

The Port Authority of New York and New Jersey
Special Oversight Committee of the Board of Commissioners Meeting Transcripts
February 19, 2014

[Board Vice-Chair S. Rechler] Special Oversight Meeting of the Board of Commissioners. It's our formational meeting. Today's formational meeting of the Special Oversight Committee of the Board of Commissioners is being held in public session in its entirety and is being broadcast live on the Port Authority's website for those interested in reviewing today's proceedings via the internet. At this point I'd like to ask the Board Secretary to advise the Committee of any Commissioner recusals on the items before today's public session.

[K. Eastman] Inaudible.

[Board Vice-Chair S. Rechler] Thank you, Secretary. Mr. Chairman, do you want to make a comment before we begin?

[Board Chair D. Samson] Yes, I just wanted to start off before the formal proceedings, Scott, to say this, last month Vice-Chairman Rechler and I had the opportunity to discuss shared concerns, and that was the genesis of this newly created Special Oversight Committee. I wholeheartedly endorse it's mission and it's members, and I know that their work will be important for the future of this agency. So I want to thank Vice-Chairman Rechler, in particular, and Commissioner Bagger, in particular, for their willingness to lead this effort. Thank you, Scott.

[Board Vice-Chair S. Rechler] Thank you. So as you said, today we're holding the first meeting of the new Special Oversight Committee. The primary agenda for this Committee is to discuss the role of the Committee, review the Committee's charter, and then have some discussion about future agenda items as we move this Committee forward. Later today the full Board will unanimously approve the formation of this Committee and, as Chairman Samson says, we've had full support from every Commissioner since we've begun the process of forming this Committee. Nearly 100 years ago the states of New York and New Jersey put aside their parochial interests to create this great organization. Since it's creation, the Port Authority has become a critical driver of the region's economy. It has grown to become the largest airport system in the country, the largest port on the east coast, the operator of the critical crossings connecting our 2 states, and has 7,000 very important employees. Today, as we move forward with our 10-year, multibillion dollar capital plan, the Port Authority continues to do great things. However, as we embark on this ambitious but important mission, we must ensure that our governance structure has the transparency, accountability, and competence that the public expects and deserves. Over the past 2 years, working with my New York and New Jersey colleagues on the Port Authority Board as well as the senior management team of the Port Authority, we have started to make some incremental changes. We restructured the Board committees to be better based on functionalities, priorities, and goals. The committees now have clear charters and allow more effective oversight and accountability. Today's adoption of the 10-year capital plan and the very disciplined and responsible 2014 operating budgets are really byproducts of the restructured committees that we put in place in the past. We've been able to focus on transforming the World Trade Center site from a symbol of waste and mismanagement to a symbol of triumph over adversity that is at long last reopening to the public. We've centralized the agency's previously

sprawling security apparatus under a new Office of Chief Security, which is being led by Chief Security Officer, Joe Dunne. These incremental reforms have changed the Port Authority for the better, but recent events have made it clear that we need to start thinking more boldly, and this Special Committee will enable us to do just that. Commissioner Bagger, do you want to add any opening comments?

[Comm. R. Bagger] Thank you, Commissioner Rechler, and I look forward to working with you on the important efforts of this committee, which, I believe, are absolutely fundamental and foundational to the role of the Board of Commissioners and crucially important to the future governance and direction of the Port Authority. I joined the Board just over 18 months ago. Actually it was in the midst of the finalization and implementation of the Navigant reports, and I agree with you in terms of those reports having led to some important incremental improvements in our governance and transparency and processes. I think we have made significant progress relative to the reorganization and improvement of the effectiveness of the Board committees under Chairman Samson and your leadership and especially the programs we've put in place to really bring a more strategic and disciplined approach to our capital planning and our financial forecasting and integrated financial model, both of which culminate in the approval of the 10-year capital plan and 2014 budget being acted on later today. Nevertheless, as recent events have made abundantly clear, we have a lot of work to do relative to enhancing our governance and looking at the findings and what we learn from the full range of ongoing inquiries that are underway and then recommending to the Board of Commissioners significant enhancements to our governance practices. So I've worked with you, Commissioner Rechler, and others in the development of this charter that we'll be discussing today and look forward to this meeting and discussing some of the areas for this committee to pursue.

[Vice-Chair S. Rechler] Do any of the other Commissioners want to make any comments about the general comments before we discuss the specifics of the charter?

[Comm. R. Pocino] Well, I agree with the comments by both the Chairman and Co-Chairman. The charter specifically lays out what our functions are, what our duties are, what our authorities are. I think that it gives us certain powers so using our forces in terms of what we need gives us the ability to use certain staff in conjunction with the Executive Director. I do think it's important that it is pointed out that this is an oversight committee and not an investigative committee. There's plenty of that going on, but we should use this committee, as stated by our Chairman—use it to learn what it is that we need to do to improve our function here as a Board.

[Board Vice-Chair S. Rechler] Thank you. Any other comments? Okay. So let's just—I think to follow up on Commissioner Pocino's point, this is a forward-looking committee. There are plenty of investigations going on, which have occurred over the George Washington Bridge situation and related investigations, and we're not going to duplicate any of those investigations. Our goal is to learn from those investigations and find ways to meet the—make sure the Port Authority meets the highest possible standards and fiduciaries that we are to the public. The Oversight Committee will help guide policy and set the agenda by creating a structured point of connectivity for all the committees and the Board so this is something that will actually—something that will span many different parts of the Port Authority's activities and be involved with all the different boards and, as noted, make recommendations to the full Board as we go

forward. Let me just take a moment and walk through the—some details of the charter, specifically with the Authority. Just like any committee, this committee will be governed by the Port Authority by-laws, and through this charter, the committee will have the authority to take actions needed to ensure the Commissioners— to meet their fiduciary responsibilities in the oversight of the operation and management of the Port Authority. The committee is going to have 5 board members. I'll serve as Chairman. Commissioner Bagger will serve as Vice-Chairman. And then Commissioners Paterson, Pocino, and Lynford will also be members of this committee. Again, in accordance with the by-laws, a quorum requires that at least 3 members be present for us to have an ongoing dialogue and vote including 1 commissioner from each state. And action will not be taken without agreement from at least 1 member from each state. So this committee, like other committees, will respect bi-state nature of this authority. The Oversight Committee has the authority to form our own subcommittees, but also assign tasks to existing Port Authority committees, which we might do as we go forward. As relates to meetings, the committee will meet at times designated by the Chairman of the Oversight Committee—myself or at the request of the full Board. All of the meetings will be conducted in accordance of the by-laws. While there will be times where this committee will meet in executive session to discuss sensitive matter, we will do all that we can to strive to hold public meetings as much as possible, and we want to hear a significant amount of feedback from the public, and that will be part of our agenda items as we move forward. The Oversight Committee will provide reports and recommendations to the Board on a regular basis. The powers and responsibilities—just to review them for a moment— the goal of this committee, as we said, isn't just to produce a report that sits on the shelf somewhere that no one reads, this will be a committee of action, and the powers and responsibilities given to this committee will enable it to do just that. It will be an ongoing committee, so it will be a committee that will meet regularly and not one that will just meet sporadically, and, as I said, end with a report. Just to be clear from my perspective and my joint commissioners' perspectives, everything is on the table here. As we view this, we're taking a fresh, clean look at what's happened. We're going to examine the current state of the Port Authority structure. This is, as we said, an agency that was formed with good intentions and done great work over the last 100 years, but 100 years is a long time ago, and a lot has changed since then. A lot has changed, frankly, over the last number of decades, and we believe it's time to take a step back and reevaluate the current structure, the current policies, and the current governance under the lens of the current environment. As I stated before, this committee is about looking forward and developing a proactive and perspective agenda to ensure this agency continues to meet it's mission. We're not here to duplicate any of the ongoing investigations, but we're also not going to ignore what occurred last September at the George Washington Bridge. We will learn from the ongoing investigations and will review current programs and existing policies to not only ensure that what happened last September doesn't happen again, but to raise the level of the agency's performance in meeting it's mission throughout the agency. We're going to review the transparency and open government practices of the Port Authority including communications within the organization, with outside government agencies and stakeholders, and equally importantly—and most importantly—the public. The biggest asset of this organization is the 7,000 men and women that come to work everyday at the Port Authority. That's one thing, as I think about some of the challenges we've been facing over the last month, that bothers me the most is that the people who work day in and day out to make sure this agency functions as effectively as it has. And we have example after example of them sacrificing and performing at the highest level to serve this public whether it was from Super Storm Sandy and

the performance we had there, or more recently, the great activities they did to help us host the Super Bowl where the Port Authority played a key role, and thankfully wasn't mentioned in the press because we did such a good job of executing and making there—and these are the people that are dedicated and something that we want to make sure that we pay attention to as we go forward so that we can respect their continued focus on, and commitment to, the Port Authority. With that, some of the things that we're going to think about is our whistleblower policy and other employee protections and training programs and what works and what doesn't work. A question that has been brought to the forefront in recent months is the current governance structure of the Port Authority. The Oversight Committee will explore whether we have the type of governance structure to enable the Port Authority to be the 21st century organization that it needs to be in providing facilities to respond to the transportation needs of the region and the economic growth and potential of this region. We'll be working with the Port Authority Board committees to develop new areas of reform and ensure accountability in meeting our fiduciary responsibilities. As stewards of this agency, it's incumbent for us to make sure that we're in a position to excel at the highest level. But also as stewards of this agency, it's important for us to realize that we need to take measured and responsible action, and I think we view here, this is a little bit of a marathon, not a sprint. And so we're going to be focused and we're going to be deliberate and we're going to be having a lot of meetings and focusing on a lot of things. We're not going to jump to any conclusions at an unnecessarily swift pace. As I said, we're going to be thoughtful and responsible on what conclusions we draw from. With that, I'll just offer any other commissioners to make any comments, and then we can open and discuss some potential agenda items. Commissioner Bagger.

[Comm. R. Bagger] Mr. Chairman, I endorse those remarks. This charter for this committee and our work is going to be both broad and significant, but it's also going to be focused and far-reaching. When I say focused, it's going to be focused in the sense of as we learn. As we learn from all the ongoing inquiries and investigations— what occurred with respect to the George Washington Bridge we will be making recommendations to the Board relative to our governance and our—governance and management of processes to ensure that something like that can never happen again. But we're also going to be far-reaching in terms of looking at the governance and structure of the Port Authority moving forward to be able to deliver on the crucial mission of this agency for New York and New Jersey and the entire region. So, therefore some of—as the Chairman mentioned— some of the things that we will be looking at include the governance best practices from both states and from around the country or public agencies, especially for public agencies that cross state lines. I think there's a lot we can learn. I think we have the opportunity to consult with a number of independent governance specialists to get new ideas and make sure we are listening to people with new ideas and expertise in this area. To take a close look at our whistleblower policies and our training policies for the Board, the executive staff, and the employees of the Port Authority. To take a look at our recusal policies and transparency around our recusal policies. And to consider range of issues relating to our Board and management practices. And as Commissioner Rechler noted, to also focus on the—the men and women who work for this agency. This is a great agency that's crucial to the bi-state region, and we need to ensure that our governance is worthy of the 7,000 men and women who work for this agency and for the millions of people who use Port Authority facilities. on an ongoing basis.

[Board Vice-Chair S. Rechler] Any of the Commissioners have any comments? Commissioner Lynford.

[Comm. R. Pocino] You said it all. With what's been said I think that we should plan on a schedule in terms of who's on the Board. I think we might want to think about putting some people to use in terms of doing some research with what other bi-state agencies are doing, as Commissioner Bagger pointed out, to get started with. We should move as quickly as we can in that direction.

[Vice-Chair S. Rechler] Thank you. Commissioner Lynford?

[Comm. J. Lynford] Yes, Chairman Rechler, I want to reinforce that as stewards of the agency we need to be perceived as thoughtful, thorough, and independent, not silent. I think this is a very strong initiative in that direction.

[Board Vice-Chair S. Rechler] Very good point. Any other comments from the other commissioners? Yes, Commissioner.

[Comm. W. Schuber] Two comments with regard to this—and I fully support the action—that I'd ask the committed to take a look at. One is the issue of just issuing, number 1, a simple apology first of all. What happened here? I don't think this agency has done that yet. That's not solving the issue, clearly, but—and government agencies are the last to want to apologize for anything—there's no doubt about it—but I think it's certainly appropriate here given the nature of what happened. I think that's number one. That's not addressing the oversight issues, but I think it's an important step forward, at least, on the part of the agency. Second of all—and I've given a lot of thought to this—is—I've had a couple conversations with several of you with regard to this—and that is that one of the endemic things that I see here that we need to take a look at in the governance issue, is just the role of the Executive Director and the Deputy Executive Director. When we come here from New Jersey and New York one of the things that is impressed upon us for approval is that each of our states gets a fair share. Right? There's always an argument made that New Jersey doesn't get its fair share or New York doesn't get its fair share, and then the New York commissioners and the New Jersey commissioners have to come here with regard to the idea of making sure that your state gets a fair share. In doing that, we've created a structure in a way that is—creates 2 independent lines of authority—for lack of a better term for it—with regard to it—with 2 separate lines of authority going. I think that, as we go forward—as the committee goes forward, it should look at the fact about how that impacts this and how we can reform that as we go forward to do the 2 things. That's is to make sure that the 2 states' interests are protected here and—obviously—the region itself without creating independent authority—not independent authority so much—but independent lines of power, so to speak. I think that's an important element that goes right to the heart of the issue itself. And I think that has to be part of the agenda with regard to it.

[Board Vice-Chair S. Rechler] No, I think that's a—Commissioner Schuber, I think that's a very good point. I think that this agency, as we said in the beginning, was really formed to try to put that parochial—New Jersey versus New York sides apart and really focus more on what's important for the region. And I think, as I said, a lot of evolutions have happened over time, and

I think one of the key things that we, as Commissioners, have to focus on is our fiduciary responsibility is the mission of this agency, and the mission of this agency is for ensuring that we have the appropriate infrastructure and economic development tools to make sure that the region as a whole is growing and not any particular state. And I think that to your point that the reinforcing of that fiduciary focus on our core mission, and not either any particular state mission itself, takes us a long way towards a more improved area of focus. And I also think your comment about the apology is a good— a good suggestion.

[Comm. W. Schuber] Thank you.

[Board Vice-Chair S. Rechler] So just to sum up on terms of some agenda items— that following up on Commissioner Bagger's comments I think that make sense to think about. One is on the whistleblower recusal. We have some policies in place. I think it would be valuable at our next meeting for this committee—Pat and Deb—to work with the General Counsel and get a report on whoever the appropriate person is as to the state of those policies so that there's— we can have a discussion about the current policies in place to the extent that there is any ability to assess the effectiveness of that in terms of—from a whistleblower, for example, how often is it used, how is it accessed, and things of that nature. So not just the form of the policy but the effectiveness of the policy related to things that would be helpful—as one. The second, I think to follow on— both Commissioner Bagger said it as well as Commissioner Pocino, is that there's other—within both states, New York and New Jersey, there are legislations about setting laws for authority— standards for authorities, and maybe we can study both, particularly the New York Public Authorities law that was passed. If there's something similar to that in New Jersey, and there's something similar to that in other states around the country that could serve as a standard that we could learn about and then determine how we measure up against those standards and what are we compliant with and what aren't we compliant with and what might be appropriate for us to comply with. in the future. And then lastly, I think just to make it more tangible onto what Commissioner Bagger had noted, is I think there'd be value—we think there'd be value in trying to identify governance experts— experts on agencies that could come and share some of their perspective. Maybe some former Port Authority executive directors— people that have studied this agency or other agencies that can be asked to take a little time and study us and share some views as to how they may make some recommendations for us that meet the standard of governance in operations that we would be seeking. Does anyone else have any thoughts on tangible— you know—next round of agenda items that we could follow? So now to Pat and Deb, I'll just lead it to you to coordinate with the staff on that front. Any other comments by anyone?

[Comm. R. Bagger] I'll just say, these are really important discussions, so—for example— Commissioner Schuber noting the point about the Board's fiduciary duty. When I joined the Board, I naturally assumed and considered that I do have a fiduciary duty to the Port Authority of New York and New Jersey, and I think that the Board members conduct themselves in that fashion, but that's the sort of governance issue and practice that would be important for us to discuss.

[Board Vice-Chair S. Rechler] I completely agree. Okay, so with that, I think this was a good first opening meeting to introduce the committee. I think a good exchange of ideas, and I encourage the same type of very transparent open and candid discussion that was had here at this

committee in future meetings. And I encourage all of us to think in between these meetings as what changes might make sense, and I also—to the staff as well—if there are ideas, everything, as I said, is on the table for consideration to make sure that we get this agency to a standard that we all are comfortable with. So with that, if there's no other comments, I will make a motion to adjourn. [Comm. R. Pocino] Second. [Board Vice-Chair S. Rechler] Okay. Meeting adjourned. Thank you all.