



**NEW YORK STATE THRUWAY AUTHORITY  
NEW YORK STATE CANAL CORPORATION**



# **MINUTES**

## **FINANCE COMMITTEE MEETING NO. 1**

**July 21, 2010**

Minutes of a meeting of the New York State Thruway Authority/Canal Corporation Finance Committee, held in the Board Room at Administrative Headquarters, 200 Southern Boulevard, Albany, New York. The meeting began at 10:30 a.m.

The following members of the Finance Committee were present, constituting a quorum:

**Present:**

Chairman John L. Buono, ex officio Finance Committee Member

J. Donald Rice, Jr., Finance Committee Member

Richard N. Simberg, Finance Committee Member

In addition, there were present the following staff personnel:

Donna J. Luh, Vice Chair

Jose Holguin-Veras, Ph.D., Board Member

Michael Fleischer, Executive Director

William Estes, General Counsel

John Bryan, Chief Financial Officer

Carmella Mantello, Director, New York State Canal Corporation

Jill Warner, Board Administrator

Harry Lennon, Senior Investigator  
Tracie Sandell, Assistant Counsel  
Dorraine Steele, Director, Office of Fiscal Audit and Budget  
Daniel Gilbert, Chief of Staff  
Wendy Allen, Deputy Chief of Staff  
Michael Sikule, Director, Office of Investments and Asset Management  
J. Marc Hannibal, Director, Audit and Management Services  
Katherine McCartney, Deputy Counsel  
Tony Kirby, Director, Real Property Management  
Richard Garrabrant, Division Director, Syracuse Division

Also in Attendance:

John Armstrong, New York Network  
Steven Kantor, Managing Director, First Southwest Company  
Pat Reale, NYS Division of Budget  
Connie Cahill, Hiscock & Barclay, LLP  
Joseph Reid, Law Offices of Joseph C. Reid  
Freda Wang, Goldman, Sachs & Co.  
Sandy Pae, Goldman, Sachs & Co.  
William Thompson, Siebert Brandford Shank & Co.  
Jon White, Siebert Brandford Shank & Co.

**PUBLIC SESSION**

Chairman Buono requested that Mr. Rice call the meeting of the Finance Committee to order.

Ms. Warner recorded the minutes as contained herein.

---

## **Item 1**

### **Review and Approve the Authority's First and Second Quarter Investment Reports for Board Action**

Mr. Bryan reported that this Item seeks the Finance Committee's approval to advance to the full Board the investment reports for the first and second quarters of the year. Guidelines established by the Office of the State Comptroller require the Authority provide a quarterly report on all investments made by the Authority. The report must detail by fund the investments made and the yield obtained for each investment.

In the first quarter of the year, the Authority made just over \$1.3 billion in investments earning an average yield of 0.14 percent. In the second quarter the Authority made approximately \$1 billion in investments earning an average yield of 0.24 percent.

At the end of June, the Authority had \$896 million invested in a variety of instruments that are authorized under the statute in the investment policy that governs the Authority's investment behavior. Of this total, 53.5 percent was invested in Federal Agency Securities; 24 percent in commercial paper; 17 percent in Treasuries; just under 5 percent in repurchase agreements; and a little over one percent in Certificates of Deposit.

Mr. Rice inquired as to whether the Authority does all of its investments on a competitive basis. Mr. Bryan responded affirmatively, stating the Authority has a pool of firms that it selects from for each investment made. Typically a minimum of four firms is selected, of which at least one (although sometimes two or three) is a Minority and Women Business Enterprise ("MWBE") firm. The selection is essentially based on yield. Mr. Rice affirmed that it was an objective price competition for each investment.

Referencing the First Quarter Investment Report, Mr. Rice noted that 40, or in some cases 70 to 80, percent of the investments were done with small firms that happen to be MWBEs. Page 18, which he randomly selected as an example, contained transactional information on Citigroup and Merrill Lynch in addition to the smaller MBWE firms Loop and Castleoak. He also noted the

presence of Rice Financial Products Company, whose services the Authority would be losing. He estimated that the investments with MWBE firms comprised \$120 million of the \$164 million. Mr. Rice concluded by stating that it's a good thing when you get markets open because you get competition and get new firms in. He added that had these firms not been in the process, you would have paid a higher price. Mr. Bryan concurred.

After full discussion, on the motion of Mr. Simberg, seconded by Chairman Buono, without any objections, the Finance Committee authorized the submission of the Authority's First and Second Quarter Investment Reports to the Board for consideration.

## **Item 2**

### **Review and Approve the Ninth Supplemental Bond Resolution Authorizing the Issuance of State Personal Income Tax Revenue Bonds (Transportation) Series 2010A, and Supplementing and Amending the Resolution, Approving the Form of and Authorizing the Preparation, Execution and Delivery of the Preliminary Official Statement and Authorizing the Execution and Distribution of the Final Official Statement, Approving the Form of and Authorizing the Execution of the One or More Bond Purchase Agreements for the Series 2010A Bonds and Authorizing the Execution of One or More Escrow Deposit Agreements and Any Additional Documents, Agreements, Consents or Certificates Deemed Necessary or Desirable in Connection with the Sale of State Personal Income Tax Revenue Bonds (Transportation), Series 2010A for Board Action**

In advance of Mr. Bryan's presentation of the Item and any associated discussion, Chairman Buono issued the following statement and subsequently left the room: A matter is currently pending before the Finance Committee that involves the potential sale of the State Personal Income Tax Revenue Bonds (Transportation) Series 2010A ("PIT"). I believe I should recuse myself from any vote pertaining to the 2010A PIT Transaction because I have a relative employed by one of the co-bond counsel firms on the transaction. I will not participate in any discussion and will not vote on the 2010A PIT Transaction. Such recusal will also apply to any vote or any subsequent discussion concerning the 2010A PIT Transaction. Additionally, no confidential information concerning this matter has been or will be shared with me. I have

requested the Executive Director advise all staff that they shall not communicate with me about this matter. In light of such recusal the Vice Chair of the Authority, Donna Luh, shall be authorized in accordance with the Bylaws to vote as an ex-officio member of the Finance Committee. I will now leave the Board Room while this matter is under consideration.

Mr. Bryan reported that this Item seeks the Committee's approval to advance to the full Board the authorization to issue a new series of personal income tax revenue bonds, more commonly referred to as "PIT" bonds, the proceeds of which will be used to finance a number of local transportation projects. PIT bonds are issued on behalf of the state at the request of the Division of the Budget and are secured by payments made to the Authority from funds held in the state's revenue bond tax fund. The revenue bond tax fund is funded with 25 percent of receipts the state collects from personal income tax. There is no pledge of Authority revenues or assets as security for the PIT bonds. The Authority is not liable in the event that the state fails to appropriate the necessary monies for debt service, and the Authority is fully compensated for all expenses related to this transaction.

The resolution will authorize the Authority to issue up to \$450 million in new money bonds and up to an additional \$150 million for possible funding, depending on the market when staff prices these bonds. The market is still volatile so depending on what day staff does a funding analysis, the numbers swing quite widely. It is important to note that the resolution allows for all or a portion of the PIT bonds to be issued as Build America Bonds ("BABs"). There has not yet been a determination whether or not the state will apply BABs to this transaction, although it is relatively unlikely because of the work involved in coordinating the reimbursement for projects with 1,900 municipalities.

Mr. Bryan noted that the following individuals were present and available to answer any questions: Pat Reale from the Division of Budget; staff from Goldman, Sachs & Co. who serve as the lead underwriters; staff from Siebert Brandford Shank & Co. who serve as the Authority's MWBE coordinating managers; staff from the Authority's financial advisor, First Southwest Company; and staff from Hiscock & Barclay, LLP and the Law Offices of Joseph C. Reid, who serve as the Authority's joint venture bond counsel on this project.

Mr. Rice asked what the potential range and size of the refunding is. Mr. Bryan advised that he has seen numbers range from \$30 million to over \$100 million, depending on the day the analysis is done as there is a little bit of volatility. A more accurate estimate will be decided closer to the actual pricing date.

Mr. Rice requested an explanation of the difficulty with using BABs. Mr. Bryan explained that BABs are used to reimburse transportation projects that were funded at the local level. The New York State Department of Transportation, as part of its program to maintain local roads and bridges, utilizes these bonds to reimburse localities that fund projects. A requirement of BABs is to conduct a useful life test. With 1,900 municipalities involved, some sophisticated, some not, it is likely difficult to obtain the extensive amount of required information. The Authority is still evaluating the feasibility of using BABs; it is awaiting a determination as to whether or not it can fulfill the requisite informational needs. It is Mr. Bryan's understanding that BABs can only be used to reimburse projects completed after the BABs program was created, which is a relatively short window. Since some of the projects eligible for reimbursement are older, staff has encountered technical difficulties, bureaucratic difficulties if you will, in trying to acquire this information. Mr. Rice subsequently inquired as to the projected yield savings that would be achieved if BABs were able to be used. Mr. Bryan deferred to Mr. Kantor, the First Southwest representative, who replied that he had not evaluated this information.

At Mr. Rice's request, the firms' representatives introduced themselves: Steven Kantor, First Southwest Company; Joe Reid, Law Offices of Joseph C. Reid; Connie Cahill, Hiscock & Barclay; Freda Wang, Goldman, Sachs; Sandy Pae, Goldman, Sachs; Jon White, Siebert; and Bill Thompson, Siebert.

Mr. Bryan introduced Pat Reale from the Division of Budget, noting that he heads up the state's debt group. Mr. Reale advised that the Division of Budget traditionally examines the potential of using BABs when it does state related financing. The Division of Budget has a target savings of about 20 basis points, which seems to be the threshold used to determine the practicality of using BABs. The amount of savings derived from BABs areas varies as the curve changes, although there seems to be a clean marketing point around. One of the consultants interjected that the

current range was between 20 and 50 basis points. Mr. Reale continued, stating that although there are 20 to 50 basis points of savings from BABs, the Division of Budget also has to meet the necessary legal requirements. Pursuant to this process, a decision as to whether or not BABs meets both budget and legal savings is often made at the final moment. A prediction could be made now; however, it could be wrong. Mr. Bryan concurred, adding that the Authority is not sure when it will do a pricing close on this because the budget is not fully enacted. Pricing is 90 percent enacted; however until it is complete, this transaction is going to be postponed until late August, early September, depending on when the Legislature completes its task.

Mr. Rice asked for an explanation regarding the selection of Goldman as underwriter and Siebert as coordinating manger and the role of a coordinating manager. Mr. Bryan responded, stating that the coordinating manager is a position that the Authority created a few years ago to elevate an MWBE firm into a co-book running position. The coordinating manager shares in the work load and the economics of the transaction. This firm is allocated a certain amount of liability; designated a certain amount of the economics of the transaction; performs certain tasks of reading agency presentations, marketing presentations and solicitations for verification agents; and works hand in hand with the book runners on all the calls. Establishment of a coordinating manager position was a way for the Authority to get some valuable experience and some capital to MWBE firms and get them more involved in the agency's transactions. Firms are selected using a rotational process, although consideration is given to those banks that specialize in certain credits and bring a little bit more to the table than others. When asked by Mr. Rice if Goldman was selected based on their credentials, Mr. Bryan advised that both firms were selected for this reason.

Mr. Rice then inquired as to when these decisions were made. Mr. Bryan replied that the underwriter and coordinating manager were selected in early May, late April. In January 2010, as is typically done at the beginning of every year, the Authority assesses upcoming transactions. Two transactions were scheduled for 2010, for which there were 11 senior banks and quite a few firms in the co-manager pool. Three transactions are anticipated next year: a PIT deal, a trust fund deal, and a general revenue deal. Based on the previously described process, the 2010 Trust Fund deal was allocated very quickly in January and was the only one discussed at that point.

Positions for the PIT transaction, although announced later in the year, had been contemplated since January.

After full discussion, on the motion of Mr. Simberg, seconded by Ms. Luh, without any objections, the Finance Committee authorized submission of the Ninth Supplemental Bond Resolution Authorizing the Issuance of State Personal Income Tax Revenue Bonds (Transportation) Series 2010A, and Supplementing and Amending the Resolution, Approving the Form of and Authorizing the Preparation, Execution and Delivery of the Preliminary Official Statement and Authorizing the Execution and Distribution of the Final Official Statement, Approving the Form of and Authorizing the Execution of the One or More Bond Purchase Agreements for the Series 2010A Bonds and Authorizing the Execution of One or More Escrow Deposit Agreements and Any Additional Documents, Agreements, Consents or Certificates Deemed Necessary or Desirable in Connection with the Sale of State Personal Income Tax Revenue Bonds (Transportation), Series 2010A to the Board for consideration.

### **Adjournment**

There being no further business to come before the Finance Committee, on the motion of Ms. Luh, seconded by Mr. Simberg, the meeting was adjourned at 10:46 a.m.