The Port Authority of New York and New Jersey
Committee on Governance and Ethics Meeting Transcripts
October 7, 2013

[Chair P. Schuber] The Committee on Governance & Ethics 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 the meeting is being broadcast on the Port Authority's website for those interested in viewing today's proceedings via the Internet. For discussion today, the update on governance and ethics matters. I noticed—

[Comm. R. Rosado] Who's on? [Chair P. Schuber] Who's that? [Comm. R. Rosado] Who's on? Okay.

[Exec. Dir. P. Foye] Rossana? [Comm. R. Rosado] I'm here. [Exec. Dir. P. Foye] Okay, fine. I just wanted to make sure we hadn't lost you. Did someone just join the call?

[Chair P. Schuber] Did someone just join the call? Okay. Sorry. Sorry about that. I noticed that my former—actually, I don't know, former colleague or opponent, Senator Weinberg, is here, and she had asked to speak to the committee. Our procedures do not provide for that, but I'm going to allow her to do so, obviously as a result of the rules that we have for the public sessions at our public meetings, which is a 3-minute discussion. So with regard to that, Senator Weinberg, if you'd like to approach the podium there.

[Sen. L. Weinberg] Thank you very much, Commissioner Schuber. [Chair P. Schuber] You're welcome. Thank you. I know you had the same trouble coming down as I did.

[Sen. L. Weinberg] Yes. In fact, I was thinking that maybe you had some lane closures here this morning. Make it very difficult to get here. It took about an hour and 20 minutes from Teaneck, by the way. Assistant Executive Director and former colleague in the Senate and friend Bill Baroni and Executive Director Foye, who, seemingly, if I read all the reports accurately in the newspaper, is also whetted to the idea of getting to the bottom of what went on here. Commissioner Schuber, thank you for extending the courtesy to allow me to speak. And let me just say the web page is a little confusing— [Chair P. Schuber] Okay.

[Sen. L. Weinberg] because it looks like there is a public portion for public input for subcommittees, but I realized afterwards the discrete difference between a board meeting and a committee meeting. But I thank you for allowing me to speak.

[Chair P. Schuber] Not a problem.

[Sen. L. Weinberg] I, like Director Foye, want to know how the Port Authority process was wrongfully subverted and the public interest damaged, to say nothing of the credibility of this agency. I'm here to express my frustration and the frustration of the residents of Bergen County, who are looking for answers to what appears to be the unilateral actions taken to reduce access to the George Washington Bridge— actions that caused horrendous traffic problems, actions that may have created safety problems, and actions that were apparently taken without notification to Executive Director Foye, let alone local notification that is usually provided. Let me also point out that your own rules and regulations require that there be no lane closures without notification to the Port Authority police and without having Port Authority police there. And if I understand what I read, that notification was also lacking. I'm here this morning because I want to know if, as a result of Mr. Foye's concern, whether or not any state or federal laws have been broken and whether any law enforcement officials were notified. I'm here today before this committee because it's this committee that is charged by the Port Authority Board to fulfill its oversight responsibilities relating to the development of, and compliance with, the governance and ethics principles of this Authority. One explanation for the lane closings was a traffic study, although the Traffic Department supposedly wasn't notified. I have 3 questions for you today, and I would appreciate an answer or at least an indication of when I and the residents of Bergen County can expect an answer from you. One, what are the details of the study of traffic safety patterns conducted the week of September 8th? What was the purpose and the duration of this study? Were local officials notified? And if so, when were they notified? Two, who was responsible for the mistakes of the week of September 8th, and is there a plan to hold them accountable? What were their motives? And 3, what steps will the Port Authority take in the future to ensure that local officials and the public are notified so that this never, ever occurs again? While I appreciate your time and attention to this matter, I'm disappointed because it represents a lack of transparency on behalf of the Port Authority to the individuals that fund this agency. Last year Governor Christie effectively vetoed legislation that was passed by both Houses of the New Jersey Legislature and that would have brought more transparency to the Port Authority. In the absence of this legislation, it is my hope that you will take steps to address the accountability of this issue and others moving forward. I was very delighted to vote to put Commissioner Schuber on this authority. And I have said this to every single commissioner nominated by the governor who comes before me as a member of the Senate Judiciary Committee, I have said to each and every one of them, Bergen County residents pay a very large percentage of the tolls going over the George Washington Bridge, and it is the Bergen County residents that very often suffer the outgrowth of the traffic patterns and the safety problems from the George Washington Bridge. And I want people on this commission who understand the problems of the residents that I represent, who understand the cost to those residents in their quality of life, in their safety, and in their costs to drive over the bridge and through the tunnels. And I would hope that it will not take you 3 weeks longer than the few weeks that have passed already to tell us in the public what happened here, what went wrong, and how it won't happen in the future. Thank you.

[Chair P. Schuber] Thank you. Turning forward to discussion then, I will take up the matter of the update on governance and ethics matters, which include, among other things, compliance with regulatory requirements, the New York and New Jersey ethical standards, and the corporate trends that are going on today in governance and ethics. I will turn the meeting over to Howard Kadin and ask him if he would make his presentation. I think this has been given out. At least I had a copy of this. I'm sorry about that. Okay. Go ahead, Howard.

[H. Kadin] All right. Thank you and good morning, Mr. Chairman, members of the committee, Senator Weinberg, ladies and gentlemen. Today I'd like to speak with you about compliance with certain ethics, legal, and regulatory requirements, along with a quick review of some governance and ethics trends in the 2 states as well as a quick survey of some corporate trends and best practices. 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 interests and involvements as well as any substantial interests they may have. Executive Order No. 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 the financial disclosure obligation that's 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 by each May 15th or within 120 days of assuming office for new commissioners. New York commissioners have used a variety of forms over the years to provide their financial disclosure information to general counsel. In going forward, we'll be using the New York State form to provide such information.

[Chair P. Schuber] That's a recent amendment that we've made with regards to this. [H. Kadin] Yes, that's correct. [Chair P. Schuber] And as a result of that, I saw, by the way, that I think Darrell, you put out a memo on that right away. [D. Buchbinder] Yeah. [Chair P. Schuber] Okay. Thank you very much for that. Sorry.

[H. Kadin] In that regard, commissioners provide the required financial disclosure information. There is a New Jersey statutory requirement with respect to ethics training under the Conflicts of Interest Law that certain New Jersey state officers and employees are required to complete a training program on New Jersey ethical standards. Specifically it 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, again, are required under the Code of Ethics for 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 the provisions of the New Jersey Conflicts of Interest Law applicable to special state officers. New Jersey financial disclosure statement form for public officers requires filers to indicate if they have completed ethics training, and all New Jersey commissioners have completed such training. Back in January of 2011, Governor Cuomo issued his Executive Order No. 3, which mandates certain regular ethics training for 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 the discussion of Sections 73 and 74 of the New York Public Officers Law. While such requirement under the executive order doesn't 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 in New York mandates similar ethics training for individuals subject to the New York State financial disclosure requirement, and all such filers were required to complete a comprehensive ethics training course on or before August 15th of this year. While the requirement again doesn't apply to the New York commissioners, the information provided by general counsel and the ongoing governance dialogue, generally with the board and specifically with each commissioner, provides a strong foundation for ethics awareness and training. Now with regard to New York trends, in July of this year Governor Cuomo announced the formation of the Commission to Investigate Public Corruption to probe existing and apparent systemic public corruption in state government, political campaigns, and elections in New York State. Areas where this Moreland Commission will focus its investigation will include, but are not limited to, criminal statutes for corruption and misconduct by public officials such as bribery laws, campaign financing including, but not limited to, contribution limits and other restrictions, disclosure of third party contributions and expenditures, and the effectiveness of existing campaign finance laws; also compliance of outside organizations and persons with existing lobbying laws including, but not limited to, organizations engaged in lobbying and other efforts to influence public policies and elections and the effectiveness of such laws, and adequacy and enforcement of the state's election laws and electoral process, including the structure and composition of the state/county Boards of Elections, the Boards of Elections enforcement, and the effectiveness and compliance with existing laws.

[Chair P. Schuber] Just for a second, just a question of whether there needs to be anything done here, and I'm not sure there is, but when we were discussing the issue with regard to the upcoming Super Bowl, is there any need here—Pat, you had indicated— Is there a need to do anything here with regard to—

[Exec. Dir. P. Foye] I don't think so. The IG, at my request, sent out a directive to everybody at the Port Authority reminding them of the existing gift policy and pointing out that the purchase of Super Bowl tickets for face value when they're trading at a higher price would itself, if it came from a vendor, be a violation of Port Authority policy.

[Chair P. Schuber] Okay. Oh, I'm sorry. Go ahead. I'm sorry. [Exec. Dir. P. Foye] I think we've adequately covered that. [Chair P. Schuber] Yeah. Okay. So we have our required notices out on that. [H. Kadin] Yes, we do. [Chair P. Schuber] Okay. Thank you.

[D. Buchbinder] You're also planning on a follow-up as we get closer to the event. [R. Van Etten] I'm sorry? [D. Buchbinder] You're also planning to follow up as we get closer to the event as well. [R. Van Etten] Yes.

[Chair P. Schuber] Okay. Yeah, I was going to say that right now obviously we've got some months to go, so a reminder on that would be appropriate. Okay. Very good. Thank you very much. Go ahead, Howard. I'm sorry.

[H. Kadin] Okay. Now with respect to Project Sunlight, which you see as the second bullet here, we want to look at that in the context of the Public Integrity Reform Act of 2011 because that legislation required the establishment of a Project Sunlight database which provides the public with an opportunity to see individuals and entities that are interacting on an in-person basis or a video conferencing basis with government decision makers regarding procurement, including real property, goods, and services, rate-making regulatory matters, agency-based judicial and quasi-judicial proceedings, adoption and repeal of rules or regulations. And the Sunlight database went live on July 26th of this year. This Public Integrity Reform Act was passed in June of 2011 in response to criticisms of aspects of New York State governance, including allegations of corruption, lack of truly independent ethics oversight over all public officials, and failure to require more robust disclosure of outside income sources. The legislation required for those who file New York financial disclosure statements information on a reporting individual's clients and clients of a firm if those clients are customers being represented with respect to a proposed bill or resolution before the legislature, if those proposed clients have received state grants or contracts or are the subject of, or party in, a proceeding by or involving a state agency.

[Chair P. Schuber] I think on that—and I followed the discussion on this initially— I think some of the changes we just made with regard to our filings I think should at least help us with regard to trying to standardize the 2 states for their commissioners.

[H. Kadin] I think that's right. [Chair P. Schuber] Okay.

[H. Kadin] I think that's right. And then prior to that, the Public Authorities Reform Act, which was signed into law in 2009 by Governor Paterson, took effect in March of 2010 and enacted a comprehensive set of reforms to help ensure more stringent, uniform standards of transparency, accountability, and professionalism. In included enforcement language to help ensure compliance, improve board member performance, and strengthen the oversight role of the independent Authorities Budget Office. In just a moment I'm going to talk about a couple of recommendations that that independent New York State Authorities Budget Office made in its 2013 annual report with respect to proposed term limits and also recommending fines with respect to certain transgressions that it believes may have taken place with respect to board members' conduct and agency conduct. And under the Public Authorities Accountability Act, directors are required to acknowledge they have a fiduciary obligation to the authority— and we're talking about New York authorities now— to act in the best interests of the authority and those of the people of the state served by it, 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, the by-laws of the authority, and New York State law. Directors have to indicate an understanding of their obligation to become knowledgeable about the mission of the agency, its purpose, its functions, its responsibilities and statutory duties, and, when necessary, to make reasonable inquiry from 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 also agree not to disclose confidential information and matters before the board and to disclose actual or apparent conflicts. Now, as you know, Mr. Chairman, Port Authority commissioners are provided with substantial briefing materials upon joining the board familiarizing them with Port Authority's business, its governance and responsibilities. And Port Authority by-laws specifically recognize that "In serving as a commissioner of the Port Authority, "each commissioner shall act in a fiduciary capacity with the duty of loyalty and care owed to the Port Authority." Port Authority commissioners' personal activities are screened by general counsel's office, through financial disclosure, and through questions raised directly by commissioners to ensure commissioner independence, objectivity, and freedom from conflict of interest and the appearance of such conflict. The Port Authority's website provides a comprehensive overview of the Port Authority's governance activities and programs. With regard to annual self-evaluation, according to the Public Authorities Reform Act, it's measured against the authority's mission statement, goals, and values and the expectations of those served by the authority in the state as a whole. At the Port Authority there have been periodic review and evaluation of board performance and committee effectiveness. As to reporting responsibilities, the act provided the Authorities Budget Office with mission statements and performance reports that are submitted by the various New York State agencies. Information is also required concerning their organizational structure and composition of committees and other financial information on operating risks and property transactions. There are also restrictions on the formation by those agencies of subsidiary corporations. 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 2 states, who have authority to veto actions residing in such minutes. In the Authorities Budget Office 2013 annual report, it was recommended, among other things, that consideration be given to establishing state and local authority board member term limits of 4 to 5 years, with members being prohibited to serve for more than 2 consecutive terms or more than 8 to 10 years as a board member. The ABO also asked for statutory authorization to assess fines, suspend directors, or curtail certain activities of an authority and its board which have been censured and remain out of compliance with state law or deficient in performing fiduciary duty. Concerning New Jersey trends, in February of last year the New Jersey State Ethics Commission posted readopted and revised rules. A change involved the expansion of the definition of "relative" to include "civil union partner or domestic partner" to incorporate changes made in New Jersey law with regard to family relationships. Another change added a definition for the phrase "involvement in a matter" 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 revision concerns expansion of the existing prohibition on the use of a state official's title on behalf of a private organization for fundraising purposes to include promotional activities. The revision also clarifies the state official may be referred to as "The Honorable" when honored at a fundraising or promotional event of a private organization. Concerning corporate governance in the Port Authority context, a board member can't properly execute his or her fiduciary duty, Mr. Chairman, without understanding the mission and interests served by that authority. Accordingly, an authority must, consistent with applicable laws, define its mission and the interests and expectations of the community it serves. Relevant questions would include, "What's the 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 the mission and the public interest?" "Who are the authority's stakeholders? What are the authority's goals?" "What are the values of the authority?" And when a mission has been defined, policies are implemented to achieve those objectives. Performance measures are 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 agency's mission. Performance measures should be designed to answer questions, including, "How do we know if we're 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?" In terms of transparency, the committee will recall that in December of 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, publishing 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, providing for public consideration of an input into the annual budget. The board also adopted revised open meetings rules and regulations in December of 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 the agency practices and procedures to increase openness and transparency were provided in amended and restated by-laws and 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 providing greater guidance to agency staff on determining record availability faster. The agency is now posting information released under FOI requests on the Port Authority's website. In addition, by-law revisions last year stressed the importance of broad public attendance and participation in public hearings and commissioner presence at tolls and fare hearings. The June 2012 amendments to the by-laws addressed, in addition, the following areas: memorializing a requirement for annual independent audits and retention of independent auditors and a requirement for the establishment of board committees and the expression of a commissioner's fiduciary duty to the agency. Regarding fiduciary duty, board members should always act in good faith and in the best interests of the public 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 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 the mission of the authority. The board is responsible for protecting the assets of the authority, the interests of bondholders, and the public interest. Board members should not divulge confidential information, discussions, and 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 don't appear on both sides of a transaction or expect to derive any personal financial benefit from it. They 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 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 authorities demonstrate the seriousness with which they take this obligation by appointing knowledgeable and conscientious individuals, Mr. Chairman, 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 day-to-day operations. 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 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. Concerning some corporate trends, public company directors—

[Chair P. Schuber] I'm going to interrupt you for a second. One of the things I was thinking about with regard to this since this is now our next annual discussion, broad discussion over this is for new commissioners. As you know, Howard and Pat and Bill and everyone in the room, we have about 10 out of 12 commissioners that are relatively new under the circumstances. I recognize, particularly with Pat and Bill, that when a new commissioner comes on they're completely brought in and given an overview of the activities. But after that, the question simply is whether there should be some other form of— initiation is not the correct word here, but— [male speaker] Training. [Chair P. Schuber] Training. Thank you very much. Training with regard to this or some form of not so much training as much as— because there's no mandate here.

[Comm. R. Rosado] Orientation. [Chair P. Schuber] I'm sorry? [Comm. R. Rosado] Orientation.

[Chair P. Schuber] Orientation. Thank you. Orientation with regard to the various facilities. I know, for example, when I was appointed I went around to view all the facilities that we had, which are numerous, obviously. I know Jeff does that too. And I know some of the other commissioners have done that too. The question is, is there something we might want to standardize with regard to the issue of that type of orientation?

[H. Kadin] I do think that that kind of orientation is important, and perhaps some sort of standardization is something that we can think about. Certainly commissioners should have a basic understanding of the various activities that the Port Authority is engaged in.

[Chair P. Schuber] I think, for example, every entity has its own acronyms and things along those lines, government speak. I know that's the case, it's natural that the Authority has it too. And just a little bit of a kind of an orientation might not be a bad idea to look at for implementation for new commissioners coming on now. For example, in New York now we've had turnover with regard to several new commissioners coming, although several have had prior experience, but I think it might not be a bad idea to look at.

[H. Kadin] I agree with that. [Chair P. Schuber] And to draw back a recommendation to the committee. [H. Kadin] I agree with that. [Chair P. Schuber] Okay.

[H. Kadin] Public company directors in terms of corporate trends spent, on average, over 218 hours performing board-related activities per year, according to a survey last year by the Public Company Governance Survey of the National Association of Corporate Directors. This is compared to 150 hours reported in 2003. Additional regulatory and other external challenges continue to add to directors' workload, Mr. Chairman. The Dodd-Frank Wall Street Reform and Consumer Protection Act contains provisions on executive compensation and governance requirements for all public companies. Boards are looking at risk oversight in a context beyond Sarbanes-Oxley to include enterprise-wide risk analysis, shareholder activism in connection with issues regarding compensation, management and director selection, and succession planning and overall board performance, leading to increasing board engagement with shareholders and proxy advisory firms. In terms of overboarding, which is not a nautical term but in fact refers to people having too many commitments in terms of service on boards—

[Exec. Dir. P. Foye] That's overboarding, not waterboarding. Is that right? [H. Kadin] That's true. [Chair P. Schuber] It's actually both, I'll be honest with you. Go ahead. [laughter] Go ahead.

[H. Kadin] Recent data from a Conference Board survey of 102 public companies with annual revenue in excess of a billion dollars indicated a clear majority had a pre-approval requirement for new board engagements. For example, companies with an overboarding policy, about 80% in manufacturing and non-financial services, allow non-executive board members to serve on up to 3 additional for-profit boards. For financial services companies, the percentage was a little lower. Businesses are looking at climate change. There's an increasing recognition, Mr. Chairman, on the part of companies that it will have an impact down the road on their ability to pursue strategic objectives. Forty-five percent of S&P Global 1200 companies surveyed by the Conference Board had a strategy to address climate change compared to 25% of S&P 500 companies and 15% of Russell 1000 companies. And by sector, as you might imagine, 68% of utility companies reported having such a strategy, with only 32%, in contrast, of healthcare companies having such a strategy. Terms of board diversity. A survey conducted last year by Deloitte and the Society of Corporate Secretaries and Governance Professionals indicated that only 18% of public company boards surveyed and 22% of large cap boards were composed of at least 26% to 50% women. Almost none of the large cap boards surveyed had directors under 40 years old. However, a recent Conference Board survey revealed that close to half of the largest companies by revenue have a formal policy on board diversity. The boards of a majority of large public companies surveyed by the Conference Board recently reported use of board portals, which can allow for ease of communication and collaboration with other board members for a more efficient and effective way to access relevant company information. On the other hand, the vast majority of companies don't have a formal social media policy, and this can be important, as the CEO of Netflix, Reed Hastings, learned. Back in July of 2012 he disclosed on his personal Facebook page that Netflix had streamed over a billion hours of content in the prior month, and this was a 50% increase over previous guidance on this streaming metric. After disclosing that on his personal Facebook page, Netflix stock rose immediately from $70 to $81. So one has to be aware of social media and its use, and the way in which one uses it can have an impact on what happens in terms of corporate governance. A benchmark study of US companies last year by the Poneman Institute on cyber crimes showed that the cost of cyber crimes is increasing, as is the number of cyber attacks. Companies in the study experienced 102 successful attacks per week and almost 2 successful attacks per company per week. Defense, utilities and energy, and financial services companies experience higher costs than organizations in retail, hospitality, and consumer products.

[Chair P. Schuber] I think that's— Actually, just pull back a second on that one. That may be more so the topic for the next committee that meets shortly after this one ends. But the issue of cyber security is obviously an essential element. I think it's a priority of national security right now, quite frankly. I know I asked the question at the last security meeting about whether in fact we've had some attempts on that. I believe that we have. The problem here is that obviously all of the companies that do this are in the private sector, but the government has a responsibility to provide the protection with regard to it. It requires a greater deal of cooperation that often doesn't exist, particularly in this area. But I do think this is an absolute priority, other than dealing with the security issue with regard to the World Trade Center, and that's something that we'll take up at our next meeting. But thanks for mentioning it.

[H. Kadin] Absolutely. Quickly, the National Association of Corporate Directors has come out with 10 principles of effective risk oversight. You see them there. I should point out that in accordance with the framework for conducting effective compliance and ethics risk assessments that the Association of Corporate Counsel came up with, compliance risk is an important concept, Mr. Chairman. It's 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. A compliance risk assessment helps determine risks that are relevant to the organization, the probability of risk occurring, the overall effect of the risk on the organization, how to set compliance priorities based on the kind of risk that we're talking about— be it financial, legal, operational, or reputational— and options and actions to enhance opportunities and/or reduce threats to the organization. The takeaway here is that these principles represent a distillation of common sense practices that responsible boards such as the Port Authority follow, and consideration of such actions and items is reflected in the Port Authority's ongoing Enterprise Risk Management process, which includes quarterly briefings to the Audit Committee. And finally, here you see some National Association of Corporate Directors key agreed principles to strengthen corporate governance. These are common sense principles, and they relate to the formulation and design of appropriate governance structures and practices. Mr. Chairman, thank you.

[Chair P. Schuber] Thank you. I think that the one thing that strikes home here, among other things here, is obviously, one of the things we have striven to do with regard to the Navigant report and others is to increase the responsibility of the commissioners with regard to their committees and the issue and the importance of those committees meeting on a regular basis beyond the day of the public meeting, and that's why this meeting is being held as it is right now separate and apart and in a location because we wanted to take a look at the EOC here, which was used during Sandy. And I think that it strikes home to me, and I know probably to the other commissioners, with regard to your time constraints here. We're now requiring a lot more of commissioners with regard to time, and I accept that. I don't know how you would impose any type of rule with regard to that on commissioners with regard to other boards they may serve on other than for conflict purposes. But in any event, our role really has been to try to expand the ability of the committee system to be more robust with regard to its working with the full board. I think that's starting to work, at least, as we move that along, but it certainly does require a lot more time with regard to that. So there's a balance to be struck here. But you accept that as you come aboard. I still don't know how you impose any rule with regard to that. Commissioner Moerdler, Commissioner Rosado, do you have any questions to Howard?

[Comm. J. Moerdler] No. I think Howard's explanation was terrific, as usual. [Comm. R. Rosado] Thank you. [H. Kadin] Thank you. [Chair P. Schuber] Thank you very much. Is there anything, Howard, we need to do at this present time to update anything you've got up there? I didn't see anything.

[H. Kadin] No. I don't believe so.

[D. Buchbinder] All the commissioners were in compliance. One of the things we will be doing towards the end of the month is updating the briefing materials that we generally circulate annually to the commissioners. And this year for the first time we'll be including this presentation in those materials.

[Chair P. Schuber] Right. Okay. The other question I have, I know that for ethics training that's an online presentation for New Jersey commissioners, for example. I just went through one for the university that went on for 2 days. I think that might have been more than necessary. But having said that, I think the last time I looked at that, it looked like it was relatively current with regard to what it needed to say. One of the things with regard to new commissioners may be to put together something along those lines with regard to an overview of the Authority for new commissioners to bring them up to speed with regard to the aspects of the Authority itself in that early stage of appointment. All right? Okay?

[H. Kadin] Okay. [Chair P. Schuber] Okay? All right. What I'm going to do then is close this meeting and then move on to the executive session for discussion with regard to the use of facilities, which the board will take up. Thank you.