

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

MINUTES

Thursday, February 19, 2015

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MINUTES of the Meeting of The Port Authority of New York and New Jersey held Thursday, February 19, 2015 at 2 Montgomery Street, City of Jersey City, County of Hudson, State of New Jersey

PRESENT:

NEW JERSEY

Hon. John J. Degnan, Chairman
 Hon. Richard H. Bagger
 Hon. George R. Laufenberg
 Hon. Raymond M. Pocino
 Hon. William P. Schuber

NEW YORK

Hon. Scott H. Rechler, Vice-Chairman
 Hon. Kenneth Lipper
 Hon. Jeffrey H. Lynford
 Hon. Jeffrey A. Moerdler
 Hon. Rossana Rosado

Patrick J. Foye, Executive Director
 Darrell B. Buchbinder, General Counsel
 Karen E. Eastman, Secretary

Thomas E. Belfiore, Chief Security Officer
 Thomas L. Bosco, Director, Aviation
 Steven J. Coleman, Acting Director, Media Relations
 Nicole Crifo, Senior Advisor to the Chairman
 Stephanie E. Dawson, Acting Chief Operating Officer
 Michael DeGidio, Security Operations Director, Security Operations and Programs
 John C. Denise, Audio Visual Supervisor, Marketing
 Claudia Dickey, Director, Security Business Resource Planning, Office of the Chief Security Officer
 Michael A. Fedorko, Director, Public Safety/Superintendent of Police
 Sean M. Fitzpatrick, Chief of Staff to the Chairman
 Michael B. Francois, Chief, Real Estate and Development
 Cedrick T. Fulton, Director, Tunnels, Bridges and Terminals
 Robert E. Galvin, Chief Technology Officer
 David P. Garten, Chief of Staff to the Vice Chairman
 Linda C. Handel, Deputy Secretary
 Mary Lee Hannell, Chief, Human Capital
 Portia Henry, Leadership Fellow, Human Resources
 Howard G. Kadin, Esq., Law
 Sherien N. Khella, Financial Advisor to the Chief Financial Officer
 Stephen Kingsberry, Director, Rail Transit
 Cristina M. Lado, Director, Government and Community Affairs, New Jersey
 Richard M. Larrabee, Director, Port Commerce
 John J. Liantonio, Senior External Relations Client Manager, Government and Community Affairs
 Julian Lopez, Leadership Fellow, Human Resources
 Andrew Lynn, Director, Planning and Regional Development
 John H. Ma, Chief of Staff to the Executive Director
 Stephen Marinko, Esq., Law
 Ronald Marsico, Assistant Director, Media Relations
 Michael G. Massiah, Chief, Capital Planning, Execution and Asset Management

Daniel G. McCarron, Comptroller
Elizabeth M. McCarthy, Chief Financial Officer
James E. McCoy, Manager, Board Management Support, Office of the Secretary
Carlene V. McIntyre, Assistant General Counsel
Steven A. Pasichow, Director, Office of Investigation, Office of the Inspector General
Jared Pilosio, Staff External Relations Representative, Government and Community Affairs
Timothy G. Stickelman, Assistant General Counsel
Christopher M. Valens, Senior Public Information Officer, Media Relations
Lillian D. Valenti, Chief Procurement and Contracting Officer
Sheree R. Van Duyne, Manager, Policies and Protocol, Office of the Secretary
Cheryl A. Yetka, Treasurer
Peter J. Zipf, Chief Engineer

Guests:

Deborah L. Gramiccioni, Former Deputy Executive Director
Amy Herbold, Assistant Counsel, Authorities Unit, Office of the Governor of New Jersey
Sharif A. Kabir, Assistant Secretary for Transportation, Office of the Governor of New York
Janet Ho, Assistant Secretary for Transportation, Office of the Governor of New York
John Spinello, Director, Authorities Unit, Office of the Governor of New Jersey

Speakers:

Christine Berthet, Chair of Community Board 4
Murray Bodin, Member of the Public
Janna Chernetz, Tri State Transportation Campaign
Gertrudes Contreas, Local 32BJ
Christina Dortin, Unite Here
Margaret Donovan, Twin Towers Alliance
Rachael Fauss, Citizens Union
Richard Hughes, Twin Towers Alliance
Eduardo Lopez, Unite Here 100
Frine Reyes, Local 32BJ
Britney Smith, Unite Here
David Vollbach, Member of the Public
Neile Weissman, New York Cycle Club

The public meeting was called to order by Chairman Degnan at 11:18 a.m. and ended at 1:16 p.m. The Board also met in executive session after the public session.

Action on Minutes

The Secretary submitted for approval Minutes of the meeting of December 10, 2014. She reported that copies of these Minutes were delivered to the Governors of New York (in electronic form) and New Jersey (in paper form) on December 11, 2014. The Secretary reported further that the time for action by the Governors of New York and New Jersey expired at midnight on December 26, 2014.

Whereupon, the Board unanimously approved the Minutes of the meeting of December 10, 2014.

Report of Committee on Finance

The Committee on Finance reported, for information, on matters discussed and actions taken in public and executive sessions at its meeting on February 19, 2015, which included: discussion of an item that provides for the retention of brokerage services for property damage and loss of revenue insurance for the World Trade Center site; discussion of financial portfolio performance results for the fourth quarter of 2014; and discussion of matters related to the purchase, sale, or lease of real property, where disclosure would affect the value thereof or the public interest, and discussion on matters involving ongoing negotiations or reviews of contracts or proposals, and the report was received.

Report of Committee on Operations

The Committee on Operations reported, for information, on matters discussed in public session at its meeting on February 19, 2015, which included discussion of the development of performance metrics for senior management and discussion of staff overtime results for the fourth quarter of 2014, and the report was received.

Report of Committee on Capital Planning, Execution and Asset Management

The Committee on Capital Planning, Execution and Asset Management reported, for information, on matters discussed in public session at its meeting on February 19, 2015, which included discussion of flood mitigation and storm resiliency projects at LaGuardia Airport, and the report was received.

Report of Committee on Governance and Ethics

The Committee on Governance and Ethics reported, for information, on matters discussed in public session at its meeting on February 19, 2015, which included discussion of the status of ongoing Port Authority governance enhancements, and the report was received.

Moment of Silence

The Chairman requested a moment of silence in observance of the upcoming 22nd anniversary of the February 26, 1993 terrorist attack on The World Trade Center.

**ELIZABETH–PORT AUTHORITY MARINE TERMINAL – OPERATING AGREEMENT
WITH MILLENNIUM MARINE RAIL, LLC FOR EXPRESSRAIL ELIZABETH –
PERMIT PEP-063 – EXTENSION**

It was recommended that the Board authorize the Executive Director to enter into an agreement with Millennium Marine Rail, LLC (MMR), a joint venture of APM Terminals North America, Inc. and Maher Terminals, LLC, to extend Permit PEP-063 (the Permit) for the operation and maintenance of the approximately 67-acre ExpressRail Elizabeth intermodal facility at the Elizabeth-Port Authority Marine Terminal, consistent with the existing terms, for a six-month period, commencing on March 1, 2015 and expiring on August 31, 2015.

As authorized by the Board at its meetings of June 2, 2000 and April 27, 2005, construction of the 18-track ExpressRail Elizabeth facility and a dual lead track to and from the facility was completed in May 2008 and September 2009, respectively. The ExpressRail Elizabeth intermodal operation facilitates the direct transfer of containerized cargo to and from rail, plays a critical role in reducing truck traffic, and helps to attract discretionary cargo to the Port of New York and New Jersey.

On August 4, 2004, the Board authorized the Executive Director to enter into the Permit with MMR for the operation and maintenance of ExpressRail Elizabeth. The term of the Permit was for a ten-year period, with MMR having two ten-year options to renew the Permit, subject to MMR meeting certain criteria. No ground rent is charged to MMR for the use of ExpressRail Elizabeth, and MMR is responsible for all maintenance and repair at the facility, consistent with permits in place with Port Newark Container Terminal, LLC and GCT New York LLP for the operation and maintenance of ExpressRail Port Newark and ExpressRail Staten Island, respectively. Additionally, one component of the Port Authority's cargo-based port infrastructure and security fee, known as the Cargo Facility Charge, recovers capital expenditures incurred to construct the ExpressRail infrastructure.

The initial ten-year term of the Permit expired on August 31, 2014. Because MMR did not meet certain criteria that it was required to meet in order to be granted the first ten-year renewal period of the Permit, the Port Authority and MMR initiated negotiations regarding the future operation and maintenance of ExpressRail Elizabeth. To provide for the ongoing operation of the ExpressRail Elizabeth facility by MMR, a six-month extension of the Permit with MMR through February 28, 2015 was authorized by the Board at its meeting on July 23, 2014. In order to provide for the continuation of negotiations with MMR for a new, long-term agreement, an additional six-month extension of the Permit with MMR, through August 31, 2015, was recommended at this time, further extending the terms and conditions of the existing Permit.

Pursuant to the foregoing report, the Board adopted the following resolution, with Commissioners Bagger, Degnan, Laufenberg, Lipper, Moerdler, Pocino, Rechler, Rosado and Schuber voting in favor. Commissioner Lynford was not present for the vote. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into an agreement with Millennium Marine Rail, LLC, a joint venture of APM Terminals North America, Inc. and Maher Terminals, LLC, to extend Permit PEP-063 for the operation and maintenance of the approximately

67-acre ExpressRail Elizabeth intermodal facility at the Elizabeth-Port Authority Marine Terminal, consistent with the existing terms, for a six-month period, commencing on March 1, 2015 and expiring on August 31, 2015; and it is further

RESOLVED, that the form of the foregoing agreement shall be subject to the approval of General Counsel or his authorized representative.

LAGUARDIA AIRPORT – FLOOD MITIGATION AND STORM RESILIENCY PROGRAM – PROGRAM AUTHORIZATION

It was recommended that the Board authorize: (1) a LaGuardia Airport (LGA) Flood Mitigation and Resiliency Program (Program), consisting of five projects, at a total estimated Program cost of \$45.5 million; (2) the Executive Director to award the following construction contracts in support of the Program (the cost of which is included in the total Program cost): (a) Contract LGA-774.236 for the construction of flood protection at the West End Substation, at an estimated total construction cost of \$2.1 million, inclusive of net cost and extra work; (b) Contract LGA-774.234 for the construction of flood protection at the West Field Lighting Vault, at an estimated total construction cost of \$3.6 million, inclusive of net cost and extra work; (c) Contract LGA-774.133 for the construction of emergency storm drainage outfalls, at an estimated total construction cost of \$6.1 million, inclusive of net cost and extra work; (d) Contract LGA-774.237 for the furnishing and installation of upgrades to the Supervisory Control and Data Acquisition (SCADA) System, at an estimated total construction cost of \$6.9 million, inclusive of net cost and extra work; and (e) Contract LGA-774.235 for the furnishing, installation and integration of emergency generators at various locations, at an estimated total construction cost of \$11.8 million, inclusive of net cost and extra work; and (3) the Executive Director to increase, by \$600,000, the amount of an existing agreement with HNTB New York Engineering and Architecture, PC (HNTB) for professional architectural and engineering services to support the implementation of four of the aforementioned construction contracts through project completion, increasing the total authorized amount of that agreement from \$3.6 million to \$4.2 million, the cost of which is included in the total Program cost.

LGA was severely affected by Hurricane Sandy. The storm inundated LGA with seawater from Flushing and Bowery Bays, which caused the airport to be closed to aircraft, resulting in a significant financial loss for the local regional economy, as well as widespread transportation delays. It is vital that infrastructure at LGA be enhanced, to improve the airport's ability to withstand and recover from those types of extreme weather-related events in the future.

LGA is surrounded by a berm wall system to keep Flushing and Bowery Bays from flooding the airport during times of tidal surge. LGA has an extensive storm water drainage system, consisting of a series of catch basins, manholes and underground pipes, which primarily convey storm water to five pump stations. In addition, several smaller outfalls drain storm water by gravity to Flushing and Bowery Bays. However, during Hurricane Sandy, the berm system was overtopped, and water was captured within LGA's berm system, inundating the pump houses and rendering them inoperable.

During the storm event, electrical power also was impacted, as systems were shut down or damaged by floodwaters, which further exacerbated flooding. Subsequently, recovery efforts were hampered by the time involved for bringing back on-line the airport's electrical substations and lighting vaults for the restoration of electrical power, and a lack of proper emergency generators.

Therefore, to achieve better resilience during future similar storm events, it was recommended that the Program be authorized, which would include the construction of the following infrastructure projects:

- Flood Protection at the West End Substation —a flood wall to safeguard the West End Substation from flood water damage, a rainwater pumping system, and flood proofing of existing electrical and electronic communication systems;
- Flood Protection at the West Field Lighting Vault – a flood wall to safeguard the West Field Lighting Vault from flood water damage, a rainwater pumping system, and flood proofing of existing electrical and electronic communication systems;
- Emergency Storm Drainage Outfalls – two new gravity drain systems on the airfield, to enhance and improve the airport's ability to drain the airfield in the event of flooding;
- SCADA System for Electrical Substations – upgrades necessary to incorporate LGA's secondary electrical substations into the existing SCADA system, in order to improve the ability to monitor the airport's electrical infrastructure and respond to interruptions or abnormal usage; and
- Emergency Generators for Critical Infrastructure – upgrades to the existing emergency generators and installation of new stand-by emergency generators for the Marine Air Terminal, Hangar 11, Building 39, Building 84, and Pump Stations 1, 2, 3, 4, and 6.

At its meeting of April 23, 2014, the Board authorized: (1) planning work for the development of the five projects associated with the proposed Program, through final design, at a total estimated cost of \$5 million; and (2) the Executive Director to increase, by \$2.4 million, the amount of an agreement for architectural and engineering design services with HNTB, to perform final design for four of the five projects, bringing the total authorized amount of that agreement to \$3.6 million.

HNTB was selected from a previously awarded agreement, authorized by the Board at its December 4, 2013 meeting and awarded pursuant to a publicly advertised Request for Proposals process, in compliance with federal procurement guidelines to ensure maximum federal cost recovery.

An application has been submitted for Federal Emergency Management Agency grants, which is expected to result in recovery of up to 75 percent of planning, engineering, and construction costs. Eligibility for federal reimbursements and grants would necessitate that contracts be awarded in compliance with the selection criteria and procedures set forth in the federal Brooks Act.

Pursuant to the foregoing report, the Board adopted the following resolution, with Commissioners Bagger, Degnan, Laufenberg, Lipper, Lynford, Moerdler, Rechler, Rosado and Schuber voting in favor. Commissioner Pocino was not present for the vote. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that a LaGuardia Airport Flood Mitigation and Resiliency Program (Program), consisting of five projects, at a total estimated Program cost of \$45.5 million, be and it hereby is authorized; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to award five construction contracts in support of the Program (the cost of which is included in the total Program cost), including: (1) Contract LGA-774.236 for the construction of flood protection at the West End Substation, at an estimated total construction cost of \$2.1 million, inclusive of net cost and extra work; (2) Contract LGA-774.234 for the construction of flood protection at the West Field Lighting Vault, at an estimated total construction cost of \$3.6 million, inclusive of net cost and extra work; (3) Contract LGA-774.133 for the construction of emergency storm drainage outfalls, at an estimated total construction cost of \$6.1 million, inclusive of net cost and extra work; (4) Contract LGA-774.237 for the furnishing and installation of upgrades to the Supervisory Control and Data Acquisition System, at an estimated total construction cost of \$6.9 million, inclusive of net cost and extra work; and (5) Contract LGA-774.235 for the furnishing, installation and integration of emergency generators at various locations, at an estimated total construction cost of \$11.8 million, inclusive of net cost and extra work; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to increase, by \$600,000, the amount of an existing agreement with HNTB New York Engineering and Architecture, PC for professional architectural and engineering services to support the implementation of four of the aforementioned construction contracts through project completion, increasing the total authorized amount of that agreement from \$3.6 million to \$4.2 million, the cost of which is included in the total Program cost; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to take action with respect to construction contracts, contracts for professional and advisory services and such other contracts and agreements as may be necessary to effectuate the foregoing Program, pursuant to authority granted in the By-Laws or other resolution adopted by the Board; and it is further

RESOLVED, that the form of all contracts and agreements in connection with the foregoing Program shall be subject to the approval of General Counsel or his authorized representative.

RECOMMENDATIONS OF THE BI-STATE SPECIAL PANEL ON THE FUTURE OF THE PORT AUTHORITY - ENDORSEMENT

On May 6, 2014, New Jersey Governor Chris Christie and New York Governor Andrew Cuomo appointed a bi-state “Special Panel on the Future of the Port Authority,” (the “Special Panel” or “Panel”). The Special Panel included Chairman John Degnan, Vice Chairman Scott Rechler and Commissioner Richard Bagger, as well as the Chief Counsels to each Governor. The Governors requested that the Panel “review and evaluate reforms of the Port Authority’s mission, structure, management, operations and overall governance for the betterment of the region.” On July 3, 2014, the Panel provided an interim report to the Governors, outlining its planned review and committing to provide its recommendations within six months.

Pursuant to its project plan, the Special Panel requested that the Special Oversight Committee of the Board of Commissioners (the “Special Oversight Committee”), fund the engagement of an outside consultant with the requisite expertise to assist the Panel in its analyses of the Port Authority’s mission, asset portfolio and governance. On September 11, 2014, following a competitive selection process, Promontory Financial Group was engaged to assist the Special Panel. With Promontory’s assistance, the Special Panel conducted the analysis requested by the Governors and developed a number of recommendations. The Panel’s six core recommendations, organized in two categories: “Governance and Accountability” and “Mission and Stewardship of Assets” (the “Recommendations”), were presented to Governor Christie and Governor Cuomo in a December 26, 2014 report entitled *Keeping the Region Moving* (the “Special Panel Report”). The Special Panel Report also presented a number of operational options for the Board’s consideration with respect to implementation of the core Recommendations.

On December 27, 2014, the Governors issued a joint statement providing, in part:

Today, Governor Andrew Cuomo and Governor Chris Christie accepted the comprehensive and wholesale changes recommended by the Bi-State Special Panel on the Future of the Port Authority. At its core these changes call for restructuring the agency's overall operations, including reorganizing the leadership of the Board of Commissioners and the executive management of the Port Authority with the creation of a single Chief Executive Officer and the modification of the Chairperson's role. The reorganization accepted by the Governors will also return the Port Authority fully to its original mission – developing and maintaining the world's largest transportation system and infrastructure.

In furtherance of the Governors’ endorsement of the Recommendations, the Board is directing the Chairman and Vice Chairman, with the support of the Executive Director, to establish a “Special Panel Implementation Office,” with an appropriate staff and budget, to coordinate implementation of the Recommendations, pursuant to a plan and schedule to be submitted to the Board for approval at its March 2015 meeting.

In light of the foregoing process, the Board has determined to abolish the Special Oversight Committee. The Board commends the Special Oversight Committee (Vice Chairman Rechler, as Committee Chairman, Commissioner Bagger, as Committee Vice Chairman, Commissioner Lynford, the late-Commissioner Paterson, and Commissioner Pocino) on its important contributions to the reform process at the Port Authority.

In furtherance of the Special Panel Report, and the Governors' endorsement of the Recommendations, the Board adopted the following resolution with Commissioners Bagger, Degnan, Laufenberg, Lipper, Lynford, Moerdler, Pocino, Rechler, Rosado and Schuber voting in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that the Board of Commissioners endorses in concept the Recommendations; and it is further

RESOLVED, that the Board will determine whether specific operational options referenced in the Special Panel Report that come before the Board, if any, are to be undertaken in implementing the Recommendations; and it is further

RESOLVED, that the Chairman and Vice Chairman, with the support of the Executive Director, shall establish a "Special Panel Implementation Office," with an appropriate staff and budget, to coordinate implementation of the Recommendations, pursuant to a plan and schedule to be submitted to the Board for approval at its March 2015 meeting; and it is further

RESOLVED, that the Board shall receive a progress report on the implementation of the Recommendations at each Board meeting until such time as implementation is complete or the Board otherwise directs; and it is further

RESOLVED, that the Special Oversight Committee is abolished.

PORT AUTHORITY GOVERNANCE – NATIONWIDE SEARCH FOR CHIEF EXECUTIVE OFFICER

The Board of Commissioners has today endorsed in concept recommendations contained in the December 26, 2014 report of the Special Panel on the Future of the Port Authority appointed by Governor Chris Christie and Governor Andrew Cuomo, including the recommendation that the positions of Executive Director and Deputy Executive Director be replaced with a single “Chief Executive Officer” appointed by and accountable to the Board.

At the recommendation of the Chairman, the Board asked the Chairman, the Vice Chairman, and Commissioners Bagger and Lynford to oversee a nationwide search for qualified candidates to be submitted for consideration by the Board. The Chairman also recommended that an executive search firm be engaged to assist with this process.

Pursuant to the foregoing report, the Board adopted the following resolution, with Commissioners Bagger, Degnan, Laufenberg, Lipper, Lynford, Moerdler, Pocino, Rechler, Rosado and Schuber voting in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that the Chairman and Vice Chairman are authorized to engage an executive search firm, following an appropriate selection process, to assist the agency in identifying candidates for the position of Chief Executive Officer of the Port Authority, and in connection therewith, to take any and all action with respect to such engagement as the Chairman and Vice Chairman deem appropriate.

TRIBUTE TO DEBORAH L. GRAMICCIONI

Following over a decade of distinguished public service in federal and New Jersey state government, which included prosecutorial service in a variety of capacities, in December 2013, Deborah L. Gramiccioni was appointed Deputy Executive Director of the Port Authority.

As Deputy Executive Director, Deb provided a stabilizing force at the Port Authority, leading by example and promoting accountability, transparency and reform in all Port Authority-related matters. Deb immersed herself in the development and implementation of numerous complex initiatives in support of enhanced transparency and openness, providing invaluable support to Port Authority staff, the Board of Commissioners and its Special Oversight Committee, and in furtherance of the important work of the Governors' Special Panel on the Future of the Port Authority. Simultaneously, Deb fostered a dialogue with staff to champion the agency's shared, common mission and to stress the importance of each employee's continued dedication and professionalism in service to the region. With her unique ability to "cut to the chase," Deb also provided focused guidance on complex Port Authority operational and business issues. Her impact on the agency far surpassed her brief stay, which is a testament to Deb's abilities and her selfless devotion to the Port Authority and the region it serves.

It is with great appreciation that we applaud Deb, as she leaves Port Authority service, and thank her for her substantial contributions to the Port Authority as an institution, and her inspiration, guidance and resolve in furtherance of the recommitment of the agency to its core mission of facilitating efficient and effective transit throughout the region.

Whereupon, the meeting was adjourned.

Secretary