

The Port Authority of New York and New Jersey
Committee on Finance Meeting Transcripts
July 24, 2013

[Vice Chair J. Lynford] Our Chairman, Rick Bagger, is not with us today, but we have quorum. The first portion of today's meeting is being held in public session. After which the Committee will meet in executive session to discuss matters in which the release of information could impair a right to receive funds from the United States or other grantor, and discuss and act upon 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. Thank you for coming. We have on our agenda for action Consolidated Bonds Authorization of Sale for World Trade Center purposes, and our Chief Financial Officer, Libby McCarthy, will lead the discussion.

[E. McCarthy] Good morning, Commissioners. Today staff is seeking authorization related to the sale from time to time of taxable consolidated bonds on a negotiated bases for the capital expenditures in connection with the redevelopment of the World Trade Center site. In accordance with prior Board approvals, to date approximately \$475 million in bonds have been issued on a competitive basis and \$5.3 billion on a negotiated basis to finance the World Trade Center redevelopment expenditures. On August 1, 2012, the Board authorized the establishment and issuance and sale of Consolidated Bonds 174 Series through Consolidated Bonds 193rd Series and authorized the issuance and sale of each series in an aggregate principle amount up to \$500 million at a true interest cost not in excess of 8% for a term not in excess of 35 years. Provided, however, that to the extent that any of such series are issued and sold solely for the purpose of capital expenditures in connection with the redevelopment of the World Trade Center site, such series may be issued and sold without limit as to principle amount and term to maturity provided that the total aggregate principle amount of all such series, regardless of the purpose for issuance, shall not be in excess of \$10 billion, the maximum aggregate principle amount that can be issued under such resolutions. To date, \$2.945 billion in total aggregate principle amount of Consolidated Bonds under Series 174th through 177th have been issued under the resolution noted. Of which, \$2 billion in total aggregate principle amount has been issued for the purposes of capital expenditures in connection with the World Trade Center redevelopment. Authorization is being requested for the further issuance and sale from time to time of consolidated bonds in the aggregate principle amount not to exceed \$2 billion on a negotiated basis for purposes of capital expenditures related to the World Trade Center site. This authorization is expected to meet the financing needs of the redevelopment of the site through the third quarter of 2014. Prior to this scheduling by an authorized officer of any issuance of these bonds under this authorization, the proposed issuance would be reviewed with the Chairman of the Committee and with other members of the Committee when practical. Bank of America, Merrill Lynch, Barclays Capital, City Group Global Markets, and RBC Capital Markets LLC. will provide underwriting services to support the Port Authority's capital markets program to finance these bonds. These firms were approved on June 28, 2012, at a special meeting of the Committee on Operations to serve in this capacity over a 3 to 5 year period. At the time of each such issuance, one or more of these 4 firms will be selected to serve as the lead book running underwriter with the remaining firms to serve in the syndicate as co-managers. Staff will also request that the underwriting syndicate managers include a minimum of 10% total combined M/WBE

participation in the underwriting syndicate. Estimated capital expenditures in connection with the redevelopment of the World Trade Center site from the fourth quarter of 2013 through the third quarter of 2014 are currently projected to be \$2 billion. As of June 30, 2013, the remaining 174th Series proceeds available for World Trade Center capital expenditures total approximately \$690 million. Based on the current estimated spending for the World Trade Center capital expenditures, it is estimated that these remaining proceeds will be fully utilized by the mid-fourth quarter of 2013. As the funds on hand are expended, additional issuance will be necessary from time to time to support the capital expenditures of various project elements. The next World Trade Center bond issuance is currently expected to be sold in the fourth quarter of 2013. Further authorizations will be requested in the future as necessary to meet subsequent capital needs of the World Trade Center redevelopment. So, Commissioners, at this time I request approval of this item.

[Vice Chair J. Lynford] Thank you. I guess I first ask for a motion and then have discussion, is that correct? Is there a motion to— [Comm. W. Schuber] So moved. >> [Vice Chair J. Lynford] Is there a second? >> [Comm. J. Moerdler] Second.

[Vice Chair J. Lynford] We'll have discussion on this important matter. I'd like to bring my colleagues attention to the Fitch Report issued on the 23rd, which I think is a wonderful statement about our financial condition. The key rating drivers are resilient cash flow and stable revenue base, a high degree of rates setting flexibility, conservative capital structure, moderate leverage and strong ratios, and established asset base with reinvestment needs. Also there are rating sensitivities, which I also commend to my fellow Commissioners. Jeff?

[Comm. J. Moerdler] Just one question—Libby, you went a little quickly. Can you just restate when that date we hit the max— when you project we'll max out. [E. McCarthy] On the \$10 billion authorization? [Comm. J. Moerdler] Yeah. [E. McCarthy] Or on the— [Comm. J. Moerdler] Both. [E. McCarthy] The \$10 billion, I think, will— I would guess get us through at least 2014 would be my estimate at this point. And then the \$2 billion that we're seeking for this would get us through the third quarter of 2014. It's based on the current spending levels. [Comm. J. Moerdler] And what happens with the cash when we have a capital event such as when we did the Durst joint venture and we brought in \$100 million. Is that used to avoid the next bond— delay the next bond issuance of the capital? Does it just go into the pool of funds? Is it used to pay down bonds? How do we deal with capital event funds? [E. McCarthy] It's used to fund portion-related capital, so either— [Comm. J. Moerdler] So it's deferring the next bond issuance? [E. McCarthy] Right. And it's factored—for example, in the Westfield joint venture— the existing joint venture where we had the scheduled payments, that's factored into our timing and expected plan of when we would issue bonds. [Comm. J. Moerdler] But if we had an unanticipated capital event that you hadn't factored in, you would just use that cash to defer the next bond issuance to the extent that you could? [E. McCarthy] Yes, to the extent we could. >> [Comm. J. Moerdler] Okay, thank you.

[Vice Chair J. Lynford] Thank you, Commissioner. Are there any more questions? >> [Comm. W. Schuber] No questions. [Vice Chair J. Lynford] Hearing no more questions. May I move for a vote? All in favor? >> [Comm.] Aye. >> [Vice Chair J. Lynford] Any opposed? The ayes have it. I think this concluded the public portion of today's meeting. The Committee will now adjourn

to executive session to discuss matters in which the release of information could impair right to receive funds from the United States or other grantors, and discuss and act upon matters involving ongoing negotiations or reviews of contracts or proposals. Thank you very much.