



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



MINUTES

FINANCE COMMITTEE MEETING NO. 6

May 18, 2011

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 and via video conference from the Corporation's New York Division Office, 4 Executive Boulevard, Suffern, 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

E. Virgil Conway, Finance Committee Chair, was not present at this meeting and did not vote on any of the Items.

In addition, there were present the following staff personnel:

Michael Fleischer, Executive Director
Wendy Allen, Director, Office of Management and Planning
John Bryan, Chief Financial Officer
William Estes, General Counsel
Jonathan Gunther, Assistant Counsel
J. Marc Hannibal, Director, Audit and Management Services
Harry Lennon, Senior Investigator
Tracie Sandell, Assistant Director, Audit and Management Services
Michael Sikule, Director, Office of Investments and Asset Management
Jill B. Warner, Board Administrator

Dorraine Steele, Director, Fiscal Audit and Budget
Douglas Elson, Information Technology

Also in Attendance:

John Armstrong, New York Network
Pierre Vilain, Ph.D., Vice President, Henningson, Durham & Richardson
John Puig, Managing Director, RBC Capital Markets
Stanley Kramer, Partner, Hawkins Delafield & Wood LLP
Joseph Reid, Principal, Law Offices of Joseph C. Reid, P.A.
Steven Kantor, Managing Director, First Southwest Company
Angela Rodell, Senior Vice President, First Southwest Company
Robert Walsh, Managing Director, Loop Capital Markets

PUBLIC SESSION

Chairman Buono called the meeting of the Finance Committee to order.

Ms. Warner recorded the minutes as contained herein.

Item 1

Approval of Minutes of Finance Committee Meeting No. 5

After full discussion, at the recommendation of Mr. Simberg, seconded by Mr. Rice, without any objections, the Finance Committee approved the minutes of Finance Committee No. 5, held March 23, 2011.

Item 2

Review and Approve the Financial Reports for February and March 2011

Mr. Bryan reported that combined passenger and commercial traffic counts were down 1.4 percent predominately due to significant weather events and the impact rising fuel prices have had on travel.

Commercial traffic continued to show some growth through March, growing by 1.9 percent in the first three months of the year. However, over the same period, passenger traffic dropped by 1.7 percent.

Through the end of March, the Authority collected \$135 million in tolls, which was \$1.4 million lower than the level collected in the same period of 2010, representing a decrease of 1.0 percent. Other revenue sources, which include concession, interest and sundry revenues, were down as well. As a result, revenues from all sources decreased by \$1.8 million or 1.2 percent in the first three months over last year. Compared to the budget forecast, total revenues came in about \$4.2 million or 2.9 percent lower than expected.

On the expense side, despite an active snow and ice season, operating expenses for both the Thruway and the Canal through September were up by 2.5 percent from the same period in 2010. Expenses were nearly \$1.0 million below the Authority's 2011 Budget.

The dailies from March through today are rather disappointing as they show both commercial and passenger traffic have turned negative due to the continuation of very high gas prices and lingering uneasiness over the state of the national and world economy.

In addition, according to the Department of Energy, the average price of an all-grades gallon of gas was \$4.01 which is only 15 cents below the price peak during the last recession (July 2008). This morning, on the New York Mercantile Exchange light, sweet crude oil for June delivery was at \$98.40 a barrel which indicates that pump prices are likely to remain high for a while yet. It is hard to predict where fuel prices are going in the longer-term since expectations of world demand, the value of the dollar, fuel inventories and production levels are all over the place lately, which is causing a lot of price volatility and uncertainty.

Economists are becoming less optimistic and are now suggesting lower economic growth in the coming months. Recent data is showing that the housing market is still in terrible shape and the Philadelphia Federal Reserve's survey of economic forecasters is showing that unemployment is

expected to hover around 9 percent through the second quarter of this year and is not predicted to drop to 7 percent until 2014.

The Authority will have to take a “wait and see” approach as it moves into the summer months. Staff remains hopeful that fuel prices will stabilize at a lower level and the economy will start to show greater signs of life.

Mr. Simberg asked if staff had any sort of feel for how revenues did in April. Ms. Steele responded that there was a further reduction in passenger traffic while commercial traffic saw a small positive growth. Mr. Simberg requested that in the future, staff prepare a bulletin of how the most recent month was before there are any issues to report, in order to give the Board an idea of how things are going. Mr. Bryan stated that staff could provide an estimate but it would be un-audited and un-reconciled.

Mr. Bryan reported that staff had to update the Authority’s forecast for the year. Currently, staff is looking at a drop of about \$6.5 million off the original forecast, which doesn’t seem significant. Staff has begun to counter that with plans to reduce expenditures by a like amount.

After full discussion, on the motion of Mr. Simberg, seconded by Mr. Rice, without any objections, the Finance Committee approved the Financial Reports for February and March 2011 and authorized their submission to the Authority Board for consideration.

Item 3

Review and Approve Report of Investments for the Quarter Ending March 31, 2011

Mr. Bryan stated that 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 details, by fund, the investments made and yield obtained for each investment.

In the first quarter of 2011, the Authority made nearly \$1.5 billion in investments, earning an average yield of 0.17 percent.

At the end of March, the Authority had \$562.7 million invested in a variety of instruments that are authorized under its governing statute and the Board-adopted investment policy. Of the amount of investments the Authority had at the end of December, 63.0 percent was invested in Federal Agency Securities, 35.0 percent in commercial paper, 2.0 percent in various Certificates of Deposit, 0.0 percent in Treasuries and repurchase agreements

After full discussion, on the motion of Mr. Simberg, seconded by Mr. Rice, the Finance Committee approved the Report of Investments for the Quarter Ending March 31, 2011 and authorized its submission to the Authority Board for consideration.

Item 4

Review and Approve an Amendment to the Thirteenth Supplemental Resolution, Authorize the Issuance of General Revenue Bonds, Series I, Approve the Resolution for the General Revenue Bond Anticipation Notes, Series 2011A, Approve the Form of the Bond Anticipation Note Purchase Agreement for the Series 2011A Notes, Approve the Form of and Authorize the Preparation, Execution and Delivery of the Preliminary Memorandum and Authorize the Execution of One or More Continuing Disclosure Agreements, Authorize the Execution of Any Other Documents Necessary for the Sale, Issuance and Delivery of the Series I Bonds or the Series 2011A Notes and Authorize the Selection of Certain Consultants and Agents Related to the Issuance of the Series I Bonds or the Series 2011A Notes

Mr. Estes reported that this item seeks the Committee's approval to issue an amount, not to exceed \$1.25 billion dollars in General Revenue Bond Anticipation Notes in anticipation of the issuance of Series I General Revenue Bonds. Funds generated from this proposed transaction will be used to help finance the Authority's highway and bridge program over the last twelve months. It is currently estimated that an additional funding of up to \$250 million is required for the Authority's Capital Program through the middle of 2012.

Short term rates are at near historical lows and staff believes that issuing short term obligations to fund a portion of the Authority's Capital Program is a prudent financial decision. If issued today, the Authority's Underwriters estimate that the Bonds would have yield of .65 percent. On March 23, 2011 Standard and Poors (S&P) affirmed its A+ long-term rating on the Authority's outstanding General Revenue Bonds and affirmed the S&P 1+ rating on the Authority's General

Revenue Bond Anticipation Notes. After the Authority meets with S&P and Moody's in early June, those agencies will assign ratings to the Bond Anticipation Notes to be issued in July.

Board approval is needed to adopt, execute or deliver various documents to effectuate the financing plan. These documents include an amendment to the 13th Supplemental Revenue Bond Resolution, the Bond Anticipation Note Resolution, the Preliminary Offering Memorandum, the Bond Anticipation Note Purchase Agreement and the Continuing Disclosure Agreement. This Resolution also seeks approval for an amendment to the General Revenue Bond resolution, and if acceptable to the Committee and the Board, would begin to secure Bond holder's consents to expand the Authority's ability to enter into a lease or franchise contract whereby the Authority would continue to own and bear long term responsibility for a facility such as a bridge, or other major facility, but contract with the firm or consortium to operate, maintain and/or rebuild that facility. Mr. Estes advised that members of the Authority's public finance team including bond counsel, financial advisor, underwriters, and underwriter's counsel were present to answer any questions the Committee may have.

After full discussion, on the motion of Mr. Rice, seconded by Mr. Simberg, without any objections, the Finance Committee approved an Amendment to the Thirteenth Supplemental Resolution, Authorized the Issuance of General Revenue Bonds, Series I, Approved the Resolution for the General Revenue Bond Anticipation Notes, Series 2011A, Approved the Form of the Bond Anticipation Note Purchase Agreement for the Series 2011A Notes, Approved the Form of and Authorized the Preparation, Execution and Delivery of the Preliminary Memorandum and Authorized the Execution of One or More Continuing Disclosure Agreements, Authorized the Execution of Any Other Documents Necessary for the Sale, Issuance and Delivery of the Series I Bonds or the Series 2011A Notes and Authorize the Selection of Certain Consultants and Agents Related to the Issuance of the Series I Bonds or the Series 2011A Notes and authorized its submission to the Authority Board for consideration.

Adjournment

There being no further business to come before the Finance Committee, on the motion of Mr. Rice, seconded by Mr. Simberg, the meeting was adjourned at 11:13 a.m.

Note: Webcasts, which include dialogue of Authority/Corporation Finance Committee Meeting, are available on the Thruway Authority website 48 hours after such meetings occur and remain on the website for a period of four months.