

A. INTRODUCTION

This chapter describes NJ TRANSIT operating and capital costs and funding sources. It also describes the future sources and use of funds for NJ TRANSIT operating and capital needs, with and without the Build Alternative. The purpose of this analysis is to establish that NJ TRANSIT has the financial capacity (along with other dedicated sources of funding) to implement the Build Alternative while maintaining baseline system-wide levels of service, maintenance, and replacement.

NJ TRANSIT's New Starts funding request in this FEIS (\$2.5 billion) is consistent with the FY2008 New Starts submittal. While the forecast year for this FEIS is 2030, the forecast year for the financial analysis, based on FTA New Starts requirements, is 2025. This information is being updated for the FY2009 submittal, which will include contributions from the Port Authority of New York and New Jersey and a \$3 billion New Starts funding request.

B. FY 2006 COSTS AND FUNDING SOURCES

FY 2006 capital and operating budget information has been updated to reflect actual FY2006 costs and funding sources.

CAPITAL COSTS

NJ TRANSIT's FY 2006 Capital Program of \$1.2 billion is representative of the annual level of investment in the system that has increased over the years. The program distributes funds primarily to state-of-good repair projects, capital maintenance, and expansion, as summarized in **Table 10-1**.

TABLE 10-1: NJ TRANSIT FY 2006 CAPITAL COST EXPENDITURES

Category	Cost (Millions \$)	Percent
State of Good Repair	426.0	36%
Capital Maintenance and Building Leases	356.2	30%
New Projects	247.2	21%
Capacity	136.0	11%
Technology	20.0	2%
TOTAL	1,185.4	100%

Source: NJ TRANSIT, September 2007

Overall, NJ TRANSIT's capital program has nearly doubled since 1998, from \$600 million to \$1.18 billion in FY 2006. Between FY 1998 and FY 2006, NJ TRANSIT's total capital expenditures were over \$9 billion.

CAPITAL SOURCES

NJ TRANSIT's FY 2006 Capital Program is funded from federal (45 percent), state (45 percent), and other (10 percent) sources. As summarized in **Table 10-2**, these funding sources and levels have increased since the passage of the federal Intermodal Surface Transportation Efficiency Act in 1998.

TABLE 10-2: NJ TRANSIT CAPITAL PROGRAM FUNDING SOURCES

Funding Source	Amount (Millions \$)	
	FY 1998 Program	FY 2006 Program
Federal		
Section 5307 Formula	129.0	213.8
Section 5309 Fixed Guideway	70.2	99.0
FFGA/Federal Earmarks	87.0	104.0
Section 5310 and 5311	6.0	39.2
STP and CMAQ	0.0	75.0
State Transportation Trust Fund	283.0	534.0
Other Sources (*)	25.0	120.4
TOTAL	600.2	1,185.4

Source: NJ TRANSIT, September 2007

* Other Sources include: Lease payment reserve funds, State-local matching funds, State casino revenue funds, and Port Authority funds

In 1984, the New Jersey State Legislature established the Transportation Trust Fund (TTF) to ensure New Jersey had a stable and predictable method to finance and plan for the State's transportation needs. The TTF is a financing mechanism intended to support the annual transportation capital construction program. It is designed to finance improvements to the State's road, bus and rail transportation networks, and to support local government transportation projects.

On March 23, 2006, New Jersey Governor Corzine signed into law A2813/S1470, which provided state funding for transportation projects through various pools of monies. Key elements of the law include:

- Reauthorizing the TTF by creating a capital program of \$1.6 billion annually over five years to support critical highway and transit projects
- Restructuring of a quarter of the state's transportation bonds – about \$1.8 billion of existing transportation bonds
- Extending the average life of the bonds from 7.8 to 15 years, to save the state \$105 million annually from reduced debt service that will be used to replenish the TTF
- Dedicating the final 1.5 cents of the existing 10.5-cent gas tax, which historically was diverted to the general fund, which will generate \$78 million annually
- Dedicating a portion of toll road revenue to the TTF, which would bring in approximately \$12 million

OPERATING COSTS

As shown in **Table 10-3**, NJ TRANSIT's FY 2006 operating expenses were \$1.48 billion. Approximately 60 percent of the operating costs are for employee labor costs and fringe benefits. The next largest expense category is Purchased Transportation, representing about 10 percent. This category includes services such as the operations of the Hudson-Bergen and River Line light rail systems, contract bus operations, and Access Link paratransit services. Fuel and power account for 7 percent.

TABLE 10-3: NJ TRANSIT FY 2006 OPERATING AND MAINTENANCE COSTS

Category	Expenses (Millions \$)
Labor	526.8
Fringes	347.3
Services	91.3
Fuel & Power	110.5
Materials & Supplies	127.8
Utilities	33.4
Claims & Insurance	23.5
Purchased Transportation	145.9
Tolls & Trackage Fees	39.4
Leases, Rent, Interest	7.8
Taxes & Misc.	30.6
TOTAL	1,484.3

Source: NJ TRANSIT, September 2007

OPERATING SOURCES

As shown in Table 10-4, NJ TRANSIT's operating sources of funding fall into four general categories:

- **Fares (A):** Revenue from passengers. For FY 2006, fare revenue was \$641.6 million, or 44 percent of total revenue.
- **Other Revenue (B):** System-generated revenue other than passenger fares, such as Metro-North reimbursement, advertising revenue, parking fees, station concessions, investment income. In FY 2006, these sources generated \$87.4 million (6 percent of total revenue).
- **State Operating Assistance (C):** Subsidies from the state General Fund. This category was \$278.7 million, or approximately 19 percent of total revenue in FY 2006.
- **Other State and Federal Reimbursements (D-G):** Capital-to-operating transfers, use of federal funds when possible to support new rail and light rail service initiatives, state and federal funding for county pass-through programs and funding for reimbursable project costs. For FY 2006, these sources were \$461.3 million, 31 percent of total revenue.

TABLE 10-4: NJ TRANSIT FY 2006 OPERATING REVENUE SOURCES

Category	Expenses (Millions \$)
A. Passenger Fares	641.6
B. Other Revenue	87.4
C. State Operating Assistance	278.7
D. State Capital to Operating Transfer	157.8
E. State Project Cost Reimbursement	84.2
F. Federal Capital to Operating Transfer	198.2
G. Federal Project Cost Reimbursement	21.1
TOTAL	1,469.0

Source: NJ TRANSIT, September 2007

C. FUTURE COSTS AND FUNDING SOURCES – NO BUILD ALTERNATIVE

FUTURE CAPITAL COSTS AND FUNDING SOURCES

NJ TRANSIT's 20-year capital plan provides sufficient revenue to support the continued state of good repair of the existing transit system. NJ TRANSIT has published a 10-year capital investment strategy that identifies the following core goals for capital investment:

- **Bring the system to a state of good repair:** Rehabilitation of railroad infrastructure, modernization of the bus and rail fleets, rehabilitation of stations and terminals, and improvements to customer service technology, safety and security.
- **Expand capacity and increase frequency:** Expansion of park-and-ride capacity, expansion of the rail fleet, and coordinated highway and bus investments.
- **Expand the reach of the transit system:** Several projects are being considered for implementation, taking into account eligibility for federal funding, ridership potential, physical and operational feasibility, and cost-effectiveness. These projects include Northern Branch, Monmouth-Ocean-Middlesex Rail Line, West Trenton Line, West Shore Rail Line, the Lackawanna Cutoff, and Passaic-Bergen Diesel Multiple Unit (DMU) Service (see Section 3.1 and Chapter 9).

Table 10-5 provides a 20-year forecast of capital costs and associated funding that reflects these core goals. Costs are presented in year-of-expenditure dollars without the Build Alternative. Expenses represent the amounts needed to sustain the existing system. In the 20-year plan, the following assumptions are made:

- Sections 5307 and 5309 funding—the two largest categories of federal formula funds—are projected to increase by 5 percent and 4 percent per year, respectively. The 5309 funds are fixed guideway formula funds for urbanized areas, which NJ TRANSIT receives each year.
- Section 5311 (Rural) and Section 5310 (Elderly & Disabled) are projected to increase by 5 percent per year.
- Federal earmarks include current Full Funding Grant Agreements and SAFETEA-LU.
- Congestion Mitigation and Air Quality/Surface Transportation Program-Transportation Enhancements (CMAQ/STP-TE) are projected to increase by 4 percent per year.
- The State Transportation Trust Fund (TTF) contribution is assumed to increase 15 percent for each four-year period beyond the current authorization. This is more conservative than past reauthorizations of the TTF. The last TTF reauthorization occurred in 2000. Under that authorization, the overall TTF authorized funding level jumped from \$700 million in FY 1999 to \$900 million in FY 2000, an increase of close to 30 percent. In addition, while the 2000 reauthorization of the TTF had funding levels growing to \$950 million per year in FY03, the actual FY03 TTF level was \$1.2 billion. On March 23, 2006, the TTF was reauthorized again—this time for a five-year period. Under the current authorization, NJ TRANSIT receives \$675 million per year, a 25 percent increase over FY06's \$534 million level.

TABLE 10-5: NJ TRANSIT 20-YEAR CAPITAL PROGRAM FORECAST – NO BUILD ALTERNATIVE

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16-25	TOTAL FY06-25
EXPENSES (Millions \$)												
Capacity	136.00	160.00	65.23	38.30	33.37	39.20	38.49	71.88	87.55	129.99	2,023.04	2,823.05
State of Good Repair	426.00	450.00	504.00	481.43	433.01	561.52	527.24	570.64	550.54	622.65	8,428.31	13,555.34
New Projects	247.21	300.09	176.95	111.94	121.03	77.22	72.11	72.01	89.59	77.39	263.19	1,608.73
Capital Maintenance/ Building Leases	356.21	356.27	356.00	356.00	307.20	307.20	307.20	307.20	307.20	307.20	3,072.00	6,339.68
Technology	20.00	20.00	17.33	12.58	6.05	4.80	4.30	4.52	4.74	4.98	315.74	415.03
Unallocated Contingency	0.00	0.00	155.34	237.54	339.60	394.92	454.59	403.10	416.34	466.61	5,283.34	8,151.37
TOTAL EXPENSES	1,185.42	1,286.36	1,274.85	1,237.78	1,240.26	1,384.85	1,403.94	1,429.35	1,455.96	1,608.81	19,385.62	32,893.20
RESOURCES (Millions \$)												
Federal												
Federal Formula	416.79	435.63	381.74	406.31	425.02	444.62	465.17	486.69	509.25	532.90	6,909.73	11,413.85
Federal Earmarks	39.21	44.99	85.73	32.84	13.00	9.20	4.00	4.00	4.00	4.00	40.00	280.97
CMAQ/STP-TE	75.00	75.00	126.00	129.04	157.20	160.49	188.91	192.47	246.16	250.01	1,498.77	3,099.05
<i>Total Federal</i>	<i>531.00</i>	<i>555.62</i>	<i>593.47</i>	<i>568.19</i>	<i>595.22</i>	<i>614.31</i>	<i>658.08</i>	<i>683.16</i>	<i>759.42</i>	<i>786.91</i>	<i>8,448.50</i>	<i>14,793.88</i>
State	534.00	675.00	625.00	625.00	600.00	725.00	700.00	700.00	650.00	775.00	10,440.00	17,049.00
Other	120.42	55.74	56.38	44.59	45.04	45.54	45.86	46.19	46.54	46.90	497.12	1,050.32
TOTAL RESOURCES	1,185.42	1,286.36	1,274.85	1,237.78	1,240.26	1,384.85	1,403.94	1,429.35	1,455.96	1,608.81	19,385.62	32,893.20

Source: NJ TRANSIT, September 2007

Note: Totals may differ slightly due to rounding.

FUTURE OPERATING COSTS AND FUNDING SOURCES

NJ TRANSIT's 20-year operating plan provides sufficient revenue to fund operations into the future. **Table 10-6** summarizes projected operating costs and funding sources through 2025, based on the following assumptions (all costs are presented in year-of-expenditure dollars):

- Total expenses increase at an average rate of 4.5 percent per year between FY 2006–2025.
- Passenger fares are predicted to increase an average of 4.3 percent per year between FY 2006-2025, reflecting an assumption of a 6 percent fare increase every other year starting in FY 2010, with additional growth due to ridership increases. This passenger fare increase is based on a NJ TRANSIT policy decision. Other revenues are projected to increase by 3 percent per year.
- Total federal and state capital-to-operating transfers remain flat at approximately \$204 million from FY 2008 through FY 2025. State operating assistance is assumed to increase as necessary to balance the budget, rising to approximately \$915 billion by FY 2025 from \$279 million in FY 2006.
- In FY 2017, expenses and revenues are expected to increase to reflect an enhanced level of service during off-peak periods, as requested by the FTA.

While the projected increase in baseline operating budget costs and state subsidy requirements over the next 20 years is substantial, assumed growth rates are consistent with historical levels. Baseline operating budget projections assume average annualized expense growth of 4.5 percent. This level is below the actual annualized growth over the last 20 years (5.4 percent), reflecting NJ TRANSIT's efforts to contain growth in operating expenses. Similarly, the baseline projection assumes annualized growth in state operating funding from operating assistance, capital transfers, and project reimbursements of 6.2 percent over the next 19 years, in line with the actual annualized growth in those sources (5.9 percent) over the last 20 years.

Evidence of state support for public transportation over the last 20 years is further demonstrated by the nearly 50 percent increase that has occurred in NJ TRANSIT service levels. In addition to funding increases in system-wide rail and bus service, the state has supported significant new service initiatives, such as Midtown Direct, the Montclair Connection, Frank R. Lautenberg Station, Hudson-Bergen and River Line light rail service, and Access Link paratransit service.

TABLE 10-6: NJ TRANSIT 20-YEAR OPERATING EXPENSE AND REVENUE FORECAST – NO BUILD ALTERNATIVE

Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
EXPENSES (Millions \$)																				
Labor	526.8	544.2	571.6	602.1	629.8	652.3	675.6	699.8	724.8	750.8	777.7	805.5	834.4	864.3	895.2	927.3	960.6	995.0	1,030.7	1,067.7
Fringes	347.3	375.8	373.3	393.3	411.5	426.2	441.5	457.3	473.7	490.7	508.3	526.5	545.4	565.0	585.3	606.3	628.1	650.6	674.0	698.2
Services	91.3	90.6	93.9	97.2	101.1	104.4	107.8	111.4	115.0	118.8	122.7	126.8	131.0	135.3	139.7	144.4	149.1	154.0	159.1	164.4
Fuel & Power	110.5	104.4	119.0	134.4	140.7	145.9	151.3	156.9	162.7	168.7	174.9	181.4	188.1	195.1	202.3	209.8	217.5	225.6	233.9	242.6
Materials & Supplies	127.8	111.0	121.1	156.7	163.7	169.6	175.7	182.0	188.6	195.4	202.5	209.8	217.4	225.2	233.4	241.8	250.5	259.6	269.0	278.7
Utilities	33.4	31.0	37.2	43.2	44.7	46.3	48.0	49.7	51.4	53.3	55.1	57.1	59.1	61.3	63.4	65.7	68.1	70.5	73.0	75.6
Claims & Insurance	23.5	25.8	27.2	28.0	28.9	29.7	30.6	31.5	32.5	33.5	34.5	35.5	36.6	37.7	38.8	40.0	41.2	42.4	43.7	45.0
Purchased Trans.	145.9	156.4	165.4	171.5	179.3	187.4	199.7	207.1	214.8	222.8	231.2	239.8	248.8	258.2	267.9	278.1	288.6	299.6	311.0	322.9
Tolls & Trackage Fees	39.4	43.9	49.2	51.9	53.9	55.8	57.9	60.0	62.3	64.6	66.9	69.4	72.0	74.6	77.4	80.2	83.2	86.2	89.4	92.7
Leases, Rent, Interest	7.8	6.4	5.7	5.9	6.1	6.3	6.5	6.7	6.9	7.1	7.3	7.6	7.8	8.1	8.3	8.6	8.9	9.2	9.5	9.8
Taxes & Misc.	30.6	20.0	23.2	24.2	25.0	25.8	26.6	27.5	28.4	29.3	30.2	31.2	32.2	33.2	34.3	35.4	36.5	37.7	38.9	40.1
TOTAL	1,484.3	1,509.5	1,586.8	1,708.5	1,784.5	1,849.8	1,921.2	1,989.9	2,061.2	2,134.9	2,211.4	2,290.6	2,372.8	2,457.9	2,546.1	2,637.5	2,732.2	2,830.4	2,932.2	3,037.7

Source: NJ TRANSIT, September 2007

TABLE 10-6: NJ TRANSIT 20-YEAR OPERATING EXPENSE AND REVENUE FORECAST – NO BUILD ALTERNATIVE (CONTINUED)

Fiscal Year:	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
REVENUE (Millions \$)																				
Passenger Fares	641.6	634.1	742.5	754.5	818.4	831.8	896.6	911.4	982.0	998.1	1,071.8	1,085.7	1,163.1	1,175.6	1,259.4	1,274.4	1,366.9	1,383.3	1,483.8	1,501.4
Other Revenue	87.4	65.8	82.4	84.9	87.4	90.0	92.7	95.5	98.4	101.3	104.4	107.5	110.7	114.1	117.5	121.0	124.6	128.4	132.2	136.2
State Operating Assistance	278.7	390.9	298.2	402.2	457.2	503.1	503.5	551.0	545.0	595.8	591.6	649.7	647.0	711.9	708.4	776.7	770.6	843.8	836.1	914.9
State Capital to Operating Transfer	157.8	157.8	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2
State Project Cost Reimbursement	84.2	76.1	86.2	88.8	91.4	94.2	97.0	99.9	102.9	106.0	109.2	112.5	115.8	119.3	122.9	126.6	130.4	134.3	138.3	142.5
Federal Capital to Operating Transfer	198.2	167.4	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0
Federal Project Cost Reimbursement	21.1	17.3	70.3	70.9	22.8	23.5	24.2	24.9	25.7	26.4	27.2	28.1	28.9	29.8	30.7	31.6	32.5	33.5	34.5	35.5
TOTAL	1,469.0	1,509.4	1,586.8	1,708.5	1,784.5	1,849.8	1,921.2	1,989.9	2,061.2	2,134.9	2,211.4	2,290.6	2,372.8	2,457.9	2,546.1	2,637.5	2,732.2	2,830.4	2,932.2	3,037.7

Source: NJ TRANSIT, September 2007

D. FUTURE COSTS AND FUNDING SOURCES – BUILD ALTERNATIVE

FUTURE CAPITAL COSTS AND FUNDING SOURCES

The total capital cost for the Build Alternative is estimated at \$6.6 billion (2007 dollars). The Build Alternative year of expenditure (YOE) capital cost is \$7.6 billion. Details for the capital cost are provided in Chapter 9 and Appendix 10. **Table 10-7** shows projected funding for the capital cost. The Build Alternative is expected to use funding sources above and beyond those expected for the core capital program. The ARC YOE capital cost for construction and initial rolling stock is \$7.26 billion.

TABLE 10-7: BUILD ALTERNATIVE CAPITAL COSTS AND FUNDING SOURCES (MILLIONS \$)

Capital Cost (YOE)	\$7,621.33
Sources of Funding	
Federal	\$3,954.92
Local Share	\$3,308.55
TOTAL	\$7,263.47

Source: NJ TRANSIT, September 2007

Note: \$357.85 million vehicle cost (not required for project start-up) is not included

The budget assumes that 55 percent of the funding would come from Federal sources. Approximately \$2.5 billion, or 34 percent of the construction and initial rolling stock capital cost, would be provided by the FTA Section 5309 New Starts program. The remaining Federal portion would consist of such sources as FTA Section 5307, CMAQ, and Section 5309 Rail Modernization. Funding assumptions are dependent on the outcome of the FTA New Starts rating process and Congressional appropriation, which is an extremely competitive process. The level of federal financial support has not been determined; however, NJ TRANSIT's assumed New Starts share of project costs would make ARC the largest commitment of FTA funding to a single project in the history of the program. The proposed annual New Starts payout for the Build Alternative would be unprecedented in the New Starts program. Since 1980, NJ TRANSIT has received full funding grant agreements from the FTA (and its predecessor, the Urban Mass Transportation Agency) for five projects: North Jersey Coast Line electrification (\$98 million); Frank R. Lautenberg Station (\$448 million); Hudson-Bergen Light Rail MOS I and II (\$2.2 billion), and Newark-Elizabeth Light Rail MOS I (\$208 million). The total value of these agreements is \$2.96 billion, of which \$1.7 billion are New Starts funds.

The local share is expected to cover 45 percent of the project's construction and initial rolling stock costs. The local share of the capital cost is expected to be funded primarily by the PANYNJ. Through various agreements, PANYNJ has provided nearly \$750 million to NJ TRANSIT since 1980, for projects such as construction of the Newark Liberty International Airport rail station. A portion of the local share of the capital cost is expected to be financed through the State Transportation Trust Fund. The Build Alternative is included in financially constrained plans and Transportation Improvement Programs (TIP) for both NYMTC and the NJTPA.

Table 10-8 provides a 20-year forecast of capital costs and associated funding that reflects the core capital program and the Build Alternative. All costs are presented in year of expenditure dollars.

TABLE 10-8: NJ TRANSIT 20-YEAR CAPITAL PROGRAM FORECAST – BUILD ALTERNATIVE

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16-25	TOTAL FY06-25
EXPENSES (Millions \$)												
Capacity	136.00	108.00	65.23	38.30	33.37	39.20	38.49	71.88	87.55	129.99	2,113.04	2,861.05
State of Good Repair	426.00	450.00	504.00	481.43	433.01	561.52	527.24	570.64	550.54	622.65	8,428.31	13,555.34
New Projects	247.21	300.09	176.95	111.94	121.03	77.22	72.11	72.01	89.59	77.39	263.19	1,608.73
Capital Maintenance/ Building Leases	356.21	356.27	356.00	356.00	307.20	307.20	307.20	307.20	307.20	307.20	3,072.00	6,339.68
Technology	20.00	20.00	17.33	12.58	6.05	4.80	4.30	4.52	4.74	4.98	315.74	415.03
ARC	0.00	52.00	303.98	770.59	1,022.91	1,090.29	1,043.16	822.33	642.35	594.59	921.29	7,263.48
Unallocated Contingency	0.00	0.00	27.68	110.07	176.38	244.92	34.18	148.59	63.99	162.02	4,875.98	5,843.82
TOTAL	1,185.42	1,286.36	1,451.17	1,880.90	2,099.95	2,325.14	2,026.69	1,997.18	1,745.96	1,898.81	19,989.55	37,887.13
RESOURCES (Millions \$)												
Federal												
Federal Formula	416.79	435.63	381.74	406.31	425.02	444.62	465.17	486.69	509.25	532.90	6,909.73	11,413.85
Federal Earmarks	39.21	38.92	85.73	32.84	13.00	9.20	4.00	4.00	4.00	4.00	40.00	274.90
ARC FFGA	0.00	6.07	20.00	250.00	250.00	250.00	250.00	290.00	290.00	290.00	603.93	2,500.00
CMAQ/STP-TE	75.00	75.00	126.00	129.04	157.20	160.49	188.91	192.47	246.16	250.01	1,498.77	3,099.05
<i>TOTAL Federal</i>	<i>531.00</i>	<i>555.62</i>	<i>613.47</i>	<i>818.19</i>	<i>845.22</i>	<i>864.31</i>	<i>908.08</i>	<i>973.16</i>	<i>1,049.42</i>	<i>1,076.91</i>	<i>9,052.43</i>	17,287.81
State	534.00	675.00	781.32	1,018.12	1,209.69	1,415.29	1,072.75	977.83	650.00	775.00	10,440.00	19,549.00
Other	120.42	55.74	56.38	44.59	45.04	45.54	45.86	46.19	46.54	46.90	497.12	1,050.32
TOTAL	1,185.42	1,286.36	1,451.17	1,880.90	2,099.95	2,325.14	2,026.69	1,997.18	1,745.96	1,898.81	19,989.55	37,887.13

Source: NJ TRANSIT, September 2007

Note: Totals may differ slightly due to rounding

FUTURE OPERATING COSTS AND FUNDING SOURCES

Table 10-9 shows forecasted operating costs and revenues with the Build Alternative in FY 2025 and Table 10-10 summarizes projected operating costs and funding sources through 2025, reflecting the following assumptions. All costs are presented in year-of-expenditure dollars. Future operating cost and funding sources are based on the following assumptions:

- **Incremental annual operating and maintenance costs: \$132.8 million in FY 2025.** This is equivalent to \$99.8 million in FY 2007 dollars, as described in Chapter 9 and Appendix 10. A 3 percent annual growth rate, consistent with inflation and historical precedent, was applied to escalate the FY 2007 dollars to year of expenditure dollars.
- **Revenues from passenger fares: \$163.2 million in FY 2025.** This is equivalent to \$120.5 million in 2007 dollars, as described in Chapter 9. A 6 percent fare increase was applied every other year beginning in FY 2010 to escalate the FY 2006 budgeted revenue to FY 2025. This passenger fare increase is based on a NJ TRANSIT policy decision.

TABLE 10-9: NJ TRANSIT FY 2025 OPERATING EXPENSE FORECAST – BUILD ALTERNATIVE

	Fiscal Year 2025 (Millions \$)
Total Expenses Without Build Alternative	3,037.7
Incremental O&M Cost for the Build Alternative	132.8
TOTAL EXPENSES	3,170.5
Total Revenue Without Build Alternative	3037.7
Incremental Passenger Fares for the Build Alternative	163.2
<i>Subtotal Revenue</i>	3,200.9
Reduction in State Operating Assistance	(30.4)
TOTAL REVENUE	3,170.5

Source: NJ TRANSIT, September 2007

E. CONCLUSION

NJ TRANSIT's 20-year capital and operating plans provide sufficient revenue to support the continued state of good repair of the existing transit system and fund operations into the future. The incremental capital cost of the Build Alternative is \$6.6 billion (2007 dollars). The Build Alternative YOE capital cost is \$7.6 billion. The ARC YOE capital cost for construction and initial rolling stock is \$7.26 billion. Funding for construction and initial rolling stock would come from a 55 percent federal/45 percent local share. New Starts funding would account for 64 percent of the federal share (34 percent of the total). The remaining 21 percent of federal funds are programmed from CMAQ, Section 5307, and Section Rail Modernization. Local share would come primarily from the PANYNJ. The incremental annual operating and maintenance cost of the Build Alternative is \$99.8 million (2007 dollars) and is projected to be funded by fares. By the year 2025, the incremental Build Alternative cost would account for approximately 4 percent of NJ TRANSIT's overall operating budget. As demonstrated in this chapter, NJ TRANSIT has the financial capacity to implement the Build Alternative while maintaining system wide levels of service, maintenance and replacement.

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TABLE 10-10: NJ TRANSIT 20-YEAR OPERATING EXPENSE AND REVENUE FORECAST – BUILD ALTERNATIVE

Fiscal Year:	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
EXPENSES (Millions \$)																				
Labor	526.8	544.2	571.6	602.1	629.8	652.3	675.6	699.8	724.8	750.8	777.7	820.0	855.8	888.0	921.4	956.1	992.1	1,029.5	1,068.3	1,108.6
Fringes	347.3	375.8	373.3	393.3	411.5	426.2	441.5	457.3	473.7	490.7	508.3	536.9	560.8	582.0	604.0	626.9	650.7	675.3	701.0	727.6
Services	91.3	90.6	93.9	97.2	101.1	104.4	107.8	111.4	115.0	118.8	122.7	129.5	135.0	139.7	144.7	149.8	155.1	160.5	166.2	172.1
Fuel & Power	110.5	104.4	119.0	134.4	140.7	145.9	151.3	156.9	162.7	168.7	174.9	195.2	208.6	217.7	227.2	237.2	247.6	258.5	269.8	281.6
Materials & Supplies	127.8	111.0	121.1	156.7	163.7	169.6	175.7	182.0	188.6	195.4	202.5	213.4	222.7	231.1	239.8	248.9	258.3	268.1	278.2	288.8
Utilities	33.4	31.0	37.2	43.2	44.7	46.3	48.0	49.7	51.4	53.3	55.1	57.8	60.1	62.3	64.6	67.0	69.5	72.0	74.7	77.5
Claims & Insurance	23.5	25.8	27.2	28.0	28.9	29.7	30.6	31.5	32.5	33.5	34.5	35.5	36.6	37.7	38.8	40.0	41.2	42.4	43.7	45.0
Purchased Trans.	145.9	156.4	165.4	171.5	179.3	187.4	199.7	207.1	214.8	222.8	231.2	239.8	248.8	258.2	267.9	278.1	288.6	299.6	311.0	322.9
Tolls & Trackage Fees	39.4	43.9	49.2	51.9	53.9	55.8	57.9	60.0	62.3	64.6	66.9	70.8	74.0	76.8	79.8	82.9	86.1	89.5	93.0	96.6
Leases, Rent, Interest	7.8	6.4	5.7	5.9	6.1	6.3	6.5	6.7	6.9	7.1	7.3	7.6	7.8	8.1	8.3	8.6	8.9	9.2	9.5	9.8
Taxes & Misc.	30.6	20.0	23.2	24.2	25.0	25.8	26.6	27.5	28.4	29.3	30.2	31.2	32.2	33.2	34.3	35.4	36.5	37.7	38.9	40.1
TOTAL	1,484.3	1,509.5	1,586.8	1,708.5	1,784.5	1,849.8	1,921.2	1,989.9	2,061.2	2,134.9	2,211.4	2,337.6	2,442.4	2,534.9	2,631.0	2,730.8	2,834.6	2,942.3	3,054.2	3,170.5

Source: NJ TRANSIT, September 2007

TABLE 10-10: NJ TRANSIT 20-YEAR OPERATING EXPENSE AND REVENUE FORECAST – BUILD ALTERNATIVE (MILLIONS \$)
(CONTINUED)

Fiscal Year:	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
REVENUE (Millions \$)																				
Passenger Fares	641.6	634.1	742.5	754.5	818.4	831.8	896.6	911.4	982.0	998.1	1,071.8	1,156.8	1,267.3	1,283.9	1,378.8	1,399.2	1,504.2	1,526.0	1,641.0	1,664.6
Other Revenue	87.4	65.8	82.4	84.9	87.4	90.0	92.7	95.5	98.4	101.3	104.4	107.5	110.7	114.1	117.5	121.0	124.6	128.4	132.2	136.2
State Operating Assistance	278.7	390.9	298.2	402.2	457.2	503.1	503.5	551.0	545.0	595.8	591.6	625.6	612.4	680.6	673.9	745.2	735.6	812.9	801.0	884.5
State Capital to Operating Transfer	157.8	157.8	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2	103.2
State Project Cost Reimbursement	84.2	76.1	86.2	88.8	91.4	94.2	97.0	99.9	102.9	106.0	109.2	112.5	115.8	119.3	122.9	126.6	130.4	134.3	138.3	142.5
Federal Capital to Operating Transfer	198.2	167.4	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0	204.0
Federal Project Cost Reimbursement	21.1	17.3	70.3	70.9	22.8	23.5	24.2	24.9	25.7	26.4	27.2	28.1	28.9	29.8	30.7	31.6	32.5	33.5	34.5	35.5
TOTAL	1,469.0	1,509.4	1,586.8	1,708.5	1,784.5	1,849.8	1,921.2	1,989.9	2,061.2	2,134.9	2,211.4	2,337.6	2,442.4	2,534.9	2,631.0	2,730.8	2,834.6	2,942.3	3,054.2	3,170.5

Source: NJ TRANSIT, September 2007