

DELAWARE RIVER AND BAY AUTHORITY

AUDIT & GOVERNANCE COMMITTEE MEETING

Tuesday, May 20, 2014

Delaware Memorial Bridge Complex
New Castle, Delaware

A public meeting of The Delaware River and Bay Authority's Audit & Governance Committee was held on Tuesday, May 20, 2014, at the Delaware Memorial Bridge Complex, New Castle, Delaware.

Commissioners from New Jersey

PRESENT

Committee Vice-Chair Smith
Commissioner Mroz, Committee member
Commissioner Van Sant, Committee Member
Commissioner Dorn
Commissioner Wilson
Chairperson Hogan

Commissioners from Delaware

Committee Chair Downes
Commissioner Lathem, Committee Member
Commissioner Murphy
Commissioner Traynor

Vice-Chairperson Lowe

Legal Counsel

Phil Norcross - NJ

Mike Houghton – DE

Governors' Representatives

Kerstin Sundstrom - NJ

Staff

Scott Green
Frank Minor
Victor Ferzetti
Jim Walls
Gerry Owens
Charlotte Crowell
Anna Marie Gonnella Rosato
Joe Nadal
Jim Salmon
Michelle Hammel
Steve Williams
TJ Murray
Heath Gehrke

Invited Guests

CliftonLarsonAllen
Nancy Gunza
Andy Lee

Brown Advisory
Jim Dugan
Jeff

1. Committee Chair Downes welcomed the Audit & Governance Committee and opened the meeting at 9:02 a.m. The Deputy Executive Director reported that the public meeting of the Audit & Governance Committee had been duly noticed in accordance with the Authority's Freedom of Information Regulations, read the Statement of Notice, and called the roll.

2. Committee Chair Downes called for a motion to accept the Audit & Governance Committee Minutes from February 11, 2014. Commissioner Smith made a motion, Commissioner Lathem seconded, and the Committee Minutes were accepted.

3. Review of 2013 Audit:

The Chief Financial Officer (CFO) introduced the Authority's Independent Auditors, Nancy Gunza and Andy Lee, from CliftonLarsonAllen, who made a presentation on the results of the FY 2013 Audit. The following was presented and discussed.

- Audit Focus Areas
- 2013 Audit Results - Governance Communication
 - Auditors Responsibility
 - Accounting Policies
 - Significant Estimates - management has a reasonable basis for significant judgments and estimates that impact the financial statements
 - No disagreements with Management or difficulties encountered
 - Misstatements – there were no uncorrected misstatements. No corrected misstatements were material to the financial statements.
 - Other Significant Findings or Issues – one significant deficiency in internal control identified; however, we have issued a management letter with some additional observations and recommendations for improvement.
- GASB Update

The CFO introduced Joe Nadel, Controller and CPA, who reported that the transaction was a pass through grant and those types of projects will now be reviewed when the project is opened and when it is closed. He will be providing an additional level of review in an effort to prevent future recording errors.

Committee Chair Downes questioned Ms. Gunza as to whether there were any issues or matters as a result of the FY 2013 Audit which needed to be addressed in Executive Session and she reported there were none. Commissioner Mroz questioned any planned changes to internal controls as related to the deficiency. Commissioner Mroz questioned the process of acceptance of the Audit. It was reported the recommendations of the Auditors would be presented to the Committee and then finalization of the Comprehensive Annual Financial Report (CAFR).

The Committee thanked the Auditors for their presentation.

4. Miscellaneous:

The Executive Director (ED) reported that on April 29, 2014, Commissioner Guajardo resigned from the Board of Commissioners and his resignation was accepted by Governor Markell. The ED reported that the Governor is actively working to fill the vacancy.

5. With no further business to discuss, Commissioner Van Sant made a motion to adjourn and the Audit & Governance Committee meeting adjourned at 9:17 a.m.

DELAWARE RIVER AND BAY AUTHORITY

BUDGET & FINANCE COMMITTEE MEETING

Tuesday, May 20, 2014

Delaware Memorial Bridge Complex
New Castle, Delaware

A public meeting of The Delaware River and Bay Authority's Budget & Finance Committee Meeting was held on Tuesday, May 20, 2014, at the Delaware Memorial Bridge Complex, New Castle, Delaware.

Commissioners from New Jersey

PRESENT

Committee Chair Mroz
Commissioner Smith, Committee Member
Commissioner Van Sant, Committee Member
Commissioner Dorn
Commissioner Wilson
Chairperson Hogan

Commissioners from Delaware

Committee Vice-Chair Traynor
Commissioner Downes, Committee Member
Commissioner Murphy, Committee Member
Commissioner Lathem

Vice-Chairperson Lowe

Legal Counsel

Phil Norcross - NJ

Mike Houghton - DE

Governors' Representatives

Kerstin Sundstrom - NJ

Staff

Scott Green
Frank Minor
Victor Ferzetti
Jim Walls
Charlotte Crowell
Gerry Owens
Anna Marie Gonnella Rosato
Michelle Hammel
Joe Nadel
Travis Crawford
TJ Murray
Jim Salmon
Shoukry Elnahal
Dave Hoppenjans
Greg Pawlowski
Heath Gehrke

Invited Guests

Brown Advisory
Jim Dugan
Steve Shutz

1. Committee Chair Mroz opened the Budget & Finance Committee meeting at approximately 9:18 a.m. The Deputy Executive Director reported that the public meeting of the Budget & Finance Committee had been duly noticed in accordance with the Authority's Freedom of Information Regulations, read the Statement of Notice, and called the roll.

2. Committee Chair Mroz called for a motion to accept the Budget & Finance Committee Minutes from April 15, 2014. Commissioner Murphy made a motion, Commissioner Smith seconded, and the Committee Minutes were accepted.

3. Resolution:

a. **RESOLUTION 14-15 – AUTHORIZES AUTHORITY EXPENDITURES PURSUANT TO RESOLUTION 01-84 FOR THE PERIOD, JANUARY 1, 2014 THROUGH DECEMBER 31, 2014**

The Chief Financial Officer (CFO) presented and reviewed the Over \$25,000 Vendor List noting the equipment purchases for the ferry vessels are intended to help identify issues on vessels before they impact crossings/services. Committee Chair Mroz questioned the Tonnage Reduction Study and why there was no information included regarding receiving additional proposals. The CFO reported that, in accordance with Resolution 98-31, professional services contracts under \$50,000 do not require quotes; however, staff did reach out to three (3) firms. Two (2) of the firms were responsive and quotes received were \$46,000 and \$48,000. Staff determined, the dollar amounts being relatively equal, that Rolls-Royce Marine, N.A. was the best choice for services. The Study is comprised of two (2) components: Phase I – the study of the impact of the weight additions and, if warranted, Phase II – the design and approval of the tonnage plan. The Executive Director (ED) and the Director-Ferry Operations explained that the retrofit process could result in a re-classification of the vessels resulting in cost savings, while not compromising safety.

With no other questions, Commissioner Downes made a motion, Commissioner Van Sant seconded, and the Committee recommended forwarding the Resolution to the full Board for approval. The Resolution will be presented to the full Board for consideration at the May meeting later today.

b. **RESOLUTION 14-16 – RELATING TO THE ISSUANCE AND AWARD OF THE DELAWARE RIVER AND BAY AUTHORITY REVENUE BONDS**

The Chief Financial Officer (CFO) began the discussion by describing his intent to review (1) the Major Projects contained in the current \$194 million CIP (2014-2018) and the associated timing, (2) a financial model that will show how much capacity the Authority has to fund capital projects and the associated cash outflow, and (3) a Brown Advisory briefing on the potential refunding and new money transactions. He noted if there is agreement at such time he will conclude with reviewing the details of the Resolution authorizing the transaction. The CFO directed the committee to the Major Crossing Projects Prioritization spreadsheet noting that it contained only projects associated with crossings since Senior Lien Debt can only be spent on crossings. He highlighted for the committee that the Chief Engineer of the Authority anticipates

that projects listed as priority # 1, 2, 3 and 5, with total estimated cost of \$95mm, are anticipated to be active by 2015. He informed the committee that the Ship Collision Protection project (priority #4) is a little bit of a wild card currently due to the lack of information. The project is considered important and currently going through preliminary analysis for design solutions, potential grant availability, and costs are being identified and will be discussed with the projects committee at a later date in 2015. He noted that the potential project costs and timing of such could impact future discussions on a toll increase. Excluding Ship Collision project, the current CIP anticipates the need for \$170mm from 2014-2017. The CFO reviewed the Funding Sources consisting of Committed Construction Funds (\$15.68 million), Uncommitted Construction Funds (\$28.04 million), New Bond Proceeds (\$67.5 million), and Cash/General Fund (\$50.53 million) listed at the bottom of the spreadsheet. He noted that the Authority only needed to spend 65% of the \$170mm in projects within a three (3) year time-frame to exhaust the new money proceeds associated with the 2014 Bond Issue. Committee Chair Mroz asked whether the Committee had any questions for the Chief Engineer related to the projects and there were none. The CFO added that if it was not the Board's intention to follow through with prioritized projects then that would impact the finances and his recommendation; however, although there may be a number of factors that alter or impact the plans of the Authority, he believed the projects and spending plan are reasonably achievable.

The CFO reviewed the 2014 Bond Issue Financial Model scenario noting that the model assumes modest revenue growth of 0.5% at the DMB and flat CMLF growth. He informed the committee that the Authority has engaged a traffic consultant for the bond issue that could alter the assumptions. Expense growth of 2% he noted to be conservative given the Authority's past history. Senior Lien Debt Coverage ranges from 1.74x in 2014 to 1.47x in 2019, noting the rating agencies have seemingly taken notice when coverage dips below 1.50x. He informed the two constraints utilized in developing the model are 1.50x coverage and maintaining a General Fund balance of \$30 million as a hedge against variable rate debt exposure. He reminded the committee that the Trust Agreement requires the Authority maintain a 1.25x debt ratio and upon request explained how the ratio is calculated. Authority Chair Hogan questioned whether there would be a need for a toll increase. The CFO stated while many factors could influence the timing, most notably actual future CIP expenditures, current data suggests we would not need to begin discussing and implementing a toll increase until the 2017/2018 timeframe.

The CFO introduced Jim Dugan and Steve Shutz, Brown Advisory, who presented and discussed the following information on the market conditions and the Refinancing of Series 2005 Bond Issue and Timing of New Money Issue.

- Executive Summary – 2014 Refinancing UPDATE – conditions have become more favorable and estimated savings have increased from \$17.1 to \$19.4 million on a net present value basis.
- Market Conditions Allow for Refinancing of Older, Higher Cost Debt
- Longer-term Tax-Exempt Yields Since March 2005
- Savings Summary
- Recommended Plan for Refinancing – The process to proceed with the refunding of the Series 2005 bonds has begun with a target date in mid to late June, with forward delivery bonds dependent on market conditions

- Timing of New Money Issue – Bundling bond issues can reduce issuance costs by an estimated \$250-\$300,000 in legal expenses, traffic study, ratings, and time and effort.
- Modifications to Existing Indenture – Housekeeping item to modernize some definitions of “permitted investments” and altering restrictions on uniformity of tolling/fares. Although 50% of bondholders consent is required, TD Bank and the former MBIA are empowered to authorize changes and they represent a majority of outstanding bonds.

The CFO reminded the committee of the April presentation concerning efficiencies of \$250,000-\$300,000 by doing one transaction and analysis that suggests that a modest rise in interest rates of 17 basis points overcomes any short term impact of negative arbitrage. New Jersey Legal Counsel questioned what would be the recommendation of Brown Advisory and it was reported the recommendation was, given today’s interest rate environment, was to go forward with the refunding and issue new money at the same time. The Committee questioned whether the Executive Director agreed with the recommendation and he stated, Yes.

The CFO then presented, reviewed, and highlighted each of the sections of Resolution 14-16, noting the following supporting documents had been previously provided, as required.

- Supplemental Trust Agreement Number 10
- Supplemental Trust Agreement Number 11
- Bond Purchase Agreement
- Forward Delivery Bond Purchase Agreement
- Preliminary Official Statement

The CFO noted the Resolution does provide the flexibility to structure the transaction in the best interest of the Authority and the transaction has been reviewed by Legal Counsel and Bond Counsel. In addition, the CFO reviewed the potential risks to the forward portion of the transaction, informing the Committee that investors could get out of the transaction if the Authority lost or became unrated, changes in tax law, or failed to meet its debt payments prior to closing the transaction. He noted that the risks were remote, but worth noting. Committee Chair Mroz asked if there were any further questions and there were none.

After discussion, Commissioner Traynor made a motion, Commissioner Murphy seconded, and the Committee recommended forwarding the Resolution to the full Board for approval. The Resolution will be presented to the full Board for consideration at the May meeting later today. The Committee thanked staff and Brown Advisory for all of the work involved in the transaction.

4. Discussion Items:

a. Investment Manager Services – The CFO reported that the three (3) year term for the Authority’s Investment Manager Services was due to expire in the October, 2014 time frame and requested to extend the one (1) year renewal term into 2015. An RFP for Investment Manager Services will be developed in 2015, for selection prior to the expiration of the current.

The Committee expressed support for extending the one (1) year renewal option for the Investment Manager Services contract.

5. Miscellaneous: None.

6. With no further business to discuss, Commissioner Murphy made a motion to adjourn, and the Budget & Finance Committee adjourned at 10:45 a.m.

DELAWARE RIVER AND BAY AUTHORITY

ECONOMIC DEVELOPMENT COMMITTEE MEETING

Tuesday, May 20, 2014

Delaware Memorial Bridge Complex
New Castle, Delaware

A public meeting of The Delaware River and Bay Authority's Economic Development Committee was held on Tuesday, May 20, 2014, at the Delaware Memorial Bridge Complex, New Castle, Delaware.

Commissioners from New Jersey

PRESENT

Committee Vice-Chair Smith
Commissioner Dorn, Committee Member
Commissioner Wilson, Committee Member
Commissioner Mroz
Commissioner Van Sant
Chairperson Hogan

Commissioners from Delaware

Commissioner Downes, Committee Member
Commissioner Traynor, Committee Member
Commissioner Lathem
Commissioner Murphy
Vice-Chairperson Lowe

Legal Counsel

Phil Norcross - NJ

Mike Houghton - DE

Governors' Representatives

Kerstin Sundstrom - NJ

Staff

Scott Green
Frank Minor
Victor Ferzetti
Jim Walls
Charlotte Crowell
Gerry Owens
Anna Marie Gonnella Rosato
Michelle Hammel
Michelle Griscom

1. Committee Vice-Chair Smith welcomed the Economic Development Committee and opened the meeting at approximately 10:44 a.m. The Deputy Executive Director reported that the public meeting of the Economic Development Committee had been duly noticed in accordance with the Authority's Freedom of Information Regulations, read the Statement of Notice, and called the roll.

2. Committee Vice-Chair Smith called for a motion to accept the Economic Development Committee Minutes from April 15, 2014. Commissioner Wilson made a motion, Commissioner Dorn seconded, and the Committee Minutes were accepted.

3. Action Items:

a. RESOLUTION 14-17 – LEASE AGREEMENT AND AMENDMENT TO LEASE AGREEMENT BETWEEN THE DELAWARE RIVER AND BAY AUTHORITY AND CAPE MAY BREWING LLC

The Deputy Executive Director (DED) presented the Resolution. Due to increased demand and growth, Cape May Brewing has requested to lease additional space in order to expand brewing capacity, start a bottling operation and expand administrative space. The DED reviewed the terms of the Lease Agreement and Amendment to the Lease Agreement. After discussion, Commissioner Downes made a motion, Commissioner Wilson seconded, and the Economic Development Committee unanimously recommended forwarding the Resolution to the full Board for consideration at the May meeting later today.

4. Open Discussion/Other Issues

The DED reported there were no new updates related to Boeing at the Millville Airport (MIV).

5. With no further business to discuss, a motion to adjourn was made by Commissioner Downes, and the Economic Development Committee adjourned at 10:45 a.m.

DELAWARE RIVER AND BAY AUTHORITY

PERSONNEL COMMITTEE MEETING

Tuesday, May 20, 2014

Delaware Memorial Bridge Complex
New Castle, Delaware

A public meeting of The Delaware River and Bay Authority's Personnel Committee was held on Tuesday, May 20, 2014, at the Delaware Memorial Bridge Complex, New Castle, Delaware.

Commissioners from New Jersey

PRESENT

Committee Chair Dorn
Commissioner Van Sant, Committee Member
Commissioner Wilson, Committee Member
Commissioner Mroz
Commissioner Smith
Chairperson Hogan

Commissioners from Delaware

Committee Vice-Chair Lathem
Commissioner Murphy, Committee Member
Commissioner Traynor, Committee Member
Commissioner Downes
Vice-Chairperson Lowe

Legal Counsel

Phil Norcross - NJ

Mike Houghton - DE

Governors' Representatives

Kerstin Sundstrom - NJ

Danielle Blount - DE

Staff

Scott Green
Frank Minor
Victor Ferzetti
Jim Walls
Charlotte Crowell
Gerry Owens
Michelle Hammel

Invited Guests

1. Committee Chair Dorn welcomed the Personnel Committee and opened the meeting at 10:45 a.m. The Deputy Executive Director reported that the public meeting of the Personnel Committee had been duly noticed in accordance with the Authority's Freedom of Information Regulations, read the Statement of Notice, and called the roll.
2. Committee Chair Dorn called for a motion to accept the Personnel Committee Minutes from April 15, 2014. Commissioner Lathem made a motion, Commissioner Murphy seconded, and the Committee Minutes were accepted.

3. Committee Chair Dorn requested an Executive Session, closed to the public to discuss matters of a confidential nature. A motion was made by Commissioner Lathem, seconded by Commissioner Murphy, and the Session was closed.

The following matters of a confidential nature were discussed.

- LABOR NEGOTIATIONS
- PERSONNEL MATTERS

With no further business to discuss in Executive Session, a motion to open the meeting to the public was made by Commissioner Murphy, seconded by Commissioner Traynor, and the Session was opened to the public.

4. Internship Program:

The Chief Human Resource Officer (CHRO) provided the Committee with information on the Authority's 2014 Internship Program – June 2, 2014. This is the third (3rd) year for a formal internship program at DRBA. Committee Chair Dorn introduced Jamar Hall, one of the interns selected to work in Maintenance Administration.

5. With no further business to discuss, Commissioner Traynor made a motion to adjourn, and the Personnel Committee adjourned at 11:29 a.m.

THE DELAWARE RIVER AND BAY AUTHORITY

PROJECTS COMMITTEE

Tuesday, May 20, 2014

Delaware Memorial Bridge Complex
New Castle, Delaware

A public meeting of the Delaware River and Bay Authority's Projects Committee was held on Tuesday, May 20, 2014, at the Delaware Memorial Bridge Complex, New Castle, Delaware.

Commissioners from New Jersey

PRESENT

Commissioner Smith, Committee Chair
Commissioner Dorn, Committee Member
Commissioner Wilson, Committee Member
Commissioner Van Sant
Commissioner Mroz
Chairperson Hogan

Commissioners from Delaware

Commissioner Murphy, Committee Vice-Chair
Commissioner Downes
Commissioner Traynor
Commissioner Lathem, Committee Member
Vice-Chairperson Lowe

Legal Counsel

Phil Norcross – NJ

Mike Houghton -- DE

Governors' Representatives

Kerstin Sundstrum – NJ

Staff

Scott Green
Frank Minor
Victor Ferzetti
Jim Walls
Charlotte Crowell
Gerry DiNicola-Owens
Anna Marie Gonnella Rosato
Shoukry Elnahal
Dave Hoppenjans
Greg Pawlowski
Steve Williams
Jim Salmon
Michelle Hammel
Heath Gehrke

1. Committee Chair Smith welcomed the Projects Committee and opened the meeting at approximately 11:20 a.m. Committee Chair Smith reported that the public meeting of the Projects Committee had been duly noticed in accordance with the Authority's Freedom of Information Regulations and reported there was a quorum.

2. Committee Chair Smith called for a motion to accept the Projects Committee minutes from April 15, 2014. Commissioner Dorn made a motion to accept the minutes, Committee Vice-Chair Murphy seconded the motion, and the Committee Minutes were approved. Those in attendance were provided an informational package consisting of an agenda, one (1) bid tab, one (1) close out letter and one (1) monthly contractor payment chart (through April).

3. Resolutions: None.

4. Bid Openings:

Contract No. CMLF-12-06: Miscellaneous Marine Fender Improvements. A public Bid Opening was held on April 10, 2014, in which four (4) bids were submitted. The COO reported that the contract consists of replacement of current fender panels in Lewes. The COO recommended the contract award to the lowest bidder, Atlantic Subsea, Inc., of Bridgeport, New Jersey, in the amount of \$525,000.00. A motion was made by Commissioner Dorn, seconded by Commissioner Lathem, and the Projects Committee concurred with the recommendation and authorized the action to be presented at the May Commission meeting later today.

5. Contract Close-Out Actions:

Contract No. CMLF-12-04: Replacement of Fender Clusters 68, 74 & 80, Cape May. The scope of work on this contract was to replace Fender Clusters at the Cape May Terminal. The final contract amount is \$1,008,320.00. The COO recommended close-out of the contract and final payment to Atlantic Subsea, Inc., of Bridgeport, New Jersey. A motion to move the close-out action to the full Board was made by Commissioner Dorn, seconded by Commissioner Lathem, and the Projects Committee unanimously approved the close-out action to be presented at the May meeting later today.

6. Contractor Payment (through April): The COO reviewed for the Committee the monthly construction contractor payments to be made for the work completed through April.

7. Miscellaneous Items/Updates: None

8. Move to Executive Session:

The COO recommended the Committee move to Executive Session, closed to the public to discuss matters of a confidential nature. A motion was made by Commissioner Wilson, seconded by Commissioner Dorn, and the Session was closed.

The following matters of a confidential nature were discussed.

- LONG RANGE PLANNING

With no further business to discuss in Executive Session, a motion to open the meeting to the public was made by Commissioner Wilson, seconded by Commissioner Lathem, and the

Session was opened to the public.

9. With no further business to discuss, Committee Chair Smith made a motion to adjourn, seconded by Commissioner Dorn, and the Projects Committee adjourned at 11:30 a.m.