



MINUTES

NEW YORK STATE THRUWAY AUTHORITY

BOARD MEETING NO. 642

July 7, 2005

Minutes of a meeting of the New York State Thruway Authority, held in the Board room at Administrative Headquarters, 200 Southern Boulevard, Albany, New York, 12209.

The meeting began at 9:05 a.m.

There were present:

**John L. Buono, Chairman
Nancy Carey Cassidy, Board Member**

Constituting a majority of the Canal Corporation Board.

Board Member John R. Riedman participated via speaker phone, and therefore was not eligible to vote on any of the Items.

In addition, there were present the following staff personnel:

**Michael R. Fleischer, Executive Director
John Brizzell, Deputy Executive Director, Chief Engineer
John Bryan, Chief Financial Officer
Sharon O'Connor, General Counsel
William Rinaldi, Acting Director, Operations
Wendy Allen, Director, Department of Planning Services
Christopher Waite, Director, Engineering Services and Assistant Chief Engineer
George Tanner, Director, Maintenance Engineering and Assistant Chief Engineer
Michael Flynn, Director, Audit and Management Services
Jill Warner, Secretary and Board Administrator
Daniel Gilbert, Director, Public Affairs**

Wilma DeLucco, Director, Administrative Services
Donald Bell, Director, Albany Division
Kathy Taylor, Cash Management Analyst, Office of Investments and Asset Management
Susan Young, Director, Systems Management Team
Carmella Mantello, Director of Canals
Marc Hannibal, Chief Attorney for Public Finance
Cecelia Lu, Legal Intern
Pat Liguori, Assistant Investment Officer, Office of Investments and Asset Management
Michael Sikule, Director, Office of Investments and Asset Management
Lawrence Frame, Deputy Director of Canals
Also in Attendance:
Cathy Woodruff, Reporter, *Albany Times Union*
J. Robert Port, Senior Editor/Investigations, *Albany Times Union*
William Kahn, UHY International
Benjamin Asher, Public Resources Advisory Group (PRAG)
William Cobbs, PRAG
Alison Hu, Division of Budget (DOB)
Patrick Reale, DOB
Louis Rafealle, DOB
Stanley Kramer, Hawkins Delafield and Wood (participated via teleconference)

Chairman Buono noted that he, Ms. Carey Cassidy and Mr. Riedman had received and reviewed the Agenda submitted for consideration at this meeting and were prepared to act on each of the items.

The Chairman called the meeting to order.

Ms. Warner recorded the minutes as contained herein.

Public notice of the meeting had been given, Ms. Warner said.

Item 1 by Ms. Warner (Appendix A)
Minutes of Meeting No. 641

On the motion of Ms Carey Cassidy, seconded by Chairman Buono, without any objections, the Board approved the minutes of Meeting No. 641 held on June 21, 2005, which were made available to the Board Members as part of the Agenda.



Item 2 by John Bryan (Appendix B)
Financial Report – May 2005

Mr. Bryan reported that net toll revenue for the first five months of 2005 increased by \$5 million over the level collected in the same period of 2004. This increase is due to combination of increased traffic along the system and the impact of the implementation of the toll adjustment on May 15 of this year.

Compared to the 2005 budget, total net toll revenue collections for the first 5 months was only \$3.5 million or 2.0 percent below the level forecasted. This variance is generally the result of the unexpected inclement weather earlier in the year that reduced traffic flows for a number of days.

In addition, this variance is due to an unexpected increase in commercial volume discounts. As Authority staff heard at the public hearings during the toll adjustment process, many commercial customers would have experienced a toll increase that was greater than 35%. The Authority decided to use the volume discount program as a means to phase-in the impact of the toll adjustment on our commercial customers.

Accounting for the trends in toll, concession, sundry and other revenues, total revenue collected in the first four months of 2005 was on target – reaching over \$185 million which was \$7.4 million or 4.2 percent above the level collected in the first five months of 2004. Compared to budget estimates, total operating revenues are only \$420,000 or 0.2 percent below expectations.

On the expense side, despite higher than anticipated costs associated with snow and ice removal earlier in the year and a continuation of increases in fuel, steel and other prices the Authority was able to contain costs in April as expenses were \$3.0 million or 2.1 percent below the budgeted level for the first five months of 2005.

In May, the Authority got a first glimpse of the impact of the toll adjustment and the preliminary signs are positive. Net toll collections are up significantly in the month of May – by \$5 million or 13.3 percent – over the previous year. While the volume discount figures are not yet available for June, gross toll collections in June show a \$9.8 million or 27.3 percent increase over the previous year.

This growth is both a function of the toll adjustment as well as an increase in traffic along the system. The Authority is not seeing the traffic diversions that some feared would occur – which was a concern that was expressed during the toll adjustment



Item 2 by John Bryan (Appendix B)
Financial Report – May 2005 (Continued)

hearing process. As a result, Mr. Bryan stated that the reported increases in toll revenues match expectations and if the trend continues the Authority can expect to meet the revenue target by the end the fiscal year.

Finally, as reported last month, the Authority has seen a 23% increase in EZPass On-The-Go sales and a 46% increase in EZPass sales during the first 5 months of 2005 as compared to the same timeframe for 2004. Over 1,000 customers have signed up for the new commuter discount plans.

In June, the data is positive as well. The latest available data shows that in the first three weeks of June the Authority added another 7,400 new EZPass customers, representing an increase 14.2 percent over the previous June. As a result, the Authority currently has over 870,000 active customer accounts with over 2.1 million active tags.

The Board requested that staff look into better ways to market E-Zpass tags so they're easier to buy and put into use. They asked Mr. Rinaldi to provide a report to the Board on the status of providing tags not only in travel plazas but at retail stores off the Thruway mainline. Ms. Carey Cassidy also asked staff to look into the lack of E-ZPass signage along the Berkshire Spur.

Following discussion regarding the financial condition of the Authority, on the motion of Ms. Carey Cassidy, seconded by Chairman Buono, without any objections, the Board accepted the Financial Report for the month of May 2005.

Item 3 by Mr, Bryan (Appendix C)
Report of UHY, LLP Examination of the Authority's Financial Statements and Report on Compliance with Investment Guidelines

William Kahn of UHY reported to the Board that a review of the Authority's financial statements was done for the 2004 fiscal year consistent with all applicable auditing standards. The review of Internal Controls showed no material weaknesses, but documentation of those controls was lacking. UHY staff and Authority staff are working to enhance documentation of controls in the coming year.

After full discussion, on the motion of Ms. Carey-Cassidy, seconded by Chairman Buono, without any objections, the Board accepted the Report of UHY, LLP Examination of the Authority's Financial Statements and Report on Compliance with Investment Guidelines.



Item 4 by Mr. Bryan (Appendix D)
Review and Approval of the Authority's Annual Investment Report

Mr. Bryan reported that the Thruway Authority is required under the Public Authorities Law to submit a report to various state officials that summarizes investments, investment guidelines, the results of independent audits and other investment related information.

There are three exhibits attached to the resolution:

Exhibit A covers the Authority's investment guidelines. Investments are limited to those in which the State Comptroller may invest pursuant to the State Finance Law. They include: Time and Demand Deposits, Commercial Paper, Banker's Acceptances, and U.S. Federal Agency and N.Y.S. obligations. Exhibit B covers the annual audit performed by the Authority's independent auditor UHY for 2004; and Exhibit C lists all of the Authority's investment income for 2004. (\$2.8 million for 2004, including interest from money markets and other cash accounts.)

After full discussion, on the motion of Ms. Carey Cassidy, seconded by Chairman Buono, without any objections, the Board adopted the following resolution:

RESOLUTION NO. 5438
REVIEW AND APPROVAL OF THE AUTHORITY'S
ANNUAL INVESTMENT REPORT

RESOLVED, that the Authority's Investment Report including the revised policy statement **FINANCIAL INVESTMENTS**, the annual report by the independent auditors, and the listing of investment income has been reviewed and is hereby approved, and be it further

RESOLVED, that this resolution be incorporated in the minutes of this meeting.



Item 5 by Ms. O’Conor (Appendix E)

Approving and Adopting the Sixth Supplemental Bond Resolution Authorizing the Issuance of Second General Highway and Bridge Trust Fund Bonds, Series 2005B and Amending the Second General Trust Fund 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 the Bond Purchase Agreement for the Series 2005B Bonds, Authorizing the Execution of a Continuing Disclosure Agreement and Any Other Necessary Documents, Agreements, Consents or Certificates, And Authorizing the Selection of Senior Managers and Additional Underwriters and Other Appropriate Parties in Connection With the Sale of the Series 2005B Bonds

Louis Rafealle of the NYS Division of Budget reported to the Board on the Dedicated Highway and Bridge Trust Fund Bond Program Restructuring.

He reported that the State plans to accomplish a programmatic restructuring of the Thruway’s Dedicated Highway and Bridge Trust Fund bond program to:

- Continue the State’s commitment to its transportation capital program
- Better match the term of debt to asset life
- Maintain the long-term capital funding capacity of the Trust Fund bond program
- Preserve the Trust Fund’s strong credit features

Mr. Rafealle informed the Board that the State has enacted a \$17.9 billion five-year highway and bridge capital program funded by:

- Average new money Trust Fund bond issuances of \$860 million annually for the 5 year plan
- Average pay-as-you-go of \$2.3 billion annually
- Additional capital capacity from the Trust Fund restructuring, existing dedicated revenues, increases in various motor vehicle fees, significant support from Federal aid and additional financing resources
- \$1.45 billion in resources from a proposed transportation bond act (subject to voter approval)
- A comprehensive five-year program and financial plan with detail on programs, projects or commitment schedules is expected to be finalized later this year

The restructuring accomplishes several key objectives:

- Moderates debt service costs to assist in financing the State’s current and future highway and bridge capital programs
- Better aligns existing debt with the economic useful lives of the assets financed



Item 5 by Ms. O’Conor (Appendix E)

Second General Highway and Bridge Trust Fund Bonds, Series 2005B (Continued)

- **Future financings will be consistent with the economic useful lives of the assets financed (20-year level debt service issuance), providing additional capital capacity**
- **Results in a debt structure that is comparable with other highly-rated state transportation programs**

The key elements of the Trust Fund Restructuring are as follows:

- **Requires the issuance of approximately \$3.0 billion of tax-exempt bonds**
 - **No taxable debt or derivative products used**
 - **Includes \$350 million of new money proceeds**
- **\$1.2 billion of cumulative cash flow savings through FY 2009-10**
- **Projected pledged revenues provide at least 2.0x coverage through 2015**
- **Maintains the currently outstanding bonds’ final maturity of 2025**
Programmatic restructuring reduces debt service through FY 2014-15 (including pro-forma new money issuance)
- **Expected to generate present value savings, under current market conditions**
- **Releases a portion of debt service reserve fund monies to reduce the size of the restructuring bond sale**

The restructuring maintains strong trust fund credit features such as:

- **Meets 2.0x additional bonds test coverage requirement**
- **Strong incentive to appropriate debt service via “LGAC” trapping mechanism**
- **Significant and diverse revenue stream**
- **Historical State commitment of new revenues to the Trust Fund**
- **All General Fund revenues are available to the extent needed to pay debt service (via a “reach back” without additional appropriation)**
- **Issued under Second General Highway and Bridge Trust Fund Bond Resolution, as amended by a non-material clarification**

Mr. Rafealle concluded his report to the Board by explaining that the State is continuing its commitment to its transportation program. The programmatic restructuring will ensure the long-term viability of the Trust Fund bond program and the transaction is a financially prudent strategy to achieve the State’s goals, including PV savings.



Item 5 by Ms. O'Connor (Appendix E)
Second General Highway and Bridge Trust Fund Bonds, Series 2005B (Continued)

After full discussion, on the motion of Ms. Carey Cassidy, seconded by Chairman Buono, without any objections, the Board adopted the following resolution:

RESOLUTION NO. 5439

APPROVING THE FORM OF AND ADOPTING THE SIXTH SUPPLEMENTAL BOND RESOLUTION AUTHORIZING THE ISSUANCE OF SECOND GENERAL HIGHWAY AND BRIDGE TRUST FUND BONDS, SERIES 2005B AND AMENDING THE SECOND GENERAL TRUST FUND RESOLUTION, APPROVING THE FORM OF AND AUTHORIZING THE PREPARATION, EXECUTION AND DELIVERY OF THE PRELIMINARY OFFICIAL STATEMENT, AUTHORIZING THE EXECUTION AND DISTRIBUTION OF THE FINAL OFFICIAL STATEMENT, APPROVING THE FORM OF THE BOND PURCHASE AGREEMENT FOR THE SERIES 2005B BONDS, AUTHORIZING THE EXECUTION OF A CONTINUING DISCLOSURE AGREEMENT AND ANY OTHER NECESSARY DOCUMENTS, AGREEMENTS, CONSENTS, OR CERTIFICATES, AND AUTHORIZING THE SELECTION OF SENIOR MANAGER AND ADDITIONAL UNDERWRITERS AND OTHER APPROPRIATE PARTIES IN CONNECTION WITH THE SALE OF THE SERIES 2005B BONDS

RESOLVED, that Chapter 56 of the Laws of 1993 ("Chapter 56"), as amended authorizes the Authority, solely upon request of the Director of the Budget, to issue up to \$16.5 billion of Dedicated Highway and Bridge Trust Fund Bonds (exclusive of reserve funds and certain financing costs and bonds issued for refunding purposes) to finance or refinance the cost of various state highway, bridge and multi-modal projects as more fully described in Section 89-b of the State Finance Law, and be it further



Item 5 by Ms. O'Connor (Appendix E)

Second General Highway and Bridge Trust Fund Bonds, Series 2005B (Continued)

RESOLVED, that Chapter 56, as amended authorizes the Commissioner of Transportation to enter into a Dedicated Highway and Bridge Trust Fund Cooperative Agreement on behalf of the State, with the Authority (the "Cooperative Agreement") to provide for the financing of dedicated highway, bridge and multi-modal trust fund projects (the "Projects") pursuant to Section 10-e of the Highway Law, and be it further

RESOLVED, that on May 19, 1994 the Board adopted a General Highway and Bridge Trust Fund Bond Resolution (as amended, the "First General Trust Fund Resolution") which authorizes the bonds of the Authority, designated as "General Highway and Bridge Trust Fund Bonds" (the "First General Trust Fund Bonds") to finance all or a portion of the cost of the Projects, and to refinance bonds previously issued for such purpose, and be it further

RESOLVED, that on May 19, 1994, November 15, 1995 and June 27, 2000, respectively, the Board approved the execution of a Cooperative Agreement and amended and restated such Cooperative Agreement to provide for the financing of Projects pursuant to Sections 10-e of the Highway Law and 385 of the Public Authorities Law, and be it further

RESOLVED, that on February 27, 2003, at Meeting No. 616, pursuant to Resolution No. 5284, the Board adopted a Second General Highway and Bridge Trust Fund Bond Resolution (as amended, the "Second General Trust Fund Resolution") which authorized the bonds of the Authority, designated as "Second General Highway and Bridge Trust Fund Bonds" (hereinafter the "Second General Trust Fund Bonds") for the same purposes as bonds authorized pursuant to the First General Trust Fund Resolution, with the exception that the Second General Trust Fund Bonds shall not be secured by a debt service reserve fund, and be it further



Item 5 by Ms. O’Conor (Appendix E)

Second General Highway and Bridge Trust Fund Bonds, Series 2005B (Continued)

RESOLVED, that Sections 201, 202, 203 and 204 of the Second General Trust Fund Resolution require that the issuance of Second General Highway and Bridge Trust Fund Bonds by the Authority shall be authorized by a supplemental resolution or resolutions of the Authority adopted at or prior to the time of issuance, and be it further

RESOLVED, that Section 902 of the Second General Trust Fund Resolution empowers the Authority to adopt, for any one or more of the purposes set forth therein, a supplemental resolution, and be it further

RESOLVED, that there has been prepared and submitted to the Board a form of Sixth Supplemental Bond Resolution to the Second General Highway and Bridge Trust Fund Resolution Authorizing the Issuance of Second General Highway and Bridge Trust Fund Bonds, Series 2005B (the "Supplemental Resolution"), amending Section 204 of the Second General Trust Fund Resolution and supplementing the Second General Trust Fund Resolution, to authorize the issuance of such Second General Highway and Bridge Trust Fund Bonds, Series 2005B in one or more series or sub-series to refund Outstanding Trust Fund Bonds and to finance the cost of certain Projects, and be it further

RESOLVED, that upon the request of the Director of the Budget, the Authority intends to issue Second General Highway and Bridge Trust Fund Bonds, Series 2005B (the "Series 2005B Bonds") in one or more series or sub-series in order to (i) refund all or a portion of the Outstanding Trust Fund Bonds in an amount not to exceed \$3,500,000,000, and (ii) finance the costs of various Projects in an amount not to exceed \$400,000,000, and be it further



Item 5 by Ms. O'Connor (Appendix E)
Second General Highway and Bridge Trust Fund Bonds, Series 2005B (Continued)

RESOLVED, that the Authority intends to sell, solely upon the request of the Director of the Budget, pursuant to the Second General Trust Fund Resolution and the Supplemental Resolution its Series 2005B Bonds, to Goldman, Sachs & Co., Citigroup Global Markets Inc., UBS Financial Services Inc., Bear Stearns & Co. Inc., First Albany Capital Co., Merrill Lynch & Co. and Morgan Stanley & Co. Incorporated as Senior Managers, pursuant to a Bond Purchase Agreement between the Authority and Goldman, Sachs & Co. as Representative of the Underwriters the "Bond Purchase Agreement", the form of which Bond Purchase Agreement has been set before the Board, and be it further

RESOLVED, that the Board approves and adopts the form of the Supplemental Resolution as submitted at this meeting and made a part of this resolution as though set forth in full herein, and authorizes an Authorized Officer to approve and execute such changes to the Supplemental Resolution through a certificate or certificates of determination as may be deemed necessary or convenient to effectuate the purposes thereof; and be it further

RESOLVED, that in connection with the sale of the Series 2005B Bonds, the Board approves the form of the Preliminary Official Statement as submitted to this meeting and made a part of this resolution as though set forth in full herein, and authorizes an Authorized Officer to approve and execute such changes as may be deemed necessary or convenient to effectuate the purposes thereof, and be it further

RESOLVED, that the Board authorizes the distribution of the Preliminary Official Statement relating to the Series 2005B Bonds by an Authorized Officer, in substantially the form submitted to this meeting with such changes, insertions and omissions to the Preliminary



Item 5 by Ms. O’Conor (Appendix E)
Second General Highway and Bridge Trust Fund Bonds, Series 2005B (Continued)

Official Statement as may be approved by such Authorized Officer, said delivery being conclusive evidence of such approval, and any amendments or supplements thereto which may be necessary or desirable, and be it further

RESOLVED, that the Board authorizes an Authorized Officer, to confirm that any Preliminary Official Statement of the Authority relating to the Series 2005B Bonds for the refunding of Outstanding Trust Fund Bonds and the financing of new money projects is deemed final for purposes of Rule 15c2-12 of the Securities and Exchange Commission, except for certain omissions relating to certain State information and information not required under said Rule to be included therein, and be it further

RESOLVED, that the Board authorizes an Authorized Officer, to execute and deliver, on behalf of the Authority, one or more final Official Statements relating to the Series 2005B Bonds with such changes, insertions and omissions to the applicable Preliminary Official Statement as may be approved by such Authorized Officer said execution being conclusive evidence of such approval, and any amendments or supplements thereto which may be necessary or desirable. Any material changes from the Preliminary Official Statement (excluding information provided by or certified as to accuracy by the State of New York) approved pursuant to this resolution to be made in a final Official Statement relating to the Series 2005B Bonds issued to refund Outstanding Trust Fund Bonds and to finance new projects which are not made pursuant to matters which are authorized to be determined by an Authorized Officer pursuant to this resolution, the Supplemental Resolution or a Certificate of Determination (as defined in the Second General Trust Fund Resolution) shall be distributed to members of the Authority for comments, if any, from such members prior to final printing. After execution, such Authorized Officer or their



Item 5 by Ms. O’Conor (Appendix E)
Second General Highway and Bridge Trust Fund Bonds, Series 2005B (Continued)

designee, is hereby authorized to deliver to the purchasers of the Series 2005B Bonds an executed copy or copies of such final Official Statement and any amendments or supplements thereto, and be it further

RESOLVED, that the Board approves the form of the Bond Purchase Agreement submitted to this meeting and made a part of this resolution as though set forth in full herein, in the manner set forth in Section 301 of the Supplemental Resolution and authorizes an Authorized Officer to execute and deliver the Bond Purchase Agreement and to approve and execute such changes to such Bond Purchase Agreement as may be deemed necessary or convenient to effectuate the purposes thereof, and be it further

RESOLVED, that an Authorized Officer, is authorized to execute one or more additional agreements including, but not limited to escrow agreements, consents or other documents and to appoint any other agents or appropriate parties, necessary or desirable to facilitate the sale of the bonds issued by the Authority to refund Outstanding Trust Fund Bonds, such other agreements, documents, certificates and agents, or other parties determined by such Authorized Officer to be necessary or desirable to implement the transactions described in this resolution and to be consistent with existing statutes, Authority guidelines, policies, procedures and other existing obligations and covenants, and be it further

RESOLVED, that in connection with the sale of the Series 2005B Bonds, the Board authorizes an increase of up to \$140,000 for bond counsel services performed in relation to the issuance of Trust Fund Bonds, Series 2005B over the maximum reimbursement for the issuance of refunding bonds contained in Contract No. C100627 dated April 19, 2005 between the Authority and Hawkins, Delafield & Wood LLP, and be it further



Item 5 by Ms. O'Connor (Appendix E)
Second General Highway and Bridge Trust Fund Bonds, Series 2005B (Continued)

RESOLVED, that in connection with the sale of the Series 2005B Bonds, the Board authorizes an increase of up to \$200,000 for financial advisor services performed in relation to the issuance of Trust Fund Bonds, Series 2005B over the maximum reimbursement for the issuance of refunding bonds contained in Contract No. C-100487 between the Authority and Public Resources Advisory Group, and be it further

RESOLVED, that the Board approves, confirms and ratifies the selection of Banc of America Securities LLC, Jackson Securities, JPMorgan, Lehman Brothers, Ramirez & Co., Inc., Raymond James & Associates, Inc., Roosevelt & Cross, Incorporated and Sterne, Agee & Leach, Inc. as co-managers for the sale of the Series 2005B Bonds, and be it further

RESOLVED, that an Authorized Officer is authorized to execute upon such terms and conditions as are determined to be in the best interests of the Authority and are consistent with the provisions of the Supplemental Resolution: (i) a Continuing Disclosure Agreement and (ii) any additional agreements, consents, certificates or other documents necessary to facilitate the sale of the Series 2005B Bonds and the refunding of Outstanding Trust Fund Bonds, including but not limited to documents and agreements relating to the funding and investment of the Escrow Fund authorized by the Supplemental Resolution, and including the execution of only necessary amendments to the Cooperative Agreement or any other agreement with the State in relation to the program and to do and cause to be done any and all acts and things necessary or convenient for carrying out the transactions contemplated by this resolution, and be it further

RESOLVED, that this Resolution be incorporated in the minutes of the meeting.



Adjournment

There being no further business to come before the Board, on the motion of Ms. Carey Cassidy, seconded by Chairman Buono, without any objections, the meeting was adjourned.

Jill B. Warner
Secretary

