

The Port Authority of New York and New Jersey
Committee on Construction Meeting Transcripts
April 29, 2010

[Comm. R. Pocino] Let's get started. Good morning to everyone. This is the Committee on Construction, and this first part will be a public session. The Committee on Construction, as I say, is meeting in public session, It's being held for the purpose of which the second part will meet in the executive session to discuss matters involving ongoing negotiations or reviews of contracts or proposals. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. For discussion, the first part of the meeting is a quarterly update on major projects. Ernesto Butcher is going to give that for us, Ernesto.

[E. Butcher] Good morning, Commissioners. Thank you. Today I would like to provide you with the first of the series of quarterly updates that we will begin to provide the Committee on the status of significant projects that are scheduled for delivery within the agency's capital program. Specifically, today I would like to update you on the status of two projects that we previously identified as being projects with high risk and for which we committed to provide you with status reports on an ongoing basis. These projects are the new toll collections system with all electronic tolling capability and the PATH Signal Replacement Program. I'll also provide you with an update on the noteworthy JFK Bay Runway reconstruction project. The first project is the new toll collection system with all electronic tolling capability. In February, 2010, the Board authorized a \$175 million state of good repair project to deploy a new toll collection system with cashless tolling capabilities in existing bridge and tunnel toll plazas, as well as, an agreement with PBS&J for program management services to assist with the deployment of the new toll collection system. Of this amount, \$7.6 million was allocated for capital spending in 2010. The project has completed approximately 30% of its design and is currently on time and within budget. The all electronic tolling request for pre-qualifications was made public on March 15, 2010, and responses have been received. Vendors that are deemed qualified will be eligible to receive the request for proposals. We expect that the request for proposals will be released to qualified vendors by August of this year. At the same time, program staff will continue to identify revisions to policies and procedures that will be needed to implement cashless tolling. The second project, the PATH Signal Replacement program, was conducted in two phases. The first phase, which was authorized in September 2003 with the PATH Rail Car Replacement Project, required that signal suppliers demonstrate how their Automated Train Control Signal System would work in the PATH operating system and meet other deliverables, such as system safety and interface. All of the successful suppliers then submitted their proposal for phase two to design and install the automated train control system at PATH. The PATH Signal Replacement Project phase two was authorized by the Board at the October 2009 meeting for \$580 million for the replacement of the existing antiquated signal system with an automatic train control system using communications-based train control technology and includes complying with new legislative regulations for installing positive train control systems. In December of 2009, an award of contract was issued to the Siemens team. A consortium of three companies, Siemens, Invensys, and D/A located in New York City and Newark, New Jersey, where they will design and install a new automatic train control signal system for PATH. The contract is for \$365 million, including net costs and extra work

provisions. There is an allocation in the 2010 capital spending plan of \$65 million. Port Authority staff will continue to work closely with Siemens team to monitor and oversee the project. We believe that this project is progressing on time and currently is within budget, and we expect to meet the mandate of installing positive train control by the end of 2015. This project, the JFK Runway 13R-31L pavement replacement and delay reduction improvements was not among the projects that we indicated as high risk, but it had its particular features to it, including a 120-day closure which we thought would be important to bring you back up-to-date on our progress of this particular project. The project authorization for this project was received in February, 2009, for \$373 million to reconstruct runway 13R and 31L, which is 13 right and 31 left, known also as the Bay Runway at Kennedy airport. It includes the construction of new drainage and electrical infrastructure, the widening and extending of existing taxiways, and the construction of new taxiways. There is an allocation of \$147 million in the 2010 capital spending plan for this project. The Phase I portion of the project which is the replacement of the pavement on 13R-31L is authorized at \$292.4 million. Beginning in March 1st, the runway was removed from service and an intensive effort known as a 120-day closure began, which will reconstruct the western end of the runway and return it to service in late June. The first stage of work provided for was the construction of Taxiway KC or dubbed the "Test Section", which is shown on the right, was completed in the fourth quarter of 2009. That project validated the slip forming method of construction that we were to use for the runway itself. So, completion of that section was an important piece of this effort, especially as it relates to our ability to complete the 120-day closure for the runway. The runway work has begun in earnest with all segments, including concrete, asphalt paving, electrical and drainage elements as shown on the left, moving according to schedule. The 120-day closure, we believe, is proceeding well, with approximately 62% of the new runway concrete paving, and 47% of the new runway shoulder asphalt paving completed to date. Progress meetings are on-going with the contractor, Tutor Perini, and frequent coordination meetings are held with the FAA and airport community. I should add, Commissioners, that this particular project, there were concerns about delays as a result of doing this project. and I'm pleased to inform you that delays have not shown themselves to be any different than prior years. We still average around a 30-minute delays. In fact, one of the important things that we've done in this effort is to provide a new metering system for aircraft that are going to the runway, as opposed to all aircraft leaving the gate at their own will, we have now established a system where they can't leave the gate until we provide them the opportunity to do so. In fact, the carriers have shown themselves to be particularly pleased with this effort, because it's saving them not only time, but significant fuel costs. There is a potential that they may be asking us to continue this after this runway project is completed. It's one of the first anywhere to use this kind of system for moving aircraft to runways. In closing, Commissioners, we'll continue to monitor these projects as we've offered to you these are the significant projects that we've indicated that we've had some concerns with. We will come to you on a frequent basis to give you further updates on these projects.

[Comm. R. Pocino] Thank you. Do any Commissioners have any comment or questions?

[Comm. A. Sartor] It's good to hear that delays are comparable to what they were in the past.

[E. Butcher] That's right.

[Comm. R. Pocino] Good to hear also that they're all on time and within budget.

[E. Butcher] Yes.

[Comm. A. Sartor] You've got to watch that, though.

[E. Butcher] Yes, sir, we will.

[Comm. R. Pocino] Okay, our second presentation will be on the JF Kennedy International airport Central Substation Upgrade and Refurbishment project re-authorization. Frank Lombardi.

[F. Lombardi] Thank you, Committee. Good morning, Commissioners. As you know, we have begun discussion with you on the delivery on the agency's capital program. As part of those updates, it is our intent to bring to your attention the issues, successes, and difficulties that we may be encountering in the process of delivering our capital plan. While we are pleased to report to you our quarterly results on major capital projects today, we are also here to seek your authorization for additional funding, that will provide for the successful completion of the JFK Central Substation, which will insure that the necessary level of electrical service is provided to the Central Terminal Area, including redundancy in the event of power failures. Commissioners, the subject project provides for the rehabilitation of the airport's central substation. Its location is indicated on the map to the right. The upgrade was necessary since the equipment, known as switchgear, was reaching the end of its useful life. The small graphic on the bottom is a simple photograph of what an electrical switchgear includes. Basically, it is a series of very large circuit breakers. The scope of work also included the reconfiguration of the electrical cables in the Central Terminal Area, basically providing for dedicated electrical feeders to each Terminal building. The project was authorized in May 1994, and two contracts were awarded - one for procuring switchgear, and one for the installation of the equipment, and reconfiguration of electrical cables. Commissioners, the photograph on the right gives you a sense of the electrical complexity of this contract. The red lines are the underground electrical lines that needed to be either built in their entirety or rewired from the substation to the Terminal buildings. The graphic on the left shows in simple terms what work remains at the substation. As you can see, the vast majority of the substation work is completed. As of today, two substations (E and F) switchgear have been refurbished and are in operation. Three (A, B, and D) switchgear have been replaced and are in operation. The last one (C) is in place but not in operation. The work to be done includes demolition of existing switchgear C, construction of electrical connection to switchgear C, reconstruction, reconnection of feeder cables as needed, and to clean and energize the equipment, as needed. The completion of the remaining work is necessary in order to ensure the level of electrical reliability and redundancy in the Central Terminal Area. The forecasted completion date is December 2011. Commissioners, as you know, JFK has undergone significant redevelopment since the mid-1990s. Unfortunately, this extensive redevelopment had a significant impact on the completion of this particular contract, resulting in several delays since the start of the construction contract in 1996. While this electrical upgrade is critical to overall airport operations, most of the airport terminal redevelopment work postponed this particular substation work, which was essentially put on hold many times. You can see from this slide that the redevelopment work took place from

1994 through 2008. The work included 5 Terminals, 4 parking garages, and the AirTrain system. In addition to the development work, the events of September 11th, as well as Con Ed's priorities, adversely impacted this substation construction. Throughout all of these events, system shutdowns, electrical load transfers, as well as electrical connections and re-connections were required. In summary, other airport work and events delayed the substation construction by 13 years. Nevertheless, this contract provided an effective means to provide electrical support to the airport development as it occurred. Commissioners, the unfortunate reality of this contract is that, while the airport's re-development electrical needs were satisfied in a timely manner for several major Terminal development projects, the subject contract has experienced significant delays. This time extension had associated cost impacts on all of the project components, including a contractor claim due to time extension impact costs. While the contractor payments to date have not exceeded the authorized amount, they will increase by approximately \$300,000, which covers escalation costs for the remaining work. Staff time, as well as general expenses, have gone up to cover the time extension impact costs. We are also seeking \$900,000 in contingency, in the event of unforeseen coordination. Commissioners, your approval for \$11.2 million in additional funds will provide for the successful completion of this project for the total amount of \$32 million. Commissioners, with your approval, we will complete this Substation work in 2011.

[Comm. A. Sartor] Can you give us a breakdown of the \$11 million?

[F. Lombardi] Yes.

[Comm. A. Sartor] You threw out two numbers but there's no breakdown (inaudible). There's approximately \$2 million, Commissioner, for contractor payments and the claim. There's an additional staff cost of approximately \$3 million. There are general administrative and financial expenses and insurance of \$5.5 million. There's the project contingency of that approximately \$1 million, for a total of \$11 million.

[Comm. A. Sartor] The switchgear was purchased back in '95, '96?

[F. Lombardi] Yes, sir.

[Comm. A. Sartor] You've had this?

[F. Lombardi] Yes, we've had this for a while.

[Comm. A. Sartor] That's a big savings. If you had to purchase it today, I'm sure the numbers would be a lot higher.

[Comm. R. Pocino] This is a project that we've gone over before as one that has significantly overran the initial costs, if I recall.

[F. Lombardi] Correct.

[Comm. R. Pocino] Let me ask you this question. What's the feasibility of any more delays

happening before December of 2011?

[F. Lombardi] That's why we've added on additional contingency items, and we've taken into account the number of electricians that would be required to do the work, and if we were to see and come across something that's unforeseen because it's underground; that's the other reason why we've added an additional \$900,000. But we will be finished by December 2011. We've allowed additional time to complete this.

[Comm. R. Pocino] We'll continue to get reports in terms of where we are with this project as far as on time and within budget?

[F. Lombardi] Yes, Commissioner.

[Comm. R. Pocino] Any other comments, questions?

[Comm. J. Moerdler] What level of redundancy do you have now with the electrical systems running today, at N plus 1, or N plus 2?

[F. Lombardi] This is a triple contingency system, Commissioner, so that it's a double contingency on top of the base contingency. We always have kept that, just in case anything happens. That's basically Con Ed's policy.

[Comm. J. Moerdler] That will then increase by December, when you bring the one additional substation back on line?

[F. Lombardi] It's there, so we just want to reconnect it, because it's not connected.

[Comm. R. Pocino] Okay, everyone, we'll move on to the next item, which is the 2009 M/W/SBE results. Lash?

[L. Green] Good morning, Commissioners. Today I'm pleased to report on the Port Authorities performance in meeting last year's objectives for minority, women-owned, and small business enterprise participation and construction, procurement of goods and services, and other business activities. With the Board's support the Port Authority maintains one of the most comprehensive and effective programs in the region. The results are that in 2009 the Agency, including the efforts of our tenants, and the construction programs of World Trade Transportation Hub, One World Trade Center and the Memorial Museum posted approximately \$358 million in contracts awarded to M/W/SBE's. I would like to now share with you the makeup of this sum. I will also provide specific information on M/W/SBE participation and construction awards. The 2009 total of approximately \$358 million was made up of awards from three sources - Port Authority direct contracts and subcontracts, World Trade Center redevelopment projects, and Aviation tenant work. This represents 13% of all contract awards. By procurement category, the largest share that made up the \$358 million total was construction, with \$280 million in awards derived from contracts across Port Authority facilities, aviation tenant work, and most notably, the World Trade Center redevelopment projects, which generated \$167 million in awards to M/WBE firms. This \$167 million brings the total M/WBE awards generated from World Trade

Center related projects to \$577 million, which represents 14% of all World Trade Centers contracts since initial reporting began in 2007. I would like to emphasize the importance of the M/W/SBE spending in our region and its contribution to the creation of jobs and economic growth. The regional impact estimates of the \$358 million in M/W/SBE contract awards resulted in the creation of 3,070 jobs, generated more than \$165 million in wages, and \$581 million in economic activity. For construction-specific spending, the regional economic impacts were estimated to have supported 2,210 jobs in the region, generated \$125 million in wages, and produced \$482 million in economic activity. The Port Authority continues to play a leading role in developing and participating in programs to assist minority and women-owned businesses. Last year our mentor protege program was cited as a highly successful mentorship program by the New York State Legislature. The program matches PA's certified M/WBE's with some of the region's leading construction companies in an effort to increase capacity and ability to bid successfully on larger contracts. In 2009, there were 14 participants in the program, and a total of 35 firms that participated in the 3-year program since its inception in 2002. Seven proteges were awarded, 11 Port Authority contracts totaling \$5.7 million. In 2009, a new initiative involving only a training segment of the program was implemented. Six firms participated in this pilot program, which is designed for firms grossing under \$500,000 annually. In partnership with the Regional Alliance for Small Contractors, M/WBE's were offered well over 20 management, construction, technical, and business software courses. Our programs launched in 2008 that targeted construction firms, continue to be popular choices in 2009 including a construction management certificate program for M/WBE's at Pace University, which qualifies the participants who participate in courses for 22 1/2 hours of continuing education credit. A 10-hour OSHA course certificate required by all field staff or contractors in New York, and a new seminar, "Environmentally-Sustainable Design" was introduced in partnership with New York University, offering design professionals 6 hours of continuing education credit. In 2009, nearly 600 representatives of M/WBE firms participated in courses offered by the Regional Alliance. As part of our effort to insure a pipeline of skilled workers, we renew our participation in construction pre-apprenticeship training programs offered by Construction Skills 2000, now renamed as the Edward J. Malloy Initiative for Construction Skills in New York, and in New Jersey, by the Newark Essex Construction Careers Consortium and New Jersey Pathways. These three programs continue to be among the most successful of their type in the region. Since their creation in 2001, over 1600 New York and New Jersey residents completed the training curriculum and were accepted into union apprenticeship programs in both states. Throughout 2009, we continue to hold bi-monthly M/WBE progress meetings with the M/WBE liaisons and construction managers for the World Trade Center Transportation Hub, One World Trade Center, and the Memorial Museum projects, to monitor progress and discuss issues related to M/WBE participation. We continue to operate and promote the World Trade Center Business Resource Center, which was opened in 2008 to support M/WBE's on World Trade Center projects, as well as the new firms interested in bidding on the projects at the site. Besides meeting with individual firms, we hosted M/WBE capacity-building courses with our partners, including a bonding and capital access workshop offered by the Jamaica Business Resource Center but held at our Business Resource Center, as well as sponsoring informational and networking events to keep M/WBE's informed about opportunities downtown. 2009 was a good year for M/W/SBE's in spite of the economic downturn and fiscal constraints faced by many, including our aviation tenants. The resulting sum of \$358 million is slightly higher than the previous 5-year average of \$347 million. Going forward, we are continuing to maximize

M/W/SBE participation in all areas, as well as expand the capacities of our M/W/SBE's, so that they can participate in more Port Authority opportunities. Thank you.

[Comm. R. Pocino] Thanks, Lash. Any comments from Commissioners?

[Comm. R. Pocino] One question, Lash, in reference to recommended goals in all of these categories that we put forth on an annual basis, do these numbers fall short, or do they meet, or do they exceed those goals?

[L. Green] Our good faith goal for the Agency is 17%, and at this point, the 13% falls a little short. The reasoning for that is the mix of contracts that we have from year to year, some are more conducive for participation. This year we had, as you heard earlier, some major paving contracts, which are a little more difficult to get participation.

[Comm. R. Pocino] It's certainly not because of a lack of effort, because I can see that there's a lot of effort out there to try to maintain what it is that those goals are. Thanks very much.