

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

**COMMITTEE ON FINANCE
MINUTES**

Thursday, December 6, 2012

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MINUTES OF COMMITTEE ON FINANCE

225 Park Avenue South

New York, NY

Thursday, December 6, 2012

PRESENT:

Hon. Richard H. Bagger, Chair
 Hon. H. Sidney Holmes III
 Hon. Raymond M. Pocino
 Hon. William P. Schuber
 Committee Members

Hon. Jeffrey A. Moerdler
 Hon. Scott H. Rechler
 Hon. Anthony J. Sartor
 Commissioners

William Baroni, Jr., Deputy Executive Director
 Darrell B. Buchbinder, General Counsel

Heavyn-Leigh American, Associate Board Management and Support Specialist, Office of the Secretary
 Veronica M. Biddle, Assistant Treasurer
 Steven J. Coleman, Deputy Director, Media Relations, Public Affairs
 Stephanie E. Dawson, Acting Chief Operating Officer
 Allison L. DeCerreño, Program Director, Toll Systems and Revenue Operations, Tunnels, Bridges and Terminals
 Michael G. Fabiano, Chief Financial Officer
 Cedrick T. Fulton, Director, Tunnels, Bridges and Terminals
 Linda C. Handel, Deputy Secretary
 Rebecca Karp, Leadership Fellow, Human Resources
 John H. Ma, Chief of Staff to the Executive Director
 James E. McCoy, Manager, Board Management Support, Office of the Secretary
 Anne Marie C. Mulligan, Treasurer
 Steven P. Plate, Deputy Chief, Capital Planning/Director, World Trade Center Construction
 Alan L. Reiss, Deputy Director, World Trade Center Construction
 Kevin J. Tomafsky, Staff External Relations Representative, Government and Community Affairs
 David M. Wildstein, Director, Interagency Capital Projects, Office of the Deputy Executive Director

Guest:

Nicole Crifo, Senior Counsel, Authorities Unit, Office of the Governor of New Jersey
 Regina Egea, Director, Authorities Unit, Office of the Governor of New Jersey

The Committee meeting was called to order in public session by Commissioner Bagger at 9:38 a.m. and ended at 9:55 a.m. The Committee met in executive session following the public session.

Action on Minutes

General Counsel reported that the Minutes of the meeting of October 18, 2012 had been signed and distributed to the Commissioners.

Whereupon, the Committee approved the Minutes of the meeting of October 18, 2012.

WORLD TRADE CENTER MEMORIAL PROJECT – EXTENSION OF OWNER CONTROLLED INSURANCE PROGRAM

It was recommended that the Committee on Finance (Committee) authorize the purchase of an extension of the project-specific Owner Controlled Insurance Program (OCIP), through the authorized broker, Aon Risk Services (Aon), with appropriate available limits, alternate risk financing approaches, and other terms, including coverage for all losses arising out of the construction of the National September 11 Memorial and Museum at the World Trade Center (WTC) site (WTC Memorial and Museum Project), effective December 31, 2012 through August 31, 2013 for the Builders' Risk and effective December 31, 2012 through October 31, 2015 for General Liability coverage, at an estimated total premium of \$13 million.

The OCIP provides General Liability, Workers' Compensation, Builders' Risk, Terrorism and Environmental Liability protection to the Port Authority and its contractors and subcontractors working at the WTC site on Port Authority projects. In February 2006, the Committee concurred with the recommendation of staff to purchase an OCIP for the WTC Transportation Hub Project, for losses arising from general liability, workers' compensation, builders' risk and terrorism, with a five-year term effective January 31, 2006, at an estimated cost of \$103,406,593. Thereafter, at its February 22, 2007 meeting, the Committee authorized purchase of the OCIP coverages for the One WTC and WTC Memorial and Museum projects. Finally, at its April 22, 2008 meeting, the Committee authorized the extension of OCIP to include the Vehicular Security Center, Tour Bus Parking Facility and West Bathtub Vehicular Access Projects.

At its meeting on December 7, 2010, the Committee authorized the purchase of an extension of the project-specific OCIP, through the authorized broker, Aon, with appropriate available limits, alternate risk financing approaches, and other terms, including coverage for all losses arising out of the construction of all Port Authority-managed projects at the WTC site that had been covered through the OCIP, for an approximately 60-month term, effective December 31, 2010, for the Environmental Liability, Builders' Risk and Terrorism coverage, and effective January 31, 2011, for the General Liability and Workers' Compensation coverage, at an estimated total premium of \$217,519,000. Although the extensions for the Environmental Liability, Workers' Compensation and Terrorism coverages were provided on all projects through December 31, 2015 on a site-wide basis, the Builders' Risk and General Liability coverages were only extended to the individual project completion dates, based on the then forecasted completion dates, and therefore were not extended for the WTC Memorial and Museum Project at that time.

The Builders' Risk and General Liability coverage for the WTC Memorial Project expires on December 31, 2012. Based on the updated construction schedule for the WTC Memorial and Museum Project, and consistent with the independent assessment conducted by Navigant Consulting Inc. as part of its comprehensive review and assessment of the Port Authority, the project completion date has been extended to the fourth quarter of 2015. To protect the Port Authority from financial loss arising from the construction, it is necessary to extend the General Liability coverage under the OCIP for a term concurrent with the construction schedule and to extend the Builders' Risk coverage under the OCIP for an interim period until August 31, 2013 and seek further extension of the coverage through the completion of the construction schedule at that time.

Pursuant to the recently agreed to Memorandum of Understanding (MOU) with The National September 11 Memorial & Museum at the World Trade Center Foundation, Inc. (NS11MM) that the Board approved, the cost of this insurance is provided for under the budget agreed to in the MOU.

The Committee has power to act in this matter under and pursuant to the By- Laws and its Charter.

Pursuant to the foregoing report, the Committee adopted the following resolution, with Commissioners Bagger, Holmes, Pocino and Schuber voting in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Committee being present.

RESOLVED, that the purchase of an extension of the project-specific Owner Controlled Insurance Program, through the authorized broker, Aon Risk Services, including coverage for all losses arising out of the construction of the National September 11 Memorial and Museum at the World Trade Center site, effective December 31, 2012 through August 31, 2013 for the Builders' Risk coverage and effective December 31, 2012 through October 31, 2015 for General Liability coverage, at an estimated total premium of \$13 million, substantially in accordance with the terms outlined to the Committee, be and it hereby is authorized; and it is further

RESOLVED, that the Executive Director, the Chief Financial Officer and the Treasurer be and each hereby is authorized, for and on behalf of the Port Authority, to take action to effectuate the foregoing; and it is further

RESOLVED, that all documents required to effectuate the foregoing shall be subject to review by General Counsel or his authorized representative.

Whereupon, the meeting was adjourned.

General Counsel