



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



MINUTES

AUDIT AND FINANCE COMMITTEE MEETING NO. 15

June 23, 2009

Minutes of a meeting of the New York State Thruway Authority/Canal Corporation Audit and Finance Committee, held in the Board Room at Administrative Headquarters, 200 Southern Boulevard, Albany, New York and via video conference from the Authority's New York Division Office and Buffalo Division Office. The meeting began at 2:30 p.m.

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

Present:

E. Virgil Conway, Chair, Audit and Finance Committee, via video conference
Donna J. Luh, Audit and Finance Committee Member, via video conference

In addition, there were present the following staff personnel:

Michael Fleischer, Executive Director
Kevin Allen, Acting Director, Audit and Management Services, via video conference
John Bryan, Chief Financial Officer
Jill Warner, Board Administrator
Katherine McCartney, Deputy Counsel
Tracie Sandell, Assistant Counsel
Dorraine Steele, Director, Office of Fiscal Audit and Budget
Betsy Graham, Acting Director of Public Affairs
David Malone, Director, Office of Accounting & Disbursements
Daniel Gilbert, Chief of Staff
Wendy Allen, Deputy Chief of Staff
Michael Sikule, Director, Office of Investments and Asset Management
Donald Bell, Director, Operations and Maintenance
Christopher Waite, Chief Engineer

Also in Attendance:

John Armstrong, New York Network

Angela Rodell, Senior Vice President, First Southwest, via video conference

Dan Tomson, CitiGroup, via video conference

Dan Cohen, CitiGroup, via video conference

Steven Turner, Partner, Hawkins Delafield & Wood LLP, via video conference

PUBLIC SESSION

Mr. Conway called the meeting of the Audit and Finance Committee to order.

Ms. Warner recorded the minutes as contained herein.

Item 1

Approval of Minutes of Audit and Finance Committee Meeting No. 14

After full discussion, on the motion of Mr. Howard, seconded by Ms. Luh, without any objections, the Audit and Finance Committee approved the Minutes of Audit and Finance Committee Meeting No. 14, held May 18, 2009.

Item 2

Review and Discuss the Need for a Long-Term Integrated Capital and Financial Plan For the Authority

Mr. Conway stated that this is an issue he has been concerned about for some time. The Authority needs financial help with its transactions but he also feels a need to focus on the Authority's long term capital needs and financial planning. For a relatively small amount, staff could probably hire an expert firm to look at the long term needs and overall structure of the financial plan of the Authority.

Mr. Fleischer stated that staff would consider, instead of going through a traditional RFP process, using the engineering contract process which tends to be simpler and faster. Staff could develop the qualifications and effort that the Committee is looking for and bring a draft ad to the Committee before it's issued. By doing it this way staff believes it will be faster and will squeeze the timeline a little more. Mr. Conway stated that that would be terrific and added that when he last spoke with Mr. Fleischer about this issue he thought staff was heading in the direction of an RFP and he inquired as to why this approach would be faster. Mr. Fleischer responded that staff was looking into faster options that would still get the Authority the type of firms that would be helpful in the endeavors that Mr. Conway outlined. Mr. Bryan added that staff would be meeting on June 24th to discuss the option of going through an engineering contract process. There is an engineering procurement process and a non-engineering procurement process, neither of which are terribly speedy but he believes that if staff can work the process a little bit they can get this done in the timeframe Mr. Conway requested.

Staff is looking to integrate a long term capital plan process with a long term financial planning process. On the financial planning end the Authority has a fairly sophisticated system, but on the capital program side staff admits there needs to be a more integrated view of what the Authority does with its finances. It will take a combination of some engineering consulting services working with Mr. Waite and Mr. Bell on best practices to develop this long term capital program along with a financial advisory firm, or similar type of firm, to coordinate the integration of the capital program and the financial plan. One piece is engineering and the other is non-engineering but staff believes it can be bundled together, similar to what was done with the traffic engineer procurement process, and the Authority can come to a quick conclusion on this.

Mr. Conway stated that no formal action is needed to be taken by the Committee. Mr. Fleischer concurred, adding that staff will start working on the advertisement and will provide a draft to the Committee for review and comment before it's issued.

Item 3

Review and Approve: the Thirteenth Supplemental Resolution Authorizing the Issuance of General Revenue Bonds (Bonds), Series I; the Resolution for the General Revenue Bond Anticipation Notes (BANS), Series 2009A; the Selection of Certain Consultants and Agents Related to the Issuance of the Series I Bonds or the Series 2009A BANS; and, Other Related Documents and Agreements Necessary for the Sale, Issuance and Delivery of the Series I Bonds or the Series 2009A BANS for Board Action

Mr. Bryan stated that this Item seeks the Committee's approval to issue up to \$700 million from a new series of the General Revenue Bonds, Series I, as well as issue General Revenue Bond Anticipation Notes in advance of the issuance of the Series I Bonds.

Funds generated from this proposed transaction will be used to help finance the Authority's highway and bridge capital program over the next twenty-four months, and if approved by the Committee today staff will bring this Item to the Board at its next meeting.

The reason why staff is seeking approval to issue Notes at this time is that short-term interest rates are near historical lows and staff, and the Authority's independent advisors, believe that issuing short-term obligations to fund the Authority's capital program is a prudent financial decision. The par value of these notes will be just south of \$685 million. Staff anticipate that the true interest cost will be about 2 and $\frac{3}{4}$ percent which is quite low from what the Authority has been experiencing over the years.

Mr. Bryan mentioned two issues that are contained in the proposed resolution.

First, the Board approved the most recent financial plan in November 2008 as part of the 2009 Budget, which assumed that the Authority would be issuing long-term bonds in 2009 rather than the short-term obligations. As a result, the financial plan has been updated to reflect the latest estimates of the Authority's financial condition and is amended to include the impact of the issuance of BANs this summer.

Lastly, this resolution seeks approval for an amendment to the General Revenue Bond Resolution, and if acceptable to the Committee, would begin to secure Bondholders' consents to expand the Authority's ability to enter into a lease or a franchise contract whereby the Authority would continue to retain long term responsibility for facilities but contract with a firm or a group of firms to operate, maintain and/or re-build that facility.

Mr. Bryan indicated that Authority staff, Angella Rodell from First Southwest, the Authority's Financial Advisor, Steve Turner who is Bond Counsel from Hawkins Delafield and Wood, and Dan Cohen and Dan Tomson from Citigroup were available to answer any questions the Committee might have.

After full discussion, on the motion of Ms. Luh, seconded by Mr. Conway, with no objections, the Audit and Finance Committee authorized submission of the Thirteenth Supplemental Resolution Authorizing the Issuance of General Revenue Bonds (Bonds), Series I; the Resolution for the General Revenue Bond Anticipation Notes (BANS), Series 2009A; the Selection of Certain Consultants and Agents Related to the Issuance of the Series I Bonds or the Series 2009A BANS; and, Other Related Documents and Agreements Necessary for the Sale, Issuance and Delivery of the Series I Bonds or the Series 2009A BANS to the Authority Board for consideration.

Item 4

Review and Approve 2009 Internal Audit Programs:

- a. Fiscal and Toll Audit**
- b. Audit and Management Services**

Mr. Allen presented the above Items for review and acceptance.

Mr. Allen reported that under tab 4a is the Fiscal and Toll Audits Program which covers a number of audits staff conducts in relation to toll collection, inventory, payroll, etc. and he stated that Ms. Steele was available to answer any questions the Committee may have.

Tab 4b covers the Audit and Management Services 2009 Audit Plan which lays out what staff are doing, or plan to do, related to Authority procurements, information security officer, information systems audit, investigations and also the focus on infrastructure security.

Ms. Luh stated that the information was compiled in a very good and informative way.

After full discussion, on the motion of Ms. Luh, seconded by Mr. Conway, the Audit and Finance Committee approved the 2009 Audit Programs for Fiscal and Toll Audit and Audit and Management Services.

Item 5

Review and Accept Report Submitted to the Office of the State Inspector General

Mr. Allen presented the above Item for review and acceptance.

The report details the investigative efforts of Authority staff. Mr. Conway inquired how this report differs from the report the Committee accepted at its May Meeting. Mr. Allen responded that it is for the current period and includes investigations that have since been closed and the attachment lists all investigations that were opened.

After full discussion, on the motion of Ms. Luh, seconded by Mr. Conway, the Audit and Finance Committee noted the above report as accepted.

Item 6

Review and Discuss, as Necessary, the Following Items (Mr. Allen):

- a. 2008 Accomplishments - Fiscal and Toll Audit**
- b. 2008 Accomplishments - Audit and Management Services**
- c. Audit and Finance Committee 2009 Draft Work Plan**

Mr. Allen presented the above Item for review and discussion.

Tabs A and B outline the accomplishments for Fiscal and Toll Audit and Audit and Management Services for 2008. They follow the same format as the Audit Plans so the Committee can see

what was accomplished. Under Tab C is the work plan for the Committee itself, which is updated for each Committee meeting.

After full discussion, on the motion of Ms. Luh, seconded by Mr. Conway, the Audit and Finance Committee noted the above reports as accepted.

Other Business

Ms. Luh stated that she spoke with Mr. Bryan briefly prior to the meeting and was glad to hear that overall passenger traffic was up.

Adjournment

There being no further business to come before the Audit and Finance Committee, on the motion of Mr. Conway, seconded by Ms. Luh, without any objections, the meeting was adjourned at 2:46 p.m.