NFTA
Niagara Frontier Transportation Authority
Serving Buffalo Niagara

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December 18, 2014

Mr. Robert M. Graber
Clerk
Erie County Legislature
25 Delaware Avenue
Buffalo, New York 14202

Re: NFTA Board Minutes

Dear Mr. Graber:

Enclosed for your information and files please find a copy of the Minutes from the Niagara Frontier Transportation Authority's Regular Board Meeting held on October 23, 2014.

Very truly yours,

David J. State
General Counsel

DJS:lf

Enclosure

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
NIAGARA FRONTIER TRANSIT METRO SYSTEM, INC.
REGULAR BOARD MEETING
OCTOBER 23, 2014 12:30 PM
MINUTES

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1. CALL TO ORDER

A. <u>Meeting Called to Order</u>

Chairman Zemsky called the meeting to order at approximately 12:45 p.m.

B. <u>Approval of Minutes of the NFTA Regular Board Meeting held on September 18, 2014</u>

It was moved by Commissioner Sloma, seconded by Commissioner Hughes, that the Minutes of the September 18, 2014 Regular Meeting of the Niagara Frontier Transportation Authority and Niagara Frontier Transit Metro System, Inc., be accepted and approved.

AYES: **ZEMSKY, SLOMA, DEMAKOS, ANSARI, BAYNES, GURNEY, HUGHES, PERRY**

NOES: **NONE**

C. Chairman's Report

Chairman Howard Zemsky expressed on behalf of the NFTA our deepest sympathy to our Canadian friends for the recent act of terrorism that occurred in their Country. He went on record to acknowledge our outrage and deepest sympathy and stated terrorism will not be tolerated.

D. Executive Director Report

Executive Director Kimberley Minkel advised the Board that our agreement with Lamar provides a share in any additional revenue surpassing $890,000. Representatives from Lamar presented the NFTA a check for $30,289.97. BNIA's deicing fluid treatment system is one of the finalists for the Business Council's Environmental Chairman Award. This system is the only one in the United States and one of the few systems worldwide to treat spent deicing fluid. This system helps save up to $500,000 per year.

We are required to submit our budget by December 31, 2014. Both capital and operating budgets will be discussed with the Board next month so a balanced budget can be brought before the Board for approval at the December meeting.

2. NFTA CORPORATE REPORT

A. Audit and Governance Committee Report
B. Consolidated Financial
C. Corporate Resolutions

Corporate Resolutions

1. Approval of Revisions to the Master Liability Management Policy

CORPORATE:

2. C. (1) Approval of Revisions to the Master Liability Management Policy

RECOMMENDATION: Staff recommends that the Board approve revisions to the NFTA Master Liability Management Policy.

INFORMATION: The purpose of the Liability Management Policy is to establish the basis for the Authority's liability management program on sound financial principles. Our goal is to protect our revenues and investment earnings from adverse fluctuations in interest rates, as well as to manage the expense payments and cash flows. This document sets forth a liability management structure to facilitate the sound and efficient management of debt, addressing both the practical aspects of liability management as well as the philosophical aspects. This structure includes defining permissible hedging instruments and providing limitations to their use. The policy guidelines also provide for accountability through the monitoring and evaluations of performance results achieved by the liability management program.

The proposed guidelines are changed from those approved by the Board on April 24, 2014. These changes are necessary to solicit or receive proposals, enter into, terminate or take any other action involving a swap dealer or major swap participant on proposed or existing NFTA swaps.

Whereupon, it was moved by Commissioner Hughes, seconded by Commissioner Demakos, that the following Resolution be adopted:

> "**RESOLVED,** that the Board hereby approves the Niagara Frontier Transportation Authority Master Liability Management Policy, as generally described hereinabove and as set forth in the attachment hereto."

AYES: **ZEMSKY, SLOMA, DEMAKOS, ANSARI, BAYNES, GURNEY, HUGHES, PERRY**

NOES: **NONE**

ADOPTED

Niagara Frontier Transportation Authority
Master Liability Management Policy Guidelines

~~April 24~~October __, 2014

1. Scope

This Liability Management Policy applies to all present and future debt of the Niagara Frontier Transportation Authority and its subsidiaries (NFTA).

All debt transactions, including hedging transactions or commitments will be subject to this policy and prior review and approval of the NFTA Board of Commissioners.

2. Liability Management Policy Objectives

- Establish a basis for the NFTA's Liability Management Program based on sound financial principles.
- Set forth a liability management structure to facilitate the sound and efficient management of debt and cash flows.
- To define permissible hedging instruments and limitations on their use.
- To comply with the due diligence requirements that prudent professionals utilize.
- To conform to all applicable federal, state, local and Authority legal requirements.
- To provide guidelines that control the overall process so that all liabilities are managed in accordance with the stated objectives.
- Develop formalized criteria to monitor, evaluate and establish the basis for comparing the performance results achieved by the liability management program, thereby establishing accountability.

3. Philosophy:

The NFTA takes an active role in managing exposures to fluctuations in cash outflows for various operating expenses as well as changes in interest rates. The active management of exposures involves an ongoing assessment of the risks facing the Authority and the most efficient methods for eliminating, reducing or transferring these risks of cash flow fluctuations and other external influences.

The NFTA, in its liability management, assesses risks and market conditions to determine:

- The most appropriate level of exposure to a particular cash flow or rate level, and
- The most effective vehicle for achieving that exposure.

The NFTA recognizes that the costs and benefits of different hedging instruments and the desirability of exposure to a particular cash flow or interest rate, or financial price, can vary over time depending on the market conditions and circumstances of the NFTA. We further recognize that our target exposure to cash flows and interest rates and the instruments used to achieve the stated targets, will also vary with market conditions and the NFTA's current credit rating, as well as other items known and unknown at this time, that change on a periodic basis.

The NFTA defines hedging as activities intended to achieve desired exposures to cash flows and interest rates consistent with our objective of protecting revenues and other assets from adverse changes in rates or prices. Hedging does not require the elimination of all exposure to a given risk; rather, hedging should be used to keep exposures within acceptable bounds, as defined by this policy.

The NFTA defines speculation as the creation of positions that are inconsistent with the NFTA's liability management objectives. One characteristic of speculation is that it distorts exposures beyond the range normally encountered.

The initiation of hedges shall be only for non-speculative purposes, to eliminate, reduce, or otherwise redistribute risks related to existing cash flows and debt positions, and in all cases only where it is economically justifiable to do so relative to other alternatives. The termination of hedges is a part of the management liability process and shall not be considered a speculative activity.

4. Authority

The NFTA is authorized by section 2.08 of the Master resolution dated May 12, 1994, to utilize hedge, support and other financial agreements. The NFTA Board of Commissioners establishes liability management policies and guidelines. Based on those policies and guidelines, independent liability management consultants and financial advisor(s) with demonstrated expertise may be chosen to help manage the liabilities of the NFTA.

The NFTA shall not solicit or receive communications or proposals, enter into, terminate or take any other action involving a swap dealer or major swap participant in connection with a proposed or existing NFTA swap (including executions, novations, amendments, and negotiated terminations of swaps) unless NFTA shall retain an independent swap advisor (the "Financial Advisor") in accordance with, among other things, the requirements of Section 12 of these Master Liability Management Policy Guidelines.

The selection of underwriters, the financial advisor and bond counsel shall be made in accordance with the Authority's procurement guidelines through the evaluation of request for proposals.

In order to capitalize on fast-changing market conditions, the Executive Director and the Chief Financial Officer may enter into any transaction authorized by this policy, pursuant to the prior approval of the Board of a resolution setting the general parameters of the transaction.

The Chief Financial Officer, in consultation with the financial advisor as needed, shall have the authority to determine if transactions shall be on a negotiated, competitive or on a private placement basis.

Terms and conditions of any swap transaction as negotiated by the Chief Financial Officer, in accordance with these guidelines, shall be subject to the provisions of the applicable New York State statutes and these guidelines.

The NFTA shall be authorized to enter into interest rate swap transactions only with qualified swap counterparties. The Chief Financial Officer, in consultation with the Executive Director and. General Counsel, shall have the authority to select the counterparties, so long as the criteria are met. The composition of the approved swap counterparties will change from time to time.

5. Guidelines for the Use of Variable Rate Debt

Variable rate debt can be a valuable tool for the NFTA to use in the management of its assets and liabilities. However, the use of variable rate debt, though historically allowing lower borrowing costs, presents some risks that the NFTA must consider. The following guidelines shall be used in determining if variable rate debt is appropriate.

In general, the NFTA should maintain its flexibility and continuously review new products and opportunities to allow the Authority to take advantage of changing interest rate environments and new products or approaches as they become available. In low interest rate environments, the NFTA should lock in low fixed rates, through conversions, fixed rate debt issuance, and either traditional or synthetic refundings. In high interest rate environments, the NFTA should increase variable rate debt issuance, defer borrowing and evaluate other alternatives that will allow the Authority to reduce its overall cost of capital when interest rates decrease.

Due to the historical spread between long-term rates and short-term rates, the NFTA should consider maintaining a portion of its portfolio in variable rate debt. However, the NFTA shall attempt to constrain its unhedged variable rate exposure to no more than 20% of the Authority's outstanding indebtedness. The NFTA shall identify any short-term cash reserves or balances since the earnings from these funds will serve as a natural hedge offsetting the impact of higher variable rate debt costs. In addition, the Authority should also consider other strategies to allow assets and liabilities to move in tandem, such as entering into a "percentage of LIBOR" swap. Any synthetic fixed rate debt, achieved through a swap transaction whereby the Authority swaps variable rate for fixed rate should not be counted toward this ceiling.

Variable Rate Debt Alternatives
Each mode of variable rate exposure has its unique advantages and disadvantages. Decisions about which mode NFTA should utilize at any point in time should be based on a number of factors including the relative cost benefit to the Authority. Variable Rate Demand Obligations (VRDOs) are the traditional means of achieving variable rate exposure and provide municipal issuers with access to a large, well-established liquid market. Auction rate products offer the

advantage of not requiring bank liquidity. Synthetic variable rate debt offers issuers access to the well established swap market, along with structuring flexibility and potentially lower borrowing costs.

The NFTA should determine allocations to each class of variable rate debt within caps and floors and manage the precise allocation based on market constraints in advance of issuing bonds. Factors impacting decisions will be the capacity of insurers to insure NFTA bonds, the cost of bond insurance, swap market levels, and the cost and availability of letters of credit, as well as any other related costs.

6. Authorized Hedging Instruments

Interest rate swaps and options and variable rate debt are appropriate financial management tools that can help the NFTA meet important financial objectives. Properly used, these instruments can increase NFTA's financial flexibility, provide opportunities for interest rate savings or enhanced investment yields, and help NFTA manage its balance sheet through better matching of assets and liabilities. However, as important as these techniques are, they should not be used for speculation.

Swaps are appropriate to use when they achieve a specific objective consistent with overall financial policy. Swaps may be used to lock-in a current market fixed rate or create additional variable rate exposure. Swaps may be used to produce interest rate savings, alter the pattern of debt service payments, or for asset/liability matching purposes. Swaps may be used to cap, limit or hedge variable rate payments.

Options granting the right to commence or cancel an underlying swap may be used to the extent the swap itself is otherwise consistent with these guidelines; however, the NFTA must determine if the use of any such option is appropriate and warranted given the potential benefit, risks, and objectives of the Authority.

Variable rate debt, either as variable rate demand obligations, auction rate securities or created synthetically through a swap, is an important municipal finance tool. However, similar to swaps, variable rate debt has certain risks and benefits that must be analyzed and understood by the NFTA prior to entering into a variable rate transaction.

7. Guidelines for the Use of Swaps, Options and other Derivatives

In connection with the use of any swaps, NFTA's Board shall make a finding that, pursuant to Section 2.06 (Variable Rate Debt) and Section 2.08 (Hedge, Support and Other Financial Agreements) of the Master Resolution adopted by the NFTA Board on May 12, 1994 the authorized swaps contemplated herein are designed to reduce the amount or duration of the interest rate risk or result in a lower cost of borrowing when used in combination with the issuance of the Bonds or enhance the relationship between the risk and return with respect to NFTA's investments or program of investment.

Rationale
The NFTA may utilize financial instruments that:

- Optimize capital structure; including schedule of debt service payments and/or fixed vs. variable rate allocations
- Achieve appropriate asset/liability match
- Actively manage or reduce interest rate risk
- Provide greater financial flexibility
- Generate interest rate savings
- Enhance investment yields.

The use of derivative financial products may provide a higher level of savings benefit to the NFTA, or otherwise help the NFTA to meet the objectives outlined herein, as the NFTA may determine in its sole discretion.

The NFTA may expressly utilize the following financial products on a current or forward basis, after identifying the objective(s) to be realized and assessing the attendant risks:

- Interest rate swaps, including fixed, floating and/or basis swaps
- Interest rate caps/floors/collars
- Options, including swaptions, caps, floors, collars and/or cancellation or index-based features

Limitations
NFTA may not use financial instruments that in NFTA's sole discretion:

- Are speculative or create extraordinary leverage or risk
- Lack adequate liquidity to terminate at market
- Provide insufficient price transparency to allow reasonable valuation

In connection with any transaction, the Chief Financial Officer, the Executive Director, the General Counsel and NFTA's Financial Advisor and Bond Counsel shall review the proposed transaction and outline any considerations associated with the transaction to the Board of Commissioners, or a designated committee of the Board. Such a review shall include the identification of the proposed benefit and potential risks, which shall include, but not necessarily be limited to, those risks outlined herein. As part of this analysis, the NFTA shall present both the existing and any proposed transactions consistent with the Market Net Termination Exposure outlined herein.

Understanding the Risks
Among the items that the NFTA shall examine in determining whether to enter into a swap or other derivative transaction are the following:

Market or Interest Rate Risk

- The possibility that your debt service costs associated with variable rate debt increase and negatively affect coverage ratios and cash flow margins.

Tax Risk
- The possibility that the transaction is subject to a future change in federal income tax policy.

Liquidity Risk
- The possibility that a VRDO remarketing may fail.

Termination Risk
- The possibility that the transaction be terminated by either party. There may be a cost involved in termination.

Risk of Uncommitted Funding (Put Risk)
- The transaction may create additional financing dependent upon third party participation.

Legal Risk
- The possibility that the transaction is not expressly authorized.

Counterparty Risk
- This related to the creditworthiness of the counterparty.

Rating Agency Risk
- The proposed transaction may not be consistent with current ratings.

Basis Risk
- A potential mismatch between the interest rate received from the swap contract and the interest actually owed on the bonds.

Tax Exemption Risk
- The transaction puts the NFTA's bonds at the risk of being deemed taxable.

Accounting Risk
- The transaction creates any unanticipated accounting issues from a financial statement perspective.

Administrative Risk
- The potential the transaction can not be readily administered and monitored consistent with the policies outlined herein.

Amortization Risk
- The risk that there are potential costs of servicing debt or honoring swap transactions resulting from a mismatch between bonds and the notional amount of the swap outstanding.

Subsequent Business Conditions
- The transaction or its benefits depend upon the continuation, or realization, of specific industry or business conditions.

Savings Thresholds

A synthetic refunding, using swaps or other derivatives, should generate present value savings of at least 5%. Currently a common threshold in the municipal finance industry is that a refunding should generate 3% present value savings. Financial transactions, using swaps or other derivative products, should generate 2% greater savings than the benefit threshold then in effect for traditional bonds. This threshold will serve as a guideline and will be subject to amendment should the transaction, in NFTA's sole judgment, helps to meet any of the objectives outlined herein. The higher savings target reflects the greater complexity and higher risk of derivative financial instruments.

Terms and Notional Amount of Swap Agreement
The NFTA will use standard ISDA swap documentation including the Schedule to the Master Agreement and a Credit Support Annex. The NFTA may consider additional documentation if the product is proprietary or the NFTA deems such documentation is otherwise in its interest.

The NFTA shall determine the appropriate term for an interest rate swap agreement on a case-by-case basis. In connection with the issuance or carrying of bonds, the term of the swap agreement between the NFTA and a qualified swap counterparty shall not extend beyond the final maturity date of existing debt of NFTA on a specific project, or in the case of a refunding transaction, beyond the final maturity of the refunding bonds. At no time shall the total net notional amount of all swaps exceed the total amount of outstanding revenue bonds. For purposes of calculating net exposure, credit shall be given to any fixed versus variable rate swaps that offset for a specific project or bond transaction.

The swap agreement between the NFTA and each counterparty shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions, provisions and safeguards as the NFTA, in consultation with its legal counsel, deems necessary or desirable.

Subject to the provisions contained herein, NFTA swap documentation and terms shall include the following:

- Downgrade provisions triggering termination shall in no event be worse than those affecting the counterparty.
- Governing law for swaps will be New York
- The specified indebtedness related to credit events in any swap agreement should be narrowly drafted and refer only to indebtedness of the NFTA.
- Collateral thresholds should be set on a sliding scale reflective of credit ratings.
- Eligible collateral should be limited to Treasuries and obligations of Federal Agencies where the principal and interest are guaranteed by the United States.
- The right to optionally terminate a swap agreement at any time over the term of the agreement.
- Termination value should be set by "market quotation" methodology, when NFTA deems appropriate.

Qualified Swap Counterparties
The NFTA shall do business with highly rated counterparties. Qualified swap counterparties should be rated:

(i) at least "Aa3" or "AA-" by one of the nationally recognized rating agencies and not rated lower than A2 or A by any nationally recognized rating agency, or

(ii) have a "AAA" subsidiary as rated by at least one nationally recognized credit rating agency.

The nationally recognized rating agencies are Moody's Investors Services, Inc., Standard and Poor's Rating Services, and FitchRatings. In addition, a qualified swap counterparty must have a demonstrated record of successfully executing swap transactions as well as creating and implementing innovative ideas in the swap market. Each counterparty shall have minimum capitalization of at least $150 million.

However, the NFTA should not have an immutable credit standard. While, as noted above, the NFTA will make best efforts to do business with highly rated counterparties of AA- or better. However, for lower rated (below AA-) counterparties, the NFTA should seek credit enhancement in the form of:

- Contingent credit support or enhancement;
- Collateral consistent with the policies contained herein;
- Ratings downgrade triggers.

In order to diversify NFTA's counterparty credit risk, and to limit NFTA's credit exposure to any one counterparty, limits will be established for each counterparty based upon both the credit rating of the counterparty as well as the relative level of risk associated with each existing and projected swap transaction.

The NFTA shall structure swap agreements to protect itself from credit deterioration, and shall consider using a credit support annex or other form of credit enhancement to secure counterparty performance. Such protection shall include any terms and conditions that, at NFTA's sole discretion, are necessary or in NFTA's best interest.

Maximum Net Termination Exposure

The guidelines below provide general termination exposure guidelines with respect to whether NFTA should enter into an additional transaction with an existing counterparty. Such guidelines will also not mandate or otherwise force automatic termination by NFTA or the counterparty. Such provisions will only act as guidelines in making a determination as to whether or not a transaction should be executed given certain levels of existing and projected net termination exposure to a specific counterparty. The calculation of net termination exposure per counterparty shall take in consideration multiple transactions, some of which may offset the overall exposure to NFTA.

Maximum Net Termination Exposure will be based on the sum of

(i) the market value of existing transactions as of the first day of the month prior to the execution of any new transaction, plus
(ii) the expected worse case termination value of the new transaction.

For purposes of this calculation, the NFTA shall include all existing and projected transactions of an individual counterparty and all transactions will be analyzed in aggregate such that the maximum exposure will be additive and netted.

The maximum termination exposure shall be tied to the credit rating of a counterparty and whether or not the counterparty has posted collateral against this exposure. Under this approach, NFTA will set limits on individual counterparty exposure based on existing as well as new or proposed transactions. For existing transactions, exposure shall be based on the market value as of the first day of the month prior to the execution of any new or proposed transaction. For a new or proposed transaction, exposure will be based on the estimated maximum exposure assuming two standard deviations.

The exposure thresholds shall be reviewed periodically to ensure that the thresholds are appropriate. If a counterparty has more than one rating, the lowest rating will govern for purposes of the calculating the level of exposure. The following chart summarizes the thresholds:

Maximum Net Termination Exposure for Counter parties

Credit Rating	Maximum Collateralized Exposure	Maximum Uncollateralized Exposure	Maximum Total Termination Exposure
AAA	Not applicable	$40 million	$40 million
AA	$30 million	$10 million	$40 million
Below AA	$30 million	None	$30 million

If the exposure limit is exceeded by a counterparty, the NFTA shall conduct a review of the exposure limit per counterparty. The NFTA, in consultation with its Bond Counsel and Financial Advisor, shall evaluate appropriate strategies to mitigate this exposure.

Swap Collateralization
As part of any swap agreement, the NFTA shall require collateralization or other forms of credit enhancements to secure any or all swap payment obligations. As appropriate, NFTA, in consultation with Counsel may require collateral or other credit enhancement to be posted by each swap counterparty under the following circumstances:

- Each counterparty to the NFTA may be required to post collateral if the credit rating of the counterparty or parent falls below the "AA" category. Additional collateral for further decreases in credit ratings of each counterparty shall be posted by each counterparty in accordance with the provisions contained in the collateral support agreement to each counterparty with the NFTA.
- Threshold amounts shall be determined by the NFTA on a case-by-case basis. The NFTA will determine the reasonable threshold limits for the initial deposit and for increments of collateral posting thereafter.

- Collateral shall be deposited with a third party trustee, or as mutually agreed upon between the NFTA and the counterparty.
- A list of acceptable securities that may be posted as collateral and the valuation of such collateral will be determined and mutually agreed upon during negotiation of the swap agreement with each swap counterparty.
- The market value of the collateral shall be determined on a monthly basis, or more frequently if the NFTA determines it is in NFTA's best interest given the specific collateral security.

8. Contingency Reserve

In the event that the NFTA receives a premium payment or other revenue stream from a counterparty as the result of entering into a transaction that may result in the future issuance of variable rate debt, the NFTA shall make every effort to segregate one hundred percent of such payment or revenue stream in the NFTA's accounts. Such funds shall only be used to pay the shortfall that may occur if the amount of variable rate debt service paid by the NFTA exceeds the variable rate payments received by the NFTA from a counterparty, unless otherwise approved by the Board. In the event that such segregated funds shall exceed the amount that the NFTA expects to be the maximum aggregate shortfall that could reasonably occur as a result of the variable rate debt service payments made by the NFTA being in excess of the variable rate payments received by the NFTA from a counterparty, such excess funds may be used for any other authorized purpose.

9. Reporting

A written report providing the status of all interest rate swap agreements entered into by the NFTA will be provided to the Board at least on a quarterly basis and shall include the following:

- A description of all outstanding interest rate swap agreements, including project and bonds series, type of swap, rates paid and received by NFTA, total notional amount, average life of each swap agreement, remaining term of each swap agreement.
- Highlights of all material changes to swap agreements or new swap agreements entering into by NFTA since the last report.
- Market value of each of NFTA's interest rate swap agreements.
- The credit rating and each swap counterparty and credit enhancer insuring swap payments, if any.
- If applicable, information concerning any default by a swap counterparty to NFTA, including but not limited to the financial impact to NFTA, if any.
- A summary of swap agreements that were terminated.
- For swap transactions entered into to generate debt service savings, the NFTA will calculate on an annual basis the actual debt service requirements versus the projected debt service on the swap transaction. Such a calculation shall include the

determination of the cumulative actual savings versus the projected savings at the time a swap is executed.

10. Amount of Debt to be Issued

The amount of bond debt that may be issued for the aviation system is governed by the Master resolutions Section 2.02 and debt. for all other areas of the Authority must be justified on a cost benefit basis.

All debt must be reviewed and approved by the Audit and Governance Committee before full Board approval.

11. Liability Management Policy Review

This policy will be reviewed, by the NFTA Board of Commissioners, at least annually and any amendments, deletions, additions, improvements or clarification will be made if deemed appropriate.

12. Compliance with 17 C.F.R. § 23.450

Financial Advisor. NFTA shall select and retain a Financial Advisor that satisfies the applicable requirements of 17 C.F.R. § 23.450(b) in order to solicit or receive communications or proposals, enter into, terminate or take any other action involving a swap dealer or major swap participant in connection with a proposed or existing NFTA swap (including executions, novations, amendments, and negotiated terminations of swaps). NFTA shall not retain a Financial Advisor that a swap dealer or major swap participant has referred, recommended, or introduced to NFTA within one year prior to the Financial Advisor's representation of NFTA in connection with a swap transaction.

Compliance Letter. NFTA's Financial Advisor shall provide to NFTA a letter demonstrating compliance with 17 C.F.R. § 23.450(b) (the "Compliance Letter"). The Compliance Letter shall include:

(A) Representations of the Financial Advisor to the effect that the Financial Advisor:

(i) has sufficient knowledge to evaluate the transaction and risks;

(ii) is not subject to a statutory disqualification as defined in 17 C.F.R. § 23.450(a)(2);

(iii) is not, and within one year prior to executing the Compliance Letter was not, an associated person of the swap dealer or major swap participant within the meaning of Section 1a(4) of the Act;

(iv) has no principal relationship with any swap dealer or major swap participant;

(v) is not directly or indirectly, through one or more persons, controlled by, in control of, or under common control with the swap dealer or major swap participant;

(vi) has policies and procedures reasonably designed to ensure that it satisfies the applicable requirements of 17 C.F.R. § 23.450(b);

(vii) meets the independence test in 17 C.F.R. § 23.450(b); and

(viii) is subject to restrictions on certain political contributions imposed by the CFTC, the SEC, or a self-regulatory organization subject to the jurisdiction of the CFTC or the SEC.

(B) The legal obligation of the Financial Advisor to comply with the applicable requirements of 17 C.F.R. § 23.450(b), including the obligation to:

(i) act in the best interests of NFTA;

(ii) provide timely and effective disclosures to NFTA of all material conflicts of interest that could reasonably affect the judgment or decision making of the Financial Advisor with respect to its obligations to NFTA;

(iii) implement and comply with policies and procedures reasonably designed to manage and mitigate any material conflicts of interest that could reasonably affect the judgment or decision making of the Financial Advisor with respect to its obligations to NFTA; and

(iv) evaluate the fair pricing and the appropriateness of any swap (including executions, novations, amendments, and negotiated terminations of swaps).

In the alternative NFTA may amend its retainer agreement with the Financial Advisor to include the obligation referred to in (B) above. The Chief Financial Officer shall have the authority to, upon the advice of counsel, agree to all of the terms and provisions (including fees) of, and execute, any letter or retainer amendment entered into in connection with this Section 12.

Monitoring. NFTA shall monitor the performance of the Financial Advisor consistent with the requirements of 17 C.F.R. § 23.450(b), including, but not limited to, as follows:

(a) Upon being ask to make any representation to any swap dealer or major swap participant in connection with a potential or an existing swap transaction, NFTA shall obtain from the Financial Advisor a letter, e-mail or other written communication to the effect that the Compliance Letter is true and correct in al material respects.

(b) The Chief Financial Officer of NFTA shall undertake such other shall monitoring activities with respect to the Financial Advisor as may be required to comply with 17 C.F.R. § 23.450(b).

Safe Harbor. The Chief Financial Officer of NFTA is authorized to execute written agreements with a swap dealer or major swap participant or enter into ISDA protocols which are intended to satisfy "safe harbor" of 17 C.F.R. § 23.450(d).

Defined Terms. The terms "swap dealer" or "major swap participant" and "Act" shall have the meanings as set forth in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and applicable regulations of the Commodity Futures Trading Commission ("CFTC") and the Securities and Exchange Commission ("SEC").

3. **AVIATION BUSINESS GROUP REPORT**
   - A. Aviation Committee Report
   - B. Financial Update
   - C. Business Update
   - D. Resolutions

Aviation Resolutions

1. Authorization for Procurement, Seneca Sales and Supply, LLC, Potassium Acetate, BNIA

AVIATION:

3. D. (1) Authorization for Procurement, Seneca Sales and Supply, LLC, Potassium Acetate, BNIA

RECOMMENDATION: Staff recommends that the Board approve the procurement of potassium acetate from Seneca Sales and Supply, LLC., Erie, Pennsylvania at a cost of $112,750.00.

INFORMATION: BNIA airfield staff is responsible for snow and ice removal for all ramps, runways, and roadways during winter operations. Potassium acetate is a fluid used for the prevention and removal of frozen deposits of frost and/or ice. Staff requests authorization to procure 25,000 gallons of potassium acetate for the upcoming winter season. Previously, staff used solid compounds including sodium formate and grit for anti-icing and de-icing of airfield pavement. It is anticipated the potassium acetate will act more effectively and efficiently especially during windy conditions and it will cause less damage to pavement and structural bridges. Other airports have been surveyed and are very satisfied with the effectiveness of the liquid chemical use.

In accordance with NFTA procurement guidelines, staff issued Bid No. 4426 for the potassium acetate. Staff recommends acceptance of the lowest bid from Seneca Sales and Supply, LLC., Erie, Pennsylvania at a cost of $112,750.00.

FUNDING: Funding is 100% Airport Development funds.

Whereupon, it was moved by Commissioner Baynes, seconded by Commissioner Perry, that the following Resolutions be adopted:

> "**RESOLVED,** that the Board hereby authorizes the procurement of potassium acetate from Seneca Sales and Supply, LLC at a cost of $112,750.00, as described above; and
>
> **BE IT FURTHER RESOLVED,** that the Manager, Procurement, be and she is hereby authorized to issue Purchase Orders to Seneca Sales and Supply, LLC for the procurement of potassium acetate to be used as described hereinabove; and
>
> **BE IT FURTHER RESOLVED,** that said Purchase Orders shall include such additional terms, conditions and safeguards to the Authority as deemed appropriate by the General Counsel; and

BE IT FURTHER RESOLVED, that the Chief Financial Officer, be and he is hereby authorized to make payments under said Purchase Order upon certification by the Director, Aviation, that such payments are in order."

AYES: **ZEMSKY, SLOMA, DEMAKOS, ANSARI, BAYNES, GURNEY, HUGHES, PERRY**

NOES: **NONE**

ADOPTED

NFTA BID ANALYSIS

BID NO: 4426

BID FOR: POTASSIUM ACETATELIQUID DEICER AND INDUSTRIAL CHEMICAL STORAGE TANKS

DEPT: BNIA AIRFIELD

BID DATE: 10/3/2014

ITEM 1: LIQUID POTASSIUM ACETATE

		PETERS CHEMICAL COMPANY Hawthorne, NJ			SENECA SALES & SUPPLY, LLC. Erie, PA			SCHOENBERG SALE & CHEMICAL CO. INC. Clemmons, NC		
	ESTIMATED QUANTITY OF GALLONS	DESCRIPTION	UNIT AMT BID PER GALLON	TOTAL AMT BID	DESCRIPTION	UNIT AMT BID PER GALLON	TOTAL AMT BID	DESCRIPTION	UNIT AMT BID PER GALLON	TOTAL AMT BID
	25,000	Cryotech E36	$6.17	$154,250.00	Alpine RF-11 SAE AMS 1435C FAA Compliant Runway Deicer	$4.51	$112,750.00	Alpine RF-11	$4.63	$115,750.00
TOTAL				$154,250.00			$112,750.00			$115,750.00
24	LEAD TIME	2-5 DAYS			48 Hours			48 Hours		

4. SURFACE TRANSPORTATION BUSINESS GROUP REPORT

A. Surface Transportation Committee Report
B. Financial Update
C. Business Update
D. Resolutions

Surface Transportation Resolutions

1. Authorization for Procurement, Gillig, LLC; New Flyer Canada; Prevost Car (US); Muncie Transit; North American Bus and Kenworth NE Group, Steering Repair Parts, Metro

SURFACE:

4. D. (1) Authorization for Procurement, Gillig, LLC.; New Flyer Canada; Prevost Car (US); Muncie Transit; North American Bus and Kenworth NE Group, Steering Repair Parts, Metro

RECOMMENDATION: Staff recommends the Board approve the lowest responsive bids submitted for the procurement of steering repair parts from the suppliers listed below. The estimated cost, based on past usage, is $812,936.00 for the period of November 1, 2014 through October 31, 2017.

Gillig - $484,691.00
New Flyer - $225,293.00
Prevost - $13,803.00
Muncie Transit - $12,413.00
NABI - $63,936.00
Kenworth - $12,800.00

INFORMATION: Bus maintenance requires replacement steering parts to maintain and repair the transit bus fleet. See the attached Bid Analysis for details.

FUNDING: Funding is provided in Inventory Account 2-00-0000-184-0010 and appropriate departmental operating budgets.

Whereupon, it was moved by Commissioner Sloma, seconded by Commissioner Gurney, that the following Resolutions be adopted:

> "**RESOLVED,** that the Board hereby acceptance of the lowest responsive bids for the procurement of steering repair parts from the above listed vendors for an estimated cost of $812,936.00 as described hereinabove; and
>
> **BE IT FURTHER RESOLVED,** that the Manager, Procurement, be and she is hereby authorized to issue Purchase Orders to the above vendors for the procurement of steering repair parts to be used as described hereinabove; and
>
> **BE IT FURTHER RESOLVED,** that said Purchase Orders shall include such additional terms, conditions and safeguards to the Authority as deemed appropriate by the General Counsel; and

BE IT FURTHER RESOLVED, that the Chief Financial Officer, be and he is hereby authorized to make payments under said Agreements upon certification by the Director, Public Transit, that such payments are in order."

AYES: **ZEMSKY, SLOMA, DEMAKOS, ANSARI, BAYNES, GURNEY, HUGHES, PERRY**

NOES: **NONE**

ADOPTED

SURFACE 4. D. (1)

Bid 4415
Steering Parts

Description	Gillig LLC Hayward, CA	New Flyer Canada Winnipeg, Manitoba Canada	Prevost Car (US) Elgin, IL	Muncie Transit Muncie, IN	North American Bus Delaware, OH	Kenworth NE Group Buffalo, NY
ASSEMBLY ;STEERING KNUCKLE, STREET SIDE	$33,216	$34,258	$45,325	$36,964	$33,551	$40,612
ASSEMBLY ;STEERING KNUCKLE, CURB SIDE	$28,030	$28,595	$32,412	$28,661	$27,988	$34,203
END ;TIE ROD, LEFT HAND	$3,543	$3,657	$4,110	$3,839	$3,423	$7,083
DRIVESHAFT ;51 DEGREE OFFSET		$16,785	$24,176	$21,079	$18,512	
ASSEMBLY ;TIE ROD, 65.5" TUBE LENGTH	$2,040	$1,991	$1,950	$1,637	$2,355	$2,261
DRAG LINK ;BENT			$662			
SEAL ;PINION, DIFFERENTIAL	$1,368	$1,277	$1,287	$1,551	$1,196	$1,061
BOX ;STEERING GEAR	$7,778					
PUMP ;POWER STEERING, HYDRAULIC TANDEM	$45,247		$95,395	$66,965	$70,281	
ASSEMBLY ;CARRIER, DIFFERENTIAL, R160 @	$7,055	$6,880	$8,716	$7,184	$5,983	
SHAFT ;DRIVE, STEERING BOX INPUT		$377				
COLUMN ;STEERING		$1,449			$1,335	
KIT ;MASTER SEAL, SHEPPARD STEERING GEAR		$807	$1,054			
ASSEMBLY ;STEERING KNUCKLE AND TIE ROD	$67,995	$68,557	$90,650	$73,928		
ASSEMBLY ;STEERING KNUCKLE AND TIE ROD,	$72,926	$73,529	$85,933	$73,701		
UMBRELLA ;MITRE BOX		$232	$343	$242		
COVER ;STEERING GEAR BOX		$730		$1,973		
RING ;RETAINING, MITRE BOX				$38		
MITRE BOX ;CW INPUT, CCW OUTPUT	$17,595					
ASSEMBLY ;STEERING SHAFT			$3,453			
ASSEMBLY ;TIE ROD, 62-1/2" TUBE ELNGTH	$854	$896	$889	$786		
BEARING ;STEERING GEAR BOX		$962				
ROD ;TORQUE, UPPER, REAR SUSPENSION	$2,716	$4,305		$3,128	$2,938	
KIT ;REBUILD, KING PIN	$22,290	$24,043		$20,560	$11,261	
END ;SOCKET, STEERING GEAR MOUNT LEFT	$10,284					
END ;SOCKET, STEERING GEAR MOUNT RIGHT	$10,284					
MITRE BOX ;			$5,754	$6,236		
ROD ;TORQUE, UPPER, 19.16" CENTER LENGTH	$207,876	$125,051	$189,025	$135,491	$165,066	
ROD ;TORQUE, LOWER, 21.55" CENTER LENGTH	$97,487	$47,988	$72,541	$52,709	$63,344	
END ;TIE ROD, LEFT HAND	$649	$675	$706	$806	$603	

Bid 4415
Steering Parts

Description	Gillig LLC Hayward, CA	New Flyer Canada Winnipeg, Manitoba Canada	Prevost Car (US) Elgin, IL	Muncie Transit Muncie, IN	North American Bus Delaware, OH	Kenworth NE Group Buffalo, NY
ROD ;TORQUE, LOWER, FRONT SUSPENSION	$8,181	$8,213	$13,509	$9,017	$10,548	
DRAG LINK ;	$5,048					
ARM ;PITMAN	$313					
ASSEMBLY ;STEERING SHAFT	$14,069					
SPACER ;SHOCK ABSORBER			$164			
BUMPER ;RUBBER, FRONT SUSPENSION	$3,370					
PUMP ;HYDRAULIC			$11,364	$9,023		
PUMP ;POWER STEERING, HYDRAULIC TANDEM	$9,492	$14,503	$16,620	$10,046	$18,816	
KIT ;SEAL, POWER STEERING, HYDRAULIC TAN	$144			$153		
KIT ;SEAL, POWER STEERING, HYDRAULIC TAN	$110			$118		
U-JOINT ;STEERING SHAFT			$2,227			
SHAFT ;SECTOR, STEER GEAR BOX			$1,379			
KIT ;SEAL			$495	$171		
KIT ;SEAL, STEERING GEAR BOX	$1,148			$758		
ASSEMBLY ;STEERING KNUCKLE, STREET SIDE	$4,357	$4,620	$4,930	$5,982	$4,209	$4,829
ASSEMBLY ;STEERING KNUCKLE AND TIE ROD,	$4,357			$5,982		
ASSEMBLY ;STEERING KNUCKLE, CURB SIDE	$2,179	$2,310	$2,465	$2,991	$2,104	$2,415
ASSEMBLY ;STEERING KNUCKLE AND TIE ROD,	$10,894			$14,956		
ARM ;STEERING, STREET SIDE	$2,979	$2,909	$5,819	$3,702	$4,473	$3,040
PUMP ;HYDRAULIC, POWER STEERING	$9,796					
ROD ;TORQUE, UPPER, REAR SUSPENSION	$3,878			$4,449	$3,795	
KIT ;RETAINER, PITMAN ARM, STEERING GEAR		$174	$164	$566		
PIN ;TAPERED, FOR RADIUS ROD	$8,299		$12,381	$8,694	$11,304	
KIT ;BEARING & SEAL DIFFERENTIAL	$4,303		$3,886	$4,474	$3,236	
ASSEMBLY ;STEERING, SHAFT	$49,964	$29,452	$56,937	$48,117		
BUSHING ;RADIUS ROD	$37,117					
DOWEL ;REAR AXLE SHAFT	$1,364	$1,456	$1,617	$1,692	$1,532	$1,762
KIT ;UNIVERSAL JOINT, REPAIR	$11,314		$10,239	$11,095	$9,812	$8,996
JOINT ;UNIVERSAL STRAIGHT SHAFT	$3,207		$4,280	$3,403	$2,798	$2,743
BUSHING ;RADIUS ROD, LOW FLOOR AXLE	$97,023	$106,407	$123,205	$117,170	$147,474	

Bid 4415
Steering Parts

Description	Gillig LLC Hayward, CA	New Flyer Canada Winnipeg, Manitoba Canada	Prevost Car (US) Elgin, IL	Muncie Transit Muncie, IN	North American Bus Delaware, OH	Kenworth NE Group Buffalo, NY
DOWEL ;AXLE SHAFT, 20 PIECES/BAG	$7,072	$8,663	$7,747	$8,909	$7,403	$10,395
3 YEAR TOTAL	**$484,691**	**$225,293**	**$13,803**	**$12,413**	**$63,936**	**$12,800**

5. PROPERTY/RISK MANAGEMENT GROUP REPORT

A. Property/Risk Management Committee Report
B. Financial Update
C. Business Update
D. Resolutions

Property/Risk Management Resolutions

i. Niagara Frontier Transportation Authority, Acceptance of Property/Risk Management Resolutions 5. D. (1) through 5. D. (4)

1. Authorization for Lease Agreement, World Dental Supply, Inc., 247 Cayuga Road

2. Authorization for Lease Agreement, KLW Appraisal Group, 247 Cayuga Road

3. Authorization for Lease Agreement, Liquid Creations, LLC, 485 Cayuga Road

4. Authorization for Lease Agreement, Gray Manufacturing Industries, LLC, Port Terminal B

PROPERTY:

5. D. (i) Niagara Frontier Transportation Authority, Acceptance of Property Resolutions 5. D. (1) through 5. D. (4)

The Executive Director advised that Items 5. D. (1) through 5. D. (4) have been discussed with the Board of Commissioners of the NFTA, and the Board is unanimously in favor of all subject Resolutions.

Whereupon, it was moved by Commissioner Hughes, seconded by Commissioner Demakos, that the following Resolution be adopted:

> "**RESOLVED**, that the Resolutions of the Niagara Frontier Transportation Authority, identified as numbers 5. D. (1) through 5. D. (4) and dated October 23, 2014 as set forth herein, be and hereby are accepted and approved in their entirety."

AYES: **ZEMSKY, SLOMA, DEMAKOS, ANSARI, BAYNES, GURNEY, HUGHES, PERRY**

NOES: **NONE**

ADOPTED

PROPERTY:

5. D. (1) Authorization for Lease Agreement, World Dental Supply, Inc., 247 Cayuga Road

RECOMMENDATION: Staff recommends that the Board authorize a Lease Agreement with World Dental Supply, Inc. (George Samoel, President) for warehouse space at 247 Cayuga Road.

INFORMATION: World Dental Supply has been a tenant at this location since 2010. They would like to continue their lease for one more year. This leased area is open, unfinished warehouse space and is classified C--. This lease is for 1,400 square feet at a rental rate of $3.18 per square foot, or $4,452 per year, an increase of 3% from last year. The rent is fully gross and the premises are being leased as is. The term is for one year commencing November 1, 2014 and expiring October 31, 2015.

FUNDING: No funding is necessary.

> "**RESOLVED,** that the Board hereby authorizes a Lease Agreement with World Dental Supply, Inc., for use of space at 247 Cayuga Road as described hereinabove; and
>
> **BE IT FURTHER RESOLVED,** that the Executive Director, her designee and/or the Chairman, be and hereby are authorized to execute a Lease Agreement with World Dental Supply, Inc., with terms and conditions as set forth above and as negotiated; and
>
> **BE IT FURTHER RESOLVED,** that said Lease Agreement shall include such terms, conditions and safeguards to the Authority as deemed appropriate by the General Counsel."

PROPERTY:

5. D. (2) Authorization for Lease Agreement, KLW Appraisal Group, 247 Cayuga Road

RECOMMENDATION: Staff recommends that the Board authorize a Lease Agreement with KLW Appraisal Group (Gregory Klauk, President) for office space at 247 Cayuga Road.

INFORMATION: KLW has been a tenant at 247 Cayuga Road since 1997 with their current lease expiring November 30, 2014. The proposed lease is for 2,950 square feet of Class B office space at $12.59 per square foot or $37,140.50 for the first year with an annual escalator of 3%. The initial lease term will be from December 1, 2014 through November 30, 2015. KLW will have the right to renew this lease for one additional one-year period.

As a part of this agreement, KLW has also agreed to continue to provide on-site management assistance at 247 Cayuga Road with any expenses to be reimbursed by the NFTA. KLW began providing this assistance in 2007. It was previously provided by DRS.

FUNDING: The management assistance cost will be paid from Property Management's 247 Cayuga Building Upgrades capital account (Project No. 120000000314428031).

> "**RESOLVED**, that the Board hereby authorizes a Lease Agreement with KLW Appraisal Group, for use of space at 247 Cayuga Road as described hereinabove; and
>
> **BE IT FURTHER RESOLVED**, that the Executive Director, her designee and/or the Chairman, be and hereby are authorized to execute a Lease Agreement with KLW Appraisal Group, with terms and conditions as set forth above and as negotiated; and
>
> **BE IT FURTHER RESOLVED,** that said Lease Agreement shall include such terms, conditions and safeguards to the Authority as deemed appropriate by the General Counsel."

PROPERTY:

5. D. (3) **Authorization for Lease Agreement, Liquid Creations, LLC, 485 Cayuga Road**

RECOMMENDATION: Staff recommends that the Board authorize a Lease Agreement with Liquid Creations LLC (Paul Sims, Managing Partner) for space at 485 Cayuga Road.

INFORMATION: Liquid Creations is a water transfer printing business. This lease is for 1,150 square feet of space at 485 Cayuga Road. The term of the lease is two years beginning November 1, 2014 and ending October 31, 2016. The rental rate for year one is $5.90 per square foot, or $6,785 for the year. The rent increases in year two to $6.10 per square foot, or $7,015 for the year.

As per NFTA's Agreement with Hunt Real Estate for services at 485 Cayuga Road, a 5% real estate commission will be paid for this lease.

FUNDING: The real estate commission will be paid from Property Management's Consultant Services operating account (Account No. 08-0099-571-9900).

"**RESOLVED**, that the Board hereby authorizes a Lease Agreement with Liquid Creations, LLC, for use of space at 485 Cayuga Road as described hereinabove; and

BE IT FURTHER RESOLVED, that the Executive Director, her designee and/or the Chairman, be and hereby are authorized to execute a Lease Agreement with Liquid Creations, LLC, with terms and conditions as set forth above and as negotiated; and

BE IT FURTHER RESOLVED, that said Lease Agreement shall include such terms, conditions and safeguards to the Authority as deemed appropriate by the General Counsel."

PROPERTY:

5. D. (4) **Authorization for Lease Agreement, Gray Manufacturing Industries, LLC, Port Terminal B**

RECOMMENDATION: Staff recommends that the Board authorize a Lease Agreement with Gray Manufacturing Industries, LLC (GMI), (Dave Gray, President) for the lease of warehouse space at Port Terminal B.

INFORMATION: GMI has been leasing cold storage space at the Port since September 2012. This agreement will allow them to continue leasing all of Terminal B (95,000 sq. ft.) to store railcars. The lease would be for six months, commencing December 1, 2014 and ending May 31, 2015. The rent would be at a rate of $2.50 per square foot per year or $19,791.66 per month.

FUNDING: No funding is necessary.

> "**RESOLVED**, that the Board hereby authorizes a Lease Agreement with Gray Manufacturing Industries, LLC for space at Port Terminal B as described hereinabove; and
>
> **BE IT FURTHER RESOLVED**, that the Executive Director, her designee and/or the Chairman, be and hereby are authorized to execute a Lease Agreement with the Gray Manufacturing Industries, LLC as set forth above and as negotiated; and
>
> **BE IT FURTHER RESOLVED**, that said Lease Agreement shall include such terms, conditions and safeguards to the Authority as deemed appropriate by the General Counsel."

6. General Counsel Report - Written

7. Executive Session

At approximately 1:05 p.m., it was moved by Commissioner Sloma, seconded by Commissioner Hughes, that the Commissioners convene in Executive Session to discuss matters regarding the sale of the waterfront property.

Following discussion, at approximately 1:20 p.m., it was moved by Commissioner Sloma, seconded by Commissioner Perry, that the Executive Session be adjourned and that the Board resume the Regular Session.

AYES: **ZEMSKY, SLOMA, DEMAKOS, ANSARI, BAYNES, GURNEY, HUGHES, PERRY**

NOES: **NONE**

8. Adjournment

At approximately 1:21 p.m., the Chairman indicated that there was no further business coming before the Board, whereupon it was moved by Commissioner Sloma, seconded by Commissioner Hughes, and unanimously approved that the Regular Meeting of the Niagara Frontier Transportation Authority and Niagara Frontier Transit Metro System, Inc. be adjourned.

AYES: **ZEMSKY, SLOMA, DEMAKOS, ANSARI, BAYNES, GURNEY, HUGHES, PERRY**

NOES: **NONE**