

**The Port Authority of New York and New Jersey
Committee on Capital Planning, Execution & Asset Management Transcript
July 26, 2018**

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

[Chair J.H. Lynford] Thank you, Mr. 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 Acting Board Secretary to advise those present on the composition of the Committee on Capital Planning, Execution and Asset Management and any Commissioner recusals on the items before the Committee at today's meeting.

[L. Handel] The Committee is comprised of Commissioner Lynford as Committee Chair, Commissioner O'Toole as the Committee Vice Chair, and Commissioners LaBarbera, Pocino, and Rosado, all Committee members are present in today's meetings with the exception of Commissioners LaBarbera and Pocino. There are no recusals on any of the matters being discussed.

[Chair J.H. Lynford] Thank you. I will now call upon our Director of Aviation, Huntley Lawrence to present an item concerning the new Terminal One Program at Newark Liberty International Airport. Huntley?

[H. Lawrence] Good afternoon, Commissioners. I'm requesting your approval to advance the next step of the Newark Terminal One Redevelopment Program, a public-private partnership that we provide for a new consolidated rental car facility

[Newark Liberty International Airport Consolidated Rental Car Facility] inclusive of a Port Authority

[and Public Parking garage] funded public parking garage.

[Committee on Capital Planning, Execution,] To advance this transaction,

[and Asset Management, July 26, 2018] I'm specifically requesting your authorization for the release of the remaining \$170 million in Terminal One Redevelopment Program Funding to support public parking at the Newark Airport which is fully included in the 2017 to 2026 Capital Plan within the Terminal One Redevelopment b. Also to mandate a customer facility charge of \$6 per rental car transaction per day at Newark International Airport, to take effect in August via modification of the Port Authority's privilege permits with the rental cars, and upon those financial close later this year, this charge may be adjusted to a maximum of \$7, and from that point forward, the CFC would be subject to 2% annual escalations under the lease terms. And also to continue negotiations with a developer selected by the rental car companies on a proposed lease for the design, build, financing, operations, and maintenance are the new consolidated facility. We would seek your authorization for execution of this lease, when all terms, have been

finalized. The existing rental car operation at Newark Liberty International Airport consists of 25 acres of on airport property

[Consolidated Facility] and 29 acres of off airport property. These operations are split into two quadrants shown on the lower left hand corner of the aerial. The proposed ConRAC facility shown here in red, directly across from the New Terminal One would consolidate this operation into a new integrated facility with 3,000 space parking garage. The new facility would be accessible via pedestrian bridge connected to the new terminal and the existing AirTrain system. For reference, the green and blue shaded areas represent the roadway and the air side elements of the new terminal development respectively. A feasibility study conducted in the first half of this year, approved by the Board in December 2017, informed our proposal for the ConRAC.

[Enhanced Customer Experience] A new ConRAC facility at Newark Liberty International Airport will provide a superior customer experience for our passengers allowing all rental car brands to be housed under a single roof for one stop shopping. The 3,000 space public parking garage would be situated on the top three floors of the facility while the ConRAC operation on the lower three floors. The garage design will provide sustainability with electric charging vehicle spaces and infrastructure that can accommodate solar roof panels. We expect to issue a separate request for proposals for purchasing agreement with an entity that will construct the solar roof. ConRAC facilities exist at numerous airports throughout the United States, including Chicago, O'Hare, Austin-Bergstrom Airport, Ted Stevens Anchorage International, Tampa International, Boston Logan, and Houston's George Bush Intercontinental. Development of the new facility will require a modification of the building code at Newark Airport to allow for the fueling operation. Safety enhancements are currently being developed and staff are in discussions with the cities of Newark and Elizabeth Fire Departments. So, Commissioners, in summary, I'm seeking your authorization to release the remaining \$170 million in Terminal One Redevelopment Funding to support the public parking garage for the Terminal One Program, mandate the CFC, starting at \$6 a day, and authorize the Executive Director to negotiate with the developer selected by the RACs and for a ConRAC facility. Should financial close of the deal not be achieved this fall, the CFC would cease by January 1, 2019. And any amounts collected would be credited to the RACs for their contribution to the feasibility study. With any additional funds collected to be applied to physical improvements to existing rental car facilities. The Port Authority would then proceed with the public parking garage as originally contemplated. I stated before, pending successful negotiation of terms with the proposed developer and alignment of necessary financing, we anticipate seeking your future authorization for the DBFOM or Design-Build-Finance-Operate-Maintain lease. Commissioners, pending your questions, I recommend that you advance this item to the full Board for approval.

[Chair J.H. Lynford] Thank you, Huntley. Any questions? May I please have a motion from a Committee member who's not recused on the matter to move the item forward for consideration by the full Board.

[Commissioner] So moved.

[Chair J.H. Lynford] Thank you. May I have a second? Who else is on the Committee?

[Chair J.H. Lynford] Is there a second?

[Commissioner] Second.

[Chair J.H. Lynford] Thank you. Our next order of business is a presentation from our Chief Development Officer Derek Utter on capital performance results. Derek, you're on.

[D. Utter] Great. Good afternoon, Commissioners. So every three months, every quarter, we come for you and give you a quick update on where we are with the Capital Plan. This covers the first half of 2018.

[Capital Results - First Half 2018] And just in quick summary, I think you all know we are \$32 million Capital Plan over 10 years has a budget of \$3.4 billion this year in 2018. That includes over 500 active projects which as you know spans from very small projects to very large projects. The median size is about \$10 million, so many of these are quite small. In the first half of 2018, we spent \$1.2 billion, which was up almost 20% from last year's first half of the year which was \$1 billion, but below our very ambitious plan of \$1.5 billion to spend during the course of the first half of the year. We had 129 planned milestone dates in 2018, and that means we measure ourselves at contract award, so that's the end of the planning phase, and the end of construction, we measure ourselves. And those are important dates that we track very, very carefully. In the first half of the year, 46 milestone dates were achieved and 7 milestone dates, in addition to that, were achieved early that were supposed to happen in the second half of this year. There were 17 projects put into beneficial use, most importantly, the Goethals Bridge project, which we talked about a couple of months ago. And we've had major economic impact on the region, over 10,000 job years created for the work in the first half of the year.

[Spending Summary - First Half 2018] Just looking at the spending by line department, you'll see a couple things. In the first part of the chart, we show the spending compares to plan, and the second part of the chart, you'll see spending compared to last year. Spending compared to plan, our line department spent 89% of plan. And the two areas where we spent under plan really were the World Trade Center and non-Port Authority managed projects. Compared to last year, all line departments spent more, which is a good thing because we're ramping up projects, it's meant to be a good thing in this case. Aviation spent about \$160 million more than last year and TB&T spent almost \$100 million more than last year. Again, World Trade Center and the non-Port Authority managed projects, both spent a little less.

[Top Spending Projects/Programs - First Half 2018] So where do we spend money? There are really. The top four projects covered about half of our budget. And most importantly, where we had a step up in the second quarter was in the Newark Terminal One Project where we spent. First quarter, we spent about \$19 million, second quarter, we spent over \$80 million. So that's really where we had the most change in activity during the first half of the year.

[Projects in Beneficial Use - Second Quarter 2018] Just to give you a sense of some of the projects that went into beneficial use, again, they range from the small to the large, the

installation of the bollards at JFK tenant terminals, and the installation of safety strip and rubbing boards at the Newark uptown stations in the PATH system, all the way up to the Goethals bridge, which was the large project completed this quarter.

[2018 Initiatives Update] I also said I would update you on a variety of initiatives that we put into place in the first quarter of the year to really improve our on-time, on-budget performance this year. And they fall into three categories, process improvements, contracting improvements, and management improvements. And you'll see each quarter that we're making progress on completing or starting these initiatives. This has been a very close partnership with our project management office and the engineering department, as well as the line departments. A few quick highlights. We have now created standardized lessons learned across a number of projects where we have case studies that all the project managers can learn from to extend our best practices when we do a good job and when we do a bad job. We also are creating single agency points of contact, and we have done so for things like utility coordination with the various outside utilities. So the no longer do we have confusion between who they need to coordinate with through the Port Authority. We've talked about some of the lean projects which I'll report on again in the future as well as this Comp-Stat style system where monthly we get together and really go through a data-driven approach to where we are in projects. So let me conclude there, and I'll take any questions.

[Chair J.H. Lynford] So, Derek, in terms of the take way, we have over 500 active projects, 34% are being spent on the state of good repair, 6% of the projects are in construction or closed out. And of the top 11 projects, 10 are based on our basic mission of transportation, so we really have returned to our mission, did I get that correctly?

[D. Utter] That's right.

[Chair J.H. Lynford] Thank you. And my colleagues have any questions at this point? Okay. Let me just turn the page.

[Chair J.H. Lynford] Thank you, Derek.

[D. Utter] Thank you.

[Chair J.H. Lynford] This concludes today's meeting of CPM, Capital Planning, Execution and Asset Management. And I turn it over to our Chairman.