

Richard J. Codey
Acting Governor

Jack Lettiere
Board Chairman

George D. Warrington
Executive Director



January 25, 2005

Dear Governor Codey:

Pursuant to Chapter 150, Laws of 1979, I herein transmit the minutes of actions taken at the open session of the rescheduled meetings of the New Jersey Transit Corporation, NJ Transit Rail Operations, Inc., NJ Transit Bus Operations, Inc., and NJ Transit Mercer, Inc. Board of Directors held on Wednesday, January 19, 2005.

Sincerely,

Gwen A. Watson
Board Secretary

Enclosures

Honorable Richard J. Codey
Acting Governor, State of New Jersey
State House
Trenton, NJ 08625

(NJ TRANSIT BOARD – 01/19/05)

Minutes of the actions taken at the Open Session of the re-scheduled Board of Directors' meetings of the New Jersey Transit Corporation (NJ TRANSIT), NJ TRANSIT Rail Operations, Inc., NJ TRANSIT Bus Operations, Inc. and NJ TRANSIT Mercer, Inc. held at NJ TRANSIT Headquarters, One Penn Plaza East, Newark, New Jersey on Wednesday, January 19, 2005.

Present:

Jack Lettiere, Chairman
Keith Barrack, Governor's Representative
John McGoldrick
Patrick W. Parkinson

George D. Warrington, Executive Director
Lynn Bowersox, Assistant Executive Director, Corporate Commun. & External Affairs
James Gigantino, Acting Vice President & General Manager, Bus Operations
William Duggan, Vice President & General Manager, Rail Operations
Kenneth Worton, Deputy Attorney General
Frank J. Hopper, Assistant Executive Director, Procurement & Support Services
James Redeker, Assistant Executive Director, Policy, Technology & Customer Services
Richard Sarles, Assistant Executive Director, Capital Planning and Programs
William McManimon, Acting Chief Financial Officer & Controller
Gwen A. Watson, Board Secretary
Robert Guarnieri, Auditor General

Chairman Jack Lettiere convened the Open Session at 10:05 am in accordance with the Open Public Meetings Act. Chairman Lettiere asked for a motion to adopt the minutes of the December 15, 2004 meeting. A motion was made by Patrick Parkinson, seconded by John McGoldrick and unanimously adopted.

Executive Director George Warrington highlighted the following from his monthly business report.

Executive Director Warrington's remarks focused on the operating budget for Fiscal Year 2006 which will continue to be refined over the next several months. Executive Director Warrington began this discussion at the November Board meeting, at which time he committed to bring forward a preliminary budget with cost and revenue assumptions, as well as a detailed proposal on fares and a schedule of public hearings.

Executive Director Warrington presented a slide presentation and said 90 percent of the total budget of \$1.4 billion goes directly for bus and rail service delivery. He said only 10 percent of the costs are for administrative support of operations. Executive Director Warrington said overhead and back-office expenses have been reduced by \$50 million since he arrived in 2002.

Executive Director Warrington said NJ TRANSIT will continue to reduce expenses and focus on further reducing the \$60.6 million gap that is in the preliminary Fiscal Year 2006 budget.

Executive Director Warrington said it is also important to note that, since 2002, NJ TRANSIT has added substantially more service across the system, such as the Montclair Connection, Secaucus Junction, 83 new trains on an average weekday, and more than 100 regular and seasonal weekend trains to the commuter rail system, plus 6,000 new parking spaces and about 50 bus routes as well as the new River LINE light rail service and extensions on the Hudson-Bergen Light Rail to Weehawken and in Bayonne.

Executive Director Warrington said more expansive and robust services are attracting more transit riders. He said with a steady growth rate of about four percent systemwide this fiscal year, ridership on the railroad, Newark City Subway and interstate bus service is the highest it has ever been in NJ TRANSIT's 25-year history.

Executive Director Warrington said that to pay for new services and to cover cost increases associated with inflation as well as spiraling fuel and security costs, NJ TRANSIT has put together a fiscally conservative fare proposal and will continue to identify more cost efficiencies.

He said the fare proposal meets two objectives: to achieve the highest revenue yield with the lowest impact on fares and to encourage intermodal travel and usage of the transit network by improving the interchangeability of fares on the system.

Executive Director Warrington said this proposal contains an average increase on a systemwide basis of about 15 percent and would yield the Corporation about 60 million dollars in revenue. Executive Director Warrington said the major components of the proposal are that intrastate bus, subway and light rail commuter monthly passes will not increase at all, more than one in three local bus, subway and light rail passengers will experience no increase and one-way tickets on local bus, the Newark City Subway and the River LINE would increase from \$1.10 to \$1.25. He said no increase will be applied to monthly commuter passes on the Hudson-Bergen Light Rail Line, however, the one-way fare would go from \$1.50 to \$1.75.

Interstate bus and base rail fares would increase by an average of 13 percent which is less than a \$1.00 for most people buying a one-way ticket.

Executive Director Warrington said historically on the railroad, a 25 percent discount has been offered for roundtrip travel on off-peak and weekend trains, a pricing policy that dates back to predecessor railroads and was originally intended to induce incidental travel. Since 2002, NJ TRANSIT has added about 45 non-peak trains on an average weekday and demand on many off-peak trains is indistinguishable from peak period travel. Executive Director Warrington said in recognition of the improvement in service

offering and travel trends, the discount for off-peak roundtrip tickets will be reduced by half, from 25 percent to 12.5 percent.

Executive Director Warrington said the proposal also addresses a historical anomaly in fares that NJ TRANSIT is going to remedy in a gradual way. For more than 20 years, MetroNorth Railroad paid NJ TRANSIT a contract amount as reimbursement for fares that were artificially "held down" to match MetroNorth's lower fares. Two years ago, those payments ended when MetroNorth's fares exceeded NJ TRANSIT's fares, which had a budget impact of \$700,000. Executive Director Warrington said this practice of artificially holding down fares for a relatively small segment of customers means that commuters from Suffern to Ho-Ho-Kus, and from Montvale to Westwood on the Pascack Valley Line pay as much as 25 percent less than other NJ TRANSIT customers pay for a comparable trip anywhere else on the system. Executive Director Warrington said rather than equalize the fares overnight, NJ TRANSIT is going to do it incrementally to make it more affordable for customers by raising the previously held down fares by five percent, in addition to the systemwide base increase.

Executive Director Warrington said that one other anomaly that NJ TRANSIT has addressed is the change in terminal fee. This is a fee paid by customers onboard trains that want to go to New York using a Hoboken or Newark ticket. Executive Director Warrington said that today, the fee is variable onboard Hoboken trains based on the boarding station, but it is a flat \$2.75 on Newark trains. He said going forward, a standard, flat \$3.10 change in terminal fee would be charged onboard all trains for New York destination changes.

Executive Director Warrington said systemwide, 91 percent of average daily riders will see their fares increase by 15 percent or less.

Executive Director Warrington said the good news for many commuters is that they will see substantial benefits from new connectivity and improved interchangeability features of their passes. Weekly and monthly rail pass holders will be able to connect to local bus or light rail service at no additional charge. NJ TRANSIT is going to be offering free feeder fares for those customers.

Executive Director Warrington said that, for example, a commuter traveling to New York with a monthly Northeast Corridor rail pass will be able to make his or her River LINE connection for free, a savings of \$18.00 a month. Another example, rail pass holders who use Broad Street Station or the Newark City Subway will be able to ride local buses at no additional charge, a savings of \$20.00 a month. In addition, rail pass riders to Hoboken can transfer to Hudson-Bergen Light Rail for free, which results in a \$30.00 a month savings for those customers.

Executive Director Warrington said that as NJ TRANSIT moves toward better integration of the fare system, NJ TRANSIT will offer cross honoring all day, every day to customers who want to use their passes to ride any mode, as long as the trip is of equal or lesser fare value. This means commuters can ride a train to New York in the

morning and use their rail passes to ride an NJ TRANSIT bus home in the evening or on the weekends at no charge, providing more flexibility particularly to commuters on the Main/Bergen, Pascack Valley and Raritan Lines, as well as the Route 9/Coast Line Corridor.

Executive Director Warrington said copies of the detailed fare proposal will be available to the public at major stations and on the NJ TRANSIT website. He thanked the Transit Advisory Committees and other stakeholder groups, including representatives from New Jersey Association of Railroad Passengers, Delaware Valley Association of Railroad Passengers, Lackawana Coalition, Tri-state Transportation, and the Black Ministers Council, who have met informally with NJ TRANSIT management and staff over the last month. Executive Director Warrington said that while there may not be universal agreement about how best to close the budget gap, the stakeholders made suggestions about the specific fare proposal and the schedule and location of public hearings, many of which have been incorporated.

Executive Director Warrington said public hearings on the fare proposal would begin on February 15, 2005. A total of 13 hearings will be held over a two-week period around the State and in New York City, at locations designed to be convenient for commuters to access going to and from work locations. In addition, hearings will be held in the evening hours and an extra session will be held on a Saturday in New Brunswick to maximize the opportunity for customers to provide NJ TRANSIT with feedback. Executive Director Warrington said comments will be taken in writing at the hearing locations, at all customer service offices, and by e-mail at transitfares@njtransit.com or through the NJ TRANSIT website.

Executive Director Warrington discussed the financial outlook going forward. All public transportation systems rely on non-fare revenues to underwrite operating costs. By definition, public support for mass transit is based on the principle that everyone benefits, including non-users, from the congestion relief, pollution reduction, enhanced mobility and economic growth that transit provides.

Executive Director Warrington said that to encourage transit usage, fares are set at levels that only cover a portion of the costs to operate the system. In New Jersey, by policy over the last 25 years, fares recovered between 40 and 50 percent of costs which is consistent with industry standards.

Executive Director Warrington said the consequence of the economic model is that it creates an inherent gap, that fare increases even at the rate of inflation will never be sufficient to cover that gap and, in fact, the gap grows relentlessly. Every dollar of expense in the budget is only 40 cents in passenger revenue, leaving a gap of 60 cents on the dollar.

Executive Director Warrington said, for example, inflation of three percent annually adds \$42 million on a \$1.4 billion dollar budget which is before consideration of any new services that communities want such as Monmouth, Ocean and Middlesex, West

Trenton, Lackawanna Cutoff and the Northern Branch. Any new service not only requires upfront capital, but also increases the gap the day the service opens. In the last three years, Secaucus Junction, the Montclair connection and River LINE services added more than \$70 million to operating costs. In fact, expenses for operating commuter and light rail services have grown twice as fast as bus and all administrative costs combined.

In addition, the gap is exacerbated by variable, external costs that can skyrocket above normal inflationary rates, like fuel, healthcare and security.

Executive Director Warrington said this is not a recent phenomenon. Since 1990, it has been largely masked because the gap was covered with more than \$2 billion that was taken from the capital program.

Executive Director Warrington said while that trend cannot be reversed overnight, NJ TRANSIT has frozen the level of capital to operating transfer again in this year's budget at \$356 million, a policy decision that ensures vital state of good repair work will continue to support the current system safely and reliably.

Executive Director Warrington said exposing the gap also forces NJ TRANSIT to recognize, focus on and deal with the real need to adequately fund transit operations going forward. This economic model requires a fundamental, structural fix that combines reasonable, periodic fare increases with the commitment of an adequate level of public resources, particularly as demand for new services continues to grow. He looks forward to working with the Chairman and policymakers to resolve not only the important capital funding issues, but also the equally important structural question of the operating gap.

Executive Director Warrington said following the public hearing process, he expects to return to the Board in April with a final budget and fare proposal for consideration and approval for Fiscal Year 2006.

Executive Director Warrington said NJ TRANSIT has been working on an economic analysis of the impacts of the Access to the Region's Core tunnel project, an analysis that thoroughly examines the project's impacts on construction and permanent jobs, personal income, and on other indicators of economic benefits for both sides of the Hudson River. Executive Director Warrington said that work is wrapping up and NJ TRANSIT expects to share that report next month.

Executive Director Warrington said in February, NJ TRANSIT will also have ridership data and preliminary capital and operating cost estimates for the Monmouth, Ocean, and Middlesex project and NJ TRANSIT expects to begin briefing counties on the data. Meanwhile due diligence on the federal process will continue, as will progress towards selecting a locally preferred alternative. NJ TRANSIT will also be working with policymakers to build project consensus over the next several months.

Executive Director Warrington congratulated Chairman Lettiere on his appointment as President of the American Association of State Highway Transportation Officials (AASHTO).

Board Member McGoldrick commented that as a commuter for 25 years, he has not met a fare increase that he liked and, in fact, has voted against fare increases in the past. Board Member McGoldrick said that the preliminary fare proposal should be presented at public hearings because it is fair and practical. He said that the State is faced with a \$4 million budget deficit and it is not reasonable to expect transportation funding from State sources. Board Member McGoldrick said there is an inherent structural gap and he hopes that Executive Director Warrington continues to make that point because there is a need to change the funding for public transportation. He said transportation is extremely valuable and has to be maintained. He encouraged riders to attend the hearings because the Board wants to hear what the riders have to say. Board Member McGoldrick said no final decision on this fare proposal has been made and public comment is encouraged.

Board Member Parkinson commented that this is the second fare increase in 15 years. He suggested that NJ TRANSIT consider having annual hearings on fare increase. He also suggested that NJ TRANSIT evaluate service levels and determine whether certain services should be continued. Board Member Parkinson encouraged the public to attend the hearings.

Chairman Lettiere thanked Executive Director Warrington for his report. Chairman Lettiere said transportation is an important issue as we move forward. He encourages public comment at the hearings. He said if anyone is unable to attend the hearings, comments will be received through NJ TRANSIT's website at transitfares@njtransit.com. He said all comments would be taken into consideration.

William Wright presented the Advisory Committee Report. Mr. Wright said this is the third fare increase for commuters and no gas tax increase. He said there is an imbalance. Mr. Wright said the interstate commuter would view this as a discriminatory increase because there is no gas tax.

There were no public comments on agenda items.

Executive Director Warrington presented the following Action Item for approval:

0501-1 RAIL ROLLING STOCK PROCUREMENT ENGINEERING SUPPORT SERVICES

In the fall of 1999, the Board authorized STV Inc. to provide engineering support and inspection services for the purchase of 200 rail cars, 29 electric locomotives and 33 diesel locomotives for a contract amount of about \$8 million. Two requests after that allowed for inspection due to unforeseen overseas manufacturing facilities and scheduling changes. Approval is sought for a contract amendment to support post-manufacturing modifications to this Alstom equipment, which will ensure increased reliability and passenger comfort. Approval of this contract amendment in the amount of \$1,841,088 will augment staff expertise and ensure that contract requirements are met.

John McGoldrick moved the resolution, Patrick W. Parkinson seconded it and it was unanimously adopted.

Executive Director Warrington presented the following Consent Item for approval:

0501-2 MORRISVILLE YARD – PHASE 1 – CONSTRUCTION CONTRACT AMENDMENT AND CLOSEOUT

Authorization to amend a contract (No. 01-012) with a joint venture M-Track Enterprises and LK Comstock (MTE/LKC) of Bronx, NY, at a cost not to exceed \$350,000, for settlement of outstanding claims and closeout of the construction contract for Morrisville Yard in Falls Township, PA, for a total contract authorization of \$45,283,602.

Patrick W. Parkinson moved the resolution, Keith Barrack seconded it and it was unanimously adopted.

The following public comments were heard on non-agenda items:

David Peter Alan, on behalf of the Lackawanna Coalition, congratulated Chairman Lettiere on his appointment to AASHTO. Mr. Alan also thanked everyone who coordinated a very enjoyable and well-planned celebration of NJ TRANSIT's 25th Anniversary. Mr. Alan also said that New Jersey's motor fuels tax remains among the lowest in the nation and there has not been an expression to increase it, despite the fact that the Transportation Trust Fund will be out of funds in less than six months. Mr. Alan also noted that a transit fare increase is a tax increase and one that impacts most severely the people who can least afford to pay. Mr. Alan said raising rail and bus fares without a commensurate increase in the motor fuels tax is unfair to transit riders. Further, Mr. Alan said a dedicated and fully-protected funding for NJ TRANSIT's operating and capital budgets is needed. Mr. Alan said without dedicated funding for

both and without an increase in the gasoline tax, the Lackawanna Coalition objects to any increase in transit fares.

Freeholder Theodore J. Narozanick, on behalf of the Monmouth County Board of Chosen Freeholders, expressed the Planning Board's strong support for the Lakehurst to Monmouth Junction passenger rail alternative. Freeholder Narozanick said Monmouth County has seen a dramatic influx of new homes and businesses and this trend will continue. He said a new passenger rail line would provide a desperately needed transportation alternative to help relieve traffic congestion and offer residents additional ways to travel to, from and within the region. Freeholder Narozanick said NJ TRANSIT is preparing a Draft Environmental Impact Study (DEIS) that is evaluating three passenger rail alternatives for the Monmouth-Ocean-Middlesex region and he believes the Lakehurst to Monmouth Junction alternative is the best choice for passenger rail. Freeholder Narozanick emphasized that a locally preferred alternative must be chosen as part of the DEIS process. Further, he requested that the Technical Advisory Committee and the Community Liaison Committee be informed about the ridership projections and methodology used to produce the figures and the the Planning staff have sufficient time to review the numbers. In addition, he requested that the DEIS move forward in a timely manner.

Fred Brody, Monmouth County Planning Board Transportation Council, made a statement in support of the proposed Monmouth-Ocean-Middlesex Passenger Rail Line. Mr. Brody said the Council believes that this rail service via Freehold and western Monmouth County is the most critical transportation project for Monmouth County. Mr. Brody said the project remains stalled in the DEIS and urged NJ TRANSIT to complete the DEIS process. Mr. Brody said the Council strongly supports expediting the selection of a Locally Preferred Alternative with an alignment serving western Monmouth County.

Daniel Green, Secretary, Central Jersey Rail Coalition, said Monmouth, Ocean and Middlesex Counties would be home to one-fourth of New Jersey's entire population and labor force. He said the Monmouth-Ocean-Middlesex (MOM) Passenger Rail project will provide service to inland portions of all three counties and it is a vital component of a sensible and practical regional transportation plan for the future. Mr. Green said thousands of petition cards have been collected that document the large number of residents who strongly support the MOM rail project. Mr. Green said of the three proposed alignments, the route which will serve the most passengers and the most destinations is the one from Lakehurst to Farmingdale to Monmouth Junction. Mr. Green said the Central Jersey Rail Coalition is solidly in agreement on this with Ocean and Monmouth Counties and the New Jersey Association of Railroad Passengers.

Bonnie Goldschly, Monmouth County Planning Board, presented 26 resolutions in support of the proposed Lakehurst to Monmouth Junction passenger rail line. Further, Ms. Goldschly also presented a resolution in opposition to the proposed alternative route from Red Bank to Howell.

Bruce Shapiro, on behalf of Assemblymen Panter and Morgan and the residents of the 12th District, expressed support for the need to complete the DEIS and a locally preferred alternative for the proposed Monmouth-Ocean-Middlesex passenger rail line. Mr. Shapiro said the Monmouth-Ocean-Middlesex passenger rail line would benefit the residents of interior Ocean and Monmouth Counties by servicing an area that currently relies on bus service for commuters en route to New York City and Newark. Mr. Shapiro said he is strongly opposed to the proposed Red Bank Line.

Kathy Edmond, Director, Ocean County Transportation Services, said Ocean County backs the growing coalition of "Say Yes to MOM" supporters. Ms. Edmond said Monmouth, Ocean and Middlesex Counties represents one of the fastest growing areas of the State. She said it is critical that this region be served with viable commuting options for both current and future residents, in particular the Monmouth Junction alignment.

Patrick Torpey, "Say Yes to MOM" supporters, expressed his support of the proposed Monmouth-Ocean-Middlesex passenger rail line. Mr. Torpey said the residents of these counties are in support of this project.

William Layton, Executive Director, NJCAA, expressed his support of the Monmouth-Ocean-Middlesex passenger rail line and urged NJ TRANSIT to move forward with the DEIS and the locally preferred alternative.

Eric Larkin, Utility and Transportation Contractors Association of New Jersey, expressed support of the Monmouth-Ocean-Middlesex passenger rail line. Mr. Larkin said this line would elevate the economies and quality of life in the areas surrounding the railroad. Specifically, Mr. Larkin endorsed the Monmouth Junction alignment of the project. Mr. Larkin said the Monmouth Junction connection would allow 13 townships to be linked with the Amtrak Northeast Corridor in the future. Mr. Larkin said the rail corridor would serve the most communities and residents and would provide the least environmental impact.

William Wright, New Jersey Association of Railroad Passengers, congratulated Chairman Lettiere on his appointment to AASHTO. Mr. Wright said the Monmouth-Ocean-Middlesex passenger rail line project should have been built and operating already. Mr. Wright expressed his support of this project which will be a valuable asset to a growing area of the State.

Since there were no further comments or business, the Chairman called for adjournment and a motion to adjourn was made by John McGoldrick, seconded by Patrick W. Parkinson and unanimously adopted.

The meeting was adjourned at approximately 11:30 am.

**NEW JERSEY TRANSIT CORPORATION
NJ TRANSIT BUS OPERATIONS INC.
NJ TRANSIT RAIL OPERATIONS INC.
NJ TRANSIT MERCER INC.
RE-SCHEDULED BOARD OF DIRECTORS MEETING**

JANUARY 19, 2005

MINUTES

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ACTION ITEM

0501-1: RAIL ROLLING STOCK PROCUREMENT: ENGINEERING SUPPORT SERVICES	35913
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Authorization to increase funding of contract (No. 99RS-665) with STV Inc., of New York, NY for engineering support and inspection services for the purchase of 265 rail cars, 29 electric locomotives and 33 diesel locomotives in the amount of \$1,841,088 for a total contract authorization of \$17,475,204 plus five percent for contingencies.

CONSENT CALENDAR

0501-2 MORRISVILLE YARD – PHASE 1: CONSTRUCTION CONTRACT AMENDMENT AND CLOSEOUT	35916
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Authorization to amend a contract (No. 01-012) with a joint venture M-Track Enterprises and LK Comstock (MTE/LKC) of Bronx, NY, at a cost not to exceed \$350,000, for settlement of outstanding claims and closeout of the construction contract for Morrisville Yard in Falls Township, PA, for a total contract authorization of \$45,283,602.

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APPROVAL OF MINUTES

WHEREAS, the By-Laws provide that the minutes of actions taken at meetings of the New Jersey Transit Corporation, NJ TRANSIT Rail Operations Inc., NJ TRANSIT Bus Operations Inc. and NJ TRANSIT Mercer Inc. Board of Directors be approved by the Board; and

WHEREAS, pursuant to Section 4(f) of the New Jersey Public Transportation Act of 1979, the minutes of actions taken at the December 15, 2004 Board meeting of the New Jersey Transit Corporation, NJ TRANSIT Bus Operations Inc., NJ TRANSIT Rail Operations Inc. and NJ TRANSIT Mercer Inc. were forwarded to the Governor on December 20, 2004;

NOW, THEREFORE, BE IT RESOLVED that the minutes of actions taken at the December 15, 2004 New Jersey Transit Corporation, NJ TRANSIT Rail Operations Inc., NJ TRANSIT Bus Operations Inc. and NJ TRANSIT Mercer Inc. Board of Directors' meetings are hereby approved.

Richard J. Codey
Acting Governor

Jack Lettiere
Board Chairman

George D. Warrington
Executive Director



TO: BOARD OF DIRECTORS
FROM: GEORGE D. WARRINGTON
DATE: JANUARY 19, 2005
SUBJECT: EXECUTIVE DIRECTOR'S REPORT – JANUARY

Attached for your review is the Executive Director's report for January 2005.

Back in November, I began discussions regarding NJ TRANSIT's Fiscal Year 2006 budget. As part of those discussions, I committed to returning in January with a budget summary and fare proposal, as well as a process to gain public input. Making good on that commitment, today I will outline our preliminary FY06 budget, which includes a new fare proposal for bus, rail and light rail services. To ensure an inclusive public comment process, we have scheduled public hearings and information sessions over two weeks in February, and we will accept comments from the public in writing on our website, at major stations in the customer service offices, and through the mail. My plan is to return in April following the hearings with a final proposal for Board approval.

Meanwhile, we are completing an analysis of the economic benefits of the Access to the Region's Core project, which we expect to release next month. The study examines the project's impacts on construction and permanent jobs, personal income, and on other indicators of economic benefits for both New Jersey and New York. The study will provide the quantitative research to support what we all know: a new tunnel is vital to our region's continued economic growth.

Also next month, we will have ridership data and preliminary capital and operating cost estimates for the Monmouth, Ocean and Middlesex (MOM) project, and we expect to begin briefing counties on the data. Meanwhile, our due diligence on the federal process will continue, as will progress toward selecting a locally preferred alternative. We will also be working with policymakers to build project consensus over the next several months.

Finally, we reached a milestone on the Newark City Subway extension project earlier this month when we reopened Mulberry Street to vehicular traffic for the first time in 18 months. The street had been closed as crews constructed a tunnel that will carry the City Subway between Newark Penn Station and Broad Street Station, providing a vital link in our transportation system. I would like to thank Mayor Sharpe James and the residents of the City of Newark for their support and patience during the construction project.

EXECUTIVE DIRECTOR'S MONTHLY REPORT

I. HIGHLIGHTS

NJ TRANSIT's Top Stories

II. CUSTOMER AND COMMUNITY INITIATIVES

Customer and Community Projects

III. EMPLOYEE RECOGNITION

NJ TRANSIT Employees Recognized

IV. DBE/MBE PROGRAM

A review of DBE and MBE Programs

V. PERFORMANCE MEASURES

NJ TRANSIT's Operational Performance During the Past Month

HIGHLIGHTS

Newark City Subway extension progresses as Mulberry Street reopens

The Newark City Subway extension reached a major milestone on January 4th when State Senator/Newark Mayor Sharpe James, Essex County Executive Joe DiVincenzo and NJ TRANSIT reopened Mulberry Street after 18 months of construction.

The reopening signified a major milestone toward the completion of improvements to the Newark City Subway (NCS) that, when completed by 2006, will connect the Northeast Corridor with the Morris & Essex Lines and its MidTOWN DIRECT and Hoboken service.



Executive Director Warrington joins Newark Mayor Sharpe James and Assemblyman William D. Payne at the reopening of Mulberry Street

The project facilitates the continuation of growth and redevelopment along the waterfront and Broad Street – from the baseball stadium to entertainment complexes and restaurants.

The new alignment will include five new stations that will serve NJPAC, Riverfront Stadium, the Newark Museum and Broad Street area businesses.

The Newark City Subway already provides more than 18,000 passenger trips on an average weekday, which currently includes 12 stops from Newark Penn Station to Grove Street in Bloomfield. NJ TRANSIT projects an additional 7,000 to 10,000 passenger trips per day within several years of the extension's opening. Currently, the NCS provides 5.1 million annual trips.

Mulberry Street was closed to vehicular and pedestrian traffic in the summer of 2003 when an 850-foot tunnel was built underneath the street as part of the NCS extension project. It was the first rail tunnel to be constructed in the state in more than six decades.

River LINE earlier service to Camden for PATCO connections

Earlier light rail service to Camden—and earlier bus and train connections to Philadelphia—have become a reality for River LINE customers in Riverside and Cinnaminson.



On Tuesday, January 18, the first Camden-bound River LINE train began departing Cinnaminson at 6:16 a.m.—28 minutes earlier than the current schedule—arriving at the Walter Rand Transportation Center at 6:34 a.m. With its earlier arrival, customers can connect to earlier PATCO trains to Philadelphia, as well as NJ TRANSIT bus service.

Service from Riverside to Camden now begins at 6:23 a.m.—16 minutes earlier—with a scheduled arrival at the Walter Rand Transportation Center at 6:46 a.m.

NJ TRANSIT provides free parking at Cinnaminson Station, which features 250 spaces, and Riverside Station, which features 300 spaces.

NJ TRANSIT has continued to enhance River LINE service since its opening in March 2004. In June, NJ TRANSIT introduced 15-minute departures during the morning and evening rush hour, and extended the evening rush hour to 8 p.m. to make using the River LINE more convenient for customers connecting at Trenton from Northeast Corridor trains.

In September, NJ TRANSIT launched earlier Trenton-bound service from Florence and Roebling, enabling better connections to Northeast Corridor trains. Capital Connection bus schedules were adjusted to include new peak period shuttles between the Trenton River LINE station, downtown Trenton and the State House, and connection times with River LINE trains were improved for customer convenience.

In October, the River LINE celebrated another milestone by welcoming its 1-millionth rider to the line.

Ramsey Route 17 free weekends to New York and Hoboken

Customers using the Ramsey Route 17 Station received an extended treat this past holiday season – Winter Weekends free. Between December 16th and January 16th customers were able to get a free ride to New York or Hoboken when they used the new facility.

The offer enabled up to two adults and two children to ride free when they presented a Winter Weekend pass for travel to New York Penn Station or Hoboken Terminal and the return trip home. While at the station, customers could also take advantage of the free weekend parking available at the station's 1,200-space secured parking deck.



Free-For-All coupon

Customers were able to log onto www.njtransit.com to obtain a Winter Weekend FREE-FOR-ALL Pass. By clicking on "Deals and Destination," selecting "Get a FREE Ride from our Ramsey Route 17 Rail Station," customers were able to print the Winter Weekend FREE-FOR-ALL Pass, which they could present onboard the train to receive free rail transportation between Ramsey Route 17 and Hoboken or New York.

Conveniently located on one of Bergen County's busiest highways, the Ramsey Route 17 Station is easily accessible from Rockland, Orange and northern Bergen counties. Frequent, direct rail service is available to Hoboken Terminal, and connecting service to New York is available at Secaucus Junction.

CUSTOMER AND COMMUNITY INITIATIVES

NJ TRANSIT extends bus route to Mountain Creek Ski Resort

NJ TRANSIT has teamed up with Mountain Creek Ski Resort this winter to provide skiers with a comfortable, convenient and cost-effective way to hit the slopes.

Service on the No. 194 route had been extended to Mountain Creek every day through Sunday, January 2, 2005, including New Year's Day. Since January 8, service has been offered on Saturdays, Sundays and holidays—including Martin Luther King and Presidents' Day—through February 27.

On weekends and holidays, the bus will depart from Port Authority Bus Terminal gate 326 at 7:30 a.m., stop at the Willowbrook Mall Park & Ride at 8:00 a.m. and the Willowbrook Shopper's Stop at 8:02 a.m. and reach Mountain Creek at approximately 9:12 a.m., allowing for a full day on the mountain. The bus departs Mountain Creek at 4:30 p.m., stops at the Willowbrook Mall Park & Ride at 5:40 p.m. and the Willowbrook Shopper's Stop at 5:42 p.m. before arriving at the Port Authority Bus Terminal at 6:12 p.m.

The roundtrip fare from the Port Authority Bus Terminal to Mountain Creek is \$16.90 for adults, and \$7.60 for senior citizens, passengers with disabilities and children ages 5-11. The roundtrip fare from Willowbrook Mall Park & Ride/Shopper's Stop is \$6.40 for adults (\$2.90 discounted).

All customers 13 and older can receive a \$10 discount off Mountain Creek weekend/holiday tickets. Children ages 7-12 can receive a \$5.00 discount on weekends/holidays. The discount is available by showing a NJ TRANSIT bus receipt at the Mountain Creek ticket booth.

Newark City Subway extends late-night service, improves efficiency

On January 8, NJ TRANSIT began providing four additional late-night trips on the Newark City Subway (NCS).

Under the revised schedule, the last light rail car arrives at Grove Street Station in Bloomfield at 12:10 a.m., compared to 10:01 p.m. on the former schedule.

The service improvement was made possible when the Federal Railroad Administration approved NJ TRANSIT's request to modify the waiver governing freight service on a 1,100-foot

section of shared track between Branch Brook Park and Grove Street stations. Before the new operating conditions were approved, NJ TRANSIT was prohibited from operating light rail service to Silver Lake and Grove Street stations between 11 p.m. and 1 a.m. daily, when Norfolk Southern freight trains had exclusive use of the shared track.

The new agreement also allows NJ TRANSIT to make more efficient use of equipment and reduce labor costs by eliminating the need to store equipment overnight at Newark Penn Station.

In exchange for NJ TRANSIT's longer operating hours, Norfolk Southern is permitted to operate on the shared track any time during off-peak hours. NJ TRANSIT expects minimal impact to service, since most freight trains can be easily accommodated between scheduled off-peak light rail trains.

Extra service accommodates increased traffic for the holidays

NJ TRANSIT provided extra service in advance of Christmas and New Year's Day this holiday season to accommodate increased demand.

NJ TRANSIT added 10 "early getaway" trains to its weekday schedule on Thursday, December 23, and offered extra bus service from the Port Authority Bus Terminal for the benefit of customers leaving work early for the Christmas holiday. In addition, NJ TRANSIT's popular "Family Super Saver Fare," which allows two children 11 and under to travel free with each fare-paying adult, remained in effect from noon Thursday, December 23, until 6 a.m. Monday, December 27.

The Newark City Subway operated an enhanced weekday schedule with extra service between 2:30 p.m. and 4:30 p.m. Hudson-Bergen Light Rail and the River LINE operated on a weekday schedule.

NJ TRANSIT operated on an enhanced weekend schedule on Friday, December 24, offering 27 extra trains over a standard weekend schedule. NJ TRANSIT buses operated on a holiday/Saturday schedule; the Newark City Subway, Hudson-Bergen Light Rail and the River LINE operated on a regular weekday schedule.

For New Year's Eve, NJ TRANSIT offered 31 extra departures from New York, Hoboken, Trenton and Atlantic City, providing late night service on 10 of its 11 commuter rail lines.

Extra NJ TRANSIT bus service operated from the Port Authority Bus Terminal on more than two dozen lines until 5:30 a.m. Hudson-Bergen Light Rail service operated at frequent intervals until 3:00 a.m., and service on the River LINE was extended until 1:00 a.m.

For the benefit of customers visiting the Battleship New Jersey for New Year's fireworks, the River LINE offered late night service on New Year's morning until 1:00 a.m.

EMPLOYEE RECOGNITION

NJ TRANSIT employees bid farewell after outstanding careers

Three NJ TRANSIT employees retired in December after careers ranging from 30 years to 38 years of service with the Corporation and its predecessor companies.

The senior member of the retiree group is Robert E. Jackson of Passaic with 38 years of service. Jackson is a bus operator from the Market Street Garage. Other retirees include:

- Deputy Chief of Police Werner Ropers of Allentown, PA (34 years)
- Chief of Rail Survey George Aue of Hopatcong (30 years)

DBE / MBE PROGRAM

Small Business Development Programs DBE/WBE Participation

Federally Funded Contracts

In the federal funds category, \$14,652,136 was awarded October thru December 2004*; of that total \$2,025,582 or 13.8 percent was awarded to Disadvantage Business Enterprise firms (DBE), which include amounts awarded to DBEs in the Race Neutral and Race Conscious programs.

State Funded Contracts

\$33,079,043 was awarded in state-funded contract dollars during July through October 2004,** of that total, Small Business Enterprises (SBE) received \$5,227,899 or 15.8 percent. Category 1 SBEs received \$4,440,557 or 13.4 percent. Category 2 SBEs received \$131,875 or 0.4 percent. Category 3 SBEs received \$113,354 or 0.3 percent. Category 4 SBEs received \$542,113 or 1.6 percent***.

Federal & State Contracts Total

Of \$47,731,179 in federal and state contract dollars awarded by NJ TRANSIT (federal and state fiscal years combined), \$2,025,582 or 13.8 percent of federal contract dollars was won by DBEs. Small Business Enterprises (SBEs) received \$5,227,899 or 15.8 percent of state contract dollars. \$7,253,481 was won by DBEs and SBEs.

Hudson-Bergen Light Rail Transit System Project

Of \$1,436,917,532 in contract dollars awarded for the Hudson-Bergen Light Rail Transit System project****, \$168,641,876 or 11.7 percent has been received by DBEs. Of the \$168,641,876, six percent or \$80,979,896 has been won by Women Business Enterprises (WBEs) who are classified as DBEs.

* Fiscal year beginning October 1, 2004

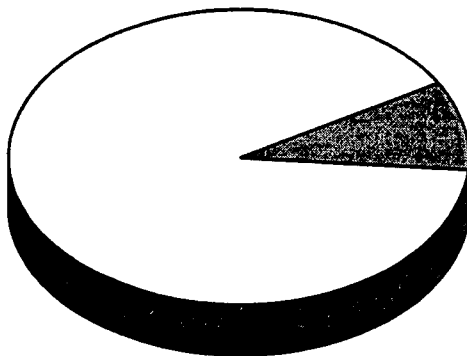
** Fiscal year beginning July 1, 2004

*** Cat 1-Less than \$500,000 gross revenues, Cat 2-Less than \$5 million, Cat 3-Less than \$12 million, Cat 4 (construction)-Less than \$1 million

**** This YTD figure reflects federal dollars expended on an annual basis; including change orders, for the period from December 1996 through October 2004

DBE PARTICIPATION
FEDERAL CONTRACTS
FEDERAL FYTD (THRU DECEMBER 2004)

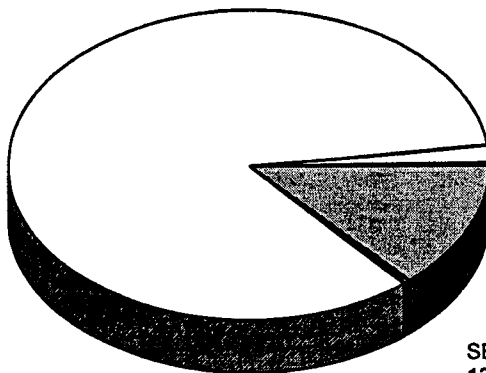
NON-DBE
FEDERAL
12,626,554
86.2%



DBE RACE
NEUTRAL &
RACE
CONSCIOUS
2,025,582
13.8%

SBE PARTICIPATION
STATE CONTRACTS
STATE FYTD (THRU DECEMBER 2004)

NON-SBE STATE
27,851,144
84.2%



SBE-4
542,113
1.6%

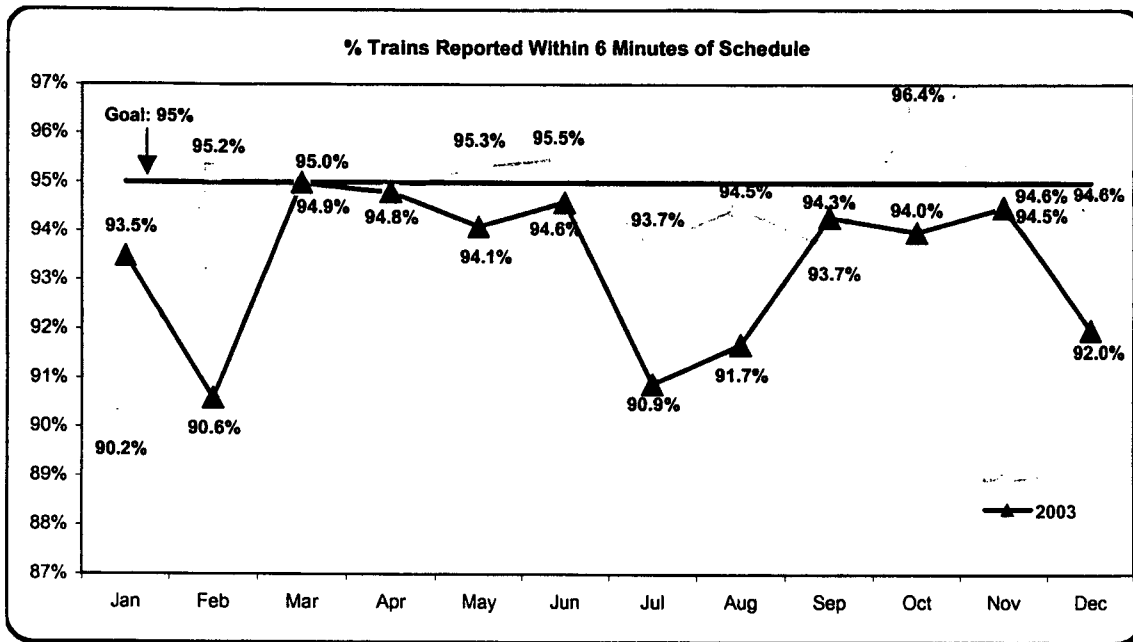
SBE-3
113,354
0.3%

SBE-1
4,440,557
13.4%

SBE-2
131,875
0.4%

PERFORMANCE MEASURES

NJ TRANSIT ON TIME PERFORMANCE RAIL JANUARY 2003 - DECEMBER 2004



	2003	2004	# Change
December Comparison	92.0%	94.6%	2.6%

	2002 - 2003	2003 - 2004	# Change
12-Month Average January - December	93.3%	94.4%	1.1%

Analysis:

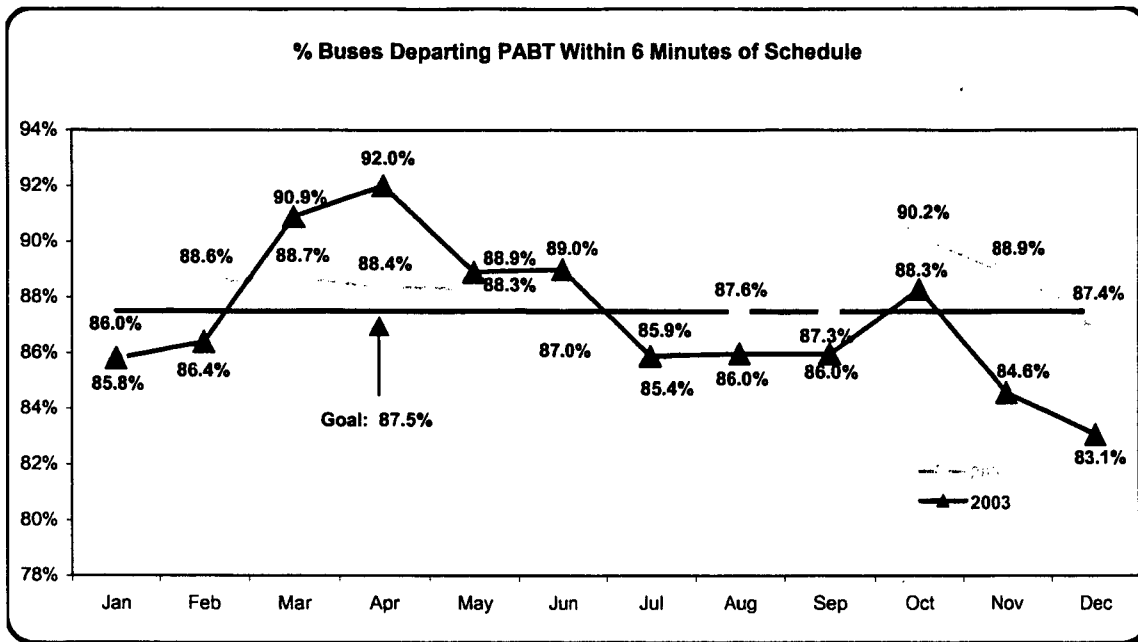
Rail On Time Performance (OTP) for December 2004 was 94.6%, slightly below the 95% goal, but well above last December's On Time Performance of 92%. Of the 18,692 trains that were scheduled to operate, 17,685 were on time, while 1,007 trains (or 5.4%) were delayed.

Through December 26th, Rail Operations' On Time Performance was 95.5%. However, the week between Christmas and New Year's brought higher than anticipated mid-day ridership, which resulted in delays of many New York-bound trains due to increased station dwell time for passenger boardings. By December 30th, on time performance was at 95.2%.

In addition, on the morning of December 31st, a failure of the computer system used by dispatchers to control switches and signals resulted in delays of 118 trains.

The 12-month average for Rail On Time Performance for December 2003 - November 2004 was 94.4%, 1.1 percentage points above the average for the previous 12-month period.

NJ TRANSIT ON TIME PERFORMANCE BUS - PABT DEPARTURES JANUARY 2003 - DECEMBER 2004



	2003	2004	# Change
December Comparison	83.1%	87.4%	4.3%

	2003	2004	# Change
12-Month Average January - December	87.2%	87.8%	0.6%

Analysis:

Bus On Time Performance for December 2004 was 87.4%, well above the 83.1% rate of December 2003. Of the 20,181 PABT PM peak departures, 2,536 (or 12.6%) experienced delays. Significant sources of delay included:

An accident on the NJ Turnpike at interchange 15E along with inclement weather on December 6th;

Inclement weather and heavy traffic volumes on December 9th;

Gridlock conditions on Route 495 on December 14th;

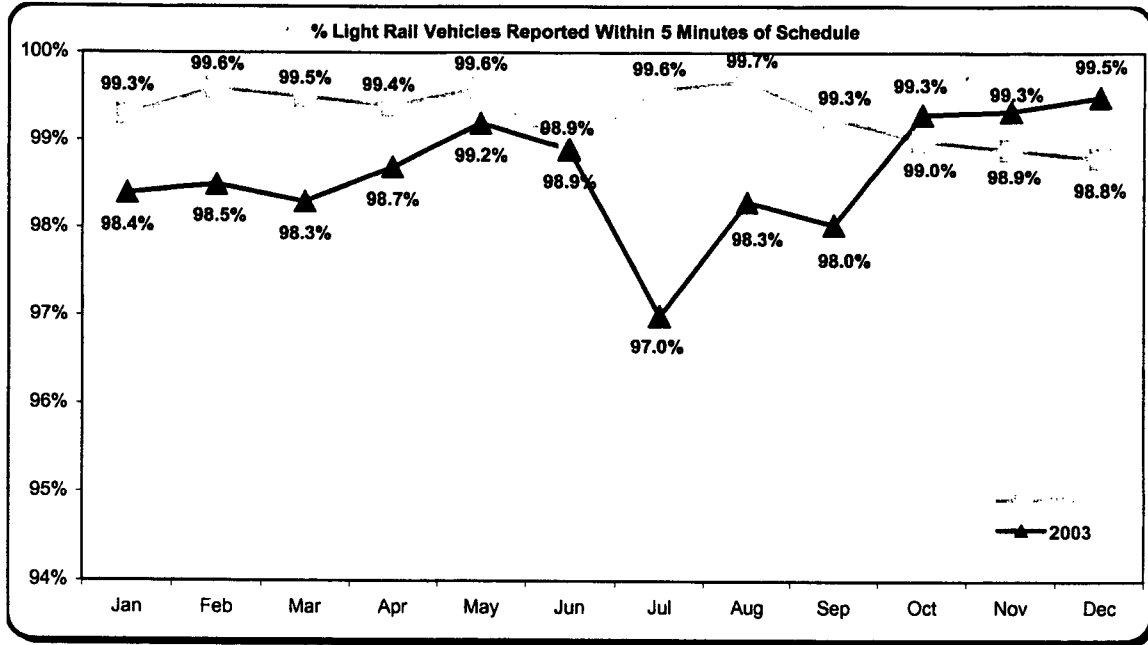
Police Activity at the Weehawken Lot in conjunction with gridlock conditions on December 16th;

A vehicle breakdown in the Lincoln Tunnel during the peak period on December 23rd; and

Heavy traffic volumes on Route 495 on December 28th and 29th.

The 12-month average for Bus On Time Performance for January 2004 - December 2004 was 87.8%, 0.6 of a percentage point above the average for the previous 12-month period.

NJ TRANSIT ON TIME PERFORMANCE HUDSON BERGEN LIGHT RAIL JANUARY 2003 - DECEMBER 2004



	2003	2004	# Change
December Comparison	99.5%	98.8%	-0.7%

	2003	2004	# Change
12-Month Average January - December	98.6%	99.3%	0.7%

Analysis:

Hudson Bergen Light Rail (HBLR) On Time Performance for December 2004 was 98.8%, slightly below the 99.5% rate of December 2003. Of the 16,633 scheduled trips, 206 (or 1.2%) were delayed. Significant sources of delay included:

Switch failure on December 4th;

A train struck by an automobile on December 7th;

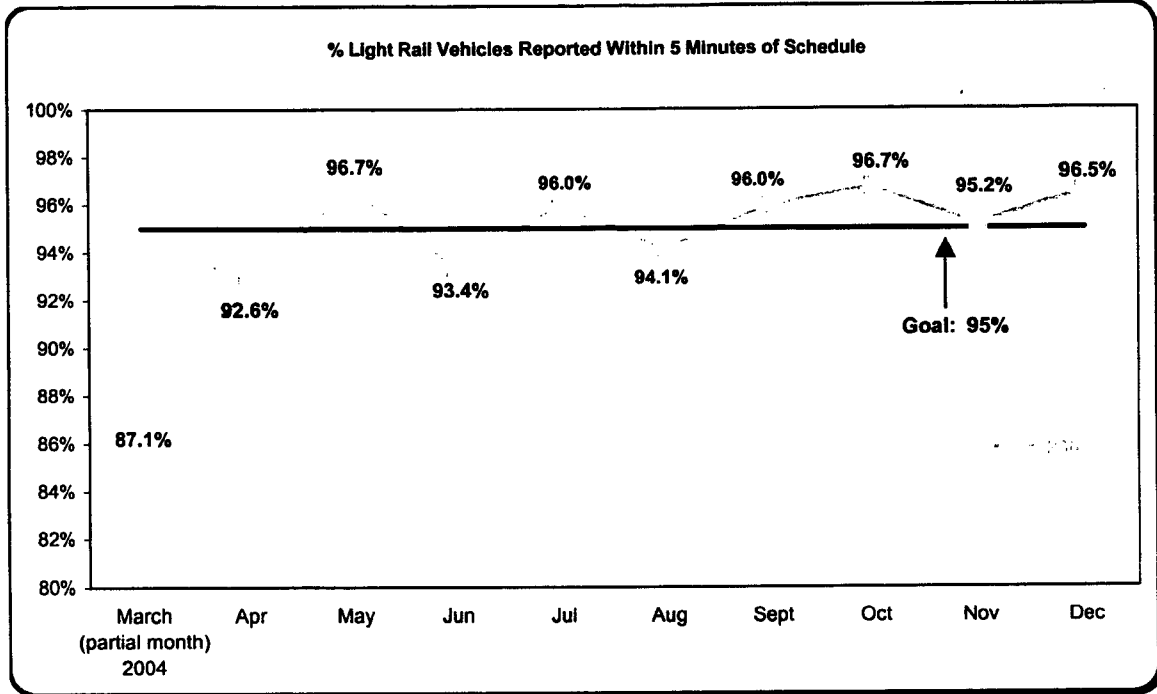
Equipment failure on December 8th;

PSE&G power interruption December 21st; and

A car blocking the tracks on December 31st.

The 12-month average for HBLR On Time Performance for January 2004 - December 2004 was 99.3%, 0.7 of a percentage point above the average for the previous 12-month period.

NJ TRANSIT ON TIME PERFORMANCE River LINE MARCH 2004 - DECEMBER 2004



OTP Monthly Comparison	2004		# Change
	November	December	
	95.2%	96.5%	1.3%

OTP - Year To Date 94.9%

Analysis:

River LINE On Time Performance for December 2004 was 96.5%, 1.3 percentage points above the 95.2% On Time Performance for November 2004. Of the 3,025 trips scheduled for the month, 105 trip delays were reported. Major sources of delay included:

- Conrail freight train interference on December 2nd;
- Control Center computer malfunction on December 9th;
- Equipment failure on December 9th, December 20th and December 29th; and
- Signal malfunction on December 23rd.

Year-to-date On Time Performance for River LINE is 94.9%, continuing to approach the goal of 95.0%.

ACTION ITEM

ITEM 0501-1: RAIL ROLLING STOCK PROCUREMENT: ENGINEERING SUPPORT SERVICES

BENEFITS

The contract amendment for engineering services will support NJ Transit's ongoing rail rolling stock program including the Comet V rail cars and PL42AC diesel locomotives. Additional project oversight and inspection resources are required to support post-manufacturing modifications to equipment for increased vehicle reliability and passenger comfort.

PURPOSE

Authorization of this contract amendment will allow for continued engineering support and inspection services to ensure that the contractors complete the remaining design and manufacturing of rolling stock in accordance with contract requirements. Alstom Transportation continues to perform equipment modifications at their manufacturing facility in Hornell, NY.

STV, Inc.'s continued support of these projects is necessary to augment staff expertise and ensure that contract requirements are met.

ACTION (Capital Programs Justification: Capacity)

Staff seeks authorization to increase funding of contract (No. 99RS-665) with STV Inc., of New York, NY for engineering support and inspection services for the purchase of 265 rail cars, 29 electric locomotives and 33 diesel locomotives in the amount of \$1,841,088 for a total contract authorization of \$17,475,204 plus five percent for contingencies.

FISCAL IMPACT

Requested Authorization:	\$1,841,088 + 5% contingency
Total Project Cost:	\$17,475,204 + 5% contingency
Projected Date of Completion:	June 2007 (completion of warranty)
Anticipated Source of Funds:	FY00 - FY05 TTF
DBE Goal:	20% Goal
Related/Future Authorizations:	N/A
Impact on Subsequent Operating Budgets:	N/A

RESOLUTION

WHEREAS, NJ TRANSIT seeks to complete its procurement of rail rolling stock including single level cars, electric and diesel locomotives; and

WHEREAS, engineering support and inspection services are required to ensure that ongoing equipment modifications are performed in accordance with contract requirements; and

NOW, THEREFORE, BE IT RESOLVED that the Chairman or Executive Director is hereby authorized to amend the agreement with STV Inc., of New York, NY for engineering support and inspection services for the purchase of 265 rail cars, 29 electric locomotives, and 33 diesel locomotives at a cost not to exceed \$1,841,088 for a total contract authorization of \$17,475,204, plus five percent for contingencies, subject to the availability of funds.

CONSENT CALENDAR

ITEM 0501-2 MORRISVILLE YARD – PHASE 1: CONSTRUCTION CONTRACT AMENDMENT AND CLOSEOUT

BENEFITS

Morrisville Yard in Falls Township, PA provides overnight train storage and light maintenance for Northeast Corridor trains. The new yard facilities eliminate the need for 12 daily non-revenue train moves from Kearny, NJ and Sunnyside Yard in Queens, NY and allow additional revenue trains to be operated with the existing rail fleet. The new rail yard also enhances service reliability and provides capacity for future services. Morrisville Yard opened on March 7, 2004.

PURPOSE

The construction contract for Morrisville Yard included reconstruction of an interlocking and associated track work connecting the Northeast Corridor tracks with the rail yard. During the course of construction, Conrail determined that the proposed interlocking configuration and design speeds were not compatible with the freight trains that share the tracks. Project construction was temporarily halted to accommodate a redesign of the tracks and switches based on input from the freight railroad.

Authorization of the proposed amendment to Contract No. 01-012 will provide for settlement of outstanding claims for delay and construction contract closeout for Morrisville Yard –Phase 1.

ACTION (Capital Program Justification: Expansion)

Staff seeks authorization to amend a contract (No. 01-012) with a joint venture M-Track Enterprises and LK Comstock (MTE/LKC) of Bronx, NY, at a cost not to exceed \$350,000, for settlement of outstanding claims and closeout of the construction contract for Morrisville Yard in Falls Township, PA, for a total contract authorization of \$45,283,602.

FISCAL IMPACTS

Requested Authorization:	\$350,000 For a total of \$45,383,602
Total Project Cost:	\$82,104,085 \$45,347,197 Construction \$19,010,780 Force Account (Amtrak/Conrail) \$ 7,876,852 Preliminary and Final Design \$ 3,875,067 Construction Management \$ 1,641,825 Property Acquisition

\$ 1,816,066 Project Administration
\$ 839,193 Force Account (in-house)
\$ 97,981 Falls Township
\$ 648,363 Miscellaneous Services
\$ 520,761 Environmental Remediation
\$ 30,000 Legal Services
\$ 400,000 Project Contingency

Project Date of Completion: March 2004 (actual)

Anticipated Source of Funds: FTA /Transportation Trust Fund

DBE Goals/Participation: 25% Goal - Construction Contract

Related Authorization: N/A

Impacts on Subsequent Operating Budgets: \$1,800,000 per year

RESOLUTION

WHEREAS, the recent completion of Morrisville Yard in Falls Township, PA reduces non-revenue train movements, allows operation of additional service with the existing fleet, enhances service reliability and capacity for future services; and

WHEREAS, design changes to an interlocking and track alignment were made during the course of construction pursuant to freight railroad requests; and

WHEREAS, the design changes produced a claim from the General Contractor, a joint venture of M-Track Enterprises and LK Comstock, for additional work and delay expenses;

NOW, THEREFORE, BE IT RESOLVED that the Chairman or Executive Director is authorized to amend a contract (No. 01-012) with a joint venture of M-Track Enterprises and LK Comstock (MTE/LTK) of Bronx, NY, for settlement of outstanding claims from construction of the Morrisville Yard in Falls Township, PA at a cost not to exceed \$350,000, for a total contract authorization of \$45,383,602, subject to the availability of funds.