

**The Port Authority of New York and New Jersey
Committee on Capital Planning, Execution & Asset Management Transcript
July 23, 2015**

[Chair S. Rechler] —which also is being held in public session. The Committee met earlier today in executive session to discuss matters involving public safety or law enforcement, matters involving ongoing negotiations, reviews of contracts or proposals, and matters related to the purchase, sale, or lease of real property where disclosure would affect the value thereof or public interest. At this point, I'd like to ask Karen to advise those present of the composition of the Committee and any Commissioner recusals related to the first matter.

[Karen Eastman] Thank you. The Committee is composed of yourself as Chairman, Chairman Degnan as Vice Chairman, and Commissioners Fascitelli, Pocino, and Steiner. All Commissioners are present today with the exception of Commissioner Pocino. With regard to the first item, Newark Airport Terminal A, there are no recusals on this matter.

[Chair S. Rechler] Thank you. I'm going to invite Tom Bosco to report on the Newark Liberty International Airport Terminal A redevelopment. Tom.

[Tom Bosco] Good morning, Commissioners. Today I ask you to authorize \$40 million for early action construction, planning, and design to help advance the Terminal A Redevelopment Program at Newark Liberty International Airport. As background, Terminal A was opened in 1973. Designed for 9.8 million passengers, it handles close to that number today although with a relatively poor level of service; and by the year 2023, it has to handle 13.6 million passengers, an increase of 38%. Now, clearly the existing terminal is not up to the task. It's deficient in virtually every functional area, both landside and airside, and it must be replaced with a new efficient and affordable facility to meet the demand for air travel over the coming decades. Since 2004, this Board has authorized \$65 million in planning and design. The return on that investment has been a Stage One design or 30% level design. For components of the new terminal, color coded here on this slide with the air side in the blue, the terminal and gates in yellow, the access roadways in green, and the parking garage in red, all consistent with new flood plan maps recently released by the Federal Emergency Management Agency. We've also completed an environmental assessment that's ready to be submitted to the FAA. Of the \$40 million in authorization requested today, \$25 million will go to the design and construction of a new vehicular bridge connecting the Central Terminal Area with Carson Road across the peripheral ditch as shown in the dotted yellow line on this slide. Now this bridge is a critical item— critical path item rather— and that initially provides motorists with a path around the Terminal A construction site. Ultimately, it will combine with Carson Road to connect to two new future bridges back across the peripheral ditch to the arrival and departure levels of the new Terminal A. Now it's worth noting that even if Terminal A is delayed or not built at all, this bridge will have independent utility in that it enhances the vehicle connection between the Central Terminal Area and the south end of the airport. The \$25 million total project cost for this new bridge includes a 19.3 million construction contract to be publicly advertised and awarded to the lowest qualified bidder. The balance of the \$40 million authorization— well \$15 million is itemized on this slide. It includes design for the aforementioned two new bridges to

connect to Terminal A. Additional funds to continue professional services, existing agreements with AECOM for project management and with the firm PGAL for architectural and engineering services. It will also cover Port Authority staff costs, insurance, administration, and financial expense. Here you see the economic impact which is substantial of the entire program. And finally, this slide shows a summary of the costs of the program to date. The \$40 million requested today is included in the agency's Ten-year Capital Plan. It's accounted for in this and future year's budgets and is 100% recoverable through the passenger facility charge. Commissioners, subject to your questions, I ask that you advance this item to the full Board for approval today.

[Board Chair J. Degnan] I'll move it.

[Chair S. Rechler] I just have a quick question, Tom. Clearly I understand the planning element of it. One thing that concerns me a little bit as it relates to the bridge is that similar to what we're doing with Newark and JFK, the overall master plan for Newark and obviously Terminal A is a critical element of that. Is there a rationale as to why we're accelerating the bridge in advance of developing that master plan so that if we maybe lose flexibility that we might do something different once we had that master plan in place?

[Tom Bosco] That's a very good question. Because of the runway configuration at Newark Airport, that is not likely to change based on the airspace structure and the fact that we're within nine— each of the three major airports is within nine miles of this location. Those runways will determine the orientation of the Terminal redevelopment. So we envision that any redesign of Newark Liberty International Airport will have the new Terminal A as its centerpiece. And the terminals, Terminal B and a new Terminal C, will be oriented in the same alignment as the new Terminal A. So it's going to be a centerpiece of the new design.

[Chair S. Rechler] And is there a benefit to doing this now versus as part of the overall— once we have the master plan in Terminal A designed? Was there an incremental benefit to that?

[Tom Bosco] Well, we want to move this ahead now because the Terminal is woefully inadequate in all functional areas. And we believe that with the current investment every year to maintain and operate the facility, We believe the time is now to go forward.

[Chair S. Rechler] No, I agree with the Terminal. I'm just asking about the bridge specifically.

[Tom Bosco] Well, the bridge specifically is a critical path item because it's needed to connect the Central Terminal Area to the south end of the airport around what would be the Terminal A construction site. So it's a critical path item. Without it, we would be delayed.

[Chair S. Rechler] So you would have to do it before you do Terminal A, regardless.

[Tom Bosco] Correct. But it does have independent utility in that if Terminal A is not built for some reason or delayed, it still provides enhanced connection to the south end of the airport.

[Chair S. Rechler] Okay. Anyone else have any comments or questions?

[Board Chair J. Degnan] No, I moved it.

[Chair S. Rechler] OK. So do I have a second? >> Second.

[Chair S. Rechler] Thank you. Okay. This has been moved to the full Board. Thank you, Tom. The next item is on Port Newark. Are there any recusals related to this?

[Karen Eastman] No recusals, sir.

[Chair S. Rechler] OK. We have Admiral Larrabee coming up for discussion, giving us a briefing.

[Richard Larrabee] Good morning, Chairman, Commissioners. Today I'd like to discuss with you an item that requests reauthorization of a project to reconstruct a section of Corbin Street and a wharf at Berth Three in Port Newark. The State of Good Repair project was previously authorized December of 2011 at a total estimated cost of \$39 million and is currently in construction and approximately 60% completed. However, the condition of the remaining elements of the existing structure continue to deteriorate require redesign and additional extra work on a construction project which is necessary to ensure the safety and reliability of Corbin Street and the adjacent berth that supports it. Today, this item requests your authorization to increase the value of the primary construction contract by \$4.5 million to increase the value of the agreement with PSE&G by \$500,000 for additional electrical utility work and to increase the overall project authorization to \$47.9 million. Berth three which is approximately 650-foot long and 50-foot wide is located at the western boundary of the Port Newark Channel shown on this slide. Integral with the wharf structure is a 45-foot wide and 100-foot long timber culvert structure underneath Corbin Street which allows storm water drainage from Newark Liberty International Airport to flow out into the Port Newark Channel. Both the wharf and the culvert support Corbin Street which is the primary north/south roadway serving New Jersey marine terminals. Berth three and the wharf structure adjacent to it, are timber structures which were originally built in 1920. As illustrated on this slide, since 2009, we've experienced multiple partial collapses on berth three, both before and during construction of this project due to the acceleration of marine borer activity and the age of the structure. In addition, the intersections of berth three and five, again shown on this slide, were found to be severely deteriorated during reconstruction and required unforeseen repairs. The impacts of partial berth collapse and the construction repairs in the intersection of berth three and five have expended most of the currently authorized construction contingency funds. Additional construction funds are required at this time to perform work associated with installation of temporary construction, platforms to protect shallower than anticipated utilities and roadway integral during the construction stages. Reimbursement to the operator of the Red Hook Container Terminals Barge Service in Port Newark for the incremental cost associated with providing a temporary source of electricity. Power was disrupted during construction, and we were forced to provide generator power during an extended period of time. Additional funds are also required to increase the value of an existing agreement with PSE&G for their relocation of utilities that is beyond what was originally anticipated. In addition to providing reconstruction to the wharf in stabilizing Corbin Street, this project provides for 250 jobs, \$16 billion in wages, and \$69 million in economic

activity. So Commissioners, today your authorization is requested to reauthorize the project for the design and construction of a section of Corbin Street including the wharf and culvert at berth three from a total estimated cost of \$39 million to a total estimated cost of \$47.9 million. Just to clarify the numbers on this slide, under the current authorization, approximately \$1.1 million in contingency funds were allocated to the \$27.6 million shown on this slide for certain early action utility work for a revised total of \$28.7 million. As part of the revised total project cost, authorization is requested for the Executive Director to increase the value of the current construction contract by \$4.5 million from approximately \$27.3 million to approximately \$31.8 million to cover the increase in extra work and to increase the value of the agreement with PSE&G from \$487,000 to \$987,000 for the additional utility work. Funds for this expenditure are provided in the Ten-Year Capital Plan. Construction is now projected to be completed by the second quarter of 2017. Commissioners, I request that you advance this item for approval today. Thank you.

[Chair S. Rechler] Thank you. Any Commissioners have any comments or questions?

[Board Chair J. Degnan] I'll move it.

[Chair S. Rechler] Second?

[Board Chair J. Degnan] Second.

[Chair S. Rechler] OK. Hearing no objections, we'll move this to the full Board. Thank you.

[Richard Larrabee] Thanks, Chair. Jim Starace is now going to provide a brief overview of the agency's overall strategy dealing with wharf structures like the ones that I've just talked about.

[Chair S. Rechler] Great. Thank you.

[Jim Starace] Good morning, Commissioners. You heard from Rick the status of berth three, the project and the issues of marine borers. I'm going to just spend a few minutes expanding on the topic and describing the program that the Engineering Department has in place to deal with and to monitor and inspect our wharfs and pier structures. The majority of Port Authority wharfs were constructed in the '50s, '60s, and '70s. There are a few like berth three that were constructed much earlier, in the '20s, very few. All of them have either been partially or fully rebuilt since that time. As you can see on the slide, the existing wharf construction includes untreated timber piles, very few that are left. Most of the piles on our wharfs are treated timber. And the newer ones are concrete and steel. On the slide, you can see a picture of berth three. The new construction is steel piles filled with concrete and concrete decks. And the new wharfs are also designed for steel pipe piles with concrete and higher load capacity and allowance for channel deepening. So just a little background on marine borers. As a result of federal environmental laws enacted in the 1970s, the water quality of the Port of New York and New Jersey has improved. That's given rise to the growth and the activity of marine borers. Marine borers destroy submerged timber in a similar way that termites do. They tunnel through wood reducing strength. The biggest impact is to untreated timber. As I said most of our structures do not have untreated timber. Treated timber though is also susceptible over time. As a treated

timber pile gets older, the preservative treatment begins to wear away and dissipates with the age of the structure. Staff however is monitoring the wharfs and Port Authority facilities and an inspection program is in place. Wharfs and pier structures are inspected every three years. And inspections are performed more frequently if the structure is suspect. Holland Tunnel Pier 3— Pier 9 rather— had inspections every six months when there was marine borer activity detected. Divers who are licensed professional engineers perform inspections in the underwater structures and they do hands on inspection and physical inspection with ice picks to check the integrity of the structure, and they take core samples of the wood on a sampling of the piers and the piles to again, test and see the overall condition. Damaged elements are identified for repair and the overall condition is rated and tracked. When structural elements have been determined that they need repair, repairs are performed or rehabilitation and replacement projects are rated to the capital plan. The piers at the port facilities are the most concern. We also have piers at our airport facilities which have not shown an indication of marine borer action. And we also have piers at the Lincoln Tunnel ventilation buildings, as well as the New York Holland Tunnel ventilation buildings, but those piles are concrete and steel, so they haven't had a problem. So there are very few untreated piles at our wharfs and again most of the treated piles which were put in in the '60s and '70s are still in very acceptable shape. Over time, however, with the continued marine borer action, and the aging of the wharfs, there will be a need for further investment and repair, rehabilitation, and replacement projects at the marine terminals. In addition to the inspections, staff is further evaluating our wharf structures under the Wharf Asset Special Panel Initiative to forecast the anticipated remaining operational service life of our wharfs. This information will be integrated with the Port Department business plan to enhance the prioritized future wharf structure rehabilitation program. Any questions, Commissioners?

[Chair S. Rechler] Any questions for Jim? Jim thanks for that report. Our next item is actually just a briefing on the Quarterly Capital Plan by Mike Massiah.

[Mike Massiah] Good morning Commissioners, members of the public, and colleagues. Today I'm here to present our spending—

[Board Chair J. Degnan] Mike, is your mic on?

[Mike Massiah] Testing.

[Board Chair J. Degnan] OK.

[Mike Massiah] I'm here to present our second quarter spending on our capital program. Just to remind you that our spending plan for 2015 is \$3.6 billion. You see a schedule on the slide that indicates that. Line Department is about \$1.9 billion, and World Trade, \$1.6 billion. We began the year with 372 projects. We're now at 384 projects. Those twelve projects are important state of good repair projects or support business objectives or customer service objectives. Ten of those projects are in the Port Department. They support things like berth repairs, paving, water system rehab. It also includes a fire suppression system installation at warehouse 14. We moved forward on that because there's high potential for a leasing opportunity. So by installing the fire suppression system there's a business opportunity there that the Port Department felt we could benefit from. There's also a small runway rehabilitation program at Newark Airport and

a customer service enhancement for communications systems at PATH. Looking at the pie chart, the pie chart shows that much of our plan is being spent on critical infrastructure: Bridges, 36%; utilities, 14%; runways and taxiways, 16%, core essential needs for the agency. Other features of our spending plan this year, 64% of spending is on state of good repair, security or mandatory projects. In addition it's important to point out that nearly two-thirds of the 384 active projects are currently in construction, noting it as a very mature plan. I'm going to be focused specifically on second quarter spending. In the green shaded area, you'll note that the Line Department's made up considerable ground. They're at 97% of plan, 90% for the year. And I'll go through certain highlights regarding the line departments. Aviation pending was paced by the reconstruction of runway 4 left 22 right at Kennedy Airport. PATH made progress on several projects. The Rail Tie Renewal Program, replacement of Christopher Street substation, and the Grove Street Access Improvement Project. PATH's slight lag is necessary because they had to prioritize important maintenance projects and the maintenance program and the capital program compete for limited space in the tunnels. And in this case, maintenance trumped capital because it was required for those maintenance activities to be done by FRA requirements. The Port Commerce Department is slightly ahead. That's because of early delivery of two low emission locomotives which I'll talk about a little bit more later and PATH, TB&T is underrunning mainly due to a lag in spending on the Lincoln Tunnel access program which you know is managed by New Jersey Department of Transportation. A lot of that lag is due to winter season and field conditions. Now within the spending that I just spoke to are major projects. This schedule shows major projects except for those that are managed by others. Most of these projects are in some mode of construction or advanced planning except for a couple that I'll speak to. The dark shaded green means that the projects are above 90% of plan. An example is Grove Street. It's off to a good start. It's an important project because it will provide access for those with disabilities to Grove Street. The construction partitions are up, and they began fit out for the elevator shaft and machine rooms. The Port Authority Quality of Commute Program completed the public restroom modernizations on the second floor. Harrison Station shifted to demolition of the eastern portions of the platforms. They're lagging somewhat because we had protracted negotiations on lease and easements. We're making progress in that regard with Amtrak, and we expect resolution to that negotiation shortly. PATH Extension to Northeast Corridor Rail Link is forming their planning and environmental teams. They started early planning, and once they get their teams fully oriented, I think the spending will ramp up. Now another way we track progress is by looking at how programs meet milestones on their way to construction. And by the end of the second quarter, we expected to have 67 projects meet milestones. Only 38 met milestones. That sends up a red flag for us, and it starts our active project management protocols that we spoke to you about last quarter. So what we did was we're trying to find out what the causes of those delays are. They seem to be in the areas of modifying scopes, changing planning and phasing to adjust to operating conditions that weren't anticipated when the original schedule was put together. Another area of concern is once design is completed, there are several processes to retain a contract and get them mobilized. There's some processes within that segment of the process that need to be evaluated and streamlined. So the next slide shows that when we identify issues like the one I just talked about or interagency coordination meaning that we need permits and other intergovernmental agreements or a private developers agreement on something. We need to take certain actions. That's slowing things down. On a transition from design to actual contract award, we have formed a team, they are looking at the individual elements, trying to find work-around solutions,

streamlining to get that done, and we anticipate their progress and their results by the end of the third quarter. And then for the interagency coordination, one of the things we found, we need to build teams of the external as well as all the internal partners early in the process and have them embedded in the project management team so that they're on the same schedule and that they're under the same guidance so that they could have a better chance at achieving schedules. Now I'd like to turn to Sandy. There are four projects that are pending approval. These are important projects that mitigate vital assets from flooding. Three are in Kennedy Airport, one protects our power distribution vault. The other prevents vital infrastructure from being flooded by the bay. And the other protects FAA switch gear equipment. And then Steve just spoke to the resiliency program. So that was the fourth one. The three aviation projects are supported by FEMA, and as Steve indicated, the World Trade Center Flood Resiliency Program is supported by FTA. And then finally, we want to share with you a few representative achievements. As I indicated, the low emission locomotives were delivered to Greenville Yard, two of them. These locomotives use less fuel, reduce air pollutants, carry more rail cars, move more rail cars than the 1950-era locomotive. That's the picture on the top left. Another important point— again, these were supported by the FHWA, so we appreciate that. These are signature programs within Port's Clean Air program, and I tip my hat to Rick for his leadership and championing that Clean Air Program for the ports, and this is one of the signature programs. It also demonstrates a long-term commitment to environmental stewardship which you'll hear more about from Christine Weydig shortly. Another project as you note there is the east parking garage at LaGuardia is 90% complete. And critical elevated cab equipment has been delivered. So that project is well down the road for completion. The Holland Tunnel Stabilization project you heard about and now demolition can commence or has commenced. On the bottom row, you'll see a picture of Runway 4 left 22 right at Kennedy Airport. Grooving of that runway and 13 L 31 left has been completed. And that's of vital importance because that's an important intersection at the airport, and by that being done, it frees up 13 L 31 left for more frequent use. And then runway 11 at Newark received its safety area improvements and now all runways— all runways at Newark Airport are in compliance with the new FAA Compliance for runway safety areas. And glass installation at the World Trade Center hub is progressing on schedule. So finally, I'd like to leave you with what we ended with last quarter. which was that we were supposed to get the Dashboard out to the public, the capital Dashboard. Well, that was done. And by the end of June, we had over 800 site visits. So I just wanted to share that with you that that is being viewed by the public. Any questions?

[Chair S. Rechler] Mike, a quick question. Just in the beginning of the slideshow where you had the percentages in terms of where we were tracking, it showed the World Trade Center at something like 50% I believe was the number. Is that timing that we'll just catch up on? And is there any concern with that? I know you didn't address it.

[Mike Massiah] Yes, I'm glad you brought me back to that. They have had several accomplishments as you know over the quarter including the opening of the observation deck. The lag is really about them rigorously reviewing the change orders and re-sequencing work as well as assessing the project closeout timing to determine the appropriate amount of contingency level that might be available. And after they settle those issues, we expect that underrun to be absorbed.

(Public CPEAM Meeting Transcripts 07/23/15)

[Chair S. Rechler] It's less about completing the work and more about them settling the payables along the way.

[Mike Massiah] Exactly. And some re-sequencing as well that might catch up at the end of the year.

[Chair S. Rechler] Got you. Does anybody have any questions?