

PUBLIC MEETING

before

ASSEMBLY INDEPENDENT AND REGIONAL AUTHORITIES COMMITTEE

To hear testimony concerning the proposed toll increase  
by the New Jersey Highway Authority on the  
Garden State Parkway

December 7, 1987  
Room 403  
State House Annex  
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman William "Pat" Schuber, Chairman  
Assemblyman Guy F. Muziani, Vice Chairman  
Assemblywoman Marion Crecco  
Assemblyman Paul DiGaetano  
Assemblyman Jimmy Zangari

ALSO PRESENT:

Assemblyman John Paul Doyle  
District 10

Edward P. Westreich  
Office of Legislative Services  
Aide, Assembly Independent and Regional Authorities Committee

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Hearing Recorded and Transcribed by  
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State House Annex  
CN 068  
Trenton, New Jersey 08625





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**MEMORANDUM**

**December 1, 1987**

**TO: MEMBERS OF THE ASSEMBLY INDEPENDENT AND REGIONAL  
AUTHORITIES COMMITTEE**

**FROM: ASSEMBLYMAN WILLIAM P. SCHUBER, CHAIRMAN**

**SUBJECT: COMMITTEE MEETING - MONDAY, DECEMBER 7, 1987**

(Address comments and questions to Edward Westreich, Committee Aide, at 609-984-7381.)

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The Assembly Independent and Regional Authorities Committee will meet on Monday, December 7, 1987 at 10:00 a.m. in Room 403 of the State House Annex, Trenton, to hear testimony concerning the proposed toll increase by the New Jersey Highway Authority on the Garden State Parkway.



## TABLE OF CONTENTS

	<u>Page</u>
Judith H. Stanley Chairwoman New Jersey Highway Authority	3
George P. Zilocchi Executive Director New Jersey Highway Authority	6
Frank M. Palombo Director of Finance New Jersey Highway Authority	9
Chester Johnson Government Finance Associates Financial Consultant to the Authority	12
Jerry Nielsten Vollmer Associates Traffic Consultant to the Authority	23
James W. Conlon Chief Engineer New Jersey Highway Authority	30
Gerald Mercadante Trustee Atlantic City Bus Operating Association	133
Nicholas E. Bade Vice President Domenico Tours, Inc.	136
Marion L. Hall Project Director Motor Carrier Liaison Project	138

APPENDIX:

	<u>Page</u>
Report submitted by Judith H. Stanley Chairwoman New Jersey Highway Authority	1x
Statement submitted by Gerald Mercadante Trustee Atlantic City Bus Operators Association	37x
Statement submitted by Marion L. Hall Project Director Motor Carrier Liaison Project	42x

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akv: 1-75  
mjz: 76-106  
di: 107-125  
pmp: 126-142

ASSEMBLYMAN WILLIAM "PAT" SCHUBER (Chairman): Good morning. I want to call this meeting to order of the Assembly Independent and Regional Authorities Committee. Let me welcome you all to this meeting. This is a specially convened meeting of the Assembly's Independent and Regional Authorities Committee, to review the issue of the recently advertised toll hike by the Garden State Parkway.

Let me first introduce myself. I am Assemblyman Schuber from Bergen County, and Chair of this Committee. Joining me today are, my Vice Chairman Assemblyman Guy Muziani from Cape May, Assemblyman Paul DiGaetano from Passaic and Bergen, Assemblyman Marion Crecco from Essex, and Assemblyman John Doyle -- who is substituting for Assemblyman Riley -- and we expect Zangari from Essex County to be here also to join us.

Let me begin by indicating that obviously these hearings are with regard to an issue which has been in the media for probably the last three or four weeks, concerning the proposed toll hike of the New Jersey Highway Authority. As we all know it is a proposed 100% increase in tolls, which would be effective approximately in April of the year 1988. At this juncture I will not belabor members of the Committee, nor the members of the audience, with the facts and figures. That will be the purview of this particular Committee hearing today. The hearings before us will probably be lengthy, and this will be probably the first of two hearings that we will hold. I am sure as a result of those Committee hearings there will be a series of facts or figures which will be there for the Committee to review, as well as the media.

Now the Committee's charge this morning is twofold, as presented in the Assembly Resolution which was adopted by the house on November 30. Let me read that into the record at this point so that we know what the charge to the Committee is, and the jurisdiction of the Committee is, with regard to this issue -- leaving out the 'whereas' for a second:

"Be it resolved by the General Assembly of the State of New Jersey that: 1) The Independent and Regional Authorities Committee of the house is directed to conduct an inquiry into the recently announced toll increase proposal of the New Jersey Highway Authority; including, if warranted, an independent financial investigation of the Authority's finances and management. The Committee shall elicit public participation for its inquiry through meetings that are public hearings, and for this purpose of its inquiry the Committee shall have all the powers provided pursuant to Chapter 13, of Title 52, of the Revised Statutes,

"and 2) The Committee shall make recommendations to the General Assembly based on its analysis of the facts resulting from the inquiry. Should there be a finding by the Committee that the toll increase proposed by the Highway Authority is unjustified, the Committee may recommend that this house pursue any appropriate remedies to limit or negate an action of the Authority to implement the announced proposal."

That is the charge to the Committee from the members of the house.

Let me just state in beginning here that the proposed toll increase, and the procedure that led to the adoption of the proposal, are two separate but equally serious issues. The Authority's administrative procedures obviously are called into question here as a result -- and the Committee will take the legislative steps necessary to ensure that that procedure is clearly defined in the law, and carried out to the letter of the law, in all matters before the Authority.

It would appear that the independent authorities of this State -- as we have reviewed some of them during the course of the last two years, and as we prepare for the new session of the Legislature in 1988 to review some of our independent authorities -- have become a little too independent, and have conveniently forgotten that they are

public agencies created by the Legislature, answerable to the Legislature and the people of the State of New Jersey, and accountable to all the citizens of the State of New Jersey whom they serve. Be assured that what the Legislature giveth, the Legislature can taketh away. And bondholders are not-- The State has the means -- admittedly costly and administratively difficult -- to put the breaks on all independent authorities in this State. This is not an idle threat based on this particular controversial subject, but a statement of fact, and a statement of fact that this Committee was moving towards for 1988. And I ask everyone to bear that in mind as we proceed this morning.

The toll increase proposal constitutes a serious issue in and of itself, not only due to the size of the proposed increase, but due as much to the questions which have arisen concerning the Authority's financial condition, as well as its program of financial planning. The specifics of the Authority's \$570 million capital program have been confusing at best. I certainly hope that the Authority will be able to clarify, finally, the details of this program, and the financial structure supporting it.

And without further ado, we will hear from a series of witnesses which are set forth in the sheets that have been provided to the public and to the members. We will hear in the first instance from Judith H. Stanley, who is the Chairwoman of the New Jersey Highway Authority Commissioners; and secondly from George Zilocchi, who is the Executive Director of the New Jersey Highway Authority. So let me ask if the Chairman of the Highway Authority, Mrs. Stanley, will please come forth and make her statement.

J U D I T H    H .    S T A N L E Y: Good morning everyone.

ASSEMBLYMAN SCHUBER: Good morning.

MS. STANLEY: I am Judith H. Stanley. I wish I could take back my maiden name. I wouldn't have such a household name.

Let me state at the outset that our primary purpose here today, as volunteer, unpaid Parkway Commissioners, is to support a toll increase, and to explain our essential roadway safety program. Our function is to keep the Garden State Parkway the safest, best maintained, and not incidentally, the most beautiful toll road in the United States.

Every Parkway user, and especially every legislator, is invited to tell us how we can avoid what is a 10 cent toll increase. If parts of our \$570 million capital improvement program can be eliminated or scaled back, we invite such suggestions.

Safety is the top priority of the capital improvement program. And a one coin operation -- with a discounted token -- is the best way to keep traffic moving quickly and safely through our toll booths. We need to maintain a one coin system.

As citizens charged with the responsibility of maintaining the nation's finest roadway, and of planning for the future, we have concluded that basic, unavoidable improvements are essential. These improvements are designed to save lives, prevent delays, and save local roads from unmanageable and dangerous congestion.

Let those who would criticize us for the Parkway's first toll increase in 33 years, come forward with their alternative plan. Let them be specific. Without this 10 cent increase, the spending on improvements stops. Without such a toll increase, we can no longer guarantee the safety of the Parkway. It is that simple.

The New Jersey Highway Authority receives no tax money to operate the Garden State Parkway. It never has. The Parkway is operated with user fees. Only motorists who use the Parkway pay for its construction and maintenance. It is a fair principle which places the burden on those who receive the benefits.

The Parkway is a State asset, but it is an asset which not one New Jersey tax dollar supports. New Jersey taxpayers benefit enormously from the Parkway, whether they use it or not. Each year, for example, the Authority contributes \$10 million to the State Transportation Trust Fund -- a total of \$34 million thus far -- to help with the upkeep of local and State roads. In addition, New Jersey as a whole has benefited from the economic growth and jobs that the Parkway has made possible.

Today there is new concern about over development and uncontrolled growth in New Jersey; concern that the Highway Authority shares. It is not the Highway Authority's intention or desire to just widen the Parkway. The Authority does not write local zoning ordinances, but it must plan for the anticipated regional growth.

Because of its extensive network of entrances and exits -- more than 300 -- and the absence of alternative routes, the Parkway is as much as a local road in many areas as it is a State roadway. It is a road used not just to get to work, but to go shopping and reach recreational areas. It is a road in which many State residents take justifiable pride. In short, it is a vital State resource, but one which must be continually maintained and upgraded. Someone must pay for it.

The Commissioners and staff of the Authority have spoken a lot about why the toll increase is necessary. Several of our staff and consultants are with me today to explain the financial realities which have led to our proposal. Since 1984, when the Authority first publicly projected the need for a toll increase in 1987 or 1988, we have annually reviewed the Authority's financial position. The proposal we are making is the result of our staff's and consultants' latest review. I want you to hear their explanations, just as we the Commissioners have heard them. All of us are eager to answer any of your questions.

Remember, however, that safe, speedy transportation costs money. A quarter doesn't buy what it did in 1954. A gallon of gas that cost a quarter in 1954, now costs up to 90 cents in New Jersey. But for those on fixed or limited incomes, a quarter saved is important. That is why we worked hard to come up with a plan that would limit the toll increase to a dime for most Parkway users.

It is easy, and of course popular, to denounce the Highway Authority for proposing to double the Parkway's tolls. But it is not really accurate, because we hope as much as 80% of Parkway motorists will only pay 35 cents.

The failure to put a toll increase in place will have a dramatic impact on the Parkway. The most dramatic would be the cancellation of all new capital improvement programs, projects that are desperately needed to keep traffic moving safely and smoothly.

Let those who oppose the toll increase tell the people of New Jersey how they would maintain safety, avoid congestion, and prevent local roadway gridlock. Thank you.

I would like to ask you to hear from George Zilocchi, our Executive Director.

ASSEMBLYMAN SCHUBER: Right. Mr. Zilocchi is at the table. I'm going to ask him to make his statement also.

G E O R G E P. Z I L O C C H I: Thank you, Assemblyman Schubert, and members of the Committee.

Since its beginnings, the New Jersey Highway Authority has annually reviewed its financial position, and has been able -- even through inflationary 1970s -- to meet its fiscal responsibilities solely through toll revenues, without raising its basic toll structure.

Since it first opened in 1954, the Garden State Parkway has never raised its basic 25 cent car toll. During that period, inflation has reduced the value of a quarter to 6 cents and drastically increased operating costs.

Why, after 33 years, is the Parkway toll increase necessary now?

First, under the bond covenants which the Parkway has with its bondholders, it must fix, charge, and collect tolls for the use of the Parkway system to at least equal the net revenue requirement for the year.

Second, two nationally known ratings services -- Standard & Poors and Moody's -- have made it clear that a toll increase should be authorized over the next several months or the Authority's bond ratings will be jeopardized. Further, lowering the rating would also adversely affect State debt. Currently, the New Jersey Highway Authority's bond rating is the highest among toll roads in the nation.

Third, several sections of the Parkway already operate at or over their traffic capacity.

Finally, the Authority has conducted a comprehensive survey of land use trends along the Parkway corridor, about two miles along either side of the roadway. The study concludes that 120,000 additional daily trips will be generated by development now being built or planned in the near future. Presently, one million trips take place daily on the Parkway. Without capital improvements by 1990, in just three years virtually all of the Parkway between mileposts 30 and 156 -- a 126 mile stretch -- will be operating at or above capacity.

The combination of a toll increase with a discounted token will allow the Authority to generate revenue sufficient to handle these problems with the minimum possible impact on our regular Garden State Parkway users. Discounted tokens are important not only to keep costs down for motorists, but to keep the cost of toll collection down for the Highway Authority. Just as important, discounted tokens will keep traffic moving and prevent back-ups at toll booths. You will hear later on from our traffic consultant Jerry Nielsten of Vollmer Associates, who will say more about this inducement to riders to use only one coin.

The plan we've laid out is a conservative one, designed to meet the present, pressing needs of the Garden State Parkway. It is designed not only to help parkway users, but to take traffic pressure off local roads; pressure brought on by local growth. The Parkway would also like to continue to work even more closely with New Jersey Transit to encourage mass transit so that we can relieve our ever growing traffic congestion. We realize that the Garden State Parkway doesn't exist in isolation from the transportation needs or the economic growth taking place in nearby communities.

The plan the Authority is presenting is based on five considerations:

- 1) the need to continue our capital improvement program;
- 2) the need to maintain and upgrade the Parkway in order to keep traffic moving quickly and safely;
- 3) to meet the Authority's financial obligations;
- 4) the desire to minimize the financial impact on regular Parkway users; and
- 5) the need to avoid unnecessary traffic delays at toll plazas.

These remarks I know are general, but we do have -- as the Chairman pointed out -- key members of staff consultants who are here to give detailed explanation of the entire planning process that took place in developing this proposal.

ASSEMBLYMAN SCHUBER: All right, George. We would ask if you could make available copies of both public statements for our record, if you might please.

MR. ZILOCCHI: Definitely, sure.

ASSEMBLYMAN SCHUBER: With that, why don't you bring forth those people that you wish to testify?

MR. ZILOCCHI: Fine.

ASSEMBLYMAN SCHUBER: Let me see. Okay. I have Mr. Frank Palombo?

MR. ZILOCCHI: Yes. The first individual I'd like to bring forward is the Director of Finance for the New Jersey Highway Authority, who will talk on expenditures and revenues projections for 1988.

ASSEMBLYMAN SCHUBER: Right. I would ask that as each one comes up if they would bring a chair, and I would like everyone, please, to stay at the table at the conclusion of the various presentations that are made.

MR. ZILOCCHI: I thought my job was done. I was going to leave. (laughter)

ASSEMBLYMAN SCHUBER: So with that, why don't you call up-- Is it Mr. Palombo?

MR. ZILOCCHI: Frank Palombo, yes.

ASSEMBLYMAN SCHUBER: Frank Palombo, the Director of Finance, the New Jersey Highway Authority.

F R A N K M. P A L O M B O: Chairman Schuber, and members of the Committee. As protection for owners of Authority bonds, the Authority must fix, charge, and collect tolls for use of the Parkway in order that in each calendar year net revenues shall at least equal the net revenue requirement, which is mandated by the bond resolution. The bond resolution requires that on or before December 31, in each year, the Authority must review its financial condition and determine whether net revenues for such year and the following year, will be sufficient to comply with the toll covenant. If net revenues are determined to be inadequate, the Authority must cause its traffic consultants to make a study and to recommend a schedule of tolls which will provide sufficient net revenues in the following year to comply with the toll covenant, and which will provide additional net revenues in that year and later years to eliminate any deficiency at the earliest practicable time.

The necessary review of the financial condition of the Authority has been made, and it has been determined that net revenues for the year 1987 will be sufficient to meet the toll

covenant requirements. The excess over the minimum revenue requirements for the year 1987 is estimated at this time to be \$6,249,000. This is the amount which will be available in 1987 for net operating revenue for use in the capital improvement program.

It is estimated that net revenues for the year 1988 and beyond, however, will not be sufficient to meet this toll covenant. Projected operating results for the years 1988 through 1992 show that there will be deficits for these five years totaling \$115,312,000; ranging from \$11,733,000 in 1988, to \$35,110,000 in 1992.

ASSEMBLYMAN SCHUBER: What was the deficit for 1988?

MR. PALOMBO: Eleven million, seven hundred thirty three thousand dollars.

ASSEMBLYMAN DOYLE: Mr. Chairman, excuse me. Are there copies of his statement available?

ASSEMBLYMAN SCHUBER: Are there copies of your statement available?

MR. ZILOCCHI: All these projections are in the briefing book, which I was under the impression that everyone received.

ASSEMBLYMAN SCHUBER: Okay.

MR. ZILOCCHI: If they have not, I'll gladly supply a copy.

ASSEMBLYMAN DOYLE: Okay, we'll follow that. Thank you.

MR. PALOMBO: There will not be required funds in effect for meeting all operating expenses, reserves, debt service, and State payment requirements for these years. In addition, as a result of these deficits, there will not be available any operating revenues for the Authority's ongoing capital improvement program. It is noted that an analysis of income and operating expenses for the last ten years shows that toll revenue has gone up an average of 5.8%, while operating expenses have gone up an average of 10.4%. A very positive

indication that at some point income and expenses would meet, and that expenses ultimately would surpass income.

The Authority's traffic consultants, Vollmer Associates, have prepared a schedule of proposed increases in Garden State Parkway toll charges, which will meet the toll covenant requirements of the bond resolution.

ASSEMBLYMAN SCHUBER: Is that the conclusion of the statement?

MR. PALOMBO: Yes it is.

ASSEMBLYMAN SCHUBER: Okay. This financial projection, did you do these yourselves?

MR. PALOMBO: The projections were made partially by Authority staff members, partially by our traffic consultants Vollmer Associates. Our financial advisor, Government Finance Associates, also contributed.

ASSEMBLYMAN SCHUBER: Vollmer Associates is the next witness. Is that correct?

MR. ZILOCCHI: No. I'm sorry. The next one is Government Finance Associates.

ASSEMBLYMAN SCHUBER: Government Finance Associates?

MR. ZILOCCHI: Yes, Chester Johnson, who is our financial consultant. And just to give you a little background on Government Finance Associates: The national clients range from the Government of Virgin Islands -- in fact, I understand he had an appointment with the Governor of the Virgin Islands this morning, which we asked him to cancel for this meeting -- also the State of Alaska; Boston, Massachusetts; Buffalo, New York; Virginia Beach, Virginia; Portland, Oregon; Detroit, Michigan. New Jersey clients include in addition to the Parkway, the Wastewater Treatment Trust, Casino Reinvestment Development Authority, Local Finance Board, Princeton University. Also, GFA serves as financial advisor to a large number of local jurisdictions throughout the State. Mr. Chester Johnson.

C H E S T E R J O H N S O N: Good morning, Chairman Schuber, and members of the Committee. Should I speak through this? (gestures toward microphone)

ASSEMBLYMAN SCHUBER: If you could move that center mike down, please. Both of those two. (witness adjusts microphone)

MR. JOHNSON: I'd like to make a short presentation this morning on the need for a toll increase to be implemented this year, and the ramifications for the Authority, and indirectly the State, if the toll increase is not implemented as planned. The areas I would like to touch upon are the effect on the Authority's capital program, the ability of the Authority to meet its existing bond contract -- the relevant provisions of that contract -- and the repayment by the Authority of short-term notes that come due July 15 of '88.

To start really from the beginning: We would start with the operations of the Parkway. Obviously there is a fundamental need for the Authority to provide safe and secure transportation to the users of the Parkway system. In order to do that there's a need for ongoing capital improvements. There are two options really for the payment of those capital improvements, one being the issuance of bonds, or the use of current revenues. It has been a long traditional established program of selling long-term debt for projects that have large scale capital requirements. For example, if one were to charge current users only, then the future users of a system such as the Parkway would benefit, and would not be carrying their own fair share. So the issuance of tax-exempt bonds, by virtue of the interest rate subsidy that's provided through tax-exempt bonds, and the fact that future users then pay for access or use of the toll roads, has been a conventional and well-established approach for funding capital programs such as those of the Authority.

The Authority authorized, as you're aware, a \$570 million capital improvement program in March of 1986, for unmet critical purposes related to safety and other public requirements. The capital program will be discussed a little later by Jim Conlon, the Chief Engineer for the Authority. But suffice it to say, to do the capital improvements -- which will be discussed this morning -- and without burdening current users, bonds should be sold.

The Authority has been a conventional, or a repeated user of tax-exempt bonds. In 1984 the Authority sold approximately \$276 million in bonds. In 1986, with the interest rate decline that existed at that time, the Authority sold \$340 million to refinance existing debt and to add capital funds for capital programs. In each of those instances the same bond contract was entered into with investors, those consisting primarily of individuals and institutions.

It's a normal process for bond contracts to be entered into. They have a large number of provisions. They are technical provisions, but when it's all boiled down, the bond contract sets forth the obligations of the borrower -- in this case the Authority -- to make payment, to establish a method for computing budgets, setting forth the accounting and bookkeeping process, what happens in case of default -- God forbid that were to happen -- the appointment of the trustee to look out for bondholders, and what limitations would exist in incurring future obligations and future debt.

Relative to the bond contract, two very important provisions affect the need for a toll increase by the Authority. One of those Frank has referred to. I would like to summarize that if I may. Under section 711 of the Authority bond contract, the Authority must meet a toll covenant every year in order to make sure that the Authority is balancing its operations, which would require that the net revenues -- the net revenues are generally the revenues that remain after the

operating expenses -- would be at least -- and there's a two pronged test here -- be at least equal the greater of payment of debt service, the State payment, and maintenance reserve -- maintenance reserve being for extraordinary capital expenditures, in case a bridge fell down, or whatever -- or 1.2 times aggregate debt service for that year.

Now, as Frank has indicated, before each fiscal year he and the Authority generally make a determination whether the next year net revenues can meet that particular test. I believe you've been given the briefing book which shows on page 25, that without a toll adjustment for 1988 -- and as Frank has indicated, the Authority could not meet the test -- as net revenues cover debt service barely one time. So based upon the toll covenant alone, the Authority needs to increase its net revenues. You'll also note -- although it's not specifically indicated on page 25 -- if you did the math it would show that by 1989 without a toll increase the Authority can't even meet debt service on outstanding debt. In fact, there would be a deficit of approximately \$5 million, which would mean that the Authority would go into default.

Second, as previously indicated, the Authority for safety and other public purpose capital requirements, should sell long-term bonds. In order to do that, there's another section of the bond covenant, section 204, which prevails. It provides essentially that an order -- or before the Authority can sell additional bonds, the Authority must meet a particular test. And that is the net revenues of the Authority, and those can be adjusted to reflect any change in the toll structure, for any 12 months out of the last 15 prior to the issuance of the bonds would have to meet the bond requirement -- which basically is the net revenues plus the amount of maximum annual debt service on the bonds that would be sold.

But regarding the additional bonds test, it goes without saying that if the Authority cannot meet the current toll covenant, then it certainly can't pay new debt service. And if the Authority wants to continue its capital improvements program, and to sell bonds, a toll increase is absolutely mandatory. I might add that the toll increase would have to be substantially greater if the Authority were to pay for capital improvements out of currently generated revenues. To emphasize, the Authority cannot meet either the toll covenant -- that annual budget test -- or additional bonds test in 1988, unless a toll increase is implemented at a sufficient level and early enough so the Authority may satisfy its bond contract obligations.

Now I'd like to comment for a few moments on the rating agencies. In 1984 when the Authority sold its \$276 million in bonds to refund outstanding issues, and also to provide for additional capital funds, Standard & Poors Corporation and Moody's Investor Service -- who are the two nationally recognized writing agencies -- rated the Authority debt AA- and A-1, respectively. S & P at the AA-, Moody's A-1. I think it's important to recognize that these ratings are among the highest ratings assigned to toll road revenue bonds. In fact, the S & P rating is the highest for toll roads throughout the country. At the time, three factors then concerned the ratings agencies:

- 1) The Authority, obviously, envisioned additional capital requirements to be bonded,
- 2) The net revenues of the Authority were expected to decline over time, and
- 3) The Authority had not imposed a base toll increase since 1954, and the rating agencies at least questioned the will in the State to implement an increase after so long a time at 25 cents.

I might add that the agencies, in particular Standard & Poors Corporation, stated that the high rating it had assigned -- which I emphasize is the highest for toll roads in the country -- reflected the past history as that particular rating agency had seen it; that the Authority had not been subject to swings of political fortunes, or, in fact, had not been particularly politicized.

As a result of the revenue concerns, both agencies indicated in 1984 a desire for the Authority -- this is an important point -- to implement a base toll increase before selling additional capital debt. However, from late 1984 to early 1986, Authority revenues were received at a more favorable level than had been anticipated for the 1984 bond sale. Based on that fact, the Authority was able to include an amount of about \$75 million of new construction funds in the refunding issue, without unfavorable rating results.

Why are high ratings important? Well, to give you an idea, if the Authority sold \$100 million in bonds, and we were to see a drop from AA to A, the difference in interest costs over the life of that bond issue would range -- depending, obviously, on the type of market the Authority would sell its bonds into -- a range of difference of \$3.5 million to \$7 million over the life of that bond issue. In addition, because this is such a premier credit in the State, any problem with the rating would affect the State as well, and in fact a high rating on the Parkway accrues to the State's benefit. Without a toll increase, the Authority is looking at reduced rating and higher interest costs.

I'd like to refer to one other matter, and that is the short-term borrowing for a moment. In September, the Authority completed a short-term borrowing of \$50 million. A little background might be helpful on this matter at this point. As noted, the Authority is constrained in meeting its toll covenant to issuing additional bonds only when a toll increase

is in effect, which would provide additional revenues to meet those tests. Short-term debt, however, if structured as we did for the \$50 million, which we've structured as subordinating indebtedness, and made it-- It was not subject to the additional bonds test. The security on that was at the very bottom of the rung, and it allowed the Authority to borrow on a short-term basis, and issue long-term bonds later when the toll covenant and the additional bonds test could be met. The proceeds of the long-term bonds would then be used in part to pay off the short-term notes. These notes come due on July 15, and without the issuance of bonds to repay them, there's no apparent alternative source of money.

ASSEMBLYMAN SCHUBER: July 15 of '88?

MR. JOHNSON: July 15, 1988, right. The short-term financing was the financially responsible approach that the Authority took in order to plan properly, and to continue its capital improvements program. There were other reasons also that made this approach the best of the alternatives.

In summary, it is prudent and financially important for the Authority to continue its capital improvements program, and to do so, it should sell long-term debt. To sell long-term debt it must raise revenues to pay for the increased debt service, and to satisfy its bond contract with bondholders. Third, the Authority has notes coming due in July, and the Authority should sell long-term debt to repay the notes. For these reasons we've recommended and support the proposed toll increase.

One final point before closing. I'd like to discuss the specific numbers we generated for the chart as shown on page 26 of the briefing book, showing the effect of the toll increase. Vollmer Associates produced the revenue estimates; as stated earlier, the Authority produced the expenses; we looked at the financial capital program, the size, and the resulting debt service. On the basis of these projections, we

prepared an analysis of the amount of bonds which the Authority could issue over the next five years with a toll increase, in order to determine the amount of money that would be available for the Authority to add to its construction fund. In addition, GFA prepared an analysis that set forth the amounts the Authority would expect to pay in debt service over the next five years, and that's also set forth on page 26.

We assumed a bond issue in June 1988 in the amount of about \$230 million to meet the ongoing capital needs, and a second issue in June 1991 in the amount of about 120 million. Both issues were structured assuming current market rates. In order to determine the maximum amount of bonds the Authority could issue, GFA assumed that the Authority must allow for an amount of money to be available after the payment of operating expenses, existing debt service, State payments, and the maintenance reserve -- which I have discussed.

We discussed the desired level of coverage with both Moody's Investor Service, and Standard & Poors Corporation. Moody's indicated that a level of 4% of operating revenues as surplus revenues would probably be adequate for the agency to continue to rate these bonds at an A-1 level. Standard & Poors stated that the Authority should have on an actual basis -- as it has in the past -- debt service coverage by net revenues of one and a half times, versus the required bond contract coverage of one point two times, if S & P were to maintain the Authority's rating at AA-. And our debt presentation, presented in that briefing book, takes these factors into consideration.

In addition to the amount which would be generated by the bond issue, the Authority would also be able to transfer the annual operating revenues -- surplus operating revenues -- into the Parkway construction fund; this has been a normal process of the Parkway -- for a total of about \$91 million over the period 1988 through 1992. These projections would

obviously have to be refined further as we get closer to the time of the respective bond issues. Currently it appears that the Authority will have approximately \$410 million available over the next five years for the continuation of the Authority's capital program. However, this amount could change, depending on market conditions. We feel like the \$410 million is a conservative program that provides a modest amount of new construction money to the Authority.

I'm available for any questions.

ASSEMBLYMAN SCHUBER: Is there anybody else who is going to testify with regard to finances? (no response) Let me ask you some questions then. Why don't you first -- for the purpose of background -- indicate to the members of the Committee the history of the bonding of the Parkway Authority over the last several years. That is, chronologically, what is the amount of bonding that has been undertaken by the Authority and when, and what was its purpose?

MR. JOHNSON: All right. Looking at it over a ten year period. The Authority sold \$80 million in bonds in 1978 under a separate resolution. In 1984, because of certain technical needs, technical changes that should have been made in that resolution and other outstanding resolutions, 1984 the authority sold approximately \$276 million of bonds to refund the outstanding bonds of the Authority in order to eliminate some of the restrictive covenants and the outstanding indentures, and to provide a little over \$200 million in capital improvements.

MR. ZILOCCHI: Excuse me, Chester, I'd like to add to that that bond issue of '84, was also necessitated in order to remove certain restrictive covenants in the prior bond issues, so the Highway Authority could make a contribution to the Transportation Trust Fund.

ASSEMBLYMAN SCHUBER: Well we're going to come to that. I was going to ask about that. Okay.

MR. JOHNSON: Then in March and April of 1986, the Authority sold \$340 million in bonds primarily to take advantage of the interest rate reduction which had occurred over the preceding period. In fact, that refunding saved the Authority approximately \$20 million, as a result of lower debt service costs. And also, as I referred to in my testimony, the rating agencies had told us in 1984 that if we were to sell any debt for additional new money, not to come back to them until the toll increase was in effect. In 1986, the toll increase was not in effect, but because of some favorable revenue trends, and also because of lower debt service payments as a result of the refunding, it increased the amount of available money for new capital program, and we included approximately \$75 million of new capital money for the Parkway. As far as bonding, that tells the story for the last ten years.

As I referred to in the opening comments, we did sell \$50 million in short-term debt, which was on a subordinated basis. In other words, it was structured so that it would not require the toll covenant test, or additional bonds test, and that debt was sold in September with the understanding that the issue would be refunded or would be retired through the issuance of long-term debt prior to July 15, 1988.

ASSEMBLYMAN SCHUBER: These short-term bonds-- If I understand your testimony correctly, the short-term bonds, you're saying requiring long-term bonds to bail those out. Is that correct?

MR. JOHNSON: That's correct. Conceivably current revenues could be used, but from a long-term financially prudent perspective it should be recognized that the issuance of long-term debt would be necessary in order to pay the short-term debt off.

ASSEMBLYMAN SCHUBER: And the long-term debt that you are talking about, would then require the toll hike that we're talking about here today. Is that correct?

MR. JOHNSON: No, no. Actually the size of the short-term obligation does not relate at all to the proposed barrier increase. What it relates to, is the size of the bond issue, through a series of discussions, related to the amount of debt service that a ramp increase would produce, which was a little over \$10 million a year, as opposed to the toll increase that's been set before you. So no, the proposed toll increase that you're looking at was not -- or the short-term borrowing was not related to the proposed toll increase you're looking at.

ASSEMBLYMAN SCHUBER: What about into a ramp increase?

MR. JOHNSON: Yes it was.

ASSEMBLYMAN SCHUBER: It was related to a ramp--

MR. JOHNSON: To the size of the ramp increase, but not to the general based toll increase.

ASSEMBLYMAN SCHUBER: All right, but it was tied to a toll increase of some type. In this particular case it was related to a ramp increase, not necessarily the barrier increase.

MR. JOHNSON: That's correct.

ASSEMBLYMAN SCHUBER: Is that correct?

MR. JOHNSON: That's correct.

ASSEMBLYMAN SCHUBER: Okay. Now let me ask you a couple of questions that, looking at the facts and figures here cause some concern. One of the questions that has come up is with regard to the issue of the difference between the -- in the future, again looking at the future, which a lot of this is predicated upon-- But we have some task figures that are here with us that can give us some guidance. Operating expenses in the Authority are predicted to take what appears to be a 20% jump in 1988 to \$102 million. Is that correct? And the toll revenues are predicted to go up, you're saying a little bit less than 5%. Why the enormous jump for the operating expenses in 1988?

MR. JOHNSON: Well as I indicated the expense projections were prepared by Authority staff, and I think Frank indicated that early on. It may be for looking at projections of expenses, which obviously do appear reasonable to us. They were prepared by staff. Revenue projections were prepared by Vollmer Associates, and Vollmer has not yet spoken this morning.

ASSEMBLYMAN SCHUBER: Is Vollmer--

MR. ZILOCCHI: I think the answer to your question, Assemblyman, could be directed at Frank Palombo, our Director of Finance. He prepared the projections for the operating expenses.

ASSEMBLYMAN SCHUBER: Right. Okay. The questions are coming down to simply this: As I've seen, as I've read, and I've indicated, the revenues in the Authority appear to be going up somewhere -- anywhere between 6.5% to 7% every year. Okay? In past--

MR. ZILOCCHI: Assemblyman, correction. The statement was made by Mr. Palombo that there have been a couple of years where the revenue did go up 7%, but over the ten-year average they went up approximately 5.8%.

ASSEMBLYMAN SCHUBER: But there's a steady progression of revenue over expenses, though?

MR. ZILOCCHI: Yes.

ASSEMBLYMAN SCHUBER: Correct. And the expenses have been going up at a rate also, but it appears that in 1988 they take an enormous jump, number one. But number two-- You know, the question is-- What I've heard from some of the witnesses here and I've read in the newspaper, there's a discussion of a revenue downturn. And I have yet to see anything in any of the testimony that's been given, or any of the things I've read, as to what's the justification for the revenue downturn.

MR. ZILOCCHI: I perhaps misled you in one thing. Mr. Nielsten is the one who projected the revenues, and he will be speaking later on.

ASSEMBLYMAN SCHUBER: All right. Is he from Vollmer?

MR. ZILOCCHI: Yes.

ASSEMBLYMAN SCHUBER: Why don't we have him up here.

MR. ZILOCCHI: Okay.

ASSEMBLYMAN SCHUBER: Why don't we let him testify. Let's get the whole picture out then, first.

MR. ZILOCCHI: All right.

ASSEMBLYMAN SCHUBER: I think it would probably be easier.

MR. ZILOCCHI: Let me just ask Jerry Nielsten to come up. And again, to give you some background on Jerry Nielsten of Vollmer Associates: Their specialty is traffic revenue forecasting, and they're traffic consultants to the New York Thruway, New York State Bridge Authority, New Jersey Expressway Authority, the Delaware River Joint Toll Bridge Commission, the Maryland Transportation Authority, the Kansas Turnpike Authority, the Orange County Expressway Authority, and also working in 10 additional states doing traffic and earning studies, and has been responsible for traffic and earning reports that has produced approximately \$2 billion in bond sales over the past ten years. Jerry?

J E R R Y N I E L S T E N: Good morning. I'm Jerry Nielsten. Chairman Schubert, members of the Committee, can you hear me all right?

ASSEMBLYMAN SCHUBER: We can hear you. We just want to make sure that the record--

MR. NIELSTEN: All right we'll speak up.

ASSEMBLYMAN SCHUBER: Oh, we can't hear you now.

MR. NIELSTEN: Uh oh.

MR. ZILOCCHI: He got unplugged. (microphone is adjusted) There we go.

MR. NIELSTEN: Is it working again?

ASSEMBLYMAN SCHUBER: Yes. Go ahead.

MR. NIELSTEN: We prepared the estimates of operating revenues that you see before you, both on page 25 for the current toll schedule, and page 26 for the future toll schedule.

Our development of the projected future revenues was undertaken in the following manner: First we reviewed trends in traffic since the history of the Parkway, focusing our efforts of course on the 11 across the road barriers and 19 toll ramps on the Parkway's toll structure. We reviewed the changes in traffic, and attempted to the best of our abilities to determine what were the nature of these changes in traffic? How many would likely continue into the future? We prepared surveys of future land use trends as they relate to Parkway locations, and made an estimate of what sort of trip making patterns might result from these trends. From this data, we estimated future Parkway potential demand.

We then made estimates of what portion of this demand could be accommodated by the Parkway, since as George mentioned earlier, there are many sections of the Parkway there at or near capacity at various times. From these estimates of traffic we prepared estimates of future revenues for the current toll structure. We are approximately at toll revenues of \$103 million in 1986. We are projecting toll revenues to exceed \$108 million in 1987, and to exceed toll revenues of \$113 million in 1988. We project toll revenues to exceed \$137 million for 1992. Our basic premise is, the Parkway has a strong consistent trend in traffic and revenue potential.

Also shown on page 25, for the current toll structure, are other revenues -- concession revenues, Arts Center revenues, financial investment revenues -- which for 1988 will produce revenues from all sources of \$137 million, and by 1992 revenues from all sources of \$163 million. On table 25, the debt service is shown as it is today, and does not include any new bond monies for the capital improvement program.

I will tell you that our projections of revenues are conservative. Our function under section 711, effectively we report to the bondholders. As I told the Commission last week, and the previous meeting, I would like to tell you that if we were to change the projections of revenues slightly we would be able to affect the bottom line substantially. I am not. Even a very optimistic forecast of revenues in the next year or two does not change the bottom line -- which in this case is, revenues less expenses are negative for the years 1988 through 1992.

ASSEMBLYMAN SCHUBER: Why?

MR. NIELSTEN: When you take the money you have coming in, subtract the money you to be expensed out--

ASSEMBLYMAN SCHUBER: I recognize that.

MR. NIELSTEN: --the difference is negative.

ASSEMBLYMAN SCHUBER: I recognize that. Why is that the case?

MR. NIELSTEN: In simplest terms, the expenses are increasing at a greater rate than revenues, which has been historically the case on the Parkway, and in most other facilities, and in most governments throughout the United States.

ASSEMBLYMAN SCHUBER: Oh, I recognize that expenses are going up, but what I'm trying to figure out is what is the correlation for 1988? Why is that the magic year?

MR. NIELSTEN: Well, 1988 is not magical, at least not to me. In 1984, when we compared revenue forecasts for the bond sale, and again in 1986, we noted that in both of those issues that in the years 1987 and 1988 there will be need likely for additional revenues from other sources and Parkway tolls at that time to meet projected operating expenses. We were fortunate in the fact that it was not 1987. So it is not a surprise to me that '88 is the year it happens.

ASSEMBLYMAN SCHUBER: But up to this point-- Oh, why don't you finish your statement? I'm sorry.

MR. NIELSTEN: With the revised toll schedule on page 26, there is a decided difference in the bottom line, revenues less expenses. In 1988, the revenues show available revenues for the capital program of some \$25 million, and even by 1992 revenues that go for the capital program up some \$5 million.

The revised toll schedule provides revenues for the bonds, as Chester noted, of some \$350 million, and for additional available revenues less expenses, which in total will nearly provide enough money for the capital program.

MR. ZILOCCHI: Assemblyman, one point if I may. Assemblyman Schuber, when you're referring to a difference in '88 you're looking at the operating expenses. I think that question again-- Jerry Nielsten was projecting the revenue. This is his function.

ASSEMBLYMAN SCHUBER: I understand that.

MR. ZILOCCHI: The operating expenses were projected by the Highway Authority, and Mr. Frank Palombo can address that point to you.

ASSEMBLYMAN SCHUBER: Okay. Is Mr. Nielsten finished?

MR. ZILOCCHI: Well he still has a little bit--

MS. STANLEY: He still has the tokens and things--

ASSEMBLYMAN SCHUBER: Why doesn't he finish up, and then--

MR. NIELSTEN: In preparing the toll schedule for the revenues needed, on page 26, we have three major goals in mind:

1) to meet the financial requirements as identified, both for the operating needs and for the capital improvement program,

2) to minimize the financial impact on regular users, and

3) to provide a system that will avoid unnecessary delays at the Parkway's toll plazas. We have thus recommended a system of a 35 cent token, and a 50 cent cash at the barriers, which we think best meets those goals.

Why the token? In our opinion because in the long run it's faster and cheaper for all users. Faster, as George indicated to you, because it's a single coin transaction. And the Parkway is a unique set of toll plazas for most toll roads. It handles an extraordinary number of people very efficiently primarily because most people who use the Parkway have exact change. Seventy percent of all revenues at the toll barriers are collected at the automatic toll plazas. In studies we have done up at northern toll plazas at peak hours, we found that in fact more than 80% of most users in the peak hours have exact change; that is, even those in the manual lanes, typically 1/3 to 1/2, have exact change as well. Because of this condition, the Parkway operates very efficiently and processes a great number of vehicles very well.

By comparison, multiple coin transactions are extremely inefficient for two reasons, primarily: First, each transaction takes slightly more time, and the sum of all those additional times over the course of a toll plaza means delays for a great many more people. Secondly, typically in a multiple coin transaction fewer people have exact change. The combination of these two-- and unfortunately in the northeast we've found out when this has happened in the past, multiple coin tolls have provided substantial delays at toll plazas. Therefore, we recommended a 35 cent token, and 50 cents cash at the barriers.

We also recommended for the toll rate schedule an increase of ramp tolls to 25 cents -- a straightforward one coin transaction -- as well as the establishment of new toll plaza locations, which would more equitably distribute the cost to all users on the Parkway.

ASSEMBLYMAN SCHUBER: Okay, let me ask you this question then. With regard to your revenue estimates, you've indicated they're conservative. Correct?

MR. NIELSTEN: Yes.

ASSEMBLYMAN SCHUBER: What's your margin of error with regard to them, in percentage terms? Basically, how conservative are they?

MR. NIELSTEN: I would like to think that in the first year they're not very conservative. We plan to look at each year--

ASSEMBLYMAN SCHUBER: What are you talking about, 1988?

MR. NIELSTEN: Let's take 1987, since we're not finished yet. In 1987 we project revenues of \$108.2 million. That work was primarily done this summer, based upon the first few months of the year. That projects roughly a 5.1% increase in revenues. I understand that the revenues through the first 11 months are up approximately 5.3% in revenues in 1987. So therefore, in the first few months of the first year, so far so good. In 1988, we have a revenue increase also of about 5%. I would think that we would be slightly under what we achieve, perhaps within a percent in 1988.

I would hope in the long range the revenues would be better than that, but the reason that they are conservative is that there are years when things do not go so well. Obviously when we did our official statement forecast in 1978, we were conservative. We still did not meet what happened in 1979 with the oil embargo, in which case revenues were under our forecasts. And it happened the same thing in 1973. The forecast made at that period were not reached in 1974 for similar reasons. So the nature of this conservatism is reasonably prudent for fiscal planning.

ASSEMBLYMAN SCHUBER: Well, we recognize the oil problems of '73, '74, '77, would certainly have a certain amount of impact on driving, but it would appear to me that the utilization of the Parkway over the course of the last few years anyway, has been remarkably increasing as far as that goes. And I can only see it increasing more and more as time goes on.

MR. NIELSTEN: Well, there are a lot of reasons the Parkway's traffic increased. It does not increase because last year's-- I mean traffic does not increase of its own merit. It increases because there are changes in land use patterns, and there are changes in the Parkway that can come of these patterns. For example, in 1977 the first casino opened. Obviously, the toll barriers north of Atlantic City were drastically affected by the changes in casino trip making patterns. At this point, the ability to change in the same percentage, is impossible, since they have a much larger base. Similarly in 1982 the Parkway widened -- a significant portion of the Parkway in Union and Essex County -- and an area which in fact had been stagnant in growth for many years all of a sudden began to blossom. These things do happen, but each one is affected by the elements next to it, not because of growth for its own sake.

ASSEMBLYMAN SCHUBER: I recognize that, and what I'm saying is that leads to an increased use of the Parkway, which may go into the fact of your capital improvement program. But the fact of the matter is that it seems to me that it buttresses the fact that there will an increasing utilization of the Parkway, which I think really means that the revenues that you're estimating with regard to what the Parkway will garner in the future, may be drastically underestimated.

MR. NIELSTEN: I disagree drastically.

MS. STANLEY: Mr. Chairman, may I address that question?

ASSEMBLYMAN SCHUBER: Yes.

MS. STANLEY: We are really right now at or near capacity. So that growth that you're talking about is impossible when we have as many cars on the road as we can fit. So how can we grow at this tremendous rate?

MR. JOHNSON: Also, Mr. Chairman, just to make one other comment, I think the numbers that Jerry has referred to underscores the point you're making -- that revenues do increase under the present tolls; however based upon the other commitments of the Authority, the net revenues actually go into negative after 1987. So while your fundamental assumption is correct -- that is, revenues from tolls do increase from both barriers and ramps over the period -- other obligations of the Authority increase faster than that, resulting in a negative fund balance for the Authority.

ASSEMBLYMAN SCHUBER: Let me ask this question-- Mr. Zilocchi, are these all of the witnesses then that would address the issue of finances, or the issue of the toll increase?

MR. ZILOCCHI: We only have one more, and that's our Chief Engineer, on the issue of the capital improvements.

ASSEMBLYMAN SCHUBER: All right. I guess for the record let's make this thing complete then. Why don't we have-- Is that Mr. Conlon?

MR. ZILOCCHI: Yes.

ASSEMBLYMAN SCHUBER: Why don't we have Mr. Conlon come up, present that, then I'll throw this open for questions of the Committee. All right? Mr. Conlon? Welcome, Mr. Conlon. Just put up the mikes here, so we can make sure that you're heard. How many years have you been with the Authority?

J A M E S W. C O N L O N: Five years.

ASSEMBLYMAN SCHUBER: Five years.

MR. CONLON: I've been an engineer a little longer than that.

ASSEMBLYMAN SCHUBER: A little longer than that, okay. (laughter) Proceed.

MR. CONLON: Chairman Schuber, ladies and gentlemen, in March 1987 the Commissioners adopted a \$570 million, five-year capital improvement program. Approximately \$200

million has been expended, and another \$90 million has been obligated to contracts already awarded. I will highlight just a few of the many projects already completed or underway.

In the last five years, the Authority has rehabilitated 121 bridges at a cost of \$50 million, or \$400,000 per bridge. We have replaced two thirds of the timber guard rail with weathering steel beam guard rail and concrete median barriers to conform to current national design standards. We have widened 30 miles of the Parkway by the addition of one lane in each direction. These widenings took place in northern Ocean County, in Monmouth County, in the Raritan area, and in Essex County and in Bergen County. We have added an additional 12 miles of third lane to the mainline roadway in each direction by converting the shoulder to a travel lane between the Lakewood/Brick interchange and Double Trouble/Dover Road in the Toms River area. We have spent over \$60 million resurfacing the Parkway, placing over 400,000 tons of asphalt to resurface nearly 500 lane miles of roadway.

We have added 150 new commuter parking spaces at our Cheesequake commuter parking lot to raise the number of free spaces available in Sayreville to 415. We increased the number of free commuter lot spaces available at our Montvale commuter lot from 77 to 177. We constructed a new free commuter parking lot at Interchange 165 in Paramus which provides 90 spaces. To encourage car pooling and to encourage our patrons to use New Jersey Transit buses and other buses, we now operate 20 free commuter parking lots, providing in excess of 2600 spaces daily.

In the early 1970s the Parkway's fatality rate was about 1.5 fatalities per 100 million miles of vehicle traveled. Due, we think, to strict speed enforcement, and constant improvements in the geometry of the roadway, resulting from our capital improvement program, the fatality rate has gradually decreased, until it is now about 8/10s of a fatality per 100 million miles of vehicle travel. In concrete terms, in 1986 if

our fatality rate was still at the level it was in the early 1970s, instead of 35 fatalities we would have had 70. Even more impressive I think is the fact that if we had the same fatality rate as the U.S. Interstate Highway System in general, we would have had 61 fatalities. If we had the same rate that the New Jersey State Highways had in 1984, we would have had 85 fatalities. And if we the rate that existed on all U.S. highways in 1985, we would have had 150 fatalities.

Much critical safety, rehabilitation, and extraordinary maintenance work remains to be done in order to keep the Parkway as safe as possible and to maintain our already excellent accident experience. Among the future capital improvement work necessary to maintain that record is:

- Resurfacing and drainage improvements in the southernmost 17 miles of the Parkway, which have never been resurfaced;

- A continuing resurfacing program for about \$10 million a year;

- Repairing the settled pavement area through the Cheesequake and Matawan swamps, where the pavement has settled seven feet from its original level;

- A continuing bridge rehabilitation program of about \$12 million a year -- over 300 bridges still need some repair;

- The installation of a lane control traffic signal system in the Union/Essex area; and

- Several other projects totaling \$176 million.

Among the expansion projects which will improve capacity of the Parkway, or improve traffic flow on local roads at Parkway interchanges, which I consider essential to the continued safe and efficient flow of traffic, are a number of projects with a total estimated value of \$331 million. These include:

- The construction of new ramps to and from the south at Interchange 17, and a new ramp at Interchange 25, all at the request of Cape May County and local officials.

- Improvements at Interchange 30, 36, 40, and 44, requested by Atlantic County officials, the later two in conjunction with a planned Atlantic County Beltway west of the Parkway;

- Construction of new ramps to and from the north at Interchange 69 at the request of Ocean County, and with the support of the New Jersey Department of Environmental Protection, to facilitate access to a proposed Ocean County resource recovery plant;

- Construction of ramps to and from the south at Interchange 74 in cooperation with Ocean County;

- Improvements to the intersection of Route 36 and Hope Road at our Interchange 105 in Monmouth County. This will reduce congestion on Hope Road and improve access to the Parkway when the Route 18 Freeway construction is completed;

- Construction of a service road on each side of the Parkway from Interchange 88 to 91 in order to provide access to Cedar Bridge Avenue and State Road 88 where there is no present access and to provide full access at Interchange 88 with Route 70 and at Interchange 90 with Chambers Bridge Road in Ocean County. To accommodate State and county plans to widen these roads east and west of the Parkway, we must construct new bridges to carry the local road system over and under the Parkway. If we do not agree to do this, the present bridges will not accommodate the four lane divided roadway that the county and State are planning to construct at each of these crossings;

- We plan to widen the parkway by the addition of one new lane on the mainline roadway in each direction between Interchanges 83 and 91, where we presently operate a temporary third lane in the old shoulder area;

- We plan to improve access to and from the local road systems at Interchange 114 with Red Hill Road, at Interchange 116 with Crawfords Corner Road, at Interchange 120 with

Laurence Harbor Road, and Interchange 127 with State Route 440 which leads directly to Interstate 287 to the north and the Outerbridge Crossing and Staten Island to the east;

- We plan to complete Interchange 142 to provide the missing movements to Interstate 78. This will remove much Parkway and Interstate 78 traffic from local streets in Irvington;

- We also plan to widen the toll plazas to accommodate increasing traffic.

In an effort to continue to encourage the use of mass transit and reduce traffic on the Parkway, we intend to continue to build commuter parking lots where there is a reasonable demand from them, and particularly where we can connect with mass transit such as New Jersey Transit bus lines. As one example, we intend to double the size of the Allwood Road Parking Lot, and increase the number of free spaces available from 235 to 460.

We also plan on expanding our service areas, which are heavily congested and necessary for public convenience.

Completion of the remaining projects on the present capital improvement program which can be completed by 1992 is estimated to cost \$563 million.

Not included in the present capital improvement program, but essential to improving existing traffic congestion on the Parkway are:

- At-grade intersection improvements between Interchange 8 and 12, and eventual elimination of the traffic signals by the construction of grade separation bridges in Cape May County.

- Widening by the addition of one lane in each direction between interchange 80 and 83 in Toms River area;

- The addition of a fifth lane in each direction on an interim basis between Interchange 129 and 140 in Middlesex and Union Counties, and expansion of the maintenance yard in Clark.

These projects, already under study or design, will cost at least \$81 million to construct.

ASSEMBLYMAN SCHUBER: Are they part of the capital improvement plan?

MR. CONLON: The \$81 million in lower sections is not.

ASSEMBLYMAN SCHUBER: They're not covered by this at all, then?

MR. CONLON: Yes they are.

MR. ZILOCCHI: Well, Assemblyman, that's the dilemma we have. They're not part of the capital improvement program, yet we find they're essential and necessary to be addressed. The capital improvement program is really nothing but a master plan, a desired list. And what Mr. Conlon is stating is that we have to find some-- We're going to at least initiate the study and the design of it, and hopefully reassess some priorities and find some medium where we can incorporate as many of -- what we feel is absolutely necessary.

ASSEMBLYMAN SCHUBER: Let me see if I've got this straight on all the numbers now. You have a capital improvement plan of \$563 million presently in front of you that you've adopted. Is that correct?

MR. CONLON: Five hundred and seventy million.

ASSEMBLYMAN SCHUBER: Five-seventy?

MR. ZILOCCHI: Five hundred and seventy.

ASSEMBLYMAN SCHUBER: All right, \$570 million. On top of that you have, what, \$291 million -- or \$275 million-- from several years ago -- Is that correct? -- which was capital improvement also -- \$276 million from '84?

MR. JOHNSON: Let me correct you. I think the 563 is not formally part of the \$570 million. Correct?

MR. CONLON: No. We say that's what it's going to cost to do what's left of the program--

MR. JOHNSON: Exactly.

MR. CONLON: --because of cost increases of various kinds.

MR. JOHNSON: But the \$290 million -- if I may correct?

ASSEMBLYMAN SCHUBER: Right.

MR. JOHNSON: There's a little over \$200 million -- and Frank may want to correct me on the numbers -- but there's been a little over the \$200 million of the \$570 million actually funded or paid out in cash.

ASSEMBLYMAN SCHUBER: Already?

MR. JOHNSON: There's been additional commitments of approximately \$100 million, and that goes against the authorized program of \$570 million. Now if someone wants to correct me on that--

MR. ZILOCCHI: That is correct, Assemblyman, and now what we're saying with the \$563 million is: a) in order to continue that \$570 million which was established in 1984, and the cost of some of these projects as we're getting into the design and planning of it is escalating beyond our expectations -- cost of right-of-way, etc; and in order to address additional projects which we did not consider back in 1984, we are saying that we have \$563 million in capital improvements still to address, plus the \$80 million that Mr. Conlon has stated.

ASSEMBLYMAN SCHUBER: Plus the \$80 million?

MR. ZILOCCHI: That's right.

ASSEMBLYMAN SCHUBER: But if you add all those up, then that brings you up to over \$900 million in capital improvements. Is that correct?

MR. ZILOCCHI: Actually, we're looking at what we still feel we have to do--

ASSEMBLYMAN SCHUBER: Right.

MR. ZILOCCHI: And it's \$563 million plus the \$81 million.

ASSEMBLYMAN SCHUBER: All right, but you've already expended out--

ASSEMBLYMAN DOYLE: Mr. Schuber, simply put, in 1986 they went into \$570 million program. Of that they have expended \$200 million, they also have \$90 million on the boards. During the two years, pretty much, that that plan has been projected, to do that original plan -- has grown to \$760 million--

ASSEMBLYMAN SCHUBER: Right.

ASSEMBLYMAN DOYLE: During the growth of that plan, and in these intervening two years, they have also shown the need they feel to do still further capital and expansion work in the tune of \$80 million to \$90 million. I think that's correct.

ASSEMBLYMAN SCHUBER: But that still adds up to about \$900 million in expenditures for capital improvements. Is that correct?

ASSEMBLYMAN DOYLE: Approximately. That's right.

MR. ZILOCCHI: When you go back to 1984 and what we spent, and what we still have to do, it approximates that, yes.

MR. JOHNSON: By the way, I'd like to just underscore the point here that notwithstanding those particular needs that exist for the Parkway, our analysis shows that in order to maintain the rating at its current level, in order to meet the outstanding obligations of the Authority, we would not expend more -- in 1987 dollars -- more than \$410 million. So, there is going to have to be -- and the Authority has begun the process -- a prioritization of those projects; because there is just not, even under the current proposed toll increase and the amount of bonds that can be issued, and the amount of money that can be transferred out of operations for expenditures on capital improvements-- We do not at this point see more than \$410 million against the projects that Jim Conlon has discussed. So there's going to have to be further prioritization.

MR. ZILOCCHI: Regardless of the figures that were just mentioned by Assemblyman Doyle, and so forth, our proposal here would only give us sufficient money to meet approximately \$410 million in capital improvements.

ASSEMBLYMAN SCHUBER: Gentlemen and ladies, let me ask you this. This Committee has two charges. Now that I have everybody here that I've read about in the paper that has done something with regard to this-- We have two charges here. This Committee is to look into, number one, the procedures that were used to adopt the toll increase; number two, the fact of whether a toll increase is needed. So what I would prepare to do at the present time is to ask you to answer some questions for us with regard to the procedures that were utilized with regard to the adoption of the toll increase, first. Then we'll go into any other questions that the Committee members may have with regard to the issue of whether the toll increase is justifiable, etc., and any questions that the members may have with regard to the exhibits that have been given.

Let me ask the simple question, number one, when was the first time that the Authority members -- the Authority Commissioners -- discussed the fact that they needed a toll increase to fund their projects?

MR. ZILOCCHI: Actually, sir, it was 1984.

ASSEMBLYMAN SCHUBER: 1984?

MR. ZILOCCHI: When the first official statement was issued with the 1984 issue, and the projections indicated that come 1987 we would have a revenue shortfall.

ASSEMBLYMAN SCHUBER: Was that statement made public?

MR. JOHNSON: The official statement is a public document, which was adopted by the Authority and utilized in the issuance of those bonds -- it's a public document -- rating agencies, every investor that even contemplated the possibility of investing in it-- The official statement was adopted at a public meeting by the Authority, and it was certainly public information at the time.

ASSEMBLYMAN SCHUBER: But I assume it was enclosed in a bond prospectus. Is that correct?

MR. JOHNSON: Right.

ASSEMBLYMAN SCHUBER: Was there any other type of public dissemination of that other than that particular document, which I don't think the public would normally take a look at?

MR. CONLON: Well, it was given to the newspapers. I personally gave it to five different newspapers. Every time they asked about the capital improvement program, that program is detailed in the official statements, so I gave it to them as an easy way to show them the capital improvement program; and it was published. Whatever parts of it they liked, they published.

ASSEMBLYMAN SCHUBER: So in 1984, then, the Commissioners discussed the fact of a potential toll increase. Is that correct?

MR. ZILOCCHI: In 1984 the question first came up that we would be having to face possibly a revenue shortfall come '87.

ASSEMBLYMAN SCHUBER: Then what was next done about that, or discussed by the Commissioners, to take steps along the line of a toll increase?

MR. ZILOCCHI: Well, in 1986 when we had the second bond issue -- which was mostly for defeasant (phonetic spelling) purposes -- the projections seem to be consistent in that it still showed a potential revenue shortfall in 1987. I might add that the 1986 bond issue saved the Authority \$17 million over the life of the bond issue in debt service, and that probably saved the day as far as 1987 is concerned. At the end of '86, the staff, in preparing their budgets and financial analysis, did address the possible shortfall in 1987, and it was found to everybody's delight, that 1987 we would be able to survive with the same basic toll structure that we've

had. Knowing that 1988 also indicated a shortfall, in early '87 we began the planning process to see how we would have to meet this revenue shortfall if indeed it did occur.

ASSEMBLYMAN SCHUBER: Up until '87, then, the testimony would be that there was no planning made for a toll increase?

MR. ZILOCCHI: There was no extensive planning made, because we were-- No, there was none really to any great extent. There was just looking at revenue forecasts, and seeing if there was a need. But surviving '87 we really started looking at trying to plan a process, which is a long, cumbersome, process looking at various alternatives, not in anticipation that we would have a toll increase in '88, because we were hoping to avoid it, but to be ready because the projections were showing that they were becoming realities, and it definitely wasn't '87. If it wasn't '88, it possibly could be '89. We were of course trying to hold this off as long as possible, and hoping that we never had to face this issue. And you also have to keep in mind that the planning process, besides being long and complicated, was totally unfamiliar to us because in our 33 year history we never had to really face this problem.

ASSEMBLYMAN SCHUBER: Then what was the next step that was taken in the procedures with regard to the increase?

MR. ZILOCCHI: Well, as I stated about the planning process and why there was so many details-- The Garden State Parkway, Assemblyman Schuber, unlike the New Jersey Turnpike, has a whole different type of collection system. It's the common concept of open versus closed system. Not to bring the Turnpike into the picture, but the Turnpike probably has a far easier task of increasing tolls if they ever had to, compared to us. Our barrier system that we had to address, our ramp network and all that-- We had to study various types of toll schedules that we felt were possibilities that could meet the possible revenue shortfalls.

The question of the token came up for reasons that were stated earlier here, because if we had to face this going on a toll increase, we'd be breaking away from a quarter -- which is a basic one coin operation. We were looking at some planning process to maintain that one coin operation, and of course the question of a token came up. Now under the token you have to study potential prices, roll sizes, how they would be packaged and by whom, the number of tokens that would be required, how would they be sold, how would they be accepted, how will they be stored and where, accountability systems for these tokens--

ASSEMBLYMAN SCHUBER: George, is this ongoing in '87?

MR. ZILOCCHI: Ongoing in '87, yes.

ASSEMBLYMAN SCHUBER: Well, let me ask you this. In accordance with your--

MR. ZILOCCHI: I'm not finished, though. I had more.

ASSEMBLYMAN SCHUBER: No, I appreciate that. We'll get to that. I'm just trying to date chronologically the happenings. Isn't it true that in the summer of '86, though, there were discussions by the Commissioners with regard to a potential toll increase?

MR. ZILOCCHI: Well, like I stated earlier in my testimony, Assemblyman Schuber, in the summer of '86 we were addressing a possible shortfall that was projected in '87. As we got closer to the end of '86, we found that the shortfall was not going to happen. Also the shortfall that was projected for '87 was not as great, so we were optimistic that even if there were a shortfall, perhaps we could find other means to avoid imposing a toll increase that year on the motorists. But after the '87 budgets were put into place at the end of '86, we were very concerned about the shortfall becoming a reality in '88, and possibly being of a magnitude that we would have to face this possibility. But again, we were not sure at that point.

Now, in going on with the study-- We had to study our toll lanes and equipment: What would be the required toll lane configuration? Will the automatic and manual lanes be grouped or staggered? How many more vaults would we need for our automatic? What about the storage space for our empty and full vaults; usage of gates, possibly, for control purposes; capacity of our toll plazas and ramps, necessary changes to our automatic machines which account for 70% of our revenue. As far as the financing and accounting, we had to see if the banks which do all of our processing were prepared for any potential new system? And we didn't just study one. How many additional pickups would be required because the possibility of a multi coin having added additional coins, and our vaults would have to be replaced sooner? What kind of audit system would have to be adjusted for this? Would toll plazas be able to handle this? How many more collectors we might need? What kinds of signage would be required -- which could be very extensive -- and how would they be fabricated and installed? We were constantly looking at updates and reviews of financial projections and results. I mean, I did not get the final projection -- which was beyond a shadow of a doubt -- until practically a week or so before I went to the Commissioners in November.

We had to look and see because the capital improvement was drawing us toward that too. It was not just our operation. We had to take a look at our capital improvements -- where we've been, where we are, and where we have to go. What are changes we have to make to our capital improvement programs because of changes that occurred in traffic patterns, and so on and so forth.

We also were undergoing a master plan study -- as I stated in my opening statements -- to study the planning and development that was going on, and will be going on in the next five years, that would require us to address and further refine our capital improvement program.

Of course we had to look at our financing program, which Chester Johnson referred to. We also were looking at new toll locations, because part of this recommendation also would put up two new toll barriers and three more ramps. We had to review our operating and maintenance costs, constantly seeing what can be done: if these costs were realistic in their projections or not? What additional burdens were facing us in '87 for '88? And of course, the legal process of putting in a toll increase, which again, was foreign and new to us, and could be very detailed and expensive.

So there was a lot of planning, a lot of things that had to be addressed in '87, not necessarily with the expectation that we would have a toll increase, but to be prepared in case the projections became a reality.

ASSEMBLYMAN DOYLE: That included ordering new tolls didn't it -- new tokens?

MR. ZILOCCHI: The new tokens, sir, were ordered because of two reasons -- not because of the toll increase. The new tokens were ordered because our present supply is running out. And number two, they were ordered so that we can prevent the penetration of slugs that had been coming into our toll collection system, which has been making us lose money. With this new token we feel we can alleviate that situation.

ASSEMBLYMAN DOYLE: That new token is physically different than the existing token that had been used.

MR. ZILOCCHI: Absolutely. Yes.

ASSEMBLYMAN DOYLE: When was the first step taken by the Authority to go into new tokens?

MR. ZILOCCHI: The first step was taken some time in the summer, I believe.

ASSEMBLYMAN DOYLE: Didn't you go out to bid in July for 10 million new car tokens?

MR. ZILOCCHI: That's what I'm talking about, yes. They were bus tokens also, because we also have a present bus token program. But again I emphasize, they were done for replenishing supply, and to try to alleviate the slug with the use of a bull's-eye, which we have displayed right here. (points to chart)

ASSEMBLYMAN DOYLE: You're telling this Committee that going into a new token has nothing to do with the toll increase that you've been talking about for at least three years previously?

MR. ZILOCCHI: We would have to order those tokens regardless of a toll increase or not.

ASSEMBLYMAN DOYLE: But they're physically different, so you wouldn't have had to make physically different ones.

MR. ZILOCCHI: Yes we have, sir, because the present token can be duplicated in slugs. and we are losing approximately a million dollars a year because of slugs on the Highway Authority. These new tokens, with the bull's-eye in it, alleviates that condition to a great extent. We were addressing two things: replenishing of supply, and trying to alleviate the infiltration of foreign matter and coins in our automatic system.

ASSEMBLYMAN DOYLE: But the replenishing of supply you could have done with the existing token, but for the second reason?

MR. ZILOCCHI: That's right.

ASSEMBLYMAN DOYLE: How long had the pre-existing token been in use?

MR. ZILOCCHI: They went into use in 1981.

ASSEMBLYMAN DOYLE: And they had not physically changed?

MR. ZILOCCHI: No, sir.

ASSEMBLYMAN DOYLE: When did you notice that you first had the problem with the use of slugs as a disguise for these--

MR. ZILOCCHI: The problem got progressively worse over the years, and then come '86 and early '87 we felt we had to do something about it.

ASSEMBLYMAN DOYLE: So your effort to do something about it was only coincidentally contemporaneous with these discussions of the toll increase?

MR. ZILOCCHI: Yes.

ASSEMBLYMAN SCHUBER: What is your next procedure with regard to the implementation of the toll increase?

MR. ZILOCCHI: The next procedure after the study is finalized, sir, and the projections showed us that we had to face this because of the bonding requirements and the ratings, was to initiate and go to the Commissioners and ask them to begin the process of presentation for the public of the problem, and recommended solution that we have--

ASSEMBLYMAN SCHUBER: And when was this?

MR. ZILOCCHI: This was done on November 19.

ASSEMBLYMAN SCHUBER: Of 1987?

MR. ZILOCCHI: Yes.

ASSEMBLYMAN SCHUBER: All right. What happened at that point, on that day?

MR. ZILOCCHI: The Commissioners authorized the toll increase -- not necessarily authorizing a toll increase. I correct myself on that -- to begin the legal process of proposing a toll increase.

ASSEMBLYMAN SCHUBER: Was that done at the executive session of the Commissioners?

MR. ZILOCCHI: No, that was the public session.

ASSEMBLYMAN SCHUBER: That's the public session? Wasn't there a prior executive session when this was discussed?

MR. ZILOCCHI: At the October meeting, yes.

ASSEMBLYMAN SCHUBER: At the October meeting?

MR. ZILOCCHI: Yes.

ASSEMBLYMAN SCHUBER: What happened at the October meeting?

MR. ZILOCCHI: At the October meeting there was a distribution of recommended toll rates for information to the Commissioners.

ASSEMBLYMAN SCHUBER: All right. That was discussed at an executive session. Is that correct?

MR. ZILOCCHI: Yes.

ASSEMBLYMAN SCHUBER: Okay. Was that discussion listed on any type of public notice that it was to be discussed?

MR. ZILOCCHI: It was part of our exempt meeting, which we discussed as a matter of the exempt meeting. The public notice goes out for the regular public meetings.

ASSEMBLYMAN SCHUBER: I recognize that, but was there any type of notification made that this issue was going to be discussed at the October meeting? Any public document or notice made that--

MR. ZILOCCHI: No. There was none.

ASSEMBLYMAN SCHUBER: And that this was then adopted in public on November 19?

MR. ZILOCCHI: That's right, and further readopted on November 30.

ASSEMBLYMAN SCHUBER: Now the minutes that are kept of the executive sessions, I guess are kept by the attorney. Is that correct?

MR. ZILOCCHI: Correct.

ASSEMBLYMAN SCHUBER: Is there any reason why that's done that way?

MR. ZILOCCHI: I have no knowledge of that. It's been a practice since I can remember, sir.

ASSEMBLYMAN SCHUBER: Do the Commissioners see these minutes?

MR. ZILOCCHI: No, sir.

ASSEMBLYMAN SCHUBER: They do not?

MR. ZILOCCHI: They do not see them.

ASSEMBLYMAN SCHUBER: Is there any reason why that's the case?

MR. ZILOCCHI: Assemblyman Schuber, again. I say that that was a practice that was initiated many many years before I was involved, before Chairman Stanley was involved, and quite frankly it just continued.

ASSEMBLYMAN SCHUBER: I understand. I understand that. I'm trying to get to the issue of what procedures are utilized, or what aren't and why. From the point of view of an Authorities question, don't you think it's a good idea that the Commissioners review the executive session minutes?

MR. ZILOCCHI: I have no comment really to say on that. It's just, like I stated, it was the practice, and it was just never done.

MS. STANLEY: I never knew they existed until 10 minutes ago.

ASSEMBLYMAN SCHUBER: The question is, does the Governor get the executive session minutes?

MR. ZILOCCHI: Someone from the Authorities Unit gets a copy of them.

ASSEMBLYMAN SCHUBER: Someone from the Authorities Unit--

MR. ZILOCCHI: Yes.

ASSEMBLYMAN SCHUBER: --of the Governor's office--

MR. ZILOCCHI: Yes.

ASSEMBLYMAN SCHUBER: --gets the executive session minutes?

MR. ZILOCCHI: Yes.

ASSEMBLYMAN SCHUBER: But the Commissioners don't?

MR. ZILOCCHI: The Commissioners didn't get any. I might add that they received it-- A copy was sent to the Authorities Unit at the request of the Authorities Unit.

ASSEMBLYMAN SCHUBER: Now, let me ask you this. When was the first step taken to meet some person from the executive branch of government with regard to the issue of a toll increase?

MR. ZILOCCHI: In early 1987, as part of a periodic meeting -- it doesn't really follow any order, like every six months or-- (inaudible) -- early '87 a meeting was held with the Governor based on general Parkway matters, and the fact was brought up to the Governor concerning the projections of the official statements, and how in '87 we were surviving without a toll increase, and that we felt that just in case we had to be prepared for '88. The Governor at that point told us to hold off as long as possible in the interest of the motoring public, to try, hopefully, to have the same success that we had in '88 that we had in '87, but agreed to be ready -- subject, of course, always to his final approval -- to begin whatever planning process we had to begin.

ASSEMBLYMAN SCHUBER: When did this meeting take place?

MR. ZILOCCHI: In January of '87.

ASSEMBLYMAN SCHUBER: In January of '87?

MR. ZILOCCHI: Yes.

ASSEMBLYMAN SCHUBER: And who was present for that meeting?

MR. ZILOCCHI: I was present, sir, the Chairman, and a couple of other Commissioners.

ASSEMBLYMAN SCHUBER: And?

MR. ZILOCCHI: The Governor.

ASSEMBLYMAN SCHUBER: The Governor. All right. And as I understand it, you indicated to the Governor that based on your projections, some type of toll increase was going to be necessary for 1988. Is that correct?

MR. ZILOCCHI: Might be necessary.

ASSEMBLYMAN SCHUBER: Might be necessary for 1988. Okay. What did the Governor tell you?

MR. ZILOCCHI: The Governor stated to us that it was his wishes that we hold off any toll increase as long as possible in the interest of the motoring public, and to try to do everything conceivable, to look at our projections, to look

at our figures, and do everything possible to not have to have a toll increase. But he also consented to begin the planning process in case we had to face that situation.

ASSEMBLYMAN SCHUBER: All right. The Governor's exact words with regard to the postponement, are as you've indicated them, or those are a paraphrase?

MR. ZILOCCHI: Those are my paraphrase. That's my impression of the meetings.

ASSEMBLYMAN SCHUBER: Does anyone remember -- either yourself, or Mrs. Stanley -- what the Governor said as far as why there should be a postponement?

MR. ZILOCCHI: I can't give you word-for-word, but those were the two motivating factors. Number one, the main reason was, you don't need it in '87, hopefully you won't need it in '88, try to do your best not to have it in '88, but if you feel you have to be ready just in case, start the planning process.

ASSEMBLYMAN SCHUBER: All right. That's what the Governor said?

MR. ZILOCCHI: That's right.

ASSEMBLYMAN SCHUBER: Is that your indication also, Madam Chairman?

MS. STANLEY: Yes.

ASSEMBLYMAN SCHUBER: Did anyone else from the executive branch attend that meeting at all?

MR. ZILOCCHI: The representative of the Authorities Unit also attended.

ASSEMBLYMAN SCHUBER: Of the Governor's office?

MR. ZILOCCHI: Yes.

ASSEMBLYMAN SCHUBER: And that is?

MR. ZILOCCHI: Mr. Weinstein.

ASSEMBLYMAN SCHUBER: Mr. Weinstein, okay. Anytime prior to that January meeting of 1987, was there any meeting with the Governor, and yourself, and members of the Commission, with regard to the discussion of a toll hike?

MR. ZILOCCHI: No, sir.

ASSEMBLYMAN SCHUBER: There was not. In '86, I note in your minutes of your meeting of August 28, 1986 -- part of your minutes indicate that the Authority's proposal with regard to a potential toll increase was submitted to representatives of the Governor, who were currently reviewing the proposal. What was that, and who were they?

MR. ZILOCCHI: That again was the Authority Unit individuals -- in '86, where we were just highlighting the projections that were in the '86 official statement.

ASSEMBLYMAN SCHUBER: Which means?

MR. ZILOCCHI: Which means, that indicated that, again, come '87 on, we would have to be very careful about possible revenue shortfalls.

ASSEMBLYMAN SCHUBER: All right, so you were projecting a potential revenue shortfall and potential toll increase for '88, back in the summer of '86. Correct?

MR. ZILOCCHI: Again, sir, we were looking back in the summer of '86 to see if it would happen in '87, because that was the first year that the official statement indicated.

ASSEMBLYMAN SCHUBER: I understand, but the potential was there for one in '88?

MR. ZILOCCHI: Yes.

ASSEMBLYMAN SCHUBER: All right, and that was discussed with a representative of the Governor at that time. Is that correct?

MR. ZILOCCHI: Yes.

ASSEMBLYMAN SCHUBER: All right, so they were aware of that at that time?

MR. ZILOCCHI: Yes.

ASSEMBLYMAN SCHUBER: Now, after January of 1987, did there come a time when you met with the Governor again?

MR. ZILOCCHI: No, sir.

ASSEMBLYMAN SCHUBER: All right. Now, I have heard of a meeting that's allegedly to have taken place, that is referred to in the March minutes of 19--

MR. ZILOCCHI: '87.

ASSEMBLYMAN SCHUBER: --'87, with regard to Mr. Johnson I believe. Is that correct?

MR. ZILOCCHI: That's right.

ASSEMBLYMAN SCHUBER: And since I have Mr. Johnson here -- that Mr. Johnson--

MR. ZILOCCHI: Now, you've finally met the Mr. Johnson, yes.

ASSEMBLYMAN SCHUBER: I have finally met him. Why don't we ask Mr. Johnson what took place. I understand the March minutes indicate that you're-- Let me see those. Hold on for one second. (looks through papers) The March 26, 1987 minutes -- which is an exempt meeting of the New Jersey Highway Authority -- Mr. Johnson was present during the course of that discussion. Is that correct?

MR. JOHNSON: Yes, I was.

ASSEMBLYMAN SCHUBER: In March 26, 1987, you were--

MR. JOHNSON: For the exempt meeting.

ASSEMBLYMAN SCHUBER: The minutes go on to state that you were present during the discussion of the financing. You reported that in accordance with Executive Order 147, the Authority submitted its plan for refinancing to the State Treasurer. "Mr. Johnson further stated that the Authority had received a reconfirmation from the Governor of approval for the barrier toll increase, provided that such toll increases are not made public until after the first week in November of 1987. Mr. Johnson indicated that short-term financing sought by the Authority could be based on the approved toll increase of the ramps, not based upon any anticipated barrier increase. In addition, the Governor's State Treasurer required that the short-term financing not adversely affect the Authority's

rating." Now, the question I have for you is simply this: When did you have a meeting with the Governor, if you did, and if you didn't, who did you have it with and what was discussed?

MR. JOHNSON: Well, I saw the-- First of all, I never met with the Governor on this issue, or any other issue related to the Authority. So we can put that to rest at once. As I've indicated on other occasions, I didn't see the minutes of the exempt meeting until subsequent to the announcement of the process by which a toll increase could possibly be put in place on November 19. If I had seen that, I would have made corrections to the minutes.

ASSEMBLYMAN SCHUBER: What corrections would you have made?

MR. JOHNSON: Well in particular you make reference to meeting with the Governor, and getting approval from the Governor. That didn't take place. That reference should not have been made there. Secondly, obviously the reference made to the first week in November. As you indicated, those minutes are recorded by the general counsel to the Authority. I can understand how those items could have occurred. As I recall it, there was a general discussion of exactly what the timing would be, or could be, for announcement of a toll increase. And, quite frankly, for financial and for credit reasons, my advice was, and would still be to the Authority that the announcement not occur in the midst of a -- at a time which can turn a toll increase into a political football. Whether that was by virtue of earlier comments that I had made with respect to particularly Standard & Poors' approach to the Authority's rating, I could understand how those minutes would be reflected the way they were, but they should not have in any way reflected a conversation which never took place with respect to myself and the Governor. Number two, I never received -- I can't speak for others -- but I never received a specific order from anyone in the Governor's office to hold off announcement until after the elections per se.

ASSEMBLYMAN SCHUBER: All right. So your testimony is you never received any -- from the Governor, or anybody in any of his departments-- to hold off the announcement of this increase until after--

MR. JOHNSON: I was never told to indicate to the Authority to hold off until after the elections.

ASSEMBLYMAN SCHUBER: And are you stating then that the issue of the holding this off until November of '87, which appears in these executive exempt meeting meetings, was your idea?

MR. JOHNSON: I'm saying that a general discussion could have resulted in that kind of comment being made, because it was my opinion as financial advisor to this Authority not to have announcement of this in the context, at a time where it could turn into a political football.

ASSEMBLYMAN SCHUBER: All right. So your testimony is that was your statement, then.

MR. JOHNSON: I'm not defending those minutes, because the minutes are incorrect. I'm telling you that I can understand how the first week in November appeared in those minutes, but I'm not saying specifically why because I didn't write the minutes.

ASSEMBLYMAN DOYLE: Who did?

MR. JOHNSON: The general counsel for the Authority.

ASSEMBLYMAN SCHUBER: The general counsel writes the minutes. Fox and Fox, is that correct? I mean, who prepares the minutes?

MR. ZILOCCHI: General counsel.

ASSEMBLYMAN SCHUBER: And that is?

MR. ZILOCCHI: Fox and Fox.

ASSEMBLYMAN DOYLE: You mean this general counsel, who I am sure is paid reasonable but significant fees, is nothing but a mere scrivener at these meetings, writing down what happens as a stenographer would? Is that what you're telling us?

MR. ZILOCCHI: Mr. Doyle, he does much more than that, but he also keeps notes and obviously prepares the minutes. But he's not just a stenographer.

ASSEMBLYMAN DOYLE: And where do these minutes physically go, under his lock and key never to be seen again until this controversy?

MR. ZILOCCHI: The minutes were kept by him, and a copy was mailed to the Authorities Unit, and a copy was mailed to the official files of the Highway Authority.

ASSEMBLYMAN DOYLE: Now, these discussions happened at meetings that started as public meetings. Correct?

MR. ZILOCCHI: They were meeting that were exempt meetings, sir.

ASSEMBLYMAN DOYLE: Well, you can't have an exempt meeting unless you adopt at a public meeting a resolution allowing you to go into closed session, under the Open Public Meetings Act.

MR. ZILOCCHI: Right. That's correct.

ASSEMBLYMAN DOYLE: So, when was the adoption of the resolution, and is that spread upon the public minutes showing the reasons for and when you were going into a private session, as required by the Open Public Meetings Act?

MR. ZILOCCHI: The resolution is prepared at the end of the prior meeting the prior month, and then after the following month after the exempt meeting is over and we go for public session, then the announcement is made at the exempt meeting, which was just held.

ASSEMBLYMAN DOYLE: Well, the particular March exempt meeting where the minutes evidently improperly reflect the quote that Chairman Schuber read of Mr. Johnson's -- that the Authority had received a reconfirmation from the Governor of approval for a barrier toll increase. When was that private meeting, that secret meeting, authorized?

MR. ZILOCCHI: That was not a secret meeting. It was an exempt meeting, sir. That meeting in March was authorized at the end of the February meeting.

ASSEMBLYMAN DOYLE: Do we have available copies of the February public minutes that show the resolution?

ASSEMBLYMAN SCHUBER: I don't have the February ones. I have the August and the-- Oh the public meetings I don't have, no.

ASSEMBLYMAN DOYLE: Has there been any request of the Authority--

ASSEMBLYMAN SCHUBER: We would ask that as a result of the testimony that's coming out, would those minutes be provided to the Committee?

MR. ZILOCCHI: Which minutes, the public minutes?

ASSEMBLYMAN SCHUBER: Correct.

MR. ZILOCCHI: Of what, the 1987--

ASSEMBLYMAN SCHUBER: Actually, quite frankly, I would like to see the public minutes now, starting back in 1986 through '87 and through and up to the present time.

MR. ZILOCCHI: Okay. They will be provided.

ASSEMBLYMAN DOYLE: They're not here now, are they, perchance?

MR. ZILOCCHI: No I don't have them, sir.

ASSEMBLYMAN DOYLE: Do you happen to have any independent recollection of what the resolution stated in February of '86, under what exception you were authorized to go into private session in March of '87?

MR. ZILOCCHI: I have no recollection.

ASSEMBLYMAN DOYLE: Well, you've in the past -- for the February -- excuse me, the August of '86 meeting at which the private meeting minutes reflect that the \$80 million financing for '87 to cover continuing construction costs, without need for a toll hike, would be avoided in public. That session went into private session because it was to discuss

contract negotiations, which is an exempt reason. What was the contract negotiations that were relevant to hiding the discussion of the toll ramp increase from the public?

MR. ZILOCCHI: Well, I won't accept the word hiding, but the contract negotiations are contracts that have to do with bonding and financing.

ASSEMBLYMAN DOYLE: So it was the bonding question and the financing with the bonding authorities that was the contract negotiations?

MR. ZILOCCHI: Yes.

ASSEMBLYMAN DOYLE: Mr. Fox not being here, I think it's clear that the contract negotiations in the statute have reference to personnel matters and not that what you have suggested. The January meeting that has been reported between yourself, Mr. Zilocchi and Mr. Weinstein, where did that occur?

MR. ZILOCCHI: At the Governor's office, sir.

ASSEMBLYMAN DOYLE: And was that discussion that you had reported back by you to the Highway Authority?

MR. ZILOCCHI: That discussion with the Governor's office was reported back to the Commissioners. Yes.

ASSEMBLYMAN DOYLE: And would your report of that meeting be reflected in some minutes, be they private or public?

MR. ZILOCCHI: Actually the report of the meeting would be reflected at the-- If it was done at the exempt meeting it would be reflected in the minutes of that meeting.

ASSEMBLYMAN DOYLE: But even with controversy you haven't looked back at the private minutes to find out whether that's reflected?

MR. ZILOCCHI: I believe the January 1987 minutes reflect that.

ASSEMBLYMAN DOYLE: Because evidently at that meeting -- and quoting from The Star-Ledger of November 24, 1987 -- "He" referring to yourself "said it was agreed that a toll increase would be necessary and that an announcement should be

delayed until late in the year. It was decided it was best to use the year to look at options and do all the planning that was necessary, Zilocchi said." So if I read that right, you were saying that in January it was agreed between you and Mr. Weinstein that a toll hike was necessary, but you would just look at the planning to reaffirm that decision?

MR. ZILOCCHI: No I will not. In January, again as I stated previously, we agreed that if unfortunately the projections became a reality for 1988, we should be ready to face that eventuality and begin a planning process to see how those revenue shortfalls could be corrected.

ASSEMBLYMAN DOYLE: If that's the case, then I go to the Authority's minutes of the January 22nd meeting, where Governor Kean agreed to the ramp toll increase but told Parkway officials to hold off on to the basic toll increase until the end of the year. Did that happen at the January 22nd meeting?

MR. ZILOCCHI: Governor Kean did not agree to a ramp toll increase. Governor Kean's position was again to hold off, and that if during '87 we came into any problems that he would consider as a minimum impact a ramp increase. But Governor Kean has never given approval for any type of toll increase, sir.

ASSEMBLYMAN DOYLE: So, as with the March quote from Mr. Johnson, that quote from the private meeting minutes is also incorrect?

MR. ZILOCCHI: That quote is incorrect.

ASSEMBLYMAN DOYLE: Let me read you another quote from the March meeting in addition to the one the Chairman has read. "This short-term method would not involve a bond rating requirement, and more importantly would not likely involve any significant discussion on the issue of a potential increase. On the other hand, long-term financing would directly involve consideration of the potential rate increase. There was, however, concern that that would generate too much visibility

on the toll increase issue." Does that quote from the March meeting accurately reflect what was said?

MR. ZILOCCHI: I'll refer that to Chester.

MR. JOHNSON: I think it does, and most of that is probably my discussion of the issue. Bear in mind, to put into perspective, the Parkway is one of the premiere credits of the State. I mean, as we've repeatedly stated, the Parkway is rated the highest among toll roads in the entire country.

ASSEMBLYMAN DOYLE: Mr. Johnson, with all due deference-- The past credibility, operation, safety, and beauty, of the Parkway is not at issue. It has been, and is today, a first-class highway, operated in a first-class manner. Unfortunately, because of how you arrived at that first-class operation, in an operation that can best be described as removed from public view -- and I think all of us who are in public life, the media, and most importantly Legislators, should take some blame for giving the Authority such free reign in the past, although they have admittedly used that free reign well-- Now you come to a juncture where you do something that is extraordinarily different from anything you've done, a toll increase, and that is the single most important issue. Is it necessary? Unfortunately, that issue has been covered because the Highway Authority has acted with such a veil of secrecy over the past year, and has covered that with inexplicably inconsistent explanations of what happened, and what the minutes say, and who kept the minutes and why, and the Open Public Meetings Act, and two meetings to do the same thing. Unfortunately, but of necessity, that has risen as another issue. I don't argue about the Parkway's operation, but the facts, figures, projections, and the nature of how this was done, are legitimate and serious questions I hope we get a chance to raise today.

MR. JOHNSON: No, I understand. I was just attempting to describe from our perspective-- I mean, as you know, salesmen sell, plumbers plumb, and politicians politic, and financial advisors advise on finance. I have no problems stating before this body or any body for credit purposes, for maintenance the rating of one of the premiere credits of the State of New Jersey -- which in fact reflects on the State's own AAA rating -- that the announcement should not have been done in the context -- from a credit point of view, from a financial point of view -- in the context which would have made it a political football. I'm saying that from the point of view of a financial advisor advising on finance matters.

ASSEMBLYMAN SCHUBER: I understand that. We understand that.

ASSEMBLYMAN DOYLE: And having given the Authority that opinion, they accepted and followed that opinion. Didn't they?

ASSEMBLYMAN SCHUBER: We understand that that's the case--

ASSEMBLYMAN DOYLE: I didn't have an answer to that question.

ASSEMBLYMAN SCHUBER: Well, we're going to get it in a minute. We understand that that's the case with regard to how you see it. However, as we as legislators see it, the fact of the matter is that even though the Authority is an independent agency, does not mean it is removed from the public's purview.

MR. ZILOCCHI: Assemblyman--

ASSEMBLYMAN SCHUBER: Regardless of the fact what the issue may be as to why financially this announcement should be made, I think the public's entitled to know is basically the bottom line here. Let me ask you this-- Go ahead.

MR. ZILOCCHI: I couldn't agree with you more about the public. I mean, we are a public agency. Irrespective of Mr. Johnson's comments, we couldn't have been ready, nor did we

know for certain until late in the year -- and we acted in very good faith because we were only trying to put a plan together in case we had to face this problem, and that plan was to be proposed to the public in order to go through the legal process, have all the required public hearings-- In fact, we're going to have more than the required public hearings. We're going to have four of them. They were just announced the other week. We are not trying to keep anything from the public, but we felt it was our obligation to be prepared in the case of this eventuality, and then have something to recommend to the public and listen to what the public comments were -- as the Chairman stated in her opening remarks -- listen to the legislative comments and everything. What we did in November was just propose a suggestion in order to meet this revenue shortfall.

ASSEMBLYMAN SCHUBER: One thing I would make a recommendation to the Authority-- I will announce to you know that in 1988 the Independent Authorities Committee is going to overlook the idea of all of the highway authorities and their independence. Not only this one, but the Turnpike and the Atlantic City Expressway; not only in the context of this, but in other areas. But I would just as a matter of course indicate to you that I think it would be highly recommendable to all of you that you adopt a different procedure with regard to your minutes, and the adoption and the taking of your minutes--

MS. STANLEY: We fully intend to.

ASSEMBLYMAN SCHUBER: --in the exemptive meetings. It might have avoided a lot of the problems that have taken place with regard to this.

MR. ZILOCCHI: Assemblyman Schuber, we fully intend to. In fact, we're going to change the format of our meetings beginning with the month of December. And I can say that I always welcome and want to hear recommendations from whatever study this Committee has and comes up with.

ASSEMBLYMAN SCHUBER: Assemblyman DiGaetano?

ASSEMBLYMAN DiGAETANO: Mr. Johnson, I believe you testified earlier that you had only reviewed the minutes of the exempt meetings ten days ago or thereabouts. Is that--

MR. JOHNSON: Well, it would be longer than that. Well, let's say I saw them on November 19 or thereabouts. I saw the minutes -- actually the aggregate number, or the minutes -- following their release to the press. And I forget what day that was.

ASSEMBLYMAN DiGAETANO: Did you have an opportunity to review the entire set of minutes for the year '87, or did you just review that January and March meeting?

MR. JOHNSON: I looked over them, but I can't say that I reviewed them in great detail, because I mean there are lots of items in there that do not refer at all to financial matters or debt management issues.

ASSEMBLYMAN DiGAETANO: I agree with that. However, in my reading of it, in just about every reading in the finance section you, Mr. Johnson, are a very prominent part of that. And you are, if not every meeting in the finance section, almost every meeting, you are particularly mentioned -- if not quoted, or your statements noted. Would you agree with that?

MR. JOHNSON: Those that I've seen, yes. I think there are some exceptions to that, but I think I appear in the minutes in the finance areas.

ASSEMBLYMAN DiGAETANO: Okay, just let me read you a couple of comments then, from the October '87 meeting. It says, with reference to you, Mr. Johnson, that, "Chester Johnson reported with respect to financial projections. His projections demonstrated the need for a toll increase. It was agreed that the matter would likely be presented for public presentation at the November 19th meeting." Is that an accurate account of your report or statements?

MR. JOHNSON: Yes. I think I'd like to refer to the fact that those presentations that we prepared were with respect to the size of the financing program that the Authority could implement, and that being showing the projected debt service on that capital improvements program, and how that fit into the revenue projections that Vollmer had made and the expenditure projections that the Authority had made.

ASSEMBLYMAN DiGAETANO: Thank you. The August '87 meeting specifically states, "Johnson briefly reported on the status of the matter. He stated that the credit agreement with Morgan Guarantee was substantially in place. All major points had been resolved between the parties. He stated further that he had met with each of the rating agencies, Moody and Standard & Poors, and that each agency indicated this short-term financing would not adversely affect the rating of the Authority. However, he did indicate that Standard & Poors would like to meet with representatives of the Authority and the State later in the year, with respect to any proposed toll increases." Is that an accurate account of your statement?

MR. JOHNSON: Not really, because I did not meet with Standard & Poors. There was a conference call held where I happened to be-- I had to testify out in Michigan at some point, and there was a conference call held among representatives of the State Treasury Department, members of the staff at Standard & Poors, and myself. So I would say that that particular reference was incorrect.

ASSEMBLYMAN DiGAETANO: So it was not that you had met with each of them, but you had met with one of them and spoken with the other.

MR. JOHNSON: That's right.

ASSEMBLYMAN DiGAETANO: Okay. At the May '87 meeting the minutes reflect that Mr. Zilocchi stated that, "Mr. Johnson has met with Treasury, and as a result of that meeting has been instructed to approach several banks in both New Jersey and in

New York. Treasury indicated that New Jersey banks should only be the larger banks able to handle the transaction without farming out any portion of it to other institutions, accordingly Johnson had intended only to contact First Fidelity and UJB," and in parenthesis, "Midlantic is not available since it is a trustee." Do you have a problem with that account?

MR. JOHNSON: In general terms, not really, although I would also say that as I recall, probably Jim Weinstein was aware of that, and may in fact have been part of the discussion, and I may have reported that -- as opposed to being just Treasury, it may very well have been both Treasury and the Authorities Unit, because-- Let me just step back for a minute, Assemblyman. The references that you are making to the communication that the Authority through GFA with the State, was a direct result of the Executive Order 147, which requires the Governor's office through the Authorities Unit and the Treasury Department, to follow and be aware of all aspects of the financing program that's implemented by the Authority. So it was fairly routine to have some participation by the Authorities Unit in those discussions, whether it was by phone, or whether it was in person.

ASSEMBLYMAN DiGAETANO: I don't question that at all, Mr. Johnson.

MR. JOHNSON: I'm just saying that in addition to Treasury, I may have made reference to the Authorities Unit.

ASSEMBLYMAN DiGAETANO: My point is, basically, that my reading of these minutes indicate that you are very much a part of the meeting, at least with respect to the financing. And it appears that with two exceptions, the -- whoever it was -- the counsel taking account of the meeting and putting that onto paper comprising some minutes of those meetings, he seemed to have accurately reflected your statements in all but two cases. And your indication of that is those are the two cases where specifically the Governor's approval, and/or some tacit approval of the toll increase was indicated.

MR. JOHNSON: Plus those adjustments I would have made relative to the telephone conversation, and the participation of the Authorities Unit as we develop the financing program.

ASSEMBLYMAN DiGAETANO: I find it hard to believe that someone as prominent in those meetings as you would be misquoted, or your statements not accounted for properly on a couple of pertinent occasions. And I seriously doubt when it comes to political ramifications that the person taking the account of those meetings would deliberately misquote you, or misstate that which you had presented to the Committee.

Be that as it may-- Would you or Mr. Nielsten be in a position to address the proposed increase, and your statements made earlier as to it really being only a 10 cent increase. I made some calculations, and of course these are longhand, and very quickly done. References were made to pages 25 and 26 of the reports, and on page 25 -- I should say page 26, revenues indicated, as to revised tolls for the period '87 to '88, indicate approximately a 50% increase in toll revenues. Would you agree with that, Mr. Nielsten or Mr. Johnson?

MR. NIELSTEN: That is correct.

ASSEMBLYMAN DiGAETANO: Okay. Your 50% increase in toll revenues is predicated on some people paying the 10 cent increase -- or a 35 cent discounted fare -- and some people paying the 50 cent fare -- or 100% increase. Is that correct?

MR. NIELSTEN: That is correct.

ASSEMBLYMAN DiGAETANO: Okay. Simple mathematics indicates that for those figures to be accurate, and for a 50% increase to be effected for the year 1988, that 80% of those users would have to pay the discounted fare to make the projected revenue increases a 50% increase. Would you agree with that?

MR. NIELSTEN: It's slightly less than 80%. It's between 70 and 75, and it varies by location substantially. I mean, our estimates were not done as an aggregate. It was done by plaza throughout the system.

ASSEMBLYMAN DiGAETANO: Right. Now, it was stated earlier that currently 70% of those Parkway users use the automatic toll plazas. Did you recall that?

MR. NIELSTEN: Yes.

ASSEMBLYMAN DiGAETANO: Okay. What you are stating -- or I should say what you are projecting -- to get to a 50% increase is that more than currently use automatic toll plazas will now use the discounted tokens, so that somewhere between 75% and 80% of those users of the Parkway will in the future use the discounted tokens, so that in effect more than currently use automatic toll plazas will use the discounted 35 cent token.

MR. NIELSTEN: That is correct.

ASSEMBLYMAN DiGAETANO: So that we will have at least the same traffic at the automatic toll plazas as we do now, and we will have significantly more traffic at the manned, or manual, toll plazas as we do now. Would you agree with that?

MR. NIELSTEN: Well, it's the same traffic in either case. Your question, what's the distribution? How do they function in the lanes?

ASSEMBLYMAN DiGAETANO: No, what I'm suggesting, sir-- I'll make it very clear. You project what is a 50% increase in revenue, and I totally disagree with that; because just from the figures that I put together longhand in a very short period of time, I would say that your revenue figures are conservative, is probably the understatement of the year. And I suggest to you that your revenue figures at 50% are much more likely to approach 75%, even if you promote the use of the 35 cent discounted token; which would greatly increase the so-called surpluses for the years '88 to '92. Secondly, using your figures, with that 50% increase I would like to know -- and I don't know who would be the person to answer this -- but I would like to know why with a \$25 million surplus in '88, your income on investments would only increase \$200,000? So who would like to answer that?

MR. PALOMBO: The monies available for income on investments relate directly to the net operating revenues. The various funds that are within our revenue fund for the meeting of various requirements for debt service, and several reserves that we have. But the money that is generated actually flows out of the revenue fund and it does not remain there, and if after we meet all of our operating expenses, debt service requirements, reserve requirements, there is any monies left over on a month to month basis, these funds are transferred to the Parkway construction fund where the capital improvement program is. The monies are then invested there. Those investments are not shown as part of these calculations for projected operating results, so the monies that are available for investment don't necessarily change that much, even though the revenues do go up on a month to month basis.

ASSEMBLYMAN DiGAETANO: What are the debt service figures for the proposed \$410 million capital program that Mr. Zilocchi alluded to earlier?

MR. JOHNSON: Maybe I should--

MR. ZILOCCHI: Go ahead, Chester.

MR. JOHNSON: Maybe I should go into that. If you will notice on page 26, '87 is just the payment of debt service on the outstanding amount of bonds, which is roughly now nearly \$415 million. That's the \$34 million under '87. There's an assumption of the issuance of about \$230 million in bonds on June 1, 1988, which shows there's really only a partial payment from when we would issue the debt on June 1 of '88 -- and the Authority is on the calendar year -- the \$46.2 million is only a partial payment of debt service on the \$230 million.

ASSEMBLYMAN DiGAETANO: For the period from June until the end of the year.

MR. JOHNSON: Exactly.

ASSEMBLYMAN DiGAETANO: Right.

MR. JOHNSON: Then you pick up a whole year's debt service in 1989, with about \$57 million in debt service, that carries over through 1990, then we assumed about \$120 million issuance of debt. In 1991, again in June, this would be only a partial year's debt service. 1992 is the payment of the full amount of debt service.

ASSEMBLYMAN DiGAETANO: Which would equal what number? Is that the \$410 million number?

MR. JOHNSON: No. See the amount of money that we're referring to there, the \$230 million and the \$120 million, would equal only about 350, and you have to deduct an amount in terms of issuance costs and other types of -- you know, printing costs, payment to underwriters, that sort of thing. Then over and above that is the amount of money down here at the bottom. Okay? If you were to then deduct down to the net amount of proceeds of the bond issue and then add up these amounts -- which would be about \$91 million, from 1988 through '92, where the Authority has historically used operating surplus to fund capital projects -- then that amount would produce the \$410 million. Am I making myself clear?

ASSEMBLYMAN DiGAETANO: If you could just give me the numbers again. We have debt service expenses that represent 400 and odd million dollars, what is that?

MR. JOHNSON: It's about \$350 million in bonds that would be issued over the five-year period.

ASSEMBLYMAN DiGAETANO: So that's future you're talking about? I'm talking about what is for '87, 33--

MR. JOHNSON: All right. That's \$34 million. That's the amount of debt service the Authority is paying on approximately \$415 million in bonds now outstanding.

ASSEMBLYMAN DiGAETANO: Okay, and you're suggesting then that for the period '88 to '92 that these figures reflect an additional \$350 million for a total of \$765 million, okay. Is that correct?

MR. JOHNSON: Yes. Although as we move into the period, principal payments are being made, so there is a fundamental reduction in the amount of bonds. But that \$33.9 million remains constant over the life of the outstanding bonds. It's just like a mortgage; there's a reduction in interest and an increase in principal as you move over time.

ASSEMBLYMAN DiGAETANO: Right. Mr. Zilocchi specifically alluded earlier to a \$410 million figure, which was more realistic than a projected \$570 million figure -- I believe it was -- and what I'm asking is, to what do we apply the \$410 million? Does that apply to the total of \$415 million and \$350 million, or a total of \$765 million? Does that \$410 million apply to the \$415 million? Is that \$410 million over and above the \$415 million and the \$350 million?

MR. JOHNSON: Well, to summarize it, the \$410 million is our estimated amount of funds that can be applied by the Authority for capital improvements over the next five years, period.

ASSEMBLYMAN DiGAETANO: With the toll increase?

MR. ZILOCCHI: Excuse me. With the toll increase. What you heard Mr. Conlon say is what we feel we need over the next five years, which was the \$563 million plus \$81 million. That \$410 million gets applied to that. So, the next question is, naturally, that we are not raising enough money to meet the entire capital improvement program. The answer is yes.

ASSEMBLYMAN DiGAETANO: Okay, so the \$350 million that is projected for the years '88 to '92, does that apply to the \$570 million -- or \$563 million?

MR. JOHNSON: The net amount would be. The net amount, but it's not \$350 million because you have to pay out certain payments to underwriters in issuance costs, that sort of thing. Only by adding these amounts at the bottom, called "revenues less expense" -- starting out with \$25.6 million, going down to nearly \$5 million in 1992 -- you add that to the

net amount of the issuance of bonds do you come up with the \$410 million that would be available to fund the Authority's capital improvements program.

ASSEMBLYMAN DiGAETANO: So what you're saying is that if we took the \$91 million figure, which is a surplus of '88 to '92, and added that to the \$350 million which you anticipate floating for '88 to '92, we come up with \$440 million, less the expenses which brings that down to about \$410 million.

MR. JOHNSON: Right.

ASSEMBLYMAN DiGAETANO: Is that what you're saying?

MR. JOHNSON: That's right. There's some investment income in there as well, but that's roughly what you got it.

ASSEMBLYMAN DiGAETANO: Okay. So basically what you're doing is taking the surplus, and applying it directly to a capital program rather--

MR. PALOMBO: That has been the practice of the Highway Authority since its inception.

MR. JOHNSON: And it has been a very valuable practice in terms of the maintenance of our ratings, because what essentially happens is there is a contribution annually by the Authority to its toll road, without a related liability. And any accountant would tell you, all you're doing is building up equity in the system without building up debt. That means that over time the equity in the system, or the non debt value of the system, is substantially higher than the debt portion. That is one of the primary reasons that we have as high a rating as we do.

ASSEMBLYMAN DiGAETANO: Okay. Continuing along the same lines, then. For the period 1988 to 1992 what is the annual increase in debt service due to the capital improvement expansion program?

MR. JOHNSON: Well, it's under, "Expenses, Debt Service (E)."

ASSEMBLYMAN DiGAETANO: That's on page 26?

MR. JOHNSON: That's correct.

ASSEMBLYMAN DiGAETANO: So what you're saying is, the annual increase from 1987 to '88 is approximately -- let's round them off to \$13 million -- actually \$12.5 million?

MR. JOHNSON: It's \$13 million, then \$10 million, then 0, then \$6-1/2 million, then approximately \$5-1/2 million.

ASSEMBLYMAN DiGAETANO: And the figures on page 25, which address the debt service, that is absent the \$410 million program?

MR. ZILOCCHI: Yes, Assemblyman, because under our present toll structure we could not go out and bond for the capital improvement program, so therefore it wouldn't incur additional debt service.

ASSEMBLYMAN DiGAETANO: Under your present toll--

MR. ZILOCCHI: You went back to page twenty--

ASSEMBLYMAN DiGAETANO: Five.

MR. ZILOCCHI: Five.

ASSEMBLYMAN DiGAETANO: --which is your present tolls. And you project an operating loss of \$11.7 million for 1988, without the \$410 million--

MR. ZILOCCHI: Well, yeah, if you noticed, sir, the debt service line is consistent throughout, which is our current debt service. So it indicates there that we would not be able to go out for any additional bonding.

ASSEMBLYMAN DiGAETANO: Okay, using the figures that you have presented to us on page 25, for the year 1988, comparing the total toll revenues -- and I assume the central office revenue is the sale of some tokens, existing tokens. Is that correct?

MR. NIELSTEN: Through the administration building, correct.

MR. ZILOCCHI: Yes.

ASSEMBLYMAN DiGAETANO: Using your total toll revenues -- subtotal of toll revenues -- as compared to the revenue less

expenses or your loss, your projected increase necessary to cover your loss ranges from 10% in 1988, up to a maximum of 25% in 1992. Would you agree with that Mr. Nielsten, Mr. Johnson?

MR. NIELSTEN: That is correct.

ASSEMBLYMAN DiGAETANO: Okay, so all you need, according to your figures to meet your operating expenses not to have a shortfall in your revenues, is to increase your tolls varying from 10% to 25% from the period '88 to '92?

MR. NIELSTEN: The equivalent net increase from 10 to 25, that's correct.

ASSEMBLYMAN DiGAETANO: Right. Ten percent in 1988, fifteen in '89, twenty in '90, twenty-two in '91, approximately twenty-five in '92. And you're projecting--

MR. JOHNSON: May I interrupt just for one second?

ASSEMBLYMAN DiGAETANO: Sure.

MR. JOHNSON: I hear where you're going on that, but I'd like to just make one comment on it; and that is-- There's an assumption when bondholders buy bonds of the Authority or any borrower, and when the ratings agencies look at this, that there will not be just a break-even issue. There is expectation of some cushion, and I discussed that in the opening remarks regarding what the rating agencies indicated to us -- they expected it would be appropriate in terms of an operating surplus -- and also what kind of coverage we needed from net revenues to debt service.

Now, admittedly there is some public policy issues that get discussed, and that is: What are the ramifications for the State? What are the ramifications for the Authority should a rating be dropped? That is a very large cosmic discussion, but nevertheless has to be taken into account when one is looking at these numbers.

ASSEMBLYMAN DiGAETANO: What I'm getting at -- and I think you know what I'm getting at, Mr. Johnson -- is that in order to cover what you project as your shortfalls for '88 to

'92, without the \$410 million expansion program, you need at maximum in the year 1992 a 6-1/4 cent increase over the current 25 cents. Mr. Nielsten has just agreed with that, and I didn't hear you disagree.

MR. JOHNSON: Well I have to say -- I mean, I didn't do the revenues -- but assuming you're correct, I can guarantee that if that's all we get, that's all that's put on the table, we will have our ratings drop. It will cost this Authority a lot more money to do capital financing, which means that the debt service figures go up, and very well could reflect very poorly on the State's own rating, and on other authorities throughout the State. I would suggest that before that decision is made, that there would be some large public policy discussion on that matter.

ASSEMBLYMAN DiGAETANO: Well I happen to agree with that, Mr. Johnson, but unfortunately--

ASSEMBLYMAN DOYLE: The time for that should have been a year ago.

ASSEMBLYMAN DiGAETANO: Thank you, Mr. Doyle. This is all after the fact, and I think we know that. What I'm getting at Mr. Johnson is that your projected toll increase -- obviously everyone in the Authority would like us to believe that it's a 10 cent increase. I think, absent all these proceedings we can all agree that you will not get 80% of the users to buy those discounted tokens. Forgetting about the logistical problems that you will have getting those people to physically buy those tokens -- whether it be a manned toll lane, or at the administration center, or at Sears, or some other particular stop that they might make to buy those tokens -- But what we're saying we really only need a 6-1/4 cent increase, and that's in '92, for the year 1988 in order to meet our operating costs we need only a 2-1/2 cent increase. So what you're telling us is that the additional -- you say it's 7-1/2 cents, and I say the increase is much closer to 100%, or

25 cents than the 10 cents that you project -- what you're saying is the balance of that is simply to cover the \$350 million in capital expansion programs, and the surplus -- or \$25.6 million for 1988 -- is going to go to direct capital programs rather than amortizing them, or using those funds to pay for the debt service. And taking that one step further, adding to that the additional argument that for the past 30 years we haven't had a toll increase, well maybe for the past 30 years the user has been ripped off. Maybe for the past 30 years the user has been paying -- going back to 1954 -- five times what the actual cost was.

MR. JOHNSON: Well, let me give you some--

MR. ZILOCCHI: Please--

MR. JOHNSON: I'm sorry.

MR. ZILOCCHI: Assemblyman, the average cost per mile on the Garden State Parkway-- I'll let Chester Johnson continue with the figures, but I have to take exception about the average user being ripped off on the Parkway up to now. The average cost per mile on the Garden State Parkway is 1.6 cents per mile.

ASSEMBLYMAN DiGAETANO: Mr. Zilocchi, I happen to live in the northern part of the State.

MR. ZILOCCHI: So do I.

ASSEMBLYMAN DiGAETANO: For the 32 mile segment north of Union, the toll rate is 3.125 cents per mile. The average may be 1.67--

MR. ZILOCCHI: And I'll take your argument-- And if you do your research you'll find that the average rate per mile in the toll industry is 3.2 cents. So to say that the Parkway users have been ripped off up to now is a statement which I totally cannot accept.

ASSEMBLYMAN DiGAETANO: Well, would you disagree then with the figure of 1.29 cents per mile for the 77 miles south of Toms River? Would you disagree with that?

MR. ZILOCCHI: I couldn't at this point comment on that. I know that the average is 1.6. I haven't broken it down by sections, but--

ASSEMBLYMAN DiGAETANO: Well, if you take the average as 1.6, and we agree that the 32 mile segment north of Union the people are paying 3.1, I think we have to know that somebody is paying far less than 1.6 to use a mile of that road.

MR. ZILOCCHI: And that is why our proposal is asking for two additional toll barriers down south, in order to have a better distribution and proportion of those.

ASSEMBLYMAN DiGAETANO: Okay, what about the use, Mr. Zilocchi, that enters the northbound Parkway at exit 140 and exits at 145? How much would you say that person is paying per mile?

MR. NIELSTEN: Jerry, do you know?

MR. NIELSTEN: Yes. He pays a quarter and a dime, so it's 35 cents over five miles.

ASSEMBLYMAN DiGAETANO: Seven cents a mile. So he is five times the average, or just a little less than five times the average.

MR. NIELSTEN: In a barrier ramp system you have an inherent problem like that all the time.

ASSEMBLYMAN DiGAETANO: Why is that, sir?

MR. NIELSTEN: Because you have barriers and ramps at locations which tend to space barriers out, and set the ramp--

ASSEMBLYMAN DiGAETANO: Well how does the Authority--

MR. NIELSTEN: Can I finish please? I'm sorry. (continuing) --set the barrier on approximate lengths apart, and set the ramps in general so there are no free trips between the barriers. By doing that, when you have lots of ramps -- the Authority has something like 88 interchanges for its 173 miles. When you have that many interchanges there are a lot of locations where there are very very short trips, and there are very long trips that pay much less. My trip from my house to

Newark Airport, I get on at 148, and get out on Lyons Avenue. I pay a dime for five miles. That's a great trip. If I go north I pay a lot more. It's a function of the nature of the system.

ASSEMBLYMAN DiGAETANO: Well sir, how can you account that in an effort to prevent a free trip between barriers, you get a user up to five times the average rate per mile? How can you account for that?

MR. NIELSTEN: That's the inherent nature of a barrier ramp system.

ASSEMBLYMAN DiGAETANO: Why is that, sir? Maybe you can answer me this. This is a question what I've always wondered -- forget about these hearings. Does the Parkway charge for miles driven already, or miles to be driven?

MR. NIELSTEN: The Parkway charges at locations at ramps and barriers. It doesn't address where you come from and where you go. There are set barriers across the system.

ASSEMBLYMAN DiGAETANO: Would you agree that the Authority is inconsistent with whether it charges for miles you have already driven, or miles that they feel you will drive?

MR. NIELSTEN: (inaudible)

ASSEMBLYMAN DiGAETANO: Because there are ramps that have tolls at the entrances, and there are ramps that have tolls at the exits.

MR. NIELSTEN: The ramps are set to prevent toll free traffic in each section of the Parkway. That's how they are set.

ASSEMBLYMAN DiGAETANO: And for that reason we get a user up to five times the average. That's the point I'm trying to make. There's a serious inequity to the user. And maybe you don't like the word "ripped off," but I say to you as being from the northern part of the State, I'm paying an average of 3.125 cents per mile, which is double what the average is.

And more than double what the party traveling in the 77 miles south of Toms River would be. And the party who enters that Exit 140 and travels between 140 and 145, is paying twice that amount.

MS. STANLEY: You know, this was a system that was put down on an old existing local road system.

ASSEMBLYMAN DiGAETANO: We have an Authority that is a living body. We have an Authority that is just now proposing to increase the tolls from 25 cents to 50 cents, or 25 cents to 35 cents.

MS. STANLEY: And we are trying to equalize it, correct.

ASSEMBLYMAN DiGAETANO: If there was a problem created in 1954, certainly in the past 33 years, the Authority could have, and should have, addressed the inequities in the system.

MR. NIELSTEN: It is impossible to get an average toll break for all trips in a varying system.

ASSEMBLYMAN DiGAETANO: Why?

MR. NIELSTEN: Because you have equal spacing of all ramps.

ASSEMBLYMAN DiGAETANO: We have equal spacing of--

MR. NIELSTEN: If one had equal spacing at all ramps, and toll--

ASSEMBLYMAN DiGAETANO: We don't have equal spacing of all barriers, sir.

MR. NIELSTEN: If we had equal spacing at all ramps, and toll barriers equally spaced apart, and tolls charged every ramp, you still couldn't create a system that was equal.

ASSEMBLYMAN DiGAETANO: Well, you don't--

MR. NIELSTEN: (first comment here indiscernible)  
It's physically impossible.

ASSEMBLYMAN DiGAETANO: We don't even have equal spacing between barriers.

MR. NIELSTEN: That is correct.

ASSEMBLYMAN DiGAETANO: Why is that?

MR. CONLON: Because of construction costs. You may have missed it, but I said that we are resurfacing the first 17 miles of the southern end for the first time. Those people never got the resurfacing. The people in Essex County have had the roadway resurfaced three times. Now, I didn't check it before I came here, but the cost to build in Essex County is at least three times what it is in Cape May. That is my guess.

ASSEMBLYMAN DOYLE: They have three times the utilization in Essex.

ASSEMBLYMAN DiGAETANO: They probably have more than three times the utilization.

MR. CONLON: Yeah, but you're paying a higher rate because it costs more.

ASSEMBLYMAN DiGAETANO: What is the stretch of the Parkway that is at or above operating capacity -- certainly not the southern part?

MR. CONLON: The worst section on the Parkway is Toms River. The worst congestion versus capacity -- the worst volume versus capacity -- is Toms River.

ASSEMBLYMAN DiGAETANO: Which is the section that has the highest volume?

MR. CONLON: The highest volume is--

MR. NIELSTEN: That is the Raritan section and the Essex section.

MR. CONLON: --the Driscoll Bridge.

MR. NIELSTEN: And the Union and Essex section.

ASSEMBLYMAN DiGAETANO: The highest volume sections are the sections that are paying the highest amounts, and it's per mile.

MR. ZILOCCHI: Actually, the highest volume section, sir, is not paying anything now, because it is a State-owned section, which cannot be tolled.

ASSEMBLYMAN DiGAETANO: That is an obligation that the State of New Jersey has to its highway users to maintain. I don't think--

MR. ZILOCCHI: Which is an obligation we have assumed. As of July 1, we are responsible for operating it.

ASSEMBLYMAN DiGAETANO: And which you are now asking to be able to toll.

MR. ZILOCCHI: No, we are not asking to toll that, because it is not legal for us to toll it, because of Federal funding. I might add that the Federal government itself, and certainly it is not looking to that area-- But the Federal government itself is now beginning to change some of its legislation and has, in fact, started a pilot project in seven states, where it is allowing the states with 35% Federal participation to put tolls on state highways -- new state highways or reconstructed state highways. This is, again, the Federal government having the problem because of the interstate system, of having to build additional ones and maintain the ones that have been built. They are also looking at the toll concept, because it is the user fee principle, and it alleviates the tax money they have to put into the road system.

ASSEMBLYMAN DiGAETANO: Mr. Zilocchi, is it your statement for the record then that the Authority, in assuming the maintenance of the State-owned portions of that Parkway, has no intention to toll those portions?

MR. ZILOCCHI: Absolutely.

MS. STANLEY: Absolutely.

ASSEMBLYMAN DiGAETANO: For the length of the Parkway?

MR. ZILOCCHI: We have no intention to toll any of the portions that we have acquired from the State that were originally State sections.

ASSEMBLYMAN DiGAETANO: So, those free trips that exist on those stretches for the State roads are now, and will remain free trips by the Authority?

MS. STANLEY: Unless Federal law changes.

ASSEMBLYMAN DiGAETANO: Is it the Authority's position to seek a change in the Federal law, so that the Authority might be able to toll those sections?

MR. ZILOCCHI: No, sir.

ASSEMBLYMAN DiGAETANO: So, those sections, for the record then, will remain toll free--

MR. ZILOCCHI: Yes, sir.

ASSEMBLYMAN DiGAETANO: --at least for the next five years -- '88 to '92?

MR. ZILOCCHI: Our projections go to 1992, sir.

ASSEMBLYMAN DiGAETANO: Ninety-two, okay, fine. Are there any studies you have done that indicate whether or not people will try to avoid the increased tolls on the Parkway by using local roads? Do you find that happening, and do your studies indicate that that will happen?

MR. ZILOCCHI: Jerry Nielsten can give you more details, but our study indicates that initially there is some of that happening, but eventually it comes right back. Correct, Jerry?

MR. NIELSTEN: That is correct. In the first few months, you expect people to search for new routes, attempting to avoid changes and tolls, as we see elsewhere on facilities that have toll rate increases. Within four months to a year, it tends to normalize to some stable operation.

ASSEMBLYMAN DiGAETANO: Do your studies indicate that for the section between the Raritan River and the northernmost points in New Jersey, that you should expect a fall-off in usage by those who would now use the Turnpike, which currently is more expensive to travel than the Parkway, but which would be less expensive to travel once these rates are implemented.

MR. NIELSTEN: I expect there would be some diversion to the Turnpike. That is correct.

ASSEMBLYMAN DiGAETANO: Do you expect that to return at some point? Do your studies indicate--

MR. ZILOCCHI: Assemblyman, without getting into that 1.6 and that debate again, using the average toll per mile throughout the length, with the discounted token, the Parkway toll structure will still be one mil less than what the Turnpike presently is.

ASSEMBLYMAN DiGAETANO: Mr. Zilocchi, you keep addressing the discounted token, and by the figures that are projected here, 80% of your users will have to purchase and use those discounted tokens. I have serious doubts that you will get anywhere near that.

MR. ZILOCCHI: Okay, but whoever uses them, whether it is 60%, 70%, or 80%, they will be paying per mile rate, one mil less than what the Turnpike toll rate presently is.

ASSEMBLYMAN DiGAETANO: And, conversely, those who don't use them will be paying probably 1.7 times what the rate is for the Turnpike.

MR. NIELSTEN: The rate of the Turnpike in the northern part of the Parkway approach is five cents per mile. For example, Interchange 11 -- which is where the Parkway and the Turnpike intersect -- to Interchange 16 -- Route 3 -- is a dollar on the Turnpike. That same movement on the Parkway is 50 cents.

MR. ZILOCCHI: Jerry, quite frankly, that same movement from my home to my office in Woodbridge on the Parkway would cost, if I paid the toll, one-way, 50 cents. On the Turnpike, the same trip costs, one-way, \$1.30 today.

ASSEMBLYMAN DiGAETANO: You have, currently in your expenses, projected a \$10 million State payment to the Transportation Trust Fund. Is that correct?

MR. ZILOCCHI: Yes.

ASSEMBLYMAN DiGAETANO: When was that instituted?

MR. ZILOCCHI: In 1984.

ASSEMBLYMAN DiGAETANO: And 1984 was the same year, in your minutes, that certain questions were raised as to future

revenues needed -- future toll increases needed -- to bolster your revenues?

MR. ZILOCCHI: The 1984 official statement I referred to before, which indicated those projections, was as a result of a bonding, which was necessitated in order to be part of the Transportation Trust Fund, in order to remove restrictive covenants that existed in the prior bonds, that would have precluded us from participating in the Transportation Trust Fund.

ASSEMBLYMAN DiGAETANO: It is your indication, then, that the Authority will continue, at least until 1992, making the same \$10 million--

MR. ZILOCCHI: We have a contract with the State of New Jersey for 20 years, starting in 1984, to make an annual \$10 million contribution.

ASSEMBLYMAN DiGAETANO: Thank you. Getting back to the token and the toll barriers, how does the Authority propose to implement, firstly, the sale of the tokens, and secondly, the usage of the tokens as opposed to the quarter coins we currently use?

MR. ZILOCCHI: Well, the sale of the token-- We are going to continue to sell the token on the toll barriers at Woodbridge. We are also looking and making arrangements to sell those tokens at our service areas, and we are approaching various other possibilities, such as banks, department stores, etc., to see if there would be a market there, too, for them to sell the tokens.

We are trying our best to make those tokens readily available to everyone. I might add, those tokens are not just available to the commuters, although they are the ones who probably would take advantage of them. There are no restrictions on the use of those tokens.

ASSEMBLYMAN DiGAETANO: What would be the logistics of the use of the token? You currently have automatic toll lanes, and you have attended lanes.

MR. ZILOCCHI: In order to encourage, because the whole concept of the token is to utilize the one coin which is processed a lot quicker in the automatics-- In order to encourage that, we would require that the tokens be used in the automatic lanes.

ASSEMBLYMAN DiGAETANO: Okay. Would those automatic machines -- automatic lanes -- then accept both two regular quarters for a pass-through, as well as one discounted token?

MR. ZILOCCHI: Those automatic lanes will accept two quarters and one discounted token. By the time this proposal is in place, if that time comes, they would also accept the 50-cent piece.

ASSEMBLYMAN DiGAETANO: Do you have any intention of instituting a separate third-type lane for token use only?

MR. ZILOCCHI: Presently, we have no such plans, sir.

ASSEMBLYMAN DiGAETANO: So, the person using the tokens, and hoping to have his trip speeded by the use of one coin on a pass-through, getting in the automatic toll lane, might have one out of five -- if your projections are correct -- and I say one out of two, people in front of him, or her, using two quarters?

MR. ZILOCCHI: Yes. It would be our goal to try to encourage, as much as possible, the use of those tokens. We can be very flexible with those machines, sir. If we would find that that indeed was a problem, we could change our operations. If it was in the best interest of the motoring public to move that traffic quickly, we could change our operation to lead up to that, yes.

ASSEMBLYMAN DiGAETANO: Would you say, then, that it is a correct assumption that no matter what the Authority does, the passage through the automatic toll lanes, with the use of the tokens or the use of two quarters, will be substantially longer than it is currently?

MR. ZILOCCHI: Not with the use of the tokens, sir.

ASSEMBLYMAN DiGAETANO: Well, you are still going to allow the use of quarters.

MR. ZILOCCHI: Absolutely.

ASSEMBLYMAN DiGAETANO: So, where there are parties-- If your projections are correct, 20% of the users will continue to pay the full amount, or two quarters -- at least 20% of those.

MR. ZILOCCHI: No, sir, because 20%-- You will also have the individuals who will need change who will be availing themselves at the manuals, not necessarily that the other 20% will have two quarters and be going through the automatic.

ASSEMBLYMAN DiGAETANO: But the manuals will also be handling the sale of the token?

MR. ZILOCCHI: Yes, they will be. You have to remember, too, that with the token, it will encourage people to have the exact change. Otherwise, you're saying that everyone has two quarters. You are going to have a certain number of people who are going to need the manuals, not only because of the change. People need information sometimes. You know, you are not going to eliminate the manuals. I don't think it is correct, sir, to say that that 20% would be all people who would have two quarters and all going through the automatics.

ASSEMBLYMAN DiGAETANO: Well, I'm using your figures, Mr. Zilocchi, which I think are grossly understated.

MR. ZILOCCHI: My figures, sir, are saying that 80%-- We are hoping for 80% penetration of the token. I have never said that the other 20% would all have the exact change in two quarters going through the automatics.

ASSEMBLYMAN DiGAETANO: Actually, I don't believe you are hoping for that, because if you have less than 80% penetration with the token, then you will have greater surpluses in revenues.

MR. ZILOCCHI: Sir, I am hoping for 80% because it is the right way to operate and it speeds the trip of the motorist.

ASSEMBLYMAN DiGAETANO: Are you proposing a 35-cent discounted token at this particular time, with the intention of being able, at some later date, without changing the operation of the automatic machines, to increase that 35 cents to 40 cents, to 45 cents, and ultimately some other figure?

MR. ZILOCCHI: We don't have any plans to increase tolls beyond what we just stated. Our projection goes five years; beyond that, I don't know. I can tell you, I will try to avoid that as much as possible, because this is an education and a lesson in itself.

ASSEMBLYMAN DiGAETANO: Has the Authority, in any of these figures, or your financial experts, in any of these figures, accounted for the fact that if your figures are correct and 80% of your motorists -- of our motorists -- will purchase the tokens, which I understand will be sold in packages of 40 for \$14-- Is there any accounting in here for what I would consider prepayment of the trips and your ability, as an Authority, to invest those funds and to get revenues on those funds by the fact that they are prepaid?

MR. ZILOCCHI: Jerry?

MR. NIELSTEN: I don't have the answer to that. One of the reasons we can't say directly, is because it is hard to say what the average turnover time will be. A person goes through two toll plazas per day. Therefore, he uses four tokens a day. A package of tokens would last two weeks. But, without knowing the exact distribution of those users who might be on the tokens, it is hard to say what the turnover time would be. Frank, I don't believe they are into the--

MR. PALOMBO: The tokens, at the time of sale, and the moneys we get from those sales, become revenues to us immediately, and we use those moneys along with all other toll revenues to meet operating expenses.

ASSEMBLYMAN DiGAETANO: I agree, Mr. Palombo, but the initial take to the Authority on the first purchase of a pack

of 40 tokens, will be many, many times what the actual usage is. Regardless of whether that person uses four a day or not -- maybe eight a day -- it will still take at least five traveling days before they actually catch up. So, you will have five days to invest that money.

MR. PALOMBO: To the extent that that money we receive from all toll sales is not used, we now get a credit from the bank where we deposit all revenues. So, that money will be working for us from day one.

ASSEMBLYMAN DiGAETANO: Okay. I just have one final question, then. I actually have two questions, but I am sure Assemblyman Muziani will ask you what the revenues are from the new proposed barriers. My final question is: Do you intend to address, by changing the ramp tolls, the inequities in the amount of per-mile cost that the various users have throughout the State of New Jersey from the north to the south?

MR. NIELSTEN: No. We will keep the system the way it is today, with the exception of the five new toll plaza locations.

ASSEMBLYMAN DiGAETANO: Okay.

ASSEMBLYMAN SCHUBER: I welcome back to our Committee -- and I am glad to see him back -- our Vice Chairman, Guy Muziani. We are very pleased to have him here. I know Guy had some questions. Certainly, part of this increase affects a good portion of his district. Guy?

ASSEMBLYMAN MUZIANI: Thank you very much, Mr. Chairman. Certainly, there has been very interesting dialogue here. I think the questions have been excellent. I have just a few questions to ask. To begin with, Paul talked about the tokens. I have here a fact sheet. I assume it is from your Authority, because it is headed, "Why the Garden State Parkway Needs an Increase." It is concerning the tokens. It indicates that the proposed increase from 25 cents to 50-cent tolls will affect primarily only occasional roadway users. Then in your

report -- on page 15 -- it indicates that presently only 4% of toll revenue is collected with tokens, and the goal, of course, is to collect at least 50%.

MR. ZILOCCHI: Well, the reason why the penetration rate is so low presently is because the tokens were the same as the quarter.

MS. STANLEY: The same as a quarter.

ASSEMBLYMAN MUZIANI: I understand that. But what you are really saying is, 50% of the users will pay the 50 cents.

MR. ZILOCCHI: We're saying that we hope at least a penetration of 50%, but optimistically, we're looking at 80%.

ASSEMBLYMAN MUZIANI: Okay. We are depending on the tourists during the summer months, and there are quite a few who come into this State of ours and use the highway, because it is really the only highway to use that goes anywhere along the coastline. Do you have any campaign that is being organized in order to get this message out to those in Canada, in the Great Lake areas, and other places, so they understand where they can obtain these tokens?

MR. ZILOCCHI: Assemblyman, your point is a very good one. I cannot give you specifics right now, but we intend to develop that campaign to get across the point, which, unfortunately, is not being gotten across too well. That token, although we were concentrating on the everyday user, because it is to the advantage of the everyday user, is not restricted, and is available to anyone who wants to use it, including out-of-staters.

ASSEMBLYMAN MUZIANI: Yes, but where will they be able to get these tokens?

MR. ZILOCCHI: That is the campaign that we will have further announcements on in the very near future, sir. It is to our interest-- In order to make that token as popular as possible, and with the greatest utilization as possible, we must make it available in as many places as possible. I cannot

give you specifics yet, sir, but we are feverishly working on that.

ASSEMBLYMAN MUZIANI: Okay. I am going to ask the Chairman to give me a little latitude here. Chairman Stanley, you indicated in your remarks that safety is a priority. So you opened the door for me a little bit on a subject that pertains to what is going to happen in Cape May County. The Executive Director indicated that the Parkway has acquired 4.2 miles in Cape May County, and has acquired other areas throughout the State, that were State-owned.

Back in June, I was in the hospital. There were rumors circulating then that the Parkway Authority had intentions of building another toll plaza in Cape May County, as well as raise the rates. I contacted Senator Hurley, and we made arrangements. The Department of Transportation sent their Assistant Commissioner down to the hospital. We had a meeting in the hospital. Assistant Commissioner Crawford indicated that the contract that they entered into with the Parkway Authority would not allow them to build a toll plaza as an improvement to the area.

MR. ZILOCCHI: In that particular area.

ASSEMBLYMAN MUZIANI: Okay. You just said, 15 minutes ago, that there is no plaza going to be erected in that 4.2 area that has been acquired by the Parkway from the State.

MR. ZILOCCHI: Correct.

ASSEMBLYMAN MUZIANI: Okay. But, what you are really going to do is build one three miles south of it.

MR. ZILOCCHI: Approximately Milepost 6.

MS. STANLEY: And remove another one.

MR. ZILOCCHI: And remove the one we have in the ramp at Wildwood.

ASSEMBLYMAN MUZIANI: Remove the one at the 10 cent toll?

MR. ZILOCCHI: Yes.

ASSEMBLYMAN MUZIANI: Okay. Now, safety is a factor here, right? Let me point out something that no doubt occurs in other areas, as well as my area. It is very important, because we are having difficulty now. I want you to come down there on a holiday weekend, or any weekend, and see the traffic backed up four, five, six, ten miles -- backed up, a two-lane highway, going out or coming in, depending on how it is going, whether it is Friday or whether it is Sunday.

I was Mayor for 11 years, and I know the experiences I had concerning the rescue squads trying to get to the hospital. We only have one hospital in the entire county -- 10 miles away from us. They had difficulty, at times, getting through. Now you are proposing another ramp -- another toll plaza, I should say. That is going to cause another delay, a delay that could be very costly, as far as lives are concerned. You're talking about the fact that we aren't paying our fair share. Well, the fact is, I have checked this thing out; I worked it out. The first 29 miles, that's Cape May County -- it's 1.7 miles average. You just indicated, and I have that information, that it is 1.6 average for the entire Parkway. So we are paying the average. Now you want to put one at Milepost 5, possibly, or 6.

Now, the rationale behind that is, the further south we come-- Milepost 19 is where we have a toll, and you want to go every 15 miles. Break it down 15 miles. That means they will pay another toll there. Cape May County, of course, has never been one that has been given any consideration as far as repaving is concerned. You know that.

MR. ZILOCCHI: Yes.

ASSEMBLYMAN MUZIANI: The first 17 miles haven't been touched in 33 years. Now you contemplate doing that.

MR. ZILOCCHI: We are doing it.

ASSEMBLYMAN MUZIANI: Fine. But when you did it elsewhere, you didn't put any more toll booths in. You did it

with moneys that were probably readily available -- your capital improvement program. Now you're saying we need this. You going to give us a toll plaza; you are going to give us an increase in the rate. The fact is, we're paying the average now.

My question is: How do you justify putting a toll plaza in an area that is going to create, for sure, a traffic hazard?

MR. ZILOCCHI: Jerry?

MR. NIELSTEN: Okay. Number one, part of the improvement package Mr. Conlon mentioned on the State section, deals with the removal of the only two signalized intersections on the Parkway, which occur in the State-owned section. In fact, most of your traffic problems in the summer occur at those signals. That is the area which the Parkway program is focusing on.

Number two, we intend -- the Authority intends -- to design the toll plaza so it does not become a safety or maybe a congestion point. Number three, the equity of the toll plaza down here is based primarily on the fact that most of the users south of the State section do not pay a toll. The only tolls south of Interchange 13 are two of them south at Milepost 4. Before you get onto the Parkway, it's zero, and you can go to 8, 10, 12, or 13 and pay nothing. You can enter at 4 and get off at 8 or 10. Most of the users south of Interchange 13 do not pay a toll today. That is the primary reason for a new toll plaza, to have everyone pay a fair share of the cost of the Parkway.

ASSEMBLYMAN MUZIANI: Well, we're paying a fair share, when the figures indicate it is 1.7 we're paying, and 1.6 is the average.

MR. NIELSTEN: I'm saying to you that most of the users south of Interchange 13 do not pay a toll today.

ASSEMBLYMAN MUZIANI: So, that means that if you get on the Parkway with this new toll plaza, you only travel a mile or two from Wildwood or Wildwood Crest, and you pay a toll of 50 cents.

MR. NIELSTEN: If you're going to get on at zero and you go to Milepost 10 and get off, you pay a toll. That is correct. Ten miles-- That would be free.

ASSEMBLYMAN MUZIANI: No, no. You're saying you are going to put this at Milepost 5. Milepost 4 is the exit off of Wildwood and Wildwood Crest. That means you would travel one mile, and you would pay 50 cents.

MR. NIELSTEN: Or, if you get on at zero and go to 13, you go 13 miles and pay the toll. There are many possible trips in this area. Of all the trips on the Parkway south to Interchange 13, only one pays a toll -- zero to four. All the other 20 or 30 possibilities do not pay a toll. We are trying to correct that.

ASSEMBLYMAN MUZIANI: You still haven't answered my question as far as safety is concerned, where we have these delays with rescue squads.

MR. NIELSTEN: I'm telling you that the signalized intersections-- By removing those alone, you are going to improve the delay substantially.

ASSEMBLYMAN MUZIANI: There is going to be a delay right there at the toll booth.

MR. NIELSTEN: Well, of course, it will stop traffic, but it will not be as bad as your intersections today. You are in sections of terrible peak hours. You drop capacity by about 30% to 40%. The cross traffic and the through traffic are affected. The new toll plaza will have delays. Of course, you have to stop and pay the toll. It will not be as bad as your intersections today.

ASSEMBLYMAN MUZIANI: My last question now, because I know there are other questions to be asked. I am just

interested in getting the answer to this one. Although the basic tolls have not increased from 25 cents since 1954, you have increased the number of ramps from six to nineteen, and there are two new toll plazas. Now, with the increase in the number of toll ramps--

MR. ZILOCCHI: Excuse me, Assemblyman. The ramps are correct, but the two new toll plazas, I don't recall. We have increased the ramps, though, since 1954, yes, from six to nineteen, but I don't recall the two new plazas.

ASSEMBLYMAN MUZIANI: Well, I'm sorry. I meant, two toll plazas are to be constructed.

MR. ZILOCCHI: Okay, yes, sir.

ASSEMBLYMAN MUZIANI: Okay? With the increase in the number of toll ramps and the motorists who have been paying more to use the Parkway, even though the basic amount of 25 cents has not been changed, can you outline how much of your revenues come from toll ramps and how much come from toll plazas?

MR. NIELSTEN: About 80% from toll plazas versus the ramps -- a rough number, 80%, 82%.

ASSEMBLYMAN DOYLE: It's 87%.

MR. NIELSTEN: Okay, sorry.

ASSEMBLYMAN DOYLE: Twelve from the ramps, and one from the tolls and script.

MR. CONLON: We could provide the Committee with that information. We get it in the monthly report.

ASSEMBLYMAN MUZIANI: How many of these ramps are 10 cent ramps?

MR. NIELSTEN: I believe there are 19. Four are 25 cents; one is 20 cents; and it's 10 cents and 15 cents on the others -- seven, seven, four, and one.

ASSEMBLYMAN MUZIANI: Have the 10s become 25?

MR. NIELSTEN: Yes, sir.

ASSEMBLYMAN MUZIANI: That is a 150% increase.

MR. ZILOCCHI: Yes.

ASSEMBLYMAN MUZIANI: And the 15s?

MR. NIELSTEN: Twenty-fives.

MR. ZILOCCHI: They all become 25.

ASSEMBLYMAN MUZIANI: Twenty-five?

MR. ZILOCCHI: Yes. It will be a standard rate for the ramps at 25 cents.

MR. NIELSTEN: In 1985, the percent of tolls on the barriers was 81.9% -- 17% on the ramps. I am correcting the statement I made earlier.

ASSEMBLYMAN MUZIANI: How much additional revenue would you be generating, do you know, by increasing just the ramps?

MR. NIELSTEN: Well, you can look at the-- On page 26--

MS. STANLEY: About \$11 million.

MR. NIELSTEN: Okay.

ASSEMBLYMAN MUZIANI: How much?

MS. STANLEY: About \$11 million.

ASSEMBLYMAN MUZIANI: Eleven million. Page 26-- What are you looking at?

MR. NIELSTEN: In you compare page 26 to 25-- Look at the revenues from ramps versus, on the second line--

MR. ZILOCCHI: The revision, Assemblyman, shows ramps, with the recommendation \$32 million in income.

MR. NIELSTEN: George, that's a partial year.

MR. ZILOCCHI: Yes.

MR. NIELSTEN: In 1989 -- a full year -- it is \$23 million in ramps under the current tolls, versus \$39 million under the revised toll schedule. So, it is about a \$16 million increase. I am just reading the numbers.

ASSEMBLYMAN MUZIANI: My last question: There is no way you could meet your needs with that 35 cent token? You have to have the additional 50% of those users paying 50 cents, in order to meet the needs of your program. Is that it?

MR. ZILOCCHI: Well, our projection, sir, and I don't want to start a discussion with the Assemblyman there to your right, but our projection actually shows 80% using the 35 cent token.

ASSEMBLYMAN MUZIANI: How do you come up with this percentage?

MR. NIELSTEN: It's really my estimate. Let me tell you where it came from. It is an average closer to 70% on the whole. Again, it varies by location. We estimated, based upon a variety of surveys we had available to us, how many regular users there are on the Parkway. It is not an easy number to come up with, by the way. Then we estimated what kind of penetration you might get of someone who regularly uses the Parkway and goes through multiple toll plazas.

As I noted earlier, somewhere between 80% and 90% of the toll plaza revenue, including the manual barrier, come through exact change today. There is a very high market. Look at other facilities in the northeast that have tokens or script. The best token penetration comes from areas that have very high discounted tokens, and this is from local users. For example, the Delaware Water Gap Bridge has about 93% token penetration at their facilities from the local users.

On the low end of it have been locations where they have gone to tokens where they have a lot of interstate users and regional users for vehicle (indiscernible) facilities -- New York State Thruway, the New Rochelle toll-- Not the New Rochelle toll plaza, the original connected Turnpike toll plaza. We had token penetration in the area of 30% to 45% on the low end. From those statistics, we put together an amalgamated package of light token penetration.

ASSEMBLYMAN SCHUBER: Based on what you are saying, if you just raised the ramps up to the quarter, and you used instead of the token a 35 cent across-the-board increase -- 10 cents -- what kind of revenues would you bring in from the

barriers, what kind of revenues would you bring in from the ramps?

MR. NIELSTEN: I'm sorry. Could you repeat the question?

ASSEMBLYMAN SCHUBER: Scrap what you've got now. If you raised the ramps to 25 cents, and you raised the tolls across-the-board 35 cents for everybody, regardless of tokens, what kind of revenues would you bring in for the barriers and what kind of revenues would you bring in for the ramps?

MR. NIELSTEN: I don't have the numbers in front of me. I could approximate them.

MR. JOHNSON: I think the point that is being made, is that we would-- While that may be the case, we would still, I think, operate at a negative. I know those numbers can be provided for you, but from an operating point of view, we would end up on the negative--

ASSEMBLYMAN SCHUBER: That may be your projection, but we would like to know what that means in revenue to the Authority.

MR. ZILOCCHI: Remember one thing, Assemblyman, aside from meeting our operating obligations, the factor of the tolling fees is also looking into a continuation of our capital improvement program, and the necessary bonding that has to go with that, and the necessary tests, and the additional debt service. The capital improvement program-- You know, naturally one might say, "What can we scale down on the capital improvement program?" We are open to suggestions on that, because our capital improvement program addresses areas where there is congestion, and we want to relieve that. But there is this very important portion of that capital improvement program of approximately \$178 million, I believe, which is strictly safety-related items, and I would take a very, very harsh view about trying to do anything with that.

ASSEMBLYMAN SCHUBER: We understand that.

MR. JOHNSON: And, as I said in my opening statement, and underscored a couple of times, the assumptions that we have built in here regarding net revenue and ultimately the operating money that would be payable after debt service, maintenance reserves, and State payment, is based upon our maintaining the AA-. In the briefing book, it shows that \$100 million-- You're talking about a difference in debt service costs of \$93-1/2 to \$7 million over the life of a bond issue of, as I said, \$100 million, if we were to drop from AA to an A.

If we sell \$350 million in bonds, which our assumptions are here, then you are talking about increased debt service numbers ranging from, like, \$12-1/4 million all the way up to \$24-1/2 million in increased debt service costs, which will go into operations, to be increased operating expenses, if, in fact, the numbers we are presenting here are not met.

ASSEMBLYMAN SCHUBER: Well, I understand that. I would like to see, though-- The Committee would like to see, though, what the revenue input would be to the Authority if that were the case -- if the scenario that I have indicated to you were the case. That's all. I would like to see that.

MR. NIELSTEN: I presume you would also want to see the additional capital improvements you have to make to make the toll plazas operate at the same level of service.

ASSEMBLYMAN SCHUBER: No, I just want to see--

MR. NIELSTEN: We all want to see that end of it, but--

ASSEMBLYMAN SCHUBER: All I want to see -- pure and simple -- is what the revenue is going to be on that scenario. That is all I want. I don't want any other thing added to it.

MR. ZILOCCHI: Will you repeat the scenario?

ASSEMBLYMAN SCHUBER: The scenario was simply this: The revenues would be 25 cents on the ramps, and across-the-board 35 cents to everybody who uses the Parkway, regardless. That is all I want to see. I don't want to see anything else added to it.

Assemblywoman Crecco is the only person here who hasn't had a chance to ask questions. Assemblywoman Crecco?

ASSEMBLYWOMAN CRECCO: Thank you. Most of the questions I had in mind have already been asked by my colleagues, but there are just a couple of things. In fact, they have had a toll increase since they have had new ramps put on, since the Parkway's inception. Also, we have had a tremendous migration from north to south in the past 10 years. A lot of people are moving, so you have a lot more commuters using the Parkway, because they continue to be employed here in the north. In our area, we have about 10 toll plazas that most of our people use.

When you say you have determined that 80% of these people are going to purchase tokens, the minimum cost per package being \$14-- In this area, you can, of course, do market research and find out how many people would use it. But you have an area where the people are lower middle income, and they are earning a minimum salary. They are going to think twice. I have made inquiries, and they are not going to buy those tokens, because they won't put the money up-front.

MS. STANLEY: We are looking into that.

MR. ZILOCCHI: Assemblywoman, that was brought up because, if you recall originally, I talked about all the planning and all the things we have to look into -- the packaging cost, the bank operation, and all. That came up as the most equitable way. That is not the first time we have heard that statement, and it's a good statement. I have directed staff to look into seeing if they can have smaller packages prepared -- put together on tokens -- in addition to the one we have proposed.

ASSEMBLYWOMAN CRECCO: That's good, because some people, with that amount of budgeting, just don't have the funds.

MS. STANLEY: We are aware of the senior citizens.

MR. NIELSTEN: The tokens are communicable. You can split a package with a neighbor. If you buy a package, you can do whatever you want with it -- once you have the package. So you are not forced, like a script at the Port Authority, to have one person, one car using the paper.

ASSEMBLYWOMAN CRECCO: But people aren't that way. I mean, you have students taking the Parkway everyday. You have commuters taking the Parkway everyday going to business. Not everyone is organized, and not everyone can budget. Remember when you were going to school? You couldn't always budget. So, you just can't say that this is the way it is going to be. These are human beings we are dealing with. These are people who have certain financial circumstances, where it is going to be a heavy burden upon them to pay this.

I have had people asking me, you know, why we should have a toll at all, and now we come up with this. This was my concern. Most of my questions have been asked and answered, but this is the factor that I am very, very concerned with. I truly can't see this percentage of commuters purchasing tokens. I purchase them all the time. I am fortunate that I can. But many people just don't have the cash flow. They have little children, and they earn little money, and they just live from month to month, until, you know, they get situated differently financially. So, that was my question.

ASSEMBLYMAN SCHUBER: During the course of your deliberations, did you ever consider the alternative scenario of just a dime increase to 35 cents across-the-board?

MR. ZILOCCHI: Yes, sir.

MS. STANLEY: Yes.

MR. ZILOCCHI: We will show you those figures, but we have considered it.

ASSEMBLYMAN SCHUBER: Do you have those figures?

MR. ZILOCCHI: Not with me here, no, sir.

ASSEMBLYMAN SCHUBER: All right. I think the Committee would like to see those figures. I didn't find any evidence, in my reading of the documentation, of any discussion of any alternative plan, other than the plan that came out.

MS. STANLEY: But then you have two coins, and then you have the back side--

MR. ZILOCCHI: Aside from not meeting the revenue requirements we would like, keeping in mind the capital improvement program, we are also conscious of the fact that with 35 cents, you would have the two-coin operation, which slows down traffic appreciably on the road because of our collection system. It would be breaking away from the basic one-coin operation we would like to see, for the convenience, again, of the public.

ASSEMBLYMAN SCHUBER: Just out of curiosity, though, George, if this thing went to 50 cents, as you propose, somebody is still going to be able to put five dimes into the machine. Is that correct?

MR. ZILOCCHI: You can't cover every contingency, no. But you know, some people today put in 25 pennies, which slow it up, too. But normally, people are in a hurry to get to and from their destination. I think they would like to see that one coin, get through, pay that fare, and get on to their destination.

ASSEMBLYMAN DOYLE: Mr. Schuber?

ASSEMBLYMAN SCHUBER: Mr. Doyle.

ASSEMBLYMAN DOYLE: Mr. Fox, who kept these minutes, of which much has been made by the Committee, the media, and now yourselves-- He's not here today, is he?

MR. ZILOCCHI: No, sir.

ASSEMBLYMAN DOYLE: If I understand Mr. Johnson, it is like dominoes. You first did the short-term financing to get you through '87, the short-term financing beget as a necessity long-term financing in '88, and that will beget, as a necessity, a toll increase. Is that incorrect?

MR. JOHNSON: I think it is a matter of the quantification of the toll increase. I think others here have indicated that there was discussion of the possibility of solely a ramp increase, which generated-- At that time, the projections were a little over \$11 million.

ASSEMBLYMAN DOYLE: So--

MR. JOHNSON: Let me just finish, because I am getting to your point.

ASSEMBLYMAN DOYLE: Okay.

MR. JOHNSON: If, in fact, the Authority needed it for its capital improvement program. If you will look through all of the documentation, including Executive Order 147 -- all that material -- it will be clear that the short-term financing would only-- It would not necessitate a barrier increase. The size of the short-term financing, at \$50 million -- and, actually, we could have gone up to \$80 million, but we didn't need the funds, and we maintained down the reserve -- could have been funded out through the issuance of bonds against the ramp increase alone, and would not have necessitated a barrier increase. As the numbers show here, the barrier increase provides about six times -- roughly six times -- the revenues of a ramp increase.

So, you would be looking at an entirely different scenario, using the domino approach you are using, if, in fact, we were only looking at the short-term bonding.

ASSEMBLYMAN DOYLE: But you previously said-- Well, let me put it this way: The short-term financing -- by doing that -- required either long-term financing or a ramp toll increase. And if you chose the alternative of long-term financing, that would probably lead to a toll increase of at least the ramps, and perhaps the barriers, also.

MR. JOHNSON: What I would say is: The short-term financing, in the absence of--

ASSEMBLYMAN DOYLE: It guaranteed a ramp--

MR. JOHNSON: --any current revenues, would have had to have been funded out by an amount of money equal to -- or roughly equal to -- a ramp increase, but would not have necessitated a barrier increase.

ASSEMBLYMAN DOYLE: Put differently, the short-term financing guaranteed, at some point in the not too distant future, some sort of toll increase.

MR. JOHNSON: Yes, I would say that, but more particularly related to the amount of money that would have been generated by a ramp increase.

ASSEMBLYMAN DOYLE: Okay. Mr. Zilocchi, you indicated -- and I think it has been the critical question of the procedure that was used -- that, in fact, the Authority -- the Commission -- never agreed, until perhaps a week before the November 19 meeting, to enter into the toll increase decision for certain. Did I understand your testimony correctly in that regard?

MR. ZILOCCHI: No, Assemblyman Doyle. I was saying that until a week before the meeting, we were still looking at projections, and still trying to find out if this was absolutely necessary for all the alternatives we had considered -- whether we were making the best recommendation.

ASSEMBLYMAN DOYLE: Okay. So, as of -- before November 19, because a lot of the questioning has been-- Did you really agree to do it in January, and just postpone the decision, or did you, in fact, have ongoing discussions from January to November, never making the final decision really until November?

MR. ZILOCCHI: There had been ongoing planning and discussions both at a staff level, and also, on a less frequent basis, with a subcommittee of Commissioners -- three Commissioners -- who had received progress reports.

ASSEMBLYMAN DOYLE: Tell me, in your own judgment, when the Commission was irrevocably committed to a toll increase.

MR. ZILOCCHI: The Commission--

ASSEMBLYMAN DOYLE: Of any type.

MR. ZILOCCHI: The Commission, through their action of the November 19 meeting, made a recommendation of a proposal to a toll increase. They still have not been committed to this day, sir.

ASSEMBLYMAN DOYLE: Well, you just heard Mr. Johnson testify that the short-term financing inextricably leads you to some sort of toll increase.

MR. ZILOCCHI: The short-term financing, in order to pay it back, was based solely on the possible ramp increase, yes. But, at this point-- I think you will find, as the figures indicate, that there is going to have to be some sort of an increase somewhere in '88. All that short-term financing did was to go out and finance on the assumption if we had a ramp increase in place, in order to keep that capital improvement program going, until we resolved all the open issues.

ASSEMBLYMAN DOYLE: Well, let me try to -- reading a series of the minutes which I had not heretofore had -- put to bed this question of, who done what, when, and who knew it? Let me read some parts of the executive minutes that I have not yet seen in the press, nor discussed in public, nor discussed today. From the January 22-- I hope you have a copy of the executive minutes.

MR. ZILOCCHI: No, I don't.

ASSEMBLYMAN DOYLE: You don't have a copy of your own minutes?

MR. ZILOCCHI: No, but go ahead.

ASSEMBLYMAN DOYLE: Reading from the January 22 meeting: "The Chairman presented the Authority's proposal for the construction of an Arts Center/Cultural Fund Reception Center. The Governor approved of the proposal; however, he requested that the Authority take reasonable steps to separate

the construction of the center and its cost from the proposed toll increases. The issue before the Commissioners was how to achieve the aforesaid goals, consistent with the Governor's directives. There was concern that there might be adverse publicity to the Authority and to the Governor, if the Authority sought a toll increase now for the ramps, and then approximately a year later sought another toll increase for the barriers.

"The Commissioners preferred to propose the complete package of the toll increase at one time. To achieve this end, and to achieve the goal of separating the cost of the Reception Center from the toll increase, the Commissioners decided that the toll increase, both ramp and barrier, should be proposed and implemented at one time, at the end of 1987. The Reception Center should be built now to avoid a direct relationship with the toll increases."

Now, let me read -- in a similar vein -- from the February 26 minutes. It is also a discussion about keeping the acquisition of the State-owned sections separate and removed from the toll increase issue.

Let me move on to the April minutes, at which it was reported that there had been a request from Senator Orechio, Chairman of the Senate Independent Authorities Committee -- the Senate counterpart of our Committee -- to look at certain documents. I quote from the minutes: "Since the meeting with Senator Orechio, the Authority received a request for additional documentation. Most of the documentation requested was fairly routine. However, there was a request for Authority studies on toll increases. This raised concern. It was agreed that this matter should promptly be brought to the attention of the Governor for review and consultation."

Moving now to the July -- excuse me -- to the August meeting, with respect to the token sales program: "Mr. Nielsten also reported that the public should be encouraged to

acquire and keep tokens, even after an announcement of any toll increase, since this would lessen the impact at the time of the implementation of such toll increase."

And finally, from the October meeting -- October 22 -- some 12 days before November 3: "Chester Johnson, Jerry Nielsten, and Dick Ailes were present during the course of the discussion of this matter." By the way, who is Dick Ailes?

MR. ZILOCCHI: Dick Ailes represents a public relations consulting firm -- Ailes Communications.

ASSEMBLYMAN DOYLE: What is that firm?

MR. ZILOCCHI: Ailes Communications.

ASSEMBLYMAN DOYLE: A-L-E-S?

MR. ZILOCCHI: No, A-I-L-E-S.

ASSEMBLYMAN DOYLE: I think I have heard of that firm.

MS. STANLEY: I would think so.

ASSEMBLYMAN DOYLE: So that this is not a private joke, but not by way of any charge, that is the same firm that did the 1985 gubernatorial campaign for one of the candidates, I believe -- the successful one.

"Jerry briefly reviewed the proposed rate adjustments. Essentially, each 25 cent toll will go to 50 cents, with a 35-cent token. Each 10, 15, and 20 cent ramp toll will go to 25 cents." It goes on and specifies the toll increases, which are exactly what was announced a month later. "It was agreed that the matter would likely be presented for public presentation at the November 19 meeting. In the meantime, this matter involved matters utilized in protecting the safety and property of the public, where disclosure could impair such. Protection is provided in the Open Public Meetings Act" -- citing the section.

Each of the sections I read to you -- and there are more; I just took the most obvious ones -- clearly indicates that the Authority had in its own mind decided that a toll increase was inevitable. They were making movements towards it

on every front -- financing, discussions with the Governor, discussions with the Treasurer. There are other parts in there that I have not read, about the toll machines, about the tokens, about trying to keep the highway sections from the State -- which you have used to justify this rate increase -- to keep the Arts and Reception Center apart, and to focus on that; to do it all at once, starting with the January meeting, when it was said: "The Commissioners decided that the toll increase should be proposed and implemented at the end of 1987," and concluding in October, when you agreed to do it.

I find that continuing history to be absolutely accurate as to what I think occurred, and absolutely inconsistent with the suggestion now that it was all in the discussion stage, and really not agreed to a week before November 19. How would you disagree with the conclusion I have reached from that reading of the minutes?

MR. ZILOCCHI: I think I am already on record, Assemblyman Doyle, regardless of what the minutes indicate, that all this was a planning process to see and be ready if, indeed, the projections for 1988 proved to be accurate that we would, indeed, have to face this toll increase. The reception building you mentioned, for example-- That reception building-- We were ready, and we did move back in January and February. Back then, we had no real knowledge of a toll increase. We saw the winds; we saw the warnings; and we were trying to plan for it. That reception building-- The only comment that is made there, is because we wanted to make sure that if, down the road, we would have to take the move -- the unpopular move -- of a toll increase, that it would be understood that that reception building was being built solely from Arts Center revenues, which have been very substantial in the last four or five years. In fact, in the last five years, the Arts Center has generated over \$5 million in net revenues. It wasn't that we were taking toll money to put it into a different operation, which we are still responsible for.

So, you know, the minutes you read could lead to conclusions such as you just stated, but I can tell you that the planning process was going on, and that there was no firm decision to have a toll increase, until we felt we had reached a time, at the November 19 meeting, where we had to face it, and proceed forward.

ASSEMBLYMAN DOYLE: The statement in the January '87 meeting: "The Commissioners decided that the toll increase, both ramp and barrier, should be proposed and implemented at the end of 1987," was in addition to all those other parts of the minutes that have been heretofore testified to. Is it improperly taken? Is it also inaccurate?

MR. ZILOCCHI: The minutes, in that respect, are very inaccurate, sir. The Commissioners never decided on a toll increase at the January, 1987 meeting.

ASSEMBLYMAN DOYLE: Let me quote from you, Mr. Zilocchi, speaking to our Senate Independent Authorities Committee on April 30, 1987. With all of these minutes in mind, and your ultimate actions in mind, now that we have hindsight, and going back to that April 30, 1987 meeting: "The Executive Director also said there would be no increased tolls in 1987 and in the foreseeable future. We are still able to pay for our expansion of the roadway without raising the fare."

Now, there are two possibilities, it seems to me, Mr. Zilocchi.

MR. ZILOCCHI: That is correct, sir.

ASSEMBLYMAN DOYLE: Those statements either hid the facts, or something fell out of the sky between April 30 of '87 and November 19 of '87.

MR. ZILOCCHI: We have had warnings constantly throughout the 33-year history of the Parkway that we could be reaching problems of shortfall -- revenue shortfall. We have been able to survive and overcome that. And we did it in '87. While we were planning, and that's all we were doing, planning,

we had every hope and expectation that we could avoid -- could find some way to avoid a toll increase beyond '87. At that point, we did not have any clear indications. I mean, as I stated earlier, I constantly kept asking for projections, and questions, and refinements, until we got to the point where there were projections which, in my mind, showed that it was inevitable, that we would have to face the fact then. I did not have that opinion.

ASSEMBLYMAN DOYLE: I think that from the minutes, I draw a different conclusion, that the Authority came to the conclusion that it was, in fact, inevitable. However, having said before that I think the most important question is the necessity of it, let me move to that. I realize there are two issues. There is the Authority, and its representatives have rightly pointed out, in deciding its necessity: One, the operating shortfall, if nothing was changed; and two, what capital construction is necessary, how to fund it, and what are the toll increase implications of that, if any?

Let me look at the first issue, which is the operating expenses with no capital expansion. That has two sides to it also: The revenue side and the expense side. Let me first deal with the revenue side. Am I not right, Mr. Nielsten, that the historic toll revenue increase for the life of the Parkway is 6.9%?

MR. NIELSTEN: I don't know. I assume your calculations are correct.

ASSEMBLYMAN DOYLE: They are not calculations; they are figures taken from the 1984 and the 1986 bond prospectus.

In reaching the conclusion, as someone did earlier, that the history for the past 10 years is an increase each year of about four point some percent, that includes recession years in the late '70s and gas problem years that are no longer relevant, doesn't it?

MR. NIELSTEN: It includes many factors in those numbers; that is correct.

ASSEMBLYMAN DOYLE: Let me just read to you the toll increases for the past five years, going backwards: 1986, 7.14; 1985, 7.11; 1984 -- by the way, this is taken from page 16 of the '86 prospectus, with the exception of the year '86, which I have calculated myself -- 1984, 6.44; 1983, 7.92; 1982, 7.80. For those five years, the average increase was 7.28%, as shown on the chart.

Why, all of a sudden, do you think that for the next five years, it is going to average 4%?

MR. NIELSTEN: There are a number of reasons. First, those increases have been terrific to the Parkway. It helps us a great deal in keeping our revenues up. They reflect many changes in the Parkway that we can look at and make sense of. For example, casino gambling in Atlantic City. In 1977, when it began, it began increasing trips along the Parkway. From one casino, we now have ten going to twelve in the near future. Much of that growth, however, can not be sustained at the same rate. It's just the nature-- When the base increases, you can't sustain the growth forever.

I mentioned to you there have been changes in the roadway network, for example, in 1982 major portions of the Parkway were widened. The State section went from three to four lanes, and the Parkway, from Union to I-280. It went from three to four lanes in the main line. I-78 opened in 1986; I-280 opened in 1983. There have been sections that have significantly contributed to new traffic on the Parkway.

Having had that in the past, it's not simply possible to extrapolate. For example, I-78 opening in August of '86; in 1987, we're running a 30% increase in those months over the previous year. We don't say extrapolate 30% forever because it happened in one year. Many of the increases we have seen in the early '80s have been terrific. We see explanations for them. We do not expect to have them increase in the future at the same rate.

ASSEMBLYMAN DOYLE: Well, looking at the past, and finding that the 30 year history is 6.9%, the 5 year history is 7.3%, and to find you projecting it at a 4% rate I find somewhat incongruous, at a minimum.

But, instead of just projecting in the future, let me compare what your past projections for revenue were, and see if the proof was in the pudding. Let me take the year 1986 for which we have figures -- the last full year for which we have figures. And this is not just toll revenue, but overall revenue. In 1984 you projected that in 1986 the Parkway would take in \$107,190,000. I assume that was consistent with your conservative belief, enhanced by what the bondholders and their representatives on the Street tell you you must do.

By April of 1986, when you went back to bonding, you now came up with a new projection, that for that given year of '86 the Parkway would take in \$112,605,000, or approximately \$4.5 million more than you had estimated a year and a half previously. In 1987, we had an opportunity to find out what you really took in, in 1986. You took in \$116,901,000, or approximately \$9,700,000 more than you had anticipated only three years earlier. A growth of 10% over the 4% you had already projected for one year.

Let me look at 1987, which while we don't have the full figure, we do have from the green explanation book, figures that were correct and used by the Authority as of November 3, of '87. In 1984, you projected that the Parkway would have total revenues of \$109,580,000. In 1986, you upped your estimate for '87 to \$116,635,000. All these numbers are exclusive of interest. In '87, you now say that this year you will make \$124,910,000 or some \$16 million more than you had projected only three years ago. In other words, we're going to take in -- the Highway Authority is going to take in -- 14% more in this one year than you estimated three years ago.

Now, when I look at those numbers, and am asked to conclude and advise my constituents, "Yes, this toll increase is necessary and is based upon fair and accurate figures," and I find that the revenue has been provably underestimated by significant amounts, I've got to say, if they were wrong in '84 about what we would make in '86 and '87, why should I believe they are any more correct for what they say they will need in '90, '91, and '92 when they project it in '87? How can I answer them?

MR. NIELSTEN: One, you can say that it is good planning to be conservative in projections, and two, look at the longer term of what happened in the Parkway and attempt to evaluate land use trends, attempt to find out where traffic is at capacity, where it cannot grow any longer, where there is congestion delays to move -- to have people not grow in the same sense that they have, and then review what you think is your best guess. I mean, you're asking me what my opinion is; my opinion was more conservative, but these numbers are the kind that are needed to sell bonds. They are the kind that are needed for good planning. And the fact of the matter is, as I stated earlier, if you change them to the numbers you are talking about, it does not change the bottom line.

ASSEMBLYMAN DOYLE: Well, all of those things about projecting growths and looking at traffic and taking some numbers into account, you did all of those things in '84, and you did it with the results that I've just given you.

MR. NIELSTEN: Actually, I did not. In '84 we (inaudible) less time in '86, in making projections of future revenue we have today.

MR. ZILOCCHI: I think it's also important, Assemblyman Doyle, to bear in mind that the additional capacity that developed between '84 and '86 provided the flexibility for the Authority to fund additional capital improvements against the \$570 million. In fact, we would either be here with the

possibility of a larger increase or having a smaller amount of that \$570 million capital improvements funded as a result of our inability to include additional new projects in the bond issue. Because as I indicated in 1984, we were told by both agencies, "Don't really darken our door if you want to maintain these ratings until you have a rate adjustment in effect if you're going to sell new debt."

ASSEMBLYMAN DOYLE: Isn't that just the point? You wound up because of woefully conservative estimates with more money than you expected. Having that more money, you were still staring at financial estimates that said in '87 and '88 you were going to have a shortfall. So now you had to make a judgment: "What do we do with this extra money? We want to build new things, but we have a shortfall. Should we use this new money and take care of the shortfall, and decrease some of our capital expansion, or should we do the capital expansion and guarantee, almost, a toll increase--"

MR. ZILOCCHI: No, I think if you--

ASSEMBLYMAN DOYLE: Excuse me.

MR. ZILOCCHI: I'm sorry.

ASSEMBLYMAN DOYLE: And you judged to go the capital route, and worst still, you made that fundamental decision that affects the public directly, whether they should pay more money, and maybe have a better road, and you made it in private. That's the problem.

MR. NIELSTEN: Well. Okay. The amount of money that the additional flexibility or the additional revenues provided to us was about \$75 million, which translated is about \$7 million a year -- \$8 million a year in additional debt service to meet those additional capital requirements. If you look at our present toll structure, and look at 1988, we go negative by over \$11.7 million. So while ever we would have applied the \$7 million, it would have necessitated some form of rate adjustment.

Yes, we could have used that additional money to go into capital projects directly as the Authority has historically done, but whether we did that or whether we applied it to additional debt service, we'd still be facing \$11.7 million short -- well it would have been less than that, but we would have been facing a shortfall in any case, however we were using that money. I'm sorry George.

ASSEMBLYMAN DOYLE: Let me-- We've talked about the toll revenue -- and I still don't accept the fact that you're going to be at a shortfall for reasons that I'll get into more fully. The other major component in addition to toll revenues for income is the Garden State Arts Center, and there was waxing eloquently before about how successful it's been. And I think it has been, and I think it's been an appropriate thing. But as I look at the Garden State Arts Center's growth over the past few years -- and it was mentioned by Mr. Zilocchi -- in the last four years it's doubled from some 3.8 million to some 7.6 million in income, and in '87 -- and I assume your year is complete and you know pretty much how much you're going to make, it goes up to just over 9 million. So over the past five years, it's gone from 3.8 million to 9 million, it has increased on an average annual basis of somewhere between 18% and 22%, yet over the next five years you can show it as projecting revenue increases at 1%. Why does it go from 20% over the last five years to 1% in each of the next five years?

MR. ZILOCCHI: Mr. Doyle -- Assemblyman Doyle, please-- Nothing is more unpredictable than the entertainment business. We've been very fortunate, and we've been having good years. But in the entertainment business, if conservatism is the rule in projection, it's certainly ultra-conservatism is the rule in the entertainment business. And I would not risk misleading or putting out erroneous figures, because it's a very very unpredictable business.

ASSEMBLYMAN DOYLE: In your defense, that's exactly what you've done in the past both bond prospectuses -- showing it at a growth of \$100,000 a year, when in fact it's been growing at a rate of at least \$1 million a year.

MR. ZILOCCHI: Sir, if you had asked me last year what the Arts Center revenue would have been next year, I couldn't realistically project it, because it's-- I'll stand on that statement, when you're in show business, it is crazy, it is unpredictable.

ASSEMBLYMAN DOYLE: That is exactly what we're asking -- is to project. And we think it can be projected based upon history better than it has been. But let me--

MR. ZILOCCHI: Not entertainment, sir. I wouldn't advise that to you.

ASSEMBLYMAN DOYLE: Not entertainment. Let me move to the other side, the expense side. Because what you yield, ultimately, is the revenue minus the expenses. Over the past five years, the expenses have gone up on an average of 9.9%. Over the next five years, you show successive increases of 15%, 26%, and then leveling off over the next four years at an average of 10%. As I think you might have had occasion to see this chart before, it spikes, basically. It starts to go up the mountain in '87, and then in '88 it goes up to some 26%, which you try to explain in question 28 of the green book. And we'll go over that explanation, I think, to some degree.

Why, if for the past five years -- and I guess this is to Mr. Palombo -- 10% has been the average operating existing historical figure, then why all of a sudden, over the next 5 years, and over the next two years, is it going to average 20% a year?

MR. PALOMBO: In 1987, there was one thing that happened that we touched upon before, and that was the takeover of the State-owned sections--

ASSEMBLYMAN DOYLE: Which you asked to do, and actively sought, according to the minutes. And moreover, tried to separate from the toll increase specifically by what the private meetings' minutes show. But even with that, according to your own explanation--

MR. ZILOCCHI: Assemblyman, I don't think Mr. Palombo had answered the question just with the State-owned section.

ASSEMBLYMAN DOYLE: I'm sorry. All right. Okay.

MR. PALOMBO: There are other things that entered into this situation. But the greatest effect in 1987 we can attribute to the takeover of the State-owned sections. But over and above that there were a number of new positions that were created that the Authority felt were needed. And insurance costs were up unusually above that which we had experienced in the past.

ASSEMBLYMAN DOYLE: How much over?

MR. PALOMBO: About \$500,000.

ASSEMBLYMAN DOYLE: How much was it for the State-owned sections? Your explanation on page 14 of the green book shows \$1 million. Is that a reasonably accurate figure?

MR. PALOMBO: For the State-owned sections?

ASSEMBLYMAN DOYLE: Yes.

MR. PALOMBO: Yes, I think it is.

ASSEMBLYMAN DOYLE: How much for the new State positions, and how many were there?

MR. PALOMBO: I don't have the numbers with me, but the total dollars added up to about \$1.2 million.

ASSEMBLYMAN DOYLE: Fine. We're at 2.7; what else was extraordinary?

MR. PALOMBO: And the payroll charges that relate to the additional employees, meaning FICA, pension contributions, State unemployment contributions, that added about another \$300,000 to the figures.

ASSEMBLYMAN DOYLE: That's all '87?

MR. PALOMBO: Yes. And these four or five items that I mentioned, when you add them together, account for about \$4 million in expenses that we normally would not have had to have incurred. And if you take those \$4 million away from the operating expenses which we anticipate to pay out in 1987, we will be down to about 9.6% as being the increase for the year. And in 1988, the situation that we had with the State-owned section appears again, because now we have a full year of expenses, and that will add about another million and a half dollars toward costs. We have an unusual situation where our health benefit costs are going to be higher in 1988 than they were in 1987 to the extent of \$3.7 million.

ASSEMBLYMAN DOYLE: To cover how many employees?

MR. PALOMBO: Thirteen hundred and sixty, roughly.

ASSEMBLYMAN DOYLE: But they're not all on the union contract; only about 700 and change are, I believe.

MR. PALOMBO: No, we provide health benefits to all of our employees.

ASSEMBLYMAN DOYLE: So, the cost of health care is going to go up almost \$3000 per annum per employee?

MR. PALOMBO: It's going up to the extent of \$3.7 million overall. I think what I should explain is that we normally budget based on information that we get from our health benefits department based on 115% of what they estimate our claims to be. And hopefully, and we were fortunate in the past to have been able to set in reserve some of the moneys that we did budget for this purpose, because the claims were not as high as we had budgeted.

And going into 1987, we were in effect able to budget less for health benefits because we had some moneys in the reserve fund. During the course of the year, however, the claims were much higher than we had anticipated. So not only did we cover the amount that we had budgeted as an operating expense in 1987, but we also tapped the reserves that we had on

hand to pay for all the claims that were received. And what is happening in 1988 is that we no longer have any funds in reserve, so we must budget for the full amount that we would expect to pay out for all employees. And this roughly comes to about \$5400 dollars per person per year for all types of health coverages -- that's medical, dental, eye -- and it does come to about \$5400 a year. This includes, by the way, retired employees. We cover our retired employees. And as I said, in 1988 we don't have this reserve that we can call upon, so we must budget at 115% what the health benefits section has told us. The total outlay will be for the year 1988. This adds up to about \$7.25 million, which is--

ASSEMBLYMAN DOYLE: And you're starting with zero, and you've got to just put a lump sum of \$7 million in?

MR. PALOMBO: No, we budget on a month-to-month basis. But we will pay out in 1988, based on the estimated claims, some \$3,700,000 more than we had anticipated we would have to charge to the operating budget in 1987.

ASSEMBLYMAN DOYLE: You have written reports from your insurance carrier as to that, to justify those numbers?

MR. PALOMBO: We have reports on all claims that are paid, yes sir, we do.

ASSEMBLYMAN DOYLE: Given the significance of that, I hope Mr. Chairman, through you, that the Authority will make that available.

ASSEMBLYMAN SCHUBER: We would ask that they would.

ASSEMBLYMAN DOYLE: When you say that there are such extraordinary expenses, here's my problem, and it's pretty much the same problem-- Was there another item?

MR. ZILOCCHI: Excuse me, let one more out.

MR. PALOMBO: There's another very important item that I did not mention at this time.

ASSEMBLYMAN DOYLE: Okay.

MR. PALOMBO: And that is that the State Police--

ASSEMBLYMAN DOYLE: We didn't get to them, the 44 police.

MR. PALOMBO: Pardon?

ASSEMBLYMAN DOYLE: Yeah, the 44 police. Okay.

MR. PALOMBO: Correct. We are going to increase our complement from 156 to 200 troopers. And in 1988 -- well, initially, we are getting 10 troopers in December of '87, and they may already be on board for all I know; I'm not sure -- in 1988 there will be another 19 troopers that will be assigned to the Parkway, and in May of '89 there will be another 15 troopers, or a total of 44.

Now, these costs will add up to about \$2 million in 1988, over and above our State Police costs in past years.

ASSEMBLYMAN DOYLE: Wasn't that going to be done, according to the minutes that I've read, over three years?

MR. ZILOCCHI: Yes, the State troopers -- the complement, Assemblyman Doyle?

ASSEMBLYMAN DOYLE: Yes.

MR. ZILOCCHI: Yes, the program is 10 to be in December of '87, 19, I believe to be in May of '88, and 15 in May of '89. So, in '88 we are really picking up 29 additional troopers.

ASSEMBLYMAN DOYLE: So, when you said in your explanatory-- Okay, that's 2 million; I understand that.

Now, you've put in all of the extras, haven't you? The extras that are over and above the normal 10% increase?

MR. PALOMBO: Well, you mean, have I spoken about this?

ASSEMBLYMAN DOYLE: Yes. Yeah.

MR. PALOMBO: We are also into a branch-lane program, which is a program whereby we will be able to add additional lanes on the Parkway to hasten the flow of traffic. And to do this, it requires manpower, and equipment. And we are going to pick up in additional costs in 1988, again another \$2 million.

ASSEMBLYMAN DOYLE: My problem is with each--

MR. PALOMBO: So, I think overall, what I'm saying is that if we take these additional charges that we will be incurring in 1988, which are essentially first time charges, we are talking roughly between 12 and 13 million dollars. And again, if you take that amount and deduct it from the amount that that we say are required for operating expenses in 1988, we will be getting back to the 10.4% that we represent to be the normal increase in operating expenses for each year.

ASSEMBLYMAN DOYLE: You say \$12 million, yet on page 14, question 28 of the green book, when asked why is the Parkway rise so rapid in 1988, each of these things are spilled forth, and they're spilled forth for a total of \$9 million, which is a little less than the 12 or 13 you've just mentioned. But heaven forbid I quibble over just a few million.

MR. PALOMBO: What we're talking about then, if I may just make a comment with regard to the expenses that appeared there, when we tried to project what these additional costs would be to us in 1988, we tried to take into account 1987, and to annualize the '87 figures, so that the total for '87 that was used to compare what would happen in 1988 was less than the figures that I am talking about now. I am comparing exact -- well, estimate 1987 figures -- to what we project the figures to be in 1988. This was-- These figures were tempered slightly to reflect what the overall cost might have been in '87 had we annualized some of the costs.

ASSEMBLYMAN DOYLE: Did any of these problems fall out of the sky? Weren't they foreseen in '86, for instance? The State trooper need, the health insurance? None of them? They just all of a sudden happened?

MR. PALOMBO: I think as time develops there's a need for manpower, for State Police--

MS. STANLEY: State trooper came from our bus problems -- our bus safety problems.

ASSEMBLYMAN DOYLE: Well, I look at your 1986 projection of operating expenses, to be found on page B-19 of the 1986 prospectus, and the State Police growth isn't anywhere close to what you're indicating, and some of the other items don't grow. But let me look at it on an overall basis, and do again with the expense side what I did with the revenue side. For the year 1986, in your November '84 prospectus, you projected that the expenses of the Highway Authority would be \$70,450,000. In '86, you projected that it would be \$70,300,000. It turns out to be, according to the green book, the actual expenses for last year were \$70,528,000, or only \$78,000 different than what you had originally projected. You were within one penny of being right on the dollar. That was a remarkably good projection.

In '87-- But when you remarkably projected that accurately at 10%, and all of a sudden it jumps to 15 and 26, then I have to ask the question even more firmly. For the year '87, you projected in '84 you'd spend \$76,850,000. In '86 you projected the spending for this year would be \$77,200,000. If I take what you have actually spent for the first 9 months of the year, according to your own statements, and annualize it, then the number would be 77,900,000, or approximately a million more than what you thought three years ago.

Now you're telling us, though, it won't be 77.9 million, it will be 81.3 million. Now I find it hard to believe--

MR. ZILOCCHI: Well, how many months, sir, did you annualize it?

ASSEMBLYMAN DOYLE: Nine months. Nine out of twelve. I think that's a pretty good sample--

MR. ZILOCCHI: No, but sir-- Go ahead.

ASSEMBLYMAN DOYLE: Unless something extraordinary happens in October, November, and December.

MR. PALOMBO: All the State-owned sections operating costs, I don't believe, are in those figures.

ASSEMBLYMAN DOYLE: Are we going to pay those all at once at the end of the year?

MR. PALOMBO: No, but they're ongoing. They didn't commence until July.

ASSEMBLYMAN DOYLE: If you annualized your ongoing expenses for the first nine months of this year, it would come out to 77,900,000. Yet you project in the green book a figure that's \$3.5 million more than that.

MR. ZILOCCHI: Assemblyman Doyle, you'll find that the expenses at the end of the year will come very close to the 81.3 that we're projecting, and I welcome you to examine the three months expenditures to see how it will arrive to that.

ASSEMBLYMAN DOYLE: There is, in government -- both elected and appointed -- a self-fulfilling prophecy that if you say you're going to spend that much, they do. We're looking at how come less has been spent in the past. But even at that, if I look at April of 1986, in April of 1986 you projected that the expenses of the Highway Authority for the year '88 would have been \$84.5 million. It's going to be more than \$102.5 million. That kind of jump within two years of 18% or 20% more than you expected in just two years, I don't think, is fully or satisfactorily answered by the suggestions of items that were totally unforeseen.

But the overall problem, and that's been referred to, is that you were headed for the shortfall anyway, and you saw it coming. Let me talk about -- again using your own projections -- for the year 1986, when you did the '84 bond prospectus you said that you would only wind up with net revenues of \$1.5 million. In '86 you upped your estimate to \$11 million. You wound up making \$17.5 million. For the year 1987, you projected in 1984 that in the year '87 the Highway Authority would lose \$12 million. In '86, you said you were wrong, you'd only lose \$200,000. You turned out making over \$6 million. For each of these two years, within a period of three

years you mis-estimated what your overall situation would be by approximately \$16 - \$19 million. Is it no wonder that we sit back here and say, if in the last two years you were wrong by anywhere from \$16 - \$19 million, why do we think you won't be wrong again for the next few years by similar numbers? Or did you get smart all of a sudden?

MR. ZILOCCHI: No, we've always smart, sir. And we don't think we'll be wrong. And, in fact, do you want to know something, we hope we will be wrong. But we don't think we will be. That's what saved us constantly from not having a toll increase, because the projections -- the realities showed more than the projections. But as our capacity on the Parkway has reached a point where it can no longer grow unless we go ahead with this capital improvement program -- and this capital program won't solve the problem overnight -- our capacity is not what it used to be any more. And the growth will not be at the rate that you are indicating.

ASSEMBLYMAN DOYLE: The revenue growth.

MR. ZILOCCHI: Yes.

ASSEMBLYMAN DOYLE: Well, that's the bigger part of the problem in the larger problem. The first comments we heard from Mr. Palombo, was that, "the bondholders require." And the first statement we heard from Mr. Johnson was, "in order to satisfy the bond rating people." And the first statement we heard from Mr. Nielsten was that, "We're required by the underwriters and others involved in the bonding process to be very conservative in our figures."

You have been historically very very very conservative. Every time you're that conservative, that difference between reality and your conservative estimates are paid for by the public. Our responsibility is to the public in the form of a toll increase that may not be necessary, Mr. Zilocchi. Your responsibility as your operations manager, your traffic consultant, and your financial consultant makes it

clear, is not in the terms of making these estimates, to the public; it's rather to the bondholders. That's a fundamental difference of why this investigation is necessary.

MR. ZILOCCHI: Sir, our estimates -- true, at all fiscal estimates, budget preparations, if you're going to practice good, sound management should be on the conservative basis. I think it's reckless not to be any other way. But our obligations are not only to the bondholders; our obligations are to the motoring public. And when we receive a master study from our planning consultant, our traffic consultant here, which tells us that we'll be exceeding or go over capacity in the biggest portion of our roadway -- I believe from Milepost 56 to 156 or 30 to 156 - I don't-- That we have an obligation there to the motoring public, that we must address that issue. And that obligation is to do what we can to increase the capacity of that roadway. And that costs money through capital planning and capital improvement programs.

Toll revenue is not sufficient to pay for that. You must go out and bond to do that. And to that extent, that's where the bonding picture comes in. But I think it would be far more reckless for us to try to paint optimistic pictures, and then come back and say, "we're in default", which would affect the State credit and the State debt also, and that we cannot continue safety programs, we cannot rehabilitate bridges, we cannot do pavement restoration, we cannot increase the capacity of our roadway to get that motorist to and from work, to get that motorist shopping, to get that motorist to the recreational area.

We felt our obligation is not just to the bondholders. Our primary obligation is to that motorist who uses the roadway.

ASSEMBLYMAN DOYLE: Well, there is a middle course, sir, between optimism and conservatism, and it is realism. And those are the numbers that I've had, the historically real

numbers. You have just gone on about the motoring public, and I wasn't going to raise this, because I think in the full course of things it's not as important, but when you say, "We have to do it for the motoring public," then please tell me, sir, what does a \$6 million building of questionable legal authority costing some \$450 a square foot to build do for the motoring public?

MR. ZILOCCHI: I just got done saying that, sir, that that has nothing to do with toll revenue. That comes strictly out of Arts Center revenue. We have a dual obligation. We run an entertainment facility also. I didn't put that entertainment facility there; it's there though. You have to be blind not to see it. And we have an obligation to run it. We have an obligation to run it in the best interests of the State, to give it quality entertainment. You want to take it from us? The State wants to take it from us, go ahead. But while we have that responsibility, we have turned that Arts Center to be self-sustaining; to generate its own revenue. That it doesn't have to go to toll revenue. And we are expanding that service to continue the artistic value and entertainment value in this State solely from the Arts Center revenue. Not from toll revenue.

ASSEMBLYMAN DOYLE: The fact of the matter is, without that reception center, over the past five years, the Arts Center revenue has gone up 250% from \$3.8 million to over \$9 million, and it didn't need the reception center to do that, did it?

MR. ZILOCCHI: Yes it does, sir. I have had--

ASSEMBLYMAN DOYLE: Over the past--

MR. ZILOCCHI: It needs that reception center, not only to continue the Arts Center operation, it needs that reception center to help us raise money to continue the other function that we have, to put on free performances for our senior citizens, our school children. We had to turn back over

100,000 senior citizens this year, because we didn't have enough funds or dates to give them those performances. They were very disappointed, and they were displeased. That reception center will give us that added capacity to raise funding so that we can put it back for that worthwhile project.

ASSEMBLYMAN DOYLE: I have a hard job believing that the senior citizens to enjoy the cultural opportunities at the Arts Center, needed brass railings and fountains, and bronze gates costing, according to yesterday's Asbury Park Press \$309,000. That seems to me to be extravagant.

MS. STANLEY: Because they are focusing on the negative side of the whole thing. And we're about to go speak to them. I would like to address that issue myself. I think it's wrong.

ASSEMBLYMAN DOYLE: Please do.

MS. STANLEY: Well, I certainly feel that what we're doing there-- There are many more positive things that I am doing at the Arts Center. I changed it so it has a 301.c.3 clause now; it's completely a foundation-- We have increased the number of people that -- to there. We are trying to do a worthwhile job, and you are trying to make it into a negative one. And I object to that.

ASSEMBLYMAN DOYLE: Well, Ms. Stanley, I appreciate the public mission you have, and I appreciate the fact that you do it as a volunteer, as you do many other things that I am familiar with. Having read The Asbury Park Press, my colleagues who don't live in the Monmouth/Ocean area don't know about your philanthropic efforts, and this is a part of it. And I appreciate that. But when you say, "I have tried," that personalizes the Highway Authority as if it were some individual mission, and that the Highway Authority, doing these things as it has done them as I read the minutes in private, only begets the kinds of questioning you're getting now. And legitimately, when you're spending public money, when you're

committing more public money, we have a right to ask those questions and to be concerned. You might have good answers, and those answers will have to sell in the form of public opinion with our questioning, but I think those are legitimate questions.

And as far as I can determine today, based upon the record of secrecy, and the trying to suggest that you didn't decide upon this toll raise, on the question about realistic estimates versus conservative estimates, I still don't think that the legitimate questions that I raised on Friday or I raised today are sufficiently answered.

I've had the mike for a long time.

ASSEMBLYMAN SCHUBER: Mr. Zangari?

ASSEMBLYMAN ZANGARI: I haven't had, really, an opportunity to digest all of the minutes, I just had received them. And so many of the questions, you know, that I had in mind were answered. But what would happen if you're wrong in your estimate, that you need this money now? As you estimated before that you thought that you needed it, and then you found out that you didn't need it?

MR. ZILOCCHI: Well, if we were incorrect in our estimates, I'll let Chester really get to it, because what effect it would have on our capital improvement program is probably where it enters most. So Chester, go ahead.

MR. JOHNSON: Well, when you say-- Well, as George indicated, there's an advantage in terms of conservative estimates. As far as the toll adjustment procedure, Frank discussed that earlier. We really don't have an option relative to our bond contract, right now.

ASSEMBLYMAN ZANGARI: The program before us now, is the most conservative estimate that--

MR. JOHNSON: Well, no, I would have to say it's a very conservative program that meets the requirements based upon our maintenance of the ratings which reflect well on the

State, etc. We don't have an option in terms of the certification that we have to make about 1988. And based upon the fact that with these estimates we would run a deficit of over \$11.7 million, we're going to have to make the certification, then there's a process that goes into effect.

So, what I am saying is we really don't have much flexibility with respect to that matter.

MR. ZILOCCHI: Well, also if we were incorrect in our estimates and the results were better than we estimated, and this process was in place, that excess revenue, as was stated before by Mr. Conlon, that we have \$563,000 in capital improvement program, plus there's another 80 million that's not even there--

ASSEMBLYMAN ZANGARI: Right. In other words, if you had a surplus from these estimates--

MR. ZILOCCHI: That money would be utilized for that capital improvement program.

ASSEMBLYMAN ZANGARI: It would go for more capital improvements.

MR. JOHNSON: That's right. Either of one way directly, or the ability to issue additional debt.

ASSEMBLYMAN ZANGARI: Not to pay back some of the bonds that you have, that you're going to be selling?

MR. JOHNSON: Well, the amount of money that would be available could be used for that purpose, but historically the Authority has chosen to make certain improvements in the Parkway to benefit the users of the Parkway as opposed to prepaying the bonds.

ASSEMBLYMAN ZANGARI: That's the point I can't get in my mind. You already have a program in place in your minds. It's going to cost "X" amount of dollars. The projections that you are going to have are going to bring in more revenues than you are anticipating now. You're still going to take the access money that you have and put it to an additional--

MR. ZILOCCHI: Yes, because we have a \$563 million plus \$81 million. Mr. Johnson testified before, that this proposal that we have here coupled with the surplus that we feel will be generated will only raise approximately \$410 million. Now obviously, if you are going to raise \$410 million and you have capital improvement of \$563 million plus \$81 million, you're not going to be able to do all of that. We're going to have to prioritize and make our own -- what in our judgment or what our recommendations, and what we hear from the public, the Legislature, and all over everywhere -- what they feel is necessary or recommend-- The counties, the local municipalities and all--

So, obviously, even with this proposal based on the figures that were projected--

ASSEMBLYMAN ZANGARI: You're still sure it was almost 50%?

MR. ZILOCCHI: We're sure of it in our capital improvement program. So, anything extra that would come in that's not anticipated would just alleviate that problem and give us more to do that we cannot do in our capital improvement program.

ASSEMBLYMAN ZANGARI: I'm sorry that I was not here before. But you're going to build two extra ramps? Where are they going to be?

ASSEMBLYMAN SCHUBER: Two extra barriers.

MR. ZILOCCHI: Two extra barriers and three ramps. The one is approximately Milepost 4 in Cape May County and the second one is approximately Milepost 40 in Atlantic County.

ASSEMBLYMAN ZANGARI: Why wasn't Mile 38B selected? I very seldom see people--

MR. ZILOCCHI: I don't know, sir. I say approximately Milepost 40. It could be 38; it could be 37; it could be 39; I don't know that yet.

ASSEMBLYMAN ZANGARI: Okay, but the people that frequent Atlantic City are going to be using 38B. Why not utilize that exit?

MR. ZILOCCHI: That is a suggestion, sir, that we will be taking in consideration in the planning process. Someone just told me from Atlantic County, for example, that if we put it at a certain point, we'd be penalizing school buses which we don't want to do. So, it's a general area that we're looking at.

ASSEMBLYMAN ZANGARI: Well, I think in all, that by resolution school buses could be exempt. I mean, you have the power to do whatever you want to do. If you're going to exclude--

MR. ZILOCCHI: I'm just using that as an example. We're looking at a toll barrier in that general area.

ASSEMBLYMAN ZANGARI: I say this for a purpose because I represent Irvington and I have a question for the gentleman after you. But between Union and Bloomfield, a seven mile radius is going to cost us 50 cents at Union, 25 cents at Exit 145 in East Orange, and 50 cents in Bloomfield. A seven mile stretch -- a buck and a quarter.

MR. ZILOCCHI: Not if you use a discount token, sir.

MR. ZANGARI: All right, but why a 100% increase in East Orange and a 40% increase with the token in Union or Bloomfield? Are we going to be afforded the opportunity to buy a token to the Interchange 145, or no tokens at all?

MR. ZILOCCHI: Well, I don't know. We certainly could make tokens available for sale there. But, you wouldn't want to use a 35 cents token in a 25 cents ramp.

ASSEMBLYMAN ZANGARI: No, but we could use a 15 cents token, you know--

MR. ZILOCCHI: That's not part of the plan, sir. That's not part of our recommendation.

ASSEMBLYMAN ZANGARI: It just doesn't seem justifiable to me that a person using a toll road, you know, where you have a 10 cents toll and is going to pay 150% increase and someone using a toll road going south or north (indiscernible) on a straight run is going to pay a 40% increase for getting a 100% increase.

MR. ZILOCCHI: Again, Jerry answered that question before. It's the nature of the operation. But go ahead Jerry.

MR. NIELSTEN: There are seven 10 cents ramps and there are seven 15 cents ramps on the Parkway -- toll ramps.

ASSEMBLYMAN ZANGARI: I don't care if there's one. I just, you know, I have to justify to my constituents. First of all, it's my belief that we have nothing other than to air our views here, because the Governor is the guy that's going to sign it. You know, so that I'm like the person -- the general public -- asking the question and hoping to get a response. And hopefully, we're supposed to be a little bit more informed than the general public. I don't know where they are going to get the same type of information that members of this Committee have to have to answer the questions. You can have 90,000 meetings.

But my point still is that in East Orange, the people that I represent are going to get off to go to Newark or to go to West Orange, or Orange and pay 150% -- 15 cents. Yet a person that is going down the shore, that could drive from Irvington to Raritan for a dime increase. You know, how could I justify that and tell these people that from Irvington to Raritan I'm going to have a dime increase, and from Irvington to East Orange I'm going to have a 15 cents increase?

MR. NIELSTEN: The system that was created is a one ramp 25 cents charge for all ramps.

ASSEMBLYMAN ZANGARI: You know, nine Commissioners have jurisdiction to say that this is the way it's going to be, and it's going to be done. But I would hope that you would give that--

MR. ZILOCCHI: No, sir. Sir please, if I may--

ASSEMBLYMAN ZANGARI: Sure.

MR. ZILOCCHI: First of all, there are seven commissioners and they do not have the jurisdiction. All they did was to begin the process of the public participation and all. Ultimately it rests in the hands of the Governor who then has the final say on this matter and that the Commissioners, based on the Governor's recommendation and approval, would take the action.

ASSEMBLYMAN ZANGARI: Someone made a comment that we have an obligation to the motorist. Well, I'd sure would like to know why it takes three hours to go a mile stretch? For a one hour ride, it takes you three hours. You go southbound in the morning, it's great; northbound, it's crazy. At night southbound is crazy and northbound is easy. This isn't just now, this has been going on since 1952. It took 35 years now and we're still in the same dilemma -- worse.

MR. ZILOCCHI: It's worse.

ASSEMBLYMAN ZANGARI: Sure.

MR. ZILOCCHI: --because the traffic volume that was back then is far exceeded by what we have today and in fact, the Parkway was not built to handle the traffic volume that we have today. This is why, I think the answer -- maybe I'm naive in this thinking, but the answer is that people are going to have to get out of the habit of using that vehicle, and using mass transportation because we can no longer continue to operate the way we have been operating to try to meet these added capacities and added demands on the roadways. The Parkway can't handle it. The State roads can't handle it any more, and the Parkway would rather move people rather than vehicles, believe me.

ASSEMBLYMAN ZANGARI: It seems to me that it's a game of semantics. You know, you talk to Jerry Premo, and Jerry says that, "mass transit is being used. You know it's a 40%

increase and they're going to do this. You tell me that they're not using it and we're backed up like this.

MR. ZILOCCHI: I'm not saying this with any delight. I wish Jerry Premo was correct. But I can say that we just started a park and ride at the Garden State Arts Center parking lot -- a thousand parking spaces. It started early November and if we had more than 20 vehicles per day there since we started it, it's been a lot. What this provides is that a bus comes by. It will take the motorist to New York or to the Matawan rail station. We have never had more than 20 vehicles per day and that's speaks for itself.

ASSEMBLYMAN ZANGARI: In the study, I heard you say that we're losing a million dollars in revenues by toll cheaters. Are there any facts you ought to tell us, you know -- where these short comings are?

MR. ZILOCCHI: You mean areas?

ASSEMBLYMAN ZANGARI: Yeah, an area. You know, 143, 148, 150, where are these?

MR. ZILOCCHI: The biggest areas are, and I hope not to offend anyone -- Bergen, Essex, and Union are you three biggest. Those are where I see the biggest percentage of the toll violations.

ASSEMBLYMAN ZANGARI: That's your area, Mr. Chairman.

MR. ZILOCCHI: Well, it's also my area, sir. (laughter) That's why I started with Bergen.

ASSEMBLYMAN ZANGARI: I just hope that we don't act too hastily on this. I'd certainly like to go home and digest this a little further. Hearing the comments that took place this morning and the questions -- I think we're all better informed today than we were when we came here this morning -- I think that the general public-- Although the rate increase isn't a heck of a lot -- a dime. I could support it very, very easily knowing that people are going to be going to and from work in an expeditious manner, we're going to save time on the

Parkway, and do the kinds of things you said you're going to do. I would vote for it. But I certainly would like the general public to be more aware of the facts and really bring them out, on the table so that there would be no question in people's mind whether it was done 10 months ago or 40 years ago, the thing is going to be done. We have to accept it.

MR. ZILOCCHI: For that purpose, and I know at public hearings you've made comments on that, but instead of having one or possibly two public hearings, we have expanded that to four now. And it's going to cover-- Because the roadway goes from one end to the other. It's going to start in Bergen County on January 5, and I believe it's going to be down in Toms River on January 7. And the following week, I don't remember the dates, I think I have a note here, they're going to be at Woodbridge and in Ocean City -- January 11 in Woodbridge and January 13 in Ocean City.

ASSEMBLYMAN ZANGARI: Mr. Chairman, one more question. This would remove much Parkway and interstate traffic from local streets in Irvington. Could you tell me just exactly what streets you are referring to?

MR. CONLON: If you try to go southbound on the Parkway and get to Newark Airport, you can't get off on Rt. 78. So, you get off somewhere north of there and wonder through Irvington.

MR. ZILOCCHI: Lyons Avenue, primarily.

MR. CONLON: Yeah. If you're going northbound and you want to get on 78 to go west, you have to get onto 78 East, get off at the first crossroad, go across the bridge, make a U-turn and go west. That may not be--

ASSEMBLYMAN ZANGARI: If you want to go 78 East, you get off at 143 over on Claremount (phonetic spelling) Avenue?

MR. CONLON: No, no. Tank the ramp and take the first crossroad. You go over the bridge, over the Parkway, and come back.

ASSEMBLYMAN ZANGARI: Yeah, fine. So, this is going to be more direct? It will be down further than up?

MR. CONLON: Yeah, if we find the money to do it.

ASSEMBLYMAN ZANGARI: If I could just voice an objection, I'm not too pleased with the egress and ingress that's on Claremount Avenue. Whoever designed that, I think that's the worst piece of design in my life. Somebody is going to get killed there. I have to tell you that, you know. You've seen it. Has anybody from there -- you know, that's sitting here -- taken a visual/physical look at the problem that you have there? I wish, you know, that you would look at that a little further, because someone is going to get killed. I frequent that everyday. Thank you.

ASSEMBLYMAN SCHUBER: Thank you, Mr. Zangari.

Ladies and gentlemen, dear friends, what are we to make from all of this? I think the Committee itself is going to have to review all of the testimony that we've taken today and the facts and the figures to digest them. I would have indicate myself, that obviously, me as a resident of the State of New Jersey, and I think the citizens of the State, are relatively proud of the Parkway. I think it's a fine roadway. It's been run very, very well. It looks nice, and it seems to be well maintained.

What lesson are we to draw from what's happen before? I think there's one primarily -- and it's something that Mr. Doyle alluded to before -- is the fact that all the testimony that I heard today was, "If we do this to the bondholders, and if we do this for the bondholders, and if we do this for the bondholders--" Really, the public comes first in my mind as oppose to whatever the bondholders may be.

And I think that if there's any lesson we have to learn from today, other than whatever the conclusion the Committee may draw in the end, after the conclusion of the testimony that takes place, is the fact that I think the public

should be more involved in even just the planning process. I can't tell you, Mr. Johnson, that if you had revealed -- or had it been made more public earlier about what was going on with regard to the planning process --that this legislative Committee would have been in power to do as it's doing now. I can't tell you that it wouldn't have been.

But the fact of the matter is that I think that the public might have accepted what went on a little bit easier or would have had a greater understanding if it had been more common knowledge about what was going on. I think that's one of the things that I think we have to draw on. One of the lessons that we have to draw from this is that with regard to independent agencies -- independent authorities -- that in fact, you know, recognizing that you have bonding capacity; that there are people to whom you have an obligation. In the end, all obligation is to the public. I think the public, I'm not sure, was well served on this particular thing as far as the plans being announced and brought to the public's attention. I think that's the one thing that we have to draw from today's hearing.

What the Committee will do as a result of this thereafter, is a matter for the Committee to digest as a result of the testimony that we'll take. We will be holding one more hearing which we will tentatively suggest we will try to do next Wednesday, so we can wrap this up before the holidays. But I want to express the appreciation of all of you being here today. I appreciate this. This is a lengthy period of time to testify before this Committee, but I think it had to be done as far as making it clearer to the Legislature what the planning process was with regard to this. And I appreciate that. With that, thank you very, very much.

I'm going to call to the stand-- Is the representative of the truckers here?

GERALD MERCADANTE: The buses.

ASSEMBLYMAN SCHUBER: I'm sorry, the buses. Okay.

MR. MERCADANTE: Mr. Chairman and members of the Committee, I am Gerry Mercadante, a trustee of the Atlantic City Bus Operators Association and Chief Executive Officer of Leisure Lines of Mahwah, New Jersey. My company is a major factor in an economic undertaking -- the carrying of bus passengers to Atlantic City, which after the casinos themselves, is the most important element in creating the tens of thousands of jobs, the hundreds of millions in taxes, and huge economic benefits for New Jersey's senior citizens that result from casino gaming in Atlantic City.

Like it or not, casinos in Atlantic City would have been an abject failure without the development of bus operations to and from the resort. Each day buses carry about 30,000 visitors to Atlantic City. Many travel by regularly scheduled vehicles and even more come on special trips. They come from all parts of New Jersey, our neighboring states, and from as far away as Syracuse, Cleveland, Virginia, and New England. A large proportion of these buses utilize the Garden State Parkway, and we pay our own way.

Contrary to the publicity generated by the New Jersey Highway Authority, the proposed toll increase is not the first since the Parkway was opened -- at least as far as buses are concerned. A little over two years ago, in March of 1985, the Parkway increased bus tolls by amounts ranging from 33 1/3 to 300%. At that time, all bus tolls were raised to one dollar. Previously, the toll had been 75 cents at barriers north of the Raritan River, 50 cents those south of the raritan river, and 25 cents on ramps. For non-regular route trips, the majority of the operations conducted by our members, the boost was most severe since no discount was allowed.

Now the Parkway wants to hit our riders again. This time the boosts of 1985 would be compounded. Each toll would be tripled or, if an operation were prosperous or large enough

to tie up considerable funds in tokens, merely doubled. The dollar tolls would go to three dollars or two dollars if a token is used. Thus, in less than three years ramp tolls would rise by as much as 1100% and barrier tolls south of the Raritan by 500%.

What's a few pennies to a busload of passengers, you may ask? But it's more than a few pennies. It should be remembered that none of the inducements offered by individual casinos to riders on special buses affect the fares. Our revenue derives solely from the fare box. Let me give you some examples of the impact of the proposed increases.

For a bus entering at the northern end of the Parkway or coming through the Paramus ramp and going to Atlantic City, the tolls would rise from nine dollars at present to \$30 if cash is paid. This is a 233% boost over the current cost. If tokens are utilized, the increase is to \$20, or 122%. This is for a one-way trip. For a round trip, the Parkway tolls alone will be either \$60 or \$40. Please bear in mind that the average passenger load on a trip to Atlantic City is 29. As you can see, tolls alone will account for more than two dollars of the average fare to Atlantic City.

In shorter trips, from Union, New Jersey, for example, the round trip cost will jump from \$12 to \$42, a rise of 250% or 133% from \$12 to \$28 if tokens are used. From the Matawan area, the increase would be 260% with cash and 140% with tokens, going from \$10 to \$36 or to \$24 with tokens.

As you know, and I am sure the Parkway Commissioners realizes, an extraordinarily large percentage of our riders are senior citizens whose lives have been made considerably brighter by the opportunity to travel to Atlantic City relatively inexpensively. If they wish, they participate in casino playing.

For many of these people, a two dollar fare increase forced by the toll boost will represent a significant

expense. We can expect a certain percentage of riders to make fewer trips to Atlantic City, not only diminishing business there, but raising the cost of our operations to the resort. This, in turn, will tend to further raise the fares.

We ask the Parkway also to remember the fact that buses eliminate considerable traffic congestion that would result if only a relatively small percentage of our riders decided to go instead, by automobile. The casino and resort industries in Atlantic City have encouraged buses and so has the State of New Jersey. The New Jersey Highway Authority is an official agency of the State. We call on it to foster mass transit to what once was the queen of resorts so that we can help Atlantic City again rise to that eminence.

We hope that you and your fellow members of the Legislature will exercise your good offices to persuade the Garden State Parkway to drop its plans to again sock it to the bus industry. The resultant revenues are relatively small in the complex financial picture of the Parkway, but they are of major significance to our companies and our passengers. Thank you.

ASSEMBLYMAN SCHUBER: Thank you, Mr. Mercadante. We have your statement and it will be made part of the record. We appreciate that.

MR. MERCADANTE: Okay. On my immediate left is Nick Bade and Marion Hall. They would also like to make a statement at this time.

N I C H O L A S E. B A D E: Thank you. Ladies and gentlemen of the panel and ladies and gentlemen that are left of the audience, my name is Nicholas E. Bade. I'm Vice President of Domenico Tours, Inc. Domenico Tours is a major New Jersey bus corporation. We're also a major New Jersey employer. We have over 325 employees in the State of New Jersey, this includes major facilities and offices in Bayonne, New Jersey; we have an office in Atlantic City, New Jersey; one

in Philadelphia; and we're also opening a major garage and transportation center in the Camden, New Jersey area. So, we have a major vested interest in the State of New Jersey, both as taxpayers and I might add, as employers. For that reason, we are deeply concerned about the proposed Garden State Parkway rate hikes.

First and foremost, there have been a couple of major significant statements made today. The first was that there has been no toll hikes in the road's history, but as Mr. Mercadante has indicated, the bus industry was socked with a major 100% toll hike just two years ago. So, that's sheer nonsense to say there was no rate hike.

Second of all, Mr. Zilocchi made the statement that one of the problems on the Parkway is to get people out of the private automobile. I would suggest that the proposed toll hikes would have the reverse effect. For example, a statement was made earlier that the proposed hike will increase for the average car user the tolls to about 10 cents to 20 cents. In the case of the average bus rider, however, that is the tour bus rider, the increase will come to almost a dollar a person. So, once again, if we're talking about encouraging the use of energy efficient public transportation, how do we justify raising the toll per bus rider almost by a dollar a head? I suggest to you that we'll either: one, drive people out of the buses, or two, drive them back into the automobile, It certainly will not help improve the problems.

I'm here today to suggest that instead, the Garden State Parkway Toll Authority and the State -- and I might add the Governor -- should review the bus portion of the toll hike. It appears to us at Domenico Tours that perhaps the bus portion was not given proper thought either intentionally or unintentionally. The bus industry is being soaked. If you look at these figures again, the percentage increase will either be 140% or 240% for the bus industry. Either way, that is a

substantial increase for the most energy efficient portion of our transportation system.

So in conclusion, I'd like to add again that Domenico Tours is a major New Jersey company, one that sends approximately 40 buses everyday over the Garden State Parkway to Atlantic City. We would ask that all powers would review the proposed bus increases, and come up with a more equitable program. Thank you.

M A R I O N L. H A L L: Ladies and gentlemen, my name is Marion L. Hall. I am the Project Director of the Motor Carrier Liaison Project with offices in West Orange, New Jersey. This office is funded by the Urban Mass Transportation Administration which was established under contract with the New Jersey DOT to develop policy agendas and to support the private bus carriers in the State of New Jersey. I might digress a little bit from my prepared statement to indicate that I'm also the President of the M.L. Hall and Associates, a transportation economic consultant firm, headquartered in McLean, Virginia. I work like somebody who sat in this chair before me, probably even longer. I've been in the transportation industry for over 40 years.

If I had made the kind of projections that I heard talked about that are in this little green folder, that this man sits here in defense and says, "Well, we missed it by 7, 8, 10, 12 million dollars," I wouldn't have been there the next time. And I've worked for the State, I've worked for the Interstate Commerce Commission for the United States Department of Transportation, 20 interstate bus carriers, many truck companies, and the entire national railroad industry. I didn't miss the general freight rate increases and the national railroad as much as he missed the figures that he's projected for ugh the Garden State Parkway.

I appear here today to register the opposition to the increase for the private bus carriers and I'm appearing in

support of the carriers that operate to Atlantic City, but specifically, I'm here to put strong emphasis on the increase for the commuter bus operators. You heard the representatives from the Authority sit here and talk about the percent of increase. If a certain percent of the riders use tokens, their increase would only be a certain amount. Of course, all of you differ with that. Regardless, there is no mercy on the private commuter bus operators. Their token fee is going up from the present 50 cents to a dollar. Their cost is going to double. And they go through several tolls.

Take for example, if you come up from the south, and you come up from Ocean County -- Academy Bus Lines -- by the time they get through going through the barriers that they go through and get a commuter into New York City, they're going to be looking at an increase of a commuter's fare of about 12 cents to 15 cents in each direction each day. So, they're going to be talking about increasing is fair at about 30 cents a day.

So, they haven't been able to increase the fares in the past to account for fuel increases and insurance increases because of pressures on the private carriers in this State because New Jersey Transit has not raised its fares in a number of years -- the long zone fares; zone nine on down.

New Jersey Transit is not here today, nor will they ever be here. They will come down later to ask you for more money when the toll goes up. And the government will appropriate the money for it. The poor private bus company will be caught in the middle. He really can't raise his fare. I've seen him say that he's going to raise it, then he'll turn right around and tell you that he can't raise it. If he raises it-- He's damned if he does and damned if he doesn't. If he raises it, he's going to run passengers off of his bus. Then we sit here and hear the Executive Director say that is what

we've got to do: get people out of their cars and on the buses. You can't get them out of their cars and on the buses.

If you go back and look at my statement, and I won't read it, because all of you, I'm sure, have a copy of it, I accepted a statement that was in a joint letter that Governor Kean and the Governor of New York sent to the Port Authority when they were raising tolls stressing that we must take action; we must succeed in encouraging commuters to leave their automobiles and utilize mass transit.

I don't know whether the Governor can veto part of what this agency is doing, but if he can veto part of it, he certainly should veto the increase that's to be placed on the heads of the commuter bus operators, because there's just no way that you can continue to increase bus fares for private operators without putting them out of business. Private operators cannot get an operating subsidy to take commuters into New York City.

Those of you will hear New Jersey Transit talk, and talk, and talk about the buses that are bought for the private operators. And those are buses bought not for the private operators going to Atlantic City. They can't used for that. They are bought for the commuter operators, primarily with Federal tax money. You still have to operate the buses. You've got to pay for fuel, insurance, pay union wages, and you can't then turn around and have your tolls increased 100% and continue to operate private bus services in this State.

I said at the outset that I also have a consulting firm in Virginia. I get little snickers from time to time when my friends see the Governor on the television saying, "New Jersey and You," and "Would you like to come to New Jersey?" He's going to need a bumper sticker to stick on after his bumper sticker that says, "New Jersey and You." He's going to need the other that says, "You all bring money when you come."

It's unbelievable that these tolls would go up this much. If any private bus operator, in my experience and also the railroad company, had tried to raise their fares of the magnitude that this agency is trying to do, a state agency and almost any state in this country, or the Federal government would have said, "No way. You can't take an increase that big." Now, maybe they're just plain old messed up in not having taken a small increase several years ago. Maybe they knew they had that big cushion, built in those numbers that their consultant worked for. But for some reason they made a fatal mistake when they didn't take a smaller increase quite a number of years ago. Maybe they should scale this one back and take that windfall that they normally get.

I have another thing and I'll hush with this. I heard the Executive Director sit here and talk about his hospitalization cost, and he talked about why they were so high this year, because last year they had money they had put aside in a separate fund. In previous years, they had overestimated it. He must be doing two different types of accounting if he basically takes money in a budget and says, "We didn't spend that money in '85, so we're going to put it over here in a sinking fund, so to speak, to take care of '86's expenses."

I guess they're doing some accrual accounting and some accounting where they are setting aside a fund to take care of future years of expenses. It really doesn't make much sense, because you don't have now 1986 expenses, because you apparently buried them back in 1984, and set the money aside to spend it in '86. So that now, it makes one year up and on year down. That's really an unbelievable type of accounting. It's not something you can do. If you had a banking agency, for example, you wouldn't let a bank do that. You wouldn't have a public accounting firm that would let a private bank do accounting like that. It seems to me that it's rather unusual to have those wide swing and say that one of the reasons for

the wide swing is that we set aside a sinking fund to account for pure operating expenses up in the future years. And we did it over a span of the last four, five, or six years. You're not ever really going to know what their books actually show if that type of accounting is engaged in it. I thank you.

ASSEMBLYMAN SCHUBER: Thank you very, very much. We appreciate your testimony and it will all become part of our record. Thank you.

Do we have a representative of the United Taxpayers of New Jersey? (negative response) Okay with that, this hearing is completed as of today. I am tentatively scheduling the second hearing next Wednesday here, at which time we will take testimony from the Department of Transportation and the Public Advocate.

**(HEARING CONCLUDED)**

**APPENDIX**



**New Jersey Highway Authority**

**Briefing Book**

**for the**

***GARDEN STATE PARKWAY***



Office of the Commissioners  
New Jersey Highway Authority

EXECUTIVE OFFICES • WOODBRIDGE, NEW JERSEY 07095 • (201) 442-8600

Garden State Parkway  
Garden State Arts Center

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Executive Director

CHAIRMAN'S MESSAGE

November 13, 1987

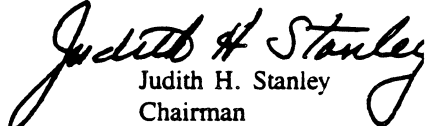
On November 19, 1987, the New Jersey Highway Authority Commissioners must propose an increase in the basic 25 cent toll structure and the use of a discounted car token on the Garden State Parkway, effective in April 1988. This increase and discounted token will be first-time events in the roadway's 33-year history.

Since its beginnings, the Authority has annually reviewed its financial position and has been able -- even through the inflationary 1970s -- to meet its fiscal responsibilities solely through toll revenues (and the sales of bonds) without raising its basic toll structure.

Now, however, the time has come when such an increase simply can no longer be deferred. A vital and necessary \$570 million capital improvement program is underway -- with additional capital funding still required. Net revenues under the present toll structure show a projected decline. But perhaps even more important, the Authority's obligations to its bondholders must be met. And the Authority's standing with the bond rating agencies cannot be allowed to falter if it is to raise new monies to fund the needed improvements.

The Garden State Parkway must, regrettably, join its sister toll facilities across the nation in raising its rates.

This Briefing Book has been prepared by New Jersey Highway Authority consultants and staff to give the interested reader both the broader picture and the details of what has prompted this move. Any further questions will, of course, be answered by appropriate staff personnel.

  
Judith H. Stanley  
Chairman

**BRIEFING BOOK  
TABLE OF CONTENTS**

**Page   Question**

**I. HISTORY**

- 1      1. How old is the Garden State Parkway? How was it originally financed?
- 1      2. What kinds of subsequent financing has the Parkway undergone?
- 2      3. How has the Parkway historically improved New Jersey's transportation system?
- 2      4. Does the Authority participate in improving roadways other than the Garden State Parkway? Does it help counties and municipalities in any special way?
- 3      5. What has been the Parkway's traffic and revenue history?

**II. TOLL PLAZAS**

- 4      1. Why are new mainline barriers necessary?
- 4      2. When will they be built?
- 4      3. Why weren't there toll plazas in these locations before?
- 4      4. New ramp toll plazas are also being planned. Where will they be located?

**III. TOLL INCREASE**

- 5      1. Why is a toll increase necessary?
- 6      2. What portion of tolls are currently collected through exact change lanes?
- 6      3. How much will revenues for the Parkway rise in future years without an increase?
- 7      4. Are tolls for trucks going up? How much?
- 7      5. Are tolls for buses going up?
- 7      6. How long has this increase been under consideration? Why now?
- 8      7. When will the toll increase go into effect?
- 8      8. What will happen on the former State-owned sections of the Parkway? Will there be tolls there too?
- 8      9. What happened to the old bond money?
- 8      10. Why did the Authority decide to seek short-term financing?
- 9      11. What's wrong with a lower bond rating?

Page   Question

- 9      12. How does the Parkway compare to the New Jersey Turnpike in cost of tolls? To other toll roads?
- 9      13. How does the cost per mile on the Parkway compare with the New Jersey Turnpike and other toll roads?
- 10     14. Won't the original cost of the Parkway be paid off in 1988?
- 10     15. Won't a toll increase decrease traffic?
- 10     16. Will the toll increase subsidize losses at the Arts Center?
- 10     17. Who authorizes the toll increase?
- 10     18. How can the public register its opinions?
- 11     19. Why not charge more to travel in peak commuter hours?
- 11     20. When was the last time that tolls were increased on the Garden State Parkway?
- 11     21. How has traffic on the Parkway increased?
- 11     22. Why can't tolls on the Garden State Parkway be eliminated -- as they were recently on the Connecticut Turnpike? Would eliminating toll plazas increase safety on the Parkway?
- 12     23. What effect has the State Transportation Trust Fund had on the need for a toll increase?
- 12     24. Will there be money for an increase in the State Transportation Trust Fund as a result of the toll increase?
- 12     25. Why can't the Garden State Parkway switch to a ticket system like the New Jersey Turnpike?
- 13     26. How can a motorist obtain more information about the toll increase?
- 13     27. Will tolls ever be eliminated on the Garden State Parkway?
- 14     28. Why will expenses on the Parkway rise so rapidly in 1988?
- 14     29. Did the Authority examine other toll alternatives to a 50 cent toll and a 35 cent token?
- 14     30. Do the service areas generate income?

**IV. TOKENS**

- 15     1. Why are tokens necessary?
- 15     2. Will there be a change in the present token?
- 15     3. What are the motorist's real benefits in using the new token?

Page   Question

- 15    4. Tokens are presently allowed in both attended and exact change toll lanes. Will this policy continue?
- 15    5. Then, what will happen to a motorist who tries to give a token to a toll collector?
- 16    6. Parkway toll plaza rates will increase to 50 cents with a discounted token costing 35 cents. Parkway ramp toll rates will increase to a uniform 25 cents. Why not a discounted token at the ramps as well?
- 16    7. Where can patrons purchase the new tokens?
- 16    8. Why not buy vending machines to distribute tokens?
- 16    9. Will there be signs to notify motorists of the new token policies?
- 16    10. Can the new tokens, as well as the present token, be used prior to the toll rate increase?
- 16    11. Will the token package be the same as before the rate increase?
- 16    12. Have any of the new tokens been ordered?

**V. CAPITAL IMPROVEMENTS**

- 17    1. What is the status of the \$570 million capital improvement program that the Authority approved in March 1986?
- 18    2. Why will the capital improvements take so long?
- 18    3. What will happen to development without these improvements?
- 18    4. Can the Parkway get along without improvements?
- 19    5. How are small business, minority and women-owned businesses affected by the capital improvement program?
- 19    6. How much bonding is the Authority projecting for future years?

**CHARTS**

- 20    Garden State Parkway Toll Schedule
- 21    Garden State Parkway: Proposed Tolls
- 22    Comparative Highway Tolls
- 23    Toll Increase Comparisons: 1987 vs. 1954
- 24    Garden State Parkway Vehicle Usage
- 25    New Jersey Highway Authority: Projected Operating Results (Present Tolls)

Page

- 26 New Jersey Highway Authority: Projected Operating Results (Revised Tolls)
- 27 New Jersey Highway Authority Financial Projections (Revenues Less Expenses)
- 28 New Jersey Highway Authority Financial Projections (Under Present Toll Schedule)
- 29 New Jersey Highway Authority Financial Projections (Under Revised Toll Schedule)
- 30 Garden State Parkway: Existing Traffic Conditions

## HISTORY

### 1. How old is the Garden State Parkway? How was it originally financed?

General Parkway and freeway legislation was first enacted in New Jersey in 1945. In 1946, the State began construction on what was then called the 'Route 4 Parkway' in Clark Township, Union County, paid for by New Jersey taxpayers' funds.

In 1950, the first section of this Parkway opened between Cranford and Woodbridge. During the next three years, the Parkway route was extended north into Union County and short sections were completed in Ocean and Cape May Counties. A four-mile piece from Cranford to Route 22, Union, which opened to traffic in July 1953, constituted the last Parkway section to be constructed by the State and with State (and in two of these sections, Federal) funds. These sections of the Parkway, totaling approximately 19 miles, were owned and maintained by the New Jersey Department of Transportation (NJDOT) until July 1, 1987 when they were officially turned over to New Jersey Highway Authority ownership for the sum of \$1.

By 1952 it became apparent that the goal of a major roadway running north and south along the State's eastern coastline would be years away due mainly to lack of funds. Accordingly, Governor Alfred E. Driscoll in his January 1952 Annual Message to the Legislature declared the need for an "Authority to finish the Garden State Parkway (as it was by then called) promptly as a revenue-financed facility."

On April 2 and 4 that same year, the State Legislature passed bills creating the New Jersey Highway Authority to acquire, construct, maintain, repair and operate "highway projects." It specifically authorized one -- "The Garden State Parkway" -- but also spelled out that the Authority is empowered to undertake additional highway projects "at such other locations as shall be established by law." Thus, the reason the Highway Authority is not called -- as might otherwise be expected -- "The Garden State Parkway Authority."

The Legislature authorized the Authority to complete construction of the Garden State Parkway from Paramus to Cape May as a self-supporting toll road and provided for a State guarantee of \$285 million of voter-approved Authority bonds to be repaid over a 35-year period. Another \$20 million in bonds were sold in 1954 and an additional \$25 million in bonds in 1956, the latter in order to finance a feeder road to the New York State Thruway. Thus, the 173-mile Parkway was originally constructed at a total cost of \$330 million, not including the sections which were built by the state government.

While the Parkway's official opening celebration was held on October 23, 1954, it did not start full operation until July 1, 1955 when the Parkway -- then a 163-mile project -- truly began. (The additional 9.5-mile feeder to the New York State Thruway opened on July 3, 1957.)

### 2. What kinds of subsequent financing has the Parkway undergone?

In 1962, \$40.0 million in bonds were issued, mainly to finance improvements in the Parkway's Essex County section.

In 1971, the Parkway issued \$80.0 million in bonds for improvements that included the two-lane inner roadway in each direction from the Asbury Park to the Raritan Plaza.

In 1978, the Parkway issued \$82.6 million in bonds to refinance the 1971 bond issue and eliminate some of the restrictive covenants contained in the 1971 Bond Resolution.

In 1984, the Parkway issued \$275.5 million in bonds in order to repay certain outstanding debt and to finance capital improvements. This bonding also eliminated restrictive covenants affecting the Authority's future ability to borrow and assisted the State of New Jersey in implementing the State Transportation Trust Fund by permitting the Authority to donate \$10 million per year to the Trust Fund for 20 years.

In 1986, the Authority issued \$340.0 million in bonds in order to repay \$195.3 million in 1984 bonds, save \$17.6 million in interest costs, fund \$74.4 million in capital improvements, and provide for other needs.

In 1987, the Parkway arranged for a short-term loan commitment of \$80.0 million to cover on-going construction costs; as of November 1987, \$50.0 million had been drawn against the total amount. This borrowing has allowed the Parkway to continue its capital improvement program.

### 3. How has the Parkway historically improved New Jersey's transportation system?

When the Parkway was originally designed, travel time from Paterson to Atlantic City was estimated at 3.9 hours over then existing routes. With the Parkway's opening, the same trip could be made on the Parkway, at a 50 MPH speed limit, in 2.5 hours.

In its early years, the Parkway's role as a commuter road was overshadowed by its role as a recreational road to the State's seashore areas. In 1956, for example, monthly traffic in July was nearly three times as great as in February; although Parkway traffic still reaches its highest volume in the summer months (1.6 times as large as earlier in the year), the traffic difference between winter and summer has narrowed.

From its early years the Parkway has had a substantial impact on the economic development of adjacent areas, many of which had previously been cut off from easy transportation access. Resort business along the Jersey shore, for example, which had been undergoing a decline, quickly bounced back in mid-50's.

### 4. Does the Authority participate in improving roadways other than the Garden State Parkway? Does it help counties and municipalities in any special way?

Yes. The 173-mile Parkway runs through ten New Jersey counties and directly affects 51 local municipalities along its corridor.

The New Jersey Highway Authority coordinates with other agencies responsible for traffic, transit and transportation matters by cooperation with the New Jersey Department of Transportation (NJDOT) and with county and local governments.

Recent examples of coordination with the NJDOT include:

- \* the reconstruction of Interchange 100 in order to widen the Parkway in the vicinity of State Routes 33 and 66 near Asbury Park which has given the NJDOT the opportunity to improve those routes' intersection;

- \* improvements at Interchange 105 which includes the intersection of State Route 36 with Hope Road in Eatontown and Tinton Falls, a project involving particularly close cooperation because of the proximity of Route 18 whose 'missing link' is presently being constructed in this area; and

- \* the development of plans for a new ramp at Union to carry northbound traffic to westbound Interstate 78 and southbound traffic to eastbound Interstate 78, greatly benefiting municipalities in the area by removing Parkway and Interstate traffic from local roads.

Examples of recent efforts to assist local and county governments, many at their request, include:

- \* construction of a new Interchange 171 at Glen Road and modification of the existing Interchange 172 with Grand Avenue in Bergen County;
- \* improvements to Interchange 109, Newman Springs Road in Monmouth County, including a new southbound entrance ramp to reduce local congestion;
- \* installation of a temporary traffic light on Lacey Road at Interchange 74 in Ocean County;
- \* the construction of new bridges to carry the Parkway over State Route 88 and all county roads between Interchanges 88 and 91 to accommodate Ocean County's plans to widen these roads;
- \* improvements at Interchange 36 with Tilton Road in Atlantic County; and
- \* improvement of the intersections between Mileposts 7-11 in Cape May County to reduce the present high congestion at the traffic lights in the summer (these grade crossings will be completely eliminated in the future).

More than 30 projects which will benefit the Parkway's adjacent counties and municipalities are either under study, in the engineering design stage or already under construction by the Highway Authority as of November 1987.

#### 5. What has been the Parkway's traffic and revenue history?

Parkway traffic and toll revenue have increased every year of its history with the exception of 1974 and 1979, in both cases due to the gasoline shortage. The number of vehicles using the Parkway has increased nearly eightfold from 42 million in 1955 to 317.8 million in 1986 while the Authority's toll revenue has increased from \$9.3 million in 1955 to \$102.8 million in 1986, an increase of more than tenfold. The growth of operating expenses, however, has outpaced revenue increases. The jump in operating expenses from \$2.6 million in 1955 to \$70.5 million in 1986 is a 27-fold increase. The Authority has been hard-hit in recent years by increases in energy and insurance costs, construction and maintenance costs, State Police services and Authority personnel wages and salaries and the costs of all other materials/services which have risen substantially since the Parkway first opened for business in 1954.

As a result of the Authority's various capital improvement programs, the most ambitious being its present five-year plan, the Parkway presently ranges in size from four lanes in its southernmost section to ten lanes between Mileposts 102 and 123. North of this point there are a minimum of 12 lanes, continuing across the Driscoll Bridge to Interchange 127, followed by ten lanes to Interchange 129 and generally eight lanes north to Interchange 145. Thereafter, there are generally six lanes to Milepost 167, at which point the road drops back to four lanes until its terminus at Milepost 172.4.

Since the Parkway was designed to provide a park-like appearance wherever possible, a wide median area separates north and southbound traffic over 135 miles of the Parkway's 173-mile length.

## TOLL PLAZAS

### 1. Why are new mainline barriers necessary?

Two new toll plazas will be built in addition to the existing 11 toll plazas. One will be located in Cape May County, most likely near Mileposts 4-6, and the other will be located in Atlantic County, most likely near Milepost 40.

These new toll plazas will spread the burden of toll revenue more evenly to all users of the Garden State Parkway. It will provide new revenue to maintain sections of the Parkway which previously relied on other toll sections to support them.

The proportion of toll revenue collected by toll barriers varies widely -- from less than 3% at the Cape May barrier to over 17% at the Union barrier and about 19% at the Raritan barrier.

### 2. When will they be built?

Construction on the new barriers will most likely begin in 1989 and be completed by 1991.

Vollmer Associates has projected that the new Cape May Milepost 4-6 Toll Barrier will produce \$1.1 million in revenue in 1991 and \$1.1 million in 1992 using the current toll schedule. They project that the new Atlantic County Toll Barrier will produce \$3.3 million in revenue in 1991 and \$3.5 million in 1992 using the current toll schedule.

### 3. Why weren't there toll plazas in these locations before?

Traffic in these areas has historically been relatively light compared to other sections of the Parkway and the capital improvement and maintenance requirements were not as demanding. However, the picture has changed; 20,000 vehicles presently use the Cape May section daily and 35,000 vehicles presently use the Atlantic County section daily.

### 4. New ramp toll plazas are also being planned. Where will they be located?

One will be located at Interchange 116 near the Garden State Arts Center. (Patrons visiting the Arts Center from the Parkway will not pay this interchange toll.) Another will be located at an expanded Interchange 74, affecting traffic entering and exiting from the north. A third will be located at Interchange 120. Construction on Interchanges 116 and 120 will begin in 1988. They will be completed in 1991. Interchange 74 will be completed by 1989.

These three new ramp toll plazas will be in addition to the existing 19 ramp toll areas now operated by the Authority.

## TOLL INCREASE

### 1. Why is a toll increase necessary?

Since it first opened in 1954, the Garden State Parkway has not raised its basic 25 cent toll for cars at toll barriers. During that period, inflation has reduced the value of a quarter to 6.1 cents. The Authority has used increased traffic to generate increased toll revenue to pay for higher operating costs and capital improvements. However, the time of reckoning has at last arrived: the Garden State Parkway simply can no longer meet its bond obligations and continue its quality operation and improvement program without a toll rate increase.

There are several extenuating factors which make a toll increase necessary as well:

**BOND COVENANTS:** Under the bond covenants which the Garden State Parkway has with its bond holders, the Parkway must fix, charge and collect tolls for the use of the Parkway System as necessary to at least equal the Net Revenue Requirement for the year -- whichever is the greater of:

(1) the sum of Aggregate Debt Service on the Series 1986 Bonds, the remaining Outstanding Series 1984 Bonds and any other parity Bonds issues under the Resolution, amounts required to be deposited in the Junior Indebtedness Fund, Maintenance Reserve Fund and State Payment Fund or

(2) 1.20 times the Aggregate Debt Service on the Series 1986 Bonds, the remaining Outstanding Series 1984 Bonds and any other parity Bonds outstanding under the Resolution for such year.

Toll revenue for the Garden State Parkway has increased from \$16.0 million in 1958 to \$102.8 million in 1986. Revenue projections prepared by Vollmer Associates, the Authority's traffic consultants, show that in 1988, toll revenue will increase to \$113.6 million and total New Jersey Highway Authority revenue will hit \$137.5 million. However, total expenses, including reserve requirements, state payment and debt service, will hit \$149.2 million for a revenue shortfall of \$11.7 million. Without a toll increase, that revenue shortfall for the years 1988 through 1992 would total \$115.3 million.

As traffic has increased, the personnel necessary to collect tolls, patrol the roadway, maintain the roadway and service areas has also increased. For example, in 1952-54, the Authority paid \$10-12 per ton for asphalt pavement; today, it pays \$35-40 per ton. The Authority now pays \$300-400 a cubic yard for structural concrete -- compared to \$50-60 per cubic yard in 1952-54. In 1954, the Authority paid 18 cents per pound for structural steel; today, the Authority pays \$1.00 per pound. The cost of reinforcing steel has gone from 16.5 cents in 1954 to 70 cents today. In addition, as the roadway grows older, the bridges, buildings, and road surfaces require an increasing maintenance effort.

**BOND RATINGS:** Two nationally-known ratings services -- Standard & Poors and Moody's -- have made it clear that a toll increase should be authorized over the next several months or the Authority's AA-/A1 bond ratings will be jeopardized. Further, lowering the rating would also adversely affect State debt. The New Jersey Highway Authority's bond rating is the highest among toll roads in the nation.

**CONGESTION:** Several sections of the Parkway already operate at or over their traffic capacity. For example, although the section between the Asbury Park Toll Plaza and the Raritan Toll Plaza is generally below capacity, there are occasional problems at the Driscoll Bridge. The Parkway between the Toms River and Asbury Park Toll Plazas has traffic near or at or over the established capacity. There is congestion often on the section

between Milepost 80 and 83 in Ocean County, and growing traffic in Cape May and Atlantic Counties will eventually lead to congestion in these areas as well.

The Authority will continue to develop comprehensive plans to deal with these problems and related safety factors. The Authority currently is in the midst of an unprecedented five-year, \$570 million capital improvement program. The proposed toll increase will simply allow the Authority to keep pace with and obtain funds for these planned improvements.

**BONDS:** The Authority's short-term \$80.0 million loan commitment, of which \$50.0 million has been drawn down in 1987, matures in July 1988. In order to repay those notes, a new bond issue must be in place by June 1988. In order for those bonds to be sold and to be repaid, a toll increase will have to be in effect, for reasons stated above.

Without new bonds to both repay the short-term financing and provide for capital improvements, the Authority's safety, widening and repair programs would come to a halt.

**ECONOMIC DEVELOPMENT:** The Authority has conducted a comprehensive survey of land use trends along the Parkway corridor, ranging from 1.5-2.0 miles along either side of the roadway. The study, conducted by Vollmer Associates, concluded that 120,000 additional daily trips -- presently about 1 million trips take place daily -- will be generated by development now being built or planned. The development includes:

- \* 61,400 dwelling units of residential housing
- \* 20.5 million square feet of office space
- \* 6 million square of retail space
- \* 1.2 million square feet of industrial space
- \* 1.2 million square feet of warehouse space
- \* 16,500 hotel rooms
- \* 400,000 square feet of hospital development, plus nursing homes
- \* 800 recreation units

According to the traffic study which Vollmer Associates completed, based on this survey, growth and traffic demand on the Parkway south of the Raritan River will increase by 25 to 50% by 1990. In the northern section of the highway, growth will range between 10 and 20% over the 1986-1990 time period.

Without capital improvements, by 1990 virtually all of the Parkway between Mileposts 30 and 156 -- a 126 mile stretch -- will be operating at or above capacity. The worst conditions will be between Interchanges 80-82 just south of the Toms River Toll Plaza, where traffic demands would be at 216% of capacity. By 1995, traffic demand in that section would be at 245% of capacity. By the year 2000, that section's demands would be at 284% of capacity, and virtually the entire Parkway would be at or above capacity.

**2. What portion of tolls are currently collected through exact change lanes?**

Nearly 70% of toll revenues are currently collected in exact change lanes. An even higher percentage of toll revenue is collected in exact change lanes during commuter rush hours.

**3. How much will revenues for the Parkway rise in future years without an increase?**

A reasonable and conservative estimate for toll revenue, according to Vollmer Associates, would be 4% per year. The Authority currently averages a 5.3% increase in 1987 revenue over 1986 figures.

#### 4. Are tolls for trucks going up? How much?

There will be a revised schedule for truck tolls based on the number of axles; truck tolls will be based on 50 cents per axle -- e.g., \$1.50 for a three-axle vehicle; \$2.00 for a four-axle vehicle; \$2.50 for a five-axle vehicle and \$3.00 for a six-axle vehicle. All two-axle trucks (weighing less than 3.5 tons) will pay 50 cents. A two-axle, six-tire truck will pay \$1.00.

It is reasonable that trucks should pay in accordance with their size. The larger and heavier the truck, the more real damage the vehicle inflicts on the roadway. When the Parkway opened, trucks were smaller and not a major Parkway user. Now, with the development of South Jersey -- assisted by the Parkway-- truck traffic is growing.

Although the new system will insure that trucks pay their fair share of Parkway tolls, trucks have never been a large source of Parkway revenue. Currently, passenger cars produce over 97% of Parkway revenue -- compared to only 63.8% of revenue on the New Jersey Turnpike.

Campers will be charged tolls at rates similar to a passenger car. They will be charged at the passenger car rate of \$.25 per axle up to a maximum of \$1.25.

Truck traffic is prohibited north of Interchange 105, Eatontown. (Prior to 1980, truck traffic had been prohibited north of Interchange 98 near Lakewood but the limit was extended to allow trucks to connect with Route 18 and Interstate 95 at Interchange 105.)

#### 5. Are tolls for buses going up?

Yes. Bus tolls will go up to \$3.00 with discounted tokens costing \$1.00 available to regularly scheduled commuter buses and tokens costing \$2.00 available for all other buses. As now is the case, buses will pay the same rates at ramps as at mainline toll plazas. The commuter bus discount helps encourage use of mass transit by keeping down the costs of bus travel. The cost per passenger for commuter buses will be approximately 2 cents for each barrier the bus passes through.

The Parkway continues to have a strong commitment to promoting commuter bus use. It provides more than 2600 free commuter parking spaces at 15 different locations, mostly in the central-northern areas of the Parkway. The north overflow lot at the Garden State Arts Center in Holmdel is, for example, used for commuter parking in cooperation with New Jersey Transit. The size of the Allwood Road parking lot in Passaic County will be doubled at the request of New Jersey Transit.

School buses will continue to pay rates equivalent to passenger cars.

#### 6. How long has this increase been under consideration? Why now?

In the April 1986 official bond statement, it was stated: "Based on current projections of revenues and expenses, Net Revenues are not anticipated to provide moneys sufficient to meet the Toll Covenant under the Resolution beginning in 1987, and additional revenues will be required from then through 1991, the end of the period covered by the projections....No determination has been made by the Authority at this time as to the source of additional revenues." The 1986 official bond statement also included a report by Vollmer Associates which analyzed the impact on revenue of various toll increases.

As a result, the mechanics of a toll increase have been the subject of intensive study in order to determine how much money is needed to be raised, and how tolls could be raised without slowing traffic and with the minimum possible impact on regular Parkway users.

Traffic and revenue studies prepared by Vollmer Associates for the 1986 official statement showed that the Authority faced revenue and capacity problems in the future. Subsequent traffic and revenue studies prepared by Vollmer Associates this summer and fall have detailed the severity of the revenue shortfall faced by the Parkway. In addition, the Authority has relied on the advice of its financial advisors, Government Finance Associates, Inc.

The Authority has postponed a toll increase as long as it was financially possible to do so. The need for a toll increase has recently become imminently necessary. The Authority no longer has any options.

7. When will the toll increase go into effect?

It is anticipated that the toll increase will become effective on April 2, 1988.

8. What will happen on the former State-owned sections of the Parkway? Will there be tolls there too?

The so-called State sections include a 13-mile stretch in Union-Middlesex Counties between U.S. Rt. 22 and U.S. Rt. 9; a two-mile section in Toms River where Rt. 9 and the Garden State Parkway occupy the same roadway; and a four-mile section in Cape May County.

On July 1, 1987, the Authority took over responsibility for operating and maintaining the previously State-owned sections of the Parkway. Previously, they were maintained by the New Jersey Department of Transportation which constructed them. Under current Federal statute, the Authority may not collect tolls on the Union-Middlesex section which was constructed with Federal funds without repaying those costs and building a parallel toll-free roadway.

9. What happened to the old bond money?

Proceeds from previous financing have been used for capital improvements. The Authority's \$570 million, five-year capital improvement program is on-going. The improvements fall into five broad categories: (1) safety; (2) widening or expansion of facilities which increase traffic capacity (3) rehabilitation and extraordinary maintenance; (4) improvements to appearance; and (5) service improvements not affecting capacity of the roadway. However, the \$570 million authorized in 1986 provides for only a portion of the Garden State Parkway's capital improvement needs.

10. Why did the Authority decide to seek short-term financing?

The Authority approved in September 1987 an \$80 million short-term financing program until a longer-range capital improvement program could be adopted and financed. The maturity date of these notes is July 15, 1988. A new long-range financing plan must be in operation before July 1988 in order to repay these loans.

11. What's wrong with a lower bond rating?

A reduction from a AA to an A bond rating on \$100 million of 30-year bonds would result in an increase in interest costs of \$4.0-7.0 million on future bonds, depending on the interest rates in effect. It could also affect the bond rating of the State.

12. How does the Parkway compare to the New Jersey Turnpike in cost of tolls? To other toll roads?

The average cost per mile to drive on the Garden State Parkway is 1.6 cents. The average for many other toll roads is 3 cents per mile. So, even if the cost per mile were doubled, it would still be comparable with other toll roads.

The cost of a full-length trip on the New Jersey Turnpike has increased from \$1.75 in 1954 to \$2.70 today, an increase of 54%. The Turnpike last year proposed a 40% increase in tolls, which it later postponed until possibly 1989. The toll increase was to cover a \$2 billion widening project in the northern sections of the Turnpike -- considered necessary because traffic volume on the Turnpike has been increasing 7.0%-8.5% in recent years. The Turnpike sold bonds for the project in November 1986. (The proposed increase would raise Turnpike car tolls for the entire length of the Turnpike to about \$3.80. It would be the third time that Turnpike tolls have been increased since the road was opened in 1951. They were first raised in 1975 by 20% for cars and in 1980 by another 20% for cars.)

The toll cost at the Egg Harbor Toll Plaza on the Atlantic City Expressway went from \$.75 in 1964 to \$1.00 today. The Pleasantville Toll Plaza toll went from \$.15 in 1964 to \$.25 today.

The cost of passage on the Throgs Neck Bridge, Whitestone Bridge and Triboro Bridge went from \$.25 in 1954 to \$2.00 today -- an increase of 700%.

The cost of a Hudson River crossing on the bridge and tunnels operated by the Port Authority of New York and New Jersey has gone from \$1.00 in 1954 to \$3.00, an increase of 200%.\*

The cost of the Tappan Zee bridge, a Hudson River crossing operated by the New York State Thruway Authority has gone from \$1.00 in 1954 to \$1.50 today.\*

The tolls on the New York State Thruway section between Suffern and Albany went from \$1.50 in 1954 to \$2.85 today, an increase of 90%. The tolls on the Thruway from Suffern to Buffalo went from \$4.90 to \$9.40, an increase of 92%.

The tolls on the Pennsylvania Turnpike between Philadelphia and Pittsburgh went from \$3.25 in 1954 to \$9.30 today -- an increase of 186%.

The tolls on the Delaware Turnpike went from \$.25 in 1963 to \$1.00 today, an increase of 300%.

\* Rates adjusted to present one-way toll collection.

13. How does the cost per mile on the Parkway compare with the New Jersey Turnpike and other toll roads?

The current cost per mile for a passenger car on the Garden State Parkway is 1.6 cents per mile. That compares with a present 2.3 cents per mile for the New Jersey

Turnpike and 2.3 cents per mile on the Atlantic City Expressway.

After the proposed toll increase, the cost per mile based on the use of discounted tokens on the Garden State Parkway would rise to 2.2 cents per mile. For those not using tokens, the cost would be 3.2 cents per mile -- which is still close to the national average for toll roads.

For example, the Pennsylvania Turnpike costs 3.0 cents per mile. The Massachusetts Turnpike costs 2.9 cents per mile. The John F. Kennedy Memorial Highway in Maryland costs 2.4 cents per mile. The J.F.K Memorial Highway in Delaware costs 8.9 cents per mile. The Tri-State Tollway in Illinois costs 3.1 cents per mile and the Northwest Tollway in Illinois costs 2.6 cents per mile. The New York State Thruway costs 2.4 cents per mile on its main line.

14. Won't the original cost of the Parkway be paid off in 1988?

The original Parkway Bonds were scheduled to be paid off in 1988. Funds were set aside in 1984 to retire all of the original Parkway bonds as of January 1985. Other bonds are still outstanding.

15. Won't a toll increase decrease traffic?

A toll increase may deter some drivers from using the Garden State Parkway and slow the rate of traffic growth, but it will not decrease overall traffic given projected volume increases.

A 1986 survey by the Roper Organization of 1035 licensed drivers found that "in four cases in which toll roads compete with free highways or local roads, 88% of licensed drivers say that, in at least one of the four cases, they'd opt for the toll road....Whether the distance be short or long, whether it be a question of voting to authorize a toll road or actually using such a thoroughfare, the results are essentially the same: most licensed drivers prefer to pay for convenience than to endure difficult -- even if free -- roads."

16. Will the toll increase subsidize losses at the Arts Center?

No, the Arts Center does not operate at a deficit.

17. Who authorizes the toll increase?

The toll increase is mandated by the bond covenants in order to generate sufficient funds to meet the Authority's Net Operating Revenue and Debt service requirements. The increase must be voted by the Commissioners of the New Jersey Highway Authority with the approval of the Governor, and either the State Treasurer or Comptroller. The increase must then be submitted to the Office of Administrative Law for publication and comment.

18. How can the public register its opinions?

There will be two public hearings on the toll increase in December 1987 at which time the public will have an opportunity to comment. The hearings will be held in different geographic locations to afford maximum public opportunity to participate. The Authority will respond to the public's comments in a report to the Office of Administrative

Law. The final stage of the approval process is publication of the toll increase by the Office of Administrative Law.

19. Why not charge more to travel in peak commuter hours?

It cannot be done because of the large percentage of tolls collected in exact change lanes. The goal of the toll increase is to raise sufficient revenue to meet operating costs and debt service requirements -- as well as to fund capital improvement needs. It would be impractical to charge two different rates -- especially since it would defeat the purpose of the discount tokens to speed traffic.

According to Vollmer Associates, the Authority's traffic consultants, "While differential prices are used for airline tickets, resort hotels, movie theaters, the Golden Gate Bridge in San Francisco (double tolls on Fridays and Saturdays), and elsewhere, they would be difficult to implement and operate on the Parkway and would be considered inequitable by the motorists with the higher tolls."

20. When was the last time that tolls were increased on the Garden State Parkway?

The original passenger vehicle tolls of 25 cents at the the barriers have never been increased on the Garden State Parkway. They have been 25 cents since the first toll was collected on January 15, 1954. Tolls for passenger vehicles at ramp areas have always ranged from 10 cents to 25 cents and have occasionally been increased slightly in certain cases.

21. How has traffic on the Parkway increased?

The first sections of the Garden State Parkway were opened in 1954. In its first full year of operation in 1955, 42 million vehicles used the highway. In 1986, 318 million vehicles traveled the highway, a figure seven and a half times over 1955. The number of vehicle miles increased from 0.8 billion in 1955 to 4.7 billion in 1986 -- an increase of five and a half times over 1955.

22. Why can't tolls on the Garden State Parkway be eliminated -- as they were recently on the Connecticut Turnpike? Would eliminating toll plazas increase safety on the Parkway?

The Garden State Parkway is not an Interstate road and receives no Federal or State funds for construction or maintenance. The Connecticut Turnpike is an Interstate and is eligible for Federal assistance.

The Garden State Parkway was built originally with \$330 million in bonds (not including funding for the State sections). The last of original bonds were retired in 1985. The Parkway was designed to incorporate as many safety features as were then known. That is one reason that the north and southbound lanes are separated by a wide median. Its toll plazas are similarly designed with motorist safety in mind. Furthermore, the Garden State Parkway does not have the truck safety problem that the Connecticut Turnpike had. In fact, the Parkway's original designers considered barriers as additional periodic safety alerts.

In the last few years, Connecticut accelerated its repayment of its \$459 million in bonds that were floated in the 1950s to finance the Turnpike's construction. [The move to remove tolls was accelerated by an accident in 1983 when a tractor-trailer truck rammed

into cars at the Stratford toll barrier, killing several people.] The last toll was eliminated in October 1986 -- part of a program of eliminating all tolls on Connecticut roads.

The Connecticut Turnpike is now eligible for so-called 4-R funds (from gasoline taxes) from the Federal government for rehabilitation and restoration of the highway. The Turnpike will receive only about \$9 million in Federal assistance under this program compared to the \$55 million a year that tolls brought in. Furthermore, the elimination of tolls on the Connecticut Turnpike brought a quick increase in traffic and congestion on the Turnpike at rates ranging from 12 to 23% -- with truck traffic increasing by 40% or more.

In other words, elimination of tolls has resulted in a paradox of sorts for the Connecticut Turnpike -- increased traffic (especially by out-of-state truckers) and decreased maintenance funds.

Finally, it should be noted that the Federal Department of Transportation has recently submitted legislation to Congress that would permit all states to use toll financing in conjunction with Federal-aid highway funds. The bill would permit construction of non-Interstate new toll highways and reconstruction of existing toll highways with 35% Federal participation. Furthermore, non-toll highways could be converted to toll facilities under the proposal, when reconstruction will expand capacity and change the character of the highways to fully controlled access highways.

23. What effect has the State Transportation Trust Fund had on the need for a toll increase?

By the end of 1987, the New Jersey Highway Authority will have transferred \$34.8 million to the State Transportation Trust Fund. However, even without the impact of the Authority's annual \$10 million transfer to State highway improvement, a toll increase would be inevitable because of increases in operating costs, debt service and essential capital improvements to the Parkway which could not be met within the current toll structure.

24. Will there be money for an increase in the State Transportation Trust Fund as a result of the toll increase?

Any increase to the Fund would decrease the amount of money available for Parkway capital improvements and could eventually bring Parkway net revenues below the requirements of the bond rating agencies. The additional toll revenue generated by the toll increase by itself will provide only a fraction of the funds needed for the capital improvements planned in the current five-year plan. Most of the required funds for improvements will come from bond sale proceeds.

For example, a \$10 million increase to the Fund would effectively wipe out 2.5 cents of the toll increase.

25. Why can't the Garden State Parkway switch to a ticket system like the New Jersey Turnpike?

Unlike the Turnpike which has only 28 interchanges, the Garden State Parkway has 89 interchanges (with 305 exits and entrances).

In the 48 mile section of the Garden State Parkway north of the Raritan River, there is an interchange about every 1.2 miles. It should also be noted that the Garden State

Parkway is longer (173 miles) than the Turnpike (118 miles). Of those Parkway interchanges, only 19 have ramp toll plazas. According to Vollmer Associates, the Authority's traffic consultant, "It would be prohibitively expensive, and in many locations physically impossible, for the Authority to convert its road into a closed, ticket system for toll plazas would be required at all entrance and exit ramps, and these plazas would have to be manned."

In some areas, the Parkway is the most convenient available roadway for commuters, recreational and occasional use. A ticket system would be impractical. The New York State Thruway, for example, uses a ticket system in areas where interchanges are relatively far apart and uses main line barrier toll plazas in more densely populated areas such as Rockland and Westchester Counties to permit the frequent spacing of toll-free interchange ramps.

The New Jersey Turnpike does not serve the same kind of local traffic that the Garden State Parkway does. (The average Parkway ride is 15 miles in length.) A larger proportion of the commuters the Turnpike serves ends up in New York City or Philadelphia.

26. How can a motorist obtain more information about the toll increase?

The Authority has set up a special hot-line number (800-332-TOLL) in order to field motorists' questions about the toll increase and new tokens.

The Authority will also be conducting a public information campaign through a variety of media including newspaper advertisements and brochures to be handed out by toll collectors.

In addition, public hearings will be held on the toll increase at which time the public will receive information and be provided with an opportunity to comment.

27. Will tolls ever be eliminated on the Garden State Parkway?

One of the virtues of toll facilities is that only the user pays to use them. When tolls are eliminated, tax money must support these facilities, and every taxpayer -- user or not -- now shares the burden.

Given the financing structure of the Garden State Parkway and its independent financial status, it is unlikely that tolls can be eliminated. The Parkway does not benefit from any source of tax support -- Federal, State or local. Money for maintenance of and capital improvements to the Parkway must come from either tolls or bonds. Toll revenue alone cannot support the needed improvements to the Parkway. On the other hand, toll revenue must be high enough to support repayment of bond interest and principal on schedule and meet other obligations under the bond covenants. Without toll revenue, the Parkway infrastructure would quickly deteriorate and capital improvements would be impossible. The Parkway, of which New Jersey residents are justly proud, would become unsafe and unsightly.

Furthermore, sufficient toll revenue must be generated by the Parkway to pay for maintenance and improvements on the 11% of the Parkway's length which was formerly State-owned and operated.

28. Why will expenses on the Parkway rise so rapidly in 1988?

Projected increases in the Authority's operating budget are due to the following main factors:

\* An increase of 44 troopers in the number of State Police personnel assigned to patrol the Parkway is a result of increased traffic volume, construction work, and an overall effort to increase the level of safety to the motoring public. This will cost an additional \$2 million in 1988.

\* The increased cost of medical insurance for all eligible employees will result in nearly doubling the Authority's medical budget. The 1988 increase is approximately \$3 million.

\* The projected cost of staffing and equipping additional branch and plaza lanes now under construction will cost approximately \$2.8 million in 1988.

\* The toll rate increase will lead to staffing and equipment costs for additional barriers, ramps and lanes. The increased costs for 1988 total \$600,000.

\* The takeover of the previously State-owned sections of the Garden State Parkway means additional costs in manpower, materials, maintenance contracts and equipment costs. The 1988 increase for this item is \$1 million.

29. Did the Authority examine other toll alternatives to a 50 cent toll and a 35 cent token?

Yes, the Authority and its traffic consultant, Vollmer Associates, examined more than a dozen toll and token configurations, including removing tolls in one direction and charging a higher toll in the other direction. None of these alternatives proved workable.

30. Do the service area generate income?

Yes. In addition to assisting Parkway users, the service stations and restaurants operated by licensees are an important source of revenue for the Authority. Concession revenue has increased from \$768,000 in 1958 to \$ 6.0 million in 1986. In recent years, the trend has been for a steadily rising proportion of that income to come from restaurants rather than service stations. In 1986, 58% of concession revenue came from restaurants.

## TOKENS

### 1. Why are tokens necessary ?

Discounted tokens are being planned because they will provide faster and cheaper trips for regular users. It is the policy of the New Jersey Highway Authority to facilitate automobile traffic which is safe, as fast as possible under allowable speed limits, and as inexpensive as possible for regular users.

Non-discounted tokens have been used on the Garden State Parkway since 1981 -- primarily by salespersons who wish to reduce the number of business receipts they collect (since they receive only one receipt per package of 40 tokens) and by individuals who value the convenience of being able to purchase tokens at the attended lanes rather than get quarters at a bank.

Currently, almost 70% of the toll revenue collected on the Garden State Parkway is through the exact change lanes. Single-coin operation -- with a quarter or token -- significantly speeds traffic through toll areas.

Presently, only 4% of toll revenue is collected with token sales. The Authority's goal is to encourage token sales with discounted tokens and eventually to collect at least 50% of its toll revenue in this manner.

### 2. Will there be a change in the present token?

Yes. The Authority is in the process of developing a new token design.

The newly designed tokens will be available for purchase at the current price of 25 cents (40 for \$10.00), most probably starting in January 1988. The old tokens, which have been in use since 1981, will be valid through March 1988.

### 3. What are the motorist's real benefits in using the new token?

In addition to saving time, as described more fully below, the motorist will also save 15 cents on each trip through a barrier toll plaza.

When the toll rate increase becomes effective, the Authority wants to avoid a situation where two or more coins (totaling 50 cents) are necessary to pass through an automatic toll lane. Three coins would increase the average length of an exact change lane transaction. (Currently, the average attended toll transaction lasts 8 seconds during peak commuter hours; the exact change lane transaction lasts 4 seconds.)

### 4. Tokens are presently allowed in both attended and exact change toll lanes. Will this policy continue?

No. The Authority wants to maximize use of tokens in exact change lanes in order to speed traffic. If tokens were acceptable in attended lanes, motorists would have less incentive to use faster exact change lanes.

### 5. Then, what will happen to a motorist who tries to give a token to a toll collector?

Temporarily, the token will be accepted for passage through an attended lane. The

motorist will be advised of the proper use of a token in the future. After a certain cut-off date, tokens will not be accepted in attended lanes.

6. Parkway toll plaza rates will increase to 50 cents with a discounted token costing 35 cents. Parkway ramp toll rates will increase to a uniform 25 cents. Why not a discounted token at the ramps as well?

Discounted ramp tokens would not be practical or provide a major financial incentive for use. Two different tokens for the same Parkway was not deemed to be a reasonable alternative.

7. Where can patrons purchase the new tokens?

Tokens can be purchased at attended lanes, at Parkway headquarters in Woodbridge, and at other additional locations to be determined. There are preliminary plans to sell tokens at Parkway service areas, too, and the Authority is developing other plans to market tokens at locations convenient to regular patrons.

8. Why not buy vending machines to distribute tokens?

The Authority is actively investigating the use of vending machines.

9. Will there be signs on the Parkway to notify motorists of the new token policies?

The Authority has launched a comprehensive series of steps to insure that motorists are advised of all changes in token policy through signs, hand-outs at the toll plazas, advertising and other means.

10. Can the new tokens, as well as the present tokens, be used prior to the toll rate increase?

Yes. The Authority will continue to sell its present token -- which will be replaced by the new token (mostly likely in January 1988) -- in packages of 40 tokens for \$10.00 prior to the April 2, 1988 toll rate increase. However, prior to that date, some restrictions on the quantity of each purchase may be imposed. The real financial incentive to use tokens will come on April 2 when the barrier toll price increases to 50 cents for drivers who do not have tokens, and to only 35 cents for those who do have them..

11. Will the token package be the same as before the rate increase?

Yes. After April 2, 1988, discounted tokens will still be sold in rolls of 40 at the new rate of \$14.00 per roll.

12. Have any of the new tokens been ordered?

Yes. The Authority has placed an initial order with Roger Williams Mint for the newly designed tokens. Delivery is expected in January 1988.

CAPITAL IMPROVEMENTS

1. What is the status of the \$570 million capital improvement program that the Authority approved in March 1986?

Those projects are currently underway although all the money for those projects has not yet been raised. Approximately \$200 million of work has already been completed. And, there are open commitments on contracts awarded but not yet expended of \$91 million (as of October 31, 1987). However, because of substantial rising costs and the inclusion of additional and unexpected projects, the remaining projects, when complete, will cost \$563 million. They include:

	<u>Estimated Cost (in millions)</u>
<u>Safety, Rehabilitation, Extraordinary Maintenance:</u>	
* Drainage/resurfacing: MP 0 to 17	\$13
* Pavement resurfacing, continuing program	47
* Roadway settlement repairs: Cheesequake and Matawan	14
* Rehabilitation, Great Egg Harbor Bridges	2
* Bridge rehabilitation, continuing program	56
* Lane control system, traffic signals/signs (Union-Essex)	12
* Clean-up contaminated soil at service areas	4
* Bridge deck ice sensor	4
* Toll booth rehabilitation, interior and exterior	<u>24</u>
<b>Total</b>	<b>176</b>
 <u>Necessary Expansion Projects</u>	
* Mainline, Interchanges 88 to 91	42
* Mainline, Interchanges 83 to 88, design only	3
* Mainline, Inner roadway, MP 117-126, design only	1
* Improvement of Interchange 74	16
* Service roads for interchanges	
Interchanges 88 to 91, design only	19
* Interchange 105 (Rt. 36/Hope Road intersection)	8
* Interchange 114	13
* Interchange 116	7
* Interchange 120	49
* Interchange 127 (State Rt. 440/I-287)	9
* Complete Interchange 142 (I-78)	41
* Expand Toms River Toll Plaza toll lanes	10
* Expand Barnegat & New Gretna Toll Plazas toll lanes	5
* Atlantic County improvements and barrier	56
* Cape May County improvements and barrier	24
* Expand Essex Toll Plaza toll lanes	17
* Expand Toll Plaza toll lanes	<u>11</u>
<b>Total</b>	<b>331</b>
 <u>Service Improvements Not Affecting Capacity</u>	
* Atlantic City service area improvements	14
* Vaux Hall Service Area improvements	8
* Central warehouse and print shop improvement	3
* Commuter parking lot expansion	5
* Rehabilitation of 5 maintenance yards	<u>22</u>
<b>Total</b>	<b>52</b>

Improvement of Appearance

* Landscaping service areas, toll plazas and interchanges	<u>4</u>
<b>Total</b>	<b>4</b>
<b><u>Grand Total</u></b>	<b><u>\$563</u></b>

All of the safety and rehabilitation projects listed above should be completed by the end of 1992. In the expansion projects, however, the three projects listed as "design only" show only the amount estimated to be spent through 1992. If these three projects are carried to completion, the total for expansion projects alone would be \$523 million.

In addition, \$81 million in capital improvement projects is planned for the Cape May, Toms River and Union/Middlesex sections which were not included in the March 1986 capital improvement program. These projects should be completed by 1992:

	<u>Estimated Cost</u> <u>(in millions)</u>
* At-grade intersection improvements between Interchanges 8 and 12	\$1
* Grade separation improvements between Interchanges 8 and 12	14
* Resurfacing between Interchanges 80 and 83	4
* Short-term improvements between Interchanges 129 and 140	34
* Expansion of maintenance yard in Union/Middlesex	9
* Long-term improvements, Toms River	<u>19</u>
<b>Total</b>	<b>81</b>

2. Why will capital improvements take so long?

Approximately three years of engineering, environmental studies and preparation precede actual construction.

3. What will happen to development without these improvements?

Without these projects, there will be a deterioration in safety standards, in infrastructure, in maintenance quality, in traffic flow and in the aesthetic appearance of the Parkway.

4. Can the Parkway get along without improvements?

No. Some improvements must be made simply to keep pace with deterioration of a facility that is now almost 35 years old. Roadway surfaces and bridge surfaces have only a limited life expectancy. As both the New York Thruway and Connecticut Turnpike discovered in the last three years, constant vigilance, inspections and expensive maintenance is the price that must be paid to avert the tragedy of a bridge collapse.

In addition, without expansion of the Parkway's capacity, motorists will experience continuing and worsening traffic congestion. Such slowdowns will not only cause inconvenience and delay, they will detrimentally affect the ability of New Jersey to continue economic expansion, particularly along the Parkway corridor.

5. How are small business, minority and women-owned businesses affected by the capital improvement program?

A fixed percentage of the work to be done will be allocated, where possible, to these enterprises.

6. How much bonding is the Authority projecting for future years?

Government Finance Associates, Inc., the New Jersey Highway Authority's financial advisors, has proposed a bond issue for June 1988 of \$232.9 million and a second bond issue for June 1991 of \$121.5 million. The 1988 bond issue would have annual debt service of approximately \$23 million and the 1991 bond issue annual debt service of approximately \$12 million.

This bonding is based on projections of revenues and expenses and the need for a level of net operating revenue of 4% as the excess above required operating revenues. The Authority expects that debt service coverage of 1.5 would maintain the Authority's bond rating. That ratio is well above the 1.2 ratio required by the Authority's bond covenant.

In addition to proceeds from the bond issue, with the toll increase the Authority would be able to utilize \$90.7 million in net operating revenue toward construction costs during the 1988-1992 period.

As a result of these operating revenues and bond revenues, the Authority should have, with its toll increase, approximately \$410 million available for new construction purposes over the next five years -- based on current market conditions.

###

**GARDEN STATE PARKWAY  
TOLL SCHEDULE  
EFFECTIVE 2 APRIL 1988**

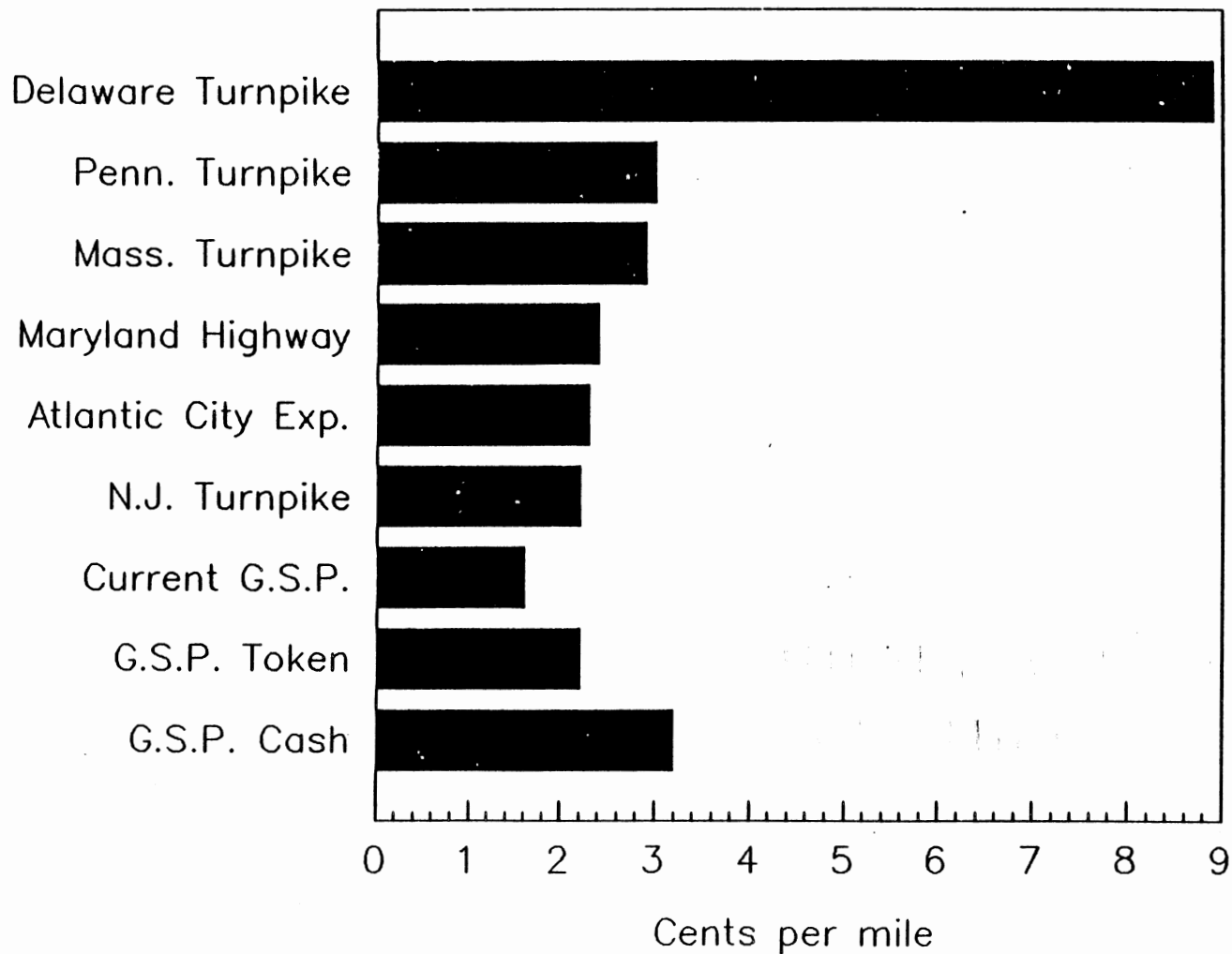
	<u>Barriers &amp; Certain Toll Ramps (A)</u>	<u>All Other Toll Ramps</u>
Cars	\$ .50 (B)	\$ .25
Cars with 1-Axle Trailers, 2-Axle, 6-Tire Campers, or 3-Axle Campers	.75	.40
Cars with 2-Axle Trailers or 4-Axle Campers	1.00	.50
Cars with 3-Axle Trailers	1.25	.65
 Omnibuses	 3.00 (C)	 3.00(C)
 Heavy Trucks (D)		
2-Axle, 4-Tire Trucks, 3½ tons or more	.50	.25
2-Axle, 6-Tire Trucks	1.00	.50
3-Axle Trucks	1.50	.75
4-Axle Trucks	2.00	1.00
5-Axle Trucks	2.50	1.25
6-Axle Trucks	3.00	1.50
 Reduced Rate Tolls		
Passenger Cars	.35 (B)	None
Regularly Scheduled Buses (C)	1.00 (C)	1.00 (C)
All Other Buses (C)	2.00 (C)	2.00 (C)

- (A) Toll ramps with barrier toll rates: 159 Saddle Brook; 151 Watchung Avenue; 142 Union Ramp; 105 Eatontown; 30 Somers Point.
- (B) 35-cent car tokens available for use by cars in exact change lanes.
- (C) \$1.00 bus tokens available for use by regularly scheduled buses; \$2.00 bus tokens available for use by all other buses.
- (D) Heavy trucks prohibited north of Interchange 105 in Monmouth County.



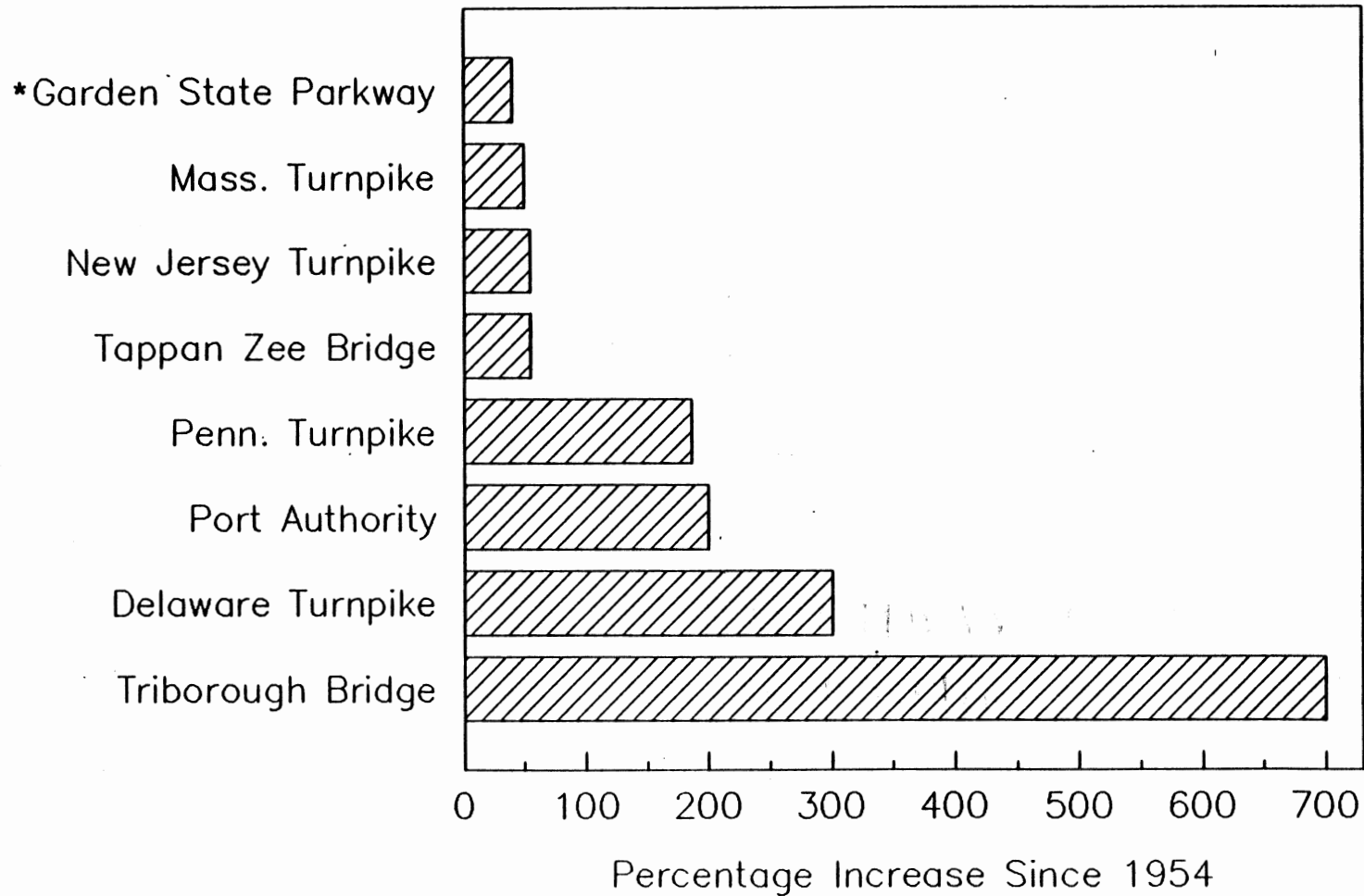
# COMPARATIVE HIGHWAY TOLLS

(Garden State Parkway and other area toll roads)



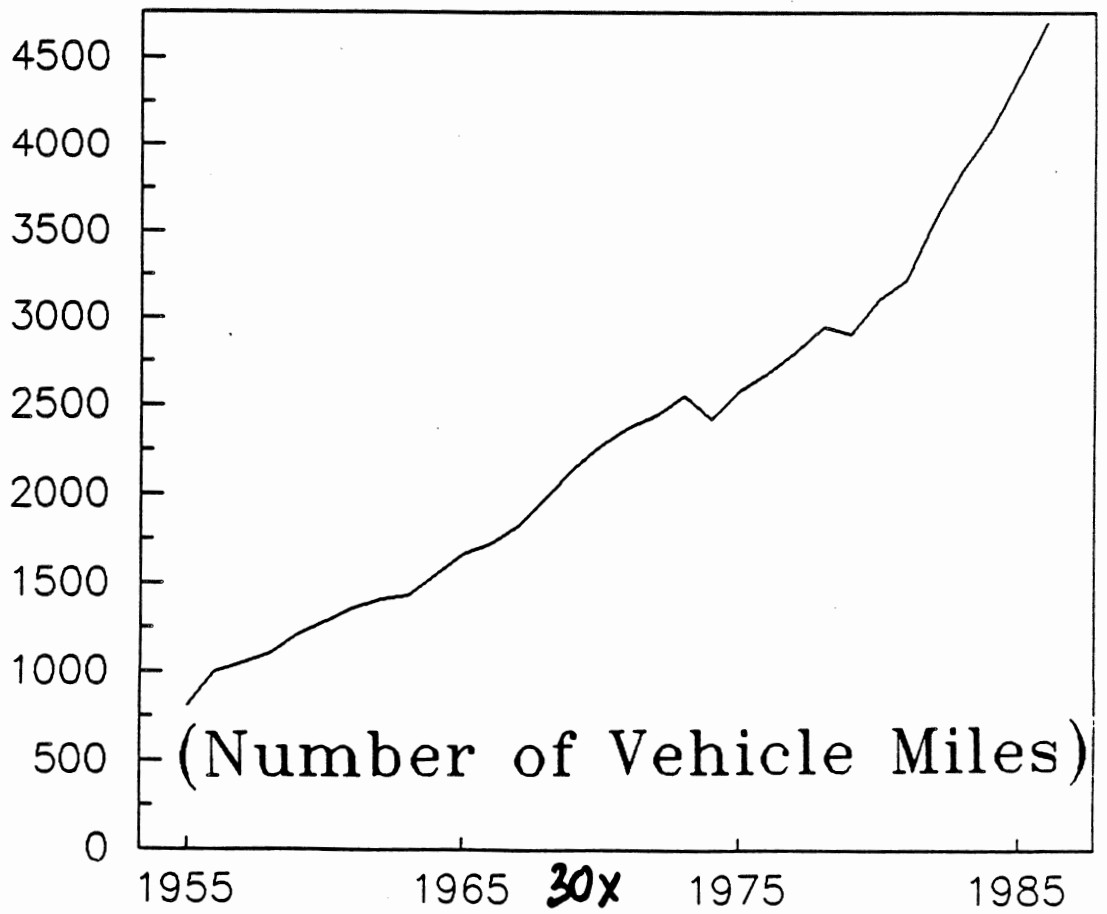
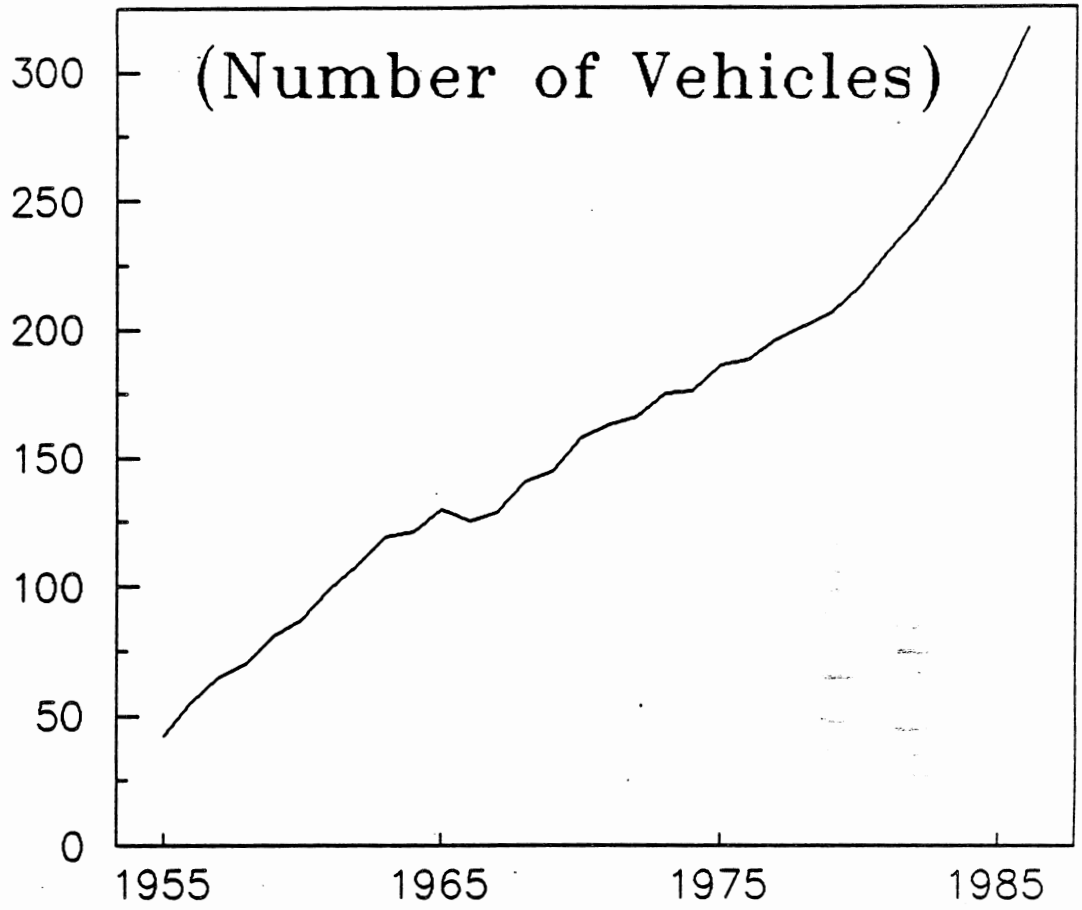
22  
28X

# TOLL INCREASE COMPARISONS - 1987 VS. 1954 (Based on 35 cent discounted token\*)



29x  
23

Millions



**New Jersey Highway Authority  
Projected Operating Results (A)  
Present Tolls**

Thousands of Dollars

	1985 <u>Actual</u>	1986 <u>Actual</u>	1987	1988	1989	1990	1991	1992
<b>REVENUES</b>								
Toll Revenues								
Barriers	\$ 78,570	\$ 83,968	\$ 87,920	\$ 92,080	\$ 93,960	\$ 97,380	\$ 104,160	\$ 108,470
Ramps	16,554	18,002	19,410	20,570	23,390	24,570	26,150	27,360
Central Office	764	779	860	900	940	980	1,020	1,060
Subtotal	<u>95,905 (B)</u>	<u>102,757 (B)</u>	<u>108,190</u>	<u>113,550</u>	<u>118,290</u>	<u>122,930</u>	<u>131,330</u>	<u>136,890</u>
Concession Revenues								
Restaurants	<u>3,140</u>	<u>3,511</u>	<u>3,780</u>	<u>4,030</u>	<u>4,290</u>	<u>4,550</u>	<u>4,830</u>	<u>5,120</u>
Service Stations	<u>2,476</u>	<u>2,519</u>	<u>2,940</u>	<u>3,110</u>	<u>3,240</u>	<u>3,380</u>	<u>3,520</u>	<u>3,660</u>
Subtotal	<u>5,616</u>	<u>6,030</u>	<u>6,720</u>	<u>7,140</u>	<u>7,530</u>	<u>7,930</u>	<u>8,350</u>	<u>8,780</u>
Garden State								
Arts Center (C)	5,842	7,499	9,050	9,200	9,300	9,400	9,500	9,600
Income on								
Investments (C)	7,819	7,431	6,600	6,600	6,600	6,600	6,600	6,600
Other (C)	<u>526</u>	<u>615</u>	<u>950</u>	<u>950</u>	<u>950</u>	<u>950</u>	<u>950</u>	<u>950</u>
Total Revenues	115,708	124,332	131,510	137,440	142,670	147,810	156,730	162,820
<b>EXPENSES</b>								
Operating Expenses (C)	63,633	70,528	81,300	102,706	113,493	124,383	138,414	151,470
Debt Service (C)	28,769	26,376	33,961	33,967	33,963	33,960	33,966	33,960
State Payment (C)	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Reserve Requirement (C)	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>
Total Expenses	<u>102,402</u>	<u>106,904</u>	<u>125,261</u>	<u>149,173</u>	<u>159,956</u>	<u>170,843</u>	<u>184,880</u>	<u>197,930</u>
REVENUES LESS EXPENSES	\$ 13,306	\$ 17,428	\$ 6,249	\$(-11,733)	\$(-17,286)	\$(-23,033)	\$(-28,150)	\$(-35,110)

(A) Prepared by Vollmer Associates.

(B) After adjustments.

(C) Furnished by the Authority.

**New Jersey Highway Authority  
Projected Operating Results (A)  
Revised Tolls (B)**

Thousands of Dollars

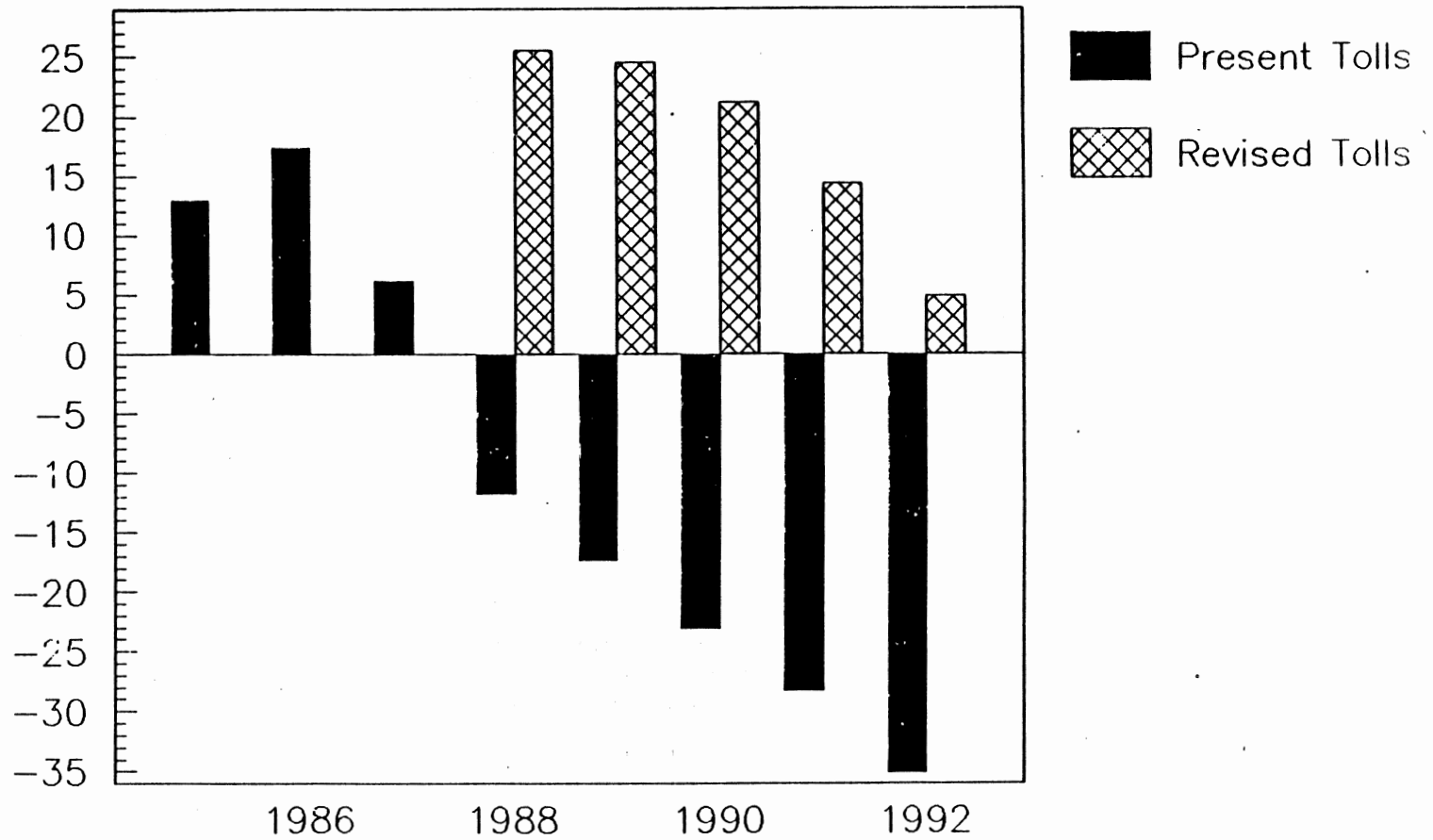
	1985 <u>Actual</u>	1986 <u>Actual</u>	1987	1988 (B)	1989	1990	1991	1992
<b>REVENUES</b>								
<b>Toll Revenues</b>								
Barriers	\$ 78,570	\$ 83,968	\$ 87,920	\$ 130,220	\$ 143,070	\$ 148,250	\$ 158,880	\$ 165,470
Ramps	16,554	18,002	19,410	32,160	39,320	41,260	43,740	45,730
Central Office	764	779	860	1,180	1,320	1,370	1,430	1,480
Subtotal	<u>95,905 (C)</u>	<u>102,757 (C)</u>	<u>108,190</u>	<u>163,560</u>	<u>183,710</u>	<u>190,880</u>	<u>204,050</u>	<u>212,680</u>
<b>Concession Revenues</b>								
Restaurants	3,140	3,511	3,780	4,030	4,290	4,550	4,830	5,120
Service Stations	2,476	2,519	2,940	3,110	3,240	3,380	3,520	3,660
Subtotal	<u>5,616</u>	<u>6,030</u>	<u>6,720</u>	<u>7,140</u>	<u>7,530</u>	<u>7,930</u>	<u>8,350</u>	<u>8,780</u>
<b>Garden State</b>								
Arts Center (D)	5,842	7,499	9,050	9,200	9,300	9,400	9,500	9,600
<b>Income on</b>								
Investments (E)	7,819	7,431	6,600	6,813	6,944	6,944	7,075	7,125
Other (D)	<u>526</u>	<u>615</u>	<u>950</u>	<u>950</u>	<u>950</u>	<u>950</u>	<u>950</u>	<u>950</u>
<b>Total Revenues</b>	<u>115,708</u>	<u>124,332</u>	<u>131,510</u>	<u>187,663</u>	<u>208,434</u>	<u>216,104</u>	<u>229,925</u>	<u>239,135</u>
<b>EXPENSES</b>								
Operating Expenses (D)	63,633	70,528	81,300	103,290	114,451	125,428	139,606	152,780
Debt Service (E)	28,769	26,376	33,961	46,269	56,962	56,958	63,383	68,956
State Payment (D)	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Reserve Requirement (D)	--	--	--	2,500	2,500	2,500	2,500	2,500
<b>Total Expenses</b>	<u>102,402</u>	<u>106,904</u>	<u>125,261</u>	<u>162,059</u>	<u>183,913</u>	<u>194,886</u>	<u>215,489</u>	<u>234,236</u>
<b>REVENUES LESS EXPENSES</b>	<u>\$ 13,306</u>	<u>\$ 17,428</u>	<u>\$ 6,249</u>	<u>\$ 25,604</u>	<u>\$ 24,521</u>	<u>\$ 21,218</u>	<u>\$ 14,436</u>	<u>\$ 4,899</u>

- (A) Prepared by Vollmer Associates.  
 (B) Toll revision assumed effective 2 April 1988.  
 (C) After adjustments.  
 (D) Furnished by the Authority.  
 (E) Furnished by Government Finance Associates, Inc.

( )

# N.J. HIGHWAY AUTHORITY FINANCIAL PROJECTIONS (Revenues Less Expenses)

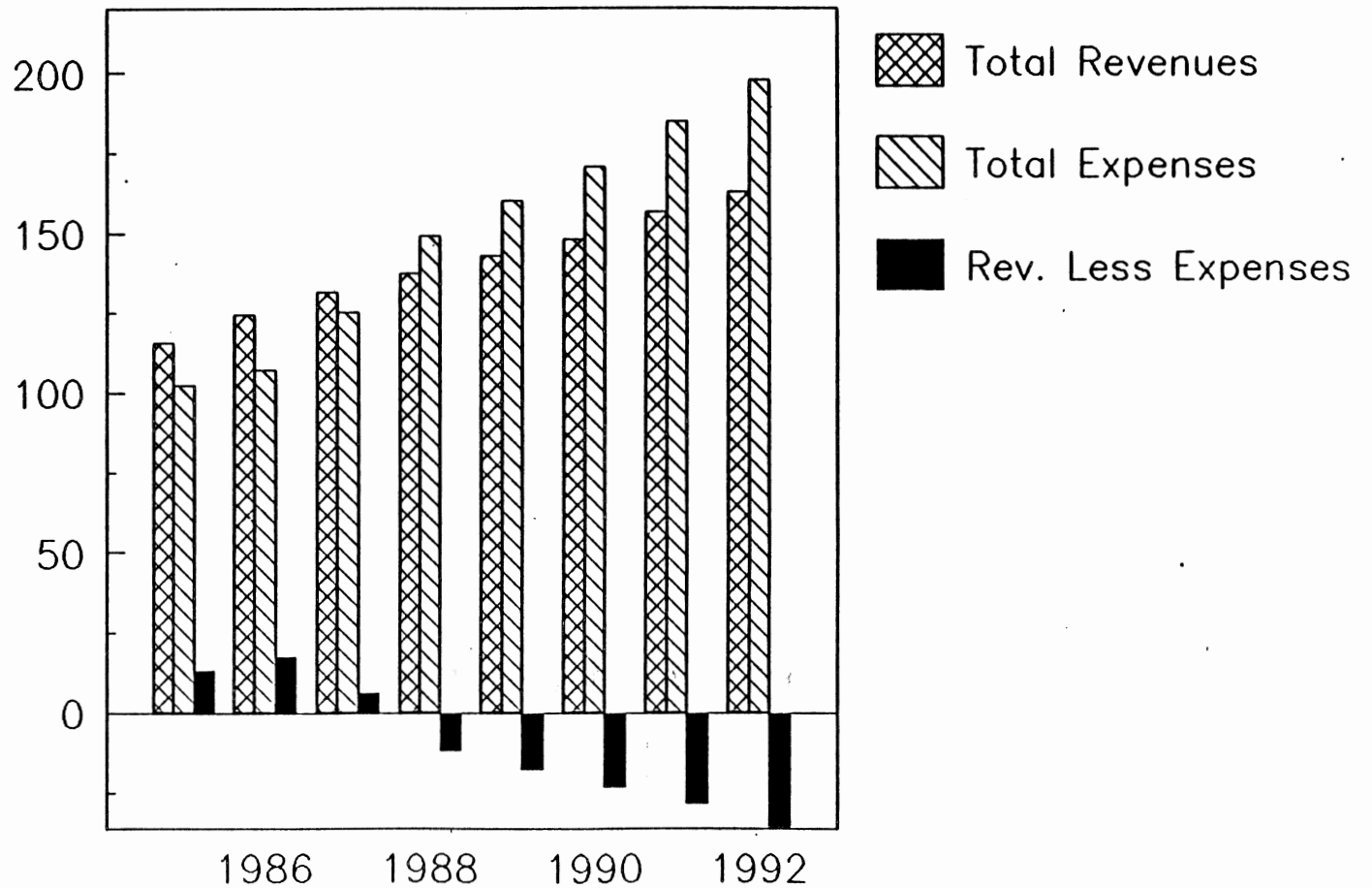
Millions of Dollars



27 33X

# N.J. HIGHWAY AUTHORITY FINANCIAL PROJECTIONS (Under Present Toll Schedules)

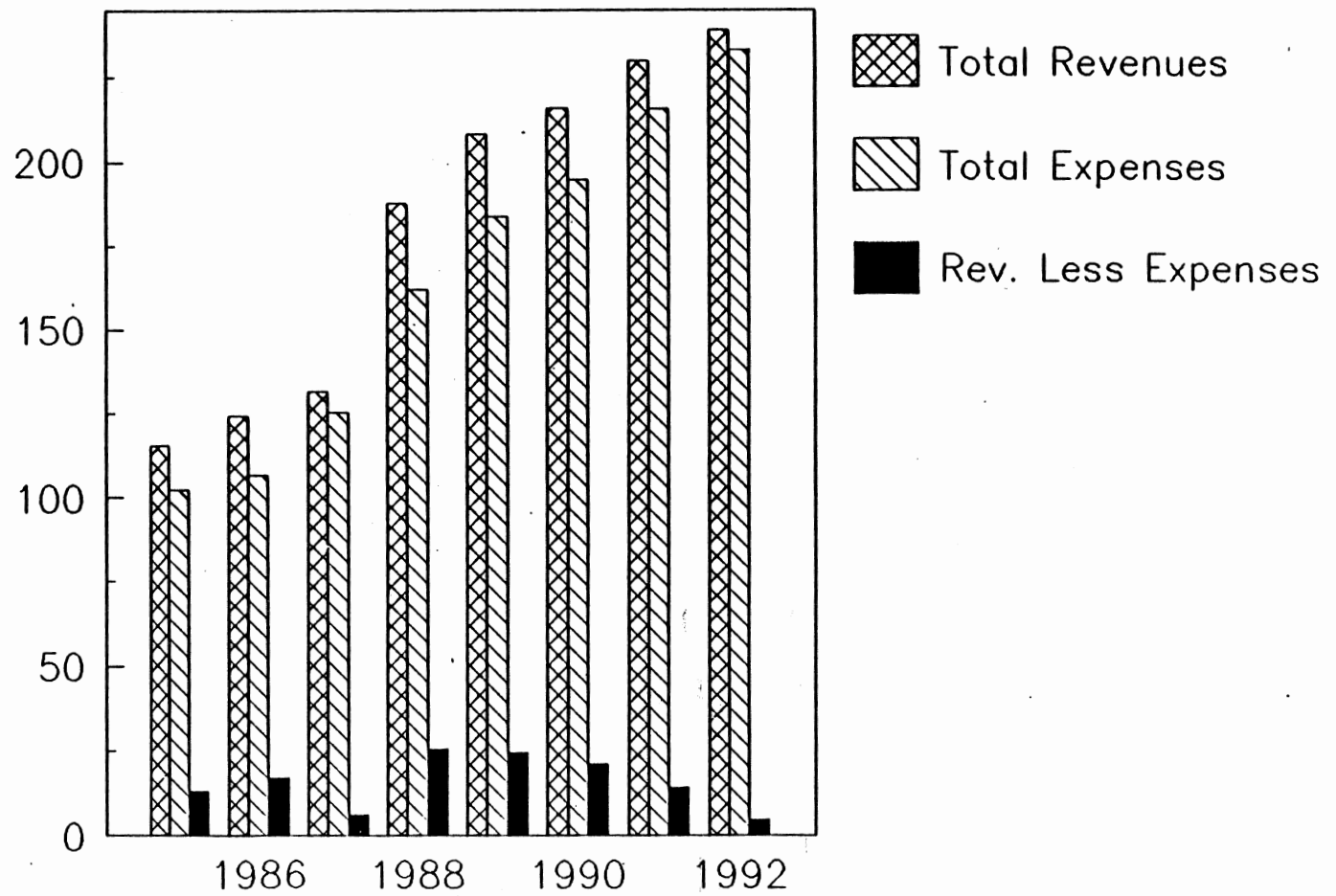
Millions of Dollars



28  
34X

# N.J. HIGHWAY AUTHORITY FINANCIAL PROJECTIONS (Under Revised Toll Schedules)\*

Millions of Dollars



\* 1985-1987: Present Toll Schedules

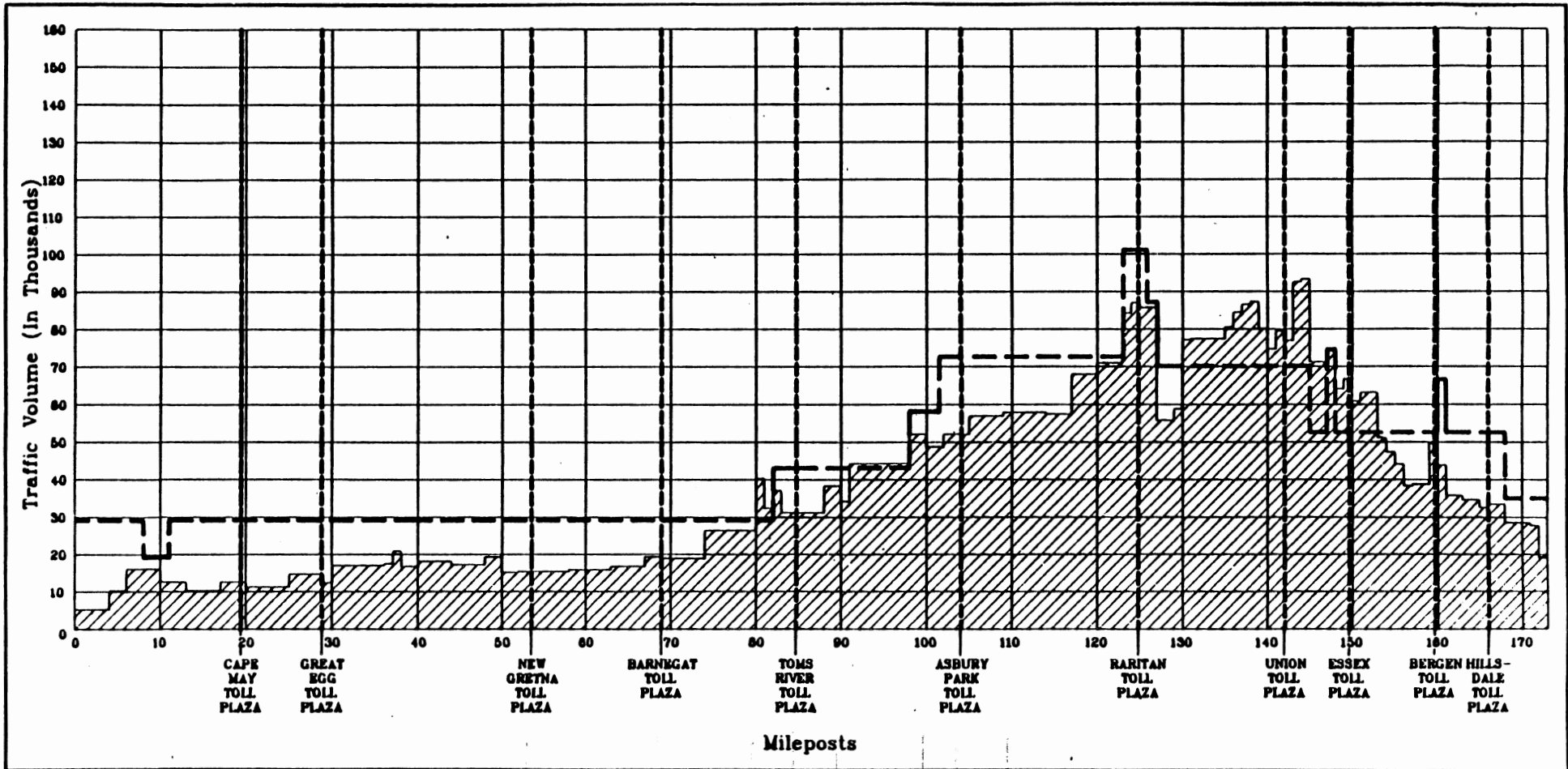
29  
35X

# GARDEN STATE PARKWAY

Existing Traffic Conditions

Milepost 0-173

30  
296



Legend: Dotted line = daily capacity  
 Slanted line = present volume on average day of year

STATEMENT BY  
GERALD MERCADANTE  
TRUSTEE, ATLANTIC CITY BUS OPERATORS ASSOCIATION

REGARDING  
PROPOSED GARDEN STATE PARKWAY TOLL INCREASE

BEFORE THE  
ASSEMBLY INDEPENDENT AND REGIONAL AUTHORITIES COMMITTEE  
TRENTON, NEW JERSEY  
DECEMBER 7, 1987

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE. I AM JERRY MERCADANTE, A TRUSTEE OF THE ATLANTIC CITY BUS OPERATORS ASSOCIATION AND CHIEF EXECUTIVE OFFICER OF LEISURE LINE OF MAHWAH. MY COMPANY IS A MAJOR FACTOR IN AN ECONOMIC UNDERTAKING--THE CARRYING OF BUS PASSENGERS TO ATLANTIC CITY--WHICH, AFTER THE CASINOS THEMSELVES, IS THE MOST IMPORTANT ELEMENT IN CREATING THE TENS OF THOUSANDS OF JOBS, THE HUNDREDS OF MILLIONS IN TAXES AND HUGE ECONOMIC BENEFITS FOR NEW JERSEY'S SENIOR CITIZENS THAT RESULT FROM CASINO GAMING IN ATLANTIC CITY.

LIKE IT OR NOT, CASINOS IN ATLANTIC CITY WOULD HAVE BEEN AN ABJECT FAILURE WITHOUT THE DEVELOPMENT OF BUS OPERATIONS TO AND FROM THE RESORT.

EACH DAY, BUSES CARRY ABOUT 30,000 VISITORS TO ATLANTIC CITY. MANY TRAVEL BY REGULARLY SCHEDULED VEHICLES AND EVEN MORE COME ON SPECIAL TRIPS. THEY COME FROM ALL PARTS OF NEW JERSEY, OUR NEIGHBORING STATES AND FROM AS FAR AWAY AS SYRACUSE, CLEVELAND, VIRGINIA AND NEW ENGLAND.

A LARGE PROPORTION OF THESE BUSES UTILIZE THE GARDEN STATE PARKWAY. AND WE PAY OUR WAY.

CONTRARY TO THE PUBLICITY GENERATED BY THE NEW JERSEY HIGHWAY AUTHORITY, THE PROPOSED TOLL INCREASE IS NOT THE FIRST SINCE THE PARKWAY WAS OPENED--AT LEAST AS FAR AS BUSES ARE CONCERNED. A LITTLE OVER TWO YEARS AGO, IN MARCH OF 1985, THE PARKWAY INCREASED BUS TOLLS BY AMOUNTS RANGING FROM 33 1/3 TO 300 PERCENT. AT THAT TIME ALL BUS TOLLS WERE RAISED TO \$1. PREVIOUSLY, THE TOLL HAD BEEN 75 CENTS AT BARRIERS NORTH OF THE RARITAN RIVER, 50 CENTS ON THOSE SOUTH OF THE RARITAN AND 25 CENTS ON RAMPS.

FOR NON-REGULAR ROUTE TRIPS, THE MAJORITY OF THE OPERATIONS CONDUCTED BY OUR MEMBERS, THE BOOST WAS MOST SEVERE SINCE NO DISCOUNT WAS ALLOWED.

NOW THE PARKWAY WANTS TO HIT OUR RIDERS AGAIN. THIS TIME THE BOOSTS OF 1985 WOULD BE COMPOUNDED. EACH TOLL WOULD BE TRIPLED OR, IF AN OPERATOR WERE PROSPEROUS OR LARGE ENOUGH TO TIE UP CONSIDERABLE FUNDS IN TOKENS, MERELY DOUBLED. THE DOLLAR TOLLS WOULD GO TO \$3 OR \$2 IF A TOKEN IS USED. THUS, IN LESS THAN THREE YEARS RAMP TOLLS WOULD RISE BY AS MUCH AS 1,100 PERCENT AND BARRIER TOLLS SOUTH OF THE RARITAN BY 500 PERCENT.

"WHAT'S A FEW PENNIES TO A BUSLOAD OF PASSENGERS?" YOU MAY ASK. BUT IT'S MORE THAN A FEW PENNIES. IT SHOULD BE REMEMBERED THAT NONE OF THE INDUCEMENTS OFFERED BY INDIVIDUAL CASINOS TO RIDERS ON SPECIAL BUSES AFFECT THE FARES. OUR REVENUE DERIVES SOLELY FROM THE FARE BOX. LET ME GIVE YOU SOME EXAMPLES OF THE IMPACT OF THE PROPOSED INCREASES.

FOR A BUS ENTERING AT THE NORTHERN END OF THE PARKWAY OR COMING THROUGH THE PARAMUS RAMP AND GOING TO ATLANTIC CITY, THE TOLLS WOULD RISE FROM \$9 AT PRESENT TO \$30 IF CASH IS PAID. THIS IS A 233 PERCENT BOOST OVER THE CURRENT COST. IF TOKENS ARE UTILIZED, THE INCREASE IS TO \$20 OR 122 PERCENT. THIS IS FOR A ONE WAY TRIP. FOR A ROUND TRIP, THE PARKWAY TOLLS ALONE WILL BE EITHER \$60 OR \$40. PLEASE BEAR IN MIND THAT THE AVERAGE PASSENGER LOAD ON A TRIP TO ATLANTIC CITY IS 29. AS YOU CAN SEE, TOLLS ALONE WILL ACCOUNT FOR MORE THAN \$2 OF THE AVERAGE FARE TO ATLANTIC CITY.

ON SHORTER TRIPS--FROM UNION, NEW JERSEY, FOR EXAMPLE, THE ROUND TRIP TOLL COST WILL JUMP FROM \$12 TO \$42, A RISE OF 250 PERCENT, OR 133 PERCENT, FROM \$12 TO \$28 IF TOKENS ARE USED.

FROM THE MATAWAN AREA, THE INCREASE WOULD BE 260 PERCENT WITH CASH AND 140 PERCENT WITH TOKENS, GOING FROM \$10 TO \$36, OR TO \$24 WITH TOKENS.

AS YOU WELL KNOW, AND AS I AM SURE THE PARKWAY COMMISSIONERS REALIZE, AN EXTRAORDINARILY LARGE PERCENTAGE OF OUR RIDERS ARE SENIOR CITIZENS WHOSE LIVES HAVE BEEN MADE CONSIDERABLY BRIGHTER BY THE OPPORTUNITY TO TRAVEL TO ATLANTIC CITY RELATIVELY INEXPENSIVELY. IF THEY WISH, THEY PARTICIPATE IN THE CASINO PLAY.

FOR MANY OF THESE PEOPLE, A \$2 FARE INCREASE FORCED BY THE TOLL BOOST WILL REPRESENT A SIGNIFICANT EXPENSE. WE CAN EXPECT A CERTAIN PERCENTAGE OF RIDERS TO MAKE FEWER TRIPS TO ATLANTIC CITY, NOT ONLY DIMINISHING BUSINESS THERE, BUT RAISING THE COST OF OUR OPERATIONS TO THE RESORT. THIS, IN TURN, WILL TEND TO FURTHER RAISE FARES.

WE ASK THE PARKWAY ALSO TO REMEMBER THE FACT THAT BUSES, ELIMINATE CONSIDERABLE TRAFFIC CONGESTION THAT WOULD RESULT IF ONLY A RELATIVELY SMALL PERCENTAGE OF OUR RIDERS DECIDED TO GO INSTEAD BY AUTOMOBILE. THE CASINO AND RESORT INDUSTRIES IN ATLANTIC CITY HAVE ENCOURAGED BUSES AND SO HAS THE STATE OF NEW JERSEY. THE NEW JERSEY HIGHWAY AUTHORITY IS AN OFFICIAL AGENCY OF THE STATE. WE CALL ON IT TO FOSTER MASS TRANSIT TO WHAT ONCE WAS THE QUEEN OF RESORTS SO THAT WE CAN HELP ATLANTIC CITY AGAIN RISE TO THAT EMINENCE.

WE HOPE THAT YOU AND YOUR FELLOW MEMBERS OF THE LEGISLATURE WILL EXERCISE YOUR GOOD OFFICES TO PERSUADE THE GARDEN STATE PARKWAY TO DROP ITS PLANS TO AGAIN "SOCK IT" TO THE BUS INDUSTRY. THE RESULTANT REVENUES ARE RELATIVELY SMALL IN THE COMPLEX FINANCIAL PICTURE OF THE PARKWAY; BUT THEY ARE OF MAJOR SIGNIFICANCE TO OUR COMPANIES AND OUR PASSENGERS.

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Statement of Marion L. Hall  
Concerning  
Proposed Increase in Tolls on Garden State Parkway

My name is Marion L. Hall. I am Project Director of the Motor Carrier Liaison Project with offices in West Orange, New Jersey. The Motor Carrier Liaison Project is funded by the Urban Mass Transportation Administration and was established under contract with the New Jersey Department of Transportation to, among other matters, develop policy agendas for the private bus carriers transporting passengers to and from New York City and within the State of New Jersey.

I appear here today to register the total opposition of the private bus carriers operating in New Jersey to the increase in tolls on the Garden State Parkway as proposed by the New Jersey Highway Authority. Under this proposal the toll for regular route buses would double from the present fifty cents to \$1.00, and the toll for all other buses would also double from \$1.00 to \$2.00.

A recent survey of the involved regular route carriers shows that they now pay almost \$200,000 annually for use of the Parkway. About half of this is paid on the northern portion of the Parkway for transportation of commuters to and from New York City, with the remainder being paid on the southern portion, also mostly for the transportation of New York bound commuters.

The proposed increases will result in increased bus fares for commuters, at a time when all government agencies should be encouraging, not discouraging, the use of mass transportation. Last year in regard to a proposed increase in tunnel tolls, Governor Kean in a joint letter with the New York Governor (addressed to the Port Authority) stressed the need to encourage mass transit, as follows:

"Improving PATH service and providing additional mass transit capacity...are important steps which must be taken if we are to succeed in encouraging commuters to leave their automobiles and utilize mass transit." (emphasis added.)

The proposed toll increase and the attendant fare increase will discourage, not encourage the use of mass transit. Also, this body should consider the effect of the proposed toll increase on New Jersey Transit, which will not increase its fares, but will simply request that the state increase its operating subsidies of New Jersey Transit. Thus, your constituents who ride private buses will find their fares increased and you will be forced to spend further state funds to hold down the fares of New Jersey Transit.

42X