

**MINUTES OF THE  
SPECIAL FINANCE COMMITTEE MEETING  
OF THE POWER AUTHORITY OF THE STATE OF NEW YORK**

**December 14, 2016**

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Minutes of the special meeting of the New York Power Authority's Finance Committee held at the Authority's offices at 123 Main Street, White Plains, New York at approximately 3:00 p.m.

**Members of the Finance Committee present were:**

Tracy B. McKibben, Chair  
John R. Koelmel  
Eugene L. Nicandri

Anne M. Kress - Excused  
Anthony Picente, Jr. - Excused

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**Also in attendance were:**

Gil Quiniones	President and Chief Executive Officer
Justin Driscoll	Executive Vice President and General Counsel
Robert Lurie	Executive Vice President and Chief Financial Officer
Joseph Kessler	Executive Vice President and Chief Operating Officer
Subhagya Parija	Senior Vice President and Chief Risk Officer
Jennifer Sutton	Senior Vice President – Internal Audit
Kimberly Harriman	Senior Vice President – Corporate and Public Affairs
Karen Delince	Vice President and Corporate Secretary
Thomas Concadoro	Vice President and Controller
Anne Reasoner	Vice President - Budgets and Business Controls
Scott Tetenman	Vice President – Finance
Brian McElroy	Treasurer
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Baughman	Senior Assistant Corporate Secretary

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Chairperson Tracy McKibben presided over the meeting. Corporate Secretary Delince kept the Minutes.

**Introduction**

*Chairperson Tracy McKibben welcomed committee members and the Authority's senior staff to the special meeting. She said the special meeting had been duly noticed as required by the Open Meetings Law and called the meeting to order pursuant to Section B(4) of the Finance Committee Charter.*

1. **Adoption of the December 14, 2016 Proposed Special Meeting Agenda**

Upon motion made by Trustee Nicandri and seconded by Authority Chairman Koelmel, the agenda for the special meeting was adopted.

2. **Motion to Conduct an Executive Session**

*I move that the Authority conduct an executive session pursuant to the Public Officers Law of the State of New York section §105 (f) to discuss the financial, credit or employment history of a particular person or corporation.* Upon made by Trustee Nicandri and seconded by Authority Chairman Koelmel, an executive session was held.

3. **Motion to Resume Meeting in Open Session**

*I move to resume the meeting in Open Session.* Upon made by Trustee Nicandri and seconded by Authority Chairman Koelmel, the meeting resumed in open session.

## **Discussion Agenda**

### **4. Canal Corporation Integration Update**

Ms. Kimberly Harriman provided an update on the Canal Corporation's ("Canal") integration, to date. She said that NYPA is well-positioned to successfully take over the operations of Canal on January 1, 2017, the Authority's legal date for assumption of those responsibilities. Staff will complete all of the transfer functions by December 27th, with sufficient spare time to ensure that any issues identified can be worked out prior to the statutory deadline. She continued that there were no significant operational transfer risks. Staff has accomplished key updates and goals have been achieved since the last report to the Board in September.

### **Enterprise Shared Services**

Office space has been obtained in Syracuse, Buffalo and Albany for Canal staff. Currently, Canal staff has moved to locations in Syracuse and Buffalo. And the first set of employees moved to the Albany location on Friday, December 9th. The remaining headquarters and eastern division positions will be migrated from the Thruway Authority to the Albany office on Friday, December 16th.

All computers and IT systems have been set up and the staff has been connected to these systems. An email system hosted by the Authority has been established. The Authority has also established an Intranet page for the Canal employees and a dry-run with regard to the use of those systems in real time will be conducted.

### **Human Resources and Labor**

There are several positions that the Authority needs to fill within Canal given the fact that the Thruway Authority ("Thruway") did a large portion of work on Canal's behalf namely in the areas of Engineering, Operations and Environmental Health and Safety, Human Resources and Procurement. To date, the Authority has hired 13 of the 37 employees identified as "needed" and "incremental" personnel for Canal. The remaining employees needed, will be backfilled through contractor services that will be temporary but robust enough to ensure that the Authority will be ready for Day One operational control.

### **Operations and Environment Health & Safety**

Contractors have been identified that will supplement the Authority both for construction management as well as design work. To that end, at their meeting on December 15th, the Trustees will be requested to approve a request to retain 10 contractors split evenly between those two functions. This action by the Board will finalize the contingency plans and the Authority will be ready to assume responsibility on Day One.

### **Transition Services Agreement**

There are some functions that the Thruway will continue to provide at the present time. However, the Authority has identified several transition services agreements as it relates to Operations, Environment Health & Safety, Labor and Information Technology, the executions of which are nearing completion. The deadline for completion and final execution of all agreements that have been identified is Friday, December 16th. Staff does not foresee any difficulties or problems in meeting that goal.

**Procurement**

There are several procurement contracts that the Thruway, as its parent corporation, held on behalf of Canal. The Authority has identified all contracts that involve Canal's work and have effectuated the assignment of those contracts to NYPA as the new parent so that NYPA can assume those contract responsibility and control on January 1, 2017.

**Finance**

The Authority has successfully completed payroll testing. By Friday, December 16th, staff will be ready to manage the payroll systems.

**Information Technology**

Staff successfully completed testing of all critical SAP functions. Staff will sequentially roll-out these critical SAP systems, beginning with Payroll, and have them operational the last two weeks of December. Sufficient time will be allotted to implement contingency plans for any unforeseen issues.

**Communications**

With respect to communications and government relations, the transition between the Thruway press office and NYPA's media relations went smoothly. The Authority has a good communications plan and is ready to respond to any questions from either stakeholders or elected officials.

Ms. Harriman ended by saying that, after working long hours, holidays and week-ends, Authority staff is ready to go forward with the transition and looking forward to partnering with Canal to ensure that the Authority continue this recreation and tourism state treasure.

Authority Chairman thanked Ms. Harriman for her leadership in this effort and also the collective Business Units for the tremendous outcomes, to date.



**5. Release of Funds in Support of the New York State Canal Corporation and New York State Canal System**

The Treasurer submitted the following report:

“SUMMARY

The Trustees will be requested at their December 15, 2016 meeting to authorize the release of up to \$30.0 million in additional funding to support costs associated with the transfer of the New York State Canal Corporation (‘Canal Corporation’) and specified powers, duties and jurisdiction relating to the NYS Canal System (‘Canal System’) from the New York State Thruway Authority (‘Thruway Authority’) to the Authority (the ‘Canal Transfer’) including: (1) reimbursements to the Thruway Authority in respect of the period of October 1, 2016 through January 1, 2017 as authorized by legislation approving the 2016-17 Budget of the State of New York (Part TT of Chapter 54 of the Laws of 2016) (hereinafter the ‘Canal Transfer Legislation’), and (2) Authority integration costs for 2016 associated with the Canal Transfer.

The Trustees will also be requested at their December 15, 2016 meeting to authorize the release of up to \$14.0 million in funding to support the operation of the Canal Corporation for the period from January 1, 2017 through January 31, 2017.

The Finance Committee is requested to recommend to the Trustees authorization of these releases.

BACKGROUND

The Authority has been authorized to provide financial support for the Canal Transfer but the expenditures associated therewith do not constitute Operating Expenses as defined in the Authority’s General Resolution Authorizing Revenue Obligations dated February 24, 1998, as amended and supplemented (‘Bond Resolution’). Accordingly, any expenditures for such purposes must satisfy the requirements of the Authority’s Bond Resolution relating to the release of funds from the trust estate created by the Bond Resolution for lawful corporate purposes. In addition, as set forth in the Trustees’ Policy Statement dated May 24, 2011, a debt service coverage ratio of 2.0 is to be used as a reference point in considering any such expenditures.

The Bond Resolution permits the Authority to withdraw monies ‘free and clear of the lien and pledge created by the [Bond] Resolution’ provided that (a) such withdrawals must be for a ‘lawful corporate purpose as determined by the Authority,’ and (b) the Authority must determine, taking into account among other considerations anticipated future receipt of revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed for (i) payment of reasonable and necessary operating expenses, (ii) an Operating Fund reserve for working capital, emergency repairs or replacements, major renewals or for retirement from service, decommissioning or disposal of facilities, (iii) payment of, or accumulation of a reserve for payment of, interest and principal on senior debt or (iv) payment of interest and principal on subordinate debt.

DISCUSSION

The Canal Transfer Legislation authorized the Authority to reimburse the Thruway Authority for any and all operating and capital costs for the operation and maintenance of the Canal Corporation and the Canal System for the period of April 1, 2016 through January 1, 2017 in advance of the January 1, 2017 implementation date set forth in such legislation for the transfer of the Canal Corporation to the Authority. Pursuant to the Canal Transfer Legislation, the Authority entered into an agreement with the Thruway Authority (‘Canal Reimbursement Agreement’) to reimburse the Thruway Authority for any and all operating and capital costs for the operation and maintenance of the Canal Corporation and the Canal System for the period of April 1, 2016 through January 1, 2017.

On November 7, 2016, the Trustees authorized and ratified the release of up to \$60 million in initial funding to support estimated reimbursement costs and integration costs to be released prior to the next Board of Trustees meeting on December 15, 2016. Through November 30, 2016, the Authority has released a total of \$50.1 million comprised of \$37.0 million in reimbursement costs (in respect of the period April 1, 2016 – September 1, 2016) and \$13.1 million in integration costs. In total, the Authority estimates incurring \$90.0 million in reimbursement costs and integration costs for 2016.

The Canal Transfer Legislation further provides that the Canal Corporation will become a subsidiary of the Authority effective January 1, 2017. The Authority expects to incur up to \$14.0 million in costs to support the operation of the Canal Corporation for the period from January 1, 2017 to January 31, 2017.

Staff has reviewed the effect of releasing the requested \$44.0 million, in aggregate, in funding at this time on the Authority's expected financial position and reserve requirements. In accordance with the Board's Policy Statement adopted May 24, 2011, staff also calculated the impact of this release, together with the release of \$60 million approved in November 2016, and the release of \$91 million in voluntary contributions (\$20 million of which is to be considered today and \$71 million approved in March 2016) on the Authority's debt service coverage ratio and determined it would temporarily fall below the 2.0 reference level using Net Cash from Operating Activities ending with the last calendar quarter September 30, 2016. Based on the most recent November 30, 2016 Net Cash from Operating Activities and the Authority's Four Year Budget and Financial Plan, the 2.0 reference point level would be met for the period ending November 30, 2016 and in each year-end of the forecast period 2017-2020. For purposes of the Board's Policy Statement these expenditures are treated as amounts being withdrawn or paid out directly or indirectly to a State entity, so that such expenditures will be 'Prior Contributions to the State' under such Policy Statement. Given the current financial condition of the Authority, its estimated future revenues, operating expenses, debt service and reserve requirements, staff is of the view that it will be feasible for the Authority to release such amounts from the trust estate created by the Bond Resolution consistent with the terms thereof.

#### FISCAL INFORMATION

Staff has determined that (a) sufficient funds are available in the Operating Fund to release up to \$44.0 million, in aggregate, in funding, consisting of (i) up to \$30.0 million in funding to support 2016 costs associated with the Canal Transfer and (ii) up to \$14.0 million in funding to support operation of the Canal Corporation for the period from January 1, 2017 to January 31, 2017. Staff has further determined that such Authority funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority's Bond Resolution. The Canal Transfer Legislation was enacted subsequent to approval of the Authority's 2016 Operating Budget approved by the Trustees in December 2015 and expenses associated with the transfer and integration were not anticipated for and were not included in the 2016 Operating Budget. The expenses associated with the operation of the Canal Corporation for the month of January 2017 are expected to be included in the 2017 Canal Corporation budget that will be submitted to the Canal Corporation's Board of Trustees in January 2017 for review and approval.

#### REQUESTED ACTION

It is requested that the Finance Committee recommend that the Authority's Trustees authorize the release of up to \$44.0 million, in aggregate, in funding, consisting of (i) up to \$30.0 million in funding to support costs associated with the Canal Transfer and (ii) up to \$14.0 million in funding to support operation of the Canal Corporation for the period from January 1, 2017 to January 31, 2017."

*Mr. Brian McElroy provided highlights of staff's recommendation to the Committee. In response to a question from Authority Chairman Koelmel, Mr. McElroy said the \$75 million represents a net income expense and the \$90 million includes approximately \$15 million in operating and capital costs related to the Canal Corporation's implementation.*

Upon motion made by Authority Chairman Koelmel, and seconded by Trustee Nicandri, the following resolution, as submitted by the Treasurer was unanimously adopted.

**RESOLVED, That the Finance Committee recommends that the Authority Trustees authorize the release of up to \$44.0 million, in aggregate, in funding consisting of (i) up to \$30.0 million in funding to support costs associated with transfer of the New York State Canal Corporation and (i) up to \$14.0 million in funding to support operation of the Canal Corporation for the period from January 1, 2017 to January 31, 2017, each as discussed in the foregoing report of the Treasurer.**

6. **Next Meeting**

Chairperson McKibben said that the next regular meeting of the Finance Committee is to be determined.

**Closing**

Upon motion made by Trustee Authority Chairman Koelmel and seconded by Trustee Nicandri, the meeting was adjourned by the Chair at approximately 6:15 p.m.

*Karen Delince*

Karen Delince  
Corporate Secretary