

(Public Committee on Finance 10/20/16)

**The Port Authority of New York and New Jersey  
Committee on Finance Transcripts  
October 20, 2016**

[Board Chair J. Degnan] I'll now ask Commissioner Bagger to call to order the Committee on Finance.

[Chair R. Bagger] Thank you, Chairman Degnan. Today's meeting of the Committee on Finance is being held in public session. Earlier today, the Committee met jointly with the Committee on Operations in executive session to address topics appropriate for executive session under open public meetings laws of New York and New Jersey. At this point, I'd ask the Board Secretary to advise those present with the composition of the Committee and conform for us that there are no recusals because of no action items before the Committee today.

[K. Eastman] Thanks. The Committee is comprised of Commissioner Bagger as Chairman, Commissioner Lynford as Vice Chair and Commissioners James, Lipper, and Pocino, and Schuber. All committee members are present at today's meeting and as noted, there are no recusals required.

[Chair R. Bagger] So we have one agenda item for today and that is to present our quarterly financial and operational results. As you know, each quarter, at our public meetings, we present on our quarterly performance and our CFO Libby McCarthy, today, will update us on our Third Quarter Operational and Financial Results.

[L. McCarthy] Thank you. Good afternoon, Commissioners. I'm going to just walk through our unaudited condensed financial information for the nine months ended September 30th. As I note the disclaimer here. This is unaudited and condensed information in it really to be best understood, should be read in conjunction with our Consolidated Financial Statements. Following today's meeting, this information will be posted on our website as we have been doing in the Corporate Information section of the website. I'm pleased to report that our results for the period are quite strong. We had overall operating income of \$718 million which together with Non-Operating Activity contribution of a \$154 million resulted in an increase in our Net Position of \$872 million dollars. The largest drivers of that, the Net Revenues are up over 6.8% over the prior period or \$245 million dollars. That is driven by a number of things but the biggest piece as you can see here TB&T, the Tunnels, Bridges and Terminals, contributed approximately \$119 million dollars to that increase. That's partially driven by higher activities but also by the impact of the last scheduled toll and fare increase which became effective in December of 2015. So we're seeing both, combination of a volume and a price effect for this year. We also had an increase of about \$90 million dollars in rents, Period-to-period, about \$40 million of that related to the World Trade Center site. So we have the impact of a full year of operation at the Observation Deck, which opened in late May or early June of last year as well as, just growing occupancy throughout the site. The remaining rent increases were in the aviation area as we had achieved higher rents at our facilities. Activity across all of our facilities is up, Period-to-period, with the exception of Port Commerce, where last year, we were seeing the benefit of unfortunately the labor disputes on the West Coast which was diverting cargo to the East Coast,

so we had a little bit of an anomaly bump in our results last year. But still very strong performance at Port Commerce in relation to where they expected to be. I've also know that both Aviation and Port Commerce were predominantly Landlord ports, they are less sensitive to those activity levels as opposed to, where we're seeing the growth at TB&T and PATH, our revenues are driven by that activity level. So very important to note, we are seeing strong growth at the Tunnels & Bridges which, you know, is a recovery of the economy as well as lower gas prices, as we look there and PATH as well is showing very strong growth across its facilities. Operating Expenses are also up, period-to-period, it increased about 4.6%, \$98 million dollars. Drivers of that really, one you see, World Trade Center is up 19%, that's because we've had more of the facility opening as the years progressed. So retail as you now know is fully operational, the Vehicle Security Center is operating at the level of supporting that retail, we have the Liberty Park open. So as more of the facility becomes open, the operating expenses for the facility will be going up. We also have an across the board effect of some increase in our compensation, really primarily driven by some changed variances in the actuarially determined benefit cost for both pension and other post retirement or health care benefits for retirees and that's reflected in the results here today. Other financial results, two things driving some of the results around depreciation and interest expenses again as more of our facilities become operational here, that's going to mean, we have more that are available for their intended use, so depreciation's going to go up, interest expense is going to go up, because there's less capitalized interest and that's reflected in these results. We're also, for this period carrying some interest related to some bonds we issued back in 2015 for purposes of advanced refundings. So we have a little bit of that effect in the interest expense here. Our investment portfolio had financial income of \$32 million, Year to Date, that's on our portfolio which averaged a return of about 0.7% on the total portfolio. All of this, continues to support our strong Balance Sheet, as you can see here, \$34 billion of investment in our facilities in the Net Position of \$16.4 billion dollars. Similarly, we look at our cash flows, the period generated cash flow from operations of a billion five. Our liquidity position remains very strong with 327 days of Cash On Hand. And our available Capital Funds and Commercial Paper is \$1.3 billion dollars at September 30. We did use \$300 million of that to refund some bonds for savings on October 1st, but we still have a very strong cash position. This is all without considering our General Reserve Fund and other restricted funds. So that strong cash flow and capital position allowed us to invest approximately \$2.3 billion in our facilities Year to Date. So as you can see \$880 million to Tunnels and Bridges, \$800 million here at the World Trade Center site, \$430 million in Aviation as well as investment at Ports and PATH. So with that, I'm happy to take any questions.

[Chair R. Bagger] Well, thank you, Libby, and if I can, on behalf of the Board, I would like to commend you, the Executive Director Pat Foye, the leadership team and all the men and women at the Port Authority on the strong operating momentum, the increases in activity levels across the business units and the strong financial performance. And I would just like to reiterate the point that you made that the increase in our net financial position of \$872 million over the first 9 months of 2016, is what enables the Port Authority to invest in its capital program both through the pay as you go portions of the program as well as paying the debt service on the financed portion of the program. Are there any questions or comments for members of the Committee, the Vice Chair, Commissioner Lynford.

[V. Chair J. Lynford] Thank you, Mr. Chairman. Once again I'd like to reiterate and congratulate

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you for your strong performance and I want to add to it that, it's really essential that we maintain our liquidity and our rating, so we can additionally act as the capital market. And once again you've only improved on that front. 327 days of cash on hand. Very, very good and I just want to say, thank you for your work.

[L. McCarthy] Thank you.

[Comm. R. Bagger] Any other questions or comments? I'll just reiterate that the information presented here will be posted on the Port Authority website this afternoon. And if there's nothing further, that concludes the Committee's business, I'll turn it back to you, Mr. Chairman.