NEW YORK STATE BRIDGE AUTHORITY

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Finance Committee Meeting Agenda
December 20, 2012

Committee Members
Roderick Dressel, Chairman
Richard Gerentine
Joseph Ramaglia

I. Adopt the Minutes of the September 20, 2012 Meeting

II. Review Annual Report on Committee Activities

III. Other Business:

IV. Adjourn

New York State Bridge Authority Finance Committee
Meeting Minutes of September 20, 2012

The New York State Bridge Authority's Finance Committee met at the Authority's Headquarters in Highland, New York, at 3:00 p.m. on September 20, 2012.

In addition to Finance Committee Chairman Roderick Dressel and Committee members, Richard Gerentine and Joseph Ramaglia those in attendances included:

Francis Vecellio
C. Vane Lashua
Roger Higgins
Joseph Ruggiero
Brian Bushek
Carl G. Whitbeck, Jr., Esq.

Upon a motion by Chairman Dressel and seconded by Mr. Ramaglia the Minutes of the June 21, 2012 meeting were approved unanimously.

A report was made by Mr. Bushek regarding the Operating Budget. Mr. Bushek indicated that that as required by §2801 of the Public Authorities Law, the Authority must submit its Operating Budget to certain government officials. Toll revenues in 2012 are projected at $52.0 million, up $14.8 million or 40% over prior year. This increase is attributable to the toll increase that took effect on January 30, 2012. The toll increase is generating revenues consistent with the expectation derived from the recent report of the traffic consultant completed in 2011. Traffic for year-to-date June was higher for all facilities at an average of 3.04%. Bear Mountain had the highest increase of 7.83% and Kingston Rhinecliff had the lowest at 2.04%. In 2013 the Authority projects revenues of $52.7 million. Mr. Bushek stated that the increase is attributed to the toll schedule being in place for the full calendar year, while in 2012 it was only in place for approximately 11 months.

Mr. Bushek went on to say that Interest income on investments will increase in 2012 as the Authority currently holds the proceeds from the 2012 series bonds. Income on those funds is projected to be low due to the Country's economic situation that continues to keep rates on interest bearing bank accounts, as well as U.S. Treasuries, at historic lows. Income on investments forecasted at $440,000 in 2012, is expected to fall $140,000 in 2013 as the Authority expends proceeds from the 2012 series bonds.

In 2010, the Authority was awarded a $3.45 million Port Security Grant from the Federal Department of Homeland Security to reimburse expenditures for security systems and traffic cameras at the Bear Mountain, Kingston-Rhinecliff and Rip Van Winkle bridges. The Authority matches 25%, or $1.150 million, on a $4.6 million contract. The Authority expects to receive the balance due ($0.6 million) of $3.1 million in 2012. Mr. Bushek further indicated that the Authority is also forecasting an additional grant in 2012 for $1.2 million which the Authority must match 25%. In 2013 the Authority is expecting the receipt of a $475 thousand Federal Grant to provide for navigation lights and other work on the Walkway Over the Hudson.

The Authority implemented two programs to generate non-toll revenue under Miscellaneous

Income. It began a program to advertise on its facilities in 2011. The Authority also invested in dark fiber and began leasing excess capacity. It is currently working to expand both opportunities to their full potential. Only revenues under contract are considered in the budget. The results combined mean total operating revenues in 2012 increase by $13.8 million, or 34% compared to 2011 and decline by $0.5 million, or 0.9% in 2013 as a result of the reduction in grant programs.

Mr. Bushek explained that the Authority's overall operating expenses, which were $27.4 million in 2011, are expected to rise 6.6%, or $1.8 million, and total $29.2 million in 2012. In 2013, the Authority projects costs of $30.3 million, an increase of $1.1 million, or 3.8%

Mr. Bushek also explained some of the more significant outlays or increases in operating expenditures in 2012-2013.

Salaries:

Accounting for $10.5 million, or 36%, of the total 2012 operating expense, salaries are expected to increase $404 thousand this year. This results from the pay increases under the collective bargaining agreement that took place in Q2 2011 being in place for the full year in 2012, step and longevity increases, and a projected reduction of in-house labor used for capital of $80 thousand. Salaries are expected to rise $80 thousand in 2013 as a net result of similar contractual pay increases and anticipated savings from staffing changes.

Employee Retirement:

Rate increases resulted in 2012 increasing by $429 thousand compared to 2011. In 2013 costs are expected to rise an additional $192 thousand, or 15.8%., based on the 2012-2013 estimate by the New York State and Local Retirement System. This is a result of the loss from investments in the pension system being recovered from employers normalized over 5 years.

Health Insurance:

2012 expenses are projected to show a $125 thousand increase and total $4.8 million, which is 16.4% of total operating expenses. Modest rate increases resulted in the small increase. As mandated in 2007 by new accounting standards, the Authority accrues expenses annually recognizing the future health insurance costs for both current and retired employees. Those expenses, currently unfunded, are $2.3 million in 2012 and $2.3 million in 2013. The total liability, which is being amortized over 30 years, is $44.6 million as of January 2011. In 2013, the Department of Civil Service estimates a 9.6% rate increase and the Authority's cost rises by $318 thousand, to $5.1 million.

Workers Compensation:

Workers compensation costs were $222 thousand in 2011. Through a combination of increase in claims losses in the recent past and industry wide premium increases, these costs are expected to grow 20% in 2012 to $267 thousand. In 2013 the costs are expected to rise to $337 thousand.

Commercial Insurance:

Insurance costs of $1.2 million are down $118 thousand, primarily as a result of the bridge property coverage renewal in 2012. 2013 expenses are projected at $1.3 million, reflecting small increases compared to 2012.

Professional Services:

Administration costs will decrease $159 thousand to $308 thousand this year, as General Counsel Services fell as a result of preparation for the toll increase, labor issues and E-ZPass procurement in 2011. In 2013, these costs remain static.

Engineering and Maintenance costs will rise $31 thousand in 2012 and fall $8 thousand in 2013. This is the result of costs for the maintenance inspections on the bridges. Costs are normally lower in the odd years when Rip Van Winkle and the smaller suspension spans at Mid-Hudson and Bear Mountain are subject to these inspections.

Maintenance and Repairs:

Operations costs increased by $82 thousand due to an increase in maintenance costs of security equipment and higher rate of Treadle failures than anticipated. In 2013 the increase of $270 thousand is attributed to primarily to maintenance on security equipment of $142 thousand and a reclassification of expenditures from the Engineering and Maintenance budget of $165 thousand related to NY State Police traffic control and Transcom.

Engineering and Maintenance costs increased in 2012 by $121 thousand primarily as a result of a net reduction of the equipment utilized for capital programs of $42 thousand and traffic control costs of $33 thousand. In 2013 costs fall $59 thousand primarily from the reclassification of the $165 thousand of NY State Police traffic control and Transcom.

Equipment Depreciation:

Items of equipment costing under $5 thousand are shown under equipment while items over $5 thousand are depreciated over a certain number of years determined to be their useful life. Operations expense for equipment increases to $368 thousand in 2012 and then falls to $309 thousand in 2013. At the same time, depreciation increases to $2.7 million in 2012 and is projected to remain relatively static in 2013. These increases result from the purchases related to the Command Center.

Note that there are significant differences between the budget filed under Public Authorities Law and the document filed with the Trustee, which shows expenses as per provisions of the General Revenue Bond Resolution. The Trustee budget does not indicate either the cost of equipment or depreciation. Equipment is defined as items costing between $100 and $5,000. Included in deprecation are the cost of buildings depreciated over a 30-year period and all pieces of equipment costing over $5,000.

In addition, the Bond Resolution's definition of operating expenses, in speaking to expenses for pension, retirement, group life insurance, health and hospitalization or other employee benefit funds, defines this expense specifically as the payment to these funds. After discussions with our bond counsel, it was determined that this definition was not intended to include accruals in these expenses, such as the one we make for the future health insurance benefits of our current and future retirees. The reasoning behind this is that the budget would more closely portray the actual cash flow to determine whether there were sufficient net revenues to meet our requirement of 1.75 times the debt service for the year.

Upon a motion made by Chairman Dressel and seconded by Mr. Gerentine, the Operating Budget was accepted and will be sent to the full Board with the Committee's recommendation for adoption.

A report was made by Mr. Bushek regarding Bridge System Net Revenues. Mr. Bushek indicated that as required by §7.13 of the Bond Resolution, the Authority must submit its bridge system net revenues to the Trustee for the bondholders. The summarized documents are the same as the Operating Budget except for noted differences, which shows expenses as per provisions of the General Revenue Bond Resolution. The Trustee budget does not indicate either the cost of

equipment or depreciation. Equipment is defined as items costing between $100 and $5,000. Included in deprecation are the cost of buildings depreciated over a 30-year period and all pieces of equipment costing over $5,000.

Mr. Bushek noted the Estimated 2012 and 2013 Bridge System Net Revenues that the net revenue requirement is $17.345 million in 2012 and $19.736 million in 2013. This is determined by multiplying the total debt service (principal and interest on outstanding bonds) for the year by 1.75. In our Bond Resolution, the Authority has covenanted that, upon annual review, our current and next succeeding year's net revenues (revenues less operating expenses) will provide for the net revenue requirement. Mr. Bushek explained if the net revenue requirement is not met, the Authority is obligated to engage a traffic consultant to propose a schedule of tolls that will provide sufficient revenues in the following year to comply with the requirement. This new schedule of tolls must be in place by April 1st of the next year. The Authority projected excess over the net revenue requirement. The excess, $13.115 million and $9.175 million in 2012 and 2013, respectively.

Upon a motion made by Chairman Dressel and seconded by Mr. Ramaglia, the Bridge System Net Revenues was accepted and will be sent to the full Board with the Committee's recommendation for adoption.

A report was made by Mr. Bushek regarding Budget and Financial Plan for 2013-2016. Pursuant to the authority vested in the State Comptroller by Section 5 of Article 10 of the New York State Constitution, Article 9 of the Public Authorities Law and Section 8 (14) of the State Finance Law, the State Comptroller adopted Regulation 2 NYCRR Part 203, "Budget and Financial Plan Format, Supporting Documentation and Monitoring – Public Authorities."

The Authority's 2013-2016 Budget and Financial Plan (the Plan) required by this regulation is includes the following: Budget and Financial Plan 2013-2016 including text, Condensed budgeted revenues, expenditures and changes in current net assets, Actual financial performance for 2011 and the change in estimates for the previously approved 2012 budget, Debt Schedule 2013 – 2016, Capital Improvement Program 2013 – 2017.

Upon a motion made by Chairman Dressel and seconded by Mr. Ramaglia, the Budget and Financial plan 2013-2016 was accepted and will be sent to the full Board with the Committee's recommendation for adoption.

Having no other business, the meeting adjourned at 3:12 pm.