

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

MINUTES

Wednesday, December 17, 2008

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MINUTES of the Meeting of The Port Authority of New York and New Jersey held Wednesday, December 17, 2008 at 225 Park Avenue South, City, County and State of New York

PRESENT:

NEW JERSEY

Hon. Anthony R. Coscia, Chairman
 Hon. Virginia S. Bauer
 Hon. Anthony J. Sartor
 Hon. David S. Steiner

NEW YORK

Hon. Henry R. Silverman, Vice-Chairman
 Hon. Michael J. Chasanoff
 Hon. Stanley E. Grayson
 Hon. Fred P. Hochberg
 Hon. H. Sidney Holmes III
 Hon. David S. Mack

Christopher O. Ward, Executive Director
 Darrell B. Buchbinder, General Counsel
 Karen E. Eastman, Secretary

Diana E. Beecher, Chief Technology Officer
 A. Paul Blanco, Chief Financial Officer
 John D. Brill, Director, Audit
 Ernesto L. Butcher, Chief Operating Officer
 Rosemary Chiricolo, Assistant Director, Management and Budget
 Arthur J. Cifelli, Director, PABT Air Rights Development
 Steven J. Coleman, Assistant Director, Media Relations, Public Affairs
 Arpan Dasgupta, Executive Assistant to the Deputy Executive Director
 William R. DeCota, Director, Aviation
 John C. Denise, Audio Visual Supervisor, Public Affairs
 Michael P. DePallo, Director, Rail Transit
 John J. Drobny, Director, Security Projects
 Michael G. Fabiano, Deputy Chief Financial Officer/Comptroller
 Michael B. Francois, Chief, Real Estate & Development
 Richard Friedman, Senior Advisor to the Executive Director
 Linda C. Handel, Assistant Secretary
 Alan H. Hicks, Senior Public Information Officer, Public Affairs
 Mark D. Hoffer, Special Advisor to the Executive Director
 Charles Huang, Supervising Financial Analyst, Financial Analysis
 Howard G. Kadin, Esq., Law
 Victoria C. Kelly, Director, Tunnels, Bridges and Terminals
 Kevin J. Kirchman, Director, Marketing, Public Affairs
 Louis J. LaCapra, Chief Administrative Officer
 Cristina M. Lado, Director, Government and Community Affairs
 Conor Lanz, Leadership Fellow, Human Resources
 Richard M. Larrabee, Director, Port Commerce
 Susan Bass Levin, Deputy Executive Director
 Francis J. Lombardi, Chief Engineer
 Stephen Marinko, Esq., Law
 Ronald Marsico, Assistant Director, Media Relations, Public Affairs
 Michael G. Massiah, Director, Management and Budget
 Candace McAdams, Director, Media Relations, Public Affairs
 James E. McCoy, Manager, Board Management Support, Office of the Secretary

Anne Marie C. Mulligan, Treasurer
Lynn A. Nerney, Senior Business Manager, Office of the Secretary
Summer Oesch, Special Assistant, Deputy Executive Director
Tony F. Oliver, Senior Marketing Analyst, Public Affairs
Nina C. Phelps, Board Management Support Specialist, Office of the Secretary
Richard R. Roper, Director, Planning
Jessica Schultz, Senior Government Community Affairs Manager, Government and
Community Affairs
Beth Siegel, General Manager, Capital Program Performance, Management and Budget
Stephen H. Sigmund, Chief, Public and Government Affairs
Gerald B. Stoughton, Director, Office of Financial Analysis
Ralph Tragale, Assistant Director, Government and Community Affairs
David B. Tweedy, Chief, Capital Programs
Lillian D. Valenti, Director, Procurement
Sheree R. Van Duyne, Manager, Policies and Protocol, Office of the Secretary
Andrew S. Warshaw, Chief of Staff to the Executive Director
Peter J. Zipf, Deputy Chief Engineer/Director of Engineering

Guest:

Sonia Frontera, Authorities Unit, Office of the Governor of New Jersey

Public Speaker:

Sheikema Ashe, Unite Here

The public meeting was called to order by Chairman Coscia at 1:12 p.m. and ended at 1:34 p.m. The Board met in executive session and prior to today's public session on December 4, 2008.

Action on Minutes

The Secretary submitted for approval Minutes of the meetings of November 6, 2008 and November 20, 2008. She reported that copies of these Minutes were sent to the Governors of New York and New Jersey on November 7, 2008 and November 21, 2008, respectively. She reported further that the time for action by the Governors of New York and New Jersey expired at midnight on November 24, 2008 and December 8, 2008, respectively.

Whereupon, the Board of Commissioners unanimously approved the Minutes.

Report of Audit Committee

The Audit Committee reported, for information, on matters discussed in executive session at its meeting on December 17, 2008, which included discussion of matters involving external or internal investigations or audits, and the report was received.

Report of Governance and Ethics Committee

The Governance and Ethics Committee reported, for information, on matters discussed in public session at its meeting on December 17, 2008, which included a review of staff compliance with financial disclosure filing requirements, discussion of certain statutory qualifications for prospective appointments to the Board, and a report from the Inspector General on the independence and freedom from interference of his office in the conduct of its responsibilities, and the report was received.

Report of Committee on Capital Programs/Agency Planning

The Committee on Capital Programs/Agency Planning reported, for information, on matters discussed in public session at its meeting on December 17, 2008, which included discussion of accomplishments achieved at Stewart International Airport, as well as future plans for the airport, and the report was received.

Report of Committee on Finance

The Committee on Finance reported, for information, on matters discussed in executive session at its meeting on December 17, 2008, which included discussion of matters related to, or which could impact upon, the issuance, sale, resale, or redemption of Port Authority bonds, notes, or other obligations, and the report was received.

Report of World Trade Center Redevelopment Subcommittee

The World Trade Center Redevelopment Subcommittee reported, for information, on matters discussed in public session at its meeting on December 17, 2008, which included discussion of a trade contract for the advancement of construction activities in connection with the redevelopment of the World Trade Center site, and the report was received.

Chairman's Report

On behalf of the Board, Chairman Coscia welcomed Commissioner Stanley E. Grayson and congratulated him on his recent appointment to the Board by New York Governor David A. Paterson.

NEWARK LIBERTY INTERNATIONAL AIRPORT – LEASE AND PERMIT SUPPLEMENTS WITH CERTAIN RENTAL CAR OPERATORS AND NEW LEASE WITH ELRAC, INC.

It was recommended that the Board authorize the Executive Director to enter into: (1) lease supplements with five on-airport rental car operators at Newark Liberty International Airport (EWR), including: Avis Rent A Car System, LLC (Avis), Budget Rent A Car System, Inc. (Budget), DTG Operations, Inc. (Dollar), The Hertz Corporation (Hertz) and National Rental (US), Inc. (National), to extend the term of their respective leases to May 31, 2016 and eliminate the Monorail Fee payable thereunder; (2) a new lease with Elrac, Inc. (Enterprise) covering a portion of Building 34 and associated ground area at EWR, for use as an on-airport rental car facility for a ten-year term; and (3) supplements to the operating permits with Avis, Budget, Dollar, Hertz, National and Enterprise to eliminate the Customer Contract Fee and, in lieu thereof, impose a \$2.00 per-car-rental-day Transportation Facility Charge.

The lease supplements would increase the ground rental rates for each car rental company to the current airport ground rental rate of \$1.34 per square foot, effective February 1, 2009. In addition, the companies would continue to pay Airport Services Factor charges, in accordance with the established formula for EWR. The car rental companies would continue to pay no building rental, in recognition that prior investment in the car rental premises at EWR would continue to be amortized over an approximate 20-year period expiring May, 31, 2016, the expiration date of the extended lease terms.

The Port Authority maintains a policy that each of the on-airport rental car companies must operate at each of John F. Kennedy International Airport (JFK), LaGuardia Airport (LGA) and EWR. To implement this policy, a termination of a car rental company's lease or the revocation of its permit at one airport permits the Port Authority to revoke that car rental company's permit and terminate its leases at the other two airports. If the triggering event is the Port Authority's revocation of a privilege permit without cause, the termination of a car rental company's EWR and JFK leases would obligate the Port Authority to pay the car rental company's unamortized investment in its EWR and JFK premises.

The car rental privilege permits and leases at EWR would be amended to provide for a more streamlined method for the payment of the car rental companies' contributions to the AirTrain Newark capital and operating expenses, by implementing a Transportation Facility Charge of \$2.00 per car rental day.

Specific material terms of the leases with the rental car operators are as follows:

Avis – Supplement to Lease AN-637 / Permit AN 984

Avis would continue to rent approximately six acres of land, with the total aggregate rental and permit fees (including ground rental, Airport Service Factors, Transportation Facility Charges and percentage fees) over the term of the extended lease to be approximately \$63.6 million.

Budget – Supplement to Lease ANA-768 / Permit AN 934

Budget would continue to rent approximately 3.8 acres of land, with the total aggregate rental and permit fees (including ground rental, Airport Service Factors, Transportation Facility Charges and percentage fees) over the term of the extended lease to be approximately \$20 million.

Dollar – Supplement to Lease ANA-769 / Permit AN 935

Dollar would continue to rent approximately 3.4 acres of land, with the total aggregate rental and permit fees (including ground rental, Airport Service Factors, Transportation Facility Charges and percentage fees) over the term of the extended lease to be approximately \$17.3 million.

Hertz – Supplement to Lease AN-640 / Permit AN 985

The Hertz lease supplement would add to the premises approximately .55 acres currently used by Hertz under a separate space permit, so that the lease supplement would cover approximately 6.5 acres of land, with the total aggregate rental and permit fees (including ground rental, Airport Service Factors, Transportation Facility Charges and percentage fees) over the term of the extended lease to be approximately \$88.2 million.

**National – Supplement to Lease AN-639 / Permit AN 986 and
Enterprise – New Lease ANB-928 / Permit ANB 863**

At its June 2008 meeting, the Board authorized Enterprise as the Port Authority's sixth on-airport car rental permittee. With Enterprise's recent acquisition of National, Enterprise proposed that it be permitted to establish on-airport customer service and car-ready facilities at EWR by converting a portion of National's existing premises for its use.

National would surrender a portion of its EWR leasehold, and a new lease would be entered into with Enterprise for the surrendered premises. Enterprise would develop two separate and distinct ready-car areas, counter and office space for each brand on the current National premises. The Enterprise lease would cover approximately 2.1 acres of land, with the total aggregate rental and permit fees (including ground rental, Airport Service Factors, Transportation Facility Charges and percentage fees) over the term of the lease to be approximately \$22.3 million. The term of the Enterprise lease would be for ten years, commencing on the earlier to occur of the commencement of construction or August 1, 2009.

Up to \$6.5 million of Enterprise's investment in its EWR premises would be recognized for the purpose of calculating fee credits under Enterprise's EWR operating permit. The fee credits during construction would be based upon interest payments on investment, and after construction completion the credits would be calculated and applied on a monthly basis, equivalent to equal monthly installments of construction costs not to exceed \$6.5 million, and interest at the rate of 300 basis points plus the Bond Buyer rate at the time of lease execution, in an amount not to exceed 2.5 percent of Enterprise's gross receipts at EWR, JFK and LGA. The EWR fee credits would be applied after the application of the JFK fee credits authorized at the June 2008 meeting. These construction credits are consistent with the terms of the other on-

airport car rental agreements. In no event would the percentage fees payable by Enterprise be less than ten percent of its gross receipts at EWR, JFK and LGA.

Further, the Port Authority would be obligated to pay Enterprise an amount equal to its unamortized investment at EWR, in an amount not to exceed \$6.5 million, amortized on a straight-line basis over the period from the completion of construction to the expiration date of its EWR lease, if the Port Authority were to revoke either of Enterprise's operating permits without cause.

After the surrender of a portion of its premises for Enterprise's leasehold, National's extended lease would cover approximately 3.2 acres of land, with the total aggregate rental and permit fees (including ground rental, Airport Service Factors, Transportation Facility Charges and percentage fees) over the term of the extended lease to be approximately \$31.9 million.

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Bauer, Chasanoff, Coscia, Hochberg, Holmes, Mack, Sartor and Steiner voting in favor; none against; Commissioner Grayson abstaining and Commissioner Silverman recused:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into: (1) supplemental lease agreements with five on-airport rental car operators at Newark Liberty International Airport (EWR), including: Avis Rent A Car System, LLC (Avis), Budget Rent A Car System, Inc. (Budget), DTG Operations, Inc. (Dollar), The Hertz Corporation (Hertz) and National Rental (US), Inc. (National) to extend the term of the agreements to May 31, 2016 and eliminate the Monorail Fee payable under the existing leases with those parties; (2) a new lease with Elrac, Inc. (Enterprise) covering a portion of Building 34 and associated ground area at EWR, for use as an on-airport rental car facility; and (3) permit supplements with Avis, Budget, Dollar, Hertz, National and Enterprise to eliminate the Customer Contract Fee and, in lieu thereof, impose a \$2.00 per-car-rental-day Transportation Facility Charge; all substantially in accordance with the terms and conditions outlined to the Board; and it is further

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

NEWARK LIBERTY INTERNATIONAL AIRPORT – GROUND-BASED AUGMENTATION SYSTEM – DEMONSTRATION PROJECT

It was recommended that the Board authorize the Executive Director to: (1) enter into a Memorandum of Agreement (MOA) among the Port Authority, the Federal Aviation Administration (FAA), and Continental Airlines, Inc. (Continental) to provide for a Ground-Based Augmentation System (GBAS) demonstration project (Demonstration Project) at Newark Liberty International Airport (EWR), at a total estimated cost of \$6.1 million; and (2) enter into a contract with Honeywell International Inc. (Honeywell) for the purchase, installation and maintenance of the GBAS equipment to be used at EWR, at a total estimated cost of \$2.5 million, representing the Port Authority's financial contribution towards the Demonstration Project.

The FAA has identified significant benefits in implementing Local Area Augmentation System approaches at congested airports to reduce delays. The FAA has asked Continental and the Port Authority to host the Demonstration Project to evaluate the new GBAS technology at EWR. The FAA's existing navigational system is radar-based, and is becoming increasingly inefficient in managing the large number of aircraft that now travel the nation's airspace. The proposed Demonstration Project would provide for the GBAS to be installed at EWR. The GBAS receives signals from a navigational satellite via a very high frequency transmitter, improves the accuracy of the signal, and transmits this signal to an aircraft. This improved data allows an aircraft to place its position in the sky (both horizontally and vertically) within a few meters. By fixing the aircraft's position, this system will assist in guiding an aircraft through its final approach segment to a runway, which is particularly helpful in low-visibility conditions. The precision approach capabilities from the GBAS to be installed at EWR would be a pioneering effort in assessing the capabilities of this technology to reduce delays in a congested airport environment. For civil aviation, this technology has enormous potential benefits, including an increase in the capacity of the national and regional airport system through reduced navigational separation between aircraft, more direct aircraft routing, time and fuel savings, reductions in air pollution, creation of additional arrival slots, and increased safety.

The Port Authority, the FAA and Continental would enter into an MOA that would articulate the responsibilities of each party in this Demonstration Project. Under the proposed MOA, Continental would equip 15 aircraft with the appropriate equipment required for GBAS and train pilots on GBAS procedures at EWR, at an estimated cost of \$1.1 million. The FAA would commit up to \$2.5 million for the assessment of technology performance and expansion of system capabilities. The Port Authority would enter into a contract with Honeywell for the purchase and installation of the GBAS equipment at EWR, including a four-year maintenance period, at an estimated cost of \$2.5 million. Advancing the GBAS technology is an initiative listed both by the Port Authority Flight Delay Task Force and the United States Department of Transportation's New York Aviation Rulemaking Committee.

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Bauer, Chasanoff, Coscia, Hochberg, Holmes, Mack, Silverman and Steiner voting in favor; none against; Commissioner Grayson abstaining and Commissioner Sartor recused:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into: (1) a Memorandum of Agreement among the Port Authority, the Federal Aviation Administration and Continental Airlines Inc. for a Ground-Based Augmentation System (GBAS) demonstration project (Demonstration Project) at Newark Liberty International Airport (EWR), at a total estimated cost of \$6.1 million; and (2) a contract with Honeywell International Inc. for the purchase, installation and maintenance of the GBAS equipment to be used at EWR, at a total estimated cost of \$2.5 million, representing the Port Authority's financial contribution towards the Demonstration Project; and it is further

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

DOWNTOWN RESTORATION PROGRAM – AUTHORIZATION TO ACCEPT ASSIGNMENT OF A TRADE CONTRACT FOR FIRE PROTECTION FOR THE WORLD TRADE CENTER (WTC) MEMORIAL, MEMORIAL MUSEUM AND WTC INFRASTRUCTURE PROJECTS, INCLUDING ASSOCIATED PAYMENTS INTO AN ESCROW ACCOUNT

It was recommended that the Board authorize the Executive Director to: (1) accept assignment of a construction trade contract awarded by the National September 11 Memorial and Museum at the World Trade Center Foundation, Inc. (NS11MM) to Rael Automatic Sprinkler Co., Inc. (Rael) for the furnishing and installation of a fire protection system for the World Trade Center (WTC) Memorial, Memorial Museum and WTC Infrastructure Projects in the WTC West Bath tub, at an estimated amount of \$15,676,200, including an eight-percent authorization for extra work; (2) accept a partial assignment of the contract with Bovis Lend Lease LMB, Inc. (Bovis) for performance of construction management (CM) services associated with the fire protection systems trade contract, at an estimated cost of \$2,153,097; and (3) on behalf of the Port Authority and two of its wholly owned entities (WTC Retail LLC and 1 World Trade Center LLC), make payments into an escrow account, in an amount of \$7,939,391, for the Port Authority's portion of the costs associated with the fire protection trade contract and Bovis CM services contract.

Pursuant to a July 2006 Project Agreement with the Lower Manhattan Development Corporation, the NS11MM, the City of New York and the State of New York, the Port Authority is to assume responsibility for construction of the WTC Memorial and the Memorial Museum Projects.

In December 2006, the Board authorized the Executive Director to finalize agreements with the NS11MM providing for the Port Authority to accept a full assignment of the Bovis contract and manage all construction work for the WTC Memorial and Memorial Museum Projects. In anticipation of the full Bovis contract assignment, the NS11MM proceeded with procurement of the fire protection trade contract, which is one of the essential components of the critical path schedule for the Memorial, Memorial Museum and WTC Infrastructure Projects.

The NS11MM will award the fire protection system trade contract to Rael, the lowest qualified bidder, selected among multiple competitive bids based on a select list established in accordance with the Bovis contract.

The scope of work for the contract includes the furnishing, installation, and testing of all elements of a complete and operational fire standpipe/sprinkler and pre-action system for the WTC Memorial, Memorial Museum and WTC Infrastructure Projects. The fire protection system is to meet all New York City building code requirements.

Approximately \$2,439,232 of the proposed Port Authority payments is included in the \$150 million commitment authorized by the Board in July 2006 for common and exclusive site infrastructure work associated with the WTC Memorial and Memorial Museum Projects, bringing the total authorized payments under this commitment to \$104.5 million. Approximately \$5,500,159 is for work within the West Bath tub that is the Port Authority's sole responsibility, and is not recoverable from external funding sources.

An escrow account was jointly established and initially funded by the NS11MM to provide for payments to contractors and Bovis. The Port Authority previously has agreed to make payments into the escrow account of \$175.1 million, and the proposed authorization would bring total Port Authority anticipated payments to \$183 million, of which approximately \$104.5 million has been allocated against the Port Authority's commitment to the Memorial and Memorial Museum Projects. The balance of \$78.5 million is the responsibility of the Port Authority.

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Bauer, Chasanoff, Coscia, Hochberg, Holmes, Mack, Silverman and Steiner voting in favor; none against; Commissioner Grayson abstaining and Commissioner Sartor recused:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to: (1) accept assignment of a construction trade contract awarded by the National September 11 Memorial and Museum at the World Trade Center Foundation, Inc. (NS11MM) to Rael Automatic Sprinkler Co., Inc., in connection with the furnishing, installation and testing of a fire protection system for the World Trade Center Memorial, Memorial Museum, and the World Trade Center (WTC) Infrastructure Projects, in an estimated total amount of \$15,676,200, which includes an eight-percent authorization for extra work; and (2) accept a partial assignment of NS11MM's contract with Bovis Lend Lease LMB, Inc. (Bovis) for construction management (CM) services associated with this trade contract, at an estimated cost of \$2,153,097; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority and its wholly owned corporate entities, WTC Retail LLC and 1 World Trade Center LLC, to make payments into an escrow account, in an amount not to exceed \$7,939,391, for the Port Authority's portion of the costs associated with the fire protection trade contract and the Bovis CM services contract for the aforementioned projects; and it is further

RESOLVED, that the form of all contracts and agreements necessary to effectuate the foregoing shall be subject to the approval of General Counsel or his authorized representative.

ACCESS TO THE REGION'S CORE PROJECT – AUTHORIZATION TO EXTEND EXPENDITURE OF PORT AUTHORITY FUNDS FOR PROJECT COSTS IN 2009

In June 2008, the Board authorized the expenditure of up to \$100 million for costs in connection with property acquisitions, administrative expenses, planning, final design and engineering and construction of the Access to the Region's Core Project (the Project) through year-end 2008. Port Authority expenditures for such costs through October 2008 totaled approximately \$36 million, and it is expected that the entire authorized amount will not be expended by year-end 2008.

It was recommended that the Board extend the time period for the expenditure of the balance of the \$100 million, to permit it to be available in 2009, for costs of property acquisitions, administrative expenses, planning, final design and engineering and construction of the Project.

Staff will assess the need to request additional funds for Project costs in 2009 as Project progress warrants, consistent with the Port Authority's Updated 2007-2016 Capital Plan.

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Bauer, Chasanoff, Coscia, Hochberg, Holmes, Mack, Sartor, Silverman and Steiner voting in favor; none against; Commissioner Grayson abstaining:

RESOLVED, that the Executive Director be and he hereby is authorized, for an on behalf of the Port Authority, to use any remaining amounts of the \$100 million authorized by the Board on June 30, 2008 for certain costs of the Access to the Region's Core Project (the Project) in 2009 for costs in connection with property acquisitions, administrative expenses, planning, final design and engineering and construction of the Project.

FUNDING FOR THE URBAN ESTUARY CENTER AT THE HUDSON RIVER PARK IN LOWER MANHATTAN – AMENDMENT OF AUTHORIZATION

It was recommended that the Board amend that portion of its authorization of December 14, 2006 regarding the provision of funding for the Urban Estuary Center (Estuarium) at the Hudson River Park (Park) in Lower Manhattan, to authorize the Executive Director to enter into an agreement with the Hudson River Park Trust (HRPT), pursuant to which the Port Authority would provide \$5 million to the HRPT, to be used for the development of the Estuarium at Pier 26 in the Park. The Estuarium would provide opportunities for scientific research and public education on the Hudson River Estuary and foster public awareness of the need for preservation and enhancement of that ecological system.

At its meeting of December 14, 2006, the Board, among other things, authorized the Executive Director to enter into one or more agreements with the HRPT and/or another appropriate entity, pursuant to which the Port Authority was to provide up to \$5 million toward the development of the Estuarium, to be allocated by the HRPT and/or another appropriate entity for the study of Hudson River Estuary preservation strategies by a consortium of educational institutions led by the State of New York and the Beacon Institute for Rivers and Estuaries (Beacon Institute) pursuant to the Strategic Plan and Conceptual Design 2006 prepared by Gensler on behalf of the Beacon Institute (Gensler Plan). However, the HRPT and the Beacon Institute have been unable to reach agreement on a joint plan to develop the Estuarium, and the development of the Estuarium, as part of a broader effort to study Hudson River Estuary preservation strategies, has been stalled. As a result, the State of New York has advised that it plans to pursue the development of the Estuarium without requiring the involvement of the Beacon Institute.

By a recent letter to the Port Authority, the President of the HRPT: (1) confirmed the HRPT's continuing interest in developing the Estuarium, and expressed the need for the \$5 million in Port Authority funding authorized by the Board in December 2006, in order to pursue the Estuarium project; and (2) indicated that the Port Authority funds would be used by the HRPT for the following purposes: (a) completion of additional planning work to confirm who are the likely users of the Estuarium and to determine how it will be operated; (b) advancement of the conceptual plan for the Estuarium through the balance of design development; and (c) construction of the Estuarium. The letter further indicated that, although the Gensler Plan referenced in the December 2006 Board authorization will continue to inform and guide the HRPT in the finalization of the HRPT's current plan for the Estuarium, it should not constrain the range of possible users and operator(s) of the facility.

In order to allow the development of the Estuarium by the HRPT to proceed, it is necessary to amend the previous Board authorization with respect to the role of the Gensler Plan and the participation of the Beacon Institute. The HRPT anticipates being able to initiate the remaining planning work within 90 to 120 days following receipt of the proposed Port Authority funding.

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Bauer, Chasanoff, Coscia, Hochberg, Holmes, Mack, Sartor, Silverman and Steiner voting in favor; none against; Commissioner Grayson abstaining:

RESOLVED, that the resolution adopted by the Board at its meeting of December 14, 2006 authorizing, among other things, the Executive Director to enter into one or more agreements with the Hudson River Park Trust (HRPT) and/or another appropriate entity, pursuant to which the Port Authority was to provide \$5 million toward the development of a new Urban Estuary Center (Estuarium) at Pier 26 in the Hudson River Park in Lower Manhattan for the study of Hudson River Estuary preservation strategies by a consortium of educational institutions led by the State of New York and the Beacon Institute for Rivers and Estuaries (Beacon Institute) pursuant to the Strategic Plan and Conceptual Design 2006 (Strategic Plan) prepared by Gensler on behalf of the Beacon Institute, be and it hereby is amended, to provide that the HRPT may develop the Estuarium in the absence of involvement by the Beacon Institute and in a manner not limited by the Strategic Plan prepared by Gensler; and it is further

RESOLVED, that the Executive Director be and he is authorized, for and on behalf of the Port Authority, to enter into an agreement with the HRPT, pursuant to which the Port Authority will provide \$5 million to the HRPT to be used for the development of the Estuarium; 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.

2009 BUDGET

Consistent with long-standing Port Authority policy and in keeping with governance best practices, the Port Authority strives to adopt a Budget, to the greatest extent possible, prior to the commencement of the ensuing budget year. As such, the 2009 Budget is being presented to the Board for its consideration.

The 2009 Budget for The Port Authority of New York and New Jersey, including the anticipated expenditures of its wholly owned entities, provides for capital and operating expenditures during calendar year 2009 necessary to achieve the Port Authority's goals and objectives.

The proposed 2009 Budget represents a zero-growth operating expense budget, reflecting aggressive cost-containment efforts and provides for, among other things: preserving safe and secure facilities by increasing police presence at the World Trade Center (WTC) site, Port Authority Trans-Hudson Corporation (PATH) stations and at the marine terminals; providing staffing support for the WTC site redevelopment, Access to the Region's Core (ARC) project / Trans-Hudson Express Tunnel, Stewart International Airport and PATH Modernization Program; and investing in energy conservation and environmental programs. In order to accommodate higher costs and provide resources for agency priorities such as the WTC site, ARC Tunnel, and PATH Modernization Program, as well as increase staff in key areas, such as facility operations, environmental and energy conservation, and safety and security, the 2009 Budget reflects additional savings initiatives recommended through the agency's ongoing organizational effectiveness efforts and holds staffing levels flat, by continuing to restructure functions and streamline operations and implementing other staffing strategies. Also anticipated are: initiatives such as a Clean Truck Program, in participation with the U.S. Environmental Protection Agency, to finance and retrofit trucks using our ports, and a Carbon Neutral Program to procure carbon offsets in support of the Port Authority's goal to reduce greenhouse gas emissions; the continued development and construction of the WTC site, as well as continued Port Authority management of the site to provide a safe, secure and clean environment to facilitate construction; the Port Authority's commitment to partnering with New Jersey Transit Corporation to construct the ARC project / Trans-Hudson Express Tunnel; new PATH rail car purchases; continuing the dredging program in the Port of New York and New Jersey; modernizing Terminal B at Newark Liberty International Airport; continued planning efforts for the new Goethals Bridge; expanding ExpressRail at our marine terminals; and advancing a flight reduction delay program at John F. Kennedy International and Newark Liberty International Airports.

The Port Authority exists to enhance the region's competitiveness and prosperity by providing transportation services that efficiently move people and goods within the region and facilitate access to the nation and the world. The Port Authority strives to better coordinate terminal, transportation and other facilities of commerce in the New York-New Jersey metropolitan region surrounding the Port of New York and New Jersey, and does so by identifying and meeting the critical transportation infrastructure needs that support bi-state commerce, as well as trade in both goods and services between the region and the rest of the nation and world.

The agency meets its responsibility primarily through planning, constructing, financing, and operating trade and transportation infrastructure. It does so within the context of objectives that include enhancing safety and security, implementing new technologies, maintaining and enhancing infrastructure, advancing the delivery of capital programs, increasing agency cost effectiveness, pursuing improvements in regional mobility, and advancing regional economic competitiveness.

As part of a comprehensive planning process, the proposed 2009 Budget serves as a financial planning tool that outlines estimated expenditures for the next year to fulfill these objectives through programs already authorized or to be considered. In addition, the Strategic Plan serves as a tool for directing the agency's planning and project development resources for outlying years, and the Ten Year Capital Plan represents the long-term investment plan to develop and operate transportation facilities and services that contribute to regional economic growth and prosperity.

The 2009 Budget totals approximately \$6,706 million. It consists of \$2,489 million for operating expenses, \$3,305 million for gross capital expenditures, \$825 million for debt service charged to operations, and \$87 million for other expenditures.

Our most critical capital initiatives include:

- the rebuilding of the WTC site and reinvigorating Lower Manhattan with the National September 11 Memorial and Museum, the World Trade Center Transportation Hub and permanent PATH station, five commercial office towers, including the 1,776-foot-tall Freedom Tower/1 World Trade Center, a Vehicular Security Center, retail development, cultural facilities, new public open spaces, new streets and a new common infrastructure;
- security projects to harden our facilities infrastructure and installing state-of-the-art surveillance and detection equipment;
- building, in partnership with New Jersey Transit Corporation, the ARC project that includes a two-track passenger rail tunnel under the Hudson River to Manhattan, and a new rail terminal under 34th Street and adjacent to the current Penn Station;
- major upgrades and modernization of our tunnels, bridges and terminals, such as: modernizing the Goethals Bridge; rehabilitating the Holland and Lincoln tunnels; and improving the George Washington Bridge;
- completing a permanent ferry terminal in Hoboken, New Jersey;
- implementing all-electronic tolling;
- modernization of our airports, developing Stewart International Airport and implementing a Flight Delay Reduction program at John F. Kennedy International and Newark Liberty International Airports;

- redeveloping our port facilities, including dredging to accommodate larger vessels, expanding ExpressRail, rebuilding New Jersey's marine terminals, and developing the Auto Marine Terminal; and
- expanding capacity and enhancing the PATH system by: modernizing stations; adding 340 new railcars, a new state-of-the-art signal and communication system, and a modern and flexible fare collection system; and enhancing security.

The 2009 Budget continues to assume uninterrupted payments from tenants at all facilities, as specified in their lease agreements. The 2009 Budget also provides for direct assistance to the two States for transportation and economic development projects and spending to maintain existing Port Authority facilities in a state of good repair.

The Executive Director would implement the Budget in conjunction with his authority under the By-Laws, and is expected to take action with respect to: professional, technical, or advisory services; contracts for maintenance and services, construction, commodities (materials, equipment and supplies) and utilities purchases; leasing of equipment; the purchase of insurance; and other actions, including personnel benefit, classification, range and procedural adjustments.

A provision is also included to reimburse the States of New York and New Jersey for up to \$295,000 of expenses incurred by each of the two States, including staff costs, in reviewing the Port Authority's annual Budget and any amendments thereto.

Circumstances arose during the year 2008 that were not foreseeable or determinable when the 2008 Budget was prepared, which are estimated to cause total expenditures to amount to \$28 million lower than the amounts set forth in the 2008 Budget. At the same time, based on estimated capital expenditures for the remainder of 2008, it is currently anticipated that requirements for applications from the Consolidated Bond Reserve Fund (after reimbursement for temporary applications and excluding applications of the proceeds of Port Authority obligations) will exceed the \$1,500 million anticipated at the time of adoption of the 2008 Budget, and the limit on such applications during 2008 would be increased to \$1,750 million.

The Executive Director would implement the Capital Plan in conjunction with his authority under the By-Laws, consistent with the 2009 Budget and capital program projections, through the application of moneys in the Consolidated Bond Reserve Fund to the Capital Fund, subject to statutory, contractual, and other commitments and financial policies of the Port Authority, in addition to other capital funds carried into 2009 and the proceeds of Port Authority obligations to be issued. As such, it would be desirable to establish a maximum limit on such Consolidated Bond Reserve Fund applications in an amount not to exceed \$2,000 million (after reimbursement for temporary applications).

The Executive Director's authority, pending final adoption and approval of the annual Budget each year, to make operating expenditures and undertake contractual commitments for continuing operations and services as contained in the financial plan presented to the Commissioners, would also be confirmed.

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Bauer, Chasanoff, Coscia, Hochberg, Holmes, Mack, Sartor, Silverman and Steiner voting in favor; none against; Commissioner Grayson abstaining:

RESOLVED, that the 2009 Budget of The Port Authority of New York and New Jersey, as set forth below, be and the same hereby is approved and adopted, including authority for the Executive Director, pending final adoption of the annual Budget each year, to make operating expenditures and undertake contractual commitments for continuing operations and services:

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY
Including Wholly Owned Corporate Entities
2009 BUDGET
(In Thousands)

Item	Total Expenditures	Personal Services	Materials & Services
Audit	\$12,355	\$10,013	\$2,342
Aviation	716,334	143,505	572,829
Business and Job Opportunity	3,615	2,298	1,317
Chief Administrative Officer	1,017	862	155
Chief, Capital Planning	1,630	1,392	238
Chief Financial Officer	3,187	838	2,349
Chief Operating Officer	2,763	1,045	1,718
Security Project Management	44,752	4,820	39,932
Project Management Office	903	863	40
Chief of Public & Government Affairs	709	654	55
Chief, Real Estate & Development	2,127	1,758	369
Comptroller's	12,331	11,794	537
Engineering	290,922	92,622	198,300
Construction Contracts	677,510	-	677,510
Executive Offices	2,830	2,442	388
Ferry Program	17,934	-	17,934
Financial Analysis	1,298	1,058	240
Government & Community Affairs	4,238	1,826	2,412
Human Resources	12,952	8,912	4,040
Medical Services	4,073	2,366	1,707
Inspector General	19,661	5,853	13,808
Labor Relations	2,504	1,890	614
Law	21,242	20,368	874
Management and Budget	8,085	6,833	1,252
Media Relations	1,741	1,479	262
Office of Emergency Management	8,921	3,636	5,285
Office of Environmental Policy, Programs & Compliance	7,989	2,315	5,674
Office of the Secretary	3,981	2,210	1,771
Operations Services	44,743	34,534	10,209 ⁽¹⁾
Facility Construction Support	33,962	24,809	9,153
Operations Standards	1,663	1,122	541
Planning	5,619	4,126	1,493
Port Commerce	198,285	25,858	172,427
Procurement	14,544	11,719	2,825 ⁽¹⁾
Public Affairs	13,336	4,070	9,266
Public Safety	382,391	346,011	36,380
Rail	381,493	154,568	226,925
Real Estate & Development	306,230	13,672	292,558 ⁽¹⁾
Technology Services	85,560	17,625	67,935 ⁽¹⁾
Corporate Enterprise Systems	28,313	-	28,313

Treasury	31,498	6,083	25,415
Tunnels, Bridges and Terminals	223,935	119,648	104,287
WTC Construction	1,130,752	23,244	1,107,508
Other:			
Access to the Region's Core (ARC Tunnel)	340,000	-	340,000
Amounts in Connection with Operating Asset Obligations	38,590	-	38,590
Bi-state Dredging Program	4,300	-	4,300
Debt Service – Operating	825,000	-	825,000
Debt Service – Capital	160,000	-	160,000
Insurance	169,288	-	169,288
Port Authority Insurance Captive Entity LLC	424	-	424
Municipal Rents and Amounts in Lieu of Taxes	226,839	-	226,839
Provision for Study and Development	25,000	-	25,000
Regional Programs – Operating	14,350	-	14,350
Regional Programs – Capital	59,900	-	59,900
Special Project Bonds Debt Service	72,171	-	72,171
Total Port Authority Budget	<u>\$6,705,791</u>	<u>\$1,120,741</u>	<u>\$5,585,050</u>

(1) Net after charges to other departments.

; and it is further

RESOLVED, that the revisions to the Budget for the year 2008 be and the same hereby are approved:

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY
Including Wholly Owned Entities
2008 ESTIMATE VS 2008 BUDGET
(In Thousands)

	<u>2008 ESTIMATE</u>	<u>2008 BUDGET</u>	<u>CHANGE</u>
Operating Expenses	\$2,580,330	\$2,442,241	\$138,089
Debt Service Charged to Operations	740,000	814,000	(74,000)
Other Expenses	<u>50,843</u>	<u>75,055</u>	<u>(24,212)</u>
Total Operating	3,371,173	3,331,296	39,877
Capital Expenditures	<u>2,512,161</u>	<u>2,580,046</u>	<u>(67,885)</u>
Total Port Authority Expenditures	<u>\$5,883,334</u>	<u>\$5,911,342</u>	<u>(\$28,008)</u>

; and it is further

RESOLVED, that the provision by the Executive Director of portions of the Port Authority's capital program from time to time, consistent with the 2008 Budget and capital program (including the continuing application of the Capital Fund on a temporary basis, subject to reimbursement), by application of moneys in the Consolidated Bond Reserve Fund to the Capital Fund for capital expenditures for the year 2008 in connection with the Port Authority's facilities, shall not, subject to statutory, contractual, and other commitments and financial policies of the Port Authority, exceed \$1,750 million (after any such reimbursements and in addition to other capital funds carried into 2008 and the proceeds of obligations to be issued); and it is further

RESOLVED, that, based upon a requisition of the Governor of the State of New York or the Governor of the State of New Jersey, or the duly authorized designee of each, the Port Authority shall pay to the State of New York or the State of New Jersey, or both, upon receipt of an appropriate expenditure plan from said State, an amount not in excess of \$295,000 to each said State to reimburse said State or States for expenses incurred by said State or States, including staff costs, in reviewing the annual Budget of the Port Authority and any amendments thereto; and it is further

RESOLVED, that the provision by the Executive Director of portions of the Port Authority's capital program from time to time, consistent with the 2009 Budget and capital program projections (including the continuing application of the Capital Fund on a temporary basis, subject to reimbursement), by application of moneys in the Consolidated Bond Reserve Fund to the Capital Fund for capital expenditures for the year 2009 in connection with the Port Authority's facilities, shall not, subject to statutory, contractual, and other commitments and financial policies of

the Port Authority, exceed \$2,000 million (after any such reimbursements and in addition to other capital funds carried into 2009 and the proceeds of obligations to be issued).

DOWNTOWN RESTORATION PROGRAM – WORLD TRADE CENTER SITE REDEVELOPMENT – RESCISSION OF THE DELEGATION OF AUTHORITY CONCERNING CERTAIN REIMBURSEMENT AGREEMENTS AND AWARD AND ACCEPTANCE OF CONSTRUCTION TRADE CONTRACTS

It was recommended that the Board rescind, on a going-forward basis, authority previously delegated to take certain actions in connection with the redevelopment of the World Trade Center (WTC) site, including that pertaining to:

- (a) approval of work to be awarded and reimbursement of costs incurred by Silverstein Properties, Inc. (SPI), at a total estimated amount of \$382 million, for mechanical, electrical and plumbing improvements of the retail areas in Towers 2, 3 and 4 at the WTC site, performed on behalf of WTC Retail LLC;
- (b) approval of work to be awarded and reimbursement of costs incurred by SPI, in a total estimated amount of \$723 million, for certain design services and structural enclosure and associated work for the WTC Transportation Hub project, several common infrastructure projects, the vehicular parking project, and retail portions of the WTC site in the East Bathtub, performed on behalf of the Port Authority and WTC Retail LLC;
- (c) award, execution, and acceptance of assignment of, certain trade contracts for construction of One WTC, the Freedom Tower, the WTC Memorial and Memorial Museum Project, and related infrastructure, provided that the individual amount of each separate trade contract does not exceed \$10 million; and
- (d) approval of work to be awarded and reimbursement of costs incurred by SPI, in an amount not to exceed \$6.7 million, for the construction of the mechanical, electrical, plumbing and fire protection work for the tenant vehicle parking areas under Towers 3 and 4 within the East Bathtub of the WTC site, performed on behalf of the Port Authority.

The delegations to be rescinded were authorized as part of prior actions of the Board from December 2007 through November 2008, under which authority was delegated to provide flexibility in the award of certain contracts in connection with the redevelopment of the WTC site. In light of the issuance of the *World Trade Center Report: A Roadmap Forward* by the Port Authority in October 2008, which outlined a schedule of anticipated completion dates and cost estimates for various elements of the WTC site redevelopment, it would be appropriate to rescind these delegations at this time, to ensure that the Board has greater oversight of the redevelopment process, including actions to be taken in the future in connection with the programs and projects listed above. Action taken pursuant to these delegations prior to their rescission shall not be affected thereby and shall remain in force and effect.

In effect, this recommended action would ensure greater oversight and involvement of the Board on all significant contract awards in connection with the redevelopment of the WTC site, while providing for greater efficiencies for contracts awarded within the Executive Director's authority under the By-Laws (which remained in effect during the term of the delegations) on a sole-source or competitive basis, either by the Port Authority or by one of the stakeholders in the redevelopment of the WTC site.

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Bauer, Chasanoff, Coscia, Hochberg, Holmes, Mack, Sartor, Silverman and Steiner voting in favor; none against; Commissioner Grayson abstaining:

RESOLVED, that the portion of the resolution adopted by the Board at its meeting of December 12, 2007, authorizing the Executive Director to approve the award of any work by, and the reimbursement of costs incurred by, Silverstein Properties, Inc. or an affiliate (SPI), pursuant to a reimbursement agreement between World Trade Center Retail LLC (WTC Retail) and SPI for mechanical, electrical and plumbing improvements of the retail areas in Towers 2, 3 and 4 at the World Trade Center (WTC) site, at a total estimated cost to WTC Retail of \$382 million, be and it hereby is rescinded, except as it applies to actions taken prior to the date hereof; and it is further

RESOLVED, that the portion of the resolution adopted by the Board at its meeting of December 12, 2007, authorizing the Executive Director to approve the award of any work by, and the reimbursement of costs incurred by, SPI pursuant to a tri-partite agreement with SPI, to, among other things, reimburse SPI for the Port Authority's and WTC Retail's respective responsibility for certain design services and structural enclosure and associated work for the WTC Transportation Hub project, several common infrastructure projects, the vehicular parking project, and retail portions of the WTC site in the East Bathtub, in a total estimated amount of \$723 million, be and it hereby is rescinded, except as it applies to actions taken prior to the date hereof; and it is further

RESOLVED, that the portion of the resolution adopted by the Board at its meeting of April 24, 2008, authorizing the Executive Director, for and on behalf of the Port Authority and its wholly owned entities, WTC Retail and 1 World Trade Center LLC, to award, execute, and accept assignment of certain construction trade contracts for construction of One WTC, the Freedom Tower Project, the WTC Memorial and Memorial Museum Project, and their related infrastructure, provided that the individual amount of each separate trade contract does not exceed \$10 million, inclusive of allowances for extra work and other contingencies, and that certain other conditions have been met, be and it hereby is rescinded, except as it applies to actions taken prior to the date hereof; and it is further

RESOLVED, that the portion of the resolution adopted by the Board at its meeting of November 6, 2008, authorizing the Executive Director to approve the award of any work by, and the reimbursement of costs incurred by, SPI pursuant to a reimbursement agreement with SPI for the construction of the mechanical, electrical, plumbing and fire protection work for the tenant vehicle parking areas under Towers 3 and 4 within the East Bathtub of the WTC site, in an amount not to exceed \$6.7 million, be and it hereby is rescinded, except as it applies to actions taken prior to the date hereof.

Whereupon, the meeting was adjourned.

Secretary