

DELAWARE RIVER PORT AUTHORITY

Minutes

and

Index

December 15, 2010 Board Meeting

Wednesday, December 15, 2010

Roll Call

Approval of Report of the Chief Executive Officer – December 2010

Approval of Report of the Audit Committee

Approval of Report of the Compensation Committee

Approval of November Minutes – November 17, 2010 (previously mailed)

Approval of Operations & Maintenance Committee Report of November 17, 2010

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DRPA-10-152 Contract No. CB-18-2010, Commodore Barry Bridge Structural Repairs

DRPA-10-153 Procurement and Delivery of Highway Rock Salt for DRPA and PATCO Facilities

DRPA-10-154 Contract No. 18-C, PATCO Transit Car Overhaul Project

Approval of Finance Committee Report of December 1, 2010

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Adopted Resolutions Approved by Finance Committee of December 8, 2010

DRPA-10-142 A Resolution Requiring the Authority to Delay the Planned Bridge Toll Increase from \$4 to \$5 until at least July 2012

DRPA-10-156 2011 DRPA Capital Budget

DRPA-10-157 2011 DRPA Operating Budgets

DRPA-10-158 Resolution In Accordance With Sections 5.15 and 5.09 of the 1998 Determining that Net Revenues Satisfy the Net Revenue Indenture of Trust with TD Bank, N.A. as Trustee, to Adopt an Annual Budget of the Delaware River Port Authority for the 2011 Fiscal Year

DRPA-10-159 **Resolution In Accordance With Section 5.07 of the 1998 Port District Project Bonds Indenture Dated August 15, 1998 with The Bank of New York Mellon as Trustee, to Adopt an Annual Budget of the Delaware River Port Authority for the 2011 Fiscal Year**

DRPA-10-160 **Resolution In Accordance With Section 5.07 of the 1999 Port District Project Bonds Indenture dated December 1, 1999 with The Bank of New York Mellon as Trustee, to Adopt an Annual Budget of the Delaware River Port Authority for the 2011 Fiscal Year**

DRPA-10-162 **Resolution In Accordance With Section 5.07 of the 2001 Port District Project Bonds Indenture dated December 27, 2001 with TD Bank, N.A. as Trustee, to Adopt an Annual Budget of the Delaware River Port Authority for the 2011 Fiscal Year**

Monthly List of Payments – Covering the Month of November 2010

Balance Sheet – As of September 30, 2010

Report of Chairman

Unfinished Business

DRPA-10-145 **(Amending 10-044 adopted August 18, 2010) Implementation of Procedures for Sealed Bid Contracts and Contracts for Professional and Technical Services**

DRPA-10-140 **Chief Engineer, Director of Engineering**

New Business

DRPA-10-155 **Consideration of Pending DRPA Contracts (between \$25,000 and \$100,000)**

Adjournment

MINUTES of the regular bi-monthly Board meeting of the DELAWARE RIVER PORT AUTHORITY held Wednesday, December 15, 2010 at One Port Center, Camden, New Jersey.

Present

PENNSYLVANIA

John Estey, Chair
Robert Teplitz (Wagner) (via phone)
Robert W. Bogle
John Lisko (McCord)
John Dougherty
Robin Wiessmann
Frank DiCicco
Maria Quinones Sanchez

Officers & Chiefs

J. Matheussen, CEO
R. Box, PATCO, General Manager
R. Brown, General Counsel &
Corporate Secretary
R. Gross, Deputy CEO
J. Hanson, CFO
T. Brown, CAO
T. Pulte, COO
M. Venuto, Acting Chief Engineer

DRPA Staff

F. DiCicco, Administrative Coordinator
A. DuVall, Executive Assistant to CEO
J. Egan, Project Manager, Special Projects
N. Farthing, Executive Secretary, CFO
L. Hayes, Manager, Capital Grants
G. Hollingsworth, Assistant General Counsel
D. Hunter, Corp. Communications
K. Imperatore, Director of Fare Collection
K. Jacobson, Assistant General Counsel
E. Kasuba, Director of Corporate Communications
B. Kelly, Lieutenant, Public Safety
H. Korsen, Manager, Contract Administration
K. LaMarca, Director, IS
M. Lopez, Manager Gov. Relations
J. Lotierzo, Sr. Accountant, Finance
C. Maroney, Manager, Special Projects
S. Milner, Administrative Coordinator
T. Omiatek, Director, PATCO Finance
R. Only, Director, Homeland Security & Emergency
Mgmt.
O. Parker, Manager, Financial & Budget Analysis
J. Quinn, Director of Revenue

NEW JERSEY

Jeffrey L. Nash, Vice Chair
E. Frank DiAntonio
Richard Sweeney
Albert F. Frattali
Charles Fentress
Rick Taylor
Tamarisk Jones
Denise Y. Mason

Counsel

C. Gibson, Archer & Greiner, NJ Counsel
A. Kessler, Duane Morris, PA Counsel
S. Kosta, Duane Morris, PA Counsel

Others:

D. Gramiccioni, Authorities Unit
C. Blackshear, webcasting
E. McBride
J. Freedman
J. Andreas
K. Whelan
K. Clupper
E. Hanlon
R. Remington
B. Pansius
L. Conlin
B. Fitzwater
T. Devenny
A. Alston

DRPA Staff (Con't.)

J. Shea, Director, Equipment
C. Spicer, Asst General Manager, PATCO
S. Suder, Manager, Purchasing
J. White, Director of Finance
D. Whiton, Administrative Coordinator

The Corporate Secretary announced that public notice of this meeting was posted in the lobby at One Port Center and provided to representatives of the area news media. Mr. Brown then called the roll and announced that a quorum was present.

Public Comment

The Chairman announced that there are two speakers today and asked the Corporate Secretary to call them to the podium. The Corporate Secretary invited Jacob Freedman to the podium.

Mr. Freedman stated that raising the tolls was a golden opportunity to encourage use of public transportation. He also stated that there are important bridge repairs needed and he stated that he feels that an extra dollar will not be an undue burden on the public. He stated that he believes that a relationship with NJ Transit, SEPTA and other public transit organizations is necessary to make PATCO more useful to the public. He believes that the flimsy transfers with SEPTA should be replaced with tokens.

The Corporate Secretary then invited John Andreas to the podium.

Mr. Andreas identified himself as a citizen and taxpayer of Pennsylvania and an employee of Bombardier. He commented on DRPA-10-154, the PATCO Transit Overhaul Project. He stated that he has extensive experience in the transit industry. He stated that he believes that the use of Best and Final Offers (“BAFO”) to award work is standard in the industry. He cited several agencies that have used them successfully in awarding large contracts. He acknowledged that the bid documents did provide that PATCO could award work without going through the BAFO process. He stated that a BAFO was never requested in this instance. He stated that another industry practice is to hold back the best offer for the BAFO, which Bombardier did in this instance. By issuing a BAFO, the DRPA can save millions of dollars and decrease the time it takes to complete the project by over 2 years. In addition, the PATCO riders would get new car shells, as opposed to refurbished cars. He stated that the DRPA could issue a BAFO in less than a month if necessary; because the current offers are good into February of 2011 they will serve as a back up, if the DRPA does not like the BAFO proposals they can go back to the existing offers. He believes that leaving millions of dollars on the table is unusual and unnecessary.

Report of the Chief Executive Officer – December 15, 2010

Mr. Matheussen provided an update on the insurance issue raised by Commissioner Bogle at the last Board meeting, in response to the matter presented by Mark Lopez concerning the request that the DRPA received from Philadelphia Veterans Multi-Service & Education Center. The DRPA has had an agreement in place for a number of years with the Center that gives them access to South Marginal Road for parking purposes. Due to the planned redevelopment of the Pincus Building, the DRPA has been asked to move the parking privileges to North Marginal Road. Toni Brown has confirmed that North Marginal Road is specifically identified as a designated location covered by the Authority’s Commercial General Liability Policy. Ms. Brown also has confirmed that the Center has submitted a Certificate of Liability Insurance with appropriate limits, as well as an appropriate “Hold Harmless” agreement. Mark Lopez can fill in any further details and Toni Brown is available to respond to any further insurance-related questions.

Mr. Matheussen further reported that, in response to a question from Commissioner Mason at the last Board meeting regarding Toni Brown’s overview of changes made to the Authority’s Expense Account Policy, Ms. Brown researched whether our maximum allowable meal reimbursement is in

line with what is paid by other authorities and agencies in our region. The summary has been included in the materials provided to the Board at the meeting. As a result of the information that has been gathered, the Executive Staff is recommending that the policy language be changed from “not to exceed \$70 per day” to “not to exceed \$ 60 per day.” Ms. Brown answered questions from the Board on the issue.

Commissioner Bogle moved to adopt the GSA model of \$60 per day for meal reimbursement. Upon motion made and duly seconded, the Resolution was made the action of the Authority.

This concluded the CEO Report.

On motion duly made and seconded, the CEO’s report was approved.

Report of the Audit Committee – December 15, 2010

Chairman Estey called on Commissioner Teplitz to give the report of the Audit Committee.

Commissioner Teplitz announced that there would be no Audit Committee meeting following this meeting. The meeting will be rescheduled for a later date.

This concluded the report of the Audit Committee.

Report of the Compensation Committee – December 15, 2010

Chairman Estey called on Commissioner Lisko to give the report of the Compensation Committee.

Commissioner Lisko stated that the Board’s book contains a report on the November 2, 2010 meeting of the Compensation Committee and that at the next meeting a report from the December 9, 2010 meeting would be issued.

Chairman Estey suggested that the Board consider DRPA-10-140 now and the Board agreed.

Chairman Estey called on Mr. Gross to report on DRPA-10-140. Mr. Gross stated that the Compensation Committee determined that an appropriate salary for the Chief Engineer would be \$136,500. Mr. Gross stated that the DRPA is about to undertake the largest Capital program in DRPA history and Mr. Venuto is experienced and capable to undertake that responsibility. Mr. Gross asked the Board to approve DRPA-10-140 with a salary of \$136,500.

A discussion was held between Commissioner Dougherty and Commissioner Lisko regarding taking a comprehensive view of salaries at the Authority. Commissioner Lisko noted that given the size of the Capital program that the Compensation Committee believes this is an appropriate exception to take in order to retain Mr. Venuto to shepherd the Capital program.

On motion duly made and seconded, the following Resolution was unanimously adopted and made the action of the Authority:

DRPA-10-140 Chief Engineer, Director of Engineering

This concluded the report of the Compensation Committee

Approval of November 17 Board Minutes – November 17, 2010 (previously mailed)

The minutes of the November 17, 2010 Board Meeting of the Delaware River Port Authority were previously mailed to the Governor of New Jersey and the DRPA Commissioners.

Commissioner Teplitz asked that the Minutes reflect that at the November 17, 2010 meeting Chairman Estey observed that the “Special Project Funds” (DRPA-09-095) was approved unanimously at the December 9, 2007 meeting. Commissioner Teplitz reported that his notes show that he objected to the Resolution, although the Minutes show that it was approved unanimously. A review of the tape from that meeting shows that Commissioner Teplitz objected to the Resolution. The Minutes of the December 9, 2009 and November 17, 2010 Meetings will be corrected to reflect the proper date and the actual vote on the Resolution.

On motion duly made and seconded, the Minutes were approved.

Approval of Operations & Maintenance Committee Report of November 17, 2010

The report of the Operations & Maintenance Committee Meeting of November 17, 2010 was mailed to all Commissioners and there were no comments. On motion duly made and seconded, the Report of the Operations and Maintenance Committee was approved.

The Chairman asked permission to consider the following three Resolutions together.

On motion duly made and seconded, the following three Resolutions were unanimously adopted and made the action of the Authority:

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| DRPA-10-151 | Contract No. CB-19-2010, Commodore Barry Bridge Security and Lighting Improvements |
| DRPA-10-152 | Contract No. CB-18-2010, Commodore Barry Bridge Structural Repairs |
| DRPA-10-153 | Procurement and Delivery of Highway Rock Salt for DRPA and PATCO Facilities |

The Chairman called for a motion to approve DRPA-10-154 and following a motion and a second, he opened the floor to questions regarding this Resolution. PATCO General Manager Bob Box, Contract Administrator Howard Korsen, Assistant General Counsel Giuffre Hollingsworth, PA Counsel Alan Kessler and CEO Matheussen briefed the Board on the process DRPA followed on this project, the extensive process that preceded the DRPA’s decision and the implications of accepting a non-conforming proposal after the contract procurement process has been closed. Specifically, staff informed the Board that the process was comprehensive and very detailed. Mr. Box explained that the “Best Value” method of vendor selection was used. Mr. Box explained that the specifications clearly stated that the project may be awarded based on the initial proposals and no promise of a BAFO was made.

The process involved a six member team of staff reviewers who rated the proposals on 98 separate items. The Alstom proposal was technically superior to the Bombardier proposal. A third bidder was eliminated in the first round as being non-responsive. The winning bidder, Alstom, submitted a proposal that was \$13 million below Bombardier. After evaluating the

three initial bids, staff and the consultant met with the two remaining bidders, Alstom and Bombardier, to review their proposals and clarify any remaining questions, including why the initial bids exceeded the Engineer's Estimate. As a result of those meetings, the DRPA issued a revised RFP that included the clarified items. Alstom took advantage of the opportunity to submit an improved technical proposal. Alstom also reduced its price to \$194 million, which brought it below the Engineer's Estimate. Bombardier did not improve their technical proposal. In addition, in the second round, the price differential between Alstom and Bombardier increased.

Mr. Box further noted that the Alstom facility was superior to Bombardier's. Alstom proposed on the price schedule that was approved by the FTA, while Bombardier ignored that schedule and asked for more money up front. Mr. Box also stated that Alstom has a union shop and, therefore, its employees should have received training, Bombardier is not a union shop.

Mr. Box explained that Bombardier did not ask to revise their proposal until the Summary Statement and Resolution was made public, including the details of the Alstom pricing. Mr. Box noted that the new Bombardier proposal is not responsive to the original or revised RFP and he cited several FTA regulations which would not permit PATCO to consider the latest Bombardier proposal because it is not a responsive proposal, because the bid process was closed, and because the Alstom proposal had been made public. Mr. Box informed the Board that the FTA has been a part of the process and has stated that the process was done correctly. Mr. Box explained that if the Board opens this project up to a new bid process, the price currently available will likely be lost and PATCO could lose some of the federal money that is currently available. He asked the Board to approve DRPA-10-154.

Mr. Korsen, at CEO Matheussen's request, addressed the use of a consultant to ensure that the process was done correctly.

At CEO Matheussen's request, Mr. Hollingsworth addressed his communications with the FTA's Counsel on these issues, including the problems with re-opening the process when cost proposals have already been made public.

Commissioner Teplitz asked Mr. Kessler to address questions raised by the Auditor General with Counsel Kessler. Mr. Kessler stated that he has no reason to disagree with the statements of staff. Mr. Kessler stated that he had not had an opportunity to make a complete legal analysis and he believes that this is more a policy than a legal issue. Commissioner Teplitz asked whether there was time for a complete legal analysis of the process. He expressed concern about the process and would like to look at it more closely.

Mr. Box explained that the last Bombardier proposal would have opened the whole process because under the FTA rules the DRPA would have to reopen the entire process starting by issuing a revised RFP for response by all interested bidders. Mr. Matheussen echoed those thoughts.

Commissioner Teplitz wondered why a BAFO was never issued. Mr. Box reiterated that when the second round of proposals was received the disparity in price, technical quality and adherence to the RFP requirements was even greater and, therefore, a BAFO was not necessary. Further, there were good reasons why it is important to secure the price being

offered. Commissioner Teplitz wondered if there was time to have counsel really look at the issue and give us an opinion at the next Board meeting.

Commissioner Bogle expressed confidence in the process and stated that it would be a disservice to the successful bidder to revive the process and thereby give others who have now seen their proposal an unfair advantage.

Mr. Hollingsworth explained that Bombardier has not raised a legal question, but is asking the Board to make a policy decision to open the process. He stated that there are no legal issues that remain, only policy decisions.

Commissioner Nash stated that he believes that the new Bombardier offer is not really a BAFO, but a new offer.

Mr. Matheussen stated that there is time to obtain a legal opinion on the matter. He further pointed out, however, that the winning bidder and Bombardier are bidding on other, larger projects and thus, there is some risk that the winning bidder will get other work that will delay PATCO having its work done and will reduce the interest of these bidders.

Commissioner Jones asked if there was a risk of losing the federal money available for this project. CEO Matheussen stated that he did not believe that a 2 week delay will jeopardize the federal dollars, but opening the bid process might.

Mr. Brown asked what legal issues Commissioner Teplitz would like to have addressed. Commissioner Teplitz stated that he has some “discomfort” based on what he is hearing from Bombardier. He would like to have a memo that puts all issues in one place.

Commissioner Lisko asked if the Board can take action on this issue and ask Mr. Matheussen to hold off on signing the contract while Mr. Kessler addressed the legal issue regarding the BAFO.

Commissioner Wiessmann asked that we remind vendors that they cannot rely on there being BAFO as they are not guaranteed.

The Chairman called for a vote on DRPA-10-154.

Upon motion duly made and seconded, the following Resolution was unanimously adopted and made the action of the Authority with an amendment that outside counsel provide a memo on the issues in two days and that the CEO hold off on signing any contract until the memo is produced:

DRPA-10-154 Contract No. 18-C, PATCO Transit Car Overhaul Project

Commissioner Teplitz abstained from voting.

Approved Finance Committee Report of December 1, 2010

The Report of the Finance Committee was previously mailed to all Commissioners and there were no comments.

On motion duly made and seconded, the Report of the Finance Committee was approved.

Approved Finance Committee Report of December 8, 2010

The Report of the Finance Committee Meeting of December 8, 2010 was electronically transmitted to all Commissioners and there were no comments. Chairman Estey asked that the PATCO Board Meeting be opened in order to approve the Finance Committee Report of December 8 because the two Finance Committees met simultaneously that day. The Board agreed and the Corporate Secretary called the roll for the PATCO Board meeting.

On motion duly made and seconded, the Report of the Finance Committee was approved.

The Chairman requested that the PATCO Board meeting be left open to consider the DRPA and PATCO budgets together.

The Chairman called for consideration of the DRPA and PATCO Capital and Operating Budgets. The Board received a follow-up presentation from the DRPA CFO John Hanson, the DRPA Financial Advisors and CEO John Matheussen. The Board has previously considered the Resolutions during several Committee and Board meetings. The Board engaged in a thorough and lively discussion of the issues surrounding the DRPA Capital Budget and the DRPA and PATCO Operating Budgets.

Commissioner Nash asked if by approving the Capital Budget the Board was locking itself into the Capital projects individually or if they could decline projects later. Mr. Hanson explained that the Board can make the decision to defer or remove projects that are in the Capital Budget if they are not under contract, but that the PATCO Car Overhaul Project, which was just approved, is 20% of the Capital Budget.

CEO Matheussen explained that the projects are brought to the Board individually and will be examined individually. He invited the Board to look at every project in the Capital program.

Commissioner Nash explained that the Finance Committee intends to examine every project in the Capital Budget on an annual basis and over a multi-year period.

On motion duly made and seconded, the following Resolution was unanimously adopted and made the action of the Authority:

DRPA-10-156 2011 DRPA Capital Budget

Mr. Hanson made clear that the Operating Budgets include no raises for employees, except those that are contractually obligated. He further explained the decreases in the Operating Budgets.

Commissioner Bogle expressed that it is inherently wrong that some employees will be getting raises and others will not. He stated that he believes this issue should be addressed.

Commissioner Nash congratulated the staff on producing a budget that reflects the economy. He acknowledged the difficulty in decreasing a budget in the current environment.

Mr. Hanson noted that this is an effort on the part of every employee here at the DRPA and PATCO, not just the Finance Department or the Executive Staff.

Commissioner Sweeney asked how many years it has been since employees got raises. CFO Hanson explained that non-represented employees did not get a raise last year and employees at the Director level and above have not received a raise since 2008.

Commissioner Teplitz asked about the Fleet Management Program and whether it would be cost-neutral. Deputy CEO Gross stated that it would be.

CFO Hanson explained that the Internal Audit Department will be combined with the Inspector General function. He stated that they have budgeted \$50,000 for those additional responsibilities. He explained that there will be no Director of Internal Audit and that position will be replaced by the Inspector General. He explained that depending on the job description, funds may have to be moved or the Board will have to approve additional monies.

Mr. Gross explained that personnel in Fleet Management will be cost neutral, but that it will save money with regard to vehicles. He stated that the Director position will be created and another position will be eliminated.

Commissioner Dougherty stated that we need to have a process.

Mr. Pulte explained that there will be overall savings in the Department. One employee may get a raise, but the Department overall will create a savings.

CEO Matheussen highlighted staff's comments and explained that one employee may get a raise, but that the Department overall will create significant cost savings by consolidating four silos of business. He stated that we have already seen significant savings and have taken 60 vehicles out of service, which saves on insurance and other costs. He stated that the one position is not cost-neutral, but that the Department as a whole will create a cost savings.

Commissioner Teplitz asked who the Director would be and what the Director's salary would be. CEO Matheussen stated that we do not know what the pay will be or who it will be.

CFO Hanson stated that the Finance Department is functioning under the assumption that the employee would not be receiving a raise and the budget reflects that assumption.

Commissioner Teplitz asked what the salary range of the position was. Ms. Brown left the room to obtain that information.

Commissioner Dougherty stated that he does not go outside in his organization when he has a new job to do. He uses someone that is currently working for him. He stated that from a perception standpoint, the Board needs to be more fiscally responsible and more transparent with less.

CFO Hanson stated that the budget was prepared with cost neutrality, which assumes that the position will be filled with a person that works here already with no increase in salary.

Commissioner Teplitz stated that this seems to be a moving target. He stated that the Board was promised the information at Budget time and now that it is here, the Board is not getting that information.

Ms. Brown returned with the salary information. The position is an E2 level position with the low range being \$89,885, the mid-point is \$112,355 and the high range is \$134,800. She explained that the Authority's policy is to pay at least the low end of the applicable salary range.

Commissioner Dougherty asked about legal budgets and whether the budget process looks at outstanding litigation, investigations, etc. CFO Hanson explained that the Finance Department gets estimates from individual departments based on their experience in the previous year and what the department forecasts for the next year. Finance makes projections by looking at that information and generally makes cuts. This year, Finance did make cuts to the Legal Department.

Commissioner Dougherty asked about the process and how the conversations with the individual departments are handled. CFO Hanson explained that the Finance team meets with each department and goes through the each issue on their budget. He explained that ultimately a decision is reached. Commissioner Dougherty alluded to an FBI and US Attorney investigations. Mr. Brown stated that he is not aware of an FBI or US Attorney investigation. Commissioner Dougherty asked if specifics of litigation were discussed, for instance, he believes the Board was told that the Lawless case created a \$000,000 to \$000,000 exposure [Commissioner Dougherty stated particular amounts, which have been excluded from the Minutes as privileged]. Chairman Estey stated that this was discussed in Executive Session and should not be discussed publicly. Commissioner Dougherty said he did not remember whether it was in Executive Session or not and, if he did something he should not, he would apologize. Chairman Estey pointed out that Commissioner Dougherty may have put the DRPA at a disadvantage in future litigation.

Commissioner Dougherty asked about PATCO. He stated that he disagrees with the PATCO subsidy, which he referred to as a deficit. CFO Hanson stated the subsidy is not a deficit in the budget. He explained the process for arriving at the PATCO subsidy, which involves both the DRPA and PATCO Finance teams. CFO Hanson stated that the CEO asked for a 2% decrease in all Operating Budgets. He explained that the Finance Department worked very hard to reach that target. CFO Hanson stated that at PATCO in particular, he is concerned about meeting budget. Specifically, the estimates for materials and power are low and it will take much effort to meet those numbers. CFO Hanson noted that the biggest budget items are employee costs, i.e., salaries, employee service expenses, insurance, taxes.

Commissioner Dougherty asked if we have paid down debt. CFO Hanson explained that we will pay about 40% of the old debt over the next 10 years.

Commissioner Nash asked how the debt will be paid down over the last 10 years and how the SWAPs will be unwound. CFO Hanson explained the process in place to do so. He explained that the SWAP commitment will decrease along with the debt.

Commissioner Dougherty asked what the Authority will pay in debt service for 2011. CFO Hanson estimated that it is about \$125 million with an additional \$11 million in LOC and other fees. Commissioner Dougherty also asked about maintenance costs and CFO Hanson explained the Authority's maintenance costs.

Commissioner Dougherty asked about other income, for instance, marketing, etc. He further asked if we have been able to save on electricity costs. He believes that we have the ability to save significantly on power because of our usage; he believes we are the largest user in the region and we should be at the head of the line.

CFO Hanson pointed out that PATCO has made \$400,000 in marketing initiatives this year.

CEO Matheussen asked Mr. Box to comment on the purchase of power. Mr. Box explained the process for shopping for power in New Jersey and told the Board that Pennsylvania would be de-regulating in 2011 and, at that time, PATCO will be re-bidding power in Pennsylvania; PATCO has been in conversations with SEPTA and Amtrak, both of which are larger users, about purchasing power jointly.

Commissioner Teplitz asked how the unspent economic development money was accounted for in the Budget. CFO Hanson explained that it is not in the budget because it is not Operating or Capital item. He explained that the money is tracked and the Finance Department did make a list, but it is not represented in the Budget.

Commissioner Teplitz asked if the Board would get a recommendation on what amount can be re-allocated for another purpose. CFO Hanson stated that the Finance Department has reached out to all organizations where the money is not contractually obligated and asked where these organizations stand on the projects that might be funded with DRPA economic development funds, and what level of reliance the organization has on the money. He stated that it will be up to the Board to make the determinations on what money they want to withdraw.

Commissioner Teplitz asked that it be put on the agenda for the next meeting, assuming that none of the money will be "lost" due to the passage of time. CFO Hanson assured Commissioner Teplitz that no money is being spent or new contracts signed until the Board gives direction.

Commissioner Teplitz asked what number was placed in the budget for the Fleet Management Director. CFO Hanson explained that the number is based on the Manager level salaries of the employees who would be considered for the position. No increase was built into the budget. Commissioner Teplitz asked if giving a raise will interfere with the Budget. CFO Hanson said no.

Vice Chair Nash asked whether the CFO could let the Board know where any difference in money would be drawn from, and the CFO agreed to provide that information.

On motion duly made and seconded, the following Resolution was unanimously adopted and made the action of the Authority:

On motion duly made and seconded, the following Resolution was unanimously adopted and made the action of the Authority (note that the 2011 PATCO Operating Budget was amended based upon the vote on PATCO 10-035, below):

PATCO-10-036 2011 PATCO Operating Budget

Commissioner Bogle left the meeting.

The Chairman requested that the Board consider PATCO-10-035 at the same time as DRPA-10-142 as the two issues are related. A thoughtful and comprehensive discussion of the issues was held, in particular, the feasibility of deferring an increase in the bridge toll, the PATCO fares or both with a particular focus on the potential reaction of the municipal bond rating firms Moody's and Standard and Poor's.

Commissioner Teplitz asked if there is any other information on these Resolutions from the Financial Advisors that differs from what they reported at the last meeting. In addition, he asked if any feedback was received on the idea of deferring half of the \$1.00 increase, as opposed to the entire \$1 increase.

CFO Hanson explained that there is still significant risk if the \$.50 deferral is undertaken and Ms. Whelan agreed.

Vice Chair Nash clarified that DRPA-10-142 is premised upon returning the economic development money in order to finance the toll increase. He stated that the Financial Advisors have said that this is not the case. CFO Hanson agreed that the economic development funds cannot be used to finance the deferral of the toll increase.

Commissioner Dougherty explained his reasons for drafting the Resolution as it currently stands. He stated that he is trying hard to instill a mind set that we not increase tolls every couple of years. He stated that he has never had as much public outcry as he had on this issue. Commissioner Dougherty does not want to take our problems out on the toll payer.

CFO Hanson highlighted the modest increases in budget over the last several years. Under this Board and the CEO, there has been an increased focus on savings.

Commissioner Dougherty asked if the Board has an understanding of the Governor's position on the toll increase. Vice Chair Nash responded by saying that we have a responsibility to be responsible regarding the Authority and the Board must avoid an \$8 toll that our Financial Advisors tell us might be the outcome of a financial calamity. Vice Chair Nash stated that he knows people are suffering, and he gets it, but understands that we have a responsibility.

Commissioner Dougherty stated that Vice Chair Nash has emphasized on every other issue that he knows the Governor's position. He further stated that when one issue was vetoed by the Board, the New Jersey Commissioners sent a letter stating that it was wrong because it disagreed with the Governor. Commissioner Dougherty emphasized the need for a game plan for moving the Authority forward financially.

Vice Chair Nash stated that we need to grapple with the PATCO fare increase deferral today. He stated that the Finance Committee intends to scrub the Capital budget over the next six months. He intends to work on deferring the toll increase, but PATCO needs to be done today.

Commissioner Teplitz asked if the same concerns exist for the PATCO fare increase as exist for the toll increase.

Kim Whelan stated that she believes if the PATCO fare increase is realigned with the toll increase it will not have a downgrading affect, assuming that the toll increase deferral is no longer being considered; however, if the Board is stating that a deferral of the toll increase is going to come up again after “scrubbing” the Capital budget, the Authority is at risk for a downgrade.

Kathy Clupper agreed with Kim Whelan’s statements and further explained that the critical point is that if the toll increase is not instituted, the Authority will not be able to fund its Capital program.

CFO Hanson stated that the PATCO Fare increase is important to the Ratings Agencies for two reasons: first, the Rating Agencies have written about their concern over an increasing PATCO subsidy, but the current budget decreases the subsidy, and second, the Board’s action on the PATCO fares have predictive value for what the Board will do with regard to the toll increase. He further stated that the PATCO deferral is less risky on its own, provided that the toll increase remains in place.

Commissioner Teplitz asked whether he is correct in his understanding that the PATCO fare deferral would not have an impact if the toll increase remains in place. Kim Whelan said that he is correct in his understanding and CFO Hanson agreed as well. Commissioner Teplitz stated that this seems contrary to the effort that he believed was going to be made to delay the toll increase. He also asked if we are taking a risk to give a “break” to one smaller group of customers at the expense of a much larger group of customers.

CFO Hanson stated that he believes that the small amount of revenue affected by the PATCO fare increase will not cause a downgrade. He further stated that if the Board is going to continue to consider the toll increase, this could create a downgrade.

Vice Chair Nash pointed out that the Board would simply be re-aligning the fare increase with the toll increase.

Commissioner Teplitz wondered if it makes more sense to discuss delaying the PATCO fare increase later so that we are not locking ourselves in to not being able to defer the toll increase.

Kim Whelan stated that there is no option on the toll increase. She stated that the Board should not delay the toll increase. She explained that there is no magic or anything to pull out of the hat. She stated that she believes the message needs to be sent to the Rating Agencies today that both the fare and toll increases will happen in July 2011.

Chairman Estey pointed out that there is no guarantee that the Authority will not be downgraded based only on the PATCO fare increase deferral. CFO Hanson and Kim Whelan agreed.

Commissioner Teplitz asked whether he is correct that if the Board passes the PATCO fare increase deferral, then the toll increase deferral discussion needs to be over. CFO Hanson agreed that the discussion of the toll increase deferral needs to be over. He laid out the Capital commitments and the fact that there is no money available to cover those costs.

Vice Chair Nash stated that the mere contemplation of the toll increase could cause a downgrade.

Chairman Estey stated that the Board is locked into the toll increase. He stated that we have no option to defer the toll increase.

Commissioner Teplitz stated that a vote for the PATCO fare increase deferral is a vote against the toll increase deferral. He explained that if the Board votes to defer the PATCO fare increase, then it cannot defer the toll increase.

Vice Chair Nash disagreed and stated that the Financial Advisors are telling us that we cannot defer the toll increase.

Commissioner Dougherty commented further on the special discounts programs.

Commissioner Sanchez agreed that the Board should look at discounts for senior citizens and frequent users.

CFO Hanson responded that the senior discount is already greater than 50% of the toll. He further noted that any other increase in discount programs could cause a downgrade. He stated that the toll increase program involved the discount programs and any change in the discounts is risky and any discussion of discounts is also risky.

On motion duly made and seconded, the following Resolution failed:

**DRPA-10-142 A Resolution Requiring the Authority to Delay the Planned
Bridge Toll Increase from \$4 to \$5 until at least July 2010**

Commissioners Dougherty voted for the Resolution. All other Commissioners voted no.

Chairman Estey then called for consideration of PATCO Resolution 10-035 (Deferral of Fare Increase to July 1, 2011). After a Motion and second, the Commissioners began to vote. As the Corporate Secretary was attempting to determine the votes for and against the Resolution, Vice Chair Nash requested a recess, which was agreed. Upon reconvening, Mr. Brown was asked to clarify the intent of the Resolution

Mr. Brown explained that the Resolution's intention is to realign the fare increase with the toll increase. Mr. Brown stated that Vice Chair Nash believes that the intention of the Board was always to keep the tolls and fares on the same schedule, and the failure to move the PATCO fare increase to July 2011 was an oversight and this Resolution simply realigns the timing.

Vice Chair Nash explained that the Resolution was amended since Monday, not substantively, but rather to better explain the intent.

Commissioner Lisko asked why the percentage increases are not the same with the PATCO fare increase and the toll increase.

CFO Hanson noted that a vote to defer the PATCO fare increase to July 1, 2011 will require that the PATCO Operating Budget, and the four Finance Committee resolutions that will be adopted later in the meeting will be revised to reflect the change in PATCO Revenues.

Commissioner Wiessmann stated that she believes that aligning the two increases will make financial planning aspect easier. She acknowledged that there is no way to make it all even.

Commissioner Lisko stated that the Board needs to acknowledge that the toll payers subsidize PATCO. He stated that this decision is asking the Board to put PATCO at the front of the line. He believes that the vote on the increases are connected and if you vote no on one, then you vote no on both.

Chairman Estey stated that Commissioner Lisko was not here when the analysis on the increase was done and he offered to summarize that analysis. He further stated that it is no secret that the bridges subsidize PATCO.

Commissioner Lisko asked if perhaps PATCO should be subsidized by the state government of New Jersey or Philadelphia city government. He believes this is giving a benefit to PATCO that is not given to the bridge toll payers.

Mr. Box stated that a prior Board decided that a comprehensive transit program was necessary. That Board determined that the bridge riders benefit from PATCO by less competition on the highways and for parking spaces, etc.

Commissioner Dougherty stated that he thought that he had a different understanding. He stated that he is not indicating by his resolution that PATCO is not needed, he just believes that we may not be the agency to operate it.

Commissioner Teplitz raised the concern that we are re-taking a vote that was already taken.

On motion duly made and seconded, the following Resolution was approved and made the action of the Authority; as noted by CFO Hanson, the PATCO Operating Budget and the attachments to the following four Resolutions will be amended to reflect the changes in the PATCO Operating Budget:

PATCO-10-035 Deferral of PATCO Fare Increase to July 2011

Commissioners Estey, Dougherty, Sanchez, Bogle, Wiessmann, DiCicco, Nash, DiAntonio, Jones, Fentress, and Mason and voted yes. Commissioners Lisko and Teplitz voted against the Resolution.

On motion duly made and seconded, the following Resolution, including the adjustments required by the adoption of PATCO-10-035, was unanimously adopted and made the action of the Authority:

DRPA-10-158 Resolution In Accordance With Sections 5.15 and 5.09 of the 1998 Indenture of Trust dated as of July 1, 1998 with TD Bank, N.A. as Trustee, to Adopt an Annual Budget of the Delaware River Port Authority for the 2011 Fiscal Year

On motion duly made and seconded, the following Resolution, including the adjustments required by the adoption of PATCO-10-035, was unanimously adopted and made the action of the Authority:

DRPA-10-159 Resolution In Accordance With Section 5.07 of the 1998 Port District Project Bonds Indenture dated August 15, 1988 with The Bank of New York Mellon as Trustee, to Adopt an Annual Budget of the Delaware River Port Authority for the 2011 Fiscal Year

On motion duly made and seconded, the following Resolution, including the adjustments required by the adoption of PATCO-10-035, was unanimously adopted and made the action of the Authority:

DRPA-10-160 Resolution In Accordance With Section 5.07 of the 1999 Port District Project Bonds Indenture dated December 1, 1999 with The Bank of New York Mellon as Trustee, to Adopt an Annual Budget of the Delaware River Port Authority for the 2011 Fiscal Year

On motion duly made and seconded, the following Resolution, including the adjustments required by the adoption of PATCO-10-035, was unanimously adopted and made the action of the Authority:

DRPA-10-161 Resolution In Accordance With Section 5.07 of the 2001 Port District Project Bonds Indenture dated December 27, 2001 with TD Bank, N.A. as Trustee, to Adopt an Annual Budget of the Delaware River Port Authority for the 2011 Fiscal Year

Received and Filed Monthly List of Payments Covering the Month of November 2010. On motion duly made and seconded, the Monthly List of Payments covering the month of November 2010 was received and filed.

Commissioner Bogle abstained from voting on any items involving the Philadelphia Tribune.

Report of Chairman

None.

Unfinished Business

Item 1 - (Amending 10-044 adopted August 18, 2010) Implementation of Procedures for Sealed Bid Contracts and Contracts for Professional and Technical Services

The Chairman called on Mr. Venuto to address this Resolution. Mr. Venuto stated that this Resolution asks the Board to implement Policy Series 303a and to modify Resolution DRPA-10-044. The O&M Committee recommends that price become a factor in awarding contracts after a firm has been technically qualified. The current policy also discussed the final selection consultant selection committee. In the current 303a, staff makes a report to the Consultant Selection Committee, which was theoretically composed of the Chair, Vice Chair and CEO, but in practice was the Assistant to the Chair, Assistant to the Vice Chair and Deputy CEO. The two assistant positions have been eliminated. In discussions with the O&M Committee, staff and the O&M Committee agreed that staff would report to O&M and that staff and O&M would make a joint recommendation to the Board.

On motion duly made and seconded, the following Resolution were unanimously adopted and made action of the Authority:

**DRPA-10-145 (Amending 10-044 adopted August 18, 2010) Implementation of
Procedures for Sealed Bid Contracts and Contracts for Professional
and Technical Services**

Item 2 - Chief Engineer, Director of Engineering

This item was dealt with out of order at the start of the meeting.

New Business

Item 1 – Consideration of Pending DRPA Contracts (Between \$25,000 and \$100,000) –

Steve Suder advised the Board that the list of contracts was included in the Board package.

On motion duly made and seconded, the following Resolution was unanimously adopted and made the action of the Authority:

**DRPA-10-155 Consideration of Pending DRPA Contracts (Between
\$25,000 and \$100,000)**

Item 2 – Requiring the Authority to Sell or Privatize PATCO

Chairman Estey called on Commissioner Dougherty to address the Resolution.

Commissioner Dougherty stated that the DRPA is carrying PATCO for at least \$20 million. He stated that he believes with ridership up that perhaps this may be a good time for the Board to sell PATCO. He stated that he would be willing to spend the money to pay for a consultant to find out what PATCO is worth. He believes it should be thoroughly vetted and should not be shut down in this building without vetting.

Commissioner Fentress stated that the federal government and the states were involved in the establishment of PATCO. He believes that the Board needs to look at whether legally the Board can do this.

Commissioner DiCicco stated that he appreciates the effort on Commissioner Dougherty's part. He stated that he and most Pennsylvania Commissioners will not be here. He recommends that this be tabled until the new Commissioners are installed. He stated he is not disapproving the Resolution, but thinks it should not be considered today.

Vice Chair Nash stated that he is not opposed to tabling the Resolution, but he is opposed to the Resolution. He is concerned that privatizing will result in much higher fares because a private entity who will need to make a profit.

CEO Matheussen stated that he is not disagreeing with the Resolution, but he wants to point out that the employees at PATCO are concerned that they will not have a job tomorrow. A lot of people with PATCO are eligible to retire. He stated that he believes that employees already believe that a lot of the reforms are directed at them, even where they are not. Our own Financial Advisors are on retainer and we can obtain their advice on the marketability of PATCO. Speculation about a possible sale or privatization only adds more stress for the employees. The CEO recommends that a process be started where professionals are brought in to provide input. Maybe it is a good idea, or maybe it is not.

Commissioner Lisko asked to amend the Resolution and Chairman Estey questioned whether this needs super majority approval.

Commissioner Teplitz stated that the Chairman, Vice Chair and CEO are the only ones not permitted to add items to the Agenda without 48 hours notice. He stated that Board Members are permitted to add anything to Agenda at any time. Chairman Estey disagreed, but asked that Commissioner Lisko state his amendment.

Commissioner Lisko amended the resolution to call for the Board to approve a study of the sale or privatization of PATCO. Chairman Estey asked for a Motion and second and called the vote.

Vice Chair Nash and Commissioners Fentress, Mason, Jones, and DiAntonio voted no. The Motion failed. (The Pennsylvania votes were not recorded).

Commissioner Dougherty raised the issue of PAPSA. He stated that he would like to recapture the DRPA's \$90,000. Chairman Estey explained that this organization asked him for information on health care costs, energy purchasing, best practices, etc. It morphed into an organization of agencies in 2009. An agreement exists among the membership agencies, which was vetted by our Legal Department and others. Chairman Estey explained that there was a kick off expo at which Ms. Brown was present.

Ms. Brown explained that the DRPA was asked to share information on their success at diversity programs. Further, Ms. Brown explained that businesses wanted more information on how to do business with the DRPA. The group wanted more information about the DRPA's outreach programs in educating the public about the DRPA and PATCO.

Chairman Estey indicated that DRPA contributed \$90,000 for 3 years of dues. Other organizations also made dues payments for a total of \$165,000. The Small Business Expo cost about \$33,000 and there is \$130,000 remaining in the bank for this organization.

The Chair expressed that he believes that this is a very important organization. He believes it is being unfairly targeted in the media. He believes the remaining \$130K will be distributed pro rata. Only the Parking Authority asked for a return of funds.

Commissioner Dougherty stated that he just wants to be consistent. He acknowledged that if he is being told to wait for the accounting from PAPSA then he will do that. He does not want the DRPA to be the last one.

Chairman Estey asked for a motion to adjourn and the meeting was adjourned.

Respectfully submitted,

Richard L. Brown,
Corporate Secretary

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