contact with local individuals, businesses, community groups, and other transportation agencies to ensure project information is readily available to those impacted by the construction. It is anticipated that traffic delays will occur during the beginning, late night, and/or early morning hours of the overnight shifts when traffic levels are relatively high.

Again, the total regional economic impact over the life of the project is currently estimated to result in 470 jobs, $27 million in wages and $123 million in economic activity.

Bids were solicited from a list of 16 contractors developed from a publicly advertised request for qualifications. 9 bids were received. Staff recommends the award of this contract to the lowest bidder, El Sol Contracting and Construction Corporation of Maspeth, New York at a total estimated cost of $56.3 million, including extra work, risk extra work, net cost work, and contractor's compensation of 8% of the estimated net cost work amount.

Based on current forecasts, staff believes that the project can be implemented at a total cost of $88.4 million, which is $9.7 million below the authorized budget. Construction is expected to start in the spring of 2012 and be completed by the 4th quarter of 2014. Commissioners, your concurrence is requested for award of this contract.

[Chair R. Pocino] Thank you, Cedrick. Again, the key artery in terms of this facility that we run, this Port Authority, keeping it in a state of good repair is obviously very important to us and keeping people, goods and services moving throughout the region and indeed, throughout the world, when you think about it, and a great addition in terms of affecting our economy, especially at this time when it's needed so badly. Again, commissioners, I urge us to move this onto the board for approval. [Comm. W. P. Schuber] So moved. [Comm. A. Sartor] Second. [Chair R. Pocino] All in favor? [Commissioners] Aye. [Chair R. Pocino] Opposed? The ayes have it. Thank you very much. That concludes our session here at the Construction Committee. I thank all of you for your participation and have a good day.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Transcript
November 15, 2011

[Chair A. Sartor] In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. The first item is the award of construction trade contracts for the World Trade Center, Mr. Plate?

[S.Plate] Good morning, Commissioners. We continue to make significant progress across all World Trade Center projects. Today, I'm requesting approval of several items necessary to continue our momentum at the site. I would like to first recommend a contract of award for the Hub. The concourse architectural steel, which includes approximately 160 architectural steel ribs spanning the ceilings and walls of the North/South concourse was publicly advertised with Skanska Koch being the lowest-priced qualified proposer at a cost of $10.1 million, excluding extra work and clause work, which compares favorably to the staff estimate of $10.6 million. Authorization for this contract includes payments of $700,000 to Downtown Design Partners and 900,000 to Tishman/Turner for Design and Construction Management Services, respectively. The award of this contract will bring us up to 97% of Hub Trade Contracts awarded to date.

[Chair A. Sartor] Any questions? If not, I will entertain a motion to move this to the full committee. [Comm. D. Steiner] Motion. [Chair A. Sartor] Second? [Commissioners] Second. [Chair A. Sartor] All those in favor? [Commissioners] Aye. [Chair A. Sartor] Next item Steve.

[S.Plate] Concerning the Vehicular Security Center, we are recommending today the award of 2 contracts. The first contract for roofing and waterproofing was publicly advertised with Eagle One Roofing being the lowest qualified proposer at a cost of $2.8 million, excluding extra work, which compares favorably to the staff estimate of $4.2 million. Authorization for this contract also includes a payment of $200,000 to Liberty Security Partners for Design Services.

[Chair A. Sartor] What was the estimate?

[S.Plate] 4.2.

[Chair A. Sartor] Okay, that's a significant—

[S.Plate] The reason it was on the lower side is right now they're doing work on Greenwich Street--Tower 2, Tower 3--so they're all over the site and they have a staff there ready so this would be some—

[Chair A. Sartor] Any questions on this? Seeing none-- [Comm. W.P. Schuber] Second. [Chair A. Sartor] Okay, next item Steve?

[S.Plate] The second VSC contract for concrete masonry partitions was also publicly advertised with Holt Construction being the lowest qualified proposer at a cost of $3.8 million, excluding extra work, which compares favorably to the staff estimate of $4.1 million and also includes a payment of $300,000 to Liberty Security Partners for Design Services. Based on a review of Holt's work history

and performance as well as their ability to be bonded, World Trade Center Construction has deemed a performance bond not in the best interest of the Port Authority. Your authorization of these items will provide for over 86% of VSC trade contracts awarded to date.

[Chair A. Sartor] I will entertain a motion unless there's a question. [Comm D. Steiner] So moved. [Chair A. Sartor] Second? [Commissioners] Second. [Chair A. Sartor] Move it on to the full committee.

[S.Plate] Our next item, request planning work for phase 3 of the World Trade Center's Streets project in the amount of $5 million, of which $3.9 will provide for an increase in compensation to Downtown Streetscape Partners for design services including the preparation of final design and construction documents for the 60,000 square foot Liberty Park located on the Southern side above the roof of the VSC.

[Chair A. Sartor] Any questions on this item? [Comm. R. Pocino] Second. [Chair A. Sartor] All in favor? [Commissioners] Aye. [Chair A. Sartor] Next item, Steve.

[S. Plate] Our next item for approval is a contract for Podium Glass at One World Trade Center, which was publicly advertised with Permasteelisa North America Corporation being the highest technically-ranked and lowest cost proposer at a cost of $34.5, excluding extra work, which again compares favorably to the staff estimate of $37.5 million. This item also requests increases to several existing designer construction contracts for modifications necessary for the podium wall redesign in an aggregate amount of $15.4 million, excluding contingency. The proposed contract will result in an overall savings of approximately $8 to $10 million while maintaining the construction schedule of 1 World Trade.

[Chair A. Sartor] That was from the original design, Steve, that we had to modify, correct?

[S. Plate] Yes.

[Comm. D. Steiner] I thought it was $29 million.

[Chair A. Sartor] No--no, it was—

[S. Plate] It was 8 to 10.

[Chair A. Sartor] That was my mistake yesterday, it's less.

[Chair A. Sartor] Go ahead, Steve, I'm sorry.

[S. Plate] No, that's fine. We are down to near the end, so with this authorization, we've awarded 99% of One World Trade's contracts.

[Chair A. Sartor] Any questions? Yes.

[Comm. W. P. Schuber] I have a question.

[Chair A. Sartor] Yes, Sir.

[Comm. W. P. Schuber] Steve, can you explain to me what this glass does?

[S. Plate] Okay. What it does is, if you remember on the bottom 20 floors from this point to this point.

[Comm. W. P. Schuber] Is the base--in other words, it's the base.

[S. Plate] Yes. When you walk around with me, you see the hardened portion, the concrete—

[Comm. W. P. Schuber] Yeah. This part goes around that.

[S. Plate] That's correct.

[Comm. W. P. Schuber] Okay.

[S. Plate] Because—

[Comm. D. Steiner] Actually they had these before and it didn't work --that architect's dream.

[Comm. W. P. Schuber] Understood.

[Comm. W. P. Schuber] Thank you.

[Chair A. Sartor] Any other questions? [Commissioners] Motion moved. [Comm. W. P. Schuber] Second. [Chair A. Sartor] All those in favor? [Comm. V. Bauer] Aye. [Chair A. Sartor] Next one, Steve.

[S. Plate] The last item concerning retail and parking projects, I'm requesting your approval of a concrete and waterproofing contract, which was publicly advertised with Eurotech Construction being the lowest qualified proposer at a cost of $5.9 million, which compares favorably to the staff estimate of $6.1 million. Your authorization of this item will provide for over 63% of the Retail and Parking Trade contracts awarded to date. Commissioners, I request that you advance these items to the full board for their approval.

[Chair A. Sartor] Any questions?

[Comm. D. Steiner] Yeah, I just want to point out the reason we are doing this is because we don't have a deal in place with a retail operator. (Inaudible) position instead of Westfield.

[Chair A. Sartor] This would go ahead whether or not we go with Westfield.

[Comm. D. Steiner] (Inaudible)
[Chair A. Sartor] Westfield would be part of this.

[Comm. D. Steiner] So what your saying is, but we are doing it in their place, but we don't know whose place.

[Chair A. Sartor] Yes.

[S. Plate] No, this is--this is really just a (inaudible) in the parking area.

[Chair A. Sartor] Yeah.

[Comm. D. Steiner] Then I'm thinking of something else.

[S. Plate] No, that's coming next month possibly.

[Comm. D. Steiner] Okay.

[Chair A. Sartor] Yeah, this would have to be done either way.

[P. Foye] Let me just add something as well, which is that if the Westfield deal is restructured, it's really got no impact on this work which needs to be done anyway.

[S. Plate] That's right.

[P. Foye] And it does not limit our options in any way to restructure the Westfield deal.

[Comm. D. Steiner] That's what I wanted to make sure of.

[P. Foye] In terms of ownership or investment.

[S. Plate] This puts waterproofing and smooths out the parking area for parking spaces.

[Chair A. Sartor] Any additional questions? If not-- [Comm. W. P. Schuber] So moved. [Chair A. Sartor] Second? [Commissioners] Second. [Chair A. Sartor] All who's in favor? [Commissioners] Aye. [Chair A. Sartor] Next item Steve.

[S. Plate] That's it.

[Chair A. Sartor] That's it?

[S. Plate] That's it.

[Chair A. Sartor] We got off easy today, Steve.

[S. Plate] Yes, Sir-- Thank you, Sir.

[Chair A. Sartor] This concludes the public portion of today's meeting. The subcommittee will now adjourn to executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. Thank you.

The Port Authority of New York and New Jersey
Committee on Finance Meeting Transcript
December 8, 2011

[Comm. W. P. Schuber] Good morning everyone. This is the public session of the Finance Committee. I want to welcome all the Commissioners, members of the staff, and members of the public. Today's meeting of the Finance Committee is being held in public session, in its entirety. In addition, this meeting is being broadcast live on the Port Authority's Web site for those interested in viewing today's proceedings via the Internet. We have 1 item for discussion today-- 1 item only-- and that's the Debt Issuance Plan for 2012. And I welcome to the Committee's table, Ann Marie Mulligan--Ann Marie.

[A. Mulligan] Good morning, Commissioners. Today, I will briefly summarize for you the Debt Issuances from 2011 and the financing plans for 2012. During 2011, we issued approximately $2.6 billion in Consolidated Bonds. It was through 5 different Series of Consolidated Bonds. Of the $2.6 billion of proceeds, approximately $2.23 billion was used to fund capital construction and approximately $400 million was used to refund prior obligations. The true interest cost of the Consolidated Bonds ranged from 4.198 percent to 5.191 percent. The major factor in the spread in the TIC's is due mainly to the maturity structure of the different bonds being issued, market conditions at the time of the sale, and the type of bonds being issued-- whether it's taxable or tax exempt. The 166th Series, the 167th Series, and the 169th Series were issued on a competitive basis. In September, we successfully completed the sale of $1 billion of Consolidated Bonds, the 168th Series, for capital expenditures in connection with the World Trade Center site. The bonds were sold on a negotiated basis, with Citigroup as the lead underwriter with a syndicate that included 6 M/WBE firms. Last week $672,480,000 of Liberty Bonds, Series 1WTC 2011, were issued through the New York Liberty Development Corporation. The Liberty Development Corporation used the proceeds from that Series of bonds to acquire Port Authority Consolidated Bonds, 170th Series, which were issued on a private placement basis with the Liberty Development Corporation. The proceeds from these bonds will be used for capital expenditures in connection with 1 World Trade Center. Both Series of bonds were issued in the same principal amount, and with the same maturity structure and interest rates. This mirror bond enabled the Port Authority to achieve lower cost, tax-exempt financing for construction at the World Trade Center site. The yield achieved on the bonds was 4.594 percent, while a federally taxable Series would have been about 5.5 percent. As you recall--as a result of the turmoil that commenced during the fall of 2008, staff began implementing a plan to redeem outstanding Versatile Structure Obligations-- or VSOs-- in order to eliminate the Authority's exposure to variable rate obligations requiring third party liquidity support. On March 23, $225 million of Consolidated Bonds, 167th Series, was issued to fully refund VSO Series 1R and VSO Series 4, which were each redeemed on April 29. the proceeds of the 167th Series were also used to refund $55.9 million of Commercial Paper. On October 26, $400 million of Consolidated Bonds, 169th Series, was issued, in part, to fully refund on December 1, about $45 million of Consolidated Bonds, 117th Series, and $153 million of Consolidated Bonds, 122nd Series. Net present value savings for the 117th and 122nd Series refundings totaled $5.1 million and $20.7 million, respectively. Next year, proceeds from borrowings will be one of the various sources that will be used to support the preliminary proposed 2012 Capital Program. This slide recaps information that you received with the proposed Preliminary 2012 Budget. We estimate that the capital cash available

at the beginning of 2012 will be about $1.65 billion, and includes balances remaining from the bond Series issued over the course of the year--particularly the bonds for the World Trade Center projects. The cash on hand will be supplemented with approximately $1.45 billion of Consolidated Bonds, to be issued during 2012. Consolidated Bond refunding opportunities will be analyzed at the time of each sale and prior obligations may be refunded, depending upon market conditions. Other sources of funds to be used will include $215 million of Passenger Facility Charges and $1 billion of Direct Investment in Facilities-- and that's comprised of $463 million of Port Authority investment, $349 million of federal funds related to the World Trade Center Transportation Hub, $70 million of aviation-related grants for the Airport Improvement Program, In-line Baggage, and the JFK Delay Reduction Program. There's also $47 million for a Cross Harbor grant and $84 million for PATH Office of Emergency Management, and smaller grants. After payment of the capital budget of $3.654 billion, our capital cash balance remaining at the end of 2012 will be approximately $770 million.

[Comm. W. P. Schuber] Ann Marie, I would ask just preliminarily--before any of the commissioners might have questions--if you would provide us a copy of your report, beyond the PowerPoint, if you might, please, to all the--

[A. Mulligan] Of course.

[Comm. W. P. Schuber] Commissioners on the Committee. Thank you.

[A. Mulligan] Sure.

[Comm. W. P. Schuber] Do any of the Commissioners have any questions for Ann Marie? Commissioner Lynford.

[Comm. J. Lynford] Very good report, and a very good job last year in, a harrowing market, to be able to issue that much debt, at those attractive rates.

[A. Mulligan] Thank you, Commissioner.

[Comm. J. Lynford] Going forward, in 2012, I see you have your work cut out for you. Do you have any thoughts about the markets? But I'm specifically interested in this $96 million of Commercial Paper because it looks, to me-- you can correct me if I'm wrong--as though we're using short term debt to fund long term capital needs. Could you sort of talk to us about that, and how you expect to pay off the Commercial Paper--and what's the plan for that?

[A. Mulligan] The Commercial Paper program that we have is authorized at a maximum of $500 million.

[Comm. J. Lynford] How much is drawn out of that so far, would you say?

[A. Mulligan] We currently have about $350-$375 million outstanding. So what we do is use that, pretty much, as bond anticipation notes. We use Commercial Paper-- as the balance of the Commercial Paper program grows to the maximum amounts, we then refund a portion of it with

a long term, fixed rate bond. That, then, provides us additional capacity in our Commercial Paper--we pretty much roll it over so that this way we open up some capacity to use for some financing and then roll it out long term.

[Comm. J. Lynford] Well, what I was trying--just run this by first-- is that I see you have $770 million worth of cash at the end of the year. Why wouldn't you use the funds available, rather than go to short term Commercial Paper, which would take your borrowings up by another $100 million? There must be some strategy behind that.

[A. Mulligan] What we use the Commercial Paper for are for different facilities where we have not directly allocated bond proceeds to be used for the capital construction there. We also use it to reimburse the Capital Fund for some amounts where we've used direct investment--and there's a lag in the time between the expenditures incurred and the reimbursement of the Capital Fund. Labor costs, we typically use direct investment in facilities. We also--for programs where we get federal funds-- we pay the expenditure first, then get the reimbursement from the federal government--

[Comm. J. Lynford] I guess I'm saying why wouldn't we use our cash, where we're getting very little yield, rather than pay somebody a yield in the Commercial Paper market? That was just the rest of my question.

[A. Mulligan] The cash, we would be able to use would come directly from the Consolidated Bond Reserve Fund. We are, next year, planning on using $500 million from the Consolidated Bond Reserve Fund and we need to maintain certain levels within our combined reserve funds.

[Comm. J. Lynford] So you're saying we really don't have that available cash, even though it says it's available?

[A. Mulligan] The available cash here is cash from bond proceeds. Each of the different Series that we've issued--that we have not fully invested-- >>

[Comm. J. Lynford] Okay--they're allocated for other things and so--

[A. Mulligan] --and each Series is allocated to individual Port Authority facilities, depending on the type of bond.

[Comm. J. Lynford] Okay--at year end, how much--at the end of 2012, what will be our outstanding Commercial Paper?

[A. Mulligan] Based upon that, it will be close to the $500 million limit.

[Comm. J. Lynford] To full capacity.

[A. Mulligan] Yes.

[Comm. J. Lynford] So in 2013, what is our plan to pay down that Commercial Paper?

[A. Mulligan] With each issue, we look to see how close we are to the maximum limit, and we take down portions of it. Next year, when we issue our Series of bonds, we will build in refundings or pay downs of about $50 to $100 million with each Series, in order to gain the capacity to then reuse the Commercial Paper program.

[Comm. J. Lynford] I'm monopolizing my--but if I could continue—

[Comm. S. Rechler] You have a lot of my questions--keep going.

[Comm. J. Lynford] So this rubber band that we have of using the Commercial Paper for the appointed facility--is there a number that you would like to be at for our businesses? I mean, you're saying we're getting pretty close and then we're going to pay it down. That makes me a little nervous that if something--if we hit a bump in the road-- pun intended--transportation company-- have we used up any of our excess sort of contingency?

[A. Mulligan] If we didn't have the capacity in the Commercial Paper program, we could reallocate existing bond proceeds to cover the cash needs there or, if necessary, then we would then go to our reserve balances and use the cash from there.

[Comm. J. Lynford] Even though that's pledged to paying back the Commercial Paper? Well, what's the different bond fund that's--Mike, maybe you can--

[D. Buchbinder] You keep the bonds for the bond lines and use them for--

[Comm. J. Lynford] Yeah--I'm just trying to understand our liquidity.

[D. Buchbinder] Well, the Commercial Paper is really used as a short term accumulation. It's good when you need to finance a long term annuity. So rather than issue a 30-year Consolidated Bond-- your initial question as to the Commercial Paper-- I prefer it to the issuance of a Consolidated Bond--

[Comm. J. Lynford] But I'm saying something different though. I'm saying that--the nuance I'm trying to raise is that while I understand the rollover and I understand the pay down, it doesn't seem that we pay it down that much and therefore, the liquidity factor that we have is narrow--or am I missing something?

[D. Buchbinder] Well, it's really--it becomes a function of access to the market, long term—

[Comm. J. Lynford] That is definitely--

[D. Buchbinder] and rolling--and allowing you to rollover, it also can count as a function. Since you're going to go long on these expenses, you're going to capture the short end of the market for as long as you can, which gets you into probably an average of about 6 to 8 months of outstandings just based on the continuing rolls. It really acts as a cumulative program that has some benefits in capital accumulation for you to go longer.

[M. Fabiano] And if I could just make one more point-- A lot of these programs will end up--at year end will probably be the dollars for the World Trade Center projects, which are taxable bond dollars-- We wouldn't use them at our regular facilities because we can use more efficient financing through governmental bonds or AMT type bonds. So a lot of that is probably the World Trade Center dollars that will be sitting there, to be used towards--into 2013, as we continue to finance the--

[Comm. J. Lynford] I was just going to say--maybe Scott and Pat and Darrell-- we could sit in a subcommittee, sort of informal, and sort of talk this through just so I can get a real clear picture.

[Comm. W. P. Schuber] Thank you for the clarification, Mike. Commissioner Rechler.

[Comm. S. Rechler] Most of my questions were answered but I guess--just to follow up on Commissioner Lynford's point--and I guess the question would be: isn't it safer to sort of bring this level down to $250 million versus just the $50 million reduction, and go long while you have an effectively low interest rate. I know we have a lot to do but the market's are open to long term bonds. I mean, I think I'd rather see us add a couple hundred million dollars more, long, and have the cushion on the Commercial Paper.

[A. Mulligan] In the Commercial Paper, we have it allocated. There's two different Series of Commercial Paper. One Series is for our governmental type facilities--tunnels, bridges, and PATH. The other Series is for airports and ports. So within those two programs, we take down $50 to $100 million--within the limitations. The Series A is a $300 million program for the airports and ports. Series B is $200 million. So each one of those--when I was saying we take them down $50 to $100 million-- each one of them comes down, $50 to $100 million at a time.

[M. Fabiano] But we can look, in fact, at--(inaudible)-- depending on the market conditions, if they're really good-- increasing the amount of debt that we're going to issue because we would go for an authorization at that point in time to get bonds in. We were trying to keep, because of the interest rates, as few bonds out sitting there-- because of the difference between the interest rate environment and the earning rate environment-- as short and low as possible. But we can look at that as we go through the year and strategize.

[Comm. W. P. Schuber] Commissioner Rechler.

[Comm. S. Rechler] That's all.

[Comm. W. P. Schuber] Okay. Commissioner Moerdler.

[Comm. J. Moerdler] No questions.

[Comm. W. P. Schuber] Jeff?

[Comm. J. Lynford] I just want to reinforce what he said is that when the markets are open-- I understand we might save a little bit in the arbitrage--but when the markets are open, I always

believe you try to get the longest possible. I think if Scott and Pat would agree--and all my colleagues.

[Comm. J. Moerdler] I agree. We might lose a little bit, in the short term, on that arbitrage spread of what we do with the money, but I'd rather have the cash.

[Comm. W. P. Schuber] Commissioner Rechler.

[Comm. S. Rechler] Just in order to clarify--right, because I thought my recollection was we need to have cash collateral for the Commercial Paper program anyway.

[M. Fabiano] Yes. So I'm not really sure, when you add that in, we're really saving that much since we have to keep the cash collateral also versus going long and being safer. So that's an analysis that we should look at more closely.

[Comm. W. P. Schuber] Thank you. Any other questions?

[P. Foye] I wanted to ask one.

[Comm. W. P. Schuber] Executive Director--

[P. Foye] (inaudible) think about a stress test because obviously, after the crash in 2008, the Commercial Paper market closed, to the misfortune of many issuers, both public and private. I think stress testing that is probably an exercise worth Mike and Ann Marie's worthwhile.

[Comm. W. P. Schuber] Pat, thank you very much. Any other questions? Ann Marie, on behalf of the members of the Committee, and echoing Commissioner Lynford's comments initially, just accept our appreciation and thanks for the great work that you've done-- and the members of your department have done this year. As we come to the end of 2011 it's certainly, financially, a very turbulent year. But we appreciate the work that you've done, and we look forward to working with you in the future, in 2012, as we face the challenges--economically--of 2012. With that then, I'll entertain a motion to, without any further discussion then, I'll entertain a motion to adjourn the public session of the Finance committee.

[Comm. J. Lynford] So moved.

[Comm. W. P. Schuber] Second?

[Comm. S. Rechler] I'll second it.

[Comm. W. P. Schuber] All in favor?

[All Commissioners] Aye.

[Comm. W. P. Schuber] So moved. The Committee is adjourned.

The Port Authority of New York and New Jersey
Committee on Construction Transcript
December 8, 2011

[Vice-Chairman S. Rechler] We'll get this committee underway since we're a little bit behind schedule, so I ask that we move in an expeditious manner today. The first portion of today's meeting of the Committee on Construction is being held in public session, after which the committee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. I'd like to commence right now with the first agenda item. Susan, would you care to jump into the Newark Liberty International Airport rehabilitation?

[S. Baer] Excellent. Good morning. I'm here to seek project authorization to rehabilitate Runway 4R-22L at Newark Liberty International Airport. This project would maintain a state of good repair and the construction of 2 new partial-length, high-speed taxiways and the realignment of 2 additional taxiways, which will facilitate airport delay reduction initiatives. This project will result in the creation of 270 jobs, $15 million in wages, and $64 million in economic activity.

As you can see from the above, planning for this project was authorized with the All Airport Aeronautical Operations Area Pavement Rehabilitation Program last May. You can see from the the above where we are on the various pieces of that authorization. Runway 4R-22L is 10,000 feet long and 150 feet wide. It's a north-south runway located on the east side of the airport and handles approximately 190,000 aircraft operations annually. The vast majority of aircraft land on this particular runway. Runway 4R-22L will be rehabilitated in asphalt. A life cycle cost analysis was performed and indicated a 20% cost savings when rehabilitating in asphalt over concrete.

The runway was last repaved in 2004. It receives the majority of the landings at Newark, which adds to the stress on the pavement and shortens the life span of the asphalt. Inspections of the runway have identified pavement surface cracking and raveling due to debonding of the surface, normal pavement wear, settlement, and weathering. Note the images before you. In order to maintain a state of good repair, rehabilitation of the runway is required. The work will be staged to minimize the impact on airport operations. This project will also include electrical system rehabilitation on the runway and existing taxiways and new lighting for 2 new partial-length, high-speed taxiways. Portions of the 2 new high-speed taxiways will be constructed as part of this project up to the runway hold bars. The remaining work on the taxiways will be done when we do work on the adjacent taxiway P, which will be completed in full as part of a separate project to rehabilitate that taxiway, which we expect to advance next year.

Together these improvements would reduce runway occupancy times. The reduction in occupancy times equates to nearly $9.4 million of annual savings in both direct aircraft operating costs and the value of passenger time. These improvements would also increase the efficiency of ground operations and reduce aircraft fuel consumption emissions. The new high-speed and realigned taxiways are part of the delay reduction initiatives at Newark. They will be implemented as the need increases to rehabilitate runways and taxiways. The total regional impact over the life of this project is currently estimated to result in 270 jobs, $15 million in wages, and $64 million in economic activity.

CH2M HILL was retained earlier this year to provide electrical design services at an estimated amount of $500,000 to support this project. The firm was selected from an existing call-in list developed via publicly advertised request for proposals following Brooks Acts procedures.

Planning for this project in the amount of $3 million was authorized last May and is included in the proposed project authorization. We expect to return to the board for contract authorization in the first quarter of 2012. The project is expected to be completed by the first quarter of 2013. The total project cost is estimated at $42 million, which is anticipated to be fully recoverable through passenger facility charges. Should there be a balance, the remaining costs are fully recoverable through the Newark flight fee component of the Newark master lease. Commissioners, I request that you advance this item to the full board for approval. Thank you.

[Vice-Chairman S. Rechler] Thank you very much for the presentation. Any questions by any of the commissioners? If there's no questions, I have a motion to advance this then. [Comm. D. Steiner] So moved. [Comm A. Sartor] Second. [Vice-Chairman S. Rechler] All in favor? [Commissioners] Aye. [Vice-Chairman S. Rechler] Okay.

[S. Baer] Thank you.

[Vice-Chairman S. Rechler] Thank you very much. And now do you want to just continue with the Stewart International Airport?

[S. Baer] Today I'm also seeking project authorization for terminal expansion at Stewart International Airport. This expansion would allow for the concurrent processing of international and domestic passengers and improve the overall capacity of the terminal. This expansion is necessary for Stewart to attract and grow international passenger service and general corporate aviation activities, increasing the airport's potential revenues. The project will result in the creation of 120 jobs, $8 million in wages, and $33 million in economic activity.

Stewart's passenger terminal opened in 1997 and today includes 7 gates, 38 check-in stations, concessions and car rental facilities. In its current state, the terminal reaches capacity at approximately 1 million annual passengers. The airport operated near that number briefly when the Port Authority first acquired the airport prior to the economic downturn. In 2010, the airport served approximately 400,000 passengers. To ensure that we meet our goal of developing the airport into an alternate gateway to our metropolitan region, we are planning now to address the terminal's ability to handle commercial international flights and future demand. As part of these efforts, it is necessary to construct a viable, international arrival, FIS, a Federal Inspection Services area, to attract and accommodate scheduled international carriers, charters, and diversions. In addition, domestic interest in the Caribbean is also being discussed, and adequate FIS will enable Stewart to efficiently process arriving international passengers and domestic operations concurrently, as well as the airline diversions when necessary.

This terminal expansion will increase the terminal's capacity beyond 1 million annual air passengers by providing additional baggage handling and arrivals capabilities. Early this year, we developed a portion of the existing terminal as an interim FIS facility to process scheduled or itinerant international flights of approximately 200,000 passengers. Customs restrictions and physical space constraints, however, do not

allow for, currently, simultaneous international and domestic operations in the terminal. This is an interim agreement.

As you can see, there are 2 operational procedures for domestic and international. Due to customs and border patrol, CBP requirements, the interim FIS facility is restricted to only 2 years of operation. A more permanent solution is required in order to satisfy CBP requirements and to attract and accommodate international carriers, charters, diversions, and general corporate aviation. This expansion satisfies that requirement.

The proposed terminal expansion is approximately 31,500 square feet on the north side of the terminal and includes the relocation of the interim FIS operation and the construction of additional public restroom facilities. Completion of this construction will allow the terminal to handle simultaneous domestic and international arrivals and provide daily flexibility to shrink or expand either the international or the domestic baggage area depending on the utilization requirements. The terminal expansion is planned in a fashion that allows seamless future improvements that would provide additional customs support space necessary as well as an automated baggage carousel and the installation of passenger access directly from the gate in lieu of the way it's currently done, which is from a hard stand. As passenger demand for international activity increases, these improvements will be required to accommodate the additional passenger traffic.

Future authorizations will be initiated as necessitated by passenger volume and operational needs. The total project cost is estimated at $19.9 million. An application will be submitted to the FAA to recover eligible costs through airport improvement program grants. We expect to return to the board for contract authorization in the first quarter of 2013 and to complete this project by the end of 2014. This project will result in the creation of 120 jobs, $8 million in wages, and $33 million in economic activity. Commissioners, I request that you advance this item to the full board for approval today.

[Vice-Chairman S. Rechler] Commissioners, any questions?

[Comm. J. Moerdler] What do you foresee-- What do you foresee as the long-term strategy after the 2 years of the interim facility?

[S. Baer] This interim solution is in place now, and we've used it. Last year we had international charters. We've had some very good discussions with a couple of--

[Comm. J. Moerdler] This is the large adjacent--

[S. Baer] This is the area we now have where you move the wall and create--we used leftover, discarded products from an old terminal to be able to put the counters in. We did this very inexpensively. Customs is willing to do this on an interim basis, but they made it very clear they will only operate in this sort of ad-hoc fashion for a short period of time. And also, right now it works because we don't have a lot of scheduled service. You can't do both international and domestic at the same time currently. So, this authorization, when this is built, you could do them both, and it will continue to be a very flexible arrangement so you can either grow domestic or international or do both operations simultaneously. At Stewart, we've had a number of productive discussions with folks. We did have international charters, and we are handling a lot of diversions, and that is increasingly a big part of our business, and it's very good

for our other airports to have the diversions stay in our system. We get revenue from it. It also puts Stewart on the map for airlines and passengers if they are diverted there. We've cleared--in the last couple of months we've cleared a number of international flights. CBP is very prepared. They've been very cooperative, and they will send a team up there if we have international diversions to clear them. So, it's a very good use of Stewart for our system.

[Comm. J. Moerdler] But what happens at the end of the--?

[S. Baer] Well, at the end of this Customs will continue to do-- as long as we have an authorization and we're moving ahead on this Customs will continue to do--we believe. We're talking with them right now about an extension of that 2-year agreement we had with them.

[Comm. J. Moerdler] So you think that--

[S. Baer] I'm quite sure they-- to answer the question, yes, as long as we have this authorization. And we will be working very closely with them in the development of the contract documents because we need-- when you build an FIS, you have to meet their requirements, and their requirements change as technology changes, et cetera, so we'll be working with them.

[Comm. J. Moerdler] Is there a way--and I don't know enough about this to know if it's feasible to sort of incentivize the airlines to keep those diversions in our system by sort of saying "We know this flight is supposed to go to JFK, particularly our own flights, but JFK is snowed in or the delays are 6 hours or whatever." "The usual landing fees would be ‘x’ at Stewart, but if you commit to send us all the feasible diversions during the year, we'll give you a 10% discount across the board and sort of do package deals."

[S. Baer] We certainly could, and as you know, you approved a year ago, I guess, the-- we do have an incentive program to attract new service as well.

[Comm. J. Moerdler] Right.

[S. Baer] Diversions are a complicated business because it has a lot to do with amount of fuel and the FAA' s decisions as well but we just participated--

[Comm. J. Moerdler] Well, money is a great incentive in this--

[S. Baer] It is indeed. Well, we've also just participated in a federal-- the Secretary of Transportation last week, week before, called a group together of airports and really cited us at Stewart for the good job we've been doing, so we're getting a lot of positive feedback on the national level, which will help the FAA to encourage other airlines to use it. Continental, for example, doesn't have scheduled service from there, from Stewart, but they already have a diversion plan that includes Stewart, and they actually send a team up from Newark to handle their flights when they divert to Stewart.

[Comm. J. Moerdler] As part of our economic development mission, that's also an additional revenue for us having people landing at Stewart. Some may stay in a local hotel.

[S. Baer] Exactly.

[Comm. J. Moerdler] They'll take a local taxi. They'll eat at a restaurant, and we ought to make sure that we have the food service available on call as part of our food service contract there so that we know we can service the people who are there.

[S. Baer] We're working on it. Thank you.

[Comm. J. Moerdler] I think it's a great thing, and I think we ought to put some effort into growing that as a real policy program and initiative with the carriers.

[S. Baer] Excellent, we will--

[Comm. A. Sartor] Yeah, just a quick question. I don't know if this is for you, Susan, or for Peter. I saw a staff cost of $3.15 million. Are you going to do that in-house? Obviously, that's what you're telling me.

[S. Baer] There's some. They're outside consultants like for the--portions of this are outside consultants. But then a big part of it is in-house work as well so it's a combination--

[P. Zipf] May I just add to that? This is a unique project. We've done work in-house with our call-ins. We really want to, obviously, keep this program moving, and we're looking at all options in order to maximize our resources. This is an open area. It's a very defined scope. We'd like to start construction in a year from now, so we'd like to keep it moving. What we're going to recommend is the consideration for design-build for this contract. We believe that will accelerate the program. We believe that it's a clearly defined scope of work. It's an open area, so there's not a lot of operational work going on, so we believe that that's a quick way of getting this program moving.

[S. Baer] We'll be coming back to you for authorization.

[Comm. A. Sartor] Yeah, I was just curious because you've got $3 million up there for staff costs.

[P. Zipf] We've done your typical pro forma ratio value. That assumes an in-house with consultants, but as we better analyze the schedule, we're seriously considering recommending a design-build approach.

[Comm. A. Sartor] Okay, that's fine.

[Vice-Chairman S. Rechler] Commissioners, can we get a motion for proposal? [Comm. W. P. Schuber] So moved. [Vice-Chairman S. Rechler] All in favor?>> [Commissioners] Aye.

[S. Baer] Thank you.

[Vice-Chairman S. Rechler] (inaudible) last agenda item at Port Newark.

[R. Larrabee] Good morning, Chairman, Commissioners. Today your authorization is requested for a project to design and reconstruct a section of Corbin Street along with the wharf and culvert at Berth 3 in Port Newark at a total estimated cost of $39 million. This work is necessary to ensure the safety and

reliability of Corbin Street, which is a primary roadway in Port Newark, and the adjacent berth that it supports.

Corbin Street is the major access road at the north end of Port Newark. It carries traffic and supports all of the major terminals in both Port Newark and Port Elizabeth. On an average day, this section of roadway handles over 35,000 trucks. This section of Corbin Street is supported structurally by Berth 3, which was originally built in the 1920s and is one of the oldest wharf structures in the port. New Jersey State Police also have an office and a boat operation out of this berth.

Structural condition surveys of all of our berths are conducted every 3 years, and inspection of Berth 3 was performed in 2006 and didn't really identify any immediate concerns. However, in 2009, a partial collapse of the sea wall at Berth 3 occurred, and immediate repairs were required to ensure that no further loss of structure occurred. Initially, sand bags were used to prevent further deterioration, and finally, we established a gabion wall and drove some additional piles to secure the wharf. Further inspection of Berth 3 has indicated that accelerated marine bore activity, the age of the structure and lateral forces contributed to the sea wall's collapse, and that the entire structure, including the wooden culvert crossing under Corbin Street, needs to be replaced.

The project, when completed, would avert further loss of the berth and portions of the roadway, which would create significant traffic problems if left on its own, allowing for increased loads also at the wharf and providing for the ability to widen Corbin Street if necessary in the future. Additionally, the implementation of this project is expected to generate 230 jobs, $13 million in wages, and $58 million in economic activity over the life of the project.

Commissioners, your authorization is requested for a project to reconstruct this section of Corbin Street, the wharf and the culvert at Berth 3, at a total estimated cost of $39 million. The proposed scope of the work would provide for the design and construction of the wharf structure, including the removal and relocation of existing utility lines, the relocation of the state police operation to the adjacent area, the phased removal of existing low-level relieving platform deck and timber piles, the phased removal and replacement of the wooden sheeting and decking for the culvert across Corbin Street with steel sheeting and concrete decking, and the construction of the high-level concrete deck supported on concrete reinforced steel piles. The work would require a phased approach to ensure the movement of traffic along Corbin Street is not negatively impacted. Included in the proposal project is an aggregate total of $726 million for consulting services. Design work associated with the project is expected to continue through next year. We would anticipate award of a contract in December of 2012. The project's targeted for completion in April of 2015, and we request that you advance this item to the Board today.

[Vice-Chairman S. Rechler] Just to clarify, you meant $726,000, not million.

[R. Larrabee] I'm sorry, did I say million? I apologize, thousand, yes.

[Vice-Chairman S. Rechler] That would be heavy consultant charges.

[S. Baer] That's quite a consultant you've got there.

[Comm. A. Sartor] Again, my question is comparable to the earlier question of the previous project. You're showing $3.9 million for staff. What does that mean again?

[R. Larrabee] We're going to do the design in-house. And then all of the staff that's associated—

[Comm. A. Sartor] Would something like this lead itself to a design-build?

[P. Zipf] May I?

[Vice-Chairman S. Rechler] Peter?

[P. Zipf] Just a little bit--most of it we'll do in-house. We're going to use our structural call-in through a mini RFP proposal for about $400,000 on this. This is a unique project. It's very critical in terms of Corbin Street, keeping the traffic flow. It's not just unique wharf rebuilding. We actually have to build a wharf extension as a roadway to put traffic on, so we're going to build it in 3 phases. So, it's very unique. It's very sight specific. I would not recommend design-build.

[Comm. A. Sartor] Okay.

[R. Larrabee] We're going to have to actually move the roadway to the east as we construct it in 3 phases and then move it back.

[Vice-Chairman S. Rechler] Any other questions from any other Commissioners? If not, can I have a motion to move this? [Comm. A. Sartor] So moved. [Comm. D. Steiner] Second. [Vice-Chairman S. Rechler] All in favor? [Commissioners] Aye.

[Vice-Chairman S. Rechler] Okay, that ends the public session. Thank you very much for the reports. We're now going to have a quick executive session.

The Port Authority of New York and New Jersey
Audit Committee Transcript
December 8, 2011

[Comm. D. Steiner] Good morning. Today's meeting of the Audit Committee is being held in public session in its entirety. In addition, this meeting is being broadcast on the Port Authority's website for those interested in viewing today's proceedings via the Internet.

We have one action item on today's agenda that concerns the retention of external auditors for 2012. At its May 26, 2011, meeting, the Audit Committee committed to undertake a solicitation process to select independent external auditors for 2012. In furtherance of this commitment and consistent with direction provided by both Governors to conduct a comprehensive review of the Port Authority, in October 2011 it was announced that a selection process was issued for these services in order to provide for consideration of a broader spectrum of external auditors. Yesterday the Audit Committee met in executive session to deliberate on the responses to the solicitation, consistent with the committee's responsibilities under the By-Laws. The committee has determined to retain KPMG LLP as independent auditors to conduct the audit for the year ending December 31, 2012. The selection of KPMG represents the first new auditor of the Port Authority since 1981, a span of 31 years. May I have a motion to move this item forward for approval?

[Comm. J. Lynford] So moved.

[Comm. J. Moerdler] Second.

[Comm. D. Steiner] Second? All in favor?

[All] Aye.

[Comm. D. Steiner] So moved. I want to make a statement now. On behalf of the Audit Committee, I'd like to take this opportunity to thank Deloitte and Touche for their exemplary work in providing these services to the Port Authority for over the years, which will conclude after the finalization of the year-end 2011 financial statements. This committee and the agency has greatly benefited from the Deloitte team's consummate professionalism, and we look forward to working with Deloitte on this transaction. There being no further business, I move to adjourn the meeting. And a motion?

[Comm. W. P. Schuber] So moved.

[Comm. D. Steiner] Second?

[Comm. J. Lynford] Second.

[Comm. D. Steiner] All in favor?

[All] Aye.

[Comm. D. Steiner] So moved. The meeting is adjourned.

The Port Authority of New York and New Jersey
Committee on Operations Meeting Transcript
December 8, 2011

[Chairman D. Samson] Today's meeting of the Operations Committee is being held in public session. The meeting is broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. 2 topics on today's agenda. The first is a discussion being presented by Sue Baer concerning a lease agreement with Continental Airlines to develop an aircraft maintenance hangar at Newark. But before this, I gather we have the pleasure of the Executive Director's preliminary and introductory comments. Pat?

[P. Foye] Thank you, Mr. Chairman. I will be brief. Because the aviation matters before the board today-- are on three committees, so I thought it was important to spend just a couple of minutes summarizing all the aviation matters that are being considered by the board today and all the aviation matters that have been considered over the past 12 months. I'll begin with just a brief note. Our airports serve 100 million people a year. They are clearly the most significant, one of the most significant economic engines in this region and certainly the most significant economic engine of the Port Authority. And I'll note that they receive 0 dollars from the Interstate Transportation Network. Today, 3 matters before the Board aggregating more than $200 million in investment at 4 airports, creating directly 500 jobs. The first is Newark Airport, our busiest Runway 4R-22L state of good repair rehab on a 2-mile long airstrip, $42 million. Second at Newark Airport, a new 25-year lease with Continental for a 3-acre new wide-body maintenance hangar. Continental will invest at least $25 million and create 210 jobs, $12 million in wages and $52 million in overall economic activity. At Stewart Airport, the Board will be asked to consider the investment of nearly $20 million for terminal expansion. The terminal will be increased by 30,000 square feet and increase capacity. 120 jobs will be created, and as the Board has already considered at JFK and LaGuardia, there will be an offset of nearly $74 million to install inline baggage screening systems. For the year, Mr. Chairman, the Board, assuming approval today, will have approved $1.5 billion at our 5 airports, and which will lead to the creation of 5,000 jobs. That includes projects at JFK widening 4L-22R, JFK $44.8 million on Taxiway P, JFK $20 million rehab and widening of Taxiway C, Newark International Airport 10 acres for a new FedEx tractor trailer staging area, and additional investment in Stewart in addition to the $19.9 million investment being considered by the Board today. I'll hand it back to you, Mr. Chairman.

[Chairman D. Samson] Thanks, Pat. Sue, do you want to tell us about the proposed lease with Continental?

[S. Baer] I'd very much like to tell you about that. I'm here today to seek your approval for a lease agreement with Continental Airlines for the construction and operation of a new wide-body hangar at Newark. The hangar will support Continental's investment in new aircraft to upgrade its current fleet. In addition, we're seeking authorization to enter into a reimbursement agreement in order to reimburse Continental for costs associated with the relocation of Taxiway S. Continental Airlines is Newark's largest tenant, occupying all of Terminal C and part of Terminal A.

In 2010, Continental operated approximately 70% of all traffic at Newark, handling over 24 million passengers. While the current hangars provide support for the airline's current fleet mix, Continental requires a new facility to support new wide-body aircraft. These new aircraft include the Boeing 777 and

the 787, known as the Dreamliner. In order to accommodate the hangar, Continental will be required to relocate Taxiway S prior to commencing construction of the hangar. The Port Authority would reimburse Continental for actual costs incurred for the relocation of Taxiway S up to $10 million. All costs in excess of $10 million will be Continental's responsibility. The Port Authority's cost for the relocation are recoverable through the airline flight fee.

Continental has ordered new Boeing 777 and 787, the Dreamliner aircraft, to provide for the next generation of its fleet, which will be serving Newark Airport. The 777 is a large, wide-body aircraft designed for long-range flights with a maximum seating capacity of more than 360 passengers. As shown in this rendering, the Dreamliner is a midsized twin engine aircraft with a maximum seating capacity of 330 passengers. The aircraft is projected to be 20% more fuel efficient than comparably sized aircraft. Both aircraft, which are large and capable of long hauls, will support upgrading of the airline's fleet to accommodate additional passengers per flight and Continental's plan to grow its international traffic at the Newark hub.

Commissioners, here are the terms of the proposed lease agreement. Continental will lease approximately 3 acres of airside land and invest a minimum of $25 million to develop and construct the hangar. The proposed agreement with Continental will generate aggregate rentals of $20.8 million over the 25-year term of the lease. In addition, we will enter into a reimbursable agreement to reimburse Continental for its cost associated with the relocation of Taxiway S but not to exceed $10 million. As I mentioned before, this is fully recoverable. In addition to benefits to the Port Authority, the construction of the wide-body hangar will have significant economic benefits to the region. The total regional impact over the life of the project is currently estimated to result in 210 construction-related jobs, $12 million in wages and $52 million in economic activity. Also, Continental intends to add at least 25 new permanent jobs to staff the hangar.

The project is expected to be completed by the third quarter of 2013. Advancing this item at this time would ensure that an updated maintenance facility capable of handling large aircraft is available to support Continental's operation at Newark and significant economic benefits for the region. I ask that you recommend this item for approval to the full board. Thank you.

[Chairman D. Samson] Thanks Sue. Do any of the commissioners have any questions? Yes, Commissioner Lynford.

[Comm. J. Lynford] Help me with return on investment and flow of funds over time. I understand that Continental will invest $25 million to first fix the Taxiway S to get--

[S. Baer] Right.

[Comm. J. Lynford] So, do we--we get back about $10 million. It's sort of like a fixed price that they're responsible. But walk me through when do we put out money? How do we finance and only issue long-term bonds that we'll be paying interest on? How does this all work?

[S. Baer] Well, there's 2 pieces to it. The $25 million is Continental's investment. We are not financing their investment. They will pay us an annual ground rent and an annual airport services charge, which is their proportion of the costs of the landside operation at Newark Airport, so that's what they pay us for the

term of the 25-year lease. The taxiway will be funded with Port Authority capital dollars that are financed through the sale of bonds.

[Comm. J. Lynford] So, help me then because what I'm looking for is the dollar in and the dollar out, return on assets. I know we've had this discussion before.

[S. Baer] Yes, and so we will--that will be true for two things. One, for Taxiway S we will get the percentage based on what--we will put those dollars in the flight fee. The finance cost of those dollars are included in the flight fee, and then the flight fee has a mark up to cover Port Authority costs. So, we will recover the amount we spend on Taxiway S the way we normally recover airside projects at an airport.

[Comm. J. Lynford] Are there any numbers that go with this?

[S. Baer] I can get you the numbers.

[Comm. J. Lynford] I mean, am I the only Commissioner that's sort of scratching his head?

[Vice-Chairman S. Rechler] I think what Commissioner Lynford is looking for is more of a comprehensive analysis of all these different components so that we can understand as a total investment that's going in how much is being reimbursed from where? How much is coming in on these payments in the future, and what type of return on investment is being made, and what portion maybe is there no return on investment? The return on investment is we're creating a better infrastructure for the public.

[S. Baer] There's a return on investment on the taxiway, on our investment on the taxiway as we typically get a return on investment for airside projects that are included in the flight fee. For the land that is currently not being used for any revenue generating capabilities, we will begin to generate both the airport services charge fee as well as ground rent, which we currently do not receive. All of that is in addition to what we currently don't receive for that piece of land. It's currently used for aircraft parking, and the way the aircraft parking works at an airport, it is an offset to the flight fee costs, so we don't receive any revenue for this piece of property currently.

[Chairman D. Samson] What do you mean an offset?

[S. Baer] The way that aircraft parking at an airport-- there's a fee to park your aircraft but that--

[Chairman D. Samson] Per aircraft fee?

[S. Baer] There's a per aircraft fee which is used as an offset against the flight fee so that the total flight fee is the cost of running our operation on the airside of the airport, and then it's divided up by thousand pounds of landed weight of the aircraft which use the airport. Twice a year, we adjust that. It's a compensatory system, so currently, we don't generate additional revenue from this parcel of land. This will--the ground rent and the airport services charge will be additional revenue.

[Chairman D. Samson] But can I just ask a follow up on that, Sue? Why would the parking fee be an offset? I mean, I'm not sure I understand the concept behind the--

[S. Baer] It's in the airline lease agreement.

[Chairman D. Samson] Yeah, but why--I mean, conceptually, from a policy point of view, I would think, just again, conceptually, it should be an add on, not an offset.

[S. Baer] It's something that we are considering when we do our new lease agreements, when we do our airport master lease. But currently, it's part of the airport master lease for the airlines who also--well, we can go through the finances because they also pay us a percentage of costs for a lot of other charges for us.

[Chairman D. Samson] Yeah, but if you're just looking--all I'm saying is if we're just looking at the parking fee arrangement itself without taking into consideration the total package, it seems odd to me--but I'm probably the only person in the room who thinks like this-- that they should get an offset for parking their aircraft on our property. Why would they--

[S. Baer] The way the flight fee is computed, it's all the costs of the operation on the air side. Then it's divided up in a way that the airlines think is equitable. We're working with an old airport master lease that has this as a provision of that lease, and it was a negotiated lease, and there were puts and takes as there always is.

[Chairman D. Samson] I understand.

[S. Baer] And so I wasn't around for that, but that is our current reality. It's something we could change as we go forward.

[Chairman D. Samson] Commissioner Lynford?

[Comm. J. Lynford] I'll say it to you--

[Vice-Chairman S. Rechler] I was going to reiterate too, I think the point of what we like to see for this and in future reports is the full economic investment impact to the Port Authority, so you made the point we're not getting any revenue on this land. Now we're getting revenue on this land. You made the point that we're going to get back some of the costs for building the expansion of the taxiway. It gives us holistically a perspective that we don't have right now. There's a lot of moving pieces with your end of the business.

[Chairman D. Samson] And that's, I think, another reason why it would be helpful on these kinds of presentations to get some-- and I know that you do this--but some review by and input from our Real Estate folks.

[S. Baer] We do.

[Chairman D. Samson] Okay.

[Comm. J. Lynford] Because what I'm trying to understand is if our debt costs are about 5%, are we making a return that's covering our cost of funds? You understand what I'm looking for.

[S. Baer] Yes.

[Comm. J. Lynford] Okay, thanks.

[Chairman D. Samson] Okay anybody--go ahead, Pat.

[P. Foye] Just for the record, when you take debt service into account, it's more like 7. Debt service covers, right?

[S. Baer] Yeah.

[Chairman D. Samson] Anybody else?

[Comm. J. Lynford] I was being charitable.

[Chairman D. Samson] As you always are. Any other commissioners have any comments or thoughts or questions for Sue? If not, I'll move this forward for approval at the public board meeting if I can get a second? [Commissioners] Second. [Chair D. Samson] All in favor? [Commissioners] Aye.

[Chairman D. Samson] So moved. Okay, our second issue is going to be presented by Cedrick Fulton concerning a program to replace structural elements at the GWB, but before we do that, I understand we're going to be favored with a preliminary statement by the Deputy Executive Director.

[B. Baroni] Thank you, Chairman. Very briefly, earlier this year, the Port Authority celebrated its 90 years, and 90 years ago when the Commissioners and the Governors signed the compact, there was only one way across the Hudson River by vehicle, which was the Holland Tunnel. In the intervening years, this agency built 4 bridges and another tunnel. But over the course of those years, those now 80 years since the George Washington and the Bayonne opened, time has moved on, and these bridges are in need of repair and replacement in different ways. So, over the last number of months, staff has come to Commissioners on four major projects of our crossings: the Bayonne Bridge in need of being raised committed in the summer of 2010 and then again repeatedly since then. Just last meeting, the replacement project on the Goethals Bridge, and the rehabilitation project on Lincoln Tunnel Helix, and now the 4th of those 4 critical infrastructure projects we are happy to bring to the bridge which is the replacement of-- the beginning of the project to replace the suspender ropes of the George Washington Bridge. These 4 critical components of our Interstate Transportation Network, so important to bring people back and forth across the Hudson River. 100 million people a year going back and forth across the Hudson River between New York and New Jersey. The fact that over 80 years it took us to the point where we are now, that we are preparing to do all 4 of these projects concurrently, the 4th being the George Washington Bridge suspender rope project, and Cedrick Fulton, the Director of Tunnels, Bridges and Terminals, Mr. Chairman, will present the item to the Board.

[Chairman D. Samson] Thanks Bill. Cedrick?

[C. Fulton] Good morning, Commissioners. I'm here today to request an increase in planning authorization for the replacement of suspender ropes, rehabilitation of main cables, and rehabilitation of the cable strands in the anchorages of the George Washington Bridge as well as to request an allocation of

additional funds from a previously authorized professional services agreement. The future implementation of these projects is anticipated to generate 3,600 jobs and direct wages of $260 million and $1.1 billion in economic activity over the life of the project.

The GWB, which opened in 1931, is a critical structure over which 50 million vehicles cross per year in each direction, or 100 million. The bridge generates a revenue of over $600 million per year, and it's part of the regional emergency route between the States of New York and New Jersey. As good stewards of our facilities, it is critical to maintain the structural integrity of this bridge, which is so important to the region. The existing 592 suspender ropes from the original construction of the George Washington Bridge are now over 80 years old. Inspections and studies indicate that these ropes are approaching the end of their useful life and are in need of replacement. The 4 main cables are composed of individual wires, also from the original construction, and need to be inspected, cleaned and rehabilitated. These main cable wires continue into the anchorage of the George Washington Bridge. These wires are split into strands that transmit the support loads from the suspended ropes to the foundation of the bridge. All of the 488 strands need to be inspected, cleaned and rehabilitated.

On March 26, 2009, the Board authorized $4.5 million for planning and engineering services related to the replacement of the suspender ropes and rehabilitation of the main cables and cable strands in the anchorages. This authorization also included entering in a professional service agreement with Ammann and Whitney for a total of $14.9 million to support the project through completion with an initial authorization of $2.5 million that was part of the original $4.5 million authorization. The current estimated total project cost is approximately $1 to $1.2 billion.

The Port Authority's new toll increase now provides the financial capacity to move forward and implement this core state of good repair interstate transportation project. Under the initial planning authorization, several tasks have been accomplished. All suspender ropes were inspected, both visually and by non-destructive testing. All cable strands were visually inspected. That work verified all of the suspender ropes need to be replaced. The main cables need to be rehabilitated, and the cable strands in the anchorages need to be rehabilitated. Connection details of the suspender rope were evaluated to assess the needed improvements as part of the replacement. Preliminary design solutions were developed to maintain the structural integrity of the George Washington Bridge. Many of the suspender ropes show corrosion and have experienced a progressive reduction in strength. Considering the 8 to 9 year time frame forecasted to perform the suspender rope replacement work along with other current construction projects underway at the bridge, the construction for this effort is recommended to start in 2013.

The George Washington Bridge is 80 years old, as previously stated. Other suspension bridges about the same age as the GWB have had the suspender ropes replaced around 70 years of age. Inspection of the main cables have shown that while some of the wires are in early stages of corrosion, there is not a significant loss of strength in the main cables at this time. The replacement of the suspender ropes offers the opportunity to further inspect and rehabilitate the main cables in a cost effective manner for their entire length for the first time since the original construction. The inspections and testing of the cable strands have revealed rust on exterior wires and found that a minimum number of wires were broken. These strands will be rehabilitated and a protective system installed to prevent further corrosion. The existing conditions do not require traffic or load restrictions at the present time. If the replacement program is implemented as planned, traffic or load restrictions will not be needed in the future. As the initial planning effort was performed, the scope evolved and several items of work were identified that required additional

engineering. As part of this increase, design details will continue to be developed for the suspender ropes, main cable and cable strands.

Additional items that will be developed under this request include the relocation of key electrical and communication utilities to facilitate the suspender rope work and improve engineering details to both minimize the corrosion and reinforce the ropes at their connections with the bridge framing, which will require either sidewalk replacement or potential relocation of sidewalks. Similarly, a dehumidification system needs to be developed to minimize corrosion of the main cabling strands. This requested increase also includes the necessary permitting process from the United States Coast Guard for the overall work. In addition, the alternative to relocate the sidewalks from the present location requires concurrence from both New York and New Jersey state historical preservation offices as well as discussions with local community groups. This increase will also allow us to initiate preparation of a multi-contract approach to deliver these projects efficiently.

This work will be carefully staged with many of the other construction projects that will be ongoing at the George Washington Bridge to minimize disruptions to the traveling public. This is the design and construction schedule as currently forecast. We will seek future project authorization and contract award for the 3 program components to be developed under this increase. We have identified these components as: 1, utility work that will be required in advance of the suspender rope replacement effort. Number 2, rehabilitation of the cable strands in the anchorages, and number 3, the replacement of the suspender ropes and rehabilitation of the main cables. Such requests are anticipated to start in the latter part of 2012, beginning with the project authorization for the utility relocation in the 4th quarter of 2012 and ending with contract award of the suspender rope replacement in the 2nd quarter of 2014.

It is important to note that there is other construction work ongoing at the George Washington Bridge. While all construction projects are coordinated to minimize traffic impacts to the public, the lane closures required for the ongoing upper level deck rehabilitation project are extensive. This work was authorized at the June 2010 Board and awarded in December 2010 and will continue through June 2015. The current estimated total project cost for the project is approximately $1 to $1.2 billion, of which the current estimated total construction is approximately $650 to $800 million and the overall construction schedule is estimated to take 8 to 10 years. Then at the next phase of the design, staff will continue to evaluate methods to deliver the program more efficiently for the least cost, minimizing disruptions to the public, and to reduce the overall length of the schedule.

Today we're seeking an increase in planning authorization of $15.5 million from the initial amount of $4.5 million received in March 2009 for a total of $20 million. We are also requesting the expenditure of additional funds in the amount of $6 million from the previously authorized professional services agreement with Ammann and Whitney, bringing the total amount to $8.5 million out of the $14.9 million. Authorization to utilize the remaining $6.4 million for Ammann and Whitney will be subject to further authorization. This amount is expected to be sufficient for these services through project completion. The $6 million increase is included in the proposed $15.5 million being requested here today. The remaining $9.5 million under this request is accounted for by work performed by in-house staff relating to development and testing methods for the cable strands, monitoring the conditions of the suspender rope and cable strands and the permitting process from the United States Coast Guard as well as other administrative and financial non-direct costs.

The future implementation of these projects is anticipated to generate 3,600 jobs and payroll wages of $260 million along with $1.1 billion in economic activity. Commissioners, I request you advance the item to the full Board for approval today. Thanks.

[Chairman D. Samson] Thanks Cedrick. Commissioner Lynford?

[Comm. J. Lynford] Very good presentation. As you know, we have been charged to review the 10-year capital plan, and we certainly know the importance of this project. You gave yourself a little leeway you could "drive a truck through," in terms of the total cost between $1 billion and $1.2 billion. You said construction hard costs would be $650 to $800 million. Both those numbers--I think we need a little more specificity, and I assume you're working on it. My question, when will we get more numbers we can rely--not rely on but use in our overall budgeting because there's $200 million and there's an $800 and $1.2 billion is $400 million. Those are pretty significant figures, and I was just wondering with the money we're spending today, will we get closer to that answer by the middle of next year? The $15 million that you're asking for, there's a lot of studies going on.

[C. Fulton] Yes, we will.

[Comm. J. Lynford] Can you give us some idea as to why the variation might be that large today? I mean, why you've given yourself such a significant contingency? It's--

[P. Zipf] Cedrick, do you want me to help?

[C. Fulton] I can defer to the Chief Engineer.

[P. Zipf] There's 3 main areas. There's the ropes themselves, which we're going to replace. That's clear. We're looking at design solutions on how best to change the ropes. What we have found is the current location is highly corrosive. Water builds up on it, so what we're planning to do is do a different detail for where they come down and go into their sockets or to the deck, more like a pin that would eliminate corrosion in the future. That's going to take really 2 designs, if you will, 1 if we have to replace an incline, 2 if we can come up with a better solution. Within the anchor strength, within the anchorages, you're going to do an extensive study right now, hands-on visual of how many strands are broken so when we put the contract out next year we'll have a better definition of that. We need to do those 2 main things in order to come up with a better handle of dollars, and that's a major part of this $15 million. We believe the middle of next year we'll come in with a firm amount.

[Comm. J. Lynford] That is an answer, so what I've heard you say is that in the middle of next year we'll know whether it's $1 billion or $1.2 billion?

[P. Zipf] Yes, we're going to come back with the hard numbers seeking project authorization.

[Comm. J. Lynford] So today, when we have to do the $25 billion review, what number should we put in? A billion or $1.2 billion, $1.1 billion? I mean, you've got to give us some guidance.

[C. Fulton] $1.2 billion.

[P. Zipf] I don't know what number--

[C. Fulton] I would suggest $1.2 billion at this point, sir.

[P. Zipf] I would say at this point put $1.2 billion in the capital program to be better defined next year.

[Vice Chairman S. Rechler] And just to clarify, so the point, though, really is it's A, to determine how damaged it is, but also there's 2 different strategies you're looking to deploy. One would be something that you think would have better longevity for the future and maintenance, et cetera, and one that's similar to how it was done in the past.

[P. Zipf] Yes.

[Vice-Chairman S. Rechler] And that's part of why you had the big spread.

[P. Zipf] The second issue is to do an extensive-- continue the investigation of how much deterioration has occurred to date so we can better give you a sense of real numbers in terms of what needs to be done.

[Comm. V. Bauer] It doesn't sound like you're going to do it the old way.

[P. Zipf] Okay, three main parts. The ropes where they hang, that we're proposing to do something new. The anchorages we're going to replace and rehabilitate what's - in-kind, but we need to better understand how bad is the corrosion occurring there. That's where we need the time and the $15 million is to better do that study.

[Chairman D. Samson] One of the things--I'm sorry, Commissioner Sartor?

[Comm. A. Sartor] You want to continue on with your--my question is going to be more mundane --

[Chairman D. Samson] I'm going to--it's hard to believe that any question could be more mundane, but no, I just wanted to follow up on that because it sounds to me like you're going to examine alternative methodologies to replace this. And I understand that one may be ultimately preferred and even recommended by Engineering because it will perhaps provide greater longevity and things like that, but to Commissioner Lynford's point, one of the decisions that the Board will be addressing over the next year as it reviews its capital plan is it may be--from a policy point of view-- considered to be more beneficial to take a look at these two alternatives and if one is significantly less-- I'm not talking necessarily the difference of an order of magnitude between a billion and $1.2 billion, but maybe between $700 or $800 million and $1.2 billion, the Board might opt overall to choose one that might be from an engineering point of view less desirable but from a capital planning point of view, be the one that they select.

[Comm. J. Lynford] The Chairman isn't suggesting that we sacrifice safety, it's just that one is a 60 year maybe solution rather than a 70 year solution.

[Chairman D. Samson] And all I'm saying is as you go forward with an examination of these alternatives, please keep in mind that although we want to hear your recommendation and understand your judgments, we'd like to consider all alternatives and all options.

[P. Zipf] We would prefer to come back with both options.

[Chairman D. Samson] Yeah, sure. That'd be great.

[P. Zipf] In addition to the structural issues, the replacement that we're thinking about also adds extra security enhancements, as well as operational enhancements because we're working very closely with TBT operations and security.

[Chairman D. Samson] Understood. I'm just trying to give you a view of what the Board's considerations are going to be on this menu.

[P. Zipf] We'd like to propose both options.

[Chairman D. Samson] That's great. Thanks Peter. Commissioner Sartor?

[Comm. A. Sartor] My question goes to the Ammann and Whitney number. What was--as I understood the presentation, the initial contract that they had was for $14.5 million.

[C. Fulton] Correct. We only authorized $2.5 and now you--I mean, it wasn't initially $2.5, and now you're going to give them another 6.

[P. Zipf] No, the total is $14.5.

[Comm. A. Sartor] $14.5, okay.

[C. Fulton] We're building up to the $14.9.

[P. Zipf] We're not increasing the $14.5 but we're increasing it in--spigots of dollars.

[Comm. A. Sartor] I got it.

[Chairman D. Samson] Commissioner Schuber?

[Comm. W. P. Schuber] A couple mundane questions also. Number 1, I'm assuming from your presentation, what I just heard, this does not include any of the security requirements that you're talking about. This is the rehab of--

[P. Zipf] We will continue with the security that's currently existing on the bridge. In other words, encasing these ropes as we do, yes.

[Comm. W. P. Schuber] Is that part of this?

[C. Fulton] Yes, they will be replaced.

[Comm. W. P. Schuber] My question parochially is - is there outreach going on at the present time as you proceed with this along the lines of planning with the local communities? Something in place that in particular I'm thinking about?

[C. Fulton] The sidewalks are very important to the George Washington Bridge. They are highly used, and we know that we're going to have to have lots of conversations with the community as well as the users. On a typical day in 2010, for example, there were 3,600 people who used the George Washington Bridge sidewalks. Lots and lots of people like that sidewalk, bicyclists, pedestrians, it's an issue for us. And one of the design concepts that we're putting--

[Comm. W. P. Schuber] I thought those were the Deputy Director Bill Baroni's Girl Scouts.

[Chairman D. Samson] I don't think it was, I think the number was much higher than the 5,000 actually.

[Off-camera speaker] 500,000.

[Chairman D. Samson] 500,000 sounds like the right number, right Bill?

[Comm. W. P. Schuber] The other part of that is if-- as this project proceeds, do you anticipate any other type of disruptions of the use of the bridge during that construction time?

[C. Fulton] One of the things that we talked about here and Peter and I work on very closely are ongoing construction projects. The challenge with the bridge is the construction window, and one of the projects that we have ongoing right now, we're currently going through nightly closures eastbound and westbound, so part of the issue here is staging this work, replacing the section of roads so that it doesn't create more of a disruption up at the George Washington Bridge from a construction staging perspective.

[Comm. W. P. Schuber] Yeah, because it appears to me time wise that depending on how this is moving that these things could actually dovetail a little bit. Is that right?

[C. Fulton] That's exactly right. And that's why we're looking at the activity associated with the upper level project. We're also looking at the Alexander Hamilton project, which isn't even ours, to make sure that it dovetails appropriately.

[Chairman D. Samson] Executive--I'm sorry. I'm sorry, Commissioner.

[Comm. W. P. Schuber] I mean, obviously the concern with regard to-- obviously, I think this is a very important project, quite frankly. Now, the point of the matter is that as you drive over the George Washington Bridge, you just take it for granted, quite frankly. It's always been there. It always will be there for eternity. But the fact of the matter is it gets old. And you were kind enough to show me some of the theater cables and the connector cables, and even though I know that they're secure, just to see that there was corrosion there was kind of a scary thought. But having said that then, my concern is depending on how this develops and how we decided to move forward with it in the planning of this that as best we can the disruption to the motoring public be kept to a minimum and the outreach to the communities in the area be maintained on an ongoing basis.

[C. Fulton] Understood.

[Chairman D. Samson] Executive Director?

[P. Foye] Mr. Chairman, let me make a brief suggestion although I'll note, again, I'm at a disadvantage because I have no Girl Scout Troops. The point I want to make is--

[Chairman D. Samson] We all empathize with that.

[P. Foye] We have 2 months until our next Board meeting since there isn't one in January. What I was going to suggest is that Bill and I and the team work on the presentations, the format of the presentations, and try to anticipate some of the questions, that frankly, we both have and that we know that you will have. Commissioner Sartor is going to have questions of a particular kind. So is Commissioner Rechler and Lynford and Schuber and you, Chairman, and I think that the presentations could benefit from work, and I think we ought to take advantage of the next 60 days--

[Chairman D. Samson] That's a great idea.

[P. Foye] While the special committee process is underway.

[Chairman D. Samson] Great. Thank you.

[P. Foye] We'll do that.

[Chairman D. Samson] Yes, Mr. Deputy Executive Director?

[B. Baroni] Thank you, Mr. Chairman, and with apologies to all of you who obviously don't have those levels of relationships. To the point of Commissioner Schuber and former County Executive Schuber's point about the communities affected by this on both sides of the Hudson, we've spent a lot of time doing outreach on current GW Bridge issues and leading up to this major project with Mayor Sokolich in Fort Lee and then other towns and communities in southeast Bergen County, and we're going to continue to do that. It's very important, the partnership we have built with Mayor Sokolich where in very real time he picks the phone up and raises issues to us as well as the leadership at the county level as well.

[Comm. W. P. Schuber] Yeah, and my understanding in my discussions with the Mayor is that he's very pleased with those relationships, and I just want to make sure they continue.

[B. Baroni] Absolutely.

[Chairman D. Samson] Thank you. I just wanted to ask one question, Cedrick. Should we be concerned about the continued safety of the bridge? And the reason I ask this question is I know that--I've seen the results and reports of some of the testing that you shared with us. And I see in your presentation, your conclusion, that the cables have shown a loss of strength. This project is anticipated to be a 10-year project?

[C. Fulton] All three pieces, 8 to 9 years.

[Chairman D. Samson] Understand. That takes us out a considerable period of time. Do we have some level of assurance and comfort that during this planning, testing, and construction project that there isn't going to be any safety issues on the continued strength of the cables for the bridge?

[C. Fulton] I could answer. I'm going to defer, again, to our Chief Engineer.

[Chairman D. Samson] I'll take an answer from anyone.

[P. Zipf] I'd like to interject. It's a very aggressive, proactive inspection program on all our facilities, primarily bridges. We do volume inspections. We're constantly monitoring the bridge. We have done—

[Off-camera speaker] Microphone.

[Chairman D. Samson] And as you're coming over to the table, Peter, obviously, we care about the capital plan. Obviously, we care about making sure we're exercising prudence on the efficiency and cost of this. But the overriding issue is the safety of the bridge, and I'm not asking you for an insurance policy. I'm asking you if you would--

[Comm. J. Lynford] Best personal judgment.

[Chairman D. Samson] Yeah, and look forward for a 10-year project.

[P. Zipf] We fully agree with you, and we take this program and this facility very seriously. We have a very proactive, aggressive-- The program to do inspections we do biannual, which is federally mandated, 2 years. But that's not good enough. We do visuals. We've done non-destructive testing on 25 of the ropes since the bridge was first built in the 1930s. When we added the lower deck in the 1960s-1970s, we actually pulled ropes and did destructive testing, broke them to the point of failure. In 1999, we pulled more ropes off and did destructive testing, and you're absolutely right. We have found a reduction of strength. We're lucky enough that this bridge was built with a lot of robustness. In engineering, it's called factor of safety. It was going to take a rail facility in the future, so we have plenty of room in our current bridge. We're watching it closely. We believe we have no problem with the future of the bridge.

[Chairman D. Samson] Okay, and the reason--again, the context for asking this is similar to the exchange we had earlier about cost, and that is in trying to evaluate priorities for capital plan projects, we need to understand whether the continued durability and strength of the bridge is a factor in trying to establish correct priorities.

[P. Zipf] Sure. I'd like to add also the way we're developing the program, as Cedrick pointed out, is there's three major programs. We're already moving ahead with the program. The ropes for the major piece, which we have to replace, but the way they're supported is through the anchorages, and we're moving forward with that program. We're moving into final design, as I was talking earlier, to do the studies, to find out how much corrosion is in those anchorages. And we're going to move on that program. Next year we're coming back to actually award that contract.

[Chairman D. Samson] Okay, thank you. Any other questions or comments by Commissioners? Yes, Commissioner Lynford?

[Comm. J. Lynford] You mentioned - sort of - en pasant rail. Is the bridge currently strong enough to have an additional rail component? I see you're--I didn't mean that to be a very difficult question.

[P. Zipf] Some of the ropes have in fact lost some strength.

[Comm. J. Lynford] I'm sorry, let me try it a different way. The issue for the Authority--

[Chairman D. Samson] Yeah, don't give us en pasant. That's why he's having trouble with the answer.

[Comm. J. Lynford] Our job is to bring people effectively across the Hudson. If we had rail, maybe we could move more people more quickly. Can that bridge sustain a subway type rail or some type of rail across the bridge?

[P. Zipf] We could not today add rail to the bridge. What we've done is we've maximized use of where the rail would have gone and built--

[Comm. J. Lynford] I see what you're saying.

[P. Zipf] That was offset by trucks and vehicles, so no, we could not add another level to the bridge, if you will, like what we did in the 70s. The bridge was originally built for two tier--

[Comm. J. Lynford] With a rail underneath.

[P. Zipf] Yeah, we built the first level and in the 60s and 70s built the second level for additional truck and vehicle (inaudible). We can't add now a third level, if that's the question.

[Comm. A. Sartor] Just expand on a factor of safety, just indicate for everybody--

[P. Zipf] In an engineering sense, when you build something, you always take the conservative approach because stuff happens, either in construction methods, deterioration, so you put like a factor. For a new bridge, we're probably going to do a 4 for a new bridge. This was built up in a range of 6 when it was first built, so we have a cushion in our-->>

[Comm. A. Sartor] Significant cushion.

[Chairman D. Samson] Any other questions? Yes, Commissioner Vice Chairman.

[Vice-Chairman S. Rechler] I just want to reiterate something that you said, Chairman, and also what the Executive Director said about revising the presentations, because I think one thing that would be valuable in the revisions of the presentations is to focus on the areas that we're going to focus on - on the capital plan. And that is are each of these projects creative or dilutive financially?

[P. Foye] I fully agree. Absolutely.

[Vice-Chairman S. Rechler] Are these projects creative/dilutive in terms of meeting the mission of what the Port is, and then also, the priorities in terms of the safety of our citizens and where that all falls and so that with every time something comes up, we go down that checklist so we don't have to go through this continual question and answer to try to find that out.

[Chairman D. Samson] Agreed.

[P. Foye] And Scott, to which I'd add whether it meets the hurdle rate and also whether the aggregate projects that have been considered over some period meet the debt service coverage ratio, which is another way to get to the same place. I totally agree.

[Chairman D. Samson] Any other questions, comments, thoughts? If not, I'll move this item forward for formal-- [Commissioners] Second. [Chairman D. Samson] All in favor? [Commissioners] Aye.

[Chairman D. Samson] Okay, meeting is adjourned. No further business.

The Port Authority of New York and New Jersey
Committee on Governance and Ethics Meeting Transcript
December 8, 2011

[Comm. V. Bauer] Good morning.

[Comm. J. Lynford] Good morning, Chairman-- --Chairlady--Chairperson.

[Comm. J. Moerdler] Chairperson.

[Comm. V. Bauer] Chairlady. The first portion of today's meeting of the Governance and Ethics Committee is being held in public session, after which the committee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's Web site for those interested in viewing today's proceedings via the Internet. Thank you. Good morning. Review of staff code of ethics--Howard.

[H. Kadin] Thank you and good morning, Commissioner Bauer, other members of the Committee, ladies and gentlemen. Today I would like to speak with you about the adequacy of the Code of Ethics and Financial Disclosure for staff. At the conclusion of my report, Inspector General Robert Van Etten will provide you with a report on the Office of Inspector General's independence and its freedom from interference in the conduct of its responsibilities.

The Code of Ethics and Financial Disclosure for Port Authority staff governs the conduct of Port Authority employees, former employees, and persons doing business with the Port Authority. There is a companion Code of Ethics for PATH. The Code provides general standards of ethical conduct, and contains certain specific provisions regarding conflicts of interest, post employment restrictions, gratuities and offers of employment, use of confidential information, and financial disclosure requirements. The Code also discusses the functions of the Ethics Board, comprised of employees appointed by the Executive Director, which is charged with reviewing certain specific questions of staff and general ethics policies. Personal integrity is the cornerstone of the Code, and each employee bears primary responsibility for avoiding financial and other interests which create a conflict between Port Authority employment and personal affairs.

The Code has been incorporated into agency-wide instructions, including--among other things-- reference in the general rules and regulations for all Port Authority employees and incorporation of integrity provisions governing contracts. Management takes steps to ensure that the Code is understood and accepted agency-wide through periodic ethics training administered in conjunction with the Human Resources Department and dissemination of ethics-related materials to staff, including the Code of Ethics and the Guide to Port Authority Ethical Standards. Periodic bulletins and instructions to staff also reference the Code and its provisions. Staff code waivers are dealt with through the Ethics Board, which is empowered to determine, in an appropriate instance, that a significant reason exists to waive a provision of the Code in the interests of the Port Authority. Finally, annual certifications are required from financial disclosure statement filers to the effect that they have read the Code of Ethics and have not, and will not, transfer any asset, interest or property for the purpose of concealing it from disclosure while retaining an equitable interest therein. Thank you.

[Comm. V. Bauer] To make a quick statement, with reference to Howard's report, I think I speak on behalf of all the Commissioners when I say that, more importantly than all the operational work we do here at the Agency, is the standard of excellence that we hold for ourselves and for our staff members, in terms of the highest ethical standards and the highest integrity for all that we do. So we very, very much appreciate and value the importance of your report and your guidance. Thank you.

[H. Kadin] Thank you.

[Comm. V. Bauer] Does anybody else--yes, please.

[Comm. W. P. Schuber] Howard, may I ask you a couple of questions? First of all--being relatively new here-- Number 1: who makes up the Ethics Board?

[H. Kadin] The Ethics Board is appointed by the Executive Director. Currently, the Chairman is Lillian Valenti. You have Alan Reiss, you have Janet Cox, you have Kirby King, Cedrick Fulton, Julia Basile is an alternate member.

[Comm. V. Bauer] Can you describe their roles for their positions also--not now, but I mean--

[Comm. W. P. Schuber] And also on the individuals, I was kind of hoping that--

[H. Kadin] Oh--I misunderstood. The Ethics Board reviews determinations that the Attorney designated, under the Code of Ethics, by General Counsel makes with respect to the specific ethics questions that are referred to that individual. And they also take up, from time to time, more general questions of ethics—

[Comm. W. P. Schuber] Kind of an advisory committee?

[H. Kadin] Yes--well, I make determinations, but they may determine to make recommendations, with regard to possible policies or changes.

[Comm. W. P. Schuber] On the filing--the financial filings--I know the state of New Jersey, for example, has a filing requirement for various and sundry officials, which applies to the New Jersey Board of Commissioners. I think also the New York Board of Commissioners--I would think.

[D. Buchbinder] There is no filing requirement for the New York commissioners. That's only New Jersey commissioners.

[Comm. P. Schuber] Do you file?

[D. Buchbinder] Yes. I have a list of their interests and the conflicts that we have found.

[Comm. W. P. Schuber] Okay. You had mentioned, in your report, something along the lines of a financial filing. Who is required to make that filing?

[H. Kadin] Under the Code, approximately 1,800 people a year are required to file. Those people include people by virtue of a certain Service Level, which is-- without getting too technical--people who are Service A, department directors, a number of layers below that at a Level of B97, and people who are designated by their department director, on the basis of the work they do.

[Comm. W. P. Schuber] Understood--are those filings open to the public or open to the commissioners to review?

[H. Kadin] The Code provides that they are subject to the Port Authority's Freedom of Information policy. Individuals are afforded the opportunity to request that certain information be withheld from public inspection if they make an appropriate case-- and the Law Department will review this-- that disclosure of a particular piece of information would constitute and unwarranted invasion of the individual's privacy. But generally, yes, they are open to--

[Comm. V. Bauer] And that's determined by the Law Department?

[H. Kadin] The Law Department would.

[Comm. V. Bauer] Okay.

[Comm. W. P. Schuber] Thank you.

[H. Kadin] You're welcome.

[Comm. V. Bauer] Does anybody else have a question? Comment? Okay. Thank you, Howard. Mr. Van Etten.

[R. Van Etten] Good morning, Commissioners. As you are aware, the Inspector General of the Port Authority is charged with the responsibility of receiving and investigating, where appropriate, all complaints regarding wrongdoing, fraud, waste, and abuse by commissioners, officers, and employees of the Port Authority or third party individuals or organizations doing business with the Port Authority. And under the general direction of the Chairman and the Executive Director, and consulting with the Board of Commissioners, the Audit Committee, the Executive Director, and General Counsel, as appropriate. Pursuant to Section 8.G2 of the Bylaws, the Governance and Ethics Committee is responsible for ensuring that the Inspector General continues to be independent and free from interference in the conduct of the IG's responsibilities. During the last calendar year, I am pleased to report that the Office of Inspector General has remained independent from inappropriate influence, pressure from within the agency, as well as any business or individual we have investigated. In addition, the OIG has not encountered any difficulty working with the staff or the Audit Committee. The OIG has enjoyed an excellent working relationship with the Audit Committee and keeps the Audit Committee apprised of all matters of significance, on a regular basis. Thank you.

[Comm. V. Bauer] Thank you. Again--any questions? Comments? Okay--I guess that means our public session ends. Thank you very much.

[K. Eastman] Are you-- (inaudible)

[Comm. V. Bauer] Oh, I'm sorry--yes. This concludes the public portion of today's meeting.

The Port Authority of New York and New Jersey
Security Committee Meeting Transcript
December 8, 2011

[Chairman D. Samson] The meeting of the Security Committee is being held in public session in its entirety. In addition, the meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. We have two topics for discussion today. The first involves a lease supplement with airlines at JFK and at LaGuardia for baggage screening system improvements. That topic will be presented by our Director of Aviation Sue Baer, and the second concerns an agreement to implement security pardoning at tenant-operated terminal frontages at our airports which will be provided by our Director of Security Projects John Drobny, but before we get started with the formal agenda, I think our Executive Director has some comments he'd like to make, Pat?

[P. Foye] Thank you Mr. Chairman; Mr. Chairman in light of the fact that the airport and aviation--thank you Karen.

[P. Foye] Let me start over: Mr. Chairman thank you. In light of the fact that the aviation projects to be considered by the Board and its committees today are before three separate committees, I thought it was important to take a couple of minutes and just summarize what's before the Board in the aviation field, and what the Port Authority has done over the past 12 months.

Today, the Port Authority is going to consider-- Port Authority Board is going to consider more than $200 million in investments in our airports. Four airports will receive $200 million. Those investments will create 500 jobs. I note that our airports service 100 million people a year, are the single largest economic engine of both the region and the Port Authority, and just note for the record that the aviation projects received no dollars, $0 from the Interstate Transportation Network.

Let me just briefly summarize the projects before the Board today, and touch on the projects that together with these have been considered by this Board during the last 12 months. First, at Newark International Airport, the busiest runway 4L-22R, will receive state of good repair rehab of its 2-mile-long airstrip $42 million. Also at Newark Airport, a new 25-year lease with Continental involving a 3-acre parcel for a new wide-body maintenance hangar. Continental will invest at least $25 million, 210 jobs will be created. At Stewart Airport, this Board today is going to consider a terminal expansion of nearly $20 million which will increase by 30,000 square feet the terminal and increase capacity so that when Stewart gets back to the 1 million passenger number, which it reached several years ago, capacity will be in place to do that; 120 jobs will be created in that investment, and lastly, at both Kennedy and LaGuardia Airports, there will be an offset of nearly $74 million to allow the installation of in-line baggage screening systems.

For the year, fully $1.5 billion in investment has been approved by this Board, generating 5,000 jobs, that includes projects at JFK, widening of 4L-22R, $44.8 million on Taxiway P, $20 million for rehab and widening of Taxiway C, 10 acres for a Federal Express tractor trailer staging area at Newark, and additional investment at Stewart Airport. So for the year, $1.5 billion in investment and the creation of 5,000 jobs. Back to you, Mr. Chairman.

[Chairman D. Samson] Thanks very much Pat. Sue, you want to take it from here?

[S. Baer] Absolutely, thank you. I'm here today to seek your approval of 2 lease supplements for the installation of in-line baggage screening systems. One lease supplement is with the Terminal One Group Association for in-line baggage at Terminal 1 at JFK. The other lease supplement is with Delta Airlines for an in-line baggage at Terminal D at LaGuardia. The agreements are associated with the Department of Homeland Security, Transportation Security Administration Grant Program, and will improve the overall speed and efficiency of baggage screening for air travelers.

As you can see in these photos, valuable lobby space at many of our terminals is occupied by the stand-alone baggage screening equipment installed immediately after September 11. Although necessary for passenger processing, the current systems are inefficient and occupy a significant-- significant portions of the terminal lobbies. In July of 2008, the Board authorized agreements with the TSA to accept up to $400 million in federal aid to cover the eligible costs of an estimated $445 million project to install in-line baggage screening and handling systems at JFK, Newark, and LaGuardia Airports which would support the TSA's next generation of baggage screening equipment. We sought your approval for the implementation of the first supplemental agreement for in-line baggage with Continental at Terminal C at Newark in June of last year, and, again, we had your-- we sought your approval in August as part of the expansion of Terminal 4 at JFK. Back then, when we stated we would bring additional agreements with other terminal operators for your consideration upon successful completion of negotiations.

Under the terms of the agreement, grant funds may be used to replace or renovate existing baggage handling systems to support TSA's next generation equipment. Once the existing baggage handling system is retrofitted and space for new equipment is available, with the appropriate baggage conveyors and screening rooms, the TSA would acquire, install and maintain the baggage screening equipment. Although, the TSA currently employs this technology at the terminal, the in-line system would accommodate newer equipment which will improve the overall speed and efficiency of baggage screening for air travelers.

Commissioners, under the proposed lease supplements, Terminal One Group would invest approximately $42.5 million, and Delta would invest approximately $31 million in their respective facilities to provide in-line baggage screening. Both tenants would build a new bag receiving area, screening processing facility, and the associated baggage pathways to connect the system, enable more convenient loading of the aircraft. The lessees would be reimbursed 90% of all allowable costs as defined by the TSA. The lessees are also responsible for any additional expenses required to implement the projects. All improvements would take place within the airline's existing lease holds. The Port Authority would administer the reimbursement of the associated eligible project costs to the airlines from the previously allocated TSA grant funds. Reimbursement will be up to 90% of all eligible costs as established by the TSA guidelines. In addition, the Port Authority would be reimbursed by the TSA for costs associated with the administration of this grant program, but not to exceed 2% of the allowable project costs.

Once installed, the fully automated in-line baggage screening systems will improve baggage processing throughput, from the existing approximately 2,100 bags an hour to an estimated 3,600 bags per hour. In addition, passengers will benefit from the terminal's improved functionality as the existing screening areas are taken back for enhanced passenger queuing and circulation in the lobby. Work is expected to begin next year and will be completed by the end of 2014. Commissioners, advancing these items at this time will enhance the overall passenger experience at the airport by providing for more streamlined baggage screening. I ask that you recommend these items for approval by the full Board.

[Chairman D. Samson] Thanks Sue. Do any of the Commissioners have any questions or comments? Yes, Commissioner Bauer?

[Comm. V. Bauer] Sue, just so I understand, so we reimburse the lessees. The TSA reimburses us?

[S. Baer] Right.

[Comm. V. Bauer] Up to 90%?

[S. Baer] Yes. TSA requires that the airport operator administer the grant. So that's--we, in fact, are grant administrators and we do a lot of the negotiation with the airlines and the TSA, and provide sort of an overview of the overall project.

[Comm. V. Bauer] And we get an administrative fee of up to 2%?

[S. Baer] You'll get up to 2%.

[Comm. V. Bauer] Okay, great, thank you.

[Chairman D. Samson] Any other questions or comments? If not, I'll move this forward to--for approval at the public Board meeting. [Vice-Chairman S. Rechler] Second. [Chair man D. Samson] Second, all in favor? [Commissioners] Aye. [Chairman D. Samson] So moved. J ohn Drobny, you want to handle the second issue?

[J. Drobny] Commissioners, included under the summary Report of Actions is a recommendation to award a contract for the installation of bollards at tenant terminals at John F. Kennedy International, Newark Liberty International, and LaGuardia Airports. This project was previously authorized by the Board in December 2010 for a total amount $120.4 million and is fully recoverable through passenger facility charges. The proposed contract provides the vehicle to implement the Terminal Bollard Protection System at the three airports.

The Terminal Bollard Program has advanced based on security and threat assessments which indicate the need to protect the frontage of airport terminals. Based on careful study of aviation mitigation techniques it was determined that the primary strategy to address the protection of terminal buildings should be the use of a bollard system. Bollard protection systems at all Port Authority operated terminals, LaGuardia's Marine Air Terminal, and Newark Liberty's Terminal B were completed under a prior Phase 1 and Phase 2 efforts which you previously authorized well within the $38.4 million authorized budget.

In 2007, Phase 1 was authorized for bollard systems at grade level at LaGuardia's Marine Air Terminal and at Newark Liberty's Terminal B at a cost of $10 million, both completed in December 2008. The elevated roadways at both airports require a more complex design solution because these upper level roadways are cantilevered over occupied terminal spaces. In May 2008, Phase 2 was authorized to address these areas at a cost of $28.4 million. Phase 2 provided for a terminal bollard system at Newark Liberty's Terminal B, upper level was completed in September 2009, and LaGuardia's Central Terminal

Building completed in June 2011. Phase 3 of the Terminal Bollard Protection Program will enhance security along tenant terminal frontages at JFK, EWR, and LGA, and will provide for installation of over 3600 bollards at 11 terminals, and include 19 crash-ready gates at loading dock areas.

Bollards maintain a standoff distance from the roadways curb line and prevent penetration of the terminal by vehicles. The use of a bollard system provides vehicle stopping capability and still allows frontage activity such as passenger drop-offs, curbside check in, and taxi dispatch to proceed unimpeded. In addition to frontage bollards, crash-ready gates and barriers may be used at some locations such as terminal loading dock areas. Some of the technical issues that need to be addressed during construction including coordinating installations with below-ground utilities, working over occupied terminal spaces and elevated roadway levels, relocating bus stop and taxi dispatch operations, and staging the overall construction in a manner to minimize impacts to vehicle, and passenger terminal access. These issues offer challenges for advancing the construction in a consistent manner across all the terminals and for quickly addressing field conditions in order to complete the projects within schedule and budget.

Construction for the Tenant Terminal Bollard Program is recommended to advance using a construction management/general contracting contract methodology. This strategy has been successful in advancing other security projects to date. The abbreviation CM/GC will serve as an on-site construction manager and will coordinate and supervise construction. On behalf of the Port Authority, the CM/GC will solicit sealed bids from a minimum of 3 subcontractors and award work to the lowest responsible bidder. Work will be inspected for approval by Port Authority staff. The CM/GC contract provides consistency, along with flexibility in addressing security solutions and priorities, limits the distribution of sensitive security design drawings, and continues with a competitive bid process to subcontractors, and includes Minority and Women Business Enterprise goals of 12 and 5% respectively. In order to continue the timely execution of our security capital program and to meet our agency's security objectives it is recommended that the CM/GC contracting approach be continued.

Since 2005, the Board has authorized four contracts for CM/GC services, in the security capital program, totaling $342.3 million. Design for this project is underway with bid documents and will be available for Newark Liberty and LaGuardia terminals in the first quarter of 2012, followed by JFK in the second quarter of 2012. As each design is completed, it can rapidly proceed through a competitive bid and award process. The proposed CM/GC contract was acquired pursuant to a publicly advertised request to qualify. A total of 8 contractors submitted qualifications for CM/GC services for review by an evaluation committee. After careful review of their qualifications, all of the contractors were deemed qualified and were invited to submit cost proposals. Seven bids were received with the apparent low bidder being URS Corporation New York. Staff recommends the award of this contract to URS Corporation, the lowest bidder, at an estimated amount of $86.592 million, which includes a contractor's fee of slightly less than a quarter of a percent, 0.24%, and a multiplier on direct labor of 0.6%. Commissioners, the award of this contract will allow for the completion of bollard protection systems at all terminal frontages at John F. Kennedy-- Kennedy International, Newark Liberty International, and LaGuardia Airports. I thank you for your continued support in delivery of this critical security program and ask that you concur an award of contract award to URS Corporation

[Chairman D. Samson] Thanks John. Do any of the commissioners have any questions? Yes, Commissioner Sartor?

[Comm. A. Sartor] John, what was the estimate of--staff estimate on this project?

[J. Drobny] The estimate for the work was $84 million, the estimate for the labor was 3%. This one came in a 1/4. The reality is also that the prior bids were coming in low at 0.99. This is the fourth one. So they arranged previously from awarded contracts at 2.25% down to slightly less than 1%, and so the estimate though was 3% on their profit modem.

[Comm. A. Sartor] Okay.

[J. Drobny] And they were at 1/4 of 1% basis.

[Comm. A. Sartor] What was the spread on the 7 firms?

[J. Drobny] From 1.24 to I think it's about 4%.

[Comm. A. Sartor] Thank you.

[Chairman D. Samson] Commissioner Schuber? Did you? Oh, I'm sorry. Anyone?

[J. Drobny] The multipliers were all similar too, but this would be equivalent. I think what you're asking is 1.6 multiplier, in effect, which is very low.

[Chairman D. Samson] John, I understand the need to coordinate all this and do it in some sort of sequential form. When do you anticipate this actual installation work will start, and when do you anticipate that it will be completed?

[J. Drobny] The full contract will continue, upon your approval, through the end of 2014 December. We have 2 contract packages that will go out for Newark in the first quarter of next year, March, and 2 at LaGuardia, and 4 more at the JFK towards the end of the second quarter, and that work will continue through the end of '14. So we'll have a--actually this will expedite work getting awarded, getting jobs created, and getting work on the ground a little later next year. You previously awarded this as an approved project last December. So we have been doing design work.

[Chairman D. Samson] So when would you anticipate all the installation to be completed at all the facilities?

[J. Drobny] Definitely by December 2014. There's a lot of staging efforts that have to be coordinated with.

[Chairman D. Samson] Understood, any other questions or comments? There's no vote required on this matter, but I'd like to get a sense of the committee as to its approval to move it forward.

[Comm. A. Sartor] I would move it forward.

[Chairman D. Samson] Alright.

[Comm. V. Bauer] Second.

[Chairman D. Samson] All right so moved, thank you. I think that does it for the business before the committee, and since there is nothing further, the meeting is now adjourned. Thank you.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Meeting Transcript
December 8, 2011

[Chair A. Sartor] I want to call the World Trade Center Redevelopment Subcommittee in public session to order. The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee is being held in public session, after which, the Subcommitee will meet in executive session to discuss matters involving ongoing negotiations of reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. Now Mr. Plate, we need you to be very concise today please. So please start with your discussion of construction trade contracts, thank you.

[S. Plate] [No audio] I recommend a contract award for the Hub. The signage contract, which includes mounted and freestanding graphics and signs throughout the Hub was publicly advertised with the joint venture of Bunting Graphics Inc. an architectural sign group, which happens to be an MBE firm, being the lowest-priced qualified proposer at a cost of $3.2 million, excluding extra work and clause work, which compares favorably to the staff estimate of $4.6 million. Authorization for this contract includes payments of $250,000 to Downtown Design Partners and $300,000 to Tishman/Turner for Design and Construction Management Services, respectively. The award of the contract will bring us to 97% of Hub Trade Contracts awarded to date.

[Chair A. Sartor] Any questions on this item? If not, I will entertain a motion to move this to the full committee. [Vice-Chairman S. Rechler] So moved. [Chair A. Sartor] Next item.

[S. Plate] The next item concerns the vehicular security center, which I'm recommending the award of 2 contracts. The first contract for security screening equipment, which includes instillation and commissioning of 2 gantry-mounted high-energy vehicle scanners, and inspection systems, and other associated equipment, which was publicly advertised with Rapiscan Systems, Inc. being the lowest qualified proposer at a cost of $14.8 million, excluding extra work, which again, compares favorably to the staff estimate of $24.8. Authorization for this contract also includes a payment of $460,000 to Liberty Security Partners for Design Services.

[Chair A. Sartor] Any questions on these items? Seeing none. I'll entertain a motion. --Second? [Comm. J. Moerdler] Second. [Chair A. Sartor] Okay, next item Steve.

[S. Plate] The second VSC contract for architectural finishes was also publicly advertised with Padilla Construction Services Inc., which again, is an MBE firm, being the lowest qualified proposer at a cost of $29.5 million dollars, excluding extra work, which compares favorably to the staff estimate of $29.5 million and also includes a payment of $1.34 million to Liberty Security Partners for Design Services.

[Chair A. Sartor] Again, any questions on this item? Seeing none--I will entertain a motion. [Comm. V. Bauer] So moved. [Chair A. Sartor] Second? [Vice-Chairman S. Rechler] Second.

[S. Plate] Next I move on to retail and parking projects. The first of which is the carpentry and drywall contract was also publicly advertised pursuant to a 2-step prequalification bid process with Pabco Construction being the lowest qualified proposer at a cost of $10.9 million, excluding extra work, which

compares favorably to the staff estimate of $18.3. Your authorization of this item will provide for nearly 75% of retail contracts awarded to date.

[Chair A. Sartor] Again, any questions on this item? Seeing none--I will entertain a motion. Second? [Commissioners] Second. [Chair A. Sartor] Okay.

[S. Plate] Moving on to One World Trade Center. The first contract will provide for the design instillation and commissioning of a first responder communication system and base building tenant 2-way radio system, which was requested by the Durst Organization. The contract was publicly advertised with the joint venture of North American Mobile Systems and TechMer being the best value proposer at a cost of $10.9 million, excluding extra work, which compares favorably to the staff estimate of $16.3.

[Chair A. Sartor] $16.3 versus $11, that's a good number.

[S. Plate] Yes, in fact.

[Chair A. Sartor] I will entertain a motion that this be moved. [Comm. V. Bauer] So moved. [Chair A. Sartor] Second? [Vice-Chairman S. Rechler] Second. [Chair A. Sartor] All those in favor? [Commissioners] Aye-- [Chair A. Sartor] Next--next item.

[S. Plate] The next contract for waterproofing concrete slabs, walls, and tree pits that comprised the East and West plaza surrounding One World Trade Center. The recommended award was negotiated with 4 Star Contracting at an amount of $950,000, which compares favorably to our staff estimate of $1.1 million. 4 Star will complete waterproofing work that was originally defined on our previously awarded Plaza Finishes Contract that was later terminated for convenience. Approximately 99% of One World Trade Center contracts have been awarded to date.

[Chair A. Sartor] Any questions on this item? Seeing none--move. Second?--Next item Steve.

[S. Plate] Our last item requests an increase in authorization as requested by the Memorial Foundation to the existing memorial trade contract with KSW Mechanical Inc. for the Bronze Name Parapets heating and cooling systems. The requested amount of $168,000 will cover instillation fittings to accommodate changes to piping connections as well as retrofit work performed to conceal the heating and cooling system components. Via a letter dated December 2, the Memorial Foundation confirmed the responsibility to pay for the total requested cost. This will also enable us, and we have already done it, to winterize the names and parapets as you requested to protect the systems. To date, we have awarded 97% of the memorial contracts.

[Chair A. Sartor] Pat?

[Comm. P. Schuber] Question, if I might Mr. Chairman. Steve, just a question, how-- and it's--it's not a great length of time we're talking about so far-- how is the Memorial holding up under the weather?

[S. Plate] Very well--very well, it's--it's--there's no problems at all. As far as temperature goes, these are the small piping under their names, so that's that-- that's covered by this, and we're almost ready to turn on the steam any day now.

[Comm. P. Schuber] Okay.

[S. Plate] Which will cover the full amount, we rushed to do that, so we should be in good shape Commissioner.

[Chair A. Sartor] Okay, I will entertain a motion that this be moved to full committee. [Comm. J. Lynford] So moved. [Chair A. Sartor] Second? >> [Vice-Chairman S. Rechler] Second.

[Chair A. Sartor] Okay. Steve, I think that was record time on your part.

[S. Plate] I have one more actually.

[Chair A. Sartor] Oh, see, I remember this one. This is--this is--this is one of my-- this has been one of my favorites over the years, but go ahead Steve.

[S. Plate] So, in summary, I'm just kidding. I would now like to update you on funding for the Lower Manhattan Construction Command Center. In November 2006, the Board authorized up to $21.7 million dollars to support LMCCC's operation for the fiscal year of 2011. Relative to our commitment, the Port Authority has paid $13.4 million to LMCCC to date through December 31, 2010. At this time, we request your concurrence to make a payment to LMCCC to be applied to the period of January 1, 2011, through March 31, 2011, in the amount of $500,000.

[Chair A. Sartor] Any questions on this item? Seeing none. I will entertain a motion. [Vice-Chairman S. Rechler] Second. [Chair A. Sartor] All those in favor? [Commisioners] Aye.

[Chair A. Sartor] Steve, you got out of here easy Steve.

[S. Plate] Alright, thank you--thank you.

[Chair A. Sartor] This concludes the public portion of today's meeting. The subcommittee will now adjourn to executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals.

The Port Authority of New York and New Jersey
Committee on Operations Transcript
February 24, 2011

[Chair A. Coscia] Good morning, everyone. The first portion of today's meeting of the Committee on Operations is being held in public session, after which the committee will meet in executive session to discuss matters related to the purchase, sale or lease of real property or securities where public disclosure would affect the value thereof or the public interest. In addition, the public portion of this meeting is being broadcast live on the Port Authority website for those interested in viewing today's proceedings via the Internet. Before we get started, we will formally welcome our new Commissioner, David Samson, later, but I wanted to recognize that he's here for a meeting of the Operations Committee. I have a fairly clear premonition that you will have a very meaningful role in this committee from this day forward. So, welcome.

[Comm. D. Samson] Thank you, Tony.

[Chair A. Coscia] Okay. Our first item for action is the Hudson-Raritan Estuary Resource Program. I guess that's you, Frank.

[F. DiMola] Yes. Good morning, Mr. Chairman. Good morning, Commissioners. Today I am requesting your authorization to enter into an agreement with the Trust for Public Land, known as TPL, a national nonprofit land conservation organization to fund its cost to purchase approximately 0.58 acres of certain property known as the Harlem River Promenade at Depot Place, located in the county of The Bronx, New York, under the Port Authority's Hudson-Raritan Estuary Resources Program. The agreement will provide funding to TPL in an amount not to exceed $1.2 million. Subsequent to closing, TPL will convey the property to the New York City Department of Parks and Recreation for public park purposes.

The Port Authority's objective is to fund property acquisitions within the Hudson-Raritan Estuary and the Port District that may be suitable for conservation, ecological enhancement, public access or environmental mitigation in support of Port development, economic development and other Port Authority capital programs. The property is identified as a natural resource and meets the requirements of the program as established by the Board. Protecting this property supports the Port Authority's sustainability goals of protecting 50 acres of land per year from development. The acquisition will provide multiple benefits to the public, including providing vital public recreation space and waterfront access to an underserved community.

By way of background, funding for the Hudson-Raritan Estuary Resources Program was approved by the Board in July of 2001 for a total of $60 million-- $30 million for New Jersey and the same amount for New York. It was certified by the Board as a facility in November of 2002. To date, the Board approved approximately $24 million in New York and $24 million in New Jersey, totaling 14 properties-- 7 transactions in each State. To date, approximately 110 acres have been purchased in New York and 241 acres in New Jersey.

The 0.58 acre property consists of vacant waterfront land along the Harlem River--and it's really this red portion right here that we're referring to-- for public use and enjoyment. The property

links Highbridge Section with Bridge Park and the Roberto Clemente State Park to the north. Supporters include the Bronx Borough President's Office, Bronx Waterfront Task Force and the Bronx Overall Economic Development Corporation.

TPL will purchase the property from the New Tabernacle Baptist Church, along with its riparian rights, for $1.25 million with $1.2 million in funding from the Port Authority and $50,000 from the Trust for Public Land. The amount of $1.2 million equals the appraised value determined by the Port Authority's appraiser, Capital Appraisal Services. The Port Authority will not be responsible for any environmental cleanup costs in the event that that issue arises. Commissioners, your approval for this action is requested.

[Chair A. Coscia] Thank you. Karen, we need a resolution to move this to the full Board?

[K. Eastman] It will actually be voted on here in the Operations Committee.

[Chair A. Coscia] Okay. Can I have a motion to approve? [Comm. J. Moerdler] So moved. [Comm. D. Steiner] Second. [Chair A. Coscia] Does anyone have any questions or comments? [silence] Okay. All those in favor? [Commissioners] Aye. [Chair A. Coscia] Any opposed? [silence] Okay. Thank you, Frank. This concludes the public portion of today's meeting. The committee will now adjourn to executive session to discuss matters related to the purchase, sale or lease of real property or securities where the public disclosure would affect the value thereof or the public interest.

The Port Authority of New York and New Jersey
Committee on Construction Transcript
June 30, 2011

[Chair R.Pocino] (inaudible) Susan Baer is going to tell us about that.

[S.Baer] Thank you, Commissioner. Good morning. Today I'm here to seek your authorization for a project to relocate vehicle roadways and infrastructure, which is phase one of a program for the widening and extension of runway 4L 22R at JFK. This program is driven by the FAA requirement to enhance runway safety areas--or RSAs-- on all of our runways by year-end of 2015, but also consists of overlapping mandatory state-of-good-repair and proposed system enhancement scope elements. Planning for phase two of the program, which was discussed with the Capital Programs Planning Committee earlier today, will cover the aeronautical improvements. By way of background, 4L 22R is located on the east side of the JFK central terminal area, intersecting both the Bay Runway and 13L 31R. The runway is 11,351 feet in length and 150 feet wide. It serves approximately 100,000 aircraft landings and takeoffs a year, which is about a quarter of the JFK total. The runway was last paved in 1999 and requires rehabilitation to ensure a state of good repair. In addition to maintaining a state of good repair, this program would also bring the runway into compliance with the congressional mandate for conformance with the FAA RSA requirements by the end of 2015. Runway safety areas of 600 feet for undershoots and 1000 feet for overshoots are required. To meet the RSA mandate, we need to extend the runway pavement northward approximately 750 feet. This requires the acquisition of both private and New York City property. The Board authorized acquisition of 4.13 acres of private property required for this construction in November of 2010, and discussions with New York City are ongoing. Failure to comply with the FAA mandate by 2015 could result in shortening of the runway to create the required safety areas within the current runway length, reducing the capacity of the airport and adversely impacting both passenger and cargo movement. Similar to the recently completed Bay Runway Rehabilitation Program, the proposed scope of work includes the widening of the runway to 200 feet and fillet improvements to serve new, large aircraft also known as Group VI Aircraft. Creation of the enhanced RSA will require that the runway be extended to the north and beyond both the airport's existing aeronautical operations area and the airport's current boundaries. In order to accommodate the future RSA extension, phase one of the program will provide for the relocation of North Boundary Road, shown in red, and Patrol Road, which is shown in blue-- -- one is outside the fence; one is inside the fence-- and the Port Authority Police Department's impound lot, which is shown in pink. The expansion of the aeronautical operations area to the north will also require relocation of the airport's security fence and equipment. Relocating these elements prior to the start of construction of phase two of the runway extension and rehab project will reduce the construction staging complexity, impacts on airport operations, and risks to the construction schedule for the entire program. In order to perform the North Boundary Road realignment, staff is in the process of acquiring approximately 4 acres of property from Logan, which I've talked about before--which is shown in brown-- as authorized by the Board in November and additional property from the City of New York, shown within the yellow dotted line adjacent to the brown--between the brown and the pinky purple up there. Acquisition of these properties will extend the northern perimeter of the airport road to

Rockaway Boulevard in the borough of Queens. Both properties will be added via single supplemental agreement to the Port Authority's amended and restated agreement of the lease of the municipal air terminals with the City of New York. It's anticipated that this program will reduce aircraft operating and passenger delay cost by 1.5 percent and potentially increase the airport's total annual departure weight by 2 percent. Additionally, it's forecasted that the total economic impact of phase one of this program is estimated to include 130 jobs, $8 million in wages, and nearly $38.6 million in economic activity over the life of the project, including indirect effects such as construction employment and materials purchased. This project is estimated at $24.3 million. Presently, staff are negotiating with the City to extend the boundaries of the airport lease. We anticipate returning for your authorization of the amended lease in the fourth quarter of this year. In the first quarter of 2013, we will also seek contract authorization for this phase, which is expected to be substantially completed by the end of 2013. Commissioners, I request that advance this item to the full board for approval. Thank you.

[Chair R. Pocino] Thank you, Sue. Commissioners, do you have any questions or comments? [Comm. A. Sartor] Sue, the estimated cost for construction is--? [S. Baer] The total of construction is about $14 million. [Comm. A. Sartor] It's $14 million? Okay. [S. Baer] And then the rest of the planning and etc. Some contingency in here, which we are actually hoping to reduce, but right now because--the timing is still not known because of the negotiations with the City. It's a fairly substantial-- [Chair R. Pocino] Does the figure include the acquisition costs? [S. Baer] No, that will be separate. We're actually trying to work a deal out with the City that there may not be any acquisition costs, but I'm not there yet. [Comm. A. Sartor] Yeah, at an earlier meeting with the Capital Planning Committee, Commissioner Steiner and Commissioner Holmes raised a question concerning the property acquisition and whether or not we maintain control of that. And we're looking; Darrell is going to come back with some information as to why it goes into the lease as City property, stays in the lease as City property, and we never-- [S. Baer] Right. That's part of it. [Comm. A. Sartor] We pay for it, but we don't get any credit for it. [S. Baer] As Darrell pointed out, it goes back to the 1947 agreement with the City. [Comm. A. Sartor] 1947--so Jeff, you may want to look at that. [Laughter] [Comm. J. Lynford] I'm the new boy so I get to look at it. Thank you, Commissioner. [Chair R. Pocino] Okay, do I have a motion to move? [Comm. Lynford] So moved. [Comm. Pocino] Second? All in favor? [Committee members] Aye. [S. Baer] Thank you. [Chair R. Pocino] Thank you, Susan. [Chair Pocino] The next item for discussion is the 2010 MWSBE results, and Lash is going to give us that information.

[L. Green] Good morning, Commissioners. Today I'm pleased to report on the Port Authority's performance in meeting last year's goals and objectives for Minority/Women-owned/Small Business Enterprise participation in construction, procurement of goods and services and other business activities. With the Board's support, the Port Authority continues to be a leader in this area and maintains one of the most comprehensive and effective programs in the region. The result is that in 2010 the agency, including the efforts of our tenants and the construction programs of the World Trade Center Transportation Hub, One World Trade Center, and the Vehicle Security Center and the Memorial Museum, posted over $470 million in contract awards to M/W/SBEs. I would now like to share with you the details of those results. In 2010, the total of $470 million represents 22 percent of all contract awards, which is above the annual

agency goal of 17 percent for M/WBE participation. These results compare favorably with the prior 3-year average of $424 million, which represents almost 16 percent in participation. In 2010, the total of $470 million was made up of awards from three sources-- the Port Authority direct contracts and subcontracts, World Trade Center redevelopment projects, and aviation tenant work. Notably, Wold Trade Center redevelopment projects generated $258 million in awards for M/WBE firms. By procurement category, the largest share of the $470 million was construction, with $377 million in awards derived from contracts across all Port Authority facilities, World Trade Center redevelopment projects, and aviation tenant work. Construction awards represented 80 percent of all M/WBE awards. I'd like to emphasize the importance of M/W/SBE spending in our region and its contribution to jobs and economic growth. The regional impact estimates that of the $470 million in contracts awarded, awards supported nearly 3500 jobs, including both new and existing jobs. It generated more than $188 million in wages, and approximately $601 million in economic activity. For construction-specific spending totaling $377 million, the regional impact were estimated to have supported 2360 jobs in the region, generate approximately $143 million in wages, and produce $485 million in economic activity. The Port Authority continues to play a leading role in developing and participating in programs to assist M/WBEs. Our Mentor-Protege Program matches M/WBEs with some of the region's leading construction companies in an effort to increase their capacity and ability to bid successfully on larger contracts. In 2010, there were 16 participants in the 3-year program, and a total of 37 firms have participated in a core program since its inception in 2002. An additional eight firms participated in a training segment as part of a pilot initiative, which is designed for firms grossing under $500,000 annually. Also, the mentors began assisting proteges who are awarded contracts with additional specialized training. This was beneficial to the seven proteges who were awarded eight Port Authority contracts total and approximately $4.7 million. Earlier this year, the Board approved the renewal of our contract with the Regional Alliance for Small Contractors. Through this contract we developed and offered over 20 software, construction management, and OSHA safety courses and Mentor-Protege Program training seminars. Over 440 business owners or staff participated in these courses. Two courses that continue to be popular choices in 2010 were the Construction Management certificate program for M/WBEs at Pace University, which qualifies participants to complete courses for 22.5 hours for continuing education credit, and then the 10-hour OSHA certificate course required by all field staff of contractors in New York. As part of our effort to ensure pipeline of skilled workers, we renewed our participation in construction pre-apprenticeship training programs offered by the Edward J. Malloy Initiative for Construction Skills in New York and in New Jersey by the Newark Essex Construction Careers Consortium and New Jersey Pathways. These three programs continue to be among the most successful of their type in the region. Since their inception in 2001, close to 1900 New York and New Jersey residents have completed the training curriculum and prepared for acceptance into union apprenticeship programs in New York and New Jersey. Throughout 2010 we continue to hold bi-monthly M/WBE progress meetings with the M/WBE liasons and construction managers for the World Trade redevelopment projects to monitor progress and discuss issues related to M/WBE participation. We continue to operate and promote the World Trade Center Business Resource Center, which was opened in 2008 to support the M/WBE's work in our World Trade Center projects and others interested in bidding on jobs at the site. The Center is quite active with over 240 meetings held with M/WBEs to assist these firms in accessing opportunities. Besides meeting with individual firms, we promoted and hosted M/WBE capacity building

events, including four orientation workshops to assist construction, A&E, and IT firms as well as protect prospective certification applicants. We also sponsored informational and networking events to keep M/WBEs informed about opportunities downtown. 2010 was an excellent year for M/W/SBEs with the Port Authority. Going forward, we are continuing to maximize M/W/SBE performance in all areas as well as expand their capacity to participate in more Port Authority opportunities. Thank you.

[Chair R. Pocino] Thanks, Lash. I just want to comment; those are some very impressive numbers. That's a good thing. Commissioners, do you have any comments? [Comm. A. Sartor] Yes, Lash, I had a question. Do we have any set aside for service-disabled, veteran-owned businesses? The reason I say that is the feds are making a big push, as well as the State of New Jersey is making a big push. Have we looked at that at all for service-disabled? [L. Green] Not--it's not one of the areas that we currently have set aside for. [Comm. A. Sartor] Is there any reason why we wouldn't look at that? [L. Green] I guess we can take a look at it. Generally, in the past, it just wasn't one of the protected classes that we had included in our disparities study. I believe that in order to do that we would need to include them in a disparity study to see exactly what the disparity was in utilization of that group. [Comm. A. Sartor] The reason I bring that up is I know that the feds are-- the federal agencies are--have a huge set-aside, and state government in certain areas are doing the same sort of thing. So I suggest you may want to take a look at that. [L. Green] Thank you. [Chair R. Pocino] Jeff, anything? [Comm. J. Lynford] Not at this time. [Chair R. Pocino] Thanks very much, Lash. That concludes our agenda here today. So I want to thank everyone for your participation, and have a good day.

The Port Authority of New York and New Jersey
Committee on Construction Transcript
July 28, 2011

[Chair R. Pocino] We're all set. Good morning, everyone. Today's meeting of the Committee on Construction is being held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. Before we get started, I'd like to take this opportunity to introduce one of our New Jersey new commissioners, Pat Schuber. Pat, welcome aboard. You're an old friend of mine. We know each other going back for many years. [Comm. P. Schuber] Thank you. I'm delighted to be aboard. [Chair R. Pocino] Thank you. Today for discussion we have four items. As I said, we're in public session in its entirety. The first item is John F. Kennedy International Airport Replacement of Restricted Service Road Bridges Project, and Susan Baer is going to run us through that. Susan, you're up.

[S. Baer] Good morning, commissioners. I'm here today to seek your authorization for a project to replace two service road bridges which support smooth and safe operations at JFK. These bridges provide for the movement of authorized vehicles on the airport on the air side and were built over 50 years ago. As you know, JFK is supported by over 30 miles of roadway, providing for both access to the airport on the land side and the movement of authorized vehicles on the air side. Air side vehicles support aircraft operations, respond to emergencies, and allow for the maintenance and repair of the airport. The vehicles on the air side operate along the restricted vehicular service road-- RVSR we call it--that runs parallel to the airport system of taxiways at distances that allow adequate clearance from aircraft to ensure safe operations. The two-lane restricted vehicle service road is only accessible to authorized vehicles via the aeronautical operations area guard post. JFK's roadways are intertwined with the Van Wyck and JFK Expressways, which are the main arteries that provide vehicular access to the airport. At the two points circled above, Taxiway Alpha and the vehicular roadway cross both expressways. The crossings of the subject of the project authorization we're seeking approval for today. The existing bridges, known as J2 and J8, were built in 1955 and 1962, respectively. The bridges lack structural capacity, adequate separation from aircraft operations, and adequate vehicle clearance below, and are therefore functionally obsolete. The current generation of aviation fuel trucks and emergency vehicles are both too heavy to use either bridge. Instead, these vehicles must use public roads and taxiways to reach some parts of the airport. Low clearance beneath both bridges also prevents larger commercial vehicles from passing on the Van Wyck and JFK Expressways below the bridges. The new bridges are designed to eliminate these challenges and operational restrictions. In addition, when these two bridges were constructed, they complied with the FAA aircraft clearance requirement and had adequate structural capacity. However, increasingly larger aircraft have resulted in the need for more clearance between the service road and the adjacent Taxiway A and the correspondingly larger equipment and vehicles. As you can see from the drawing before you, the existing bridges do not meet the current Group VI aircraft clearance requirements from Taxiway Alpha. Currently, the FAA must reverse aircraft traffic on this taxiway in order to avoid taxiing Group VI aircraft over either of the bridges. Group VI aircraft are the A380 and the Boeing 747-800. This solution significantly increases FAA's workload and delays routine aircraft traffic. The traffic reversal on Taxiway Alpha currently occurs at least 3 times a day and is anticipated to happen more than 10 times a day by 2015. Replacement of the bridges would also provide adequate separation for removal of FAA operations

restrictions. This project represents significant economic benefits for the region. The total economic impact of the project is estimated to be nearly $68 million in economic activity over the life of the project, including construction employment and materials purchases, providing 240 jobs and $14 million in wages. The total project cost is estimated at $44.7 million and is fully recoverable through the JFK flight fee. We will return for contract authorization for the J2 Bridge in the 4th quarter of 2011 and again next year for the J8 Bridge. Project completion is anticipated in 2015. The relocation of both bridges will have minor impacts to the boundaries of adjacent terminals. The leases for the terminals allow for modifications to accommodate aircraft improvements. This authorization also provides the Executive Director authorization to enter into a supplemental agreement for the required lease changes. Commissioners, I request that you advance this item to the full board for approval. Thank you. [Chair R. Pocino] Thank you, Susan. Commissioners, does anyone have any comments or questions in reference to this presentation on the improvements of JFK?

[Comm. P. Schuber] Just one question, if I might. Susan, I think in our discussion at Newark Airport last week the A380, which is that huge, brand new plane, is already out at JFK now. [S. Baer] It is, there are 3 airlines that have daily service to JFK right now, and just next week Korean will commence their daily service using their 380. [Comm. P. Schuber] Right, that 747-800 is-- [S. Baer] Is right now only configured for a cargo operation and is not yet--it's rolling out I think next year.

[Chair R. Pocino] Any other commissioners? If not, I have a motion to move this onto the board. [Comm. J. Moerdler] I'll move. [Chair R. Pocino] Second? [Comm. S. Rechler]Second. [Chair R. Pocino] All in favor? [All] Aye. [Chair R. Pocino] Oppose? The ayes have it. Our next item is the JF Kennedy rehabilitation of Taxiway P project then. Susan will do that as well.

[S. Baer] Me. Good morning again. I'm here to seek your authorization for a project to rehabilitate and widen Taxiway P at JFK Airport. This project would maintain a state of good repair and eliminate FAA restrictions for the operation of new large aircraft, also known as Group VI aircraft, including the A380 and the Boeing 747-800. Taxiway P is 5,500 feet long and 75 feet wide. It's used as the primary route for aircraft departing on Runway 13 right, 31 left, which is most commonly referred to as the Bay Runway. The Bay Runway handles about 56% of JFK's departures and 10% of its arrivals, which together represents approximately 30% of all of the aircraft activity at JFK. Approximately 20% of the taxiway's pavement was rehabilitated using concrete as part of the reconstruction of the Bay Runway. You can actually, on that previous slide, see that. The balance of the taxiway is constructed of asphalt and was last rehabilitated in 1997. The asphalt portion of the taxiway's surface exhibits normal age related wear and weathering. This portion of the taxiway requires rehabilitation in order to maintain the state of good repair. The decision to rehabilitate Taxiway P with concrete was made because aircraft frequently queue on Taxiway P, which is now paved with asphalt. Loads from aircraft queuing combined with jet blast, heat from aircraft engines, and summer time high temperatures shorten the life of asphalt pavement. Life cycle cost analyses resulted in the recommendation to pave with concrete to achieve longer service life under these conditions and to reduce maintenance costs. JFK is a Group VI airport and the currently rehabilitated Bay Runway was constructed to these standards. Currently, the airport receives 3 Group VI aircraft per day, and it's anticipated that this volume will increase to 10 per day by 2015. The FAA has granted a modification of standard, a variance, to allow Group VI aircraft to operate on the 75 foot wide Taxiway P which is Group V compliant. The proposed widening of this taxiway from 75 to the 82 feet will eliminate the need for this modification of standard. The widening of Taxiway P will also

make it dimensionally consistent with the intersecting taxiways and previously rehabilitated west end of this taxiway. In addition, as part of this project, drainage and electrical infrastructure will be rehabilitated. New infiltration trenches will be installed to reduce storm water runoff. This project represents significant economic benefits for the region. The total economic impact of this project is estimated to include 280 jobs, $17 million in wages, and nearly $74.5 million in economic activity over the life of the project, including indirect effects such as construction employment and materials purchase. We expect to return for contract authorization in the 4th quarter of 2011. The proposed project will require a 90 day closure of the taxiway. Impacts on airport operations are expected to be minimal, as alternate taxiway routes will be used during the temporary closure. The total project cost is estimated at $44.8 million which will be fully recoverable through the JFK flight fee. In addition, an application will be submitted to the FAA to recover eligible construction costs through airport improvement program grants and a portion of planning costs through passenger facility charges. Commissioners, I request that you advance this item to the full board for approval.

[Chair R. Pocino] Thank you, Susan. Question, how long does it take us to recover the funds? [S. Baer] If we do it through the flight fee, it's put in the flight fee calculation and it's what's considered the life of the work. So, if it has a typical asphalt repaving, it would be 10 years. So, we recover it over 10 years with interest from the airlines. In this case, it will be a longer life, so it will be recovered over a longer period of time. [Chair R. Pocino] Understandable. Commissioners, anyone have any comments or questions in reference to this? [Comm. S. Rechler] Just a follow up to that comment. So, what would the life be? Is it the 30-year life, 40-year life? [S. Baer] Closer to a 40-year life for the taxiway. That's what we are anticipating for the Bay Runway. We would probably expect the same from this. That's what we're getting from other information, other sources. We have just commenced doing a lot more concrete paving. We typically used asphalt in the past, but the life cycle costs really have pushed us to start using more concrete. [Male] The count is 40 years versus 7 years for asphalt. [Comm. S. Rechler] Right, so then our funds are out there for 40 years too, in terms of the reimbursement. And then what is the interest rate? [S. Baer] It is a determined interest rate, and we don't have one of our financial people here, but there is a determined interest rate that is higher than our cost of money. I don't know what, it varies over time, but we should have a conversation about all these financial things because it's been a significant source of revenue for the organization to be able to invest our money in these projects which have guaranteed returns. [Chair R. Pocino] But you must have a set number of years that you'd use for asphalt and what you'd use for concrete and so forth. [S. Baer] We do, and taxiways and runways are different, but yes, there are set numbers. [Chair R. Pocino] So a standard number. [S. Baer] A standard number that we use. [Comm. S. Rechler] Just one more question. In terms of being able to maintain the traffic since it's so heavily used, particularly the Bay Runway, when you're doing these projects, I mean, what are the mitigants? [S. Baer] Well, the way we use that runway is there's another taxiway adjacent. One is used for aircraft that are about to depart, and one for aircraft that have just landed. We will use that in both directions, which will require more staff, more operations and more planning, but for a 90-day period, which is the closure we're anticipating for this. It's not an onerous burden. We also do a huge amount of planning with the airline, and we do it at the time of year when traffic is the lightest. So, the hope for this is to do it March, April and May of next year, which is a lighter traffic time. We plan these projects literally for a couple of years with the airline community and the FAA, the tower folks, et cetera to come up with a good operations plan. The Bay Runway, which we did last year, was closed for 4 months and much greater impact on the airports, but again, the 2 years of planning with the airlines

and our 4 years of planning resulted in a project that completed a day or two early and within budget. So, it's key for these kinds of efforts. It's the planning. We also typically in these contracts have, we did for the Bay Runway, we had penalties for exceeding the time and incentives to beat the time and we require a fair amount, the Bay Runway again, we required the concrete plant be built on airport to reduce the problems with getting traffic in and out of the airport, et cetera. So, there's an enormous amount of planning we do with our engineering folks and with the airport community to make this happen. [Chair R. Pocino] Jeff? [Comm. J. Moerdler] Question, did we keep those two concrete plants? Are they still within the-- [S. Baer] They were temporary plants, so the location is still available. We did not keep them, but the company-- it's a relatively simple thing to set those up. A company comes in and has all the stuff on flat beds and puts it up, and they bring piles of material, having this space and the location, and the route, the transport route for the equipment. [Comm. J. Moerdler] So, we would operate this in a similar fashion. [S. Baer] A similar fashion. [P. Zipf] Part of it will work with the contractor in terms of means and methods. Certainly that's an option. This is certainly less concrete then most of the Bay was. [S. Baer] Considerably less. [Comm. J. Moerdler] It worked out very well on the Bay Runway. [Chair R. Pocino] They're very portable, those plants. [S. Baer] Yeah, they're very portable. [Comm. J. Moerdler] My other question was how do the airlines view this? Do they care one way or the other whether we go with asphalt or concrete? Are they encouraging us to use concrete? [S. Baer] They want us to do whatever's cheapest. That's typically their approach to airport costs, and this isn't cheapest, but they do understand, and they've been involved with us in the planning and in the cost/benefit analysis work, that they understand the bigger picture here which ultimately benefits them, which they do agree, which is down time, which is you won't have to maintain this for a much, much longer period of time. [Comm. J. Moerdler] If you take the cost of doing the asphalt alternative I assume the way you set this up is sort of like a self-liquidating loan with interest over whatever, the 7-year period or 20 or 30 or 40 years. Because of the longer amortization, even though there's interest on it, is the cost of the concrete in terms of what the airlines have to pay coming out at a lower cost? [S. Baer] Lower cost than concrete that would only last 10 years but still not lower cost than asphalt. [Comm. J. Moerdler] Okay, so it's still coming out more expensive. [S. Baer] It's still more expensive. [P. Zipf] It's probably about 20% in rough numbers in terms of pure materials. [S. Baer] Yeah, something like that, so much in the long term. And disruption, which is not part of the calculation, but a disruption to an airline's operation has enormous cost to them, which they recognize, and thus this move towards more concrete is really not just here, it's other parts of the country as well in recognition that it's really a good investment. [Comm. J. Moerdler] Meaning if you do it than you're looking at something that's going to have a 20-year life, so you're only interrupting once rather than 3 times over the life. [S. Baer] Right, yeah. [Chair R. Pocino] Okay, anyone else? [Comm. P. Schuber] I might just add that I wanted to thank Susan publicly and her staff. They were very kind to give me a very detailed backstage tour of Newark Airport. [S. Baer] Driving down runways. [Comm. P. Schuber] In advance I'll thank her for the trip out to JFK and LaGuardia coming in August, but let me, having reviewed this and listening to Susan's presentation, let me move the recommendation towards the full board.

[Chair R. Pocino] Okay, we have a motion. Second? [Comm. S. Rechler] I'll second it. [Chair R. Pocino] All in favor? Oppose? The ayes have it. Moving along to our next item, which is the PATH Flood Mitigation at Low Ground Elevations Project. Mike DePallo is going to give us that. Michael?

[M. DePallo] Thank you. Good morning, commissioners. I'm here today to recommend the board authorize a project that would provide for flood mitigation at low ground level elevations at certain

PATH tunnel locations at an estimated total project cost of $3.3 million. This project will protect PATH tunnels from water entering the tunnels by raising certain PATH infrastructure to a height above the Federal Emergency Management Agency's 100-year floodplain in the event of severe storm. Staff identified several tunnel access/egress locations in Jersey City, New Jersey that are vulnerable to water infiltration in the event of a severe storm since they are currently at an elevation of 308 feet, which is below FEMA's 100-year floodplain elevation of 310 feet. While this infrastructure is not currently prone to flooding issues, it has been determined that certain PATH infrastructures should be raised to an elevation above the floodplain in order to protect the tunnels in the event of a severe storm while also mitigating the impacts from projected climate change. This project includes increasing the elevation of the emergency exit hatches at the Washington Street Powerhouse and the 15th Street Access Shaft as well as installing 4 new watertight manhole covers and one new watertight sump hatch cover. The emergency exit hatch at Washington Street Powerhouse and hatch at the 15th Street Shaft as seen in these photographs will be raised 4.5 feet above existing grade and 4 new watertight manhole covers will be installed in the street sidewalk in the vicinity of Washington Street Powerhouse on Washington and Steuben Streets. Work will also include installing a new watertight sump hatch at Washington Street Powerhouse and the relocation of access control alarms and lighting at both locations. Newport Development Associates owns the property surrounding the 15th Street Shaft. Newport is currently constructing a park in this area, therefore, this project must be coordinated with Newport's scope and schedule. Construction activity will overlap between PATH and Newport's park development. As part of this project, PATH will require a right of entry and a permanent easement from Newport in order to access the shaft during construction and access and maintain the infrastructure following construction. The total project cost is $3.3 million, and we anticipate contract award in the 3rd quarter of 2011 with the construction duration of approximately 1 year. Commissioners, I request you advance this item to the full board today. Thank you.

[Chair R. Pocino] Commissioners, any comments or questions on this item? If not, I'll move to make motion to move it on. [Chair R. Pocino] Second, and all in favor? [Comm. J. Moerdler] Aye. [Chair R. Pocino] Oppose? The ayes have it. And construction update. Peter, you're going to do that for us.

[P. Zipf] Yes. Good morning, commissioners. Today I will be presenting highlights of the 2011 Mid-Year Capital Projects highlights. The total agency 2011 Capital Plan Budget is $3.9 billion, and the budget through June is $1.4 billion, of which $1.3 billion was expended during the first half of the year. The primary reason for this slight variance is related to the timing of expenditures relating to projects in the planning stages. Of the $1.4 billion overall capital budget, $900 million was associated with construction. Through June, the overall agency's construction in place expenditures are directly in line with the budget. I'd like to now discuss 3 projects shown in this slide for which significant construction has been accomplished during this year. The first project is Newark Liberty International Airport Terminal B Mid and Upper Level Improvements. This work is one of several projects making up the $347 million Terminal B Modernization Program. The overal modernization program includes construction of enlarged passenger screening spaces, concessions, airline lounges and offices, baggage handling systems and additional elevators and escalators and new ticket counters. Construction of the above project is well under way as work continues with the new ticket counter areas, the installation of new ceilings, heating ventilation systems, light fixtures, and airline offices. The work is approximately 54% complete and $14 million of construction was completed through June of this year. The project is currently forecasted to be completed in May of 2013, which is a year after the contract completion date.

This delay is primarily due to the greater than anticipated amount of utility relocations and asbestos abatements that we encountered during construction. Staff is actively working on means to accelerate the remaining work to mitigate delays where possible. The second project is at the Lincoln Tunnel Bus Ramps Deck Replacement-Phase II. In 2001, the Port Authority began a replacement of the concrete bus ramp decks in three phases due to their age and deteriorating conditions. Phase I, which was completed in March of '09, replaced 35% of the total ramp decks. Phase II, which is this project shown, will include an additional 40%, and the remaining 25% were completed in Phase III, which is planned to be completed in 2019. The subject project is approximately 17% complete, and $5 million of construction work has been completed through June. The outbound bus ramp, which is one of four major ramps to be replaced, has completed all demolition work and a placement of new concrete decking has commenced and is well under way. Construction is proceeding on schedule, and work is forecasted to be completed in accordance with the contract date of April 2015. The third project and the last project is the Elizabeth Marine Terminal North Avenue/McLester Street Curve Realignment. This project provides for the construction of an additional lane of access and egress to Port Elizabeth. This includes improved pavement surfaces, center traffic barriers and new traffic signals. Inbound traffic has already been shifted onto the new roadway, and the new traffic signal installation is ongoing. The work is approximately 83% complete, and we anticipate that the project will be completed on schedule and within budget. Commissioners, overall, there are currently 308 active construction contracts underway with a value of approximately $3 billion. Staff has implemented several initiatives over the years to streamline processes and measure performance in several key areas. One such initiative is expediting a time to close out projects which result to reduce staff and financial expenses. In the first half of this year, 43 construction contracts valued at $147 million were closed out. Eighty percent of these contracts were closed within our target duration of 1 year. The remaining 20% are associated with legal, inspector general and audit issues and could on average take an additional year to close out. In closing, we will continue to provide you with progress updates on projects on a regular basis. Thank you.

[Chair R. Pocino] All right, thank you Peter. Do any other commissioners have any comments or questions? [Comm. S. Rechler] Peter, the airport work at Newark, is that reimbursable too or does that not qualify as reimbursable? [S. Baer] In fact, you're going to hear more about the PFCs later that is partially being paid for by PFCs. There are lots of limits on terminal work and PFC expenditure. But the part that can be, we can use PFCs for, we are. But Terminal B, the cost recovery formula, there's cost recovery formulas for almost every aspect of airport work. In Terminal B, that's the international terminal that we run. The airlines that use the terminal, we every year adjust the rates to recover our cost, essentially. So, it is recoverable. What isn't paid for by PFCs will be recoverable from the airlines that use the terminal. [Comm. S. Rechler] So, you'll amortize those, it's an amortized basis? [S. Baer] Whatever we don't pay for by PFCs we'll amortize. [Comm. S. Rechler] And is interest applied to that as well or no? [S. Baer] Of course. [Comm. S. Rechler] And is that a pre-specified rate or formula? [S. Baer] There is a formula that's been worked out with the airlines. [Comm. S. Rechler] And with these projects, does the construction group evaluate just this point which ones are revenue generating projects and which projects are-- [P. Zipf] We're working to establish a capital program. [S. Baer] It is one of the considerations in the capital program. [Comm. S. Rechler] Mr. Chairman, maybe at some future meeting we could have a sort of overview of some of the construction projects that are pending over the next 12 months and how much of that would be revenue generating versus non-revenue generating just so we could have some perspective on that. It would be helpful. [Chair R. Pocino] Sure, that would be a good

idea. Peter, you'll take care of that? Thank you. Any other comments or questions from the commissioners? That does complete our agenda for today and the Committee for Construction. So, with that, I'll have a motion to adjourn. [Commissioner] I'll move. [multiple Commissioners] I'll second. [Chair R. Pocino] All in favor? Aye? Thank you very much.

The Port Authority of New York and New Jersey
Committee on Governance and Ethics Transcript
July 28, 2011

[Comm. V. Bauer] Good morning. Welcome all to the meeting on Governance and Ethics, please--and today's meeting of the Governance & Ethics Committee is being held in Public Session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. For first discussion, we will have a delegation on the Committee of Operations Darrell Buchbinder?

[D. Buchbinder] Thank you. The first item on the agenda is really a corporate governance housekeeping item. In 1994, the Board had authorized the Committee on Operations to act on behalf of the Board in two specific instances. One, when there was not a sufficient number of Commissioners present to constitute a quorum; and, in the second instance, when-- even with a quorum, because of recusals--there were not a sufficient number of Commissioners present to take action on an item. And, as a matter of efficiency and the continuation of business efforts, it was deemed that the Committee on Operations be delegated the responsibility to act--an authority--to act as a board in those instances. Over time, we have considered moving this and had discussions; and it's our recommendation, at this point, that we move that provision into the By-Laws to basically capture all of the various meeting authorizations, and conditions for board meetings and committee meetings in one place. That's the recommendation today-- that we do move that in and incorporate that provision in the By-Laws.

[Chair V. Bauer] Do we have to move this? [D. Buchbinder] This is just for discussion and recommendation to the Board. [Chair V. Bauer] Does anyone have any questions? Discussion? Would you define for the public, Darrell, what a quorum is, please? [D. Buchbinder] A quorum of the Board is six commissioners, three from each state. Required action is three commissioners from each state voting in favor, unless all six commissioners from a state are present--at which point it takes four commissioners voting in favor of an action. >>[Chair V. Bauer] Okay. [D. Buchbinder] On the committee side, the required membership is five--the majority being three. You require one from each state to be present, and to pass an action, you need a majority with one from each state. [Chair V. Bauer] Okay. Fine. [Comm. J. Moerdler] Now--when the four vote, you mean three and one would work? [D. Buchbinder] No--you need four in favor. You need four in favor--from each State. So it's--from a State. It's normally three from each State required to pass an item at the Board level, but if six Commissioners are present then you need four votes in favor. [Comm. W.P. Schuber] No matter where they come from? [D. Buchbinder] Four from a state. [Comm W.P. Schuber] Four of them from a state? [D. Buchbinder] A state. [Comm. W.P. Schuber] Okay. [D. Buchbinder] So, at that point, if you had six from one state and, say five from the other, you would need seven Commissioners voting in favor: four from the state with six, three from the state with five.

[Chair V. Bauer] Okay. Does everybody understand? Anything else? [Comm. W.P. Schuber] Madame Chair, I've reviewed this and, having listened to Counsel's explanation, I would move to recommend this to the full Board. [Comm. J. Moerdler] Second. [Chair V. Bauer] Okay. All in favor? [All] Aye. >>[Chair V. Bauer] Okay. Thank you. Thank you, Darrell. Second, we have Howard Kadin who will speak about corporate trends in Governance and Ethics, thank you.

[H. Kadin] Thank you and good morning, Madame Chairman, members of the committee, ladies and gentlemen. Today, I'd like to speak with you about compliance with certain legal and regulatory requirements, the concept of fiduciary duty, a brief review of New York and New Jersey Ethical Standards, and the adequacy of the Commissioners Code of Ethics, along with a quick review of some governance & ethics trends in the two states, and a survey of some corporate trends and best practices. Now, with respect to financial disclosure-- as you know, all Port Authority commissioners are required-- under the Commissioners' Code of Ethics-- on an annual basis, and periodically throughout the year, to provide General Counsel with financial information consistent in format and substance with information required to be filed by unpaid officers who hold policy-making positions in the state of their appointment. Accordingly, commissioners are requested to provide General Counsel with information on their business, corporate, and other involvements as well as any substantial interests they may have. In New Jersey, Executive Order No. 24, promulgated by Governor Christie, continues the financial disclosure process for certain New Jersey officials, including New Jersey commissioners, on substantially the same basis as its predecessor Executive Order No. 1, which was rescinded. The Executive Order No. 24 does not require any new actions by New Jersey commissioners or impose any new or additional limitations on their activities. Under the Executive Order, New Jersey commissioners are required to file their financial disclosure statement with the State Ethics Commission honored by May 15 of each year, or within 120 days of assuming office for new commissioners.

[Comm. W.P. Schuber] I just filed, so that's good. [Chair V. Bauer] We all did. [H. Kadin] And all commissioners are in compliance with their obligations. [D. Buchbinder] Including new ones.

[H. Kadin] Now, as far as ethics training requirements are concerned, the first thing I'd like to say is that all commissioners receive briefing materials regarding general ethical considerations and applicable statutes and new related materials; and you all recognize this. There is a New Jersey statutory requirement in the Conflicts of Interest Law that certain New Jersey State officers and employees are required to complete a training program on Ethical Standards. And this requirement applies to state officers or employees--or special State officers or employees in a state agency in the executive branch. The training is, however, relevant for New Jersey commissioners who are required under the Code of Ethics for Port Authority Commissioners, adopted by the Board on February 19, 2009 to comply with all applicable rules, regulations applicable to a commissioner as an unsalaried public officer through his or her state of appointment. In the case of New Jersey commissioners, questions with respect to their actions, are generally reviewed in the context of the provisions of the New Jersey Conflicts of Interest Law applicable to the special State officers. The New Jersey Financial Disclosure Statement Forum for public officers requires filers to indicate if they have completed ethics training-- and all New Jersey commissioners have completed such training. On January 2, 2011 Governor Cuomo, in New York, issued Executive Order No. 3, mandating regular ethics training for all officers and employees working in the Executive Chamber in the Office of the Governor, as well as commissioners of New York State agencies. The training includes a discussion of Section 73 and Section 74 of the New York Public Officers Law. While this requirement, under the executive order, does not directly apply to New York commissioners, General Counsel does furnish information to New York commissioners regarding ethical obligations under those statutes. In addition, the Public Integrity Reform Act of 2011--which I'll be discussing in slightly more detail in a little bit-- in New York mandates similar ethics training for individuals subject to the New York State Financial Disclosure filing requirement. I'd like to show you a brief chart with some salient provisions of New York and New Jersey Ethics Laws. You can see, from

this chart-- what really comes out is the importance of independence and objectivity in the performance of official duties. That's reflected in provisions regarding the avoidance of conflict of interest, avoiding being on either side of transactions with one's agency, limitations on the acceptance of gifts, provisions regarding nepotism, post-public service restrictions, and the avoidance of political considerations in connection with decision-making. You can also see the twin goals of accountability and transparency reflected in Financial Disclosure requirements. In terms of the Commissioners Code of Ethics, as indicated before, the general standard is that commissioners will comply with all applicable laws, rules, and regulations with respect to unsalaried public officers from the commissioner's state of appointment. In reviewing applicable compliance with ethical standards, the Commissioner's Code, through its incorporation of those laws, rules, and regulations, its notification requirement--with respect to conflict of interest issues and contacts from lobbyists regarding procurements, and with respect to the need to provide financial disclosure to General Counsel, this Commissioner's Code addresses each of the following considerations: What standards apply? What risks are addressed? Brief consequences--are third party actions addressed? and is the code understood and accepted by those covered? A discussion regarding the adequacy of the Code of Ethics and Financial Disclosure for the staff, as opposed to the commissioners was most recently discussed at the December 7, 2010 meeting of the Committee. Now--with regard to trends in New York, the Public Integrity Reform Act of 2011 was passed in response to widespread criticism of aspects of New York State governance, including allegations of corruption, the lack of truly independent ethics, oversight over all public officials, and for the failure to require more robust disclosure of outside income sources. As you can see, from the chart, one of the prominent things that happened was the creation of a joint commission on public ethics, which deals with both executive and legislative branch individuals. The legislation requires, for those who file financial disclosure statements, to provide information on a reporting individual's clients and of clients of their firm if those clients are represented with respect to a proposed bill or resolution before the legislature, if those clients have received state contracts or grants, or if those clients are the subject of--or a party--in any proceeding by or before, or involving a New York State agency. Concerning the 2009 Public Authorities Reform Act-- that was signed by Governor Paterson in December of 2009, took effect in March 2010. That act built on the framework established by the Public Authority's Accountability Act of 2005, which enacted a comprehensive set of reforms to help ensure more stringent, uniform standards of transparency, accountability, and professionalism. The act provides enforcement language to help ensure compliance, improve board member performance, and strengthen the oversight role of an independent authority's budget office. It's important to note at the outset--as an aside--that many Port Authority policies and practices predate this reform legislation and address the concerns underlying it. Directors are acknowledged that they have a fiduciary obligation to the Authority to act in its best interests and those of the people of the state served by the Authority to perform duties and responsibilities to the best of their abilities in good faith, and with proper diligence and care consistent with the enabling statute, the Authority's mission, and By-Laws of the Authority in New York State Law. Directors indicate an understanding of the obligation to become knowledgeable about the Authority's mission, its purpose, its functions, the responsibilities and statutory duties of the agency and, when necessary, to make reasonable inquiry of management and others with knowledge and expertise, so as to be able to make informed decisions. Directors agree to exercise independent judgement on all matters before the Board. They agree to participate in training sessions, attend Board and Committee meetings, and engage fully in the Board and Committee decision-making process. They further agree not to disclose confidential discussions and matters before the Board and to disclose actual repair in conflicts. As discussed

previously, Port Authority commissioners are provided with substantial briefing materials upon joining the Board and they are familiar with the Port Authority's business, its governance, and their responsibilities. Their personal activities are screened by General Counsel's office, through the financial disclosure requirement in the Commissioner's Code and through questions raised directly by commissioners to ensure commissioner independence, objectivity, and freedom from conflict of interest and the appearance of such conflict. With respect to annual self-evaluation, this is to be measured against the Authority's mission statement, goals and values, and the expectations of those served by the Authority and the State, as a whole. The By-Laws of the Port Authority mandate annual review and evaluation of Board performance and committee effectiveness. As to new reporting responsibilities, in addition to providing the Authority's budget office with mission statements and performance reports, information is also required regarding current organizational structure and composition of committees, background information on the formation of the Authority, and professional experience of board members and management, complete financial information on the Authority's operational risks, long-term liabilities, and property transactions. The Port Authority is statutorily required to allow respective states to examine its accounts and books, and Port Authority Minutes are sent to the governors of the two states who have authority to veto actions recited in such Minutes. With respect to New Jersey trends, as previously mentioned, Governor Christie's promulgation of Executive Order No. 24 last year, is an example of his commitment to maintaining high standards of integrity and transparency, in connection with the operational government. I'd like to talk for a few moments about corporate governance in the public authority context. A public board member cannot properly execute his or her fiduciary duty without understanding the mission and interests served by the authority. When we talk about corporate governance, we're talking about the rules, policies, and management practices established by an organization to help it conduct its business consistent with its corporate and public responsiblities. Accordingly, a public authority must--consistent with applicable law--have a good definition of its mission and the interests and expectations of the community it serves. Relevant questions include: The public purpose-- What is the public purpose of the authority when it was created? How can we best achieve that purpose? How do we assess whether a particular action or decision before the Board is consistent with the Board's mission and this public interest? What are the Authority's stakeholders? It's goals? What are the values of the Authority? When a mission has been defined, policies are implemented to achieve those objectives. Performance measures are then put in place as a means for the Board and management to evaluate and monitor whether policies and operating practices are in accordance with the Authority's mission. These measures should be designed to answer questions such as, How do we know if we're performing that mission, and performing it well? How can we be more efficient and effective? How do we know if we're meeting the interests of those we serve? More specifically, we look at transparency and fiduciary duty as two of the elements that are important in the context of corporate governance in a public context. With regard to transparency, the Committee will recall that in December, 2006 the Board expressed its continuing commitment to transparency, including commitment to considering and voting on items presented to it individually, releasing agendas for meetings of the Board and its Committees to the public prior to meetings of the Committee and the Board, publishing the minutes of meetings through the Port Authority's Public Web site, providing explanations for actions taken and meetings held in executive session, encouraging public input, publishing contract awards, and providing for public consideration of, and input, into the annual budget. The Board also adopted revised Open Meetings Rules and Regulations in December, 2006 to encourage and permit public participation in Port Authority business, consistent with the resolution on open

meetings adopted by the Board in June, 1992. The Committee will also recall that agency practices and procedures to increase openness and transparency were also provided in amended and restated By-Laws in July, 2007 as amended in May, 2008; and in a revised Freedom of Information policy and procedure in November, 2008. With respect to their fiduciary duty, board members should always act in good faith, and in the best interests of the Authority. They must inform themselves prior to making business decisions, utilizing information reasonably available to them, and exercise reasonable care in the discharge of their responsiblities. A Board that is informed, knowledgeable, and engaged is integral to effective corporate governance. Board members must have a basic understanding of the primary business functions and missions of the Authority. The Board is responsible for protecting the assets of the Authority, the interests of bondholders, and the public. Board members, of course, should not divulge confidential discussions and confidential matters that come before the Board for consideration or action. Board members owe a duty of loyalty, in addition to a duty of care, to the public Authority. This requires them to be disinterested--so that they do not appear to be on both sides of a transaction, or expect to derive personal financial benefit from it. Board members should disclose any conflicts--or the appearance of a conflict-- of a personal, financial, ethical, or professional nature that could inhibit them from performing their duties in good faith, with due diligence and care. Two more elements of corporate governance in the Public Authority context relate to board independence and accountability and the separate oversight and executive management functions. With respect to independence and accountability, any interested party may comment on any matter or proposed resolution that comes before the Board, be it the general public and affected party, a party potentially impacted, or an elected or appointed public official. But the ultimate decision is the board members'--consistent with the Authority's mission and the board members' fiduciary duties. Those responsible for making appointments to the Boards of Public Authority's demonstrate the seriousness with which they take this obligation by appointing knowledgeable and conscientious individuals who have a commitment to serve and a willingness to exercise management oversight; and who have demonstrated intellectual independence to carry out the mission of the Authority, consistent with public policy objectives. The role of the Board is to oversee--not to manage. The Board, working with executive management, establishes the appropriate governance culture, philosophy, and commitment to performance. The Board has a responsibility to provide active oversight of management, and to make reasonable inquiry of activities when appropriate. Executive management, on the other hand, carries out policies established by the Board, making day-to-day operating decisions, and keeping the Board informed with sufficient information of its actions, issues of concern, potential risks, and liabilities so that the Board can make intelligent decisions. Executive management encourages the Board to stay informed on corporate governance issues Switching to corporate trends--back in April of 2010, the United States Sentencing Commission approved some substantial changes to Chapter 8 of the Federal sentencing guidelines, which apply to organizations convicted of criminal offenses In particular, these amendments affect the requirements for establishing an effective compliance program-- a means of mitigating institutional punishment in the wake of criminal conduct. And these changes, through the Federal Sentencing Guidelines, took effect in November of 2010. The amendments expand the availability of sentencing benefits for organizations that provide a direct communication channel between compliance personnel and the organization's governing body--including express authority for individuals who have operational responsibility for the compliance and ethics program to communicate, personally, with the governing authority. This personal communication must occur promptly on matters involving actual or potential criminal conduct, and no less than annually on the implementation and effectiveness of the compliance and ethics program. The

amendments clarify that to qualify, is having an effective compliance and ethics program. The organization has to respond to detected criminal conduct by taking reasonable steps to remedy the harm, taking appropriate measures to prevent further, similar criminal conduct--including assessing the compliance program and modifying it, as needed, to ensure its further and continued effectiveness. Reasonable remedial steps may, but are not required, to include restitution to injured parties, self-reporting, and cooperation with federal authorities. It should be noted that the Commission rejected a proposal mandating the retention of an independent monitor in situations where apparent possible criminal wrong-doing has been detected. Finally, the Commission also declined to adopt a proposed amendment, focusing on the role of document retention policies in an effective compliance program. Regarding the Dodd-Frank Wall Street Reform and Consumer Protection Act of last year-- one of the requirements of that Dodd-Frank Act required municipal advisors to register with the Securities and Exchange Commission. It established the fiduciary duty between the municipal advisor and the municipal entity for which it is acting as an advisor; and subjects municipal advisors to certain anti-fraud provisions.

[Chair V. Bauer] Howard, we've got to move forward. I don't want to underestimate the importance of this committee--enforcing the integrity and the ethics and transparency of the Port Authority--but, I think if we can-- [H. Kadin] Well, I thank you, Madame Chairman, and I'm happy to discuss any further questions that the members may have-- [Comm. J. Lynford] Karen, can you e-mail Howard's slides? And I suggest-- >>[K. Eastman] Yes. [Comm. J. Lynford] -that you e-mail them to the entire Board, please-- >>[Chair V. Bauer] Exactly. [Comm. J. Lynford] --together with your comments, so that we can pick up on the balance of it and the entire Board can have the benefit of it. [Comm. W.P. Schuber] Thank you, Commissioner. [Chair V. Bauer] Thank you, Jeff. I think another point should be made that, when in doubt, we have excellent legal counsel here and, I think, if any of the board members ever have a question, just simply refer to Darrell, as well. Is that correct? [Comm. W.P. Schuber] Just one question I had-- >>[Chair V. Bauer] Sure. [Comm. W.P. Schuber] --and then we'll go ahead and start with this and the other too-- [Chair V. Bauer] We don't have-- [Comm. W.P. Schuber] Very quickly--on the one provision on the Dodd-Frank Bill-- Dodd-Frank Law- that dealt with whistleblowers-- I'm very new here--what's the agency's adopted policy, with regard to the protection of whistleblowers? [H. Kadin] We do have a strong and robust whistleblower protection policy and it basically prohibits any Port Authority employee or officer from taking any action in retaliation for an individual employee or officer providing information --in good faith--with respect to potential wrongdoing. The policy defines this retaliation broadly to include any adverse personnel action that may be taken. [Comm. W.P. Schuber] So it's very similar to the New Jersey statute in this area? [H. Kadin] I think it is. [Comm. W.P. Schuber] Okay. [D. Buchbiner] We've also established an 800 number especially for those-- [Comm. W.P. Schuber] Thank you. [H. Kadin] You're welcome. [Chair V. Bauer] Okay--so the meeting will be closed. Thank you very much.

The Port Authority of New York and New Jersey
World Trade Center Redevelopment Subcommittee Transcript
July 28, 2011

[Chair A. Sartor] Let me welcome you to the World Trade Center Redevelopment Subcommittee. The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee is being held in public session, after which the Subcommittee will meet in an executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. As a first order of business, I would like to welcome our new Commissioner, Pat Schuber.

[Comm. W. Schuber] You're very welcome; glad to be aboard here. [Chair A. Sartor] Glad to have you. [Comm. P. Schuber] Thank you.

[Chair A. Sartor] Our first item is World Trade Center Vehicle Security Center Construction Trade Contracts. Mr. Plate?

[S. Plate] Good morning, Commissioners. With the tenth anniversary of September 11 rapidly approaching, significant progress continues at the World Trade Center with nearly 3,400 workers at the site each and every day. To that, I request your approval of several of these items necessary to sustain our momentum. The first, as Commissioner Sartor mentioned, is the Vehicle Security Center. I recommend the award of five construction contracts for the lowest price technically qualified proposers including: 1. Electrical Telecommunication Security and Fire Alarm Systems to Zwicker Electric Company at a cost of $54.4 million. The second contract is Fire Protection to Rael Automatic Sprinkler Company at a cost of $5.9 million. The third one is Heating and Air Conditioning to WDF at a cost of $15.4 million. The fourth one, Plumbing, to Pace Plumbing Corporation at a cost of $7.9 million, and the last one for the VSC is Miscellaneous Iron to Skyline Steel Corporation at a cost of $14.5 million. These awards that exclude extra work compare favorably to our staff estimates and also provide a total aggregate increase in compensation to Liberty Security Partners of $4.6 million for associated design services during construction. With the award of these contracts, we have reached 85 percent of VSC trades awarded to date.

[Chair A. Sartor] Steve, you've sort of condensed your presentation. Normally, you take the Electrical, you tell us what the competing bids were, what the bid was, what the estimate was by your staff. Why haven't you done that? [S. Plate] I can do that if you'd like. [Chair A. Sartor] Well, he usually does it right here so we know. [Comm. H. Holmes] Okay. [Comm. D. Steiner] Do you want to do that? Does he have to do that? [Chair A. Sartor] Well, you don't have to, but he has done it in the past and this presentation is somewhat different. [Comm. R. Pocino] So Steve, what would you say they came in at, in terms of the estimates? [S. Plate] The estimate was usually about the second or third bid. I'll use Zwicker, the first one. The estimate was approximately $62 million. [Comm. D. Steiner] All right, in your assessment? [S. Plate] Yes, sir. The bids ranged from 54 to a high of 70, and they were right in the middle. [Comm. D. Steiner] Did you use BAFO? [S. Plate] Yes, sir. We went back to each one of them. We gave them another shot, we descoped them to make sure everybody's on the same page. We made

sure we got in their heads and understood what they understood the job to be and vice versa, and as a result of that, we issued an addenda, and they- [Comm. D. Steiner] Your use of the BAFO, your experience has been that its cut down a lot of times where it's - It is a very good technique that I've seen you use. Have you been successful in reducing the contracts later on in the job by using that technique? [S. Plate] Yes, we have. It's actually during the process of descoping, by them doing a traditional rip and read, they have to sometimes fill in the blanks, and there's a disconnect which you never really uncover until the job is awarded. [Chair A. Sartor] Steve, my- [Comm. D. Steiner] So there is a cost savings. [S. Plate] Yes. I mean- [Chair A. Sartor] Steve, my preference would be for you to show what the engineer's estimate was, because in most of these cases, you've done a very good job in terms of the procurement and it's a significant difference between--just as the electrical number was-- I think if you go down, maybe if you just-. [S. Plate] Okay. I can go through them right now if you'd like. [Chair A. Sartor] Just quickly. [S. Plate] Yes, surely. I just told you the first one, which was Zwicker, the Electrical one. The next one is for Rael and the estimate was a little less than $6.1 million and you can see we're at close to $6 million, so that's right there. By the way, we've also- [Comm. D. Steiner] What were the competitive bids on them? [S. Plate] Sorry? [Comm. D. Steiner] What were the competitive bids? [S. Plate] They ranged from $6 to approximately a little over $8 million and after a number of BAFOs, we got them back to where we needed to do. I will tell you initially, they were all at 7 to 10, and then we got back and had a series of closed-door sessions where we really understood what they did and vice versa. Keep going? [Chair A. Sartor] Yes, go ahead. [S. Plate] Okay. Heating and Air Conditioning--there were actually eight bidders and they ranged from--initially, to give you a sense of this since you've been asking--we started about 18 to 24. After we made sure we had a complete package, we got it down to 15 to a little over 20, so we significantly reduced the bids. We generated competition and our estimate on that was $16.6. And by the way, based on your direction, we did recalibrate our estimates, because you remember, for the last several years ago, they were much higher because that was the way the market was bidding. So we've adjusted it and now our numbers are right in the bidding range. The next one is the Pace Plumbing, and that was, again, we ranged in the 10 to 14 range. Our estimate was 8.2 and the low bidder at Pace was a little under $8 million, which puts us right there. Each one of these are tried and true firms. The last one is Skyline and Miscellaneous Iron, and that was we started the process, the numbers were in the 14+ to approximately $19 million and after we BAFO'd and adjusted the scope to make sure we were on the same page, we got down to $14.5. Skyline is actually working on the Memorial and doing a great job and is a very good firm. The engineers estimate was $16.2, which is, again, right in the middle of the range. [inaudibles] [Comm. V. Bauer] I just wanted to mention to Steve (inaudible) job. [S. Plate] Thank you, and to my staff, who has worked- [Comm. D. Steiner] As usual. [Comm. V. Bauer] That's right, as usual. [Comm. D. Steiner] There's one that's really, really phenomenal job and I don't give out compliments (inaudible) [Comm. V. Bauer] We know that. [Chairman D. Samson] Duly noted. [Chair A. Sartor] I'd entertain a motion to move it to the full board. [Comm. D. Steiner] So moved. [Comm. V. Bauer] Seconded. [Chair A. Sartor] All those in favor? [Commissioners] Aye. [Chair A. Sartor] Next item?

[S. Plate] Okay. The next item is basically Pre-Purchasing all of the Granite Pavers to finish the whole perimeter for the sidewalks, and the reason for the pre-purchase is to make sure we get all the same quality and same material and color and texture. So basically, this will provide for the

pre-purchase as well as the storage, because as projects come online, like Tower 4, we'd do the perimeter of Tower 4 and Tower 3, etc. This contract was competitively bid. The low bidder was Berardi Stone Setting, who is actually working at the Trade Center on the Memorial and at a cost of $13.5 million, this purchase is approximately 150,000 square feet of sidewalk, which is about 4 acres of stone. In answer to your earlier question, the bids came in between the low bidder that you see here for $13.5 to a little over $15. The engineers' estimate was $14.3. [Chair A. Sartor] Any questions? I'd entertain a motion to move it to the full board for approval. [Comm. V. Bauer] So moved. [Chair A. Sartor] Second? [Commissioners seconded]

[S. Plate] Okay, the next one I'll adjust slightly. As opposed to just reading one slide, I'll go through them each individually. This concerns Retail working closely with Philippe Visser and his team as well as my team. We recommend the award of 4 contracts to the lowest technically qualified proposers. The first is for Ventilation and that is at a cost of $13.9 million and the engineers' range was again approximately $14-- a little less than $14 to a range of $25 million. There were four qualified bidders and the engineer's estimate was approximately $18 million.

[Chair A. Sartor] That's a $5 million difference, almost. [S. Plate] Yes. [Chair A. Sartor] That's good. [S. Plate] Okay. The next one is for Plumbing, and that's to WDF at a cost of $9.3 million. The engineer's estimate was $9.6 million and the range, we had 3 very responsive bidders and it ranged from $9.3 to a little over $10 million. So again, a very good competitive range; a very tight bid range. The next one was Heating and Air Conditioning to WDF at a cost of $11.6 million; again, four bidders. The low bidder was $11.6. The engineer's estimate was a little over $13 and the range was from $11.6 to $16.4, so again, the estimate is right in the middle of the pack and we had a very good spread on that. The next one is Fire Protection to Rael and that was for $4.7 million. The range from that was there were four bidders and the range was $5 million to $15 million and the engineer's estimate was $8.5. Now the question is why was Rael so low? Rael basically got most of the contracts at the site, so when you look at the total volume, I think it's close to $80 or $100 million of work that they have at the site, so if you look at $5 million on top of that, they have all the supervision, they're ready to go, they're right there, so they cut that all out of their price and just said this is an incremental. Plus, they're obviously looking for future work at the site because it is a very appealing site to work at so with the Fit-Outs coming right behind it and things such as that.

[Comm. V. Bauer] Thanks, Steve. (inaudible) not to lower the quality of the work. [S. Plate] No, this is a premier firm. They've done work throughout the entire site and have been working for us for years and they're well known in the industry. [Chair A. Sartor] I just want to compliment World Trade Center Retail and World Trade Center Construction for working together. A number of months ago, that recommendation was made by the board that Retail focus and work with World Trade Center Construction to get these construction contracts out because of the experience that World Trade Center has, Construction Center has had, and this is working. It's working very, very well, as you can see from today, so Philippe and Steve, good job. [S. Plate] And I concur. That's- (inaudible, speaking at same time). [Chair A. Sartor] Any questions on this? If not, I'll-. [Comm. D. Steiner] So moved. [Chair A. Sartor] Second? All those in favor? [Commissioners] Aye. [Chair A. Sartor] Okay. Steve, you've got one more.

[S. Plate] Well, I was just going to say this represents about 40 percent of the Retail Trades and we plan to reach 90 percent within the next several months so we've gone from 0 to 90 very quickly. And the last, since you're being so kind to pass out compliments, I want to just say that this--the whole team behind this is Procurement and Lillian Valenti and just watching us very closely and supporting us in every way possible to make sure we get the very best bids. All right, the last- [Chair A. Sartor] Yes? I'm sorry. [Comm. P. Schuber] I just wanted to also echo what I heard here before. Steve, at this time, it would be very good today to take me around the site itself to get an inside view of this so I had a better picture for today's meeting in particular, and I was very impressed by his hands-on approach as well as the staff and I just wanted to get that into public record. [Chair A. Sartor] Thank you. [S. Plate] Thank you, sir. [Chair A. Sartor] Steve, we have a number of new Commissioners sitting around the table and I'd like you to take a little bit of time to explain what you're doing with this one.

[S. Plate] Okay. If I could summarize, what I'm doing here is basically more of an accounting effort, and let me explain what that means. Basically, we have approximately $11 to $12 billion at the site that the Port Authority is handling. Depending on who is best poised, what project is best poised to do the work, we move the money around to accomplish efficiencies and savings. So what you see here is a number of changes have developed that actually help the Port Authority, but what I'm doing here is moving around authorization and budgets to accomplish that because if I have a budget in this bucket, I need to move it to another bucket, so for example, if the Hub has a bucket to do this work, but World Trade is in a position better poised to do that work, I move that money around, and that's what this is attempting to do. I want to underscore there's no changes in budgets here, there's no change--no new money involved with this. So I'm about to walk you through--and I can go to a lot of detail--but globally, what this basically accomplishes. All right, so without reading my script, I can do this pretty much. What we're doing is through a series of all the contractors we have, which we have--believe it or not, we have 60 trades working at One World Trade and each one depends on each other, and as a result of them working at the site, we've had a number of changes which you'll recognize as I go through it. But if you look at this chart, which I attempted to do to try and give you a sense of it, this is the sources--you remember, I said all those projects at the site that have money in their budgets and that's the budget money outlined here, and this is the work that they have to do. Now, they've asked, for example, the people at One World Trade, to do the work for them, so let's use the first column, which I think you'll most relate to, is do you remember the main power was 80 megawatts, which can light a very good-sized city--is coming to the site. That was supposed to come in at Tower 2. After the negotiations and settlement of all the deals that we've had, it was decided it was best to be relocated to Tower 1, which we are in the process of doing. As part of that, I have to shift the money that was in Hub and a whole bunch of other people as you can see here outlined on this list, and move them over to provide for One World Trade to do the work which is underway. So that's basically giving us--moving budget around, but more importantly, moving authorization to the contractors doing it, so if it's ‘x’ contractor was supposed to do it in Tower 2, ‘y’ contractor's doing it in Tower 1 and I need to get that authorization and shift the money, and that's what this accomplishes. So that was one prime example. The good news is we're really doing great on that and that's in pretty good shape to be turned on probably this year. It was supposed to be-

[Comm. D. Steiner] If you just want to explain-? [S. Plate] Surely, sir. [Comm. D. Steiner] The reasons we did this because now the Port Authority owns One World Trade Center and the control of all these utilities and everything that comes in should be under our agency and not under another party's control really - like Silverstein might sell the building. Now we have control of all the incoming utilities. We have an opportunity to monitor it for things like you call the Central Chiller Plant rather than there being "Just give us the money," five possible other places. It was a wise decision on our part we didn't know that from the beginning that we weren't going to have it at One World Trade Center So as soon as that was done, our people were smart enough to move things around (inaudible) [S. Plate] I mean, if you look at it from a practical point of view, we made the deal last year with Silverstein, we moved an 80-megawatt plant and we're already talking about turning it on this year, and in a course, of less than a year, that's huge. The second one is with the introduction of Durst to the team, we basically have a very collaborative effort going on and it's on two levels. One is to look at the building and see how we can make it more efficient, more economically viable, and the second part-- and that's from a construction point of view as well as a marketing point of view as well as a rental point of view but also from a long-term maintenance point of view-- so the type of things we're looking at is in-fill of space for tenant space. We're actually got another, as a result of us looking at it closely with the Dursts, we got 18,000 square feet of additional rental space. We're also looking at different things throughout the building; elevator modifications. Condé asked if they could have access to the different floors and we were able to accomodate that because the building wasn't that far along that we couldn't adjust, so we're trying to react to the needs of the tenants and Philippe's needs to market it, so that's another example of work, again, that is going to ultimately save us a lot of money. The budget for that is coming out of World Trade Redevelopment and it has been allocated, so that's it in a nutshell. Basically, just to summarize, we're taking budgets that exist another place, reallocating it to One World Trade so they can effectuate the changes and that we can provide a lot more details if you'd like.

[Chair A. Sartor] Any comments on this? I found it very helpful and hopefully the Commissioners have gotten a better understanding of what this is all about. I'd entertain a motion that this effort be moved to the full board for approval. [Commissioners] Second. [Chair A. Sartor] All those in favor? [Commissioners] Aye. [Chair A. Sartor] Okay. This concludes the public portion of today's meeting. The subcommittee will now adjourn to the executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. Thank you.

The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Transcript
September 22, 2011

[Comm. H.S. Holmes] Everyone, are we ready to start?

[Group] Yes.

[Comm. H.S. Holmes] Today's meeting of the Committee on Capital Programs/Agency Planning is being held in public session in its entirety. In addition, this meeting is being broadcast, live, on the Port Authority's Web site for those interested in viewing today's proceedings via the Internet. We have four projects for discussion this morning. First is the George Washington Bridge - Rehabilitation of the Palisades Interstate Parkway Helix - Planning. Diannae Ehler? Good morning.

[D. Ehler] Good morning, Commissioners. I'm here today to discuss the planning authorization to evaluate the conditions of the Palisades Interstate Parkway Helix at the George Washington Bridge. The future implementation of this project is anticipated to generate 200 jobs, $12.3 million in wages, and $61 million in economic activity.

The existing Palisades Interstate Parkway Helix connects the westbound roadway of the Palisades Interstate Parkway to the eastbound, upper level of the George Washington Bridge. The Helix consists of three multi-span structures that were built in the 1940's and whose supports were modified during the Lower Level Expansion of the George Washington Bridge in the 1950's. In the late 1990's, the Port Authority performed a rehabilitation of the concrete roadway to extend the structure's useful life for 15 years. Since then, priority and immediate repairs were performed to maintain serviceability and to ensure safe riding conditions.

The three bridges that comprise the Helix are shown in this photograph. The Helix crosses over traffic lanes of the George Washington Bridge-- the upper and the lower levels. The Helix is a critical access point for the George Washington Bridge for 7.7 million vehicles each year. Here are some typical conditions of the existing Palisades Interstate Parkway. Concrete cracking below the roadway--surface falls along portions of the roadway pavement. These conditions are patches necessary when they occur. Such conditions are starting to occur more frequently due to the age of the structure.

The bridge's structures are approaching the end of their useful life. In addition to the conditions noted in the previous slide, the structure also needs a new paint system and a fire standpipe. As the Palisades Interstate Parkway Helix crosses over all George Washington Bridge roadway lanes on the New Jersey approach, we need to ensure this ramp connection will be maintained for future use, and that it can adequately handle potential seismic events. The structure is considered an important element of the George Washington Bridge corridor and provides direct access to the George Washington Bridge from the northern suburbs. In the event that this structure is not available, it causes significant impact on the local street network.

It is necessary to develop and evaluate alternatives for rehabilitation or replacement of this 60 plus year-old structure, as we focus on renewing our aging facilities. The evaluation of alternatives will be based on a Life Cycle Cost Analysis approach to maximize the benefits of the selected alternative. Today, we are seeking Planning Authorization for $2.25 Million to evaluate the conditions of the existing Palisades

Interstate Parkway Helix, perform an evaluation for seismic retrofit requirements, and develop a life cycle cost analysis for various alternatives to either repair, rehabilitate, or replace the structure, and maintain our facility in a state of good repair and extend its life.

Planning is expected to be completed in the first quarter of 2013 and at that time, we expect to return for Project Authorization. The future implementation of this project is anticipated to generate 200 jobs, $12.3 million in wages, and $61 million in economic activity. Commissioners, we are here to advance this item to the Board. We request you advance this item to the Board.

[Comm. H.S. Holmes] Any questions?

[Comm. D. Steiner] Assuming you get this approval--when would we be able to put people to work? When would the job go ahead, and about how long would it take-- assuming the worst--at that replacement? Do you have any idea?

[D. Ehler] We expect that the construction portion--once the design is completed and we have a recommendation--would begin in 2015 and would last about 3 years.

[Comm. D. Steiner] Why would we have to wait until 2015?

[D. Ehler] Well, there's an excessive evaluation that's required upfront. It's a pretty detailed portion of the project. It includes an in-depth analysis of what the current conditions are, including evaluating several alternatives that range from doing repairs, the rehab, or a total replacement. So there are a couple of years worth of work just to--

[Comm. D. Steiner] I'm fully cognizant. I want to tell you that you don't have a couple of years to do it. I'm very concerned about the seismic implications. For the first time, we're getting seismic activity-- it's always been there, but people are now aware of it. And I don't think that we can give you 2 years to do it. I think you have to accelerate that planning. If it means extra money for overtime if you have to do it--we should be on the ground next year with that project. Otherwise, we're liable to have a tragedy. And more importantly, this is a time when we need to put people to work. We have the money, it's an essential thing; and I ask you, Mr. Chairman, to do whatever we can to accelerate this process and get the plans done very quickly, make a decision, take care of this seismic-- so if we have a seismic event again and we have a tragedy, we'll all hate ourselves. Get the shovels in the ground and get the job done--not in 2014 or 2015, but next year.

[Comm. H.S. Holmes] Any more comments?

[Comm. A. Sartor] Chairman, I'd like to echo Commissioner Steiner's comments, but I've got some mundane questions. The $2.3 million that you're going to spend on this project-- are you going to go out with an RFP for this? How were you going to proceed, in terms of selection of the consultant-- or is it going to be done in-house?

[D. Ehler] The selection of the consultant has already taken place--

[Comm. A. Sartor] It has taken place?

[D. Ehler] Yes.

[Comm. A. Sartor] And the Board didn't know anything about that?--how come?

[P. Zipf] Commissioner, may I continue with that?

[Comm. A. Sartor] Yes, please.

[P. Zipf] We have a call-in program and, depending upon the value of the program, we go out with what we call a "mini RFP." So we actually solicited proposals from our long list of consultants-- so we did a proposal process.

[Comm. A. Sartor] I'm just not used to this. I'm used to you coming to the Board with something like this--for this amount.

[Comm. V. Bauer] Why didn't we know about this?

[P. Zipf] Our call-in program gives us the ability to go up to $1 million when using our long list of consultants...

[Comm. A. Sartor] Yes.

[P. Zipf] and depending upon the dollar value is whether or not we would seek proposals from the list of consultant proposers. So if it's under $100,000, for example, we go to the firms on the list. If it's over $500,000 to $1 million, we actually seek proposals from those firms on our long list. And that's what this program did with--

[Comm. A. Sartor] This is $2.3 million--why didn't you come to the Board with it?

[P. Zipf] In engineering dollars, $1.5 million of which the consultant dollars are--

[Comm A. Sartor] It's still over a million dollars.

[P. Zipf] That"s the total staff-- the structural work will be done by consultants, the other items will be done by in-house-----

[Comm. A. Sartor] When I see a number like $2.3 million, I'd like the Board to be aware of it. I think it's imperative that we have knowledge of what's going on in the engineering end of this business, also.

[P. Zipf] Okay.

[Comm. A. Sartor] All right. So in the future, I'd like to see--

[Comm. D. Steiner] I'd like to echo that to where we're echoing each other this morning-- it's an echo chamber. I don't think you need our approval to get it, but I think you ought to keep us informed so we know what's going on; so we can put our oar in the water and push when we think it's appropriate, as in this case. I know you have bright people doing it. I think, had you come to us, we would say accelerate this thing and let's get it going. Let's not worry about the bureaucratic red tape--let's get this project going. Let's get the bridge fixed, and let's put people to work.

[Comm. A. Sartor] From an engineering and planning perspective, you should be able to accelerate this in a year.

[P. Zipf] Yes, yes.

[Comm. A. Sartor] There's no reason why it would take that period of time.

[P. Zipf] I fully agree with this last point and if we move on it, then we can certainly accelerate this program and minimize the amount of alternatives----

[Comm. A. Sartor] I think that's what you need to do.

[P. Zipf] By all means.

[Comm. D. Steiner] Let's not look to save a couple bucks-- let's fix the seismic thing. It seems to me, you can go through all the exercise, but I--for one--would not feel comfortable, except for a complete replacement of something that's sixty years old and designed not with the loads. I don't even know why we're going through the exercise of patching and supporting. We ought to make a decision and just bite the bullet, put the right stuff in place, and not spend all this time about figuring whether we can patch it or save money. This is saving lives.

[Comm. H.S. Holmes] Can staff send us a memo on the proposed acceleration plan? [P. Crist] Yes, we'll---

[Comm. H.S. Holmes] Is there a motion to move this item forward? [Comm. A. Sartor] So. moved. [Comm. H.S. Holmes] Second? [Comm. D. Steiner] Second. [Comm. H.S. Holmes] All in favor-- [Commissioners] Aye. [Comm. H.S. Holmes] So moved.

[Comm. H.S. Holmes] The next item is the PATH Washington Street Powerhouse: Construction and Relocation of Substation Planning Proposal. Michael DePallo?

[M. DePallo] Yes--good morning, Commissioners--I'm here today to recommend the Board authorize planning for Stage 1 Design work to construct a new PATH substation in Jersey City, New Jersey, which would replace equipment currently housed in a portion of the Washington Street Powerhouse in Jersey City. The future implementation of this project is anticipated to generate 790 jobs, $52 million in wages, and $220 million in economic activity.

The Powerhouse was constructed by the Hudson and Manhattan Railroad in early 1900 and provided power to the railroad until 1929. The Powerhouse structure is severely deteriorated and requires major capital investment to renovate and refurbish. PATH owns approximately 55 percent of the 1.5-acre property and structure-- Jersey City owns the rest. The existing PATH substation No. 2 is located on the PATH-owned portion of the Powerhouse. The substation equipment is more than 40 years old and has exceeded its design limit. Currently, the Powerhouse is located on the corner of Washington Street and Bay Street in Jersey City, New Jersey.

In February, 2008, the Board authorized a Memorandum of Understanding with the City of Jersey City to provide for a transfer of PATH's interest in the Powerhouse to the City, in exchange for the City providing PATH with a suitable parcel land for redevelopment of a new PATH substation. As per

agreement with Jersey City, PATH assessed three alternative parcels and concluded that the property that is directly north of the existing Powerhouse would be suitable for construction and operation of a new PATH substation. The parcel would be used to construct a 30,000 to 40,000 square feet of substation facility and would have rights to construct a 180,000 to 190,000 square feet of overbuild.

A companion item is advancing this month to facilitate the transfer of property interests with Jersey City for the selected site to accommodate the construction of a new substation, which will be presented to the Committee on Operations later this morning. The construction and relocation of the substation will provide mutual benefit to PATH and Jersey City. It will provide PATH with a new state-of-the-art substation with reliable and efficient equipment. It will relieve PATH from costly repairs and maintenance of equipment and capital investment to renovate and refurbish a deteriorated Powerhouse structure. It will also provide for a potential additional revenue stream with the future overbuild capability. For Jersey City, it will pave the way for redevelopment of the Powerhouse in conformance with the "Powerhouse Arts District Redevelopment Plan."

Today, we are seeking authorization for planning for this project in the amount of $10.5 million. Stage 1 design is scheduled to start in November, 2011 and be completed by July, 2013. Again, the future implementation of this project is anticipated to generate 790 jobs, $52 million in wages, and $222 million in economic activity. Commissioners, I request you advance this item to the full Board today--thank you.

[Comm. H.S. Holmes] Commissioner Steiner?

[Comm. D. Steiner] Would you tell me what you mean by overbuild? Are those air rights that we're going to use somewhere else?

[M. DePallo] Yes.

[Comm. D. Steiner] Or were you contemplating building over the power station or selling the air rights?

[M. DePallo] Having the ability to be able to build over the--we're going to--

[Comm. D. Steiner] Over the power station?

[M. DePallo] --over the power station, yes.

[Comm. D. Steiner] My other question is--I know we've got to deal with Jersey City, and they want this--I don't know why we can't go ahead with the design, subject to their cleaning it up. I know we--have we made a Phase I investigation of the site?

[M. DePallo] Yes.

[M. Francois] Yes, we have.

[Comm. D. Steiner] What is it?--are we in good shape or it requires a lot of cleanup?

[M. Francois] Some minor--it's approximately, based on the preliminary investigations, about $300,000. It's partially reopening the set --- the expenses, the City's required to clean up the site, clear title, dissemble to the site, and totally give it to us, free of charge.

[Comm. D. Steiner] Yeah--that's what I wanted to make sure of. So, no Phase 2 is required?

[M. Francois] I'm sure Phase 2 will be required by the City. They'll have to basically deliver with the environmental approvals in place. And if--we do have the option--if, for some reason, they delay on the assemblage or on the cleanup we can--at our own discretion--do that and subtract that from any cleanup costs that may result from the parcel that presently occupies the old Powerhouse.

[Comm. J. Moerdler] David, I met with the staff on this a couple of days ago. It's an exchange, and we're each cleaning up our own parcels.

[Comm. D. Steiner] I understand that, but my next point is-- I don't think we ought to wait for Jersey City to do it. I mean, you're dealing with a municipality that doesn't have any money and you've got to go through the whole bureaucratic process. If we have the right to clean this up ourselves, and get paid for it-- I think we ought to move ahead, and not wait for a third party. I don't know how you feel about that, Mr. Chairman. But we'll get it done; otherwise we'll be here next year, talking about Jersey City--waiting to get it done. And I hope the cleanup and everything doesn't impinge or delay the start of the design and everything.

[M. DePallo] No--the design is going to start in November--

[Comm. D. Steiner] But I think it's important--and I don't have that report, but I would suggest that we be the master of our own ship. We'll get it done--somebody else might not get it done in time to meet our requirements. We need the power--you know how unreliable the power has been from there and you could have a major breakdown--that thing is old and outmoded. So I recommend that we go ahead and do it on our own.

[M. Francois] I think that right now part of the agreement with the City stipulates that before we ----(inaudible) and if we don't achieve that--again,at our discretion-- I don't volunteer that but I understand and I agree with you we could move forward and not unduly delay this.

[Comm. V. Bauer] What is the date for this?

[Comm. D. Steiner] What's the performance date?

[Comm. V. Bauer] --for per---

[M. Bozza] Sixty days after we execute confirmation of the facility. They have sixty days, after which they have to tell the Port Authority whether or not the facility is ready to move ahead with--

[Comm. D. Steiner] The question is when are we going to execute the agreement?

[M. Francois] It's got to be moved ---a new operation.

[Comm. D. Steiner] Okay--what—

[Comm. H.S. Holmes] I think we can execute it anyway.

[Comm. D. Steiner] Again, I just didn't ---go to a review. I just don't think we ought to wait for a third party. I think you ought to go out and get proposals for the cleanup yourself. You ought to start doing

that. In the meantime, accelerate this so when they say no-- what frightens me is that they're going to say yes.

[Comm. H.S. Holmes] Okay, we have a couple more questions. I have one: What is the estimated completion date of the actual project?

[M. DePallo] It's 2018.

[Comm. H.S. Holmes] Okay.

[Comm. V. Bauer] What about construction?

[M. DePallo] 2016--construction.

[Comm. H.S. Holmes] And what do you have as an estimated cost?

[M. DePallo] Right now, we're carrying $159 million.

[Comm. H.S. Holmes] Commissioner Sartor?

[Comm. D. Steiner] We certainly could use the jobs.

[Comm. A. Sartor] Yeah--again, the same questions I asked earlier of Diannae. Peter, what was the process here in the selection of consultant- if you've already selected them? And, again--why hasn't it come before a committee of the Board?

[P. Zipf] Our goal is to do this quickly as we possibly can-- in six years have the program done. And we're looking at, as Mike said, design build. And so our goal was to use our own staff and use call-in's to put very quickly the design build package together that we need to go after--(inaudible)

[Comm. A. Sartor] If you're going to go out design build, why the $10.5 million? Where will your construction drawings be when you go after design build?

[P. Zipf] About 30 percent.

[Comm. A. Sartor] Thirty percent, and you're spending $10 million on 30 percent drawings?

[P. Zipf] Yes--this was quite a significant--- undertaking -- spent five years and they did recycle---design drawings As mentioned, this is the main Powerhouse that feeds our PATH system So it's been a tremendous amount--

[Comm. D. Steiner] But that money's been spent already-- you're seeking $10 million in addition.

[P. Zipf] No--that includes monies spent to date.

[Comm. A. Sartor] You've got to tell us that--we can't tell from the presentation.

[Chair H.S. Holmes] It's in the--I think it's in the write-up that about $3 million has--

[P. Zipf] Yeah--it's about $3 million that's been spent.

[Comm. A. Sartor] $3 million has been spent to date?

[P. Zipf] Right.

[Comm. D. Steiner] I would like to add that I, for one, am never in favor of a design build on something like this. I think we ought to take responsibility. We ought to put it out because it will be faster. We're going--every time you have a design build, somebody's going to sue you because they didn't get the job, they're unhappy with the process. I'm not in favor of using a design build on it So I want to make that clear. I think it's slow and in these times, we're not going to get what we want. I just see all sorts of delays and litigation. I see another Goethals Bridge.

[Comm. H.S. Holmes] Okay--is there a motion to move this item forward? [Comm. A. Sartor] I'll move it. [Comm. D. Steiner] I'll second it. [Comm. H.S. Holmes] Second? So you have no objections, I take it. [Comm. D. Steiner] I have a plenty of objections, but I was moving forward. [Comm. H.S. Holmes] Well, all in favor? All in favor? [Commissioners] Aye. [Comm. H.S. Holmes] Motion carries--one more question?

[Comm. A. Sartor] Yeah--why don't you have them come back to Commissioner Steiner and just lay out their plan—

[Comm. H.S. Holmes] Okay.

[Comm. A. Sartor] -- so we can see what's going on.

[Comm. H.S. Holmes] Okay.

[Comm. D. Steiner] We're not trying to hinder you--we want to accelerate this. And I know you've got a big load going on. I know you've got a tremendous amount of stuff on your plate. But we need that power or we're going to be in trouble.

[Comm. H.S. Holmes] Okay--the next item is the Stewart International Airport rehabilitation - rehabilitation of runways planning proposal. Jeffrey Pearse

[J. Pearse] Good morning, Commissioners--I'm here to seek planning authorization to rehabilitate Runways 927 and 1634 at Stewart International Airport in order to develop a project to maintain the runways in a state of good repair. The future implementation of the project is anticipated to generate 870 jobs, $50 million in wages, and $221 million in economic activity.

Commissioners--stored as two runways, as shown in the aerial view Runway 927 is the main runway and is 11,817 feet long and 150 feet wide. While Runway 1634 is just over 6,000 feet long and 150 feet wide. Together, they handle almost 47,000 aircraft movements annually. Runway 927 and 1634 were last rehabilitated in 2001 and 1994, respectively-- prior to the Port Authority's acquisition of Stewart Airport. The runway's surface exhibits extensive pavement surface cracking, oxidation, and raveling due to normal pavement wear and weathering. The runway's require rehabilitation in order to maintain a state of good repair. In addition, the runway electrical systems will require rehabilitation and upgrading in order to conform with current Federal Aviation Administration standards.

As background, no major electrical upgrades have been performed on the runways since they were originally installed. The electrical system on runway 927 is approximately 32 years old. and on runway 1634, it is 19 years old. The proposed planning authorization would allow for an in-depth analysis to identify the most cost-effective rehabilitation for both runways and would include the development of design alternatives, conceptual and preliminary design, potential staging scenarios, environmental analysis, and cost estimating. Physical site survey, subsurface investigations for pavement, and electrical system design will be included, as necessary, in order to find project scopes and limits.

Today, we are seeking planning authorization in the estimated amount of $2.5 million. Reimbursement for eligible project costs will be pursued through the Federal Airport Improvement Program. We expect to return for project authorization in the second quarter of 2012, contract award in the fourth quarter of 2012. The future implementation of this project is anticipated, as I said, to generate 870 jobs, $50 million in wages, and $221 million in economic activity. Commissioners, I request that you advance this item to the full Board for approval--thank you.

[Comm. H.S. Holmes] Any questions?

[Comm. V. Bauer] May I just ask a general question? With reference to the activity at Stewart--has that met or exceeded or, in terms of our anticipation---

[J. Pearse] in terms of?--

[Comm. V. Bauer] Yeah--I'm just concerned about all the projects we have to do. Obviously, this is important, but in terms of priorities, is this something we should be focusing on and spending our money on?

[J. Pearse] The last traffic data I've seen was for July. And actually, traffic--commercial traffic, passenger traffic at Stewart-- the volume was up considerably, over the same period last year, which is a good sign-- about 13 percent, which is a big number. That being said, the number is still relatively low and far less than what we had expected.

[Comm. V. Bauer] Originally.

[J. Pearse] But that's driven more by the economic slow-down than anything indicative of the airport or its location or the Port Authority.

[Comm. V. Bauer] I understand that but, again, with reference to that this economic conditions prevails everything that we do in our region, is this something that we should be prioritizing now?

[J. Pearse] It's absolutely imperative because it's among the worst pavement condition of the 13 runways in our system. On a separate, but parallel track the Aviation Department--working through engineering and CPOC--has ratcheted back the overall capital program for Stewart by about $16 million or $17 million. Ideally, we would be looking at a capital program budget for Stewart of around $378 million--we're back down to about $350 million, based on guidance at the agency level. Again, there's a lot of work that's required, but it's certainly prioritized against the other work that's required at the bigger airports.

[Comm. V. Bauer] It doesn't seem like a major scale back.

[Comm. H.S. Holmes] What percentage of the project is reimbursable from the FAA?

[J. Pearse] It could be up to 75 percent. We could submit an application, as we do a Grant application, and we would--

[Comm. V. Bauer] And that's contingent on certain (inaudible), is that correct?

[J. Pearse] Not so much time-sensitive, but it depends on what the demand for a limited resource is you know--AIP funding through the federal government is a limited resource. So, like the Port Authority, the federal government has to prioritize and decide which projects are imperative to the national airport system.

[Comm. V. Bauer] Yes, but there's a chance we might not get that money after all.

[J. Pearse] There's a chance, but each year this agency-- We get about $24 million a year in entitlement funds--and then some years, up to $50 million in discretionary funds through AIP grants. I think, since 1970, this agency has received more than $1 billion in FAA grants.

[Comm. H.S. Holmes] Also, the airports in our system are the most profitable revenue producers in our system.

[Comm. V. Bauer] I realize, but I think about Terminal A and all the things we have to do--

[Comm. H.S. Holmes] But if Stewart is not doing as much as the others-- the others are doing more than anything else we have in our systems—

[Comm. J. Moerdler] The other thing we have to bear in mind, regarding Stewart, and I don't know the intricacies of it, is this is a shared facility with the New York State--

[J. Pearse] It's the International (sic) Guard.

[Comm. J. Moerdler] --International (sic) Guard--right--and I think we have the control and the obligation to maintain the facility for their use. But I think there's some cost-sharing arrangement. But that's also an obligation we have.

[Comm. H.S. Holmes] Right.

[Comm. D. Steiner] Mr. Chairman?

[Comm. H.S. Holmes] Yes?

[Comm. D. Steiner] I want to ask one question. I'm concerned about the safety of the existing runway--is there any danger? Is it a safety issue now? Are there things that have to be done now? The primary focus should be on maintaining the safety so nobody's going to get hurt in an accident. Do you feel confident we can wait this time before doing the repairs?

[J. Pearse] No--I think it's important that we get busy with the rehabilitation work. In the meantime, we're actively engaged in making sure that the highest levels of safety are maintained there--and that's through--

[Comm. D. Steiner] So you are spending money now, keeping it?--

[J. Pearse] Oh, absolutely--reactionary maintenance is the name of the game in order to keep runways of this age operational.

[Comm. D. Steiner] I would like to add another thing. I think you ought to spend a couple dollars and see what's really involved. So bite the bullet and put good runways in, once and for all--perhaps concrete. And I couldn't think of a better time to get federal funding. I'm sure the senators from both states could push when the government's going to be starting, hopefully, some infrastructure work. It might be an opportunity for us to get the right kind of runways that we're not going to have to look for repairing out, like we're doing with the concrete. And bite the bullet, which we have been unable to do because of funding-- but it might be an opportunity, and we ought to work together with Schumer and Gillibrand and Lautenberg and Menendez--and have them push to get this included. We have another thing, because it's part of the National Defense System for the National Guard I think we have a compelling reason, and we might be able to end up getting brand new concrete runways, which is what we really should have. The standards on that are way below what the Port Authority has. And I just hope that we don't have an accident someday.

[Comm. A. Sartor] Just a quick question--what's the estimated construction cost?

[J. Pearse] The estimated costs will be $148 million.

[Comm. A. Sartor] Okay--and when you say "contract award," what do you mean?-- --in the fourth quarter of 2012?

J. Pearse] Contract award will be the construction contract award for the work itself.

[Comm. H.S. Holmes] Any other questions? Comments? Is there a motion to move this item forward? [Comm. A. Sartor] I'll move it. [Comm. H.S. Holmes] Second? [Comm. D. Steiner] Second. [Comm. H.S. Holmes] All in favor? [All Commissioners] Aye. [Comm. H.S. Holmes] Motion carries. The last item is the Airport Capacity Study--Jeffrey Pearse?

[J. Pearse] Commissioners, today I'd like to request your concurrence to award for a professional services agreement to perform an Airport System Capacity Planning study that is included in the September Report of Actions. The study would assist staff in identifying and evaluating options to accommodate forecasts of future demand at the Port Authority's five airports.

You know the airports have a staggering impact on the local economy. They generate nearly a half a million jobs and over $22 billion in wages. The Port Authority airports are responsible for about 4 percent of the entire regional GDP, with $62 billion in activity. We're basically at a crossroads, Commissioners, at this point relative to where we move forward in order to meet forecasted demand for air travel in this region.

This study will basically set out the parameters for evaluation of a range of possibilities at each of the airports within our system. And the consultant that we will engage will help us really peel back the layers, and understand the very complex endeavor that is planning for the future. If we don't do anything between now and when we believe the airports will reach capacity, which is at about 2023,

more than 20 million passengers, annually, will be left behind. And that will have a staggering impact on the economy and on our ability to keep New York prominent on the world stage.

[Comm. V. Bauer] New Jersey too--

[J. Pearse] Sorry--the region, Commissioner.

[Comm. H.S. Holmes] Are you finished?

[J. Pearse] Yes, I'm done.It's an ad lib version, but--in the interest of time.

[Comm. H.S. Holmes] I have a question--how is this study going to impact on the projects that we have going now with Terminal A, and Newark and LaGuardia?

[J. Pearse] Well, there's certain--both of those projects-- CTB at LaGuardia and Terminal A--the forecast will be unified, so we'll be working from the same forecast. And, obviously, any work that's continued to progress to the planning stage on each of those two terminal redevelopment programs will be hand-in-glove with the work that is being done on the System Capacity Study.

[Comm. H.S. Holmes] Good. Commissioner Moerdler?

[Comm. J. Moerdler] I think that this is an absolutely critical project for the region and the integration of this project, with the terminal renovations is also critical. And in fact, this is another project, but for a different reason that I think merits substantial acceleration--not because of-- It's not going to be shovel-ready-- we're not going to be creating jobs today, but this is an absolutely critical series of interconnected projects to assure the economic strength of the New York Metropolitan area for the future. We have to expand the runways and expand the terminals-- and change the perceptions of our airports into world-class, quality airports, as well as the fact that they already provide service to a world-class Metropolitan area.

[Comm. H.S. Holmes] One more question from me. With respect to LaGuardia, will this study take into consideration the traffic problem and passengers getting to LaGuardia?

[J. Pearse] Absolutely--it will cover both airside, landside, terminal, and ground access-- all aspects of factors that drive the capacity for our airport system will be evaluated.

[Comm. H.S. Holmes] Will it consider rail?

[J. Pearse] Rail will be a part of it. Obviously, we will be looking at a number of physical procedural policy elements that could help us manage the demand for air travel in this region, given the limited capacity that we have.

[Comm. V. Bauer] What is the time frame for the study?

[J. Pearse] The study?--we want to get started tomorrow, literally. It'll be an 18-month study, and then that will take us to the next phase. Now, NEPA process that this will deliver us to for the FAA could take up to ten years after that. And then construction of any significant airport infrastructure after that could could be another ten years. Philadelphia and Minneapolis-St. Paul are going through a similar exercise and a new runway there--it took 16 years at Minneapolis-St.Paul from the time that the planning

was done until it was-- But we expect to engage stakeholders and the public all along and--you know--everybody understands the imperative in this region.

[Comm. A. Sartor] Mr. Chairman?

[Comm. H.S. Holmes] Yes, Commissioner Sartor.

[Comm. A. Sartor] Just again--how was the selection made of Landrum & Brown?

[J. Pearse] It was competitive--we worked in concert with procurement. It was in accordance—

[Comm. D. Steiner] We didn't see the bids here?

[Comm. A. Sartor] Exactly. You didn't tell us the range--usually you give us

[J. Pearse] Oh, I can--they're in the piece, and I can go through it now.

[Comm. A. Sartor] My problem, Karen, is the first time we've heard anything about this-- we've spent $25 million just now, plus or minus, on studies that I found out about a week ago. I'm not used to that. This committee should have advanced notice of what's going on-- either the chairman or one of the members, we need to know. We just spent $25 million--and I'm going to move this because it's critical. But--in the future-- Construction contracts are not handled like this in the Construction Committee. In the World Trade Center, it's totally different than what's happening here. So the process has to change.

[Comm. V. Bauer] I agree.

[Comm. H.S. Holmes] I think it's a governance issue that we have to deal with.

[Comm. D. Steiner] Yeah.

[Comm. H.S. Holmes] --across the board, though.

[Comm. J. Moerdler] Because of the importance of this project-- I don't know whether the committee feels this way-- but I certainly would like to get an update on the overall project, on a quarterly basis, as this goes forward; and I would request that that go to the entire Board.

[Comm. D. Steiner] I want to echo that, because we want to be on your back to make sure it's done. I just want to ask--you said that--a couple questions-- The second bid--are they local people?--AECOM--where are they based?

[J. Pearse] Yeah--their base--their headquarters--is here, but they are global, obviously.

[Comm. D. Steiner] I'm asking where their headquarters are. And Landrum is out of the area, right?

[J. Pearse] Landrum has a New York office, but their corporate headquarters is in Ohio.

[Comm. D. Steiner] Would the work be done in the New York area?

[J. Pearse] Oh, it'll be done here in our offices.

[Comm. D. Steiner] Mr. Chairman, I just want to make sure the money's spent here. I don't want to spend it in Ohio. And how much did we say?--how much was the next bid?

[J. Pearse] We don't know--the bids are not provided with cost proposal. The way we have to work in conformance with the Brooks--

[Comm. D. Steiner] Then how do you know the next guy wouldn't have been cheaper than $9 million?

[J. Pearse] Well, in accordance with the Brooks Act, we have to follow

[Comm. D. Steiner] I don't know what the Brooks Act is

[J. Pearse] Well, sorry--that's through the Federal Aviation Administration. The Federal Procurement Policy is what guides this because-- there's a strong probability that we will--

[Comm. D. Steiner] Commissioner Moerdler says he's got that under control.

[J. Pearse] Okay.

[Comm. D. Steiner] Let me tell you, you've got a good watchdog--I just wanted to make sure--

[Comm. H.S. Holmes] All right, let's--

[Comm. D. Steiner] --that we're getting the best bang for our money, we get it done--the work we've done--with people in this area--not in Ohio. And that should be part of the contract that all of the salaries-- I want the salaries in our region--not in Ohio.

[Comm. H.S. Holmes] All right--so we--I assume, we approve this. [Comm. A. Sartor] I'll motion. [Comm. V. Bauer] Under the condition that-- [Comm. H.S. Holmes] We don't have to move it forward, though. [Comm. D. Steiner] Second. [Comm. H.S. Holmes] Okay--All in favor? [Commissioners] Aye. [Comm. H.S. Holmes] Thank you. [Comm. D. Steiner] Move for adjournment. [Off-screen speaker] Second to close. [Comm. H.S. Holmes] Okay--we're adjourned.

The Port Authority of New York and New Jersey
Committee on Operations Transcript
September 22, 2011

[Chairman D. Samson] The meeting of the Committee on Operations is being held in public session in its entirety. In addition, the meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. The first topic on the agenda is a presentation by our Chief of Real Estate and Development, Mike Francois on a proposed property acquisition in New Jersey as part of the Hudson-Raritan Estuary Resources Program, Mike?

[M. Francois] Thank you, good morning. Today I am requesting your authorization to enter into a funding agreement with the Raritan BayKeeper to enable it to fund a purchase of approximately 4.7 acres of property known as the McNamee property located in Hazlet Township under the Hudson-Raritan Estuary Resources Program.

As you are well aware our objective is to fund property acquisitions within the Port District that may be suitable for conservation, ecological enhancement, public access or environmental mitigation in support of port development, economic development or other Port Authority programs. We've identified this as a natural resource that meets all the requirements of the program as established by the Board, and protecting this property will help support our objective of protecting 50 acres of land per year.

By way of background, funding for the Hudson-Raritan Estuary Resources Program was approved by the Board in 2001, for a total of $60 million, $30 million for each state, and was certified by the Board as a facility in November 2002. To date you have approved approximately 24 million in New Jersey and 26 million in New York. There have been 17 property reimbursements as well as the authorization to provide funds for improvements on two properties in the program. To date the Port Authority has enabled the addition of almost 352 acres into the program.

This property is located at 158-160 Liberty Place in Hazlet township. The property is an approximate 4.7 acre portion of an approximately 11.6 acre parcel owned by Edward and Lourdes McNamee. It is comprised of woodlands and wetlands with a wide variety of wildlife. An additional 5.9 acres of the property would be donated by the owners to Hazlet. The acquisition of the total of approximately 10.6 acre property by Hazlet will be subject to a conservation easement or a restrictive use covenant ensuring that the site's preservation as a natural site in perpetuity. The property owners would retain approximately one acre for the purpose of maintaining two occupied residential lots.

The Port Authority's appraiser, Norman Goldberg of Clinton, valued the property at $265,000. Hazlet will acquire the property from the McNamee's for $265,000 which the Port Authority will fund through the BayKeeper. This property is located along the Waackaack Creek, is bordered on three sides by Green Acres preserved land that are owned and managed by Hazlet. The site is adjacent to the Mahoras Reserve, and acquisition of this site will enable an extension of the Waackaack Creek Greenway into Hazlet Township. Acquisition of this site for conservation is supported by a variety of entities including several local communities, Monmouth County, the State of New Jersey, key federal and state natural resource agencies and local and state elected officials. Commissioners, your approval of this action is requested.

[Chairman D. Samson] Do any of the commissioners have any questions or comments?

[Comm. V. Bauer] I just want to make one small comment. I would like to make a comment that I am very pleased that we are acquiring this for conservation purposes and I very much approve. Thank you.

[Chairman D. Samson] Great. This item is being presented for action by the committee. May I have a...? [Comm. D. Steiner] Motion approved. [Chairman D. Samson] Second? [Commissioners] Second. [Chairman D. Samson] All in favor? [Commissioners] Aye. [Chairman D. Samson] So moved.

[Chairman D. Samson] The next discussion item is also being presented by Mike Francois. It concerns the exchange of property interests with the City of Jersey City to support PATH operations and the City's redevelopment plans, Mike?

[M. Francois] Thank you. Commissioners, today I am presenting an item that will authorize several actions that will serve to advance the transfer to Jersey City of past fee interest in the Washington Street Powerhouse in exchange for the transfer to PATH of a suitable parcel of land upon which a new PATH substation could be constructed. This authorization meets two objectives. It advances PATH's plans for a new substation, and reinvestment in critical PATH electrical and air compressor equipment, and it enables a redevelopment of the historic powerhouse by the City of Jersey City.

By way of background, the Washington Street powerhouse was constructed by the Hudson and Manhattan Railroad between 1906 and 08. It's located on the corner of Washington and Bay Streets in Jersey City, and it provided power to the railroads since 1929, when it was abandoned. After 1962, when PATH took over operation of the system, a new outdoor substation was constructed in a northwest corner of the property. A one-story structure connected to the original powerhouse was built to the West, that structure as well as the anterior of the powerhouse in an adjacent yard area contained critical electrical and air-compressor equipment that supports PATH's railroad system. PATH owns approximately 55% and Jersey City owns 45% of the property.

In 2001, the original powerhouse structure was placed on a national register of historic places. The PATH Board at its February 21, 2008, meeting, authorized a Memorandum of Understanding among the Port Authority, PATH, and the Jersey City Redevelopment Agency. The MOU outlined a phased investigation process during which PATH would assess a feasibility of alternative parcels for relocation and construction of a new PATH substation. In 2009, PATH completed an assessment of three alternative parcels and determined that Site 2 which is approximately 22,000 square feet of vacant land located directly north of the existing powerhouse on the corner of Washington and Bay Street would be suitable.

In accordance with the MOU, PATH notified the city of PATH's selection of the property and the city concurred with that selection. There are several actions we are seeking with this authorization. We are requesting that the Board declare that PATH own a portion of the powerhouse, also designated as the PATH parcel as surplus property and that the Board authorize the President of PATH to enter into a purchase and sale agreement to transfer the PATH parcel to Jersey City, the Jersey City Redevelopment Agency or other appropriate entity in exchange for the selected site. The City is obligated to assemble the new substation site, remediate any contamination, clear any and all title issues, and provide the Port Authority with development rights for new commercial or residential space above the powerhouse

facility. In addition, we are seeking authorization on a lease back agreement for a portion of the PATH parcel related to the existing substation #2 operations at a nominal cost of $1 per year until the new PATH substation is constructed and operational.

The new substation will be a minimum of 30,000 square feet and PATH will have development rights for 180 to 190,000 square feet of overbuild capacity on this parcel. PATH will not be obligated to enter into or execute any agreements until the City has effectuated the changes in the current zoning to enable PATH to construct a new substation and exercise its overbuild development rights. Upon completion, testing, and operation of the new substation, PATH will be obligated to remove all substation equipment from the PATH parcel and perform any necessary environmental remediation to bring the PATH parcel to a non-residential cleanup standard. PATH will retain permanent and perpetual easements and unrestricted access for PATH personnel to the existing emergency tunnel egress shaft and electrical manholes that are located near the southwest and northwest corners of the PATH parcel.

The powerhouse has been identified as a focal point of Jersey City's Powerhouse Arts District Redevelopment Plan. Major redevelopment projects are in various stages of completion near the powerhouse and the proposed action will be a critical step in helping PATH finalize plans for a new substation and enter redevelopment of the historic powerhouse. Commissioners, I request you advance this item to the full board for approval today.

[Chairman D. Samson] Thank you Mike. Do any of the commissioners have any questions? Commissioner Lynford?

[Comm. J. Lynford] Yes, I would like to comment (inaudible paper shuffling) historic preservation, I am very happy that we are involved in preserving this historic building, creating more jobs and tax revenues in that area is very important.

[Chairman D. Samson] Thank you. Commissioner Steiner?

[Comm. D. Steiner] Is this a multiple story building that we're talking 30,000 feet? If we only have 21,000 square foot ground available?

[M. Francois] Ah, yes, it is a multiple story. The substations anticipated will be multiple stories and they'll be substantial obviously overbuild stories above the powerhouse at a later date.

[Comm. D. Steiner] Are these development rights that we could transfer or sell?

[M. Francois] Yes, we could transfer, sell, lease or develop it ourselves.

[Comm. D. Steiner] Are we restricted to contiguous areas or can it be transferred anywhere in the area?

[M. Francois] At this point we're just restricted to that particular area.

[Comm. D. Steiner] I would hope that we make the agreement that we can get the right not to be a solely contiguous piece of property as we have in New York. We had that problem and I don't think that we're ever going to build 180,000 square feet garage and I don't think there's room next door. I would like to have the right to sell it to anybody we can in terms of selling.

[Comm. J. Moerdler] I met with some of the staff and talked about this issue and asked them to consult, the concept is--Mike maybe go back to that slide that shows the site plan, the part--back one.

[M. Francios] The prior one?

[Comm. J. Moerdler] I talked with them about that site too; it's not a huge site and about the fact that apparently the plan is to consult to construct the new powerhouse partially underground and partially above ground, but I suggested that they consult with some developers as to the layout of the facility before we build it to maximize the ability to profitably construct an apartment building above it so that it's preplanned as best as possible. I think you're right. If we could transfer it, it would be great, but I'm not sure that that's going to be feasible.

[Comm. D. Steiner] Let me tell you from an engineering point of view, I would never want a building over a power plant, I mean nobody in their right mind would construct a residential development above a power plant. We have to transfer those rights. We can't go in talking about building a 10-15 story building above with all kinds of problems with access. We have to have to get the right to sell those development rights somewhere else, not on that site or at least that's from an operational point view I don't think they'd be marketable.

[Mike Francios] We'll have discussions with Jersey City in regard to that assuming it's something you can do within the zoning

[Comm. D. Steiner] They want this very badly. I mean we're in a position to get what's best for us. We can't worry what's good for them. We've got to worry what's good for us and we need the money.

[Mike Francois] Right, that's why we're pursuing development rights and one of the things we're pursuing also is an elimination of any parking requirement on the site, but we'll look into transfer options with the City.

[Chairman D. Samson] Are there any other comments or questions by commissioners? If not may I get a motion to move this for approval? [Commissioners] Motion approved. [Chairman D. Samson] Second? [Comm. J. Moerdler] Second. [Chairman D. Samson] All in favor? [Commissioners] Aye.

[Chairman D. Samson] The last discussion item is for proposed increase in scope and authorization to an existing multi facility security guard services contract. It will be presented by the Superintendent of Police, Director of Public Safety Mike Fedorko, Mike?

[M. Fedorko] Thank you Mr. Chairman. Commissioners protecting our customers, employees and facilities is a crucial component of the Port Authority's security plan. Today I am requesting the Board's concurrence for an item included on the September Report of Actions that provides for an increase in authorization to expand the scope of our existing contract with FJC Security Services for unarmed uniformed guard services at various Port Authority PATH facilities and leased properties.

By way of background, our objective continues to be to maintain a high level of security at our facilities through the effective use of uniformed contract guard services. The current contract provides for the prevention and detection of unauthorized entry or activity within secure areas of our facilities in compliance with the Port Authority Security Plans and Policies as well as regulations mandated by the

Department of Homeland Security's Transportation Security Administration and the United States Coast Guard. As an increased security measure, I have expanded the oversight with the security guards and their posts by having our patrol sergeants observe and monitor their performance.

FJC Security Services was selected through a publicly advertised RFP, and the contract was awarded via policy review MJ dated December 20, 2007, for an estimated cost of $134.3 million for 4 years. The contract also includes two 2-year periods and one 120 day option period. The current contract dates are March 1, 2008 to February 29, 2012. The multi-facility contract addresses security requirements at 12 port facilities, certain PATH buildings and properties leased by the Port Authority of New York and New Jersey. These include staffing of fixed posts. All guards must meet security established in contract and pass a criminal history background check; they must also be registered as a security guard within the state in which they are licensed. In order to accommodate the increased security guard requirements at the World Trade Center site, New Jersey and the New York Marine Terminals, PATH and our newly acquired office building at 2 Montgomery Street in Jersey City, it is necessary to expand the contract to ensure the security of these facilities.

A continuation of a consolidated unarmed, uniformed security guard contract of all Port Authority facilities not only provides for economies of scale and coordinated management of security issues, but also allows for standardization of performance measures and training programs while ensuring full compliance with certain federal requirements. Commissioners I request your concurrence on this issue.

[Chairman D. Samson] Are there any questions or comments by commissioners? No? Does the committee concur with the staff recommendation? Yes? Okay. Thank you, so it will be moved. There is no further business before the committee so the meeting is adjourned. Thank you.

The Port Authority of New York and New Jersey
World Trade Center Redevelopment Subcommittee Transcript
September 22, 2011

[Chair A. Sartor] The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee is being held in public session, after which the Subcommittee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals in matters involving external or internal investigations or audits. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. Mr. Plate, you're up first: World Trade Center Construction Trade Contracts.

[S. Plate] Okay, thank you, Commissioners. We continue to make our critical construction schedules across all World Trade Center site-wide projects. Today, I'm requesting your approval of several items necessary to continue our rebuilding efforts at the site. I would first like to recommend the award of a Trade Contract to the Hub Plaza Construction. This contract, which will provide for construction of approximately 37,000 square feet of the Hub Plaza surrounding the Oculus structure, which was publicly advertised with Padilla Construction being the lowest-priced qualified proposer at a cost of $7.5 million, excluding extra work as well as clause work, which compares favorably to the staff estimate of $9.1 million and includes payments of $450,000 to Downtown Design Partnership and $500,000 to Tishman/Turner for design and construction management services, respectively.

[Chair A. Sartor] Any questions on this item? Seeing none, I'll entertain a motion to move it to the full Committee? [Comm. J. Moerdler] I'll move. [Comm. Holmes] I'll second. [Chair A. Sartor] Okay, done. Next item, Steve?

[S. Plate] Moving into Retail and Parking projects, I'm recommending the award of three construction Trade Contracts for this area. The first one is for Electrical System, which is planned to be installed in Retail and Parking areas at various East and West Bathtub locations and which was publicly advertised with Five Star Electric being the lowest-priced qualified proposer at a cost of $15.3 million, excluding extra work, which again compares favorably to the staff estimate of $16.1.

[Chair A. Sartor] Again, questions on this contract at all? Yes? [Comm. J. Moerdler] I'll move forward. [Chair A. Sartor] Second? [Comm. V. Bauer] Seconded. [Chair A. Sartor] Done. Steve, next item?

[S. Plate] The next contract is for Masonry Work which includes concrete walls, partitions, and associated firestopping, and it was also publicly advertised with Navillus Constructing being the lowest-priced qualified proposer at a cost of $5.8 million, excluding extra work, which again compares favorably to the staff estimate of $6.3 million.

[Chair A. Sartor] Again, any questions? [Comm.] So moved. [Chair A. Sartor] Seconded? [Comm. V. Bauer] Seconded. [Chair A. Sartor] Moved to the full Committee.

[S. Plate] The last retail contract is for Transportation and includes 4 elevators and 10 escalators, serving the public retail spaces in both Towers 3 and 4. This contract was also publicly advertised with Schindler Elevator being the lowest-priced qualified proposer at a cost of $6.7 million, excluding extra work, which compares favorably to the staff estimate of $7.3 million. With your approval of these contracts, 58

percent of Retail's trades will be awarded today for the plan to reach close to 90 percent within the next several months.

[Chair A. Sartor] Any questions or comments on this award? Seeing none, I entertain a motion to move to the full Board. [Comm. V. Bauer] So moved. [Chair A. Sartor] Seconded? [Comm. D. Steiner] Seconded. [Chair A. Sartor] Done.

[S. Plate] Our last item requests a Supplemental Agreement under an existing contract with Tutor Perini Corporation for the performance of critical construction improvements in the Greenwich Street Corridor with the principle portion of work on behalf of the Port Authority as well as adjacent stakeholders. The recommended increase of $36.4 million, excluding extra work and clause work, again, compares favorably to our staff estimate of $37.1 million and includes critical work necessary to support the number one line on its permanent structure with anticipated completion going to happen in the first and second quarter of next year.

[Chair A. Sartor] Steve, maybe you could just tell the Commissioners what "clause work" means?

[S. Plate] "Clause work" is basically an allocation for things that you can't foresee. For example, when the President arrives or the Queen, and obviously, we've had a lot of dignitaries have to have the staff stand down, and that's lost time. Things of that nature. If I have to direct them to proceed and accelerate work to catch up for another contractor that's a portion of it. So basically, it's the work that you can't anticipate that happens day by day. It's not a large number; it's just an allocation so we keep everything in the proper accounting purposes.

[Chair A. Sartor] Yes.

[Comm. V. Bauer] Steve, why would that be unique just to this project? Why would you-?

[S. Plate] In an FTA funded project we're directed to include as clause work. In other projects you might have seen something called "net cost."

[Comm. V. Bauer] Right.

[S. Plate] Which is really time and material. So if I had another contract, say Peter Zipf had a contract in his shop, he would direct someone on a T&M basis, keep tickets, and then they'd be reimbursed based on actual tickets.

[Comm. D. Steiner] It's a very small percentage, you've got to think of it as $2 million against what contract?

[Comm. V. Bauer] No, I understand. I just wondered why he would only have it for the Hub and not every other-?

[S. Plate] No, it is on a lot of-.

[Chair A. Sartor] It is.

[S. Plate] It's just called-

[Chair A. Sartor] It's a different name and I just wanted to explain what "clause" meant.

[S. Plate] It's treated somewhat differently because of the FTA regulations.

[Chair A. Sartor] Mr. Chairman?

[Chairman D. Samson] How do you estimate on a $39 million negotiated amount $2.1 million? How do you estimate this? I mean, I understand the concept of why you'd want to have some sort of an allowance, but why isn't it $10 million or $2, even?

[S. Plate] Well, they actually do a bottom-up and a top-down. What they do from bottom-up is based on our experience over the last 8 to 10 years. We actually look at typically each year we have so many stand downs, like 9/11/11, visits probably monthly, and we actually do a mathematical calculation. Then from the top down, we look at what historically has happened at the site. What is a typical--is it usually 1 percent or 2 percent?

[Chairman D. Samson] Let's assume that the Queen comes a dozen times, or somebody comes a dozen times and you're over $2.1 million. What then?

[S. Plate] We'd charge her. We'd actually come back to you for more money and identify why.

[Chair A. Sartor] Any additional questions? Seeing none, I'll entertain a motion to move this to the full board. [Comm. J. Moerdler] So moved. [Chair A. Sartor] Seconded? [Commissioner Lynford] Seconded Okay, that's done. This concludes the public portion--oh, I'm sorry. Comm. Moerdler has a comment.

[Comm. J. Moerdler] I just want to compliment Steve Plate and his entire staff with the work that they did--extraordinary work that they did in getting to the 9/11 Memorial, both in terms of the expedited completion of everything going on in the site, but in particular the Memorial Plaza and moving ahead on the Pavilion as well as all the work that had to be done to prepare both for September 11 Memorial Services that day and to Day Two and just doing an extraordinary job in getting everything done to that day. Kudos, Steve, to you and your entire staff, and please pass that along to your staff.

[Chair. A. Sartor] Chairman?

[Chairman D. Samson] And just to ride Jeff's coat tails, I think that we ought to also express our appreciation and thanks for the work done from Steve Plate down and up--all the way up through Bill Baroni and Chris Ward. I think the results of 9/11 and the ceremonies speak for themselves. Anybody who participated in any form appreciated all the work that was involved and the sensational accomplishments you all reached, so thank you all.

[Chair A. Sartor] Comm. Bauer?

[Comm. V. Bauer] Both of my fellow Commissioners stole my thunder because that was my intention, to also be one of the many voices of universal acclaim and personally, Steve, thank you. Thank you, Chris. Thank you, everyone. You did an outstanding job and there was a lot of anticipation, a lot of expectations and you exceeded that and I was proud to be there as a member of The Port Authority and to stand alongside you, so thank you very, very much--thank you.

[Comm. D. Steiner] In keeping with The Port Authority's history of doing outstanding projects, from the George Washington Bridge to this one, I believe this ranks, I think, as one of the most difficult construction jobs, I think ever undertaken in the world in terms of complexity and the political constraints put on that caused us innumerable delays and unconscionable amount of expense, but it's a historic construction job.

[Comm. V. Bauer] And the world has to see what a great job you've done.

[Chair A. Sartor] Well said by all. Kudos. Any other comments? Okay, this concludes the public portion of today's meeting. The subcommittee will now adjourn to an executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals in matters involving external or internal investigations or audits. Thank you.

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY
Committee on Construction Transcript
February 24, 2011

Chair Pocino: Committee on Construction--we're meeting in a public session this morning, so the first portion of today's meeting of the Committee on Construction is being held in public session, after which the Committee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. For discussion is the first item, the Port Authority Bus Terminal South Wing Replacement of heating ventilation and air conditioning units and associated electrical distribution system project authorization, and Cedrick Fulton is going to do that. Cedrick?

Cedrick Fulton: Good morning, Commissioners. I'm here today to seek project authorization for the replacement of heating ventilation and air conditioning units, otherwise known as HVAC, and associated electrical distribution system in the south wing of the Port Authority Bus Terminal. The Port Authority Bus Terminal is the region's primary ground transportation facility, and it's a vital connection for the region's workers, travelers, and visitors. Last year the Port Authority Bus Terminal handled over 2.2 million bus movements, arrivals and departures, and almost 64 million passenger trips. On a typical week day, approximately 7,200 buses and about 200,000 people use the bus terminal. The Port Authority Bus Terminal opened in 1950 and has continuously maintained a comfortable, safe, and healthy environment.

An integral part of maintaining the indoor environment are the HVAC units located throughout the facility. The units supply heating ventilation and air conditioning to public concourse spaces, bus platforms, and administrative offices. The public concourse and bus platform HVAC units also provide positive air pressure to prevent infiltration of bus exhaust fumes into the concourse and platforms. In addition, the HVAC units perform smoke-control functions during a fire or smoke condition. Most of the HVAC units have been in service between 25-30 years and are beyond their normal life of 20 years. A conditioned survey and assessment was performed that concluded the HVAC units are beyond rehabilitation and require full replacement. As the units continue to operate past their useful life, they are more susceptible to breaking down and the repairs become more extensive, thus requiring more time and cost to maintain service. In addition, spare parts are no longer readily available, since the original manufacturers of the units do not support them. Parts from other manufacturers may require modifications and adjustments, which further increases the time and cost for repairs.

The proposed project for the replacement of HVAC units and associated electrical distribution system will address the deteriorating condition and increasing maintenance cost required to provide HVAC service for the bus terminal. The scope of work will include the replacement of 53 HVAC units with 39 HVAC units, retrofit eight additional existing HVAC units that were installed within the past 5-10 years to accommodate high-efficiency air filters, and upgrade the existing electrical power distribution system to provide 480-volt service to all the HVAC units. The project will be staged in three phases to minimize operational impact during construction. Based on a staging plan, the project is currently forecasted to take 7 years to complete using a single-contract approach. Before bidding the project later this year we will be reviewing ways to reduce the length of the project and also assessing whether a multiple-contract approach would benefit the project. The completion of the replacement of HVAC units and associated electrical distribution system would provide a reliable HVAC system that ensures acceptable indoor air quality, ventilation, and light safety system support. This project would also reduce the frequency and extent of corrective maintenance,

trouble-shooting maintenance costs, and the number of out-of-service units which significantly affect PABT operations and negatively impact customer service levels. In addition, the results of an economic impact assessement indicate 300 direct and indirect jobs will be supported over the life of the project, with a total economic impact of $20.2 million in wages and $72.2 million in economic activity.

Today we are recommending that the Board authorize a project for the PABT South Wing replacement of HVAC units and associated electrical distribution system at an estimated total project cost of $54.8 million. The final design for the replacement is underway. It is anticipated that a contract will be issued for bid in the second quarter of 2011, and bids will be received mid-year. We expect to recommend a contract award in the third quarter of 2011. Construction is expected to start in the first quarter of 2011 and will be complete by the end of 2018. Commissioners, I request that you advance this item to the board for approval today.

Chair Pocino: Thank you, Cedrick. I have one question. You mentioned minimizing the impact in terms of the effect on traffic, I would imagine, and in terms of the Bus Terminal?

Cedrick Fulton: Yes, sir.

Chair Pocino: What is that minimization? To what extent will it be impacted?

Cedrick Fulton: The project itself entails replacing units in all of the south wing, and so, effectively, the work will be--will phase from the east side to the central section to the western side of the south building. And the issue is that we can't take all of those units out simultaneously and continue bus operations as well as maintain the indoor air quality that's necessary. So only a certain number can be taken out at a time.

Chair Pocino: I understand, but--so you are prepared to be able to handle, in other areas, the operation of the buses?

Cedrick Fulton: Yes. That's the primary reason for the phasing of the project.

Chair Pocino: Thank you. Tony?

Commissioner Sartor: Mr. Chairman. Cedrick, that 54.8 million dollars, is that total project cost, including soft costs? Is that construction costs?

Peter Zipf: Construction cost is about 32 million dollars.

Commissioner Sartor: $32 million.

Peter Zipf: The planning and engineering cost is about $4.5 million, and the remaining would be other soft costs including financial expense and G&A.

Commissioner Sartor: Okay. Did you do this internally, or is it being done externally?

Peter Zipf: Both. Mechanical is done in-house and the other disciplines were done by call-ins.

Vice-Chairman Grayson: Cedrick, you touched on this briefly in your remarks, but when I looked at the write-up I was struck by the number of years to complete this project and pay for it. It looks like 8-year payment cycle. I don't know anything-- without getting to the merits of the project, because obviously it's something we have to do and should do, but why is it a 7- or 8-year timeline to complete a project like this?

Cedrick Fulton: The staging is a large contributor to why it's taking as long as it's taking. In an ideal situation, if we could take everything out simultaneously, the project would be a lot quicker. As it stands right now, we're hopeful that we can do it with a single award, and as we see progress through the first phase, if the contractor is progressing satisfactorily, we'll then make efforts to try to accelerate the actual work itself in its entirety.

Chair Pocino: So you're minimizing the effect of the bus operations as far as—

Cedrick Fulton: That's the way it's currently staged.

Chair Pocino: Okay, any other comments or questions? Thank you, Cedrick. Appreciate that. Our next item on the agenda is the PATH Harrison Station Intermodal Improvements Project Authorization. Michael? Mike DePallo?

Michael DePallo: Thank you. Good morning, Commissioners. I'm here today to recommend that the Board authorize a project entitled Harrison Station Intermodal Improvements at an estimated total project cost of $3.5 million. A total of $1 million of the project cost will be recovered from a Federal Transit Administration Grant. This project will enhance intermodal access to the westbound station and improve connections to the public and private redevelopment efforts in the areas adjacent to the station. The project will also facilitate continued safe operations during crowded conditions that frequently occur before and after events held at the newly constructed nearby Red Bull soccer stadium by providing a queuing area.

In 2003 the town of Harrison adopted the Harrison Waterfront Redevelopment Plan, which would provide for the transformation of 250 acres of obsolete industrial facilities into a new, pedestrian-friendly, transit-oriented, mixed-use development along the banks of the Passaic River. As a result of completed initial redevelopment efforts and commercial and residential construction underway, the PATH Harrison Station is experiencing an increase in ridership, which is expected to be sustained. Port Authority engineering staff prepared a preliminary design, and in April of 2010, the FTA approved the project scope. Advancing the project now will ensure the grant money will be utilized in accordance with the grant requirements.

The scope of work consists of design and construction of a park and plaza with bike racks, trees, pavers, lighting, canopy, signage, and perimeter fencing in an area located between the PATH Harrison Station westbound entrance and the adjacent parking garage owned by the Hudson County Improvement Authority, and also the design and construction of a new enclosure and lighting for both the existing westbound stairway entrance and the reopened stairway. Commissioners, today we are seeking 3.5 million for this project of which 1 million is being provided pursuant to an FTA grant. We anticipate the award of the contract to commence work in the second quarter of the year with project completion by the second quarter of 2012. Commissioners, I request you advance this item to the full board today. Thank you.

Chair Pocino: Commissioners, any comments, questions?

Commissioner Sartor: Just a question, Michael. Who's doing the consulting work on it? Is it call-in again or?

Michael DePallo: In-house.

Peter Zipf: No this is in-house because it's FTA funded so there are certain requirements and stipulations.

Commissioner Sartor: Okay, thank you.

Chair Pocino: So essentially this is a $2.5 million project for the Port Authority?

Michael DePallo: That's right.

Chair Pocino: Any other comments or questions?

Christopher Ward: A portion of the costs are recoverable via a $1 million grant.

Chair Pocino: We have two authorizations in front of us. Commissioners, I have a motion to moving those on?

Vice-Chairman Grayson: So moved.

Chair Pocino: Second?

Commissioner Sartor: Second.

Chair R. Pocino So moved. All those in favor? Committee Members: Aye.

Chair Pocino: The next item on our public session agenda is a quarterly update on major projects year-end review. Peter?

Peter Zipf: Good morning, Commissioners. I am presenting our 2010 year-end report on major capital projects. The 2010 capital spending plan was 3.1 billion dollars, of which we delivered 2.9, which is 93 percent of the plan. The variance was primarily associated with the cancellation of the ARC Project and the timing of World Trade construction expenditures. We believe that these numbers indicate a successful delivery of our capital plan. I'd like to now review several significant projects that were successfully completed last year.

The first project is the reconstruction of JFK Runway 13-31, or more commonly known as the Bay Runway. This project was completed one year ahead of schedule and within the project budget. This project provided for the concrete replacement or widening of the existing asphalt runway. Work also included new runway lighting, electrical drainage infrastructure, the reconstruction of some taxiways, widening of taxiway intersections, and the instillation of the infrastructure for FAA runway status lights. This project will result in increased operational efficiency and a reduction in air traffic delays as well as a useful life of 40 years for the concrete runway in comparison to the typical 13 years for asphalt.

The second project is the bus terminal structural modifications. In August of 2010, the Board re-authorized this project for 108 million dollars. This project involved a retrofit to strengthen the bus terminal with sheer walls bracing, and trust members to resist moderate seismic loads. To perform the required construction it was necessary to relocate several existing utilities throughout the building.

The third project is the Newark Terminal B Roadway and Drainage Improvements. This project was completed on schedule and within budget. This project is one of the major contracts at Newark Airport. It included the construction of additional Terminal B frontage area for high-occupancy vehicles use and for taxi dispatch operation. The work involved construction of two new HOV lanes, two through lanes, and a taxi lane, which included glass-covered steel canopies and a rehabilitation of roadway bridges. In addition, landscaping and an irrigation system was installed.

I am also pleased to report that the fourth project, the LaGuardia Aircraft Rescue and Firefighting Facility, was completed in August. Due to a number of complexities with the project, the Board had re-authorized the project in November of '09 at an estimated cost of 74 million dollars. The project entailed the construction of a building to house crisis command, police and firefighting functions. This building has state-of-the-art systems and supports all emergency and security functions for LaGuardia Airport.

The fifth project is the ExpressRail lead tracks at Elizabeth Marine Terminal. The project was completed on schedule and within budget. This project is part of the ongoing redevelopment of Elizabeth-Port Authority Marine Terminal and involved the installation of approximately 8,500 linear feet of track for second lead track with associated turn-outs and ties which connects Elizabeth with the Corbin Street Intermodal Rail Facility. This contract also included a rail bridge spanning over McLester Street and a new roadway along South Bay Avenue.

The sixth contract is the Port Newark Berth 8 and Partial Berth 10 Wharf Reconstruction. In May of 2010 the Board re-authorized this project to a total cost of $39.6 million, and as a result of unforeseeable conditions that were encountered during the project, the project was completed in December. This contract was to restore full-service ability to the wharf structure for safe container loading and offloading. This contract provided for the removal and relocation of existing utility lines, the removal of existing concrete deck and timber piles. Dredging to 47 feet below mean water level and construction of a high-level concrete deck supported on steel piles.

Commissioners, from an overall perspective, we currently have 335 active construction contracts going on valued at approximately 3 billion dollars. Last year we closed out 99 contracts valued at 840 million dollars. We will be reporting to you quarterly on the overall status of our construction program.

Chair Pocino: Thanks, Peter. Those numbers are all good. Hopefully we can keep it going that way. Any other comments or questions?

Vice-Chairman Grayson: Just one question, Peter. You highlighted a bunch of great projects that I think were done and done timely and done well, but you've sort of given us two numbers, the re-authorization number and the actual number. Probably what would be beneficial for me in future presentations would be to know what the original authorization number was to see how close the original to re-authorization.

Peter Zipf: Certainly.

Vice-Chairman Grayson] So you might consider doing that.

Commissioner Sartor: Having been here many years--some of those numbers are going to be interesting.

Christopher Ward: I think the number one is obviously the LaGuardia Safety and Security Facility. This is a project that we previously talked about regarding the complexity of doing a highly complex technology project for specific constituents successfully together. You're absolutely right, Commissioner, that what the original estimate of that cost was and the re-authorization is an important way to track projects. In fact, how well we're scoping them from the beginning and what they are.

Peter Zipf: By all means.

Commissioner Sartor: That particular project was vetted at the Board on numerous occasions.

Chair Pocino: As a matter of fact, that was one of the key factors in terms of why we established the fact that we were going to get regular quarterly updates on projects as we go along. So we don't come back a year or two later and find out that we're under water huge amounts of money without having the ability to have tracked it along the way.

Christopher Ward: But I think, building on the numbers up here, highlighted here, the number of projects that Ernesto and Dave are tracking for potential escalation over original estimate is really a handful. We're talking about five or six projects; we're not talking about--

Commissioner Sartor: No, the track record has improved.

Chair Pocino: Yeah, it has, for sure. Peter, thanks very much. That is the conclusion of our public portion of today's meeting. The Committee will now adjourn to executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. Again, thank you all for your input.

The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Meeting Transcript
March 29, 2011

[Comm. A. Sartor] The Committee on Capital Programs and Agency Planning is being held in Public Session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. We have one item for discussion today. Susan.

[S. Baer] Good morning, Commissioner. Let me turn this on and we'll get started. Good morning, I'm here today to discuss our progress with planning for the Rehabilitation of Runway 4L-22R at JFK. This Program consists of overlapping mandatory State of Good Repair and System Enhancement scope elements that require extensive functional planning and conceptual design to adequately determine their feasibility and cost.

4L-22R is located on the east side of the JFK Central Terminal area intersecting the Bay Runway. The runway is 11,351 feet in length and 150 feet wide. It serves approximately 100,000 aircraft landings and takeoffs per year which is about a quarter of the JFK total. The major objective of this Program is to bring the runway into compliance with the Congressional Mandate for Conformance with the FAA's Runway Safety Areas or RSA requirements by the end of 2015.

RSAs of 600 feet for undershoots and 1000 feet for overshoots are required. To meet this Mandate, we need to extend the runway pavement northward approximately 800 feet. This requires the acquisition of both private and New York City property. The Board authorized the acquisition of 4.13 acres of private property that's required for this construction in November of 2010, and our discussions with New York City are ongoing. Failure to comply with the FAA Mandate by 2015 could result in the shortening of the runway to create the required safety areas within the current runway length. This would reduce the capacity of the airport and adversely affect both passenger and cargo movement at JFK. Similar to the recently completed Bay Runway Rehab Program, the proposed Scope of Work includes the widening of the runway to 200 feet, fill it improvements to serve new large aircraft, also known as Group VI aircraft. This Program also includes State of Good Repair work. According to the 2009-2015 Pavement Management Plan, our runway Bible, the runway was scheduled to be milled and overlayed in 2011. While the runway is presently in fair condition, with continued usage and exposure to weather, it's anticipated that rehab will be required coincident with the construction of the Runway Safety Areas. Deferral of the runway's rehabilitation beyond the construction of the Runway Safety Areas will increase cost and require a second closure of the runway. Similar to the reconstruction of the Bay Runway, we are analyzing life-cycle costs and benefits of repaving the runway in either asphalt or concrete. Life-cycle cost analysis of the Bay Runway resulted in its repaving in concrete due to longer service life, reduced maintenance cost, and fewer interruptions to the airline and their passengers over the life of the runway. Creation of the Runway Safety Area at the southern end of the runway shifts the runway northward. This displacement causes the existing runway exit and access taxiways to be in suboptimal locations that do not maximize airport capacity. Functional planning is being performed to determine the number and location of exits and entrants required to ensure efficient runway operations. Additionally, the construction of high-speed exits and additional access taxiways were being considered to achieve Delay Reduction Initiatives. Preliminary analysis indicates that these Delay Reduction Initiatives could

potentially increase the runway capacity by 1 to 2 operations per hour. The construction of these enhancements simultaneous with the construction of the Runway Safety Area and the repaving of the runway is being considered to optimize airport operations, thus minimizing airline and passenger impacts. As indicated on this slide, the scope of this Program is extensive. Mandatory scope is indicated in red and includes the Congressionally mandated RSAs and the widening of the runway. The State of Good Repair repaving of the runway is shown in blue, and System Enhancement Scope including the high-speed and access improvement taxiways are shown in green. It's anticipated that this Program will reduce aircraft operating and passenger delay costs by 1.5% and potentially increase the airport's total annual departure weight by 2%. Additionally, it's forecast that this Program will create 800 direct construction jobs and an additional 2000 regional economic impact jobs during the construction.

[Comm. J. Moerdler] Susan, what does the increases in departure weight mean? [S. Baer] It means-- [Comm. J. Moerdler] Is it heavier planes? [S. Baer] --you could take heavier planes. And as we increasingly see, the A380 and then we will be seeing the 747-800. This is important because a lot of airlines are bringing those aircraft to JFK. Presently staff is completing the functional and conceptual planning required to present this Program to the Board in June of 2011 for a Planning Authorization. If authorized, Preliminary Design will be completed in March of next year, 2012. Final Design will be completed and the Contract Award in June of 2013 with substantial completion scheduled for December 2015 in accordance with the Congressional Mandate for Runway Safety Area complinace. Thank you. Questions?

[Comm. A. Sartor] Any questions? Wow, that's a first. [S. Baer] It's a big runway. [Vice-Chair S. Grayson] How long will it take to do this runway--to do this Project? [S. Baer] About a year, similar to the Bay Runway. [Vice-Chair S. Grayson] Will we have to close it in order to--? [S. Baer] That's one of the things we're analyzing. The traditional way of doing runway work was to do a section at a time and re-open it every morning. That staging costs a lot and has lots of complications to it. So what we did for the Bay Runway, which we've done a couple of times at Newark as well, is close it for a period of time, work with the airlines to reduce schedules, and then go as fast as you possibly can for-- and in that case, the Bay Runway was 4 months. This is a little bit shorter so maybe a little sooner--a little faster. So that's one of the things, along with the concrete/asphalt cost issues. That all gets ground into the analysis that we're doing right now about what works best and what is the most efficient way to do it. [Vice-Chair S. Grayson] Now with the Bay Runway, we decided on concrete, right? [S. Baer] We did. [Vice-Chair S. Grayson] And we seem to have had great success. [S. Baer] And we love it. [Vice-Chair S. Grayson] So why the discussion this time? [S. Baer] There are substantial costs with doing a runway in concrete, and so it's partly a function of our Capital Capacity whether we can afford to do that. But the analysis will show that. [Comm. R. Pocino] The oil keeps going up, the asphalt's getting to be-- [S. Baer] There you go, so we will look at that. We haven't done concrete before, but the Bay Runway really made sense, and so we'll look at it for this one too. [P. Zipf] Just to pick up on that--on this Program. Since we're doing a major reconstruction of 150 feet to 200, the concrete value makes more sense, because if we figure the life cycle, probably the concrete is going to be the winner, because we're doing a significant enhancement. It's not just like we're going back and coming back. It wouldn't economically pay, but since we're doing a significant change, undoubtedly, concrete will be-- [S. Baer] And really driving this is this whole Runway Safety Area issue, the FAA is very intent on making the 2015 deadline. We've got a couple of complex projects ahead of us to be able to achieve that. But this one, I think, we're in a good place in achieving the goal.

[Vice-Chair S. Grayson] And my last question is, with the Bay Runway, my recollection is we had the support of the airlines because they recognized how important it was. Will you have that same level of support for this project? [S. Baer] We started the discussions already, and the key to that is-- and the key to the Bay Runway--was bringing them in very early in the discussion. And as you're doing the life cycle cost analysis--this whole cost benefit-- they're sitting at the table with you as you're plugging in the assumptions, and they're a part of that, and so they will see-- a very transparent process for them, and that worked well for the Bay Runway. So if that is the decision, they will have been part of the planning from the very get go.

[Comm. A. Sartor] Yeah, I just want to comment on the Bay Runway's success. It was a phenomenal success. The time to do the job was significantly less than we anticipated— [S. Baer] It was great.

[Comm. A. Sartor] and I guess the costs were pretty reasonable too. I mean they were—

[S. Baer] Yes, we had great bids.

[Comm. A. Sartor] Great bid and I think the timing is right for another one. If you can accelerate the final design issues, I think you'd be way ahead of the game if you could do that.

[S. Baer] That's a challenge.

[Chair A. Sartor] You could contract that. I throw that back at you, Mr. Chief Engineer. All right, good. Thank you. No action required, meeting's adjourned. Thank you.

The Port Authority of New York and New Jersey
Committee on Finance Transcript
May 25, 2011

[Comm. R. Pocino] The Committee on Finance is being held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. For action today, we have the purchase of property damage and loss of revenue insurance, and Anne Marie will fill us in on that.

[A.M. Mulligan] Sure. Good morning, Commissioners. Today I am seeking the committee's authorization to renew the Port Authority's property damage and loss of revenue insurance program for one year effective June 1, 2011. This program protects the Port Authority's owned and leased property from physical damage or loss, including coverages for losses from terrorism. It also covers business interruption claims, which includes loss of revenue. The broker, Marsh USA, continues to provide service under its existing brokerage agreement. The Committee approved the selection of Marsh in February of 2009 after staff completed a competitive request for proposal process to select a single broker for both the property damage and public liability programs. This slide provides a summary of the expiring program and alternative coverage and pricing options for the renewal. As part of a continuing dialogue with the Committee on insurance matters, staff has been providing periodic updates concerning the renewal and marketing effort on the program. With the renewal date still a week away, Marsh continues to negotiate with the carriers on the program on the structure and the pricing to obtain the most cost-effective coverage for the Port Authority. The commercial insurance property marketplace is at the beginning of a hardening phase. Many insurers are reluctant to assume risk due to a number of significant catastrophic events that occurred during the first half of 2011: the floods and typhoon in Australia and earthquake in New Zealand, winter storms, tornadoes and flooding in the United States, and the earthquake and tsunami in Japan. These events could make the first quarter of 2011 one of the worst on record with respect to insurable property losses. As a result, many carriers are seeking premium increases to offset the losses occasioned by these recent catastrophic losses. Given the variety of market factors, the nature and location of the Port Authority's facilities, the agency's increased property values, and terrorism exposure, staff anticipates an increase in this year's renewal premium pricing. The estimated pricing ranges reflected on the slide are based on current indications from the markets that participate on the Port Authority's account. The expiring program provides $1.4 billion of all risk coverage per occurrence in excess of a $5 million deductible and an aggregate $25 million self-insured retention, for a premium of $26.9 million. This also includes terrorism coverage up to the full limit of the program. Quoted pricing for a $1.4 billion program currently exceeds the expiring premium by approximately 3 to 5 percent. While pricing increases are higher than expected due to the factors that I previously mentioned, Marsh will continue to negotiate with the markets and all carriers that quoted above the target layer pricing over the next week. As an alternative to the expiring program, Option 2 provides limits and estimated pricing considerations for a program with reduced limits at $1.25 billion. The expiring program provides Terrorism Risk Insurance Reauthorization Act coverage offered through PAICE, the Port Authority's Insurance Captive Entity, and the stand alone market. A $25 million sublimit for biological and chemical terrorism is included in the commercial market coverage. For the renewal, Marsh anticipates maintaining terrorism limits to mirror the all risk limit that we choose. As I mentioned, since we are a week out from the renewal date, Marsh will continue to negotiate with the widest array of insurers possible in order to maximize the capacity within the current premium

parameters. The total premium for the 2011-2012 program, including the terrorism coverage, is estimated at approximately $28 million for the $1.4 billion in limits and approximately $24.5 million for $1.25 billion in coverage. The two options are given for the Committee to decide which limits and pricing you would want. Based on the details provided, we're seeking approval to renew the property damage and loss of revenue program at either the $1.4 billion program or the $1.2 billion program limits, as determined by the Committee.

[Comm. R. Pocino] Thank you, Anne Marie. Certainly, loss experience has been horrible in recent times and just yesterday in Joplin, Missouri. It's ridiculous. [Comm. D. Steiner] But they never give you a reduction when they don't pay out. [Comm. R. Pocino] That's true. Comments, commissioners? [Comm. J. Moerdler] Yes. Have we looked at what the impact would be of raising the deductible in self-insured retention? If we raised it a material amount and, for example, changed the aggregate self-insured retention to $100 or $200 million, would that have a material impact on the cost? [V. Biddle] We did look at raising the $5 million deductible to higher levels. We didn't go up to $100 million; we went up to $7.5, $10, $15, $20, and $25. We didn't receive significant pricing considerations that would make it worthwhile for the Port Authority. The aggregate was what was approved initially by the Committee a few years ago at this point. I can't remember exactly when. But it was based on a lack of available commercial market coverage. At that point it was not too long after the 9/11 incident. At this point a lot of the carriers that participate in the lower levels and also participate in higher levels, so they split the coverage that they're providing, obtaining either higher or lower coverage is dependent on purchasing their package, basically. So if we were to look to raise the $25 million aggregate at this point, I would expect a reduction at the higher limit levels as well.

[Comm. D. Steiner] I have a question. Which option do you recommend? [V. Biddle] Personally? One. You have $37 billion of property all located within about 25 miles of the Statue of Liberty, excepting Stewart Airport. While a million dollars in increased premium is not insignificant and certainly nothing to take lightly, I think for the coverage you're buying, which is a couple hundred million more in coverage you'd get by purchasing the additional $1 million in premium, it's certainly worth it to the agency. [Comm. D. Steiner] Anne Marie, what do you recommend? [A.M. Mulligan] I also recommend the higher limit. Any construction that we do, any project that we do, is very costly to the agency. So if there is any damage to our property, it's unlikely-- We would be fully insured no matter what, so I would take as much opportunity to purchase the insurance. As Veronica said, the additional coverage for $1 million I believe would be a prudent expense for the Port Authority to take on.

[Comm. R. Pocino] Anyone else? This is an action item, so can I have a motion to authorize moving forward? [Comm. J. Moerdler] So moved. [Comm. D. Steiner] Second. [Comm. R. Pocino] All in favor? [all] Aye. Okay. The next item we have for discussion is authorization of sale of certain consolidated bonds and notes for World Trade Center purposes. Anne Marie again.

[A.M. Mulligan] Okay. Today staff is seeking approval related to the sale of consolidated bonds and notes on a negotiated basis for capital expenditures solely related to certain projects at the World Trade Center. This is consistent with the discussion that staff has had with the Committee in November of 2009 that separate authorizations would be requested in order to issue the debt obligations for these purposes. Staff is also requesting that the Board authorize amendments to the resolutions that authorized the establishment, issuance, and sale of consolidated bonds issued solely for the purposes of the capital

expenditures in connection with the World Trade Center in order to enhance the marketability of the issuance of these obligations. In April 2009 the Committee on Finance authorized the issuance and sale of up to $700 million of consolidated bonds and notes on a negotiated basis for the Port Authority's capital expenditures in connection with One World Trade Center, World Trade Center retail, and site-wide infrastructure at the World Trade Center. The sale of $750 million of consolidated bonds in Series 157th, 158th, and 159th for the World Trade Center site was successfully completed in June 2009. In November 2009 the committee authorized the issuance and sale of up to an additional $1 billion of consolidated bonds on a negotiated basis for the same purposes. And in October of 2010, $850 million of consolidated bonds, 164th and 165th Series, was issued. Staff worked closely with Citi, the underwriter on the negotiated transactions. For the October sale, Citi employed an aggressive marketing effort on the Port Authority's bonds to traditional and nontraditional investors. These efforts were successful in attracting a strong and diverse investor pool of 40 different institutional investors, including 4 international investors, which resulted in lower yields on the bonds. Current funds on hand are expected to be sufficient to meet the capital expenditures for these World Trade Center projects through mid-2011. Capital expenditures in connection with One World Trade Center, World Trade Center retail, and site-wide infrastructure from mid-2011 through the first quarter of 2012 are currently projected to be $1.3 billion. As the funds on hand are expended, additional proceeds will be needed to support the capital expenditures in the future. Therefore, authorization is being requested for future issuance and sale of consolidated bonds in an aggregate principal amount not to exceed $1 billion on a negotiated basis for these expenditures. Because these projects are not tax exempt eligible, the bonds would be issued subject to federal taxation in accordance with the tax laws. This authorization is expected to meet the financing needs for these projects through the first quarter of 2012. Further authorizations will be requested in order to meet subsequent capital needs for the project. In November 2009 the Board authorized establishing and issuing 15 series of consolidated bonds, with each series to be issued up to a maximum principal amount of $500 million and for a term not to exceed 35 years. Today staff also requests that the Board authorize amending these resolutions for the Consolidated Bonds 168th Series through Consolidated Bonds 176th Series to allow that these series be issued and sold without a limit as to the principal amount or the term to maturity solely for the World Trade Center purposes and provided that we do not exceed the maximum amount still authorized under these series, which is a total of $4.5 billion. Prior issuances of consolidated bonds for the World Trade Center purposes had to be issued in multiple series due to the limitations of these authorizations. For our most recent issuance of $850 million of consolidated bonds, this was done through two identical series, 164th and 165th Series, each in a principal amount of $425 million. With the two identical series, it raised questions in the marketplace and among the investment community. Removing this limitation would only apply to the consolidated bonds issued for the World Trade Center projects and will enable the Port Authority to achieve greater transactional efficiencies and support the execution of the complex financing for these projects. Removing the current limitation in the resolutions that each series of consolidated bonds be limited to a term of 35 years will provide additional flexibility in structuring the obligations for the World Trade Center site within the context of the Port Authority's capital plans. Commissioners, I request that you advance this item to the full board for approval today.

[Comm. R. Pocino] Do the Commissioners have any comments or questions in regard to this issue? [Comm. J. Moerdler] One question. Why are these bonds not qualified to be tax exempt? [A.M. Mulligan] They don't qualify under the tax laws for tax exemption. It's mainly real estate property, and

that is not tax exempt eligible. [Comm. D. Steiner] I move approval. [Comm. R. Pocino] Second? All in favor? [all] Aye. [Comm. R. Pocino] The ayes have it. That concludes the agenda for the Finance Committee. Thank you very much.

The Port Authority of New York and New Jersey
Committee on Capital/Agency Planning Transcript
June 30, 2011

Commissioner Holmes: The Committee on Capital Programs/Agency Planning is being held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. We have two projects to move forward, one at JFK and one at Port Newark. The first one will be presented by Susan Baer. Susan?

Susan Baer: Thank you. Good morning Commissioners. I'm here today to discuss an item that authorizes planning for phase 2 of a program that provides for the rehabilitation widening and extension of runway 4 left-24 right at JFK. This program is driven by the FAA requirement to enhance the runway safety areas or RSAs on all of our runways by 2015. But also consists of overlapping mandatory state of good repair and proposed system enhancement scope elements that require extensive functional planning and conceptual design to adequately determine their feasibility and cost. A project to implement phase 1 of the program, which covers roadway and related infrastructure relocation to facilitate the future extension of the RSAs will be reviewed with the Construction Committee later today. Four left-22 right is located on the east side of the JFK central terminal area. It intersects the Bay Runway and 13 left-31 right. The runway is 11,351 feet in length and 150 feet wide. It serves approximately 100,000 aircraft landings and takeoffs per year. That's about one-quarter of the JFK total. The runway was last paved in 1999, requires rehabilitation to ensure a state of good repair. In addition to maintaining the state of good repair, this program will also bring the runway into compliance with the Congressional Mandate for conformance with the FAA Runway Safety Areas requirements by the end of 2015. RSAs of 600 feet for undershoots and 1,000 feet for overshoots are required. To meet the RSA mandate we need to extend the runway pavement northward approximately 750 feet. This requires the acquisition of both private and New York City property. The Board authorized acquisition of 4.13 acres of private property required for this construction in November of 2010 and discussions with New York City are ongoing. Failure to comply with the FAA mandate by 2015 could result in shortening of the runway to create the required safety areas within the current runway length, thus reducing the capacity of the airport and adversely impacting both passenger and cargo movements. Similar to the recently completed Bay Runway rehabilitation program, the proposed scope of work includes the widening of the runway to 200 feet and fillet improvements to serve new large aircraft, also known as Group VI aircraft. As I touched on previously, this program also includes state of good repair work. According to the 2009-2015 Pavement Management plan, the runway was scheduled to be milled and overlayed in 2011. While the runway is presently in fair condition, with continued usage and exposure to weather it is anticipated that rehabilitation will be required coincident with the construction of the runway safety areas. To further the runway's rehabilitation beyond the construction of the RSAs will increase costs and require an additional closure of the runway. Similar to the reconstruction of the Bay Runway, we're analyzing life cycle costs and benefits of repaving the runway in asphalt or concrete. Life cycle cost analysis of the Bay Runway resulted in its repaving in concrete due to its longer service life. Creation of the RSA causes the existing runway exit and access taxiways to be in suboptimal locations that do not maximize airport capacity. Functional planning is being performed to determine the number and location of exits and entrances

required to ensure efficient runway operation. Additionally, the construction of high speed exits and additional access taxiways are being considered to achieve delay reductions. Preliminary analysis indicates that these delay reduction initiatives could potentially increase the runway's capacity by 1 or 2 operations per hour subject to FAA approval. The construction of these enhancements simultaneous with the construction of the RSA and the repaving of the runway is being considered to reduce airline and passenger impacts. As indicated in this slide, the scope of this program is extensive. Mandatory scope is indicated in red and includes the mandated RSAs and the widening of the runway. The state of good repair paving of the runway is shown in blue. System enhancement scope including the high speed and access improvement taxiways are shown in green. Today staff seeks planning authorizations for this program that includes expert professional engineering and planning services, field inspection, pavement assessment, constructibility analysis to determine paving material as well as staging of the work to reduce operational impacts, evaluation of impacts on the environment and communities, evaluation of proposed improvements to reduce delays and cost estimating. It's anticipated that this program will reduce aircraft operations and operating passenger delay costs by 1.5% and potentially increase the airports total annual departure weight by 2%. Additionally, it is forecasted that the total economic impact of phase 2 of this program is estimated to included 2,460 jobs, $146 million in wages and nearly $712 million in economic activity over the life of the project, including indirect effects such as construction employment and materials purchase. Presently, staff plans to present this program to the Board in the second quarter of 2012 for project authorization. In addition, this program will impact FAA nav and communication systems and infrastructure and will require the FAAs engineering and field support under reimbursable agreement. Today I'm seeking $6 million for this planning effort and an additional $100,000 for reimbursement to the FAA. Commissioners, I request that you advance this item to the full Board. Thank you.

Commissioner Holmes: I have a question. With respect to the land that's being purchased by us, how does that incorporate into the lease? What are the terms of that?

Susan Baer: In the next Committee meeting, we will talk more about that, but we plan to come back to the Board later this year when we finalize the negotiations with the City and do an amendment to our lease with the City that would incorporate all of that land under one amendment.

Commissioner Holmes: My question is, is it going in the lease as lessee's property or is going to be--

Susan Baer: It all belongs to New York City, so it goes in the lease as New York City property. It becomes New York City property under long-term lease. Chair Holmes: No, if we're purchasing it.

Commissioner Steiner: You're not giving them the stuff that we're purchasing, are we? We shouldn't, because ultimately it's our goal to own that land. I can't see giving it away and then paying for it again.

Commissioner Holmes: In other words, either it goes under the lease as lessee's property, or we get some kind of credit mechanism.

Darrell Buchbinder: Under the airport's lease we have an obligation that all property acquired for use if not inside the boundaries of the airport then essentially becomes the City's property which is then subject to the long-term lease to the Port Authority.

Commissioner Holmes: No credits for our costs or anything?

Darrell Buchbinder: No.

Commissioner Steiner: Could I get an extract of that agreement, because I find that very hard to believe that anybody would enter into an agreement like that, they'd pay for something, give it away and then pay rent on it in the future.

Darrell Buchbinder: It goes back to 1947.

Commissioner Steiner: Well, I'd like to see what it is, and I'd like to try not to do it no matter what it says in '47. I mean, they want it, and I think we should not pass it on. I don't see why we give up all the money and pay rent on it and pay it when we buy the land. It's just counter to the best interests of the Port.

Commissioner Holmes: Agreed.

Commissioner Steiner: Thank you Mr. Chairman, for thinking of that.

Commissioner Holmes: Okay, any other questions? Can I get a motion to move this to the full Board? Second? All in favor?

Susan Baer: Thank you.

Commissioner Holmes: Mr. Larrabee?

Richard Larrabee: Good morning, Commissioners. I'd like to discuss with you an item on today's calendar that requests authorization for planning and preliminary design work for the reconstruction and realignment of portions of Port Street, Corbin Street, Kellogg Street and the Corbin Street ramp and related intersections at Port Newark at an estimated cost of $3.7 million. Planning for this project is necessary to enhance safety for vehicles entering and exiting the Port, increased roadway capacity and improved traffic flow. In addition, it's estimated to result in a generation of approximately 490 jobs, approximately 30 million dollars in wages and over 155 million dollars in economic activity over the life of the project. As background, a comprehensive analysis study of the entire roadway system at Port Newark and Elizabeth Port Authority Marine Terminals identified numerous locations that require road realignment, widening, traffic signalization improvements to increase capacity and enhance safety. The results of that study were presented to this Committee in March of 2009. Since that time, we've undertaken an aggressive road improvement program. Four projects identified in

yellow on this slide as 1, 2, 3 and 4 have already been authorized by the Board and are currently in various stages of design or construction. These projects improve access to the Port at south and north ends and address immediate traffic flow and safety concerns while meeting future traffic demands based on the port cargo through port projections. Today's request action relates to area 5 at Port Newark, marked in red, which will build upon the previously authorized project currently underway along Port Street and Brewster Road, highlighted here in number 4. That project provides for the realignment and widening of the roadway network serving Port Newark and Elizabeth and enhances traffic safety at Newark Liberty International Airport North Cargo Area and the entrance in the vicinity of the airport's maintenance complex. Commissioners, today your authorization is requested for approximately $3.7 million in planning funds for the preliminary design of the reconstruction and realignment of Port Street, including reconstruction of Corbin Street, Corbin Street Ramp, and improvements to sections of Kellogg Street, Walnut Street, the Doremus Avenue intersection and related rail tracks at Port Newark. The proposed planning is illustrated on this slide which support the development of our project to increase capacity of the primary entrance points into our Port. Port Street handles approximately 45% of the vehicles entering and exiting the port on a daily basis, which amounts to about 35,000 vehicle moves, while Doremus Avenue handles approximately 23% of the daily traffic. The proposed planning would improve the radius of the elevated Corbin Street Ramp in order to provide for the redevelopment of design to meet projected traffic requirements as well as traffic safety. And this is the area that we're talking about right here. The current ramp is right here. This would be the improved ramp onto Corbin Street. This is a complex area here related to traffic moving both west and east, and again, this is the area where almost 60% of the traffic that comes in and goes out of the Port enters and leaves the Port. Commissioners, it's anticipated that the Port Street capacity improvement project, when completed, will improve the marine terminal roadway system by enhancing safety for vehicles entering and exiting the Port. Increased roadway capacity and better access and egress to the Port are also expected to result in more efficient traffic flow which will reduce vehicle travel, idling time, thereby reducing overall fuel consumption and associated air pollution. Additionally, the total regional impact over the life of the project, as I mentioned earlier, includes 490 jobs, about 30 million dollars in wages, and 155 million dollars in economic activity. We expect to seek project authorization to construct the Port Street capacity improvement project in the 4th quarter of 2012. I request your advance to this item for the full approval of the Board today.

Commissioner Holmes: Questions?

Commissioner Steiner: Mr. Chairman, Admiral, a couple questions. When would this work be done, if you get the approvals? I don't mean the planning, the actual work.

Richard Larrabee: Planning would be completed in 2012.

Commissioner Steiner: And when would the work be completed?

Richard Larabee: The work would start in early 2013.

Commissioner Steiner: And it's a couple years work you think? My other question is I compliment you on looking forward, and I know we have increased traffic. It's important to be

able to get the truckers in and out. Are there any other improvements that you think are needed? And if so, should we address them at this time? If not, why aren't we going to plan and looking for an overall plan? I don't want to come back and do this piecemeal. As long as we're going to bite the bullet, I'd like to make sure that we get finished. We're going to have a road system that supports the growth that we expect with the new containers and the new container ships.

Richard Larrabee: That's exactly the process that we've gone through. In 2007, as I mentioned, we did this comprehensive roadway improvement study by our own engineering staff. We identified about 7 or 8 locations in the Port which needed to have those improvements made, either roadway improvements, signalization, those types of things, and we've comprehensively gone about doing that. So, I mentioned that we've got 4 or 5 projects today that are either in design or construction that will alleviate all of those previous issues. This is the last big piece of that with the exception of North Avenue, which is at the south end of the Port. We'll come back to you with our suggestions on the North Avenue project in the next 6 months. It's a project that is a lot more complicated because it involves both the community in Elizabeth as well as the Turnpike Authority and some other agencies. But we feel like we've got a project that we can get our arms around with that one. So, I would say that if this project is approved and we actually construct this project, which we estimate to be in the neighborhood of about $100 million in effort, we will have basically doubled the roadway capacity in our Port since 2008.

Commissioner Steiner: And that will handle the anticipated traffic with the new ships?

Richard Larrabee: Yes, through about 2030 or 2040.

Commissioner Steiner: Thank you.

Chairman Samson: Just to follow-up on that, when would you anticipate coming to the Board, sorry, when would you anticipate coming to the Board on that North Avenue project?

Richard Larrabee: I'm hoping we can do it later this year Mr. Chairman. It is a very complicated project, and it's one that I think when we begin to talk about the various entities that are involved and the complexity of not only the construction but acquiring property and some of sort of the challenges of legitimate but conflicting interests, I think we boil it down to a reasonable project that we can undertake on our own with our own resources, and I think that's the first step in the project. We'll also lay out for the Board sort of a step by step process where we could begin to make some of those other improvements. The one thing that I guess you could say that resulted from the recession of the last couple of years is that that roadway which appeared to us would fail about this time when we looked at it back in 2007, because of the recession we've pushed that out probably 4 or 5 years.

Chairman Samson One of the few benefits.

Richard Larrabee: Yeah, one of the few.

Chairman Samson: And I'm not looking for a guarantee or to hold you to anything, but have you done any preliminary cost estimates on that North Avenue project? Or at least what you would anticipate, even a range of what you would anticipate coming to the Board?

Richard Larrabee: The whole project, when it was originally proposed and actually approved by the board, was estimated to be 244 million dollars and that involved not just the portions of the roadway system close to the Port, but it actually took it out about 4 or 5 miles. Right now, I think for the project that we're talking about, we're talking about something less than 40 to 50 million dollars for this section.

Chairman Samson: For that North Avenue project, okay. Thank you, thank you Mr. Chairman.

Commissioner Holmes: Any other questions?

Commissioner Steiner: I move for approval.

Chairman Samson: Second.

Commissioner Holmes: All in favor? Committee members: Aye. Motion to adjourn? Committee members: So moved.

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY
Committee on Governance and Ethics Transcript
2/24/11

[Chair H. Silverman] This meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. We have one agenda item; Annual Board Reviews, which Howard Kadin is going to do.

[H. Kadin] Good morning Mr. Chairman. Sorry. Good morning, Mr. Chairman, members of the Committee, ladies and gentlemen. It's my pleasure to speak with you this morning about several aspects of the Committee's responsibilities relating specifically to certain periodic required actions, reviews, and evaluations. My understanding is that various reports concerning these reviews were forwarded to the Committee last week. I will put these activities of the Committee in the context of the Committee's role with its dual core responsibilities as set forth in the By-laws. In connection with your review of Board performance and Committee effectiveness, I will provide certain summary information regarding the activities of the Board and its Committees including this Committee. Finally, I will discuss some steps that the Port Authority takes to help ensure the independence and objectivity of Board and Committee members. The role of the Governance & Ethics Committee, broadly speaking, is set forth in its mandate under Article VIII.G of the Port Authority By-laws, and as expressed in its Charter, the Committee's role involves oversight with respect to the development of and compliance with Agency Governance and Ethics principles, ensuring that the Board and staff are familiar with and committed to ethics principles and programs. And the Committee also assists the Board in fulfilling its oversight responsibilities with respect to compliance on the part of the Agency with certain legal and regulatory requirements. The Committee's required periodic activities include certain governance functions including assessment of the performance and effectiveness of the Board, its Committees, and the Executive Director, as well as certain ethics areas including the adequacy of the Code of Ethics, the independence and objectivity of the Board and Committee members, keeping abreast of ethical standards in the States of New York and New Jersey, and requiring executive staff to review Agency operations to identify waste and inefficiencies, take appropriate remedial steps, and publicly report these actions. Now I would point out that there's a certain interrelatedness between some of these activities of other prior Committee activities. For example, with respect to keeping abreast of ethical standards in New York and New Jersey, the Committee will recall that in February of 2009, the Committee was instrumental in the adoption by the Board of a Code of Ethics for Port Authority Commissioners, and in so doing, incorporated in the General Standards of Conduct in the Commissioners Code, applicable requirements of law which are substantially similar in the two States with respect to unsalaried public officers. As far as independence and objectivity issues, the Committee will recall that in December of 2010, there was a report by the Inspector General with respect to the independence and freedom from interference of his office in the conduct of its responsibilities pursuant to a By-Law mandate that the Committee ensure the continuance of OIG freedom and independence. With respect to Board activity last year, as you can see, the Board had a very active 2010. Thirteen public Board Meetings. The Board also met in Executive Session in conformance with the Open Meetings Policy. Now while each of the subsidiary corporations of the Port Authority including Port Authority Trans-Hudson Corporation, the Newark Legal and Communication Center Urban Renewal Corporation, and the New York / New Jersey Railroad Corporation have

been organized under statutory authority to have their own By-laws and Board structure. As you know, the Port Authority's Board serves as Directors of these Corporations and their functions are incorporated within the Port Authority activities. Upcoming meeting dates of the Board, as you know, are posted on the Port Authority's website. The agenda for individual meetings is posted on this website the day before the meeting date. All public meetings are broadcast live on the Port Authority's website. Following the meeting, Minutes of the meeting are posted on the Port Authority's website during the gubernatorial review period, and final Minutes are posted upon the expiration of that gubernatorial review period, and they remain archived and available for public inspection on the website. The public is provided an opportunity to address the Board at its public meetings. In 2010 members of the public addressed the Board on 33 occasions. A list of public speakers for each Board meeting is recorded in the Minutes of the meeting. In 2010 the Board approved 170 items in Public Session and 5 in Executive Session. Now with respect to the activity of this, the Governance & Ethics Committee, this Committee, met 3 times in 2010 which included three Public Sessions and one Executive Session. Back in May of 2010, there was a survey of certain periodic required actions similar to what we are engaging in today. In October of 2010, there was a discussion of compliance with certain ethical, legal, and regulatory requirements, a brief review of New York and New Jersey ethical standards, and a review of the adequacy of the Commissioner's Code of Ethics. There was a review of some governance and ethics trends in the two states, and also a quick survey of some corporate trends and best practices. Back in December of last year, there was a discussion of the staff's Code of Ethics and Financial Disclosure, and a report on staff compliance with the Financial Disclosure Statement filing requirement in the staff Code. There was also a report on the Office of Inspector General's independence, and finally, the Committee received a report on aspects of the Port Authority's Enterprise Risk Management Program. As far as Committee activity is concerned, I should say that under the Port Authority's By-laws, the Board has established the standing Committees with respect to Finance, Audit, Construction, Operations, Capital Programs/ Agency Planning, Governance & Ethics, and Security. And again, the similar committee structure exists for each of the Boards of Directors of the Port Authority's subsidiary corporations. While each subsidiary has its own By-laws and Board Committee structure, again, the Commissioner serves Directors of those entities, and their functions are incorporated within the Port Authority's activities. From time to time, as well, the Port Authority establishes ad hoc committees to deal with specific issues that may have a significant impact on the Port Authority or the region. Thus, the Board has established the World Trade Center Redevelopment Subcommittee to oversee redevelopment of the World Trade Center Site. With respect to the Committee on Finance, the Committee, as you can see, met 8 times including 6 Public and 4 Executive Sessions. The Committee dealt with numerous topics including financial matters in terms of looking at the Port Authority's investments and insurance matters, annual renewal with respect to the public liability as well as the property damage and loss of revenue insurance programs, and also of the owner-controlled insurance program. With respect to Capital Programs/Agency Planning, this Committee's responsibility includes oversight of the Port Authority's capital strategic plan. They review long-term planning for development of new facilities, they keep informed of the Port District's needs within the sphere of the Agency's authority, they recommend policies and programs regarding transportational and terminal facilities, and they provide supervision over studies regarding these matters, as you can see. There are various items relating to different facilities of the Port Authority including airport terminal facilities and bridge facilities. With respect to the Committee on Construction, you can see that the activities that the Committee engaged involve

very many important activities; the Lincoln Tunnel Helix Rehabilitation Project, replacement of our toll collection facilities, to name just a couple. This Committee met 9 times including 8 Public and 6 Executive Sessions in 2010, and they discussed numerous topics as well. In terms of the Committee on Operations, the mandate of this committee involves oversight of all facilities and properties owned and or operated by the Port Authority, agreements and contracts for acquisition of purchase of equipment, and they approve agreements with organizations representing Port Authority employee groups. Operations met 8 times including 8 Public and 7 Executive Sessions. The Committee discussed numerous items including with respect to Port Authority property lease matters. And the Security Committee keeps informed on the security needs of the Agency's owned and operated facilities and properties; the needs of the Port District generally in that regard, and makes recommendations from time to time. The Committee met 5 times including 2 Public and 4 Executive Sessions, discussed various topics, as you can see, including the Bollard Protection Project. Bollards are those barriers that exist at the perimeter of facilities to keep out unwarranted vehicles, I guess. The Audit Committee's responsibility involves oversight and the quality integrity of the Port Authority's framework of internal controls, compliance systems, accounting, auditing, and financial reporting processes. They select and oversee activities of independent accountants, Deloitte & Touche, arrange for annual independent audit of books and accounts of the Port Authority. They keep informed regarding the Port Authority's management and receive reports from the Office of the Inspector General regarding internal and external wrongdoing, waste, fraud, and abuse. The Audit Committee met 4 times last year including 1 Public and 4 Executive sessions. Discussed numerous topics including, notably, the Enterprise Risk Management Program, and they authorized the retention of Deloitte and Touche as independent auditors for the current cycle. And the World Trade Center Redevelopment Subcommittee met 11 times last year including 11 Public and 7 Executive Sessions. Discussed numerous items relating to the World Trade Center Redevelopment. I'd like to talk a little bit about the independence and objectivity of the Board and its committee members. And the key thing to take away from this, is we want to try and enable to have the Board and committee members conform with the relevant laws on their part. We want to avoid conflicts of interest and any appearance of impropriety. General Counsel was a pivot point with respect to the flow of information to and from members of the Board. As you know, Commissioners receive ethics materials from General Counsel from time to time. For example, when they joined the Board. There were also briefings on a periodic basis. And as you know, Commissioners are asked to provide information with respect to their financial, business, corporate, and other interests and involvements, and that occurs regularly and is a process in place for periodic updating of that information. Files are kept with respect to that information in General Counsel's office. A composite list of interests and involvements without identifying information is kept and prepared for use by the staff in connection with the Port Authority's activities. Board calendars are reviewed before each meeting to ensure that any potential issues are flagged and discussed for appropriate consideration by the Commissioners. And I would point out that the Code of Ethics for Port Authority Commissioners requires certain disclosures to General Counsel, as you can see. There's annual financial information required. Commissioners furnish updates to that information as required and certain other disclosures with respect to a possible outside business dealings with the Port Authority. And with that, I close my presentation. Thank you, Commissioners.

[Chair H. Silverman] Thank you very much. Any questions or comments for Howard? Okay. Hearing none, are there any other actions we require? All right. Thank you very much. Motion to adjourn please. Thank you very much.

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY
WTC Redevelopment Subcommittee Transcript
2/24/11

Comm. A. Sartor: Can I have your attention, please? Welcome to the World Trade Center Redevelopment Subcommittee. The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee is being held in public session after which the Subcommittee will meet in an executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on The Port Authority's website for those interested in viewing today's proceedings via the internet. We have a number of items for discussion. The first one, Richard Gladstone, World Trade Center Systems Integration Planning authorization. Rich?

[R. Gladstone] Good morning Commissioners. Today we're seeking $8.1 million planning authorization for the review of full site-wide operating systems to ensure their compatibility and their operability. This slide provides a graphic illustration of the complex intermingling of the below grade programs. Pieces of stakeholder programs can be wholly engulfed by other stakeholder programs and thus depend on adjacent stakeholder systems, such as stair pressurization or smoke purge to adequately address day-to-day operations and emergency situations. Because below-grade areas act as one mega-building, cross-sharing of information across and coordinating amongst separate systems is critical. As anticipated, this planning effort will identify recommendations that would produce World Trade Center life cycle costs by optimizing how individual project systems and processes interconnect and interact. This will eliminate redundant systems and reduce maintenance and long-term operating costs. Specifically, over the past year, staff and technical consultants have reviewed site-wide project documents to develop a site-wide systems integration plan. This project is required to address compatibility and operability issues arising from multiple projects being designed and procured over a multi-year period in an ever-changing environment. Provide recommendations for site-wide security connectivity necessary to support public safety, situational awareness and information exchange, develop common system interfaces and coordinate the various systems across programs and, where appropriate, across World Trade Center stakeholder boundaries to support public safety, security, and business continuity under both normal and emergency modes of operation. Resolving these issues early in the construction process will mitigate future budget and schedule impacts and reduce long-term operating and maintenance costs. This effort will include the operational review of: Fire and Life Safety Systems with associated exchange of information between stakeholder entities, Smoke Evacuation and Fire Command Station integration, integration of the Building Management Systems serving the Hub, Retail, VSC, and the Central Chiller Plant, additional Sub-metering and extension of the SCADA systems to monitor stakeholder utility usage and recoup cost recapture, Programming High-Security Keying Systems across all PA projects, coordination of below-grade level designations and discreet room electrical panel and device addresses throughout the site, inclusive of stakeholder devices shared by the Fire Alarm and Smoke Evacuation Systems, and integration of the Vertical Transportation Monitoring Systems. This authorization will include $8.1 million for the continued planning work as follows: $4.4 million allocation of previously authorized funds under the JLL contract. This amount will provide for multiple sub-consultants, completing the following: building systems review, site-wide utility and metering review, fire protection and code compliance review, program construction impacts, site-wide leveling and labeling, and program management. It will include $2.5 million for

reimbursement of World Trade Center stakeholders for architectural engineering services related to the implementation of World Trade Center systems integration including Fire & Life Safety Systems, Smoke Evac Systems, site-wide Utility meterings, and $1.2 million for G&A and financial expense. This authorization will determine what additional operating and capital costs may be required to complete systems operations. Staff will report back to the board at the end of this planning effort with the results and to discuss funding requirements. Commissioners, I request that you advance this item to the Board for approval.

[Comm A. Sartor] Are there any questions from the Commissioners? [Comm. D. Steiner] Yes, I have a question. [Comm. A. Sartor] Commissioner Steiner? [Comm. D. Steiner] Yeah, the money you're asking for--is this part of an existing budget? Is this already in the budget? [R. Gladstone] This is an allocation of contingency that is in the current landscape, so this is $8.1 out of the- [Comm. D. Steiner] What do you mean, "the current land-" say in English, what do you mean by "the current landscape?" [D. Tweedy] There was $600 million of program level contingency identified when we reset all the World Trade Center budgets in 2008, and while the Board has not authorized specific spending until today against that $600 million, it has been reflected in our financial plans and in all of our financial budgets since that time. So we are drawing $8 million from a $600 million budget line item that is in our financial plan. [Comm. D. Steiner] You're taking it out of the contingency? [D. Tweedy] Correct. [Comm. D. Steiner] In the hopes that the contingency won't be all used up. Is that correct? [D. Tweedy] Correct. [Comm. D. Steiner] So that's where the money is coming from. [Comm. A. Sartor] So this $8.1 million is coming from the contingency. Any additional construction costs or equipment costs will also be coming out of that contingency, Richard? I guess so--there's no other place to take it. [R. Gladstone] Unless we can actually find that this is in--obviously, all the program budgets have contingencies as well, so I think really we need to see what exactly type expenditure it is so that would either be from a program contingency or the overall contingency. [Comm. A. Sartor] Do you have any feel for how much this might run--ballpark? $5 million? $50 million? [R. Gladstone] I think right now what we've done is as far as literally the trade costs, and because the kind of complexity of work, it's hard to say what the applicable markup is and there's an outside chance of about $35 million worth of trade costs associated with this. [Comm. A. Sartor] You're talking $35 mil--okay. Which may or may not come out of the $600 million contingency? [R. Gladstone] Correct. [Comm. A. Sartor] Okay. Any other questions? Seeing none, I'll entertain a motion to move this to the full committee? [Comm. V. Bauer] I'll move.

[Comm. A. Sartor] Okay, done. Next item--Richard, you're up again. You're discussing the Retail Pre-Tenant and Subgrade Infrastructure Fit Out, Construction Management Services. [R. Gladstone] Correct. Today, we're seeking authorization to enter into an agreement with Tishman/Turner Joint Venture III, the Joint Venture of Tishman Construction Corporation and Turner Construction Company to provide construction management services for the Retail and Parking Pre-Tenant Fit Out for an estimated 57-month term at an estimated total cost of $27.8 million. This authorization will also include the ratification of $400,000 for prior staff actions to obtain additional pre-construction services to identify the scope and coordinate the transfer of a portion of retail and parking Pre-Tenant Fit-Out work to Silverstein Properties, Inc. to better assure coordination with the Tower and Transportation Hub core and shell work. Tishman/Turner Joint Venture III was selected in September of 2010 to provide Preconstruction Services including cost estimating, scheduling, and preparation of trade packages for the Retail and Parking Pre-Tenant Fit-Out. In December 2010, staff

exercised a 3-month extension option to extend Tishman/Turner's contract to continue to provide required Preconstruction Services. The base contract amount, including extension of scope, was $1.5 million. Additional services totaling $400,000 were necessary to identify Retail and Parking Pre-Tenant Fit-Out scope of work to be transferred to Two World Trade Center, Three World Trade Center, and Four World Trade Center projects in order to facilitate future coordination of work with SPI and the Transportation Hub. This work also included development of early bid packages for Retail Building Automation Temperature Controls and the Fire Alarm System to better coordinate with procurement schedules for the SPI Towers. Total contract award to Tishman/Turner Joint Venture III for Preconstruction Services totals $1.9 million. Today, we are also seeking authorization to enter into a contract with Tishman/Turner Joint Venture III to provide Construction Management Services for the Retail and Parking Pre-Tenant Fit-Out projects and the coordination of Retail and Parking scope with Two World Trade Center, Three and Four World Trade Center. This contract was listed via selective lowest qualified price procurement process. Proposals were solicited from two firms currently providing similar services at the site. The nature of the Retail Pre-Tenant and Parking Fit-Out project is such that it interfaces with all of these projects and it is critical that the retail projects have a peer CM representation for effective project planning and coordination. Under the proposed agreement, the Scope of Work will provide Construction Management Services for the following work: Above Grade Scope provides for the following: dedicated Retail MEP, Fire Protection, and Building Automation Temperature Control systems, Vertical Transportation, extension of the Hub Fire Alarm Systems to the interior of Tenant demised spaces, and various interior Architectural Finishes, which include masonry, carpentry, drywall, interior storefronts, vertical transportation, stone and ceramic tile. And Below Grade includes again, dedicated Retail and Parking MEP, Fire Protection and Building Automation Temperature Control Systems, Vertical Transportation, again, extension of the Hub Fire Alarm System to the interior of Tenant demised spaces, and Architectural Finishes not provided for within the Hub package, including certain public bathrooms and back-of-house support packages. The construction management Scope will include the following components: which is Retail Pre-Tenant Fit-Out, which is 523,000 square feet located above and below grade in the West Bathtub Occulis, Towers 2--and this is really the at-grade transit lobbies and below-grade at this current time, Tower 3 and Tower 4; trade estimates are estimated at $130 million. Parking Pre-Tenant Fit-Out consists of Pre-Tenant Fit-Out work located primarily within the subgrade East Bathtub; trade costs estimated at $12.7 million, and then it's going to include the incorporation of work to be performed by SPI, and then incorporated into the retail systems, and the trade cost for that is estimated at $78.3 million. Total trade cost for this work to be procured or coordinated under this contract is estimated at $220.5 million. Commissioners I requested to advance this item to the full Board for approval today.

[Comm. A. Sartor] Questions from the Commissioners? [Comm. D. Steiner] Commissioner Steiner again, the broken record. This $220 million, is it already included in the budget, or where are you going to get it from? [R. Gladstone] This is all in the--when we have discussed- [Comm. D. Steiner] Is this another contingency item? [R. Gladstone] This is not--no, this is the retail budget that's been discussed really for-- I think it goes back many years, from when we discussed- [Comm. A. Sartor] Rich, can you just explain to the Commissioners how much that retail budget is? [R. Gladstone] This is right in the current landscape; it's there for $1.55 billion. [Comm. A. Sartor] $1.55? [R. Gladstone] Correct. [Comm. A. Sartor] So I've heard numbers as high as $1.8. [R. Gladstone] $1.55 billion is what is in the current landscape. [Comm. A. Sartor] The current landscape, but I've heard that this could go as high as $1.88, is that correct? [R. Gladstone] There is no estimate that this will be at $1.8

billion. [Comm. A. Sartor] That $1.55 is for 540-? [R. Gladstone] The only reason that I'm framing the answer this carefully is because we don't know the build-out schedule for Tower 2. It's somewhat tough to know where cost escalations may or may not go, so there's a time factor in here that really we can't estimate. [Comm. A. Sartor] I can understand that. [R. Gladstone] And the $1.55 was intended to be an all-inclusive budget until I actually know what the timing, really, of all 3 projects will be, it's not possible to swear. [Comm. A. Sartor] So it's just basically a placeholder right now. [R. Gladstone] Correct. [Comm. A. Sartor] Okay. [Comm. D. Steiner] Mr. Chairman, does that mean if it does run to $1.8 that $300 million will come out of the contingency? [R. Gladstone] I think that there would have to be an evaluation of what was even driving the- [Comm. D. Steiner] If you need the money--if it does run more--where's it come out of, that same contingency, that same $600 million? I'm just trying to get the point is we're using up that $600 million. [C. Ward] The answer is yes. Obviously, the contingency is site-wide; it reaches referencing. We are in negotiations with our retail developer, what the size and scope of their program will be driving the $1.55 billion. The timing of the two Towers will also be a driver in terms of final cost and if we exceed what we have programmed earlier, then it will have to come out of- [Comm. D. Steiner] Yeah, based on past experiences, we know that it generally runs more than we figure and takes longer. I'm just worried about whether $600 million is going to be enough for all the contingencies when we get everything done. I'm just concerned where we're going to get the money from. [C. Ward] I think today's presentation of beginning to tracking exactly the level of risk against total project cost, and having pierced the contingencies of the earlier item. We'll be back to the Board regularly, tracking overall program costs against existing contracts with existing contingencies against overall contingencies. [Comm. D. Steiner] Yeah, while we're on this, I forgot to ask on the last one-- we're coordinating all of the supervision services, but we have to bear in mind that some of those buildings might not be built, they might not be owned by the people we think they're going to be owned, and somehow, we have to have some way of allocating the operational costs to all of these new entities, should they arise, because there's no guarantee that Silverstein will be there or that we'll be there in our whole thing, and- [C.Ward] I think it's truly the value of putting this whole integration system up front so that we're not held hostage by subsequent changes and neither are landlords or tenants, so that we've built into the existing infrastructure the capacity to handle all those costs, now and- [Comm. D. Steiner] I think that's wise.

[Comm. A. Sartor] Any other questions from the Commissioners? If not, I'll entertain a motion to move this to the full Board. [Comm. D. Steiner] So moved. [Vice Chair S. Grayson] Second. [Comm. A. Sartor] Done. Next item, we're starting with Mr. Plate, Construction Trade Contracts.

[S. Plate] Good morning, Commissioners. The first item is for the award of architectural glass with a dichroic coating, to be located at the north and south entrances and behind lobby desks at One World Trade Center. The contract was competitively bid, with APG International being the lowest qualified bidder, at a base cost of $8.5 million, which compares favorably to the staff estimate of $8.8 million. Also for One World Trade, authorization is requested to exercise contract options under the existing agreement with Hillside Ironworks for miscellaneous iron at a total estimated amount of $2 million, bringing the total contract amount to $14.1 million. To date, approximately 99 percent of One World Trade Center trades have been awarded.

[Comm. A. Sartor] Any questions on this item? [Comm. V. Bauer] How many contracts have been awarded? [S. Plate] 99 percent. There's only about three or four left now; we're down to the last few. Okay? It's been a long journey.

[Comm. A. Sartor] Seeing no other questions, I'll entertain a motion to move it to the full Committee. [Comm. J. Moerdler] So moved. [Comm. V. Bauer] Second. [Comm. A. Sartor] Go ahead, Steve.

[S. Plate] As you are well aware, Deutsche Bank continues to be an obstruction to completing the World Trade Center Vehicular Security Center, according to our original plan. To mitigate some of these impacts, we developed a revised design that results in a savings of costs of ultimately of $10-15 million in construction costs, but more importantly, also saves four to six months in schedule. This item requests an increase to Liberty Security Partners, our designer, in an estimated amount of $5 million necessary to effectuate the redesign.

[Comm. A. Sartor] Steve, can you give us the history of the costs associated with this particular project? It started out at $400 plus or minus, and it went up to--what--$660? [S. Plate] It's $667 right now. [Comm. A. Sartor] $667 now? [S. Plate] Yes. [Comm. A. Sartor] Okay, and you feel that you could hold that cost? [S. Plate] Yes, Commissioner. We've been getting some good bids and we feel pretty comfortable, we're in a good place; we have--we obviously realize we're going to have to spend some more money to keep up with the schedule, but we- [Comm. A. Sartor] One of the things that you did do was because of the Deutche Bank not coming down on time, is you had to revise how you approached the construction on this site- [S. Plate] Yes. [Comm. A. Sartor] And that's what required the additional $200+ million. [S. Plate] That's correct. [Comm. D. Steiner] Is there any chance at getting recovery from that, from the people who were responsible for taking down the Deutsche? Lower Manhattan, or whatever those people are called? Since they did delay,shouldn't we put a claim in for the $200 million? [C. Ward] We're talking actual view of LMDC's financial obligations to the partners to withhold their financial capacities and out came the outflow of (inaudible) but we are monitoring and talk to them about this liability.

[Comm. A. Sartor] Okay, any other questions? Seeing none, I'll entertain a motion to move this to the full Board. [Comm. R. Pocino] I'll move. [Comm. A. Sartor] Second.

[S. Plate] Next item: memorialize a construction trade contract, awarded by the National Memorial Foundation, for bronze name parapets. Service Metal Fabricating will perform the fabrication of the parapets with KC Fabrications performing the installation around the perimeter of the Memorial Pools. The total costs of these contracts estimated $10.9 million, excluding extra work, will be borne solely by the Memorial Foundation. Additionally, this item replaces a contract authorized in February 2010 for this work. Also, for the Memorial, the miscellaneous metals contract for the Museum Pavillion was competitively bid with R&L Construction being the lowest responsive bidder at a cost of $4.6 million, excluding extra work and includes $452,732 for Bovis CM Services. The Port Authority's estimated share of this trade contract is a little less than 10 percent, with the balance to be borne by the Memorial Foundation. Including these contracts, 98 percent of the Memorial contracts will be awarded to (inaudible); again, we're getting near the end.

[Comm. A. Sartor] Steve snuck in two projects for us, if you're looking at your sheets. Are there any questions on these? Seeing none, I'll entertain a motion to move it to the full board. [Commissioner] I'll move. [Comm. A. Sartor] Second? [Commissioner] I'll move. [Comm. A. Sartor] The next item, Steve--one at a time, please.

[S. Plate] Yes, sir. Sorry. The ability to effectively monitor activity and control access to the World Trade Center site is critical to ensure safe and secure operations. In support of this effort, we are requesting your approval of a $20 million project to provide for a Situational Awareness Platform Software System that integrates the various facilities as they become operational at the site, starting with the opening of the Memorial Plaza on 9/11/11. The SAPS System will monitor a range of systems, including CCTV, access control, fire alarm, building management, radio communication, and vehicular scheduling and intradiction barrier control. This item also authorizes the contract award of $8.4 million to DieBold Enterprise Security to develop, install, and test the software application.

[Comm. A. Sartor] Commissioner questions? I do, Steve--is this part of our budget? Is this part of our-? [S. Plate] Yes, it's included in our- [Comm. A. Sartor] It's included in the original-? [S. Plate] Yes. [Comm. A. Sartor] Budget that we have for the site? [S. Plate] Yes. [Comm. A. Sartor] Okay. What's the engineer's estimate for the cost of this facility? Do we have one? [S. Plate] This is actually--this is--to give you a little more detail, basically, this is a facility located at 115 Broadway. This software and hardware design will be utilized ultimately in the site-wide one` to be located in Tower 4, so this is basically the interim and the final. So this is basically a hardware and software design. It will actually flow through our main headquarters in the Tech Center and Teleport. [Comm. A. Sartor] But my question is, is this consistent with the estimates that you guys have put together on this? [S. Plate] Yes, sir, it is. [Comm. A. Sartor] What were they? [S. Plate] I'm sorry? [Comm. A. Sartor] What were the estimates? Do you have them available? If not, you can do it later, but I would like to know. [S. Plate] The estimate was $8.8 million, the budget was about $8.8 million and this award was about $8.4 million. [Comm. A. Sartor] What about the $20 million you mentioned? [S. Plate] That was consistent--actually, I brought that up several meetings ago as a precursor. [Comm. A. Sartor] I don't have a good memory, so just refresh- [S. Plate] I know, you actually have an excellent memory, sir So we brought up a few--it was the beginning part for the access control portions, but I can give you the breakdown if you'd like, sir.

[Comm. A. Sartor] Yeah, I'd like to have that--see that one more time. Okay. I'd entertain a motion to move this to the full Board. [Comm. D. Steiner] So moved. [Comm. V. Bauer] Second. [Comm. A. Sartor] All right, Steve. The next one?

[S. Plate] Okay. Our next item requests a project in the amount of $50 million for the design and construction of the World Trade Center site-wide Public Safety and Life-Safety Radio Infrastructure. This item includes a construction trade contract to Five Star Electric providing for the installation of radio equipment, interface and ancillary equipment, a radio frequency over fiber optic distribution network, alarm systems, as well as installation of the radio distribution network at a cost of $72.7 million, including extra work. This item also authorized increase in compensation to Downtown Design Partnership of $6.9 million for associated design and construction-related services and an increase to Tishman/Turner of $5.3 million for associated construction management services.

[Comm. A. Sartor] Again, Steve, what were your estimates? [S. Plate] The estimate for this was $74.8. The budget was $76 and this came in at $72. [Comm. A. Sartor] Okay. [Comm. D. Steiner] What is the $50 million I see over there? [S. Plate] The $50 million is an overall project authorization. Commissioner, if you look at this chart, what we try to show is how other stakeholders are sharing it, and so what I try to do basically-- the contract is covering the light and the dark blue. The dark blue is the overall system that's being handled as part of the site-wide system, and the light blue is being handled just for the Hub, so this is an opportunity rather, it really wouldn't be practical to have the main runs and the brain of the equipment done by different people, so what we've done is wrapped those two together, put as one system, and ultimately, you see all the other spokes in different colors-- they'll be tying in as time goes on, and they'll be done by the individual stakeholders.

[Comm. A. Sartor] So what are the Port Authority costs here? Other stakeholders participating in the costs, is that what you're saying? I'm confused. [S. Plate] No, what I'm saying is that The Port Authority's paying for this, but in the other areas, for example, Tower 3 and Tower 4, that will be Silverstein Properties, for example. The Memorial will tie in and pay for their portion, and so forth and so on, Tower 7 and such, so this will be a complete radio system, and I think it's important to point out that this has really been a concerted effort with Ernesto Butcher and Lou Barraney, who's here, and we've been working very closely with the different agencies. The FDNY and Emergency Services have bought off on this in writing, and we're continuing to- [Comm. A. Sartor] Have you gotten anything in writing from the NYPD? [S. Plate] No, but we've been working closely with their system. They have a system that they're in the process of- [Comm. A. Sartor] Why haven't you gotten something in writing from them as you had from the Fire Department? [C. Ward] Commissioner, we have been working with NYPD for two years. In terms of their systems integration and when it's working, they have appeared and what they have and what they will then be migrating to and they have, because of that ongoing conversation, they have not signed off on--in writing--on this project. We have designed this project in the fashion that will allow us to incorporate the migration of their radio system onto this. We believe it's fully compatible in the future with NYPD. Moreover then, in order to make sure that- [Comm. A. Sartor] It's good for you to believe it, but do they believe it? [C. Ward] They will affirmatively state that they believe that it will. But they have been reluctant to put it in writing given the ongoing discussions going forward. [Comm. A. Sartor] I'm just concerned that we--three or four or five months down the line-- don't run into a situation where we've got to revisit this again. [C. Ward] We fully agree. We've really attempted to put this on a platform which is neutral in terms of where NYPD goes with their future systems, so we're confident that we are going to be able to accommodate what NYPD finally decides on what their system migrates to- [S. Plate] We have put a lot of flexibility in this, and actually, in a real-time basis, Alan Reiss and my staff are working very closely with Lou to make sure that it's all compatible, so I understand your concerns, but we feel pretty comfortable that we'll be able to work with them to accomplish the same goal. [Comm. A. Sartor] I want you to feel more than comfortable; I want you to come back and tell us here you've got it in writing and it's done. [S. Plate] Yes, sir.

[Comm. A. Sartor] Thank you. I have a motion to move this--are there any other questions on this? If not, let's turn a motion to move it to the full Board? [Vice-Chair S. Grayson] So moved. [Comm. A. Sartor] Second. Next item.

[S. Plate] Concerning the Hub, it is requested to award the following trade contracts to the lowest priced, technically qualified proposers, including Architectural Metals and Glass for the Transit Hall to Jerome Aluminum Products at a base cost of $8.1 million as compared to the staff estimate of $8.2 million. Continue?

[Comm. A. Sartor] Any questions on this? Is there anything else you want to say about this item, Steve? [S. Plate] No, sir. [Comm. A. Sartor] Did you want to say anything else on this? [S. Plate] No, I just wondered if I should continue.

[Comm. A. Sartor] I'll entertain a motion to move it to the full Board. [Comm. V. Bauer] I'll move. [Comm. A. Sartor] Second? Done.

[S. Plate] The next item--Carpentry, continuing on the Hub-- Carpentry for the Transit Hall to Component Assembly Systems at a base cost of $12.9 million, as compared to the staff estimate of $20.3. [Comm. A. Sartor] I like that number. [S. Plate] I like that number. The answer is the fellow's working at the site, he's at three different projects-- One World Trade, Memorial--he's doing a great job, and he's really hitting it hard. [Comm. A. Sartor] And all these projects are obviously in the budget? [S. Plate] Yes, sir.

[Comm. A. Sartor] For the Hub. Okay. I'll entertain a motion to move this to the full Board.

[S. Plate] The next item is interior glass storefronts to Champion Metal and Glass at a base cost of $9.8 million, again, as compared to the staff estimate of $17 million. [Comm. A. Sartor] That's two wins in a row, Steve. You're on a roll. Hopefully, the rest of it will-

[S. Plate] Because usually, you yell at me for being too high on the estimates. I shouldn't encourage you, right? [Comm. A. Sartor] That's right, be on a roll, I'm sure we'll have something- [S. Plate] I just put an "x" on my chin, didn't I? [Comm. A. Sartor] I assume you'll have something coming up that's going to be far different, but go ahead. I'll move--I'll request a motion. Second? Okay. Full Board. Go ahead.

[S. Plate] All right, the Structural Rehabilitation of the North Projection to Judlau Contracting at a base cost of $17.5 million as compared to the staff estimate of $16.1. [Comm. A. Sartor] That's a little bit over. [S. Plate] A little bit over. The other bidders were higher, though. [Comm. A. Sartor] And what is this for, now? This is for-? [S. Plate] This is basically the hardening of the North Projection. We just completed a hardening of the South Projection--a path. This will finish it on the North side.

[Comm. A. Sartor] Okay. Any questions on this? If not, I'll entertain a motion to move it to the full Board. [Comm. R. Pocino] I'll move it. [Comm. A. Sartor] Second? [Comm. V. Bauer] Second. [Comm. A. Sartor] Next one? Here we go.

[S. Plate] I didn't like that segue. Next, I'm proud to recommend the Construction Contract Award that represents a major milestone at The World Trade Center Project, the Oculus Structural Steel. The contract, which includes the fabrication and erection of steel for the Santiago Calatrava Design Structure that will rise 200 feet above the Grand Hall. This contract was publicly advertised with

Skanska/Koch being the highest technically-rated and lowest-priced proposer at a cost of $204.7 million, excluding extra work, as compared to the staff estimate of $206.4 million, and includes payments of $10.3 million to-

[Comm. S. Sartor] You missed one point, though, Steve. [S. Plate] Sorry, did I? [Comm. A. Sartor] What was your original budget estimate? [S. Plate] The budget? [Comm. A. Sartor] Yes. [S. Plate] Was a little under $100 million. [Comm. A. Sartor] $100 million--so this was a delta of over $100 million. [S. Plate] Yes. [Comm. A. Sartor] That's why I want everybody to understand, but there were reasons for it, and I understand that. You should explain to the Board what the reasons are. [S. Plate] Yes. Okay. Let me just finish this. [Comm. A. Sartor] Go ahead.

[S. Plate] By awarding this contract, the Oculus is becoming a reality of the vision that was set by this Board, and will transform into Grand Central Lower Manhattan, by providing a vital pedestrian access for over 160,000 passengers each day, 13 MTA Subway lines, 500,000 square feet of high-end retail, restaurant space, and 10 million square feet of Class A Commercial space. With this award of these contracts, 94 percent of the World Trade Center Hub contracts will have been awarded.

[Comm. A. Sartor] Explain to us the delta. [S. Plate] Okay. Okay, basically the reason for the delta--I should give you the full story. We had started with the bids, and they were closer to $300. We actually sat in a series of very intensive, best and finals, understanding the contracts, means, and methods and understanding why we disagree. We were able to significantly--obviously--reduce it by almost--close to $100 million, but the reasons for the delta as we could enumerate was that there was additional steel and that was driven from the original design back, years ago, to now, of hardening of the building for security reasons, based on like we had to do for One World Trade. Also, some of the design criteria, working closely with our Engineering Department, we beefed up somewhat, and in addition, I think the fact that the way the contractor saw it, when we got down to the nuts and bolts, that they felt there was more complexity involved with it, and it was just their means and methods were different. And lastly, they were going to use more international fabricators, so there was some additional shipping costs.

[Comm. A. Sartor] All right, but in getting from $300 to $205 million, $205 million doesn't include fireproofing of the building that was included in the $300 million. [S. Plate] That's correct. [Comm. A. Sartor] So you have to add that back in at some point. [S. Plate] That's correct, and we're actually- [Comm. A. Sartor] What is the estimate of that number, so the Board understands everything on this? [S. Plate] Let me start with the first question. Yes, we are in intensive discussions with both the Department of Buildings, as well as with our own Engineering Department, and we're looking at how best to effectuate this. There's a number of different products on the market and different ways of approaching it that gets us where we need to be, and we actually took it out of the contract, but not took it out of our commitment to do it, but felt it was time to take it out and deal with it separately, which works out well for scheduling and also gives us the opportunity to really understand exactly how best to effectuate it. The original number was in the neighborhood of $25 million- [Comm. A. Sartor] I thought it was $30, but okay, go ahead. [S. Plate] So $25-30. [Comm. A. Sartor] Thank you. [S. Plate] Some of the new products we're looking at are in the neighborhood of $15-20. [Comm. A. Sartor] All right, is Peter here? [S. Plate] Yeah. [Comm. A. Sartor] Are you comfortable with this, Peter? [P. Zipf] Yes. [Comm. A. Sartor] Because you had raised some

questions early on. [P. Zipf] We looked at the analysis, and I think we have engineered a solution that looks reasonable. We're reviewing it in more detail, and we plan to be meeting with the Department of Buildings. [Comm. A. Sartor] Okay. So in order of magnitude, you've got $125 million bust in your budget. Where are you going to get that money from? Contingency, right? [S. Plate] Well, some of it you'll hear in the next item, we're looking for additional funds. Some of it's out of our base contingency, which we have over $100 million in-- about $150 million, and- [Comm. A. Sartor] I don't understand what that means. What do you mean "base contingency?" [S. Plate] Oh, it's in my project, I have a project contingency of approximately- [Comm. A. Sartor] That's above and beyond the $600 million? [S. Plate] Yes, separate from- [Comm. A. Sartor] I know you've got $250 million from FTA. Is that part of the FTA number? [S. Plate] No, separate from that. [Comm. A. Sartor] It's not? Okay.

[S. Plate] And the project, the way we do the project, we add up everything we know, we get to the bottom line and then add what we call a Project Contingency for unknowns. So we have about $150 million, so a portion of that will fund this gap, a portion will come out of the next slide I'm about to do, and a portion will be shared with other stakeholders like retail. [Comm. D. Steiner] So were there other contingencies in various parts of the budget that could be-? [C. Ward] --make clear, they're for each project, there's a built in Project Contingency, and then this, where there's approximately $150 million of project-specific contingencies. As we have presented to the Board about two years ago, we allocated a $600 million project-wide contingency, recognizing this is clearly a large, high-risk project. And today, in the earlier authorization, we fear some of that sits under and we will continue to update the Board on project risks. [Comm. A. Sartor] So we're piercing another part of that $600 million now? [C. Ward] Correct, yes. [Comm. A. Sartor] How much of that are we piercing? [S. Plate] In the next item- [D. Tweedy] We're going to go through that, Commissioner, on the next item. Just to complete the picture, there is one other contingency source, which is an FTA, Hub-specific $280 million of funds that we have not accounted for, but is available to this project. [Comm. A. Sartor] We've got a total of about $880 million. [C. Ward] Correct. [D. Tweedy] That's about right. [C. Ward] We need to go to the next one, because then we- [S. Plate] Yeah, that'll answer the question. [Comm. A. Sartor] I'm sorry, Comm. Bauer? [S. Plate] I'm sorry, Commissioner. [Comm. V. Bauer] Excuse me. Why would you need to use international? fabricators? [Comm. D. Steiner] They're cheaper. [S. Plate] We let the market decide, but it's the transportation costs that were additional. We did it dollars per ton. The answer directly to your question is that they really understand the Santiago Calatrava designs, and we can't make this a research project, so what we find is that the ones who know him know how to deal with him, they can get in his head, is much more effective than having someone trying to begin from ground zero--no pun intended--but- [Comm. D. Steiner] You say at the end of the day, it'll be cheaper. [S. Plate] Yes, sir, and more importantly, more timely, too, because the risk goes up tremendously if you have someone trying to learn and understand him, and it just--you can just see the disruption. I've seen it on a number of occasions.

[Comm. H. Silverman] Steve, when you complete your presentation, could you just give us the most recent update as to what the overall costs of the Hub will be? You told me you bought out 94 percent, so you should have a pretty good idea. [S. Plate] Okay. [Comm. A. Sartor] And not only the Hub, but other projects that you've got that you're completing for others; I'd like to get a feel for that. [C. Ward] If I could, Commissioner? [Comm. A. Sartor] Yes, you can. [C. Ward] Steve won't be able to give a response to Commissioner Silverman's question--a ballpark sense of where we are

with the Hub. There have been a series of questions that have come from Commissioners on orders of the contingencies that I think that we should come back and give a comprehensive presentation so we're not doing this on a one-off basis and we will be responding to those series of questions in a comprehensive way, across the program as a whole. But today, with the project authorization Steve is asking for in the next item, we'll be able to respond to Commissioner Silverman, especially in regard to what as the increased authorization for the Hub amount, and then the increased authorization for the site-wide work. But clearly as the prices keep going, we are well aware on a multiple level of projects there's risks associated with each one of these reported to you. Obviously as we related to the screening center, and a variety of Commissioners have asked specific questions, but we'd like to come back and present those-

[Comm. A. Sartor] On behalf of the World Trade Center Subcommittee, at our next meeting in the month of March, I'd like to get a feel--not a feel--I would like to get a true assessment of what the costs are going to be with the Hub and the rest of the site. You should have an ability to do that. I've been asking for this since September and we've gone back and forth with Mr. Tweedy and Mr. Plate and yourself on a number of occasions. I would like to see those numbers. [C. Ward] Good. I'll be glad to talk about that. Before Steve moves on to the next item, the discussion of fireproofing, as the Commissioners are aware, is public meeting and a variety of press here. There was an earlier A to Z Press Report. Parts of this project in terms of fireproofing was in some way indicated, by pulling out the fireproof that we were not committed to the adequate amount of the Department abilities of the FDNY fireproofing, and I just want to emphasize, as Peter did, that it's The Port Authority's full commitment to comply with the City Department of Buildings and FDNY--all of them- [Comm. A. Sartor] I didn't mean to imply otherwise. I'm fully cognizant of the fact that we are on top of this, that this building will be fireproofed to the appropriate standards, and we won't have any problem. I just wanted to make sure Commissioners understood that was a number that was above the $205 million. Mr. Plate, next?

[S. Plate] Yes, sir. [Comm. A. Sartor] I'll entertain a motion to move this to the full Board, by the way. [Comm. V. Bauer] I'll move. [Comm. A. Sartor] Second. Thank you. Mr. Plate?

[S. Plate] Yes, Commissioner. For our last item, we request your approval to Re-Authorize the World Trade Center Hub project at an estimated total project cost of $3.44 billion as well as a project authorization for commercial infrastructure at an estimated total project cost of $151 million. The Hub project increase is associated with items such as the Owner-Controlled Insurance Program presented to you several months ago as well as various construction trade contracts, including mechanical, electrical, plumbing, and the Oculus deal we just discussed. In addition, the Commercial Infrastructure project will fund such items as Tower 2 and Tower 3 work-arounds, temporary ventilation and emergency power facilities, and East Bathtub excavation acceleration to support our commitments to Silverstein Properties and other stakeholders. Commissioners, I request you advance these items to the full Board for your approval.

[Comm. A. Sartor] Any comments or questions? [Comm. H. Silverman] Yeah, I do. I don't believe on a governance basis that we should--I, at least, for one, I have enough information to act on this motion. I believe it should be put over until we have a full explanation of how a $2.2 billion train station is now going to cost 50 percent plus more than that. I don't feel adequately prepared to vote on this motion. [C. Ward] I think maybe it would be worthwhile for Steve and I and Dave Tweedy to

maybe go through the explanation from why the previous amount, which the Board has seen--why the incremental amount of the increase authorization is needed today. This is obviously a critical re-authorization for a project which is receiving $2.2 billion worth of funding from the FAA and project partners. The FAA is looking for us to advance within a--FTA--I'm sorry--is looking to advance this in a systematic way to allow the funding from the Federal Government to close The Port Authority. The explanation as to why this project has gone up are fairly discreet and explanatory, and I'd be glad to--given the importance of this--be glad to go into much greater detail than this. It would be really seriously consider not to lay this over, so if it needs to be a detailed discussion on what's necessary, we'd be glad to. [Comm. A. Sartor] I believe Commissioner Silverman was quite explicit with his request, so I think you'd better go into it. [C. Ward] Okay. [Comm. A. Sartor] And if we do delay this--let's say for two weeks until we have another World Trade Center Subcommittee-- what effects will that have? [C. Ward] Well, I think it's--it would be impossible to say that there's a direct effect of the FTA is going to in some way penalize, slow down the pay, but as a project partner who has seen The Port Authority's prioritization, for example, and focus on the delivery of the Memorial Plaza and the potential impact that that focus has had on the delivery of the Transit Hall and the Transit Hub, and some very sensitive issues associated with the delivery of this project, that the FTA has clearly and strongly looked to us to make sure that it is advancing, and with that comes a calendar that we think is very helpful to The Port Authority in terms of what the total project cost estimates will end up being within the time frame that we have. This is managing a federal partner that has looked for this Board to act on this project. Could I say that there's a direct repercussion? No, but clearly, we have been representing to them that we've been advancing this project progressively, and that we are aware of certain costs that have increased over what the estimate was, and they want to see that the Agency and this Board recognizes that it's important to move- [Comm. A. Sartor] I don't think you're going to have any trouble convincing the Agency after the approvals we gave today on the various other parts of this project that it's advancing. The question here is what happens if the Board collectively, at this point, decides not to advance the $150 at this point in time. We would delay it to another World Trade Center--we have a World Trade Center Subcommittee coming up, I believe, in a couple of weeks. What are the implications? I want to hear from some of the other--I do want to hear from some of the other Commissioners, also, on this item. [C. Ward] The authorization allows us, in effect, to spend up to that amount of the contracts awarded that you've seen today, as well as allows us to spend up to that amount. Without the Board acknowledging that the overall cost of the project has increased, we would not be able to advance the particular contract amounts for the award, and therefore, it would jeopardize the process of authorization and then approval of contracts, and then we would be potentially jeopardizing some critical path work. [Comm. A. Sartor] Can I have some of the other Commissioners? Commissioner Steiner? [Comm. D. Steiner] I want to talk about the overall project of this Hub. From day one, I always thought that the Hub was the iconic structure of the whole redevelopment and another office buildings is another office building. I had a great deal of disagreement with previous administrations who thought that the World Trade Center--whatever they call the Freedom Tower-- was an icon, but to me it was just another office building, a little taller. And I remember the fuss--the little bit of fuss--almost no fuss was made when we had to spend $250 million more for reinforcing because the Police Department said it, and it wasn't such a big fuss; they said we had to do it and nobody questioned it, except a few of us said we thought it wasn't necessary and if someone's going to blow up the building, they're going to blow up the building no matter what you do. And I think that I know it's over it, but I know we were designing a new building. I think we had wrong estimates in the beginning and I think we're going to have to

somehow live with it. The project has to go ahead and we have to find a way of saving the money somewhere else. Because as far as I'm concerned, if they never build another office building there, that won't make a bit of difference to what the iconic structure of the World Trade Center is. This is what it is, this is what it should have been, and that's how I feel about it. I think the money is well worth it, and somehow, find a way to do it. [Comm. H. Silverman] Perhaps I could reframe it. I'm concerned about being incrementalized on this project. I was here when we approved a $2.2 billion budget and $300 million of our cash in from the insurance proceeds, basically, and a billion nine from the FTA, and that was a $2.2 billion train station and now it's a $3.4 billion train station. I would just query whether any of us--any of the Commissioners--know the elements of the delta between $2.2 and $3.44, and I don't believe as a matter of good governance, if we don't, and I for sure do not-- perhaps former Chairman Coscia does-- that we should approve this without knowing that. Now, if somebody can explain--if we all know it and I'm the only one that doesn't-- I'll shut up, but assuming that none of us know it, I don't believe it's good governance to pass this, and I recognize we're in a public session. I would point out that we're all fiduciaries, and as a fiduciary, you need to note that you're paid--of course, we're not paid anything-- but one is paid to know; one is not paid not to know. [Comm. R. Pocino] We have the authorization of $2.26- [S. Plate] Yes. [Comm. R. Pocino] And all I'm looking for is maybe a little more detail in four or five months so we can be told- [S. Plate] If I can, I'll take a shot at it? [C. Ward] Please. [S. Plate] Okay. The first--future buys, we think we need approximately $30 million. Electrical in the past--and that's to Chris's point--we're at $3.3 if we don't get this money, even though you've given us authorization to proceed, we could- [Comm. A. Sartor] What was that $30 million, Steve, for? [S. Plate] Future buys. [Comm. A. Sartor] Future buys? Okay. [Comm. R. Pocino] Such as? [S. Plate] Electrical, mechanical, the remaining few buys that we have. [Comm. A. Sartor] The 7 percent that's left? [S. Plate] Yes, sir. And that's the incremental cost that we think it's going to cost. Then there's electrical in the rear-view mirror of purchases that we've done that we need to true up on the numbers. [Comm. A. Sartor] How much is that? [S. Plate] $34 million. And the OCIP was approximately $50 million--$48 million. [Comm. A. Sartor] I thought OCIP was a $75 million- [S. Plate] A portion of it went--it got distributed to different buckets. It was actually $120-something, and it went to One World Trade and all different buckets. The portion that was The Hub was $48. [Comm. A. Sartor] I thought it was more than that, but- [S. Plate] Non-Hub is another--you're remembering $79- [Comm. A. Sartor] Yes, I am. [S. Plate] Okay, so the difference between $79 and $48 goes to the non-Hub, or the Infrastructure Portion; we call it "non-Hub." And I hate to make this too complicated, but the Hub is building the Hub, and it's also building what we call the "non-Hub," and that's work for other people and general infrastructure, so- [Comm. A. Sartor] Where does that money come from? [S. Plate] That comes from the infrastructure--do you remember the-- Paul Blanco used to call it "the landscape?" There's a whole bunch of individual projects involving third parties- [Comm. A. Sartor] Yeah, but this is excess OCIP--this is OCIP that wasn't planned for. [S. Plate] Yes. This is the one that brings us to the latest number. [Comm. A. Sartor] Where's the dollars coming from to pay for it? Is it coming out of the contingency? [S. Plate] Yes. All these numbers I'm talking about- [Comm. A. Sartor] All right, so we're not throwing another $31 into the site-wide contingency. [S. Plate] That's down below--I'll get to that in a minute. [Comm. A. Sartor] Okay, go ahead. [S. Plate] Okay, and then the remaining portion is the Oculus. [Comm. A. Sartor] Well, the Oculus number now was $105- [S. Plate] It's $68--is the remaining. [Comm. A. Sartor] $68 from here, and where are you getting the rest of it? [S. Plate] Retail and some from contingency. [Comm. A. Sartor] Retail--is that part of that $1.55 or is that above the $1.55? Can somebody answer that? [S. Plate and C. Ward] Part of it, $1.55. [Comm. A. Sartor] That's a fast answer but I want to see that. So that's where you get

the--and where's the fireproofing? [C. Ward] That's what we discussed earlier, that comes back later, once- [Comm. A. Sartor] No, no. That's not my point. Where are you going to pay for it from? Contingency again? It's not part of the $151, it's going to be above, and so the $151's going to grow, is what we're saying? So the $151--and answers your question--I'm sure it's going to grow beyond the $151. [C. Ward] The key questions are we started with the basics, Commissioner, just roughly. We're asking for the re-authorization of a larger amount. We've now let--what percentage of total contracts are out? [S. Plate] Ninety-four. [C. Ward] 94 percent, and the risk available for those remaining contracts, 6 percent, will be backed, whether or not we track against the original estimate or whether or not they're coming over. But as you look at the project risks in terms of the costs of this project, the increases we are asking for today over and above what the last authorization was about 2 percent of the total project, so we look at something of this size and convincing we are tracking actually very well against what the costs of this project would be, and we will be back to discuss the remaining 6 percent of the contract to be left for the Hub as well as the other contingencies for the rest of the program. [Comm. H. Silverman] Fine. If the Commissioners want to vote on this, I'm not going to--I'll withdraw my concern. However, I would say that at our last discussion about the Hub, where we increased to $3.3 roughly, there was a representation by staff made that this was the last increase or the last over-run that we would have to fund. Now what you're telling us is we have another over-run, and Chris has just said including fireproofing and other things we don't know, we're looking at yet another over-run. [D. Tweedy] Could I comment on that, Commissioner? Just, that was last year in May, and we did identify at that time when we increased the authorization for the Hub, that that full $600 million in programmatic contingency would still be necessary. A lot of that ends up being accounted for against the Hub contracts, not necessarily the Hub project because the Hub--through the Hub contracts, we do so much work downtown, that to the extent that we have to deal with programmatic contingency for stakeholder allocation issues, for logistical challenges, and we identified that clearly last year. That ends up affecting the Hub project, so that's why today we feel it's legitimate at this point in the life cycle of these projects-- remember, we're fully designed--when we set these budgets in 2008, and frankly, to put a number of $3.2 billion on a project that hadn't yet been designed, we hadn't worked out our Silverstein deal, we didn't even--we had just figured out how to work under that #1 box, but we certainly hadn't executed the work. As Chris says, we're within 2 percent of that, and to move now at this point in the life cycle a bit of that programmatic contingency into the Hub project, from my point of view, is a legitimate exercise at this point. We're not drifting on this project. We did identify the need for $600 million for future project risk a year ago, and that was part of that presentation. [Comm. V. Bauer] Excuse me, in 2008, was that correct? [D. Tweedy] Yes, that's correct. [Comm. R. Pocino] I agree with Commissioner Steiner in terms of accepting this for what it is and moving forward with this project, considering all the investment we have. [Comm. A. Sartor] I think Commissioner Silverman has suggested that we could move this. [Comm. H. Silverman] Yes. [Comm. A. Sartor] So I will entertain a motion that it be moved to the full Board for approval. [Comm. D. Steiner] So moved. [Comm. R. Pocino] Second. [Comm. A. Sartor] All those in favor? [Commissioners] Aye.

[Comm. A. Sartor] Next item, Steve? [S. Plate] That's it, that's the last item. [Comm. A. Sartor] Is that the last item? You saved the best for last. All right. That concludes--I'll entertain a motion to adjourn the public meeting into private. This concludes the public portion of today's meeting. The Subcommittee will now adjourn to executive session to discuss matters involving ongoing negotiations or review of contracts or proposals. Thank you.

The Port Authority of New York and New Jersey
Committee on Operations Transcript
March 29, 2011

[Chair D. Samson] The first portion of today's meeting of the Committee on Operations is begin held in public session. Yes. Afterwards, the committee with meet in executive session to discuss matters related to the purchase, sale, and lease of real property or securities where disclosure would affect the value thereof or the public interest. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website, for those interested in viewing today's proceedings via the Internet. The first order of business today is a lease supplement concerning the fixed-base operator agreement at Newark Liberty International Airport, which will be presented by Susan Baer, our Director of Aviation. Hi, Sue.

[S. Baer] Thank you. Commissioners, I'm here to present an item today that would authorize a supplemental agreement with Signature Flight Support Corporation for its continued operation as a fixed-space operator--an FBO--at Newark Liberty International Airport, for a 10-year period, commencing in 2014. The proposed agreement will provide increased revenues to the Port Authority and guarantee an additional investment in the facility. The Port Authority secured this private investment opportunity in anticipation of the Super Bowl being held in the New Jersey Meadowlands in 2014. Signature is interested in making additional investments in its facility to accommodate future demand. Under this agreement, Signature would invest a minimum of $11 million in facility upgrades prior to the Superbowl. Signature, which was formally known as Butler Aviation, has been a tenant at Newark since February of 1986, when it demolished a former hangar and constructed hangar 15 and a small terminal building on 11.28 acres on the north side of the airport. The premises currently consist of the hangar, terminal building, car parking lot, and a ramp for Signature to operate an FBO facility to handle general aviation aircraft. The lease will expire at the end of August, 2014. To enhance its revenue opportunities in anticipation of the Super Bowl, being held in 2014, Signature wants to make additional investments in its facility to accommodate the demand. To allow for the amortization of this investment, Signature requests a lease supplement to extend its occupancy. Signature is the world's largest FBO, offering connectivity to a network of 102 worldwide locations, with 36 of the top 50 U.S. metro locations, including Teterboro Airport, where they have been a tenant in good standing since 1974. At Newark, Signature handled approximately 12,500 aircraft movements, and sold approximately 2.8 million gallons of jet fuel in 2010. Under the terms of the proposed agreement, Signature will commit a minimum of $11 million to construct a new state-of-the-art terminal building and to perform ramp renovations, all to be completed prior to the Super Bowl in 2014. $9 million will be used to construct a new modern open terminal building, which is the rendering you see before you. Signature is designing the terminal to a leadership energy and efficiency design gold standard--a lead gold standard. Signature's investment in the facility also includes $2 million for ramp renovations. Environmentally conscious in their design and maintaining the Port Authority's go-green mission, Signature is installing a glycol recovery system to de-ice aircraft. Shown here is rendering of the terminal building from the proposed newly-renovated ramp. This project represents a significant economic benefit for the region. The total economic impact of the project upgrades is estimated to include 80 jobs, $4 million in wages, and $19.5 million in economic activity, over the life of the project, including indirect effects, such as construction employment and materials purchased. Currently, Signature employees 23 people and purchases approximately $1 million in goods and services each year from other firms in New Jersey for

its Newark location. Commencing in 2012, prior to the expiration of the current lease, Signature would pay a total increase of approximately $2.7 million. This includes an increase in ground rent, the fuel flowage fee, and the aircraft lubricant fee. Over the term of the 10-year lease supplement, the Port Authority will receive additional total aggregate rental of approximately $54 million dollars, with a net present value of $36 million. Rent will escalate 4% annually, and the fuel flowage fee and aircraft lubricant fee will increase every 3 years. This lease supplement will provide for an increase in revenues to the Port Authority and secure continued occupancy of buildings and associated jobs at Newark Liberty International Airport. Commissioners, I request that you advance this item to the full Board today.

[Chair D. Samson] Do any members of the committee have any questions or comments? [Comm. D. Steiner] I have a comment. I want to compliment you-- [S. Baer] Thank you. [Comm. D. Steiner] --and your group on making a wonderful real estate deal and anticipating the needs of the area. What I particularly like is that we're not advancing any money. They're putting all the money up, and sometimes we have to pay for these people to make improvements. I think that your people used great skill in judgment in putting this together. I commend you and the other people of this staff of the Port Authority for making a very good, sound business deal and investment for the Port Authority. [S. Baer] And we keep Mike happy too. Thank you.

The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Transcript
April 28, 2011

[Comm. H. Homes] I'm going to get started. Today's meeting of the Committee on Capital Programs Agency Planning is being held in Public Session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. The only topic on the agenda today is the Holland Tunnel replacement of supervisory control system with a presentation by Mr. Fulton.

[C. Fulton] Thank you Commissioner. Good morning, Commissioners. I'm here today to discuss the planning authorization for projects evaluating the replacement of the supervisory control system at the Holland Tunnel. The existing supervisory control system monitors and controls a total of 31 sub-systems. Most notable of these include fire protection, tunnel traffic control, electrical service ventilation, and plumbing sub-systems. The system is over 25 years old, has exceeded its design life, is technologically obsolete, and requires excessive maintenance to provide operational maintenance. The age of the equipment also makes it difficult to obtain parts. The supervisory control system is not computerized. The photograph at the left is a close-up of part of the system's control board located in the control room. The board provides control and indication for electrical and mechanical sub-systems. Indicator lights along the middle of the board are used to monitor the status of the sub-system while pistol-handle and push-button switches along the bottom of the board are used for control. The tunnel operator must press buttons manually and move switches in order to provide proper operation. The control board is to be replaced by a computerized workstation. The photograph at the right is a view of the copper wiring inside a typical system relay panel. The wiring used for the supervisory control system communication network is obsolete, requires frequent repairs, and should be replaced by a fiber optic network. A new supervisory control system will improve reliability by replacing the existing deteriorating copper wire communication network with a fiber optic network. A computerized system will increase operational effectiveness, allowing improved contol and monitoring of the sub-systems by the tunnel operators. Since the system will be new, the maintenance and operating costs will be reduced. The replacement system will also allow for the inclusion of additional equipment in sub-system control and monitoring function as the future needs of the facilities dictate. Today we are seeking Planning Authorization for $1.3 million to develop a comprehensive program to replace the existing supervisory control system at the Holland Tunnel. Work performed under this Planning Authorization includes evaluating the condition of the existing system equipment, developing strategies for integrating the replacement system onto the existing fiber optic network, and preparing preliminary design drawings including construction cost estimates. The plan is expected to be completed by the first quarter of 2012. At that time, we expect to return for project authorization. Commissioners, we request your approval to advance this to the full Board. Thank you.

[Comm. H. Holmes] Any questions? [Comm. D. Steiner] Yeah. I think what you're doing is long overdue. Do you have any idea how much this system will cost us? [C. Fulton] The total project cost estimate right now is approximately $24 million, sir. [Comm. D. Steiner] Do we have that included in our budget--in our Capital Budget? Has that already been placed in the Capital Budget? [C. Fulton] The amount for the current planning year-- [Comm. D. Steiner] I'm not

talking about the planning of acutally doing the work. Do we have the money in the budget--has it been put in the Capital Budget? [C. Fulton] It's in the plan. Once the full budget is approved, it will be provided for. [D. Tweedy] It would be in the 10-year plan. [Comm. D. Steiner] It is included, that's what I wanted to know. [D. Tweedy] We are about to undertake a whole reprioritization of the 10-year plan, it will definitely be included. [Comm. D. Steiner] Well, I think this essential because you are dealing with life safety issues where we're depending on people to do things instead of machines to watch it, and we all know what happens when people-- we've seen the extreme in the FAA with people falling asleep at the switch. And I hope that with this control center that there'll be a remote system somewhere in case something happens to where you have the control center placed in case there's a tragedy, at least it would be replicated in controls at a remote location. Which I think we should--[Comm. V. Bauer] We should have a backup. [C. Fulton] There are. [Comm. D. Steiner] Which we should be doing with all our things that have a major control center. [C. Fulton] The main center is in the Maintenance Garage at the Holland Tunnel on the New Jersey side. There is also auxiliary workstations in the vent buildings as well as in the toll house. So we have the redundancy today. [Comm. D. Steiner] I meant the supervision to oversee it--I think that's something you ought to be thinking about with this and all our other controls that we have a command center somewhere that replicates everything in case there's the disaster like 9/11 or who knows what else is gonna happen. I just think you ought to put that in. Who is going to be doing this study? Are we hiring outsiders to do it? [P. Zipf] Commissioner, it's mostly in-house staff. We will have an electronics engineer from one of our call in firms who will be working with us, but the electrical work, the architectural work, the structural work would be in-house, and we'll have an electronics expert work with us as part of our team. [Comm. D. Steiner] I'm sure they are people who have done this, though. [P. Zipf] Yes. [Comm. D. Steiner] I presume with people who are recognized, so we don't have to go to school with them. [P. Zipf] Absolutely. We actually have done early work on this, and now what we need to do is basically refine that. [Comm. V. Bauer] This would not be a difficult undertaking. To me, our system seems to be very antiquated right now if we don't even have a computerized system. Is that correct? [P. Zipf] The difficulty, Commissioner, with these systems is the integration part, as we know. Many times we roll out systems and the software changes by the time we're done-- [Comm. V. Bauer] Exactly. [P. Zipf] is outdated. [Comm. V. Bauer] But updating software is not difficult. [P. Zipf] Exactly and what we're hoping to do here is that the integrator will be a key player, and the integrator will insist that there will be open architecture software. So should we have to change one of the ancillary systems, we'll be able to plug it in and get it to work. So we're hoping that's gonna relieve some of that system changes in the future. [Comm. V. Bauer] Exactly. [C. Fulton] As we think about it today, there are 35 different systems that we contemplate being controlled by this supervisory control center. [Comm. V. Bauer] And there must be a way to uniform that a little bit more fluidly and as Commissioner Steiner says, then there's a better opportunity to oversee and God forbid something happens, everything can be connected. Okay, thank you. [Comm. D. Steiner] I just want to add a couple more things. I'm glad that you're doing this, and I think it's going to be a worthwhile project. There won't be any problem doing this work in parallel keeping our system in operation while the new work is going on so get all the new work and switch over. I think that someone should be looking, and I don't know if this is the right Committee, should be looking at other systems that we have and seeing that we have the most modern up-to-date things that are automatic as possible, and that they're overseen, and I commend you for the work you're doing. I ask you to look--whoever's in

charge--to look at other things that we do so we can get many of these fail safe things. Thank you, and I think that I move for approval.

[Comm. H. Holmes] Any other comments? [Comm Pocino] I have one other question that Commissioner Steiner pointed out. Is there any way that your--maybe you already know--that you can give us an indication of how many copper wire old type systems we have here that can be transferred over to this kind of technology? And we should. [P. Zipf] Just to point out, we've changed to fiber optics already, and that was part of the Holland Tunnel Vent Rehab Program, so a lot of the fiber is already in. Now it's going to be a matter of bringing that all into a control center-- really building that control center, bringing the computers in, bringing the servers in, and having and having it all to talk. [Comm Pocino] So in this Capital--when you included it in the long-term Capital Plan, you're gonna have all this in to it? [P. Zipf] Yes. [Comm Pocino] All the others that have to be in it? [D. Tweedy] There is a lot of asset management work being done on this Commissioners, looking at these kinds of infrastructure and figuring out over time how to replace it. The other thing I would say is there's a technology steering committee for Kirby King, who is the newly appointed head of our technology area. He's developed very nice strategic plan looking at things like redundant systems, and we will talk to him about making a presentation as appropriate. Either to audit or to construction, because-- [Comm. V. Bauer] That was gonna be my question. [Comm. D. Steiner] Full speed ahead. [Comm. V. Bauer] Do we have an IT person who oversees all of our technology, and if so, would there ever be an opportunity for someone like that to give us a report on all of our systems? [D. Tweedy] Yes. [Comm. V. Bauer] Okay. [Comm. D. Steiner] Do we have the same situation at the Lincoln Tunnel? We have an antiquated system at the-- [P. Zipf] About 10 years ago we replaced the Lincoln Tunnel already. So that's already been-- [Comm. D. Steiner] With fiber optics? [P. Zipf] Yes. That's already been updated. We delayed this program because we wanted to see the Vent Program in place, and that Vent Program added the fiber optics, so we piggybacked-- [Comm. D. Steiner] What's a Vent Program? [P. Zipf] We're rehabbing the ventilation system at the tunnel which is--that's the one we talked about a couple months ago. It's a complicated job--we're still working--it's in construction now. [Comm. D. Steiner] Thank you very much.

[Comm. H. Holmes] Any other questions or comments? Then I give the motion to move this through approval. [Comm. V. Bauer] Second. [Comm. H. Holmes] Any abstentions, objections, recusals? Hearing none, all in favor. Aye. Okay. Is that it? Motion to adjourn the meeting. [Comm. D. Steiner] No, but you have to say your closing. [Comm. H. Holmes] It is not being closed. [Comm. H. Holmes] Motion to adjourn. [Comm. V. Baer] So moved.

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[audio begins with meeting in progress]

[Chris Ward] (inaudible) --ability and customer service. We have, as an institution, set a standard of excellence that clearly we failed on this Easter weekend, and we will take, and have taken, all the necessary measures to ensure that this kind of traffic issue never happens again. I will be describing both the incident as well as what we believe will be an effective way to never allow that to happen again. And I will also discuss a bit about the management issues in terms of decision making in the field. I would start with that as an issue, and as much as I've said it before that bureaucracies work well for government because they consistently provide, over decades, a level of service to the public, but they don't always work well in situations like this. We need to empower our employees to make executive decisions that are outside of the bureaucratic response to maintaining a toll booth. And that's our cultural change that we have to work on within the Port Authority. But let me just take you through, obviously, that difficult incident. This is the Outerbridge Crossing over the Easter weekend. And as you can see, the backup on the span is considerable. We had--not as bad--but we had similar congestion at the Holland Tunnel. And all of this was a function of the amount of available toll collectors within our cash lanes and the staffing issues associated within our toll collector availability on that day. As you know, we have recently had a buyout, and we've had retirements. There are approximately--there were eight vacancies-- four toll collectors that we will fill, but that we have not yet filled. On that day at the Outerbridge Crossing, in addition, we had two people calling in sick. There have been press reports that this was somehow a sickout. That's inconsistent with our experience, so I do think that it was a legitimate sickout. And there are various work rules in terms of the union employees who are toll collectors in terms of whether or not we can redirect them from another facility if there is an emergency, or if there is other locations they could be moved from. The other thing that I would add is that being a toll collector is not as simple as taking five dollars from a passing vehicle. There is a multiple of different tolls given cars, trucks, axles, and the like. So people need to be trained as toll collectors, and to fulfill that function does require training. Here you see the configuration, and some of you may have experienced this issue when you were approaching the Holland Tunnel--the cash lane for people who, for whatever reason, have chosen not to get E-ZPass. You can see that the cash lanes are available on the right-hand side, and that if you do not have enough people on E-ZPass, even with the best of traffic, it can back up onto the approach to the 1&9 and the New Jersey Turnpike. So this is both a problem of how we staff these lanes and then also the natural construction reality of how our toll booths are configured. The next one. This is the Outerbridge, and this is where we saw the problem. Here you see the introduction of our Gantry System, which is to the far left. We've permanently closed eight. We have a locked-in lane at 12, which is E-ZPass. And then we have the mixed mode opportunity that, as you can see on the bottom, can go cash and E-ZPass, adjustable by the hour. And then you have fixed, full-time lanes, where you're either going to go cash, or you're going to go E-ZPass. And it was on that day when Booth 16 was the sole cash lane, which caused the significant, significant backup on the Outerbridge Crossing.

[Comm. V.Bauer] Excuse me, may I ask why would we have 8 permanently closed? That looks like it's right in the middle. Why would that lane be closed? [Chris Ward] Cedrick? [C. Fulton] In terms of

being able to manage the traffic flows and keep a separation from the E-ZPass lanes for safety purposes, the decision was made to permanently close-- in terms of not having that lane available for use. [many people speaking at same time] [Comm. V. Bauer] I'm not an expert on that. [Chris Ward] As you see, the Gantry crane-- [Comm. V. Bauer] Right in the middle seems like-- [Chris Ward] The Gantry crane allows you to travel through at 45 miles per hour. People who are crossing from the right-hand lane over to get into the higher speed Gantry crane-- our traffic engineers have made the risk of accidents of occurring as people are mixing and matching at that rate of speed versus the 25 miles per hour that is the typical gate speed for our toll booths. We wanted a barrier or separation in terms of where that mixing and matching would take place. [Chairman Samson] So is that going to be permanently closed? [Chris Ward] Yes. [Chairman Samson] Forever? [Chris Ward] Yes. Until we move to an all-electronic tolling system, which is the Gantry System, throughout the entire network. [Comm. Steiner] Have you considered putting in a Gantry System over on the right so we avoid that cutting over? [Chris Ward] We are under our all-electronic tolling strategy. Ernesto? [E. Butcher] The reason that the Gantry lane is over on the left is because it makes it-- this is for through traffic. On the right there are exits off of the bridge. [Comm. D. Steiner] Okay. I'm sure you've considered it.

[Chris Ward] Next slide. This is the more simple and less traveled Bayonne Bridge, where we have not seen these kind of difficulties--where we do have the two cash lanes and the full E-ZPass lane. And that full E-ZPass lane is a 25-mile-per hour operation. Next? And here is the Goethals Bridge. As you can see, the same strategy for E-ZPass and cash. Next? [Comm. V. Bauer] I'm sorry. [Chris Ward] Sure. [Comm. V. Bauer] Chris, so all cash lanes also-- everybody accepts E-ZPass now, is that correct? [Chris Ward] Correct. So when we are looking at how we're going to solve this problem, clearly we need the vacancies to be filled. But even then, we're going to have to empower facility managers to make a smart decision when there are issues. But we think technology is the best way to really approach this problem and not simply attack it by additional manpower. So in the future, facility managers will be empowered to make a decision, when there is as extreme amounts of traffic as we saw that day, that we would open E-ZPass lanes and use our license reading system to then notify those people who are a cash-paying customer who went through an E-ZPass lane. We will identify them with their license, and using that license information, we will then send them a letter asking them to pay us simply the 8-dollar toll. There will be no penalties, and there will be no surcharges on it. We will just be collecting the 8-dollar toll. [Comm. A. Sartor] Why would you do that at the turnpike when situations like this arise? Is Ray here? >>[Comm. R. Pocino] Right here. [Comm. A. Sartor] Don't they just open up the tolls at that point? [Comm. R. Pocino] They have on some occasions. [Speaking at same time] You just go right through. [Comm. A. Sartor] Especially like at Easter. [Chris Ward] Again, that's the management decision that I was talking about--that if there is a situation where the traffic, even with opening up the E-ZPass lanes to cash customers, still reaches the level, a manager should be empowered to make the right decision and just waive people through like the New Jersey Turnpike. [Comm. V. Bauer] It's common sense. [Chairman D. Samson] Have you finished your presentation? [Chris Ward] I have one more slide. >>[Chairman D. Samson] Oh, I'm sorry.

[Chris Ward] I think--if we could just go to the end. Obviously, we are concerned about revenue. The Staten Island Bridge obviously provides a significant amount of revenue. But the next slide, I think, is a very good slide, which is that people really do pay. And when we've had scofflaw issues, the amount of people who are in fact not paying is a tiny percentage. So even if we were to go the letter following, we think we will recover the revenue. And if we waive them through, we think that that will be a de minimis

impact for financial capacity. And again, I will be appearing on Staten Island on Monday night for a public presentation that I just gave you and will be fielding questions and concerns from the Staten Island motorists who experienced that difficult day.

[Comm. J. Moerdler] Chris, do we have the license plate readers in place and the signage in place for this kind of a diversion to say to people, "Please use the E-ZPass lane. Even if you don't have an E-ZPass, you will be billed"? [Chris Ward] Yes. [speaking at same time] Yeah. [Comm. J.Moerdler] It's already in place? [Chris Ward] Yeah. Well, we have it. We're getting ready for Mother's Day as we anticipate-- [Comm. D. Steiner] But you've got it in place? [Chris Ward] It will be in place by Mother's Day. [Comm. D. Steiner] This year's Mother's Day? [Chris Ward] Yes, this year's Mother's Day. [Chairman D. Samson] Have you completed your presentation? [Chris Ward] Unless there are further questions.

[Comm. J. Moerdler] Will that apply at all of the bridges and tunnel that will have that alternative in place? [Chris Ward] Yes, each location would have that alternative in place. [Comm. J. Moerdler] So for example, if we have--G.W. gets closed because there's a bad accident-- we had the--years ago--that propane spill on the G.W. and the bridge was closed a half a day. We can go to this kind of an option at all the other facilities to keep the traffic moving in and out of the city? [Chris Ward] Yes. But let me just close with one of the things that I think is important. In many of my remarks, unfortunately traffic is a condition that on a normal day can be significant. We are not going to be using this to alleviate all traffic conditions. We would only use this extraordinary measure when we face the kind of extraordinary traffic we saw on that day. [Comm. J. Moerdler] One hundred percent. If there's a 20-minute back up, that's ordinary cause of physics. It happens. [Comm. D. Steiner] Go at a different time of day. [Comm. V. Bauer] And have you addressed the issue of manning the tolls. You said, I guess, there were people who were out sick? [Chris Ward] Yeah, we will fill the eight vacancies. [Comm. R. Pocino] Chris, obviously the electronics is the way to go, and it's obviously the total future for us. What is our game plan in terms of completing-- [Chris Ward] The all-electronics toll? [Comm. R. Pocino] The all-electronic Gantries? [Chris Ward] Well, the all-electronic tolling program initiated with the MTA, and we're partners, obviously, within the region with all the toll-collecting agencies. We have instituted the first pilot with the MTA on the Henry Hudson Crossing, and we have a specific team within Tunnel and Bridges, which is advancing the all-electronic tolling. As you know, we made a major decision as it relates to our toll booths--retaining our toll booths-- so that would not be an impediment for bringing in all-electronic tolling. There are legislative requirements in terms of how electronic tolling can be implemented. There are major operational issues associated with all-electronic tolling that need to be worked through, and that is everybody who is coming through the system in this region is scattered around this country, and you need to have relationships with DMVs throughout the country so that that license plate reader information goes back to that location and we're getting the person from Maryland who's driving to Boston for the holiday. That's a major technology issue. Finally then, collection and pooling of the resources amongst the various agencies is another issue. So we're moving aggressively, but candidly the all-electronic tolling system is going to take probably two years to fully implement.

[Chairman D. Samson] Any other questions of the Executive Director by any Commissioners? I'd like to ask you a couple of questions. But I want to start out by saying that I think we, as a group--speaking on behalf of the Board consider this to be completely unacceptable. [Chris Ward] Without a doubt. [Chairman D. Samson] It was by anybody's definition outrageous. And the impacts were felt primarily

by the folks on Staten Island, but it was a regional problem, not a localized problem. So I think too often-- and in this case I want to be specific about it-- the Port Authority is viewed as being insensitive to commuter inconvenience and agita. And in this particular case, that is not the case. I want to be explicit about it and say that this cannot happen again. Now, I don't understand-- and I hate to take you through this-- but there have been a number of conflicting reports about the number of toll collectors who were on duty, who should have been on duty, and then the overlay on that is management decisions. You were talking about increasing flexibility for management decisions. Can you explain--as I look at this Outerbridge Crossing layout, you've got these lanes two and four; there are not collectors there, right? [Chris Ward] Correct. [Chairman D. Samson] I assume, right? Right? I mean--that's the overhead Gantry, so I presume there are no toll collectors who are assigned there. [Chris Ward] Correct. [Chairman D. Samson] Now you have the E-ZPass lane. Are there toll collectors assigned to the E-ZPass lane? What's an all E-ZPass lane? [C. Fulton] No, if it's an E-ZPass lane there are no toll collectors. [Chairman D.Samson] All right, so if we looked just at this, where are the toll collectors assigned? Or more specifically, where should they have been assigned? [Chris Ward] Fourteen and sixteen. [Chairman D. Samson] So we went down from two to one? [Chris Ward] Two to one. [Chairman D. Samson] And the reason was what? [C. Fulton] We didn't have enough people. Coming into the weekend, we have to fully staff all three facilities 24/7-- [Chairman D. Samson] When you say "all three," what are you talking about? [Chris Ward] Staten Island Bridge. [C. Fulton] Staten Island Bridges, the entire network. We require 27 bodies at all tolls at all bridges. And coming into the weekend, the facility was only working with 31 people, as compared to the 39 people we need--that Chris was talking about. [Chairman D. Samson] Wait, back up on this so I can understand. You said there were you should have had 27? [C. Fulton] We need 27 to staff the weekend. [Chairman D. Samson] Okay, and that's around the clock, right? [C. Fulton] That's around the clock at all three facilities. [Chairman D. Samson] Okay, and if we had had that number of people, would this kind of a situation have occurred? [C. Fulton] I do not believe so. [Chairman D. Samson] Okay. I'm sorry, I interrupted you. [C. Fulton] So what happens is, when we don't have the necessary people because people--the remaining staff we have had working overtime over the last several weeks, and when we attempted to call them in for overtime, because of contract rules, they are able to deny coming in. So we ended up being short staffed. So we started off short coming in because of the vacancies, and the people who-- [Chris Ward] The eight that I was referring to. [C. Fulton] The difference between-- [Chairman D. Samson] You've lost me on the numbers, so I apologize. I'm really, really slow on this. So just take me back through this so I understand it, okay? [C. Fulton] My authorized staff at Staten Island would have been 39 toll workers. We had eight vacancies. [Chairman D. Samson] All right, so that brings you down to 31. And by eight vacancies you mean that either through retirement or some termination, you had--you were not fully staffed? [C. Fulton] Correct. Going into any weekend we would have needed 27 people, but that's a very tight ratio, 27 to-- [Chairman D. Samson] Out of a total population of 31? [C. Fulton] Thirty-one. And so, that group that we had had been working excessive amounts of overtime the last several weeks--several months. When we asked them to come in, they have a choice to say yes or no based on their contract. [Comm. D. Steiner] Change that contract. [C. Fulton] It's a TWU contract. [Comm. D. Steiner] (inaudible). [Chairman D. Samson] Okay. Keep going. [C. Fulton] So the week prior, we were experiencing some difficulties, so they came in and we got through. When we were approaching Easter, we knew it would be a tough weekend. But because of the staff commitments that we thought we had, we believe that we would be able to make it through again, even though we knew we had the men missing. [Chairman D. Samson] Did you have--as you

were approaching the weekend-- did you have commitments from 27 people that they would work? [C. Fulton] We did not. The way it works-- [Chairman D. Samson] How many commitments did you have, or from how many people did you have commitments to fill up the total 27 that were necessary, coming into the weekend? [C. Fulton] We actually made the commitment day by day, hour by hour; that's how close we were to the minimum-- [Chairman D. Samson] Why I'm asking these questions is partially because I don't understand, but more particularly to go to the question of whether this was foreseeable. And that, to me, is what's important in how we deal with this problem. It's not a question of just trying to determine accountability, but if we know what happened and why it happened, then we can avoid a repeat of it, hopefully. [Chris Ward] Yeah, I think-- [C. Fulton] There was one major difference; we had about the same staff the prior weekend. It was a tough weekend, but we got through. [Chairman D. Samson] Yeah, this is Easter, though. [C. Fulton] If the volumes were not significantly greater, what happens is the way the pattern manifests itself is that people start earlier in the day, and as a result, once the queues began to build up, it was very difficult to keep up with that. [Chairman D. Samson] Let's just go back to the numbers again so I can understand. So you needed 27. You're coming into the weekend. You had a commitment from some number, but it was less than 27. What did you have going--? What did you think you had as you approached Sunday? Out of the necessary 27? [C. Fulton] The goal was to try to maintain at least one lane every tour at every single facility. [Chairman D. Samson] As opposed to two? [C. Fulton] As opposed to two or more. There's certain points in time it's actually greater than two--on weekends on Staten Island-- and that's what caused it to deteriorate. We were running tight. So that's what we were attempting to do. We were attempting to use the staff that we had. We were able to get through the prior weekend when the volumes were relatively the same, but the patterns peaked differently. Because we were not able to secure additional overtime because the many people we had had already worked overtime and declined, that's the cause of that. [Chairman D. Samson] So as long as you have these work rules in place which enable workers to refuse to come in when the circumstances are such, this pattern is likely to be foreseeable and maybe recur again, right? [Chris Ward] Not if we fill the eight vacancies. That, we think, will give us enough of a cushion. [Chairman D. Samson] But they're going to be--aren't they going to be--? [Chris Ward] But you're spreading out those additional eight over the work program for all three bridges. [Chairman D. Samson] But they're going to be--they're going to have the same work rules applicable to them, right? [Chris Ward] Yeah, but you'll just have more of them and the frequency of the overtime will be reduced. [Chairman D. Samson] And when would we expect to have those people hired and trained and in place so that they can make up the full complement of what's necessary at the facilities? [Chris Ward] Human Resources is now expediting getting, cultivating applicants-- [Chairman D. Samson] I say that, Chris, because we've got Mother's Day coming up, we've got Memorial Day coming up, we've got Fourth of July. I mean--it's unthinkable that we could have this again on one of those days, and it strikes me that this problem is foreseeable. And so, what are we doing? I appreciate the Human Resource process and that sometimes it's protracted, but in the meantime, what about the poor folks who have to drive through these facilities on the next two months? [Chris Ward] Right. Exactly. That's why we have made this protocol that would allow-- [Chairman D. Samson] But you have talked also about doing two things, if I heard your presentation correctly. One was opening up this lane, and we've had some comments about the desirability of that. But secondly, empowering management to make more flexible decisions. Well, how would increasing the flexibility of the manager--the local manager's power and authority--have changed this? He can't override the rules, can he? The work rules? [Chris Ward] Commissioner, a manager, as Commissioner Sartor said--sorry-- [E. Butcher] May I just interject? There's one piece that

sometimes you - to address the Chairman's question - The rules are, as they are, over the last several days, Human Resources has been talking to the union about some things that we believe are good. In fact, there's another class of employee within that same union that are Tunnel and Bridge agents, many of them who were toll collectors previously and have moved on to the next level. The agreement that we have been able to reach is that those individuals who have been trained can be called upon as an additional source of labor to staff those. [Chairman D. Samson] So we needed--are you saying--? We needed the union's permission to do this? [E. Butcher] Yes, sir. [Comm. R. Pocino] Mr. Chairman, if I can interject one thing. [Chairman D. Samson] Certainly. [Comm. R. Pocino] The Turnpike maintains a part-time workforce in toll collection. What they're used for is obviously weekends when it gets busy, and also all during the summertime when there is vacations and so forth, when there is need to fill in spots. There can't be a contract prohibit in terms of part-timers. [E. Butcher] There is, as a matter of fact - Part-timers is a part of our contingency. [Comm. R. Pocino] You do have current part-timers? [Ernesto] Yes; however, at present time, because of all of the manpower changes and reductions, that staff has been basically depleted. And so-- [Comm. D. Steiner] Hire more. [E. Butcher] Part of our issue is that we have these staff shortages that we have not been able to fill. [Comm. D. Steiner] I find that hard to believe with all the-- [Comm. R. Pocino] we actually have hundreds of part-timers on the Turnpike. [Chris Ward] So the thing is that there are three answers. One, what the Chairman was asking is the ability to do what Commissioner Sartor said, which is to bleed off the cash lane and to eliminate is one strategy. The second strategy is to allow the technology to bleed off the lane and assess the toll in a letter. The third strategy is an expedited filling the vacancies of the eight toll collectors. Management training and other training of previous existing toll collectors is the fourth part of having enough person power to make sure that it never happens again. [Chairman D. Samson] I understand. My comments, Chris, were directed to the idea that one way to-- one remedial step was to empower the local manager to make more decisions than he had in the past. And I'm not sure I still understand how that, given the manpower situation, given the constraints of the labor contracts, is going to solve the problem. So he has more flexibility. So what is he going to do? [Chris Ward] He can make the decision to bleed the lane and to open up-- [Chairman D. Samson] Exactly. I understand that. But in terms of creating or adding additional manpower, he can't do that, can he? [Chris Ward] No, that's what I'm saying. [Chairman D. Samson] Even if we say, okay, you've got more flexibility-- [Chris Ward] The thing about it is-- [Chairman D. Samson] They don't have the resources to do it. [Chris Ward] But the technology is the resource which solves the problem, which is allowing those people who are currently backed up-- [Chairman D. Samson] I understand that. All I'm talking about it this: My question was a narrow one. You can give them all the flexibility in the world, if he doesn't have the manpower to assign the resources to deal with the problem, it doesn't matter, does it? [Chris Ward] No, because manpower means that you're going to take-- you're going to have another two toll collectors. [Chairman D. Samson] Yes. >>[Chris Ward] You don't need more toll collectors to bleed the lane to get people into the E-ZPass lane. What we're saying is you can open up the E-ZPass lanes with no toll collectors, allow people to travel through that tollbooth. The automatic reader will show who didn't pay. The license plate will then be captured, and we will send a letter to that person who didn't pay. "You owe $8 dollars for that day of the toll." That will reduce all of the congestion. [Chairman D. Samson] Yes? [Comm. D. Steiner] Mr. Chairman, I would like to point out two things. It would seem to me--like Commissioner Pocino said-- there ought to be a pool of part-time workers available at each unit that the guy could pick up the phone and bring in people. And the others, why don't we consider privatizing this? And by privatizing it or get some concessions. The Turnpike is solving a lot of problems. [Chairman D. Samson]

Ray, would you like to comment on that? [Comm. D. Steiner] But I think it's something we ought to consider. [Comm. R. Pocino] A contract has been signed today. There's no privatization. [Comm. A. Sartor] Okay, but you were able to extract a lot of concessions from the union on work rules. [Comm. R. Pocino] No question about it. [Comm. D. Steiner] So we should do the same thing here too. [Chairman D. Samson] Well, look, we're all trying to avoid this problem, and particularly in the short run. [Chris Ward] Sure. [Chairman D. Samson] The long run, I assume your long-term plans are going to be effective. So we're left with, at the end of the day, the solution for Memorial Day, for Mother's Day, is going to be we're leaving to the judgement of the local manager the decision about opening up the toll lanes. [Chris Ward] Right. The E-ZPass toll lane to current, cash-only customers, and that should solve the problem. [Comm. V. Bauer] Excuse me, there's one other question, just for clarity. When you say a toll collector who has maxed his overtime can refuse to come in, does that mean he cannot come in, or he has the option? [Chris Ward] Option. [Comm. V. Bauer] So perhaps, it would be encouragement for a worker? [Chris Ward] I'm sure Cedrick was encouraging everybody as hard as he could. [Comm. V. Bauer] I'm sure too. I was just wondering legally whether or not-- [Chairman D. Samson] Commissioner Steiner? [Comm. D. Steiner] What do they pay toll collectors? What do they get an hour? [Chris Ward] I'm not sure. [C. Fulton] Annually, it's about $60,000 dollars a year. [Comm. D. Steiner] Plus benefits, right? I can't believe that if you put an ad in the newspaper, you won't have 5,000 or 10,000 people applying for these jobs for $60,000 dollar job. I just find it hard to believe that they can't get people, because maybe you don't want to get them, or maybe there is a lot of inertia when you haven't done it that way. I'll pay for the ads in the paper and see how many you get. [Chris Ward] Well, I will report back to the next board meeting on exactly our strategy to fill-- [Comm. D. Steiner] I don't want a strategy; I want it done. [Chris Ward] Then I will report back how we got it done. [Comm. D. Steiner] I just want it done. I can't understand; put an ad in the paper and see how many people come out. [Chairman D. Samson] Well, I think we can all--I'm sorry Jeff. Go ahead. [Comm. J. Moerdler] The discussion about the managers at these facilities, was there a manager on duty at the three bridges in addition to the single toll taker? [Chris Ward] Correct. [Comm. J. Moerdler] And if so, why wasn't that manager in a toll booth collecting tolls? And if that's in a work rule, then it needs to get changed in an emergency situation. If the manager is sitting in the control center while there is 10,000 people on line, that manager belonged in a toll booth collecting tolls. [Comm. D. Steiner] Yeah, if he's a fireman and there's a fire, he's going to go put out the fire, right? [Chairman D. Samson] Yeah, and here's the other problem, what happened if the one toll collector got sick? Then what would have happened? What we want to try to do is distinguish this from what we've seen with air traffic controllers, with one in the tower. This is--it just seems to me to be inconceivable that we would enter Easter Sunday with one toll collector. Despite--I understand the constraints that you've described, it just--it was a recipe for the problem. [Chris Ward] Without a doubt. [Chairman D. Samson] Actually, we would be shocked if we didn't have these kinds of problems. [Chris Ward] Without a doubt there was a management failure, and I take full responsibility for that management failure. The kind of measures that we are putting in place now could have been activated on that day, and if we had made those--I had made those management decisions to activate those that day, we wouldn't have this problem. And that's why, with these measures, I can make the commitment it won't happen again. [Chairman D. Samson] Any further questions or comments? [Comm. D. Steiner] I don't like to hear that "because you're going to look into it." I want to know you're going to go out and hire the people, and they're going to be ready and in place. I want to know that you're going to hire temporary people and that they're all going to be in place in the next 4 weeks. I don't know why you can't do that? We don't have to go through studies and procurement. Put

an ad in the paper. I'll pay for the ad. I'll be you you'll get 10,000 people. To make 60 grand a year, right? What do you think? Huh? [Comm. R. Pocino] To increase the part-time crew. I think you should be able to do that easily. [Comm. D. Steiner] Yeah. I'll bet you $100 dollars you'll get 10,000 people out. [Chairman D. Samson] I'd rather not preside over those kind of gambling--[laughter] [Comm. D. Steiner] Isn't gaming allowed here? [Chairman D. Samson] No, it isn't. If there are no further-- If there are no further comments or questions for the Executive Director, since this is just an informational item, no action is required, there being no further business, the meeting is now adjourned. Thank you.

The Port Authority of New York and New Jersey
World Trade Center Redevelopment Subcommittee Transcript
April 28, 2011

[Comm. A. Sartor] Good morning. We apologize for the lateness of the start of the meeting. Mr. Plate, we'd expect you to really condense your presentation if you can, instead of being as verbose as you usually are. [laughter] The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee is being held in public session, after which the subcommittee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in reviewing today's proceedings via the internet. Mr. Plate, can you give us that World Trade Center construction update?

[S. Plate] Yes, Commissioner. Commissioners, I am very pleased to share with you a brief update on the significant progress made across the World Trade Center site. Just this past January workers erected steel at one World Trade Center to the 52nd floor. Today, with steel climbing to the 64th floor, over 773 feet above street level, one World Trade Center now surpasses the adjacent tower 7. Moving forward with construction over 1,200 workers are making the completion of one floor per week a reality. The sleek glass curtain wall, now at the 34th floor and climbing, is giving new definition to the New York City skyline. In fact, the top floors of one World Trade are now visible from even this building, Brooklyn and New Jersey. Work at the memorial continues to progress rapidly as well. We have captured 100% of the plaza for finish work. We've completed the core and shell of the West Vent Structure. We erected all of the Pavilion steel and tested the North Pool, nearly 10 months ahead of the milestone schedule outlined in the 2008 assessment. Today, over 140 trees, including the Survivor Tree, are bringing the Plaza to life. A testament to the rebirth and remembrance of this sacred ground. The glistening atrium glass on the Pavilion, which prominently captures the reflection of the surrounding skyscrapers and the 9/11 pools, is nearing completion and we have already begun insulation of the metal panels that will outline the remainder of the Pavilion. Room partitions and finished concrete floors are being placed as contractors are making great strides in fitting out the museum's interior spaces, located below grade. Since last summer, we had just begun erecting critical pieces of the steel at the hub to form the PATH Hall roof. Over 240 of the nearly 300 pieces have been installed, some weighing over 100 tons each. The flowing steel is forming the signature Calatrava arches that will shape the iconic roof structure above the station. Almost half of the massive East Box Girder steel has been erected, with welding ongoing. When completed, this 1,900 ton steel member will provide a critical support for the Transit Hall roof located over the PATH tracks. Most recently, DCM has erected 4 of the Vierendeel truss sections, the largest one weighing over 50 tons by itself, which will provide the 25 foot walkway around the eastern portion of the North Memorial Pool. In January, Tutor Perini was in the process of excavating the top-down construction under the Number 1 line subway. Today, all 3 levels have successfully been excavated with concrete slabs and walls placed on all levels. In addition, the first 7 sections of the invert slab were placed, which will permanently support the Number 1 subway line when the load is transferred later this year. At the VSC we took possession of the Deutsche Bank site on February 28th of this year. Yonkers Construction immediately mobilized in the eastern portion of the site, and is aggressively proceeding with construction including working on the site double shifts. Yonkers has completed 16 of the 18 footings to support the steel structure needed for 9/11/11 on the

south portion. They've also completed almost half of the jet grout operations in the east and began sawing the required secant piles along Greenwich and Washington streets. Fabrication of the structural steel is also well underway, with delivery to the sites starting in the 3rd quarter. Thank you commissioners. I look forward to updating you on this critical project in the future.

[Comm. A. Sartor] I just want to compliment staff for everything that's going on down there. You accomplishments have been incredible. Again, I want to encourage the board to go down and take a look at this. You go down there on a monthly basis and you just don't believe what they've accomplished in that one month. It's just incredible, so my compliments to the staff. Any questions from the Commissioners? Seeing none, I'll entertain a motion to close the meeting. Second? All done. This concludes the public portion of today's meeting. The Subcommittee will now adjourn to executive session to discuss matters involving ongoing negotiations or reviews of contract proposals.

The Port Authority of New York and New Jersey
Committee on Construction Transcript
May 25, 2011

[Chair R. Pocino] Teterboro Airport Runway 24 Engineered Material Arresting System project authorization, and Susan, you're going to let us know all about that?

[S. Baer] I will, thank you. Thank you. Commissioners, I'm here to request your approval for both the project and respective contracts to install an engineered material arresting system at the end of Runway 24 at Teterboro Airport. The project is the next step in completion of Teterboro's Runway Safety Area program. The FAA established a program designed to improve runway safety areas at all federally-obligated airports and requires compliance by 2015. Generally, an RSA is rectangular in shape and extends 250 feet either side of the runway center line and 1,000 feet beyond each end of a runway. As an alternative for space-constrained airports, the FAA allows implementation of a technology called an EMAS. The EMAS is essentially a lightweight concrete located at the end of a runway intended to stop an aircraft overrun with no human injury and minimal, if any, aircraft damage. I have here a sample of the EMAS material, which I will pass around. I merely warn you that it is very dusty, but we talk about this--I'm passing napkins, too-- we talk about this a lot, but as you can see, it looks like concrete, but it weighs almost nothing and it's designed so that the wheels of an aircraft go into this and it breaks apart. We'll see some pictures of it.

[Chair A. Pocino] I thought you were going to show us the bubblewrap. (laughter) [S. Baer] It's so dirty, I didn't want to just pass it like that. The bubblewrap is a very good technology, too. [Chair A. Posino] It's not for airplanes, though.

[S. Baer] No. (laughs) In 2002, the FAA funded analyses to evaluate existing runway ends and established plans for upgrading runway safety areas which are identified EMAS as the most practical approach for each of the runway ends of Teterboro Runway 6-24. At Teterboro, as you can see from the image before you, this is Runway 6, it's already compliant with the EMAS installed. Runway 19 will have a compliant EMAS installed by the end of the year-- we're in construction--and Stage 2 design for Runway 1 overrun is presently underway with anticipated completion in 2013. We will not need an EMAS there; we will have to do some environmental mitigation. Currently, The Port Authority has 6 EMAS at our airports which are included in the 16 out of 26 runway ends that are already compliant with the runway safety area requirement. EMAS have collectively arrested 4 aircrafts successfully at our airports. The EMAS will be located at the west end of Runway 6-24. It'll be approximately 350 feet long and 200 feet wide. The work will be completed by a joint venture of Engineer Arresting Systems Corporation and Jacobs Engineering. Work will include the design and construction of an EMAS and associated work including computer modeling, site preparation, paving of the support surface, manufacturing and block installation, construction management, obtaining certain permits, and one year of quarterly inspections and maintenance. The contract with the joint venture is a negotiated contract due to the proprietary nature of the technology and an FAA requirement to use Engineer Arresting System Corporation, the sole approved contractor. Work related to this project will be performed during off-peak periods in order to minimize impacts of both airport operations and surrounding communities. The project represents significant economic benefits for the region. The total economic impact of the projects as estimated include 110 jobs, $6.6 million in wages and nearly $28 million in economic activity over

the life of the project, including indirect effects such as construction employment and materials purchase. The total project cost is estimated at $27.1 million. $17 million consists of the design build contract with the joint venture. Another $4.5 million is allocated for various environmental permits and approvals and mitigation required for the project. In addition, we will also enter into an agreement with the FAA covering reimbursement of costs associated with this review of designs for the project, estimated at $100,000. An application has been submitted to the FAA to recover 95 percent of eligible design and construction costs associated with this project through the federal AIP program. The joint venture will proceed with design this summer. Completion of substantial construction is expected by the end of 2012 with project completion anticipated in the summer of 2013. I ask that you recommend this item for approval to the full board. Thank you.

[Chair R. Pocino] Thanks, Sue. You said that 95 percent is reimbursable? [S. Baer] 95 percent is allowed to be reimbursed by AIP, and we've made the application. We don't have the reply yet, but there's indications that it would be reimbursed. [Chair R. Pocino] Would this be the first EMAS system at Teterboro? [S. Baer] No. The other end of this runway--if we go back to the drawing of it-- the other end, which is along Route 46, that already has an EMAS in there and it's actually successfully arrested an aircraft at that end of the runway. And then, 1-19 down at on the left, down by Redneck Avenue, we actually had to relocate the road. We are putting in EMAS; it's right now under construction there. At the other end of 1-19, as you can see from there, we actually have enough land to do a 1000-foot Runway Safety Area. But because Teterboro is--so much of it is environmentally sensitive areas, we'll have to do some mitigation at that end, so we're working on that. [Chair R. Pocino] Any other Commissioners have comments or questions? Jeff? Go ahead, Jeff. [Comm. J. Moerdler] I saw the photo of the plane and I was there on my tour shortly after, one of the planes; I don't know if that was-? [S. Baer] That was the only one. Thank you. (laughs) [Comm. J. Moerdler] --that landed there. It looks like it only sinks in 6 inches or something. Is the material substantially deeper so that if there's-? [S. Baer] It ramps up. It starts at about 2 inches at the end of the runway and goes up to about 6 to 8 inches as the blocks get bigger and there's been ample tests done on this to show how fast a plane would likely be traveling there and what you need to be able to stop the plane, and so it's designed that way. It's also in blocks, and so when you have replace them, you can pull out blocks and replace the blocks. [Comm. J. Moerdler] Which leads to my second question, which is do we stock replacement blocks, or how do we-? [S. Baer] We do have replacement blocks on hand. This company is also a local company and they're very responsive to coming in to replace them, but we do keep blocks on hand. [Comm. J. Moerdler] How quickly did-? [S. Baer] Very quickly. I think that was done within a week. It was completed within a week. [Comm. J. Moerdler] And does the system still have enough capabilities so that if there's a second problem during that week- [S. Baer] Yes, there's still enough capability if there were a second problem and we worked very hard to get it replaced very quickly. And then, to recover the costs from whomever--whoever's insurance company. [Chair R. Pocino] Tony? [Comm. A. Sartor] Yeah, I just wanted to talk a little bit about the $27.1 million. [S. Baer] Uh-huh. [Comm. A. Sartor] The breakdown--I'd like to see a breakdown of the $27.1 million. [S. Baer] Sure. It's $17.1 million is for the joint venture, $4.6 has been allocated for the FAA wetland mitigation. Financial expense is $1.3, contingency at 5 percent is $1 million, administrative and general is $.6, and planning and engineering is $.8. [Comm. A. Sartor] What was the engineer's estimate for this job? [S. Baer] It was approximately the same. I think it was like-. [P. Zipf] It's $14.7; that included $7.7 for site work to prepare the site and $7 million for the EMAS system itself. [Chair A. Sartor] And the bid came in at $17? [P. Zipf] It's quite

frankly, it's a sole- [S. Baer] It's a negotiate settlement, so $17 came in, about. Staff will work very hard to--we got the price actually down-- working with purchasing we managed to get the price down because it is a sole source, but it's very important to us to try to get the best cost. We advertised that it was the sole source. Again, the FAA has only approved one company to do this work. [Comm. A. Sartor] And that locks you in. [S. Baer] It sure does. [Chair R. Pocino] It makes it really tough, but at least you did get a chance to negotiate it. [S. Baer] Yeah, we did negotiate and did improve the price over what was originally submitted. [Comm. J. Moerdler] Any competitors out there that are going through the-? [S. Baer] Just this morning, one of my staff was telling me about a company in Scandanavia that is developing their own system. They need to have a U.S. partner and they're working on that, so they're probably not close to getting approval. We have actually spent some time and energy trying to come up with our own material but we'll be doing more testing. We had some promising tests last summer. We're doing more testing this summer with it. [Comm. J. Moerdler] Because I would think that on our own or in partnership with other airport authorities, it would be a good idea to encourage that Scandinavian company so we could create competition. [S. Baer] Yeah. We told them we were very interested in their product, but the FAA requirement that Congress imposed is that it must be U.S. companies, so they're looking for--from what I understand--they're looking for a U.S. parnter so that they can proceed. [P. Zipf] Our concrete lab is looking to replicate the product and work with the FAA and see if we can get a product ourselves. [Comm. J. Moerdler] Without a patent infringement. [P. Zipf] And then we'll ask for a patent. [S. Baer] And then we would ask for a patent for it. Yeah. [Comm. A. Sartor] Just a suggestion on future presentations: I'd like to see a breakdown presented to the board. [S. Baer] Okay. All right. [Comm. A. Sartor] Just as we've discussed, and we'd come back with many other projects-- most of the other projects, as a matter of fact. So it would just be easier to understand what the presentation--for the public to understand where the numbers are. [S. Baer] Sure.

[Chair R. Pocino] Yeah, good point, Tony. No other comments or questions? I have a motion to move it on to the board? [Comm. J. Moerdler] So moved. [A. Sartor] Second. [Chair R. Pocino] All in favor? [affirmative] All right. [S. Baer] Thank you. [Chair R. Pocino] The next item we have is design, implementation and maintenance of a replacement toll collection and audit system. The award of the contract. Cedrick?

[C. Fulton] Good morning, Commissioners. I'm here today to discuss with you an item on the May report of actions to discuss approval for the approval of two contracts for the design, implementation, and maintenance of a Replacement Toll Collections System and Audit System on Port Authority property. You will recall in February of 2010, the Board authorized a project for the new toll collection system at a total estimated cost of $175 million. The Port Authority's toll facilities are comprised of 4 bridges at George Washington, Goethals, and Bayonne bridges and Outerbridge Crossing and 2 tunnels: the Lincoln and Holland tunnels. The George Washington Bridge has 3 toll plazas: one on the upper level, one on the lower level and one serving the Palisades Interstate Parkway. Each of the other facilities has 1 toll plaza to a total of 8 throughout the system. The 8 toll plazas include a total of 72 toll lanes, some of which accept only E-ZPass tags and some of which accept E-ZPass or cash. In 2010, 242 million vehicles used the Port Authority's tunnels and bridges generating $960 million in revenue. The current Tolls System was installed in 1997 and is close to 14 years old. Other agencies in our region have installed their system between 1995 and 2000 and have either upgraded or have entirely replaced their systems by now. Our system is past its useful life. Many components are obsolete and no longer available through the original manufacturers and our software can no longer be updated. As a result of this obsolecence,

maintenance costs are increasing significantly. With the New Toll System, The Port Authority will benefit from the latest available technologies in toll collection. The new system will provide The Authority with more audit capabilities to ensure this important revenue stream is protected. There will be an improvement in transaction reporting, ensuring that correct tolls are charged to the correct vehicles. Further, camera systems will more accurately capture violation images so the authority can pursue those who don't pay. The new system will also provide for lower maintenance costs than we currently pay. The new system components are expected to have a longer life cycle because there's swappable components. This will reduce the number and duration of unplanned closures. In addition, the system builds for the future has the capacity for All-Electronic Tolling operation-- cashless operations when it is approved by the board without having to reinvest in the whole system itself. Subsequent to February 2010, Board authorization request for Pre-Qualifications publicly advertised in March 2010 for design, implementation and maintenance of a new toll system. A total of seven firms were pre-qualified to receive proposals based on their responses. Those seven firms were sent a request for proposal in November 2010. Five of the seven firms responded with proposals. The five proposals were evaluated by a selection committee based on technical plan and work approach, maintenance plan and approach, and their management approach and firm experience. The top proposals were invited to provide oral presentations. Afterwards, the selection committee rescored the proposers on the technical, maintenance, and management criteria and locked in the scores. Calls for proposals were opened for review and added to the rankings. Electronic Transaction Consultants Corporations scored the highest among the firms both technically and overall. We have made a great deal of progress since project authorization. Here you can see several key milestones moving forward. During the first year after award, the system infrastructure and software will be designed and tested. Once successful completion of the factory acceptance tests, the work in our toll lines will begin. That is scheduled to take place between the fourth quarter of 2012 through the first quarter of 2015. When the last lane is converted to the new system, all construction in field will be completed and a 30-day systems operational test will take place. With successful completion of the operational tests, close out of the design build contract will take place and the maintenance contract enters into effect. Commissioners, it is my recommendation that we award the 2 contracts to Electronic Transaction Consultants Corporation at a total cost of $81.9 million. The first is the Design/Build Contract to design and implement a replacement toll collection and audit system; the second to the maintenance contract to maintain that system once installed to protect an important Port Authority revenue source. The maintenance contract also provides for three 2-year renewal options. Including this authorization, we remain within our authorized budget of $175 million for the project. Commissioners, I request your concurrence on the award of these contracts.

[Chair R. Pocino] Cedrick, would this system be considered to be the most updated, modern technical system available to us? [C. Fulton] Yes, sir. We were very pleased with the system that ETC proposed with regard to their ability to recognize and differentiate between the different vehicles as well as to capture license plates so that at the end, we will have a better accuracy of the vehicles that pass through our plaza, therefore collect all of the revenue, or as much revenue as we can. [Chair R. Pocino] Commissioners? Jeff? [Comm. J. Moerdler] A couple of questions. First, is--and I remember we had talked about this at one point but I don't recall the answer or if you knew at that point. Will this technology permit the acceptance of multiple systems so the Florida SunPass and the other technologies that aren't E-ZPass technology--will there be an ability to accept those technologies? [C. Fulton] The issue with interoperability of really the back-office issue-- the equipment that is installed in the lane can

recognize various types of RFI technology but it's really the interchange of money behind the scenes that provides for true interoperability. [Comm. J. Moerdler] Okay, but this technology that we're installing in the plazas will have the ability, so if we can get the back office to work with it later on, we don't have to go and retrofit the lanes. [C. Fulton] There are different types of components that can be installed to lanes that aren't necessarily compatible. One of the issues that we are working on right now amongst the various E-ZPass agencies is a replacement procurement to buy the lane equipment that will read tags amongst all of those various agencies. One of the other initiatives that we're working on, though, is to try to find compatibility outside of the E-ZPass, so I guess the direct answer to your question, sir, is with the lane controllers that we'll be putting in place, on day one, there may not be the ability to read a tag from a different agency, such as from Florida or from Texas or from California. [Comm. J. Moerdler] Okay. Is the technology that we're going to be installing--can you just go back to that slide that showed the bar--yes, that one. Is this very new technology that it's a year's worth of system design before we even start deploying it? What is it that requires so much lead time? [C. Fulton] The elements themselves--we liken it to building a PC in that you buy a power source, you buy a hard drive and you put it together. What takes time is the installation at each one of our various toll plazas, how they have to be set up, how they have to be tuned to take advantage of the different geometries coming into each one of the plazas. So that's really what's happening. You're having work sessions where the team members, which include Port Authority as well as the system designers are working together to understand all of the intricacies of each plaza and they're compiling that information. [Comm. J. Moerdler] That's during that red phase in the system design that you're doing the actual physical layouts--okay. That's--I thought-. [C. Fulton] A series of workshops where people are really understanding the environment in which they're going to be working. [Comm. J. Moerdler] Okay. And the testing and operation doesn't occur until after you've deployed at all 8 plazas? [C. Fulton] Each- [Comm. J. Moerdler] In other words, it doesn't make sense to deploy one plaza if you do Lincoln Tunnel first, to turn that on and actually use it. You wait until you finish the process? [C. Fulton] Well, no. The systems at the conclusion of each plaza-- at each plaza there will be a couple of lanes taken out at a time. Then, that plaza will be completed and then those lanes will be available for revenue service and it will proceed that way, from plaza to plaza to plaza. Then, at the conclusion at all plazas, then we would enter into what we consider that system acceptance period, where the entire system is now- [Comm. J. Moerdler] Okay, so you're starting to turn it on as you segment. [C. Fulton] We need to bring the lanes back because we need the lanes. [Comm. J. Moerdler] Right. Okay. And does the contract include--you talked about the cost of buying a maintenance contract. Are we getting a 1-year warranty with this system from final system acceptance or from each plaza going on? There's a manufacturer's warranty associated with all the elements that are being installed into the lane, and it's at the conclusion of the systems acceptance--period-- which will be the third quarter of 2015 where the actual maintenance comes in. [Comm. J. Moerdler] That's when we start paying the maintenance contract. [Comm. A. Sartor] What happens in year two, Cedrick, for the costs? I see you say the proposed costs for the first year are maintenance of the new system is $2.7 million. What about year two, and beyond? [C. Fulton] It's pretty much the same. We just wanted to provide an example of the relative costs; our annual maintenance costs today are about $3.8 and we're saying that we'd save approximately $1 million when we move into the June maintenance contract. [Comm. A. Sartor] I see that the number is significantly above the engineer's estimate, but I understand from your explanation as to why that happened and I see that the BAFO saved us a lot of money, so congratulations, to you and Procurement on that one.

[Chair R. Pocino] Okay, Commissioners, do we have a motion to approve this? [Comm. A. Sartor] So moved. [Comm. J. Moerdler] Seconded. [Chair R. Pocino] All in favor? Aye? [Commissioners] Aye. [Chair R. Pocino] That concludes our agenda. Thank you very much for all of your input and assistance, and a motion to adjourn? [Comm. A. Sartor] So moved. [Comm. J. Moerdler] Seconded. [Chair R. Pocino] Meeting adjourned. Thank you.

The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Transcript
May 25, 2011

[Comm. H. Holmes] -speaking of the Committee on Capital Programs of Agency Plannings is being held in public session in its entirety. In addition, this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. We have one item on the agenda today and that's all airports, aeronautical operations areas pavement rehabilitation, presentation by Susan Baer.

[S. Baer] Thank you so much and good morning, Commissioners. I'm here today to seek your authorization for the planning of the aeronautical operations area pavement rehab program to maintain the state of good repair for all five airports. The intent of this planning effort is to ensure these pavements are rehabilitated before they reach a condition where significantly more costly repairs or replacement would be required. The Federal Aviation Administration--the FAA--requires that the Port Authority maintain a pavement management program for all its airports. This program provides information on current conditions of the AOA and a forecast of future conditions. Before you is a chart that shows the average lifespan of pavement. As you can see, the optimal time to rehabilitate pavement is when it reaches fair condition. On the average, waiting 2 years typically increased cost by 36 percent because further deteriorated pavement needs to be removed and additional new pavement replaced. Waiting 4 years increases cost by about 132 percent and a 5-year delay can increase costs 500-600 percent. Based on annual inspections, 1 runway, 27 taxiways, and portions of restricted service roads at JFK, 2 runways and 10 taxiways at Newark, 1 runway and 10 taxiways at LaGuardia, 2 taxiways at Teterboro and 8 taxiways and 3 aprons at Stewart have been identified as in need of rehabilitation between 2011 and 2014 to maintain a state of good repair. Some examples of current conditions are shown above. In some cases, interim repairs have been necessary to maintain these runways and taxiways in service. Continued degradation of the airside pavement will result in increasing maintenance demands. The proposed planning effort would provide for functional planning, conceptual design, cost estimating that will be required prior to seeking project authorization. Physical site survey and subsurface investigations for pavements and electrical systems will be performed as necessary. Defining the project scope limits, lighting, FAA navigational aids and updates or replacements required for regulatory compliance and operational requirements. Managing a modern airport system requires that we adhere to the latest design and operational standards required by the FAA. Therefore, coordination with the FAA will also be required for this planning effort. Staff will coordinate paving and associated electrical rehab as well as FAA nav aides, ensuring all requirements are met. In addition, coordination will be necessary to minimize interference with aeronautical operations. This taxiway planning effort will also look for opportunities for delay reduction. Where feasible, delay reduction through widened taxiways and enlarged taxiway turn radiuses and the realignment of taxiway entrance and exits will be considered. As the Pavement Management Program is updated annually, additional AOA paving may be identified and subsequent program planning authorizations may be necessary. Due to their complexity, JFK's runway 4 Left, 22 Right and Stewart's runways 9-27 and 16-34 which are also in need of pavement rehabilitation have not been included within this authorization and will be proceeding with their own separate authorizations in the future. It's anticipated that in 2011, we will commence design

of the highest priority projects including Taxiway "Papa" at JFK, Runway 4 Right and Taxiway "Papa" at Newark and Runway 13-31 at LaGuardia. Today, I'm seeking $16 million for this planning effort. Commissioners, I request that you advance this item to the full Board. Thank you.

[Comm. H. Holmes] Any questions? Hearing none--do you want to say something? [Comm S. Bauer] No, no, I was just going to make a comment. Excuse me, I'm sorry, Sid. No, just that this is a perfect example of what we're supposed to do. [S. Baer] It's what we have to do. [Comm. V. Bauer] Yeah. [S. Baer] Yes, exactly. Exactly. [Comm. A. Sartor] The $16 million; prior to selection of consultants, will that come back to this Board? How does that work? [P. Zipf] It's probably going to be 50 percent by consultants and 50 percent by in-house staff. The consultants will primarily be through our call-in program. However, if a particular project gets large enough, then we would seek an RFP and it would be coming back to the- [Comm. A. Sartor] What's that number? [P. Zipf] Over $1.5 million or close to $1.5 million. If it's in that neighborhood, we go out with a public RFP. [S. Baer] Yeah, and at that point, we'd probably be doing project authorization anyway, for the bigger project. We'll be coming back with a couple of project authorizations for these--some this year because they're the ones that are most in need--we'll be coming back with those this year. [Comm. A. Sartor] Okay.

[Comm. H. Holmes] May I have a motion to move this? [Comm. A. Sartor] So moved. [Comm. V. Bauer] Second. [Comm. H. Holmes] All in favor? [Comm. A Sartor] Aye. [S. Baer] Thank you. [Comm. H. Holmes] Meeting adjourned.

The Port Authority of New York and New Jersey
World Trade Center Redevelopment Subcommittee Transcript
May 25, 2011

[Comm. A. Sartor] Today's meeting of the WTC Redevelopment Committee is being held in public session, after which the subcommittee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals and matters related to the purchase, sale, or lease or real property or securities where disclosure would affect the value thereof or the public interest. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. We have a series of items that we're going to cover, and I'm just going to take it out of order for a second. I want to start with Steve Plate. World Trade Center Streets, Utilities, and Related Infrastructure, Phase II. Steve?

[S. Plate] Yes. Good morning, commissioners. Thank you. We're charging ahead with construction across the World Trade Center site. Today I'm requesting your approval of two contracts necessary to continue our critical efforts. Also I'm very proud to give you a brief update on the tremendous progress we continue to make. First I'd like to recommend an award of a contract under Phase II of the World Trade Center Streets Program that provides for final streets and sidewalk finishes along Greenwich and Liberty Streets, as outlined on this slide. The contract was competitively bid, with Paul J. Scariano being the lowest responsive bidder at a cost of $4.9 million, excluding extra work, which compares favorably to our staff estimate of $8.2 million. Continue?

[Comm. A. Sartor] Any comments on this item? [silence] Seeing none, I recommend that it move to the full board. [inaudible motion] [Comm. A. Sartor] Second? [Comm. V. Bauer] Second. [Comm. A. Sartor] All those in favor? [all] Aye. [Comm. A. Sartor] For the next item, let's go back to Michael Francois and the retail construction trade contracts.

[M. Francois] Thank you. Good morning, commissioners. Today we are seeking authorization to award construction trade contracts for retail and parking pre-tenant fit-out systems located in Tower 4 on the 4th floor and the 4th floor mezzanine area. This includes ventilation, heating and air conditioning, and electrical. As a point of background, Silverstein's construction of Tower 4 continues to progress rapidly. Currently, steel erection for the tower has reached the 25th floor. Base building specific mechanical, electrical, and plumbing system work commenced on the 4th floor and the 4th floor mezzanine in Tower 4. In addition to the base building systems, the majority of the floor is occupied by Port Authority mechanical, electrical, and plumbing systems, which services portions of the retail and the parking projects as well as other Port Authority facilities. As Tower 4 continues to advance, it's critical that our systems work be implemented in concert with the work being performed by the Silverstein contractors in order to avoid costs attributable to work out of sequence as well as potential construction schedule delays. This particular slide depicts the primary building systems for retail in red, the Hub in green and Silverstein in blue. And all this work is located in the 4th floor or the 4th floor mezzanine area, so you see it's pretty congested. The building systems noted in red will serve the retail and parking areas located below grade in Tower 3 and above and below grade in Tower 4. The coordinated systems trade contract work for this area includes electrical, heating

and air conditioning, ventilation, plumbing, and fire protection. On behalf of the Port Authority and in conjunction with World Trade Center Redevelopment, World Trade Center Construction, and the Procurement departments who work together on this, Tishman and Turner secured competitive lump sum bids for the retail ventilation, heating and air conditioning, and electrical work in Tower 4 on level 4 and 4M - or 4 mezzanine. These bids were solicited from at least three qualified contractors per trade. In regard to ventilation, the proposed ventilation trade contract will include furnishing and installing a ventilation system on levels 4 and 4M, including duct rough-in, insulation, sound traps, motor starters, vibration eliminators, dampers start-up and testing, and temporary ventilation services. Competitive lump sum bids were received from four ventilation trade contractors currently working on the site. ASM Mechanical was the lowest responsive and responsible bidder with a base contract amount of $3,225,000, which is approximately 37 percent below the independent cost estimate of $5,080,000. In regard to heating and air conditioning, this scope of work includes furnishing and installing HAC systems on floor 4 and 4M and includes a complete mechanical piping system, chilled water and hot water distribution, steam piping, all associated pipe insulation, start-up testing and temporary heating and air conditioning services. Competitive lump sum bids were received from three heating and air conditioning trade contractors currently working on the site. F.W. Sims was the lowest responsive and responsible bidder with a base contract amount of $1,950,000, and that is approximately 48 percent below our cost estimate of $3,740,972. You also may recall that staff had previously planned to implement the combined scope of the above two contracts via a negotiated contract with an on-site contractor. At the Board's request, staff of World Trade Center Redevelopment, World Trade Center Construction, and Procurement restructured the scope, modified the procurement process, and solicited competitive bids from lists of qualified contractors on the site who had worked on the site. The total price of the resulting two contracts above is $3,455,000 less than the negotiated amount that resulted from the direct solicitation of a single contractor. So we saved almost $3.5 million on this process.

[Comm. A. Sartor] On an $8 million deal, right? [M. Francois] Correct. [Comm. A. Sartor] That's significant. [Comm. V. Bauer] Good job, Michael. [M. Francois] Thank you to the Board and working with World Trade Center Construction and Procurement. We did this together. [Comm. A. Sartor] I want to compliment the staff for the turnaround on this, Procurement in particular. You did it within a month, which was our request at the last meeting. World Trade Center Construction, World Trade Center Redevelopment worked together closely on this. One of the comments I do want to make, though, is that let's make sure that we don't duplicate staff on World Trade Center Redevelopment for bidding processes, because World Trade Center Construction has been through this for many, many years, and I think you need to take advantage of what they bring to the table in conjunction with your construction managers. So I'd like you to revisit how you're staffing and how you're procuring projects for World Trade Center Redevelopment. [M. Francois] Okay. We will look into that and talk to you about that further. [Comm. A. Sartor] Thank you. [Comm. H. Silverman] Could I ask you a question about retail development? My recollection is at least two executive directors ago and two chairmen ago we did a deal to buy out the retail mortgage and to take over the retail and that we have a right of first refusal, I guess it is, with Westfield. [M. Francois] Westfield has the right of first offer. [Comm. H. Silverman] Okay. Can you give us an update, Michael, on where all that stands? [M. Francois] We have just received an offer yet again from Westfield. Those negotiations with Westfield were somewhat put on hold, obviously because we needed to

finalize our transaction with Silverstein. There needed to be some clarity in regard to scheduling, cost, and phasing of the site. That being done, we reengaged with Westfield. We have just received a new offer from them. We're in the process of vetting that right now, and we'll be talking to Westfield, I believe, next week to begin in earnest the re-negotiations, if you would, to see what level of interest they have in a now re-phased retail development. That's a very quick answer. [Comm. H. Silverman] Okay. That's helpful. The investment premise for our buying the retail back was that we would get 5 to 10 million visitors to the site, and that seems to be the same number that the City and others are using as what we expect the traffic to be for the Memorial and otherwise. So that should make it a very attractive retail proposition. [M. Francois] Yes. We've studied the viability of the retail market downtown and what we feel values are, and we're confident that the value has-- [Comm. H. Silverman] But as I recall, I think the number was about $600 million that we paid Westfield to essentially buy back the retail component of the site. [D. Buchbinder] $140 million. [Comm. H. Silverman] $140 million? But didn't we pay off a mortgage, Darrell, at the same time? [D. Buchbinder] That was the Silverstein side of the equation. [Comm. H. Silverman] And the UBS loan was on the office buildings that we paid off at the same time? [D. Buchbinder] That was a corporate debt of Westfield [inaudible] [Comm. H. Silverman] So I'm correct. It was 600 some odd million dollars overall? [D. Buchbinder] The retail was $140 million. [Comm. H. Silverman] Just refresh our recollection. The corporate debt, it was Westfield's corporate debt? [D. Buchbinder] Yes. [Comm. H. Silverman] So why would it not have been in connection with the retail? [D. Buchbinder] That was the $140. There was the GMAC financing attributable to the office component-- [Comm. H. Silverman] Oh, okay. I understand. Thank you. [Comm. A. Sartor] One more to go.

[M. Francois] One more to go. In regard to electrical, the proposed electrical scope of work to be performed, again on the 4th floor and 4th floor mezzanine and the 3rd basement level in Tower 4 includes the following: number one, furnishing and installing an electrical system that includes distribution equipment panels, meters, conduit, boxes, wire, cable, motor connections, lighting, and lighting connections; also start-up testing and temporary services; and lastly, the installation of spot network equipment that was previously purchased under a separate contract. Again, competitive lump sum bids were received from three electrical contractors currently mobilized and working on the World Trade Center site. Five Star Electric was the lowest responsive bidder and responsible bidder, which proposed a base contract amount of $5,770,000, which is approximately 19 percent below our cost estimate of $7,162,611.

[Comm. A. Sartor] Okay. So in summary, with the contracts that you had before, the estimated engineers' costs were on the order of about $17 million, and they came in at about $12? Is that correct? [S. Plate] That's about right. [Comm. A. Sartor] So we saved by going this process $5 million. [M. Francois] A significant amount. [Comm. A. Sartor] And again, compliments to staff involved and Procurement for turning this around so quickly. Unfortunately, you've set the bar very high for yourself now. So we're expecting. So we'll expect rapid turnaround on other issues also. [Comm. J. Moerdler] And similar savings. [Comm. H. Silverman] That reduces the overrun on the site to $4 billion [Comm. D. Steiner] Every little bit helps. [Comm. H. Silverman] --before we pat ourselves too hard on the back. [M. Francois] So we're requesting that you advance these items to the full Board for approval. [Comm. A. Sartor] Any questions concerning these items? If not-- [Comm. D. Steiner] Do you need a motion? [Comm. A. Sartor]

Yes. [Comm. D. Steiner] So moved. [Comm. R. Pocino] Second. [Comm. A. Sartor] All those in favor? [all] Aye. [Comm. A. Sartor] Next item. Mr. Plate.

[S. Plate] Our next contract is for systems acceptance testing and sustainability compliance services to be performed on various systems being installed at the World Trade Center Hub. The contract was competitively bid, with Jacobs Engineering New York being the highest technically ranked firm at a cost of $8.7 million, excluding extra work, which again compares favorably to our staff estimate of $8.8 million. Under the contract, Jacobs will coordinate the systems testing among multiple Hub systems as well as prepare and execute sustainability compliance plans. Commissioners, I request you advance these items to the full Board for their approval.

[Comm. A. Sartor] Any questions on this? [Comm. R. Pocino] I move it. [Comm. A. Sartor] Second to the motion? All those in favor? [all] Aye. [Comm. A. Sartor] Mr. Plate. One more? Or are you finished?

[S. Plate] I'm finished. I just want to give you a quick update of what's going on at the site. [Comm. A. Sartor] Go ahead. Then we'll take the last item from Peter.

[S. Plate] At the Hub, the first super column, weighing over 230 tons, was placed this past week, as you can see, the one with Local 40, New York City. That's one column. That is a real super column. Obviously, that is equivalent to 230 cars if you put them in one piece of steel. Over 500 feet of the load of the Number 1 Subway Line was transferred from the temporary structure that it had been on for several years to the permanent support structure this weekend, which is a huge event. That's about 500 feet, and basically half of the Number 1 Line that's on the site is now on permanent structure in its final configuration. And everybody was very happy and very calm. At One World Trade Center, steel has risen to the 66th floor and continues to rise at a rate of one floor per week. You can see a little bit in this picture--the color is a little bit off-- the unions in support of the President arriving, actually, you can see red, white, and blue. They actually colored the lights without our request. They did it on their own to show support of the project and everything else that's going on at the site. Work is well under way in all the shafts relative to the 70 elevators going in. And these are the motors starting to be installed, so we're really making some good headway. We've got the guide rails pretty far along up to the 27th floor, following by these motors. MEP. It just gives you a sense. We took a couple of pictures just to show you the amount of work and permanent riser work reaching the 50th floor-- all the conduits, the pipes, all the different material-- just a tremendous amount of progress. Even though you see the top of the building, there's 60 trades following right behind. Not to forget the VSC, which we took over end of February this year, excavation by Yonkers and foundation work is well under way, and the steel is being rapidly fabricated and soon to be erected this summer and being done by W&W Steel. So we're making great progress there and every day reinventing ourselves as far as trying to make it go quicker and catch up on the time that was lost with Deutsche Bank coming down. Obviously, the most important thing, the Memorial, all of the trees are in bloom. It almost looks like a picture, they're so beautiful. The finish work is ongoing.

[C. Ward] That actually is a picture.

[S. Plate] No, no. I mean it actually looks like a painted picture. Behave. We're in public session. But below the plaza, work on the museum interior continues at a rapid pace. Remember, we weren't supposed to finish this for some time, and we're really making some great progress. Again, this past weekend the final panels on the building of the memorial pavilion were erected. We had originally planned just to get the frame of the steel by 9/11/11. We blew way past that. My staff is just unbelievable. And then in conclusion, I just can't help but show you this. We had performed the first testing of the south fountain on May 13th, and everything worked very well. [cross talk] Thank you, Commissioners.

[Comm. V. Bauer] Good job, Steve. [Comm. A. Sartor] Yeah, great job. Congratulations to World Trade Center Construction. It's moving along very, very well and again, I encourage the board to take a visit down there just to see how much is being accomplished and what's going on. It's just an incredible project from all aspects, probably one of the most difficult construction sites in the world, bar none. You've got 3,000 people there, and it's going along smoothly, so my congratulations to all involved. The last item. Peter?

[P. Zipf] Commissioners, I'm here today to request an authorization to increase two firms that provide steel inspection and testing services at the World Trade Center. It is standard practice for all construction work to be inspected for adherence to approved design drawings and specifications. As per New York City building codes, the inspection of critical construction elements such as steel fabrication and erection must be performed by certified individuals. Inspections of this type are called "special inspections" and are performed by the materials engineering group. Currently, construction at the World Trade Center site is at its peak for steel fabrication and erection, and it is critical that we ensure that proper quality is maintained. The steel inspection includes quality assurance of the fabrication and erection of steel, including all welded and bolted connections. This work is performed both at fabrication shops as well as the World Trade Center site. The materials engineering group has 43 steel inspectors at the World Trade Center site, 37 of which are consultants who are retained through the Engineering Department's call-in consultant program. Steel inspectors in general are difficult to find and retain because they are high in demand, primarily because of their certifications. With steel construction at its peak, it is critical that we continue to retain our current inspection resource levels. There are currently five consulting firms for this service for the terms of 2010 to 2013 with a total annual expenditure not to exceed $1.5 million per agreement per year. We are requesting an increase in spending limit of two of these agreements, MACTEC Engineering and Pennoni Associates. It is critical to the construction schedule that the continuity of staff is maintained. Currently, MACTEC Engineering and Pennoni Associates provide 21 steel inspectors at the site. An increase in authorization from $1.5 million to $3.5 million per firm would allow these inspectors to continue the work that is critical to maintaining the construction schedule. Therefore, it is requested that the funding limits for these two firms be increased by $2 million each. Commissioners, I request that you recommend this item to the full Board for approval.

[Comm. A. Sartor] Do we have any questions? [Comm. D. Steiner] So moved. [Comm. R. Pocino] Second. [Comm. A. Sartor] All those in favor? [all] Aye. [Comm. A. Sartor] Okay, done. This concludes the public session of today's meeting. The subcommittee will now adjourn to executive session to discuss matters involving ongoing negotiations or reviews of contracts

or proposals and matters related to the purchase, sale, or lease of real property or securities where disclosure would affect the value thereof or the public interest. Thank you.

The Port Authority of New York and New Jersey
Committee on Capital Planning, Execution and Asset Management Meeting Transcripts
October 18, 2012

[Comm. S. Rechler] We would like to call this meeting to order Committee on Capital Planning, Execution and Asset Management. This is a public session. Today, we're going to hold this meeting in public session in its entirety; in addition, this meeting is being broadcast live on the Port Authority's web site for those interested in viewing today's proceedings via the Internet. Today I have one item on the agenda. Susan Baer is going to present to us Newark Liberty International Airport Rehabilitation of Taxiway P and implementation of Delay Reduction and Other Infrastructure Improvements to seek authorization, so Sue?

[S. Baer] Thank you, good morning. I'm here to--Commissioners as noted, I'm here to seek project authorization for the rehabilitation of a portion of Taxiway Papa at Newark Airport. We're doing this to maintain a state of good repair as well as to facilitate certain delay reduction initiatives. We're also finishing up the construction of 2 new taxiways and adding 2 new high-speed taxiway exits for the adjacent Runway of 4-Right 22-Left. This project will result in the creation 210 jobs, $13 million in wages, and $53 million in economic activity. Taxiway Papa is 10,500 feet long, is located between the 2 main runways at Newwark 4-Right 22-Left and 4-Left 22-Right on the east side of the airport. It handles approximately 190,000 aircraft operations annually. Inspections of the taxiway have identified extensive payment cracking, surface cracking due to normal wear and tear and weathering, but these are only on the portions of the taxiway that have the most use, so as a result, about 6,500 feet of Taxiway P will be rehabilitated to extend the useful life and maintain the state of good repair. A portion of the remaining 4,000 feet was completed during the rehab of 4-Right 22-Left and the remaining portion is still in good condition and doesn't require any work at this time. It will be rehabilitated with asphalt; the life-cycle analysis indicates about a 45% cost savings when rehabilitating it with asphalt over concrete in this case. You can see Taxiway P is there; it's shown in blue. Because it's so close to runway--to both runways, to 4-Right 22-Left, completion of the 2 new partial length delay reduction high-speed taxiways are included in this scope. They're the portions that are shown in the pinkish color. The portions of the high-speed taxiways already completed were authorized under the Runway 4-Right 22-Left Project Authorization, which took place in December of 2011. That project is about 80-- probably 90% complete at this point. In addition, the realignment of sections of the 2 additional taxiways that intersect at Taxiway Papa shown on the far left in blue will be included. These will allow for more efficient operations, allowing pilots to have a better sight line of the runway while they're waiting to enter and to improve fillets to allow planes so the turns can be made more easily, which speeds up the traffic. The 2 new high-speeds and realignment taxiways are part of our delay reduction initiatives at Newark. The proposal would reduce runway occupancy time by about 8 seconds on an average arrival flight and the overall movements and improvements in the movement area are expected to result in delay reductions of about 30 seconds per flight, which equates to about $9.4 million, using the FAA's formula for this, in both aircraft direct operating cost. The entire length of Taxiway Papa's guidance signs, pavement markings, and taxiway lights, as well as the electrical infrastructure is also being rehabilitated due to its age and obsolescence. Adjacent, which is shown in green near ponding and drainage issues at that end of the airport, which will also be addressed under the proposed authorization. The regional impact over the life of the project is currently estimated to

result in 210 jobs, $13 million in wages, and $53 million in economic activity. The total project cost for this is estimated at about $31.5 million, of which $1.8 million is in-house design costs, about $600,000 was performed by consultants. The authorization will also include-- the overall authorization includes the delegated authorization for the Executive Director to award the associated construction contract at an estimated cost of $20.6 million. Bids for this contract will be solicited from a publicly advertised Request for Qualifications, and the contract will be awarded to the lowest qualified bidder. The project's expected to be fully recoverable primarily through Passenger Facility Charges. The construction will commence in the second quarter of 2013 and be complete by the following second quarter of 2014, the following year. We will, of course, be staging this in the manner to minimize the impact on the overall operation. Commissioners, I request that you advance this to the full Board for approval; thank you.

[Comm. S. Rechler] Is there any questions for Sue?

[Comm. R. Pocino] This is a good repair.

[Comm. A. Sartor] It's obviously necessary. The reason for the concrete was the cost issue? [S. Baer] It's the cost issue and how frequently you have to replace taxiways as opposed to runways, so there is--we do this with our Engineering department. We do a life cycle cost analysis and for this work, it was deemed asphalt was the less-- [Comm. A. Sartor] When we replaced runways, we went with concrete. [S. Baer] With concrete, we'll be eventually coming to you with another concrete replacement at JFK, so there are times when that is the most cost effective, but in this case, asphalt is the better way to go. [Comm. A. Sartor] Okay.

[Comm. S. Rechler] Okay, can I have a motion to move this? [Comm.] Yes. [Comm.] Second. [Comm. S. Rechler] We'll move this to the full agenda; thank you, Sue. [S. Baer] Thank you. [Comm. S. Rechler] And I think that is the only item on our committee meeting, so this meeting is now adjourned; thank you. [S. Baer] Thank you.

The Port Authority of New York and New Jersey
Committee on Finance Meeting Transcripts
October 18, 2012

[Chair R.Bagger] This is the Committee on Finance. The Committee on Finance met in executive session prior to the public portion of today's meeting to discuss matters involving ongoing negotiations, reviews of contracts or proposals, and matters related to the purchase, sale, or lease of properties or securities where disclosure would affect the value thereof or the public interest. The Committee will now meet in public session. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. Our item of business this morning is making a recommendation to the full Board of Commissioners on on the renewal of public liability insurance. I'd like to ask for the recommendation for our consideration to be succinctly summarized for the Committee.

[A.M. Mulligan] Good morning, Commissioners. At today's Committee meeting we are seeking authorization to renew the Port Authority's Public Liability Insurance Program for a 1-year term, effective October 27, 2012. This program protects the Port Authority against losses from bodily injury and property damage claims or suits brought by third parties, and coverage does include terrorism. There are two aspects of the program - Aviation Program, which is on the slides now. As you can see, there are two renewal options being proposed. One is to increase the current $1.25 billion in limits to $1.5 billion. The other, which is option 2, is to retain the current $1.25 billion. Each contains a self-insured retention of $3 million and includes Aviation War Risk. The program also includes $100 million of excess Aviation Liability coverage for the Master Contractor's Insurance Program for construction at aviation facilities. Moving on to the non-aviation side of the program, there are 3 options. Option 1 is reflective of a renewal that is consistent with the expiring. The only difference, and this is true in any renewals, is that the Port Authority's Captive Insurance Company will be assuming a $2.87 million line within a $225 million line of coverage. That is due to a gap in the program that is not available in the commercial market. Otherwise, the option #2 is to reduce the limit to $725 million. And the third option is to maintain the billion dollar limit but increase the Port Authority's self-insured retention or put an additional retention through the Port Authority's Captive of $5 million, creating a $10 million retention. And the corresponding premiums are on the slide as well. Staff would recommend the extension program at the expiring. On the aviation side, our $1.25 billion is the second-highest limit of all domestic airport operators in the United States, and maintaining the billion dollars on the non-aviation, as well, with the $5 million retention.

[Chair R.Bagger] What you said before, entertaining a motion that this program before us retains the overall limit on aviation at a level that is among the highest for any airport operators in the world, it has a general liability limit on non-aviation of a billion dollars, which is the maximum that's available in the marketplace, and that by renewing this program at the current coverage, it is able to be accomplished with a modest overall savings in premium, which I think reflects well on the Port Authority's risk experience and the work that has been done to assemble this renewal package.

[Comm. J. Lynford] So moved.

[Chair R. Bagger] Any discussion? I would just point out that this is a matter that under the By-Laws it's within the jurisdiction of this Committee, so our Committee vote today will authorize the renewal of this package. It does not need to go to the full Board of Commissioners.

[A.M. Mulligan] Thank you. >>

[Chair R. Bagger] All in favor? >> [All Comm.] Aye. >> [Chair R. Bagger] Opposed? No. It is approved.

Okay, thank you very much. The other items that were on our agenda for discussion this morning, I'm going to recommend that we forego our report on the World Trade Center bond sale. That's been provided in writing to all the members of the Board of Commissioners, and I know I speak all the members of this Committee when I congratulate Darrell Buchbinder, Mike Fabiano, and the entire team at the Port Authority for the extraordinarily successful results in the marketplace with this bond sale, which, again, I think speaks well to the market's understanding of the Port Authority, it's finances, and it's management.

[Comm. J. Lynford] I'd just like to add Anne Marie's name to the list of people. Extraordinarily good execution, extraordinary amount raised. Very good job.

[Chair R. Bagger] Great. Thank you. And our annual update on the PACE, if it is all right with you, we'll defer to our next meeting. [A.M. Mulligan] That's fine.

[Chair R. Bagger] Okay, if there's no further business for the Finance Committee, we're adjourned. Thank you.

The Port Authority of New York and New Jersey
Committee on Operations Meeting Transcripts
October 18, 2012

[Chair D. Samson] --for the late start. Today's Committee on Operations meeting is held in public session in its entirety. The meeting is being broadcast live on the Authority's website for those interested in viewing today's proceeding via the internet. The first topic on the agenda is a presentation by Ed Nathan, our Assistant Director of Real Estate Services, concerning funding for property acquisition in Newark as part of the Authority's Hudson-Raritan Estuary Resources Program. Ed.

[E. Nathan] Thank you, Mr. Chairman. Good morning. Today I'm requesting your authorization to amend an existing memorandum of agreement with Essex County New Jersey to fund the acquisition of property located in Newark, New Jersey under the auspices of the Port Authority's Hudson-Raritan Estuary Resources Program. The site is known as the Riverbank Park Extension. The Port Authority's objective is to fund property acquisitions within the Hudson-Raritan Estuary and the port district that may be suitable for conservation, ecological enhancement, public access, or environmental mitigation as a port to port development, economic development and other Port Authority capital programs. Funding for the Hudson-Raritan Estuary Resources Program was first approved by the Board in July 2001 for a total of $60 million, allocated $30 million for New Jersey and the same amount for New York and were certified by the Board as a facility in November 2002. To date, the board has approved property transactions through funding agreements and reimbursements for approximately 153 acres totaling approximately $29 million in New York. In New Jersey, approximately $24 million has been approved for a total of 247 acres. In New York, since 2003, the Board has approved reimbursements to the Trust for Public Land for 9 property acquisitions and one property improvement project totaling approximately $29 million and covering 153 acres. These properties include on Staten Island the Blissenbach property, otherwise known as the North Shore Marina, the Wiman Avenue property, also known as Great Kills, the Quintard Street or South Beach Wetlands property on Staten Island for approximately $177,000, the Butler Manor Woods property, the North Mt. Loretto Woods property, and the William H. Pouch Scout Camp property, all of these located on Staten Island. We have also funded the Idlewild Marsh in Queens and the 88th Street property in Rockaway and the Harlem River Promenade at Depot Place in the Bronx. In New Jersey, a Memorandum of Understanding was executed with the New Jersey Meadowlands Commission that sets aside up to $10 million of New Jersey's $30 million allocation for land acquisitions within the Meadowlands district, a 30.4 square mile area comprising 14 municipalities in Hudson and Bergen counties. To date, the Board has approved reimbursements to New Jersey Meadowlands Commission totaling $2.8 million and 105 acres for the acquisition of the Murray Hill property in East Rutherford, the Meadowlark Tract property in Bergen county, the Barge Club property in Carlstadt, and the Boulevard Tire property in Secaucus. The Board has also authorized property acquisition funding for approximately 141 additional acres including the Bachstadt property in Holmdel, property in South Plainfield, property for the Hackensack Riverfront Park in Jersey City, property for the Riverbank Park Extension in Newark, the Adams property in South Plainfield, and the McNamee property in Hazlet Township. In 2009, as part of the Hudson-Raritan Estuary Resources Program the Committee authorized an MOA with the county of Essex to acquire 3 parcels of property totaling 12.25 acres. The county planned to

develop the property as a public park in Newark, New Jersey with waterfront access. At that time, the Committee authorized up to $7 million towards the acquisition. Subsequently, the county initiated proceedings in the Superior Court of New Jersey to acquire the property via condemnation. These property's proceedings required that an updated appraisal be performed on the properties. The appraisals performed on behalf of the county and the Port Authority both determined a fair market value of $7,660,000. As a result, in May 2010 the Committee on Operations authorized an amendment to the MOA to increase Port Authority funding to $7,660,000. Subsequently still, the court awarded the property owner to the total of $8.96 million through the condemnation process. Essex County is now seeking additional funds of $1.3 million to offset this difference. Protecting this property supports the Port Authority's sustainability goal of protecting 50 acres of land per year from the development. Commissioners, your approval for this action is requested. Thank you.

[Chair D. Samson] Thank you very much. Do any of the Commissioners have any questions? Comments? I think this is a great program, and it doesn't get enough attention, just like so many of the environmental initiatives and open space initiatives that the Port Authority funds and actively pursues. I want to ask you about this Hudson-Raritan Estuary. Is that a defined ecological or geographical area? [E. Nathan] It certainly is a defined geographical area. I don't know if it's been formally adopted but it's the area—

[Chair D. Samson] What's the definition?>> [E. Nathan] I beg your pardon? [Chair D. Samson] What is the definition? [E. Nathan] It's the estuary formed by the Hudson River entering towards the Atlantic Ocean and the Raritan coming in forming Upper and Lower New York Bay extending down to Sandy Hook. That would be the estuary. The key is that the properties are within the port district which of course—

[Chair D. Samson] That's what I was going to ask you. Is this sort of like a subset or a sub-district of the port district? Or does the program extend to the outermost boundaries of the port district? [E. Nathan] Predominantly, and certainly initially, the emphasis was on properties within the estuary. Subsequently, there have been occasions where properties that weren't contiguous to the estuary but were within the port district that also met the goals of the program have been funded as well.

[Chair D. Samson] And it's been based on the history that you reported, well balanced between the New York and New Jersey properties, isn't it? [E. Nathan] Right, New York is very close to exhausting their allocation, and New Jersey does not have much left when you take into account the set aside for the Meadowlands Commission.

[Chair D. Samson] It doesn't have much left in terms of funding at a capacity under the original authorization? So should the Board expect that at some point in the future when the New York and New Jersey funding authorizations are exhausted that there's going to be some sort of a proposal to reinvigorate it or provide a transfusion? Or are we at the end of the program, not just the end of the available and authorized funding? [E. Nathan] It's certainly true enough that there remain many more laudable projects that meet these goals. [Chair D. Samson] In both states. [E. Nathan] In both states, absolutely. We've had no shortage of candidates approaching, and we've worked very well in cooperation with entities in both states. If the Board determines to extend,

we would certainly be able to administer it and continue on, but that would be a matter for the Board to determine. [Chair D. Samson] I understand it's a matter for the Board. I was just wondering whether you anticipate somewhere down the road making a proposal to the Board for a transfusion of cash into the depleted funds. [E. Nathan] It's certainly something we're considering, Chairman.

[Chair D. Samson] Okay. Any other questions or comments? If not, I'll move the item forward for approval. Can I have a second?>>[Comm. S. Rechler] Second. [Chair D. Samson] All in favor?>> [All Comm.] Aye. [Chair D. Samson] So moved.

[M. Fabiano] Just Mike Massiah, who is here. He's going to do it. [Chair D. Samson] Oh, okay. We're going to have a presentation on overtime performance for the 3rd quarter. I know we've been getting statistics on this, and let's see how we're doing.

[M. Massiah] Looking forward to it. Good morning, Commissioners. I'm here to present performance for the 3rd quarter. In addition, please note that we'll be sending you and the New York State Controller a 3rd quarter overtime performance memorandum as well as appropriate backup schedules. First, I'm going to discuss the results of the quarter, which include 3rd quarter performance, quarter to quarter comparisons and key drivers. Then I'll discuss a couple of mitigations that are underway to further reduce overtime usage where appropriate. This slide indicates our year to date performance. There are 4 categories noted on this slide, each with 3 bars. The tan bar is the actual hours for 2012. The yellow bar is the 2012 budget, and the white bar is the 2011 actual hours. Starting with the agency column, there were 1.2 million overtime hours worked, which was 194,000 hours or approximately 14% less than the same period last year. This means we are sustaining the improvement established in the first 2 quarters where we also had 14% fewer overtime hours comparable to the period in 2011. When you look at the budget performance, the main reason for the overrun to budget is related to public safety, which has overrun the budget by about 244,000 hours. This is because they have been backfilling offices who have mandatory training needs, responding to facility operational needs, including increased patrols at the George Washington Bridge, the World Trade Center Museum, aircraft boarding activity, additional aeronautical patrols, coverage for special events, increased VIP movements throughout the region, court time and arrests. Next slide. If we exclude snow to normalize the data, we continue to be under 2011 overtime usage by 80,000 hours. The budget overrun, again, is largely due to public safety. As for the lines, they are still under the 2011 overtime usage using 98,000 fewer hours, a 16% reduction. Some of the reasons for their use of overtime that exceeded budget include airfield construction projects that requires significant support from facility staff, unplanned events such as the landing of the space shuttle, and increased number of VIP visits, and again, vacation, vacancy coverage and the like. When you normalize the data for other departments they are still under 2011 overtime levels by 27,000 hours. Most of these departments in this category are under budget except for special services provided by Operation Services. Operation Services provides emergency repairs, major maintenance and construction support to all line departments and public safety. When you look at the quarter to quarter comparisons-- I want to preface this slide by saying the 3rd quarter is typically a peak period for overtime because it also is a peak period for construction, patron activities, and vacations. And so we are over the 2nd quarter by 108,000 hours, but that's typical of, again, the benefits of the season in the 3rd quarter. New civilian operations and police patrols

were enacted in the 3rd quarter, and we've had a very aggressive construction season, including runway rehabilitations at Newark, Kennedy, and LaGuardia airports, and again, we had significant vacation coverage as well. This slide talks to key drivers. Police related drivers are 48% of the year to date overtime usage. You can see those are the 2 blue shaded segments of the pie. The line department drivers are the 3 remaining segments, the white, the black, and the beige. The white represents off-peak maintenance, operating and capital construction support. The black, continuous facility operations, and the beige, contingent events. We are constantly mining for overtime savings, and we'll be looking at these 3 categories, the continuous facility operations, contingent events, and off-peak maintenance to see if we can find additional overtime savings. Actions that we recently took that are promising and we're looking forward to reductions. In Aviation, we conducted an in-depth staffing assessment. They claimed they needed staff to help meet FAA lighting requirements and capital project support. That was validated, and therefore we authorized 13 new temporary positions. But there was a caveat with that authorization. The caveat was we want to see overtime savings as a result of those new positions being put in, so we set a target of about 7,800 hours that we want to see, and we're going to backtest to see if they achieve that as a result of getting that staff, and we went further. We asked about methodology. How would you do it? One of the very potent ways of getting overtime reduction is setting overtime hours when there isn't a lot of work going on-- I mean, straight-time hours scheduled when there isn't a lot of work going on at the facility. We're going to establish night schedules, straight-time schedules at Kennedy and LaGuardia airports. We can maximize the staff effort, do not only this new work but ongoing work, reducing overtime for all the staff that perform electrical work. In the Engineering area, we heard you the first meeting we gave an overtime report. We've met with Peter. One of the concerns is why do we have overtime in Engineering? Well, Engineering does do some things that I think we want them to do. One, test materials that we're using at our facilities in construction, and that's a big workload down at the World Trade Center. They also do construction supervision at our airports and other facilities and inspect that work. Some of that work is done on off-peak periods, and we're asking them to think about changing those workers' schedules to meet that peak workload, and they're going about that. The other things that they're doing is they've discontinued administrative overtime, and now we're working with the design divisions to say to them "Look, if your work is not priority, why are you charging overtime? If it's a priority project or critical milestones have to be met, okay. But on regular work that's discretionary, let's cut back on overtime." Peter and his staff are fully on board with that, and they began to see progress already. In fact, since the 1st quarter when we raised the issue each month they've reduced overtime by 1,000 hours. They were over budget by 3,000 in the 1st quarter. Now they are under by almost 2,000, and so there's real effort being taken in that area. As I mentioned throughout the report, Operations Services is a big user of overtime. We're beginning to work with them. They started with low hanging fruit. We've reduced overtime in administrative services. We're working with Central Automotive, which reports to that department. They're beginning to prioritize their vehicle inspections and maintenance routines, and we expect to see a reduction there as well. Our next efforts will be in the field operations. We're reviewing certain titles such as Airport Operations Agent, Airport Duty Supervisors, Tunnel and Bridge Agents. Those positions are often key to key positions. If there is insufficient staffing, we'll entertain whether or not we should add staff. But we're first going to ask are there other efficiencies that they can think through, like can they merge units, expand the span of controls, can they do cross-training, those kinds of things, to try to be more efficient? If after they do that staff is required to make sure we cover those posts 24/7, then I

think it's a good investment, but we're going to do the same thing we did with Aviation. We're going to ask for overtime reduction targets when we authorize those new jobs. Staff is committed to this effort, and we look forward to keeping you informed on our results.

[Chairman D. Samson] Thanks, Mike. I want to ask you a question, but maybe I should ask it as well to the Executive Director and the Deputy Executive Director. The Authority has been in the past criticized for excessive overtime, and not just the numbers, but the methodology of requesting and granting overtime. And I see in the presentation you made today a comparison of overtime measured against budget. Is the budget baseline the exclusive criterion for measuring whether overtime is excessive or not? Do you understand my question? [M. Massiah] Yes, I understand. We also mentioned to last year. [Chair D. Samson] I understand. [M. Massiah] One of the things I want to-- [Chair D. Samson] But the answer to that, a critic might say, is this year is only less excessive than last year was, so what I'm trying to understand is how do we measure whether overtime is excessive, and if the baseline, the only baseline is the budget, then it places a premium--more than a premium. It places all of our analysis, all of it, on how realistic the budget number is. [M. Massiah] When we're looking at the budgets, we have that, we have submissions from the departments, and they're looking at these budgets but also the spreads. One of the things we've found in some cases it was a straight-line spread [inaudible]. We're looking at the peaking of both based upon historical peaking and making sure that spread is appropriate as we move forward. [Chair D. Samson] But again, that's a look back. What's the answer to that, Pat?

[Exec. Director P. Foye] Here's the answer Mr. Chairman. First of all, year to year, actual overtime work is now 14%. There are factors within our control. There are factors outside our control that account for that. One factor is a relatively mild winter, which was a larger factor when we were looking at the 1st quarter alone, but now we've smoothed it out over 9 months. I think that looking at the budget and looking at the prior year are important indicators. They are not the sole indicators. Weather, level of terror alert, factors that happen at a bridge, a tunnel, an airport all effect it. Given the mandate of the governors and this Board that public safety is our first priority, when public safety is implicated, we're going to spend money on overtime dollars whether it's above budget or above the prior year, period, full stop, and we're not going to apologize for that. I think that looking at the budget, looking at the prior year experience are important indicators, but it's all speculative, so it's a question of making sure that we're doing the right thing in the point of view of protecting hundreds of millions of people and these extraordinary assets we've been entrusted with the stewardship of.

[Dep. Exec. Director B. Baroni] I think that in the concept that as opposed to freezing in time, picking a number, some date when the budget gets adopted. There's a number we pick, that's the number that we aim at for overtime. And Pat and Mike were saying one of our jobs is to question essentially department by department throughout the course of the year not just leading up to the next budget, but throughout the course of the year of how we can reduce those numbers, and I think that's what Mike laid out with some of the changes we may be making in the key to key process, obviously the changes in public safety. Those will add up so that when we come back the following year for that set time for a new budget not only can we come back, and as you said, Chairman, reduce the excess but question the very underpinnings of the need for-- not assuming a certain amount of overtime and then trying to reduce that number, questioning the need to begin with, and that's something that Pat has challenged in our Chief's meetings that we hold on

a biweekly basis, on our line director's meeting we hold on a weekly basis, that literally ever since I can know of, since Pat has been here, every one of those meetings one of the topics of those meetings has been not what can we do to reduce the excess in overtime but what are we doing to address the very need for overtime to begin with? And Pat has led that effort at the line director meeting. I know from there with budget and under Mike and Mike Fabiano, forcing the departments to raise and implement the basic questions of the need for overtime. There's going to be needs, there's no question. There's going to be things that come up that there's no way to predict. Pat wasn't here yet, but I remember that first weekend in May of 2011 when Osama bin Laden was killed. You could not have planned for it. You couldn't have predicted the impact, the timing by planning for it. You could not possibly--I mean, I remember being there. General, you and I were on the phone that night where you had 5,000 people show up at the World Trade Center and then continue that for days on end, increasing both public safety and operations. We need the flexibility for when that happens to be prepared but also doing everything we can for not those emergencies, not those situations, to reduce the need for overtime. [Comm. A. Sartor] So President Obama didn't call to tell you in advance about the-- [Chair D. Samson] He did, but I was sworn to secrecy.

[Comm. S. Rechler] It sounds like from Mike's report that it's a work in progress, that the first phase here, and this budget process and some of the newer tests that you're saying with Engineering and others in terms of trying to find the balance of how many permanent full-time employees we should have versus how much overtime, when are we doing work at the airports and on other construction sites, that's going to make overtime more efficient. Setting these targets is going to provide techniques for us to develop, I think, more appropriate budgets going forward that people can be held accountable to. Right now it feels like there's not as much of a science to it, and you're trying to develop some of that science, and I think that the more that you hold people accountable and test and evaluate the metrics that come back from those activities the better off we're going to be on the non-event driven overtime that the Deputy Executive Director was referring to. A question on Engineering, though, specifically. You mentioned--and some of the progress. Have they set a target for themselves as to where they want to get the monthly overtime to? Yeah, but we haven't gotten it yet. We're at the point of evaluating who is using it and why they're using it, targeting areas that we believe can come down, and then we'll certainly take that up in terms of staff targets.

[Exec. Director P. Foye] Vice-Chair, Peter Zipf in Engineering has taken steps already this year to cut Engineering over time, including taking a very, very hard look at administrative overtime in Engineering.

[Chair D. Samson] Thank you. Any other questions or comments by Commissioners? If not, let's move on to the next informational issue, which is a report on one of our favorite objectives, transparency. Pat.

[Exec. Director P. Foye] Chairman, Bill Baroni and I are going to split this. Let me start it off by saying the following. The bottom line is since the Board adopted the transparency reforms earlier in the year the Port Authority is releasing much more information much quicker and in many cases with no exemptions than it ever has in the past. In March of 2012, a number of transparency reforms were adopted. One with respect to employee compensation led to the

posting of total compensation on the Port Authority website. That information is updated quarterly, and I think in that respect we're unique among government agencies on the East Coast. A new Freedom of Information code was adopted, which provides broad, extensive, and clear definitions of what constitutes a record. Following the meeting at which these reforms were adopted in March the Port Authority posted over 22,000 pages of documents and additional information to our website. This effort, after review, we believe is one of the largest voluntary online posting and publishing of government documents in the history of public entities in the region, and we continue to provide for posting a significant amount of both current and historical agency documents since that time. The number of FOI requests received by year has increased significantly. Interestingly approximately--and this is a good thing for both requestors and for the Port Authority--over 60% of all requests received in 2001 were via online form, and that percentage has risen to 69% for requests received to date in 2012. It saves the Port Authority money and makes it easier for those seeking appropriately public information. The average number of business days to respond to a request is down. Since the implementation of the Freedom of Information code on April 16, FOI staff's performance in responding to the public has shown a marked improvement with the average number of business days to complete a request at slightly over 6.3 days for new requests received and completed by the end of the 3rd quarter of 2012. For requests received and completed for the period of 2011, our average number of business days to complete a request was approximately 8 days, so a significant reduction. And there's also been a significant reduction of 42% reductions specifically in outstanding requests. You may recall that when Bill and I reported to the Board there was an existing backlog, and that backlog has been cut by 42%. Freedom of Information transparency has also increased. Nearly 45% of all responsive documents have been provided to the public on the timelines I just described with no exemptions applied. If we take a look at prior periods, that number was about 60% if we exclude cases where Social Security and bank account information and the like would have been encompassed within the request. In both examples, it clearly shows that the Port Authority is releasing much more information much quicker than it ever has in the past. And lastly, before I turn it over to Bill, a Freedom of Information Appeals of Determination. Since 2011, 12 appeals have been received by the General Counsel. 2 have been referred back to the Freedom of Information Office to provide clarification on response. 10 have upheld, only 3 have sought further legal action, and only 1 has sought legal recourse since the March reforms were implemented. And at this point I'll turn it over to Bill.

[Dep. Exec. Director B. Baroni] Thanks, Pat. Chairman, members of the Committee, one of the other significant changes that was made by this Board back in March was a 1-year trial basis waiver of fees that were being charged to the public both for copying and for research. By way of comparison, in 2011 the total fees paid by members of the public exceeded $8,000. Since March 2012, since the Board action, we have posted, as you heard, 39,000 additional pages posted. We have waived nearly $12,000 in fees for the public. This, as Pat said, makes it easier to get information, quicker to get information, and now for people much less expensive, at no charge at all in many cases, to get information. Commissioners, I would be remiss, we would be remiss, if we failed to point out that there are still significant steps that we are taking to make the challenges in administering our new Freedom of Information code. We believe strongly that maintaining high levels of responsiveness must continue, but the increased number of requests continue to cause us to be challenged. Individual requests are often voluminous, seeking numerous massive documents in one request. Some of those requests are extremely complex,

particularly when they include security related records that must be carefully reviewed before their release. The ability for the public to be as specific as possible in the request is extremely important. Often we receive a long list of non-specific requests that can span many years. But since implementation of the code we have worked diligently to work with requestors to make sure that we are actually able to help them narrow and focus their exact request. Typically the more specific a request for a record is the quicker and more completely responsive we can be. The staff time and expense incurred throughout the agency to do the research, identification, fulfilling of those requests of thousands of pages will continue to be a challenge, but it is a challenge that Karen Eastman and her staff has been meeting. One of the ways we are addressing those challenges is to remember at the Board's direction that our number one priority is to have a continued, increased focus on customer service. Providing the public with assistance in clarifying requests and providing explanations on why certain material, security, for example, needed to be partially or completely redacted will assist us in proving our responsiveness to the public and streamlining those requests. The posting of FOI responses on our website will continue to provide for quicker turnaround time and also provides other members of the public at large with access to the same documents when they're made available. We are increasing the number of agency records available online in hopes of not only being more open with the public but also reducing the number of repeat requests for information by being able to point to people and say, "It's already on our website." 2013, for the first time, this agency will dedicate a portion of its budget--with the Board's approval, of course--specifically to transparency. This month we have added an additional Freedom of Information officer, which we believe will result in even quicker response times and resolving that remaining backlog of outstanding requests. We hope these measures cumulatively will demonstrate an increased transparency and responsiveness. As previously mentioned, nearly 70% of FOI requests are being received online, and the posting of all fulfilled FOI requests we know the public is aware of and fully utilizing our website. With this in mind, in our efforts to further improve the agency's transparency, at the direction of the Board, we are continuing to utilize and modernize the agency's website to provide for this greater transparency to the public. Since our transparency program began, we have posted over 75,000 pages of documents, which is 53,000 pages since March, since the initial posting began. This includes 61,000 pages of Freedom of Information responses, nearly 7,000 pages of Minutes of Port Authority Committee and Board meetings, and Minutes going back to 2004, including pages of meeting presentations, annual reports, and other documents. We will continue to prepare historical documents as well as current documents for posting. In fact, tomorrow we anticipate posting an additional 25 years of the agency's annual reports back to 1951 with the balance soon thereafter dating back to the agency's creation in 1921. Commissioners, shown on the screen are some examples of our transparency initiatives, including public reporting on lease executions, contract authorizations and awards, insurance placements, claim settlements, quarterly updated data on employee compensation, which the Board has directed us to do, and agency overtime. We continue to stream public Board and Committee meetings live on our website and keep postings of all current meeting Minutes and presentations. Commissioners, as you directed, we have and will continue to seek ways to further improve our responsiveness to the public and making information readily available in order to ensure that this agency is operating in the most transparent manner possible.

[Chair D. Samson] Thanks Bill and Pat. Do any of the Commissioners have any questions or comments? [Comm. J. Rubin] Just to commend both of you, Bill and Pat. That's an enormous

amount of work and an enormous effort. I sure hope there's somebody out there reading all of this material. [Chair D. Samson] Yeah, look, I think it's been a very great effort, and it's produced some demonstrable results. I have two questions to ask, though. The one is with this increase in traffic in requests, have we augmented the staff that services these requests? [Dep. Exec. Director B. Baroni] Yes, Chairman, we've just recently added another Freedom of Information officer, and obviously we've augmented our staff when it comes to technology to be able to keep the website-- [Chair D. Samson] Your judgment is that the current staff level is adequate to deal with the requests? [Dep. Exec. Director B. Baroni] As we go through the budget process--in fact, and I thank Commissioner Rubin for his compliments to Pat and I. Significant if not all the credit should go to Karen Eastman and her team because they have really worked around the clock. [Chair D. Samson] There's no doubt that we all recognize Karen Eastman as the force here. [Dep. Exec. Director B. Baroni] But with Karen, Pat and I as well, obviously we come as the budget gets presented to the Board in working with Commissioner Bagger and the Board with the completion of the budget, one of the questions that we are analyzing is is the number of folks that are actually doing the responses--I mean, one of the great successes of transparency is that more people know that you're transparent, and more people request documents.

[Chair D. Samson] That's, by the way, the end game here. That's what we're trying to do. I have a question, a narrow question on this Dietrich case. For those of you who actually sleep at night and don't read these kinds of things, like me, this was a decision by the Appellate Division in New Jersey last week or the week before which held that the New Jersey OPRA law, the Open Public Records law, did not apply to the Port Authority. What I'm trying to understand, since our FOI and transparency policy is supposed to mirror not only the scope but the spirit of both states, open public records policies, what was being requested in that case? I understand it was decided on a narrow legal issue, but why did it ever get to that point? Why didn't we just give them what they had asked for? Does anybody know the answer to that, or should I take that up with Darrell Buchbinder? [Exec. Director P. Foye] No, I think the answer is police disciplinary files and summons-- [Chair D. Samson] I saw the footnote in here but why wouldn't that have been-- I mean, disciplinary files I assume would be exempted under anybody's policy because it's personnel. But there's also some reference in the footnote here to summons. Why would we--does anybody know why we didn't give the appellant in that case the information that it was seeking? [Exec. Director P. Foye] I'll exercise my prerogative and send it to Darrell, send the question on to Darrell. [Comm. R. Rosado] I'll make sure that-- [Chair D. Samson] Yeah, I would like to know, and I would like somebody, I guess Darrell or somebody, to just let the Committee know what was involved in that because it seemed to me that the decision on those grounds undercut from a public perception point of view the very work we're trying to do here. I get the fact that lawyers like to argue esoteric jurisdictional issues, but in this case, if the documents that were being requested were documents that we would have given them anyway what the heck were we doing fighting on the issue of whether the New Jersey law applied to the Port Authority or not? It just seemed to be with all this effort that you, Pat and Bill have explained here-- [Comm. J. Rubin] And Karen. [Chair D. Samson] Mostly Karen, yeah, and the success that Karen has created, it seemed a shame to get that kind of a black eye in the press that we were resisting turning over documents which perhaps we would have given them anyway under our policy. If they just checked the wrong box, they were buying the same product but they went to a different store, I don't get what was happening in that case. And so after all this

effort, all of this money, all of this concern by the Board to drive the agency toward a much greater transparency we end up with something like this because it was argued on the wrong legal basis, and I don't even know, frankly, why we were involved in an appeal, why we didn't just give them the information. However, I'm sure we'll find out. Yeah, I'm sorry, Scott.

[Comm. S. Rechler] No problem. Just to reiterate, I think a great job by everyone. I think one technique, if we could find a way to take Karen's memory bank and put it online we'll have full transparency at the Port. But the counter to that-- [K. Eastman] [Inaudible] [Comm. S. Rechler] I think it's just your wealth of knowledge here. But one of--actually the counter to that, which the Deputy Executive Director raised and I think is really important, is we can overwhelm people with information and documents that become worthless, and I think the focus on trying to refine what people are looking for and give them that specifically versus an abundance of information that they can't figure out is going to be better for them and better for us, so I encourage more of that as you had suggested.

[Chair D. Samson] Thank you. Anybody else? No? No other business before the Committee? The meeting is adjourned.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Meeting Transcripts
October 18, 2012

[Comm. A. Sartor] The World Trade Center Redevelopment Subcommittee met in executive session prior to the public portion of today's meeting to discuss matters involving ongoing negotiations or reviews of contracts or proposals. The Subcommittee will now meet in public session. In addition, the public portion of this meeting is being broadcast live on the Port Authority website to those interested in viewing today's proceedings via the internet. And I just turned it on. Okay. Steve? World Trade Center construction trade contracts.

[S. Plate] Yes, good morning Commissioners. Today, I'd like to have one award and a number of background authorizations, the first of which involves Cortlandt Way Fit-out, which is adjacent to Tower 3 and Tower 4. We went out for bid, and we had five qualified bidders. Five qualified bidders--our estimate was $10.1 million. They were all clustered in that range. The lowest qualified bidder was Penick at $10,365,500. So, they're going to be working--what's this all about? Because Tower 4 is going to be completed by Fall of next year, we have to finish the sidewalk adjacent to it in this area, and as Tower 3 gets finished, we do the portion adjacent to Tower 3. That's why it's time critical. Very good bids. Very good bidders. This bidder does work throughout the country, does work in New York, has done a number of projects for the MTA, New York City, knows the New York market and is-- [Comm. A. Sartor] New to the agency though--we haven't-- [S. Plate] New to the agency, yes, yes. New to the agency, sir. He actually did work as a subcontractor to Skanska on the Hub, but not direct. So, he's familiar with the site. >> [Comm. A. Sartor] Okay. I'll entertain a motion that this be moved to the full-- So moved. >> Seconded. [Comm. A. Sartor] Okay. Next item, Steve.

[S. Plate] Okay. Next item is consistent with the Navigant report. I wanted to just have a formal recognition for this Board of the project reauthorization for the Hub, which ranges from $3.74 to $3.995 billion. We're looking to get--as you know--as part of the new agreement with the FTA of $2.872 billion and then a request for an increase in financial expense of $95 million. We just recently are in the process of drawing down on this since it was signed almost towards the latter part of the middle of last month. So, that's it.

[Comm. A. Sartor] Any questions on the signing? Okay, move to the full Board. Steve, what else? [S. Plate] I think that's it, right? >>[Comm. A. Sartor] That's it? [S. Plate] That's it. >>[Comm. A. Sartor] Okay. Okay, if there are no other questions, I'll entertain a motion that this meeting be closed. >>So moved. >>Seconded. >>Thank you.

The Port Authority of New York and New Jersey
Committee on Capital Planning, Execution and Asset Management Meeting Transcripts
November 15, 2012

[Chair S. Rechler] This will be broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. We have new items on the agenda today, two of which Sue Baer gets to speak to. Before we even jump to that, the comment I just want to make more generally is coming through the storm Sandy. We've had some discussions in other Committees, I just aid to helping your team for doing an excellent job, making sure the airports, everyone was safe and got open quickly, and I had the opportunity to tour LaGuardia and tour with the people there, great dedication from everyone involved. The collaboration of all the airports and sharing equipment was very, very good. Then I just want to note that as a Committee, that we're going to be focused on, and it won't be today is just taking a step back and looking at our capital plan and what is important, such as state of good repair and some more ambitious projects in light of where we are relative to the realities after the storm and making sure that our capital is being allocated in the most appropriate areas to ensure that our infrastructure is one that—I'm sorry. This great speech is going nowhere! (laughter) That our infrastructure is well preserved, that everyone sees as needed. So that's something, I think, and we're have a meetings what's in our capital plan and that we should be regrouping at some point, determining, and maybe there is a shorter capital plan for 2013 that we can think about, so that gives us some time to think about a recasting of our 5-year plan under the lens of the post-Sandy environment. So that's just an opening, but now Sue, I'll turn it over to you. >>

[Sue Baer] Thank you. Today we're here to seek authorization for an infrastructure renewal project for 2 of the primary utilities serving Newark. Both of these projects are important elements to allow the airports to meet the power demands of Newark Airport, both at near and longer term. The Central Terminal area at Newark has substation located in 3 areas within Terminal B in the Central Heating and Refrigeration Plant, commonly and affectionately known as the CHRP, and between Terminals A and B and on both sides of Terminal A. Authorization is to add a substation at Terminal B and replacing a substation at the Central Heating and Refrigeration Plant. Those are both shown in yellow on this aerial. It should be noted that none of our substations experienced any flooding during Hurricanes Irene or Sandy. The Terminal B Modernization and Security Program which we are near to completing added significant electrical loads to Terminal B. In 2010, Public Service Electric and Gas increased the substation transformer capacities so we could get maximum utilization out of the 3 substations we now have. But new initiatives, including Aircraft Ground Power and Aircraft Preconditioned Airs, which are important environmental initiatives for the airport, will require more power than is currently available at the terminal. This project would construct a 4th substation, as well as another generator, allowing for improved operational reliability of critical building systems. During Hurricane Sandy, stranded passengers from Terminals A and C were sent to Terminal B, the terminal that we run, because it maintained power, not just the minimum life safety lighting systems. With the new substation, Terminal B's power reliability will be further maintained. Now the 2nd project is at the Central Heating and Refrigeration Plant, and that heats and cools Terminals A, B, and C. The north substation has been operating since the terminals were constructed in 1968, and it is now obsolete. The south substation, also located in the Central Heating and Refrigeration Plant, is newer and was constructed in the 1980's. This project

replaces the north electrical substation, which will support the projected lows, and it also will allow for redundant design. It would cross connect the 2 substations to provide this redundancy. The project will also add a new chiller that will replace one that is no longer functional. Unfortunately, this project would not have prevented the power loss that happened in Irene, because that was a catastrophic nature to the whole airport, but less catastrophic power failures, this would provide redundancy, because the 2 substations are fed from separate switch houses. This project represents significant economic benefits for the region. The total economic benefits are up there, 280 total job years, $17 million in wages, and $100 million in overall economic activity. Now the project authorizations for total of over $58 million as well as we're seeking your authorization to award the contracts estimated at a total of about $30 million. The bids will be solicited for those through a publicly advertised RFQ and awarded to the lowest bidder who is qualified. We're also seeking authorization to enter into agreements with PSE&G and reimbursement of an estimated total of about $3.1 million to PSE&G for the work connecting their portion of this to our new substations. This project will be fully recoverable through a combination of PFCs, the fees that we charge the users of Terminal B, and the Central Heating and Refrigeration components of the Master Lease. Construction is expected to be completed by the 4th Quarter of 2016 for the electrical substation and the 3rd Quarter of 2016 for the north electrical substation, so I request your approval to advance this to the full Board.

[Chair S. Rechler] Commissioners, any questions? Comments? Commissioner Steiner? [Comm. D. Steiner] I move this forward. >> [All Comm.] Second. >> [Sue Baer] Thank you.

[Chair S. Rechler] So the next item is the LaGuardia Airport Rehabilitation of Taxiways. [Sue Baer] Yes, and this is a state of good repair project for LaGuardia Airport. We're seeking to rehabilitate Runways [sic] A, M and ZA. These are the taxiways located at the east end of the airport adjacent to Runway 13-31 and behind Terminals C and D. They were last rehabilitated--one in 1999, one in 2000, and one in 2002. Our regular pavement management report and inspections have revealed that consistent with normal wear and tear, the runways [sic] are in need of rehabilitation. We will also rehabilitate the electrical infrastructure so we can comply with the current FAA standards. This project will be done in asphalt, because it is a milling and paving job. It is not a full depth replacement. The economic impact over the life of the project is estimated to result in about 210 jobs, $13 million in wages, and $63 million in overall economic impact. We're seeking your approval for project authorization of $38 million of which $1.7 million consists of design and engineering costs from in-house, about $350,000 by consultants. We're also seeking your authorization for the Executive Director to award the contracts, estimated at about $27 million. Bids will be solicited from publicly advertised RFQ and awarded to the lowest qualified bidder. This project is fully recoverable through flight fees and a small FAA AIP grant that we've received. Construction is expected to commence in the 2nd Quarter of next year and will be largely completed by the end of 2014, with a little work perhaps in 2015. We request that you advance this item to the full Board for approval.

[Chair S. Rechler] Any comments or questions? [Comm. A. Sartor] Move it. >> [Comm.] Second. >> [Chair S. Rechler] All in favor? [Comm.] Aye. >> [Chair S. Rechler] Okay, we'll move this. Thank you.

[Chair S. Rechler] And our next item is the George Washington Bridge, the cable strand rehabilitation in the anchorages, and relocation of utilities, and Cedrick Fulton is going to make the presentation, please.

[Cedrick Fulton] Good morning again, Commissioners. I'm here again this morning seeking approval on two project authorizations at the George Washington Bridge and subsequent approval of contracts to do work on rehabilitating the cable strands at the George Washington Bridge as well as relocating utilities on the main span of the George Washington Bridge. In December of 2011, I was here with the Chief Engineer and you were given an overview of the replacement of the suspension system at the George Washington Bridge, and in particular, we talked about rehabilitating the main cables, rehabilitating the cable strands, as well as replacing the suspender ropes. This is largely a state of good repair project, very important. The bridge was built in 1931. The lower level was added in 1962. The work that we're talking about is important, as the bridge is clearly one of our highest performers in the Port Authority, certainly is one of the TB&T facilities. 100 million vehicles a year, $600 million in annual revenue. In the past, we first came to you in 2009 seeking the initial planning authorization in the amount of $4.5 million. Planning continued. We came back in December 2011, seeking an addition $15.5 million. In total, you approved $20 million to advance this important program. Today we're here to talk about 2 elements of the program suspension. That is again the repair of the cable strands as well as this work to remove, relocate the utilities. The utilities, we have to do as it's very much related to the phasing and logistics of doing the suspender ropes. We plan to come back to you seeking an authorization to advance the suspender rope work in the 3rd quarter of 2013, which is really the larger aspect; the project is approximately $1 billion. With regard to the cable strands, what we're seeking to do is to take a look at them, do an inspection. We know that some of them have become deteriorated and broken. In addition to the inspection, there will be cleaning. One of the important pieces of information to note is that even though there are some broken strands, the bridge load capacity is no way a compromise, but it's work that does need to be accomplished before it does become a problem. The other element of work relates to moving utilities that are currently in the location of where the suspender rope clusters are; on the top right and bottom right, you can see the conduits, which carry the power as well as the communication cables. They have to be moved from their location, moved to--we're going to move them to the center median. Then the work will commence on the south side of the bridge to be able to do the work associated with the suspender ropes. We'll be coming back at a later time to deal with the same situation on the north side, but throughout, because of the need to maintain operations as well as other ongoing construction work out there, we have to phase this work. So key milestones associated with this project is that, assuming that we receive project authorization today, we will be looking to complete the design and then bid these projects in the April-June time frame of 2013. We would then be awarding contracts in the May-June time period of 2013 and the construction we would expect would be complete for the cable strands in the 1st quarter of 2016 and the utility relocations in the 1st quarter of 2015. Again, we would expect to come back to you in 2013, seeking authorization for the actual suspender ropes themselves and then commence construction around the 2015-2016 time frame, and that's about 5 years worth of work. With regard to the cable strands themselves, the total project cost is $33.3 million. The staff cost is $6.5 million. I should point out the staff costs are high here, and it's because there's lots of labor involved by the professionals associated with the inspection process. Each one of the strands literally have to be pried open by the contractor; professionals will get in there, and Peter Schaub

as well as consultants look at each one of the wires, determine the condition it's in, do testing on it, and they have to repeat that process throughout 488 strands, so it's lots of work, side by side with the contractors as they're advancing the work.

[Comm. D. Steiner] How many strands are there all together? [Cedrick Fulton] 488. >> [Comm. D. Steiner] That's the total amount of strands? [Cedrick Fulton] Correct. [Comm. D. Steiner] And I presume when you replace the wire, you use a higher spent wire than there is now? [P. Zipf] Yeah, we have to replace 3 strands based on visual inspections, and they'll actually be replaced with the rod. We're going to tie it and clamp them, pull the tension off, then put a new rod in. [Comm. D. Steiner] And that's a higher spent wire than there is now? [P. Zipf] Yes, and there's a 1,000 wires that have to be sliced and connected based on what we know today. When we get out there, we'll do as Cedrick said, we're actually going to wedge them apart, take both of them-- [Comm. D. Steiner] I thought there were only 488 strands. [P. Zipf] But there are 20,000 wires because they all splinter out.

[Cedrick Fulton] So the actual contract we will be awarding will be $20.7 million. This project will be able to produce 90 job years, wages in $80 million, and a total economic impact will be 200 job years, $13 million in wages, and $50 million in economic activity.

[Comm. D. Steiner] I just want to add one thing, if you go forward and I would think that if you're putting conduits in, a lot of conduits in a short expected time, you always have a spare because over the next 50 years you don't know what's going to come up. I think it's a wise investment.

[C. Fulton] As it relates to the utility relocation, the total project cost is $13.6 million, staff cost of $1.4 million, a contract for $8.4 million. The project will result in directly 20 job years, wages of $2 million. The total economic activity will product 60 job years, $5 million in wages, and $22 million in economic activity. Commissioners, we request you approval these project authorizations and subsequent contract awards.

[Chair S. Rechler] Any questions? Commissioner Lynford?

[Comm. J. Lynford] Maybe you could help me put this in a larger context when talking about the $25 million. When I discussed this once before when I sat there and think Peter was sitting in this chair and gave us an estimate of billions and billions of dollars for the total. I asked the question, that's a pretty big spread. Help us narrow a little bit of it. Any response? Well, when you do this work, you'll be able to help us narrow that. This? When we're finished with all of this, does that help us narrow it? We have to wait until 2016, or where are you in that process of narrowing that spread? [P. Zipf] This is the two major components of the suspender rope replacements, so this will be kind of the foundation, so it makes sense to do this. The other thing they do with the actual suspender rope, replace 592 suspender ropes are going to replace. We're far along in the design, remember the big issue was the actual cross section where they're not to do that sidewalk extension. If you remember? [Comm. J. Lynford] I remember the anchorage was also an issue. [P. Zipf] Yeah, anchorage we're carving out in here. So the ropes themselves are moving along. We're finalizing the details on the cross section; whether or not to expand the sidewalk on both sides. And we're meeting closely with Cedrick, we're meeting with Pat and Bill

to make a recommendation, which is what you asked us to do, come back with that recommendation, so that will be two Board meetings. [Comm. J. Lynford] And that will give you an extra $250 million in capital budgets. Do you think it will cost you a billion-- [P. Zipf] We're still in that neighborhood quite frankly, we're still about $800 million for the program. That sidewalk is in the range of $70 million, plus or minus, and again, we're looking at it from an operational point of view. It's really coming down to purely operations.

[C. Fulton] So we're prepared to talk about the sidewalk. It's just a matter of having the opportunity to speak to the Executive Director and Deputy Executive Director to come back to this Board.

[Chair S. Rechler] When we're moving the utilities, are we them to a place that we're not finding ourselves in a spot where there's going to be some other repair, then we're going to need to move them again? [P. Zipf] There was a long discussion on that. Utilities on both sides. One is redundant back up, so to the credit of the facility staff, we're going to put it down the center, so no one's going to have to come in later and move them back, and they'll stay there. [C. Fulton] And to the prior point, there will be redundancy at the conclusion rather than the phasing of moving the utilities from both the north and the south.

[Chair S. Rechler] Any comments? Questions? [P. Crist] Yeah, you might just want to clarify the $800 million cost - is the construction cost. [P. Zipf] Yes. I'm sorry. That was the construction dollars that we saw. That's for everything. That's for the ropes. [Comm. J. Lynford] And the other $200-450 million is for what? [P. Zipf] It's for soft cost: Staff cost, design cost, construction management cost, finance cost, administrative. >> [Comm. D. Steiner] And contingency. [P. Zipf] It's 25/75. Hard versus soft. [Comm. P. Schuber] Financial cost too? >> [P. Zipf] Financial cost, too.

[Chair S. Rechler] That now concludes our public session.

The Port Authority of New York and New Jersey
Committee on Operations Meeting Transcripts
November 15, 2012

[Chair D. Samson] A portion of today's meeting of the Committee on Operations is being held in public session, after which the Committee will meet in executive session to discuss matters related to proposed, pending, or current litigation or judicial or administrative proceedings, and matters related to the purchase, sale, or lease of real property, or securities where disclosure would affect the value or the public interest. In addition, the public portion of the meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. Commissioner Steiner, good morning.>> [Comm. D. Steiner] Good morning. How are you?>> [Chair D. Samson] I'm fine, thank you. [Comm. D. Steiner] Reporting for duty.>> [Chair D. Samson] I see that. We're all blessed having you here. The sole topic on today's public agenda is a presentation by Cedrick Fulton, our Director of Tunnels, Bridges, and Terminals, relating to planning for the upgrade and replacement of the Intelligent Transportation System on the GWB as well as some early action awards with regard to variable message sign replacement. Cedrick, good morning.

[C. Fulton] Good morning, Commissioners. How are you today? As you stated, I'm here to talk about replacing the ITS system at the George Washington Bridge and some early action items to replace some critical, important signs. Right now in our capital plan we have approximately $83 million set aside to replace the system up at the bridge. The current system is very old. We installed it in 1997. Today there are 3 aspects of this program that I'd like to talk to you about. One is to seek authorization to begin planning for replacing the system in the amount of $3 million. I'd also like to talk to you about a package of early action sign replacements that we'd like to advance, and there's 2 packages, 6 signs that are on the New Jersey Turnpike approach to the George Washington Bridge in the amount of $6.3 million, and then another package of 8 that are on other properties around the George Washington Bridge in the amount of $4 million. I should note as I move on that what I'll be talking with you about today is consistent with the planning that we've put in place as an agency related to the Intelligent Transportation System, and specifically those plans we'll look at are in the aggregate, not just the TB&T facilities but also the other Port Authority facilities, making sure that there's an integration or sense of integration as it relates to the regional network and key elements as it relates to thinking about Intelligent Transportation Systems, associated with making sure that there's a platform and open architectures that allow us to both integrate within our own structures as well as our regional partners. Just a little bit about ITS. I think a lot of it speaks for itself in these days and times. Fundamentally what ITS is about are technologies that come together, that collect information and then enable us to be able to push that information back out for the use. From an operator's perspective, one of the things that we want to be able to do is know about something as rapidly as possible so that we can respond to it. We certainly want to be able to make the best traffic management decisions, and the collection of information allows us to do that, and we want to make sure that the people who do the business of operations, both in traffic, emergency response, public safety, et cetera, all have the best possible information, and these tools that we talk about in the context of ITS allow us to do that. In addition, there are many public benefits that we derive from having these technologies and systems in place. First and foremost is the ability through the signs in particular and other modes to tell people what they need to know, and I think

we recognize coming out of what we've just been through the importance of being able to do that. You can't speak to it enough, whether it's through a sign or some other media, collecting and then disseminating is crucial. The other thing that we understand is that beyond weather we have lots of congestion. We have lots of traffic. We have lots of special events, and the ability to know what's going on throughout the regional network helps us better manage in a highly congested area, and as we are able to better move traffic we know that will help reduce the idling and as a result have a very positive benefit on the environment. One of the key things that we think about when we talk about the ITS is communications. That's essential and necessary with our partners, and there's lots of them as we operate our facilities, the DOTs on both sides of the river, the MTA, the Turnpikes, et cetera, and so it's important that we do our part. The agencies that we work with, they're all advancing their own independent systems, and they're contributing information to the regional cause, and efforts like this will allow us to do the same. Today at the Port Authority systems exist that are certainly at the Hudson crossings, at the Holland and the Lincoln. They also exist at the major airports, JFK, LaGuardia, and Newark. They're in various states, and they have various states of capability, and we will be looking at all of them as part of the larger agency plan. With regard to the George Washington Bridge, though, it's particularly important. The system that we had in place was held as one of the best in the region at the time when it was installed, but the bridge is such a vital part of the regional network on the I-95 corridor, 250,000 vehicles a day. It's also a main truck link here in the region, and given the complexity of the roadway networks on both sides of the river having a robust ITS system and signs certainly will help us deal with all the issues that come up in the context of managing traffic in this region. More specifically, what we're looking for today as stated previously are 3 things. One, we want to begin the planning to replace the existing system at the George Washington Bridge. It's 15 years old. It is, in fact, obsolete. One of the observations I'm sure those of you have made as you've traveled around the region is that the signs, some of them are black, some of them are white, some of them have what you consider to be hieroglyphics, and I'm sorry to report that's the case, but the primary issues are lack of parts. We simply don't have the parts to replace them, even though we've tried to work with others to cannibalize and do the best we can. We're at the point right now where most of the signs, we need to turn them off, and so in the next few minutes I'll be talking to you a little bit about what we plan to do to move as rapidly as possible to replace those signs. Integral to the planning, though, is also this enterprise-wide software. It's the basis, the foundation that will allow us to make sure that as we move forward that it's on a platform that's integrated with what we would do throughout the rest of the Port Authority, certainly the other Trans-Hudson crossings, Staten Island, as well as the airports and other Port Authority facilities. The other part of this presentation today was to seek your approval to advance 2 sign packages. In blue on this picture here you see the signs that we are proposing to replace on the turnpike. They're on turnpike property. They are currently there. They were part of the original installation. Coincidentally, for those of you who travel the turnpike, you see they are going through a very extensive widening project, and throughout that project they're also replacing their own signs. Over 200 signs are being replaced as a part of their project. Coincidentally, I was sitting in a meeting with Ronnie Hakim, and we were talking about a number of things, and we began talking about the possibility of how we could leverage that project that they're working on and something that could benefit our needs, and inasmuch that those signs are on their property and we'd have to deal with them and deal with their standards, the fact that they have a designer, that they have a contractor in place, we concluded that the quickest and most cost-effective way for us to be able to replace those signs would be to ask

them to advance them for us. One of the things we're doing here today is we'll be talking about that. The other signs here are in pink. They are on Port Authority property, New York State DOT property as well as New Jersey DOT property, 8 signs that we will be proposing to replace. We would be doing them ourselves, the design, the procurement of the signs and the installation of those signs on existing sign structures. As I was speaking before, the first package of 6 we're seeking authorization to reimburse the turnpike $6.3 million. Again, most of us who have dealt with interagency relationships, there's lots of paper that goes back and forth that would have to be approved to be able to make this happen. By virtue of the fact that they would be advancing it, we're going to streamline the process incredibly. Everything will be done with their designer, with their contractor in accordance with their standards. Also, we will be able to get it done rapidly. One of the things that we want to do is we want to get those signs replaced because a lot of them just don't work right now, and we also are excited about being able to do them as we think about big construction projects that are upcoming in the region as well as importantly we want to be able to provide as much information as we can as we think about the planning around the 2014 Super Bowl. And then a second set, which includes 8 at $4 million, we would be doing those ourselves. A little different here. We're basically buying signs through a competitive process or off of existing contracts, and we will be putting those signs into existing structures. On the prior package there was actually going to be work on the structures, so here we would be buying signs, and then we would also be awarding an installation contract. From a timeline perspective, this is what we're looking at. We were hoping to seek planning authorization today to be able to advance the replacement of the larger system up at the George Washington Bridge. With that, we would be coming back to you in the second quarter of 2014 for the actual project authorization for the replacement of the entire system up at the George Washington Bridge. Again, we're carrying approximately $83 million in a capital plan for that. We're also seeking early action, Item 1, the 2 sign packages that I just walked through, and with that approval we would begin construction on those sign packages in the 2nd quarter of 2013 and have them be completely installed by the 4th quarter of 2013. With this project, we would be looking at directly jobs in the range of 30 job years and direct wages of $30 million. Total economic activity would be 80 total job years, $6 million in wages and $25 million in economic activity. Today we request that you approve the planning efforts to replace the ITS at the George Washington Bridge and advancing of the early action item to replace 14 variable message signs.

[Chair D. Samson] Thanks, Cedrick. Do any of the Commissioners have any questions or comments? Commissioner Steiner.

[Comm. D. Steiner] What can we do to help you expedite this? It is a critical item. Is there anything we could do to short circuit some of these things by reaching out to--are you still on the Turnpike Authority? I don't know why we can't just short circuit a lot of this stuff. It's an urgent thing. It's very critical. And we know they have people there. Let's see what we can do to get it on an expedited basis. It's no more than business as usual. We've seen what tragedies can occur, and I would hope that we could do that, and perhaps the governors can lean on their particular groups and coordinate it and bypass a lot of bureaucracy and the paperwork, that we give the direction to get this thing done. It's a high priority. I agree with that.

[Chair D. Samson] It sounds like Cedrick is on the right track on this already having met with the Executive Director at the Turnpike and it looks like we're-- [C. Fulton] Staff has been working

very closely but any assistance that we can get-- but they've been very cooperative with us, extraordinarily cooperative, I might say.

[Comm. R. Pocino] That should be the quickest part of it. Does that $6.3 million include whatever advantage you might gain from the turnpike having the ability to do it quickly? [C. Fulton] Yes, they have over 200 signs that they're installing, so the economies we believe are inherent. We also asked our Engineering and Procurement Department to review the bids that they received to make sure that they were-- It makes a lot of sense to expedite it as quickly as we can. [P. Zipf] I might add too, to accelerate we're working with the Turnpike so our 6 signs, the procurement of those signs, we've been using the Turnpike's state contract to get those signs referenced, so we're totally on board with accelerating that. We're working with the Turnpike on that.

[P. Foye] The project can't be done without close collaboration on both sides of that. What benefit this doesn't include, Chairman, is the reduction of emissions on both sides of the Hudson, including where, for instance, asthma and lead issues are significant, and similarly on the New Jersey side.

[Chairman D. Samson] Commissioner Moerdler. [Comm. J. Moerdler] I guess timing is everything, and yesterday afternoon I was out in New Jersey, and I drove back on Route 80 to the GW Bridge, and there was not a single sign working. I passed I think it was 5 or 6 of them that were black and one that was hieroglyphic. [Chair D. Samson] Could you find your way back without the signs? [Comm. J. Moerdler] Only thanks to a GPS. [Chair D. Samson] You leave the crumbs on the way out. [Comm. J. Moerdler] But this is also an issue that I have received a number of complaints about, and it's sort of one of those public perceptions of the Port Authority, and it's obviously all our fault regardless of whether or not any of the signs are on turnpike property or are controlled or if any of them are outside our jurisdiction and we're just coordinating, so I echo comments from Commissioner Steiner and others that we really have to expedite this project. There was an interesting give and take that I read regarding the MTA in terms of reopening subway stations. Do they want to reopen the stations even though they won't have the new signage as to train arrival times working? And the answer was absolutely, get it open as quickly as possible, but that creates a perception in the public that you haven't done a complete job and that safety may not be up to date because not all the public facing elements, such as the signage, are working, and I don't think we need the criticism or deserve it of the signage being out affecting anything else insofar as safety is concerned on our bridges and tunnels, and I encourage, as Commissioner Steiner did, that we push this ahead as quickly as possible. And anything else that can be done to short circuit or any assistance that the Board can provide to the staff to help get past any bureaucratic hurdles we should do.

[Chair D. Samson] Commissioner Schuber. [Comm. W. Schuber] In the interest of being somewhat parochial but in support of interagency cooperation I just wanted to continue to reiterate, Cedrick, something you may already be doing anyway, which is to continue to keep the Bergen County officials as well as the local officials in the communities along that bridge area about the work that you're doing--sorry-- in the area of the work that you're doing here, which I think is certainly a very, very big plus, but I think they should be part of the knowledge of what's

going on here as questions do come through them as to what's maybe going on with regard to this and how this could be a benefit to the area. [C. Fulton] Yes, sir.

[Chair D. Samson] Commissioner Steiner. [Comm. D. Steiner] I wonder if there wasn't some way of short circuiting our buying that and just pay the Turnpike for doing everything that's on their property. They've got these contracts. They've got these contacts. [Chair D. Samson] That's what we're doing. This is a reimbursement. [Comm. D. Steiner] Oh, we were going to pay them directly? They're going to contract it so we don't have to do it. [Chair D. Samson] They're doing the procurement.>> [Comm. D. Steiner] And we're going to reimburse them. Because I heard something about reviewing the bids and all that. I didn't know what that was all about but we-- [C. Fulton] We just simply looked at the work that they had done from a procurement perspective to have a level of confidence that it was fair and reasonable pricing.

[Chair D. Samson] Listen, I think you're doing exactly the right thing, and this is a great example of how government can work together in a collaborative way. I mean, we all have an interest in making sure these signs are working properly because if you think about it what kind of a message--pardon the pun--it sends to our customers when these signs are out for long periods of time. Aside from the fact that nobody is receiving the benefit of the signs there's also this inference that the traveling public justifiably draws that we don't care very much about the convenience and satisfying the objectives of signs in the first place, so I commend you for not only your attention to it but the way you're going about it. I think it's a good idea, and as Commissioner Steiner indicates and Commissioner Schuber emphasized, the more we can collaborate with local folks over there and with all governmental agencies the better off we'll all be, so thank you. Any other comments?>>

[Comm. D. Steiner] Should we grant a motion? [Chair D. Samson] I'll just move it for the consent calendar. [Comm. D. Steiner] So moved.>>[Chair D. Samson] Second? All in favor?>> [All Comm.] Aye. [Chair D. Samson] Okay, that concludes the public portion of today's meeting. The Committee will now adjourn to executive session to discuss matters related to proposed, pending, or current litigation or judicial or administrative proceedings, and matters related to the disposition of real property or securities where disclosure would affect the value or the public interest.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Meeting Transcripts
November 15, 2012

[Chair A. Sartor] The WTC Redevelopment Subcommittee is being held in public session, after which the Subcommittee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. We have two items in the public session. Mr. Plate, One World Trade Center Building Construction Services Work-order Program.

[S. Plate] Good morning, Commissioners. The first item I have--the first item is for One World Trade Center, and it involves general construction associated with site work and tenant fit-out. And what this is about is, working closely with the Durst Organization, we decided to have several contractors available on-call to provide us support as the tenants move in like Condé. Bless you, I'm sorry. Specifically what we use them for is let's say they want an enhancement like you've seen at law firms like connecting stairs as opposed to using elevators, they can connect two floors. If they want additional power, they can go in and make modifications to the building to accommodate whatever needs they have. We went through a bidding process under Lillian Valenti's group, and she watched it very carefully and brought it through to completion. [Chair A. Sartor] She always does. >> [S. Plate] Yes, always does, absolutely. We had 9 bidders, and we picked the top 3 bidders. Why did we pick 3? It's because we wanted to be able to go back to them and say here's a piece of work, in a weeks' time or couple days' time give us a price for that and then we can negotiate, so we have a list of readily available contractors compounded with the ability to get a competitive price. If you look at some of the percentages, if you look at the numbers, obviously, they're doing this at very low prices. If it's a lump sum, for example, Holt will do it for 2.94% on top of the base cost of the T&M, so it's essentially-- say they do a $100 worth of work, they get $102.94. That covers their administration cost, their operating cost, as well as their profit, so obviously very, very minimal cost. Frankly, these firms are looking to keep their people busy. And then you go to John O'Hara, even less at 1.48, and Hunter Roberts and Ferreira at 4%, so it's very low percentages. We know all these firms, they've all done major work for the Port Authority as well as for other firms. Holt, for example, just did work at our building. They're doing work on VSC. Ferreira is doing work at the World Trade Center Hub as well as Retail. Hunter Roberts, Goldman Sachs and a whole host of firms. They do major work for fit-outs and this type of work. John O'Hara actually just finished 2 Montgomery Street in Jersey City. The amount of money you'll be authorizing is not to exceed $15 million in total and we look to have this for a 5-year term with two 1-year options.

[Chair A. Sartor] Any questions from the Commissioners? I just want to comment, I think this is something that's absolutely necessary. I'll entertain a motion to move it to the full Board. [Comm. S. Rechler] Motion. >>

[Chair A. Sartor] Done. Next item, Steve, site-wide operations and maintenance services. [S. Plate] Yes, basically this is--obviously, we do a lot of capital construction, but we also have an operating facility, so we have to do things like site cleaning, snow removal, trash removal, and all procurement of all necessary materials. What they do is--besides doing that, they also operate

the Chiller working with the World Trade Redevelopment Group as well as they provide 24/7 operation. During the storm they also were helping us provide electrical support and pumping support, so they're really part of the team. And this group, Able, was purchased again with Lillian's guidance. We used a federal contract. It was a very aggressive contract as far as the prices. We're presently paying about $10 million for the same services. This Board asked us to look at ways of saving money, and this was another opportunity we exploited. We end up saving, by the math, we're spending $10 million a year. We'll be spending now $7.5 million, so a true savings this firm. I can go on and on about what they do. They do Governor's Island, they do Park Avenue Tower, they do 850 3rd Avenue. Each one of those places are operations and maintenance associated with, in some cases, millions of square feet of operations and maintenance of space, so they're well familiar. They work in the New York area, we've dealt with them before, and they're a very strong and robust company.

[Chair A. Sartor] Any questions on this item? [Comm. P. Schuber] Move it. >> [Chair A. Sartor] Second? >> [Comm. R. Rechler] I second it. >> [Chair A. Sartor] Done. This concludes the public portion of today's meeting. The Subcommittee will now adjourn to executive session to discuss matters involving ongoing negotiations or review of contracts or proposals.

The Port Authority of New York and New Jersey
Committee on Capital Planning, Execution and Asset Management Meeting Transcripts
December 6, 2012

[Chair S. Rechler] The Committee on Capital Planning, Execution and Asset Management. This is the public session. The first portion of today's meeting of the Committee is being held in public session, after which the Committee will meet in executive session to discuss matters involving ongoing negotiations or reviews or contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet, and we have one item on the agenda with Sue Baer on LaGuardia Airport and the Capital Infrastructure Development Program. Sue, I'll turn it over to you.

[S. Baer] Thank you. Commissioners, good morning. I'm back here again seeking authorization for the completion of the planning effort on LaGuardia Capital Infrastructure Program, which will facilitate the formation of a future public-private partnership that will replace the existing CTB. This authorization would also authorize the project infrastructure element of the East Garage. Now, the CTB, which began operations in 1964, is outdated. It no longer meets the needs of our modern airport terminal in terms of a whole list of things: aircraft spacing, hold rooms, concessions, building conditions, building systems, and we cannot accommodate the future growth that we expect at LaGuardia. We began the first phase of planning in May of 2004 with an authorization for $15 million, and then in November of 2008 we were authorized a second phase of planning for $40 million. Both were funded with PFCs. Today's authorization would provide for the planning of the infrastructure elements that support the redevelopment of the new terminal, including demolition of hangars, construction of roadways, taxiway modifications, utilities, and parking. One of the infrastructure elements is the construction of the East End Garage, which is shown up here as the green box, and we are requesting authorization for that project as well. At the end of October, we issued an RFQ seeking a public-private partnership to perform duties within the area of the dotted white line which includes the demolition of existing structures, including a hangar, the existing parking garage and terminal, and construction of a new terminal and parking garage. This authorization today would provide the design dollars necessary to support the RFP issuance and the evaluation of the public-private partnership proposals later next year. Finally, we're seeking approval to apply for PFCs to support the planning of this program. The current parking garage serving the Central Terminal Building has nearly 2,700 public parking places. It's in its final years of its design life. Engineering estimates that the rehabilitation of the existing garage would cost $370 million to maintain the garage in a state of good repair over the next 30 years. We are proposing that the garage be replaced with two smaller garages, the East and West Garage, and as I've said before, we're seeking project authorization for just the East Garage today. One possible rendering of what the garage could look like is before you today. It's a little wavy perhaps, but it's just a rendering. It will provide a higher level of customer service with all of the kind of current amenities we put in parking today, including preferred spots, valet parking, premium services. We would expect this garage to hold over 1,000 spaces. When the full program is authorized, the total regional impact over the life of the project is expected to result in over 17,000 jobs. The East Garage project alone we expect the total regional impact over the life of the project to result in 670 jobs, $44 million in wages, and $185 million in economic activity. To recap, today we're

requesting program planning authorization of $63 million for all of the planning I discussed. We would also seek authorization for approval for the Executive Director to award the associated design project management and advisory services support for the evaluation and selection of a developer to help us evaluate the public-private partnership. Authorization for the East Garage at a total project cost is estimated at $109.8 million and authorization for the Executive Director to award the garage construction contract which is estimated at $86.8 million. The bids will be solicited from a publicly advertised RFQ and awarded to the lowest qualified bidder. And we anticipate that there's about $65 million of this project that is recoverable of this planning, and we will seek approval to include that in our next PFC application. The garage construction is expected to commence in the 3rd quarter of next year and be completed by the 1st quarter of 2015. We request your approval to advance this item to the full Board.

[Chair S. Rechler] Mr. Chairman.

[Board Chair D. Samson] Okay, Sue, we're going to keep talking about this, I guess? By way of background for the Committee, I had looked at this proposal a couple of times and had a number of questions about it, and Sue and her team were kind enough to meet with me yesterday afternoon to take me through this on a briefing, and I still have some questions for you, but I want to see if I can fine-tune them and save everybody time. I understand there are two items on this proposal. One is the infrastructure which is going to support and be the foundation for the CTB project, correct? [S. Baer] The planning dollars for that. [Board Chair D. Samson] Yes, I understand that and I'm hopeful--with respect to that I don't have a problem with that except as I want to discuss later in Executive Session, I trust that the planning for that will seriously focus on our experience over the past month with the effects of the storm. [S. Baer] Yes. [Board Chair D. Samson] The whole question of where we build and how we build and if we build in places like LaGuardia need to be carefully considered in the context of the next storm that's coming, and I know I emphasized that to you yesterday, and I have your assurances that that's going to be taken into consideration in the planning stage, but my question today has to do with this garage and some of the financial aspects of it. Just to let the Committee know why I raised this, at a time when we are trying to leverage what limited capital spending and investment we have it occurred to me to at least raise the question of whether we ought to be spending $109 million on a parking garage, and why are we doing this? One of the reasons is that it generates income and the other reason is as Sue explained to me yesterday-- you jump in when I'm misstating something, my memory is faulty--is that the existing garage probably has a life of 5 years or less because of its age and its construction, so presuming we're looking at a 5-year window, in all events we would have to shut that down, and if we didn't have some substitute for it we would lose the income that that's throwing off, which just for purposes of discussion today is estimated for this year to be about $15 million, correct? [S. Baer] Something like that.>>[Board Chair D. Samson] About $15 million, right? >> [Chair S. Rechler] Yes. [Board Chair D. Samson] The question for me is there something we can do either in terms of a short-term fix or a longer term vision to avoid investing $109 million today in this project for this garage, keeping in mind that this garage, although it's only going to have about 1,000 parking spaces, which is something less than 50% of the existing garage, is still going to produce some income at some point, right? [S. Baer] It will definitely produce income. [Board Chair D. Samson] Okay, so the question I have is this. First of all--and I tried to get this information from David Kagan at 6 o'clock last night, and he didn't have it. [S. Baer] Yes, he told me, but I do have it today. [Board Chair D. Samson] You do?

Okay, great. The fear that we all have is, as you've said, if we are going to rehabilitate the existing garage it's going to cost $370 million over the next 30 years. My question is--was to David and my question to you today is-- what is it going to cost to rehabilitate the garage to keep it operational for the next 5 years and then for the next 5 years after that as an option for investing $109 million today? [S. Baer] Unfortunately, because the garage is in such bad shape, we currently have more than 10% of the spots we can't use already, so the deterioration is well advanced in the garage. To get the garage up to standards and in a usable place over the next 5 years we estimate over $100 million to do that in the existing garage. So that's-- [Board Chair D. Samson] You're telling the Committee then that for $109 million you get a brand-new garage, but it's only a garage for half. [S. Baer] It's only half.>>[Board Chair D. Samson] For less than half. What's the cost of the West Garage? [S. Baer] We have not--that's part of the planning work that we're doing now. I don't have a number for that.

[Comm. D. Steiner] I assume it's the same thing. [S. Baer] It's a similar amount. Our plan is to include that in the proposal in the public-private partnership to have that garage—

[Board Chair D. Samson] I was also going to ask why--and we talked about this yesterday too, and I thought that Pat Foye had suggested and that we all agreed that in the resolution that you're asking the Board to approve we would incorporate the possibility of including this garage either into the public-private partnership concept for the CTB or independently exploring whether a parking company would want to do a similar kind of PPP just with the parking garage, and so we could presumably avoid putting $109 million into something and getting some sort of a revenue stream off of it.

[Comm. D. Steiner] I'd like to piggyback that before you answer. [Board Chair D. Samson] That's all I've got. [Comm. D. Steiner] Well, I just want to add some things, my thoughts. I think it's a big mistake for us to spend $109 million now. We ought to do whatever we can to delay that, and the way I see the plan, we're not going to tear down the 1,000-car garage until the other two are done, and it seems to me I would like to know why we haven't been taking care of this garage because I was in a parking garage, but we can't spend money every year, and we had a very poor maintenance program because it should cost you $10 million. You ought to figure if you're giving up some spaces maybe it pays to lose 20% of the spaces and not spend the $10 million. [Board Chair D. Samson] $100 million. >> [S. Baer] $100 million. [Comm. D. Steiner] $100 million over 30 years. [Board Chair D. Samson] No, no, it's $370 over 30 years. [S. Baer] Over 5 years. [Comm. D. Steiner] Well, what I'm saying is maybe we only have half the garage or three-quarters of the garage. We should not be spending $100 million today.

[Board Chair D. Samson] I'm only saying that we should at least explore alternative approaches to this rather than just say, okay, we want $109 million to go forward with the design and construction projects. That's all I'm suggesting.

[S. Baer] Let me just answer the question about the monetization. There's the last sentence on the first page of the resolution that says--or not the resolution, of your summary. Staff will continue to review commercial opportunities that allow for more effective monetization of parking revenues. We had done a study in 2009. Ultimately it reduced our capital capacity. We've got the study. We found it yesterday afternoon. We're going to review it. We're going to update it. Then

we can continue that conversation, but that statement about what Pat mentioned yesterday is now in the Item. [Board Chair D. Samson] I understand it's in the memo.>> [S. Baer] But it's in the Item too. [Board Chair D. Samson] It's not in the resolution. [Comm. D. Steiner] Why don't we postpone this until the February meeting? [Chair S. Rechler] Let's let her have some dialogue on this first. [Chair D. Samson] I thought we had agreed yesterday that it was going to be in the resolution, and it's not, so that's my point. [S. Baer] Okay. I think that was just a timing issue.

[Chair S. Rechler] Commissioner Sartor, you had a question.

[Comm. A. Sartor] Yeah, I do have a question. Who made your estimate of $109 million? [P. Zipf] We've been working with URS, one of our consultants. [Comm. A. Sartor] Do you realize that that's close to $100,000 a space? [P. Zipf] Yes.>> [Comm. A. Sartor] David, were you in that business thing? [P. Zipf] If I could just back up for a moment. The garage is a steel garage. It basically had a 25-year lifespan in terms of design life. It's currently 40 years old. It suffers from severe water leakage. [Chair S. Rechler] He's talking about the new garage. [Comm. A. Sartor] I'm talking about your new garage, your cost estimate for the new garage. [P. Zipf] $84 million. [Comm. A. Sartor] That's $84,000 a space. [P. Zipf] It's about $75,000 a space, yes. [Comm. D. Steiner] Double what it cost us-->>[Comm. A. Sartor] Absolutely. [Comm. D. Steiner] [inaudible] a space. [P. Zipf] When we built the garage at Kennedy, two garages for about $50,000 a space, that was JetBlue. That was design-build privatized. That was about $50,000. This is $72,000 per space. The difficulty here is we have build conditions, and we have a problem with seismic, so it's a very extensive foundation that goes much higher than the Kennedy work. [Comm. D. Steiner] So? [P. Zipf] That's the delta between the cost we've been spending at Kennedy versus LaGuardia. [Comm. D. Steiner] I have my doubts, okay? I have my concerns, and I think instead of rushing into this thing until we get all the data I think we ought to put it off, get all this information together. Let's get another fresh look. I know when I have a garage, I don't talk to my people about designing. I bring 2 or 3 of the garage precasters in here and the skilled guys. You guys come up with a proposal. What will you charge to build this thing? We don't have to go through all this, and I don't think it's appropriate to be pushed into this thing right now.

[Chair S. Rechler] Sue, can I ask you a question? In terms of the existing garage, how many spaces are actually used? What type of revenue--I mean, we said this $12 or $13 million or $15 million. Is that being generated by 2,000 spaces on average? [S. Baer] Yes, it's being generated by the garage. It doesn't fill every day. We've done a parking demand study, and so the two new garages together are fewer spots than are on the big garage. two smaller garages, it's a more nimble operation. It's easier to use. It's a better level of customer service. The idea is to replace this one very large garage with two smaller.

[Chair S. Rechler] I was going to make a comment. In the Capital Planning discussions that we had on Tuesday in executive session one of the comments--just to answer the point about why has it not been maintained--is as dollars have been pushed off on maintenance because we had to push it off, you eventually get to the situation where we are today which is we're past that curve where now the cost of maintaining has become so enormous that you get to a point where you have to either replace or move on. I think that we're at that stage, and I think there's some consensus that that's an issue, and frankly, when it comes to garages-- and you have this

experience and I have this experience-- that's an area that I get very nervous about when there's maintenance issues because of the water infractions, and there's a lot of structural issues, and you never know what happens, and so you want to be cautious. I think what you are hearing, though, is there's two themes. One is--and consistent with a lot of our other initiatives-- of trying to find a public-private alternative not only in terms of using and leveraging outside capital but holding other people accountable and maybe someone else managing a process to a lower cost than we might manage that process to, and some of the people think that should be considered in that mix, and so if that's the case, one alternative here for us to authorize some of the planning piece of the equation but give you also the authorization to take this project through the same public-private partnership design-build-manage component and actually extract a design-build-manage alternative proposal for us to consider rather than the Port building this directly.

[Board Chair D. Samson] And Scott, what I was saying is it seems like even more of a natural evolution to that kind of thinking here because we're going through the CTB which is adjacent to this. The CTB is the same kind of RFP process.

[Chair S. Rechler] And we can maybe learn from doing a smaller microcosm of that. [Board Chair D. Samson] Maybe incorporate this into that project or maybe you have some kind of piggyback arrangement here. All I'm saying is just to look at the alternatives.

[Comm. J. Moerdler] I agree to look at the alternatives. I'm not sure it makes sense to piggyback on the CTB for two reasons. Number one, we want to get the garage completed sooner so it's available to allow the CTB project to go forward, and number two, if you separate it out, you have a broader audience because now you have all the parking companies and you're not a distraction for the CTB—

[Board Chair D. Samson] That's exactly my--all I'm saying is how it gets handled I'll leave to management. I'm just saying instead of getting locked into a conditional way of approaching this construction project maybe we want to look at something in addition. [Comm. J. Moerdler] I agree with that.

[Chair S. Rechler] Deputy Executive, did you want to make a point?

[Deputy Exec. B. Baroni] Vice-Chairman Rechler, one possibility, and this is always dangerous, this sort of thinking, but if we could bifurcate the item to the planning infrastructure dollars in one category and the parking garage in the second category we could come back to the-- on the first item the Director of Aviation tells me there's a certain timely necessity. But on the parking garage issue, an idea, and it hasn't been thought really through, is that we could come back, bifurcate the item, do the infrastructure on the one hand today, and we would come back to the Board at the February Board meeting with a series of options for the Committee with a private option, a design-build option. We would come back to the Committee with the current version, the one that's presented today, and if you would allow us to have these 60 days or whatever the window is on the parking garage issue we could come back to you very quickly with a series of options for the Committee. One idea, Vice-Chairman Rechler, is to, again, bifurcate the item. The infrastructure dollars, looking at Karen, we could do the resolution just for the infrastructure dollars today, and we'll come back in February with a proposal on the parking garage.

[Chair S. Rechler] And this would be clear that also there's PFC dollars for the infrastructure as well so in terms of-- [S. Baer] We'd include the PFCs. Just for clarity, this is a design build. What you're talking about is a design-build private equity arrangement, which in the past the Board has not wanted to pursue. We will look at--we've got some work to do on that.

[Comm. D. Steiner] Mr. Chairman, I've heard all this. Now I hear you say it's 1,000 car garages, never fully filled because we don't have the demand for it. It's not 100% filled because there's structural problems in certain areas. The whole thing doesn't make sense to me. If we're not filling it, we don't need 1,000 spaces, let's use the spaces that are good and do some minimum things to keep it open and keep it-- [Chair S. Rechler] I'm not sure it's that. I don't think that was said. [Comm. D. Steiner] I heard from the engineer they're worried about the foundations. We know what the foundations are. We built this garage. Just look at the plans we used. Anybody that's going to go in, all they have to do is look at the foundations for this one. It's very similar, so there's no big unknown as far as I'm concerned. [S. Baer] Standards are different now. [P. Zipf] When we looked at the design there were some seismic concerns. [Comm. D. Steiner] There was what?>>[Chair S. Rechler] Seismic. [S. Baer] There are different standards now. [Comm. D. Steiner] Seismic doesn't affect the underground. It affects the above ground, and every garage manufacturer does that.

[Chair S. Rechler] I think if we can have a consensus around the concept that the Deputy Executive Director laid out which is we approve the infrastructure, and then we have in the February meeting a broad discussion about the garage and the financing alternatives associated with that as well as if there's any other questions in terms of usage, any briefings that could be done in advance would be helpful.

[Comm. A. Sartor] And just another question. Could you put both garages out at the same time? Put the West Garage and the East Garage? [S. Baer] Because of timing, you need to stagger the construction. LaGuardia is a very small footprint, so we would need to stagger it. You could do it but if we were talking about a garage a few years out-- we'll put that in the meeting because that's a couple years out, and then you're getting a bid today for something you won't build for 3 years. [Comm. J. Moerdler] Build one, as soon as you finish, you start building the other.

[Chair S. Rechler] Again, I think the one thing that's valuable here is that--and why I think this is attractive--is if we're going to take on a large public-private build-manage-own situation with the Central Terminal doing something smaller as a microcosm that we can learn from is probably valuable if we're going to do it, so there's another reason beyond everything else to consider it in the scope of things.

[Comm. D. Steiner] And it's a lot easier than the big project. This is a very simple thing to build, not exactly like the other thing, and believe me, we're going to make mistakes. Let's learn on a small scale.

[Chair S. Rechler] If that's okay until we modify the-- >>[S. Baer] Absolutely.

[Deputy Exec. B. Baroni] Just to be clear, Mr. Vice-Chairman, the item would be the infrastructure plus the PFC application because we specifically have to do that and then we'll come back-- that would be the item for today, and we'll come back. We'll have Peter Zipf's group and Lily and Aviation and management run through and sort of whiteboard a variety of options, including doing both at the same time, going into the market to talk to some of the private entities that do parking garages as a living. These are companies that do this and are very good at it. We'll talk to them and we'll come back to you in February with a series-- prior to the February meeting we'll come back to you in anticipation of that meeting with some options to consider.

[Comm. D. Steiner] And that way we skip those guys who bring the water in and the buildings all leak. Let's be finished with those fancy architects. We want a commercially viable building. We're not looking to build an architectural monument. I'm sick of all the money that's expended and wasted with buildings that are in fact something utilitarian like a garage.

[Chair S. Rechler] Is this a motion? Can I move this to the full Calendar? [Comm. R. Pocino] We can move it forward according to the Deputy Chairman. [Chair S. Rechler] Second?>> [Comm.] Second. [Chair S. Rechler] All in favor?>> [All] Aye. [Chair S. Rechler] Thank you, I think that ends our robust public session, and now we'll go into a quick executive session.

The Port Authority of New York and New Jersey
Committee on Finance Meeting Transcripts
December 6, 2012

The Port Authority of New York and New Jersey]

[Chair R.Bagger] We are ready to begin. This is the public session of the Committee on Finance. The first portion of today's meeting of the Committee on Finance is being held in public session. after which we'll meet in executive session to discuss matters relating to proposed, pending, or current litigation or judicial or administrative proceedings. The public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. There are two items this morning for public session, both relating to insurance. First is an action item for which we have a resolution in front of us on the extension of the Owner-controlled Insurance program for the World Trade Center Memorial project. Ann Marie Mulligan will highlight this for us.

[A.M. Mulligan] Good morning, Commissioners. At today's meeting we will discuss the marketing effort on the extension of the insurance coverage for the construction of the National September 11 Memorial and Museum construction project at the World Trade Center site. The insurance program provides 5 different lines of coverage. The 2 coverages that need to be extended are the General Liability and the Builder's Risk programs. The Workers' Compensation coverage also expired, but the broker has agreed to extend that through the project term at no cost, since during the delay in construction the payroll cost has not increased. There will be a payroll audit at the end of the project to determine the full extent of the payroll cost. For the General Liability and the Builder's Risk that need to be extended, there'll be an additional premium charge for the coverage extensions. This is primarily due to the carriers being required to commit their capital to the project for a longer duration, which eliminates their ability to ensure other projects and earn premium on those projects. In addition, the premium will also increase because of the increase in hard-cost construction of the Memorial project. The marketing efforts are continuing underway. We will have staff in London to meet with the insurance carriers next week to continue the discussions and to continue to negotiate. In October, we provided a memo to the committee and we advised you that the extension efforts would be underway Based upon the integrated master schedule which outlines the timing of the construction project, the latest one as of August 1, shows that the memorial construction will continue through mid 2012. In addition, Navigant study came out with the total construction cost for the memorial. From the original project estimate of $512, the costs have increased to $789 million. With that, that information was provided to the insurance market and the general liability carriers, they have basically said that the rates for the extension will be similar to the rates that were put in place with the December 2010 extension. The rates at that time will prevail through this. The hurricane has not had any impact on the general liability extension, and although talks are still going on, it's estimated that the general liability extension premium will be between $9 and $11 million. For the Builder's Risk, prior to Hurricane Sandy, we were looking at a rate decrease from the insurance carriers of about 10 percent, so although there would have been a cost for the extension, there would have been a reduction off of the December 2000 extension rates. Post Hurricane Sandy, the Builder's Risk insurers are not willing to commit to an extension for the full project term until they can see what the full extent of the damage is from Hurricane Sandy. So rather than extend that program from mid 2014, they will only extend at this point until August 2013, and that will coincide with the current expiration for the

Tower One Builder's Risk insurance, so we will need to seek another extension at that time. The cost for the insurance from December 31-August 31 is estimated at $1.9 million. The negotiations will continue, but today we are seeking authorization to purchase the insurance at a total estimated cost of $13 million, and we will provide the Committee with the final information after the placement of the insurance.

[Chair R.Bagger] I'd just like to clarify for the Committee and ask the management present to confirm that the incremental cost of the Owner-controlled insurance for the Memorial and Museum is included in the overall adjusted budget costs for that project and that therefore are subject to the recently agreed to and approved by the Board memorandum of understanding for the completion of the Museum and Memorial project, and we so referenced that in the resolution in the Committee. [Comm. W. Schuber] Just for clarification on that, as I was reviewing the MOU, I assume this is part of-- there's actually (inaudible) --the MOU, which I didn't see reference insurance at all. And then there's a general operating license agreement in which the insurance is attached as Exhibit C. I'm assuming that's where this is. [Comm. S. Rechler] For point of clarification, the MOU, as contemplated, takes into account that there's a certain dollar amount to complete the project-- some money coming from the memorial, some money coming from LMDC, and the balance coming from us in that budget?

[Comm. W. Schuber] >>Right. Is this Item? Yeah.

[Comm. S. Rechler] So it's buried in--so it's part of the global settlement with the Memorial that we were going to be funding then as part of this.

[Chair R.Bagger] So this is not an unanticipated contingency relative to that. This is something that had been forecast and follows from the extension of time for completion of the project. Any further questions or comments from the Committee? Commissioner Sartor?

[Comm. A. Sartor] Why is General Liability going through October of 2015 if we're going to be finished with the project prior to that?

[A.M.Mulligan] We did check with the broker, and they have talked to the market. There is no additional premium to go from mid 2012 through mid 2015, so we thought with no additional premium it was best to take it out as long as possible since we don't know the extent of the-- if there is any problem post Hurricane Sandy with the completion of the project.

[Chair R.Bagger] Insurance on the insurance.

[A.M.Mulligan] >>Yes.

[Chair R.Bagger] Okay, anything else on this resolution from members of the Board? If not, this is a matter that has been delegated by the full Board under the By-laws for us for decision, so I entertain a motion to approve the resolution before us.

[Comm.] >>Second. [Chair R.Bagger] Moved and seconded. Any discussion? All if favor? [All Comm.] >> Aye. [Chair R.Bagger] Opposed, [All Comm.] >>no. [Chair R.Bagger] The resolution is approved. Thank you. The second item for this morning is the annual update on PAICE, the Port Authority Insurance Captive Entity.

[A.M. Mulligan] Okay, the next item is our update. It is about our Port Authority Insurance Captive Entity. PAISE is a wholly owned subsidiary insurance captive company of the Port Authority that insures certain risks of the agency. PAISE was authorized by the Board in March 2006 and was incorporated in Washington D.C. in October 2006. Since its inception, PAISE has successfully achieved the goals that were projected when we first set out with PAISE. PAISE has reduced the amount of premium that has gone to the commercial insurance markets by $164 million between 2006 and 2012. In addition, by using PAICE on the Port Authority's property insurance program, the insurance all-risk limits have increased from $600 million in 2006 to $1.518 billion as of June 1, 2012. The terrorism coverage on the Port Authority's programs have all increased or improved through the use of PAICE, since PAICE has access to the federal insurance programs TRIPRA coverage. In addition, in 2012, in August, the PAICE was able to absorb the cost of the extension of the Vehicular Security Center and furnished the insurance coverage to the Port Authority at no premium cost. To date, the Port Authority's investment of $8 million in PAICE has grown to $123 million as of October of this year. As an insurer, PAICE is exposed to loss. To date, PAICE is still only modestly capitalized, and the insurance underwritten by PAICE has been conservative because of the modest level of capitalization. We have had a loss history that was lower than expected, so that's how the balance has continued to grow. On an actuarial basis, PAICE has sufficient reserves to meet it's anticipated losses. In August of this year, PAICE held it's annual Board of Directors meeting in Washington, D.C., and covered various different items. One of the topics was the 2011 financial statements, and the financials were audited by Deloitte and Touche. This slide has some of the highlights of the numbers from the annual report. In addition, Huggins Actuarial Services provides the actuarial review and opinion on PAICE. They presented their opinion and stated that PAICE carries sufficient reserves and meets all of the Washington, D.C. regulatory and financial requirements. Also this past year, a full-scope audit was performed by Washington, D.C.'s Department of Insurance Securities and Banking. That audit opinion was provided that PAICE's operations and business practices are sound. We are in compliance with all applicable regulations, and the financial position is strong, so it was a clean report from D.C. An update on the activities-- TD Bank was competitively selected as the investment manager for PAICE in October 2007, and as of October, the cash and investments totaled $170 million and the annual earnings amounted to about 1.2 million so far this year. This slide also contains the various different insurance coverages that are provided through PAICE. Since inception, PAICE has issued policies for the terrorism coverage for the Port Authority's operational programs. As a domestic insurer, PAICE has been able to front the all-risk property program, and that's the reason for being able to increase the overall capacity on the coverage. In addition, PAICE provides $1 million in workers' compensation and $500,000 in general liability on the Master Contractor's Insurance Program. And with the December 2010 extension of the OCIP for the Word Trade Center construction projects, PAICE fronted the builder's risk coverage for the World Trade Center Transportation Hub project. I already spoke about the premium for the Vehicular Security Center. As with all insurance companies, PAICE has and will continue to sustain claims during its operation. Here we identify that under our construction insurance program we have a total 109 workers' compensation claims and 35 open general liability claims. Given PAICE's growth over time, it now has the financial capacity to assume greater risk, and with the public liability renewal in October, PAICE did absorb an additional capacity on that program, and we discussed that with you at that time. And as we go forward, different opportunities will be assessed and discussed with the Board of Directors of the Committee on Finance.

[Chair R.Bagger] Thank you. Any questions or comments on the report? [Comm. J. Moerdler] I'm not an expert on captive insurers, we're putting money into the captive, it's providing insurance. There is a dramatic benefit because a lot of it is every insurance at lower rates and we're accumulating a portfolio of money. I think it was $177 million, that's now the equity investment.

[A.M. Mulligan] The reserves are $123. [Comm. J. Moerdler] >>I'm sorry? [A.M. Mulligan] The reserves are $123 million. [Comm. J. Moerdler] And we're using that-- We're using those funds to increase the capacity of PAICE, keep building up the reserves, as opposed to saving money taking cash back into the agency. Are we using the benefit of those reserves to a maximum degree in terms of writing as much insurance as we've built up the capacity to do?

[A.M. Mulligan] Yes we have. The amount of reserves-- there's actuarial studies to determine the amount of reserves that you need to have in the capitalization. We need to continue to accumulate reserves in the captive in order be able to meet the potential losses of the coverages that are controlled in there right now. With the terrorism coverage that's provided through the captive, although on the all-risk program we've been able to purchase insurance for the captive's responsibility, we have not been able to do that on the liability program. So $300 million of terrorism insurance is provided through the captive. We need to build the captive up to be able to support the amount of loss that we could potentially face. PAICE runs short of its reserves, the ultimate liability reverts to the Port Authority. [Comm. J. Moerdler] Okay. Do we have the ability to continue to write expanded coverage at this point or would we require more reserves to do that? [A.M. Mulligan] The additional coverage would require additional reserves.

[Comm. J. Moerdler] Okay, so we're basically using the capacity. That's what I wanted to get at. We're taking the maximum advantage of what we put in at this point, and to continue to take advantage, we'll need to continue to put in. Okay. Thank you.

[Chair R.Bagger] Thank you. Very helpful question. Anything else on this topic? If not, thank you very much for the report and the strong performance that it represents. This concludes the public portion of today's meeting. The Committee is now going to adjourn to executive session to discuss matters relating to proposed, pending, or current litigation or judicial or administrative proceedings.

[The Port Authority of New York and New Jersey]

The Port Authority of New York and New Jersey
Committee on Operations Meeting Transcripts
December 6, 2012

[Chair D. Samson] This portion of today's meeting is being held in public session after which the Committee will meet in executive session to discuss matters involving ongoing negotiations and reviews of contracts or proposals. The public portion of the meeting is being broadcast on the Port Authority's website for those interested in viewing today's proceeding via the Internet. The only topic on today's agenda is a presentation by Sue Baer, concerning proposed agreements with American Airlines and Virgin America for exclusive gate leases at Newark Liberty International Airport. Sue?

[Sue Baer] Thank you, Chairman. Before we get started, I'd like everyone to meet David Cush who is the CEO of Virgin America Airlines. Today we're seeking your approval to modify our existing lease agreements with American Airlines and enter into a new lease agreement with Virgin America to operate gates in Terminal A in A3 at Newark Airport. We're particularly happy about this, because it brings a new carrier to the airport. Under our current agreement American leases 6 gates and associated office, operational, and ticket counter space for its exclusive use in Terminal A3 at Newark. In November of 2011, as you probably know, American filed under Chapter 11 of the US bankruptcy code and as part of its restructuring American desires to assume its lease for space at Newark. As part of the transaction, American would surrender three gates--30, 31, and 32-- to the Port Authority and pay an increased rental on the remaining three gates. The Port Authority will enter into a new lease agreement with Virgin America, a low cost carrier that does not currently serve Newark Liberty. Virgin will use gate 32 and the associated office, operational, and ticket counter space. Virgin will pay the same increased rate that American will be paying. American has also agreed to make available to Virgin an adequate number of slots for the operation of six flights a day--three to LAX and three to San Francisco. The Port Authority will convert gates 30 and 31 from exclusive use space to common use space available for all airlines to rent on a flight-by-flight basis. Virgin America is a United States based airline that began service in August of 2007. The airline's business plan provides for low fare, high quality service for long-haul, point-to-point service between major metropolitan cities in the east and west coast. Virgin America currently flies to 16 destinations in the United States, three in Mexico, and actually is a tenant at our own JFK Airport. This arrangement will satisfy the requirements that are included in the FAA's mandated Newark Competition Plan by providing an additional airline option for travelers and increased airline choice at Newark Liberty with a potential for boosting passenger growth. This potential passenger growth will result in increased concession and parking revenues, not to mention PFCs. In the proposed lease agreement, American will surrender three gates, of which Virgin will lease one, and two will be converted for common use. Over the 6-year term of the proposed lease transactions American and Virgin would each pay a 27% premium on the fixed rental for the gate they lease in comparison to the existing rental. This rate is about 10% above the average at the terminal. Commissioners, I request that you advance this item to the full Board for approval.

[Chair D. Samson] Thank you, Sue. Any of the Commissioners have questions or comments? [Comm. A. Sartor] Welcome to Newark. [Chair D. Samson] Well, Mr. Cush, we welcome you both here and to Newark Liberty Airport. We hope your arrangement with the Authority is

successful and thank you for participating at the airport. [David Cush] We look forward to starting service in Newark, and we'll come in with a splash on April 1st.

[Chair D. Samson] Okay. I'll move this item forward for approval. [Comm. A. Sartor] Seconded. >> [Chair D. Samson] Second? >>[Comm. A. Sartor] Second. >> [Chair D. Samson] All in favor? >>[All] Aye. [Chair D. Samson] So moved. Thank you. >> [Sue Baer] Thank you.

[Chair D Samson] This concludes the public portion of today's meeting. The Committee will now adjourn to executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals.

The Port Authority of New York and New Jersey
Committee on Construction Meeting Transcript
February 9, 2012

[Comm. J. Moerdler:] Morning. Today's meeting of the Committee on Construction is being held in public session in its entirety. In addition, the meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. First we'll start with a report regarding the George Washington Bridge rehabilitation program from Cedrick Fulton, Director of Tunnels, Bridges, and Terminals.

[C. Fulton:] Good morning, Commissioners. Today I am here to discuss a program authorization in the amount of $230 million for our ongoing comprehensive bridge rehabilitation program at the George Washington Bridge. The authorization involves programs for our approach railway bridges in both New York and New Jersey and for the lower level of the main span. The implementation of the elements of the program I am seeking authorization for today is anticipated to result in an aggregate of 2,113 total jobs, $148 million in wages, and $705 million in economic activity. As background, the George Washington Bridge rehabilitation program is comprised of four major components and numerous projects. You have previously authorized the rehabilitation of the upper level structural steel and deck at a total cost of $199 million, which is going into its second year of construction. In addition, you have authorized design development for replacement of suspender ropes and rehabilitation of the main cables, which is estimated over $1 billion in total project costs and is currently completing preliminary design. You have also authorized the plan to rehabilitate the three Palisades Interstate Parkway helix ramp bridges over I-95 and Hudson Terrace as part of the approach roadway bridges program. We expect to return to the Board for project authorization in early 2013. Today we are seeking authorization to proceed with the next components of this overall program, which will provide for the rehabilitation of the underside of the lower level of the George Washington Bridge span and certain elevated approach roadways that serve the bridge, including the 178th and 179th Street roadway ramps and associated elevated roadways that provide connectivity to the George Washington Bridge Bus Station in New York and two bridges that span the roadway servicing the GWB in New Jersey. Once completed, together these three proposed projects along with the Palisades Interstate Parkway ramp bridges project and several other roadway bridge projects that I will touch on shortly, will provide for a $740 million investment at the George Washington Bridge. A comprehensive outreach effort will be incorporated into all of these major programs to ensure coordination with our local communities, the traveling public, special events, and our regional transportation agencies. In addition to the main bridge span, there is a vast network of roadways comprised of approximately 46 approach roadway bridge structures that we maintain in both New York and New Jersey. Some of them were constructed when the bridge opened in 1931 and others were added or modified in the 1940s, '50s, and '60s as additional approach roadways were added and the lower level of the bridge was constructed. This photograph displays some of the approach bridges in New Jersey. We inspect the bridges every two years in accordance with federal and state guidelines and based on the results of these inspections and others by facility staff, we periodically repair these structures as needed. In addition, as these facilities continue to age, it will be necessary to move forward with a more comprehensive program that includes significant construction rehabilitation projects. Last year's toll adjustment provides an opportunity to move forward with such a program for our approach bridges that

integrates the work with all of the other projects planned for construction over the next 10 years at the George Washington Bridge. Today, we are seeking authorization for additional projects in the approach roadway program to rehabilitate the 178th and 179th Street ramps and the three ramps providing access to the bus station in New York. The staff is also seeking authorization to move forward with the preliminary design for the rehabilitation of elevated approach roadways in New Jersey, the Center Avenue and Lemoine Avenue bridges. In the next few months, staff will be bringing you a third project for two structures in New Jersey which carry I-95 over the New Jersey Anchorage for the George Washington Bridge and Hudson Terrace. Future projects will follow in the second half of this decade, including the bridges carrying local streets over the Trans-Manhattan Expressway, the bridges to and from the Henry Hudson Parkway, the bus station parking ramps in Manhattan, and Bruce Reynolds Blvd in New Jersey. Together these projects, along with the Palisades Interstate Parkway ramp bridges project I mentioned earlier, would provide for an investment of up to $540 million in approach roadway structures for the George Washington Bridge. Okay, now I would like to take to through each of the program elements we are seeking authorization for today. I will then provide a summary of today's proposed actions, including the retention of consultants we plan to utilize for each of these projects. The first project included in today's program authorization is the 178th Street and 179th Street ramps and the bus station ramps as shown in the photo. The 178th and 179th Street ramps, which were constructed in 1931, will provide the main access for the GWB in and out of Manhattan. The north and south bus ramps and connector ramp structure directly west of the bus station, which were constructed in 1958, are the primary means of access to and from the bus station. While interim repairs have been made over the years to ensure the continued structural integrity of these ramps, based on their age and current condition, comprehensive rehabilitation is required. The board authorized preliminary design and engineering services in 2009 to develop a project to rehabilitate these structures. Based on the preliminary engineering completed, the recommendations are to replace the decks on all five structures, rehabilitate the supporting structural steel, piers, and abutments, and to seismically retrofit existing components to comply with applicable current codes. Final design, construction stage and value engineering will be performed as part of preparing the final design documents for bidding. The total estimated cost for this project is $218.8 million with a total construction cost estimate to be in the $140 to $150 million range. The current schedule forecast completing final design in mid-2013, soliciting bids, and then seeking authorizations to award a construction contract in the fourth quarter of 2013. Construction of this project with be carefully staged to either coincide or sequence with the approximately 30 projects involving lane or roadway closures that will be in construction over the next 5 years at the George Washington Bridge in addition to the New York State's rehabilitation of the adjacent Alexander Hamilton Bridge scheduled for completion in late 2013. The preliminary staging envisions that each of the five bridges would be rehabilitated sequentially in order to facilitate lane and roadway closures, most of which will be at night, resulting in a construction schedule of over 6 years with completion in 2020. The work would include seismic retrofit of existing components to meet current codes. As the final design progresses, the schedule will be reviewed and optimized for efficiencies in coordination with other work before contract documents are issued for bidding. Today's staff is also seeking authorization for the design development for the rehabilitation at the Center Avenue and the Lemoine Avenue bridges shown in the photo adjacent to the lower level toll plaza, which span over the George Washington Bridge approach roadways in New Jersey. Each overpass is a seven-span structure built in stages from 1935 to 1965. While interim repairs have been made

over the years to ensure the continued structural of the bridges, based on their age and current condition, comprehensive rehabilitation will be required. A detailed field inspection will be conducted prior to developing preliminary engineering design, construction staging concepts, and a construction cost estimate. Today's staff is requesting $3.4 million preliminary engineering for this project. Based on a conceptual scope, it us anticipated that under the project each of the decks on Center Avenue and the remaining three decks, which we're not previously rehabed on Lemoine Avenue, would be replaced. The structural steel pier abutments will be rehabilitated and existing components will be retrofitted for current applicable seismic code. All staging of work will be coordinated with the Borough of Fort Lee as well as the New Jersey Department of Transportation. The current schedule forecast completing the preliminary engineering is second quarter of 2013, followed by project authorization. Final design completion bid and request authorization to award a contract is forecast for mid-2014, with construction completed in 2017. As preliminary design progresses, preliminary staging concepts will be developed along with a schedule that is coordinated with all of the other ongoing work at the GWB. Total project costs are currently forecast to be in the $45 to $50 million range with a total construction cost ranging from $30 to $35 million dollar range. Lastly, we are seeking authorization for design development to address structural steel rehabilitation and paint removal and repainting of the underside of the lower level bridge span. The lower level of the GWB, which was added in 1962, retains it's original paint coating, while the paint on the upper level and the bridge towers was replaced via prior projects. Through a biannual bridge-inspection program, over these 6 years we have implemented priority steel repairs recommended from the inspections as needed. However, in order to ensure the long-term structural integrity of the bridge, a full, two-phase rehabilitation is required. The major components include steel repairs due to corrosion, Removal of paint and repainting of approximately 3 million square feet of steel, replacing of four maintenance traveling platforms, replacing the median mesh and the opening between the east and westbound lanes, and applying an additional coat of paint on the lower New York tower. The first phase will assess the priority steel repairs currently needed, then design and initial contract to implement those repairs. It is forecasted to be in construction by late 2013 and completed within 2 years. The phase 2 scope requires further development to assess the full extent of the work and cost options for replacing the maintenance travelers, assess the length of construction and the number of contracts that will be required to accomplish the work, and to coordinate with all of the other projects expected to be in construction over the next 10 years at the bridge. Staff is requesting $7.8 million in order to develop this two-phase program, which will include final design for phase one priority steel repairs and preliminary engineering for the phase two part of the program. The current schedule forecast completing the phase one steel repairs design and seeking authorization to award a contract in the third quarter of 2013. The phase two preliminary engineering will be completed in the fourth quarter of 2013 followed by a project authorization in early 2014. The conceptual schedule is to complete the phase two final design bid and seek authorization to begin awarding contracts in 2015 and to complete construction in 2021. We are currently forecasting phase two to be in construction following the completion of the current program for the rehabilitation of upper level structural steel. As the preliminary design progresses, preliminary staging concepts will be developed along with a schedule that is coordinated and optimized with all of the ongoing work at the GWB. The total project costs are currently forecast to be in the $200-$210 million range with a total construction cost ranging from $140 to $150 million. In summary, once implemented the three projects in this program result in a total project cost investment of $460 to $480 million by the Port Authority. The three

projects in this program are anticipated to result in an aggregate of 2,113 total jobs, $148 million in wages, and $705 million in economic activity. The individual totals for each project are shown in this slide. In summary, today we are seeking your authorization of $230 million dollars to advance these critical projects at the George Washington Bridge. Included in each of these authorizations are expenditures for professional engineering services as noted above. In each instance, consultants are being retained or previously retained pursuant to publicly advertised Request for Proposals process. Commissioners, I request that you advance this program encompassing these three critical projects to the full Board for approval today. Thank you.

[Comm. J. Moerdler:] Thank you, Cedrick. Two things: number one, I want to complement the staff on the quality of work that they do in maintaining the bridges and tunnels. In particular, the GW Bridge is a facility I use regularly and the ongoing work that's done to maintain it in first-class condition without material impact on traffic and transportation is terrific. On the other hand, I have a question and a concern on your presentation in that--if I'm understanding it correctly--for example on the 178th and 179th Street ramps, you talked about $140 to $150 million construction cost and a total project cost of $218 million. If the difference between those two numbers are the soft costs of the engineering and design for those projects--you have roughly similar ratios of numbers on the other two projects--having soft costs that are in the range of 30% to 40% of the hard construction costs sounds very high to me, and I would challenge the staff to do everything possible as these projects proceed further to try to shave those numbers and keep the soft cost to a minimum. My sense is that private industry standards are more in the range of 20% than 30-40%, and we really need to work harder at controlling those costs.

[C. Fulton:] Understood, Commissioner. The Agency has prepared, working with Engineering and other staff, a pro forma that has a range of overhead cost as you describe, and the range on a lower end is right around the 25% that you described and goes up as high as 63% in our model. What it's aligned with is some thought about complexity of a project that you're working on at a particular time. And so our goal is always to try to be near the lower end of what we call the pro forma as compared to the higher end. And so in the case of the 178th/179th, you're right. We're in the middle of our own range in approximately 1.5.

[Comm. J. Moerdler:] And I recognize that my two comments are sort of tied together. In order to minimize the interference with bridge operations, you do a lot more planning and strategizing and exploring other alternatives, but I still think in light of the issues going on in general in the Agency with fiscal controls, that is one area that we have to take an extra-hard look at. And I would ask you as you come back for continuing authorizations here to report back on those efforts to us. Pat, did you have any questions?

[Comm. W. Schuber:] I worked on the special committee, and with regard to the report that's been issued this past week and the issue with regard to the importance of the fiscal integrity of the Authority, I think we're going to be scrutinizing all projects, even as important as these set of projects are, and they are important, to make sure that we're economizing them as best as possible within the standards and to increase the potential of the revenue stream for the authority itself. I think that's what we're going to be looking at every single project in the same way. So the challenge goes out really to the staff here to continue to sharpen pencils with regard to these

things. Even though these projects are like mother and apple pie, they're still going to be very, very strongly scrutinized by all of us as a result of that. This just happens to be the first one that came up. Having said that, this is an important set of projects with regard to the George Washington Bridge, and I commend the work that's been done on this and the staff that have put the effort into it. I have a couple of questions that are kind of on the logistical end of this, having come from the other side of the bridge and living in the county on the other side of the bridge. Two questions with regard to the ongoing relationship with the Borough of Fort Lee, and I know that we have had that, and I know that the rehabilitation of the Center Avenue bridge and the Lemoine Avenue bridge and the other project on the rehabilitation of the underside are in the planning stages with regard to this. Are both the Borough already on the loop that these are pending out there and have been apprised of that fact?

[C. Fulton:] The general manager of the facility meets periodically with the town to advise them what we're doing. It's also important because their comments have to be incorporated into the actual planning work so that we are making sure that we plan appropriately to make sure the appropriate resources are provided for.

[Comm. W. Schuber:] I've indicated this before, and I think it's important that we just continue to reiterate it that I'd as you-- you and the staff, Cedrick-- to continue to stay in touch with the officials in Fort Lee as these things are ongoing so that they are not surprised and are in the loop with regard to all we're going to do with the bridge. Secondly with that, my concern also would be do we have the County of Bergen in the loop on this also?

[C. Fulton:] I'm not sure on that, Commissioner. I would suspect so, but I'll confirm that for you.

[Comm. W. Schuber:] All right. Would you check that for me, please? Because sometimes they get left out of the loop here, and they do provide certain amounts of police support up on that area through the county police and their department of planning and certain amounts of public works aspects go up toward the bridge. So I think it would be important that they be in the loop on this also. If they're not, if you would put them in, please.

[C. Fulton] Absolutely.

[Comm. P. Schuber] Okay. Thank you.

[Comm. J. Moerdler:] One other related thought to my prior comment is I know when we do RFIs and RFPs and such we sort of generally solicit value engineering and creative alternatives to design, but that's another area that I think we need to redouble our efforts in challenging both the staff and our outside engineers and contractors and in emphasizing in the bidding process that this is how we think it ought to be done, but if you've got another idea that's going to save money, save time, or both, definitely you should raise it.

[C. Fulton] Understood.

[Comm. J. Moerdler] Pat, anything else? I think that's sums it up. Okay. Thank you very much, Cedrick. We'll now here a report regarding--oh, you want to advance individually by the item? Okay. Sorry. Okay.

[Comm. W. Schuber:] I'll move that that project be advanced to the Board.

[Comm. J. Moerdler:] Seconded. Any objections? Advanced to the full board. Next is a report regarding Newark Liberty International Airport runway 11 engineered material arresting system by William Radinson.

[W. Radinson] Good morning, Commissioners. I'm here to seek project authorization to install an engineered material arresting system for runway 11 at Newark Liberty International Airport. The project is a final step in completing requirements at Newark Liberty with the Federal Aviation Administration's runway safety area program. This project will produce 160 job years, $9 million in wages, and nearly $40 million in economic activity. The FAA established a program to improve runway safety areas at federally obligated airports, and requires compliance by the end of 2015. Generally, a runway safety area is rectangular in shape and extends 250 feet either side of the runway center line and 1000 feet beyond each end of the runway. As an alternative to improve runway safety areas for space-constrained airports, the FAA caused for implementation of a technology called and "EMAS." The EMAS is essentially a lightweight concrete located at the end of a runway intended to stop and aircraft overrun with no human injury and minimal, if any, aircraft damage. This allows a runway safety area to be significantly shorter than 1000 feet. In 2002 the FAA funded analyses to evaluate existing runway ends and establish plans for upgrading runway safety areas, which identified an EMAS as the most practical approach for Newark Liberty's runway 11 end. Currently, the PA has seven engineered material arresting systems at our airports, which make 18 of our 26 runway ends RSA compliant. Work continues on the remaining eight runways. At our airports, engineered material arresting systems have collectively arrested four aircraft to date. The photo before you is the successfully arresting of a cargo flight in May '03 at JFK. The crew was uninjured.

[Comm. P. Schuber] Is that what this picture is of then?

[B. Radinson] Yeah. Yeah. With the completion of an EMAS at runway 11, Newark will be fully RSA compliant. The EMAS wouldbe located at the east end of runway 1129 and would be approximately 250 feet long and 200 feet wide. The EMAS installation extends the aeronautical operations area, thereby necessitating the partial relocation of Brewster Road. This project will result in 2 contracts: a negotiated contract with EWR 11 arrestor bed joint venture, a joint venture with Jacob's Engineering Group, Inc., and Engineered Arresting System Corp, ESCO. ESCO is the sole manufacturer of EMAS systems. A separate contract will be competitively bid to relocate taxi-way Z, shorten runway 1129, remove and replace the blast fence, and relocate Brewster Rd. Portions of work under this project will require temporary closures of runway 1129 at night. The construction will be performed during off-peak periods to minimize impacts to airport operations. A portion of the relocated Brewster Road will be under Jersey Turnpike Authority property, adjacent to the Turnpike. Staff have negotiated a long-term license agreement with the Turnpike Authority for use of the property. Separately, the Port Authority will provide the Turnpike Authority with a long-term permit for an unimproved parcel on airport

property located north of Brewster Road that is currently not utilized. The Turnpike Authority will expand their adjacent lot and use the area for parking of State Police vehicles. This project represents significant economic benefits for the region. The total economic impact of the project is estimated to include 160 job years, $9 million in wages, and nearly $40 million in economic activity over the life of the project, including indirect effects such as construction employment and materials purchase. The total project cost is estimated at $27.1 million, of which $3.4 million consists of design engineering cost performed in-house. In addition, we will also enter an agreement with the FAA covering reimbursement of costs associated with this review of designs for the project estimated at $100,000. An application has been submitted to the FAA to recover eligible costs associated with this project through passenger facility charges. The balance of the cost associated with this expenditure is fully recoverable through the flight fee component of the Newark Master Lease. Planning for this project in the amount of $1.5 million was authorized in September. Contract authorization for the EMAS is being sought with this authorization. We anticipate seeking contract authorization for the Brewster Road site work in the second quarter of 2012. Completion of substantial construction is expected by the end of 2014. Commissioners, I request that you advance this item to the full board for approval. Thank you.

[Comm. P Schuber] I didn't quite catch what these pictures--

[B. Radinson] Yeah, this is the arresting of at Teterboro runway 6 in October 1, 2010.

[Comm. J. Moerdler] I was there 2 days afterward. It was amazing to see the length of the arresting material and the damage where the plane stopped was only one-third or one-quarter of the way into the material. It works.

[Comm. P. Schuber:] I just wanted to point out that, Mr. Chairman, I've had the opportunity to meet our personnel at the different--through Susan Baer-- to inspect these EMAS projects in the various airports there. They're actually, as you well know, very, very important as has been indicated in the report. Paroquially, from my perspective on the Teterboro Airport one, that's absolutely essential given the nature of the school that's on the other side of Route 46, the county school that's on the other side of Route 46, and the problem that had been there before.

[Comm. J. Moerdler] And the traffic on Route 46 itself.

[Comm. P. Schuber:] And the traffic that goes by there. So if there are no other questions, I'll move to advance this to the Board.

[Comm. J. Moerdler] Second. Any comments? Thank you. Next we have a report regarding the Port Authority Bus Terminal/Lincoln Tunnel and PATH Journal Square Transportation Center Harrison Car Maintenance Facility energy conservation improvements. Chris Zeppie.

[C. Zeppie:] Good morning, Commissioners. Today I will bring you up to date on an initiative to implement energy conservation improvements at multiple Port Authority and PATH facilities. While these projects utilize private energy service companies, we are also pursuing energy conservation through the New York Power Authority's Energy Services Division and through utility programs such as PSE&G's direct install program and Central Hudson Gas and Electric's

retrofit program. Such energy projects support PA efforts to reduce operating expenses, advance the PA environmental and energy programs and stimulate job creation and the regional economy. Today I am seeking authorization for the first phase of a Port Authority energy savings program under which staff would contract with energy service companies to implement certain energy conservation improvements at the Port Authority Bus Terminal/Lincoln Tunnel and PATH Journal Square Transportation Center Harrison Car Maintenance Facility. These improvements will be implemented by two energy conservation companies, also known as ESCOs, Constellation Energy and Johnson Controls through existing call-in contracts issued pursuant to a publicly advertised Request for Proposals process at a total guaranteed maximum price of $19.2 million. These improvements will yield guaranteed energy savings of approximately $2 million annually and $31 million dollars in aggregate to the Port Authority over the project's 15 year term. In March 2010, through a competitive RFP process, the Port Authority established call-in agreements, through which energy service companies performed audits of four Port Authority PATH facilities and submitted proposals for energy conservation measures. After review of the proposals, work orders were issued for more detailed investment-grade audits with Constellation for Port Authority Bus Terminal/Lincoln Tunnel, Johnson Controls for PATH Journal Square Harrison Car Maintenance Facility, and Honeywell for Stewart Airport and Newark Liberty Airports. Staff anticipates completed investment grade audits for Stewart and Newark Liberty later this year. The selected facilities were identified by staff based on facility and line department input related to needed improvements, which were then ranked based on utility savings potential. The investment-grade audit process at Port Authority facilities took an average of 8 months to complete and provided for a detailed study of facility equipment, systems, and operations and included in-depth reviews of facility utility bills that enable the ESCOs to establish baseline energy usage, which were reviewed and accepted by the Port Authority. The program utilizes the energy performance contracting model through which ESCOs provide a turnkey solution, performing the audit, design, construction management, and commissioning of improvements while also assuming all technical and performance risks. The ESCO guarantees energy consumption reductions for those projects that are implemented. While projects are identified by the ESCOs, it is the Port Authority that selects which projects are implemented. Guaranteed consumption reductions are measured against the baseline established for each building. Rigorous monitoring and verification of guaranteed energy consumption reductions is an integral part of all energy performance contracts. Energy performance contracting has been in use since the 1970s, and many states and the federal government utilize energy performance contracting as a means to realize energy savings. Constellation New Energy would be responsible for energy improvements at the Bus Terminal and Lincoln Tunnel at an estimated cost of $9 million, whereas Johnson Controls would be responsible for energy improvements at PATH Journal Square and Harrison Car Maintenance Facility for an estimated cost of $10.2 million. Direct payment by the PA avoids the transaction cost and interest associated with external financing, which is an alternate Port Authority option under the program, and we have the ability to directly pay for all or part of any project undertaken through the program. The proposed improvements support energy efficiency and clean energy in the region. These projects are emission reduction projects that directly reduce PA emissions and yield more benefits to the Port Authority. The proposed projects will provide for 120 job years over the life of the projects, $8.9 million in wages, and $24.1 million in economic activity. Work at the Port Authority Bus Terminal/Lincoln Tunnel and PATH Journal Square Transportation Center is expected to commence in the second quarter of this year with project completed by the end of 2014.

Commissioners, I request that you advance this item to the full Board for approval today. Thank you.

[Comm. J. Moerdler] Thank you, Chris. Pat, any questions?

[Comm. P. Schuber:] I don't have any questions.

[Comm. J. Moerdler:] I think it's great. I encourage you and your team to keep it up. I recommend advancing this item to the full board.

[Comm. P. Schuber] Second.

[Comm. J. Moerdler] Thank you. I just want to comment. There was a question. Somebody was trying to raise their hand in the audience. Any questions regarding the matters we've discussed here should be directed to the Port Authority Public Affairs Department, and Tina Lado from the Public Affairs Department is here to answer or obtain answers for any questions. Thank you very much. Meeting is adjourned.

The Port Authority of New York and New Jersey
Committee on Operations Meeting Transcripts
February 9, 2012

[Chair D. Samson] Today's meeting of the Committee on Operations is being held in public session in its entirety. In addition, the meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. Our first discussion item is being presented by our Deputy Director of Aviation Jeffrey Pearse, concerns an incentive program to encourage airlines to provide passenger air service to new destinations from Stewart International Airport. Jeff?

[J. Pearse] Thank you. Good morning Commissioners. Today, I'm here to seek your approval to continue and enhance the air service incentive program at Stewart International Airport. The program would support our long-term commitment to the airport and the community, particularly our efforts to market the airport as an alternative international gateway for low-cost airlines and charter operators. Since acquiring Stewart Airport in November 2007, overall passenger enplanements at the airport have decreased by approximately 60%. This is due to continuing negative economic conditions combined with significantly higher fuel costs and a reduction in overall industry capacity. As a result, airlines have been reducing seats and retiring smaller less fuel-efficient regional jets that predominantly serve airports like Stewart. Some airports in closer proximity to major international hubs have witnessed a complete cessation of scheduled air service. Most airports have implemented aggressive incentive programs to retain and attract new service. In an effort to prevent a further reduction in air service, the Board authorized a retention incentive program in August of 2008. The program waved certain fees and rentals for all airlines providing service at Stewart for a period of 3 months. The program proved to be successful in retaining our existing airlines and air service at the time. The Board was also informed that staff would develop longer term solutions to grow air service at Stewart. In September 2010, the Board authorized a two-year air development incentive program for Stewart. Given the significant number of airports competing for a limited number of available seats, the surging fuel prices, and continuing economic challenges, staff have been aggressively pursuing airlines and routes while marketing Stewart as an alternative gateway for the New York-New Jersey region. In addition to several added frequencies to existing markets, seasonal service to Cancun, Mexico was added. These efforts have yielded some interest in long-haul wide-body international operators that would be willing to share the risk associated with developing a new route in a relatively unknown airport. Before you are examples of business- -to-business and consumer-marketing materials that we've produced and placed in different publications. Today, we seek to enhance the current incentive program to provide the following for any new or incumbent carrier or charter tour operator providing scheduled non-stop passenger service to a new destination not currently served at Stewart. A credit for ground-handling service charges, marketing and advertising support, and a reduction in rent and fees associated with that new service. The program incentives would be available for a two-year period for each new service destination provided that the service starts by March 31, 2017. This program will become effective on April 1 with your approval. The Board recently approved a terminal expansion project at Stewart that would provide for a permanent facility to process international operations. This item seeks to attract and sustain new service and the associated revenue by mitigating the start-up and marketing costs during the critical first 24 months of service, and we want to raise, again, the

international profile of Stewart as a viable alternative gateway to the New York-New Jersey metro region. Expanding terminal capacity to accommodate additional carriers while encouraging carriers to use Stewart supports our efforts to promote the airport as a viable fourth for the region and consistent with our commitment to grow service overall. The marketing and ground-handling expenses associated with the program will vary by type of aircraft and the number of seats. These expenses will be offset by the additional revenue received due to the increased service incurred--generated by the program. No cost will be incurred in the event airlines or charter operators fail to take advantage of the incentive. Commissioners, I request in advance--you advance this program to the full Board for approval today.

[Chair D. Samson] Thanks Jeff. Do any of the commissioners have any comments or questions about the presentation or the agenda item? Pat?

[P. Foye] I'd just make--sorry, Commissioner.

[Comm. V. Bauer] What are the marketing costs? What are about the numbers that we're talking about?

[J. Pearse] What we're talking is about $3 per outbound seat, and it's based on the size of the aircraft, and, again, the number of seats. So, we would provide up to $150,000 for a domestic service and up to $250,000 for an international service.

[P. Foye] The only reservation that I want to make is the way it's appropriated.

[P. Foye] The way the program is structured if--the Port Authority is obligated to make payments only if flights arrive.

[S. Pearse] Absolutely.

[P. Foye] No flights, no payment.

[S. Pearse] Right.

[P. Foye] No obligation.

[S. Pearse] The best way to look at this is as if it were a discount. So, say an airline was to begin service to West Palm Beach on a 166-seat aircraft every day for 365 days, a full year. That would typically cost an airline at Stewart about $600,000 in annual airport-related rates and charges. Under this incentive, we would basically give them a 50% discount off those charges during the first year of the service. And, you know, airlines manage costs like every other enterprise, and the difference between allowing a carrier to receive some kind of cost benefit or sharing of the risk you know positions us and Stewart in a way that maybe other airports aren't willing to work with them. So, it enhances the competitiveness of Stewart in terms of attracting more service.

[Comm. V. Bauer] And our experiences show that this has been successful thus far.

[J. Pearse] Yeah, we haven't--certainly our incentive wasn't--again, our incentive was introduced with your approval during the start of the recession, really. So, unfortunately, while we had some success certainly with the Cancun service and with retaining Jet Blue, and Delta, and seeing additional service added by them. It's been only marginally effective which is why we've come back now with a more enhanced program that lasts 5 years and also includes that international component.

[Chair D. Samson] Thanks Jeff. Bill? Okay, if there are no other questions or comments I'd like to move this forward to the public agenda. Can I get a second?

[Comm. S. Reichler] I second it.

[Chair D. Samson] All in favor?

[All Commissioners] Aye.

[Chair D. Samson] So moved. The next discussion item is presented by our Program Director of Tunnels, Bridges, and Terminals, Joanne Papageorgis, and concerns our next steps to address the navigational air-draft clearance limitations on the Bayonne Bridge, and Joanne before you start I just want to say that I think this is a great example, Pat, of what we can do as an organization to move a major project forward that I know you've been concerned about and focused a lot of your comments recently on on your interview tour concerning bringing a product to market and how quickly we can do it, particularly when we have regulatory straight-jacketing approvals that are necessary, and I think with Joanne's leadership-- --I've been meeting with her on a monthly if not more frequent basis to follow her progress. She's doing a great job, and it's a tribute to her leadership how she--and her cooperation with our federal and state partners on this project, a major project of great importance to the agency that we've gotten this far, but anyway, Joanne?

[P. Foye] Chairman can I say one thing?

[Chair D. Samson] Yes.

[P. Foye] I agree fully. The other thing I think is worth noting, I think that the progress is in large part due to an extremely high level of cooperation among Bridges and Tunnels, Ports and Engineering.

[Chair D. Samson] No question, and the Law Department which is an important part in this factor, right Darrell?

[P. Foye] Absolutely.

[Chair D. Samson] Okay, thanks. Joanne?

[J. Papageorgis] Well, thank you Chairman for that introduction, and good morning Commissioners. In December 2012, I provided an overview of our recommendations to expedite the Bayonne Bridge navigational clearance program to the Committee on Construction. Today, I

will be updating this committee given the significant operation nature of this program in ensuring that the economic vitality of the region is met. This morning I'd like to provide an update on our overall schedule and accomplishments to date and request your approval of 2 separate items concerning the Bayonne Bridge. The first item is a brief overview of our program accomplishments during 2012. As you will recall, in May 2011 we obtained planning authorization to perform preliminary engineering and initiate our environmental and regulatory review process. Since May we have significantly expedited the program schedule as highlighted by the milestones on this slide. I'm pleased to report that we have completed our preliminary engineering design. Our environmental need for process is on schedule. We have not identified any significant property or right-of-way issues, and the work zone remains confined to Port Authority property, and we continue to seek ways to expedite our permit and regulatory review process which is the critical path to raising the roadway of the Bayonne Bridge. In anticipation of upcoming Bayonne Bridge Construction Program, the program team is taking several proactive steps to expedite and coordinate this future construction program. The first step is the advancement of the Bayonne Bridge main span arch, paint, removal, and repainting work effort. This contract is included on the February report of actions. This necessary state of good repair project has independent utility and would be performed regardless of the Bayonne Bridge Raise the Roadway Construction Project. The Outerbridge and the Goethals Bridges, and most of the George Washington Bridge have already undergone paint removal and repainting. As shown on the top graphic, the scope of work will focus on the areas of the main span arch beneath the existing roadway. The entire Bayonne Bridge still retains its original paint coating dating back to its construction in 1931. The age and condition of the original paint is shown on these photos, and a 2004 condition survey recommended repainting. Additionally, structural steel repairs as identified in prior surveys or discovered during the paint removal would be performed on an as-needed basis. Performing this work in advance of the Bayonne Raise the Roadway Construction Project provides several advantages to the program in terms of the schedule improvements, early identification and performance of necessary steel repairs, and also facilitates construction staging coordination when we start with Bayonne Raise the Roadway Construction Project. As I mentioned earlier, the Bayonne Repainting Program was expedited in October 2011, and within 2 months the engineering team developed the contract bid documents. They prepared them, they advertised them, and the bids were received in early December. Extensive contractor qualification requirements were set forth in the bid documents. The recommended awardee is Aherne Painting Contractors Inc. at their low bid contractors fee of 3.23%. The bid is cost effective when compared with the alternate option of waiting until we start the Bayonne Bridge Raise the Roadway Project and have to add on additional contractor and subcontractor markup fees. Ahern Painting, Inc. also satisfactorily completed similar work on both the Goethals Bridge and the Outerbridge structures. We expect substantial work to be completed by third quarter of 2013. Given the significant upcoming construction work on the Bayonne Bridge, close coordination is being performed between both projects. The painting program fieldwork is forecast to be complete prior to the start of the Bayonne Bridge Raise the Roadway Construction Project. The painting program contract work has independent utility. It is a state of good repair work that needs to be completed, and it does not conflict with the Bayonne NEPA process. Performing the bridge painting contract work ahead of the Bayonne Raise the Roadway Project offers several program benefits including it will proactively identify and repair any structural issues before we start bridge construction. It simplifies the Bayonne Bridge construction staging and reduces the contractors risk in coordination and costs since the work will already be

completed, and accelerating this work will create jobs now, providing a boost for the local economy. Commissioners I request your concurrence on this contract award.

[Chair D. Samson] Thanks Joanne. Any questions or thoughts?

[Comm. D. Steiner] So I understand this is a-- --really a cost plus contract it sounds like a price contract

[J. Papageorgis] Yes it is.

[Comm. D. Steiner] Is that typically what you have to do in painting because of the nature of weather conditions and things that are unknown?

[J. Papageoris] Yes.

[Comm. D. Steiner] That it's impossible to get a fixed price. I want everybody to understand that, and we have no cap on that. There's no cap on it.

[J. Papageorgis] We have an estimate of $5-10 million which is our contractor's estimate on this item.

[Comm. D. Steiner] Between 5 and 10 million?

[J. Papageorgis] Yes.

[Comm. D. Steiner] That's a big range, but--and historically what's been experienced on a bridge repainting? Have we been able to bring them in at fair prices?

[J. Papageorgis] Yes.

[Comm. D. Steiner] And this fellow has worked for us before?

[J. Papageorgis] He just finished the Outerbridge, and prior to that he did the Goethals.

[Comm. D. Steiner] It was satisfactory?

[J. Papageorgis] Yes.

[Comm. D. Steiner] He performed fairly at a fair price?

[Chair D. Samson] Thanks Commissioner. Any other questions about the project or this agenda item? Joanne thank you, again, for your leadership on this thing. You're satisfied with the way this project's moving?

[J. Papageorgis] Yes, I am.

[Chair D. Samson] Good. So are we. I would like to move this for approval.

[Comm. V. Bauer] So moved.

[Chair D. Samson] Okay. So moved.

[B. Baroni] There's another half to this.

[K. Eastman] Yes, that was one.

[J. Papageorgis] Yes, this is the first part, which is the painting program. Then, we have an update on the overall Bayonne.

[Chair D. Samson] Right. Let's go.

[J. Papageorgis] Click. Yeah. Wait, go back one please. Increase it. Okay, change that. Okay, this is it. Sorry. The second item we want to discuss this morning is I'm also pleased to report that the Bayonne Bridge Navigational Clearance Program remains on schedule, and this second update highlights recommendations to further expedite our overall programs schedule for the Raise the Roadway Project. In 2011, we expedited our preliminary engineering ahead of our NEPA environmental review process, and there now exists the opportunity to modify our procurement process to a traditional design-bid-build process with the benefits noted on this slide. Today we are seeking to increase planning in the amount of $35 million for a total authorization of $70 million. This increase will take us from preliminary design to 100% of final design.

[J. Papageorgis] In May 2011, the Board authorized a total of $35 million in planning for the Bayonne Bridge Raise the Roadway. An overview of our prior professional service authorizations include the following: the initial professional services agreement for the preliminary engineering was awarded to the selected consultant firm HDR Engineering and PB Americas, Inc. in June of 2011. At a total agreed cost not to exceed $9.3 million of which $5.8 million in planning funding was authorized. The firm was selected with a publicly advertised RFP process using qualifications-based approach and weighted criteria for technical approach, management firm, and staff qualifications with costs as a consideration. The existing professional services agreement for a final engineering design and construction support services during stages 3-5 is recommended to be increased to a total cost not to exceed $34.7 million of which $27 million in funding for these services being requested as part of the proposed increase in the planning authorization. The remaining $7.7 million will be subject to a future board authorization. The proposed $35 million increase in planning will be used for completion of the final engineering design, the environmental approvals, permits and support efforts leading to a future Board project authorization in 2013. Commissioners in order for staff to continue our expedited efforts, I request your authorization for a $35 million increase in planning authorization and our associated professional service agreements. The future construction of this project is anticipated to generate 6,300 job years, $38 million in wages, and $1.6 billion in economic activity. Commissioners, I request you advance this item to the full Board for approval today.

[Chair D. Samson] Thank you. Do any of the commissioners have any questions or comments about this item? Pat? Bill? Therefore, I would like to move it forward for Board approval. May I have a second?

[D. Steiner] So moved.

[Chair D. Samson] All in favor?

[All Commissioners] Aye.

[Chair D. Samson] So moved. The final--thank you Joanne.

[J. Papageorgis] Thank you.

[Chair D. Samson] The final presentation for today's committee meeting will be presented by Pat Foye concerning the Port Authority's Freedom of Information Policy. Pat?

[P. Foye] Thank you Chairman. It was Justice Louis Brandeis who said, "Sunlight is the best disinfectant." He was speaking about open--open government and transparency in government. Both Governors Cuomo and Christie have adopted that policy. The Port Authority is a public agency. We have an obligation to the public, stakeholders, elected officials, and the media to provide access to information on what's protected by exceptions. For instance, there's national security, port security, personnel, and other issues. We're aware that there's been a discussion, Chairman, in both states on these issues, and possible discussion of legislation. My colleague Bill Baroni and I have been working on this matter for some matter of months with our colleagues in the Law department and the Office of the Corporate Secretary, and Chairman what we propose to do is to come back to you Vice-Chairman Rechler and the Board at the March meeting with proposals that be adopted. I note that a significant number of the FOIL requests--FOIA requests already in the shop were linked to compensation, and the Board's decision over the last several months to disclose online, regularly updated, that should ameliorate and mitigate the number of FOIA requests that come in. However, I think Bill Baroni and the entire management team believe that we can and will and must do better, and we'll come back to the Board with a report in March.

[Chair D. Samson] That's great. I'd just like to--well before I say anything, do any of the Commissioners have any comments or questions about this? This is just an informational item anyway. You know, Pat, I think I speak for the entire Board when I say that first of all we recognize the contextual issue here. We get as an Agency a great many FOIA requests, and I think generally speaking the record--the track record of the Agency has been good. My understanding is in the last year we've been somewhere around 50% within 5 days of responding completely. In many cases we can't do that because the breadth of the--and scope of the request just requires a great deal of digging and information many of which--much of which is historical and archival, but having said that I'm convinced that we can do better. A great deal of this is perception. You know the Authority as we all know is going through some difficult times right now in terms of public perception. I speak for the Board when I say that the Board is committed to conducting its business to the extent it can with increased transparency, and certainly a FOIA

policy that reflects that spirit, and that tone, and carries out the policy in the spirit of both States as you pointed out OPRA and FOIA policies respectively would certainly go a long way toward increasing the credibility--the authority in the public's mind. So, we all look forward to getting the specific recommendation from senior management, and I'm certain that the Board is looking for a more expansive, more effective, more responsive policy on the one hand, and a tightening up of some of the exceptions so that we don't get involved in discretionary arguments with people who are requesting information. Mr. Vice Chairman?

[Vice-Chair S. Rechler] I agree with everything Mr. Chairman said. The only thing is just, again, what I hope is at the next meeting that you actually not only provide a report, but you actually provide an actionable item just like you have with the disclosure of the payroll. I think one of the key initiatives that we've been acting on within the last couple of months is taking action and historically kicking the can down the road and letting things die down through reports I think has been a challenge for this agency, and so having something we can act on as a Board I think is terrific.

[P. Foye] Mr. Vice Chair that is the plan. We will come with a recommendation and an action proposal.

[Chair D. Samson] Great, great. Any other commissioners? Commissioner Steiner? You have anything you'd like to say about that?

[Comm. D. Steiner] Not today.

[Chair D. Samson] On that note of optimism, there's no action required on this. There being no further business before the committee, the meeting is now adjourned. Thank you.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Meeting Transcripts
February 9, 2012

[Vice-Chair S. Rechler] This is the World Trade Center Redevelopment Subcommittee. I am sitting in for Commissioner Sartor as Chair of this, and Commissioner Sartor, we appreciate you dialing in via phone.

[Vice-Chair S. Rechler] You there? >>

[Chair A. Sartor] I'm here. >>

[Vice-Chair S. Rechler] Okay. Hopefully I will live up to your standards. The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee is being held in public session. After which, the Subcommittee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. We have 2 matters to discuss in public session, both involving Steve Plate. Steve, why don't I let you take off your presentations.

[S.Plate] Thank you, Vice Chair. Good morning Commissioners. I have 2 items. I would like to first recommend the contract for the Vehicular Security Center. This has to do with the spray on fireproofing contract, which was publically advertised with Island being the lowest-qualified proposer at a cost of $12.6 million. That excludes extra work and compares favorably to our estimate of $14.1 million. Authorization for this contract also includes a payment of $100,000 to Liberty Security Partners for design services during construction. In addition, this contract has been reviewed with the Inspector General and will be subject to an existing integrity monitor agreement at Island's sole expense. Island has been successfully completing work for years at various World Trade Center site projects, and has been cooperative with the integrity monitor and has been providing very good work. I am pleased to report that with this authorization, all major contracts for the VSC will have been awarded. Commissioners, I request you advance this item to the full board for approval.

[Vice-Chair S. Rechler] Any comments or questions by anyone?

[Vice-Chair S. Rechler] Second? >> Second that.>>

[Vice-Chair S. Rechler] Okay, move to the full Board. Mr Plate?

[S.Plate] The next item and final item has to do with site operations and maintenance at World Trade Center site. Guardian Services, which has been providing both overall site maintenance and operations, snow removal, dewatering services on a 24-7 operation as well as support of the chiller plant and river water pump station for several years. What this is looking for is your authorization of $3.2 million, which will help us close out the existing contract with Guardian through May of this year while we competitively procure a new contract to be effective in June of this year. We will be back to you in June with another item-- with a competitive bid.

[Vice-Chair S. Rechler] Any comments or questions?

[Vice-Chair S. Rechler] Is that a second? >>

[Comm V. Bauer] Second.

[Vice-Chair S. Rechler] We will move this to the full session. That ends the public session of this Committee. We are now going to go into executive session.

The Port Authority of New York and New Jersey
Committee on Construction Meeting Transcripts
March 29, 2012

[Chair R. Pocino] We're here today on the Committee on Construction. The meeting today, the Construction Committee will be meeting in public session in its entirety. In addition, the meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. For discussion today we have 2 items. We're going to do the PATH Harrison Station Modernization Project first, and before we have Mr. DePallo get into that, I'm going to ask Deputy Executive Director Bill Baroni to take over from here.

[Deputy Executive Director B. Baroni] Thank you. Thank you, Chairman. Just very briefly, this is a project that has taken a number of years to reach today. Just before Mike DePallo, Director of PATH, introduces the project to the committee, I just want to thank the folks who work here on the staff on the PA who have spent a great deal of time over a number of years to reach today's presentation, and I want to thank them and Mike and his team and Mike Francois and the folks in Real Estate. It took a lot of effort to get here. I just wanted, as we're beginning, to tell the commissioners how much work that they put into it to get to this point. With that, I'd like to introduce Mike DePallo, Director of PATH, to introduce this project to the committee, and we'll be prepared to answer your questions.

[M. DePallo] Thanks, Bill. I appreciate it. Thank you. Good morning, Commissioners. I'm here today to recommend the board authorize a project that would provide a replacement of the almost 80-year-old PATH station at Harrison at an estimated total project cost of $256.2 million. I am also recommending the Board authorize the President of PATH to award a construction manager/general contractor agreement and award of a contract for professional and advisory services to effectuate final design and project support necessary to implement the project. The existing PATH station was constructed in 1936. Shown at the top are the 2 existing entrances, both on the west side of Frank E. Rodgers Boulevard. The picture on the upper right shows the entrance to the PATH west-bound platform. The one on the upper left shows the entrance to the east-bound platform. The street level is connected to the platforms by stairs. There is no ADA access to the facility at this time. The platforms serving the station are shown on the bottom. There is limited weather protection at the platforms, and they have settled over the years, resulting in numerous cracks and repairs, and they have reached the end of their useful life. This project will address state of good repair work needed for the existing station. The improvements will also allow PATH to meet projected demands at Harrison resulting from current and future development in the vicinity of the station. Furthermore, the improvements will support a future expansion of PATH's Newark to World Trade Center service from 8-car trains to 10-car trains to better meet expected passenger growth in the trans-Hudson corridor. Finally, the new PATH Harrison Station will provide ADA access to the station platforms in full compliance with current standards for life safety. As you know, commissioners, growth at PATH has recovered from the decline after the attacks of September 11, 2001, and we're experiencing record ridership levels. The growth is expected to continue, particularly as the World Trade Center and downtown New York development starts to come online in 2015. The proposed new Harrison Station will allow us to better serve that demand as we move from an 8-car to a 10-car operation on the Newark to the World Trade Center line. In addition, to complete the work to allow for 10-car train operation on the Newark to World Trade Center route, PATH will need to lengthen platforms at the Grove Street Station, provide for NFPA 130 requirements at Exchange Place Station, and make minor modifications to the Newark Station, which will be subject to future authorizations from the board. This drawing shows the

existing PATH Harrison Station and the proposed development in the area immediately around it. The station straddles the Northeast Corridor and is situated just south of I-280. The area around the station has traditionally been industrial in nature, but many of the manufacturing facilities are now abandoned. The town of Harrison has initiated a major redevelopment of the site featuring a new sports stadium--that's the Red Bull Arena-- residential and commercial development to the immediate south and north of the station, and a greenway along the Passaic River. It is this new and exciting future that the new PATH station will compliment. The proposed new PATH Harrison Station will consist of up to 4 new entrances, or headhouses, as shown here. The project will provide ADA elevators and escalators and will provide weather-protected vestibules for passengers accessing the platform. The headhouses on the east will be constructed first to allow continued operation at the existing west headhouses. At the platform level, passengers will pass through new turnstile areas to the new and extended platforms with canopies providing weather protection. Shown here are various views of the typical station. Going clockwise from the upper left, they show a street-level view of the headhouse proposed for the southeast entrance, a cutaway view showing the entrance vestibule, the escalators, elevator, and stairs going up to the platform level and the turnstiles leading to the platform, a bank of turnstiles as viewed from the escalator, and a typical new platform and canopy providing weather protection for PATH passengers. I'd like to turn the next slide over to Mike Francois.

[M. Francois] A critical element of the future redevelopment of the Harrison Station is the acquisition of specific property interests, both publicly and privately owned, consisting of approximately 3 acres and 4 quadrants, as reflected here. In total, approximately $27 million will be required for land acquisition, design, subsurface environmental remediation and demolition in connection with the project. On November 18, 2010, the board authorized a purchase of vacant land, the northwest quadrant, from CJUF II Harrison Phase I Urban Renewal Company, which is basically Pegasus. On October 20, 2010, the board authorized the acquisition of Ben Arjay property in the southeast quadrant, along with the work needed to abate and demolish structures on the property and to remediate the site. There are additional properties required for acquisition in connection with the Harrison PATH Station, and they are shown on the map in front of you. In addition, an expanded leasehold or easement under Amtrak property is required on all 4 quadrants. It should be noted that we have acquired or we have an agreement to acquire properties in 3 of the 4 quadrants through the good offices of Deputy Executive Director Baroni. The town of Harrison has agreed to convey their property interest to us for $1, and they will be doing so on April 3. The proposed acquisitions will enable PATH to construct the new station headhouses, as previously shown by Mike. The acquisitions will provide for a wider right of way, which will expand the truck area to accommodate the realignment of Amtrak and PATH tracks and accommodate the anticipated construction staging associated with the new facilities. Staff anticipates reaching an agreement with Amtrak as well as the rest of the remaining property owners by the end of this year to allow PATH to proceed with proposed work at the Harrison Station.

[M. DePallo] The complexity of acquiring properties and building 4 headhouses expeditiously while minimizing impacts to PATH passenger operations dictated that we seek a flexible approach to delivering the project's construction. A number of approaches to delivering the actual construction were reviewed and assessed. We plan to advance the needed work through the use of a construction manager/general contractor or CM-GC approach. The CM-GC approach would provide the opportunity to bring an entity on board during the design phase of the project to work with the agency in performing constructability reviews and in packaging the work so as to expeditiously advance the work whenever possible. This approach provides the flexibility to award multiple trade contracts and award station contracts if all the

necessary acquisitions are obtained. This approach also brings the flexibility to accommodate potential delays in assessing needed properties or changes in project scope aimed at reducing cost. The CM-GC will be procured via a publicly advertised bid. More typical design-bid-build approaches, options 2 and 3 in the matrix shown here, provide the certainty of a lump-sum bid but do not provide the flexibility needed to repackage work as external forces might dictate. The CM-GC approach provides us flexibility and affords the best option for commencing work and completing the improvements as soon as possible. The project represents significant economic benefits for the region. The total economic impact of the project is estimated to include 1,080 total job-years, $72 million in wages, and $344 million in economic activity over the life of the project, including indirect effects such as purchases by both workers and suppliers to the project. The total estimated project cost is $256.2 million. With the Board's approval, we anticipate the award of the design consultant and a CM-GC agreement in the 3rd quarter of 2012 and the initial construction contract award in the 1st quarter of 2013. The construction duration is approximately 4½ years. The new PATH Harrison Station project is an ambitious undertaking. As shown here, we are targeting completion of both headhouses on the east side of Frank E. Rodgers Boulevard for the middle of 2015 with the balance of the work being completed within 2 years' time. Commissioners, I request you advance this item to the full board today. Thank you. {Comm. R. Pocino} Thank you Michael and Deputy Director Baroni. It certainly is going to add a lot to this vibrant community that's developing there in Harrison, and the Port Authority in this project is doing its part in helping this community move things along. Commissioners, anyone have any comments/questions?

[Vice-Chair S. Rechler] I have a few questions. Just a quick point verification. So there's 3 acres of land that's being acquired in total.>>

[M. Francois] Yes. And $27 million, is that the land and the work around that land? [M. Francois] It includes the property acquisition costs, the abatement of the buildings, demolition, the remediation and engineering of some contingency.

[Vice-Chair S. Rechler] And how much of the $27 million relates to the land acquisition, the property acquisition process? The property acquisition itself is approximately $4.5-5 million.

[Vice-Chair S. Rechler] And then there's a comment about having to modernize some of the other stations that deal with the 10-car trains. That's right.>>

[Vice-Chair S. Rechler] What's the estimate of that cost?

[M. DePallo] Well, the Grove Street Station, the project right now is approximately $160 million. That's the biggest piece. There is some work at the Exchange Place Station to make it NFPA 130 compliant, and that would be another approximately $50 million and some minor work at Newark, really not much.

[Vice-Chair S. Rechler] And that's really just for the 10 cars and not necessarily needed for this project? In other words, we can do this and if needed--if we didn't have 10 cars going through that would not--

[B. Baroni] Yeah, the problem is the reverse when you have a 10-car train but only an 8-car platform. One of the challenges we have as 1 World Trade and 4 World Trade come on-- and the folks at PATH have done a very good job of studying where passengers are coming from based on the use of the monthly trip cards. The number of people who are going to be commuting in and out of Lower Manhattan on this

particular PATH line we expect to grow exponentially. We're already up significantly, and sort of the concern is how are we going to get people to 4 and 1 World Trade? And some of the conversations we've had with folks in the city is the concern about how folks are going to get in, and this is one of the aggressive steps that we can take to maximize our ability to get people to work in Lower Manhattan. In addition to it being economic development, as Chairman Pocino said, it's also sort of part of a regional economic and transportation program.

[Vice-Chair S. Rechler] More commentary on the question. I think I've made the comment before, and I made it specifically for this project. I'm concerned about approving large capital projects right now in isolation of completing the overall review of the capital budget. As you all know, we're working hard on trying to figure out how we're going to prioritize the $25 billion or whatever that is that we invest in this region, and this sounds like a sound project and one that--you have an 80-year-old station, and obviously you're tied to the Trade Center and transportation being brought in, and maybe that's why we have a time sensitivity. But what I would just like to make clear as part of going forward is that before we are asked to approve more capital projects at this scale that there's a demonstration as to why we're jumping ahead of completing this overall capital plan and doing it in isolation so that we're at least--if we're making that decision, we're making it in the context of understanding that we're sort of breaking through that process.

[Deputy Executive Director B. Baroni] Understood, Mr. Vice-Chairman.

[Comm. R. Pocino] I think your point is well taken, Vice-Chairman, and I think we're all taking those into consideration as we move forward. But certainly, as you point out, this project is one that is very pointed and needed and directed basically in terms of what this Authority represents and what it's here to do. Pat?

[Comm. P. Schuber] Mr. Chairman, if I might, I've had a chance to go down to the Red Bull Stadium [coughing] and clearly this area is one that is coming back significantly. Unfortunately, our station stands out like a sore thumb, and I know that the work on this has been ongoing, and I agree with Vice-Chairman Rechler with regard to the issue of piecemealing projects when we're doing an overall review. But this particular project has been underway for a considerable period of time. It will enhance the economic activity within that area, and I know that Mr. DePallo and Mr. Francois and their teams have worked really hard to put this together over quite a long period of time, and I think it's ready to move, and if there's no other objections, I'll make a move to advance this.

[Comm. R. Pocino] I have a motion to advance it. Do I have a second?

[Comm. A. Sartor] I'll second that.>>

[Chair R. Pocino] All in favor?

[Male] Aye.>>

[Chair R. Pocino] The ayes have it.

[M. DePallo] Thank you.

[Chair R. Pocino] Okay, we have another item for discussion, the PATH Replacement and Upgrade of Christopher Street Substation Project. Michael?

[M. DePallo] Yes, thank you. Good morning again, Commissioners. We're here today to seek project reauthorization for replacement and upgrade of the PATH Christopher Street Substation at a total project cost of $71 million and authorization to award the construction contract to the lowest qualified bidder at an estimated construction cost of $31.8 million. That includes net cost and extra work. In August of 2010, staff presented an overview of the complex issues identified during the design of the--

[M. Francois] I'm sorry.

[M. DePallo] We have a disappearing screen here. Okay, great. In August of 2010, the staff presented an overview of the complex issues identified during the design and replacement and upgrade of the PATH Christopher Street Substation, including risks involved with project delivery. At that time, you were told that we would explore other alternatives and return with our findings and recommendations. This presentation reflects those findings and the course of action we now deem to be the best solution. As background, the Christopher Street Substation is located on Greenwich Street in Lower Manhattan around the corner from the Christopher Street Station entrance. The replacement and upgrade of the PATH Christopher Street Substation is a state of good repair project that was authorized in February of 2008 at an estimated total project cost of $60 million. The project's scope includes replacement and upgrade of the Christopher Street Substation equipment. The Christopher Street Substation is the sole source of electrical power to the uptown PATH system. The substation equipment is approximately 40 years old and is at the end of its useful service life. Prior studies recommended the existing equipment be replaced with larger capacity, more reliable and energy-efficient equipment as required to handle the increased capacity. The scope also includes necessary upgrades to the 100-year-old substation building required to meet present building codes and necessary structural modifications to support and reposition larger and heavier electrical equipment. The capability of storing energy from rail car regeneration is also included. The project design originally included a new cable duct bank providing 2 separate access routes for power cables to exit the tunnels and enter the substation. This method was sought to eliminate the concerns of a single access point, as shown here in red in the upper diagram, by running new cable ducts under Christopher Street and Greenwich Street as shown in the blue in the upper diagram, which would enter the substation on Greenwich, creating dual access points providing a higher level of reliability as well as potentially simplifying the construction staging. As we discussed with the board in 2010, it was the separate access routes that caused problems with the original design of the project. During the development of the final design, in discussions with New York City DOT, New York City DEP, and Con Edison, it became evident that the existing underground utility infrastructure above Tunnel B would require more significant relocation than originally anticipated, and thus a greater risk for the project. After being granted access, it was determined that the manhole housing the Tunnel B cable run was much closer to the existing sewer line than anticipated. New York City DEP was requiring a significant effort to relocate the sewer line away from the manhole, which would require moving into the property of the adjoining school on Christopher Street. The disruption to the school and the community were of great concern and were likely to delay the project considerably while seeking community and New York City DOT approval. It became evident that the best alternative was to work within the existing conditions and that the risks in working with the existing design are much more acceptable overall in terms of the disruption, additional planning, and increased costs of pursuing the separate duct plan. In the interim, since we last presented the project to you, we have continued utilization of the existing duct banks, for the

project is feasible. We've migrated the risks that were identified, and we've also accomplished the following. We carried out an early action plan to mitigate risk by removing abandoned cables, cleaning out the ducts, and ensuring the integrity of the existing duct banks to be utilized under the project. A study was undertaken confirming the utilization of the existing duct banks, for the project is feasible. Staff revised the design of the project to utilize the existing duct banks, and staff revisited the construction staging because of the increased complexity using the existing duct bank in order to minimize disruption to PATH operations. While the cost for using the existing duct banks is clearly higher than the original plan, mostly because of the complexity of staging, planning costs, and additional staff support required during construction, it is significantly less than the revised estimate for the dual duct bank approach due to significantly reduced time frame to complete the construction and the unknown associated with the city agency and community issues. The $11 million increase from the authorized plan is as follows. A decrease in the cost of construction of approximately $2.2 million, and that is due to the contractor's construction scope was reduced by eliminating construction of a new duct bank under active New York City streets. This has further minimized the impact to the neighboring community and the school. However, this in turn increased construction support costs for facility--net cost and risk associated with extra work due to complex construction staging and increased construction duration of 5 years. The increased costs for planning and engineering of $10.7 million is due to the design coordination with the city agencies and Con Edison, project design based on utilizing the new cable duct bank, performing the feasibility study for utilization of the existing duct banks, project redesign utilizing the existing duct banks, engineering and construction management support, independent commissioning agent during the construction, and also the preparation of system operation and maintenance manuals. There is a decrease in project contingency of approximately $2.5 million based on the quantitative risk assessment that was performed, and the increase in overhead and a financial expense of $5 million is due to an increase in the construction duration. The item also includes award of a contract for replacement and upgrade of the Christopher Street Substation equipment at an estimated cost of $31.8 million. Bids were solicited from 6 pre-qualified firms identified through a publicly advertised request for qualifications. Staff recommends reward to Mass. Electric Construction Company, the lowest qualified bidder. The variance between the low bid amount of $24.7 million and the engineer's estimate of $34.8 million is attributed to the fact that the general contractor will self-perform all electrical work while the engineer's estimate was based on a GC subcontracting a majority of the work with a 20% overhead and profit added on. The engineer's estimate used higher prices for power cables, taking into consideration the uncertainty of copper prices. Contractors received competitive prices from major electrical equipment suppliers, and looking at the current market conditions, the bids received were very competitive. This item also requests authorization to expend an additional $1.8 million for final engineering design and construction support services, in connection with the previously authorized professional service agreement with Jacobs Engineering Group, Incorporated, resulting in a total estimated amount of $4.2 million, which is included in the total cost of the project. The project represents significant economic benefits for the region. The total economic impact of the project is estimated to include 270 job-years, $16 million in wages, and nearly $98 million in economic activity over the life of the project, including indirect effects such as construction employment and materials purchased. Upon project re-authorization and authorization to award, a construction contract will be awarded to the lowest qualified firm in the 2nd quarter of 2012 with construction to commence shortly thereafter and be completed by May 2017. Staff is currently finalizing a detailed critical PATH method schedule that currently shows a project of this complexity requires 4 years, 10 months of construction duration. We will aggressively work with the contractors to seek every opportunity to shorten the construction duration. Commissioners, I request you advance this item to the full Board for approval today.
[Comm. R. Pocino] Deputy Commissioner--I'm sorry, Deputy Executive Director Baroni.

[Deputy Executive Director B. Baroni] Very briefly, Mr. Chairman, this project has taken a number of incarnations, and one of the key concerns has been the effect that this project will have on the community immediately around the Christopher Street Station, the neighbors immediately around it, the elected officials for the area, and we've worked very closely with them, and more importantly, our team will continue to work very closely with them as this construction project goes forward. As we've shown both with the Lincoln Tunnel Rehabilitation Project and now with this project, we're spending a great deal of time and resources to make sure we're communicating. Now, as anyone who has been down to the Christopher Street area knows, it's been an area of growth, and the concern of the business community and the concern of the residents we're taking very, very seriously and going to be meeting with them both through their elected officials and sort of going door to door and business to business to make sure that we're reaching out so that the big, bad Port Authority doesn't come in to do this major project and disrupt, so we're having an ongoing conversation with the people around the Christopher Street Station.

[Comm. R. Pocino] And again, a facility here that's 80 to 100 years old with equipment in it that's ended its useful life. Very important that we upgrade this and get it into the capacity that's needed for the new system that we're going to have running on it, doing the transportation that this agency is here for. Commissioners, anybody else? Comments or questions?

[Comm. J. Moerdler] I don't want to sound like a broken record because I know I've said this several times before, but it is something that I will continue to say, and I know the staff is doing it but I just want to reemphasize the absolute importance in this economy of doing anything possible to front load the work and expedite getting projects moving and creating jobs and helping the economy move along, and anything we can do throughout the project to move a little more into 2012 and a little more into 2013 and push as much as we can has to be done.

[Deputy Executive Director B. Baroni] Absolutely.

[Comm. R. Pocino] Excellent point, commissioner. Excellent. May I have a motion to move this?

[Comm. A. Sartor] So moved.>>

[Comm. R. Pocino] Second? All in favor?>>

[All Commissioners] Aye.

[Comm. R. Pocino] Opposed? The ayes have it. That ends our agenda for the Construction Committee. Thank you all very much for your input and cooperation.

The Port Authority of New York and New Jersey
Committee on Operations Meeting Transcripts
March 29, 2012

[Chair D. Samson] Okay, we'll get started. Today's meeting of the Committee on Operations is being held in public session in its entirety. In addition, the meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. We have two big issues for discussion and presentation by the Executive Director and Deputy Executive Director, and I want to say that 1 of them, the first issue that I understand Pat and Bill you're going to be discussing has to do with compensation and benefits, and just to frame this a bit, we're all aware of the work that was done by the Board's Special Committee, and the culmination of that first phase of its work in the Navigant report and the recommendations that were made by the Navigant report, and I know that the report was critical in some respects about the compensation and benefits that you're going to discuss with us today, and it's clearly from the Board's point of view an issue that needs to be looked at, and we're looking forward to hearing from you in connection with your proposal, but I also want to make it clear from the Board's point of view that whatever adjustments need--ought to be made or are going to be proposed should not be taken as a reflection or criticism on the quality of our employees here, which are among the finest in the nation. They're dedicated. They're high quality, and in the main, they are exactly the kind of people any organization would want to carry forward its mission. Anyway, Pat, Bill? >>

[P. Foye] Mr. Chairman thank you. Bill Baroni and I have worked closely on both these agenda items and will make this presentation together. I'm going to start off. Allow me 4 observations before we get into the details. One of the purposes of these proposals to be considered by the Board today is to align Port Authority compensation and benefits with prevailing practice in the private sector and the public sector including especially the States of New York and New Jersey. Second, these actions to be considered by the Board today, we believe are fulfilling our responsibility to be accountable to the public we serve. Third, these recommendations are the result of careful analysis done internally by Mary Lee Hannell and her team in Human Relations, and externally by Navigant including careful analysis of compensation and benefit practices in peer agencies including those in both New York and New Jersey. Lastly, Mr. Chairman, to be clear these changes are painful and will represent actual pay cuts for many Port Authority employees. I echo the comment you just made, which is the Port Authority workforce is among the most able, talented, and capable of any government agency in the nation, and that even after these compensation and benefit adjustments appropriately Port Authority staff will be, we believe, fairly compensated taking into account experience and the demands that the organization, this Board, and senior management place on them. Let me begin the presentation. I'm not going to echo or repeat Mr. Chairman the points that you just made. Obviously, this is a followup to the Special Committee's work and the Navigant interim report of January 31, undertaken at the direction of both Governors. The phase one audit recommendations bench-marked compensation and benefits with similar New York and New Jersey agencies and agencies outside the region. These proposed forms seek to address inconsistencies in administration and will better align the Port Authority with both the public and private sectors, especially with the 2 states, and as a first step, the majority of reforms will initially impact non-represented employees. The 4-area reforms relate to healthcare, vacation programs,

compensation programs, and additional anticipated savings, and I'll just note to size it for the Board that for the second half of 2012 in aggregate the total savings that we expect are in excess of $14 million, and for the entire year of 2013 total savings are in excess of $26 million. Representing for the 18-month period, beginning July 1 of this year, total savings in excess of $41 million. Going forward, we believe in addition that there will be annual savings of tens of millions of dollars. I'll begin with healthcare. One of the first reforms to be considered by the Board today is to implement a healthcare contribution system. Currently non-represented employees hired after July 1, 2005, contribute to the cost of health and dental benefits. The Board today is being asked to consider a reform which includes provisions that are effective the end of April, April 29, 2012, to be precise. All non-represented management employees will contribute to the cost of their group health and dental benefits. There will be a 4-year phased implementation. Contribution rates will be based on salary and type of coverage. Employees at the highest salary levels will contribute 35% of the cost of premium in year 4, but, again, this will be phased in. These estimated savings are based upon recommendations from the Navigant audit and bring the Port Authority inline with practices in the states of both New York and New Jersey. Continuing on healthcare, we will, among other things, maximize financial discounts of the healthcare plans; that's an estimated 2012 savings of nearly $6 million, capitalize better on federal benefits reimbursements; that's a savings in 2013 of over a million dollars, introduce alternative lower cost healthcare plans, estimated annual savings of $3 million, and revise the Port Authority Labor Relations Instructions to exclude healthcare as a subject of negotiations for represented staff. Obviously, changes in the collective bargaining agreement and the relations between represented employees will be done in the context of collective bargaining in the future. Changes will be made to vacation programs. There'll be a phase in revised vacation schedule. There'll be elimination of the executive management excused program. The average reduction per employee will be approximately slightly over 5 days, and the range of reduction in vacation--compensated vacation days will range from 1 to 17 days. Estimated 2013 savings from these measures to be approved and considered by the Board today in excess of $4 million. We will discontinue the Vacation Exchange Program. That will represent estimated 2013 savings of $3.7 million and reduce the vacation payout upon separation to 1 year. That will represent estimated 2013 savings of over $4 million. Effective January 1, 2013, the extra year of allowance that employees prior to 2001 were eligible to cash out will be discontinued, and the maximum will be a 1-year carry over for all non-represented employees that will affect approximately 470 employees, and I'm going to turn it over to Bill.

[B. Baroni] Thank you, Pat. In addition, one of the areas that has to get focused on were add-on compensation programs, and our proposal, Mr. Chairman, to the committee would be to eliminate those compensation programs. First, the programs started in 1969. FICA benefit 8000--only $8000 annually. Group term life insurance 2001, $69,000 annually. The program Longevity 1, $35,000 annually. The program Longevity 2, $1.6 million annually. Police superior longevity per captain and above $323,000 annually. Police superior cumulative retirement days captain and above at $26,000 annually. In 2012, Mr. Chairman accumulatively this will save the agency $1.1 million dollars. In 2013, $2.1 million which leaves the average reduction in total compensation as Pat mentioned before the average reduction in total compensation per employee will range from 1.8 up to 8% at the highest levels of the agency. In addition, Mr. Chairman, a project that you began two Board meetings ago, which is the--thank you, which is which is the total compensation of the agency posted on the Port Authority's website as part of this commitment

transparency as you will hear in just a few minutes with the next item, Mr. Chairman and members of the committee. We'll be posting total compensation for 2008, 2009, and 2010, and continuing to update those quarterly. In addition, this project will be searchable and includes all overtime and longevity. Continuing, Mr. Chairman, we are recommending the elimination of PATH Passes for free travel program for all non-work-related travel for non-represented PATH active employees, Port Authority management staff holding PATH passes, all retired non-represented PATH employees, spouses, domestic partners, civil union, and eligible family members of active, retired, deceased, or non-represented PATH employees. In 2012, a savings of $170,000. In 2013, a savings of $255,000. Continuing Mr. Chairman, we will manage the size of our labor workforce to our authorized head count. We will maximize available skill sets and past investments by evaluating staff that are not against authorized positions to fill vacancies where these skills are matched. Each staff placement yields on average a savings of $100,000. A 2-year savings of nearly $6 million. We will also reduce--this will cause--all of these will cause a reduction in pension payments based on the elimination of those compensation and benefits programs. These changes to certain add-on compensation programs as well as staffing placement program, elimination of the Vacation Exchange Program will result in actual dollar to dollar reduction of Port Authority pension payments, and I'll turn it back over to Pat.

[P. Foye] And then lastly to summarize total savings over the next 18 months beginning July 1 will be in excess of $41 million. That's $14 million and change in the last half of this year 2012, and savings in excess of $26.5 million in 2013, and then tens of millions of dollars on an annual recurring sustainable basis going forward, Mr. Chairman.

[Chair D. Samson] Thank you, well, I think we can all agree that this is a broad and impressive package, and I thank you Pat and Bill and Mary Lee for your extraordinary work and analysis. Do any of the commissioners have any questions about these steps, these programs, these savings, or any of the points that Pat and Bill made? Yes, Vice Chairman?

[Vice Chair S. Rechler] I'd just like to echo some of the comments. First, I mean I clearly--this is going to be potentially painful to the team members, but it's also the responsible thing to do for the agency, and the way I view this is as a public agency, we have a responsibility to operate as efficiently as possible, and frankly our business model, the way we were operating before wasn't sustainable, so to the extent, from an employee perspective, we were not going to be able to keep as many employees on staff if we can't operate more efficiently because we need to find ways to cut our budget. This is all sharing I think some way to bring our standards to a high enough level that meets the standards of the rest of the New York and New Jersey agencies by enabling us to keep the team in place and employed, and I think that's when you have to balance taking some pain. I'd rather keep people employed albeit with everyone contributing at market terms, than having to reduce workforce along the way. I'd also like to thank the Executive Director and Deputy Executive Director and the team for hearing the Board at our last meeting in terms of reacting quickly to the findings of the Navigant report and taking such impressive steps and thoughtful steps so expeditiously in making this presentation here today and making these adjustments, and I encourage you to continue to do that not just here, but obviously as you go through the agreements as we move forward with the represented employees as well because I think this is something critical, and there's got to be a change of tone and approach at the Port, which I think you're demonstrating here, which is being responsible, being compassionate to our

team members by making sure that we have a business operating model that's sustainable going forward so thank you.

[Chair D. Samson] Thank you. Any other commissioners? Commissioner Moerdler?

[Comm. J. Moerdler] I don't know much about the healthcare phase in of the employee contribution. I don't know what market is. I assume you've studied whether 35% is an appropriate level for market, whether 25, or 50, or whatever. I've seen all different numbers. Have you done the comparative due diligence to feel comfortable.

[P. Foye] Yeah, yeah, Jeff, we have. I think that the work that's been done internally by Mary Lee and her team, Bill and I have been very involved and very hands on on this, and then Navigant has also been I think an important external resource. I think that the healthcare contribution we believe that phasing in was the right thing to do that's consistent with both what New York and New Jersey have done. The levels went to tying it to levels of compensation we believe is appropriate and is consistent generally with what the states have done, and thirdly the levels of contribution we believe are appropriate. There are to be clear both private sector and public sector examples out there that have higher and lower levels of contribution but believe these are consistent with what the states have done and consistent with what peer agencies have done as well.

[B. Baroni] If I might, Mr. Chairman, very briefly. In addition and to complement what Pat said, one of the concerns that Navigant had raised, and I think the Board had raised to us is that for a long time in the area of compensation and benefits, the Port Authority has operated in a vacuum, and one of the charges that Pat and I, and Mary Lee and her team was to look at under the leadership of Governor Cuomo and the leadership of Governor Christie what New York and New Jersey were doing when it came to healthcare contributions. We literally line by line went through--working with both Albany and Trenton to make sure that we very much matched the leadership of our governors in the area of making sure that we were inline with--as Navigant pointed out and the Board made it very clear to us to make sure that we were inline with our--with the states that we sit in.

[Comm. J. Moerdler] Have we also included in that consideration things I've seen in other contexts--considering them, not necessarily doing them. Incentives where there are families with multiple employed insured people creating incentives not to have dual insurance and also creating a no-cost alternative with lower levels of deductibles and lower--in network kind of encouragement to reduce the overall cost?

[M.L. Hannell] We have Commissioner. You will see that with some of our alternative lower-cost healthcare plans that we're introducing in the fall. Those plan designs will encourage, and it will cost not only the Port Authority less but cost the employee less and will encourage them to move from the plan we currently have into lower-cost alternatives. We're also considering incentives for folks to wave coverage, so if a spouse or a significant other has coverage elsewhere that will, again, be a lower cost to the organization, and so we are providing those incentives for people.

[Comm. J. Moerdler] Excellent. My last question is have--I'm not--how have we considered the impact this may have on employee retention and is there any way to predict what the impact--my assumption is no, but.

[P. Foye] Commissioner, we have thought long and hard about that. There really is no way to predict it. One of the things that I think is important to mention is that Bill and I are going to be communicating with all our employees as promptly as possible after this meeting. We've worked with Mary Lee and Lisa MacSpadden to develop a comprehensive communications program. I think we've tried to anticipate all likely questions. Mary Lee has already entertained--we've already started reaching out to groups of employees. That communication is going to go forward. Undoubtedly some employees will take this into account. Many employees will take this into account. We expect that the job losses or the retirements will be manageable, and we have thought long and hard about it, and the communications program will start very shortly after the Board takes action, assuming it does.

[Chair D. Samson] Commissioner Sartor? >>

[Comm. A. Sartor] Yeah, just a-- --that was a question I was going to put forth because I'm really concerned about some of the impacts that this may have. As I look at the numbers and just trying to do some fast numbers, I know I'd heard a number of roughly an average number of 8% salary reduction. You indicated that this would be a definite salary reduction, and I'm sure there are other people who will be affected significantly more than that 15, 16, 18%, and I believe just as a followup to what Jeff said and what you said, you will have some key losses. Has any consideration been given to changing the method of compensation in terms of merit-based increase? Has any discussion taken place on that going forward?

[P. Foye] Yeah, Commissioner, a couple of things. You're quite right that a change like this is likely to precipitate some levels of retirement. That would be natural and unsurprising. Given the fact we've got such a talented, experienced workforce, we've got many, many options. Some of them will undoubtedly elect to retire as a result of these changes. We assume that as part of our work on this. We don't look forward to that. Plans are already in place in terms of succession planning at the top levels of the organization and throughout, and a lot of thought has been directed to that. In terms of the question about more focused merit compensation system that is something that a great deal of discussion has been focused on, and I think, Commissioner, the thing that I would say is that we'll come back to the Board and this committee in the future with respect to plans. >>

[Comm. A. Sartor] I would look forward to that.

[Chair D. Samson] And I think to that point, Pat, I just--this whole issue of compensation and benefits is a continuing review. I think the point ought to be made that this is seen by the Board and by the senior management as the first step in a process of ongoing review. These are the issues that were highlighted by the Navigant report and our discussions with Mary Lee and senior management, and these are the first issues to be addressed, but I want to make it clear that and to your point Commissioner Sartor, we're obviously concerned about the impact on employees, but we're also concerned about the impact on the Authority as an ongoing viable,

sustainable organization as the Vice Chairman pointed out. There's some balance here, and I think the only way we're going to be able to come up with an equitable balance is upon further review and consideration. We look forward to that and considering further proposals as time goes by from senior management. Any other commissioners have any thoughts or--yes, Commissioner Pocino?

[Comm. R. Pocino] Just for clarification, obviously I understand the phasing of the benefits and as Tony mentioned this 8% salary--is that going to be phased as well? Has consideration given to phasing that?

[P. Foye] No, Commissioner, that has--. >>

[Comm. R. Pocino] All this accumulation didn't happen last night; I mean this happened over a period of time.

[P. Foye] You're absolutely right Commissioner. The--for instance, a large part of that relates to the healthcare contribution, and aligning veteran Port Authority employees with what happens in the public and private sector that's going to be phased in over a 4-year period. Consideration of the issue that Commissioner Sartor raised is underway. We understand that these changes are painful. We're going to have an actual hit to the pocket book and wallet impact, and that's why, for instance, the healthcare reform is being phased in over a period of time, yes, sir.

[Chair D. Samson] Any other questions, comments by Commissioners?

[M.L. Hannell] And just to be clear Commissioner that 8% is the very highest levels of the organization, so that would be the maximum percentage that executives at the very highest levels of the organization could see. It ranges from a 1.8% to 8, not higher than 8.

[Comm. A Sartor] I believe it could be higher than 8% because of the sell back of the vacations.
[M.L. Hannell] We've actually calculated it all, so we've calculated all of those.

[Comm. R. Pocino] It's all inclusive?

[M.L. Hannell] It is all inclusive, sir, yes.

[Comm. Bauer] So the 15 percent Commissioner Sartor mentioned is not really -

[M.L. Hannell] It's not at 15; the highest you're actually going to see on any individual person, to your point, would be 12%, and that's at the very most senior levels of this organization.

[Comm. A. Sartor] Oh, it's a 12% not 15%?

[M.L. Hannell] Yes.

[Comm. A. Sartor] But it's not 8%.

[M.L. Hannell] It's an average of 8, sir, yes. You're right.

[Comm. A. Sartor] That's what I said. [M.L. Hannell] Yes, you're right.

[Comm.D. Steiner] How many employees are at that--would you give us a guesstimate of how many employees are affected at that top rate?

[M.L. Hannell] Thirty.

[Comm. D. Steiner] Out of how many employees in the whole company?

[M.L. Hannell] Out of management employees 2,250, and out of the entire employee population 6,700.

[Comm. D. Steiner} So it's a very small percentage, but I have always felt that many of our senior people were underpaid, and I just think there's a way to take it from under the table and put it right out front. If our people are underpaid, in which I think a lot of them could do far better in the private sector, and I think our important employees should be compensated appropriately, but I think it should be above the table and not hidden down below in these other things.

[Comm. A. Sartor] Agreed.

[Chairman D. Samson] Clearly the--your point about these add-on's and the under the table if you will reference is something that we wanted to address as an organization, and it really ties into the overall goals of transparency, which is kind of a segway for our next point of the organization, but I also wanted to say that this is a legitimate issue that this organization in general and the Board in particular needs to deal with as time goes by, and that's why I look forward to hearing from senior management on its continuing review and any continuing proposals it might have on these issues. Yeah, Vice Chairman?

[Vice Chair S. Rechler] Just as a followup to Commissioner Steiner's comment in terms of whether employees are underpaid or overpaid. I don't know the answer if that's the case or not the case. I'm not familiar enough, but I think in terms of that evaluation of developing the merit-based compensation, the first step of that should be doing a study, a compensation study to see where our team members are based on compensation relative to the market, both the private sector and the public sector, to determine where they fall and then that would I think provide us with a baseline to make those determinations.

[P. Foye] Vice Chairman, let me just add I think it's important to note that much of that work has already been done internally and by Navigant, so part of the Navigant exercise and part of what Mary Lee and her team do on a regular basis is to benchmark Port Authority employees, especially non-represented employees, at all levels, compare them to both the private sector and the public sector focusing especially on New York state and New Jersey governments and authorities, and that work has already been done.
[M.L. Hannell] Yes.

[P. Foye] And we will update and keep the Board apprised.

[Chair D. Samson] And we want to emphasize to the leadership and to the public as well that this Board is committed to maintaining a culture of meritocracy as opposed to one based too heavily on tenure, and we want to continue with that, and we look forward to receiving any proposals you have that will further those goals, so thank you, and I will move this forward to the public session for approval. Can I get a second?

[Comm. D. Steiner] Second.

[Chair D. Samson] All in favor?

[all comm.] Aye.

[Chair D. Samson] So moved. All right, our next issue teed this up nicely I thought for you, Pat, has to do with the general goals of transparency and openness. This issue became a hot-button issue for me in particular and I think in the Board in general last fall when we learned about some impediments to and challenges that were involved in the execution and application of our freedom of information policy, and so the Board asked senior management last fall, I believe it was in October or early November, to take a look at the substantive and procedural issues involved in our freedom of information policy, and how we could improve the application and the practical operation of that policy. Pat, you have a proposal today with Bill?

[P. Foye] Mr. Chairman, I do, and, again, Bill and I have worked closely on this, and we're going to make this presentation together. I would start with a headline, which is that what Bill and I are recommending for the Board's consideration today is in my opinion unprecedented among government agencies, and I think that the Port Authority Freedom of Information Code, amend the Freedom of Information Code that we're going to discuss today, if adopted by this Board, will provide unprecedented access to the public of Port Authority records and documents. The proposal today expands upon and emphasizes the commitment of the Port Authority to become more and more transparent, Mr. Chairman, as the Board directed over the last several months as we conduct the public's business. We are building on the Board's long policy of providing access to official records. The new resolution is designated as a Freedom of Information Code to demonstrate the enhanced procedures and clarity over the prior policy for dealing with request for records, and Mr. Chairman, and the Board, and senior management have recognized the dissatisfaction that has been expressed in some cases with--and in some cases with good reason for the prior practice. The Freedom of Information code that we're recommending and presenting to the Board today provides broad, extensive, and clear definition of what constitutes a record, provides for the posting on the Port Authority's website of fulfilled requests with the exception, of course, of police and accident investigation report, combines several of the exemptions from disclosure that's permissible, restates clearly the exemptions for greater clarity, provides concrete examples of the types of materials that would be exempt and that would be available under several of the exemptions to avoid giving the appearance of ad-hoc determinations, and clarifies the nature of materials exempt from disclosure as intra and inter-agency materials and communications. Bill? [B. Baroni] In addition, Mr. Chairman and members of the committee, the new proposed code will streamline the procedure so that those who are requesting documents

will be able to obtain impartial judicial review of decisions under our code more quickly. Some examples, there will no longer be a requirement to submit a formal legal appeal to our Port Authority's Office of the General Counsel. There will be no further internal delays in obtaining final agency decision of the availability of materials. There will be no need to exhaust administrative remedies within the confines of the Port Authority, and therefore, review would be immediately able to be sought in the courts of New York or New Jersey, and it will provide more explicit instructions for dealing if there is a delay of more than 20 business days based on the volume or the specific document request. In addition, Mr. Chairman, in addition to the new Freedom of Information Code, we are recommending that the Board allow us to implement, direct us to implement the Port Authority transparency project. This will allow for immediate free availability of information on our website, and the proposed code will suspend the requirements for the imposition of copying and search fees for up to a year, which will allow us through that year to assess the cost implications of the Port Authority. If I may, Mr. Chairman, restate that. We are not going to charge. As we were going through the process of studying our sister agencies, both in New York and New Jersey, but also around the country, one of the things that became available is by one measure or another, government agencies would charge for public documents. We are going to not do that. These are public--this is a public agency. These are public documents, and they will be free to the public. In addition, this transparency project, hundreds of documents not previously readily available, will be posted on the website, if directed by the Board, tomorrow morning including more than 22,000 pages of documents not before posted on the website, including Freedom of Information requests from 2011 to the present, more than 500 pages of public board and committee presentations, more than 300 pages of Toll and Fare public hearing transcripts, posting of all--going forward Mr. Chairman, when FOIA requests prospectively under the new code are requested, when filled not only will they be given to the person who requests it, they will be posted in real time on our website, and building an internal team specifically directed to updating the Port Authority Transparency Project Website to make sure as we go forward that as much--as many documents as we can put online, we will put online. Another way to view it, prospectively, we will be posting FOIA requests as they come in and are fulfilled. Retrospectively, we're going back and scouring with the leadership of the Office of the Secretary previous Boards going back as far as we can to post as many documents online, and in addition, when people go on tomorrow morning to the Transparency Project website on the Port Authority website, we're going to be continuing to use the best practices for search-ability. As people will see immediately that we're still, and we've been at this for a few weeks under the direction, Mr. Chairman, of you, it is our intention to be the most open and best transparency agency in the country, and with that commissioners we are confident that this will work, and we request you advance this item to the full Board for approval.

[Chair D. Samson] Thanks. Impressive and very ambitious. Do any of the commissioners have any comments? Yes, Commissioner Bauer?

[Comm. V. Bauer] I just have one question, so could you elaborate when you refer to exhausting administrative remedies. I'm not quite sure what that means.

[B. Baroni] Certainly, Commissioner. Current--under the current policy, the pre-code policy, someone would request a document, and the request would go to the Office of the Secretary. It would be reviewed; it would either be fulfilled and sent to the person, and more than 50-

something percent of our documents under the old resolution were done within a matter of days. If under that process the document was declined, under the previous policy, the appeal to that policy would then go to the Office of the General Counsel who would then view it, again, and issue a final agency decision from which you could appeal, but you needed to wait until you got a final agency decision. One of the concerns is that some people may have argued that that dragged out the process. Under the leadership of the Secretary and the General Counsel, Pat and I, we went through all the various options, looked at other states, other best practices, and the decision was made that we are one agency. The Office of the Secretary doesn't exist somewhere in a cocoon and doesn't--so the idea is that the Office of Secretary would opine, and that would be your agency decision, and if you did not like the outcome, and there will be people who--not 100% of requests will be fulfilled. Security documents for example won't be fulfilled. You would be able to appeal that directly to a court--a superior court of your choice in either of our 2 states. You won't have to wait for--we're removing a level of-- --we're removing a level of government and allows you, if you don't like the answer that you got to appeal to a court.

[Chair D. Samson] Any other--Commissioner Schuber?

[Comm. P. Schuber] Mr. Chairman, thank you for both the--I'm sorry-- for both the Director and the Executive Director, I want to applaud the action that's being taken here today. I know one individual who, probably looking down from Heaven, is going to be very delighted by that, and that's Senator Moynihan who was an old sociology professor of mine and lead the fight on the federal level for full disclosure of government documents. The history of this is quite interesting because it obviously starts with the post-Watergate reform for making government transparent at all levels, but as it developed over the course of years, there seemed to be a presumption that the actions of government were secret, and you had to prove that you needed the document to get it. I think the worse I ever saw was when Korean War documents, which had been on the public domain for 20 years, were then redacted by the CIA after everybody had had access to them, and I think what this policy does for us is puts it out on the public domain the fact that the Board stands for the presumption that there is a presumption of disclosure, not a presumption of secrecy, and that this agency is taking a strong stand with regard to that and making sure that the work that we do, which we're proud of anyway, should be certainly in the public domain for all to see. There's no reason to hide that. I do recognize, having served in government too, that there is certain things that government does that it has to keep private for times until things can be done. I appreciate that, but the fact of the matter is quite often in my experience with government entities is we tend to have a sense of circling the wagons, keeping things secret, and then kind of disclosing like bits and pieces. This actually does full disclosure. I'm delighted with this policy; I applaud you and the staff for putting this together and let's move it forward.

[Chair D. Samson] And I'd just like to piggyback before I turn it over to any other commissioners on what you just said Commissioner Schuber. There is a presumption of disclosure, and what this policy has been designed to incorporate is a recognition that there are as you say a limited, but a limited number of exemption areas where personnel or personal privacy issues need to be respected, and, of course, security and some other issues such as that, but those are the exceptions, and they need to be clearly defined, and what we need to do is take out any--as much possible elasticity in interpretative analysis of those exemptions so that everybody including the people here at the agency who are responsible for responding to FOIA requests

understand that where the presumption is and where the narrowing of the exemptions are. I thank you for your comments. Yes, Mr. Vice Chairman?

[Vice Chair S. Rechler] First, I just also agree. Commissioner Schuber, I thought your comments were very insightful, and I'd like to thank the Chairman also for--I know that you took this on as a pet project and were very focused on it from the beginning, and I think giving this attention, and as well as to the Executive Director and Deputy Executive Director for acting on it so quickly, but I think what's most impressive is that we just didn't modify the policy, setting a goal to be best in class, being best in the country in terms of an agency, and taking it to the step that you're proposing I think is extraordinary, and I think it's something that this Board encourages because we don't want to--we're not interested in being average or being mediocre. We want to set that best in class standard, and so I appreciate you going that far and also at the speed in which you responded to the concerns.

[Chair D. Samson] Any other Commissioners comments, thoughts? And, again, I want to put this as I did at the outset in some sort of context, the senior management under the direction of the Board started reviewing these issues and evaluating our policies and the application of those policies back in the fall. This is not something that has been a knee-jerk reaction and put together hastily. It's been thoughtful, it's been analytical, and over the last 6 months, you and your team have done a great job, so I thank you very much. I'll move this for approval before the full Board. Second?

[Comm. D. Steiner] Second.

[Chair D. Samson] Everybody in favor?

[All Commissioners] Aye.

[Chair D. Samson] Okay, that's it. There's no further business before this committee; it is adjourned. Thank you.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Meeting Transcripts
March 29, 2012

[Chair A. Sartor] The World Trade Center Redevelopment Subcommittee is going to start the session right now. It's a public session. First portion of today's meeting of the World Trade Center Redevelopment Subcommittee is being held in public session. After which, the committee will meet in executive session to discuss matters involving ongoing negotiations or review of the contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. We have a number of items for discussion that's going to be led by Steve Plate. The first one is the World Trade Center construction trade contracts, Steve?

[S. Plate] Good morning, Commissioners. We are charging ahead with construction across all World Trade Center site wide projects with over 3500 workers on site each and every day. Today I'm requesting your approval of several major actions necessary to continue our momentum. First, I would like to recommend the award of a contract for the World Trade Center streets program that provides for final streets and sidewalk finishes in the areas surrounding Tower 2, including Vesey, Greenwich, Fulton, and Church streets. The contract was competitively bid with Paul Scariano being the lowest responsive bidder at a cost of $4.6 million, excluding extra work and net cost work, which compares favorably to our staff estimate of $6.8 million.

[Chair A. Sartor] Any questions on this at this time? I motion to move this to the full committee.

[Comm. D. Steiner] I move it.

[Comm. W. Schuber] Second.

[S. Plate] Our next item requests a supplemental agreement with Skanska Granite, our PATH hall contractor, to construct a reinforced concrete liner wall in the northeast quadrant of the west bathtub, namely the Vesey Street liner wall. This scope of work was negotiated with Skanska Granite at an amount of $8.45 million dollars, which compares favorably to our staff estimate of $8.5 million. Completion of the liner wall must coincide with the completion of PATH's platform A work, scheduled for completion late this year, early next. And Skanska's performance of this work will provide for significant logistical efficiencies and cost savings on mobilization.

[Chair A. Sartor] Any questions on this item?

[Chair A. Sartor] Seeing none, move.

[Comm. D. Steiner] Second.

[Chair A. Sartor] Done. Steve?

[S. Plate] Regarding the retail and parking projects, the interior stone and ceramic tile contract was publically advertised subject to a 2-step prequalification bid process with Port Morris Tile &

Construction being the lowest-qualified proposer at a cost of $5.65 million, excluding extra work, which again compares favorably to the staff estimate of $6.9 million. This contract is subject to an existing integrity monitor for the duration of the contract at Port Morris' sole cost in accordance with recommendations from the PA's Inspector General.

[Chair A. Sartor] Any questions on this item?

[Comm. W. Schuber] Move it.

[Comm. V. Bauer] Second.

[Chair A. Sartor] Okay, Steve, next one.

[S. Plate] The architectural metals and glazing contract was also publically advertised subject to a 2-step prequalification bid process with Gamma USA being the lowest-qualified proposer at a cost of $26.9 million, excluding extra work, which is in line with our staff estimate of $26.5 million. Your authorization of these items will provide for over 90% of retail contracts awarded to date, sorry sir.

[Comm. D. Steiner] Have we ever worked with this Gamma before, I don't--I'm not familiar with the name, are they working for us at all at the center?

[S. Plate] No, not at this time, no.

[Comm. D. Steiner] Have they ever worked in this area, in the New York area?

[S. Plate] Yes, they've worked for the New York Police Academy, United Nations, and New School University, each one of them range from-- the lowest one ranged from about $20 million to about $40.6.

[Comm. D. Steiner] And they've successfully completed the jobs?

[S. Plate] Yes.

[S. Plate] We are going to--just to be sure though--sir, you asked a good question. We're probably going to ask for a bond from him just to be sure, which we typically don't. [Chair A. Sartor] Commissioner Steiner always asks good questions.

[S. Plate] Yes, sir.

[Chair A. Sartor] Any questions on this item?

[Comm. W. Schuber] Move it.

[Chair A. Sartor] Done.

[Chair A. Sartor] Go ahead, Steve.

[S. Plate] At the request--The next item at the request of the Durst Organization, this item requests a 2-coat epoxy paint system to be applied to One World Trade Center perimeter structural steel members on the upper and lower plenums. The cost of which will be offset by substantial savings in future operation and maintenance expenses. This work, which was negotiated in the amount of $1,211,000, compares favorably to our staff estimate of $1,245,862 and is time-sensitive in order to proceed with our current construction schedule.

[Comm. D. Steiner] Question Mr Chairman. Was this done at the behest of Durst?

[S. Plate] Yes, sir.

[Comm. D. Steiner] Oh, I'm sorry, I asked that question because I know that they were looking at the contracts and they were making certain additions. I think we ought to think about doing this in all our projects. Obviously it's something in a way of taking better care of our buildings that we ought take this experience and apply it; tell our future people to look at it because Durst certainly has had experience in that area.

[S. Plate] There's been a--

[Comm D. Steiner] I'm in favor of it.

[S. Plate] A host of different ones that they've made recommendations on.

[Comm. D. Steiner] I think from time to time you might want to tell us what they do so we can be-- we can be sure of what we're getting out of that transaction. I think it's a 2-way street.

[Vice-Chair S. Rechler] Can I follow up with that, Commissioner? I don't mean to--just as a follow up on that. The--Do we know what the estimated savings is? Is there a dollar amount that's in maintenance savings? Just out of curiosity, was that part of the discussion in terms of the Durst?

[S. Plate] Yes, we have a pro forma, I just don't have it at my fingers.

[Vice-Chair S. Rechler] And I raise it more on point to Commissioner Steiner's point on the relationship with Durst and the contract we have in terms of sharing savings. Is this--Would that fall into--would something like this fall into that category?

[S. Plate] Yes, first of all, we don't accept anything unless there is a significant savings, and this will have a return on it's investment. Initial capital will go up, but ultimately we have a pro forma. There is a very formal process to your question, which shows this is the incremental capital cost, these are the savings on O&M, and then that savings over a life of the project over 25 years is the amount. I just don't have that number at my fingers.

[Vice-Chair S. Rechler] Could you get me a copy of that when you get a chance?

[S. Plate] Yes, sir.

[Vice-Chair S. Rechler] I just want to look at that under context.

[Chair A. Sartor] Commissioners?

[Comm. W. Schuber] Chairman Steve, just a question. For the lay people on the commission, can you explain what the belt painting does?

[S. Plate] Alright, basically what happens is we wrap-- we ultimately put fire proofing around the seal. You see the yellow portions outlined on this?

[Comm. W. Schuber] Yes.

[S. Plate] Those are the plenums, and basically those areas are open to the elements because that's where the air comes in and exhaust goes out. So those are the ones you see, like they have bands on the building where you don't see windows.

[Comm. W. Schuber] Right.

[S. Plate] So what happens is you have to protect them, but you also have to fireproof, so you fireproof them. The concern that--that Durst raised is that works, it's done on many buildings, but in the long term, they found that what happens is the weather frankly beats it up.

[Comm. W. Schuber] Right.

[S. Plate] And eventually it peels off and you have to go maintain it. Obviously with a building of this size, it's quite an effort to go up and do that. So they said listen, for that million dollars, what you're buying is us not having to go around every so often, you have a 2-coat high-end epoxy coat that will protect the steel and keep that whole entity maintained for a much longer time. So the steel will be protected, and you'll have a lot less maintenance.

[Comm. W. Schuber] So this is kind of preventive maintenance to the nth degree I guess.

[S. Plate] Yeah.

[Comm. W. Schuber] Yeah.

[P. Visser] I think just to add to that, to address what the Vice Chairman was asking about, I think on this one, you'll see some projected operating savings from it, but it's not--it's a judgment call as to-- it's not like energy cost savings, it's saving future maintenance. It's something that Durst feels you would do in a class A trophy building of this nature. So you have to take some of the projected savings with a grain of salt, but we can certainly share that with you and go over that.

[Vice-Chair S. Rechler] Just to be clear, I'm really-- I think maybe you're--your're hitting it, but just to maybe not dance around the subject, what I'm just wanting to just determine is would this be a projected savings that would fall into the Durst calculation of sharings in just so--if that's the case, just understanding that.

[P. Visser] We'll get back to you on that.

[Comm. J. Moerdler] Correct me if I'm wrong, my guess would be that this most cost savings would most likely be substantially down the road, that this is keeping the integrity of the steel longer so that, you know, instead of a 40 year use for life, we have a 50 year use for life or whatever the appropriate numbers are that more likely any savings would be in the future, not in the next 10 years.

[S.Plate] That's correct.

[S. Plate] The way they look at it, they looked at it a little differently though. What they say is we have to maintain the integrity of seals or we'll have to up there, and that's where you're referring to. They're saying they have to go up there every year or 2 to go and do significant maintenance. We think it's a little less, but be that as it may, you have to go up and keep preventing and protecting that material and keep making it pristine. So it's just a matter of how many hours you have to put in, and that's all plugged into the numbers that come off as-- on the bottom line of the net's gain.

[Comm. P. Schuber] Move it Mr Chairman.

[Comm. J. Moerdler] Second.

[Chair A. Sartor] Next item.

[S. Plate] I would now like to request your authorization of critical program management services with the Louis Berger Group at an amount not to exceed $32 million through the 4th quarter of 2013, which compares favorably to our staff estimate of $38 million. Louis Berger was initially retained at the highest-rated proposer pursuing to a publically advertised request for qualifications request for proposals in May of 2004. The proposed action reflects a significantly reduced multiplier and will ensure continuity of historical knowledge and critical technical cost in schedule management support services for the various World Trade Center site wide projects. This funding is within the current project budgets and will be allocated across the various World Trade Center projects.

[Vice-Chair S. Rechler] Any questions?

[Comm. D. Steiner] I seem to remember we had a problem with Berger. Are they subject to a-- with some problems they had with some funding and-- are they subject to any special restrictions or a watch by the IG?

[S. Plate] They are being watched by the IG.

[Comm. D. Steiner] So this is all subject to that same thing.

[S. Plate] Yes, in fact, they were--

[Comm. D. Steiner] I don't remember, but it started with something overseas with misallocation of funds.

[S. Plate] It was something overseas that was involved with some, as you said, some misallocation of funds and billing issues. We have a fully embedded integrity monitor. They have watching over theirs, and they--in fact they were in the office the other day and have been given a clean bill of health, but we're continuing to monitor them.

[Comm. D. Steiner] And they pay for that?

[S. Plate] Yes, sir.

[Comm. D. Steiner] Okay, I just want the record to show that we're still alert for past actions to make sure they don't happen again.

[Vice-Chair S. Rechler] That's a good point.

[S. Plate] And just so you know, the multiplier here ranges from $2 to $1.85, which essentially their taking it at a cost that's well below the standard of $2.4 to $2.6. It's a very competitive market right now.

[Comm. D. Steiner] I don't like the standard the usual. Nothing is standard.

[S. Plate] Okay.

[Comm. D. Steiner] Standard is what you buy it for.

[S. Plate] Yes, sir. But I wanted you to know that it's--

[Comm. D. Steiner] Right.

[Comm. V. Bauer] So this is just a continuation of that agreement, Steve?

[S. Plate] Yes, and these are all the same people, the people you know, the Mike Donavan’s, I mean you relate to them, Mike has some of his-- Jason Tiery that you all know.

[Comm. P. Schuber] I move.

[Vice-Chair S. Rechler] Move it. Second?

[Comm. D. Steiner] Second.

[Vice-Chair S. Rechler] Next item.

[S. Plate] This is actually our last item, authorizes design services for the construction of bollards along West Street between Vesey and Cedar at the World Trade Center site utilizing the Homeland Security Urban Area Initiative Grant and in collaboration with New York State Department of Transportation. This action will ensure consistency with the ballord design at the site and provide compliance with the long-established World Trade Center site wide security performance criteria. Thank you, commissioners. I request you advance these items to the full board for approval.

[Vice-Chair S.Recherl] So moved. Any questions anyone?

[Vice-Chair S. Rechler] It hands back to you.

[Chair A. Sartor] So moved.

[Vice-Chair S. Rechler] Advance it.

[Chair A. Sartor] Okay. I ought to go out more often, we get done quickly.

[Chair A. Sartor] Steve, that wasn't too bad.

[S. Plate] I concur Commissioner.

[Chair A. Sartor] Time wise, that wasn't bad. This concludes the public portion of today's meeting. Does it--no it does not, I'm sorry.

[Vice-Chair S. Rechler] Guys, I want to make an observation. Steve, I just wanted to commend you and the team and Philippe and everyone. What I've heard from--the feedback I'm hearing from Navigant and others in terms of taking on responsibility in terms of the new budget and making sure we stick to that new budget and trying to find ways that we can value engineer the cost of the Trade Center down as the board directed. You know, I wanted to let you know that that's appreciated and recognized. And the other thing, in terms of working with Navigant to ensure that the transparency of where the costs are, where we have exposure, and the fact that your team has embraced that process. I also appreciate and wanted to note that.

[S. Plate] Thank you.

[Chair A. Sartor] Thank you.

[Chair A. Sartor] Steve, you've some other items.

[S. Plate] No, I think I'm done.

[Chair A. Sartor] We're all done? >>That's it.

[Chair A. Sartor] I missed it all, wow, that was fast.

[S. Plate] Commissioner, it was done as soon as you left.

[Chair A. Sartor] Then this does conclude the --

[Comm. D. Steiner] The steel contract in the private meeting.

[Chair A. Sartor] This concludes the portion of today's public portion of today's meeting. The subcommittee will now adjourn to executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals, thank you.

The Port Authority of New York and New Jersey
Committee on Governance and Ethics Meeting Transcripts
April 26, 2012

[Comm. A. Sartor] The Governance & Ethics Committee is being held in public session, in its entirety. In addition, this meeting is being broadcast live on the Port Authority's Website for those interested in viewing today's proceedings via the Internet. For discussion purposes of the Annual Board Review, Howard Kadin. Howard.

[H. Kadin] Good morning. Today, I will be speaking to you regarding several aspects of the Committee's responsibilities relating specifically to certain periodic required actions, reviews, and evaluations. Various reports concerning these reviews were reported to the Committee in February. I'll put these activities of the Committee in context of the Committee's role with its dual core responsibilities, Governance & Ethics, as set forth in the By-Laws. In connection with your review of Board performance and Committee effectiveness, I will provide certain summary information, compiled by the Office of the Secretary, regarding the activity of the Board and its Committees. Finally, I'll discuss steps the Port Authority takes to help ensure the independence and objectivity of the Board and Committee members. I would also note, in passing, that there's an ongoing comprehensive review of the Agency being undertaken by a special Committee of the Board, created at the direction of Governors Christie and Cuomo. The Governance & Ethics Committee's role, broadly speaking, is mandated under Article VIII.G., of the Port Authority's By-Laws and is further expressed in its Charter, adopted in 2008 and appearing on the Port Authority's Web site. I believe copies of the Charter have also been distributed for your convenience. The Committee has oversight of questions, with respect to development of and compliance with Agency governance and ethics principles to ensure that the Board and the staff are familiar with and committed to ethics principles and programs and to assist the Board in fulfilling its oversight responsibility with respect to compliance with legal and regulatory requirements. The Governance & Ethics Committee's required periodic activities include certain governance areas, including assessments of the performance and effectiveness of the Board, its Committees, and the Executive Director, as well as certain ethics areas, including Code of Ethics adequacy, the independence and objectivity of the Board and Committee members, keeping abreast of ethical standards in the states of New York and New Jersey, and requiring executive staff to review Agency operations to identify waste and inefficiencies, and to take appropriate remedial steps and publicly report these actions. I'd like to point out that there's a certain interrelatedness between some of these activities and other prior committee activities. For example, with respect to ethical standards in the states of New York and New Jersey, the Committee will recall that in February 2009 the Committee was instrumental in recommending to the Board the adoption of a Code of Ethics for Port Authority Commissioners, incorporating general standards of conduct and applicable requirements of law which are substantially similar in the two states, with respect to unsalaried public officers. With respect to independence and objectivity issues, the Committee will recall that in December 2011, the Office of Inspector General reported on its independence and freedom from interference as mandated by the By-Laws. Now with regard to Board activity for 2011-- as you can see, the Board had a very active year with 13 public Board Meetings. The Board also met in executive session, in conformance with the Open Meetings Policy. I would point out that, while each of the subsidiary corporations of the Port Authority--that is to say Port Authority Trans-Hudson Corporation, the Newark Legal and Communications Center Urban Renewal Corporation, and the New Jersey Railroad Corporation have been organized as independent

legal entities. The Port Authority's Commissioners, as you know, serve as directors of these corporations and their functions are incorporated within the Port Authority's activities. Upcoming meeting dates of the Board are posted on the Port Authority's Website. The agenda for individual meetings is posted on this Website the day prior to the meeting day. All public meetings are broadcast live on the Port Authority's Website. Following the meeting, the minutes of the meeting are posted to the Port Authority's Website, during the Governors' review period. Final minutes are posted upon the expiration of the Gubernatorial Review Period and remain available for public inspection on the Website. The public is provided an opportunity to address the Board at its public meetings. Last year, members of the public addressed the Board 62 times, which is nearly a 100 percent increase over the year before, in 2010. A list of public speakers for each Board Meeting is recorded in the minutes of that meeting. In 2011, the Board approved 170 items in public session and 9 items in Executive session. The Governance & Ethics Committee met 3 times last year, which included 3 public sessions and 1 Executive session. At these meetings, the Committee discussed matters that included a review of ethics policies for staff and Commissioners and of New York and New Jersey, ethical standards. The Committee also conducted a number of reviews, including evaluation of the performance of the Board and its members, effectiveness of the Board's committees, and the Executive Director's performance, as well as the review of the independence and objectivity of the members of the Board and its committees. In addition, the Committee received a report on aspects of the Port Authority's Enterprise Risk Management Program and also discussed corporate trends in Governance & Ethics. In addition, the Committee reviewed an item that provided for supplement to Article V.D. of the Agency's By-Laws related to the Board's core requirements for this Board and those of each of the subsidiary corporations. As you know, the By-Laws have established 7 standing committees. They are Finance, Audit, Construction, Operations, Capital Programs, Agency Planning, this committee, and Security. Also, from time to time, the Board has established ad hoc committees to deal with specific issues that may have significant impact on the Port Authority and the region. Thus, the Board has established the World Trade Center Redevelopment subcommittee and in 2011, again at the direction of Governors Christie and Cuomo, a special committee of the Board was established to conduct the comprehensive review of the Agency, which is currently underway. Now with respect to the Committee on Finance during 2011, the Committee met 3 times, which included 3 public sessions and 1 Executive session. At these meetings, the Committee discussed a variety of topics, which included updates in the financial markets and financial activity, reviews of the Agency's investment portfolio, items pertaining to the establishment and authorization of certain bonds and notes, and various other financial matters. A total of 7 items were assigned to this committee, in line with the Agency's monthly board meetings, In addition, the Committee reviewed and authorized 2 insurance placements, including property damage and loss of revenue insurance and public liability insurance. During 2011, the Committee on Capital Programs/Agency Planning met 5 times, all of which were in public session. At these meetings, the Committee discussed such topics as expenditures pertaining to planning for Runway 4L-22R work at John F. Kennedy International Airport, the All-Airport Aeronautical Operations Areas Pavement Rehabilitation Program, the Holland Tunnel Supervisory Control System, Port Street Capacity Improvements at Port Newark, Rehabilitation of the Palisades Interstate Parkway Helix at the GW Bridge, Construction and relocation of PATH's Washington Street Powerhouse, and rehabilitation of runways at Stewart International Airport-- in addition to other matters. A total of 10 items were assigned to the Committee, in line with the Agency's monthly board meetings. During 2011, the Committee on Construction met 7 times, which included 7 public sessions and 3 Executive sessions. At these meetings, the Committee discussed numerous topics, which included, among other

matters, review projects for flood mitigation at PATH and intermodal and other improvements at PATH's Harrison Station, Replacement of the HVAC system at the Port Authority bus terminal, and an arrestor System for Runway 24 at Teterboro Airport, various runway and taxiway projects at JFK and Newark Liberty International Airports, a terminal expansion project for Stewart International Airport, a wharf reconstruction project at Corbin Street Berth 3, at Port Newark-- and Phase 1 of a project for the Greenville Yards-Port Authority Marine Terminal Intermodal Container Transfer Facility that is to say, Expressrail Port Jersey. The Committee also reviewed the award of contracts for the design implementation and maintenance for the replacement of the Agency's toll collection systems and structural rehabilitation and repaving of the Lincoln Tunnel Helix. In addition, the Committee received a report on the Agency's Minority, Women, and Small Business Enterprise results for 2010 and regular updates on major projects in the Capital Plan-- also currently under review by the Board's Special Committee. A total of 13 items were assigned to the Committee, in line with the Agency's monthly board meetings. During 2011, the Committee on Operations met 10 times, which included 7 public sessions and 7 Executive sessions. At these meetings, the Committee discussed numerous lease and property matters, an increase in program authorization concerning property acquisition for the Goethals Bridge Modernization Program, and a program for the replacement of suspender ropes and cables at the George Washington Bridge. The Committee also reviewed contracts for customer care representatives at the Agency's airports and an increase in scope for multi-facility security guard services. The Committee received a report and discussed staffing issues regarding an occurrence at the Outerbridge Crossing-- almost a year ago to the day last year, on Sunday, April 24, relating to massive delays for holiday motorists at that bridge and the Goethals Bridge-- and reviewed modifications to operations to avoid similar occurrences, going forward. The Committee authorized 2 items related to the Hudson -Raritan Estuary Program. A total of 32 items were assigned to the Committee, in line with the Agency's monthly board meetings. During 2011, the Security Committee met 5 times, which included 1 public session and 4 Executive sessions. At these meetings, the committee discussed lease supplements with various tenants at John F. Kennedy International and LaGuardia Airports to provide for the installation of inline baggage screening systems and a construction management general contracting agreement for the installation of bollards at tenant terminals at John F. Kennedy, Newark Liberty International, and LaGuardia Airports, as well as a consultant agreement for the performance of a top-to-bottom study of the Port Authority's organizational management of security and Agency-wide facility security operations. The Committee also received updates on other sensitive security matters. Two items were assigned to the Committee, in line with the Agency's monthly board meetings. During 2011, the Audit Committee met 5 times, which included 2 public sessions and 4 Executive sessions. At these meetings, the Committee reviewed the 2010 Annual Financial Statements, internal audit plans and reports and unresolved findings, the Agency's Enterprise Risk Management Program; accounting policies, practices, principles, and internal controls; and the external auditor's annual audit plan. The Committee also had discussions with General Counsel and the Inspector General. In addition, the Committee retained Deloitte & Touche LLP as independent auditors for the year ending December 31, 2011 and selected KPMG LLP as independent auditors for the year ending December 31, 2012 to audit the accounts and financial statements of the Port Authority and its wholly owned entities. The law firm of McKenna Long and Aldridge LLP serves as outside counsel to the Audit Committee. During 2011, the World Trade Center Redevelopment Subcommittee met 9 times, which included 9 public and 9 Executive sessions. At these meetings, the subcommittee discussed numerous construction trade contracts, agreements, retail and lease matters, financial matters pertaining to the redevelopment of the World Trade Center site, and received frequent updates as to the status of

ongoing construction at the site. A total of 74 items were assigned to this subcommittee, in line with the Agency's monthly board meetings. Now I'd like to take an opportunity to speak with you briefly, with respect to the independence and objectivity of board members. The key here is we want to try to enable conformance with relevant laws, on the part of the commissioners. We want to avoid conflicts of interest and any appearance of impropriety. General Counsel is a pivot point, with respect to the flow of information to and from the members of the board. Commissioners receive ethics materials from General Counsel when they join the board. There are briefings on a periodic basis from time to time, and as you know, commissioners are asked to provide information with respect to their financial, business, corporate, and other interests and involvements, and that occurs regularly with the process in place, for periodic updating of that information as well. Files are kept, with respect to this information, in General Counsel's office. A composite list of interest involvements, without identifying information, is prepared for use by the staff in connection with the Port Authority's activities. Board calendars are reviewed before each meeting to ensure that any potential issues are flagged and discussed for appropriate consideration by the commissioners. Finally, I would point out also that the Code of Ethics for Port Authority commissioners has formalized a requirement for certain disclosures to be made to General Counsel, as indicated here. Thank you very much.

[Chair A. Sartor] Howard, thank you for a most thorough briefing for this committee. Are there any questions? Yes, Jeff.

[Comm. J. Lynford] Thank you, Mr. Chairman, and thank you, Howard. This is, increasingly, a very important committee-- not that it hasn't always been important. So I have about 7 questions for you. Before we end the session, I'd like to at least learn the names and responsibilities of everybody who sits behind you that's a member of the team because I think it's always good for the commissioners to know the team members. The intersection between the Audit Committee, upon which I serve, and the Governance Committee is something that interests me. For example, I get reports from the Inspector General and am I getting them in my capacity as an Audit Committee member or as a Governance--or both? That's Question 1--why don't I go through all the questions and you can pick and choose. Second--we talk about the written reports or the evaluation that's our responsibility. I'd be interested to know the metrics that we use. Do we do a 360 Evaluation? I assume the Navigant report is going to talk about governance. Have they met with you? Do you think it would be appropriate--if they haven't--to meet with you? These files that we keep, the current files for the commissioners-- and maybe this is a Darrell question-- I understand that we keep certain information, but I would be interested to know--do we update, not the information you would request, but the world is changing out there, and I was wondering what is the process for updating the performance? And then--let's see-- I tried to combine certain questions. But I guess I'm trying to get a message across that we commissioners are interested in this committee, and increasingly, so is the public-- and we operate in the court of public opinion so I'm asking these questions in a constructive role.

[H. Kadin] Thank you, Commissioner Lynford. I appreciate your questions and I'll try to take them in the order in which you presented them. With respect to your first question, when you receive reports from the Inspector General--for example, as a member of the Audit Committee-- I think you're receiving them in your capacity as an Audit Committee member. I think it's important for commissioners to speak with one another and that there would be a good flow of information

between commissioners and a good discussion so that information that you may deem relevant to the work of the Governance & Ethics Committee is shared with that committee. There should be a good dialogue and a good flow of information. There should not be stovepiping. In terms of metrics-- I wouldn't presume to tell the commissioners how to conduct their evaluations.

[Comm. J. Lynford] Let me just help you there on both those points. We meet once a month, as commissioners, and the Audit Committee also meets once every other month. And what I was saying is that maybe-- well, I just don't know--does your committee talk to your counterpart on the Audit Committee; and in terms of telling the commissioners-- we sometimes will seek your advice on things that maybe should be added to our list of responsibilities. I'm trying to ask, in effect, because it's-- there's both top-down, and bottom-up. So are you getting the support you need from the top but at the same time, can you--do you then, on a regular basis, give us recommendations as to how we could be doing things more effectively or efficiently?

[H. Kadin] Well--okay.

[D. Buchbinder] Yeah, the answer to that is yes. I mean--basically, when you look at the By-Laws, there's a certain overlay in the Governance & Ethics Committee in terms of the Inspector General's function. But we were very careful to maintain the substantive relationship in terms of waste, fraud, and abuse inside of the Audit Committee charter.

[Comm. Lynford] Yes, that's right.

[D. Buchbinder] By the same token--so that we provided some checks and balances, we also vested the Governance & Ethics Committee in the charter, with the responsibility for ensuring that the Inspector General is independent and that his investigative functions are free from interference. And that way, we created a Check and Balance in drawing the line. I mean, as you know from participation at other meetings-- to the extent that the Inspector General has undertaken an investigation and it fits into either the broad based commissioners' responsibility or the responsibility of a particular committee-- there would be a report to that committee as well. So there is an overlay, at least at the--

[Comm. J. Lynford] Well, I think that's good in terms of that intersection. I guess what I was trying to say is, to the extent that we don't want silos-- as well as at the committee level we don't want silos, to the extent there's overlap--I'd like it to be that we can leverage off one another, and I guess that was sort of the intent of my question or part of it.

[D. Buchbinder] Well, going back to something Howard said; I'd characterize it a little bit differently--although he got pretty close to it-- that, effectively, I'm the point guard.

[Comm. J. Lynford] You're the pivot--I heard that, yes.

[D. Buchbinder] Yeah, he said the pivot--

[Comm. Lynford] I heard: the pivot
[D. Buchbinder] but with bad knees, I'd rather be the point guard.

[Comm. Lynford] Okay

[D. Buchbinder] So I'm the point guard in the process and tend to distribute the ball fairly evenly amongst the committees, depending on what the particular committee purview is as well, and also work pretty closely with the IG's Office to make sure that that happens.

[Comm. J. Lynford] I'd point out--we'll let Howard continue, particularly about have you had an interview with Navigant or if you had a chance to discuss this committee's role with Navigant.

[H. Kadin] I, personally, have not but I do believe that other people in the Law Department certainly have.

[Comm. J. Lynford] I guess that we've covered most of my questions.

[Comm. A. Sartor] Yes, I believe we did.

[H. Kadin] I think so.>>

[Comm. A. Sartor] You know what I might suggest, Jeff--you may want to have a separate meeting with Howard to go over anything else--

[Comm. J. Lynford] I know, but if I have all the separate meetings that everyone tells me that I should have, I can live here, and so I notice that--

[Comm. D. Steiner] Well, I know you can.>>

[Comm. A. Sartor] That's been known to happen to past commissioners.

[Comm. J. Lynford] Okay, well I just want to make sure that-- < there staff people that work with you on this, Howard?

[Comm. J. Lynford] That maybe you'd want to introduce?

[H. Kadin] Well, certainly, I work with General Counsel.

[Comm. J. Lynford] This gentleman needs no introductions.

[D. Buchbinder] Good to know.

[Comm. J. Lynford] Maybe they can introduce themselves.

[H. Kadin] And I also work with Larry Hoffrichter, who I'm sure you know. And certain other staff members downstairs, who aren't present.

[Comm. J. Lynford] So what do the rest of these people do?

[Comm. Sartor] Public members.

[K. Eastman] There's some public members here.

[Comm. J. Lynford] So how many are from the public? I know--I recognize you. Any other public members here?

[K. Eastman] --Press.

[Comm. J. Lynford] Okay.>>

[Comm. A. Sartor] Reporters.

[Comm. J. Lynford] Well, first of all, thank—

[Male Speaker] Media.

[Comm. J. Lynford] Thank you. So—

[R. Egea] Governor's Office in New Jersey.

[Comm. J. Lynford] Yes, we've met. I'm just trying to-- you know--I'm not--my memory isn't as good as it used to be and recognition, so I thought it would be good for all the commissioners to get to know--what does this young lady do?

[K. Eastman] This is Heavyn-Leigh. She works in my office.

[Comm. J. Lynford] Okay, yes.

[M. O'Rourke] Hi, I'm Mary O'Rourke--Assistant Director in Government Community relations.

[S. Joren] I'm Sarah Beth Joren in Government Relations.

[S. Robinson] I'm Shane Robinson, and I work in Government Relations.

[Comm. J. Lynford] Great. Well, thank you very much for all your hard work.

[Comm. A. Sartor] Anyone else have any questions? Seeing none, I'll entertain a motion that we close the meeting. Okay. Thank you very much.

The Port Authority of New York and New Jersey
Committee on Construction Meeting Transcripts
April 26, 2012

[Comm. R. Pocino] The Committee on Construction - today's Committee on Construction is being held in public session in its entirety. In addition, the meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via internet. Today we have two items for discussion. The first one is the John F. Kennedy International Airport Runway 4L-22R Runway Safety Area Compliance and Reconstruction Program Phase II Project, and a very anxious Susan Baer is going to tell us about it.

[S. Baer] Anxious in anticipation of the pleasure of this. Good morning. I'm here today to seek project authorization to rehabilitate, widen, and construct a runway safety area and new access and high-speed taxiways on Runway 4L-22R at JFK. This comprehensive project includes mandatory work, maintains a state of good repair, incorporates system enhancements to facilitate airport delay reductions. The project will produce 2,380 job years, $153 million in wages, and nearly $707 million in economic activity. By way of background, 4 Left-22 Right is located on the east side of the JFK Central Terminal Area, intersecting the Bay Runway and 13 Left-31 Right. The runway is 11,351 feet in length and 150 feet wide. It is used primarily for aircraft departures and accounts for about 25 percent of the annual aircraft operations at JFK. The runway was last paved in 1999 and requires rehabilitation to ensure a state of good repair. This program would bring the runway into compliance with the congressional mandate for conformance with the FAA's runway safety areas, RSAs, requirements by the end of 2015. Generally an RSA is a rectangular graded area that extends 250 feet on each side of the runway and 1,000 feet beyond each end of the runway. To meet the RSA mandate, we need to extend the runway pavement northward approximately 730 feet. This requires the acquisition of New York City property. Staff is currently in the final stages of negotiations with the City to acquire these interests, and we will be back to the Board for future authorization when the negotiations are complete. Similar to the recently completed Bay Runway Rehabilitation Program, the proposed scope of work includes the widening of the runway to 200 feet and fillet improvements to serve new large aircraft also known as Group VI aircraft. Currently 4 Left-22 Right is operated under a modification of standards granted by the FAA to allow Group VI aircraft to land on its 150-foot width. The proposed widening of the runway will eliminate the need for this modification and will bring the runway into compliance with the FAA's standards. As I touched on previously, this program also includes a state of good repair, part of a good repair work. According to our pavement management plan, the runway was scheduled to be milled and overlayed in 2011. While the runway is presently in fair condition, with continued usage and exposure to weather, it's anticipated that the rehabilitation will be required coincident with the construction of the runway safety areas. To follow the runway's rehab beyond the construction of the safety areas will increase the cost and require additional closures of the runway. A life cycle cost analysis has resulted in the decision to rehabilitate with concrete due to its longer service life and reduced maintenance cost. Relocation of the runway thresholds associated with maintaining the functional length of the runway will affect the ground operations of aircraft arriving and departing. Several system enhancement initiatives were investigated to improve operations and reduce airport delays. Access taxiways to the new ends of the extended runway will be needed. New and reconfigured taxiways are also required to restore and improve the efficient operation of the runway. The construction of new high-speed taxiways is also proposed to increase operational efficiency and reduce delays with corresponding fuel savings and emission reductions. Over a 20-year period, this results in over 200 million pounds in fuel burn savings and roughly 750 million pounds in reduced CO2 emissions. The cost of these taxiway

additions and modifications are covered under this project's authorization. This project will also create significant economic benefits for the region. The total economic impact of the project is estimated to include 2,380 total job years, $153 million in wages, and nearly $707 million in economic activity over the life of the project, including indirect effects such as construction employment and materials purchase. The total project cost is estimated at $457 million, of which $45.7 consists of design and engineering costs, the bulk of which was performed in-house. An application has been submitted to the FAA to recover eligible costs associated with this project through PFCs and will be submitted to recover eligible construction costs through the Airport Improvement Program. The balance of the costs associated with this expenditure are fully recoverable through the JFK flight fees. Planning for this project in the amount of $6 million was authorized in June of last year. A companion item covering the relocation of roadways, the Port Authority police impound lot, and related infrastructure required to accommodate the upgraded runway safety area was also authorized by the Board in June of last year. We anticipate seeking contract authorization for this project in June of 2013 with construction commencing in the 3rd quarter of 2013. Completion of substantial construction is expected by the end of 2015. Commissioners, I request that you advance this item to the full board for approval. Thank you.

[Chair R. Pocino] Thank you, Sue. Obviously a job that is impressive and one that we need to do in terms of the state of good repair, in terms of our safety compliance. We're also getting some environmental positives from it, but most impressive to me were the 2,300+ jobs and the $153 million in wages, which obviously is something sorely needed in our economy today, so a good report. Commissioners, any comments or questions?

[Comm. A. Sartor] Yeah, just a quick question. What's the status of the engineering on the project? Is it pretty much done?

[P. Zipf] The design is well underway. We'll be wrapping it up in the 3rd quarter.

[S. Baer] Yeah, we had authorization last year--planning authorization for $6 million--

[Comm. A. Sartor] I remember that. That's all been done pretty much in-house?

[S. Baer] Almost all in-house.

[P. Zipf] We're using some call-in firms - but predominantly it's in-house.

[Comm. A. Sartor] The last runway that was done there was incredible in terms of the success and the timing, and you'll do better this time.

[S. Baer] This is actually--we will do better. This is actually a little bit more complicated project. Remember, if we go back to the slide that shows the airport, one of the things we benefited from on the Bay Runway is for 2/3 of the project we could isolate the runway and we actually put a fence--see the white Bay Runway at the bottom? We put a fence along there on the airport side, and we were able to make it an actual street side project, so we didn't need to do all the construction escorts. This project is going to be harder for us because of where it is you can't do that and so it will require an even more--it's a good thing we did the other one first. It was longer, but this will teach us a lot about how you do the staging for this because it requires escorts for all the vehicles.

[Comm. J. Moerdler] You can't isolate segments?

[S. Baer] At the very top--where we can we will, but there's very little of it that you can do that just because of the way the airport operates.

[Comm. J. Moerdler] You can't take a section in the center and--

[S. Baer] You can't because you've got to get-->>

[Comm. J. Moerdler] To keep the intersections open?

[S. Baer] Because where it is you'd need to be bringing planes all the way around because of where the central terminal area is and where the planes are headed, so we're looking at every possible way to do it, but the truth is it's a more complicated project, even though it's a shorter runway. The Bay Runway is almost 15,000 feet, the second longest in North America. This one is a little shorter, but it's more complicated for all us.

[P. Zipf] We have a very aggressive staging plan. You can see--

[S. Baer] A lot of staging.

[P. Zipf] Through 2015, each year we're going to have segmented pieces.

[Chair R. Pocino] I'm curious, where's the longest runway?

[S. Baer] Denver.

[Chair R. Pocino] Denver?

[S. Baer] Brand-new airport.

[Chair R. Pocino] Lots of space out there.

[S. Baer] And so much space that you could put all of our airports in Denver four times. That's how much space they have. It's huge.

[Chair R. Pocino] Commissioners, any further questions? I'd like to have a motion to move this forward.
[Comm. Moerdler] Just one quick question. Are we doing this the same way you did the other construction where we're setting up two concrete factories on the site?

[S. Baer] Yes, we will do all of those same things.

[Comm. A. Sartor] I'm glad to see you're doing it in concrete.

[Comm. Moerdler] Terrific, terrific job by the staff last time. We expect even better this time.

[S. Baer] Well, it's interesting. We did such a good job explaining to all of you how important concrete was that now we have to now explain when it's smarter to use asphalt because if you're not rehabilitating, it sometimes is better to use asphalt, depending on how you're doing the work. But for this one, it's definitely concrete.

[Comm. A. Sartor] Yeah, without a doubt.

[Comm. Moerdler] Meaning what, unless you're digging all the way down and completely replacing it it would be good for the next 40 years?

[S. Baer] And how long you can close the runway and the operations.

[P. Zipf] It's a big issue too that we're expanding it to 200 feet from 150, so that gives us a chance to use concrete on the ends as opposed to asphalt, so you have a big program, so it makes sense to do the concrete. If it's a rehab of a runway--

[S. Baer] It almost doesn't make sense. It's just that's a mill and pave. An expensive mill and pave, but a mill and pave for that.

[P. Zipf] We see about a $20 million savings for overall life cycle cost.

[Comm. Moerdler] But isn't it--by using the concrete--much less interruption because you're not milling and paving as often?

[S. Baer] As often, right.

[Comm. Moerdler] And patching.

[S. Baer] Long term.>>

[P. Zipf] Longer life with the concrete whereas--

[Comm. Moerdler] So less interruption during that 40 years.

[S. Baer] Yes, yes, but more interruption when you're doing your project. Kennedy, actually, for runways is an ideal place because you can actually do the shut downs with less impact-- impact, but less impact on the operation.

[Comm. J. Moerdler] Right, to do that kind of project at LaGuardia would be much more difficult, I would assume.

[S. Baer] Yes, I don't want to say impossible, but very, very difficult.

[P. Zipf] With asphalt too because it settles so much that it's huge the amount of asphalt--

[S. Baer] Exactly, because it's below sea level.

[Comm. R. Pocino] Motion to move it forward?

[Comm. A. Sartor] So moved. Second? All in favor?

[Commissioners] Aye.

[Comm. R. Pocino] Opposed? The ayes have it. The second item for discussion is the George Washington Bridge Rehabilitation Program Upper Level Spans over the New Jersey Anchorage and Hudson Terrace. Cedrick is going to give us that presentation. You're on, Cedrick.

[C. Fulton] Good morning, Commissioners. I too am enthusiastic to have this opportunity to present this important project. In February we authorized the GWB Rehabilitation Program valued at $230 million. I'm here to discuss the next project in this program. Specifically, we're requesting project authorization in the amount of $43 million to rehabilitate the upper level spans over the New Jersey Anchorage and the Hudson Terrace in Fort Lee, New Jersey. Additionally, we are seeking an authorization to expend an additional $1.1 million from the previously authorized agreement for expert professional engineering services with URS Corporation. This amount of $1.1 million is included as part of the above project authorization of $43.3 million. This would bring the total amount of the previously mentioned GWB Rehabilitation Program to $273.3 million. The total regional economic impact over the life of the project is estimated to result in 160 job years, $10 million in wages, and $60 million in economic activity. The New Jersey Anchorage and Hudson Terrace structures connect the upper level eastbound and westbound roadways to the GWB in Fort Lee, New Jersey. These structures were constructed in 1931. The New Jersey Anchorage concrete deck was partially rehabilitated in 2004. The Hudson Terrace concrete deck was partially rehabilitated in 1997. Based on the findings from our biannual bridge inspections, the Board authorized $1.7 million in 2009 for preliminary design development for this project. A preliminary design study was undertaken as part of the planning effort to determine the overall condition of both structures. The work performed included value planning and constructability review, life cycle cost analysis, field testing and investigation, load ratings and evaluation, seismic evaluation, investigation of rehabilitation and replacement methods and construction staging. Here are typical conditions of the underside of decks at the New Jersey Anchorage and over Hudson Terrace. The tops of the decks reveal potholes, longitudinal cracking and spalls adjacent to expansion joints. The underside revealed scaling, cracking, and concrete spalls. Laboratory testing of the concrete cores concluded that the decks for these structures are in fair condition with generally good compression strength and slightly higher salt levels and no evidence of active corrosion, which is important. Both structures are 50 to 80 years old, and the concrete decks have exceeded their design life. The age of these structures combined with the effects of de-icing salts, freeze/thaw conditions due to moisture, and increased volume of trucks on the upper level after 9/11 traffic restrictions has resulted in accelerated deterioration of various elements of these structures. The deterioration must be addressed to maintain a state of good repair. Rehabilitation at this time will extend the life of the decks 10 to 15 years, therefore, Engineering recommends this work be performed now. The scope of the work under the proposed project authorization includes rehabilitation of specific elements of the New Jersey Anchorage and Hudson Terrace decks, including full-depth joint replacements and the rehabilitation of structural elements. URS was retained in May 2009 to provide engineering services at an estimated amount of $6 million to support several projects at the GWB, of which $700,000 or $0.7 million was authorized at that time to support design development and $1.1 million in additional funds to support the project through completion for a total amount of $1.8 million. Total internal and external staff costs, including construction supervision, are $5 million. URS was selected via a publicly advertised request for

proposal. Today we are seeking project authorization at an estimated total cost of $43.3 million, including an additional $1.1 million from the previously authorized agreement with URS Corporation to provide design and construction support services as previously noted. Contract documents are anticipated to be completed by the 1st quarter of 2013. We plan to advertise the contract and receive bids in the 2nd quarter of 2013, and we'll be back to the Board in the 3rd quarter of 2013 for contract award authorization. We anticipate construction will commence in the 4th quarter of 2013 and will be substantially completed by the 4th quarter of 2015 with project completion in the 2nd quarter of 2016. Construction will be closely coordinated with other ongoing projects at the GWB and its surrounding roadways. The project is anticipated to result in an aggregate of 160 job years, $10 million in wages, and $60 million in economic activity. Commissioners, we request that you advance this item to the board for approval. Thank you.

[Comm. R. Pocino] Thank you, Cedrick. Again, a project in terms of providing a state of good repair to our facilities, providing safe travel to our users, and again, the economic impact is terrific. Commissioners, I would recommend that we move this to the full Board. Are there any other comments or questions?>>

[Comm. A. Sartor] No, I second that. All in favor?>>

[Commissioners] Aye.

[Comm. R. Pocino] Opposed? The ayes have it. That completes our session for today. I'll entertain a motion to adjourn.

[Comm. A. Sartor] So moved. Jeff, that okay with you?

[Comm. J. Moerdler] Yes.

[Comm. R. Pocino] Thank you all for your participation and your excellent presentation, and we'll see you next time.

The Port Authority of New York and New Jersey
Committee on Operations Meeting Transcripts
April 26, 2012

[Chair D. Samson] The first portion of today's meeting of this Committee on Operations is being held in public session after which the committee will meet in executive session to discuss matters involving ongoing negotiations and reviews of contracts for proposals and matters related to personnel and personnel procedures. The public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceeding via the internet. The first topic on the agenda of the public session is a presentation by Mike Francois, our Chief of Real Estate and Development, about a proposed property acquisition in Staten Island as part of the Hudson-Raritan Estuary Resources Program. Mike?

[M. Francois] Thank you Mr. Chairman. Good morning Commissioners. Today, I'm requesting your authorization to enter into agreements with the Trust for Public Land, a national non-profit land conservation organization, its designee, the New York State Department of Environmental Conservation, and the City of New York as necessary to partially fund the cost to purchase a conservation easement on a portion of a property known as the William H. Pouch Scout Camp property in Staten Island, New York. This property is identified as a natural resource and meets the requirements of the program as established by the Board. Protecting this property supports the Port Authority's sustainability goals of protecting 50 acres of land per year from development. The acquisition will provide multiple benefits to the public including providing vital public recreation space and waterfront access to an underserved community. The Port Authority's objective is to fund property acquisitions within the Hudson-Raritan Estuary in the Port District that may be suitable for the conservation, ecological enhancement, public access, or environmental mitigation in support of port development, economic development, and other Port Authority capital programs. Funding for the Hudson-Raritan Estuary Resources Program was approved by the Board in July 2001, for a total of $60 million--$30 million for New Jersey and the same amount for New York-- and was certified by the Board as a facility in November 2002. To date, the Board has approved property transactions through funding agreements and reimbursements for approximately 110 acres, totaling approximately $26 million in New York. In New Jersey approximately $24 million has been approved, for a total of 241 acres. The William H. Pouch Scout Camp property is owned by the Boy Scouts of America, Incorporated, Greater New York Councils in Staten Island and is approximately 113.6 acres consisting of mature forest, a natural pond, Orbach Lake and several wetlands areas. Approximately 43 acres of the property will be encumbered by a conservation easement partially funded by the Hudson-Raritan Estuary Resources Program. The facilities include a camp store, office, ranger residence, parking areas, several lean-tos for camping, the Berlin Lodge, which is a meeting facility, a climbing wall, a chapel, and several cabins without electricity. Subject to the conservation easement, the property will be accessible to both the Boy Scouts and the general public, although the Boy Scouts will have exclusive access for a limited number of days per year. The proposed conservation easement is approximately 42.7 acres located on the property as depicted in red-orange on the slide. The acquisition of the conservation easement by the Trust for Public Land would ensure the site's preservation as a publicly accessible natural area in perpetuity. Also, the easement will eliminate the potential threat of future development at the site. Acquisition of this conservation easement for preservation purposes is supported by a variety of entities including

several local community groups, the City of New York, the State of New York, key federal and state natural resource agencies, and local and state elected officials. The Trust for Public Land will acquire the conservation easement on the property from the Greater New York Council's Boy Scouts of America for $5 million and transfer the easement to the New York State Department of Environmental Conservation. The Port Authority will fund the Trust for Public Land and its designee, the New York State Department of Environmental Conservation, in an amount not to exceed $4 million. As evidence of support, the City of New York will provide the Trust for Public Land with $1 million in funding. This property was appraised by the Trust for Public Land by Goodman-Marks Associates of Mineola, New York, who valued the conservation easement at $5.26 million. The easement value is consistent with the review appraisal provided by the Port Authority's appraiser, Real Estate Solutions of Bayville, New York. Commissioners, your approval of this action is requested.

[Chair D. Samson] Michael, thank you. Before any of the Commissioners ask any questions, I'd like you to put this proposed agenda item in a context for us--

[M. Francois] Sure.

[Chair D. Samson] so that we can understand the overall program. I gather it's been in effect now for more than 10 years, and a number of properties have been acquired. And on the merits of the proposal and the program, I want to congratulate you and your team on all the acquisitions and contributions that you've made. It's important that the Port Authority receive credit for participating in a program that promotes environmental and conservation progress, but can you put this particular transaction or proposed transaction in the context of the work that the Port Authority and you in particular have been supervising in the last 10 years, and let's see what has been done and what we've achieved.

[M. Francois] This program is kind of administered through three agencies-- obviously, Real Estate Services, the Office of Environmental Services and Law. The properties that are designated and brought to the Board have to be on a list, the Harbor Estuary list, and that list is more or less certified, and a property is certified for, you might say, applicability to the program by the Environmental Services office. Law is involved in all, more or less, transactional. When the properties are determined to be applicable, the transaction is basically coordinated by Real Estate Services. We do due diligence, we do appraisals, we do environmental reviews and title searches, and when all the due diligence is done and an appropriate transaction amount has been approved, then we bring it to the Board. In New York, since 2003, the board has approved reimbursements to the Trust for Public Land for 8 property acquisitions and 1 property improvement project totalling just under $26 million on 110 acres. These properties include the Blissenbach property, otherwise known as the North Shore Marina, the Wiman Avenue property, also known as Great Kills, the Quintard Street or South Beach wetlands properties, the Butler Manor Wood property, and the North Mount Loretto Woods property. All of these, those 5 properties I just listed, were located on Staten Island. We also funded the Idlewild Marsh in Queens, the 88th Street property in Rockaway, and the Harlem River Promenade at Depot Place in the Bronx, which is noted on the slide above before and after. In New Jersey, a memorandum of understanding was executed with the New Jersey Meadowlands Commission that sets aside up to $10 million of New Jersey's $30 million allocation for a land acquisition within the

Meadowlands District, which is a 30.4 square mile area comprising 14 municipalities in Hudson and Bergen County. To date, the Board has approved reimbursements to the New Jersey Meadowlands Commission totaling $2.8 million for 105 acres. These acquisitions were before the Murray Hill property in East Rutherford, the Meadowlark Track in Bergen County, the Barge Club property in Carlstadt, which is noted on the slide above, and the Boulevard Tire property in Secaucus. The Board also authorized property acquisition funding for approximately 141 acres, which included the Bachstadt property in Holmdel, property located in South Plainfield, property for the Hackensack River Park in Jersey City, property for the Riverbank Park Extension in Newark along the Passaic River, the Adams property in South Plainfield, and the McNamee property in Hazlet Township.

[Chair D. Samson] Any questions by any Commissioners?

[Comm. D. Steiner] Mr. Chairman and Mike, I want to reinforce your comments. I read in the paper all these bad things about where our money goes at the Port Authority, and that we'll get a little sliver in the paper that we approved this. I think this is worthy of better coverage in the press and the public-- like the people on Staten Island who are complaining loudly about the money for the tolls, and look what we've done for Staten Island. I think we ought to make some special effort to get this message out so people understand the plus side of where the money goes, and I think it's a little known story that the Port Authority deserves a lot of recognition for what we've done, and people should know the pluses they're getting back, not just the minuses of paying $8.

[Chair D. Samson] I couldn't agree with you more, Commissioner Steiner. Actually, over the last several weeks as this proposed transaction started surfacing in my universe, I've talked to Pat Foye and Bill Baroni a lot about this specific issue. And the specific issue to which I make reference is the communication aspect of this work that we're doing. There's plenty to criticize about the Port Authority, but there's also an awful lot that we do for which we don't get the credit that I believe the Authority deserves, and I know that Pat and Bill have been talking about that. Executive Director, you want to comment?

[Exec. Dir. P. Foye] If I may just briefly pick up on that. Thank you, Karen. Can I just briefly pick up on Commissioner Steiner's comment? I fully agree with that. I think this program is an important element of the environmental protection and mitigation of both governors. In this case, Governor Cuomo has been strongly urging the Camp Pouch transaction, which I think is an important one to Staten Island. I personally have been on Staten Island twice in the last 4 or 5 days, and I think that, to its credit, the Staten Island Advance has noted this transaction and commended the Port Authority and the governor for doing it. And as Mike explained, there were transactions on both sides of the Hudson, both in New York and New Jersey. We are focused, and I've spoken to Chairman Samson--Bill Baroni and I both have-- with respect to making sure that the Port Authority and this program gets the credit for the environmental good that's being done here, and we echo that and are very focused on it.

[Chair D. Samson] Great.

[Exec. Dir. P. Foye] Thank you, sir.

[Chair D. Samson] Bill, do you have something you wanted to add?

[Dep. Exec. Dir. B. Baroni] I would very much concur with both Commissioner Steiner and the Executive Director about the need to tell a very good story. And earlier this past year we've done, as you can see by Mike's presentation, on both sides of the Hudson, all throughout the Port District, a significant amount of land preservation, making the Port Authority one of the leading land preservers in the region. And, Chairman and Commissioners, I can tell you that Pat and I and Lisa and the team in media will be working overtime to make sure that we continue to tell and tell in greater volume the good things that we're doing.

[Chair D. Samson] Yeah, this is a very--I don't mean to beat a dead horse, but I don't think this horse is dead. I think this is a very positive message, and I think the Authority, through its communications staff ought to be driving it so that--not to promote something that doesn't exist but rather to shed light on what we are doing in a program that hasn't really gotten, in my view, the attention that it deserves, and with the resulting credit for the Authority. Commissioner Lynford?

[Comm. J. Lynford] Thank you, Mr. Chairman. I think this is a great program. I have 2 questions for you. How much more money do we have left in this program? That's #1.

[M. Francois] There's $30 million in New York. I think there's only a few hundred thousand after this particular transaction is approved. In New Jersey, there's approximately $6 million left.

[Comm. J. Lynford] And most conservation easements have a measure in them about enforcement to make sure that in perpetuity the property is used as anticipated. I notice in this one I don't think it'll be our responsibility.

[M. Francois] Right.

[Comm J. Lynford] In any of these transactions do we have any ongoing responsibility for either meeting the covenants or enforcement and if so, how do we handle that?

[M. Francois] The program has been structured in such a way so that the Port Authority tries to limit its liability. We don't take title to the property, and in this particular instance, there will be a conservation easement; title will remain in the BSA, but the conservation easement basically will be transferred or assigned from TPL to New York State Department of Environmental Conservation, which will have the requirement to do any enforcement, if you would, of the conservation measures. I'm not particular in regard to whatever types of enforcement issues there are in the conservation easement, but I'm sure there are.

[Comm. D. Steiner] Mr. Chairman, don't some of these easements run with the land that they can never be changed without-- Otherwise, we would have to have a reversion to do it.

[M. Francois] It's in perpetuity, correct.

[Comm. Steiner] So Larry, it runs with the land that's recorded?

[L. Hofrichter] Yes, but we never are in the chain of title, so we never acquire anything. [Comm. D. Steiner] I understand that.

[L. Hofrichter] We just fund others who do acquire the easements, and then they turn them over to--

[Chair D. Samson] But to the Commissioner's question, this is in perpetuity?

[Comm. D. Steiner] It's recorded?

[L. Hofrichter] I believe so.

[Chair D. Samson] Yeah.

[Comm. D. Steiner] I'd like to make sure that we're doing that-- it runs with the land that somebody can't sell the property sometime.

[L. Hofrichter] I'll check-

[Chair D. Samson] Yeah. I think the Commissioner's question goes to the kind of certainty that we as an Authority--we're funding this-- we want to have for the underlying transaction to make sure that this is a permanent easement.

[M. Francois] Yeah, for all intent and purposes, evaluation is based on as if we purchased the property.

[Chair D. Samson] Right. But let's just get confirmation of that. It's a good point. Any other comments or questions by any of the other Commissioners? Thanks, Mike. I'd like to move this for approval by the committee.

[Comm. J. Lynford] So moved.

[Comm. D. Steiner] Second.

[Chair D. Samson] All in favor?

[all] Aye.

[Chair D. Samson] So moved. The next topic will be presented by both our Executive Director and Deputy Executive Director, and as it's been previewed here, Non-Core Mission Critical Assets, arises out of a review that's been under way by the Authority both at the senior staff level and at the Board level about how in light of current economic conditions the Authority ought to move forward with its missions. Pat?

[Exec. Dir. P. Foye] Mr. Chairman, Bill Baroni--thank you, Karen--Bill Baroni and I have been working on this together so we're going to present together. As you suggested, there is a review, a comprehensive review of non-core, non-transportation assets--what we ought to do with them. We're going to focus in particular on 3 assets: the Essex County Resource Recovery Facility transaction, which Bill is going to describe, which is a recent success story, one that we're happy about, and then I'm going to talk briefly about the Teleport, and Bill will talk about the Newark Legal Center. I think the thing that's important to mention is that these projects each began-- had their own history, own story--as economic development projects some number of years or decades ago. They have now matured and are no longer in the incubator space, and I think given that their economic development role has been fulfilled and that they're non-core and non-critical to our mission, it's appropriate to take a comprehensive look. This is being done in the context of the Navigant report under the direction of the Special Committee and the Board. You all will remember that the governors directed the Commissioners Board to commence this comprehensive audit, and that one of the things that the Special Committee and Navigant have been focused on is taking a look at non-core, non-transportation assets and making individual decisions on the merits, and I'm going to turn it over to Bill.

[Dep. Exec. Dir. B. Baroni] Thanks, Pat. The Navigant report noted that this agency's work over the last decade has lead to mission drift from our core mission. In response to this, our next step in our commitment to Governors Christie and Cuomo and to the public in carrying out our organizational review is to undertake a review of all real estate and other non-core, non-mission critical assets. We plan to begin this review, at the Board's direction, by focusing on 2 of those real estate assets held by the Port Authority: the Teleport located in Staten Island, New York, and the Newark Legal and Communications Center located in Newark, New Jersey. As we advised the Board last month, we took the first step in identifying such non-core assets by restructuring the Port Authority's agreement for the Essex County Resource Recovery Facility. This facility is owned by the Port Authority and located in an industrial zoned area of Newark containing a mass burn resource recovery facility constructed and operated by Covanta Essex Company, a private full-service vendor. In 1985 the Board authorized an agreement with American Re-fuel, now Covanta, to design, construct, and operate the facility, and other agreements to effectuate the construction and operation of the facility. The restructuring of that agreement will place the facility on a path to financial self-sustainability and will transfer all capital and operating expense obligations associated with that facility from the Port Authority to Covanta. By restructuring the agreements for this facility with Covanta, the Department of Sanitation in New York in conjunction with the Department of Environmental Protection in New Jersey, the Port Authority's net present value associated with the facility will increase by $52 million from the current negative $12 million to a positive $40 million. Pat?

[Exec. Dir. P. Foye] Terrific. Let me briefly review the Teleport. The idea for the Teleport began in 1980 when this Board authorized the study to review the feasibility of establishing a major communications center known as the Teleport on Staten Island. The project was intended to be in keeping with the agency's economic development mission and to ensure the region did not become economically disadvantaged in an ever growing technological age and would provide up-to-date communications enabling business to handle extensive amounts of information by satellite. In June of 1983 the Board certified the Teleport as an additional facility of the Port Authority and authorized the issuance of consolidated bonds for the purposes of capital

expenditures in connection with the facility. Teleport is a 100-acre business park which houses 5 Class A office and specialized buildings. The property is leased to the Port Authority by the City of New York since June 1984 for term ending May 2024, so basically 12 years from now. Currently there are 4 major tenants, 1 -Ccorporate Commons, Merrill Lynch Telehouse International Corporation of America, and the Teleport Communications Group, which is an affiliate of AT&T. I'll note that the Port Authority's technical data center is also located at the Teleport. Since 1983 the Port Authority has invested slightly under $80 million in capital expenditures in connection with the facility. At least an additional $7 million will be required over the next 3-4 years and perhaps additional amounts. I'll note that the facility operated at a loss in both 2010 and 2011. Staff is taking a comprehensive look at the options here, and we have had and will have discussions with the City of New York and with tenants and others to determine the Port Authority's options here. Any transaction would first, obviously, be brought back to the Board for its consultation and ultimately decision making and would be done on a competitive basis. Bill?

[Dep. Exec. Dir. B. Baroni] Thanks, Pat. In addition, the development and construction of the Legal and Communications Center and related infrastructure in Newark was undertaken by the Port Authority in cooperation with other agencies of government as part of the Port Development Project, authorized by bi-state legislation in 1962. Such legislation provided for the Port Authority to undertake all or any portion of the Port Development Project directly or through a wholly owned subsidiary corporation. Therefore, in October 1984, the Board certified the Newark Legal and Communications Center as an additional facility of the Port Authority and authorized the issuance of consolidated bonds for purposes of capital expenditures in connection with the facility. In 1988 the Newark Legal and Communications Center Urban Renewal Corporation was formed by the Port Authority to effectuate this project and was responsible for the construction of an office building with approximately 360,000 net usable square feet and its related infrastructure known as the Newark Legal and Communications Center. In December of 2001, the Port Authority entered into a net lease with Matrix One Riverfront Plaza LLC for the Newark Legal Center for a 50-year term with 4 additional 10-year renewal options. A $36 million payment was made to the Port Authority upon commencement of the net lease. Under this agreement, the net lessee pays 1) base rent, which began at $1.58 million annually and graduated upwards in 5-year bands over the term of the net lease; and 2) the amount if any by which 10% of the net operating income as defined in the net lease for such year exceeds the base rent payable in such year. The Port Authority has invested approximately $97.2 million in cumulative capital expenditures in this facility. In 2011 the facility operated at a net loss of approximately $1.9 million to the PA, and in 2010 a net loss of $4.2 million. Like the Teleport, it is now necessary for us to review the significant impact of this asset on the agency's current and future operating budget and resources to determine if the Port Authority should continue to be involved in this area of business. Commissioners, the Port Authority's involvement in areas outside of its core transportation mission and related mission critical businesses has expanded over the years. As indicated in the Navigant report, our involvement in an array of real estate and other non-core mission critical assets including the Teleport in Staten Island and the Newark Legal and Communications Center in Newark that I just noted have a significant impact on our agency's operating budget and resources. We therefore request that the committee advance an item to enable a review to review all non-core, non-mission critical assets and non-transportation facilities beginning with the Teleport and the Newark Legal and Communications Center. It is

our intent to expand on this review with other non-essential assets in our continuing efforts to return the agency back to its core mission of providing for economic development and the movement of goods and people throughout the Port District.

[Chair D. Samson] Thank you, Pat. Thank you, Bill. Before I just turn this over to the Commissioners who I know have questions and comments, can you just expand, Bill, on the third issue up there. Is the authorization for the review which you're seeking going to include continuing review of other assets other than the Teleport and the Newark Communications Center, or are you going to come back to us as you take each step in any further reviews?

[Dep. Exec. Dir. B. Baroni] I think the review would open up all of the assets, certainly any action items. Two things we'd come back to the Board with: 1) on a regular basis update on those reviews--what we're finding as we go forward; and 2) we would obviously come back to the Board for any action items that we would take just as with--

[Chair D. Samson] That's understood, thanks. Commissioner Steiner?

[Comm. D. Steiner] I thought I heard you say that we got $36 million back from when we entered into the deal with Matrix. What did we do with the $36 million? Did we pay off the bonds or did we just put it in our general revenue?

[M. Fabiano] That comes in as general operating revenues. You reflect it over to the--

[Comm. D. Steiner] What did we do with the cash? I don't care about the accounting.

[M. Fabiano] The cash came in as operating cash.

[Comm. D. Steiner] Where did it go?

[M. Fabiano] It came in and went to the balance sheet.

[Comm. D. Steiner] See, from a real estate point I have a tremendous objection. If we ever do anything like that, we should have taken that money, retired the bonds; that's the way we should pay off the debt. We took the money and we used it for operating expenses when it was part of the transaction and it reduced our cost. We should have lowered our cost by paying off some of the bonds, and I hope if we ever do anything like that that we don't take the revenue and we pay off the--

[Chair D. Samson] But isn't it fungible? I mean, isn't the money fungible?

[Comm. J. Moerdler] Doesn't it also depend on--David, you can't necessarily say, "When I did this transaction, I issued this specific segment of bonds." But those bonds may not be pre-payable at the time you get the cash in. If the money--

[Comm. D. Steiner] I understand that, but in general, the idea is to pay off a real estate asset and then say, "Well, you've got $70 million." You really don't have $70 million; you've got $35 million in there.

[M. Fabiano] What we do, Commissioner, in that sense is we use that $36 million as additional monies instead of issuing additional bonds to finance other capital.

[Comm. D. Steiner] I understand.

[M. Fabiano] So as that flows, instead of issuing debt I'm using that cash.

[Comm. J. Moerdler] Is that segregated, Mike, for capital as opposed to operating or not?

[M. Fabiano] No, these dollars came in because it was under a net operating lease, but it flows into--

[Chair D. Samson] Okay, Executive Director?

[Exec. Dir. P. Foye] Okay, can I make a suggestion that Bill Baroni and I will come back as we present each transaction with a proposed use of proceeds.

[Comm. D. Steiner] Yeah, I just want-- Everyone says, "You've got $67 million." We really don't have $67 million; you've got to reduce that.

[Chair D. Samson] I guess we're going to check--

[Comm. D. Steiner] What you do with the money is another thing. We don't have that kind of investment.

[Chair D. Samson] I assume we're going to get a full financial picture of each of these assets and understand fully how the investment was handled and what it looks like today. Vice Chairman, you have any comments or questions?

[Vice Chair S. Rechler] Sure I do, but--

[Chair D. Samson] Oh. I'm sorry. Commissioner Lynford?

[Comm. J. Lynford] Thank you, Mr. Vice Chairman.

[Vice Chair. S. Rechler] He's a little quiet and I wanted to help him.

[Chair D. Samson] I don't think he needs it. He doesn't need your help, I can assure you.

[Comm. J. Lynford] I have 4 questions.

[Chair D. Samson] Very aggressive.

[Comm. J. Lynford] I want to thank you, Bill. I remember we've had some prior chats about an overall inventory, so I would hope that you would help us with compiling an overall inventory, not just those ones that you are seeking immediate work on. Two, and I would like that to include the Aqueduct and the ARC Assembly land in that inventory, because I'm not sure if that's core or non-core, but I think that those are important assets to think about. This is a Mike Fabiano question, so I'm not putting you on. When you say net loss, is that with or without depreciation? Is that a real cash loss? So on a cash basis are we losing money?

[M. Fabiano] No.

[Comm. J. Lynford] Okay. I just wanted to answer your question there there because I thought that was--

[M. Fabiano] The depreciation is so low. It's very close to 0.

[Comm. J. Lynford] So therefore, we are--

[M. Fabiano] Yes.

[Comm. J. Lynford] We're sort of at a break even.

[Chair D. Samson] What was the first thing you said, Mike, at the beginning of that sentence?

[M. Fabiano] On a cash basis, the depreciation numbers are factored into that log, so when we factor out the depreciation--of course, that's not cash-- that loss will be low, but it still will be a loss--not as large as the numbers.

[Chair D. Samson] Why would there be a loss without the depreciation?

[M. Fabiano] Because your depreciation of that investment is over the life of the asset, which is long-term 50-60 years so those depreciation numbers might be $300,000-$400,000 in a year. The loss that we were showing was $1.8 million and $1.9 million.

[Vice Chair S. Rechler] I think what the Chairman is getting at is if you look at the net lease project, that it seems hard to have a loss if we have an annual income and no expenses against that. That's the question, other than depreciation.

[Chair D. Samson] Right.

[Vice Chair S. Rechler] It wouldn't seem to be consistent with how one would view that.

[M. Fabiano] We've had ongoing operational expenses at that facility also with the leasing and security and those incidental things that we still maintain.

[Comm. D. Steiner] That's a net lease thing? We still take care of the property and we've leased it to someone?

[M. Fabiano] We have current responsibilities.

[Exec. Dir. P. Foye] Which asset are we talking about?

[M. Fabiano] Newark Legal with the leasing and security and things like that. That is a part of some of the stuff that we do around there.

[Comm. D. Steiner] What you're saying when you net leased it, we retained some obligation. Was it an actual true net lease?

[M. Fabiano] They're running the real estate asset. This is no different than the World Trade Center site--same exact thing. We had a net lease with Silverstein on the World Trade Center site. We still have the leasing and security operations in those buildings-- same exact concept.

[Exec. Dir. P. Foye] It's also an issue at the Teleport, which we're looking at. Not Port Authority Police Department, but there are security requirements, which I think deserve relooking.

[Chair D. Samson] Okay, we haven't closed out Commissioner Lynford yet. He's got another question.

[Comm. J. Lynford] Tell me a little about Matrix. In other words, since we're incurring a loss for whatever reasons, is Matrix making a profit? And who is Matrix?

[M. Fabiano] Matrix was a development company, and this was done through a public RFP, and they made the best proposal, and they take over the operations of the business and we have a lease agreement with them that they will pay us fixed amounts that are escalated over periods of time under a net lease concept. They take care of the leasing of the building and all the day-to-day operations and those pieces of it, and then we just get our required net lease payments.

[Comm. J. Lynford] Are they allowed to either refinance and/or sell their position?

[M. Fabiano] I don't know that we would have rights of review and approval on some of the ability for them to go out and sell their position, but as far as the ability of them to refinance this, we're not involved in their equity piece at all. They're just required to make net lease rent payments to us over a period of time, so I don't believe we would get involved.

[Comm. J. Lynford] If we were to apply some of the things we've learned in the future to such situations, we would try to have some share in that creation. Okay, good.

[Chair D. Samson] Any other questions or comments by Commissioners? Yes?

[Vice Chair S. Rechler] First, I just would like to also reiterate I think that the concept of doing a full review of our real estate holdings is a great idea, and again, emphasizing the point that when we do economic development to incubate, once we actually incubate and stabilize, it's as much our responsibility to recycle that capital so we could use it elsewhere as it was to invest it initially, so I think that doing this and being as comprehensive as possible is critical. Just as sort

of a follow-up of this last round of this conversation, I would also state that I think we've got to make sure in evaluating this that we take a commercial approach in terms of understanding what we have, understanding the economics of it, and understanding how we're going to maximize the value on the disposition, and I think that on some of the initiatives that the team has been pursuing, recently I think there's been a good back and forth of bringing expertise in to really bring this down away from an accounting analysis to what is the real property value and what are the things that impair that value and what are those things that are in our control so that we can change it? And I think that it might make sense to have a little subcommittee that the Executive Director and Deputy Executive Director set up with whoever you choose that we have some of that commercial review and that we make sure that we're maximizing value and thinking about this in that respect.

[Comm. J. Lynford] I'd like to follow on because I think that's very good. The security that we provide, the question I would ask in a commercial analysis is to whomever we sell our position to, would they have to assume the same security requirements that we have to give because they would argue with that negative number that we don't have a positive position. These are some of the things I guess you have to answer, but I think it's a fascinating exercise. I think it's a valuable one.

[Chair D. Samson] Commissioner Steiner?

[M. Francois] I think it's worth noting that with regard to the Newark Legal Center, Matrix does have the option to purchase that property.

[Chair D. Samson] Commissioner Steiner?

[Comm. D. Steiner] I want to point out 1 thing. With the Matrix I've been watching, Matrix is trying to make the Panasonic deal, and they need something from us--some easements-- and I've been saying it's a good time to not give it to them and get something back for it. Maybe it's a good time to review the whole deal. I think that we hold the key to his ability to make the Panasonic deal because he needs easements to get into something, and I think we ought to take advantage of that situation.

[Chair D. Samson] I'm assuming that all of these factors will be taken into account with management's review. Jeff?

[Comm. J. Moerdler] Obviously, Matrix is going to be the most likely buyer of the land underneath that ground lease.

[Comm. D. Steiner] They have an option.

[Comm. J. Lynford] They have the right of first refusal.

[Comm. J. Moerdler] Yeah. So we're going to have to deal with them. And maybe David's right; that gives us a little more leverage in that discussion because of whatever they need from us.

[Vice Chair S. Rechler] And again, all these things--and that's what was really to my point is if we can have that commercial review instead of maybe a smaller working group that we can flush out any of these types of issues that play through that so we can maximize the value on the disposition even in terms of the New York City ground lease. Do we need to extend that? What are the issues around that? But I encourage more and more of these types of initiatives.

[Comm. D. Steiner] Refresh my memory. Wasn't Silverstein involved with the original Teleport with Murray Weil--

[Exec. Dir. P. Foye] Yes. You're absolutely right.

[Chair D. Samson] Okay, listen. I think this is a good first--or I shouldn't say first-- a continuing step in our review of the Port Authority's use of capital and investment philosophy and where we ought to be going, and we look forward to receiving management's thoughts and recommendations. I move this for approval of the public meeting. Second?

[Vice Chair S. Rechler] Second.

[Chair D. Samson] All in favor?

[all] Aye.

[Chair D. Samson] Good. This concludes the public portion of today's meeting. The committee will now adjourn to executive session to discuss matters involving negotiations and reviews of contracts or proposals and matters related to personnel and personnel procedures. Thank you.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Meeting Transcripts
April 26, 2012

[Comm. A. Sartor] The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee is being held in public session. After which, the subcommittee will meet in executive session to discuss matters involving ongoing negotiations or review of contracts or proposals and matters related to the purchase, sale, or lease of real property, or securities where disclosure would affect the value thereof or the public interest. In addition, the public portion of this meeting is being broadcast live on the Authority's website for those interested in viewing today's proceedings via the internet. Mr. Plate, you're under the gun to get this thing done efficiently today.

[S. Plate] Yes, Sir.

[Chair A. Sartor] Not as you usually do, okay?

[Chair A. Sartor] Go ahead, first item.

[S. Plate] Thank you.

[S. Plate] Good morning, Commissioners. Today I'm requesting several major actions to continue our unprecedented progress at the World Trade Center site. In an effort to advance the underground network of pedestrian connections in lower Manhattan in the most cost-efficient manor, this item authorizes an agreement with Brookfield Properties for the fit-out of the western portion of the Route 9A underpass in an estimated amount of $20 million. As background, the initial agreement with Brookfield was authorized in September of 2009 and provided for the core and shell construction at a total cost not to exceed $100 million, which was completed in December of 2011 at a cost of $60 million, resulting in a net savings to the Port Authority of $40 million. Brookfield will competitively bid the architectural fit-out of this area at a cost that remains within the $100 million amount previously authorized by the Board.

[Comm. A. Sartor] Any questions on this item? Seeing none, I obtain a motion to move it to the full board.

[Commissioners] So moved.

[Chair S. Sartor] Thank you. I've got to take this call.

[Comm. R. Pocino] Okay, while Tony is out, I will pick up second item, the World Trade Center site professional program and construction management support services. Steve, you're going to do that as well?

[S. Plate] Yes, Commissioner, thank you. The next item requests your authorization of critical program management support services for the One World Trade Center and Memorial projects with STV at an amount of $5,879,158 through June of 2014, which compares favorably to our

staff estimate of $5.9 million. The proposed action reflects a significantly reduced multiplier and provides tremendous continuity of historical knowledge and a fully integrated team as we near the critical stages of completion for both these projects.

[Comm. R. Pocino] Okay, thank you Steve. Commissioners, any other questions or comments? I have a motion to move this forward.

[Comm. Moerdler] Second.

[Comm. R. Pocino] So moved. Second. All in favor? Okay.

[Comm. R. Pocino] Is he okay?

[Comm. R. Pocino] Okay, the next item of the World Trade Center construction trades contracts. Steve and Alan Reiss will do that.

[S. Plate] I will do the first one, and Alan will do the second one. Regarding the Hub, the oculus skylight spanning the full 300 foot long length atop the oculus structure was competitively bid with Enclos Corporation being the highest technically-rated and lowest-priced qualified proposer at a cost of $28.7 million, excluding extra work and clause work, which again compares favorably to the staff estimate of $29.9 million. In addition, this item will authorize payments of $2.5 million to Downtown Design Partners and $2 million to Tishman/Turner for design and construction management services respectively. This contract includes maintenance for a period of 1 year on all hardware and operating components with a 24-hour service response time as well as warranties ranging from 5 to 20 years on the movement system, glazing, sealant, and metal panel finish. Our next slide will show you a short clip of the mechanical opening of the skylight. [Video playing]

[S. Plate] No music sir. [Slide playing]

[Chair S. Sartor] What is the width when it's open in full?

[S. Plate] 30 feet.

[Chair S. Sartor] 30 feet, that's what I thought, okay.

[Comm. Pocino] Was that in real time or slow motion?

[S. Plate] It takes 2 minutes in actuality to do, which is pretty quick. It's a really well thought out system. It's done by people who have done it throughout the world and very intimate and very detailed applications from stadiums to shopping malls, just tremendous systems so we really worked this very hard and got a very, very good price. So we are very excited about this, and this is really the last major piece of the Hub project.

[Chair A. Sartor] That conclude that?

[S. Plate] No Alan.

[Comm. Pocino] Alan is going to do a part.

[Chair A. Sartor] No, I want to-- Let's take any questions on the oculus right now. Any issues from--any questions from the Commissioners on this?

[Comm. R. Pocino] No questions, do you want a motion?

[Chair A. Sartor] I'll take a motion that we move it to full committee..

[Comm. R. Pocino] Motion to move.

[Chair A. Sartor] Second?

[Comm. Moerdler] Second.

[Chair A. Sartor] Okay. Next item.

[A. Reiss] Good morning, Commissioners. For the World Trade Center Construction's last item today, I'm presenting the plaza finish contract, which will provide for stone paving, irrigation, landscaping, and lighting features in an approximately 15,000 square foot area of the West Plaza. This contract was competitively bid through a 1-step request for proposals process with Railroad Construction Company being the lowest bidder at a cost of $7 million, excluding extra work, which compares favorably to our staff estimate of $7.9 million. Railroad Construction will complete the plaza finish work that was originally to be implemented under a previously awarded contract that was later terminated at its convenience, and this represents an approximate $3 million savings as compared to that contract. Any questions?

[Chair A. Sartor] Any questions on this item?

[Comm. R. Pocino] No questions.

[Chair A. Sartor] I will entertain a motion to move to full Board.

[Comm. R. Pocino] So moved.

[Chair A. Sartor] Second?

[A. Reiss] Thank you.

[Chair A. Sartor] I believe this concludes the public portion of today's meeting. The subcommittee will now adjourn to executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals of matters related to the purchase, sell, or lease of real property or securities where disclosure would affect the value thereof or the public interest, thank you.

The Port Authority of New York and New Jersey
Committee on Capital Programs/Agency Planning Meeting Transcripts
May 31, 2012

[J. Drobny] This thing is going to be okay.

[Comm. Holmes] Good morning, everyone.

[All] Good morning.

[Comm. Holmes] Today's meeting of the Committee on Capital Programs/Agency Planning is being held in public session in its entirety. In addition, the meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. We have one item on the agenda: The PATH fire alarm system upgrade. It's a planning authorization to be presented by Michael DePallo.

[M. DePallo] Good morning, Commissioners. Today I am seeking a $4 million planning authorization for the replacement and upgrade and expansion of the PATH fire alarm system infrastructure at approximately 90 PATH locations in New York and New Jersey to provide system-wide uniformity and to conform with the latest building and national fire safety code requirements. The future implementation of this project is anticipated to generate 210 job-years, $14 million in wages, and $82 million in economic activity. While the existing fire alarm system infrastructure at PATH facilities has served us well and the safety of users of PATH system and PATH workers, much of this infrastructure is between 10 and 25 years old and has exceeded its design life. These systems require frequent maintenance and spare parts that are often difficult to obtain and/or are no longer available. In addition, there are some back-of-the-house locations that provide local alarms only, and do not communicate with central control locations. The proposed planning authorization would assist in the design of a modern, integrated, state-of-the-art fire alarm system. All of these issues will be addressed as part of this project. PATH has approximately 90 locations requiring fire alarm capabilities spread out along 14 miles of the PATH system stretching across New York and New Jersey. These locations include train stations, shops and yards, ventilation buildings, power substations, control centers, signal bungalows and relay rooms, and general office space. The project would provide new, state-of-the-art equipment that is consistent system wide, conform with the latest building and fire safety codes and standards, and provides centralized monitoring at PATH's existing two control centers. The system will further provide the ability to report the type and location of the alarms; timely, concurrent reporting to various authorities among PATH, police, and local fire departments. It will also be tied into PATH's existing security system. PATH's existing fiber optic infrastructure will need to be upgraded to provide adequate communications between all the PATH locations. Overall, the system shall promote better response times and minimize damage caused by the related fire incidents. The project represents significant economic benefits for the region. The total economic impact of the project is estimated to include 210 total job-years, $14 million in wages, and $82 million in economic activity over the life of the project including indirect effects such as purchases of both workers and suppliers to the project. The estimated cost for planning phase is $4 million. The planning phase will begin in June 2012 and be completed by July 2013. Staff expects to seek project authorization in the first quarter of 2013 and contract award in the

second quarter of 2015. R. G. Vanderweil Engineers was retained to provide professional services to support this project. Commissioners, I request you advance this item to the full board today.

[Comm. Holmes] Any questions?

[Comm. Bauer] There is a clear need for this project.

[M. DePallo] Absolutely.

[Comm. Holmes] Should we just move it forward?

[Comm. Bauer] Yes.

[Chair H. S. Holmes] We'll move it forward to the Board. Thank you. Motion to adjourn.

[Comm. Bauer] Okay.

The Port Authority of New York and New Jersey
Committee on Finance Meeting Transcripts
May 31, 2012

[Comm. Schuber] Today's meeting of the Committee on Finance is being held in public session in its entirety. In addition, the meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. Today, for action, we have a report from Anne Marie Mulligan on purchase of property damage and loss of revenue insurance. I think a memo on this has been distributed to all the members before. Ms. Mulligan.

[A. Mulligan] Good morning, Commissioners. At today's meeting, I'm seeking the committee's authorization to renew the property damage and loss of revenue insurance program for 1 year effective June 1, 2012, at a total estimated premium of $26.645 million. This program protects the Port Authority's owned and leased property from physical damage or loss including coverage for losses arising from acts of terrorism. It also covers business interruption claims which includes loss of revenue. The broker, Marsh, continues to provide service under its existing brokerage agreement. The committee approved the selection of Marsh in February 2009 after staff completed a competitive request for proposal process to select a single broker for both this program and the public liability insurance program. This slide provides a summary of the expiring program and the anticipated coverage at renewal. As part of the continuing dialog with the committee on insurance matters and the insurance working group, staff has furnished periodic updates about the renewal and marketing efforts on the program. The memo provided to the committee on February 6, detailed the agency's risk profile, property market overview, and the preliminary marketing strategy. A follow-up status memo provided on May 11, outlined factors influencing this transitional insurance market that could increase overall cost of coverage and mitigation efforts taken to minimize any pricing impacts to the agency. On May 29, an email advised of the status of the property program, and we will now present the final proposed program as shown on the slide. As a result of significant market negotiations, the use of PAICE, the elimination of Berkshire Hathaway, our clean 10-year loss history, and the introduction of approximately $285 million in new and expanded capacity to the program, Marsh and staff were successful in increasing the overall program limit to $1.518 billion from $1.425 billion of all-risk coverage per occurrence. The total premium for the anticipated program is approximately $26.645 million. This is a net gain of $93 million in coverage while reducing net premium by almost $55,000 over the expiring program. Similar to the expiring program, the renewal limit remains in excess of a $5 million deductible and an aggregate $ 25 million self-insured retention. Further, the terrorism program will also have an increased limit of $1.518 billion to match the all-risk program. The program provides terrorism risk insurance program reauthorization act, TRIPRA coverage of $1.58 billion provided through PAICE and the stand alone commercial market. A $25 million sublimit for biological and chemical terrorism risk is included in the commercial market coverage. The expiring program carried a premium of $26.7 million, which included terrorism coverage up to the full limit of the program. At renewal tomorrow, the total premium will be approximately $26.645 million for the above limits and deductibles. Based on the above, we request that the committee authorize the purchase of the property damage and loss of revenue insurance program for 1 year effective June 1, 2012, with the foregoing terms and conditions.

[Comm. Schuber] Thank you very much. Any questions from members of the board? Jeff?

[Comm. Lynford] One comment, which just is I want to compliment the staff and the broker team for moving this in exactly the direction that I think this committee wants which is to increase our top-end limits of coverage wherever possible and combine that ideally with some cost savings. This is the best of both worlds in that sense, and my compliments to the staff and the brokerage team. [A. Mulligan] Thank you, Commissioner.

[Vice Chair W. Schuber] Do you have any problems with this coverage as far as it being enough?

[D. Buchbinder] No, sir. I think it's fine.

[Comm. Schuber] Mr. Foye?

[P. Foye] No, I agree with counsel.

[Comm. Schuber] I think having viewed the memo on this prior to the meeting, the staff has done a tremendous job in making this happen. Clearly this is something I wish we didn't have to have, but clearly experience has taught us painfully that we do. The fact that we've reduced the premium and increased the coverage speaks volumes with regard to it. Is there a motion?

[Comm. Pocino] I move to approve. Motion to approve. Second?

[Comm. Moerdler] Second. All in favor?

[Committee Members] Aye. Opposed? So ordered.

[A. Mulligan] Thank you.

[Comm. Schuber] There being no further business, the meeting stands adjourned. Thank you.

The Port Authority of New York and New Jersey
Committee on Construction Meeting Transcripts
April 26, 2012

[Comm. R. Pocino] Today's meeting of the Committee on Construction is being held in public session in its entirety, and in addition the meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. For discussion today we have 4 items, the first one consisting of the Newark Liberty International Airport Rehabilitation of the Aviation Fueling System for project authorization, and William Radinson is going to give us that report. William.

[W. Radinson] Thank you. Good morning, Commissioners. I'm here to seek project authorization for the modification of the existing fueling system infrastructure at Newark Liberty International Airport to maintain a state of good repair, bring the system in line with current industry standards, increase operational efficiencies and enhance system operations and expand ability. The project will produce 330 job-years, $21 million in wages and nearly $118 million in economic activity. The existing aviation fuel system infrastructure was built in 1971 and is in need of an upgrade to bring the system in line with current industry standards. The fuel system was designed based on industry practices at that time which allowed airlines to specify sources and brands of aviation fuel for their respective aircraft fleets. Since that time the industry has adopted a more centralized fueling system standard where all users now utilize the same Jet-A fuel. This allows for the simplification of the fuel supply system and piping network including fewer pipes, pumps, valves and controls and reduced operational complexity in allowing for greater flexibility. The existing piping system shown in orange is comprised of single-wall welded steel pipe. The New Jersey Department of Environmental Protection has since revised their standards. The proposed new work seen in red would adhere to new NJDEP standards using double-walled construction with continuous monitoring of the interstitial space surrounding the pipes. The project also includes improvements to the fuel farm facilities and new airside truck loading racks and an associated water treatment facility through the consolidation of common use holding tanks. Twelve 350,000 gallon fuel storage tanks, shown in blue, are past their useful service life and are to be replaced with two - 2 million gallon tanks seen in pink. The project includes reducing the number of pump stations and fuel pumps. The work will be staged to provide for uninterrupted supply of fuel throughout the project. Some taxiway closures will be required, and the timing will be coordinated with the airlines and the Federal Aviation Administration to minimize disruption to airport operations. This project represents significant economic benefits for the region. The total economic impact of the project is estimated to include 330 job-years, $21 million in wages, and nearly $118 million in economic activity over the life of the project, including indirect effects such as construction employment and materials purchase. The total project cost is estimated at $86.1 million, of which $4.1 million consists of design and engineering costs performed in-house. This authorization will also include authorization for the Executive Director to award contracts for expert professional engineering services for stage 3 and stage 4 design in an amount not to exceed $2.5 million. This project is fully recoverable through the fuel component of the Newark Liberty master lease. We anticipate seeking contract authorization for this project in the 2nd quarter of 2013. Completion of construction is expected by the 2nd quarter of 2016. Commissioners, I request that you advance this item to the full board for approval. Thank you.>>

[Comm. R. Pocino] Thank you. Obviously important for us to continue to provide a state of good repair so that we can maintain reliable service to our customers. Again, the cost of this project is fully recoverable under the master lease, so commissioners, any comments or questions?

[Comm. J. Moerdler] One question. Can you go back to the slide that shows the red piping? That one. It appears to me--and I'd like a little clarification-- that the sort of central portion of the distribution system is to be replaced now, but the balance of the distribution, the spokes going out to each of the terminals that are shown in sort of light orange color and the ports at each of the terminals aren't being replaced now. Is that correct?>>

[W. Radinson] That is correct.

[Comm. J. Moerdler] Is that in compliance? Are we required to do that additional work to comply with New Jersey code, and is it a state of good repair or a state-of-the-art operations and safety project that we should be doing at some point in the future? Similarly, the distribution pipes around the tanks appear not to be replaced at this point.

[W. Radinson] The program initially basically has 3 phases. There are phases to replace the distribution you're talking about around Terminal B and a later phase to replace Terminal C, so initially we just are looking to replace this particular part.

[Comm. J. Moerdler] Okay, so this is the first step in a longer term project, and eventually we'll be replacing all or substantially all of the pipes.

[W. Radinson] That's right.

[Comm. J. Moerdler] And is the New Jersey--whatever the environmental-- the DEP on board with this process?

[W. Radinson] Yes.

[Comm. J. Moerdler] That we're not going to have a problem? Okay. And staff, I assume, is comfortable with the staging of the process from a safety and operations perspective. Great.>>[Comm. R. Pocino] Anybody else? Any other commissioners? Do we have a motion and a second to move this on to the Board?

[Comm. J. Moerdler] Move it.>>

[Comm. R. Pocino] Second? All in favor?

[Committee Members] Aye.

[Comm. R. Pocino] The next item we have is Stewart International Airport Rehabilitation of Runway 9-27 and Runway 16-24 project authorization, and William Radinson will do that as well. William.

[W. Radinson] Thank you. Good morning, Commissioners. I'm here to seek project authorization to rehabilitate runways 9-27 and 16-34 at Stewart International Airport in order to maintain both runways in a state of good repair. This project will produce 850 job-years, $53.6 million in wages, and $232 million in economic activity. Commissioners, Stewart has 2 runways, as shown in the aerial view. Runway 9-27 is the main runway and is 11,817 feet long and 150 feet wide while Runway 16-34 is 6,004 feet long and 150 feet wide. Together they handle over 47,000 aircraft operations per year. Runway 9-27 and 16-34 were last rehabilitated in 2001 and 1984, respectively, prior to the Port Authority's acquisition of Stewart Airport. The surfaces of both runways are exhibiting extensive pavement, surface cracking, oxidation and raveling due to normal pavement wear and weathering. The runways require rehabilitation in order to maintain a state of good repair. In addition, the runway electrical systems will require rehabilitation and upgrading in order to conform with current Federal Aviation Administration standards. As background, no major electrical upgrades have been performed on the runways since they were originally installed. The electrical system on Runway 9-27 is approximately 32 years old, and on Runway 16-34 it is 19 years old. A life cycle cost analysis was performed and recommended rehabilitation of the runways using asphalt pavement. Construction would be staged to reduce impacts on operations. Our passengers shouldn't notice a change except for an occasional slightly longer taxi time. In stage 1, shown in green, Runway 16-34 and the east end of Runway 9-27 will be closed for 6-8 months, which will maximize construction efficiency. Rehabilitating Runway 16-34 will permit utilization of this runway during the rehabilitation of Runway 9-27 and the handling of increased traffic or aircraft loads. During this first stage Runway 9-27 will remain operational. In the second stage, shown in beige, 1,000 feet on the west end of Runway 9-27 will be closed, but the runway will remain operational. During the final stage, shown in yellow, the runway will also remain operational as the center portion of Runway 9-27 will be rehabilitated during nightly closures and extended weekend closures. This project will create significant economic benefits for the region. The total economic impact of the project is estimated to include 850 job-years, $53.6 million in wages and $232 million in economic activity over the life of the project, including indirect effects such as construction employment and materials purchased. The total project cost is estimated at $143.5 million, of which $17 million consists of design and engineering costs, the bulk of which will be performed in-house. An application has been submitted to the FAA to recover eligible costs through the Airport Improvement Program. Planning for this project in the amount of $2.5 million was authorized in September of last year and is included in the total project cost. We anticipate seeking contract authorization for this project in the 4th quarter of this year, and substantial completion of construction is expected by the end of 2014. Commissioners, I request that you advance this item to the full board for approval. Thank you.

[Comm. R. Pocino] Thank you, William. Again, a project here for state of good repair, but I'm also pleased to see that we've included on there some efficiency additions and time saving. Not only fuel savings but time savings as well, and also there's a possibility of some refunding of these projects through the Airport Improvement Program funding. Commissioners, anyone have any comments or questions?

[Comm. W. P. Schuber] Move it.

[Comm R. Pocino] I have a motion, a second. Thank you very much, William, for your presentation. Our next item is the Holland Tunnel Replacement of the Supervisory Control System project authorization. Cedrick?

[C. Fulton] Good morning, Commissioners. How are you today? I'm here today to discuss a project authorization in the amount of $34.3 million to replace the supervisory control system at the Holland Tunnel in order to maintain a state of good repair. The total regional impact over the life of the project is currently estimated to result in 160 job-years, $12 million in wages and $53 million in economic activity. The existing supervisory control system monitors and controls 25 sub-systems. These systems include fire protection, tunnel traffic control, electric service and tunnel sump pump sub-systems, which are critical to maintain a safe customer environment and optimal traffic flow. The system is over 25 years old, has exceeded its design life, is technologically obsolete and requires excessive maintenance to maintain operations. The age of the system also makes it difficult to obtain replacement parts. In addition, the supervisory control system uses a 25-year-old telephone-based communication network. The network is outdated and requires frequent repairs. Planning authorization was received in April 2011 for $1.3 million in order to develop the project and solidify the scope of work. The existing supervisory control system is not computerized. The photograph at the left is a closeup of part of the system's control board located in the supervisor's control center. That was installed in the 1960s. The board provides very limited control and indication for electrical and mechanical sub-systems. Indicating lights along the middle of the board are used to monitor the status of the sub-systems while pistol handle and push button switches along the bottom of the board are used for control. The tunnel operator must manually press buttons and move switches in order to provide proper operation. The control board is to be replaced by a computerized workstation. The photograph at the right is a view of the copper wiring inside a typical system relay panel. The wiring used for the supervisory control system communication network is obsolete, requires frequent repairs, and will be replaced by a fiber optic network. A new supervisory control system will improve reliability by replacing the existing deteriorating copper wire communication network with a fiber optic network. A centralized integrated computerized system will provide for operational effectiveness, allowing the operator to monitor and control operations and maintenance functions from one workstation rather than from several workstations as is the case now. The cost of maintenance will also be reduced due to the added ability of early detection of a problem and sending of proper maintenance personnel to the field. This will lead to a reduction of maintenance man hours. The replacement system will also allow for the inclusion of additional equipment and sub-system control and monitoring functions as the future needs of the facility dictate. The replacement supervisory control system will integrate the existing automated control system, which was installed under the rehabilitation of the Electrical and Mechanical Ventilation System Equipment program, the other remaining sub-systems into one centralized computer system that can be operated through one workstation. The existing fiber optic network will also be upgraded to support the addition of other sub-systems as they transition from copper cable network into fiber optic. This will be accomplished by modifying the fiber optic electric equipment. In addition, the project will provide for a backup supervisory control center for facility operations during emergency conditions. Performing this project now will not preclude the future integration of the supervisory control system into a future Port Authority-wide operation center in order to enhance overall situation awareness. Today we are seeking project authorization at an estimated amount of $34.3 million, of which $4.7 million consists of design and engineering costs, which will be primarily conducted in-house. Contract documents are anticipated to be completed and bids received by the 1st

quarter of 2014. We plan to come back to the board in the 2nd quarter of 2014 for contract award authorization. We anticipate construction will start in the 3rd quarter of 2014 and will be substantially completed by the 2nd quarter of 2017. Construction will be closely coordinated with other ongoing projects at the Holland Tunnel. This project is anticipated to result in an aggregate of 160 job-years, $12 million in wages and $53 million in economic activity. Commissioners, we request you advance this item to the full board for approval. Thank you.>>

[Comm. R. Pocino] Thank you, Cedrick. Commissioners, do you have any questions in reference to the replacement of this equipment for the upgrade in terms of modernization and so forth?

[Comm. W. P. Schuber] Definitely need to move it.

[Comm. R. Pocino] A second? All in favor?

[Committee Members] Aye.

[Comm. R. Pocino] Okay, the next item we have is an information item, on the 2011 Minority, Women, and Small Business Enterprise results. Lash Green, you're going to give us that information.

[L. Green] Yes, good morning, Commissioners. Today I'm pleased to report on the Port Authority's performance in meeting last year's goals and objectives for minority, women-owned, and small business enterprise participation and construction, procurement of goods and services and other business activities. With the board's support, the Port Authority continues to be a regional leader in maintaining comprehensive and effective programs that support MWSBE participation. The result is that in 2011 the agency, including the efforts of our tenants and the construction programs at the World Trade Center site, posted over $450 million in contracts awarded to MWSBEs. Once again, we exceeded our agency goals for the MWSBE program. These contract awards supported thousands of jobs, close to $235 million in wages. I would now like to share with you the details of the 2011 results. The 2011 total of $450 million represents 18.5% of all contract awards, which is above the annual agency goal of 17% for MWBE participation. These results are in line with our prior 3-year annual average of $467 million or 19% MWBE participation. The 2011 total of $450 million was made up of awards from 3 sources: Port Authority direct contracts and subcontracts, WTC redevelopment projects and aviation tenant work. Notably, the WTC redevelopment projects generated $225 million in awards to MWBEs. By procurement category, the largest share that made up the $450 million was construction with $366 million derived from contracts across all Port Authority facilities, WTC redevelopment projects and aviation tenant work. The construction awards represented some 81% of all MWBE awards. I'd like to emphasize the importance of MWSBE spending in our region and its contribution to jobs and economic growth. The regional impact estimates of the $450 million in contract awards supported nearly 3,840 jobs, including both new and existing jobs, generated more than $235 million in wages and approximately $755 million in economic activity. For construction specific spending totaling $366 million the regional economic impacts were estimated to have supported 2,950 jobs, generated more than $190 million in wages and produced approximately $607 million in economic activity. The Port Authority continues to play a leading role in developing and participating in programs to assist MWSBEs. Our mentor protege program matches MWBEs with some of the region's leading construction companies to increase their capacity and ability to bid successfully on larger contracts. In 2011 there were 26 participants

in the core program with a total of 56 firms having participated in the program since its inception in 2002. An additional 7 firms grossing under $500,000 participated in a training component. 8 proteges were awarded 10 Port Authority contracts in 2011 totaling $7.3 million. Of the 10 contracts awarded, 4 were procured through public advertisements. Through our contract with the Regional Alliance for Small Contractors, we developed and offered over 20 software, construction management, and OSHA safety training courses. Nearly 500 MWSBE representatives participated in these courses. As part of our effort to ensure a pipeline of skilled workers we continue to support and participate in construction pre-apprenticeship programs offered by Edward J. Malloy Initiative for Construction Skills in New York and in New Jersey by Newark/Essex Construction Careers Consortium and New Jersey Pathways. These programs continue to be among the most successful in the region. Since their creation in 2001 nearly 2,000 New York and New Jersey residents completed the training curriculum and prepared for acceptance into union apprenticeship programs in New York and New Jersey. Throughout 2011 we continued to hold bi-monthly MWBE progress meetings with the MWBE liaisons for WTC redevelopment projects to monitor progress and discuss issues related to MWBE participation. These meetings were held at our WTC Business Resource Center as were 6 MWBE capacity building events including 3 pre-qualification workshops with Tishman Construction. In 2011 MWBEs reached a 5-year cumulative total of $1 billion in WTC contracts, a significant milestone. Throughout 2011 we co-sponsored and/or participated in a wide range of outreach and networking events throughout New York and New Jersey. Together these events, including 4 in Albany, attracted a total of over 16,000 attendees with many pursuing certification and business opportunities with the agency. We organized and held a business credit fair with 12 financial services firms that attracted over 110 attendees as well as 2 Janitorial Maintenance SBE mini-fairs which resulted in new applicants that were added to our list of pre-qualified SBEs. We crafted a proposal targeting Service Disabled Veteran Owned companies and planned outreach activities for 2012 for this group under the MWBE and SBE programs. Our 2011 was an excellent year for MWSBEs. Going forward we are continuing to maximize our performance in all areas as well as continuing to coordinate our outreach and certification efforts with our sister agencies in New York and New Jersey. Thank you.

[Comm. R. Pocino] Thanks, Lash. It's very pleasing to see that the Port Authority is not only meeting its goals but is exceeding its goals in the M/W/SBE program. Also pleasing to me is the fact that the Port Authority is partnering with business and labor and giving opportunities for young people, local people to get into construction craft apprenticeship programs. That's a tremendous program, so keep up the good work and thanks for the information.

[L. Green] Thank you.>>

[Comm. R. Pocino] Commissioners, anyone else?

[Comm. W. P. Schuber] Just a couple questions if I might, Mr. Chairman. I like all your comments with regard to particularly the apprenticeship program. I have a question with regard to the setting of goals. Who establishes the goals? I noticed the goal here was 17%.

[L. Green] 12% minority, 5% women-owned, and those goals are established through a disparity study that we conduct. We're in the process of completing another disparity study right now.
[Comm. W. P. Schuber] Okay, so how often is that study done?

[L. Green] Approximately every 5 years.

[Comm. W. P. Schuber] Okay, and so this new study will be available then in--

[L. Green] Later this year.

[Comm. W. Schuber] And so it'll be utilized for next year '13 or--

[L. Green] Yes, we will come back to the board and have whatever changes that may occur in the goals or other activities approved, and then it will become effective.

[Comm. W. P. Schuber] Okay, and for the purpose of-- and I know in dealing with these programs I know there's some definitional issues here. For the purpose of small business it's defined as what?

[L. Green] We adhere to the federal small business definition, yes.

[Comm. W. P. Schuber] And the same for minority-owned business?

[L. Green] Minority-owned is pretty consistent with the Federal Disadvantaged Business Enterprise definition, but it is consistent with New York and New Jersey definitions.

[Comm. R. Pocino] I just might want to add to that, Pat, that in my experience many public agencies just throughout the country, basically, really don't meet the established goals and guidelines and find it difficult to get that done. Working on it all the time, but to see the Port Authority not only reach the goal but exceed the goal is something to be admired, and it allows the small businesses to take part into a significant amount of dollars in the economy of this area, which is very, very good.

[D. Tweedy] One cautionary note, commissioner, is that we've achieved a tremendous record downtown at the World Trade Center site which has helped us meet those overall goals, and as that program sunsets over the next several years we're going to really need an aggressive effort authority-wide to sustain these kinds of results.

[Comm. R. Pocino] A good point, David.

[D. Tweedy] We have done very well through our major CMs downtown to be able to work well with Lash's folks and have achieved really strong goals.

[Comm. R. Pocino] Very good. Anyone else? Thank you. That completes our agenda for today's session. I want to thank you all for your participation and input, and we'll see you again next time. Take care.

The Port Authority of New York and New Jersey
Committee on Operations Meeting Transcripts
May 31, 2012

[Chairman D. Samson] The first portion of today's meeting of the Committee on Operations is being held in public session after which the Committee will meet in executive session to discuss matters related to personnel and personnel procedures. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. Our first discussion item is being presented by our Director of Aviation, Sue Baer, concerning an agreement with El Al Israel Airlines for the lease of space in terminal B for use as an airport lounge at Newark Liberty International Airport. Sue, good morning.

[Dir Sue Baer] Good morning. Commissioners, today I'm here to seek your approval for a lease agreement with El AL Israel Airlines for operation of a first-class lounge at Newark Airport. The lounge will provide first-class amenities to its VIP business, frequent-flyer patrons, while creating incremental revenue to the Port Authority. Lounge space has been made available by the Terminal B Modernization Program. As you may recall, staff have been working on programs authorized by the Board in August 2010. One of the objectives was to provide lounge space post security. As part of the program, three additional lounge spaces have been constructed that are accessed via exclusive lounge elevators on the second level of Terminal B beyond security. British Airways and Virgin America have already leased two of the newly created areas, and we are negotiating with perspective tenants for the third lounge space. El Al will be leasing the lounge areas soon to be vacated by one of them. El Al's lounge needs are currently being accommodated by an agreement with Jet Airways. Now that Virgin Atlantics has committed to building a lounge in the newly created Terminal B2 bump out, El Al has requested Virgin Atlantic's existing Terminal B lounge to rebuild the lounge for itself and for other airliners. The proposed lounge will be located on the Terminal B departures level pre security. El Al has been a tenant and Newark since 1990, providing flight service to Tel Aviv, Israel. It's daily wide-body nonstop flight makes it the seventh largest foreign flight carrier in Newark with over 150,000 passengers in 2011. El Al currently has over 55 employees, including a large security staff, for its Newark operations. El Al plans to hire additional employees or Port Authority contractors to operate the lounge. Commissioners, here are the terms of the proposed lease. El Al will lease 3,880 square feet for 10 years and six months. El Al plans to invest approximately $1 million to renovate and upgrade the lounge space. The proposed agreement will generate aggregate fixed rentals of $3.9 million. We expect that the lounge will open at the end of the next year. Commissioners, I request that you advance these items before the full Board for approval. Thank you.

[Chairman D. Samson] Thanks, Sue. Do any of the Commissioners have any questions or comments concerning the issue?

[Vice Chairman S. Rechler] Just out of curiosity, how does this relate to what Virgin was paying for the lounge?

[Dir S. Baer] Approximately the same, but--I'm sorry. It's not going to be recorded anywhere. It's approximately the same but their making a million-dollar investment in the space.

[Chairman D. Samson] El Al is? >>El Al is making a million-dollar investment in the space.

[Vice Chairman S. Rechler] What is the square footage rate? Ninety to start and then it escalates annually.

[Vice Chairman S. Rechler] And just Virgin--where they're going, are they taking a similar amount of square footage? They're taking a slightly larger amount of square footage, and it's post-screening, which is what they wanted. In this economic climate we've had lots of puts and takes about airlines wanting lounge space and not being sure they should commit, etc, but they have committed. We brought the lease to the Board. So they're committed to this space, and it's on a second level. It's where we expanded the screening points of Terminal B. We made a second level for lounge space, so it's very nice lounge space with views of the airfield.

[Vice Chairman S. Rechler] Great. >>

[Comm. V. Bauer] That's all post-screening? That's post screening--the El Al lounge is the pre-screening lounge, which allows access to either of the international concourses.

[Chairman D. Samson] I think it's a great step forward. Any other questions or comments? I'll move it for approval at the public board meeting. Can I have a second? >>Second. All in favor? >>Aye. >>So moved. The next topic for discussion, also going to be presented by Sue, concerns of a lease supplemented with JetBlue Airways Corporation for the expansion of Terminal 5 and other airside improvements at JFK. Sue?

[Dir S. Baer] Excellent. Commissioners, I am equally pleased to be able to present an item that provides for a supplemental lease agreement with JetBlue Airways Corporation for the construction and operation of a new international arrivals facility and an expanded Terminal 5 at JFK. The lease will also provide for the development of aircraft parking positions at Terminal 5. JetBlue's international service has grown significantly, and this lease supplement will allow them to better meet the needs of their international customers within their own terminal while providing flexibility for further expansion to accommodate future growth. This supplement will provide for over $200 million in private investment at JFK and is expected to result in 1,090 job years, $74 million in wages, and $325 million in economic activity. JetBlue is the single largest airline operating nonstop between New York and Florida and between New York and the Caribbean. It is the sixth largest passenger carrier in the United States, servicing 71 destinations in 22 states, Puerto Rico, and the US Virgin Islands, and 12 countries in the Caribbean and Latin America. In 2011, JetBlue handled nearly 10.5 million passengers at Terminal 5, representing nearly a quarter of the airport's total traffic, making Terminal 5 the busiest terminal in the airport. JetBlue began its international service handling arriving passengers in Terminal 4 in June of 2004 and has since grown significantly. It opened Terminal 5 in October 2008. In order to consolidate and grow its international service, JetBlue now requires additional property to expand Terminal 5 and construct an international arrivals hall with a Federal Inspection Service faculty. As a first step, in April 2010, the Board authorized JetBlue to undertake the demolition

of Terminal 6 and commence planning for the expanded Terminal 5. Before you in a site plan of the proposed improvements. The existing Terminal 5 is shown in light blue. The new international arrivals facility, shown in dark blue, will consist of approximately 145,000 square feet on three levels. The project will initially convert three existing domestic gates to international gates, shown in green, and add three new international gates, which are shown in red. This will accommodate additional international arrivals. It will also be done--the hardstand where they park plans on the ramp and bus operations, which is shown in orange. The project will also include construction of a Federal Inspection Service facility within the expanded terminal to accommodate up to 1,200 international arriving customers per hour, the Associated Customs and Border Protection Support Services, and two new international baggage claim devices. JetBlue will invest a minimum of $170 million to design and construct this new international arrivals facility and another $35 million to improve the ramp area between Terminal 5 and 7 on its new leasehold-- the subject ramp areas indicated in the dotted line around the upper part of that photo. Before you is a rendering of the proposed expansion. JetBlue will construct the 145,000 square foot expansion, which will be included in the Terminal 5 lease. JetBlue's lease will include the additional space in Terminal 5 and 19.3 acres of land in the ramp that once housed Terminal 6. JetBlue will pay ground rental for the expansion at a rate of $112,698 per acre, which is what the ground rent is at JFK at this time, which will increase annually by the greater of 4% or half of the CPI. JetBlue already pays an enplanement and ground rental for the existing Terminal 5, but this supplement will extend the term of this existing agreement generating additional revenue. The proposed lease supplement with JetBlue will generate aggregate rentals of $447 million over the 28-year term of the lease through rent. Construction would commence in July and is expected to be completed by the end of 2014. In addition to benefits to the Port Authority, the construction of the terminal expansion and ramp improvements will have significant economic benefits for the region. The total regional impact over the life of the project is currently estimated to result in 1,090 job years, $74 million in wages, $325 million in economic activity. Also, JetBlue currently employs over 4,200 crew members at JFK and expects to increase the number of jobs by 150 with this expansion. The project is expected to be completed by the end of 2014. Advancing this item will facilitate international growth, further improving the airports benefit to the region's economy and ensure that our customers have the international services required to improve their experience at Terminal 5. I ask that you recommended this item for approval by the full Board. Thank you.

[Chairman D. Samson] Thanks, Sue. Do any of the Commissioners have any questions or comments?

[Dir S. Baer] Thank you.

[Vice Chairman S. Rechler] I think the whole JetBlue Terminal 5 has been a great success. We think so too. >>

[Vice Chairman S. Rechler] It's terrific. It's been a great partnership. I have two folks from JetBlue here today if you haven't met them.

[Chairman D. Samson] I wanted to recognize them. Could you introduce them, Sue? Sure. Jack Rossi, JetBlue, and I don't know what you do exactly, Jack. [laughs]

[J. Rossi] I'm an in-house counsel at JetBlue.

[Chairman D. Samson] Uh-huh. More lawyers.

[R. Smyth] We keep an eye on him.

[Dir. S. Baer] [laughs] This is Richard Smyth who was the person working with us and responsible for the actual delivery of the existing Terminal 5 and is now the person who will be responsible for the delivery of the expanded terminal.

[Chairman D. Samson] Great. Richard, I just want to--on behalf of the Board--compliment you on this proposal and thank you for being such a good partner with the Port Authority over the years. This project and your further commitment to JFK and the Port Authority in general-- it really reinforces the longstanding relationship and I think is a symbol of what the optimistic view of the future will be as we go forward together. We're very, very pleased with the partnership we have with JetBlue. Congratulations on your success.

[R. Smyth] Well, thank you very much, and we sincerely appreciate our relationship with the Port Authority. That's what helped us become so successful in our hometown here in New York.

[Chairman D. Samson] Yeah, it's a great success story, and I hope we continue to build on it. Thank you very much.

[Dir S. Baer] I would add that JetBlue is one of the very few carriers that serves all four of our passenger server airports, because they're up at Stewart as well.

[Executive Director P. Foye] It's also the only passenger airliner that is headquartered at the port district. Yeah. They just built a lovely--we should invite all of you to come see it-- headquarters in Long Island City, renovated an old building and have real state-of-the-art operations control centers.

[Chairman D Samson] When should we expect the invitation, Sue? We'll do it. >>

[Chairman D Samson] And what's going to be served for lunch? Blue potatoes chips. [laughter]

[Chairman D Samson] Okay.

[Dir S. Baer] And I would point out that this was anticipated. We already have environmental approval for this. It was anticipated when we did the original building that JetBlue would want to add international processing. It's come sooner than a lot of us anticipated, because the international service has been so successful and to have their international arriving passengers clear in another terminal isn't the level of service they would like to achieve and we would like to achieve. And this is only phase 1-1/2, but there are additional phases that can happen over time. We're very concerned that we use all of the available space to good end for our customers. So we have provisions in our lease that make sure that we will achieve the next phases at some point in the future.

[Chairman D Samson] Great. Continued success, Richard. I'd like to move this for consideration. >>

[Comm V Bauer] So moved.

[Chairman D Samson] All in favor? >>Aye. >>

[Chairman D Samson] So moved. This concludes the public portion of today's meeting. The Committee will now adjourn to executive session to discuss matters related to--

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Meeting Transcripts
May 31, 2012

[Vice-Chair S. Rechler] Good morning everyone, thanks for coming. I'm Scott Rechler the chair in this meeting this morning. The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee is being held in public session. After which, the 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. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. With that, we have 2 agenda items both with Mr Plate and so Steve why don't I hand it off to you to begin.

[S. Plate] Thank you Vice-Chair, good morning commissioners. Our first item requests your authorization of a reimbursement agreement with Silverstein Properties for the construction of a below-grade connector to Tower 4 from the MTA's R Subway Line. This action will allow the timely completion of a vital link for Tower 4, Retail and the Transportation Hub. Tishman Construction is in the process of competitively bidding this work in an estimated amount not to exceed $19 million. These costs are anticipated to be reimbursed by the MTA with the exception of a small portion assigned to the Port Authority for vent structure work. The MTA's approved 2010 to 2014 capital plan includes $70 million for Church Street improvements at the World Trade Center Site.

[Vice-Chair S. Rechler] Are there any comments or questions?

[Comm. Pocino] Move it.

[Vice-Chair Rechler] Second. >> Okay, so moved.

[S. Plate] Our next item authorizes a supplemental agreement with Turtle & Hughes for the purchase and delivery of two - 2 megawatt diesel generators and associated equipment at an amount of $3.42 million, excluding extra work, which again compares favorably to our staff estimate of $3.56 million, and is also below the original pricing received in 2007 when the equipment was purchased by Phoenix Constructors under a competitive bid process. As you may recall, we re-engineered the VSC project to mitigate impacts of the long delayed Deutsche Bank deconstruction, which significantly reduced the amount of rock excavation. As a result, a new plan to locate the generators at Tower 3 was determined to be cost-effective and schedule-efficient. This award will support that decision by allowing us to rig the generators in Tower 3 prior to the buildings curtain wall installation and enable us to utilize the VSC to support the fit-out of Tower 4. Thank you, commissioners. I offer these items for your consideration.

[Vice-Chair S. Rechler] Any questions? Mr Plate, I just want to make one quick comment. First, I appreciate the innovativeness of this adjustment. I also think it's great that your collaborating and working with Silverstein Properties and trying to find solutions that are beneficial to all parties and to get the job done effectively and efficiently. So I encourage that. And this will be so

moved to the session. So that concludes the public portion of today's meeting. The subcommittee will now adjourn to executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals and matters related to proposed, pending, or current litigation.

The Port Authority of New York and New Jersey
Committee on Finance Meeting Transcripts
June 28, 2012

[Comm. Schuber] Today's meeting via the Internet. There are two orders of business today for action that which came over from the executive session on brokerage services for Contractors' Insurance Program and then later a discussion on underwriting services for financing the World Trade Center Redevelopment costs. Our principle presenter is Anne Marie Mulligan. Again, for the public session, let me welcome our brand-new commissioners, Commissioner Rosado and Commissioner Rubin. Thank you very, very much. Also, Commissioner Moerdler, you have guests here who are?

[Comm. Moerdler] Some are associates, and a high school student from my law firm.

[Comm. Schuber] Welcome, we're glad to have you with us. With that, I will turn the matter over to Anne Marie Mulligan.

[A. Mulligan] Thank you. Good morning, Commissioners. At today's meeting, I'm seeking the committee's authorization to procure brokerage firm services including placement of multiple lines of insurance coverage and administrative services for the Port Authority's Contractors' Insurance Program for a 3-year term effective August 1, 2012, at a total estimated cost of $3.6 million. The Port Authority will have the option to extend these services for an additional 3-year term at an estimated cost of $3.8 million based on satisfactory performance. The current contract for these services expires on August 1, 2012. The RFP was publicly advertised in January, and 5 firms responded to the solicitation. Based on the staff evaluation's review of the written proposals, the committee determined that all 5 firms would make oral presentations. The proposals were rated and ranked based on the following weighted criteria, staff qualifications and experience 30%, firm qualifications and experience 30%, and work approach 35%. Willis of New York received the highest technical rating and possesses significant experience brokering and administering construction insurance programs similar to the Port Authority's. The broker demonstrated a well-coordinated and detailed approach for insurance placements and management in construction projects throughout the New York area with both private corporations and public agencies. Willis has deep technical expertise including global insurance market access, claims administration, alternative risk techniques, and safety and lost control strategies. The 4 member team possesses appreciable experience in managing insurance programs for New York City based construction with an emphasis on New York State Labor Law issues. Team members presented specific examples of their recently utilized mitigation techniques for New York State Labor Law issues that may result in lower claim costs to the agency over time. This slide details the negotiated fee proposal from Willis of New York. Of note, the fees proposed for the initial 3-year term are lower than the fees currently paid by the Port Authority for comparable services. Based on the above, we request that the Committee authorize staff to retain Willis of New York to provide insurance brokerage and administrative services for the Port Authority's Contractors' Insurance Program for a 3-year term effective August 1, 2012, at a total estimated cost of $3.6 million with the option to extend for a 3-year term based on satisfactory performance.

[Comm. Schuber] Thank you very, very much. Any Commissioner have anything they wish to say or ask of Ms. Mulligan at this time? If not, I would--I'm assuming--if not I would just echo the full discussion that we've had with regard to this in our executive session that it seems that the

Commissioners are very pleased with regard to the process that was undertaken here. The fact that we have looked for the best potential broker here, and that has resulted in a change over a longstanding process here that looks like it has the potential for saving or cushioning the cost of this service for the Port Authority of New York and New Jersey so we thank you for that. I'll entertain a motion to the Commissioners to send this on to the full Board.

[A. Mulligan] Will there actually be a vote?

[Comm. Schuber] Yeah.

[Comm. Bauer] So moved. [Comm. Schuber] Second? All in favor? >>Aye.

[Comm. Schuber] Opposed? So ordered. Thank you. Our next order of business for discussion is underwriting services for the financing of the World Trade Center redevelopment costs. I will turn this matter over again to Anne Marie Mulligan.

[A. Mulligan] The next item staff is seeking authorization to retain 4 firms to provide underwriting services to support the Port Authority's capital market's program to finance the Port Authority's World Trade Center redevelopment over the next 3 to 5 years. First I would like to provide you with some background on the financing of the World Trade Center site thus far. In March 2008 the Board authorized an agreement with Citigroup Global Markets based on a publically advertised RFP process to serve as underwriter in connection with negotiated sales of debt obligations issued by the Port Authority in connection with 1 World Trade Center, the retail components of the World Trade Center, and site-wide infrastructure. Since that time pursuant to Committee on Finance and board authorizations during 2009 through 2011, $2.6 billion in total principle amount of consolidated bonds has been issued for capital expenditures in connection with these project elements at the World Trade Center on a negotiated basis with Citigroup as senior managing underwriter. In addition, in December of 2011, $672 million of Liberty Bonds were issued by the New York Liberty Development Corporation for capital expenditures in connection with 1 World Trade Center on a negotiated basis. JP Morgan presented an innovative structure for the issuance of liberty bonds and therefore was named the managing underwriter on the transaction. Going forward, the primary source of funding for the remaining redevelopment of the World Trade Center site is expected to be provided through the use of Port Authority debt obligations, direct investment by the Port Authority, direct equity investment by others including Durst and Westfield, and other capital sources. Today's authorization will establish relationships with investment banking firms for future debt issuance needs for the World Trade Center projects. In April, staff prepared a publicly advertised RFP for the retention of up to 4 firms to provide underwriting services to support the Port Authority's capital markets program to finance the Port Authority's World Trade Center redevelopment costs over the next 3 to 5 years. The RFP was developed to provide the Port Authority with flexibility with the underwriting syndicates for each issuance. The Port Authority would be able to select 1 or more of the 4 firms to serve as leading book running underwriter with the remaining firms participating as co-managers as well as enable the Port Authority to work with the underwriters to consider other firms to be included with each syndicate to provide enhanced opportunities for MWBE and other firms to participate in the debt underwriting. As the Port Authority continues moving forward with the redevelopment of the World Trade Center site, it is vital to retain an underwriting team to position the Port Authority to finance the redevelopment of the World Trade Center at the lowest cost and in the most efficient manner. Services to be provided by the

underwriters will include planning and scheduling the issuance of Port Authority debt obligations for World Trade Center redevelopment costs, marketing and distribution of Port Authority debt obligations, financial analysis pertaining to the debt obligations for the World Trade Center redevelopment as a component of the Port Authority's overall financing plans, reporting and presentations pertaining to Port Authority debt obligations for World Trade Center redevelopment costs,and related services to ensure that the World Trade Center redevelopment projects are financed with the best terms and at the lowest cost available in the market at the time of issuance. The services of the underwriting firms would provide for continued efficiencies, and accessing the capital markets, and provide for an enhanced process for analysis and effectuation of complex financing transactions and support of the World Trade Center redevelopment projects. In response to the RFP, 24 proposals were received. Following a review of all proposals, 9 firms were interviewed and each proposal was evaluated based on staff qualifications and experience, firm qualifications and experience, technical approach, and management approach. Following the ranking and review of the proposals and the presentations, each of the 9 firms were requested to provide their best and final offers for pricing. Staff recommends the selection of Bank of America, Merrill Lynch, Barclays Capital, Citigroup Global Markets, and RBC Capital Markets on the basis of the quality of their proposals including proposed costs to the Port Authority for underwriting services to be provided. Following a request for best and final offers on pricing, each of the 4 firms has agreed to a maximum take-down fee of $1.75 per $1,000 of principle for each debt issuance. Based on the foregoing, staff recommends agreements with Bank of America, Merrill Lynch, Barclays Capital, Citigroup Global Markets, and RBC Capital Markets to serve as underwriters for financing the redevelopment of the World Trade Center site through the issuance of Port Authority debt obligations over the next 3 to 5 years. The Port Authority will consider other firms to be included in the underwriting syndicate consistent with the Port Authority's commitment to provide enhanced opportunities for MWBE and other firms to participate in Port Authority debt underwritings. Authorization will be sought from the committee on finance prior to issuance and sale of Port Authority debt obligations for purposes of capital expenditures in connection with the redevelopment of the World Trade Center on a negotiated basis. Commissioners, I request that you recommend this item to the full board for approval.

[Comm. Schuber] Thank you, thank you Ms. Mulligan. I will turn to Commissioner Lynford.

[Comm. Lynford] I want to commend you and your staff for an excellent process. I think it is very important that we agree the underwriters bring some intellectual talent with pricing, so good job.

[Comm. Schuber] Get the microphone.

[Comm. Lynford] Well, enough said. Thank you.

[A. Mulligan] Thank you.

[Comm. Schuber] Thank you, Commissioner Lynford. Any other members of the Committee would like to ask a question or make a statement? First, Commissioner Steiner.

[Comm. Steiner] Last time around what did we pay? Was this a reduction from the last time?

[A. Mulligan] It is a reduction in the takedown. The takedown on the prior last issuance was $4.50.

[Comm. Steiner] How much?

[A. Mulligan] $4.50 per $1,000. It will be $1.75.

[Comm. Steiner] That's a reduction since the previous one was a 20% reduction.

[Comm. Schuber] Commissioner Steiner, does that?

[Comm. Steiner] Just wanted to know, yeah.

[Comm. Schuber] Okay. Mr Foye?

[P. Foye] I just wanted to build on Commissioner Steiner's statement for a second. I think the result with respect to the underwriting spread is extraordinary. I think it is important to note that in this business it wasn't that long ago that the standard was $10 a bond. It is now $1.75. This result is significantly lower than the prior experience with the Port Authority, and I also note significantly lower than other public issuers around the country have achieved over the last 12 months, and I think that the result is extraordinary for me from a pricing point of view, and it's going to have the effect of lowering our borrowing costs because obviously transaction costs are important. The other thing I'll just note, and I noted this in an update to the board several months ago, that this was a second go around on this RFP, which it was, I think, improved by this process, and I think we are going to continue to improve it, but the underwriting spread result, I think, is frankly exceptional.

[Comm. Schuber] I think--sorry, Commissioner Moerdler.

[Comm. Moerdler] I just want to add that I think the way, Pat, you led the charge and the staff to push the rates down, the pricing is excellent, but also the diversity in adding the new underwriters as Commissioner Steiner noted is excellent and something we should continue to do, to try and build the diversity, because that's only going to keep our options open and push the pricing down further.

[P. Foye] Commissioner, I agree with that. The other thing is I think I would be reticent in saying that in addition to Mike Fabiano, Anne Marie, Lillian Valenti, Commissioner Lynford, a number of you around the table played a role in providing advice, and I think we all benefited from it.

[Comm. Schuber] Let me thank all who participated with regard to this. It's certainly a good result for the Port, and we look forward for continued work in this area in reviewing our processes and in continuing to look for ways that which we can save money here in the operation. With that, I know this is listed for discussion, but I do not see any reason to leave it there but to take a motion to move this on to the full Board. Commissioner Lynford is there is a second?

[Comm. Bauer] Second.

[Comm. Schuber] Commissioner Bauer. All in favor? >>Aye.

[Comm. Schuber] Any opposed? So ordered. Moved on to the full Board. There being no further business of the Committee on Finance, I adjourn this meeting.

The Port Authority of New York and New Jersey
Committee on Construction Meeting Transcripts
June 28, 2012

[Vice Chair S. Rechler] I'd like to call the Committee on Construction to order. The first portion of today's meeting of the Committee on Construction is being held in public session, after which the Committee will meet in executive session to discuss matters related to the purchase, sale, or lease of real property, or securities where disclosure would affect the value thereof or the public interest. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. Our first item on the agenda is the Brooklyn-Port Authority Marine Terminal, Brooklyn Cruise Terminal, and Mr. Larrabee, sir, you're going to make a presentation on that.

[R. Larrabee] I am. Good morning, Mr. Vice Chairman, Commissioners. In support of the Port Authority's policy of environmental sustainability, in August of 2010 the Board authorized a $15 million project to install landside electrical infrastructure at the Brooklyn Cruise Terminal. This work, which is the first such project of its kind on the East Coast, will enable cruise ships to shut down their diesel-powered auxiliary engines and connect to the landside electrical grid, known as shore power, that will deliver electrical power to the vessel while at berth. $2.9 million in funding for the project is to be provided through the US Environmental Protection Agency grant. Today your authorization is requested to reauthorize the shore power initiative at a total project cost of $19.3 million. The additional $4.3 million in funding would come from the Port Authority's bi-state dredging commitment at the request of the state of New York to provide for the successful completion of this critical project, which will provide significant health and environmental benefits to the local Brooklyn residents located in the immediate proximity of the Brooklyn Cruise Terminal. Additionally, this project is expected to result in a total economic impact of 30 job years, $1.4 million in wages, and $22 million in economic activity. As background, the New York City Economic Development Corporation currently leases Piers 11 and 12 to Brooklyn from the Port Authority under an agreement that expires in December of 2029, with options to extend through 2058. The New York City EDC developed the Brooklyn Cruise Terminal at an estimated cost of $56 million. The first full cruise season at this world-class facility commenced in the spring of 2006. Pursuant to board authorizations, the Port Authority currently operates the facility for EDC under an agreement that provides for the reimbursement by EDC to the Port Authority for all labor and expenses associated with operating the cruise terminal. Under the lease with EDC, the Port Authority must have the shore power infrastructure commissioned and operational by May 1st, 2015. This project consists of the construction of 3 isolation transformers and switchgear to provide utility-required short circuit protection for Con Ed's New York 3 feeders, the construction of the outdoor substation to house the utility-required protective equipment, the routing of power from the outdoor substation via duct bank to the shore power substation and the routing of power and communication lines from the shore power substation to the vessel interface equipment, which includes cable handling equipment. The details of the vessel interface and data communications must comply with specifications for vessel connections developed by Carnival Corporation, which has committed to retrofit, at its own expense, its 2 primary vessels that call at Brooklyn Cruise Terminal to receive shore power and to plug into shore power if the landside electrical infrastructure is installed. Other public and private entities also participating in the shore power project include Con Edison, which is reinforcing 3 feeders to accommodate increased electrical service requirements, the New York

Power Authority and EDC, which have entered into an electricity cost-sharing agreement. Additionally, pursuant to its lease agreement EDC is responsible for the ongoing operation and maintenance of the shore power infrastructure, which will be performed by the cruise line on their behalf. Since the Brooklyn Cruise Terminal is located immediately adjacent to a densely populated residential area, the completion of the shore power installation project is of utmost importance to the local community because it would reduce diesel generator emissions from the cruise ships. When completed, the shore power facility will have a useful life of a minimum of 20 years with total emission reductions projected to exceed 1,786 tons of nitrogen oxides, 122 tons of particulate matter, 1,860 tons of sulfur dioxides, and 40 tons of organic compounds, volatile organic compounds. The project is also expected to reduce fuel use from cruise ships berthed at the Brooklyn Cruise Terminal by over 2.4 million gallons in carbon dioxide equivalent greenhouse gas emissions by approximately 28,000 tons over that 20-year period. Lastly, this project is expected to result in total economic impact of 30 job years, $1.4 million in wages, and $22 million in economic activity. As the design of the shore power project progresses and agreements between the key stakeholders advanced certain unforeseen conditions and requirements were identified that resulted in design scope changes and increased the estimated construction cost, which include an unanticipated increase in market-driven costs for equipment and materials, increased structural costs associated with enhancing the load-bearing capacity of Pier 12 to support the shore power substation, Con Edison requirements for additional conduit and cable and the relocation of the outdoor substation and the shore power substation, an increase in project contingency due to the high projections for electrical equipment and percentages of construction cost and the potential for continued volatility in materials and the resultant impacts on bids-- for example, the price of raw materials such as copper ranged 30% higher since the project authorization was granted in 2010-- increased planning and engineering costs due to the design scope changes and extended technical engineering negotiations with stakeholders regarding additional requirements unique to Con Edison's systems and increased administrative costs associated with the project. As a result of the cost estimate increases, staff performed an extensive value engineering for the project, and in an effort to identify 3rd-party funding, a further independent engineering review was performed. Both efforts found no substantial cost savings opportunities. Included in the proposed project reauthorization is an aggregate total of approximately $5 million for the services of several design call-in consultants. The $5 million includes $3.7 million for a contract to Cochran Incorporated to provide $3.1 million worth of specialized shore power equipment as well as $600,000 in design services. Approximately $3.8 million of the $5 million has already been expended. Commissioners, today I request that you reauthorize the shore power project at a total estimated cost of $19.3 million. The additional $4.3 million in funding for the project would be provided utilizing the Port Authority's bi-state dredging monies dedicated for New York state. Construction of the shore power installation project is expected to be completed by December of 2014. Commissioners, I request you advance this item to the full Board for approval today. Thank you. Any comments, questions?

[Comm. A. Sartor] Yes, Rick, how much money have you spent on the total on the engineering aspects of what you've done here, engineering consultants?

[R. Larrabee] About $3.7 million.

[Comm. A. Sartor] $3.7 million on a $19 million job.

[P. Zipf] Can I just say that includes payments to Cochran. Cochran provided the special electrical equipment.

[Comm. A. Sartor] Okay, that's $3.7 million that you mentioned.

[P. Zipf] About $2.8 of that is for Cochran.

[Comm. A. Sartor] Well, then back it out. How much did you pay for the engineering aspect? Did you do this in-house? Was there an outside consultant?

[P. Zipf] Most of it was--we used consultants and in-house. We did both.

[Comm. A. Sartor] Okay, and what kind of number did you end up spending on it just to back it out just to see what kind of--

[P. Zipf] Our consultant cost was $700,000 for final design, and our in-house was about $400,000.

[Comm. A. Sartor] You spent $1.1 million.

[P. Zipf] Yes.

[Comm. A. Sartor] Thank you.

[Comm. W. Schuber] I'll just add that I think last August, I believe, Mr. Larrabee was kind enough to take me through the facility out there at Red Hook, and I know this was a major issue out there at the time, so based on your presentation today and the review of what we have on this I think it's a project that should move forward, so I commend you for the work that's been done here.

[R. Larrabee] Thanks, Commissioner.

[Comm. J. Moerdler] I've no sense of scope of these kinds of projects, and while I think it's an admirable project to do, I've no sense of the relative cost of this for comparable projects at other facilities and how you evaluate the merit of that in comparison to the degree of usage that this facility gets, sort of the cost per pound of reducing the emissions. Does that factor into the equation when you evaluate this kind of a project?

[R. Larrabee] As I mentioned in the presentation, there are no other projects like this on the East Coast, so the only projects we have to weigh it against are the West Coast projects. This is a significantly higher cost. Part of that is because the cost of electricity on the West Coast is less than this. They use hydroelectric power out there, and so it's a simpler installation. But my sense is that because of the location and because of some of the challenges working in the New York City power system our costs here are inherently higher. The question of is this worth it--again, you've been out to that facility. You know the close proximity of the community next to it. These ships provide a significant amount of emissions while they're in port for that 12-hour period, and I think from our perspective this is a good use of those funds, particularly in light of the fact that we're getting a grant from the EPA. We're getting basically $4.3 million from the State of New York. We have a cost

sharing arrangement with EDC and NYPA, both of whom we've estimated will spend about $550,000 a year. The cost of electricity for the ship to generate it is about 12 cents per kilowatt hour. The cost for purchasing electricity is about 28 cents, so that delta has to be made up by somebody. Those 2 public agencies have shown a willingness to do that. When you look at sort of the collaborative effort that's going on here plus the fact that Carnival at its own expense will convert 2 ships at a cost of about $3-$4 million per ship I think all of us feel that at the end of the day this is a project well worth doing.

[Comm. J. Moerdler] In other words, that Carnival has to upgrade the ships to facilitate the interconnection here.

[R. Larrabee] The QE2 has already been converted, and the Princess vessel has the equipment and will get converted over the next year, so they're ready to go. Con Ed has already made its modifications. I think if you look at it in total you have to take that into perspective that there's an awful lot of people who have demonstrated willingness to participate.

[Comm. J. Moerdler] And preceding the project, were there a lot of complaints from the local community that precipitated this?

[R. Larrabee] Yes.

[Exec. Dir. P. Foye] The short answer to that question is yes, and indeed, I think the complaints were of such a number and intensity that had we not done this I think that the survival of the Brooklyn Cruise Terminal-- in which the city and the Port Authority have a significant amount invested-- would have been very much at risk.

[Comm. J. Moerdler] Okay, I didn't realize it rose to that level. Thank you.

[Exec. Dir. P. Foye] Scott, can I--

[Vice Chair S. Rechler] Sorry, Pat.

[Comm. W. Schuber] No, it's all right.

[Exec. Dir. P. Foye] No, please. You go first.

[Comm. W. Schuber] I just would add I think it's a good point that Pat has made, and I think that in doing the work that we do I think it's important to keep in mind the impact it does have on the local communities. In this case, in the Red Hook area this was, as Pat said, very intense, and it's like keeping track of the concerns of people up in Fort Lee, for example, with the bridge or Weehawken or whatever. I think to the extent that it's reasonable that we can accommodate it I think it's important that we do. I think this is one of those, and I agree with Pat that this facility, which is quite a nice facility, which we've invested considerably in, I think could very well be in question given the intensity of the complaints that we were monitoring with regard to this area.

[Exec. Dir. P. Foye] Well, I'm going to defer to a former elected official on the political results of these complaints because I agree with it. I just wanted to make 4 points briefly. One I've already made, which is that the long-term survival of the jobs and the economic development and the significant investment, both by the City of New York and the Port Authority, I think would have been put at risk. Two is I was very mindful in working with Rick and Peter and staff here that the Board had already authorized $15 million and that it behooved us to look to another partner, and in this case ESDC and I want to commend Ken Adams and the Board at ESDC for partnering with us, and the full amount of the $4.3 million increase is being borne by ESDC. Thirdly, ESDC's involvement is reflective of the fact that this is a significant economic development, job retention and job attraction item for Brooklyn and the City of New York as well as Admiral Larrabee has pointed out having significant benefits in terms of air quality in Brooklyn, and I can tell you especially in the Red Hook area, which leads me to the fourth, which is the advocacy and urging by Congresswoman Velazquez and Senator Squadron and other electeds, but those 2 in particular, were strong advocates for their community, and the intensity at which they addressed this was taken into account here at the Port Authority. And I think had we not addressed it, ultimately, it would have raised significant questions about the long-term survival of the facility. Thank you.

[Vice Chair S. Rechler] First just a couple quick comments. First, I want to just echo I agree. I think that it's critical as we're pushing for economic development to still be environmentally responsible and responsible to the community, and I think this is why this project is very, very important to get done, and I also am going to commend the team for using 3rd-party sources and finding 3rd-party sources versus just turning to the Port Authority itself to fund the initial project and the overruns. Both public sources, and as you noted, commercial sources with the Carnival Cruise line are making an investment, et cetera, so I think those are very good points. The one concern I have--and I just want to see if you can address it for me-- when you look at the numbers here from the original budget to now the new budget we're over 30% higher in terms of the cost, and I just would like to get some color from your perspective as to why was this so much higher? I mean, I heard you going through the specifics in your report, but is this something that could happen again? Was the engineering of this more challenging than we thought? Did we know the scope was something we were going to be able to-- was it the same scope when we started versus where we are today? Things like that because it's a little concerning.

[R. Larrabee] Let me address part of it, and then I'm going to ask Peter to address the engineering portion of it. When we go back to the 2009-2010 period one of the things that we were trying to do was to create a coalition of agencies and organizations that would support this. It became a bit complicated, as I'm sure you could imagine, with who pays and who shares in the benefits. We wanted to take advantage of the EPA grant, and the EPA grant gave us a limited amount of time, so we came to the Board probably earlier than we would have liked to have. We came at the end of stage 1 design because we needed to capture that $3 million that the EPA was going to give us, so that kind of pushed us a little harder than we wanted to. We didn't have, for instance, the right of entry in to do some of the preliminary engineering surveys that needed to be done on Pier 12, and when we finally got in there we discovered that we had more work to do than we thought. We still didn't have all of the requirements from Con Ed when we came to the Board the last time, and as that developed those became a little bit more complicated and ultimately more expensive, and then finally, with the amount of time it's taken to sort of put this transaction together the cost of things went up. I mean, my example of the cost of copper going up by 30% is a good example of what we

were faced with, so there are a lot of complicating factors not ideal in terms of when we asked for project authorization initially, but I think in retrospect we have a fairly clear understanding of what happened.

[P. Zipf] I would just answer I think that was it. The foundational changes, we added about $600,000 because as Rick said, the initial promise was it was going to be a straight foundation. As it turned out, the subsurface was bad. We had to use many piles. The electrical requirements from Con Ed we really couldn't finalize and collect until the Con Ed agreements were done. That added about $800,000 for conduits and feeders. It is really like Rick said. Engineering costs were about $600,000 because literally we had to redo the plans about 3-4 times based upon requirements that came in.

[Vice Chair S. Rechler] In August 2010, that's when you came to the Board originally. When you presented--and I wasn't here, so I don't know-- but when you presented did you present that there were the potential of variables and a range in these, that this wasn't really stage process in terms of the planning of it? Because I've seen a pattern or heard a pattern of different things of just trying to move quickly to get things done and trying to put a price tag on an early stage program, and I think sometimes you have to do it. To your point, here you had to get it in front of the EPA, but I think the Board deserves to know that's where we are and that there is a range of potential outcomes and there's a broader contingency, and so I don't know if you did it the last time, but as we go forward if there are situations like that I think that should be duly noted in the report, and I think we would be more comfortable knowing that there's a range of outcomes and what those metrics are that might drive it to the lower end of that range or the higher end of that range as we go forward, and this way we can all hold everyone accountable and not feel like we're being surprised by $4 million of overruns. I'm sorry, go ahead.

[Comm. A. Sartor] Just a quick comment. When I look at construction costs in '09 and '10, they were a lot higher than they are today, so I'm surprised when you tell me that because the bids we're getting on various other projects is significantly lower. Now, the other question I have, which you raised the question in my mind, didn't you do any technical investigations prior to moving ahead with this?

[P. Zipf] See it's a combination of both, I might add, and you're right on. We've taken a serious look now at doing risk assessments on projects, and it was something we took very seriously post this. We always did it, but we realized to take a project and pull it apart and to come in here with the risk assessments actually establishing [coughing] that we may not use, but at least we put it upon the table. We did come with planning numbers. We did point out that things were--and the site locations changed based on both the operating requirements and both Con Ed requirements, so we went through a series of changes. We signed the deal with Cochran back at that point, so we were locked into the price in '10, and since then we had to do more changes since that point, so the price of the Cochran equipment was part of the substation that supported the Cochran equipment to ship the power in, electrical supply.

[Vice Chair S. Rechler] I guess the takeaway is just as we go forward let's make sure that we all have a transparency and a better visibility as to where those risks are because particularly when you're doing renovations clearly you don't know what you're going to get until you get in there. Any other commissioners have any other comments? Make a motion? Second?

[Comm.] Second.

[Vice Chair S. Rechler] Okay, we'll move this. That ends the public portion of today's meeting. If we could have a very quick executive session, it would be appreciated.

The Port Authority of New York and New Jersey
Committee on Operations Meeting Transcripts
June 28, 2012

[Chair D.Samson] Today's meeting of the Committee on Operations is being held in public session in its entirety. The meeting is being broadcast live on the Authority's website for those interested in viewing the proceedings via the Internet. We have one agenda item being presented by our Chief of Real Estate and Development, Mike Francois, which is a lease at the PABT. Mike?

[M. Francois] Thank you, Chairman and Commissioners. Today I am seeking approval for a new lease with Discovery Retail Cafes, LLC. that will operate under the name Cake Boss at the Port Authority Bus Terminal. The lease term would be for 3 years and 7 months, commencing on or about July 17, 2012. Discovery Retail Cafes LLC. is a subsidiary of Discovery Communications, which owns the cable television network TLC, among other networks and associated businesses. One of TLC's most popular shows is Cake Boss, a reality television series set in Carlo's Bakery in Hoboken, New Jersey. The popularity of the show has resulted in increased business for Carlo's bake shop and increased tourism to that area of Hoboken. The proposed lease would be for retail space in the Port Authority Bus Terminal. The space totals approximately 2774 square feet, and is located on the ground floor of the north wing. The space is valuable retail store front due to its high visibility and location on 42nd Street and 8th Avenue and Times Square. As mentioned previously, Discovery will operate the store under the trade name Cake Boss. Cake Boss will be--

[Chair D. Samson] Is this a photograph of the premises?

[M. Francois] That's what it's proposed to be, yes. Cake Boss will primarily be a coffee shop and bakery which will sell espresso, coffee, tea-based drinks, coffee, teas and spices, blended beverages, related equipment supplies and accessories, and assorted food items. The tenant plans to invest approximately $2 million in the build out of a brand new store. The location at 42nd Street and 8th Avenue is likely the most visible retail location at the Port Authority Bus Terminal. Furthermore, leasing a vacant store front, which has been vacant since 2000, with such a high-caliber tenant should improve the image of the Port Authority Bus Terminal. It is anticipated that Discovery will employ up to six workers at this location. The aggregate fixed rent over the term of the lease would be approximately $4.3 million. In addition, Discovery would pay percentage rent of gross receipts above a specific threshold. Discovery will pay all operating and maintenance costs for the leased premises. The total lease, by the way--revenue--is $477 per square foot. This transaction was co-brokered by Vornado Realty Trust, a partner in 20X Square and Zelnik and Company, Discovery's broker. Consistent with the terms of a retail management agreement for the north and south wings of the Port Authority Bus Terminal authorized by the board at its May 2010 meeting, the Port Authority will pay a commission of approximately $196,000 in total to 20X Square and Zelnik, split basically 25 percent to 20X Square and 75 percent to Zelnik. We expect the store to become a Times Square attraction that will serve people traveling in this region via the Port Authority Bus Terminal, the subway system, as well as visitors to Times Square, workers, and local residents. The store also has

potential to become a major draw for residents, visitors, and workers throughout New York city. Commissioners, I request that you recommend this item to the full board for approval today.

[Chair D.Samson] Thank you, Mike. Do any of the commissioners have any questions or comments? Virginia?

[Comm.V.Bauer] Mike, are there other vacancies in the area? Will this help encourage other quality-type businesses like this to come to that area?

[M.Francois] Yes, there are some--

[Comm.V.Bauer] 2000 is a long time ago.

[M.Francois] Yes, it was vacated in 2000, because at that point in time, we started negotiations-- or we vacated the space-- in anticipation of the north wing overbuild. Obviously we wanted to vacate the space for construction purposes. So there are additional vacancies within the north wing which we're working with Vornado to lease. But this obviously would be huge from the standpoint of its prominent location and the revenue we're getting. So, yeah, I think it would spur additional activities.

[Chair D.Samson] I'm sorry, Sidney?

[Comm. S.Holmes] I just missed the terms of the lease. How long is the lease?

[M.Francois] Approximately 3½ years.

[Chair D.Samson] Mike, it's my impression that the terms of this lease-- the financial terms--are very favorable. Can you talk a little bit about that?

[M.Francois] Well, the financial terms, in regard to the revenue, are--

[Chair D.Samson] I'm talking about comparable.

[M.Francois] That's what I mean. I'm sorry, comparable rent. They are probably, by far, the highest that we're achieving in the bus terminal right now. I mean, our rents on a per square—

[Comm. D. Steiner] What about in the area?

[M.Francois] In the area, it's--

[Chair D. Samson] Let's stay with the terminal first, then we'll go to the area.

[M.Francois] In the terminal right now--and those are increasing over time-- but we have--let's say--on an upper-floor space in the back--somewhere around $33 a square foot.

[Chair D. Samson] It's less desirable space.

[M. Francois] Right. To the main floor, which is we have about $250 a square foot, which is one that is recent-- on the lower level of the bus terminal, when you come down the escalators. In regard to Commissioner Steiner's question--the area-- We have determined that there are leases at 7th Avenue and 43rd Street, which is in the heart of Times Square, is approximately $500 a square foot. So we're getting--

[Chair D. Samson] We're at $470, is that what you said?

[M.Francois] At $477. Now, there are leases a little bit higher, on the average, in Grand Central.

[Chair D. Samson] $477.

[M.Francois] Well, we get $450 plus we get a $27 additional rent, or fee, for indexing. So all in it's $477. And Grand Central is a little bit higher than us on a rental per square foot.

[Chair D.Samson] But for the area, these are good, comparable rents.

[M.Francois] I think this rent is very good for this location.

[Comm. D. Steiner] It will bring people in.

[M. Francois] Yes.

[Chair D.Samson] I think it's a great deal, Mike. Thank you. Any other commissioners have any questions or comments? If not, I'd like to--I'm sorry?

[Comm. D.Steiner] You understand I have to recuse myself. I'm a shareholder in the parent company.

[Chair D.Samson] All right.

[Comm. D.Steiner] They may be looking into it without my knowledge.

[Chair D.Samson] The record will reflect that Commissioner Steiner is going to be recused on this vote. I'd like to move this forward to the consent calendar. Can I get a second? >>Second. All in favor? >>Aye. So moved. This is the only business before the committee, so I'd like a motion to adjourn. Second? Thank you.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Meeting Transcripts
June 28, 2012

[Comm. A. Sartor] World Trade Center Redevelopment Subcommittee, public session. The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee is being held in public session, after which the subcommittee will meet in executive session to discuss matter involving ongoing negotiations or review of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. I also would like to welcome our two new Commissioners-- Jamie Rubin, Rossana Rosado--to your first meeting of the World Trade Center Redevelopment Subcommittee. You'll hear from Mr. Plate continuously during this portion of the meeting. Steve, you want to start it off, please? The first item.

[S. Plate] Yes, sir. Good morning, Commissioners. Our first item authorized is two supplemental agreements for modification to the existing Fulton Street support structure in order to allow for critical utility and streets installation. The competitive bid processes, which include solicitation of contractors already working at the site, Navillus Contracting and DCM Erectors were the lowest qualified proposers at an aggregate cost of $1,857,000, exclusive of extra work, which compares favorably to our staff estimate of $2.3 million.

[Comm. A. Sartor] I'd like to obtain a motion to move this to the full Board unless there's some questions.

[Comm D. Steiner] So moved.

[Comm. A. Sartor] Okay. Next item, Steve.

[S. Plate] Next item authorizes early action contracts for the installation of fire protection systems required for the World Trade Center Roadway Network and Eastside Tour Bus Parking Facility. Contractors competitively bid for Rael Automatic Sprinkler being the lowest qualified proposer at a cost of $2.09 million--again, exclusive of extra work, which compares favorably to our staff estimate of $3.1 million. Thank you.

[Comm. A. Sartor] Any other questions on that? Oh, you're going to keep on going or you want to take one at a time? Let's take them one at a time. Any questions on this item?

[Comm.] So moved.

[Comm.] Seconded.

[Comm. A. Sartor] All those in favor? Next item, Steve.

[S. Plate] The next contract provides for the furnishing and installation of elevators for the Vehicular Security Center and replaces one that was terminated for convenience. The proposed contract will ensure we meet the required schedule. This work was competitively bid with

Thyssen Krupp being the lowest qualified proposer at a cost of $2.6 million, which compares favorably to our staff estimate of $3.7 million.

[Comm. A. Sartor] Any questions on this item?

[Chair D. Samson.] I have a question.

[Comm. A. Sartor] Go ahead.

[Chair D. Samson] Can you explain, Steve, in layman terms how the elevator works and is going to work in this thing? What kind of elevator is it? Where is located?

[S. Plate] Well, it's actually in the Vehicular Security Center. There's a series of elevators and equipment associated with that.

[Chair D. Samson] Are these like passenger elevators?

[S. Plate] Passenger elevators. Also, some freight as well. The combination of both. And really why we're driving it is because we want to get it open to support the opening of Tower 4, which is scheduled for mid-next year. For the--

[Chair D. Samson] I understand that. I'm just asking what's the function of these elevators?

[S. Plate] Well, to give you specifics, there's four passenger elevators, there one freight elevator, and then there's two wheelchair lifts. This provides handicap accessibility as well as ability to raise heavy equipment up and down.

[Chair D. Samson] Okay. Thank you.

[Comm. J. Moerdler] To follow up on the Chairman's question, I sort of had a similar question in part relating to wheelchair lifts-- yeah, we're both equally ignorant. The Vehicle Security Center is going to be principally for the vehicles entering at the street level, going down the corkscrew to the lower level, being screened and going to the roadways. There aren't going to be pedestrians unless I misunderstand it, entering through that structure to get down to the lower levels where the security is unless this is for the staff working in there?

[S. Plate] This is for staff and employees--say, a bus driver. There will be dropoff of buses for the tour bus parking, for example, for people coming to the memorial and to the site. They would proceed down, drive down, park the bus, and then come up, or they'll be staff who actually vet the vehicles both police and technical people who vet all the vehicles with the protocols--

[Comm. J. Moerdler] So, rather than coming in through 4 and going down to the lower levels, that way they come into through this facility.

[S. Plate] Yes. But there will not be massive people who arrive at the site going through.

[Comm. J. Moerdler] It just seems like a lot having four passenger elevators.

[Chair D. Samson] That's what I thought. There's stairs also that adjoin these elevators?

[S. Plate] Yes, that's for emergency egress, primarily, yes.

[Comm. S. Steiner] That's a lot to--obviously it's a great travel distance. Do you have any idea what the internal length is? Because you've got one at each end, but at one end you've got three clustered together, which is what I--

[S. Plate] It's close to 400 feet from one end to the other--400-500 feet.

[Comm. S. Steiner] I understand but I wonder why you have three up at the far left so close to each other.

[S. Plate] That's principally on the left side--that's where most of the office space would be for the employees, so they put two in that area.

[Comm. J. Moerdler] And, Steve, what are the wheelchair lifts if we have elevators? Are they different level changes down there that the elevators don't accommodate?

[S. Plate] Yes, there's a couple of places where the level differences are a few feet, and they needed to put in a lift.

[Comm. J. Moerdler] That's ADA compliant.

[S. Plate] Yes, yes.

[Comm. J. Moerdler] Okay.

[Comm. S. Steiner] It's supposed to be ADA compliant, right?

[S. Plate] Yes, absolutely. That's all we do.

[Comm. A. Sartor] Thank you. Any other questions? If not, I'll entertain a motion to move to the full Board.

[Comm.] So moved.

[Comm. A. Sartor] Second?

[Comm.] Seconded.

[Comm. A. Sartor] Okay. Next item, Steve.

[S. Plate] Next item authorizes design services for the WTC West Bathtub Vehicular Access as well as planning authorization commitments outlined in the Durst and Condé Nast agreements. The award of this contract to WSP Cantor Seinuk in the amount of $9.9 million will provide for the design of structures to grade. The contract option work valued at $1.6 million is for expert professional architectural engineering services to support planning for the phase demo and removal of the North Temporary Access for the existing World Trade Center PATH station. The team of Cantor, JB&B, and HLK is uniquely qualified to perform this work as they were involved in the structural design of stages 1 and 2 of the West Bathtub Vehicular Access and are actively engaged in various projects in the east and west portions of parcel B of the site, including One World Trade Towers 2, 3, and 4 and the Performing Arts Center.

[Comm. A. Sartor] Questions on this item?

[Comm.] So moved.

[Comm. A. Sartor] Second?

[Comm.] Seconded.

[Comm. A. Sartor.] All those in favor?

[Comm.] Aye.

[Comm. A. Sartor] Next item, Steve.

[S. Plate] The next item requests a reallocation of available funds to various One World Trade Center design consultants as well as construction contractors in the aggregate amount of $47.2 million. This expenditure will cover enhancements recommended by The Durst Organization, the relocation of permanent power from Tower 2 to Tower 1 as well as some base building changes for One World Trade Center. This request will not increase the total project cost and is included under the existing One World Trade Center's project budget.

[Comm. A. Sartor] Mr. Plate, I'd like you to sit with Commissioner Steiner after this meeting and go over some of these numbers because he's got some questions on it.

[S. Plate] Surely. Happy to do that.

[Comm. A. Sartor] Yes, sir? Mr. Chairman? >>

[Chair D. Samson] Whose other?

[S. Plate] It involves a series of contractors that will provide support of the other trades. I'll give you an example. We like to call them general conditions, that's to describe, but for example as we move up the building, we have to provide water-proofing and roofing material to protect the equipment coming up below. Let's use a specific example. As they install the elevators coming up the shafts, they need to basically build a roof at the interim level, so they put up a roof, they

water proof it like you would a roof, so all the rain--when you have the heavy rains, because it's open on the top-- the heavy rains don't permeate into the motors and all the equipment and ruin that. A number of these four or five contracts provide for things such as that.

[Comm. D. Steiner] They would never contemplated originally?

[S. Plate] No. No.

[Chair D. Samson.] So, who is the other?

[S. Plate] Our contractor? It's contractor Atlantic, who does the hoist. They're always jumping around making sure that we have the proper access for the other trades. Belt Painting, who's following Island, who are following contractors who install, let's say, electrical or mechanical install something and they scratch the paint. They need to go back and touch it up. Or if they damage the fire proofing, they need to go back and correct that. Cardoza and Sims additional MEP work that we require to facilitate final testing for TCO with some temporary bypasses, so they could start doing sections of the building as opposed to waiting for the whole building to get a jump on the systems that are already installed to make sure there's not a problem when you get to the top. The one I just told you about was Jobin, Wolkow, and 4 Star and then Northbrook, some miscellaneous concrete such as curb repairs that may be required after Collavino leaves--some patchwork--and that gives us an ability, rather than bring in a big contractor, it reduces your overhead significantly. So, those are the five different contractors that are contemplated in that other.

[Chair D. Samson] Thanks.

[S. Plate] You're welcome, sir.

[Comm. A. Sartor] I think the important thing to note here, Steve, again, this has no affect on our overall budget. It's budget neutral.

[S. Plate] Correct.

[Comm. A. Sartor] Is that correct?

[S. Plate] Yes, sir. That's exactly correct.

[Comm. A. Sartor] Okay.

[S. Plate] We're actually--this is more of a just within the budgets we have. We have very precise budgets for each one of the contractors and we take contingencies that we had anticipated for work that wan't defined, because when we did this in 2006 you couldn't anticipate all the different subtle changes that happen. This enables us to move things around and react to changing--in many cases it's positive.

[Comm. A. Sartor] I do ask you to spend some time with Comm. Steiner on this.

[S. Plate] I look forward to it.

[Comm. A. Sartor] He has some issues that he raised with me this morning that I have some concerns with also.

[S. Plate] Okay.

[Comm. A. Sartor] I assume that you have the appropriate responses.

[S. Plate] Yes, sir.

[Comm. A. Sartor] As you have in the past.

[S. Plate.] Okay.

[Comm. A. Sartor] I will entertain a motion to move this to the full Board.

[Comm.] So moved.

[Comm. A. Sartor] Second? All those in favor?

[Comm.] Aye.

[Comm. A. Sartor] Next item, Steve.

[S. Plate] Our last item supports Conde Nast's tenant lease commitments at One World Trade Center for truck loading access needed by early 2014. This item authorizes the final design and construction of an interim truck loading dock facility to be performed by The Durst Organization on the reimbursement agreement in an amount not to exceed $18.4 million for a total project cost of $20 million. That's the ending item.

[Comm. A. Sartor] Questions on this item?

[Chair D. Samson] Yeah, I have a question.

[Comm. A. Sartor] Yes, sir.

[Chair D. Samson] Steve, about 6 months ago or more, there was some report about errors that had been made or miscalculations that had been made in the loading doc locations. Do you remember that?

[S. Plate] Yes.

[Chair D. Samson] Is this in anyway related to that subject?

[S. Plate] This is what directly relates to it.

[Chair D. Samson] Can you put this in that context so I can understand how this relates to that?

[S. Plate] Yes. If I can utilize this drawing here, there's an underground network, which brings roadways and traffic underground from all the way from the VSC across the east side of the site, underneath what's now the PATH station that you see there, and connects ultimately to the loading dock.

[Chair D. Samson] Right.

[S. Plate] Because we're unable to remove the north temporary access until the east side opens, which is according to the original schedule, that doesn't enable us to build that connector. From a business point of view, it was felt that we would build this interim loading dock located in this picture here. And that would provide access for Conde to start fitting out the building in early '14. And that's why it kind of ties back onto the other things you authorized today. It enables us to start designing the removal and going down and then building back up the north temporary access to final link. In that number, in that effort, there'd be the design of that last link--that 200 feet to connect the roadways. So, very simply, we're using interim loading dock until we can connect the entire roadway network underground.

[Chair D. Samson] So, there really wasn't an alternative to doing it this way, right? To doing it in the sequence you're talking about?

[S. Plate] Not really. We looked at the alternatives. They were too cumbersome, because you were actually going right through the PATH station, and it would be too disruptive to the passengers as well as too costly. It would have been a much greater cost, because you'd have to thread the needle. We looked at this several years ago when this was working with the Dursts very closely. They felt this was the best approach.

[Chair D. Samson] Thank you.

[Comm. R. Rechler] Steve, first I just want to, again, compliment you and your team for for being innovative. This is obviously a very complex site and things like this happen, and trying to find solutions like this are critical to make sure that we stay on the timeline that we've set. And also appreciate you being accountable to the budget and making sure that we're getting this in on time and on budget the way that we're working towards. Then I also wanted to note that it was a good move today in terms of involving The Durst Organization on these loading docs, and I appreciate that we're using this private/public partnership that that we have to get the benefit of their expertise and integrate them into this project, particularly as we're moving to the phase now where we're bringing Conde Nast into it and timing is critical and having that hand-off like that. I just want to reinforce that, and where there are other opportunities where we can leverage their private expertise, I encourage you to do so.

[S. Plate] Well, we also did it as background. We also did it with Brookfield building the western portion of the connector. So, wherever there are those opportunities, we are pursuing them.

[Vice Chair S. Rechler] Great.

[Comm. A. Sartor] Yes?

[Comm. J. Moerdler] Steve, in the photograph in the middle where there's a truck parked, is that the beginnings of the loading doc?

[S. Plate] No, that's for construction access. That's right now for pickup and deliveries. That's the construction loading dock. What'll happen is we have to make room for this. This'll all be finished. Remember, we're now in the process of looking to complete the rest of the project in the next year or so. So, we have to start moving things around. So, that will disappear. That'll all be finished with architectural finishes. And this'll be set aside, and there will be roughly in this area this loading doc that'll provide access through this main access point here.

[Comm. J. Moerdler] And that loading doc is a completely enclosed structure?

[S. Plate] Completely enclosed with all the necessary code safety items included.

[Comm. J. Moerdler] So, the trucks can pull in on either north or the south end of that structure and then they're unloading sort of under the black entryway and then feeding into the internal freight elevators?

[S. Plate] Yes, that's correct. We actually made some slight modifications on an interim basis for the building. Keep in mind this will help us support the Conde Naste--

[Comm. J. Moerdler] You mean to the doorways so that you have the ability to bring the freight in and get it into the freight elevators.

[S. Plate] Yes, it goes right up. It's not just--we haven't just built this, we've also looked inside the building and made some slight modifications to accommodate the work needed to bring things up.

[Comm. J. Moerdler] And I know they're installing already the interior lobby finishes-- the granite and the flooring and stuff. There's going to be protection on all of that so the freight won't--sheets of plywood or something?

[S. Plate] Plywood. There will be all the necessary protection. We're going to have to do that anyway as we construct, but there will be also during that period. You've seen move-ins where they put protection.

[Comm. J. Moerdler] Right.

[S. Plate] Yes.

[Comm. J. Moerdler] Okay. Thank you.

[Comm. A. Sartor] Any other questions on this item?

[Comm.] Move it.

[Comm. A. Sartor] Second? All those in favor?

[Comm.] Aye.

[Comm. A. Sartor] Again, I just want to echo Commissioner Rechler's comments. You guys are doing a great job down at the World Trade Center site, considering that we've been on this site for 6 years in which you've accomplished on here. I would encourage all the Commissioners to walk through that site and see what's been done down there. It's just an amazing operation. Yes?

[Comm. W. Schuber] You've had two points I wanted to ask you about. One is you've kind enough to give me the opportunity to walk through the site a number of times. Recently, of course, there's been some incidents involving some accidents. We had a fire in One World Trade Center. The last incidents that took place in the last couple days involving Four World Trade Center. One of them looks like it was wind generated yesterday, and that wind was pretty extraordinary. I think our safety record down there is extraordinary anyway. Are we learning anything from this or are there things we have to take into account as we get to the end of this portion of the process to kind of limit those from further--?

[S. Plate] The direct answer is that we learn everyday. That's been our biggest asset. We don't sit there and say we know what we're doing. We look at everything. We do a full 360 on every event. Just, for example, on the last two events we're going to work very carefully. Actually, that was a Silverstein building Tower Four. I was there last night until 10:00 watching them remove the glass and make sure everything was done properly. We don't just sit here and just the Port Authority do it. We bring in the fire department, bring in the PAPD, the NYPD, as well as the department of building, so it's a really collaborative effort, and we are learning from it, because these are obviously tremendously challenging projects, and we learn from everything. The most important thing is let's get the facts on the table and then do a full 360 of how you resolve these types of things. The thing that's challenging is in many cases, these have never been done before, in many cases. We're really already ahead of the curve, and I can have a longer discussion with you offline about all the different things we do day-in and day-out that I can summarize the constant feedback we get about this project that will becoming the model for the city. Relative to safety, we have a excellent record, and I want to continue with that. We've just got to--when these types of things happen, we have a stand down. We have a full 360 where everybody sits in a room and says what could we have done differently? What happened? And how do you react to that in a positive way? It's working very well.

[Comm. P. Schuber] I commend you for that. Given the size of the project and the fact of the paucity of injuries, thank God that's the case and it's extraordinary work on your part. The last point I have is I'm not even sure this is for you, but maybe you can give advice and maybe this is really for the Board of Commissioners. I was disturbed, like I'm sure everybody was, in reading the articles this past week with regard to the-- and rudeness is not the word, but the conduct of certain students in the World Trade Center Memorial site. I think it was deplorable. I realize the site is run by the museum, but I know that having gone through that site where having walked along the side looked in the pens, I think I've seen even people throwing baseballs or balls

around in the site itself, which I think is great disrespect, given the nature of the site. Something you don't see at Pearl Harbor, recognizing that the park service does run that. The question is--and I know this is not our jurisdiction to a certain extent, but it is part of the greater project. Is there anything we can do or is there anything that we could possibly do to enforce--to reinforce, not so much enforce--to reinforce the concept of what the site is? It seems to me people should know that, but obviously that's not the case.

[Patrick J. Foye] Commissioner, let me address that. I would echo the comments of Mr. Burke, whose firefighter son died on 911, who wrote an op ed in the Daily News over the past couple of days, making exactly that point. Obviously, the Port Authority abhors the events that occurred over the last couple of days. Mr. Burke's op ed made the point that other facilities-- Pearl Harbor, the Oklahoma City, Gettysburg, which are run by the National Park Service-- have a strong educational element led by one of the leading agencies in the country-- the National Park Service--which not only manages and operates these facilities but makes sure that, to the maximum extent possible, every visitor is aware of the historical context. Obviously, 911 happened going on 11 years, but there are many young people who aren't aware of the fact that nearly 3000 were murdered on the site on 911. The suggestion that Mr. Burke and others have made that a robust National Park Service role would be helpful on these issues is one that, just as the governors have supported it, I think the Port Authority and the Board of Commissioners should as well.

[Comm. P. Schuber] I would agree with that, and I think it's something that maybe we should move. Having been to all the other sites you mentioned and the way they're conducted with such great dignity given the nature of the incidents that took place on those sites, I think the same thing would be due here.

[Chair D. Samson] Can I just add something to that? The issue you raise Commissioner Schuber is part of, I think, a much larger issue, and that is the fact that this site has a great deal of significance, a great deal of emotion, and it's something--it's a public site. It's something that, at least for the moment, depending on where the federal government fits into this, I believe the Port Authority and we as a Board have a continuing obligation to respect the site, to do everything we can to maintain its hallowed status. And it is public space, and it goes to the question--the broader question-- of site operations, control of the sites, and the Port Authority's appropriate role for that. Until we learn that there is a National Park Service or other federal involvement as the governors have requested in their recent letters, I think it's incumbent on the Port Authority to pay special attention to the issues you raised, and I think it's the responsibility of the Board of Commissioners to pay particular attention to this site and the public nature of respecting the 9-11 memorial and how that is all going to work as part of our ongoing discussions with the foundation.

[Comm. J. Moerdler] I echo a thousand percent the Chairman's and Commissioner Schuber's comments, and I would suggest that this is a topic that senior staff ought to enter into a dialogue with the Memorial Museum about and emphasize to them how important the Board considers this that while they are controlling that facility, something that they have a responsibility to ensure the proper conduct of the people who are there and the proper respect and to the extent that the Port Authority Police can be helpful in facilitating that we should try to do that.

[Comm. J. Rubin] Just a brief question, Pat. Could you help us imagine what the advantages then would be of the National Park Service in avoiding these kind of incidents, and by bringing to bear their expertise how that might help.

[P. Foye] Well, Commissioner Rubin, let me respond to your first official question as a Commissioner in the following way. I think I would echo the letter that Governors Cuomo and Christie sent a week or so ago to Secretary Salazar, asking that the secretary and the department and the National Park Service consider seriously a significant role at the Memorial. The letter of the governors suggested two or three roles. One is a financial role. We are all committed to the earliest possible opening of the museum. There's no question of the Port Authority's commitment to the museum and memorial, and I think that's reflected in the Herculean effort that was conducted to open the the memorial for the 10th anniversary. That was an extraordinarily important national priority, and the Port Authority and other stakeholders rose to the occasion. Having said that, there are legitimate concerns about the required moneys to complete construction of the museum. The significant operating costs for operating a facility like this, and in the letter of the governors they both spoke about federal support-- federal support for the museum and the memorial. There has been a prior effort to obtain that, which unfortunately has not come to fruition to date. Beyond that, the governor spoke about the National Park Service--obviously the leading agency in the nation on being custodian of sites like these, offering its expertise on the issue. And then thirdly, the issue that's been raised just moments ago by Commissioner Schubert's question, the educational element that an agency like the National Park Service provides every day at Pearl Harbor, at Oklahoma City, at other sites in every state around the nation could be of immense value in addressing the public policy issue that Commissioner Schubert just initiated.

[Comm. D. Samson] But my only point, Commissioner, was [inaudible] what the Executive Director has said is that we all hope that the federal government will play a role as requested by the governors on the site. But until that happens, until that determination is made, my point is that I think the Board in general of the Port Authority has a special responsibility to pay attention to the security and the respect that this special site deserves. It goes to the broader question--I know that we've had ongoing discussions with various constituent parties, and on these issues there is still lack of resolution about proper control and proper respect of the operation and use of the site. It's something that we need to pay ongoing and particular attention to as a Board and as the Executive Director and DED have already outlined. So, I think this is something we need to continue to pay attention to, and I thank you, Pat, for raising the issue. I think it's really important that, particularly in this public session, we point out that we're concerned about this, and it's going to continue to be the focus of our attention and discussions with various constituent groups.

[Comm. S. Rechler] Just one last point on this. Well, I think that--just to be clear--we have a license agreement through 2013, or September 2013, with the Memorial Foundation whose objective is running running the day-to-day operations and educational side of the Memorial and the museum and frankly, other than some of these incidents we've heard of recently, have been doing a reasonably good job at that day-to-day, but I think that to the Chairman's point and to the Executive Director's point, as the agency that controls that site today and the stewards for the

public, representation of that site today, I think we're accountable to making sure, as part of this ongoing relationship in the next license agreement to be in a position that is has that level of ongoing respect and stewardship. I don't think in anyway we're saying that we want the Port Authority to be playing that role of oversight or having the day-to-day operations nor are we saying it has to simply be, in this case-- and I just want to make sure it's clear--the National Park Service. There's a question of what is the appropriate role of public representation to ensure this hallowed site that belongs to the public is protected for the public, going forward.

[Comm. A. Sartor] On that note, I'd like to conclude this portion of the meeting. The subcommittee will now adjourn to executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. Thank you.

The Port Authority of New York and New Jersey
Committee on Capital Planning/Agency Planning Meeting Transcripts
August 1, 2012

[Chair H. Holmes] Today's meeting of the Committee on Capital Programs/Agency Planning is being held as a public session in its entirety. In addition, the meeting is being broadcast live on Port Authority's Web site for those interested in viewing today's proceedings via the Internet. We have one item on the agenda today, the Goethals Bridge – Interstate 278 Corridor Access Improvements Program planning authorization to be presented by Cedrick Fulton and Richard Larrabee.

[C. Fulton] Good morning, Commissioners. Today, Rick Larrabee and I will present items associated with proposed projects that will improve access to and from the Interstate 278 Corridor. The I-278 Corridor extends from Staten Island, New York progresses west over the Goethals Bridge and terminates in Linden, New Jersey. The two access improvements we will discuss with you today include the US Routes 1 and 9 and I-278 Interchange ramps also known as the missing links and the Howland Hook Marine Terminal Access Improvements also known as the eastbound ramps. All of the improvements are located on the opposite sides of the bridge. They shared a common goal of reducing congestion on local streets, thereby reducing the impact of bridge traffic on local communities. As these projects both have independent utility from the Goethals Bridge; that is, they are not in the cost of the bridge, they are not included as part of the Goethals Bridge Modernization Program. I will discuss the Interchange Ramps Project, and Rick will discuss the Eastbound Ramp Project. The I-278 Corridor incurring the Goethals Bridge is a critical, crucial asset to the region's productivity. Its strategic location in the heart of a complex surface transportation network provides truck and automobile connections between the New Jersey Turnpike, US Routes 1 and 9, and other New Jersey highways to the Staten Island Expressway and the Verrazano-Narrows Bridge. The network sustains a robust commercial activity of key Port Authority facilities such as the Howland Hook Marine Terminal, our ports in Newark and Elizabeth, and Newark Liberty International Airport. Despite increasing reliance on freight rail operations to move goods to and from these gateway areas, the major portion of such goods are transported by trucks, making the improvements that we are here to discuss with you today essential to our ability to facilitate the most effective and efficient movement of people and cargo to and from our seaports and airports to regional hinterland markets. Commissioners, this aerial highlights the I-278 Corridor and its relationship to other key facilities and roadways. As you can see in yellow here, I-278 runs east-west from the Verrazano-Narrows Bridge in Staten Island, which is off the map to the right, over the Goethals Bridge and terminates inland in New Jersey at Routes 1 and 9. Also shown here are the Howland Hook Marine Terminal to the north and the New Jersey Turnpike, which runs north and south. This map also depicts conceptual locations for the interchange ramps and the Howland Hook access improvements. Commissioner, this aerial identifies the impacted area for interchange ramps. The turquoise line on the left-hand side is US Route 1 and 9, which runs north and south. I-278 runs east and west; it's in yellow. The red segment represents Bayway Circle and Bayway Avenue on Route 439, and the Goethals Bridge is located in the lower right. Currently, vehicular traffic traveling southbound on Route 1 and 9, the turquoise line, must utilize local roads Bayway Circle and Bayway Avenue to travel eastbound towards the Goethals Bridge. Similarly, vehicular traffic that is westbound on I-278 away from the Goethals Bridge

must use Bayway Circle and Bayway Avenue when traveling northbound on Route 1 and 9. This place is a strain on local roadway networks. The graphic on the left illustrates the lack of direct connections between I-278 and Route 1 and 9; specifically, vehicles traveling southbound on Route 1 and 9 have no direct connection to eastbound I-278. Similarly, vehicles traveling westbound from I-278 don't have a direct connection to northbound Routes 1 and 9. The graphic on the right shows an illustrative concept of the interchange ramps providing the missing link to the roadway network. It will provide direct connection from southbound Route 1 and 9 to eastbound I-278 and from westbound I-278 to northbound Route 1 and 9 in Elizabeth. The ramps will enable a significant amount of traffic to utilize existing Route 1 and 9 and I-278 infrastructures instead of traversing the local Bayway Avenue to make critical connections. Commissioners, it is anticipated that the US Route 1 and 9 and I-278 Interchange Ramps Project when complete will improve air quality consistent with the Port Authority's goals of being good environmental stewards. The project is also expected to divert traffic from Bayway Avenue in Elizabeth to and from the Goethals Bridge and New Jersey Turnpike Exit 13. Additionally, the total anticipated regional impact over the life of the project is currently estimated to result in the generation of approximately 410 jobs-years, $28 million in wages, and $152 million in economic activity. Commissioners, in February 2009, the Board approved the planning authorization to increase the Goethals Bridge Modernization Project which included a budget of $900,000 to develop a purpose and need statement, traffic analysis, and alternative concept analysis for the interchange ramps. The Louis Berger Group/Parsons Joint Venture prepared a NEPA EIS document for the Goethals Bridge Modernization Project, of which approximately $400,000 was expended for preliminary environmental analysis for this project. In addition, HNTB was also retained to prepare preliminary engineering and design for the Goethals Bridge Modernization Project of which $250,000 was expended for the development of conceptual alternatives for the interchange ramps and the remaining $250,000 which were PA staff costs. Today we are seeking additional authorization of $5.4 million to provide for planning and conceptual engineering, preparation of National Environmental Policy Act documentation, and authorization to enter into other agreements with appropriate operating entities for such planning efforts. Of the $5.4 million, $4.7 million is anticipated for PA and consulting staff. A consultant will be selected through a publicly advertised RFP to perform the work. The total authorization for the Interchange Ramps requested at this time is $6.3 million. Once our planning efforts are complete in December 2014, we will return to you for further action as we continue to work with New Jersey DOT and other local municipalities to advance this important project. Commissioners, I request that you advance this item to the full Board for approval today. At this point, unless there are any questions, I will turn over the presentation--

[Comm. D. Steiner] If my math is correct, what happens to the other $700,000? You're getting $5.4 million; you're only showing what you're spending $4.7 million on. Where's the other $700,000 going? [C. Fulton] Yes, $700,000. $300,000 of it, sir, will be for financial expense, and $400,000 of it will be for other A & G expenses. [Comm D. Steiner] I would suggest, in the future, you show those things for completeness, that's all.

[Chair D. Samson] Cedrick, I have two questions. One, is the work that is covered by this authorization going to be performed by the Berger/Parsons Joint Venture and the HNTB? [C. Fulton] No, sir. We're going out on a separate RFP for this new work.

[Chair D. Samson] And the second question I have is a broader one. What is the historical explanation for these missing links? [C. Fulton] Very good question. As long as I've been in the Port Authority, approximately 20 years, discussions for the bridge itself had been ongoing, there has always been notions of advancing the missing link project, and to that end, as part of those discussions, it's my understanding that the Port Authority had committed to being a part of advancing the missing links. So what we're doing here today is we're living up to the commitment to participate by asking for planning authorization. What will happen as a part of this process is the execution and finalization of an MOU. In the MOU will be laid out roles and responsibilities of the Port Authority as well as the DOT, both for purposes of design as well as construction as we move forward.

[Chair D. Samson] When I-278 was constructed--designed and constructed, what was the thought, if you know, to explain the missing link? Why wasn't this issue dealt with at that time? Obviously, the impacts might not have-- some kind of impacts had to be foreseen, maybe not to this extent that we've encountered over the past 20 years, but is there an explanation that you're aware of? [C. Fulton] None that I'm aware of. One of the things I have learned is that the term missing link can actually be applied to many locations along major highways in New Jersey. Off the Turnpike, off other highways, and so I can't say specifically why it doesn't exist here over the history of development of various roads.

[Chair D. Samson] If you look at it, and we all have the benefit of hindsight, but if you look at it, its seems it should have been fairly apparent to anybody who was designing this thing that there was going to be a problem created by this missing link and it would have been sensible to try to anticipate that and deal with it at the time, so okay.

[Comm. D. Steiner] I don't know whether this is appropriate for you-- do we know what this is going to cost and what our share is going to be, and the second part of the question is where are we going to get the money from? [C. Fulton] Well, the--in terms of a high-level estimate, the total project cost-- we're actually carrying in our capital plan as a holding number is $107 million TPC, over which approximately $60 million is for construction. With regard to the final determination of what the allocations will be, that will come out of the discussions as we move towards finalizing the MOU.

[Comm. D. Steiner] What do you mean by discussion. It depends on what we get on the DOT, or are there any other agencies that we can view besides DOT? [C. Fulton] It would primarily be a discussion with DOT, I imagine.

[Comm. D. Steiner] Is there any federal funding available? [C. Fulton] None that I'm aware of, but we would certainly seek it.

[Comm. D. Steiner] Is there a chance of getting some money from the Turnpike because you have a Turnpike connection with this, don't you? [C. Fulton] We will be in active discussions with the DOT, the Turnpike, as well as the local towns as we're working through the MOU.

[Comm. D Steiner] I just think that everybody should participate. They all benefit. >>[C. Fulton] Understood. [Comm. D. Steiner] Where I come from, that means you pay your share. Thank you mister Chairman. >>

[Chair H. Holmes] Any further questions? Cedrick?

[R. Larrabee] Commissioners, good morning. As Cedrick touched on earlier, I will be reviewing an item for $3.7 million in planning to complete the preliminary design work for a project that will provide direct eastbound access between Interstate 278 and the Howland Hook Marine Terminal in Staten Island, which is necessary to improve traffic flow between I-278 and Howland Hook and to improve regional freight delivery to and from the terminal. When completed, it's estimated to result in a generation of approximately 210 job-years, approximately $13 million in wages, and over $74 million in economic activity over the life of the project. As background, Port Authority currently leases the Howland Hook Marine Terminal from the City of New York and the Port Authority, in turn, subleases the terminal to New York Container Terminal. Howland Hook has been undergoing a modernization program that includes the terminal work extensions, berth deepening, and roadway and rail improvements. Since 1999, traffic at the facility has more than tripled, and one of the factors inhibiting the efficiency of Howland Hook's operations is the restricted access to and from the facility through local roads that were not designed to support the forecasted volume of marine traffic. During the peak periods of container terminal operations, the queuing of trucks along the current roadways network surrounding Howland Hook has negatively impacted traffic flow and inconvenienced the residents of the nearby community. 85% of the Howland Hook traffic utilizes the Goethals Bridge for both eastbound and westbound movement. Trucks crossing the bridge utilize Forest Avenue to both enter and exit the Howland Hook Marin Terminal, as illustrated by the orange and red lines in this slide. We're talking about this roadway right in here; as you can see from the slide, we've got a residential area right here. This is the roadway that's generally impacted significantly. Forest Avenue is a two-way road. Intersections are a problem. The four primary traffic congestion pinch points are highlighted here in these black hexagons. The primary study also suggests the preferred long-term improvement, which I'll review with you shortly. In June of 2010, the Board authorized an expenditure of $3.5 million to the New York City Economic Development Corporation to construct the short-term improvements provided that the Port Authority would be reimbursed for these funds by our tenant, the New York Container Terminal, pursuant to its lease agreement. Work to be performed includes making Forest Avenue one-directional, constructing a median concrete barrier along Forest Avenue, widening the Forest Avenue exit ramp to improve the turning radius at the intersections of Forest Avenue and Gulf Avenue, modifying the existing signal at the intersection of Forest Avenue and Goethals Road. It's currently anticipated that New York EDC will commence construction of the improvements by the end of this year, and have the project completed by the end of next year. Commissioners, today your authorization is requested for approximately $3.7 million in planning funds. The preliminary design work is required to pursue the construction of a long-term improvement project that would provide direct eastbound access between Interstate 278 and the Howland Hook Marine Terminal. Included in the proposed planning work is approximately $2.2 million for consulting services to support the project. To date, consulting services of HNTB Corporation, AECOM, Henningson, Durham & Richardson, and Eng-Wong, Taub & Associates have been retained from existing calling lists developed from publicly

advertised requests for proposals. The roadway ramp shown in green on this slide, which is preliminarily recommended by the 2007 study could ultimately connect the new bridge and would provide direct access to Howland Hook avoiding the pinch points in relieving the local roadways of congestion as terminal activity continues to grow. As authorized by the Board, the Port Authority is currently advancing a project to modernize and replace the Goethals Bridge along the southern alignment. Since the Goethals Bridge alignment is now known the Howland Hook Access Improvement study area can now be determined. As a result, formal review of the Howland Hook Access Improvement Project would be evaluated in greater detail, including the review of various alternatives and other National Environmental Policy Act requirement documentation. Work to be completed under this planning effort includes review and development of all information necessary to complete environmental reviews, field inspections, documentation of existing conditions, review of various alternatives to address traffic concerns, analysis to determine the appropriate method of construction, preparation of preliminary design documents, and development of construction costs, and the analysis of staging options. Commissioners, it's anticipated that Howland Hook Marine Terminal Access Improvements Project when completed, will result in more efficient traffic flow from cargo destined to and from New Jersey, reduce vehicular travel and idling times, and overall fuel consumption and thereby providing improvements to air quality. The project is also expected to improve through traffic between Interstate 278 and the Howland Hook Marine Terminal. Additionally, the total regional impact over the life of the project, as I said earlier, result in 210 job-years, $13 million in wages, and $74 in economic activity. We expect to seek project authorization to construct the Howland Hook Access Improvements Project in the 2nd Quarter of 2014. Commissioners, I request that you advance this item to full Board for approval today.

[Chair H. Holmes] Questions?

[Comm. D. Steiner] A couple of questions. How long is the Howland Hook lease--when does it expire? [R. Larrabee] Current lease expires in 2019-- [Comm. D. Steiner] So in 2019, unless there's an extension, this work won't all be completed, and we won't have a tenant if we don't do that work, is that correct? [R. Larrabee] It will be completed. If we do it on a schedule we're on now, we're in negotiations right now to extend that lease to 2029 and perhaps beyond that.

[Comm. D. Steiner] Next part of the question. Are you getting any money from the New York's Department of Transportation, because these are improvements that benefit Staten Island? Is there a New York State contribution besides ours? [R. Larrabee] Not as yet, Commissioner.

[Comm. D. Steiner] Don't you think we ought to seek some assistance with them, because it's a benefit to Staten Island? All we get from Staten Island are complaints. When do you--do you know the anticipated completion and opening of the Goethals Bridge replacement? Do you have any idea? [C. Fulton] 2017 according to the current Plan, and the demolition of the existing bridge by 2018.

[Comm. D. Steiner] Why are they demolishing the bridge? >>[C. Fulton] The existing bridge. >>[Comm. D. Steiner] Yeah, why? I'd like to raise that question. I'd like to know what it is, and what are the benefits that we get by taking the bridge down, whether we can leave it there for some other time when we have money, because there's nothing to be gained by taking it down.

There are numerous bridges across the Hudson River that are left that have become scenic walkways. We have the Highline in New York, and I think rather--I'm sure it's going to be close to $100 million more to take it down. It'd like us to seriously consider not taking it down, finding another use on it until such time-- if it's an impediment for freight or river traffic, I can see taking it down, but I don't see spending the money on something that's here now, but if the question comes up later, we ought to save the money. We're in an economic bind, and there's no reason to take it down. It'd like that to be taken into your consideration. [C. Fulton] Yes, sir. [Comm. D. Steiner] Thank you.

[Chair H. Holmes] Any further questions? Is there a motion to advance these two items to the full Board? >>[Comm.] Aye. [Comm. H. Holmes] Second? >>[Comm.] Second. [Comm. H. Holmes] All in favor? [Comm.] Aye.

[Comm. H. Holmes] No other business, the meeting is adjourned.

The Port Authority of New York and New Jersey
Committee on Construction Meeting Transcripts
August 1, 2012

[Chair R. Pocino] We're running a little late here today, so we will get started with our Committee on Construction. As I say, this meeting of the Committee on Construction is being held in public session in its entirety. In addition, the meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet, and I might add that this Committee on Construction, this will be its last meeting. Next month we're going to start under the new reorganization of the committees, and Construction is going to be folded into another larger committee based on planning and operations and so forth. We'll probably be meeting in a larger group the next time. With that, we have one item for discussion today in the public session. It's the LaGuardia Airport East End Substation Project Authorization, and Sue Baer is going to give us that.

[S. Baer] Thank you. Good morning, Commissioners. Good morning, Commissioner. I'm here to seek project authorization to take the necessary action to design and construct a new electrical substation at LaGuardia Airport in order to maintain a state of good repair and to continue to provide power at the levels the airport requires. This project will produce 330 job years, $20 million in wages, and nearly $139 million in economic activity. LaGuardia currently relies on two substations to deliver electricity. The more heavily used of the two, the Central Electric Sub, is located adjacent to the Central Terminal Building and was built in the 1960s. With an operating capacity of 12 megawatts, it can no longer efficiently handle the electrical loads of the airport. These loads include airfield lighting systems, the control tower, aircraft rescue and firefighting facility, central heating and refrigeration plant, pump houses, lighting, baggage belts, loading bridges, elevators, escalators, 75% of the Central Terminal Building and all of Terminals C and D, the old Delta main and US Airways Terminal and related infrastructure, including the parking garage and two hangars. Recently, peak summer loads exceeded 13 megawatts, heavily taxing the Central Electric Substation and requiring close coordination with ConEd. The replacement of the Central Electric Substation could not be accommodated in its existing footprint due to the size of the equipment, which would significantly impact the surrounding roadway system and underground utilities, therefore, a new site was selected to accommodate its replacement, which we are calling the East End Substation. The proposed project would provide for the construction of a new 3-story Substation with double the capacity, which will provide for the more efficient accommodation of current electrical loads, it also will provide additional capacity for future growth. The new Substation will be constructed above the 100-year flood plain, and will be situated in a secure area within Parking Lot 4 opposite Terminal C, formally known as US Airways Terminal, and adjacent to the 102nd Street Bridge. It would increase the overall electrical capacity of the East End Substation to 24 megawatts and the West End Substation remaining at 12 megawatts. Con Ed will deliver power to the proposed Substation through feeders on the south side of the Grand Central Parkway adjacent to the 102nd Street Bridge at an estimated cost of $4.2 million. The ConEd feeders will cross under the Grand Central Parkway in new duct banks shown before you as the dotted yellow lines within the red-lined box. In collaboration with New York State DOT, which is presently rehabilitating the Grand Central Parkway, duct bank infrastructure will be installed via coordinated effort with them under an existing Port Authority work order contract. In addition, other necessary work is

being advanced to prepare the site. This area is indicated by a red box. It includes demolition of one of two exit toll plazas in Parking Lot 4, shown in the blue box. This will shorten the overall duration of the foundation and site utilities construction for the new substation and facilitate the project's completion. These ongoing early site preparation and support efforts are part of the total substation project cost and part of other authorized contracts. Staff is also seeking authorization to enter into easements with New York State and City DOT and the New York City Parks Department which are required to build and maintain the electrical infrastructure from Con Ed's point of entry under the Grand Central Parkway and to the new substation. This project will create significant economic benefits for the region. The total economic impact of the project is estimated to include 330 job years, $30 million (sic $20 million) in wages and nearly $139 million in economic activity over the life of the project, including indirect effects such as construction employment and materials purchase. The total project cost is estimated at $106.9 million, of which $14.3 million consists of the design and engineering cost. Today we are also asking to increase our design contract with Skidmore, Owings & Merrill and their team of consultants by $4.3 million to the total of $34.3 million in order to accelerate completion of the design, which is included in the project cost. SOM was originally retained in February of 2010 in order to complete Phase II planning and Stage I design at the LaGuardia Central Terminal Redevelopment Program. Costs associated with the Substation project are 45% recoverable via flight fees. In addition, staff plans to seek full recovery of project costs from the Federal Aviation Administration via a future application for passenger facility charges. Today we seek authorization for the Executive Director to also enter into two related construction contracts for the foundation and site utilities and the building equipment and feeders at an estimated amount of $11.6 million and $64 million, respectively. We anticipate that the foundation's contract will commence in the 4th quarter of this year and that the building equipment feeders will commence in the 2nd quarter of next year. The project is expected to be complete in September of 2015. Commissioners, I request that you advance this item to the full Board for approval. [S. Baer] Thank you.

[Chair R. Pocino] Thank you, Sue. Obviously our mission here is to make sure that we are constantly updating our facilities so that we can carry on the efficient services that we provide here at this Authority. Nice to know that if not all, most or it could be all of the costs are recoverable. [S. Baer] That's our plan.

[Chair R. Pocino] And I'm also impressed, especially in these economic times, of the economic benefits that will be received in this project. [S. Baer] Thank you.

[Chair R. Pocino] Sounds good to me. Commissioners, anybody else have any comments, questions? I have a motion and a second. All in favor?>> [Comm.] Aye. [Chair R. Pocino] Opposed? The ayes have it. [S. Baer] Thank you very much.

[Chair R. Pocino] That's all we have on the agenda for today, so I thank you all for your participation, and again, we'll see you next month in a new setting. [Comm. P. Schuber] A new set up. [S. Baer] Rearrange the chairs.

The Port Authority of New York and New Jersey
Committee on Finance Meeting Transcripts
August 1, 2012

[Vice-Chair W. Schuber] Let me call to order this public session of the Committee on Finance. Today's meeting of the Committee on Finance is being held in public session in its entirety. In addition, the meeting is being broadcast live on the Port Authority's website for those who are interested in viewing today's proceedings via the internet. We have three presentations today, two through Anne Marie Mulligan and one through Susan Baer. We start with the Port Authority Plan for Financing: Authorization of Additional Series of Consolidated Bonds and Notes. Anne Marie.

[A. Mulligan] Good morning, Commissioners. Today I'm seeking the Board's authorization of an additional series of Consolidated Bonds and Notes for future issuance. Such authorization is necessary to comply with federal tax law as it pertains to the issuance of tax exempt obligations for private activity purposes, which for the Port Authority is mainly for funding capital projects at airport and marine terminal facilities. The Port Authority is required to establish a specific series of bonds and notes for issuance in the future as part of its overall plan of finance and to continue authorization of our other obligations. It may not be necessary to issue all of the series of bonds and notes that are included in this authorization. This process is required by the Federal tax law and is being done to provide flexibility for the Port Authority financings over the next 3-year period. The last such plan was authorized in November 2009, and pursuant to the applicable Federal tax law these plans have a life of up to 3 years. The plan of financing process has been required by Federal tax law since 1982 to provide a public approval process to ensure that the public is made aware of upcoming projects and financings that are of a private activity nature. The first step in this process is publication of a notice for a public hearing and providing details of the significant capital projects and forms of debt covered under this plan. This notice was published on July 10th in the New York Times, the Bergen Record, and the Star-Ledger. The next step is to hold the public hearing. Hearings were held on July 25th in New York at the Park Avenue South offices and in New Jersey at the Journal Square Transportation Center offices. The final step of the process is approval of the plan. This process of authorizing a designated series of bonds, notes and other obligations in advance of the need for the specific sale is essentially similar to a corporate shelf registration and allows the maximum flexibility in advance of the specific need to schedule and execute sales of bonds and notes for financing capital projects and refunding higher coupon debt. The Plan of Financing Authorization would establish 20 new series of Consolidated Bonds for potential issuance and sale. Each series would be authorized with a maximum principal amount of $500 million at a true interest cost not to exceed 8% and for a term not in excess of 35 years. This plan of financing would provide that to the extent that any of the series are issued and sold solely for purposes of capital expenditures in connection with the redevelopment of the World Trade Center site, that such series may be issued and sold without limit as to the principal amount and term to maturity, provided that the total aggregate principal amount of all such series shall not be in excess of $10 billion, the maximum aggregate principal amount that can be issued under this authorization. This provides the agency with continued flexibility in structuring future transactions for the World Trade Center site within the context of the agency's capital plan. In addition, this authorization would provide for 5 series of Consolidated Notes. Each series would be authorized with a maximum

principal amount of up to $300 million at a true interest cost not to exceed 8% and for a term not in excess of 3 years. There are certain other limitations that are included in this authorization. The amount of bonds and notes issued for authorized purposes in connection with Port Authority facilities will not exceed the amount to effectuate that year's capital plan. Further, prior to scheduling any sale of bonds and notes staff will review the upcoming issuance with the Chair of the Committee on Finance and wherever feasible the other members of the Committee, and this action also delegates the authorization to take the actions necessary for issuances that are sold on a competitive basis to the Chief Financial Officer and Treasurer. Any negotiated transactions require further authorization of the Committee. Finally, in addition to authorizing the additional series of bonds and notes, the following obligations will continue to be authorized and may be issued and sold in connection with this plan of financing. Versatile Structure Obligations may be issued in various denominations with total principal outstanding not to exceed $500 million. The market for variable rate demand bonds has decreased significantly because of the cost and the bank terms associated with liquidity facilities. Although there are no immediate plans to issue Versatile Structure Obligations continued authorization of the prior resolution is necessary to maintain this form of obligation for possible use in the future. Variable Rate Master Notes may be issued in various denominations with total principal outstanding not to exceed $400 million. Commercial Paper Notes may be issued in various denominations with total principal outstanding not to exceed $500 million, and Equipment Notes may be issued in various denominations with a total principal outstanding not to exceed $250 million. Commissioners, I request that you recommend this item to the full Board for authorization.

[Vice-Chair W. Schuber] Thank you very, very much. Commissioner.

[Comm. R. Pocino] I have a question. It's probably been in the resolution for a long, long time, that not to exceed 8%. I was wondering if it might not be time to revisit that given today's markets, consider lowering that.

[A. Mulligan] The prior authorization we had 12% in there, and we lowered it to 8%, and we kept it there since this covers a 3-year period and to provide the greatest flexibility if interest rates do increase between now and the end of this plan of financing.

[D. Buchbinder] Basically it provides an outer limit or boundary. It has no necessary connection to what interest rates will apply to any transaction. The vast majority of our sales are on a competitive basis, market driven, and negotiated sales are currently aimed at the current market. But what it does is just provide us flexibility as well as the 35-year term. The terms on the bonds within the last several years have bounced depending on whether they've been issued for refundings [inaudible] maturities or the way the market is. We've done some shorter maturities as well.

[Comm. R. Pocino] Understandable, so we're always out there seeking the best deal we can get. It's just that that 8% is an eye-opener when you take a look at it.

[M. Fabiano] We just look at that as a window to give us flexibility, but as rates are rising we would obviously give that to anybody with what we believe the terms are and the rates are to get by in before we proceed with anything.

[Comm. J. Lynford] Our average across the capital is like 4.9% so that would imply-- [A. Mulligan] Yeah, that's correct. [Comm. J. Lynford] We've never gone above 5 on average, Raymond, because the best average out.

[Vice-Chair W. Schuber] Thank you, Commissioners. Thank you, Darrell. Thank you for that also. Commissioner.

[Comm. S. Rechler] Just quickly, first I commend you for taking this proactive step and particularly where interest rates are low so that we can take advantage of them when the markets are right. We know we need the capital to fund the capital plan, so I think it's the right step. Just a question. When you--on the plan of financing we talk about the Versatile Structure Obligations, the Variable Rate, et cetera, and you put the different amount associated with each of those. How did you come up with those--or determine those amounts?

[A. Mulligan] For the most part, the maximum amounts are what was approved in the resolutions when they were originally authorized. [Comm. S. Rechler] Okay, good, thank you.

[M. Fabiano] We didn't want a lot of exposure to different [inaudible] under Consolidated Bonds.

[Comm. R. Pocino] Do we need a motion? [Vice-Chair W. Schuber] Yeah, we will in a second. Commissioner, Commissioner Lynford.

[Comm. J. Lynford] I just have 3 minor questions. Of the $10 billion limitation, how much have we issued towards that $10 billion so far? [A. Mulligan] This is prospectively, so we have not issued any from the $10 billion.

[Comm. J. Lynford] And the commercial paper outstanding at this time, I know at the end of last year we were up close to the $500 million. Where are we now? [A. Mulligan] We are at $374 million.

[Comm. J. Lynford] So we have a capacity of about $125. Do we intend to pay any of that $375 down in the near future? [A. Mulligan] We do, and as we issue our Consolidated Bonds we pay down a portion from our Series A, which is for airports and port facilities and Series B for the tunnels, bridges, and PATH facilities.

[Comm. J. Lynford] So we must be getting a pretty good rate. What's our rate on that? [A. Mulligan] The rate has been about 18 basis points.

[Comm. J. Lynford] Very good, very good. Last question. I saw public hearings. Obviously public hearings are part of our transparency. Can you tell us about the attendance, how many people showed up, what kind of questions they asked? [A. Mulligan] No one appeared for the public hearings, and there were no written comments for this. [Comm. J. Lynford] Oh, okay. Well, thank you very much. Mr. Chairman, I yield the rest of my time.

[Vice-Chair W. Schuber] You've made Commissioner Lynford very happy. Just out of curiosity, for myself, I know the requirement for public hearings here and the transparency and accountability aspect of this, which is important. How are those advertised, by the way? [A. Mulligan] There's a public notice that's published in 3 newspapers: the New York Times, the Bergen Record and the Star-Ledger.

[Vice-Chair W. Schuber] Okay, very good. Thank you very, very much. Commissioners, any other questions on this matter? Is everyone satisfied with this? Do I have a motion to carry this on to the full Board please? There's a motion made. Second it? All in favor?>> [Comm.] Aye. [Vice-Chair W. Schuber] Opposed? So ordered. With regard to the One World Trade Center.

[A. Mulligan] Okay, today staff is seeking approval related to the sale of taxable Consolidated Bonds on a negotiated basis for capital expenditures in connection with the redevelopment of the World Trade Center site. This is consistent with prior discussions with the Committee that separate authorizations would be requested prior to the issuance of debt obligations for these purposes. In accordance with prior Board approvals, to date approximately $550 million has been issued on a competitive basis and $3.2 billion has been issued on a negotiated basis to finance World Trade Center development expenditures. As of July 31st, approximately $533 million of the bond proceeds remain and are expected to be sufficient to meet the capital expenditures in connection with the redevelopment of the World Trade Center site into about October of this year. Capital expenditures in connection with the redevelopment of the World Trade Center from November of this year through the 3rd quarter of 2013 are currently projected at about $1.6 billion. As the funds on hand are expended, additional debt issuance will be necessary to support the capital expenditures of the various project elements. In addition, the current low interest rate environment has created an opportunity to refund prior debt obligations issued for World Trade Center purposes and achieved present value savings. Consolidated Bonds 145th Series at a coupon of 5.75% will generate present value savings. The amount of present value savings will be determined once bond structure is finalized with the underwriters. Also as we previously advised the Committee the Consolidated Notes Series ZZ were issued in June as an interim measure to fund World Trade Center expenditures until the RFP process was completed for selection of firms to provide underwriting services on a negotiated basis for financing World Trade Center development cost. And following the Board's approval, efforts would immediately commence to issue long-term obligations for purposes of continued financing of the World Trade Center redevelopment cost and to refund Consolidated Notes Series ZZ with a maturity of December 1st. The approval for the underwriters was granted at last month's meeting. Therefore, authorization is being requested for future issuances and sale of consolidated bonds in an aggregate principal amount not to exceed $2 billion on a negotiated basis for purposes of capital expenditures related to the redevelopment of the World Trade Center site and refunding debt obligations that were previously issued for World Trade Center purposes. This authorization is expected to meet the financing needs for the redevelopment of the World Trade Center through the 2nd or 3rd quarters of 2013. Further authorization will be requested in the future to issue obligations to meet subsequent capital needs for the World Trade Center redevelopment. The issuance of the consolidated bonds for the World Trade Center purposes would come under the new plan of financing, which we just discussed. That resolution provides that the bonds issued and sold for World Trade Center purposes can be issued without limit as to the principal amount or term to maturity provided that the total aggregate principal

amount of all series under that plan of financing do not exceed $10 billion. Commissioners, I request that you advance this item to the full Board for approval.

[Vice-Chair W. Schuber] Thank you very, very much. Any Commissioners have any questions with regard to this? Commissioner Lynford.

[Comm. J. Lynford] Just two quick questions. Just two short questions. These bonds are rated below our AA-, or not? [A. Mulligan] No, these were the Consolidated Bonds and we would expect that they would carry the same rate.

[Comm. J. Lynford] These are Consolidated Bonds. Okay, because I saw Liberty Bonds I remembered we had--refresh my recollection. Didn't we issue some bonds last year to Fidelity or that Fidelity was involved with? Which bonds are those? [A. Mulligan] The bonds I believe you're referring to are the Liberty Bonds that were issued for SPI for the redesign of Tower 4. [Comm. J. Lynford] Okay, good. Very good, that's my question.

[Vice-Chair W. Schuber] Thank you, Commissioner. Commissioner? Mr. Foye.

[P. Foye] I just want to make three points. One is the spread on these bonds as announced at the last meeting is 170 basis points, and all the underwriters have agreed to that, one. Two, as is Port Authority practice we will be including MWB underwriters when the syndicates are put together, and three, Bill Baroni and I have been working with Mike and Anne Marie and with Darrell to make sure that we optimize the result from a designations and other point of view when the syndicates are put together. Thanks, Chairman.

[Vice-Chair W. Schuber] Thank you, Mr. Foye. Thank you. There being no other questions with regard to this, do I have a motion to move this on to the full Board? Motion made. Second, all in favor? [Comm.] Aye.>> [Vice-Chair W. Schuber] Opposed? So ordered. Ms. Mulligan and Mr. Fabiano, just to indicate, thank you very, very much for your presentation. Also indicate to you that as a result of the revamped Committee system that will be implemented by the Board later on the new Chairman of this Committee will be the new Commissioner from New Jersey, Rich Bagger. I've served with Rich in the State Legislature. He's an excellent finance man. Hopefully he's maybe already reaching out to you, or if you would reach out to him and go over some of the ongoing matters with regard to the finances of the Port I would appreciate it. I think you'll find him very, very knowledgeable.

[M. Fabiano] We have a meeting scheduled to meet with him on next Monday.

[Vice-Chair W. Schuber] Okay, good. Very good, thank you. Thank you. Then our last order of business, Susan Baer. Susan? Susan, you have a guest with you?

[S. Baer] I do. I'd like to introduce Mitch Gordon. He's the CFO of Aeroterm. His company is the subject of our discussion this morning. Aeroterm is one of our first-rate cargo partners at the airports. We don't talk a lot about cargo, but it's a very important part of our business, particularly at our international airports.

[Vice-Chair W. Schuber] Welcome very much, and proceed.

[S. Baer] Thank you. I'm here today to seek your approval to consent to agreements for the refinancing of bonds related to Aeroterm leases for its cargo facilities at both JFK and Newark airports. This approval would also supplement the lease agreements to provide amendments to the leasehold mortgage and rental provisions under the leases. The consent agreements and lease supplements would provide additional income to the agency and strengthen the financial standing of this long-term tenant. As background, in December of 1998 we entered into a lease agreement with Aero JFK for the development of cargo facilities there. The term of the JFK leases expires on July 14th, 2028. The project was financed through the New York City Industrial Agency Capacity Bonds in the amount of $152,675,000. Currently $140 million in principal remains outstanding on the IDA bonds. Aero JFK is the property manager for buildings 21 and 23 on this 42-acre site at JFK. Its anchor subleases are with Delta, Lufthansa Cargo, Lufthansa Technik, Alliance Ground International and Swissport. Buildings 21 and 23 provide state-of-the-art cargo space for cargo handling operations, have a direct connection to Taxiways A and B, and can accommodate six Boeing 747 freighters airside. The buildings have direct access to JFK's main entrance for fast and efficient trucking service. In February 1996, we entered into a lease agreement with Aero Newark for the construction operation of a cargo complex at Newark. The term of the lease expires on December 31st, 2021. The project was financed through New Jersey Economic Development Agency Bonds in the amount of $59,700,000. Currently $39 million in principal remains outstanding on these bonds. Aero Newark is the property owner and manager for a 23-acre site that includes cargo buildings 339 and 340. It has subleases with Scandinavian Airlines, EVA Airways, Worldwide Flight Services, Total Airport Services, the Newark Medical Office and Newark Medport. Cargo buildings 339 and 340 are located on the north end of Newark partially on the site of the old North Terminal. The buildings provide space for cargo handling operations, have a direct connection to Taxiway Z, and can accommodate one to two cargo aircraft depending on their size. The buildings have direct access to Newark's north entrance for fast and efficient trucking service. Aeroterm proposes to refinance the debt related to 38 properties in its portfolio including the air cargo facilities at JFK and Newark. The refinancing will be undertaken as two separate bond transactions. One transaction will refinance the existing IDA bonds for the JFK facility in an amount of $130 million. Aeroterm also anticipates the proceeds of a Wisconsin Public Finance Authority bond issuance in the amount of approximately $350 million. In order to secure repayment of these two new bond issuances Aeroterm will create an obligated group of all the facility properties under a master trust indenture, and each entity will pledge all of its assets to the master trustee and grant a mortgage of either its leasehold or fee interest on its facility. As members of the obligated group, Aero JFK and Aero Newark will also pledge the revenues associated with their respective facilities. Aeroterm has agreed to pay the Port Authority an assignment fee of $200,000 and an additional annual rental payment starting at $150,000 per year in consideration for the Port Authority's consent to the refinancing transactions. The proposed agreement will generate $3.45 million in additional revenue to the Port Authority over the lease terms. The lease supplement will give the Port Authority a tenant with a stronger financial position and additional flexibility in its leasing profile. Commissioners, I request that you advance this item to the full Board for approval. Thank you.>>

[Vice-Chair W. Schuber] Thank you very, very much. Do any of the Commissioners have any questions with regard to this? Commissioner Lynford.

[Comm. J. Lynford] Sue, can you explain if we have additional risk because of any issues? For example, cost collateralization? And you also made a statement that we'd have a more credit-worthy company. Can you explain how you came to that conclusion? [S. Baer] Aeroterm will be lowering--just as the Port Authority in the last item was doing-- lowering its cost of capital, so this refinancing will allow them to refinance their product at their facilities at a lower debt coverage. That's the goal of Aeroterm. For us--and Darrell has looked at this, and a lot of departments looked at this-- it helps the additional exposure for us. I don't want to speak for Darrell, so I'll let him say it. But this would not put us, the Port Authority, in a riskier position.

[Comm. J. Lynford] Okay, thank you. Darrell--I'm sorry.

[D. Buchbinder] No, I think that's fair. We've recognized the fact that the Port Authority is a [inaudible] revenue agency as well -- so that to a certain extent you do absorb a little bit more risk because you are bringing other assets into the pool. By the same token you're going to gain some strength so that any single asset is not harming the other assets in the pool and have the opportunity to pick it up, so it's a balance. It's not an unfair balance.

[P. Foye] And we're also being paid $3.4 million.

[Vice-Chair W. Schuber] For it as a result of it, yeah. It's very helpful.

[D. Buchbinder] I look at it from a purely legal standpoint.

[S. Baer] We're really happy about the $3.45 million.

[Vice-Chair W. Schuber] We are too, by the way, but having said that, Commissioner?

[Comm. S. Rechler] I just wanted to follow up with Commissioner Lynford's comment. I think one thing that may be helpful--and maybe you have looked at this, but if not, just to share--is what are the credit metrics, the stand alone versus now in the pooled entity? Because we have these 38 properties. I don't know how large these 38 properties, what the value of those 38 properties, what's the debt service coverage ratio something to give us?

[S. Baer] We have looked at that. We have actually looked at all of them. We've gotten due diligence on every one of the properties in their proposed portfolio.

[Comm. S. Rechler] So in consistent with Darrell's point in terms of the comfort we're also still comfortable that the credit metrics are at least as good as what we had before.

[S. Baer] Yes, yes, that is that conclusion of a team of Port Authority folks who looked at them and went through-- we did really a document on each one of the properties.

[Vice-Chair W. Schuber] Commissioner Rechler, thank you. Any other Commissioner have a question with regard to this matter? If not, then is there a motion to move this on to the full Board? So moved.>>Second? All in favor?>> [Comm.] Aye. [Vice-Chair W. Schuber] Opposed? So ordered. Thank you very, very much.>>[S. Baer] Thank you.

[Vice-Chair W. Schuber] That having been the conclusion of our business, I end the meeting of the Committee on Finance.

[A. Mulligan] Thank you. >>

[S. Baer] Thank you.

The Port Authority of New York and New Jersey
Committee on Operations Meeting Transcripts
August 1, 2012

[Chair D. Samson] Okay, let's get going. We're a little behind schedule here, and we've got a busy day of meetings behind us. Today's meeting of the Committee on Operations is being held in public session in its entirety. The meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. We have three topics on the agenda for discussion in Committee and approval of the public board meeting. The first discussion is being presented by Mike Francois, our Chief of Real Estate and Development, and it concerns some new leases for retail space at the PABT. Mike?>>

[M. Francois] Thank you, Mr. Chairman. Good morning, Commissioners. Today I am seeking authorization for two new leases at the Port Authority Bus Terminal--the Starbucks Corporation and PNC Bank. If authorized today, both leases are expected to commence on or about September 1, of this year. Starbucks Corporation is a publicly traded company that operates over 17,000 stores worldwide, with over 11,000 in the US, including approximately 175 stores in Manhattan. Starbucks realized growth sales for fiscal year ending 2011 of $12.6 billion, and net operating income of $1.33 billion. Starbucks would sell coffee and tea beverages, tenant-branded merchandise, assorted food items such as baked goods, sandwiches, snacks, and fruit, but also sell related equipment, supplies and accessories and incidental music merchandise. Starbucks plans to employ up to 35 workers at this location. The proposed lease would be for a ten-year term for retail space, consisting of approximately 2,164 square feet, located on the ground floor of the south wing. Starbucks would pay a total base rent of approximately $4.9 million, which includes approximately $745,000 in index rent, which are payments made by Port Authority Bus Terminal lessees that offset the cost of operating and maintenance costs at the terminal. In addition, the Port Authority would receive percentage rent of 8 percent of gross sales in excess of $5.8 million. The proposed total rental of $270.85 per square foot is an increase over the previous tenant's rate of $175 a square foot. Starbucks would invest approximately $1 million in the build out of the new store. It would also receive 15 days of free rent for utility construction work at a cost of approximately $20,000. The transaction was co-brokered by 20X Square, LLC, which is a retail subsidiary of Vornado, and Northwest Atlantic Real Estate Services, Starbuck's exclusive broker. 20X Square and Northwest Atlantic Real Estate Services would share a commission of approximately $160,000, paid by the Port Authority. I am also seeking authorization for a lease with PNC Bank. PNC is one of the leading financial services organizations in the country, with more than $263 billion in assets. PNC provides deposit, lending, cash management and investment services to more than 5 million consumers and small business customers across 19 states and the District of Columbia. It is anticipated that PNC will employ up to 14 workers at the proposed Port Authority Bus Terminal Branch. The proposed lease is for 4,910 square feet of retail space on the ground floor and second floor of north wing for a 15-year term. And for approximately 150 square feet in the south wing for ATMs for a 10-year term. The Port Authority would receive a total basic rental of approximately $17 million for both retail and ATM space over the term of the agreement. Additionally, we would receive approximately $3 million over the term of the lease in index rent for the retail area. As a result, a total aggregate rental will be approximately $20 million. The proposed rent is $302 per square foot for the ground floor and $102.25 per square foot for the second floor. The previous ground

floor tenant's rent was $128 a square foot. PNC would invest an amount up to $3,145,000 to perform the build-out of its premises, including the removal of the existing mezzanine, finishing a concrete floor to provide access for the mobility impaired in accordance with ADA requirements, completing the main sprinkler connection, providing 400 amp electric service, and storefront improvements. Up to $500,000 in free gross rent will be provided to compensate PNC for worked performed on behalf of the Port Authority. This transaction was co-brokered by 20X Square and Robert K. Futterman & Associates, PNC's exclusive broker. 20X Square and Futterman & Associates would share a commission of approximately $441,000 to be paid by the Port Authority. Starbucks and PNC are high-end tenants that will service Port Authority Bus Terminal patrons as well as neighborhood residents and will help enhance the image of the Port Authority Bus Terminal. Commissioners, I request that you recommend these items to the full Board for approval.

[Chair D. Samson] Thanks, Mike. Do any of the Commissioners have any questions? Commissioner Steiner? >>

[Comm. Steiner] Mike, in your terms with the bank, I see that you say the tenant will invest up to but not to exceed $3,145,500. What happens if more money is required? Does it mean they're not going to complete the job or they're going to come to us for money? I don't understand that. Why is that even in there--up to? Is that a responsibility of us to cap it? [M. Francois] No. It's no responsibility on our part beyond the $500,000 in free gross rent.

[Comm. Steiner] I want to make sure that in the lease you have no mention of that. What do we care what it's capped at? I presume the lessee says they're going to have to do whatever it costs to take care of XYZ improvements. I suggest you make that alteration. [M. Francois] I believe that was an estimate at the time. [Comm. Steiner] Well, it's none of our business, is what I want to make sure. And I like their coffee too--Starbucks.

[Chair D. Samson] Vice-Chairman Rechler?

[V. Chair Rechler] Mike, just a quick question related to this, you mentioned Vornado Retail Subsidiary twice. Do they have an exclusive still on the bus terminal? [M. Francois] Yes, we have a-- >>[V. Chair Rechler] Is that something that we evaluated based on the termination of the exclusivity?

[M. Francois] Yes, that was entered into approximately two years ago, by the Board, as a separate service, apart from the air rights. We can terminate it, but our services basically-- We basically pay them for brokerage commissions, on exclusive, as well as various other services on a fee-base basis that we review in advance and approve.

[V. Chair Rechler] I was just curious as to is this worth looking at based on the fact they no longer have the development exclusivity. [M. Francois] We could look at that, but at this point—

[Comm. Steiner] I concur with that.

[V. Chair Rechler] I'm not saying to terminate it; I'm just saying it should be evaluated in that context. [M. Francois] Absolutely.

[Chair D. Samson] Any other questions or comments by any of the Commissioners? If not, I'll move these items, both items, forward for approval at the public board meeting. [Comm.] So moved. >> [Chair D. Samson] Can I have a second? >>[Comm.] Second. [Chair D. Samson] All in favor? >>[Comm.] Aye. >>[Chair D. Samson] So moved.

[Chair D. Samson] The next topic for discussion is presented by Rick Larrabee, Director of Port Commerce, concerning a Clean Vessel Incentive Program. Rick? Where are you? I know you're here, Rick. There you are.

[R.Larrabee] Good morning, Commissioners. I previously discussed with you the development of a cleaner strategy for the port to expand our multifacted efforts to reduce emissions from all Port-related sources, which include ocean-going vessels, hovercraft, cargo-handling equipment, and trucks and rail. In support of the Port Authority's environmental sustainability policy, over the past three years, the Board has authorized a variety of initiatives to reduce port-related emissions. Today I'd like to discuss with you a new program to support the clean air strategy, the Clean Vessel Incentive Program. As illustrated in this slide, baseline emission inventory conducted in 2008 determined that ocean-going vessels contribute significantly to the overall port-related emissions. They're actually the largest source of emissions. Over the past few years, there's been significant steps taken to improve emissions from diesel engines. The engines of newer, larger vessels are far more efficient and emit fewer pollutants. Vessel operators are encouraged to send these cleaner ships to our port. Significant emission reductions could be realized, thereby improving the region's air quality. Fifty-five of the world's key ports, including New York and New Jersey, have committed to reducing their greenhouse gas emissions. In connection with the commitment, a web-based tool known as the Environmental Ship Index was developed to identify vessels that perform beyond the regulatory environmental standards set by the International Maritime Organization to reduce air emissions. Shipping lines voluntarily register their vessels in the EIS [sic] and provide information that includes engine specs, emission certification, type of fuel purchased, installation of plug-in ready, on-board ship power equipment, and the development and use of a vessel energy efficiency management plan. Using that information, the EIS [sic] awards points to the vessel based on four categories and publishes the score on its website. These include the ones that you see here--nitrogen oxide, sulfur oxide, carbon dioxide, and confirmation that the vessel is using a plug-in source of power. The EIS [sic] is intended to used by ports to recognize and reward top-performing, clean ships. Currently, 14 European ports have an EIS [sic] incentive program. The Port of Los Angeles, here in the US, started their program on the first of July. Utilizing the EIS [sic], the Port Authority would offer an incentive to operators of ocean-going vessels that call at the port and achieve a score of at least twenty on this scale. The maximum EIS [sic] score that can be assigned to a vessel is 100 points. Currently, the vessel with the highest score in the EIS [sic] database has a score of 53.6. The average vessel that comes into our port today has a score of about 18 and the highest about 32. In addition, the Port Authority would add five points to the EIS [sic} score if the vessel participated in our Vessel Reduction Program. Commissioners, today your authorization is requested to establish a $4.875 million program that would provide an incentive to the operators of ocean-going vessels that call at the Port Authority Marine Terminal facilities and make

voluntary engine fuel and technology enhancements that would reduce emissions. Under the current vessel incentive program, ships that achieve a score of 20-29, inclusive of the 5 points assigned for participation in the Speed Reduction Program, would qualify and receive a fixed financial incentive of $1,500 per vessel call. Additionally, in order to encourage vessel operators to send their cleaner ships to our port, an additional incentive would be provided for ships equipped with Tier II and Tier III engines of $1,000 and $2,000 respectively. Tier II and Tier III engines are 15 percent and 80 percent cleaner, respectively, than the Tier I engines that are now being used. As part of the total program funding, the Port Authority will retain Starcrest Consulting Group, LLC, to provide administrative and technical support at an estimated cost of $180,000 during the life of the project. Starcrest will utilize Coast Guard's data feed at no cost to the Port Authority to identify and verify the enrolled vessels are complying with the vessel reduction program. Port Authority funds, in connection with its Clean Vessel Incentive Program, would be provided for approximately 3 years, through 2015. Should the total funding allocation for a calendar year be exhausted, the program would be suspended for the remainder of that year. Commissioners, the proposed Clean Vessel Incentive Program represents our effort to implement additional action in our clean air strategy, which will improve air quality. I request you advance this to the full Board for approval today.

[Chair D. Samson] Thanks, Rick. Can I just ask you a quick question before any of the other Commissioners jump in? What is the nature of the incentives? [R. Larrabee] Nature would be financial. We'd write them a check, basically.

[Chair D. Samson] You write the check? [R. Larrabee] We do that same thing for a low-sulfur program that will end at the end of this year. You authorized that at $6 million in the past. We probably only spent about $800,000 of that.

[Chair D. Samson] And was that a check-writing process as well? [R. Larrabee] Yes. We verify that. We have an auditing process, and through this consultant that I mentioned, all of that would be verified before we write the check. We do it on a quarterly basis.

[Chair D. Samson] Commissioner Steiner?

[Comm. Steiner] How much does it cost you to administer that program? You only gave away $800,000. Do you have any idea what it cost to administer? [R.Larrabee] In that case, it was originally scheduled to be $200,000. We didn't spend it all. Bill, do you know what we spent? [W. Nurthen] We spent about $180,000.

[Comm. Steiner] So we spent $180,000 to give away $800,000. [R. Larrabee] Yeah, and I understand where you're going. The problem was that the cost of fuel went up dramatically. What's going to change in this program is that the new requirements by IMO to burn low-sulfur fuels go into effect--actually start today. They're all going to be paying a higher cost for fuel. This program, we think, has a much broader application to it in terms of other things that the ships will do, and bringing that cleaner diesel engine to the port is the most important aspect of this program.

[Comm. Steiner] The next part of the question is do you have any idea how much it costs to refit one of those engines to meet this? Or they just don't send those vessels? [R. Larrabee] What would happen, Commissioner, is that it would be a newer vessel. What's happening in our world, as you know, is as the ships get larger--these are the newer ships that they're bringing on-- when we see these larger ships coming, we're going to see these newer, better-performing diesel engines with them.

[Comm. Steiner] Okay. This really rubs me the wrong way. We're paying someone who is breaking the law to reward them for not breaking the law as much. Rather than rewarding them, I would take the position of charging them an extra landing fee or something, if they didn't have the right vessels. It just goes contrary to the stick and carrot that I-- [R.Larrabee] I don't think I did a good job of explaining it. What we're talking about is vessels that are achieving a much greater level of efficiency above and beyond the laws and regulations.

[P. Foye] The other thing is this is an international program, so not only the Port of New York and New Jersey. The theory is that if there were enough ports around the world that participated, while the payments are $1,000-$2,000 per vessel for the Port Authority of New York and New Jersey, if it's on an international basis-- how many ports are there around the world? >>[R.Larrabee] There are 14 right now.

[P. Foye] It will influence the buying of new, more fuel-efficient ships which will especially occur in the context of expansion.

[Chair D. Samson] Commissioner Bagger? [Comm. Bagger] Thank you, and good morning. The Executive Director's comments just started to get to what I was interested in learning more about, and that is what is the basis of our confidence that these incentives will change behaviors by the shipping lines that will enable us to achieve the target reductions and emissions that you've outlined here? And if you could also comment on the competitive situation with other ports in the US. I think Los Angeles is participating in this program, but that's it at this point.

[R. Larrabee] What we're finding is that many of the world's largest shippers--people like Walmart and Home Depot-- are really looking very hard at their supply chains and how green they are. They're taking a great deal of effort to make sure that they're using the greenest technologies available. I think the whole industry realizes-- and as I said earlier in my comments-- the ship is really the largest source of emissions in the port. We put a lot of focus on trucks, but the reality is the ship is that source. The kind of program that we've talked about in this presentation really encourages them beyond the level of regulations to improve that quality of the emissions and reduce that environmental footprint. I think, from our perspective, our strategy in this clean air strategy that I talked about, is really to try and stay out ahead of regulations. The port is very much a focal point when it comes to clean air in our region. We get watched very carefully by an awful lot of organizations. These are the kind of incentives that we think really help us stand out as a port that is focused on sustainability.

[Comm. Bagger] I'm trying to get at whether this is a nominal carrot or whether it is intended to create the direct financial incentive to change behavior.

[Chair D. Samson] Can I just jump on that? One of the things-- I don't know that much about the economics of individual ships calling at our port, but I see here that the score-- I'm looking at the incentives. Giving $1,500 per vessel call-- I understand the big-picture goal here, and certainly everybody who would think about it would want to support a program to reduce emissions and improve the environmental situation. But my question is--just to pursue Commissioner Bagger's thought a bit further-- is $1,500 going to incentivize somebody to change their engine and upgrade the way these huge, mega ships are going to be outfitted?

[Comm. Rubin] Can you do the annual effect of this? Because obviously the Chairman's point, per vessel, it doesn't seem to propose much of a benefit, but if you added it up to how many calls they'll make over a period of years or several years, what this benefit might justify or not.

[R. Larrabee] We have to obviously do some estimates when we talk about the benefits. We believe 20 percent of the fleet that's coming into the port will participate. That's about 600 vessels a year. If we go back to that slide--it's the second slide-- and you look at the anticipated reductions in emissions, the NOx is 182 tons. When you do a calculation of tons of emission reduced per dollar, we're talking about $1,300 per ton, which is pretty good when you compare it to a lot of the other programs that we're involved in these days. So just from a cost benefit standpoint, I think that's a good way to look at it.

[P. Foye] I would like to stop here for a second Commissioner Bagger. I had the same question when we discussed this when we went to the Agenda. That kind is called free writing and I think this is kind of an example of free writing. The thing that's going to drive behavior, frankly, is fuel prices and the Panama Canal expansion. This will be a helpful supplement but is unlikely to drive someone to make a $25 or $50 or $100 million dollar investment decision, but it will supplement it. It will have two salutary benefits. One is it's going to reduce emissions in the ports. Two, the Port Authority is going to get environmental and public credit for doing this. That, itself, is a value.

[R. Larrabee] And there's a third point--we're not talking about a ship owner taking an existing ship and converting it at millions of dollars. We're talking about them bringing a ship here that's already clean to begin with. That's the incentive we're talking about. This is not going to incentivize somebody to go out and spend millions of dollars to retrofit a ship.

[Comm. Bagger] So, Mr. Chairman, the last follow up I would have is that change in behavior--when you said 600 vessel calls, that's 600 incremental clean vessel calls that result in changed behavior, or 600 clean vessels that are calling now that are going to get a check from us every time they call? Because it's the incremental vessel calls that are going to lead to those numbers. [R. Larrabee] No, it's the incremental; it's not the existing vessels.

[Chair D. Samson] And here, again, just to see if we can continue to beat this horse to death, and I'm hoping my question does that so we can move on to another issue, you're requesting a program authorization for $4.8 million. [R.Larrabee] Yes.

[Chair D. Samson] You said you expect 600 ships to come in. Let's assume--600 a year, right. [R. Larrabee] Six hundred out of the fleets. [Chair D. Samson] I understand, so you're thinking

of writing a check somewhere between $1,500 and $2,500 for 600 vessels, which comes to about a $1.5 million or $2 million? So what is the other $4.8 million for--the balance of the $4.8 million for? [R. Larrabee] It's over 3 years. [Chair D.Samson] This is a 3-year deal? >>[R.Larrabee] Yes. And the Starcrest funding would only be provided if they continue to work, obviously. [Chair D.Samson] Okay. Any other--? Yes, Commissioner Steiner?

[Comm. Steiner] It seems to me the reason these ships are coming in is because a somewhat older ship charges less money, and they're going to continue to come in. There are going to be people to ship-- Because these ships are cheaper--obviously they're cheaper than the other ones--I think you're waging a losing battle, but I commend your efforts. The economics don't appear great to me at all.

[Chair D. Samson] Okay. Any other comments or questions by Commissioners? I'll move this forward for approval at the public session. All in favor? >> [Comm.] Aye. >>

[Chair D. Samson] So moved. The next topic is going to be presented by David Kagan, Assistant Director of Properties/Commercial Development in Aviation, concerning food and beverage and retail concessions for the CTB at LaGuardia. David?

[D. Kagan] Yes, sir. Commissioners, today I'm here to seek your approval to extend a lease agreement with MarketPlace LaGuardia Limited Partnership, LLC, for the operation of a food, beverage, and retail concessions program in the Central Terminal Building of LaGuardia Airport. The lease extension would allow for a steady revenue stream and uninterrupted concession services to passengers while the LaGuardia Central Terminal Building Redevelopment Program progresses. MarketPlace began the development of the food, beverage, and retail program at the Central Terminal Building in 1995. By 2001, the concessions program was fully released and developed with additional post-security space added in 2006. There are currently 30 food and retail tenants with over 75 locations. MarketPlace is responsible for ongoing leasing revenue generation, tenant building and collection, operation and maintenance of certain public areas, and management of tenant construction. In addition, MarketPlace manages all marketing promotion and customer service loyalty programs. As evidence of the success of this public private partnership, in 2007, Airport Revenue News awarded LaGuardia Central Terminal Building the Airport With the Best Concession Management Team. The Central Terminal Building and supporting infrastructure, built nearly 50 years ago, are at the end of their useful life and no longer allow the agency to provide a high level of customer experience. Design of a replacement terminal is underway, and preliminary schedules indicate that 80 percent of the terminal and gates will be completed by the end of 2018. A public solicitation for the new terminal's concessions will be issued prior to the terminal opening, but it is necessary to maintain concessions during the interim period. MarketPlace has agreed to continue providing services and will construct necessary improvements to improve the level of services to customers. Improvements include HVAC refurbishment and replacement, upgrades to the restrooms, refurbishment of escalators, and replacement of food court table and chairs. MarketPlace will also commit to investing temporary or transitional concessions as needed throughout the LaGuardia Redevelopment Program. The lease term will remain consistent through this extension. MarketPlace will continue to lease, manage, and operate 46,000 square feet of concession, food, and beverage space in the Central Terminal Building for 5 years, consistent

with the estimated schedule for the completion of the La Guardia Redevelopment Program. To provide flexibility, the will also have three 1-year renewal options. MarketPlace plans to invest up to an estimated $4.7 million to make Port Authority requested improvements including those to the escalators. Consistent with our current agreement, the extended term will generate aggregate rentals estimated at $35.35 million based on sales generated. The lease extension will allow MarketPlace to respond to unforeseen or changing conditions to the overall Central Terminal Building environment, resulting from the LaGuardia Redevelopment Program. This will ensure that our customers continue to be provided with concessions. Commissioners, I request that you advance this item to the full Board for approval.

[Chair D.Samson] Do any of the Commissioners have any comments or questions? Commissioner Steiner?

[Comm. Steiner] How much per square foot are we getting? I don't understand. [Comm. Lynford] $153.69. [Comm. Steiner] Isn't that kind of low for our airport concessions? [D. Kagan] In the context of airport, Commissioner, with all due respect, the measurement is typically done on a per enplanement basis. [Comm. Steiner] On what? >>[D. Kagan] Per enplanement basis. So the per enplanement-- >>

[Comm. Steiner] I don't want to know from a landlord's point of view. I'd just like to know what I get per square foot. [M. Francois] Well, based on the calculations we did for aviation, I think it's around $200 a square foot right now, but under this extension, the rent would go up significantly. [Comm. Steiner] To what? >>[M. Francois] To $226 for the next 3 years. After that, as construction takes some of the space out, invariably some of the rent will go down, but it is obviously an increase.

[Comm. Steiner] And there is a percentage of sales. How does that compare to what we get in other concessions at the other airports, like at Kennedy or Newark? Don't we get much higher rent per square foot for the stores? [D. Kagan] Again, Commissioner—

[Comm. Steiner] I understand what you're telling me why. I just want to know what the-- [D. Kagan] Yes, we do get higher per square. We get higher concessions revenue at the other airports, in part because those are international airports and they provide the duty-free option as well. This, as a domestic airport, is limited to food, beverage, and concession.

[Comm. Steiner] So comparing to food, beverage, and concession, it's still substantially lower than we get at Newark Airport. [D. Kagan] It's not substantially lower. This, on the average, is about $8.85 per enplanement, and at Kennedy it's about $10.76 per enplanement, with Newark being $9 and change. [Comm. Steiner] I don't understand enplanement. I like to think in terms of square foot. That's the only way I know.

[Vice-Chair Rechler] I was going to say, don't forget that they're investing $5 million. [Comm. Steiner] I understand that. [Vice-Chair Rechler] About $1 million a year in terms of that to increase the rent also.

[Comm. Steiner] I'm happy, but in other words, what you're saying to me is a good deal of our rent is due to those duty-free places, like international shops and places like that? They're very big contributors? [D.Kagan] I'm suggesting that in the other airports, part of the higher amount is attributable to the duty-free. [Comm. Steiner] Thank you. >>

[Chair D.Samson] Any other questions or comments from Commissioners? If not, I'll move this forward. >> [Comm.] So moved. >> [Chair D. Samson] Can I get a second? >> [Comm.] Second. [Chair D. Samson] All in favor? >> [Comm.] Aye. >> [Chair D. Samson] So moved.

[Chair D. Samson] The last issue is a presentation by Mike Fabiano and Mike Massiah about our overtime situation. I think it's important we continue to monitor this. I know the Executive Director and the Deputy Executive Director are focused on this like lasers, as is the Board, because it's a subject that amounts to a great deal of money, and we're trying to find the right balance here. Mike, you want to proceed?

[M. Fabiano] Good morning, Commissioners. I'd like to present the second quarter overtime performance report. In addition to this higher-level summary, we will also be sending you the actual performance report as well as a performance report to the New York State Controller's Office that we previously committed to do. First, I'd like to discuss the results of the second quarter, and then I'll go into our ongoing efforts to better manage the overtime in these areas. Through the second quarter of 2012, 768,000 of hours of overtime have been worked, which is approximately 103,000 hours or 16 percent higher than our budget, but it was also 130,000 hours less than the same time period last year. Public Safety is over budget by 130,000 hours or almost 59 percent through the second quarter of 2012. This is mainly due to a variety of their operational issues, including staffing the new post for the 9/11 memorial in the World Trade Center site that was not incorporated in our budget plans initially, heightened security in the early months of the year that was continuing from 2011, backfilling offices and training, more arrests and court time we've incurred. Sick injury and on-duty coverage is also higher. Then we're also incurring higher use of canines and allocating policing and security resources based on security alerts that we've been receiving. Overtime hours for public safety improved the second quarter of 2011, which was last year. It was 64,000 hours less, or 22 percent less, than this year. That's primarily due to the change in heightened security after the Bin Laden incident, or death, and the 10th anniversary of 9/11 had not yet occurred. That significantly increased overtime in the third quarter of 2011 and on into 2012. The Line Departments expended 342,000 hours through the second quarter of this year, which is about 29,000 hours, or 7.7 percent less than budgeted. The primary reason for this underrun versus budget is the lower snow and ice removal cost this year, and also a little bit of this was offset by overruns that we've experienced for maintaining facility coverage, 24/7 coverage. During the same period in 2011, as these numbers indicate on the slide, the Line Departments worked 154,000 hours more of overtime, and that was, once again, due to the 2011 heavy snow season. The final item is the other Line Departments, which is all the other staffing departments and some of the small operational departments. They are pretty much on budget for 2012. However, the Engineering Department incurred 29,000 hours during this time period, which is about 3,000 hours more than we anticipated in the budget, and these extra hours were to keep to work schedules as far as construction reviews and accommodate off-hour work and weekend construction and also required testing of the concrete and steel for the World Trade Center reconstruction projects.

Through 2011 second quarter, other departments worked 41,000 hours more of overtime, and that was, once again, all snow-driven. Our operational departments handle the snow duties also. As we discussed last time, we were going to remove snow and ice from the equation and then try to get a better balance when you eliminate weather-related issues that we can't control. So looking at 2012 versus 2011 actual, you'll see that actual overtime was 742,000 hours, which is 14,000 hours less than the same time period in 2011. The decrease is due to fewer overtime hours in the Line Departments and the Staff Departments, but that was offset by increased overtime hours in Public Safety. The Line Departments incurred 325,000 hours, which was 70,000 hours less than 2011, and the Staff Departments incurred 64,000 hours in the second quarter of 2012, which is 9,000 hours less than the same time period in 2011. And then the offset to that is Public Safety, which incurred 353,000 hours, which is 65,000 hours more than we incurred during this same time period in 2011. If we--once again, when we now look at actual versus 2012 budget for this same time period, and we once again have removed snow and ice from the equation, the Public Safety overruns are 131,000 hours over what we budgeted. Line Departments are 7,000 hours over budget, and our other departments are over by 9,000 hours. But as we'll note on the upcoming slides, we'll show you what steps we are taking to further mitigate overtime throughout the organization. As we looked at what was the key drivers for overtime, the key drivers in 2012 continue to be exactly what they were in the first quarter. Policing and security was 117,000 hours over planned, and this is carrying out support for investigations and other policing duties. Off Tour Police Activities was 14,000 hours over our plan, and this is the area of arrests and court appearances that exceeded what we had in the budget. Off Hour Maintenance, Operating, and Capital Construction Support was 21,000 hours under plan, which is good. Continuous Facility Operations--this is 24/7 coverage due to absences, vacancies, mandatory training-- that was 46,000 hours over plan. And the Contingent Events was 53,000 hours under plan, and this is the area that involves snow removal, emergency responses, and public and special events. So we have some puts and takes here, but the bottom line is that when you look at this the variance to budget is 130,000 hours more than we had budgeted-- the actual so far through the second quarter. On a positive note, what we are seeing is that agency-wide overtime during the second quarter decreased 48,000 hours compared to what we actually incurred in the first quarter. So we're starting to see a trend down, and the reduction is a decrease of 27,000 hours in Public Safety, which is notable, 12,000 hours in the Line Departments, and 9,000 hours in the other departments. Excluding snow and ice from the equation, the agency-wide overtime hours were still lower by 24,000 hours when we're comparing the first quarter of this year. And Public Safety, once again since they're not impacted by the snow, their overtime--they were 27,000 hours. The other departments had 2,000 hours decrease, but the Line Departments experienced a slight increase removing the snow and ice, so 5,000 hours. The trend is going downward, and that's what we're focusing on. We recognize the need to continue to pursue this, remain vigilant, and manage overtime. And what we're starting to do, and we're starting to see the effects of this, and hopefully it continues as we continue to push back with the Line Departments, is to improve the reporting that we introduced in the first quarter. We're starting to review compliance with our new procedures because we've established different benchmarks and procedures for signing, approving, and getting the approvals in advance. We're beginning to engage departments in intensive dialogue to find alternatives to overtime use, examining what the metrics are of staffing versus overtime, and dig into that, and zeroing in on some of the hotspots of overtime activity. So we're really focusing in now on what area is it? Is it in the mechanical or the electrical, and what's driving it at a facility versus other

facilities? And that kind of information. So we're relying on this data, which we've never dealt with at this level of detail, provide some of those analytics and to help us to be able to do a little better job at root cause analysis so that we can reduce overtime. Some of the early results are on the administrative side. We've been working with the larger staff departments including Engineering and Ops Services to issue policy statements that restrict overtime use for administrative positions to circumstances like emergency support, and that's it. And in the second quarter, we're happy to report that administrative staffing overtime for these staff departments has been reduced 45% from the first quarter. So that's significant. We were at 1,268 hours in the first quarter, and now it's down to 576. So a lot of our efforts and our dialogue and our commitment to managing this and directing our oversight to this area is starting to bear fruit. And, also, we're working with the Line Departments and the Staff Departments on developing overtime mitigation plans, and that's going to work its way through the system, hopefully into the third quarter and the fourth quarter and beyond.

[Chair D. Samson] Thanks, Mike. Pat?

[P. Foye] Chairman, let me just offer a few headlines on this. First, there's a lot more work to do. The headline, one, is that through the first 6 months of '12 compared to '11, total overtime, year over year, is down 130,000 hours, which is about a 14 or 15 percent reduction. Much more to do. Public Safety obviously performs a critical function to this agency. Everybody realizes it, and to some extent, it's controllable, and to some extent it's not because of exogenous factors. However, I think it's encouraging that first quarter compared to second of this year Port Authority as an agency, Public Safety, Line Departments, and other--each of those was down in the second quarter compared to the first. That's also good news. Having said that, I think that some of the management controls that we put in place are beginning to realize benefits, but there is much more work to do.

[Chair D. Samson] Okay. Any of the Commissioners have any questions? Commissioner Rubin?

[Comm. Rubin] I heard, Mike, in your description of why the Public Safety numbers went higher to outside events--one, the 9/11 tenth anniversary and, secondly, the killing of Bin Laden. But I didn't quite understand how that tracks with the numbers, and I just wondered whether that's your analysis or is that coming from their explanation? Because the second event occurred a year ago--more than a year ago-- and so wouldn't really be affected by an increase from this year to last year. And maybe, to Pat as well, in trying to get a grip on that huge number, because that's half the problem, basically, that you're struggling with, and we obviously all commend you for the struggle that you're making I guess I just look at the dates, and it seemed like in one place you were saying it was because of more investigative work and more other purposes, and in one place you were saying it was because of outside events. And it just--I wonder who is making that judgment and how you come to that conclusion.

[M. Fabiano] We've isolated and culled down to a specific number of reason codes, and overtime is charged by a reason code, so we get the analytics on why it's being worked. So that helps us understand what's the overtime-- the arrests, and those are statistical based on the way individuals have to report their overtime in the system. And that is monitored within the individual departments. The other piece, quite frankly, is that ever since the killing of Bin Laden,

our department has been operating on high security alerts at our facilities because of sensitivity around our transportation facilities and previous experience. So posts are normally not covered on an overtime basis, and additional posts are added, and that adds to the overtime because you're working with existing staff. And then the other piece of the equation that's sort of weighed in here that we're finding is training. And when you're taking people out to do training, you're filling these posts on overtime because we're still operating at a higher alert level than--our alert levels don't necessarily have to track to either state. Our intelligence community within the Public Safety department assess the situation and makes determinations about levels of staffing, and that's the kinds of discussions we're having with them.

[Chair D. Samson] I'm struck, Pat, by--you know-- I understand the role when it comes to PAPD, these PAPD numbers that existing contractual work rules plays, but I'm struck on these numbers by the Engineering Department overtime numbers. Is that a function of the inaccuracy of the underlying budget projections? Or is there something else in play here? I mean, 29,000 hours of overtime on engineering seems to me to be really-- [Comm. Steiner] Count the number of employees—

[P. Foye] Chairman, I think you've put your finger on something which is-- [Chair D. Samson] I stumbled into something. [P. Foye] No, I think you've correctly put your finger on something, and let me characterize it this way. I think that looking at it year over year and looking at it actual to budget are both important. I think the overtime numbers in the agency reflect a degree of optimism that--and I've looked in past years, and I think that degree of optimism has been present in a number of budget years, so I think--and obviously you've got to control, as Mike did for weather. And, frankly, Bill Baroni and I are claiming credit for the weather in the first--the second quarter, and we-- [Chair D. Samson] Well, I don't know about Baroni, but you're entitled to claim credit. [P. Foye] So we're trying to control--but I think there's been a degree of optimism in budgeting in a number of places, including overtime hours, and I think as we go into the budget for '13 we've got to be more realistic. And the second--in defense of Engineering, I think that giving the emphasis on increasing the pace of projects, which I think is important to all of us, on Bayonne and Goethals and some of the things that Rick is doing, and the George Washington Bridge cables. I think we've put burdens on Engineering, and I think that's reflected. And I will say in Peter Zipf's defense--I don't know whether he's in the room-- I think Peter is a good and diligent manager. [Chair D. Samson] Yeah, I agree.

[P. Foye] The other thing I think is important to say is that overtime is something to be controlled to some extent. It's not intrinsically evil and reflects a management choice, right? Because we can hire more people and make a-- [Chair D. Samson] Yeah, we talked about that last quarter. [P. Foye] Absolutely. Make a long-term commitment or do overtime. >> [Chair D. Samson] Right. [P. Foye] And I think right now the balance is out of whack, and the last thing I'll say-- [Chair D. Samson] Out of whack--too far on the overtime side? [P. Foye] Too far on the overtime side, generally. The last thing I'll say with respect to Public Safety. Bill Baroni and I have had a number of very granular discussions with the superintendent, with the Chief of the department, and with The Chertoff Group about very specific things that we can do in the existing union contracts, requiring no changes, and those are being worked on diligently. And as we begin to consider how the contracts with various representative groups are renegotiated, that will be something that will be top-of-mind.

[Chair D. Samson] Great. Yes, Commissioner Steiner?

[Comm. Steiner] I want to piggyback on that because it's not just the overtime with the PAPD; we have that terrible pension situation where people refuse to work overtime leave the overtime to guys who are retiring in the next 2 or 3 years, and I just think that's a real big problem that doesn't show in these figures, and it's something that deserves our attention. We've been run roughshod over by the PAPD, and it's-- [Chair D. Samson] I think our new management is aware of that and is determined to take steps to do what they can within the contractual negotiating process to deal with it. [P. Foye] It's also something, Chairman, that Governors Cuomo and Christie have both shown leadership on in terms of the contracts they've negotiated. [Chair D. Samson] Absolutely. [P. Foye] --mindful of what both governors have done. [Comm. Steiner] Good. I appreciate that. I commend you.

[Chair D. Samson] Any other questions or comments? Yes, Commissioner Bagger?

[Comm. Bagger] Just a fast suggestion and observation. The suggestion is it might be helpful in future reports to see a multi-year trend that could show a longer-term story instead of the 3 or 4 years. The observation and, Pat, you spoke to this as the variance to budget relative to the reduction from last year as striking when you look at the data. But I take it for the second quarter the variance to budget must have declined if the performance improved in the second quarter. [Vice Chairman Rechler] What was it? Do you know what that number was? That was going to be my question. While Mike looks for that, who provides the budget for overtime? Is it each person--line person does it? >>

[P. Foye] Yeah, absolutely. And one of the things I've learned, and this is my first full budget cycle, I think we've got to be more skeptical in a number of areas about budgets. And I think overtime hours is one.

[Chair D. Samson] That was my point; I just think we-- you know--it's great to be optimistic; we all like that. But we also--these budget numbers need to be reliable.

[M. Fabiano] We looked at--when you look year to year, through this amount, we're 16 percent higher than budget through the second quarter of '12. And that was 130,000 hours over, and that was the total that we were over. That was on one of the earlier slides. And a lot of that [audio cuts out]

[no audio]

[Comm. Bagger] I think the question--and if we can get-- if the data isn't available now, if we can get it later-- is if it was 16 percent over budget for the first half, what percentage was it over budget in the first quarter and what percentage was it over budget in the second quarter? To see if it's on a favorable trend.

[no audio]

The Port Authority of New York and New Jersey
Governance and Ethics Committee Meeting Transcripts
August 1, 2012

[Comm. W. Schuber] Good Morning, everyone. We welcome you to the public session of the Governance and Ethics Committee, 8:30 this morning. Today's meeting of the Governance and Ethics Committee is being held in public session in its entirety. In addition, the meeting is being broadcast live on the Port Authority's website for those interesting in viewing today's proceedings via the internet. We have four items for discussion today, and I'll open the meeting and ask our principal presenter, Howard Kadin, if he will make that presentation.

[Howard Kadin, Esq.] Thank you and good morning, Mr. Chairman, members of the Committee, ladies and gentlemen. Today I would like to speak with you about compliance with certain ethics, legal and regulatory requirements, a brief review of New York and New Jersey ethical standards and adequacy of the Commissioner's code of ethics, along with a review of some governance and ethics trends in the two states, as well as a quick survey of some corporate trends and best practices. All Port Authority Commissioners are required under the Commissioner's code of ethics on an annual basis and periodically throughout the year to provide General Counsel with financial information, consistent in format and substance with the information required to be filed by unpaid officers who hold policy-making positions in the state of their appointment. Accordingly Commissioners are requested to provide general counsel with information on their business, corporate, and other involvements as well as any substantial interests they may have. Now, Executive Order 24 promulgated by Governor Christie in 2010 mandates financial disclosure for certain New Jersey public officials, including the New Jersey Commissioners. Under the executive order, which continues a financial disclosure obligation that has been in effect under prior administrations, New Jersey Commissioners are required to file their financial disclosure statement with the New Jersey state ethics commission on or before May 15 of each year or within 120 days of assuming office for new Commissioners. All Commissioners are in compliance or are in process of complying with their obligations. There is a New Jersey statutory requirement in the New Jersey conflicts of interest law that certain New Jersey state officers and employees are required to complete a training program on ethical standards. Specifically, the training requirement applies to "A State officer or employee or a special state officer or employee in a State agency in the Executive Branch." This training is also relevant for New Jersey Commissioners who are required under the Code of Ethics for Port Authority Commissioners, which was adopted by the Board on February 19, 2009, to comply with all applicable laws, rules, and regulations, applicable to the Commissioner as an unsalaried public officer from his or her state of appointment. In the case of New Jersey Commissioners, questions with respect to their actions are generally reviewed in the context of the provisions of the New Jersey conflicts of interest law applicable to special state officers. The New Jersey financial disclosure statement form for public officers requires filers to indicate if they've completed ethics training, and all New Jersey Commissioners have completed such training. Now, in New York on January 2, 2011, Governor Cuomo issued Executive Order No. 3, mandating regular ethics training for all officers and employees working in the Executive Chamber of the Office of the Governor as well as Commissioners of New York state agencies. The training includes a discussion of Sections 73 and 74 of the New York Public Officers Law. While such requirement under the Executive Order does not directly apply to New York

Commissioners General Counsel does furnish Commissioners in New York regarding ethical obligations under those statutes. In addition, the Public Integrity Reform Act of 2011 in New York mandates similar ethics training for individuals subject to the New York State financial disclosure requirement. In June of this year, the Board approved a revision to the agencies By-Laws, which included a provision whereby the Governance and Ethics Committee is to be responsible for ensuring that each member of the Board of Commissioners has received training with respect to the ethical standards applicable to the member as an unsalaried public officer from the member's state of appointment. Now, here's a brief overview of some salient provisions of New York and New Jersey ethics laws. The importance of independence and objectivity in the performance of official duties is reflected in provisions regarding the avoidance of conflicts of interest, being on either side of transactions with one's own agency, limitations on the acceptance of gifts, provisions regarding nepotism, post-public service restrictions, and avoidance of political considerations in decision making. You can also see the twin goals of accountability and transparency reflected in financial disclosure requirements. In reviewing compliance with ethical standards is as applicable to the Commissioners, the Commissioners Code through its incorporation of applicable laws, rules and regulations applicable to the Commissioners as an unsalaried public officer from his or her state of appointment, its notification requirement with respect to conflict issues and contacts from lobbyists regarding procurements and financial disclosure addresses each of the following considerations: what standards apply, what risks are addressed, breach consequences, are third-party actions addressed, and is the code understood and accepted by those covered. consideration of the adequacy of the Code of Ethics and Financial Disclosure for staff is currently ongoing and will be a topic in an upcoming meeting of the Committee. The New York Public Integrity Reform Act of 2011 was passed in June 2011 in response to wide-spread criticism of aspects of New York State Governance, including allegations of corruption, lack of truly independent ethics oversight over all public officials, and for the failure to require more robust disclosure of outside income sources. The legislation requires for those who file financial disclosure statements information on a reporting individuals clients and of clients of a firm if those clients or customers are being represented with respect to a proposed bill or resolution before the legislature, have received state contracts or grants or are the subject of or a party in any proceeding by or before or involving a State agency. The 2009 Public Authorities Reform Act signed into law by Governor Patterson took effect March 1, 2010. That act builds on the framework established by the Public Authorities Accountability Act of 2005, which enacted a comprehensive set of reforms to help ensure more stringent uniform standards of transparency, accountability, and professionalism. The 2009 Act provides enforcement language to help ensure compliance, improve Board member performance, and strengthen the oversight role of the independent New York State Authorities Budget Office. As an aside, it's important to note at the outset that many Port Authority policies and practices predate this reform legislation and address the concerns underlying it. Directors are required to acknowledge that they have a fiduciary obligation to the Authority, to act in its best interests and those of the people of the state served by the Authority, to form duties and responsibilities to the best of their abilities in good faith and with proper diligence and care. Consistent with the enabling statute, the Authority's mission, By-Laws, and New York State law. Directors indicate an understanding of the obligation to become knowledgeable about Authority mission, purpose, functions, responsibilities, and statutory duties and, where necessary, to make reasonable inquiry of management and others with knowledge and expertise so as to be able to make informed decisions. Directors agree to exercise independent judgment on all matters before the Board.

They agree to participate in training sessions, attend Board and Committee meetings, and engage fully in the Board and Committee decision making process. They further agree not to disclose confidential discussions in matters before the Board and to disclose actual or apparent conflicts. Now, Port Authority Commissioners are provided with substantial briefing materials upon joining the Board, as you know, which familiarized them with the Port Authority's business, it's governance, and their responsibilities. Port Authority Commissioners' personal activities are screened by General Counsel's Office through the financial disclosure requirement and through questions raised directly by Commissioners to ensure Commissioner independence, objectivity, and freedom from conflict of interest and the appearance of such conflict. With respect to annual self evaluation, this is to be measured against the Authority's mission statement, goals and values, and the expectations of those served by the Authority and the State as a whole. At the Port Authority, there has been periodic review and evaluation of Board performance and committee effectiveness. Debt issuing authorities must have a finance committee, review proposed issuances, make recommendations to the Board with respect to the nature and appropriate level of debt, and regarding the appointment and compensation of bond counsel, investment advisors, and underwriting firms. Of course, the Port Authority has had a Finance Committee for decades. As to new reporting responsibilities, in addition to providing the New York State Authority's budget office with mission statements and performance reports, information is also required regarding current organizational structure and composition of committees, background information on the formation of the Authority, and the professional experience of board members and management, and more complete financial information on the Authority's operating risks, long-term liabilities and property transactions. There are restrictions on the formation of subsidiary corporations. Now, the Port Authority is statutorily required to allow the respective states to examine its accounts and books, and Port Authority Minutes are sent to the Governors of the two states, as you know, who have authority to veto actions recited in such minutes. Now for New Jersey trends. On February 21 of this year, the New Jersey State Ethics Commission posted, readopted, and revised rules. One change involved an expansion of the definition of "relative" in those rules to include "civil union partner or domestic partner". This change incorporated changes made in New Jersey law with regard to family relationships. Another change added a definition for the phrase "involvement in a matter," as you can see, in a provision requiring a State official's recusal from an official matter in which he or she had any involvement other than on behalf of the State prior to his or her State service. A third provision concerns an expansion of the existing prohibition on the use of a State official's title on behalf of a private organization for fund raising purposes to include a prohibition on the use of such title for promotional activities. The revision also clarifies that the State official may be referred to as the honorable when honored at a fundraising or promotional event at a private organization. Now, a board member can't properly execute his or her fiduciary duty without understanding the mission and interests served by the authority. Accordingly, a public authority must, consistent with the applicable law, define its mission and the interests and expectations of the community it serves. Relevant questions include what is the public purpose for which the authority was created? How can we best achieve that purpose? How do we assess whether an action or decision before the board is consistent with this mission and the public interest? How are the Authority's stakeholders? What are the Authority's goals? What are the values of the Authority? When a mission has been defined, policies are implemented to achieve those objectives. Performance measures are then put in place as a means for the Board and management to evaluate and monitor whether policies and operating practice are in accordance with the agencies mission.

Performance measures should be designed to answer questions such as how do we know if we are performing our mission. How do we know if we're performing that mission well? How can we be more effective and efficient? How do we know if we're meeting the interests of those we serve? With respect to transparency the Committee will recall that in December 2006 the Board expressed its continuing commitment to transparency, including commitment considering and voting on items presented to it individually, releasing agendas for meetings of the Board and its committees to the public prior to the meetings, publishing the minutes of meetings through the Port Authority website, providing explanations for actions taken or meetings held in executive session, encouraging public input, publishing contract awards and providing for public consideration of and input into the annual budget. The Board also adopted revised Open Meetings Rules and Regulations in December 2006 to encourage and permit public participation in Port Authority business consistent with the resolution on Open Meetings adopted by the Board in June 1992. The Committee will also recall that agency practices and procedures to increase openness and transparency were also provided in amended and restated By-Laws in 2007 and recently in a revised Freedom of Information Code. The Freedom of Information Code increases agency transparency by making it easier for individuals to obtain a wide range of Port Authority information and records and provide greater guidance to agency staff on determining record availability faster. The agency is also now posting information released under FOI requests on the Port Authority's website. In addition, By-Law revisions last month stressed the importance of broad public attendance and participation at public hearings and Commissioner presence at tolls and fare hearings. Regarding fiduciary duty, the Board members should always act in good faith and in the best interests of the Port Authority. They must inform themselves prior to making business decisions, utilizing material information reasonably available to them and exercise reasonable care in the discharge of their responsibilities. A Board that is informed, knowledgeable and engaged is integral to effective corporate governance. Board members must have a basic understanding of the primary business functions and mission of the authority. The Board is responsible for protecting the assets of the Authority, the interests of bond holders, and the public. Board members should not divulge confidential discussions in confidential matters that come before the Board for consideration or action. Board members owe a duty of loyalty to the public authority. This requires them to be disinterested so that they do not appear on both sides of a transaction or expect to derive personal financial benefit from it. Board members should disclose any conflicts or the appearance of a conflict or of a personal, financial, ethical, or professional nature that could inhibit them from performing their duties in good faith and with due diligence and care. As to independence and accountability, any interested party may comment on any matter or proposed resolution that comes before the Board consistent with laws governing procurement policy and practice, be it the general public, an affected party, a party potentially impacted, or an elected or appointed public official. But the ultimate decision is the Board members consistent with the Authority's mission and the Board members fiduciary duties. Those responsible for making appointments to the boards of public authority's demonstrate the seriousness with which they take this obligation by appointing knowledgeable and conscientious individuals who have a commitment to serve and a willingness to exercise management oversight and who have a demonstrated intellectual independence to carry out the mission of the Authority consistent with public policy objectives. The role of the Board is to oversee, not to manage. The Board, working with executive management, establishes the appropriate governance culture, philosophy, and commitment to performance. The Board has a responsibility to provide active oversight of management and to make reasonable inquiry of activities where

appropriate. Executive management in turn carries out policies established by the Board, making day-to-day operating decisions and keeping the Board informed with sufficient information of its actions, issues of concern, potential risks and liabilities so that the Board can make intelligent decisions. Executive management encourages the Board to stay informed on corporate governance issues. Now to some corporate trends. On April 7, 2010, the United Sentence Sentencing Commission approved significant changes to Chapter 8 of the Federal Sentencing Guidelines, which apply to organizations convicted of criminal offenses. In particular, these amendments affect the requirements for establishing an "effective compliance program," a means of mitigating institutional punishment in the wake of criminal conduct. The amendments took effect on November 1, 2010. They expand the availability of sentencing benefits for organizations. They provide a direct communication channel between compliance personnel and the organization's "governing authority," including "express authority" for the "individual or individuals with operational responsibility for the compliance and ethics program" to communicate personally with the governing authority. This personal communication must occur "promptly" on matters involving actual or potential criminal conduct and no less than annually on the implementation and effectiveness of the compliance and ethics program. The amendments clarify that to qualify as having an effective compliance and ethics program an organization must respond to detected criminal conduct by taking reasonable steps to remedy the harm caused by criminal conduct and taking appropriate measures to prevent further criminal conduct, including assessing the compliance program and modifying it as needed to ensure its effectiveness. Reasonable remedial steps may but are not required to include restitution, self reporting, and cooperation with federal authorities. As to prevention, the Commission rejected a proposal mandating the retention of an independent monitor. Finally, the Commission declined to adopt a proposed amendment focusing on the role of document retention policies in an effective compliance program. Now, the ethics resource center and nonprofit organization devoted to independent research and the advancement of high ethical standards, created a panel to assess the sentencing guidelines on their 20th anniversary. Among their findings in a 2012 report there are few federal sentencing guidelines, cases involving large companies, because criminal cases against bigger corporate defendants are largely being detoured around the judges for whom the sentencing guidelines were intended. What you have instead are a plethora of deferred prosecution agreements. There is a lack of consistency in policies toward effective compliance and ethics programs across the 20 some odd government agencies that play a role in corporate law enforcement and regulation, because there is neither a requirement that these policies be aligned or a mechanism available for doing so. So, within the federal government itself there isn't agreement as to exactly what an affective ethics and compliance program should be. Many compliance ethics programs fall short of their potential, because portions of the sentencing guidelines remain under emphasized or unclear. Finally, too many executives take a "check the box" approach to these programs rather than satisfying the full intent of the Federal Sentencing Guidelines. In accordance with the Framework for Conducting Effective Compliance and Ethics Risk Assessments of the Association of Corporate Counsel, "Compliance Risk" is the risk of legal or regulatory sanctions, material financial loss or reputational damage to an organization resulting from its failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its business activities. Now, what you have here is the list of principles of effective risk oversight, which apply to risk oversight in general, but I'm interested in dealing with this and having focus on the intersection between general risk oversight and compliance risk oversight. A compliance risk assessment helps

determine risks that are relevant to the organization, the probability of each risk occurring, the overall affect of the risk on the organization, how to set compliance priorities based on what kind of risk is faced-- financial, legal, operational, reputational-- and options and actions to enhance opportunities or reduce threats to the organization. The takeaway here is that these principles that you see represent a distillation of common sense practices that responsible Boards, such as the Port Authority's, follow. Finally, again with respect to the National Association of Corporate Directors you have ten key agreed principles to strengthen corporate governance. In each case the principle relates to the formulation and design of appropriate governance structures and practices. Thank you.

[Comm. W. Schuber] Thank you, Mr. Kadin. Thank you very much. Just a couple things. I think that the importance here of transparency and accountability are the watch words of the Authority, and I want to particularly thank you for your presentation today. I also want to thank our Chairman, Chairman Samson, as well as Pat and Bill, our Director and Deputy Executive Director for the implementation of this watchword for the Authority as we move forward. I think it's extremely important. I think the other important thing here, too, in looking at the presentation that you made today as well as reviewing the materials that back it up is that I think it's important to understand that these rules and regulations and statutory implementations by New York and New Jersey are not necessarily just a slap for governing conduct that we don't want you to do, but rather that this is conduct we expect, number one, but that is good conduct in the best practices and that it is good for our stakeholders and it's good for the public at large that this public policy of strengthened ethical regulations and rules are really not meant to be this kind of punishment that hangs out there, but rather it's good public policy. It's what we expect of those who take into account public positions such as all of us have here. As we go forward and as you know, Howard, the Committees are going to be reestablished. This Committee is going to be very, very important going forward as it is now. A couple things I'd like to do in the new term really is to make sure that we're offering seminars with regard to all of our employees as well as the Commissioners. This is very important for all of us who are here today, but even though we do get the updates of what's happening with regard to ethical rule changes by the states, I think it's important to really renew this with all of our Commissioners again. I know we all get materials, and I want to thank Darrel. Thank you very much for keeping us up-to-date with that. But I think it's important that what you did for us today be done for all Commissioners, especially since we have three new Commissioners, and I think that's important a well as agency heads and all the way down through our employees periodically. It's something we might want to look at in the new term as we review our practices and policies here.

[H. Kadin] I agree with you completely, and we do in the Law Department engage in ethics training for staff as well. I know I have personally given certain training to new hires and our Human Resources Department has been involved in implementing a program that allows us to do that. Periodically, I've been asked from time to time by various departments to come in and speak to them as well. That training does exist, and I believe there is also an initiative in process for implementing an online ethics training program.

[Comm. P. Schuber] Across the Board for everybody? [H. Kadin] Yeah, for staff. >>[Comm. P. Schuber] Okay. Have we gotten materials out to our brand new Commissioners? I know Commissioner Bagger is just on board. I just want to make sure that we-- Although, I know Rich

and I know that he probably has this material. He knows already, but I want to make sure that he gets it and understands there are some deadlines with regard to that.

[unintelligible] >>[Comm. P. Schuber] Okay. Very good. Thanks. Thank you, Darrell. Do any of the Commissioners have any questions that they'd like to ask? Howard, thank you very, very much. Just to indicate to you that we look forward to working with you in the new term with regard to the Committee on Governance and Ethics as reestablished to continue to implement these policies and procedures and practices. I still think--one of the things I would really like to do here as a result of this is to make sure that all of the Commissioners get a chance to see this presentation just to reaffirm it to them, because many times there are questions and getting it in the material is fine, and I appreciate that very much, but I think the presentation would be very helpful also. [H. Kadin] Thank you, Commissioner.

[Comm. P. Schuber] With that, then this Committee meeting is adjourned.

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Meeting Transcripts
August 1, 2012

[Chair A. Sartor] The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee is being held in public session. After which, the Subcommittee will meet in executive session to discuss matters involving ongoing negotiations or review of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the internet. First order of business, I would like to welcome Commissioner Richard Bagger to his first meeting of the World Trade Center Subcommittee, welcome. Richard and I have had some conversations about what goes on here over the last number of years so welcome.

[Comm. R. Bagger] Thank you. [Chair A. Sartor] Great addition. And as usual, we have Steve Plate up to bat except that you've really got to condense your presentation, don't be verbal here. [S. Plate] Okay. [Chair A. Sartor] Don't be so verbose as you usually are, very quick. [S. Plate] Okay. [Chair A. Sartor] Because we are about-- We've got five minutes left and we have to cover everything. [S. Plate] Okay. [Chair A. Sartor] Go ahead.

[S. Plate] In conclusion, I'm sure you will approve each one. Our first item involves a contract for the application of paint and coating to the 11,000 tons of steel associated with the Oculus and Transit Hall. The contract was publically advertised with FCS Group, a PA certified MBE firm, being the lowest responsive bidder at $9,299,999, excluding extra and clause work, which compares favorably with our estimate of $9.9 million, and includes allowances of $700,000 to Downtown Design Partnership and $800,000 to Tishman/Turner for design and construction management services respectively.

[Chair A. Sartor] And what was the--what was your estimate, staff's estimate? [S. Plate] $9.9 million. [Chair A. Sartor] $9.9 million, okay. Any questions on this item? If not--second, done. Next item, speed it up, Steve.

[S. Plate] The next item involves a contract to install approximately 225,000 square feet of interior stone for the Oculus and the connectors. The contract was publically advertised with Gem Construction being the lowest-priced qualified proposer at a cost of $27.475 million excluding extra and clause work, which compares favorably with our estimate of $27.1 million and also includes allowances of $1.5 million to Downtown Design Partnership and $2 million to Tishman/Turner for design and construction management services respectively.

[Chair A. Sartor] Questions on this item? [Comm. W. Schuber] So moved. [Chair A. Sartor] Next item, Steve.

[S. Plate] The next item requests authorization of a supplemental agreement with EIC Associates to perform foundation construction for the Oculus and Transit Hall in the East Bathtub. In order to meet the commitment to open the Memorial by 9-11-11, the construction of the Memorial was given the highest priority during the October 2008 assessment and required a complete restaging of the Hub project. This included implementation of top down construction and resequencing of

priorities resulting in significant impact to the Hub. An authorization of a supplemental agreement amount of $5,910,146, excluding clause work, which compares favorably to the staff estimate of $6 million is required to close out the contract and provides a general release to the PA, and this will bring the total authorized amount to $27.5 million.

[Chair A. Sartor] Any questions on this--Commissioner Steiner. [Comm. W. Schuber] Second. [Chair A. Sartor] Next one.

[S. Plate] The next item requests authorization of a contract for the performance of all general conditions work for the retail project. The contract was publically advertised with 9 firms bidding and resulted in Northbrook Contracting being the lowest-priced qualified proposer at a cost of $9,739,143, excluding extra work, which compares favorably to the staff estimate of $11.3 million. The Port Authority staff took the initiative to publically bid this contract, and this process resulted in a savings of approximately $2 million as compared to the conventional approach of utilizing the construction manager to perform the work as part of the general conditions work.

[Chair A. Sartor] Any questions on this item? [Comm. W. Schuber] So moved. [Chair A. Sartor] Next item, Steve.

[S. Plate] The next item requests authorization of the early-action contract for the installation of heat and ventilation systems for the roadway network. The contract was competitively bid with WDF being the lowest-priced qualified proposer at a cost of $8.15 million, excluding extra work, which again compares favorably to the staff estimate of $8.3 million.

[Chair A. Sartor] Questions on this? [Comm. W. Schuber] Second. [Chair A. Sartor] Next one, Steve.

[S. Plate] The next item requests authorization of an early-action contract for the installation of a power distribution center for the same roadway network. The contract was competitively bid with Zwicker Electric being the lowest-priced qualified proposer at a cost of $22.45 million, excluding extra work, which again compares favorably to the staff estimate of $26.7 million.

[Chair A. Sartor] Questions on this one? Seeing none. >>[Comm.] Second.

[S. Plate] Our last item requests authorization for the construction of the streets and sidewalks around Tower 4. The contract was publically advertised to our pre-qualified list of firms with Paul J. Scariano being the lowest-priced qualified proposer at a cost of $5.795 million, excluding extra work and net cost work, which compares favorably to the staff estimate of $7.8 million. This work has been staged to minimize impacts as well to the future campus plan. Thank you, Commissioners. I request you advance these items to the full Board for approval.

[Chair A. Sartor] Any questions on this item? >>[Comm.] No. [Chair A. Sartor] Okay. Steve, that wasn't too bad. That was pretty quick. Are there any other items for the open session?
[S. Plate] Nope.

[Chair A. Sartor] This concludes the public portion of today's meeting. The Subcommittee will now adjourn to executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals.

The Port Authority of New York and New Jersey
Committee on Capital Planning, Execution and Asset Management Meeting Transcripts
September 20, 2012

[Chair S. Rechler] --for the late start. We got held up at the Operations Committee. Pleased to welcome everyone to our first formal meeting of Capital Planning, Execution and Asset Management, which we believe helps consolidate a number of the port activities in a manner that's more efficient and a way for us to work more strategically and work more strategically with the team members from the port to align the interest with the strategic goals of the port. The first part of today's meetings of the Committee on Capital Planning, Execution and Asset Management is being held in public session. Afterwards, the committee will meet in executive session to discuss matters involving ongoing negotiations or reviews of contracts and proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. As part of the public session, our first area of business relates to Newark Liberty International Airport. We're fortunate to have Susan Baer here to present for us. Susan?

[S. Baer] Thank you. Good morning. I'm happy to be the first to present to the newly reorganized committee. I'm here to seek project-- I'm sure we'll be back often. I'm here to seek project authorization for system enhancements to the existing Central Terminal Area electrical service to provide greater redundancy, increase operational efficiencies, and improve system operation's flexibility and expandability at Newark Liberty International Airport. This project will produce 90 job years, $6 million in wages, and nearly $25 million in economic activity. Newark is engaged in an extensive and comprehensive infrastructure renewal of primary utility service systems. As part of this effort, the existing electrical distribution service for the Central Terminal Area requires modifications to enhance the reliability and inherent redundancy of the system. The existing PSE&G electrical service is original to this construction of the central terminal area in 1968 and supplies Terminals A, B, and C, Runway 11/29's lights and associated taxiway lights, the fuel farm, the FAA tower, and the Central Heating and Refrigeration Plant. The Port Authority has requested PSE&G initiate modifications to the Central Terminal Area electrical infrastructure to provide alternate power delivery routes for the area. The project before you would create a ring by extending the existing service area back to the PSE&G substation, whose ring is shown in green, and to install isolation switches at four critical locations around this ring shown as yellow dots. This would effectively create a back-up electrical service. PSE&G provides a basic level of service; however, this redundancy is critical to meet the required level of service to our customers at the airport. The project design will be developed by PSE&G and submitted as a tenant construction alteration process application to verify its compliance with Port Authority standards. The Port Authority will reimburse PSE&G for its design and construction costs. This project represents significant economic benefits for the region. The total economic impact of the project is estimated to include 90 job years, $6 million in wages, and $25 million in economic activity over the life of the project, including indirect effects such as construction employment and materials purchased. The total project cost is estimated at $8.9 million, of which $600,000 consists of design and engineering costs performed in house. This authorization will also include authorization for the Executive Director to enter into agreements with PSE&G for design and construction of electrical distribution associated with this project at an estimated cost of $7.5 million. The project is expected to be fully recoverable through

Passenger Facility Charges through an application we've already made. Completion of this project is expected by the second quarter of 2014. Commissioners, I request that you advance this item to the full Board for approval. Thank you. >>

[Chair S. Rechler] Question?

[Comm. D.Steiner] Could you bring up the screen again showing the location? Put the green up too--the next one. It seems to me you're not getting another independent source. You're just running another line back to the same point of supply. I don't call that redundancy at all. All you've done is connected the loop around it, but it's to the same power source. You don't have an independent power source. If public service goes down, you're still down. I'd hardly call that a redundant system. All it is--you're adding another feeder in case one of your lines goes down, but if public service goes down you're out. [S.Baer] Yes. [Comm. D.Steiner] So you're not getting any redundancy. [S.Baer] We are getting redundancy because-- [Comm. D.Steiner] Not from my thinking. [S.Baer] We are getting redundancy because we will now be able, if there is a problem, to isolate that problem and still provide power to the remainder of the Central Terminal Area. [Comm. D.Steiner] And feed from a different direction? [S.Baer] Feed from a different direction. [P. Zipf] Yes, if I may add to that? The experience we had is we lost some lines, because if we have fire in the existing lines, we lose the whole airport. [Comm. D.Steiner] We're not looped? >> [P. Zipf] No. >> [S.Baer] No. [P. Zipf] So this will provide that service. >>[S.Baer] This provides the loop. [Comm. D.Steiner] So we're continuing the loop so we can--? >>[S.Baer] Yes. [Comm. D.Steiner] It is not a redundancy. [P.Zipf] >>[Inaudible] [Comm. D.Steiner] That makes sense. >>[Inaudible] [S.Baer] Okay, we will not call it redundancy. [Comm. D.Steiner] Because it's not redundancy. >>Not fully. [S.Baer] It's not full redundancy. >>[Comm. D.Steiner] It's nowhere near full redundancy. [S.Baer] But it would solve the problems that we have had on a number of occasions at Newark Airport where pieces of this have been lost. [Comm. D.Steiner] I want the electrical engineering line--[laughter]

[Chair S.Rechler] You've made that clear to us on many occasions. [Comm. D.Steiner] And I shall continue to do so. [Chair S.Rechler] I appreciate it. Any other questions?

[Comm. R.Pocino] [inaudible] [Comm. D.Steiner] Second. [Laughter] [Chair S.Rechler] Okay, we're going to move this to the full Calendar. Thank you, Susan. [S.Baer] Thank you.

[Chair S.Rechler] Before we go to executive session, again, just to touch upon some of the responsibilities of this Committee and why, I think, it's critical that we focus. Yesterday we provided the results of the Navigant report, and in that report it talked about over $26 billion of capital projects that have been identified for the Capital Plan that ends in 2020 and over $40 billion of other identified, or inclusive of the 26, of fully identified projects that the port has on their list. I think one of the objectives and responsibilities for this Committee is to further prioritize those capital projects in terms of what is the critical ones for the state of good repair of our infrastructure, which are the ones that are going to generate economic development the quickest, and which of the ones, frankly, that could be done more innovatively or deferred more with the least amount of impact to our region. We as a group are going to have to spend a lot of time on that. I think once we get through that process, it's going to be important at these meetings to take the projects that come forward and look at them under the same lens that we prioritize

that capital plan relative to the different types of segments and impacts on the community. Okay, we're going to jump into executive session then reconvene quickly. It will be a short executive session, so those who want to come in for the Subcommittee on World Trade Center, we'll be jumping right into that.

The Port Authority of New York and New Jersey
Committee on Operations Meeting Transcripts
September 20, 2012

[Chair D. Samson] The first portion of today's meeting of the Committee on Operations is in public session, and then will meet in executive session to discuss matters involving negotiations and reviews of contracts or proposals. The public portion of the meeting is being broadcast live on the Authority's website. The first issue, Chris Zeppie, is an update on environmental initiatives.

[C. Zeppie] Thank you. [Chair D. Samson] Sure. [C. Zeppie] Good morning, Commissioners. Today I'm pleased to provide you with an overview of ongoing initiatives being undertaken to minimize the impact of our operations on the environment. Today I will be touching upon some of our accomplishments to date reviewing the next phase of a program for which we are asking your support to continue our partnership with the private sector in improving energy efficiency at our facilities, and to briefly review the status of additional initiatives on the horizon. This slide depicts energy conservation initiatives, both ongoing and completed, at our airports. Worth noting is at JFK the Port Authority collaborated with air carriers and FAA to implement an innovative ground management system to mitigate delays resulting from the closure of the Bay Runway in 2010. The system, which successfully metered departures and reduces queuing is now utilized in day-to-day operations. This collaboration has saved air carriers $10 million and $15 million per year in fuel, reduced taxi-out delay by 14,800 hours and has reduced CO2 emissions. The Airport Council International recognized this achievement by awarding JFK their 2012 Environmental Achievement Award in the Innovative Special Projects category. At the World Trade Center, the commercial towers are seeking LEED Gold certification in accordance with standards by the US Green Buildings Council. Staff is also committed to working with our tenants and public and private partners at the site to address sustainability issues and ensure compliance with environmental requirements. Tenants are also being encouraged to meet LEED Gold commercial interior standards for the fit-out of their spaces. With the PATH Modernization Program, which includes new trains, expanded station platforms, and new signal system, the agency is investing in projects that better accommodate the current and future mass transit requirements, allowing the region to replace vehicle miles traveled and associated emissions with public transportation. At our port facilities, we have worked with outside stakeholders in developing a comprehensive set of initiatives as part of a clean-air strategy, which was adopted by this Board. The strategy identifies actions to reduce emissions from all port sources which include ocean-going vessels and harbor craft, cargo-handling equipment, truck, and rail serving the port. The initiatives displayed in black on this slide are already in place, and the items listed in red are under development. At our tunnels, bridges and terminals facilities, we are leveraging innovative technologies to conserve energy and water. One of these technologies is a green roof which will be placed on the Holland Tunnel Administrative Building. LED technology is also being used at the Holland Tunnel, a project specifically identified by the Board. Installation by facility staff is scheduled for March 2013. The Port Authority has also committed to remain vigilant in ensuring environmental compliance at all of our facilities, and we are currently implementing an Internet web-based regulatory management compliance system. In addition, the PA has entered into an agreement with 511 New York RideShare and New Jersey EZRide to

provide Port Authority employees access to car pool and van pool matching services as well as public transit options. The Board approved Hudson-Raritan Estuary Program also contributes to the sustainable environment. The program commits $60 million of PA funds for the acquisition of property in the Hudson-Raritan Estuary certified as high-priority for preservation and public access. Environmental initiatives on the horizon include renewable energy projects, electric vehicle chargers, and other amenities which serve our port facilities and our patrons. In furtherance of the agency's environmental goals and objectives today, I am seeking authorization for the second phase of an energy-savings program under which staff would contract with energy service companies to implement certain energy conservation improvements at Newark Liberty and Stewart airports. These improvements will be implemented by Honeywell Building Solutions through an existing call-in contract issued pursuant to a publicly advertised RFP. The improvements will yield guaranteed energy savings plus avoided material costs of approximately $1.4 million annually, or $21.5 million over the life of the project. Implementation of energy conservation improvements at the Port Authority Bus Terminal Lincoln Tunnel, and the Journal Square Transportation Facility were approved by the Board in February and are well under way. Since February, the PATH facilities have been enrolled in a demand-response program which has already provided incentives of over $100,000 annually. Energy performance contracting has been in use since the 1970s. New Jersey established the Energy Savings Improvement Program under Chapter 4 of the Laws of 2009, and New York State Energy Law Article 9 facilitates energy performance contracts for public buildings and facilities. Both the states of New York and New Jersey are focusing on the energy services sector for its strong job creation potential. Power NY Act of 2011 includes creation of the Green Jobs/Green NY program providing access to energy audits, installation services, and low-cost financing. The 2011 New Jersey State Energy Master Plan focuses on expanding energy efficiency programs, stating that a strong energy efficiency program should result in an estimated net increase of 1,850 jobs by 2020. Work on the Newark Liberty and Stewart airport projects is expected to commence in November of this year. Commissioners, our request is that you would advance this item to the full Board for approval today. Thank you.

[Chair D. Samson] Thank you, Chris, for the update. Any of the Commissioners have any questions on this before we move to executive session? Yes, Commissioner Bagger?

[Comm. R. Bagger] Just a fast comment and a question. The comment is on the sort of first part of the presentation, the holistic environmental program, I'm sure that the Authority is doing this, but to continue to communicate that through the annual report and other mechanisms and with key stakeholders about the breadth of the environmental initiatives of the Authority so that they become well-known, but the question I have is relative to the budget status. So is there--when does the first net savings occur from the Newark and Stewart--is it in year 1, year 2? I know there is--over the life of the program there is significant savings, but is it--? [C. Zeppie] The way the program is structured, there should be a positive cash flow in year 1. The expenses are spread out over a term, which allows that to happen. So--and the savings are guaranteed by the ESCO, so we should have a positive cash flow starting right at the inception of the project. [Comm. R. Bagger] Year 1 and throughout the life of the project. [C. Zeppie] Correct.

[Chairman Samson] You know, just to jump on--I'm sorry, Vice-Chairman?

[Comm. S. Rechler] I was going to follow up on you, too. You said the savings are guaranteed. Is that irrespective of the amount of energy usage that facility is using, or is it guaranteed tied to the amount of use? [C. Zeppie] It's guaranteed tied to the amount of energy used, and then there is agreed-upon criteria for establishing what is the appropriate energy rate which should apply in a given year. [Comm. S. Rechler] So it's the estimated 1.2 times the guaranteed amount itself and is part of a formula, which your estimating at $21 million. [C. Zeppie] Correct.

[Chair D. Samson] Okay. Just to pick up on what you said, Rich. I've been suggesting for a while, and having conversations with the Executive Director and with the Deputy, about communications on the environmental initiatives. One of the things that the Port Authority has not done, in my view, as effectively as it might, is to make people aware of the initiatives and the kind of investments we're making in those initiatives on all sorts of green energy and environmental--open space, the estuary program, all sorts of things that we're going here that don't see the light of day. And--you know--the Port Authority gets criticized, often rightly, for some of the things it doesn't do or does do, and when it does something really good, we should publicize it. So one of the things that is an interesting segue, when we go to the charter, the new charter that hopefully we will adopt as the Operations Committee, one of the specific areas of oversight that the new charter explicitly references is to oversee communications and media relations with all constituents. So I agree with your comment. I'm sorry. Go ahead.

[Comm. R. Bagger] It is fairly common that the private companies issue a sustainability report, environment report-- [C. Zeppie] Yes. [Comm. R. Bagger] And I don't know that we've issued that-- the environment and sustainability report and then provide it to stakeholders [C. Zeppie] We do prepare a greenhouse gas emission inventory every year, and we report annually on the improvements that we've made. I agree that we probably have not been able to get that out into the public domain as much or as effectively as we can. But the constituent groups--you know--the environmental groups that we deal with on, sometimes, the very narrow issues are fairly well aware of the programs that we have going on.

[Chair D. Samson] Yeah, we're talking about a broader audience, and so I'd invite you through the Executive Director to work with the communications folks to make sure that we get this out in the most effective way. [C. Zeppie] Absolutely. [Chair D. Samson] Thank you.

[P. Foye] Mr. Chairman, taking your advice, one of the things that Bill Baroni and I will be discussing in public session is the environmental record review focusing on increasing the profile.

[Chair D. Samson] Yes. Great. Okay, this concludes the public portion --thanks, Chris-- of today's meeting. We'll adjourn to executive session to discuss matters involving review of contracts and proposals.

The Port Authority of New York and New Jersey
Committee on Finance Meeting Transcripts
September 20, 2012

[Comm. J. Rubin] Welcome to the Security Committee meeting. We have a good number of commissioners, I'm pleased to see. We have a public session followed by an executive session. For our public session, we're going to be discussing an issue related to ports, and we're pleased to have Richard Larrabee here to present the issue of radio frequency identification programs. Rick, I'm going to turn the floor over to you.

[R. Larrabee] Chairman, thank you. Before I begin my presentation, I'd like to introduce Bethann Rooney, who is the General Manager of Port Security for the Port Authority. Just to give you a little bit of Beth's background, she is currently Chairman of the Area Maritime Security who provides support for the Coast Guard. She's a member of the National Maritime Security Advisory Committee, providing advice to Homeland Security. She's chair of the Port Security Caucus for the AAPA and last week testified in front of the House Transportation Infrastructure Committee on needs for our port security programs, so we're very fortunate to have Beth working for us. She's going to answer a lot of questions this morning. [Chair J. Rubin] Thank you. Welcome, Beth. >>[B. Rooney] Thank you.

[R. Larrabee] Commissioners, good morning. To continue implementation of programs that handle security of our maritime terminal facilities is of utmost importance to all of us. Today, I'd like to discuss and propose a new program that would be launched in partnership with our major container terminal operators that would provide a secure and effective way of identifying the trucks that request access to secure areas of the Port Authority's container terminals for the implementation of a radio frequency identification system at the Port. Radio frequency identification, or RFID, is a generic term that's used to describe a wireless system that transmits information about the identity of an object using radio waves. The primary advantage of RFID is that it is an automatic data collection technology, meaning that no monitoring, intervention, or action is required on the part of the operator. As illustrated on this slide, a basic RFID system consists of three components: the RFID tag or transponder programmed with unique information, a reader or antenna, and a computer or transceiver. The antenna emits radio signals to activate the tag and read the data that's stored on it. When an RFID tag passes through the electromagnetics zone, it detects the reader's activation signal. The reader decodes the data encoded in the RFID tag and passes it to the computer for processing. Commissioners, it's important to note that RFID is a proven technology that is already in use in other ports, including Los Angeles, Long Beach, Oakland, and Seattle, Washington, to monitor and track trucks. All containers moving through our container terminal facilities, which have been designated as secure areas under the Federal Maritime Security regulations, are identified by information that's provided to the U.S. customs and border protection. All truck drivers servicing our container terminals are identified by using both a federally issued transportation workers' identification card, known as TWIC, and a Port Authority-issued sea-link truck driver identification card. However, the trucks they operate are not uniformly identified. In order to increase security and maritime demand awareness, a component of the national strategy for maritime security in the Port, an effective method of identifying and tracking truck traffic at our container terminals is

required. In order to achieve that, the RFID system will be established by the Sustainable Terminal Services Incorporated, a not-for-profit consortium comprised of our container terminal tenants. The cost of the system would be partially funded by the Port Authority. Under the proposed program, all trucks accessing our marine terminals will be required in early 2013 to be registered in the Port Drayage Truck registry and have a working RFID tag mounted on their side-view mirror. Trucks without with RFID tag would not be allowed to enter the port's container terminals. A series of RFID readers and exciters would be installed in each of the truck lanes at the container terminals to capture the information transmitted by the active, tamper-resistant tags installed on each truck. This information will be included in the location of the truck, the license plate number, the owner/operator of the truck as well as the time and date that their truck passes the RFID reader will allow the terminal operator to determine whether the truck requesting access is allowed to enter. Once installed, the RFID tags will be used to enforce the Port Authority's Truck Phaseout Program, which allows the Port Authority to deny access to its marine terminal facilities when the truck engines are older than required models under the rules and regulations of our marine tariff. Sustainable Terminal Services LLC has been awarded the Department of Homeland Security 2009 port security grant in an amount of $4.8 million to offset the 75% of the $6.5 million cost of implementing the RFID system at our port. Commissioners, today your authorization is requested for the Executive Director to enter into an agreement with Sustainable Terminal Services LLC to provide for the Port Authority and STS to each pay one-half of the required local sponsor cost share of $1.6 million at a cost to the Port Authority of $108,000 (sic). STS would award and manage the various contracts associated with the design, installation, maintenance, and operation of the RFID system. The Port Authority's financial exposure for the RFID project would be limited to the $808,000, and STS would be responsible for additional costs over-and-above the $6.5 million project cost. Under the terms of the agreement, each of the terminal operators would pay a pro rata share of the ongoing maintenance and operation of the system beyond September 30, 2014, which is estimated to be about $400,000 a year. The Port Authority's ongoing support of the RFID system after its initial contribution would be limited to the provision of existing staff to issue and troubleshoot the RFID tags after the initial issuance is completed. Commissioners, the proposed RFID program represents our effort to work with our private partners at the Port to increase its situational awareness of the truck activity at our marine terminals and improve port security. I request that you advance this item to the full board for approval today.

[Comm. J. Rubin] Thank you, Rick. For our audience and others interested, would it be safe to say that essentially this tagging system lets us know that trucks entering are already inspected, are already safe before they get to our port and limit the amount of inspections we therefore would have to do? [R. Larrabee] It gives us the ability to identify that truck before it enters into that secure area, so it's an absolute means of doing that. And the advantage of RFID, as I said, is that it requires no human intervention. The computer, the system, and the database that's in place is queried, and it in real time allows that terminal to either prevent the truck from coming in or identify the truck as a prescreened and approved vehicle. So, now we've got the truck as well as the driver and the container all captured in a system that not only works in real time, but allows us to go back after an incident occurs and determine the history of all of that activity.

[Comm. J. Rubin] Got it. We're lucky to have with us John Drobny who's going to be addressing us in the executive session. John, have you been working with the Port Department on this

program? [J. Drobny] Very close coordination, and I fully support their reference. This is a good breakthrough for the Port. It can capture up to, I think, 10,000 trucks is the plan, and I fully support it. It's been a close working relationship.

[Comm. J. Rubin] Terrific. I see Chairman Samson has walked in. We've been getting a briefing on the new identification system for trucks entering our port. [Chair D. Samson] I want to make a point. I was on the telephone with somebody from New Jersey whom I am had to speak with. [Comm. J. Rubin] That happens. [Chair D. Samson] It was the only reason I would be late for your meeting, Chairman.

[Comm. J. Rubin] Okay, Pat. >>[Ex. Dir. P. Foye] Thanks. Chairman, I just wanted to add that Rick Larrabee and Bethann Rooney had a series of conversations and meetings Chertoff Group issues were raised and addressed, and I just wanted you to note that that part of the process occurred. >>Thanks.

[Comm. J. Rubin] And as a result of that consultation were some adjustments made or some questions answered? What was the interaction? [R. Larrabee] I think all we needed to do was to make sure that the entity that we were going to be doing business with was valid, and they are, as I said, a consortium of our terminal operators who we've been working with very closely on this program for the last two years. So, I think we've satisfied all of the questions that were raised.

[Comm. J. Rubin] Good. Just for informational purposes, how does this system compare to other ports around the country? Does anyone know? [R. Larrabee] As I mentioned, some of the ports on the west coast have already adopted RFID. It's going to give us great advantages from a security standpoint, but it really becomes the basis for having situational awareness of, as John said, the ten thousand trucks that visit our port everyday. It's an element of the port that really will give us a tremendous advantage for our environmental programs, for traffic management, for doing investigations after an accident. It really is going to be sort of the foundation of a transportation system that needs to be modernized, and this really helps us out in that way.

[Comm. J. Rubin] Terrific. Are there--yes, please. [Comm. R. Bagger] This really sounds like a excellent system and very good use of technology, and the financial aspects of the deal seem to have-- the project seems to have been very well-designed. A question I have just for clarification is will this initiative do anything to change how trucks are registered and the background checks that are done? Or are we through this putting RFID on the trucks that are already going through the background check and registration process to be permitted to enter on the Port property? [R. Larrabee] Commissioner, today we have something called a Truck Drayage Registry, and it requires any operator to register their vehicle. We use it primarily for environmental concerns. You may be aware that we have recently banned older trucks from the Port. Pre-1994 trucks have been banned. In 2017 we'll ban any truck built prior to 2007. It really is going to allow us to have the most modern diesel technology in the Port, and trucks are a big factor in terms of air emissions. This is a positive way of making sure that any truck that enters the Port is in compliance with that program. In addition to the ability to now have a database where we know all of the players on any given day in terms of those trucks and the activity that they're creating in the Port. I think from our perspective, as I said before, it really becomes a foundation for a much better awareness of that truck activity. [Comm. J. Rubin] An inventory system. >>[R.

Larrabee] Absolutely. In that Truck Drayage Program we're requiring a certain amount of information, and the nice thing about this program is that if a truck is not in compliance we can go back and change the database at any point and that truck is denied access to the terminals. So, it's a very positive system.

[Comm. R. Bagger] From a security perspective, if there's a truck that you don't want in the Port then it needs to be off the Truck Drayage list. [R. Larrabee] Correct. [Comm. R. Bagger] And whatever criteria are used for that registration and background checks becomes your screen that's then 100% enforced by this terrific technology solution. [R. Larrabee] Exactly. Now we do the same thing with the truck driver. Through the TWIC Program and through our sea-link Program we've now captured both the driver and the truck. >>

[Comm. J. Rubin] Commissioner. [Comm. P. Schuber] Mr. Larrabee, two questions. Number one, the company itself--does it have a track record in this area that we can look at some other location? [R. Larrabee] The STS is the consortium that was created. Under the rules of the Federal Maritime Commission under the Shipping Act, terminal operators are not allowed to sit down and talk to each other unless they get the okay from the Federal Maritime Commission, so they're under a Federal Maritime Commission talking agreement, which is what allows them to come together and talk about this issue. So, that's the entity that's created. They're going out in a competitive way and have done that to get the design and the system built. And so it's all done in a competitive process.

[Comm. P. Schuber] So, this is kind of--for us is-- although I understand it's operating on the west coast, for us this is going to be the first time we've done this. >>[R. Larrabee] Yes.

[Comm. P. Schuber] Let me ask you a question just out of curiosity. Supposing--like my EZ Pass--supposing somebody takes one of these things and puts it on their truck or finds one of these things and puts it on their truck and then starts to use it to come into the Port. What would happen under those circumstances? >>[R. Larrabee] Beth? [B. Rooney] The RFID tag in the database is programmed with everything that identifies the truck, including the registration and the license plate number. In most of the terminals today, the system will be working in concert with license plate recognition technology. So, it will be reading the license plate number and comparing that to the number that's stored on the tag. [Comm. P. Schuber] And then it will issue what? A warning or something? [B. Rooney] It'll be denied. If it doesn't match, it'll be denied access. [Comm. P. Schuber] Oh, it would be denied. Okay. My concern here, obviously, sometimes we can get the greatest of technology, and I think this is, by the way, and then all of a sudden we become complacent because we rely upon it. Then something happens underneath it. So, that answers my question with regard to it. Thank you.

[Comm. J. Rubin] Thank you. Please. [Comm. R. Pocino] Just a follow-up question. I see that STS is responsible for the operating and maintenance costs. Who's actually responsible for oversight and review of whether it's operating or not? We know we have cameras installed in places for safety reasons, but then what happens when some of them aren't working? [R. Larrabee] Beth, do you want to address this? [B. Rooney] Each of the terminal operators will be responsible for operating and maintaining the technology that is installed in their individual terminals. The system, the technology, is smart enough to alert the terminal operators through the

master database that a particular reader or a particular exciter is no longer in operation, so there will be proactive messages if a particular reader is out of service.

[Comm. J. Rubin] Yes, please. [Comm. A. Sartor] Where does STS get their funding from? [R. Larrabee] Well, the first portion of it is going to come from the federal government. That's the $4.7 million grant that the federal government has issued. They will be paying for half of the local match out of their own operating funds, and we'll pay for the other portion.

[Comm. A. Sartor] How do they get operating funds if there is a group of terminals? [R. Larrabee] It's all of the terminal--it comes out of each terminal. So, Maher Terminals puts them--right. They're making a contribution.

[Ex. Dir. P. Foye] STS is an entity set up to afford an exemption from antitrust and federally required and recognized. >>[R. Larrabee] Right. [Comm. Rechler] I think the question was do they--is there a fee, like a membership fee or something? [Ex. Dir. P. Foye] Yeah. The container terminal operators and the Port Authority are going to be obligated to pay for it. >>[R. Larrabee] Right. We have the initial obligation to fund the system to put it in place. Then the terminal operators of the obligation to continue to fund at about $400,000 a year the maintenance and upkeep of the system. The other advantage that the terminal operators will have is that this will then afford them the ability to begin to think about using appointment systems. Today, a truck is coming to the terminal at an unknown time from a terminal operator's perspective. The truck driver knows that box that he or she wants to pick up is available, but they come at their own discretion. We have busy times in the Port, and I'm sure you're all aware that at times we have significant truck congestion in the Port. This, for the first time, will allow that terminal operator to begin to create an appointment system whereby that truck will come when the terminal operator says the box is ready and they're ready to receive the truck. It's the beginning of a much smarter system in our Port for managing that congestion. So, it's another one of those benefits that this fundamental system will allow us to be able to start advancing.

[Comm. J. Rubin] Other questions? Well, let me just say that this is the first public meeting of the security committee and technology is always a bit of a question, but in this case I must say it seems like a terrific piece of work-- well-organized in terms of the cooperation of other ports and the federal government and a good example of how a security technology can help make the Port more efficient and the operator more effective, so it's a real synergy. Although we use that word a lot, it looks like it applies in this case, so thank you for your presentation, and if someone will put a motion forward. I'll make a motion. >>Second.

[Comm. J. Rubin] Okay, the motion has been carried. With that, let me just make a brief remark before we go to our executive session. I think all of you know we've been spending a lot of time with the Chertoff Group, working on security matters. August, especially for Mr. Foye, has been a busy, busy month with some errant jet skiers and other matters like that. But I'm pleased that we have so many commissioners here focused on this and that all of us are committed not only to maintaining the security of our facilities but also seeing that the necessary reforms take place. We're going to be talking in the executive session about another program but in further conversations today about the urgent need to develop a new security department in the Port. It's going to be a lot of hard work for a lot of us-- for Pat and Bill--to work security into the system

in a fundamental way so that we can have the kind of reform and success that we need. So, thank you all for your participation. With that, I move us into executive session. Will the public please give us confidentiality?

The Port Authority of New York and New Jersey
WTC Redevelopment Subcommittee Meeting Transcripts
September 20, 2012

[Chair A. Sartor] I want to welcome you to the new committee structure. We're now a subcommittee to the committee on--it's too long for me to remember. [S. Rechler] Capital Planning and Asset Management. [Chair A. Sartor] Capital Planning. That's easier. The first portion of today's meeting of the World Trade Center Redevelopment Subcommittee is being held in public session, after which the subcommittee will meet in executive session to discuss matters involving ongoing negotiations or review of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. The item in public session is World Trade Center construction trade contracts. Mr. Plate?

[S. Plate] No audio. [Chair A. Sartor] Any questions on that item?

[D. Steiner] How do you account for the large difference? You had outside bidders; was there a big spread? Did this guy make a big mistake that he won't be able to perform? [S. Plate] No, we actually did an extensive BAFO with this. This wasn't the first bid. We actually sat with each one of the bidders and we scoped them. We were concerned, just like you were, and we've spoken to the MTA, who is doing work for five projects. He's actually doing excellent work. He comes in low, does an efficient job, gets done ahead of schedule, which they rarely see, so they're very happy with his work. They're very supportive [microphone noise] as well. We did do our due diligence. [D. Steiner] Good. Is he doing other work for us? [S. Plate] No. Not at this time. [D. Steiner] Because I don't want to be in the situation to have one contractor doing all the concrete work. If he goes down, we're in trouble. We learned that with DCM. [S. Plate] Yes. This is just the topping on the Roadway Network on the east side. So it's very limited. [D. Steiner] Okay. You've allayed my fears. [S. Plate] Yes, and on top of this, if he fails we have a number of contractors who can step in.

[Chair A. Sartor] Make a motion to move this? [Comm.] Aye. [Chair A. Sartor] Okay, done. Go ahead, Steve.

[S. Plate] The next item requests authorization for an early-action contract for architectural fit-out work such as masonry, drywall, doors, signage, ceiling tiles and painting for the underground Roadway Network as well. The contract was publicly advertised with Holt Construction being the lowest price qualified proposer at a cost of $5,112,973 excluding extra work, which again compares favorably to the staff estimates of $6.25 million.

[Chair A. Sartor] Any questions on that? Seeing none, I'll entertain a motion to move it to the full Board. [Comm.] So moved. >> [D. Steiner] Second. >> [Chair A. Sartor] Done. That concludes our session, and we will now move into the executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. Thank you.