



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



MINUTES

FINANCE COMMITTEE MEETING NO. 7

July 18, 2011

Minutes of a meeting of the New York State Thruway Authority/Canal Corporation Finance Committee, held in the Board Room at Metropolitan Transportation Authority Headquarters, 347 Madison Avenue, 7th Floor, New York, New York 10017, and via video conference from the Authority/Corporation's Administrative Headquarters, 200 Southern Boulevard, Albany, New York 12209. The meeting began at 3:00 p.m.

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

Present:

Chairman Howard P. Milstein, 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:

Donna J. Luh, Vice Chair

Brandon R. Sall, Board Member

Jose Holguin-Veras, Ph.D., via video conference

Michael R. Fleischer, Executive Director
John Barr, Director, Administrative Services
Donald Bell, Director, Operations and Maintenance
John Bryan, Chief Financial Officer
William Estes, General Counsel
J. Marc Hannibal, Director, Audit and Management Services
Brian Stratton, Director, Canal Corporation
Thomas Ryan, Chief of Staff
Ted Nadratowski, Chief Engineer
Jill B. Warner, Board Administrator
Thomas Pericak, Division Director, Buffalo Division
Patrick Hoehn, Acting Division Director, Syracuse Division, via video conference
Stephen Grabowski, Acting New York Division Director
John Callaghan, Deputy Director, Canal Corporation
Catherine Sheridan, Acting Deputy Director for Canal Maintenance,
Operations & Engineering via video conference
Wendy Allen, Director, Management and Planning, via video conference
Dorraine Steele, Director, Fiscal Audit and Budget, via video conference
Jonathan Gunther, Assistant Counsel, via video conference
Lawrence Norville, Chief Compliance Officer
William McDonough, Investment Officer, via video conference
Captain Michael Eaton, New York State Police, via video conference
Jonathan Ehrlich, Special Assistant to the Chairman
Kathleen LeFave, Special Assistant to the Chief of Staff, via video conference
Peter Casper, Assistant Counsel, via video conference
Karen Wilson, Information Technology Specialist

Also in Attendance:

Elizabeth Butler, Executive Assistant to Don Rice
William C. Thompson, Jr., Senior Managing Director, Siebert Brandford Shank & Co.
John Waters, Managing Director, Siebert Brandford Shank & Co.
Michael A. Burke, Partner, Sidley Austin LLP

Benjamin Asher, Senior Managing Director, Public Resources Advisory Group
David Paget, Principal, Sive, Paget & Riesel, P.C.
David Roberts, Assistant Attorney General, Office of the Attorney General, via video
conference
Michael Novakowski, Chief Budget Examiner, Division of the Budget, via video
conference
Pat Reale, Principal Budget Examiner, Division of the Budget, via video conference
Seth Agata, Assistant Counsel, Executive Chamber, via video conference
Thomas Callahan, Principal, Hydraulic Race Co.
Karl Diehl, New York Network

PUBLIC SESSION

Chairman Milstein 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. 6

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. 6, held May 18, 2011.

Item 2

Review and Approve the Financial Reports for April and May 2011

Mr. Bryan reported that total traffic in the first five months of the year was down by approximately 1.6 percent, mirroring trends that were established on the nation's highways and roads as reported by the Federal Highway Administration. The traffic declines through May can be directly attributed to three main factors. First of all, in January and February there was very poor winter weather statewide. There was also continued fickleness in this economic recovery

period, and finally, rising fuel prices in April and May, which at times approached or exceeded \$4.00 a gallon, really impacted passenger traffic.

With regard to operating revenues through the month of May, the Authority collected \$241 million in tolls, which was \$3.5 million lower than the level collected in the same period last year, representing a decline of 1.4 percent. Other revenue sources, including concession interest and sundry revenues, were also down, resulting in revenues from all sources dropping by nearly \$4 million or 1.5 percent. Compared to the budget forecast, total revenues came in about \$8.7 million or 3.3 percent lower than anticipated. Staff had budgeted for 2.3 percent growth in revenues, so the Authority is not starting off the first half of the year very well.

On the operating expense side, cost containment continues to limit growth, however, the bad winter weather significantly increased snow and ice costs earlier in the year. Pension and health insurance contribution rates continue to drive most of the budget. Without these three drivers, the Authority would essentially have no growth at all in its operating budget. Relative to the budget, expenses were on target. The Authority is at approximately \$1.6 million or 1 percent below the budget forecast.

Mr. Simberg inquired as to whether or not there were any deviations or unexpected events that struck in June. Mr. Bryan responded that fuel prices are starting to abate a little bit. As of last week prices were at \$3.70 a gallon for an all-grade mixture; which has had a beneficial impact on passenger traffic. Commercial traffic is showing pretty healthy growth, and has been strong throughout the year. Hopefully the trend will continue on an upswing through August.

Dr. Veras inquired as to the percentages that correspond to pensions and health insurance contributions. Chairman Milstein responded that it is broken down in Mr. Bryan's handout in the fine print below the operating expenses, there is an asterisk and it says general charges include unfunded OPEB, see Note D to the monthly statement and are as follows: pension contributions \$7 million in 2010, \$11 million in 2011, funded health insurance and other benefits \$22 million in 2010 and \$25 million in 2011, and other general charges \$34 million in 2010 and \$36 million in 2011. The change column is the next one over and you can see the changes in the variance.

Mr. Bryan added that snow and ice removal is also up above in the maintenance engineering row in which the Board will see some growth too.

Mr. Rice stated that Mr. Bryan gave the Board information on the miles traveled on the national level, the moving average chart, and wondered if staff were to look at just the Thruway in isolation, how it would compare nationally. Has the change in mileage for the Thruway been more than the change nationally. Mr. Bryan responded that it is almost exact. Over the last year it has really been moving in tandem. In previous recessions, particularly in the early '90s where it was very northeast focused, there was a differentiation. But lately, statistically they seem to be moving almost exactly the same. Chairman Milstein requested that each month staff provide a chart showing a curve of what is happening with the Thruway, what is happening nationally, and maybe the northeast region as well, because traffic in the northeast maybe a little bit different.

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

Item 3

Review and Approve Report of Investments for the Quarter Ending June 30, 2011

Mr. Bryan stated that guidelines established by the Office of the State Comptroller require the Authority to 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.

During the second quarter of the year, the Authority made a large number of investments with generally very short terms that in total value just over \$807 million. At the end of the second quarter, the Authority had \$550 million of its funds invested, generally split evenly between commercial paper and federal agencies. An overwhelming majority of the investments that were made during the quarter and held at the end of the quarter were related to unutilized general revenue bond proceeds and any associated debt service reserve fund monies. The average yield of which was just around 15 basis points.

In addition to investing its own funds, the Authority invests regularly monies held in various accounts related to the State's Dedicated Highway and Bridge Trust Fund, Personal Income Tax and CHIPs bond credits. The Authority made approximately \$1.2 billion in investments related to these credits, earning an average yield of 10 basis points. At the end of the second quarter the Authority held approximately \$770 million in investments related to these three bond credits.

Chairman Milstein advised that he had the opportunity to meet with Mr. Bryan right before the Authority issued \$880 million of bond anticipation notes, and they discussed the investment policy and the seemingly low yields the Authority is getting, which of course are consistent with market conditions.

The Authority has been investing more or less in very short term, consistent with the possibility of a need for the funds, and getting 10 or 15 basis points. Of course, 1 percent on 500 million is \$0.5 million a year. The Chairman asked Mr. Bryan to explore the idea that perhaps considering the Authority's balances, and there are some allocations of them in separate buckets, it may be worthwhile to invest a little bit longer term. Not years, but maybe nine months, 12 months, or 15 months to get further out on the yield curve and get a higher yield. The securities that the Authority invests in are excellent collaterally and it can borrow against them very efficiently if needed. Mr. Bryan added that staff has been working with the financial advisor on one of the items with longer terms. Staff believes with the debt service funds the Authority can go out longer, so the Board can expect to see better yields in that category.

After full discussion, on the motion of Mr. Rice, seconded by Mr. Simberg, the Finance Committee approved the Report of Investments for the Quarter Ending June 30, 2011 and authorized its submission to the Authority Board for consideration.

Item 4

Approving and Adopting the Tenth Supplemental Bond Resolution Authorizing the Issuance of State Personal Income Tax Revenue Bonds (Transportation) Series 2011A, 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 One or More Bond Purchase Agreements for the Series 2011A 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 2011A

Mr. Estes reported that this item seeks the Committee's approval to advance to the full Board the authorization to issue up to \$400 million in new money bonds which would include cost issuance and up to an additional \$50 million for refunding of prior bonds. A new series of Personal Income Tax Revenue bonds, commonly referred to as PIT bonds (Series 2011A), 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 Budget. The Series 2011A bonds are being issued to provide the Authority with funds to make grants to municipalities and other project sponsors throughout the State for highway, bridge and multimodal capital projects and to cover the cost of issuing these bonds.

In addition, bonds may be issued to refund outstanding PIT bonds previously issued by the Authority. The Series 2011A bonds are secured by payments made to the Authority from funds held in the State Revenue Bond Tax Fund. The Revenue Bond Tax Fund is funded with 25 percent of the receipts collected from personal income tax. This item requires the Board to approve the following documents: the 10th supplemental bond resolution to the State Personal Income Tax Revenue Bond resolution which authorizes the issuance of up to \$450 million of the 2011A bonds; the bond purchase agreement in which the Authority agrees to sell and the underwriting syndicate agrees to purchase the Series 2011A bonds; and the preliminary official statement which is the disclosure document for potential purchasers and summarizes the material aspects of the financing. The Board is requested to adopt and approve the form of the preliminary official statement and authorize its distribution and use. 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.

Members of the Finance Team were also present and able to answer any questions of the Board. William C. Thompson is a senior managing director with Siebert Brandford Shank & Co. Last July, Siebert was an M/WBE coordinating manager and Seibert has now been asked to lead the transaction. Michael Burke is a partner at Sidley Austin and is bond counsel to this transaction. Benjamin Asher is a senior managing director of the Public Resource Advisory Group and in Albany, Pat Reale from the debt unit of the Division of Budget.

Chairman Milstein thanked William Thompson, stating that the Board knows him from his long service to the city as comptroller. Mr. Thompson welcomed Chairman Milstein as the new Chair of the Authority. He was joined by John Carter who is managing director at Siebert Brandford Shank & Co. Mr. Thompson stated that the firm is excited about this groundbreaking moment as the firm is the first M/WBE firm to be senior manager on a transaction for the Thruway Authority. He thanked Chairman Milstein, as well as the members of the Board, John Bryan and the staff at Thruway Authority for giving Siebert Brandford Shank & Co. this opportunity.

Chairman Milstein asked Mr. Estes to discuss again the amount of money that the Authority is going to be dispensing to local governments out of the \$450 million authorization. Mr. Estes stated that it would be \$400 million for new money and then \$50 million to refund prior issuances if market conditions are acceptable. The \$400 million will be dispensed at the direction of the New York State Department of Transportation. Mr. Bryan added that staff is seeking authority to issue up to \$400 million; that it will be sized as staff gets close to the pricing of the transaction; and that there may be a premium involved. Division of Budget informed staff that \$400 million would be a good number to have as a maximum amount.

After full discussion, on the motion of Mr. Rice, seconded by Mr. Simberg, without any objections, the Finance Committee approved and adopted the Tenth Supplemental Bond Resolution authorizing the issuance of State Personal Income Tax Revenue Bonds (Transportation) Series 2011A, approved the form of and authorized the preparation, execution

and delivery of the Preliminary Official Statement and authorized the execution and distribution of the Final Official Statement, approved the form of and authorized the execution of one or more Bond Purchase Agreements for the Series 2011A Bonds and authorized 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 2011A, and authorized its submission to the Authority Board for consideration.

OTHER BUSINESS

Mr. Fleischer stated, on behalf of the staff, that everyone is excited to have Chairman Milstein as the new Chairman of the Board.

Chairman Milstein stated that he had the opportunity to meet with a number of the senior managers and some of the directors approximately three weeks ago, and it is a very good group. He is looking forward to doing what he can to help and to lead the Authority and Corporation in a direction that is going to help the people of the State of New York. The Board seconded his statement at the request of Vice Chair Luh.

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 3:18 p.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.