NY Works Task Force
Meeting of the Task Force
Monday
June 4, 2012 – 1:00 p.m.
On May 3, 2012 Governor Andrew M. Cuomo and Legislative leaders announced the membership of the NY Works Task Force, bringing together leading finance, labor, planning, and transportation professionals to coordinate a statewide infrastructure plan that will more effectively and strategically allocate New York’s capital investment funding and create thousands of jobs.
Agenda

• **FOR CONSIDERATION**
• **OVERVIEW**
  – Current Capital Budget
    • Presentation
    • Discussion (Oral)
• **STRATEGY**
  – NYS Regional Economic Development Councils
    • Remarks
    • Discussion (Oral)
• **CAPITAL**
  – Port Authority Capital Planning
    • Review of projects
    • Discussion (Oral)
• **CLOSING REMARKS**
Current Capital Budget

Robert L. Megna- Budget Director
New York State Capital Overview: Constraints and Opportunities

June 4, 2012
Overview

• In FY 2013, the State expects to spend $9.7 billion on capital works and purposes, an increase of 3.8 percent from FY 2012 (FY ended March 31, 2012). From FY 2003 to FY 2013, capital spending increased at approximately 8 percent annually.

• New York State’s primary government (the “State”) accounts for a little less than 30 percent of total capital spending by governmental entities; the rest is done by localities (including New York City) and public authorities (e.g., MTA; Thruway; Port Authority).

• The State authorizes its share of capital spending as part of the annual budget process. Other governmental entities approve capital spending through their own distinct governmental and administrative processes (e.g., MTA Capital Program and Review Board).

• The State finances its capital activities from three sources: long-term bonds, State pay-as-you-go resources, and Federal aid.

• In FY 2013, bonds will finance 54 percent of capital spending; State “pay-as-you-go” resources, 27 percent; and Federal aid, 19 percent.

• Most long-term bonds to finance State capital activities are issued by State public authorities (principally, the Dormitory Authority and Empire State Development Corporation) acting as agents on behalf of the State.

• The debt issued by authorities on behalf of the State is secured by State resources and viewed by investors as an obligation of the State (authorities also issue “conduit” debt that is not a State obligation).

• The “pay-as-you-go” share of capital spending consists of Federal aid and State funding for projects that, for the most part, are not eligible for tax-exempt bond financing.
Overview

• The State does not have a comprehensive, unified, long-term process for evaluating and prioritizing capital projects within its own budget process.

• The State’s capital planning process is marked by “silo-based” decision-making without reference to statewide priorities -- and a legislative process that often favors capital spending directed by legislators.

• Over the past decade, the State’s allocation of new capital resources has been weighted toward higher education and economic development.

• The State’s historical lack of attention to capital planning and affordability has created pressure on the State’s debt limits.
Where It Goes: State Capital Spending by Purpose
(All Sources)

Compound Annual Growth Rates
FY 2003 to FY 2013
Total: 8%
Higher Ed Program: 19%
Ec. Dev./Gov't Oversight: 13%
Transportation: 4%
All Other: 8%

• By comparison, the growth rate over this period was 7 percent for Medicaid, 5 percent for Education aid, and 5 percent for State Operations.
Transportation’s share of capital spending has dropped from 64 percent to 47 percent since FY 2003.
Higher Education’s share of capital spending has increased from 7.8 percent to 21.2 percent.
How It’s Paid For: Financing Sources of Capital Spending

<table>
<thead>
<tr>
<th>FY 2003 to FY 2013</th>
<th>Bond Financed Spending: 10.5%</th>
<th>State Pay-As-You-Go: 9.4%</th>
<th>Federal Aid: 1.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Bonds</td>
<td>$4.7B</td>
<td>$1,046,381</td>
<td>$1,144,000</td>
</tr>
<tr>
<td>Federal Pay-As-You-Go</td>
<td>$1,930,675</td>
<td>$1,673,199</td>
<td>$1,252,732</td>
</tr>
<tr>
<td>State Pay-As-You-Go</td>
<td>$1,130,675</td>
<td>$1,930,675</td>
<td>$1,443,313</td>
</tr>
<tr>
<td>Federal Aid</td>
<td>$2,507,417</td>
<td>$2,507,417</td>
<td>$2,507,417</td>
</tr>
<tr>
<td>FY 2003 to FY 2013</td>
<td>$7.8B</td>
<td>$3,155,313</td>
<td>$3,155,313</td>
</tr>
<tr>
<td>State Bonds</td>
<td>$9.7B</td>
<td>$5,230,105</td>
<td>$5,230,105</td>
</tr>
<tr>
<td>Federal Pay-As-You-Go</td>
<td>$2,579,712</td>
<td>$2,579,712</td>
<td>$2,579,712</td>
</tr>
<tr>
<td>State Pay-As-You-Go</td>
<td>$1,850,661</td>
<td>$1,850,661</td>
<td>$1,850,661</td>
</tr>
<tr>
<td>Federal Aid</td>
<td>$8,000,000</td>
<td>$8,000,000</td>
<td>$8,000,000</td>
</tr>
</tbody>
</table>

State-Pay-As-You-Go includes administrative and State Operations costs for DOT and DMV (equal to $870 million or 34% in FY 2013)
The portion of capital financed with bonds has increased from 42 percent to 54 percent since FY 2003.

Federal aid has declined as a financing source.
From FY 2003 through FY 2013, transportation increased by 6 percent annually, from $869 million to $1.5 billion.

Economic Development increased by 7 percent annually, from $203 million to $392 million.

Higher Education increased by 12 percent annually, from $568 million to $1.8 billion.

All other capital increased by 10 percent annually, from $572 million to $1.5 billion.
Transportation’s share of bond-financed capital declined from 39 percent to 29 percent since FY 2003.

Higher Education’s share of bond-financed capital increased from 26 percent to 35 percent.
State-supported debt is paid directly by State resources in the first instance (i.e., GO bonds, PIT bonds, service contract bonds, etc.). It includes G.O. Bonds and debt issued by public authorities on the State’s behalf.

State-related debt includes State-supported debt plus debt where debt service is paid from non-State resources in the first instance, but where the State is legally obligated to pay if those resources are not sufficient (e.g., “secured” hospital bonds; “tobacco” bonds).

The debt limit (discussed later) applies only to State-supported debt that was issued from April 1, 2000.
New York Mainly Issues Debt Through Three Authorities
State Has Streamlined Issuance

In FY 2013, the State will issue bonds through three primary issuers (Dormitory Authority, Empire State Development Corporation, and Thruway Authority).

The State has simplified its issuance process. State law now permits both the Dormitory Authority and Empire State Development Corporation to issue PIT bonds for any State program.

Several authorities also issue conduit debt or own-source debt backed by their own revenues (e.g., tolls) to fund programs.

These conduit and own-source financings are not State-related or supported debt, and are not authorized through the State budget process.
PIT Bonds Are the State’s Primary Credit

The State has consolidated its bonding programs over the past ten years to eliminate lower-rated, less efficient structures (e.g., State appropriation-backed credits with no dedicated revenues).

Personal Income Tax (PIT) bonds are the least expensive borrowing option (AAA Rated by Standard & Poor’s) and the primary credit for new capital.

During FY 2013, PIT bonds will constitute roughly 68 percent of new bond issuances.

Further consolidation of credits may make sense.

(1) Includes LGAC, SUNY Dorms, Dedicated Highway, MH, and DOH
Summary of the State’s Debt Limits

• The limits, which are set in statute, cover all State-supported debt issued on or after April 1, 2000.

  - **Debt outstanding** is limited to 4 percent of State personal income.
  - **Debt service** is limited to 5 percent of governmental receipts.
  - Prohibits bonding for non-capital purposes and limits maturities to no more than 30 years.

• Approximately 60 percent of State-related debt is counted under the cap.

• The State annually calculates compliance with the limits in October. The calculation is based on debt outstanding at the end of the prior fiscal year.

• If either limit is exceeded, the State would be prohibited from issuing any new State-supported debt for one year.

• Bonds where the State has a contingent commitment, such as tobacco bonds, are not subject to the limit. The State took advantage of this loophole to issue $4.2 billion in tobacco bonds.

• Unlike the Federal debt ceiling, the State limit is not expected to be raised periodically, but is instead meant to maintain affordable debt levels.
Debt Limit History and Forecast

### Debt Outstanding

<table>
<thead>
<tr>
<th>Year</th>
<th>Personal Income</th>
<th>Income Growth</th>
<th>Cap %</th>
<th>Cap $</th>
<th>Debt Outstanding Since April 1, 2000</th>
<th>$ Remaining</th>
<th>Debt as a % of PI</th>
<th>% Remaining</th>
<th>Capacity</th>
<th>$ of PI</th>
<th>% Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2012</td>
<td>983,868</td>
<td>4.7%</td>
<td>4.00%</td>
<td>39,355</td>
<td>35,803</td>
<td>3,552</td>
<td>3.64%</td>
<td>0.36%</td>
<td>3,552</td>
<td>0.36%</td>
<td>3,552</td>
</tr>
<tr>
<td>FY 2013</td>
<td>1,017,103</td>
<td>3.4%</td>
<td>4.00%</td>
<td>40,684</td>
<td>39,192</td>
<td>1,492</td>
<td>3.85%</td>
<td>0.15%</td>
<td>1,492</td>
<td>0.15%</td>
<td>1,492</td>
</tr>
<tr>
<td>FY 2014</td>
<td>1,061,148</td>
<td>4.3%</td>
<td>4.00%</td>
<td>42,446</td>
<td>41,843</td>
<td>602</td>
<td>3.94%</td>
<td>0.06%</td>
<td>602</td>
<td>0.06%</td>
<td>602</td>
</tr>
<tr>
<td>FY 2015</td>
<td>1,122,828</td>
<td>5.8%</td>
<td>4.00%</td>
<td>44,913</td>
<td>44,047</td>
<td>866</td>
<td>3.92%</td>
<td>0.08%</td>
<td>866</td>
<td>0.08%</td>
<td>866</td>
</tr>
<tr>
<td>FY 2016</td>
<td>1,183,444</td>
<td>5.4%</td>
<td>4.00%</td>
<td>47,338</td>
<td>45,930</td>
<td>1,408</td>
<td>3.88%</td>
<td>0.12%</td>
<td>1,408</td>
<td>0.12%</td>
<td>1,408</td>
</tr>
<tr>
<td>FY 2017</td>
<td>1,243,645</td>
<td>5.1%</td>
<td>4.00%</td>
<td>49,746</td>
<td>47,161</td>
<td>2,585</td>
<td>3.79%</td>
<td>0.21%</td>
<td>2,585</td>
<td>0.21%</td>
<td>2,585</td>
</tr>
</tbody>
</table>

### Total State-Supported Debt Outstanding

<table>
<thead>
<tr>
<th>Year</th>
<th>Debt Outstanding Prior to April 1, 2000</th>
<th>Total State-Supported Debt Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2012</td>
<td>16,969</td>
<td>52,772</td>
</tr>
<tr>
<td>FY 2013</td>
<td>15,348</td>
<td>54,540</td>
</tr>
<tr>
<td>FY 2014</td>
<td>13,718</td>
<td>55,562</td>
</tr>
<tr>
<td>FY 2015</td>
<td>12,126</td>
<td>56,172</td>
</tr>
<tr>
<td>FY 2016</td>
<td>10,593</td>
<td>56,523</td>
</tr>
<tr>
<td>FY 2017</td>
<td>9,132</td>
<td>56,293</td>
</tr>
</tbody>
</table>

### Debt Limit History and Forecast

- 51% in FY 2001
- 9% in FY 2012 (est.)
- 1% in FY 2014 (est.)
Capital Spending Projections

FY 2013 – Capital Spending ($9.7 Billion)

Spending FY 2013 Percent
Transportation 4,548,554 47.1%
Other Higher Education/Education Programs 2,043,526 21.2%
Economic Development & Gov’t. Oversight 649,807 6.7%
Mental Hygiene 551,940 5.7%
Parks and Environment 743,849 7.7%
Health and Social Welfare 523,018 5.4%
Public Protection 334,106 3.5%
Other (Excel, State Office Buildings,) 265,678 2.8%
Total 9,660,478 100%

FY 2017 – Capital Spending ($7.6 Billion)

Spending FY 2017 Percent
Transportation 4,016,385 -3%
Other Higher Education/Education Programs 1,596,786 -6%
Economic Development & Gov’t. Oversight 273,009 -19%
Mental Hygiene 672,252 5%
Parks and Environment 438,080 -12%
Health and Social Welfare 139,264 -28%
Public Protection 318,436 -1%
Education-EXCEL School Construction 0 -100%
Other (State Office Buildings) 109,883 -19%
Total 7,564,095 -183%
Debt service as a percent of tax receipts is expected to remain in the 9 percent range over plan period.

Several factors contributed to the increase in debt service as a percent of tax receipts since the mid-2000s:

- Recession resulted in a drop in State tax receipts.
- Increases in bonded capital spending and $2 billion debt restructuring in 2005 lead to significant increases in debt service costs. Over the three year period, debt service costs increased from $4.1 billion in FY 2008 to $5.6 billion in FY 2011, an increase of 37 percent.
Conclusion

• New York State spends a lot on capital activities. Capital has grown faster than most other parts of the budget over the past decade, increasing at over 8 percent annually.

• The allocation of capital resources has traditionally been done in “silos” without reference to statewide needs, priorities, or ability to pay. This has led to a rapid increase in capital investment in some areas, while leaving other areas potentially underfunded.

• At the same time, the run-up in capital spending has eroded capacity under the State’s debt cap.

• Therefore, the State must reform its capital allocation practices to ensure that it can meet its infrastructure needs while abiding by the limits on debt affordability.

• Governor Cuomo has taken decisive action to begin to address the deficiencies in capital planning (e.g., regional councils, NY Works).
Irene Baker, Executive vice President and State Wide director of the Regional Economic Development Council

NYS Regional Economic Development Councils
NY Works
Task Force Meeting
June 4, 2012
Regional Economic Development Councils

- Implement community-driven plans for long-term sustainable economic growth
- Identify regional priorities
- Create project pipelines
2011 Focus: Develop Regional Strategic Plans

Regional Councils competed for State resources through the creation of regional strategic plans.
Consolidated Funding Application

Streamlined approach to funding requests

Multiple agency programs

Single application per project
Round 1
Agency Participants

- Homes & Community Renewal (HCR)
- Department of State (DOS)
- NYS Canal Corporation
- Empire State Development (ESD)
- New York State Energy Research and Development Authority (NYSERDA)
- New York Power Authority (NYP A)
- Environmental Facilities Corporation (EFC)
- Office of Parks, Recreation and Historic Preservation (OPRHP)
- Department of Transportation (DOT)
- Department of Labor (DOL)
### Available Funding

**NYWorks.ny.gov**

<table>
<thead>
<tr>
<th>Agency</th>
<th>Total grants, tax credits &amp; other resources* (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Empire State Development</td>
<td>$270</td>
</tr>
<tr>
<td>NYSERDA</td>
<td>$175</td>
</tr>
<tr>
<td>HCR</td>
<td>$169</td>
</tr>
<tr>
<td>Department of Transportation</td>
<td>$50</td>
</tr>
<tr>
<td>Environmental Facilities Corp.</td>
<td>$20</td>
</tr>
<tr>
<td>Parks, Recreation and Historic Preservation</td>
<td>$13</td>
</tr>
<tr>
<td>Department of State</td>
<td>$10</td>
</tr>
<tr>
<td>Department of Labor</td>
<td>$3</td>
</tr>
<tr>
<td>NYS Canal Corporation</td>
<td>$1.5</td>
</tr>
<tr>
<td>Private Activity Bond Cap</td>
<td>$350</td>
</tr>
</tbody>
</table>

*Potential Resources Available* $1 Billion+

**Additional Resources Available:**

- **Recharge NY** 910 Mega Watts
Regional Council Priorities

• Regional Strategic Plans identify projects, actions & policies needed to implement strategies

• Transformative projects central to achieving the region’s vision will rank the highest

• CFAs that support transformative projects will receive the highest endorsement scores
Regional Councils and CFAs

- Develop Endorsement Standards
- Evaluate all CFAs submitted
- Assign Endorsement Score (0 – 20 points)

<table>
<thead>
<tr>
<th>STANDARD</th>
<th>WEIGHT</th>
<th>MAXIMUM POINTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>VISION</td>
<td>5%</td>
<td>1</td>
</tr>
<tr>
<td>Advances the regional economic development vision</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROCESS</td>
<td>10%</td>
<td>2</td>
</tr>
<tr>
<td>Has significant community and stakeholder support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>STRATEGIES</td>
<td>35%</td>
<td>7</td>
</tr>
<tr>
<td>Identified in and/or advances a strategy that is part of the Strategic Plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IMPLEMENTATION</td>
<td>15%</td>
<td>3</td>
</tr>
<tr>
<td>Project is of significant importance to advancing the implementation agenda</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEVERAGE RESOURCES</td>
<td>15%</td>
<td>3</td>
</tr>
<tr>
<td>Leverages other public, private and non-profit funding sources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PERFORMANCE MEASURES</td>
<td>20%</td>
<td>4</td>
</tr>
<tr>
<td>If funded, results can be monitored and evaluated against the Regional Council’s performance measures</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2011 CFA Awards

700+ Projects
9 Agencies

Total Funds Awarded
$782.93 M

$103.73 M
$103.16 M
$101.56 M
$100.26 M
$62.67 M
$68.79 M
$67.03 M
$60.18 M
$66.16 M
$49.39 M

LONG ISLAND
NEW YORK CITY
CAPITAL REGION
MID-HUDSON
NEW YORK CITY
NORTH COUNTRY
SOUTHERN TIER
FINGER LAKES
CENTRAL NEW YORK
MOHAWK VALLEY
WESTERN NEW YORK

(66)
(50)
(70)
(59)
(88)
(96)
(74)
(58)
(93)
(58)
(61)
(66)
(61)
Regional Directors & State Agencies are Tracking & Advancing the Progress of CFA Projects

- Regular meetings, calls and site visits where necessary to track & advance progress
- Internal mechanism to track every project
- Re-evaluate projects on a regular basis
2012 CFA

- $150 million in Capital Funding from the NY Works Initiative
- $70 million in Tax Credits from the Excelsior Jobs Program

“...we want to keep it going; we want to launch a second round of competition for an additional $200 million. There’s great momentum especially in upstate New York, so let’s authorize a second round and grow that momentum even stronger.”

Governor Andrew M. Cuomo
State of the State Address
January 5, 2012
$530 million will also be available from:

- 12 state agencies
- 27 programs + Recharge NY

**CFA Schedule**

- Release of CFA – May 3
- Application Deadline – July 16
- Scores Due – August 27
- Awards Made – September/October
## Available Resources for Regional Councils in 2012

### NYS Consolidated Funding Application

*Total grants, tax credits & other resources* (in millions)

<table>
<thead>
<tr>
<th>Category</th>
<th>Funding (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct Assistance to Businesses</strong></td>
<td>up to $247</td>
</tr>
<tr>
<td>Empire State Development</td>
<td></td>
</tr>
<tr>
<td><strong>Community Development</strong></td>
<td>up to $61.2</td>
</tr>
<tr>
<td>Homes and Community Renewal</td>
<td></td>
</tr>
<tr>
<td>Office of Parks, Recreation and Historic Preservation</td>
<td></td>
</tr>
<tr>
<td>Council on the Arts</td>
<td></td>
</tr>
<tr>
<td><strong>Agricultural Economic Development</strong></td>
<td>up to $3</td>
</tr>
<tr>
<td>Agriculture and Markets</td>
<td></td>
</tr>
<tr>
<td><strong>Waterfront Revitalization</strong></td>
<td>up to $16</td>
</tr>
<tr>
<td>Department of State</td>
<td></td>
</tr>
<tr>
<td>Canal Corporation</td>
<td></td>
</tr>
<tr>
<td><strong>Environmental Improvements</strong></td>
<td>up to $3+</td>
</tr>
<tr>
<td>Environmental Facilities Corporation</td>
<td></td>
</tr>
<tr>
<td>Empire State Development</td>
<td></td>
</tr>
<tr>
<td>Department of Environmental Conservation</td>
<td></td>
</tr>
<tr>
<td><strong>Energy Improvements</strong></td>
<td>up to $50</td>
</tr>
<tr>
<td>Energy Research and Development Authority</td>
<td></td>
</tr>
<tr>
<td>New York Power Authority</td>
<td></td>
</tr>
<tr>
<td><strong>Sustainability</strong></td>
<td>up to $12</td>
</tr>
<tr>
<td>Energy Research and Development Authority</td>
<td></td>
</tr>
<tr>
<td><strong>Workforce Development</strong></td>
<td>up to $5</td>
</tr>
<tr>
<td>Department of Labor</td>
<td></td>
</tr>
<tr>
<td><strong>Low-Cost Financing</strong></td>
<td>up to $350</td>
</tr>
<tr>
<td><strong>Potential Resources Available</strong></td>
<td>up to $750 million</td>
</tr>
</tbody>
</table>
2012 Regional Council Focus: Implementation of Plans

- Establish a Framework to Advance Plans
- Implement the Strategies
- Create a Project Pipeline
- Evaluate Projects
- Report on Progress
State Agency Assistance

• Align State programs with Regional Council priorities
• Eliminate impediments to economic growth
• Provide technical assistance
• CFA information, assistance & review
• Share information to replicate success
Patrick J. Foye, Executive Director of the Port Authority of New York and New Jersey

Port Authority Capital Planning
NY Works: Overview of the Preliminary Port Authority 10-Year Capital Plan and Current Reform Initiatives

June 2012
Backdrop

- The Great Recession and unacceptable levels of unemployment in the region
- New York Building Congress 1st Qtr Report on Construction Employment states that employment in the NYC construction industry fell to its lowest level since 1999
  - Construction employment was down 3% from the 1st Qtr of 2011 in NYC
- Billions of dollars of infrastructure investment required in the State and region
- Port Authority doesn’t itself have resources to make all required investment so private capital must be explored and priorities selected
- Port Authority a solid credit but is significantly more leveraged than 10 years ago. Ratings: S&P: AA- (Stable), Moody’s: Aa2 (Negative), Fitch: AA- (Stable)
- Tolls have increased significantly in excess of CPI and growth in Median Family Income over last 10 years
- Burden on Stated Island commuters
- Direction from Governor Cuomo to Reform, Rationalize, and Repair
- State Level Reform: Design/Build (December 2011); TIF Reform (April 2012); NY Works (April 2012)
• Tolls & fares have reached a ceiling in this low-growth economic environment

Tolls & fares have grown at a rate in excess of CPI and Median Household Income

PA toll increases during the past decade have outpaced inflation significantly

Tolls for PA daily commuters have increased by 50% as a percentage of median household income
Backdrop: High Debt Load

- The Port Authority's Balance Sheet limits resources for projects and requires disciplined choices
- By end of 2012, Port Authority will have approximately $19B of total debt and liabilities outstanding

### As of December 31, 2011

<table>
<thead>
<tr>
<th>Assets</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities, net</td>
<td>$23,870</td>
</tr>
<tr>
<td>Other</td>
<td>$6,343</td>
</tr>
<tr>
<td>Cash and Investments</td>
<td>$3,883</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$34,234</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds and other asset financing obligations</td>
<td>$16,634</td>
</tr>
<tr>
<td>Other</td>
<td>$5,224</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$21,858</strong></td>
</tr>
</tbody>
</table>

*Dollars in millions; 2012 Preliminary Budget*
Key Agency Initiatives and Reforms

- New leadership is focused on a return to core mission for the agency
  - Focus on Transportation Infrastructure
  - Significant increase in WTC financial and operating controls
  - World Trade Center Peace Dividend
  - Changes in Senior Leadership

- Agency has implemented reforms over the past six months
  - Navigant Phase 1 Report: Top to Bottom Management Review
  - Focus on Capital Plan Initiatives: PPPs, Permitting
  - Compensation and Benefits Reform: reduction in costs of $41 million over 18 months; tens of millions in recurring savings annually
  - Control of Soft Costs and Consultant Costs
  - FOIA Reforms to Increase Transparency: 30,000 documents released
  - Review Non-Core Assets for Sale: Essex County Resource Center, Teleport, Newark Legal Center, Industrial Parks in both States; Agreement reached to dispose of interest in Essex County Resource Center
  - Formation of Standalone Security Department: Centralization of this Core Function
    - Reform of the Port Authority Police Department
  - Sustainability Initiatives: WTC LEED Gold Certification; Truck Replacement Program at the Ports; Zero Emissions Goal at Stewart; New Fuel System at the Airports
## The Port Authority of New York and New Jersey

### $25.1B Capital Spending - 2011-2020

($ in millions)

<table>
<thead>
<tr>
<th></th>
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<tr>
<td>Aviation</td>
<td>422</td>
<td>$306</td>
<td>$452</td>
<td>$1,103</td>
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<td>756</td>
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<td>945</td>
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<td>713</td>
<td>574</td>
<td>459</td>
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<td><strong>1,775</strong></td>
<td><strong>2,486</strong></td>
<td><strong>2,784</strong></td>
<td><strong>2,254</strong></td>
<td><strong>2,082</strong></td>
<td><strong>1,797</strong></td>
<td><strong>1,455</strong></td>
<td><strong>1,090</strong></td>
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<td>(444)</td>
<td>(494)</td>
<td>(192)</td>
<td>(162)</td>
<td>(133)</td>
<td>(104)</td>
<td>-</td>
<td>-</td>
<td>(1,775)</td>
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<tr>
<td><strong>Agency Total</strong></td>
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<td><strong>$3,110</strong></td>
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<td><strong>$3,665</strong></td>
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<td><strong>$2,188</strong></td>
<td><strong>$2,018</strong></td>
<td><strong>$1,590</strong></td>
<td><strong>$1,326</strong></td>
<td><strong>$1,391</strong></td>
<td><strong>$25,070</strong></td>
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</tbody>
</table>

- The Board authorized the first year of the $25.1B ten-year Capital Plan in December 2011. 62% of spending occurs in the next 5 years.
2011-2020 Preliminary Spending by Category ($ in thousands) - $25.1 Billion

- **REVENUE PRODUCING**: Projects which yield a positive financial return to the Port Authority (e.g. JFK TWA Flight Center Renovation)

- **STATE OF GOOD REPAIR**: Necessary to maintain the continued functioning of Port Authority assets (e.g. GWB Suspender Ropes Project)

- **MANDATORY**: Required by law, governmental rule or regulation (e.g. JFK Runway 13L Runway Safety Area Improvements)

- **SECURITY**: Projects that are necessary to meet the Agency’s Security Plan (e.g. Bollard Projects)

- **SYSTEM ENHANCEMENT**: Projects that provide system enhancements, improved customer service levels, and/or regional benefits (e.g. PATH Railcars)

- **STATE AND REGIONAL**: Projects which advance the objectives of the Port Authority but unlike other projects, are not operated by the Port Authority

- Significant portion of the Capital Plan addresses SGR, with 36% of funds going to those projects; only 21% of projects yield a financial return to the agency.
While Aviation and Tunnels, Bridges and Terminal (TB&T) Departments have approximately equal shares of capital investment over the next ten years, Aviation is expected to contribute 54% of gross operating revenues in 2012 and TB&T, 34%.
The largest category of spending is on projects already in the construction phase.

- **CONSTRUCTION**: Begin construction and monitor schedule/cost, Certify Completed Construction
- **FINAL DESIGN**: Finalization of Contract Documents, Procurement Process
- **PRELIMINARY DESIGN**: Continue Design, Value Engineering
- **CONCEPTUAL DESIGN**: Project Scope Definition, Order of Magnitude Estimates and Preliminary Schedules
- **PLANNING**: Identify needs, assess feasibility

<table>
<thead>
<tr>
<th>Project</th>
<th>2011-2020</th>
<th>TPC</th>
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<tbody>
<tr>
<td>Lincoln Tunnel Access Projects</td>
<td>$1,800</td>
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<tr>
<td>Lincoln Tunnel Helix Replacement (Not Rehab)</td>
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<td>LGA CTB Terminal*</td>
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<td>Bayonne Bridge Navigational Clearance</td>
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<tr>
<td>GWB Suspender Rope Replacement</td>
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<td>Newark Liberty Terminal A*</td>
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<td>PATH Signal Replacement Program</td>
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<td>JFK Rehabilitation of Runway 4L-22R</td>
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<tr>
<td>Goethals Bridge Modernization**</td>
<td>294</td>
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<tr>
<td>PATH Tunnel Mitigation</td>
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<td>JFK Delta T3/T4 Development</td>
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<td>215</td>
</tr>
<tr>
<td>LGA Runway 4 and 31 Safety Deck Overrun</td>
<td>179</td>
<td>179</td>
</tr>
</tbody>
</table>

**Major Projects Total**  
$7,382  $9,591

*Does not include full funding for build out of LaGuardia CTB and Newark Liberty Terminal A Modernization Programs, which are expected to be privately financed via PPP.

** $296 million for the Goethals Bridge is for real estate acquisition and advisory/other services. Remainder is expected to be privately financed via a PPP.
LAGUARDIA CTB REDEVELOPMENT

- Redevelopment to meet projected traffic demand of 17 million annual passengers. Central electrical substation on fast track for construction in 2012. Capital Plan only funds $1.3B of the total estimated $3.6B cost.
- Estimated time frame 2017-2021
- Jobs: over 3,000 construction jobs

GEORGE WASHINGTON BRIDGE SUSPENDER ROPES

- Project will replace all 592 suspender ropes and includes rehabilitation of main cable, handrails, necklace lighting, security enhancements and upper level sidewalks.
- Estimated time frame 2014-2022
- Jobs: 3,600 construction jobs
Major Project Highlights

**GOETHALS BRIDGE MODERNIZATION**

- Replacement of the functionally obsolete bridge with a six-lane bridge. Capital Plan only funds legal, real estate, and engineering resources. The agency is pursuing a Private Public Partnership for this $1.5B project.
- Estimated time frame: 2013-2018
- Jobs: 2,258 construction jobs

**BAYONNE BRIDGE NAVIGATIONAL CLEARANCE**

- $1.2 B project to raise the bridge roadway from existing 151 feet to 215 feet to provide navigational clearance for larger containerships as a result of the Panama Canal Expansion.
- Estimated time frame: 2013-2016
- Jobs: 2,800 construction jobs
- Under TB&T but a Port initiative
Overall Capital Program Initiatives

- World Trade Center peace dividend and renewing agency focus on better and speedy delivery of capital projects

- Navigant Phase I Report on the Capital Program

- More focused Contract Administration

- Focusing on eliminating or reducing soft costs (design, staff and overhead costs) with a goal of reducing 25% through internal controls. Current average soft costs at the agency range anywhere from 25% to 50%, including capitalized interest.

- Participating in federal initiatives to improve the environmental permitting process. The Port Authority was the first in the country to request the Bayonne Bridge project be on the list for project of national significance, which aims to prioritize federal permitting for these projects.

- Seeking greater participation in Public Private Partnerships where it fits. Actively pursuing PPP for Goethals Bridge Replacement. Strong response to Request for Information (RFI) for LaGuardia CTB Redevelopment.
Delivering Major Projects On Time and On Budget

- Centralized Capital Program Office to enhance accountability and ensure best practices
  
  - Establishment of Baselines

  - Milestone management with executive reporting on red flags (CPOC)

  - Phased Integrated Capital Management System roll-out to increase data integrity

  - Quality Assurance/Quality Control

  - Risk Assessments on all major projects and development of risk mitigation plans

  - Potential contractual incentives for certain elements of major projects