

**CERTIFICATION
OF
NEW JERSEY TURNPIKE AUTHORITY**

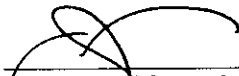
I, Joseph Mrozek, hereby certify that I am the Executive Director of the New Jersey Turnpike Authority and as such, Executive Director certify that the attached copy of PROCEEDINGS OF THE NEW JERSEY TURNPIKE AUTHORITY is a true and correct copy of the Minutes of the **September 12, 2017** Meeting of the Authority.

IN WITNESS THEREOF, I have hereunto set my hand and affixed the official seal of the New Jersey Turnpike Authority **this 12th day of September, 2017.**

ATTEST:



Kim Schurman
Secretary to the Authority



Joseph Mrozek
Executive Director

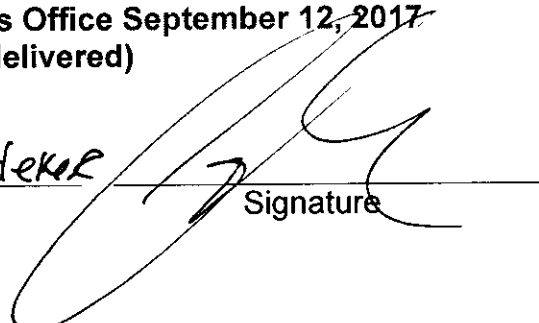
Corporate Seal

Date: September 12, 2017

**Received in the Governor's Office September 12, 2017
(hand delivered)**

Received by:


Print Name


Signature

Veto Period Ends:

September 26, 2017
(Write in the date the veto period ends)



**PROCEEDINGS OF SPECIAL MEETING OF NEW JERSEY TURNPIKE AUTHORITY
BOARD OF COMMISSIONERS
Tuesday, September 12, 2017**

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Vice Chairman Ronald Gravino called the special meeting of the Authority's Board of Commissioners into session in the Executive Boardroom of the Authority's Headquarters Building at 1 Turnpike Plaza in Woodbridge, New Jersey, at 9:07 A.M.

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PRESENT

Present were Vice Chairman Ronald Gravino, Commissioner Raymond Pocino, Commissioner John Minella, Commissioner Raphael Salerno, and NJDOT Deputy Commissioner Joseph Bertoni (proxy for Chairman Richard Hammer). The meeting commenced at 9:07 A.M.

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ALSO PRESENT

Executive Director Joseph Mrozek; Chief Operating Officer John O'Hern; Chief Financial Officer Donna Manuelli; Chief Engineer Robert Fischer; Chief Information Officer Jose Dios; General Counsel Bruce Harris; Director of Human Resources Mary-Elizabeth Garrity; Director of Internal Audit James Carone; Director of Maintenance Kenneth McGoldrick; Director of Operations Henry Eibel; Director of Procurement and Materials Management Andrea Ward; Director of Tolls Robert Quirk; New Jersey State Police Major Eric Heitmann, State Police Troop D; and Secretary to the Authority Kim Schurman.

Also present were: Governors' Authorities Unit Representative Nicholas Kant; additional individuals consisting of other NJTA employees; interested organizations; and the general public; and from the media: NJ Advanced Media.

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NOTICE OF MEETING

This is a special meeting of the New Jersey Turnpike Authority. Notice of this meeting was provided on September 8, 2017, more than 48 hours in advance of the meeting, in accordance with Chapter 231, P.L. 1975 in that notice has been given to at least two newspapers and notice has been forwarded to the Secretary of State, Trenton, New Jersey. In addition, notice of said meeting has been and is being displayed in the main lobby of the Authority's Administration Offices, 1 Turnpike Plaza, Woodbridge.

Executive Director Mrozek takes Roll Call and the Following Were Present:

1. Vice Chairman Gravino
2. Treasurer DuPont (Absent)
3. Commissioner Pocino
4. Commissioner Diaz (Absent)
5. Commissioner Minella
6. Commissioner Salerno
7. NJDOT Deputy Commissioner Bertoni

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EXECUTIVE SESSION

A motion to enter into Executive Session, not open to the public in accordance with the Open Public Meetings Act, N.J.S.A. 10:4-12(b), to discuss matters pertaining to:

- Real Estate

The motion was made by Commissioner Pocino and seconded by Commissioner Salerno, and, after the voice vote, the motion was duly adopted by the Board of Commissioners of New Jersey Turnpike Authority.

Executive Session was adjourned at 9:43 a.m. Vice Chairman Gravino resumed the public portion of the meeting at 9:46 a.m.

Executive Director Mrozek takes Roll Call and the Following Were Present:

1. Vice Chairman Gravino
2. Treasurer DuPont (Absent)
3. Commissioner Pocino
4. Commissioner Diaz (Absent)
5. Commissioner Minella
6. Commissioner Salerno
7. NJDOT Deputy Commissioner Bertoni

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ACTION ON MINUTES

The Executive Director reported that ten days, excluding Saturdays, Sundays and holidays, have elapsed since Governor Chris Christie received the proceedings of the regular meeting of August 22, 2017; he did not exercise his power to veto any items in those minutes.

Upon motion made by Commissioner Pocino seconded by Vice Chairman Gravino the minutes of the meeting was unanimously approved.

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RECUSALS

The Executive Director reported recusals or abstentions submitted for the record:

- None

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PUBLIC COMMENT

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None

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EXECUTIVE DIRECTOR'S COMMENTS

None

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COMMISSIONER'S COMMENTS

None

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GENERAL BUSINESS

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FINANCE

227-09-2017

Item Withdrawn

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EXECUTIVE

Executive Director Joseph Mrozek requested approval of item number 228-09-2017.

Moved is the item as follows:

In a memorandum dated September 6, 2017, **Recommendation to Enter into 25-Year Contracts with HMSHost Toll Roads Inc. to Provide Food Services at Authority Service Areas and Sunoco Retail LLC to Provide Fuel Services at Authority Service Areas**, was approved.

The New Jersey Turnpike Authority ("Authority") is party to two (2) contracts with HMSHost Toll Roads Inc. ("HMSHost") to provide food services in the service areas on Authority property along the Garden State Parkway ("Parkway") and New Jersey Turnpike ("Turnpike"). One contract addresses the Parkway service areas and the other addresses the Turnpike service areas. Each contract expires on December 31, 2020.

The Authority has two (2) contracts with Sunoco Retail LLC ("Sunoco") to provide fuel services along the Parkway and Turnpike. One contract addresses the Parkway service areas and the other addresses the Turnpike service areas. There are a total of twenty-one (21) fueling locations. Sunoco also operates convenience stores at all Turnpike service areas and some Parkway service areas. The contracts expire on December 31, 2017.

In early 2016, HMSHost and Sunoco independently approached the Authority and offered to make capital contributions into the service areas in exchange for new contracts. Most of the restaurant buildings were constructed in the 1950's, are in poor condition, and need to be addressed sooner rather than later. Indeed, the below shows the age of the seventeen (17) facilities. As you will see, all but four (4) are the original buildings.

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	Turnpike Service Area	Year Constructed		Parkway Service Area	Year Constructed
1	Vince Lombardi	1955 approx.	1	Montvale	Rebuilt in early 1990's after a fire
2	Alexander Hamilton	1955 approx.	2	Cheesequake	2003
3	Thomas Edison	1955 approx.	3	Monmouth	1955 approx.
4	Grover Cleveland	2015	4	Forked River	1955 approx.
5	Joyce Kilmer	1955 approx.	5	Atlantic	2015
6	Molly Pitcher	1955 approx.			
7	Woodrow Wilson	1955 approx.			
8	Richard Stockton	1955 approx.			
9	Walt Whitman	1955 approx.			
10	James Fenimore Cooper	1955 approx.			
11	Clara Barton	1955 approx.			
12	John Fenwick	1955 approx.			

For more than one (1) year, Authority staff has been in negotiations with HMSHost and Sunoco regarding successor agreements. As a result of these negotiations, Authority staff recommend that new contracts be entered into with both HMSHost and Sunoco on the following terms:

HMSHost

Term	25 years from date of expiration of Governor's 10-day veto period following Authority Board of Commissioners' approval of new contract without Governor exercising veto power, plus 2-year construction period.
Capital Contribution	\$125 million to be invested in fourteen (14) service area restaurant facilities over first seven (7) years of new contract.
Service Area Buildings	HMSHost will construct eight (8) new restaurant buildings at cost ranging from \$10 million to \$16 million and refurbish six (6) other restaurant buildings at an average cost of \$4 million each.
Annual Capital Requirement	Deposit \$1 million per year for 25 years (\$25 million total). Portion of monies will be used for a mid-contract rehabilitation of restroom facilities.
Maintenance Responsibilities	The Authority will have no maintenance responsibilities for anything related to the Service Area restaurant facilities. (Currently, Authority is responsible for HVAC of Turnpike Restaurant facilities and roofs of all restaurant facilities.)
Revenue to the Authority	HMSHost will pay the Authority the greater of: (i) a percentage of gross sales; or (ii) guaranteed annual minimum. The percentage of gross sales increases from 12.75% at the outset of the contract to 14% at the end of the contract. The guaranteed annual minimum revenue is set forth in the table below.

Calendar Year(s)	HMSHost Minimum Annual Guaranteed Revenue to the Authority
2018, 2019	\$12,000,000
2020, 2021, 2022, 2023	\$14,000,000
2024, 2025, 2026, 2027	\$17,500,000
2028, 2029, 2030, 2031	\$17,937,500
2032, 2033, 2034, 2035	\$18,385,938
2036, 2037, 2038, 2039	\$18,845,586
2040, 2041, 2042, 2043, 2044	\$19,316,726

It should be noted that the current minimum annual guaranteed fee under the existing contract is only approximately \$11 million.

HMSHost Estimated Project Schedule

HMS Host has provided the following estimated project schedule:

	Service Area	Roadway	Scope	Estimated Construction Start	Estimated Construction Completion
1	Vince Lombardi	Turnpike	Rebuild	2019	2020
2	Forked River	Parkway	Rebuild	2019	2020
3	Thomas Edison	Turnpike	Rebuild	2018	2019
4	Monmouth	Parkway	Rebuild	2018	2019
5	Joyce Kilmer	Turnpike	Rebuild	2021	2022
6	Walt Whitman	Turnpike	Rebuild	2021	2022
7	Clara Barton	Turnpike	Rebuild	2022	2023
8	John Fenwick	Turnpike	Rebuild	2022	2023
1	Woodrow Wilson	Turnpike	Remodel	2020	2021
2	Richard Stockton	Turnpike	Remodel	2019	2020
3	Molly Pitcher	Turnpike	Remodel	2020	2021
4	James Fenimore Cooper	Turnpike	Remodel	2021	2022
5	Cheesequake	Parkway	Remodel	2023	2024
6	Montvale	Parkway	Remodel	2023	2024

Thus, by agreeing to the new contract terms, the Authority will be able to construct or begin construction on four (4) new facilities, and remodel or begin the remodeling of three (3) existing facilities before the current contract would have expired in December 2020. Thus, seven (7) of the fourteen (14) restaurant facilities will have been improved or be under construction under the new proposed contract before the current contract would have expired. In addition, it

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must be emphasized that the remodeled facilities will be significantly improved. Generally, the facilities that experience the major remodels will have the front of the building removed to create a new, open, natural light dining area and new bathrooms will be installed such that the remodeled facilities will look and operate similar to the new buildings.

SUNOCO

Term	25 years from date of expiration of Governor's 10-day veto period following Authority Board of Commissioners' approval of new contract.
Capital Contribution	\$90 million to be invested at twenty-one (21) fuel service facilities over first seven (7) years of contract.
Service Area Buildings	Sunoco will build a convenience store at Brookdale North on the Parkway, with public restrooms, at a cost of about \$4.5 million. Sunoco will take over from HMSHost the operation of the Alexander Hamilton service area facility on the Turnpike, demolish the current facility, and construct a new facility at a cost of about \$8.5 million. If feasible, Sunoco will construct a new fuel service facility and convenience store eastbound on the Newark Bay Hudson County Extension at a cost of about \$4.5 million. In addition, Sunoco will also remodel all of its existing convenience stores.
Fuel Service Facilities	Sunoco will install new fuel dispensers on the Turnpike to allow it to pump more diesel fuel more quickly.
Annual Capital Requirement	\$500,000 per year for 25 years (\$12.5 million total).
Maintenance Responsibilities	Sunoco will assume responsibility to maintain and replace more than 80 underground storage tanks (UST) on the Turnpike. It has been responsible for the 40 USTs on the Parkway
Revenue to the Authority	Sunoco will pay the Authority the greater of: (i) \$0.1025 cents per gallon fuel sold; or (ii) guaranteed annual minimum, which is set forth in the table below.

Calendar Years	Sunoco Minimum Annual Guaranteed Revenue to the Authority
2018, 2019, 2020, 2021, 2022	\$14 million
2023, 2024, 2025, 2026, 2027	\$15 million
2028, 2029, 2030, 2031, 2032	\$16 million
2033, 2034, 2035, 2036, 2037	\$17 million
2038, 2039, 2040, 2041, 2042	\$18 million

It should be noted that, currently, there is no minimum annual guaranteed fee in the Sunoco contract.

CONCLUSION

Collectively, the new HMSHost and Sunoco contracts represent an opportunity to rebuild

the service areas on the Turnpike and Parkway without the Authority having to contribute any monies. A combined \$215 million will be invested in the service areas in the next seven (7) years. An additional \$37.5 million will be invested in the service areas over the terms of these new contracts.

The highlights of the new contracts are:

- At least \$215 million of capital expenditures will be made in Authority service areas in the next seven (7) years;
- Nine (9) new restaurant buildings and major refurbishments of six (6) other restaurant buildings;
- One (1) new convenience store on the Parkway will be built where one does not exist today;
- Four (4) restaurant buildings will be operational or under construction before expiration of current HMSHost contract in 2020;
- Increase of minimum annual guaranteed rent;
- Guaranteed \$37.5 million of capital work during term of the contracts;
- Authority will have no maintenance responsibilities for restaurant buildings; and
- Authority will have neither maintenance nor replacement responsibilities for USTs.

It cannot be emphasized enough that operating the food and fuel service facilities on the Turnpike and Parkway are difficult tasks that can be managed by a select few operators. By maintaining its contractual relationship with HMSHost and Sunoco, the Authority avoids the risk of having inexperienced operators managing facilities on the State's major highways. If an operator were to fail or be ineffective, the Authority would lose revenue, its reputation as a premier tolling agency would be damaged, and the Authority's customers would suffer. Retaining HMSHost as its food service operator and Sunoco as its fuel service operator while securing financially beneficial contractual terms is highly advantageous for the Authority.

Thus, Authority staff and outside Authority Counsel recommend that the proposed contracts with HMSHost and Sunoco be approved, as they provide significant benefit to the Authority. Authorization is respectfully requested to delegate to the Executive Director the authority to enter into contracts with HMSHost and Sunoco based on the parameters set forth above. It is further recommended that the Commissioners authorize the Executive Director to execute any such other documents and take any such other actions as are deemed necessary to effectuate the intent of this authorization.

On motion by Commissioner Pocino and seconded by Deputy Commissioner Bertoni the Board unanimously approved item number 228-09-2017; and authorized or ratified, as presented, the recommendations contained therein; and received and filed the memoranda.

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ROLL CALL

GRAVINO	DuPONT	POCINO	DIAZ	MINELLA	SALERMO	BERTONI
YES	ABSENT	YES	ABSENT	YES	YES	YES

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Vice Chairman Gravino stated that the Board of Commissioners may have another Special Meeting in the coming days to address the Finance Item which was withdrawn.

The motion to adjourn was made by Commissioner Salerno and seconded by Commissioner Minella, and, after the voice vote, the motion was duly adopted. The Board of Commissioners adjourned the meeting at 9:50 a.m., and advised that it will meet again on Tuesday, September 26, 2017, at 9:00 a.m., at the Authority’s headquarters building located at 1 Turnpike Plaza in Woodbridge, New Jersey.

ATTEST:



Kim Schurman,
Secretary to the Authority



Joseph W. Mrozek,
Executive Director

	Date: September 12, 2017	
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