

**DELAWARE RIVER AND BAY AUTHORITY**

**BUDGET & FINANCE COMMITTEE MEETING**

**Wednesday, February 22, 2017**

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 Wednesday, February 22, 2017, at the Delaware Memorial Bridge Complex, New Castle, Delaware.

Commissioners from Delaware

**PRESENT**

Committee Chair Downes  
Commissioner Ford, Committee Member  
Commissioner Carey  
Commissioner Lathem

Commissioners from New Jersey

Committee Vice-Chair Wilson  
Commissioner Smith, Committee Member  
Commissioner Van Sant, Committee Member

Chairperson Lowe

Vice-Chairperson Hogan

Legal Counsel

Mike Houghton - DE

John Devlin - NJ

Governors' Representatives

Labinot Berlajolli - NJ

Staff

Tom Cook  
Frank Minor  
Victor Ferzetti  
Vince Meconi  
Charlotte Crowell  
Gerry Owens  
Michelle Hammel  
TJ Murray  
Jim Salmon  
Joe Larotonda  
James Danna  
Steve Williams  
Sheriese Coy-Armour

Invited Guest

Jim Dugan, BrownAdvisory  
Jason Vlosich, BrownAdvisory  
Eric Gordon, BrownAdvisory

1. Committee Vice-Chair Wilson opened the Budget & Finance Committee meeting at approximately 9:40 a.m. The Deputy Executive Director (DED) 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 Vice-Chair Wilson called for a motion to accept the Budget & Finance Committee Minutes from January 18, 2017. Commissioner Van Sant made a motion, Commissioner Smith seconded, and the Committee Minutes were accepted.

3. Resolutions:

- RESOLUTION 17-09 – AUTHORIZING AUTHORITY EXPENDITURES PURSUANT TO RESOLUTION 01-84 FOR THE PERIOD, JANUARY 1, 2017 THROUGH DECEMBER 31, 2017

The Chief Financial Officer (CFO) presented and reported on the Over \$25,000 List. After discussion and with no further questions, Commissioner Smith made a motion, Commissioner Ford seconded, and the Budget & Finance Committee recommended forwarding the Resolution to the full Board for approval. The Resolution will be presented to the full Board for consideration at the February meeting later today.

4. Miscellaneous:

#### 2016 Investment Review

The CFO introduced Jim Dugan from BrownAdvisory, the Authority's independent Investment Manager/Financial Advisors. Mr. Dugan introduced the members of his team Jason Vlosich, a fixed income advisor and Eric Gordon, from equity investing. The following material was presented and highlighted.

#### Executive Summary

- Major Market Events – Strong returns for S&P although volatile throughout the year; modest returns for Barclays Aggregate Bond Index; Equities began to recover post-Brexit and accelerated after the Presidential election; What was good for equities was bad for bonds as long-term interest rates spiked in 4Q 2016; the Federal Reserve raised short-term interest rates for only the second time in the last 13 months
- DRBA Employees' Retirement Plan and OPEB Trust – Retirement Plan and OPEB portfolio produced solid returns as most growth components enjoyed double-digit gains; Portfolio returns above the actuarial rate of 7.5%; Tactical allocations to high-yield bonds and an overweight to small company U.S. stocks helped to generate above benchmark performance in 2016
- DRBA Authority Funds – DRBA Authority funds produced positive but modest returns as interest rates rose; Spending from the Construction Funds accelerated in 2016; Combined withdrawals from construction funds totaled \$47.6 million

The CFO reported, overall it was a good year for Authority investments in 2016. Commissioner Lathem commented that the good relationship between BrownAdvisory and the Authority has been built on trust and thanked them for handling the affairs of the Authority. Mr. Dugan reported that they take their fiduciary responsibility very seriously and moves with

caution. The Executive Director (ED), as the former Secretary of Finance for the State of Delaware, commended staff and the Board for addressing the OPEB issue. This issue is something that states and local organizations have completely ignored, and that the forward thinking has really helped the Authority and been able to keep a good credit rating. Separately, the CFO reported that we have looked at the State of Delaware and the State of New Jersey as a comparison and we compare favorably in 2016. He noted that it's not an exact comparison since they have different portfolios containing hedge funds, while the Authority does not participate. The Committee had a discussion of interest rates and unemployment.

The CFO also wanted to inform the Committee regarding the Authority's variable rate bonds while Mr. Dugan was present. The Authority pays 10 basis points in remarketing fees since they were issued in 2008. Brown Advisory reviewed in 2016 to see if it was reasonable and thought it might be worthwhile to try to negotiate a lower rate. The CFO contacted Citigroup and was able to negotiate a rate of 7 basis points. This will drop from \$30,000 in fees to \$21,000. The CFO also informed the Committee that the Finance Department has completed the 2016 year end 2016 close out, three (3) weeks ahead of last year. Mr. Dugan added, concerning Authority operations, that the winter months have traditionally been slow related to traffic and the necessity to draws from the general fund. There have been positive cash flows in January.

5. With no further business to discuss, Commissioner Van Sant made a motion to adjourn and the Budget & Finance Committee adjourned at 10:12 a.m.

**DELAWARE RIVER AND BAY AUTHORITY**

**ECONOMIC DEVELOPMENT COMMITTEE MEETING**

**Wednesday, February 22, 2017**

Delaware Memorial Bridge Complex  
New Castle, Delaware

A public meeting of The Delaware River and Bay Authority's Economic Development Committee was held on Wednesday, February 22, 2017, at the Delaware Memorial Bridge Complex, New Castle, Delaware.

Commissioners from Delaware

PRESENT

Committee Vice-Chair Ford  
Commissioner Carey, Committee Member  
Commissioner Downes, Committee Member  
Commissioner Lathem

Chairperson Lowe

Legal Counsel

Mike Houghton – DE

Governors' Representatives

Staff

Tom Cook  
Frank Minor  
Victor Ferzetti  
Vince Meconi  
Charlotte Crowell  
Gerry Owens  
Michelle Hammel  
TJ Murray  
Jim Salmon  
Sheriese Coy-Armour

Commissioners from New Jersey

Commissioner Smith, Committee Member  
Commissioner Van Sant, Committee Member  
Commissioner Wilson

Vice-Chairperson Hogan

John Devlin - NJ

Labinot Berlajolli – NJ

1. Committee Vice-Chair Wilson welcomed the Economic Development Committee and opened the meeting at approximately 10:12 a.m. The Deputy Executive Director (DED) 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 Wilson called for a motion to accept the Economic Development Committee Minutes from January 18, 2017. Commissioner Smith made a motion, Commissioner Van Sant seconded, and the Committee Minutes were accepted.

3. Action Items:

The CFO presented and reviewed the Resolutions.

- RESOLUTION 17-10 – AUTHORIZES A LEASE AGREEMENT BETWEEN THE DELAWARE RIVER AND BAY AUTHORITY AND CAPE MAY COUNTY AT THE CAPE MAY AIRPORT –

The DED presented and reviewed the terms of the Lease Agreement. The County desires to lease approximately 1500 sq. ft. of space in the newly constructed light industrial building at an annual rent of \$9,000. The term shall be for one (1) year with two (2) additional one (1) year terms. After discussion, Commissioner Wilson made a motion, Commissioner Smith seconded, and the Economic Development Committee unanimously recommended forwarding the Resolution to the full Board for consideration at the February meeting later today.

- RESOLUTION 17-11 – AUTHORIZES A LEASE AGREEMENT BETWEEN THE DELAWARE RIVER AND BAY AUTHORITY AND BILL STERRITT NJ LLC D/B/A AERODROME AT THE CAPE MAY AIRPORT –

The DED presented and reviewed the terms of the Lease Agreement. Aerodrome desires to lease approximately 1500 sq. ft. of space in the newly constructed light industrial building at an annual rent of \$17,400. The term shall be for two (2) years with two (2) additional one (1) year terms. The tenant is relocating from Los Angeles, space shall be used as a studio. The Chief Financial Officer (CFO) added that with this lease, seven (7) out of ten (10) spaces have been leased. Leases for the two (2) remaining spaces may come before the Committee for consideration in March. Going forward, the goal is to obtain 40% committed leases for the second building prior to building. Committee Chair Ford thanked staff for their work to complete the construction and leasing of this building. After discussion, Commissioner Wilson made a motion, Commissioner Wilson seconded, and the Economic Development Committee unanimously recommended forwarding the Resolution to the full Board for consideration at the February meeting later today.

- RESOLUTION 17-12 – AUTHORIZES A LEASE AGREEMENT BETWEEN THE DELAWARE RIVER AND BAY AUTHORITY AND TK AUTOSPORTS AT THE MILLVILLE AIRPORT –

The DED presented and reviewed the terms of the Lease Agreement. TK Autosports desires to lease approximately 8,000 sq. ft. of hangar and office space at an annual rent of \$24,000. The term shall be for two (2) years with three (3) additional one (1) year terms. After discussion, Commissioner Wilson made a motion, Commissioner Smith seconded, and the

Economic Development Committee unanimously recommended forwarding the Resolution to the full Board for consideration at the February meeting later today.

- RESOLUTION 17-13 – AUTHORIZES A LEASE AGREEMENT BETWEEN THE DELAWARE RIVER AND BAY AUTHORITY AND PENTAGON PERFORMANCE, INC. AT THE MILLVILLE AIRPORT –

The DED presented and reviewed the terms of the Lease Agreement. Pentagon desires to lease approximately 378 sq. ft. of office space at an annual rent of \$1,512. The term shall be for one (1) year with four (4) additional one (1) year terms. The CFO reported that there is a large amount of available hangar space at the Millville Airport that has been vacant for some time. The tenant will operate a drone training program and the adjacent hangar space will be used for any required flight training and leased separately through a license agreement when utilized. The approach being taken for this airport is to attempt to draw business to the office space in order to potentially generate use of hangar space, while the short lease term provides future opportunities for flexibility. Commissioner Lathem questioned whether there would be any potential liability to the Authority. The CFO reported that the training flights will be indoors and the hangar will be netted to protect the assets. Authority Staff Attorney (SA) added that in the event there would be any outdoor flights, the tenant will provide all of the necessary required FAA documentation, contact Airport Operations and provide a Safety Plan. The Director-Airport Operations reported that the FAA has made clear that the FAA considers drones to be aircraft and are treated as such. After discussion Commissioner Downes made a motion, Commissioner Carey seconded, and the Economic Development Committee unanimously recommended forwarding the Resolution to the full Board for consideration at the February meeting later today.

4. Open Discussion/Other Issues:

Millville Airport - Boeing Update:

The DED reported that he has been in communication with Boeing regarding a readiness challenge and may be interested in returning to the Millville Airport in such a situation. The DED added that staff will be meeting with Boeing in the 2<sup>nd</sup> quarter and will continue keep the Committee updated as necessary.

Cape May Airport Update:

Commissioner Wilson reported that the new Taco Shop will be opening at the Cape May Airport and located near the Cape May Brewery.

5. With no further business to discuss, a motion to adjourn was made by Commissioner Downes, and the Economic Development Committee adjourned at 10:27 a.m.

**DELAWARE RIVER AND BAY AUTHORITY**

**PERSONNEL COMMITTEE MEETING**

**Wednesday, February 22, 2017**

Delaware Memorial Bridge Complex

New Castle, Delaware

A public meeting of The Delaware River and Bay Authority's Personnel Committee was scheduled on Wednesday, February 22, 2017, at the Delaware Memorial Bridge Complex, New Castle, Delaware.

Commissioners from Delaware

PRESENT

Committee Chair Lathem

Commissioner Carey, Committee Member

Commissioner Downes

Commissioner Ford

Chairperson Lowe

Legal Counsel

Mike Houghton - DE

Governors' Representatives

Commissioners from New Jersey

Committee Vice-Chair Hogan

Commissioner Smith, Committee Member

Commission Van Sant

Commissioner Wilson

John Devlin - NJ

Labinot Berljolli – NJ

Staff

Tom Cook

Frank Minor

Vince Meconi

Charlotte Crowell

Gerry Owens

Victor Ferzetti

Michelle Hammel

Rick Arroyo

1. Committee Chair Lathem welcomed the Personnel Committee and opened the meeting at 10:27 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 Lathem called for a motion to accept the Personnel Committee Minutes from January 18, 2017. Commissioner Carey made a motion, Commissioner Smith seconded, and the Committee Minutes were accepted.

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

The following matters of a confidential nature were discussed:

- ) PERSONNEL MATTERS
- ) LITIGATION MATTERS

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

4. With no further business to discuss, Commissioner Smith made a motion to adjourn and the Personnel Committee adjourned at 10:55 a.m.

**DELAWARE RIVER AND BAY AUTHORITY**

**PROJECTS COMMITTEE MEETING**

**Wednesday, February 22, 2017**

Delaware Memorial Bridge Complex

New Castle, Delaware

A public meeting of The Delaware River and Bay Authority's Projects Committee was held on Wednesday, February 22, 2017, at the Delaware Memorial Bridge Complex, New Castle, Delaware.

Commissioners from Delaware  
PRESENT

Commissioner Ford, Committee Member  
Commissioner Lathem, Committee Member  
Commissioner Carey  
Commissioner Downes

Chairperson Lowe

Legal Counsel  
Mike Houghton - DE

Governors' Representatives

Staff

Tom Cook  
Frank Minor  
Victor Ferzetti  
Charlotte Crowell  
Gerry Owens  
Vincent Meconi  
Jim Salmon  
TJ Murray  
Steve Williams  
Heath Gehrke  
Michelle Hammel  
Alyona Stakhovskaya

Commissioners from New Jersey

Committee Vice-Chair Smith  
Commissioner Van Sant, Committee Member  
Commissioner Wilson, Committee Member

Vice-Chairperson Hogan

John Devlin - NJ

Labinot Berljolli- NJ

1. Committee Vice-Chair Smith opened the Projects Committee meeting at approximately 10:56 a.m. and reported that the public meeting of the Projects Committee had been duly noticed in accordance with the Authority's Freedom of Information Regulations and that there was a quorum.

2. Committee Vice-Chair Smith called for a motion to accept the Projects Committee Minutes from January 18, 2017. Commissioner Lathem made a motion, Commissioner Wilson seconded, and the Committee Minutes were accepted.

3. Resolutions: None

4. Bid Openings:

) CMLF-12-15: COATING AND REPAIRS OF STEEL SHEET PILING CAPE MAY AND LEWES TERMINALS

A public bid was held on January 31, 2017, in which (4) bids were submitted. The COO recommended awarding the contract to the lowest bid, in the amount of \$1,659,401.00 to Agate Construction Company, Inc. from Clermont, NJ.

A motion was made by Commissioner Wilson, seconded by Commissioner Van Sant and the Projects Committee concurred with the recommendation to accept and authorized the action to be presented to the full Board at the February meeting later today.

5. Contract Close-Out Actions: None

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

7. Miscellaneous Items/Updates:

) 2017 SUSPENDER ROPE REPLACEMENT

As it is shown in the 2017 CIP, we are in the second year of a 6-year program to replace all of the suspender ropes, or vertical cables, on the southbound span. The southbound span was the second span to be constructed in 1968. We are replacing all of the suspender ropes on the newer span, but we currently have not identified any suspender ropes on the northbound span that need replacement, even though it is 17 years older, having been constructed in 1951. The fact of the matter is that in a number of areas, the newer span is not in as good a condition as the older one. The poorer condition is not across the board. The main cables, the towers, the piers, the decks and the anchorages are in very similar shape. It is primarily the steelwork at the bridges' multiple connections where any 2 pieces of steel join together, where the differences show. The reason for the disparity is not differential maintenance since both spans get the same maintenance. Instead, the disparity appears to be the result of some subtle differences in how the bridges were designed and constructed. As is frequently said of the 2 spans, they are twins, but they are not identical twins. For example, in some locations the steel plates & sections on the 1968 span are not as thick as they are in comparable places on the 1951 span. In some cases, the differential is very small, a 7/16" plate on the older span & a 1/2" plate on the

other. According to our structural engineers, design methodologies in use in 1968 pointed to thinner steel being able to carry the weight. In summary, the thinner steel will still carry the weight, but it will not last as long. Another example is that the girders on the 1951 bridge are more continuous, compared with the 1968 bridge. Basically, there are 3 joints on the 1968 span for every one on the 1951 span. More joints equals more opportunity for water to enter, which means more and quicker corrosion. These design and construction differences are going to shape our CIP expenditures at the bridge for many years to come.

We have a special one-year difficulty in 2017, because at the same time as we are trying to replace suspender ropes, we are working on the main cable dehumidification project. To dehumidify the cables, the contractor, American Bridge, installed the Main Cable Access Platform, or MCAP. We did our 2016 replacement program before the MCAP was installed and we will do our 2018 replacement program after the MCAP comes down. But for 2017, we have to cope with the MCAP. For each suspender rope that is replaced, we have to partially disassemble the MCAP around that rope & then reassemble it after the replacement. American Bridge will do this work since we cannot hire somebody else to disassemble and reassemble their platform. We really only have 2 options here: first, we can postpone the 2017 program to 2018, after the MCAP comes down permanently; or second, we can hire American Bridge to do the 2017 program. We do not want to postpone the suspender rope replacement for a year. Suspender ropes are rated with something called the capacity to demand ratio, which is simply the weight the rope can carry divided by the weight it is actually carrying. The engineers want a ratio of at least 1.8, in other words, the rope is able to carry 1.8 times the weight it is actually carrying. Of the 30 suspender ropes being replaced this year, the highest capacity/demand ratio is 1.6; 4 of the 30 ropes had ratios of less than 1.0. In other words, the ropes were bearing more weight than they were designed to carry. In the case of those 4 ropes, we installed temporary stiffeners until the rope replacement takes place, at a cost of about \$14,000 per stiffener.

The poor condition of these suspender ropes is one reason we do not want to defer the work. The second reason is that we do not want to risk another situation, like the situations we have had in the last 2 years, where the deck “slips” an inch or two. Last year when a slippage happened, we had to restrict the southbound span to one lane for several days while we performed emergency repairs. It created traffic delays and backups for miles into New Jersey. We also want to avoid a situation similar to what occurred just a few weeks ago on the Delaware River Turnpike Toll Bridge, when it had to be completely shut down to traffic because of a cracked steel girder. For these reasons, we would like to do the 2017 suspender rope program via a change order to the American Bridge contract at a cost of \$3.8 million. That is a unit cost of \$129,500 per suspender rope. The advantages of using a change order are that 1) we save many months and get the work done this year, and 2) we get assurance of good quality, because American Bridge did the 2016 suspender rope replacement program and did it very well. The disadvantage here is that we are not getting a bargain. We are getting a reasonable price, but not a bargain. One of the customary advantages of adding work to a contract via change order is that you get a bargain from the contractor, who is already on site and

mobilized. In this case, the added work of partially disassembling and reassembling the MCAP cancels out the cost savings of pre-mobilization. However, even if we wait until next year, there is no guarantee that we would save money. That's because if we do postpone the replacement, we will install temporary stiffeners on the remaining 26 ropes that do not already have them, which would cost about \$360,000. So, unless a bid next year came in at \$360,000 less than the \$3.8 million that it will cost to do the work right now, we would not save any money.

The commissioners expressed a concern that the cable deterioration oversight might recur in the future. The COO addressed the concern by stating that the Authority would change its relevant procedures. The next concern of the commissioners was how the suspender rope replacement project would affect the traffic. The COO stated that it was not expected to create additional delays since the one lane being closed on a daily basis for the cable dehumidification project would be used for this project. Lastly, the commissioners questioned why this situation was not foreseeable. The COO replied that the engineers did not have sufficient information on cable deterioration in the past for a number of reasons, such as there was no structural engineer on staff until recently, different inspection requirements and the lack of deterioration visible on the surface of the steelwork.

8. Move to Executive Session:

The COO recommended the Committee move to Executive Session, closed to the public to discuss matters on the confidential nature. A motion was made by Commissioner Lathem, seconded by Commissioner Van Sant, and the Session was closed. The following matter of the confidential nature was discussed.

) Legal Matters

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 Smith, and the Session was opened to the public.

9. Open Discussion/Other Issues: None

10. With no further business to discuss, Committee Vice-Chair Smith made a motion, seconded by Commissioner Wilson to adjourn, and the Projects Committee adjourned at 11:23 p.m.