

**The Port Authority of New York and New Jersey
Committee on Capital Planning, Execution & Asset Management Transcript
October 25, 2018**

[Chair R. Bagger] That concludes the Finance Committee meeting. Back to you, Mr. Chairman.

[Board Chair K. O'Toole] Thank you, Commissioner Bagger. The next meeting is the Committee on Capital Planning, Execution and Asset Management, which will be Chaired by the Vice Chair Jeff Lynford. Commissioner Lynford.

[Chair J.H. Lynford] Thank you, Chairman. Today's meeting of the Committee on Capital Planning, Execution and Asset Management is being held in public session in its entirety. At this point, I would ask the Board Secretary to advise those present of the composition of the Committee on Capital Planning, Execution and Asset Management and any Commissioner recusals on the items before the Committee in today's meeting.

[L. Handel] The Committee is composed of Commissioner Lynford as the Committee Chair, Commissioner O'Toole as the Committee Vice Chair, and Commissioners LaBarbera, Pocino, and Rosado, all Committee members are present at today's meeting. With regard to the JFK Airport Redevelopment item, there are no recusals required, with regard to the item on the GWB Bus Rehab Program, the Rehabilitation of Center and Lemoine Avenue Bridges project re-authorization, of the Committee members present, there are no recusals required, of the other Commissioners present at the meeting, Commissioners Bagger and Eve are recused on this matter. And with regard to the Quarterly Capital results, as there are no requests for action, no recusals are required.

[Chair J.H. Lynford] Thank you, Madam Secretary. I will now call on our Chief Development Officer Derek Utter to present an item concerning negotiations Excuse me. I just want to make sure I'm in the right place. With certain terminal operators regarding to the development of John F. Kennedy International Airport. Derek.

[D. Utter] Great. Thank you, Vice Chairman. And good afternoon, Commissioners. I wanted to do two things. First, give you just a very brief update on the JFK redevelopment,

[JFK Redevelopment, JFK Vision Plan] and then secondly, seek authorization to enter into exclusive negotiations with the two parties that the team has designated. So first, just a little bit of background. In early 2017, Governor Cuomo laid out a vision plan based on the advisory panel that looked at developing JFK beyond the six island terminals that we have today into one unified airport, primarily to support the growth and passenger demand growing from 60 million passengers today, which JFK supports, up to about 100 million passengers by 2050, and in doing

so, modernizing the airport into a world-class secure passenger facility.

[Forecast Demand] Just as background. The developments that we will talk about today will allow us to grow from about 60 million to 80 million passengers, which we think of as a Phase 1 in the overall plan to get to 100 million passengers over the next 32 years.

[Comparative Analysis Process] Over the last year or so, we have undertaken a very extensive, what we call, comparative analysis process, which developed a competitive dynamic around the existing terminal operators. So today, as I said, we have six terminals, we engage with all of the existing terminal operators and invited them to submit proposals to us to develop parts of the land either adjacent to their terminal, or in some cases, we would demolish existing older terminals to create additional space. And we did this in a competitive process because we had limited Port Authority capital to support these investments. While this was not a formal procurement, we developed a number of the best practices from large procurement processes in doing so and comparing the various proposals that we got. We developed a senior level team, which we call the Comparative Analysis Team, we developed a whole series of protocols under the direction of the law department and the procurement department, and ultimately, the inspector general monitored the deliberations of the team. Existing terminal operators in some cases selected additional partners, but they did so entirely on their own and through their own processes. For example, JetBlue ran a process which they publicly announced in 2017.

[Evaluation Considerations (1 of 2)] As we engage with all of the terminal operators starting at the fall of last year through the beginning of this year, we articulated a variety of evaluation considerations. So we're very transparent in what we asked the terminal operators to propose to address. The first area involved providing a world-class customer experience and accommodating the substantial passenger growth. And in those areas, we looked at terminal capacity, how we phased in the terminal capacity, and making sure we had balance between the north and the south of the airport to accommodate use of the taxiways and runways. We looked at how they addressed the customer experience to provide a seamless customer experience for all different types of travelers, whether they be families, business people, disabled, we looked at how they addressed moving towards digital technology and leveraging technology like biometrics, we also looked at how they developed performance in criteria, in terms of KPIs, key performance indicators, with incentives and penalties on the line to hit those targets. Thirdly, we looked at design excellence. We wanted to develop terminals that have air, light, and space. They start to become unified and create a "One JFK" experience, add a clarity of wayfinding, a real sense of location in New York City, and a real visual identity since JFK is really one of the premier international gateways to the country. Fourth, we looked at security. We had our top security experts work with different teams to leverage state-of-the-art technologies, systems, and protocols. And then lastly, within this category, we looked at airport access, how could we improve the road frontage, how could we improve the drop-off zones and pick-up zones, how

could we accommodate the growing use of car services, and how could we connect better to the AirTrain.

[Evaluation Considerations (2 of 2)] The second major area we looked at is the delivering value to the Port Authority. As you know, our \$32 billion 10-year Capital Plan is underpinned by the revenues that we generate from all of our assets. And so in this case, we looked at how could we best optimize the use of our \$1 billion in our Capital Plan, how could we also maximize the net present value of the revenue streams to us over the long term but at the same time keeping a careful eye on the cost per employment, which gets ultimately passed through to passengers. The third broad area we looked at was delivering on expedited schedule, both construction start dates as well as construction completion dates, and you'll see, as we talk about the developments that we're going to propose, there are very aggressive schedules that have completions happening by mid 2020s. And at last, we looked at the world-class team both development and construction team as well as the longer term operating team that would maintain the facility. And with all of this, we looked at high MWBE goals, we have a 30% target for the design and construction as well as many subcomponents of the design and construction. Ultimately, the recommendation of the team boiled down to two broad groups, all of which will be supported by about \$3 billion of Port Authority infrastructure, a billion of which will come from our Capital Plan, the balance will come from private sources. The first group we're recommending is the Terminal One Group called TOGA. The Terminal One Group is the existing leaseholder at Terminal 1 and includes four airlines, Lufthansa, Air France, Korean Air Lines, and Japan Airlines. Those four airlines developed Terminal 1 about 20 years ago and will continue and develop the entirety of the Terminal 1, 2, and 3 site into a much larger terminal. The new terminal will have almost three million square feet of space. It will accommodate 24 gates, 23 of which are wide-body gates, and they will open their first phase in 2023. The second phase of the development will open up in 2025, and that is when we'll have all 24 gates in operation. This will be an all international terminal. Total project cost for this development is \$7 billion, all coming from private investment. The second development we're recommending is the JetBlue investment. JetBlue, as you know, currently operates Terminal 5. They will now develop Terminal 6 site and the Terminal 7 site into a new terminal which will be connected to Terminal 5. It will have 1.2 million square feet of space. The new terminal will accommodate 12 wide-body gates. Some portion of that will be used for JetBlue's own operations and some portion will be used for new international and domestic flights. Similar to the terminal in the south, this terminal will open in 2023 with the second stage of development opening in 2025. And for a total project cost of \$3 billion, again, all funded by private investment.

[Environmental and Construction Timeline] In terms of timeline, we are immediately jumping into the environmental approval process, the environmental approval process, we think will take roughly 18 months, and in parallel, we've been negotiating final lease agreements. What we have today are term sheets, but they're very extensive term sheets, 50 to 100 pages, and they cover

many topics. So we expect that as we build out those lease agreements that we will ultimately proceed in parallel, and we expect to come back to the board in the beginning part of next year to seek approval for those lease agreements. The environmental approvals will take a little bit longer as I said. We expect those to be completed early 2020 with construction starting in mid 2020 soon thereafter. And so I touched on the opening dates, 2023 and 2025 as well.

[Recommend Board Action] So again, today, what we are seeking is the authority to enter into exclusive negotiations with these two terminal operators. And we will come back to the Board for full lease approval in 2019.

[Chair J.H. Lynford] Thank you, Derek, that's a very robust report, a lot of information. I have four takeaways. Tell me whether these are correct, 4.1 million square feet, \$13 billion, only a billion from us, 36 new gates, and you'll guarantee that we're going to go there in 2023 and be very happy?

[D. Utter] Yes.

[Chair J.H. Lynford] Thank you. Do my colleagues have any questions?

[Commissioner] Yes to all of those?

[D. Utter] Yes to all of those.

[Chair J.H. Lynford] Hearing no questions, can I please have a motion from a Committee...

[Comm. R. Pocino] Motion.

[Commissioner] Second.

[Chair J.H. Lynford] Thank you. Madam Secretary, do I have to read this whole thing now that I've got the motions? Thank you. Next, our Director of Tunnels, Bridges and Oh, yeah, by the way, the motion is passed. Oh, I guess, you should call the roll or not? I'm sorry, at the Board Meeting. Okay. Next, our Director of Tunnels, Bridges, and Terminals Diannae Ehler will present an item concerning Rehabilitation of Center Avenue and Lemoine Avenue bridges at the George Washington Bridge. Diannae.

[D. Ehler] Good morning.

[Chair J.H. Lynford] Good morning.

[D. Ehler] Afternoon. I'm here today to request project reauthorization to advance the Rehabilitation of the Center and Lemoine Avenue bridge projects.

[George Washington Bridge Rehabilitation of Center Avenue and Lemoine Avenue Bridges - Reauthorization]

[GWB Restoring the George Projects] The Rehabilitation of the Center Avenue and Lemoine Avenue bridges is part of the Restoring the George program. I'd like to take a minute to recap the program for you and to provide an update. I'm pleased to report that the \$1.92 billion program is progressing within budget and on schedule. This slide shows the status of the 11 Restoring the George projects. As previously stated, I'm here today seeking authorization for the rehab of the Center and Lemoine Avenue Bridge project. We've already completed items two and three, projects listed as two and three. We have in construction projects four, five, six, and seven. And I'll be coming back in the future to authorize projects, 8, 9, 10 and 11.

[Center & Lemoine Ave. Bridges Overview] In March of 2016, the Board authorized this project for a total estimated cost of 90.9 million. The Center Avenue and Lemoine Avenue bridges over I-95 were built by the Port Authority in stages between 1935 and 1965. Both bridges have received extensive repairs over the years. While the rehabilitation work extended the service life of each of these bridges, based on recent inspections and known conditions, a comprehensive rehabilitation and a replacement of both structures is required. Highlighted.

[Center & Lemoine Ave. Bridges Scope] We need the picture. Highlighted in blue are the Center and Lemoine Avenue bridges which are two major bridges within the Fort Lee district on the New Jersey approaches to the George Washington Bridge. The project provides for addressing replacement and repairs related to the girders, the piers, the concrete deck, the sidewalks, the parapets, the substructure repairs, roadway, underdeck lighting, and utilities. It also includes turning movement improvements which will be implemented at the Center Avenue and Bruce Reynolds Boulevard intersection. And in addition, devices will be deployed for real-time traffic monitoring in the city of Fort Lee to minimize impacts to the local streets during construction.

[Community Outreach Efforts] As this slide shows, the community outreach and communication with projects stakeholders has been ongoing since the Restoring the George Program began. Following the approval of the Board, a meeting will be held alerting the stakeholders that the project is scheduled to begin. And once the contractor is on board, biweekly meetings will be scheduled to discuss upcoming work as well as to discuss issues and concerns and other related matters related to the project.

[Project Cost/Schedule] The project was previously authorized at \$90.9 million. This reauthorization is for an additional \$21.8 million, it's to address additional repairs required in the

Lemoine Avenue Bridges to replace 100% of the bridge seats and bearings, and the creation of a bus turnout bays at Lemoine Avenue Bridge to improve traffic flow. We have also added extensive traffic maintenance plans and monitoring in the Fort Lee area to minimize the impacts to neighboring projects, the neighboring community, and the traveling public. The total project cost for the rehabilitation of Center and Lemoine Avenue Bridges is forecasted at \$112.7 million. The contract to construct the project was procured via publicly authorized low bid process. As part of today's request, we are also requesting authorization toward this contract to the low bidder, a joint venture of El Sol Contracting and ES2 Enterprises Joint Venture. The award would take place in November 2018, substantial completion, December 2023, and overall completion in March 2024.

[Economic Benefits] Commissioners, here are some of the economic benefit for the projects. I request that you advance this project to the full Board for authorization today. Any questions?

[Chair J.H. Lynford] Thank you, Diannae. Can I please have a motion from a Committee member who is not recused.

[Commissioner] Moved.

[Commissioner] Second.

[Chair J.H. Lynford] On the matter to move the item forward for consideration by the full board. May I have the second? I have received a second. Any objections? Hearing none, the motion is passed. Our next order of business is a presentation. Again, or am I reading the wrong thing? From our Chief Development Officer Derek on capital performance results. I'm sorry if I stole your thunder earlier.

[D. Utter] That's okay, we can cover that now. So each quarter we come before you to give an update on the Capital Plan, this is the 9-month update on the Capital Plan. Just as a refresher, we have a \$32 billion 10-year Capital Plan, \$3.4 billion budget in 2018. There are 500 active projects or over 500 active projects, but many of them fall into the category of state of good repair, they're very small projects that are on a median size of about \$10 million. In the first 9 months, we spent \$2.0 billion, up 20% from 2017, we spent \$1.7 billion. That's 94% of the planned spending by line department, which is up from 86% in 2017. Now this is a metric that we follow because we want to make sure that we're deploying capital,

[2018 Capital Results - First Nine Months] that we're staying on top of upgrading our assets, so when we set a budget, we want to make sure that we're spending capital towards that budget. There are 127 planned milestone dates in 2018. We track two dates. We track closely the contract award date because that's the end of the first phase, the end of the planning phase. We

also track the construction completion date when it goes into beneficial use to make sure that we're keeping pace with our planned construction schedules. So far, year to date, we've completed 66 of the 80 milestones on time. We've also achieved 10 additional milestones early that are supposed to be achieved in the fourth quarter. Fourteen projects went into beneficial use. Many of them are small, which I'll go into in a second, and overall, we've created 17,000 job years, \$1.3 billion in total wages, and about \$3 billion in total economic activity.

[2018 Spending Summary - First Nine Months] So just a further level of detail by line department, what you'll see here is that line departments have spent 94% of the plan. Some line departments actually achieving slightly greater in the case of aviation, they're moving forward the Newark Terminal 1 project faster than expected in deploying capital, which is a good thing. The World Trade Center spent only 48% of plan, which is also a good thing because they're using less of a contingency, and the non-Port Authority management projects are spending at about 56% of plan. These are projects we don't control but we help fund.

[Top Spending Projects/Programs - First Nine Months of 2018] What are the big projects that we're spending money on? Well, there are really. The top 4 projects accounted for 50% of our budget, more than 50% of our budget, the top 10 projects accounted for 70% of our budget. As I mentioned earlier, the biggest mover this quarter has been the Newark Terminal One project which spent \$19 million in the first quarter, \$82 million in the second quarter, and \$120 million in the third quarter, so the quarter spend actually was more than we had spent to date on the project. So the project is very much ramping up and very much proceeding quickly.

[Projects in Beneficial Use - Third Quarter 2018] Projects that went to beneficial use in the Third quarter, mostly small, but I think what this shows though is there's a constant focus on state of good repair. We're always refreshing assets, and so what you see on this slide is examples of about 8 or 10 of those assets, including in the case of PATH, there is an under platform fans replacement at the Hoboken station, in the case of the port, the Berth 3 Rehabilitation at Port Newark. And also include, in terms of Tunnels, Bridges, and Terminals, the toll collection system was upgraded at the George Washington Bridge.

[Recent Progress Toward 2018 Initiatives] At the beginning of the year, we mentioned that there were a number of initiatives that we would launch in close coordination with the Chief Engineer Jim Starace to focus on improving capital deployment and on-time, on-budget performance. And so just a very quick update on what some of those initiatives have done in the last couple of months. So we have three areas that we've been focused, process improvements, contracting improvements, and management improvements. In the case of process improvements, we continue to focus on lean process improvements, which have been used by most every large company, and what this is doing is helping us speed up processes in the cases we most recently focused, property acquisitions, and we've just launched, very early stages, an effort around tenant

improvement projects. We've also completed a series of lessons learned case studies which we use across the agency to educate people on not making the same mistakes and where we can learn from positive experiences. In the areas of contracting, we've worked on contract enforcement training in the cases of management. We've looked at training of our project delivery teams and also looking at the developing master construction schedules, which we get buy-in from across the agency. So with that, I'll turn it back to you for any questions.

[Chair J.H. Lynford] I think it's good. Under 10% of our \$2 billion went to the World Trade Center, so we are clearly getting that completed. And I see you have this lessons learned, and I would like a copy of that. And any of my fellow Commissioners who would like a copy of that? Could you please let us have it?

[D. Utter] Sure, yeah, There is case studies on different projects, but we can give you some of those, sure.

[Chair J.H. Lynford] I think they could be very informative. Good work. Then this concludes today's meeting of the Committee on Capital Planning, Execution and Asset Management. Mr. Chairman.

[Board Chair K. O'Toole] Thank you, the Board Meeting of the Port Authority.