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PUBLIC HEARING

before

ASSEMBLY TRANSPORTATION AUTHORITIES,  
TELECOMMUNICATIONS AND TECHNOLOGY COMMITTEE

"The operation of the Garden State Parkway  
and the Garden State Arts Center"

October 1, 1991  
7:25 p.m.  
Council Chambers  
Edison Municipal Building  
Edison, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman George A. Spadaro, Chairman  
Assemblywoman Marion Crecco

ALSO PRESENT:

Assemblyman Neil M. Cohen  
District 21

Amy E. Melick  
Office of Legislative Services  
Aide, Assembly Transportation Authorities,  
Telecommunications and Technology Committee

\* \* \* \* \*

Hearing Recorded and Transcribed by  
Office of Legislative Services  
Public Information Office  
Hearing Unit  
162 West State Street  
CN 068  
Trenton, New Jersey 08625



PUBLIC HEARINGS

before

ASSEMBLY TRANSPORTATION AUTHORITIES  
TELECOMMUNICATIONS AND TECHNOLOGY COMMITTEE

The operation of the Garden State Parkway  
and the Garden State Area Center

October 1, 1991

7:35 p.m.

Council Chambers

Edison Municipal Building

Edison, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman George A. Spadaro, Chairman  
Assemblywoman Marion Greeno

ALSO PRESENT:

Assemblyman Neil N. Cohen  
District 21

Amy E. Kallik  
Office of Legislative Services  
Also, Assembly Transportation Authorities  
Telecommunications and Technology Committee

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Office of Legislative Services  
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100 West State Street  
Edison, New Jersey 08822



GEORGE A. SPADORO  
Chairman  
RAYMOND BATTEN  
Vice-Chairman  
D. BENNETT MAZUR  
FRANK CATANIA  
MARION CRECCO

New Jersey State Legislature  
ASSEMBLY TRANSPORTATION AUTHORITIES.  
TELECOMMUNICATIONS AND TECHNOLOGY COMMITTEE  
STATE HOUSE ANNEX, CN-068  
TRENTON, NEW JERSEY 08625-0068  
(609) 984-7381

## NOTICE OF A PUBLIC HEARING

The Assembly Transportation Authorities, Telecommunications and Technology Committee will hold a public hearing on the operations of the New Jersey Highway Authority on Tuesday, October 1, 1991, beginning at 7:00 p.m. at the Council Chambers, Edison Municipal Building, 100 Municipal Boulevard, Edison Township.

The committee will take testimony on the operation of the Garden State Parkway and the Garden State Arts Center and has invited Chairman Jablonski to testify.

*The public may address comments and questions to Amy E. Melick, Committee Aide, at (609) 984-7381.*





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**ASSEMBLYMAN GEORGE A. SPADORO (Chairman):** Good evening, everybody. I want to first apologize because apparently we do not have the microphone system turned on. I served seven years on the Council, and I remember once or twice when that didn't happen. But the acoustics are pretty good in this room, so I will try to keep my voice at a sufficient level for everyone to hear me. If you don't, just kind of wave your hand and I will try and speak up.

First of all, I should introduce myself. I am George Spadoro, Assemblyman from the 18th District, and I am the Chairman of this Committee. There are two other members of the Committee who are expected, but who are running late -- Assemblyman Neil Cohen and Assemblywoman Marion Crecco. We have waited about 25 minutes, and I don't want to extend the delay of the meeting any longer. We have guests who have been kind enough to come tonight to testify, and I think we have extended the delay long enough. Therefore, I want to begin.

I want to welcome the members of the public to tonight's hearing concerning the operations of the New Jersey Highway Authority. As Chairman of this Committee, I have an obligation to monitor the operations of the independent transportation authorities in this State. They include: the Highway Authority, the New Jersey Turnpike, the Port Authority -- to the extent to which it has transportation functions -- the new South Jersey Transportation Authority, and other authorities such as the Burlington County Bridge Commission.

While this Committee does not have veto power over the actions of the various authorities, we do have the power to effectuate legislative change with respect to the authorities. For instance, I am presently working on legislation which will, in effect, propose a major consolidation of all of the transportation authorities in this State into a so-called "Super Authority." This legislation has been worked on for the past year, and as we have conducted a series of hearings -- one

of which is this evening's -- and gathered information regarding the transportation authorities, we have used that information in the development of the legislation.

I believe that the ultimate consolidation of our authorities would save money by reducing duplicative services and equipment, and we would end up with a more efficient and centralized transportation structure in this State.

This hearing will focus on the internal management and operations of the Highway Authority, and will not address the entertainment functions -- the Garden State Arts Center or related entities. This Committee will have additional hearings on dates to be scheduled, at which the Garden State Arts Center will be considered, and at which other issues will be considered.

Over the past year-and-a-half, this Committee has reviewed the operations of several authorities in an attempt to guarantee that toll revenues are being utilized in a fiscally responsible manner. Since their creation, transportation authorities such as the New Jersey Turnpike Authority, the Port Authority of New York and New Jersey, and the New Jersey Highway Authority have been accused of being fiefdoms and magnets for political appointments, and they have been accused of being wasteful. That wasteful activity has, based on the criticism of some, resulted in the escalation of tolls; tolls which many believe the public can no longer afford.

Recently, the Port Authority of New York and New Jersey announced that they may seek another toll increase in 1994. It is my hope that revelations we may uncover today can be utilized to assist the Port Authority in streamlining their operation, so they may avoid their plan for a toll increase.

While the former administration seemingly accepted this runaway waste as being business as usual, the taxpayers of this State can no longer afford what might be considered to have been acceptable extravagances of the past. This Committee



has sent a clear and strong message to the authorities, "Spend the taxpayers' money wisely." This message has already been heard by several authorities that have initiated self-imposed containment programs. Others, such as the Burlington County Bridge Commission, were runaway political entities before this Committee investigated them.

What the Committee discovered in the Burlington County Bridge Commission was an entity which operated without any written policies or guidelines in any department. The results were: apparent violations of the Open Public Meetings Act; excessive worldwide travel by employees and Commissioners; questionable toll increases; even cases of alleged theft by high level employees; outrageous public relations consulting contracts; and an absolute disregard for their obligation to spend toll money efficiently.

As the public is aware, the Legislature launched an exhaustive investigation into the Highway Authority in 1987, which resulted in numerous recommendations. These recommendations, coupled with the recommendations of the Booz Allen operational evaluation, were supposed to result in a streamlined, professional Highway Authority. I am not totally convinced that this has occurred.

Every transportation authority in this State must respect their charge to operate efficiently and effectively. This Committee will continue to hold a series of public hearings in an attempt to identify cost savings which could ultimately be applied toward lowering tolls on the Parkway. Tonight will not be a simple repeat of previous investigations. Tonight will present an opportunity for the Authority, through its representatives, to demonstrate to its employer, the people of New Jersey, how its revenue is spent. If this Committee is not satisfied with the efficiency of the Authority, we will tell it where to cut. We will tell it how

to convert authorities' waste into savings for the general public.

At this time, I would like to welcome Robert Jablonski, the Chairman -- welcome this evening, sir -- of the New Jersey Highway Authority; his attorney, Mr. Warren Wilentz; and the gentleman to his left, whom I have met, but I'm sorry, I have forgotten the name.

D A V I D W. D A V I S: It's Dave Davis.

ASSEMBLYMAN SPADORO: It's nice to meet you, Mr. Davis -- Executive Director of the Highway Authority.

Mr. Chairman, it is important to recognize that you have instituted numerous programs designed to bring effective management to the Authority. A perfect example of your effectiveness is your recent appointment of one of the newer Commissioners, Jerry Zaro, to the Engineering Committee. It is my understanding that although he has been a Commissioner for less than 60 days, Commissioner Zaro has already proposed a 24-point plan designed at reducing waste in the Authority and increasing productivity. The Authority needs similar initiatives such as those proposed by Commissioner Zaro to clean up its act.

While you have attempted to bring about change in the Authority -- and I think you have made significant efforts in that direction -- it is my opinion that you may have been stagnated by unyielding bureaucracy, department heads who may not be as cooperative as they should be, and holdovers from an era that invited waste. This evening we will attempt to discuss that problem generally.

At this point, Mr. Jablonski, I invite you, if you care to, to make an opening statement.

R O B E R T J. J A B L O N S K I: Thank you, Assemblyman Spadoro. I would like to thank Chairman Spadoro and the other members of this Committee for the opportunity to visit with them and describe our recent activities and future plans.



Independent authorities, such as the New Jersey Highway Authority, carry out important public business. I believe that intensive oversight by elected officials in the legislative branch of government helps us to do the best possible job for the motorists and citizens of the State of New Jersey. In a few minutes, I will discuss in more detail some recent examples of how legislative oversight has already brought about real operational improvements at the Highway Authority.

I have had the pleasure of serving as Chairman of the New Jersey Highway Authority since June of 1990. One of my first acts as Chairman was to initiate a nationwide search for a new Executive Director, and I add that after almost 20 years of political appointees, a new Executive Director, a professional in the field, was appointed. In an exhaustive process we were lucky to recruit David W. Davis -- then Executive Director of the Massachusetts Port Authority -- as our new Executive Director. Mr. Davis, who is with me today, assumed this position in December.

Though neither of us was here during the latter half of the 1980s -- an important period in your Committee's investigation -- I have reviewed the transcripts of the Authority's participation in the previous series of hearings before a legislative Committee which covered the same period, and I would like to give you an overview of their findings and the Authority's response.

Beginning in March of 1988, the New Jersey Highway Authority was the subject of hearings conducted by the New Jersey State Senate Special Investigation Committee. Under the able direction of Senator Gabriel Ambrosio, his Committee held a series of lengthy hearings, took testimony from numerous witnesses, and published a collection of illuminating reports which made important suggestions as to how our Authority could be improved.

When I first arrived at the Authority, I found an agency which was sincerely trying to reform and improve its operations along the lines suggested by the Ambrosio Committee. In line with the directions set by Governor Florio and Department of Transportation Commissioner Tom Downs, the Authority is continuing to build on these efforts.

In order to help this Committee pursue its line of inquiry, it might be instructive to review those issues investigated by Senator Ambrosio, his recommendations, and the Authority's response. The scope of the Ambrosio Committee hearings was so extensive that I could not cover each subject in the time allotted, but I would like to cover some of the more important issues. Certainly, the extensive transcripts of the Ambrosio hearings deserve to be reviewed in this Committee's deliberations.

The allegations of the Authority's violations of the Open Public Meetings Act during that period that led up to the abortive toll increase in 1987 was addressed in-depth by Senator Ambrosio. I must tell you that when I arrived at the Authority, one of the first things I investigated was the manner in which we operated in regard to the Open Public Meetings Act. I am pleased to report to you that the Authority's business is now enacted entirely in the open, with total access to the public's scrutiny. Closed sessions are only held when counsel has determined that those matters required by the Act to be held confidentially are involved. In fact, these closed sessions are rarely held. When they are, they are preceded by a full explanation of the issues involved and an estimation of when the full discussions may be disclosed. In those situations where any doubt exists as to whether an issue might be addressed in a closed or open session, we have always opted for an open session.

A primary concern of the Ambrosio Committee had been their perception of overruns in Authority construction



contracts due to the addition of more work to the contracts once they were awarded. In 1985, the 18 construction contracts awarded that year totaled approximately \$45 million. Overruns added another 11.5%, resulting in final costs of \$50 million. In '86, 36 contracts were awarded for \$129 million, but ran over by 4% for an additional \$6 million. In fact, the 85 contracts awarded between 1983 and 1986 for \$249 million overran by 5.9%, or \$15 million. In the past, additional work was added to construction contracts without concern for cost control.

I am pleased to report that today's picture is different. We no longer add work to existing contracts; rather, we rely on competitive bidding and reasonable time frames in an effort to obtain the best possible prices. In 1989, 14 contracts were awarded, and the 13 now completed actually ran under by 1.5%. The 17 contracts awarded and completed in 1990 ran under by 0.2%.

Another concern of the Ambrosio Committee was the Authority's construction contract change order procedure. It had been accepted practice at the Authority for the Chief Engineer and the Executive Director to approve change orders to construction contracts in any amount, as long as the change was in quantity and not in the scope of the work. That resulted in change orders of large dollar amounts being approved without action by the Authority's Commissioners. For example, there was a change order for \$1 million that never came to the Commissioners for their approval.

As a result of the Ambrosio Committee's recommendation, that procedure has been changed. Now the Executive Director can approve construction change orders in quantity up to \$100,000, or 10% of the original bid price, whichever is lower. Anything else must be approved by a vote of the Commissioners. Further, even when he does approve a change order, it is reported in the Chief Engineer's monthly

report to the Commissioners and made part of the public record of their meeting, in order to allow the public a full accounting of these actions.

The Authority had been criticized in the Ambrosio Committee's reports for its previous change order policy which allowed large amounts of money to be expended without public action. I believe that the Authority's new policies, formulated in conjunction with the Committee's recommendations, display a more prudent and open approach to this issue. In 1991, through August 22, the Commissioners approved 25 change orders with a net reduction of almost \$200,000, or 0.3% of the average value of the contracts involved. The Executive Director approved -- under the new restrictions -- five change orders this year with a decrease of approximately \$300,000, or 2.2% of the average value of the contracts.

The Ambrosio Committee found what they believed was excessive spending by the Authority during the period in question. In response, in 1988, a sweeping austerity program was instituted at the Authority to cut costs and tighten administrative and financial controls. Between 1988 and 1990, the Authority estimates it had saved approximately \$10.8 million as a result of these efforts.

When I arrived at the Authority, I made it clear that cost cutting and streamlining the organization were twin goals to be pursued. Since I have been Chairman, the Authority's operating budgets have been consistently less than they were originally projected to be. I am also happy to report that our bond ratings have consistently remained the highest enjoyed by an agency of our type in the nation. The Authority's bonds are today rated AA by Standard and Poor's and A1 by Moody's.

Following the examples set by the Governor and the Commissioner of the Department of Transportation, I removed 41 assigned Authority vehicles. I issued strict instructions that travel expenses were to be curtailed. Overtime has become a

tactic of last resort. In fact, a recent article in The Record of Hackensack found that Parkway toll collectors came in third in overtime when compared to other regional toll authorities.

Under my direction, Executive Director Davis made the reorganization of the Authority a top priority when he arrived. The Ambrosio Committee looked into the administrative style of the Authority and found room for improvement. In March, and again in June, Mr. Davis announced far-reaching reorganizations of the Authority, based in part on a number of recommendations contained in the Booz Allen report, which resulted in a total of 35 positions being abolished, a streamlining of the entire organization, and the saving of approximately \$2 million in salary and benefit costs. We are not yet finished with this effort and hope to find other opportunities to downsize our agency.

One of those areas is the Garden State Arts Center, which will undergo a reorganization later on this year. Under my direction, we have charged what we believe to be all costs of operating the Center to its profit figure and, in 1990, still realized a profit. We are continuing to support the policy of putting on free shows for seniors, school children, and disadvantaged and disabled New Jerseyans at the theater, and have transferred \$300,000 of Arts Center profit to this program.

One of Governor Florio's first acts was to create the Transportation Executive Council, which brought together the heads of New Jersey's various transportation agencies under the leadership of DOT Commissioner Tom Downs, in an effort to coordinate a unified approach to transportation problems in the State. The Highway Authority has participated fully in this effort and, for the first time in the State's history, the motoring public can expect to see various agencies working in concert to deal with transportation problems, not just on their own roads and bridges, but across New Jersey.

As examples of that effort, the Highway Authority was involved in working on three cooperative ventures with the Department of Transportation: We will be making interchange improvements at Laurel Drive and Route 9 in Atlantic County at the cost of \$1 million; we will ultimately spend approximately \$3 million in a cost-sharing agreement with DOT on Route 18 in Monmouth County; and we have borne the entire cost -- \$8 million -- in widening the DOT ramps at the Garden State Parkway's Interchange 127 in Middlesex County.

All three improvements involve the Authority spending its own funds in helping to make needed improvements to DOT roads. As all of you know, the Authority receives no Federal or State money, while it contributes \$10 million each year to the State Transportation Trust Fund. Though the Authority is often criticized by our tollpayers for spending their money in this manner, we recognize our responsibility to the State at large and believe that cooperative projects such as these are vital to relieving congestion throughout the State.

We are continuing to address needed capital improvements to the roadway through the Transportation Executive Council. Additionally, in the same cooperative manner, we are also seeking short-term, less costly solutions to traffic problems as well. Mr. Davis heads up the Recreation Committee of this effort and, in league with our sister agencies, has taken steps to ensure that summer traffic has an easier time in "reaching the beach," giving an added boost to the State's important tourist industry. This summer, the Authority commissioned an aerial survey of the southern half of the Parkway to track traffic patterns on and off the Parkway, and will share that information with the Department of Transportation and various county transportation agencies. The recent conversion of a northbound shoulder lane in Monmouth and Middlesex Counties to a permanent third lane to carry traffic,



has made the return trip from the shore a far easier situation for beach goers at relatively little cost.

Along the same lines, I have made sure that the Authority is redoubling its efforts to assist motorists on our road in switching over to mass transit alternatives. Over the years, the Authority has developed 18 commuter carpooling lots along the route of the Parkway with some 2900 free parking spaces for our patrons. About half of these lots have commuter bus service available. Additionally, in conjunction with New Jersey Transit, we maintain a Park 'n Ride operation at the Garden State Arts Center which offers another 1000 spaces. Just this year, we doubled the size of the Allwood Road commuter lot in Passaic County from 225 spaces to 450 spaces, and paved a new parking lot with 40 spaces in Toms River.

Our commitment to ride sharing does not stop at our patrons. We like to think that we "practice what we preach." Of the 250 employees at our Woodbridge Administration Building 86 ride commuter vans, while approximately another 75 people car pool to work with our encouragement. As an agency, we will continue to seek newer and better ways to help people to get out of their cars and into mass transit alternatives.

Perhaps the most promising path the Authority is pursuing is the experimentation with ETTM technology. ETTM stands for Electronic Toll and Traffic Management. In cooperation with our sister transportation agencies, both here and across the Hudson River, we are working toward the day when a motorist may travel on the Garden State Parkway, switch over to the New Jersey Turnpike, cross the river through a Port Authority tunnel, and return via a Triborough Authority bridge and never once stop to pay a toll. Instead, they will have their toll passages read electronically from a small transponder on their windshield and receive a single bill much like their phone bill.

This month we plan to begin a test of sophisticated ETTM equipment provided to us by the Autostrade of Italy. The test, which will take place at the Raritan Toll Plaza, will help us determine the usefulness of this type of technology and the intricacies of the billing procedure. We are asking 200 Parkway motorists to help us by allowing their vehicles to be fitted with the electronic tag and, instead of stopping to pay tolls at Raritan, to "roll" through the special lanes and receive a monthly billing at home. We will share the information we gather in this test with our colleagues at the Turnpike, the Port Authority, the Triborough, and other agencies. By 1992, we hope to have portions of a system like this up and running throughout the New Jersey/New York area.

The future promises to be even brighter than that. In the not-so-distant future, we hope to see Parkway traffic passing a stationary antenna at 55 miles per hour and having their toll passage electronically read. We are taking the first steps today that will lead us to that point. There are other technological advances we are working on, such as smart highways -- where communications between vehicles and traffic centers will exchange information on the best routes to take -- and fiber-optic communications.

As we participate in your Committee's inquiry, we hope to be able to provide you with whatever information you require. You will find us cooperative and, I hope, helpful. The Highway Authority is no stranger to the legislative hearing process and, as in the case of the Ambrosio Committee, we look to you for good advice as to how we can improve our operations and our service to our patrons.

Thank you again for your kind attention. I would be happy to try and answer any questions you might have for me, along with Executive Director Davis and other key members of the Authority's staff.

I would also like to say that since June of 1990, as Chairman and CEO of the New Jersey Highway Authority, I am totally responsible for the policies and procedures that have been effectuated by that Authority, and take full responsibility for them all.

ASSEMBLYMAN SPADORO: Thank you very much, Mr. Jablonski.

First of all, I neglected earlier to publicly thank you and your staff for your cooperation with our staff in providing us access to the voluminous records that have been reviewed by this Committee's staff. I am advised that we are talking about a trailer-truck size volume of records. I want to thank you for being cooperative. Your counsel has been responsive to requests we have had throughout the process, without the necessity of having had to issue a subpoena to secure that cooperation.

I am also pleased to have heard in your opening comments your concern regarding mass transit. I join with you in your enthusiasm, and I think I will have some questions with respect to the alternative mechanism of paying for tolls.

At this point, I want to acknowledge the arrival of two of our Committee members, and I will say to both of you that I apologize. We waited a little bit, but we had to begin. Marion Crecco from-- Is it Nutley?

ASSEMBLYWOMAN CRECCO: Bloomfield.

ASSEMBLYMAN SPADORO: Bloomfield, and Neil Cohen, who is in Union County. Union is his residence.

ASSEMBLYMAN COHEN: I got stuck on a smart highway.  
(laughter)

ASSEMBLYMAN SPADORO: Mr. Jablonski, I am going to begin with some general questions regarding internal management and travel policy. The Booz Allen management review suggested that the Authority restructure and hire one Deputy Executive Director. We are advised that in 1989, the Authority ignored

that recommendation and hired two Deputy Executive Directors. In 1990, the Authority then terminated the two deputies and replaced them with the now Deputy Executive Director, Mr. Zilocchi. What was the rationale for that change?

MR. JABLONSKI: The rationale was to effectuate a cost savings reduction. Mr. Zilocchi had a previous resolution appointing him Deputy Director. If that resolution was legally binding, we would have wound up with three Deputy Executive Directors. To embark and to set a tone for what we were planning to do -- what I was planning to do as far as downsizing the Authority -- we terminated the two new Deputy Executive Directors who were in their first year of employment, which is that transitional time which allows us to effectively terminate them without any additional compensation to the Authority.

ASSEMBLYMAN SPADORO: Did they have employment contracts -- the two who were terminated?

MR. JABLONSKI: They had an agreement; it was by resolution, but the rules of the Authority state that you have -- that after one year you are tenured. So they were in that one-year probationary period which allowed us to terminate them.

ASSEMBLYMAN SPADORO: So, if you had wanted to keep them, what you are saying is that you would have also had to keep Mr. Zilocchi as the Deputy Executive Director. Basically, you didn't have the flexibility you needed at that point. If you had wanted to keep either one of those, you would have had to keep three, in effect.

MR. JABLONSKI: Yes, that's right, if we wanted to keep either one.

ASSEMBLYMAN SPADORO: When Mr. Zilocchi was replaced as the Executive Director in 1990, what position did he return to at that time?

MR. JABLONSKI: Deputy.

ASSEMBLYMAN SPADORO: At what rate was he being paid?



MR. JABLONSKI: It was \$120,000, I believe.

ASSEMBLYMAN SPADORO: Was that the Executive Director's compensation level, or was his salary reduced?

MR. JABLONSKI: No, no, it was reduced by \$15,000.

ASSEMBLYMAN SPADORO: It was reported that either you or someone else on the Authority declared that Mr. Zilocchi would remain in that Deputy Director position for approximately a year following the hiring of Mr. Davis. Is that still the tentative plan?

MR. JABLONSKI: Yes. The agreement I had with Mr. Zilocchi was that when the new Executive Director came on, Mr. Zilocchi would be working under the Executive Director, and between them they would have-- He would evaluate his job performance, and at the end of one year would come to a determination of whether or not he wanted Mr. Zilocchi to continue.

ASSEMBLYMAN SPADORO: So, that issue is still not determined as we speak?

MR. JABLONSKI: That's right.

ASSEMBLYMAN SPADORO: It is my understanding that Mr. Zilocchi is the President of the International Bridge, Tunnel, and Turnpike Association. By the way, I should say, Mr. Jablonski, at any time-- I know you have your Executive Director here. I am not expecting that you will have the answer to every question we have. I am directing the questions to you, but if Mr. Davis wants to chime in and give a response, I have no problem with that.

MR. JABLONSKI: You can be assured, Mr. Spadoro, I will be calling on other people. I don't have it all.

ASSEMBLYMAN SPADORO: Or your counsel. I doubt if your counsel will be necessary, but in case.

MR. JABLONSKI: My counsel probably has much more than I. He is there all the time.

ASSEMBLYMAN SPADORO: Okay. Is the position as President of this Association-- Is that a paid position?

MR. JABLONSKI: No.

ASSEMBLYMAN SPADORO: What are the responsibilities that are associated with the position?

MR. JABLONSKI: Well, it is a one-year term, and it is exactly what it says. It is the President of the International Bridge and Tunnel Association. Before he accepted the position, Mr. Zilocchi asked me, by memo, for approval. I thought it would be beneficial not only to the Highway Authority, but to the State of New Jersey to have this very prestigious post assigned to us. I think he has worked his way up the chairs and was designated to be President this year, and I personally gave him the authorization to accept the presidency.

MR. DAVIS: May I add one other thing, if I might? One of the demonstrations -- concrete demonstrations -- of the value of this post to our organization is the demonstration of the most recent electronic toll traffic management technology, which will be beginning to occur late this month at the Raritan Plaza. I am confident that Autostrade, which is the Italian organization that in the business is considered to be at the cutting edge of technology, using, I might say, as the centerpiece AT&T technology-- I would very much doubt if we would have access to this equipment, as we will have for six months, without Mr. Zilocchi's participation in the IBTTA. Indeed, we are having more than access. They are making us the loan of the equipment at no charge other than the transport of the equipment itself back and forth from Italy to here.

ASSEMBLYMAN SPADORO: So you are suggesting that participation in the Association assisted you in--

MR. DAVIS: I have no doubt about that.

ASSEMBLYMAN SPADORO: --gathering the technology?

MR. DAVIS: Yes, in persuading Autostrade to let us demonstrate--

ASSEMBLYMAN SPADORO: What is Autostrade? Is that another country's-- What country are you referring to?

MR. JABLONSKI: Italy.

MR. DAVIS: Italy. Yes, this is an international organization. Its membership is composed of toll authorities worldwide.

ASSEMBLYMAN SPADORO: Are there travel requirements associated with being President of this Association?

MR. DAVIS: Yes, sir, there are.

ASSEMBLYMAN SPADORO: What sort of requirements are we talking about?

MR. DAVIS: Mr. Zilocchi is -- not a frequent, but an occasional visitor to Washington, D.C., where the offices of the Association are. During my tenure here, which is not a year, because of official business with the IBTTA, he has been, to my recollection, in Indianapolis, in Orlando, in Reston, Virginia, and in Dallas, Texas. In many of those cases -- most of those cases -- the IBTTA picked up part of the cost, typically his hotel bills and arrangements at the site.

ASSEMBLYMAN SPADORO: Other than the assistance you received with the new technology -- the toll technology -- is there any other tangible--

MR. DAVIS: I think it's--

ASSEMBLYMAN SPADORO: --benefit you can point to?

MR. DAVIS: --very important for toll roads, bridges, tunnels to exchange information. That is a very important ongoing operation. There are technical committees, insurance committees, etc., as we see how people are doing business most effectively.

In addition, this has been a particularly important year in Washington, D.C. because, as you know, the Surface Transportation Act is maturing somewhere in Congress, or in the

administration, and the Surface Transportation Act, for the first time in the history of the Federal government, makes some provisions for Federal assistance to toll roads, as well as to the typical interstate type of facilities. I think that probably would not have happened without the efforts of the IBTTA.

ASSEMBLYMAN SPADORO: Now, you indicated that-- Were there any international trips? We have some records regarding -- some reference here to a trip to Spain. Were there any international trips as well as the trips to Washington?

MR. DAVIS: Not during my time here.

ASSEMBLYMAN SPADORO: We have a trip to Majorca.

MR. DAVIS: I'm sorry. There was a trip-- Let me look at my notes here. There was a trip to Majorca a couple of years ago, as I understand it, well before I was here. I heard about the trip, but I can't give you the dates precisely, although I am sure we could get them for you, if you don't already have them. And I'm sorry, there was also a trip to Rome and Lisbon, I think late in '90. That was totally paid for by the IBTTA.

ASSEMBLYMAN SPADORO: We have indications of other trips. This group has meetings basically, because we have references here to trips to San Diego, San Francisco, Miami Beach?

MR. DAVIS: As I said, undoubtedly there were trips before that, but not during my time at the Authority. I think they would have probably preceded my--

ASSEMBLYMAN SPADORO: With respect to Mr. Zilocchi, is there a limit in terms of the number of trips he can take in one year, or is it pretty much whenever the Association meets?

MR. DAVIS: I think that as President of the Association he is expected to be at most of the major committee meetings, as well as the annual meeting, the spring meeting, and so on. I would not expect him -- or anyone on the staff --



to have that kind of a travel schedule, absent that kind of special duty.

I might say that I have been told that you might well be asking some questions about the cost of travel Authority-wide. I must say that the pattern of travel has changed quite remarkably over the past several years. I believe that in 1987 -- and we work off of calendar years -- travel was on the order -- for the whole agency was probably on the order of \$58,000. The following year, as we began to pay attention to the perceptions of the outside world, and certainly benefiting from the Ambrosio Committee hearings, the travel was reduced to about \$14,000. That is for the entire agency. It has hovered between that level and about \$18,000 since then.

ASSEMBLYMAN SPADORO: So you're saying it was \$14,000 in '88. Do you have the numbers for '89, '90, and '91?

MR. DAVIS: In '89, it was \$15,700; '90, \$17,700; and this year it is running about \$11,500.

ASSEMBLYMAN SPADORO: That includes all expenses associated -- air fare, hotel, food?

MR. DAVIS: Yes.

ASSEMBLYMAN SPADORO: With respect to the issue of travel-- Not necessarily Mr. Zilocchi, but Authority-wide, do you have a specific travel policy in terms of who it is who can travel?

MR. DAVIS: No. I look at every trip out of this State. My judgment is really conditioned on, will it benefit the agency? As a matter of fact, I happen to travel very little, at least on official business. I have a lot to learn right here. I have been to Washington once or twice. But, no, I look at the individual staffer's responsibilities and try to make a judgment as to whether the trip will enhance that person's effectiveness, or whatever. But I don't have a line

that says deputy directors may travel, and department heads. You know, I don't look at it in those terms.

ASSEMBLYMAN SPADORO: But you are the individual, then, who is the point of approval or disapproval for trips?

MR. DAVIS: For trips out-of-state.

ASSEMBLYMAN SPADORO: Have you had occasion to deny privileges to do that on request?

MR. DAVIS: Yes.

MR. JABLONSKI: And I approve the Executive Director's travel, and all the Commissioners' travel. I believe the Commissioners' travel has been zero since I have been there.

ASSEMBLYMAN SPADORO: By the way, was the same basic chain of command in effect, to your knowledge, prior to your appointment as Chairman?

MR. JABLONSKI: I have no idea.

MR. DAVIS: I'm sorry, I do not have that.

ASSEMBLYMAN SPADORO: Mr. Davis-- Well, actually, I can ask either Mr. Jablonski or Mr. Davis: Are you under contract with the Authority?

MR. DAVIS: No.

ASSEMBLYMAN SPADORO: Okay, so you serve at the--

MR. DAVIS: I serve, I think, as long as I have five votes, which is less of a charge than you have.

ASSEMBLYMAN SPADORO: Are there any rights of tenure that become associated with your position?

MR. DAVIS: Not with my position, sir.

ASSEMBLYMAN SPADORO: Okay.

ASSEMBLYMAN COHEN: You didn't get lucky.

MR. DAVIS: I doubt it.

MR. JABLONSKI: It is the only position in the Authority that doesn't have a tenure right.

ASSEMBLYMAN SPADORO: Excuse me, I'm sorry?

MR. JABLONSKI: The only position in the Authority that does not have a right to tenure.

ASSEMBLYMAN SPADORO: Is?

MR. JABLONSKI: The Executive Director.

MR. DAVIS: I believe general counsel, too. Isn't that right?

WARREN W. WILENTZ, ESQ.: That's right.

ASSEMBLYMAN SPADORO: Do you mean the in-house general counsel?

MR. JABLONSKI: No, I meant Mr. Critchley. Mr. Critchley, aren't you-- Do you get tenure, Mr. Critchley?

THOMAS J. CRITCHLEY, ESQ.: (speaking from audience) No, sir.

MR. JABLONSKI: No. The two positions are--

ASSEMBLYMAN COHEN: You should have had Mr. Wilentz negotiate that for you.

MR. JABLONSKI: --Executive Director and in-house counsel.

MR. WILENTZ: If he would have hired me, I would have gotten it for him.

ASSEMBLYMAN SPADORO: What you are saying then is that you are serving--

MR. DAVIS: At the pleasure of the Board.

ASSEMBLYMAN SPADORO: --at the pleasure of the Board. Was that true with respect to the previous Executive Director?

MR. DAVIS: I assume so, sir.

MR. JABLONSKI: I have not seen a contract for Mr. Zilocchi. The only thing I did see was a resolution appointing him as a Deputy Executive Director in a tenured position.

ASSEMBLYMAN SPADORO: So in other words, the Board actually specifically made him Deputy Executive Director with tenure in the resolution?

MR. JABLONSKI: Well, he served in that position for over one year, which gave him tenure. Then when he moved up to Executive Director, it gave him the right to assume that previous tenured position. Now, it certainly could have been

argued, and may have to be argued, or it still may be argued in court, whether or not that position is in effect.

ASSEMBLYMAN SPADORO: Now, you're saying he was made Deputy Executive Director first with tenure.

MR. JABLONSKI: Yes.

ASSEMBLYMAN SPADORO: And then he was promoted to Executive Director.

MR. JABLONSKI: Yes.

ASSEMBLYMAN SPADORO: Okay.

MR. DAVIS: Mr. Zilocchi is a longtime employee of the agency. I think he has been at the agency for, what, 23 years, or something on that order?

MR. JABLONSKI: Twenty-seven years.

ASSEMBLYMAN SPADORO: Now we are getting back more to the historical and you may not know the answer: What are the historical underpinnings of tenure for--

MR. JABLONSKI: Twenty years ago, in the bylaws, the Authority adopted a tenure policy. After one year and one day, an employee is a tenured employee.

ASSEMBLYMAN SPADORO: Just so I understand the meaning of that: You say that in the bylaws of the agency, that is basically its rules and regulations?

MR. JABLONSKI: Right, yes.

ASSEMBLYMAN SPADORO: Any employee of the agency who is employed for one year and one day then has lifetime tenure?

MR. JABLONSKI: Yes.

ASSEMBLYMAN SPADORO: Now, what does that mean -- lifetime tenure?

MR. JABLONSKI: Well, I think, you know-- You can always abolish a job.

MR. DAVIS: Which I have done.

ASSEMBLYMAN SPADORO: Okay. Well, that is what I am just trying to flesh out so I understand.

MR. JABLONSKI: You know, we have abolished jobs.

ASSEMBLYMAN SPADORO: But assuming you don't abolish the job, what does that mean?

MR. DAVIS: It means basically that you cannot-- If you discharge an employee, there has to be cause for the discharge, as opposed to no reason listed.

ASSEMBLYMAN SPADORO: Okay. Is cause outlined in the bylaws as to what are specific criteria?

MR. JABLONSKI: I would have to get back to you on that, sir. I would have to research it.

ASSEMBLYMAN SPADORO: So you're saying, theoretically, if you are doing a job--

MR. JABLONSKI: Theoretically, if you are doing your job--

ASSEMBLYMAN SPADORO: --you can't be fired--

MR. JABLONSKI: --you can't be fired unless, of course--

ASSEMBLYMAN SPADORO: --unless the position is eliminated.

MR. JABLONSKI: --it is decided that there is no job there for you to do, and the position is abolished.

ASSEMBLYMAN SPADORO: If the position is abolished, then you can be terminated?

MR. JABLONSKI: Yes.

ASSEMBLYMAN SPADORO: And so you have no protection to go-- In Civil Service there's bumping where, based on seniority, you can go into another area. There is no protection of that sort?

MR. DAVIS: I don't believe so, sir.

ASSEMBLYMAN SPADORO: Now, this is applicable both to management-- The tenure policy is in management and in what I will refer to as the "union policy," or are they totally different?

MR. JABLONSKI: The union policy is governed by the union contract.



ASSEMBLYMAN SPADORO: The contract itself, so it is a different--

MR. JABLONSKI: Yes.

MR. DAVIS: All the rules related to the union employees are contained in the union agreement.

ASSEMBLYMAN SPADORO: Okay. Now, have you-- I think, Mr. Davis, you indicated that since you have been the Executive Director you have eliminated titles?

MR. DAVIS: Yes, I have.

ASSEMBLYMAN SPADORO: How many titles have you eliminated?

MR. DAVIS: I have eliminated about 45 jobs, some of which had similar titles. But in order to not take too much credit, I have also created a few jobs, most notably in the data processing or, as we call them now, "management information systems" area, where I thought we were a little bit behind the times. So I think the net difference is about 35 jobs.

ASSEMBLYMAN SPADORO: When you say you eliminated-- I said "45 titles." Were there actually people-- Were there individuals holding those titles when you eliminated them, so that, in effect, you eliminated--

MR. DAVIS: In some cases there were, and in some cases there weren't.

ASSEMBLYMAN SPADORO: Okay. Well, how many-- Out of the 45, how many actually had people in the position when you eliminated the title?

MR. DAVIS: As I recall, there were more than 20, but I can't give you an exact number. If that is important, I will get back to you with that.

ASSEMBLYMAN SPADORO: Well, you can provide it to us.

MR. DAVIS: Surely.

ASSEMBLYMAN SPADORO: Throughout the evening we will probably make reference to things and will ask you to

provide-- We will follow-up with some sort of a communication to--

MR. DAVIS: Surely.

ASSEMBLYMAN SPADORO: Are those 20 people you refer to still in the employ of the Highway Authority in any other capacity?

MR. DAVIS: Many of them have accepted other jobs through the agency at somewhat lesser levels. We are approaching a date in March where we will either find other jobs for them or they will be without jobs.

ASSEMBLYMAN SPADORO: Now you-- I'm sorry. Earlier you identified yourself. What Authority were you with before?

MR. DAVIS: I was with an agency called the Massachusetts Port Authority, which is located in Boston.

ASSEMBLYMAN SPADORO: Did they have a tenure structure similar to this?

MR. DAVIS: No, they did not have a tenure structure precisely similar to this. But most public agencies eventually grant their employees some security -- some rights -- and there were similar grants, but not the same.

ASSEMBLYMAN SPADORO: Well, I mean--

MR. DAVIS: It never applied to me, unfortunately, although I was there for 16 years.

ASSEMBLYMAN SPADORO: Okay. Just for my information: You have an Executive Director; you have a Deputy Executive Director level; and then what is the next level below that?

MR. DAVIS: I have a number of department heads.

ASSEMBLYMAN SPADORO: You have a department head level, and then below that, what is the next level of management?

MR. DAVIS: Yeah, except that that is not as you're illustrating the lines that way--

ASSEMBLYMAN SPADORO: Okay.

MR. DAVIS: That's not exactly as I have organized it, all right? Staff will tell you I do not like "one over one," relationships. I think that they are a little wasteful. In reorganizing the agency I've tried to strip out layers of management and flatten the organization somewhat, so that the Executive Director, whom we have been talking about, Mr. Zilocchi, has control over the tolls, operations, and the Art Center. And then there is a separate department head for administration and financial planning, as there is a separate Controller, and so on -- engineering.

ASSEMBLYMAN SPADORO: Basically, the tenure rights apply to all management and supervisory levels except the Executive Director?

MR. DAVIS: It goes a bit farther than that. It also applies to clerical workers.

ASSEMBLYMAN SPADORO: Right. What I referred to as staff and management.

MR. DAVIS: Yes. All so-called administrative personnel, with the exception of the Executive Director and the in-house Counsel.

ASSEMBLYMAN SPADORO: It's my opinion that that sort of protection must impair the ability of new management to be able to administer and, I guess, impart new direction effectively. It doesn't mean you can't do it.

MR. DAVIS: It doesn't mean you can't. You have to be a little more innovative in dealing with these problems.

ASSEMBLYMAN SPADORO: Because it's a little unusual. Certainly, on the private side it would be an extraordinary turn of events to have the senior executives or the top level managers in any major corporation with some sort of lifetime protection.

Do you contemplate, as the Executive Director, at some point making a recommendation to the Board that this tenure policy be eliminated for the -- what I would refer to as -- the management level positions in the organization?

MR. JABLONSKI: That has been under intensive review by Trenton. And I think that if the Committee really wants to dig into that, there is a file down there that was started very early on, regarding legal opinions and etc., regarding all the authorities and all the tenure practices. We have left that in their hands.

MR. DAVIS: I might say that it's my understanding, and I have been able to deal with the issue-- Obviously, any new manager would like an absolutely clean slate, so you could write on it, if you wish. But no manager ever gets an absolutely clean slate to write on as they wish. So, we have to figure out ways to handle it.

I think some of my colleagues in other agencies may have even more difficult problems than I do. I understand, for example, that the Turnpike -- for reasons that are, again, probably lost in history -- grants tenure with the first day of employment.

ASSEMBLYMAN SPADORO: Okay. So you are saying, Mr. Chairman, that this is under review?

MR. JABLONSKI: It was under review when I first got here. There were some meetings on it and it was discussed and it was-- There is a file on it regarding opinions and recommendations by the Governor's Office regarding the tenure policies of authorities.

ASSEMBLYMAN SPADORO: It's one of the things that I have been particularly concerned about. I introduced a bill which actually was passed by the Assembly and is in the Senate, which deals with the question of granting what I refer to as "long-term contracts" to executive director level positions. We've had that problem where a change wants to be made in terms of the Executive Director, and now you're saddled with a four- or five-year contract. It gives me great concern and it's something, certainly, that we'll consider in our review.

We haven't, as yet, dealt directly with the Turnpike. I have to say that some of the other authorities that we have dealt with haven't had tenure, so even though you point out the Turnpike may have a more generous policy, this seems to be pretty generous, in and of itself.

MR. DAVIS: I would reinforce the fact that the beginnings of this policy are almost before the memory -- well, certainly before the memory -- of anyone in this room, and it is not an absolute policy. We can discharge for cause, and we certainly can terminate employment when there is no job left to do.

ASSEMBLYMAN SPADORO: I assume then that most of the department heads and the directors that were in positions of authority pre the Senate investigation of two years ago are still holding those positions?

MR. DAVIS: Actually there has been a considerable turnover, and there will be some additional turnover as the retirement bill which the Legislature, obviously, passed, and which the Governor signed, comes into play. During the very early part of my tenure -- my tenure, which is not tenure, of course, but you know, my stewardship -- the Superintendent of Tolls resigned, as did the Director of Operations, which gave me some -- retired, actually -- which gave me some flexibility to name other people, as well as to reorganize the agency with probably less pain than would have existed had incumbents been in those positions.

It is also my understanding, for example, that our Chief Engineer will probably -- who I think is here tonight -- will probably take advantage of the retirement bill. That will be a considerable loss to the agency, but there has been some executive-- What I'm saying, there has been some executive turnover.

ASSEMBLYMAN SPADORO: Has there been any--

MR. DAVIS: And I was able to appoint, during my first few weeks, really, a Director of Personnel -- now called Human Resources -- and I have been also able to appoint a Director of Labor Relations, as well as a Manager of Labor Relations. And in the reorganization I created a new department, very much along the lines proposed by the original Booz Allen study, and indeed, that gave me the opportunity to name a new department head. So, the agency has somewhat of a different look.

ASSEMBLYMAN SPADORO: Now, each of those people who fills these spots, they are still under the old tenure plan?

MR. DAVIS: Well, the spots are new, so they--

ASSEMBLYMAN SPADORO: They are not tenured yet.

MR. DAVIS: --they have not served their year yet.

ASSEMBLYMAN SPADORO: But when the year expires, then we'll have a whole new crop of people who are in what might be called tenured positions.

MR. DAVIS: Unless the policy is changed.

ASSEMBLYMAN SPADORO: Unless the policy is changed.

Has there been any legal advice rendered -- you have your lawyer here tonight -- with respect to, in the event that you change this policy effective, let's say, January 1, 1992, whether you then owe some compensation to those who are, or need to be, grandfathered? Has that been looked into?

MR. WILENTZ: No. We haven't done any work of that kind. We've looked into the tenure policy in relation to some of the jobs that were held and that were-- We got rid of them. However, we have not done that particular work.

MR. JABLONSKI: But there is extensive work that was done on it, at the beginning.

ASSEMBLYMAN SPADORO: Okay. Well, I can assure you that when we're done with this process, we will, no doubt, get back to you with some sort of recommendation. And whether the Legislature-- It's something I recommend that the Authority look at, quite candidly, because job security today is

probably-- In the last 20 years, if you look out there on the street, is probably one of the most difficult times in terms of layoffs in the private sector. And I'm sure that the public will not, and does not, appreciate what I may consider to be high level managerial spots-- It's one thing to give tenure to a \$20,000 a year clerk. It's another thing to give tenure to someone who is making six figures, with other benefits.

It's a little unusual. Even if we weren't in a recession, I think it's something that should be looked at. Candidly, I would expect that if, in fact, there is no action, that would become a matter of legislative consideration; that is, it wouldn't surprise me if either I or this Committee would take some action in terms of legislation, because we look at that as really inhibiting the effective control of public policy.

When an administration or a new Executive Director takes over the helm, if they are saddled with people who have, in effect, job security and they want to march to a different drummer, they can't do it. I think the Governor hinted this when he formed his Transportation Executive Council, that he sensed that we had authorities, each going in their own direction, admittedly, some of them doing things that are to the public benefit, but maybe not. It poses a difficult problem from the standpoint of administration.

MR. JABLONSKI: A counterargument to that is, if you are going to take all the top-level executives that are the nucleus of the administrative capabilities of any authority, and you can only guarantee them a four-year job because of the tenure policy, because of the possibility of an administration changing, your caliber of people who would be looking for that job will be much less. You might wind up with all the former, whatever, in the State of New Jersey.

So, that's the counterargument to it. If you want to go out and get the best people for that job-- I mean, you're



not going to get anybody to take it. Anybody who has any abilities is not going to take it if you are not going to be able to give them some sort of assurance that they are there based upon their ability and not based upon the ability of a new Executive Director or a new Chairman to come in and replace all of the seven top directors.

That's the counterargument to it.

ASSEMBLYMAN SPADORO: I appreciate that, and I can tell you that certainly, as the compensation packages in the public sector grow more attractive, that argument becomes less significant. Obviously, there was a time when working in the public sector meant you had to tighten your belt and you wouldn't necessarily be able to make a good living -- I'm not saying, by the way, that's not true -- and make sacrifices. But there are jobs now in the public sector where you can make a significant income, and gain some significant experience that can help you later in your career.

I recognize what you are saying: that the concept of depoliticizing the hirings so that you don't have a purge every new administration is relevant.

MR. JABLONSKI: I'm just giving you the other side of the argument that has been presented.

ASSEMBLYMAN SPADORO: Okay. Let me switch gears and turn our attention to toll revenue and dwell on that for a few minutes, if we could.

It's my understanding -- now you are going to have to help me with this, and maybe your Executive Director can -- that the Authority utilizes what is known as a bondholding resolution procedures--

MR. JABLONSKI: Yes.

ASSEMBLYMAN SPADORO: --as opposed to generally accepted accounting principles, in terms of reporting its financial condition. Are those instead of, or does one supplement the other?

MR. DAVIS: Well, I think they are different things. Anytime a public agency -- or I suppose a private entity -- borrows money, he enters into a covenant with the bondholder, which really governs large parts of your life in a way that cash flows, most notably, the way that cash flows through the agency and the sequence of items on which it can be spent.

General accepted principles of accounting may or may not be consistent with that question. The agency does not at this point have a completely GAP -- generally accepted accounting principle -- system, which is not to say that there is anything wrong with the accounting system. But there are a number of things that we do not do which GAP would require. I think, for example, depreciation accounting would be one very good example. We have not seen the need to do that. But clearly, certainly, it's important to us.

Our accounts are audited, not only by ourselves, but also by outside auditors. I think that a look at the annual report or the subsidiary working documents really fairly discloses the financial situation at the Authority.

ASSEMBLYMAN SPADORO: You say that you don't depreciate the--

MR. JABLONSKI: We do not have GAP. When I got here there was a memo from the former Treasurer saying that all authorities should go on GAP. The only thing that GAP would have provided us with was a depreciation schedule of our assets. We're a tax-exempt organization. I didn't see the compelling need to have this long schedule. And in effect, Touche Ross came in as a result of the former Treasurer and gave us a proposal, I think, for \$480,000, to go back and start with the first layer of macadam and the first building, to get us into GAP. I made a decision that we didn't need it, and I didn't want to spend the \$480,000, because the only thing we are going to get is the depreciation schedule. We have no need for it.

MR. DAVIS: I would add, obviously, that neither does the State, for the same set of reasons, utilize GAP accounting.

ASSEMBLYMAN SPADORO: Okay. In 1989 -- I'm looking at notes now -- the toll revenues for the Authority increased from \$140 million to \$160 million, representing a one-year increase of 13.5%. According to your records, the number of -- and this terminology is, "revenue vehicles" -- has increased during the last 12 months. The obvious result from the increase in revenue vehicles would be that revenue received should be increased. However, I am told that the revenues thus far, the revenues for this year, are down for the current fiscal year.

MR. DAVIS: They may be down a bit. They are basically flattened off, in the case of the toll revenues, and down a bit looking at concessions. They would be just about flat, also, with respect to concessions, except that we had a rather devastating fire at Montvale, as you know. And practically the whole difference between level amount from concessions and where we are now can be attributed to that one factor. So, I would say that basically, the agency's revenues have leveled off during the period of time that you are talking about.

Actually, for purposes of comparison, we have done somewhat better in percentage terms than our sister toll road agencies. Both the Turnpike and most especially, the Atlantic City Expressway Authority, has had, I think, a 5% decline in toll revenue. I think we are talking about the effects of a very slow economy.

ASSEMBLYMAN SPADORO: Now, are the number of revenue vehicles up but the toll revenues are down, or is it that both are down?

MR. DAVIS: I think they both flattened off. I mean, there may be a slight change in the mixture. They are right on the same track, sir.

ASSEMBLYMAN SPADORO: Okay. On the expense side: Are the expenses down, or expenses up?

MR. DAVIS: Fortunately, we have been able-- Largely through the efforts of the Chairman and the Board before I got there -- and I hope through some of my own efforts -- we've also been able to control expenses, so that the net revenues of the agency; that is, the revenues that are left after expenses, have stayed about where we said they would be when we did the last debt, back in 1989. So, we've been able to pull down both sides of the equation, and left us, relatively, at about the same position.

ASSEMBLYMAN SPADORO: What is that net revenue?

MR. DAVIS: I'm sorry. I would have to defer to--

ASSEMBLYMAN SPADORO: That's all right.

MR. DAVIS: --our Comptroller.

J O H N F. F L Y N N: The net revenue--

MR. DAVIS: This is John Flynn. You're supposed to give your name.

ASSEMBLYMAN SPADORO: Okay, John.

MR. FLYNN: Assemblyman, the net revenue projected for this year is about \$20 million.

ASSEMBLYMAN SPADORO: That's the current fiscal year?

MR. FLYNN: Yes.

ASSEMBLYMAN SPADORO: Are you on a calendar year?

MR. FLYNN: Calendar year.

ASSEMBLYMAN SPADORO: Okay, you're on a calendar year. And what was it for the 1990 calendar year?

MR. FLYNN: In 1990 the net revenues that were available after debt service and whatever, were roughly \$27 million.

ASSEMBLYMAN SPADORO: That's what we refer to, I guess-- That would not be surplus, that's before your payment to the State, or is that after--

MR. FLYNN: No, that's after payment to the State.

MR. JABLONSKI: That's net of everything.

ASSEMBLYMAN SPADORO: That's net of everything, and that's basically then surplus?

MR. FLYNN: That goes to the Parkway Construction Fund.

MR. JABLONSKI: Construction Fund.

ASSEMBLYMAN SPADORO: Capital Fund?

MR. FLYNN: Right, the Capital Fund. That's how the Capital Fund gets its infusion of revenues.

MR. JABLONSKI: Under the bond resolution.

MR. FLYNN: Correct.

ASSEMBLYMAN SPADORO: In 1989 you had experienced a toll violation rate, our records indicate, as high as 3%. Have you been running at around the same percentage?

MR. DAVIS: No. Last month it was at about 1.85%.

ASSEMBLYMAN SPADORO: And per annum, how did you do in 1990?

MR. DAVIS: About 2%?

MR. FLYNN: Around that, yes.

ASSEMBLYMAN SPADORO: Two percent?

MR. DAVIS: Yes.

ASSEMBLYMAN SPADORO: And you are running below 2% on average this year?

MR. DAVIS: Yes.

ASSEMBLYMAN SPADORO: What have you done that can explain the reduction in the percentage of violations?

MR. DAVIS: Well, probably not as much -- to be honest with you -- as I would like to. I think toll violators make it harder for everybody else, people who don't pay their share. We are, even as we speak, inaugurating a new toll evader enforcement program, which will increase the number of summonses that we are issuing to scofflaws who we observe going through the toll barriers without paying. And we've done a number of things like this, consistently, tried to anticipate where we might have problems and used enforcement methodology.

ASSEMBLYMAN SPADORO: Just so the public understands, when we're talking about percent, this is percentage of gross revenues.

MR. DAVIS: Yes.

ASSEMBLYMAN SPADORO: So, when it was 3%, it cost the toll road authority \$6 million?

MR. JABLONSKI: Six million.

ASSEMBLYMAN SPADORO: And if it averages out to 2%, then it's basically \$4 million worth of tolls?

MR. JABLONSKI: Four million, yes.

MR. DAVIS: Two percent is too much, although it's considered quite a good figure considering the kind of system we have, but I would like to have it lowered. It's real money.

ASSEMBLYMAN SPADORO: Okay.

MR. JABLONSKI: And if we wanted to eliminate it all, we would have to have somebody in each booth, you know.

ASSEMBLYMAN SPADORO: Either a gate system or a--

MR. JABLONSKI: Well, a gate system will slow the road down.

ASSEMBLYMAN SPADORO: Right.

MR. JABLONSKI: I mean, we'd have to have somebody in every booth; that is, an automatic booth, looking out for toll violators, which would probably cost over \$2 million.

ASSEMBLYMAN SPADORO: Right. Okay.

MR. JABLONSKI: So, it's one of those chicken and the egg situations, where you try to do it in the best possible way without incurring a large cost. But it's a major expenditure -- a major loss for us.

ASSEMBLYMAN SPADORO: It's my understanding that the Authority has announced that it has reduced its work force over the past few years. And by the way, not unlike the State government where you are constantly attempting to reduce the workforce, but then there are questions raised as to whether you are reducing in one department and being forced to hire in another.

Forget the early retirement plan that we'll talk about in a while, but before that goes into effect, have you had

success in reducing the total number of individuals employed by the Highway Authority?

MR. DAVIS: As I said, we've eliminated 45 or so titles that I mentioned before, although we did add some in management information systems. And I think there are a few more positions that we will find and eliminate. We've not even been through the rigors of the organizational process with respect to the Art Center or the allied functions in that area. And I think then we will keep looking at the organization to find out if we can save some more money.

I think, though, personally, that the next large group of savings will probably begin to occur quite slowly as we begin to automate the road with electronic toll methodology.

ASSEMBLYMAN SPADORO: You talk about titles: Earlier you mentioned the number of 20 employees -- 45 titles, but 20 employees. What you are saying is that the total employees would drop 20?

MR. DAVIS: Oh, I think they've dropped more than that. We've had some vacancies that I have kept vacant.

ASSEMBLYMAN SPADORO: What number-- If you had to give us a reasonable estimate on the total drop--

MR. DAVIS: I would like to get back to you with a specific number. I think it's a fairly sizable number, because we did not hire any maintenance for possibly a couple of years.

ASSEMBLYMAN SPADORO: So, you think it's certainly in excess of--

MR. DAVIS: It's in excess of 40.

ASSEMBLYMAN SPADORO: In excess of 40 employees.

MR. JABLONSKI: I think he's talking about 40 for administrative personnel. I froze maintenance when I came in, and there were 40-some-odd vacancies additional in maintenance that we're not talking about.

MR. DAVIS: I would really like to give you the right number--



ASSEMBLYMAN SPADORO: Well, I would like to get-- If you could get to us--

MR. DAVIS: --rather than speculate about it.

To be honest, also, though, at the lower level, we have tried to use temporary help where it is possible instead of regular appointments, because that's much more efficient in terms of shift arrangements and that sort of thing. The Authority, for a long time, has had a wonderful program for senior citizens as toll collectors, which has been very successful, and which we've probably shifted the balance a little bit that way because of the successes we've had with that program. So, we're looking for these kind of savings all the time.

ASSEMBLYMAN SPADORO: One additional question: You'll provide us with the total--

MR. DAVIS: I will provide you will be significantly more than the number I've got. The number I've got that I was giving you was the number that fell out as a result of the reorganization. It mostly occurred, frankly, more in the management levels where I was trying to flatten the organizations. There are a number of other positions in the agency which we have permitted to go vacant to see how well--

ASSEMBLYMAN SPADORO: Okay. What I would like, obviously, is not only the number, but if you could identify the titles and the job description, so we know what we are talking about.

MR. DAVIS: I will attempt to do that for you.

ASSEMBLYMAN SPADORO: There has been some discussion regarding the print shop. I think that was a subject of the Senator's review?

MR. DAVIS: Yes.

ASSEMBLYMAN SPADORO: What steps have you taken, if any--

MR. DAVIS: I've reduced the print shop's work force by 25%. It's not a large force in the beginning, but it has been reduced by that amount. I have begun to contract outside where it's the kind of item where we can save money. And we are looking at other possible savings there.

MR. JABLONSKI: We did this as the result of a study conducted telling us which jobs were more efficient to do outside -- more cost-efficient to do outside, rather than in the print shop. So, we've now identified them -- identified the costs -- and the ones that are more efficient -- cost-efficient to do outside, we do outside, and we do the ones inside.

ASSEMBLYMAN SPADORO: At this point I'm going to ask my colleague, Neil Cohen, if he has any questions.

ASSEMBLYMAN COHEN: Thank you.

When you say that you have vacancy positions, are you still funding those positions and you just haven't filled them?

MR. DAVIS: Some of them we are, and some of them we aren't, sir.

ASSEMBLYMAN COHEN: So that if the position is \$40,000 or \$45,000 and it's vacant, you still fund that \$45,000 position?

MR. DAVIS: In most of the cases we have stripped the money out of the budget.

ASSEMBLYMAN COHEN: You what?

MR. DAVIS: In many of the cases, particularly the management level positions, we have taken the money out of the budget.

ASSEMBLYMAN COHEN: Are the positions that you haven't, that you have left vacant but you intend to fill either by the end of the calendar year?

MR. DAVIS: Yeah. And they tend to be at the lower end of the scale, and they are funded.

ASSEMBLYMAN COHEN: Going back to Mr. Zilocchi: Now that he has been demoted up, if he remains in that position, does he already have tenure?

MR. DAVIS: I think it's arguable that he does. I'm not a lawyer, sir.

ASSEMBLYMAN COHEN: Well, let's say it remains arguable.

MR. JABLONSKI: Yes, it remains arguable.

ASSEMBLYMAN COHEN: Let's say it remains arguable, and while it remains arguable he stays there for a year and a day, in this new title.

MR. JABLONSKI: Well, we can always abolish the job.

MR. DAVIS: I must say that I--

ASSEMBLYMAN COHEN: Can you abolish the title during the year?

MR. JABLONSKI: Abolish the job anytime.

MR. DAVIS: If I might, though, I think I have a responsibility, both to the Chairman, and to Mr. Zilocchi to make a decision on my view of Mr. Zilocchi's future before the year is up, and I intend to do that.

ASSEMBLYMAN COHEN: That's candid enough.

In terms of health benefits, you're self-insured?

MR. DAVIS: Yes, we are.

ASSEMBLYMAN COHEN: Has anyone ever looked at-- I mean, how do your health benefits run in terms of cost.

MR. DAVIS: We look at it consistently. We believe that our unit cost is much lower than other agencies that we are aware of, and also much lower than that of the State.

ASSEMBLYMAN COHEN: Who is the administrator of the health benefits?

MR. DAVIS: Do you mean the third party administrator, outside? Mediplan, I believe, at this time. We changed--

ASSEMBLYMAN COHEN: Who is it?

MR. DAVIS: It's a group called Mediplan, I believe. Although we have changed the third party administrator from time to time as we are pleased or displeased with the service.

ASSEMBLYMAN COHEN: Is that on a year-to-year basis in terms of them, or do they have an agreement for a resolution for more than one year? How does that work with your claims administrator?

MR. DAVIS: Annually.

ASSEMBLYMAN COHEN: It's annual?

MR. DAVIS: Yes.

ASSEMBLYMAN COHEN: How long have they been the administrator?

MR. DAVIS: A relatively short time. I believe we had another administrator who removed their main offices from the State, unless I've missed something here, and we were not pleased with the service that we were getting. We made the change relatively recently.

ASSEMBLYMAN COHEN: Is Mediplan within New Jersey.

MR. DAVIS: Yes. At least they have offices here that we deal with.

ASSEMBLYMAN COHEN: So, you are saying that any other coverage, that the self-insurance is better than any other type of coverage?

MR. DAVIS: Not necessarily, sir. But for us it has proven to be that way. When I say "self-insurance," I mean that we establish appropriate reserves and essentially pay premiums into those reserves and watch our loss experience very carefully, and our loss experience has been quite good.

ASSEMBLYMAN COHEN: How much do you carry over every year from reserves, do you know?

MR. DAVIS: I don't know, but I could certainly get that for you.

ASSEMBLYMAN COHEN: Yeah, if you could find that out.

MR. DAVIS: Certainly.

ASSEMBLYMAN COHEN: Going back to the new electronic toll booths: Exactly how is the billing going to work?

MR. DAVIS: The billing?

ASSEMBLYMAN COHEN: The billing.

MR. DAVIS: Well, there is a very large dispute about that within the region. I strongly believe -- and I know that my view, fortunately, is shared by Commissioner of Transportation Downs, which is very helpful because of the influence that we have through the Governor's veto on the New York New Jersey Port Authority -- and I believe that it is shared by the Turnpike, is that we ought to be on a unified billing system that is a single back office; that is, is preparing the billings for the Garden State, for the Turnpike, for the Cross Hudson Port Authority facilities, for the Triborough Bridge, etc. Because it seems to me that if we don't do that, the customer -- and we ought to be most concerned about the customer -- is faced with six or seven separate billings, which makes no sense at all. So, I'd like to see unified billing.

Further than that, there is a terrific dispute going on as to whether there will be a debit approach -- you put up \$100 say, and it eats away at it -- or a credit approach like your phone bill. I, personally, probably being a little reckless and wanting to provide good service to the customer, would opt for the credit system arrangement, but there are a lot of problems with that, and that's being worked out among six or seven agencies today.

ASSEMBLYMAN COHEN: Well, let me ask you, because I came in late, how, exactly, does electronic toll work?

MR. DAVIS: There are a number of variations in the technology, but the centerpiece of the technology is that affixed to each automobile, usually on the windshield somewhere at a predetermined place, there is what is called a transponder. And when that transponder passes under, basically, a radio aerial, it registers and identifies itself to that aerial.

ASSEMBLYMAN COHEN: Registers and identifies the vehicle by--

MR. DAVIS: Yes, it says, "This is Representative Cohen's car."

ASSEMBLYMAN COHEN: This is by-- How is that fed back?

MR. DAVIS: By electronic means, and it's fed back over optical fiber, hard wire, or even microwave communication, to--

ASSEMBLYMAN COHEN: Stop right there; stop right there. A car goes through. The driver is not the owner of the vehicle. It's used; it goes through; it's picked up; it's billed back to whom? To the owner of the vehicle?

MR. DAVIS: The owner of the card that was on the car when the car went through.

ASSEMBLYMAN COHEN: All right. Let's say it's billed monthly or quarterly--

MR. DAVIS: Yeah.

ASSEMBLYMAN COHEN: --and they don't pay? The next step is in terms of collection and whether it's going to be done---

MR. DAVIS: And I think then we are going to be--

ASSEMBLYMAN COHEN: Excuse me, Mr. Davis.

MR. DAVIS: --approaching the Legislature, because I think you could help us in this situation. The easiest way to identify scofflaws will be with a video camera at the booth that, basically, takes a picture of the license plate of the car that evades the toll.

ASSEMBLYMAN COHEN: No, I'm talking about you bill it.

MR. DAVIS: Toll evasion happens either when there is no credit there, when he is not paying his bill.

ASSEMBLYMAN COHEN: We're not talking toll evasion. I'm not speaking about toll evasion. A vehicle goes through. However you work it out, monthly, quarterly, or yearly, the owner of the vehicle is sent the bill. "You have used--" It's \$125, okay? They don't pay. What do you do?

MR. DAVIS: Well, the first step we'll do is electronically, we'll cancel the card.

ASSEMBLYMAN COHEN: And then they can pay with their quarters?

MR. DAVIS: Yeah.

ASSEMBLYMAN COHEN: Okay. What do you do about the \$125?

MR. DAVIS: I think we'll bill the owner of the car.

ASSEMBLYMAN COHEN: I know. And what if they don't pay? Who-- Does the authority go to collect?

MR. DAVIS: Yes.

ASSEMBLYMAN COHEN: Does it go to an outside agency? Does it go to the AG?

ASSEMBLYMAN COHEN: Mr. Cohen, I don't think we're that far into the process to make these decisions yet.

ASSEMBLYMAN COHEN: Excuse me. I'm just trying to find out exactly how far you're in--

MR. DAVIS: I would think that the agency would collect itself. Whether we would use the services of a collection agency or some other intermediary, I can't give you that answer right now. And when you compound the question with the idea of a back office operation that serves several agencies, well then you see we have a lot of discussion to go through before make these decisions.

ASSEMBLYMAN COHEN: I was saying, you mentioned that there was going to be an experimental-- I was just curious that while the experiment was going on, who is being billed--

MR. DAVIS: Well, I'm going to be real careful about who--

ASSEMBLYMAN COHEN: --and how is it going to be collected?

MR. DAVIS: I'm going to be really careful about who I select for the experiment, and it will be a relatively small one. Two hundred cards in the hands of the general public, and



another two hundred cards issued to the various agencies, you know, whatever. So, it will be a very carefully controlled experiment, and I don't think we are going to worry too much about bad debts on that one.

ASSEMBLYMAN COHEN: Well, certainly not on the 200 cards, but we'd like to know more information as it goes by as to how that's going to be dealt with?

MR. DAVIS: There's a plethora of information which I would be glad to send to you for your perusal, and indeed, I think that there will come times that as we go forward with the project, always assuming that the Legislature is in favor of it. It would be hard to do something that you weren't basically in favor of.

ASSEMBLYMAN COHEN: No. It's been done before, so I wouldn't--

MR. DAVIS: But I would even assume that there will be times that we would ask for your direct participation as to, for example, the matter of how to handle scofflaws, and going after the owner of the card as opposed to who might have been in the car, for example.

ASSEMBLYMAN COHEN: Well, in terms of whether it's going to be monthly or quarterly, that's being viewed, because I would imagine the further out you extend it the more of a problem it would be in terms of cash--

MR. DAVIS: I think it would probably be--

ASSEMBLYMAN COHEN: Let me finish my question. (continuing) --whether there would be a cash flow problem since the coinage is immediate and depositable the same day. But billing-- You have a billing procedure which is going to be costly. Number one, that's a large expense; and number two, whether that's going to cause any problem in terms of cash flow to the agency?

MR. DAVIS: And that, right there, is a very powerful argument against me, but I'll accept it as a very good argument for the debit kind of system, where the cash comes up front.

ASSEMBLYMAN COHEN: And how would that be accomplished? Would it go to an agency--

MR. DAVIS: It would go to an agency and-- Excuse me, sir.

ASSEMBLYMAN COHEN: That's okay. They would go to an agency and put up \$100 or \$200, and draw down on it?

MR. DAVIS: Yes.

ASSEMBLYMAN COHEN: The electronic system, whatever it is going to be, is that going to be done by a company in New Jersey or outside the State?

MR. DAVIS: We are developing specifications, right now, using the information that we get from experiments as the one I outlined -- or the Chairman outlined -- using the Autostrade equipment. But also there have been a number of other experiments on the Garden State, as well as on the other toll roads in the region. We are producing a set of specs that companies will bid on. I cannot tell you who the successful bidder will be at this time.

ASSEMBLYMAN COHEN: I would certainly hope not.

MR. DAVIS: I can tell you who some of the giants.-- or potential giants -- are in the field.

ASSEMBLYMAN COHEN: Do we have any companies in New Jersey which, either by participation with one of these several companies, will recognize some kind of business? Because too frequently, many of the agencies find out-of-state; New Jersey loses taxes and revenue.

MR. DAVIS: I personally think that AT&T is very well positioned.

ASSEMBLYMAN COHEN: It's a large company?

MR. DAVIS: It's a large company, but more importantly in there so-called "smart card technology," they have the heart of the Autostrade system.

MR. JABLONSKI: That argument comes up a lot, Assemblyman. I don't know whether the law permits, or

whether-- I've been told that New York City has a law on their books that gives credit, or allows an agency to award to a nonlow bidder, if, in effect, that person is a resident of the City of New York. It constantly comes up when someone misses by -- a \$200,000 bid by \$1100 -- and the guy has a company right here in New Jersey. You're losing not only the business, but the taxes and everything else. But we, right now, don't have the ability in order to make that determination.

I don't know whether it's legal or not. As I said, one of the contractors came in and told me, and I'm using his word of it, that New York City allows him a certain percentage, by law, to take someone who is not the low bidder.

It's just a thought. We certainly lose an awful lot of bids to out-of-state bidders. We just lost one for \$1.1 million for rehabilitation of toll booths. That was in New York City and the local New Jersey firm was, I think, \$5800 below. I mean, it certainly would benefit us to have our people making the rehab on those toll booths, rather than Yonkers.

ASSEMBLYMAN COHEN: It also provides jobs, but it also provides tax revenue to the State that's being--

MR. JABLONSKI: Taxes, exactly. And that's the theory on the New York City-- The agency may be paying a little bit more, but in the long run, they far get it in benefits.

ASSEMBLYMAN COHEN: How's your debt service?

MR. JABLONSKI: A lot.

ASSEMBLYMAN COHEN: When was the last time it was refinanced or restructured?

MR. JABLONSKI: About two years ago.

ASSEMBLYMAN COHEN: Is there any thought of doing that now, since rates are much better than-- And Wall Street is hungry.

MR. JABLONSKI: I have contracted, and I am going to have an investment banker on board within the next two weeks to

constantly monitor the-- I think we're about a quarter of a point away, Assemblyman, from a refunding that would make sense; that would return some dollars to us.

ASSEMBLYMAN COHEN: Do you know how big of an issue it would be?

MR. JABLONSKI: Seven-hundred-and-fifty million.

ASSEMBLYMAN COHEN: That's a big issue.

MR. JABLONSKI: Give or take a couple of million.

ASSEMBLYMAN COHEN: The financial adviser coming in-- What's the arrangement with the financial adviser?

MR. JABLONSKI: Presently, we don't have one.

ASSEMBLYMAN COHEN: You said you were going to bring someone in?

MR. JABLONSKI: We're going to bring in an investment banker, at no cost to the Authority, who will ultimately, I assume, if we do the issue, be the investment banker. And he will be able to do computer runs for us on a monthly basis to see when and if we get close enough to warrant the refunding.

We can only do one more refunding, under the law. Under the present law you can only do two refundings.

ASSEMBLYMAN SPADORO: I'm sorry, I couldn't hear you, Mr. Jablonski.

MR. JABLONSKI: Under the new Federal law of about four years ago you can only do two refundings.

ASSEMBLYMAN SPADORO: Without tax consequences?

MR. JABLONSKI: Yes, because someone found a way to circumvent that. They are doing Certificates of Participation. I don't know how it works, but they have circumvented--

ASSEMBLYMAN COHEN: It works very well, Mr. Jablonski.

MR. JABLONSKI: I beg your pardon?

ASSEMBLYMAN COHEN: It works very well.

MR. JABLONSKI: They have circumvented the double refunding law by doing COPs. I am trying to find out how that

is done, but we still have one refunding left anyhow, Assemblyman.

ASSEMBLYMAN COHEN: You do? Okay. How much revenue are we receiving from the transmission tower in Paramus?

MR. JABLONSKI: About \$25,000 a year, I think.

ASSEMBLYMAN COHEN: Twenty-five thousand a year, or a month?

MR. JABLONSKI: I'm not sure. It sticks in my mind in the resolution. We also have the use of it. We get free use of certain parts of the tower.

ASSEMBLYMAN COHEN: That's with NYNEX?

MR. JABLONSKI: NYNEX, I believe, yes.

MR. DAVIS: Mr. Ryan can give us a precise answer on that.

D A V I D R Y A N: (speaking from audience) Assemblyman, NYNEX is paying us \$15,000 a year for ground rental. They built the tower, and we rented space on it to Metro One for \$38,000 a year.

ASSEMBLYMAN COHEN: Fifteen thousand dollars per year to none?

MR. RYAN: From NYNEX.

ASSEMBLYMAN COHEN: And Metro pays how much?

MR. RYAN: Metro pays \$38,200, providing space for both the police and fire.

ASSEMBLYMAN COHEN: We contracted out to Metro, or NYNEX did?

MR. RYAN: We did. The Authority did. The Authority owns the tower.

ASSEMBLYMAN COHEN: This is a one-year deal, or is it long-term?

MR. RYAN: It's long term, 30 years.

MR. DAVIS: But with an escalator.

ASSEMBLYMAN COHEN: What kind of an escalator -- cost of living, or something-- It is \$15,000 a year beyond the initial stage of building which they get to write off anyway.

MR. RYAN: Based on the CPI, it is tentatively adjusted every five years with a minimum of 10% and a maximum of 25%.

ASSEMBLYMAN COHEN: And the deal with Metro is similar?

MR. RYAN: Yes, sir, exactly the same.

ASSEMBLYMAN COHEN: What was the cost of the construction? Do you have any idea?

MR. RYAN: Approximately \$200,000.

ASSEMBLYMAN COHEN: Did anybody make an estimate at all through the negotiations as to how much revenue was going to come into NYNEX and Metro? It seems to me that \$15,000 a year, once you get beyond the construction, which is minimal, is pretty decent revenue. It could be as much as a million dollars, probably more than a million dollars a year to NYNEX, I would think, easily. Anybody have any idea?

MR. JABLONSKI: How would we get it?

ASSEMBLYMAN COHEN: Oh, that could be estimated.

MR. JABLONSKI: By us?

MR. DAVIS: Well, we did use--

ASSEMBLYMAN COHEN: It could be estimated in terms of NYNEX's usage, what's--

ASSEMBLYMAN SPADORO: You are going to have to, just so the record is clear-- If you are going to give comments from the audience-- You are going to have to come forward and say them a little louder so that the mikes can pick them up -- just so we can pick them up on the record.

MR. JABLONSKI: Dave, do we have the use of a consultant that gave us any advice on how much we should charge on this?

MR. RYAN: Yes, we do, Chairman. Edwards and Kelsey was our consultant.

ASSEMBLYMAN COHEN: Edwards and Kelsey, the engineers?

MR. JABLONSKI: That is correct.

ASSEMBLYMAN COHEN: But they weren't going to give you an estimate as to what kind of revenue. I mean, when you are going to look at exactly what to charge-- I mean, if they were making \$50,000 a year, \$15,000 might be reasonable. But if they are making \$1 million, \$1.5 million, on the usage of that tower yearly and the amount they are paying is \$15,000, something tells me that is not the best deal in the world, and I don't think Edwards and Kelsey would provide that kind of information for you.

MR. RYAN: Well, \$15,000 a year, Assemblyman, is for the ground rent. They built the tower. That saved us an investment of approximately \$200,000.

ASSEMBLYMAN COHEN: If you could-- If someone could provide the Committee the information concerning what projections-- They must have provided some projections -- unless no one asked -- to try to get an estimate of what kind of revenue was going to be incoming to them, because that determines-- Let's be candid: That determines what kind of a deal you want to negotiate.

MR. RYAN: We can find that out.

ASSEMBLYMAN COHEN: Thank you. How does it look in terms of early retirement options being exercised? Does it look like it is going to be something--

MR. JABLONSKI: I think 85 people inquired.

ASSEMBLYMAN COHEN: I'm sorry?

MR. JABLONSKI: I think about 85--

MR. DAVIS: About 85 people are eligible.

MR. JABLONSKI: --are eligible.

MR. DAVIS: I don't know how many will actually decide to take advantage of it. I assume the majority of those 85, but not nearly 100%. Unfortunately for us, most of the 85 people who are probably actively considering this opportunity, with one exception, who I mentioned earlier, who is in the audience tonight, are at the lower levels of the Authority, and



probably will have to be replaced -- toll takers, maintenance men, that sort of thing. So, the early retirement bill has not been an economic boom to the agency, although we hope it will give us some flexibility to reduce staffing a little bit more.

ASSEMBLYMAN COHEN: The money that is deposited -- the revenue that comes in -- is it deposited-- All of the accounts that it is deposited in are interest-bearing accounts?

MR. JABLONSKI: Daily, yes.

MR. DAVIS: Yes.

MR. JABLONSKI: Instantaneous deposits when they pick it up, Assemblyman. When I was here the last time, the Authority-- Just as an aside, the Authority used to pay for collection -- the actual collection. The Authority paid a bank to collect and count its money, with no interest to the Authority. That was 14 years ago. When I came on board, we bid it. It was amazing what we got, but it was a very interesting contract for almost 20 years, where the bank charged us for picking up the money; charged us for counting it; and never gave us interest on it.

ASSEMBLYMAN COHEN: Interesting is not exactly the word I would grasp for, but--

MR. JABLONSKI: It was fascinating.

ASSEMBLYMAN COHEN: You're getting a little bit closer.

I know everyone in Union County and the Board of Freeholders in many places are looking at the situation concerning motor vehicles; whether it is best to purchase, whether it is best to lease. What is the position of the Authority, or what is its practice?

MR. JABLONSKI: I know we purchase all of ours. I don't know whether we have evaluated lease versus purchase.

MR. DAVIS: We don't get the same tax advantages that some other folks might, as a tax-exempt entity. Thus far, we have purchased--

ASSEMBLYMAN COHEN: It is less costly to the Authority to outright purchase than it is to lease?

MR. DAVIS: We believe so. We probably looked at that at one time or another.

MR. JABLONSKI: Assemblyman, since I have been there, there have been two firms that have come in on a lease/purchase agreement. I have had them explored with the staff, which said, "Here we go again." You know, I have asked them to explore it, and each time it comes out that it is not feasible. If you want, I can get you a copy of the last report, but I understand-- You know, they have been down under various companies under lease/purchase, and again, I don't know whether they sent me an old report that was done under lease/purchase or whether they evaluated the new one. But apparently an evaluation was made a couple of years ago that it is in our best interest to purchase.

ASSEMBLYMAN COHEN: Thank you.

ASSEMBLYMAN SPADORO: Assemblywoman?

ASSEMBLYWOMAN CRECCO: Yes, thank you. I think we have asked lots of the questions, but-- Mr. Jablonski, you mentioned that you had done quite a bit of cost cutting. Could we have that report so we could kind of look at it?

MR. JABLONSKI: Yes. I think it is about 100 employees that we have less at this point than we did when I started in June.

ASSEMBLYWOMAN CRECCO: You have never considered having an audit done from department to department to see where you could cut costs, or anything like that?

MR. JABLONSKI: Well, we have done an evaluation. We had the Booz Allen report that was done the year before I got there, at a cost of \$280,000. To be perfectly honest, I did not have the guts to go back and contract with anyone else for any additional reports, because I thought that the amount of money paid Booz Allen was absolutely exorbitant for the report

we got. It was an efficiency report. It wasn't a reorganization report. So that figure for Booz Allen warranted that I do not go out for another report.

ASSEMBLYWOMAN CRECCO: There was nothing in that that was effective -- cost-effective?

MR. JABLONSKI: I think the Booz Allen report, in my opinion, was modeled after the Department of Transportation's structure, which I think, in my opinion, is not the best in the world.

ASSEMBLYWOMAN CRECCO: We're talking about the electronic system. Is that intended, in the end result, to be cost-effective and save a good bit of money?

MR. DAVIS: I think it will be very expensive, Assemblywoman, but I think it will be a great convenience to the users of the road as they speed through the barriers, rather than have to stop and pay tolls. I'm talking about several years from now. But please don't misunderstand me. The hardware, the software, the communications equipment, buying into the system, will be expensive. There will be longer term savings as we are able -- never to eliminate, but to reduce the number of toll takers in the future.

But don't let me sell you the system on the basis of the cost saving. It is going to be something that is going to be good for the public; that the public, I think, will like. But these kinds of machines are expensive.

ASSEMBLYWOMAN CRECCO: Not in the near future it won't be cost-effective anyhow.

MR. DAVIS: Yes.

MR. JABLONSKI: There will be a large outlay of cash.

ASSEMBLYWOMAN CRECCO: Pardon me?

MR. JABLONSKI: A large outlay of cash at the beginning.

ASSEMBLYWOMAN CRECCO: Which, of course, right now with our economic crisis--

MR. DAVIS: I don't have the numbers. I'm working up the capital budget for presentation to my Commissioners now, as well as processing through the tech, and putting in electronic tolling is a very high priority to flush out some of these issues. I will say that help may arrive from what previously has been an unknown source, and that is Senator Lautenberg, who is very interested in this technology. In the Surface Transportation Act, he has put a section in to fund work on smart highways and electronic tolling. I believe we will be able to participate a little bit in that Federal largess, but I don't think it will be enough to set off the entire cost. I know it won't be.

MR. JABLONSKI: Also, we don't know what they want from us.

ASSEMBLYWOMAN CRECCO: All right. I have also gone through all of that material. The Chairman is quite right; it was quite a bit. But what I notice is-- What is your methodology insofar as bidding? I notice on some of the tollgates you didn't bid, and others you did. Then, on one of the records I was reading it was, like, you had contracts awarded from 1989 to (indiscernible), for a total of (money figure indiscernible). That is what I had on this one, but I didn't see a bid on that one. What I was concerned with was the tollgates. There are three different times when we purchased them. I'm sure you purchased more, but on this report I looked at, one was for \$8500. There are three different prices, and one had two for a lesser cost. So I kind of didn't understand that.

MR. DAVIS: At the last meeting, I believe, of the Authority, there was a special item where we bought a handful of gates. We were looking at gates not for the main line, because that would slow traffic down, but for some of the ramps, particularly those that are not manned in the evening hours. We were looking at gates, and we wanted to look at

various vendors' working technologies. So we bought a handful -- I think a half a dozen gates -- as a special exigency item, to test them out to see how they worked, because this technology, we have learned, is quite varied, and some of it is very much more reliable than others. So that is what you saw, but it is not a major purchase of gates along the Authority. It is testing out what gates work.

ASSEMBLYWOMAN CRECCO: Then, if you see the best, or the type -- whatever type it is you want -- and then you bought it in quantity, you would put a bid out.

MR. JABLONSKI: Then we would go out on a major bid.

MR. DAVIS: Then we would go out on a major bid on it.

ASSEMBLYWOMAN CRECCO: Okay. I didn't understand it, because I thought anything over, something like \$7100, was bid.

MR. DAVIS: And the State-- And the law provides for that kind of an exigency very specifically.

ASSEMBLYWOMAN CRECCO: Can you tell me, also, in the Arts Center, what is the margin of profit on that? I know we are getting something, but is it very much, such as most businesses that are in that business? Is it worthwhile?

MR. DAVIS: It's very variable, depending on economic conditions and the kinds of shows that are, or are not drawing. We have had, probably, as good a season as any venue in the country. It was not quite as good a season as last year. I do not have the final numbers for this season yet.

Last year, counting every conceivable cost and attributing it to the Arts Center, we showed a profit on the order of, what, three-quarters of a million, something of that magnitude?

MR. JABLONSKI: Maybe less.

MR. DAVIS: Maybe somewhat less than that, not very much considering how tricky the basic business is. I think this year, to be honest with you, we will show less than that, but I think the performance has been-- The performance of the

Center has been quite good, considering what is happening at every venue across the country; considering the fact that we did have a number of free shows for senior citizens, for children, for disadvantaged people; and indeed because of the problems that the State is having. Also, we stepped up to the plate with more classical performances, which are wonderful, but which are not great money-makers. We had more classical performances than we have had in the past. So I think it was a successful season, but the margins are quite small this year, I think.

ASSEMBLYWOMAN CRECCO: I was just trying to figure it as compared to, you know, the private sector which is in the business. I don't know that we should be doing that.

MR. JABLONSKI: If we could provide classical shows, if we could provide the symphony with a place to perform and be able to provide them with revenue, if we could have an opera there, and if we could have a ballet there, and we could provide these diverse shows for all the people of the State and break even, I would be perfectly happy to do that. That is what we strive to do. If the whole place can break even and keep the ticket price down for people-- I mean, we are not looking to make money on the Arts Center.

It is very difficult to know if you are going to break even, because you don't know what the performances are going to be. You know, you try to anticipate which ones are going to make money, but some of them don't; and some of them that are expected to maybe break even, show a profit. We had eight symphonies here this year, which is far, far greater than any year since the Arts Center has been open. So, not only do you lose money on the symphony, but you lose the date that you could put a rock show in and make yourself \$30,000 for the night. But because the Council on the Arts has been-- Their budget was so decimated that we took it upon ourselves and have, in effect, subsidized the arts in New Jersey.

ASSEMBLYWOMAN CRECCO: That is more of a community service, as opposed to-- It is not really a money-making venture.

MR. JABLONSKI: No. Well, if we could figure out what we were going to make at the end of the year and price our tickets accordingly, we would like to break even, but it is very difficult to do that. We put on an opera this year. We had "Carmen," and we lost about \$60,000 on a full house performance. But should the people of this State be-- You know, we have been called a "cultural wasteland." Should we afford the people of this State the opportunity to see an opera? That is the decision that has to be made.

ASSEMBLYWOMAN CRECCO: I can, in a sense, agree with you. It is something good to give to the citizens of the State. Today, with this economic climate, some of our people would disagree with that. That was my only concern.

MR. JABLONSKI: Well, if you don't like opera, you disagree with it.

ASSEMBLYWOMAN CRECCO: No, I do, but I'm saying that what is happening within this State, you know, with the recession we are having right now, some of our people would hope that, you know, that would be a money-making venture, so that perhaps they wouldn't be hit so hard in their pocketbooks.

MR. JABLONSKI: Conversely, if it was just breaking even, then the ticket price could be kept down so the people of our State could afford entertainment at an affordable price.

ASSEMBLYWOMAN CRECCO: I am not against the arts. I really love the arts--

MR. DAVIS: We have kept the ticket--

ASSEMBLYWOMAN CRECCO: --but we hear this, and we know we are having problems.

Thank you. Thank you, Mr. Chairman. I think my colleagues have asked most of the questions before I got there.

ASSEMBLYMAN SPADORO: Thank you, Assemblywoman.

I've got a few other areas to go into. With respect to the issuance of contracts-- Right now, you have an ongoing agreement with the National State Bank in Elizabeth?

MR. JABLONSKI: To count the money?

ASSEMBLYMAN SPADORO: That is your primary banker, your operations banker?

MR. JABLONSKI: By bid, I think.

ASSEMBLYMAN SPADORO: Excuse me?

MR. JABLONSKI: Bid.

ASSEMBLYMAN SPADORO: That was bid?

MR. JABLONSKI: Yes.

ASSEMBLYMAN SPADORO: What exactly is the arrangement, generally?

MR. JABLONSKI: I don't know.

ASSEMBLYMAN SPADORO: What does the bank do?

MR. DAVIS: The bank is--

MR. JABLONSKI: It picks up the money, counts it, and deposits it.

MR. DAVIS: But it looks like a factory. It handles millions of coins--

ASSEMBLYMAN SPADORO: Right.

MR. DAVIS: --not only from this operation, but from other agencies. They are specialists in the counting and processing of coin and paper. It is that kind of an operation. I believe when they bid it, as the Chairman-- It was slightly before my time here, but while it may look like a factory, it does operate like a bank and takes advantage of the cash that is going through it.

ASSEMBLYMAN SPADORO: The contract is for a fixed term, I guess?

MR. JABLONSKI: It was a five-year contract.

ASSEMBLYMAN SPADORO: A five-year contract, so when is it coming up for--

MR. JABLONSKI: I think in about two years.



ASSEMBLYMAN SPADORO: About two years. When it was bid, were there other competitors?

MR. JABLONSKI: I don't know; it was before my time.

MR. DAVIS: There were.

ASSEMBLYMAN SPADORO: There were?

MR. DAVIS: I have asked about that, and there were.

MR. JABLONSKI: I have also found out, Assemblyman, that the specs were very tight on that.

ASSEMBLYMAN SPADORO: That is what I was wondering, whether they were narrow specs.

MR. JABLONSKI: The specs were tight, yes. I mean, I think that a bank that would like to get into it would have to have the equipment on hand, even though they might represent that they could get it. I am going to look into that.

ASSEMBLYMAN SPADORO: Okay, fine.

MR. JABLONSKI: I think there are only a few people who would qualify in the State under those specs.

ASSEMBLYMAN SPADORO: Right, and of course it is a five-year contract, and the question is whether that is excessive or not, depending on--

MR. JABLONSKI: As I said, it was never bid. The last time I was here we bid it for the first time, and they were successful then. So that means that they have had it for 14 years, or more.

MR. DAVIS: There is a suggestion call there as to how long the contract should be. You ought to understand, though, that this kind of an operation uses extremely expensive equipment--

ASSEMBLYMAN SPADORO: Yes, start-up costs, organization-- I realize that.

MR. DAVIS: --to process the coins, and that sort of thing.

ASSEMBLYMAN SPADORO: Turning for a minute to construction costs, it is reported that you have undertaken a

rather aggressive capital construction program. The estimates that we have are that you are spending approximately \$30 million a year.

MR. JABLONSKI: Hopefully more.

MR. DAVIS: More.

ASSEMBLYMAN SPADORO: Hopefully more. In your opinion, are all of these projects vital for safety reasons, or are there other purposes for the capital construction?

MR. JABLONSKI: They are vital to keep up with the demands of the road. I mean, you know, if we all sat there and kept the road in its initial state, we would have two lanes all the way down. So, in order to keep up with traffic flows, and based upon our Traffic Engineer telling us where the new roadblocks should be, we put in the improvements where we think they will best be served. We could probably use \$400 million a year--

ASSEMBLYMAN SPADORO: Right.

MR. JABLONSKI: --just to keep pace.

ASSEMBLYMAN SPADORO: I guess, if you were going to stimulate-- What you are saying is that there is enough demand -- that you could build additional lanes, additional infrastructure, to handle the demand. I guess the real issue is, at what point do we begin to look seriously at diverting resources to alternative mechanisms, and this gets back to the consolidation.

MR. JABLONSKI: Assemblyman, we could sit around for two days and discuss the freezing of all the toll roads, and all the roads in the State of New Jersey, in order to force people into mass transit and carpools. It would be a very, very long discussion. Whether we would come out with a conclusion or not, I don't know. But I think that the State-- Someone is leaning in the direction of keeping these roads just about the way they are.

ASSEMBLYMAN SPADORO: Right.

MR. JABLONSKI: I don't think there are going to be too many more lanes.

ASSEMBLYMAN SPADORO: The question is: Do we want a Garden State Parkway with 12 lanes someday, or do we want it--

MR. JABLONSKI: Well, do you want the Garden State Parkway in the state it is in now, bumper to bumper on a Saturday, or do you want to try to keep pace with it, or are we going to get into alternative means? I think that is an internal question.

MR. DAVIS: I'm certain you want to deal with bridges--

ASSEMBLYMAN SPADORO: That is why I mentioned safety, as distinguished from--

MR. DAVIS: --square out, rather more rapidly than we would like to.

ASSEMBLYMAN SPADORO: What part of the-- This is now, obviously, a little bit of guesstimating, but out of the \$30 million, how much is what I would refer to as "maintenance and upgrading" of infrastructure, as opposed to expansion?

MR. DAVIS: Most of it.

ASSEMBLYMAN SPADORO: Most of the \$30 million a year is geared toward protecting the assets you have?

MR. DAVIS: Yes, the maintenance and upgrading of the infrastructure. The Chairman mentioned in his opening remarks a number of interchanges that we are improving; mostly in his remarks interchanges that are really part of the State highway system, to make traffic flow between that system and our system in a better way.

ASSEMBLYMAN SPADORO: I see in our analysis here that out of the \$30 million -- and I guess that is ballpark for 1991 -- about \$19 million is projected to be spent on categorical pavement restoration. What is that basically, reasphalting?

MR. DAVIS: Resurfacing, yes.

ASSEMBLYMAN SPADORO: Resurfacing?

MR. DAVIS: Just resurfacing, yes.

ASSEMBLYMAN SPADORO: Is that something that-- Do you have the flexibility to say, "Look, let's not to that this year. Let's put that forward a year or two"? Or is that something where--

MR. JABLONSKI: DOT has done that for years.

MR. DAVIS: You can do it. You can see the difference.

MR. JABLONSKI: So has New York City. You can postpone it forever.

ASSEMBLYMAN SPADORO: Well, hopefully, we will have some passage of time between today and the Cross River-- What is that, the Cross Bronx Expressway? There will be a delay of a few years between, if you stop resurfacing this year and when you get to that condition.

MR. JABLONSKI: I'm sure you can always stop one year, Assemblyman. That is not the question.

MR. DAVIS: I am not an expert at where district lines are in the State, but as I understand it, a lot of the so-called "free sections" of the road that we took over from the State, and indeed--

ASSEMBLYMAN SPADORO: Is where you are doing the--

MR. DAVIS: Yes. That was in fairly poor repair, as I understand it.

ASSEMBLYMAN SPADORO: Right. There was a piece of Middlesex County, for example.

MR. DAVIS: Right. We have put a considerable amount of money in that road to bring it up to a reasonable standard, and indeed I would argue that that has taken that job off the State taxpayers' backs, because previously that 12-mile section would have had to have been rehabilitated by DOT.

ASSEMBLYMAN SPADORO: That was a road sale during the prior administration for a dollar.

MR. DAVIS: It was a good deal for the road, but--

ASSEMBLYMAN SPADORO: Instead of a few hundred million.

I have a list of the capital improvements for 1991. Are there any-- I mean, I don't want to read this list. You probably know it better than I. Is there any one of those capital projects that you think could be deferred, or is everyone one that, in your opinion, has to go?

MR. DAVIS: Well, every-- Let me put it like this: I suppose you can, with varying degrees of questions of safety and capacity, defer almost anything. But I would tell you that there are a whole lot of capital projects that didn't make that list because we didn't have funding for them. So, these projects have swung their way through a lot of priority setting.

ASSEMBLYMAN SPADORO: I assume you can provide us with that category; those that were on a wish list, but were not able to be addressed?

MR. DAVIS: Yes, I can provide you with hundreds of millions of dollars worth of wishes.

MR. JABLONSKI: I think about a billion, if I am not mistaken.

ASSEMBLYMAN SPADORO: By the way, just returning for one second to that automated toll system, I understand that in Texas they actually have a surcharge.

MR. DAVIS: Yes.

ASSEMBLYMAN SPADORO: That is, the people who use the card pay more for tolls. Is it being contemplated in the discussions you are having with the various other authorities that there would be an excess charge to use it?

MR. DAVIS: I think there is some bias in this State -- I mean among the other authorities -- to keep the charge at the same level as much as possible.

ASSEMBLYMAN SPADORO: And basically attempt to--

MR. DAVIS: And give better service.

ASSEMBLYMAN SPADORO: Give better service; speed up traffic flow.

MR. DAVIS: Yes.

ASSEMBLYMAN SPADORO: Talking about maintenance-- We talked earlier about it. I think the Chairman mentioned that there has been a substantial reduction in manpower in that area. Just for the record, I think you indicated-- What percentage did you indicate you reduced the maintenance budget by?

MR. JABLONSKI: Well, you are talking about two different things. You are talking about maintenance in the sense of the work force that picks up the litter and paints the tollbooths and does the lining and cleans up the roads.

ASSEMBLYMAN SPADORO: That is the Maintenance Department.

MR. JABLONSKI: That is the Maintenance Department. Then you have the maintenance of the road which is the repaving, and the costs that are associated with that.

ASSEMBLYMAN SPADORO: Okay. I am referring now to the Maintenance Department. I think that is what you were referring to earlier.

MR. JABLONSKI: We have not hired a new maintenance man in two years. I froze that when I came in.

ASSEMBLYMAN SPADORO: Okay. What was the number of employees in that Department when you took over?

MR. JABLONSKI: The number 489 sticks in my--

ASSEMBLYMAN SPADORO: Four-hundred-and-eighty-nine, and what is the number now?

MR. JABLONSKI: About 400, I think, isn't it?

MR. DAVIS: Maybe it is even 300 or so.

MR. JABLONSKI: Yeah, it might be.

ASSEMBLYMAN SPADORO: So there has been a substantial reduction. Are you able, based on your review of what is going on on the road-- Do you think you are able to accomplish pretty much the same performance out of the remaining employees as you were out of the 489?

MR. JABLONSKI: Well, I think we can all answer that by saying I don't see any change in the road. The road is still basically litter free. I think we have done some reorganization, reassignments, and I think it has gone on. I think it was overstaffed before, and I think it was dramatically overstaffed. Maybe we are coming to a point somewhere along the line where we only clean the road every other day, you know, and reduce it more. I mean, there is no magic to picking up paper everyday. I mean, we might clean 30 miles today and clean another 30 miles tomorrow. There might be a few pieces of paper on there.

MR. DAVIS: You might see an overflowing garbage can at a rest stop during the weekends--

ASSEMBLYMAN SPADORO: Rather than having it--

MR. DAVIS: --because we don't want to spend the overtime.

ASSEMBLYMAN SPADORO: Right. Just so I am clear: You talked basically about, let's call it the 90 positions.

MR. JABLONSKI: Let's say 80, at least 80.

ASSEMBLYMAN SPADORO: Average salary what, and with benefits?

MR. JABLONSKI: Thirty thousand.

ASSEMBLYMAN SPADORO: So we're talking about a quarter of a million dollars?

MR. JABLONSKI: We're talking about \$2.4 million.

ASSEMBLYMAN SPADORO: Is that \$2.4 million a year--

MR. JABLONSKI: Yes.

ASSEMBLYMAN SPADORO: --of what I guess could best be described as "overstaffing" in the Maintenance Department?

MR. JABLONSKI: Now, if you had the Maintenance Department in here, they would say they are understaffed. You realize that, don't you?

ASSEMBLYMAN COHEN: I would expect that.

ASSEMBLYMAN SPADORO: Have you considered any other alternatives? I mean, has there been a consideration of work crews from county workhouses, that sort of thing, to staff that position?

MR. JABLONSKI: Now you are getting into the union contract.

MR. DAVIS: We have not considered the use of prisoner labor, but when we do repetitive maintenance jobs, as for example, replacement of guardrails, or as for example striping the highway, or the need to restripe it, we nearly always perform a kind of a discipline to see if it would be cheaper to do those jobs by contract on the outside or on the inside.

ASSEMBLYMAN SPADORO: I see.

MR. DAVIS: The last few analyses of this kind of work have said that it is cheaper to go outside, and we have.

ASSEMBLYMAN SPADORO: Okay. So you reduced it by 80 or 90. Do you have continuing plans to make further reductions in the Maintenance Department?

MR. JABLONSKI: Well, we are getting to the point where we are going to have to start to think about filling some vacancies there. It has been over two years. It has been over a year and three months that I have been there that I froze it completely, and it was basically frozen to a degree before I got there. But I put an absolute freeze on it.

ASSEMBLYMAN SPADORO: Doesn't that mean-- To me, I look at that as a dramatic success story, and I wonder whether-- Does that tell you something about possibly what could be done in other departments of government?

MR. JABLONSKI: It tells me something about government.

I think also that a lot of people are more cognizant of the fact that they have a job today, which you talked about. I think the reorganization and the reevaluation of the Department, which was done when I first got there-- I think everybody was very cognizant about keeping the position they



had. So I think we are getting more production out of our people.

ASSEMBLYMAN SPADORO: Okay. Let me just turn for a second-- There are a number of what I will refer to as miscellaneous items. I have a note here. Apparently there was an incident involving some trees -- \$125,000 worth of trees and shrubs -- which were apparently purchased, and then, I guess, through malfeasance -- not malfeasance, but basically negligence, they died, and the expenditure was a total loss. Was there some sort of an investigation conducted on that problem by the Authority?

MR. JABLONSKI: There is a complete file on that, yes, Assemblyman.

ASSEMBLYMAN SPADORO: In a nutshell, what happened, and what was done?

MR. JABLONSKI: In a nutshell, the trees were purchased and were supposed to be planted by a contractor. A contractor would plant the trees. It was around the time of the toll increase and the publicity that was related to the Highway Authority, and I believed they called in the Director of Maintenance and asked him -- they didn't want to go out for another contract to plant the trees -- could his people do it?

Now a series of debacles took place, and a series of events, where the trees were stored in the back of some shed. A drought came. They ran a hose 100 yards, and when they turned on the water, the water never got to the end of the hose. People forgot to water them and, in effect, they planted only about 10% of the trees, and the rest of them died. They were plowed under, and it was uncovered as a result of the Ambrosio investigation. It was a major loss of about \$100,000.

MR. DAVIS: The Chairman is obviously quite knowledgeable about this episode, but for his benefit I will emphasize that he was not here at the time.

ASSEMBLYMAN SPADORO: Right, this is a prior incident.

MR. DAVIS: And neither was I.

MR. JABLONSKI: Yes.

ASSEMBLYMAN SPADORO: I guess what I am asking is: Was there any further activity with respect to that issue after you became Chairman, or was it already a closed book at that time?

MR. JABLONSKI: No, it was closed at that time.

ASSEMBLYMAN SPADORO: Okay. As we sit here today, is there any contemplation of tolls going up on the Parkway?

MR. DAVIS: No, sir.

ASSEMBLYMAN SPADORO: No discussions, no plans?

MR. DAVIS: No discussions. We have been very fortunate with the prices we have been receiving for bidding, and we are going along quite nicely, thank you.

ASSEMBLYMAN SPADORO: Now the converse: Are there any discussions or plans to look at any reduction in tolls?

MR. DAVIS: No, sir; no.

ASSEMBLYMAN SPADORO: So basically what you are projecting at this point is stable tolls for the foreseeable future?

MR. DAVIS: That's right, sir.

ASSEMBLYMAN SPADORO: Other than the experience in Connecticut -- I am speaking to the Executive Director-- Other than the experience in Connecticut, has there ever been, at least in the last 10 years, a major toll road in the country that has either diminished tolls or, in effect, gotten out of the toll business?

MR. DAVIS: I am not aware of any, although when you say "none," that is an awfully hard-edged kind of word. Indeed, I am familiar with the creation of more and more toll facilities across the country, rather than the other way around.

ASSEMBLYMAN SPADORO: Well, the user fee concept, I guess.

MR. DAVIS: Yes. It seems to me that the Connecticut example was a very interesting and politically exciting example, but does not represent where Texas, where Oklahoma, where California, where Kansas, where Illinois, or where Indiana, etc. have gone.

MR. JABLONSKI: Eight of the new toll roads out of all the toll roads, are being built like the Highway Authority.

ASSEMBLYMAN SPADORO: I'm sorry, Mr. Chairman?

MR. JABLONSKI: Eight out of 10 of the roads are built with the barrier tolls versus the Turnpike tolls; the closed versus the open system. Eight out of 10 are being built like ours.

ASSEMBLYMAN SPADORO: Rather than-- Even though we keep wondering whether we can change?

MR. JABLONSKI: Yes, yes.

ASSEMBLYMAN SPADORO: Turning back to maintenance again-- Now, this talks about your general maintenance budget as opposed to the Maintenance Department. You have a maintenance budget of some \$20 million annually, and the maintenance budget itself increased by \$2 million. I guess it was from \$18 million in '90 to \$20 million in 1991. What was the cause -- the primary cause -- for that increase?

MR. JABLONSKI: Probably the labor negotiations -- 6% or 7%.

ASSEMBLYMAN SPADORO: Those employees are all union employees, so basically primarily the collective bargaining agreement?

MR. DAVIS: Yeah. I would have to look at the numbers, unless Mr. Flynn can immediately relate--

MR. FLYNN: (speaking from audience) The major portion of the increase, which was approximately 12% between '89 and '91--

ASSEMBLYMAN SPADORO: Just for the record, you're saying that between '90 and '91 the union contract was at 12%?

MR. FLYNN: No, no, I'm saying it topped the increase you were speaking of--

ASSEMBLYMAN SPADORO: Okay, a 12% increase in the budget.

MR. FLYNN: Right.

MR. JABLONSKI: Two years ago.

MR. DAVIS: Two years.

MR. FLYNN: (beginning of sentence indiscernible; three witnesses speaking at once) --which would be your salary and wages, which are union negotiations, and the effects on your employer expenses as a result of that, you know, your pension costs and whatnot. Also, there were contract services for snow and ice during that period, plowing, and maintenance costs for repair of equipment because of higher costs to repair items, fuel costs, and whatnot-- (remainder of sentence indiscernible; no microphone)

MR. DAVIS: It is important to recognize that this represents two years.

ASSEMBLYMAN SPADORO: Right. It's not 12% a year, it is an average 6% a year.

MR. FLYNN: Right.

ASSEMBLYMAN SPADORO: Have you looked at contracting out for some of these--

MR. DAVIS: We do that as a discipline quite often.

ASSEMBLYMAN SPADORO: Now you are looking at the option of either doing it in-house or contracting it out, rather than the assumption, "We will do it in-house."

MR. JABLONSKI: Yes. We used to do all this tracking ourselves, and now that is all done outside.

ASSEMBLYMAN SPADORO: And you are basically able to save-- I assume you are able to save money that way.

MR. JABLONSKI: Yes.

MR. DAVIS: It works.

ASSEMBLYMAN SPADORO: Last year you opened the Herbertsville Bus and Truck Inspection Station. Apparently you determined that there were over 3000 unsafe trucks and buses on the road, and they were removed from service due to noncompliance. What does it cost you to operate that facility, and is there any revenue source from the service you are providing?

MR. DAVIS: Well, there is no revenue source that I am aware of directly to the Authority, although I suppose if fines are assessed at Herbertsville, they go whatever path for fines to local government, or however fines are collected in this State. The facility is totally operated by our State Police Troop E, which we wholly pay for at the Highway Authority.

I cannot, for you at this moment, segregate out the cost of Herbertsville, although I will tell you that we intend to upgrade the facility in the next year or so. If you are interested, I would be glad to share with you -- at your convenience, of course -- a video that is homemade -- the State Police took it themselves -- of the kind of violations that they are finding every day at Herbertsville. They are things that you want to deal with quickly.

ASSEMBLYMAN SPADORO: I would like you to provide, if you could, your estimate of what it costs to operate and staff that.

MR. DAVIS: Yes, I would be glad to. I don't think it is a very expensive item--

ASSEMBLYMAN SPADORO: Okay.

MR. DAVIS: --because it is not open all the time when State Police have other duties.

ASSEMBLYMAN SPADORO: Okay. Certainly it is important.

Referring now to Authority-owned vehicles: As you know, this has been an issue of some concern in the administration with respect to the executive departments of

government. Apparently the Authority chooses to purchase rather than lease.

MR. DAVIS: Yes.

ASSEMBLYMAN SPADORO: Did the Booz Allen report analyze that practice and determine that, in fact, that was the most cost efficient way to go?

MR. DAVIS: I don't recall. I recall parts of the Booz Allen report, but I don't recall a section that dealt with lease versus purchase. I don't believe it did.

ASSEMBLYMAN SPADORO: Have you ever done a study to make that determination?

MR. DAVIS: I believe that purchasing from time to time was looked at.

ASSEMBLYMAN SPADORO: You will have to look this way when you talk because of the microphones.

MR. DAVIS: Yeah. I wanted to be sure I was saying the right thing. (witness had been consulting with an unidentified person in the audience)

I believe that Purchasing has, from time to time, made that comparison.

ASSEMBLYMAN SPADORO: What is the number of vehicles in the fleet presently?

MR. DAVIS: I thought you were going to ask that, and I do have that somewhere. I think we have probably provided that to you in the truckload of information you mentioned before.

ASSEMBLYMAN SPADORO: We got some information here, but I just want to confirm it.

MR. DAVIS: I don't have it.

ASSEMBLYMAN SPADORO: Our information is that the fleet is presently 79 vehicles.

MR. DAVIS: Here it is; here it is. I have it; I have it. Yes, 79 total vehicles, which consist of 57 sedans and 22 wagons -- station wagons.

ASSEMBLYMAN SPADORO: And it has dropped from 96 vehicles in 1989 to the current 79?

MR. DAVIS: That is correct. That drop conceals another further change in the vehicle policy. When the Chairman came aboard, the preponderance of those vehicles were assigned almost on a personal basis to individuals within the agency. The Chairman reduced the numbers of those assignments by, I think, 41.

ASSEMBLYMAN SPADORO: So in other words--

MR. DAVIS: So there are much fewer vehicles assigned now, and most of these vehicles are pooled so that--

ASSEMBLYMAN SPADORO: Okay. So you drive your own car to work, pick up the pool vehicle, use it, and then bring it back to the Motor Pool.

MR. DAVIS: Yes.

ASSEMBLYMAN SPADORO: How many vehicles right now are actually assigned out, basically, you know, the proverbial company car, where you get a car with your position?

MR. DAVIS: I think I will give that to you very precisely separately, but I think it is on the order of 30.

ASSEMBLYMAN SPADORO: So, there are 30 individuals who have "a company car"?

MR. DAVIS: They tend to be folks in maintenance who are on call all the time. I have a weekend road warrior that I expect to be on the road through the whole weekend.

ASSEMBLYMAN SPADORO: What I would like is a list of the individuals who have the cars and job titles and salaries along with it, so we can just take a look at it.

Those cars, then, are purchased by the Authority, insured by the Authority. What about fuel?

MR. DAVIS: Fueled by the Authority.

ASSEMBLYMAN SPADORO: And fueled by the Authority. So what you are saying is, it is your belief that those cars are

in the hands of people who must drive as part of their normal job responsibilities.

MR. DAVIS: That's right. Their assignments, generally speaking--

ASSEMBLYMAN SPADORO: They are not using them to commute to work, back and forth.

MR. DAVIS: Yes, yes.

ASSEMBLYMAN SPADORO: They may use them to commute to work, but that is not the primary function of the vehicles.

MR. DAVIS: That is exactly right. They are expected-- Many of them are expected to be available to the Authority if they get a call at 2:00 in the morning.

ASSEMBLYMAN SPADORO: Okay. I assume again, these people are the ones -- most of them, not all-- Again, they are the--

MR. DAVIS: Not all of them. Many of them are in the maintenance area.

ASSEMBLYMAN SPADORO: Okay. But some are in administration.

MR. DAVIS: Yes.

ASSEMBLYMAN SPADORO: For example, the Deputy Executive Director--

MR. DAVIS: However, I can't resist saying that I have not taken the personal assignment of a car.

ASSEMBLYMAN SPADORO: I was going to start with the Deputy Executive Director.

MR. DAVIS: Well, why not start with the Executive Director?

MR. JABLONSKI: Yes, the Deputy has one.

MR. DAVIS: The Deputy has one; I do not.

ASSEMBLYMAN SPADORO: Do you have a written policy on the vehicles -- on how you qualify to get a vehicle, or is that just at the discretion of the Executive Director?



MR. DAVIS: It is at the discretion of the Executive Director, but I made it clear that any assignments are driven by the job we expect them to do, you know, as opposed to other factors.

ASSEMBLYMAN SPADORO: Do you expect you are going to make more reductions in the fleet?

MR. DAVIS: No, I do not.

ASSEMBLYMAN SPADORO: So the 79 is pretty much-- You are at the point now--

MR. DAVIS: Very stable. Actually, there may be some reduction. There could be some reduction.

ASSEMBLYMAN SPADORO: So there could be some further reduction then?

MR. DAVIS: Yes, there could be.

ASSEMBLYMAN SPADORO: Okay. That is what my question was -- you have gone from 89 to, I'm sorry, 96 to 79 -- whether you are going to do any further reduction?

MR. DAVIS: I am not expecting to expand.

ASSEMBLYMAN SPADORO: In our review of records, we noticed, on the subject of lawsuits-- Again, this was before the Chairman's time, but you may have some information on this. We noticed that there was a matter involving the painting of a bridge, and involving the former Chairwoman, where apparently the bridge was being painted a certain color and there was a change of color. As a result of that, there was a lawsuit. Do you have any information on that?

MR. DAVIS: Yes, I do.

ASSEMBLYMAN SPADORO: Can you--

MR. DAVIS: The Chairman also has the information.

ASSEMBLYMAN SPADORO: Why don't you just give me, again in a nutshell, what--

MR. JABLONSKI: The Driscoll Bridge was put out for bid. The low bidder, obviously, was awarded the contract. At some point in time, the former Chairman drove by and did not

like the color of the bridge. To the best of my knowledge, the contractor brought in a swatch of colors for the Chairman and she picked out a new color for the bridge. They started to paint the bridge that color.

MR. DAVIS: They changed the paint first.

MR. JABLONSKI: They changed the paint, and apparently the Chairman did not like the color. So the contract was stopped again. From that point on it now became a time factor as to weather, and they couldn't paint it or sandblast it.

To make a long story short, they didn't finish painting it until the spring. The contractor put in a claim for, I believe-- The contractor subsequently submitted a claim for over \$800,000. A consultant made a claim for \$280,000 for various costs resulting from delay and disagreement over the specifications.

ASSEMBLYMAN SPADORO: Involving the color of the bridge.

MR. JABLONSKI: The color of the bridge which the former Chairman did not agree with, I guess, at the time. The claim was eventually settled at a net cost to the Authority of \$300,000 -- to Koch, and \$50,000 to our consultant. About half of the contractor's claim of \$300,000 was related directly, or indirectly, to the painting dispute -- the former Chairman looking, and changing her mind. Obviously, to really zero in and give you an exact number is probably difficult because of all the extras that went in. Eventually the bridge was painted, and eventually it got done. And eventually the problem resolved itself by the Authority paying out a substantial amount of money for a Chairman who, in my opinion, involved herself too much in the day-to-day operation of the Authority, instead of leaving it to the professionals and just setting policy, as I think every Commissioner should do.

MR. DAVIS: I know you're interested in what color.

ASSEMBLYMAN SPADORO: I was just saying, I hope we will keep that color. I mean, I don't want to--

MR. DAVIS: No, the bridge ultimately was painted standard Parkway green, which is what we started out with in the first place.

ASSEMBLYMAN SPADORO: I see. Can you provide us with whatever record you have of that problem?

MR. JABLONSKI: I have a memo here, if you'd care to have it?

ASSEMBLYMAN SPADORO: Okay. Yeah, I'd like that and if you have-- I mean, apparently there was a claim made. If you could provide us with copies -- we'll get you a letter on this -- but, copies of the claim, we'd like to take a little bit more closer look at that.

I'm sorry, I interrupted my colleague, did--

ASSEMBLYMAN COHEN: No, that's-- Just curious what the colors were that were changed: whether it was plaid or something?

MR. JABLONSKI: I would like to say it was pink, Assemblyman, but I don't think it was. I would like to say pink. I would love to tell you that the original color was pink that was selected, but I think it was a shade--

ASSEMBLYMAN COHEN: But you wouldn't do that.

MR. JABLONSKI: It was a shade of green. No, I don't believe I would--

ASSEMBLYMAN COHEN: So there were all varying shades of green?

MR. JABLONSKI: Yes.

MR. DAVIS: One of the other side parts of the story, and one of the reasons that it was expensive, is that, as I understand it -- and again, I emphasize this was before our time at the Authority--

ASSEMBLYMAN COHEN: You're covered, Mr. Davis. Don't worry.

MR. DAVIS: --but as I understand it, the paint that we had bought -- the standard Parkway green that we had bought for the bridge -- we added pigment to it to attempt to get to the color that we thought that we wanted, and then, of course, the paint was not usable, although we did use it for other purposes up and down the road later on.

ASSEMBLYMAN SPADORO: Okay, I want to thank-- First of all I want to thank the--

ASSEMBLYMAN COHEN: George?

ASSEMBLYMAN SPADORO: You have additional questions? I'm sorry.

ASSEMBLYMAN COHEN: Yes, just a couple.

ASSEMBLYMAN SPADORO: Go right ahead.

ASSEMBLYMAN COHEN: Is there any contemplation of any other telecommunication towers anywhere, up and down, either this year or next year? Anything in negotiation? Anything in discussion?

MR. DAVIS: Yes, sir, there is.

ASSEMBLYMAN COHEN: Where?

MR. DAVIS: I believe at Bloomfield, where there is a police barracks, there is an existing tower that is on guy wires. We are considering a proposal to replace that tower which is somewhat decrepit.

ASSEMBLYMAN COHEN: That's near the golf course?

MR. JABLONSKI: Yeah, right near Upper Montclair.

MR. DAVIS: Yeah, with a tower of the same height, but one that is freestanding rather than guy wires.

ASSEMBLYMAN COHEN: Now who is that being discussed with? I'll tell you, because if you come back with a \$15,000 contract -- an agreement -- there's going to be serious review of it.

I would like to know, and the Committee would like to know, others may like to know, how that progresses as it progresses.

MR. DAVIS: Fine. We'd be glad to do that.

ASSEMBLYMAN COHEN: I'm being candid with you.

MR. DAVIS: Why don't I get that information for you?

ASSEMBLYMAN COHEN: I would appreciate that.

In terms of the \$19 million for paving restoration, is that money coming out of revenue going into your capital project, or is that money from a bond issue that you're using to rehabilitate and maintain?

MR. JABLONSKI: Well, you can't define it because the surplus revenue goes into the capital account, and then the bond money is a capital account, so--

ASSEMBLYMAN COHEN: You can segregate--

MR. JABLONSKI: Well, but there's no reason to segregate it.

ASSEMBLYMAN COHEN: Well, that's not true, because one is operating and--

MR. DAVIS: Well, let me explain--

ASSEMBLYMAN COHEN: See, you can--

MR. DAVIS: --if I might, the concept--

ASSEMBLYMAN COHEN: Sure.

MR. DAVIS: --for you, which is sort of with a metaphor, I guess.

Most trust agreements are arranged in sort of descending pots of money, and when the top pot is filled, it overflows into the second and, so forth, down the line. The top pot in most authorities like this being operating expenses; other needs -- debt service -- not far behind that. The last pot -- the reservoir, so to speak -- is basically the capital account whether it's called improvements and extensions, whether it's called the capital fund, whatever. There the current income joins, basically, the residue from bond issues. So if you can understand that simile, that is a very simplified view of the way financing works at an Authority such as this.

ASSEMBLYMAN COHEN: The \$19 million: Is that money that's going to be paid out -- contracted out -- to third parties, or is that in-house?

MR. DAVIS: Yes, mostly contracted.

MR. JABLONSKI: Mostly contracted.

ASSEMBLYMAN COHEN: Mostly contracted out?

Do you run into the same problem there in terms of contracting out to New Jersey companies, or is it less of a problem because there are enough construction companies in New Jersey?

MR. DAVIS: Most of the companies -- construction companies -- tend to be New Jersey companies, although you find some specialty construction companies coming from out-of-state. This is a wonderful time to contract out right now because bids almost always start coming in under engineers' estimates because the competition is so devastating out there.

MR. JABLONSKI: I would say most of the repaving has been all New Jersey contractors. I can't think of anyone from out of--

MR. DAVIS: You may get a bridge job, a special structure job that--

ASSEMBLYMAN COHEN: Thank you very much.

ASSEMBLYMAN SPADORO: Okay. I want to, first of all, thank Assemblyman Cohen and Marion Crecco -- Assemblywoman Crecco had to leave a little bit earlier -- the three representatives of the Highway Authority, the Chairman, Executive Director, and Warren Wilentz, for being patient with us tonight.

I think that your response has been candid and helpful and we will provide you with a written request for additional information.

I do believe, and I'm pleased to hear, that you can report that the tolls will be stable for the foreseeable future. I do have some concerns, and I think that just knowing

what the normal inflation rate is and the cost of living increases for union contracts-- Unless there is a continuing effort to cut costs of operation in other areas, at some point, the issue of tolls has to return to the table, even if you don't do extensive capital improvements. Obviously, the Highway Authority had a long-term record of no increases, and then had one substantial one. It is certainly my opinion, and I think the members of this Committee join me in their concern, that we not be looking at any sort of increase for the foreseeable future. And, in fact, even though it has been-- It's just thrown out occasionally for discussion that we look at other options and, for example, limiting expansion and diverting those funds into other areas.

That, I guess, brings me personally back to the consolidation concept. In a State like ours, to coordinate transportation policy through an umbrella that has all of your authorities marching to the same drummer, I think, is the ultimate goal that's in the best interests of all the citizens of this State. Whether that can be done and save money at the same time is the real test. I don't know the answer to that; we're still studying it. This hearing, quite candidly, is one small piece of our analysis of it.

We will be back and we'll probably ask you to join us again to deal with the Arts Center, and possibly a third meeting just to wrap up any loose ends that have been developed in these series of hearings. We'll get back to you about that. We don't have a schedule in mind, as yet, but it will be some time this year, probably. We have a number of other things on our agenda, other authorities that we're dealing with, at the same time.

But I want to thank you again and we will back in touch with you.

ASSEMBLYMAN COHEN: Mr. Chairman, if I could?

If I could, just one-- If you could provide me with some information in terms of the revenue collected at the toll for Union, Essex and Bergen--

MR. DAVIS: Piece of cake.

ASSEMBLYMAN COHEN: --whether it's monthly or yearly -- because the distance between the Union and Essex toll is so close--

MR. DAVIS: Very easy to do, sir.

ASSEMBLYMAN COHEN: --you don't have to stop to eat before you get there, but you have to pay another toll, and there's usually a big backlog around that area.

Thank you.

ASSEMBLYMAN SPADORO: Thank you very much.

ASSEMBLYMAN COHEN: Thank you, Mr. Chairman.

(HEARING CONCLUDED)



