

**The Port Authority of New York and New Jersey  
Committee on Capital Planning, Execution & Asset Management Transcript  
November 19, 2014**

[Vice-Chair J. Degnan] It does, but you're still on as the chairman of the Capital Planning, Execution & Asset Management Committee.

[Chair S. Rechler] OK, which also will be held entirely in this public session, and there's actually only one item that's not requiring a vote, so we don't need to discuss recusals which is the quarterly capital plan report. I don't know if the secretary wants to know who's on the committee for purposes of anything.

[K. Eastman] Yes, please. You as Vice Chairman, you serve as Chairman of this committee. Commissioner Chairman Degnan is Vice Chair, and Commissioners Moerdler, Pocino, and Steiner are present.

[Chair S. Rechler] OK, thank you. And with that we have a report by Michael Massiah. Mike. Thank you.

[M. Massiah] Good morning, commissioners, members of the public, and colleagues. Today I'm here to present 2014 capital plan third quarter results. I will begin with the synopsis of an overview of the— overview of the complete plan 2014-23. Second, I'll discuss how we built and now how we manage the plan. Third, I will discuss how we are performing through September, which is end of the third quarter. And finally, I will share how we are improving our performance. As you recall, the plan is a balanced portfolio of over five hundred projects with an estimated spending of over \$27 billion to be delivered over the next ten years. The plan provides for maintaining infrastructure in a state of good repair, meeting government mandates, securing our assets, finishing the World Trade Center, enhancing our facilities to meet current and future needs. Of note, 46% of the plan is spending on state of good repair projects. The pie chart shows the percent of spending spread across the various departments. Aviation share is 29%. World Trade represents 18%; Port commerce, 6; the interstate transportation network share is over 40%, comprised of TB&T is 29 and port 12%. To build a plan, we use a prioritization framework. Categories that we considered were major projects. These included such initiatives as LaGuardia, redevelopment—Terminal A's redevelopment— Bayonne Bridge Navigational Clearance Project, Goethals Bridge, modernization, PATH extension to Newark, Harrison and Grove Street Stations, Greenville Yards, Lincoln Tunnel, Helix, and Access programs in the World Trade Center site. The next set of projects were those in construction that had contracts. Then we looked at mandatory security projects, followed by State of Good Repair projects that were rated and ranked by the engineering department. Then we considered system enhancement projects. These are projects that either improved the quality of service to our public, or yield regional economic benefit or create revenue opportunities for the agency. So you asked that we have a framework. We had a framework. We built the plan

on that framework. The next thing we did was to rank each project in the framework, and we had, again, engineering; we had legal look at the mandatory projects; we had economists and financial people look at cost benefit of customer regional improvement projects; we had our CSO look at our security projects to ensure they were ranked within those categories. I recall Commissioner Rechler indicating that this is a living plan and should be a living plan and should be adaptable to economic conditions and evolving agency needs. And to do that, you need, I think, a couple of things. One, you need to have the prioritization I just talked about and you need a management structure. So with your encouragement, we created a gates management process, and that's described here. Each project has a phase, as you know, that it goes through—stages. And at each significant stage, there's a gate before a project can move forward. And there's a group of people called CPOC. These are all, like, acronyms. CPOC is made up of—and the title is Capital Planning Oversight Committee—is made up of chiefs including myself, Chief Engineer, Chief Financial Officer, Chief Operating Officer, Board Secretary. We meet twice a month, and the meeting is administered by our project management office. And we look at all the projects. We have a great deal of visibility over the projects, and determine which one should proceed. And this is important so that we can make appropriate control stops, we can re-prioritize based upon the changing environment that we exist in. I'd like to report that over the—through September, we had 104 projects that moved from gate to gate, and we had 70 projects that were pushed back because they didn't meet standards. And we asked the departments to improve the quality of the proposals that were moving forward or they didn't meet priority. So again, 70 of those were pushed back. So it does show that we're watching and we're not letting things slip through without review. Turning to 2014, the capital plan that you established had 412 active projects. Regional value was \$4.2 billion. Through the third quarter, \$2.3 billion spent. That's 78% of the plan. Some key points are—

[Vice-Chair J. Degnan] Can you help me with that number?

[M. Massiah] Yes.

[Vice-Chair J. Degnan] Capital plan's 4.2. You spent 2.3. How does that get to 78%?

[M. Massiah] Because the total year was 4.2. The third quarter was— [Vice-Chair J. Degnan] I see.

[M. Massiah] —less than that. It was—it's 78% of the year-to-date.

[Vice-Chair J. Degnan] Year-to-date plan, OK.

[M. Massiah] Yes. And some key highlights. Aviation is ahead of plan by 19%. That's not necessarily bad. In fact, this is good because these projects mainly were runway projects. By getting the runway projects done expeditiously, it reduces the stress on the airlines and then the compromise that we put on schedules. So to get those done quickly—

[Vice-Chair J. Degnan] it doesn't inconvenience the passengers.

[M. Massiah] Exactly. It also—PATH was head of plan by 25%. That's not bad either because they need to meet federal mandates, and that federal mandate is positive train control. And most of the spending that was accelerated was associated with the signal replacement project which is key to positive train control. And the other money that was spent in advance of plan was Sandy work which is another important project, to get the salt off the equipment so that it doesn't deteriorate even further. So that's what they spent most of the accelerated money on. Port is ahead of plan, but they're ratcheting back. The initial spending was on projects like Global, the Harbor Deepening Program, and the Water Siphoning Program managed by the EDC. Tunnel bridges and terminals is under planned by 14%. There are several reasons for that. They include weather conditions earlier in the year. They haven't caught up. Contractor performance, staff vacancies, field conditions all were part of some of their challenges. I'm pleased to report that many of these delays have been addressed— reasons for the delays have been addressed. And projects like the rehabilitation of the George Washington Bridge is now fully underway. The anchorage strand rehabilitation project has commenced. The structural steel rehab program is moving forward. All 632 deck panels have been replaced in the third— by the end of the third quarter. The bus station at the George Washington Bridge developer is now in construction mode after a four-month delay. So progress is being made there too. Also at the Bayonne Bridge, I believe early this month, the precast here in roadway segments which was barged up from Virginia, Cape Charles, are starting to arrive. And the project manager out there, Lenny Iacoviello, informs me now that they're spending nearly \$20 million a month so they're really aggressive in trying to get that project to completion in time for commitments. Regarding World Trade, World Trade is 87% of their spending plan. Their spending plan, as you recall, was reset in July. An so if you look at that number, they're 87% of plan. And you can tell the fruits of their work. You just heard from Steve. A lot of milestones have been reached and they expect to be on schedule and within estimated cost of completion by the end of the project. Another way we try to assess the advancement of projects is through, again, the progress through the various stages. What this chart shows is that we had planned to have about 84 projects advance. During this quarter, 83 advanced. So they're not necessarily in the areas that we had originally planned, but overall 83 advanced versus the 84. And you can see we're slightly ahead, projects moving from planning to design. Projects moving from planning to construction is below by one. And then, again, slightly behind on projects moving from design to construction. So the mix is positive. The individual segments were off by one to three project advancements. You asked us that, again, that we have a living plan. I think this slide indicates that we are moving in that direction in a very positive way. We've been able to adapt our plan to accommodate your directive to create a quality commute program. We move forward. We displace certain programs that could be displaced for the time being in priority for these projects and that included a \$90 million program with 16 projects all to support the passengers'/patrons' experience at the Bus Terminal. A lot of work has been done since your approval of that program. Design has started on bypass lanes for the

bus traffic project, express bus lane project signal program, the New York bus parking and staging areas, and the bus tracking project are all advancing. In addition, a contract has been brought on board to rehabilitate the first phase of the restrooms and that project's being fast tracked. Regarding Sandy recovery, which are projects that have to be accommodated as well. Beth Siegel worked with all the departments. Quentin Brathwaite and his team aligned departments to assess about 70 Sandy projects and maybe prioritize those with the engineering department. so that we're poised to consider them for our plan for 2015. We know now what space they should take up in comparison to the projects that were already in the plan. And we're able to do appropriate planning based upon that— based up that assessment. And projects are getting done as well. Some that are identified here, the desalination projects in PATH and the runway overrun safety zone at LaGuardia Airport has been completed. And finally, I just want to let you know that as we develop this oversight process and we're looking at data and we're doing the analytics, we're addressing problems that we see. One of the things I think our project managers deserve is a playbook, an up-to-date playbook, that strips out unnecessary process, that defines roles and responsibility for accountability, that ensure continuity when one project manager leaves and another takes over. So that's in the way. That should be delivered by midyear next year. I think you deserve— and senior executives—officers—deserve— dashboards that allow you at your— if you're interested, on your time to go into a website that would allow you to look at performance on a department basis, drill down to the facility, and then get information on an actual project. We have a mock-up after looking at best practices. We went to different transportation agencies, looked at what they were doing. We think we're going to improve on some of those and present a model early next year. And then we believe that— again, let's be honest about those things we're not doing as well. We found that there are issues around our contract delivery process. We're looking at that. We think that there's an issue around responsibility and accountability at the senior PM level to make sure that they have good schedules and that they're monitoring the progress of those contracts through that portion of the life cycle. And we have some processes that we're going to roll out very shortly to improve that. And then, finally, we don't believe that all process should be for all kinds of project. One process should be for all projects. We found that for our small routine projects, they were burdened with bureaucracy. So let's strip that out. What that allows us to do is take time that was low value, redirect it to more important work. And then take the burden off the small contractors so that they are not disincentivized from doing business with us. and have an expedited process. We believe this small project delivery program helps achieve some of those issues. I just want to leave by saying that we were at a conference— some of us in this room including Pat— a few weeks ago, October 31. There were over 300 contractors there, largely small minority women-owned businesses. They applauded us for the efforts that I just spoke to like the small business or the small project delivery program. They applauded us for providing information to them so they could be ready for participating in our projects. The feedback was tremendous. We were one of the most subscribed conferences that McGraw-Hill

ever had for contractors contracting opportunities. So the public out there is interested in what we're doing and applauds us for what we're doing. So I'll leave you with that.

[Chair S. Rechler] Mike, that was a terrific, terrific, terrific presentation. I tell you from my standpoint, from coming on the board and not really being able to grasp what's in our capital plan, why it's in our capital plan, should it be in our capital plan, and where we stand in terms of it being executed. Seeing and hearing this report, the transparency and the level of thoughtfulness in terms of developing the capital plan and monitoring going forward is really refreshing and comforting. And I compliment you and the team for executing and taking it forward to the next step. I think the key here—and you said it. The words that I use is this living document—the only way a living document works is to start with a strong foundation of a well thought out capital plan that is transparent that you can then decide based on merit and priorities at the Port what are we going to adjust and why and maintaining that capital plan going forward. So I think that having that as the baseline as we move forward is really the foundation of making all these changes. So I think just to note, as we come into 2015, I think we're going to find ourselves, again, having to reopen this capital plan and shuffle some of the projects. And looking at the gating system as we re-evaluate the priorities of the Port as we talked about whether it's the Bus Terminal, are there elements that we want to reconsider in our ten-year capital plan as well as the—whatever the economic realities unfold as we update our operating budget and see what our financial capacity is. But I think these tools are terrific. And I also applaud you and the team on the initiative of thinking about the small projects in a more entrepreneurial way. I would just encourage you even on the big projects as we've seen it— as we as a group have asked you to go back and look harder at ways we can get things done more efficiently and more effectively in a more creative entrepreneurial way. You've come back and the team has come back with good suggestions along the way. So I would encourage you not only in small projects, but to think about how we encourage the team to take that entrepreneurial approach even on the larger projects. But just in general, we're thrilled with the progress that you and the team have made. It's great.

[M. Massiah] Thank you.

[Chair S. Rechler] Do you have anything, other comments?

[Vice-Chair J. Degnan] I'd echo what the vice chairman said, but make another comment. Mike, it was a great report, and nothing that you reported today could have happened without dedicated talented expertise of the people who make these projects work. Now as I visit area sites in the Port Authority as a new member of the board, whether it's the Goethals Bridge or Bayonne or the Bus Terminal or LaGuardia Airport, I am consistently impressed by the quality of people who work at this agency. They reflect what has historically been the strength of this place, and that is the quality of the people who choose to dedicate their professional careers to the public's well-being by working for the Port Authority. And it's the nature of a board to ask tough questions and to point out areas where we're falling short. And we hear criticism of the

(Public CPEAM Meeting Transcripts 11/19/14)

Port Authority all the time. I think it's our responsibility though to make larger judgments based on the holistic experience we're having. When you think about the number of projects, the engineering feats, the marvels that are going on as we speak today at the Bayonne Bridge and at the Goethals Bridge, the incredible improvement in service level at the Bus Terminal by empowering people who wanted to do better running that place than they thought they would be allowed to do. It's gratifying, frankly, to me, and I think I can speak on behalf of the board. You should be very grateful for those efforts that are going on every day. I am.

[M. Massiah] Thank you.

[Chair S. Rechler] Any other comments? OK, that concludes our capital planning committee.